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

Author: Ahmed Badawi

Critical Issue:
Poor quality of institutional performance in SMPCs

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

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

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

Governance indicators by region, 2017

Governance indicators in the SMPCs (2007-2017)

EMNES Policygraphics are graphic visual representations of policy analysis and conclusions produced from EMNES research, papers or studies on topical issues in Euro-Mediterranean economic policy. The views expressed are attributable only to the authors in a personal capacity and not to any institution with which they are associated.

Available for free downloading from the EMNES website www.emnes.org

©EMNES 2020 - Policygraphics
Existing institutional structure = Lower net benefit to society compared to an alternative structure.

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

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

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

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.