The best years of our lives? Definitely a period of sweeping change for DIAL, born in 1990 from the common will of three partners who received decisive support right from the outset from the French co-operation network: the Institut de Recherche pour le Développement (IRD), the French National Institute of Statistics and Economic Studies (INSEE) and the Statistical Office of the European Union (Eurostat).

Over the last two decades, DIAL has largely fulfilled its founding brief and has gradually broadened its geographical coverage from the starting point of Cameroon and Madagascar to three continents today (Africa, Latin America and Asia):

• Its innovative research on the economic issues high on the development agenda has constantly striven to inform policy-making, from the era of structural adjustment through to the current poverty and inequality reduction strategies;
• It has actively pursued the improvement of the collection of first-hand statistical data so sorely lacking in the developing countries – especially Africa – and the 1-2-3 Surveys promoted by DIAL have been conducted in over 20 countries (see page 6);
• Many partnerships have been set up in the South to build scientific and technical capacities through co-operation in research, statistical surveys and training.

Although the initial aims have not been lost from sight and are still very much on the agenda, the research policy reform in France and the refocusing of the statistical partners’ activities have seen some institutions (EUROSTAT, INSEE and AFD) withdraw along the way, even though they have continued to support DIAL in different ways. At the same time, the 2010 creation of a Joint Research Unit (UMR) with the University of Paris Dauphine has given us new partnerships and a critical mass. It has broadened the international subject focuses on the theme of globalisation and secured a long-sought academic anchoring.

This newsletter homes in on a subject that has been a major thrust of DIAL’s research programme since its creation: the study of the informal sector. We are encouraged to see that the IRD’s Strategic Steering Committee Report written by a group of independent experts in 2010 describes the study of the informal economy as both one of the IRD’s main strong points and one of its priorities for the coming years. Given that most of the jobs in the developing countries are found in the informal sector, a better understanding of the functioning of these countries’ economies clearly calls for more in-depth knowledge of the informal sector.

In the second part of this newsletter, some of DIAL’s founders and early members look back at DIAL’s birth and share their thoughts on this adventure. We would like to thank them here.

Jean-Pierre Cling and Xavier Oudin
An original approach in development economics:
20 years of work on measuring and analysing the informal economy
in the developing countries

Christophe J. Nordman and François Roubaud

DIAL was set up in 1990 with a three-track brief: to produce first-hand data where such was lacking to inform public policies, to contribute to building the Southern institutions’ technical and scientific capacities, and to develop high-quality research on the major development issues (Cling and Roubaud, 2006). Twenty years on and this agenda, which was so original at the time, is still totally relevant today as shown by the dynamics of the developing countries’ economies and societies in a changing world and the recent developments in the research world in the North and South. Among the many areas that DIAL’s researchers have helped to explore over the years, the measurement and analysis of the informal economy stands out as a shining example of this approach, both for its significant contribution to scientific knowledge and its continuity. We present here the achievements on these three fronts and look into some possible avenues for the future.

Conceptualising the indefinable and measuring the uncountable...

As DIAL celebrates its 20th birthday, the informal sector concept is soon to turn forty. It appeared for the first time in 1972 in the famous ILO report on Kenya. Following a long period of deliberation to define its shape, the international community of statisticians eventually agreed on the definition of the informal economy based on two key notions: the informal sector and informal employment (Hussmanns, 2004). First of all, the informal sector is defined as a group of household enterprises and unincorporated enterprises (generally non-agricultural) that produce at least in part for the market, operate on a small scale (below a certain job threshold; often five employees) and/or that are not registered (ILO, 1993). More recently, the notion of informal employment has been developed to extend the concept to all the workers and encompass the informalisation of jobs due to the globalisation process (ILO, 2003). Generally speaking, under this definition, informal employment consists of two major components: jobs in the informal sector and unprotected employment in the formal sector. A number of criteria are proposed to identify unprotected employment: no social security coverage, no employment contract, etc. Note that national accountants largely agree with the principle of these definitions and use them in the national accounts. DIAL contributed to these definitions, taking part in the preparatory meetings for the Fifteenth International Conference of Labour Statisticians (1993) and in the Delhi Group forum set up by the United Nations to hone the concepts and make them operational and to develop measurement methods (ILO, 2010). DIAL is also involved in a range of ongoing international projects on measuring the informal economy and related concepts and associated training: updating worldwide informal employment statistics by gender for ILO/WIEGO (ILO, 2002) based on its expertise in the use of employment surveys; participation in the RECAP project (strengthening the capacity to devise and analyse decent work indicators) run by the ILO with European Union tender-based funding; participation in the ILO’s launch (with other partners) of a new international master’s called MALED (Master program in Applied Labour Economics for Development) at the Turin School of Development, etc.

