

# Institutions and Economic Performance in Southern Mediterranean Partner Countries (SMPCs): A Renewed Policy Agenda to Tackle Institutional Failure

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The following SMPCs are involved: Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia.

## Critical Issue:

Poor quality of institutional performance in SMPCs



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SMPCS score below all regions of the world on the six dimensions of the World Governance Indicators (WGIs).



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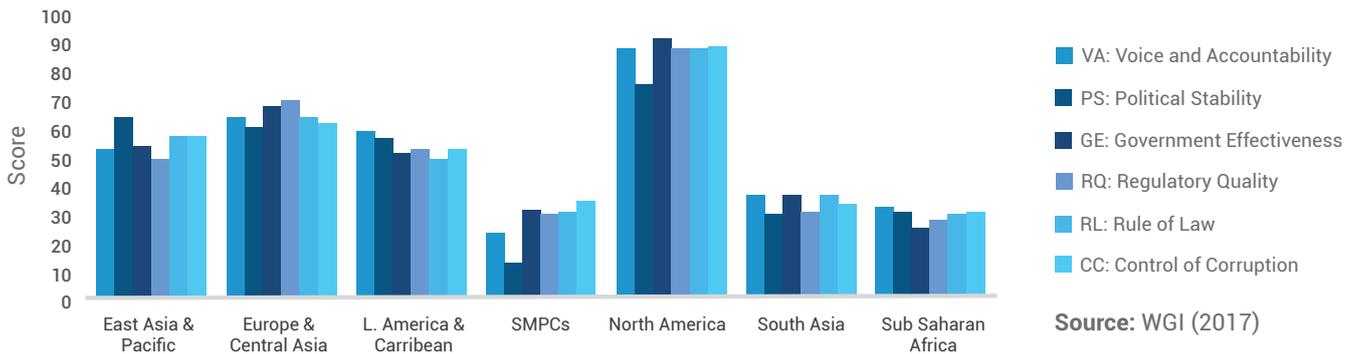
Previous institutional reforms have not resulted in significant, positive outcomes.



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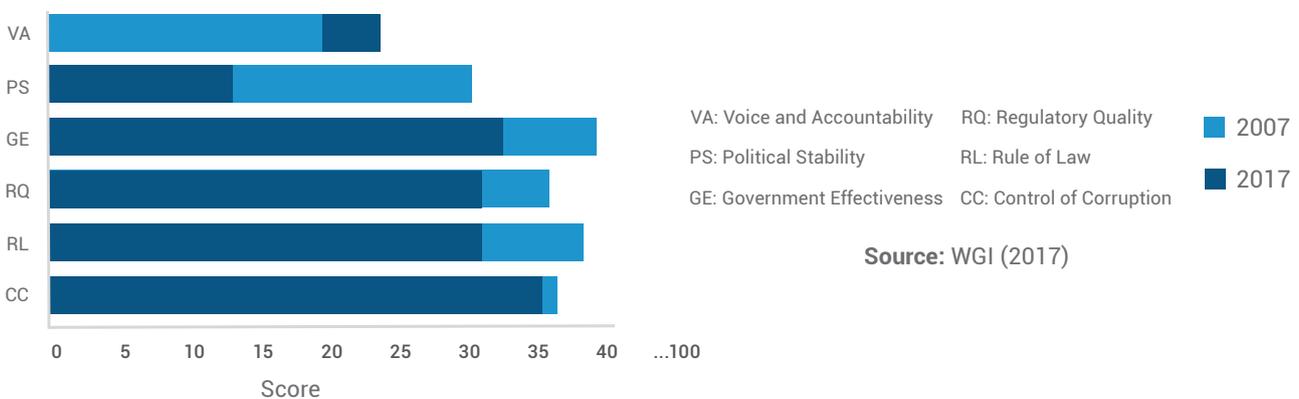
However, some SMPCs perform better than others on some WGIs.

## Governance indicators by region, 2017



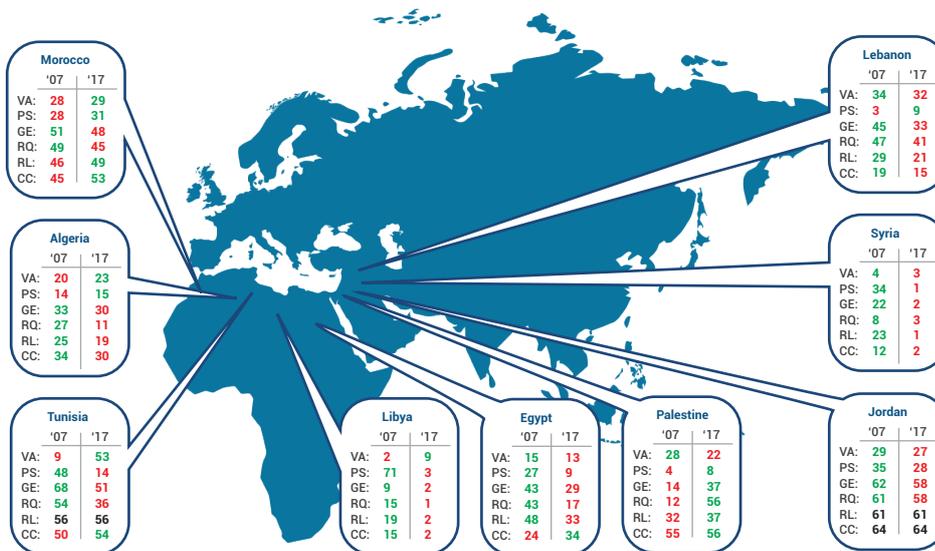
Source: WGI (2017)

## Governance indicators in the SMPCs (2007-2017)



Source: WGI (2017)

## Governance indicators in the SMPCs, 2007-2017



VA: Voice and Accountability

PS: Political Stability

GE: Government Effectiveness

RQ: Regulatory Quality

RL: Rule of Law

CC: Control of Corruption

Source: WGI (2017)

## Two types of Institutional Failure



### Structural Failure

Existing institutional structure = Lower net benefit to society compared to an alternative structure.



### Transitional Failure

Attempts to change the institutional structure do not lead to desired outcomes.

## Policy Measures

### Measures to deal with Type 1 failure



- Identify, analyse and attempt to replicate "pockets of bureaucratic efficiency".



- Focus institutional reforms on bureaucratic units where leaders have good learning potential.

### Measures to deal with Type 2 failure



- Far-reaching constitutional reforms.



- Radical restructuring of the "political settlement" (the balance of social power).

More theoretical and empirical research is required to understand how Type II failure could be resolved peacefully and without significant disruption to political stability.