

Preface

By now, most people agree that institutions matter for development. The debate has nevertheless not sufficiently taken into account the whole spectrum of institutional arrangements. In fact, too much emphasis has been put on the importance of formal state institutions. Undoubtedly, a sound legal system, a solid constitution and a functioning democratic framework are indispensable ingredients to achieve sustainable development. However, people often forget to acknowledge the crucial impact of norms and values that allow formal institutions to operate efficiently. Such informal institutions – traditions, customs and social norms – provide the underpinnings of social order and are thus pivotal to understanding human interaction and the performance of economies.

To contribute to this emerging debate, the OECD Development Centre – in co-operation with the OECD Development Assistance Committee's Network on Governance (DAC-GOVNET) – organised an international seminar on "Informal Institutions and Development: What Do We Know and What Can We Do?" in December 2006. The seminar brought together high-level policy makers, representatives of civil society and international experts. They discussed linkages and possible conflicts between formal and informal institutions, and looked at ways in which donors and partner countries can foster the contribution of informal institutions to a more enabling environment for development. The seminar (the proceedings of which are presented to you in this report) concluded with some important policy lessons that can improve development co-operation. It also highlighted areas that have so far not been understood sufficiently and require additional research in the future.

For the OECD Development Centre, the seminar marked the close of two consecutive Programmes of Work (2003-04 and 2005-06) that highlighted important linkages between informality and development. Many important

results have been achieved in the last years: including the launch of the first comprehensive data base on gender equality, which presents information on discrimination in informal institutions (OECD Gender, Institutions and Development Data Base); an analysis of the crucial role of family structures for investment and savings behaviour; and an assessment of the potential to scale up risk management systems, based on reciprocity with more formalised insurance mechanisms.

Yet despite these achievements, more work still needs to be done. We do need a better understanding of why, in the process of globalisation, informality seems to increase rather than decrease, and why we have not yet witnessed a formation of universally shared values such as freedom, democracy and human rights. In fact, most peoples' lives are still grounded in local contexts and conditions. Better understanding of these multiple realities is urgently needed if we want to fulfil our objectives as set out in the United Nations Millennium Declaration. An improved handling of informal institutions will be crucial in this endeavour.

Louka T. Katseli

Director, OECD Development Centre

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