However, despite these decisive conceptual advances, confusion still reigns in the academic community, as shown by many recent publications on the subject. For example, there are the recent studies published by Guha-Khasnobis and Kanbur (2006), Perry et al. (2007), Guha-Khasnobis et al. (2007), Jütting and de Laiglesia (2009), and Bacchetta, Ernst and Bustamante (2009), which are supposed to address informality in the developing countries, but contain as many definitions as they do chapters. The upshot of this cacophony is annoying in that it dramatically reduces the concept’s analytic power. There is no point in agreeing on a common definition of the informal sector if we cannot measure it empirically. This is probably where DIAL has made the most significant contribution.

DIAL researchers partnered with the Mexico NSI (National Statistics Institute) were the first to use an innovative approach to take an unbiased measurement of the informal sector. The approach consisted of the now-internationally renowned mixed (household/business) surveys (Roubaud, 1989; Roubaud and Séruzier, 1991). Rather than using the classic method (business census followed by in-depth surveys of a sample), the mixed survey principle is to draw a representative sample of informal production units based on questions asked about the type of jobs worked in a household survey (preferably an employment survey). This strategy solves the classic approach’s inherent inability to capture “invisible” activities (home or itinerant) and its consequent tendency to produce (generally upwardly) biased...
indicators and an “upbeat” picture of the informal sector. Following a first trial in Mexico in 1987, this method has become widespread in the developing countries, despite still-strong resistance from classic business survey advocates, and has become a benchmark method in its field.

DIAL’s researchers then developed a special class of mixed surveys, the 1-2-3 Surveys, which address the informal sector in its multiple relationships with the rest of the economy, in terms of both employment and informal product supply and demand. They backed the use of these surveys in many countries. The 1-2-3 Survey is based on the survey grafting principle. It is a system of three nested surveys targeting different statistical populations: individuals, production units and households. The survey takes up the principle of mixed (household/business) survey modularity and proposes extensions. Given the characteristics of Phase 2, the 1-2-3 Survey can also be said to be an employer/employee matched survey. The first phase of the 1-2-3 Survey is a survey of household and individual employment, unemployment and working conditions (Phase 1: employment survey). This phase documents and analyses labour market functioning and serves as a filter for the second phase, where a representative sample of informal production units is surveyed. So in the second phase of the survey (Phase 2: survey on the informal sector), the informal production unit heads identified by the first phase are interviewed: the survey seeks to measure the main economic and productive characteristics of the production units (production, value-added, investment and financing), the main business development problems encountered, and what kind of support informal sector entrepreneurs would like from the public authorities. Lastly, in the third phase, a specific survey on income and expenditure is carried out on a subsample of households selected from Phase 1 to estimate the weight of the formal and informal sectors in household consumption by product and household type (Phase 3: survey on consumption, formal and informal demand, and poverty). Phase 3 also estimates household standards of living and monetary poverty based on income and expenditure.

