

Opening Remarks by the Secretary General of the OECD

In order to promote development, it is indispensable to look at the institutional frameworks of countries. High-quality institutions enable a better economic and investment climate, foster better governance and accountability, encourage trust, reinforce property rights and avoid the exclusion of sections of the population.

In emerging and developing countries, *formal* institutions such as laws, regulations and legally enforced property rights are usually poorly established. *Informal* institutions based on trust, solidarity and social capital – such as family and kinship structures, traditions, civil and social norms – often substitute for, compete with or complement formal institutions. In fact, informal institutions are of high importance and can help or hinder the development process: ignoring them can be costly for partner and donor countries alike.

This collection of papers presented at the OECD conference on “Informal Institutions and Development: What Do We Know and What Can We Do” held in Paris, December 2006 examines the ways in which informal institutions matter, and how OECD and its partner countries could pay more attention to them.

The *Paris Declaration on Aid Effectiveness* calls for a significantly increased effectiveness of aid and support to partner countries in their efforts to strengthen governance and improve development performance. Informal institutions either in their existing state, or with the required changes, can help move in that direction.

The OECD recently established an advisory unit to support the Partnership for Democratic Governance (PDG). PDG aims to support the efficient and transparent provision of certain services in developing countries.

Strengthening the capacity to respond to the legitimate desire of citizens for the delivery of adequate services is a major challenge; facing up to it requires careful assessment of existing formal and informal institutions. Initiatives such as the PDG and the “Heiligendamm Process”, which is also hosted by the OECD, demonstrate that the Organisation is moving beyond the “institutions matter” stage, to helping member and partner countries implement policies that reinforce those institutions that contribute to progress, human security and growth.

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