Editorial

Institutions, public policies and development

Nicola Pontarollo[1]

[1]Editor in Chief, Revista Economía y Política, nicola.pontarollo@ucuenca.edu.ec

Douglas North argues that countries that go through similar historical processes, but that maintain differences in the institutional framework may have different development results (North and Thomas, 1973 and North, 1990). It is well known, for example, that the role of institutions and the quality of government is a mediator of the returns to public policies (Rajkumar and Swaroop, 2008, Morozumi and José Veiga, 2014, Rodríguez-Pose and Garcilazo, 2015; Crescenzi, et al., 2016).

Indeed, institutions play a decisive role not only in setting "the rules of the game", but also into the identification of policy priorities, in their implementation and coordination. Lack of institutional coordination might result into waste of public money, in the best case, and in negative economic outcomes, in the worst case. A classical example is the investment in infrastructure that do not lead automatically to economic development if not combined with investment in education, enterprise, and innovation. On the contrary, it might even result in a net reduction in economic activity in less developed areas, a problem known as 'leaking by linking'. This happens when weaker places with lower soft endowment are better connected to the core regions and then more exposed to international competition (Martin and Rogers, 1995; Martin, 1998). In this perspective, as often more development places have also well-grounded institutions, the result of incorrect and/or uncoordinated policies may be resumed in the so-called Matthew effects[1] according to which *the rich get richer and the poor get poorer*.

So, what to do?

We all know that institutions are the result of historical processes and have to do with culture and, therefore, they are difficult to modify, at least in the short run. However, this does not mean that nothing can be done.

A possible solution passes through place based approach (Barca, 2009) that has to go hand-by-hand with accountability. Place based development strategies concern the fact that, at subnational level, national policy objectives cannot be taken "as they are" because "regions are not countries and cannot simply replicate national policies at the regional level" (OECD, 2011: 19). This means that policies and the subsequent allocation of public funds to the different axis of interventions need to be tailored with respect to the real necessities of a territory. This requires first a deep analysis of the actual socioeconomic situation and then the planning of achievable and measurable objectives that have to be coherent with both local context and country development priorities. These objectives have to be i) agreed by local stakeholders, ii) coordinated horizontally and vertically and iii) should include a

[1] The term was first coined by sociologist Robert K. Merton in 1968 and takes its name from a verse in the biblical Gospel of Matthew 13:12, pertaining to Jesus' parable of the talents: "For unto every one that hath shall be given, and he shall have abundance: but from him that hath not shall be taken even that which he hath".

mix of hard and soft capital investments, to exploit at a maximum endogenous local growth potential. A key aspect of this process is that it has to be fully transparent, i.e. accountable. This means that the entire flow of information generated during the process should to be publicly available. Operationally, citizens should have easy and real-time access to the documentation and progress (financial and operational) of each public project. Everyone should be able to find data on resources planned and spending, locations, thematic areas, planning and implementing authorities, the time needed to complete initiatives and payments for individual projects. This allows everyone to assess how resources are being used to meet the needs of the territories involved.

The positive outcomes of these approaches are both direct and indirect. The direct result consists into a better allocation of public resources with a more likely positive effect on development chances of a country. A first indirect outcome is that policy choices of the local administrative authorities become comparable in terms of equity (where public resources are spent) and efficiency (how public resources are spent). Furthermore, more transparency in the institutional processes increase trust of people on bureaucracy and create incentives for a more responsible behaviour of policy makers and public officials.

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