Following the Mexican trials in 1987, 1989 and 1992 and the Peruvian survey in 1991, which were all limited to phases 1 and 2, the 1-2-3 Survey made its debut in Africa’s capitals: first in Cameroon (1993) and then in Madagascar (1995). Since then, there have been many successful field operations in systematic partnership with the National Statistics Institutes (NSIs) and regional statistics institutions (Afristat in Africa, the Andean Community of Nations in Latin America, and the United Nations Asia-Pacific Commission in Asia). Surveys have been conducted at the request of the WAEMU Commission in each of the main cities of seven Union countries (Benin, Burkina Faso, Côte d’Ivoire, Mali, Niger, Senegal and Togo in 2001-2002), with some countries even taking the initiative of rolling out the survey nationwide (Benin, Burkina Faso and Mali). In Madagascar, an annual series was set up and extended to the major urban centres in 2000 and 2001. This system is still operational today. In 2004-2005, Cameroon also rolled out a 1-2-3 type survey nationwide, repeating it in 2010. Also in central Africa, the survey was carried out in Kinshasa (2004) and in the Republic of the Congo (2009). Last but not least, a multi-round 1-2-3 Survey system with gradual geographic extension was set up in Burundi in 2006. At the same time, the experiment spread to other regions and continents, often limited to phases 1 and 2: national survey in Morocco in 1999-2000, repeated in 2006, and also in Palestine; the Andean countries in Latin America (the example of Peru is the most accomplished, with a continuous national survey with department-level representativeness integrated into the household information system since 2002), with Mexico also running this kind of survey since the early 1990s; Haiti and Saint Lucia in the Caribbean; new surveys in Asia: in Vietnam, as part of an IRD-GSO partnership; in Mongolia, the Philippines and Sri Lanka as part of a regional ESCAP project (Guerrero, 2010); in Armenia, Bangladesh and Indonesia as part of a regional Asian Development Bank project (Maligalig, 2010); and pilot tests in Bangladesh and China. A whole host of other projects are in the pipeline.

The 1-2-3 Survey was designed as a general framework with a flexible structure that respects a certain number of common characteristics, but allows for actual configurations that vary in keeping with the needs and particularities of the architecture of the information systems found in the different countries. It has become a benchmark used in a wide range of applications, and some of its contributions (sampling and questionnaires) have been gradually incorporated into other types of surveys (LSMS type surveys in particular). It has become a public good and part of the common toolbox used by those addressing informal economy issues. Also public goods are the official publication by the NSIs of the main survey findings, systematically reproduced locally to inform the democratic debate on the economic situation and public policies on the basis of reliable statistical information.

The authority gained by DIAL in this field has placed it at the start and heart of regional and international forums over the last 15 years. Just one example is the first African seminar held by Afristat on The Informal Sector and Economic Policy in Sub-Saharan Africa (Afristat, 1998). The need to take stock of the situation following a decade of marked progress in this field of measurement and research led Afristat, with DIAL’s support, to repeat the experience with the regional conference on The Informal Sector and Poverty in Africa: Measurement Instruments, Analysis and Economic Policy. This conference was attended by participants from all over the continent along with the leading international organisations (Afristat, 2009).

On the basis of the geographical diversification of its activities (in particular outside of Africa) and building upon a series of regional scientific events in Africa (see above), Latin America (ACN, 2004) and Asia (ESCAP, 2009), the DIAL team in Vietnam was behind one of the most ambitious international conferences on the subject in Hanoi in May 2010 (The Informal Sector and Informal Employment: Statistical Measurement, Economic Implications and Public Policies). This conference was attended by participants from all the world’s continents. It was co-funded by leading development agencies in the shape of the World Bank, AFD, the ILO, DFID, the IRD and the UNDP along with Vietnamese institutions. Over 60 presentations were made with the participation of nearly 300 people. The conference’s outcomes are currently in the print works (www.tamdaoconf.com). A clear constant in all these events, in line with DIAL’s original philosophy, is the drive to network three types of audiences who rarely have the opportunity to discuss and compare their approaches: researchers, statisticians and the development community that develops and puts in place the economic policies.
These huge field operations and their results, seldom seen among development economics research bodies, gave DIAL the wherewithal to develop long-term strategic partnerships with both Southern and Northern institutions. This naturally occurred with the NSIs that systematically acted as project manager for these surveys, but partnerships were also struck up with regional bodies, top of the list of which is Afristat. Many publications and papers have been produced on the results of this work, especially as regards statistical methodology. The *Statéco* journal in French (along with *Interstat* and the *African Journal of Statistics* in English) has played a key role in this: from pioneering work on the informal economy and national accounts (*Statéco* No. 71, 1991) through the report on the 1993 Cameroon operation (*Statéco* No. 78, 1993), the MADIO project operations in Madagascar (*Statéco* No. 99, 2000) and the WAEMU country operations (*Statéco* No. 101, 2005) to the special issue on the Bamako conference on the informal sector held by Afristat in 2008 (*Statéco* No. 104, 2009, and *African Journal of Statistics*, 2009).

... to fuel research and find ways forward for the future

DIAL’s research work on the informal economy is part of a broader body of economic literature in this field. Interest has sparked anew in this sector in the 2000s, especially with the increase in available data (particularly panel data), mainly in a few major Latin American countries and more recently in South Africa. The literature can be classed by two main criteria: the school of thought to which it belongs and its line of attack: micro or macro. The first criterion identifies three dominant schools of thought on the causes and origins of informality (Roubaud, 1994; Bacchetta et al., 2009):

- **The “dualist” school.** The “dualist” approach can be seen as an extension of the work by Lewis (1954) and by Harris and Todaro (1970). It is based on a dual labour market model, where the informal sector is considered to be a residual component of this market totally unrelated to the rest of the economy. It is therefore a subsistence economy that only exists because the formal economy is incapable of providing enough jobs.

- **The “structuralist” school.** Unlike the dualist school, the “structuralist” approach focuses on the interactions between the informal and formal sectors (Moser, 1978; Portes et al., 1989). Under this neo-Marxist approach, the informal sector is a subordinate component of the capitalist system; by providing formal firms with products and cheap labour, the informal sector contributes to the economy’s flexibility and competitiveness.

- **The “legalist” school.** The “legalist” or “orthodox” approach considers that the informal sector is made up of micro-entrepreneurs who prefer to operate informally to evade public regulations (de Soto, 1989); this liberal school of thought is in sharp contrast to the other two in that “entry into informality” is a deliberate choice to dodge the exorbitant legalisation costs associated with formal status and business registration.

Most of the studies on this subject seek to substantiate one or the other assumption or, more broadly, to identify the components of informality defined by each of the abovementioned approaches. A number of mainly microeconomic methods are proposed: estimation of formal and informal earnings differentials or job allocation by sector to test labour market segmentation on the basis of revealed preferences, estimation of job satisfaction, etc. A study is made of the impact of a certain number of policy choices and institutional characteristics liable to hinder job and business formalisation, such as taxation (Fortin et al., 1997), social security and, more broadly, the business climate and governance (Friedman et al., 2000). Two points are worth mentioning here. Firstly, a growing (albeit still small) number of studies focus on labour market entry, taking advantage of the availability of new surveys, especially panel surveys, which are a decisive asset in controlling for “unobservables” and analysing individual dynamics (earnings and job transitions). Secondly, a lack of suitable data means that economists have largely neglected macroeconomic approaches and approaches focusing on business dynamics and links between the informal sector and the rest of the economy (with the exception of a few general equilibrium studies, often with very poor empirical grounding). We do not include here the studies based on indirect, econometric estimates of the underground economy (currency demand: Schneider and Ernste, 2000; Bajada and Schneider, 2005) since these methods are much disputed (Navarrete and Roubaud, 1988; Thomas, 1999). More generally speaking, the absence of a uniform definition and internationally comparable data seriously mars the general conclusions that can be drawn from the country analyses, as shown by the remarkable summary published by the ILO and the WTO on the links between the informal economy and trade openness (Bacchetta et al., 2009).

It is probably on this point that the multitude of 1-2-3 Surveys come into their own and generate their main comparative advantage. For the first time ever, representative, comparable data are available to establish a certain number of robust stylised facts, and often quash preconceived ideas. For example, the cliché that the informal sector is a (transitional) fallback for urban migrants and household secondary manpower (especially women) and is only good for extra income is completely demolished (Brilleau et al., 2005; Bocquier et al., 2010; De Vreyer et al., 2010). Another set idea that the informal sector can be placed in the category of non-wage earners and services does not stand up to empirical analysis. The manpower’s sector breakdown shows that although this sector has a good concentration of distribution activities, it has a more than consequential manufacturing industry (the informal sector is by far the leading industrial employer with 50% to 90% of employment in manufacturing in most countries) and a far from negligible proportion of wage earners (20% to 45% of wage earners in West Africa, for example; De Vreyer and Roubaud, 2010). Last but not least, the classic idea that the informal sector in Asia, unlike that in Africa, has developed mainly through sub-contracting with multinational firms is not borne out by the facts. In Vietnam, for example, this sector is as disconnected from the formal sector as in Africa (Cling et al., 2010).

As the surveys broaden their geographical coverage, a wider range of subjects can be addressed from a comparative angle. For example, just looking at DIAL’s work in this area, following a phase of monographic analyses centring on one country (informal sector dynamics mainly in the context of the devaluation of the CFA franc in partial equilibrium (Roubaud, 1994; Herrera et al., 1996) and in general equilibrium (Cogneau et al., 1996) for Cameroon; and labour market dynamics (Razafindrakoto and Roubaud, 1999), income formation and
micro-simulation (Cogneau, 1999), taxation and the informal sector (Gautier et al., 2000), estimation of the gender gap (Nordman and Roubaud, 2009), etc., for Madagascar, the focus has gradually expanded to multi-country micro studies. The most accomplished example of this is the soon-to-be-released book on urban labour markets in Africa and the papers derived from it (De Vreyer and Roubaud, 2010). Many of its chapters make a comparative formal/informal sector study of subjects as diverse as returns to education (Kuepié et al., 2009), the skills-jobs mismatch (Herrera and Merceron, 2010) and vulnerability in employment (Bocquier et al., 2010), labour market segmentation (Barlet and De Vreyer, 2010), ethnic and gender discrimination (Nordman et al., 2010b), migration in its different components (De Vreyer et al., 2009), job satisfaction (Razafindrakoto and Roubaud, 2010), and intergenerational transmission and inter-sector and intra-sector equality of opportunities (Pasquier-Doumer, 2010a and 2010b).

Other studies have been conducted or are underway using the same or other surveys: the informal sector and poverty in Peru and Madagascar (Herrera and Roubaud, 2007; Herrera and Hidalgo, 2010); for urban West Africa, we will mention the recent studies on the allocation of labour (Dimova et al., 2010), returns to capital and barriers to entry to the informal sector (Grimm et al., 2010a); and on the effects of the social network’s redistributive pressure on the economic performance of informal sector entrepreneurs (Grimm et al., 2010b); and for Vietnam, there are the recent panel studies that propose the estimation of true state dependence and formal/informal earnings differentials in Vietnam (Nguyen et al., 2010), while a book has been published reviewing the informal sector in this country (Cling et al., 2010).

The 1-2-3 Survey was the basic empirical foundation for the first developments of innovative modelling tools (applied mainly to the informal sector), whether computable general equilibrium models or accounting micro-simulation exercises, in partial or general equilibrium, which have since been applied to other databases (Cogneau and Robilliard, 2008; Grimm, 2006). Similarly, the informal sector concepts and measurement methods developed in the 1-2-3 Survey, which were then incorporated into other surveys (LSMS type: ECAM in Cameroon, EPM in Madagascar EMICoV in Benin, ENAHo in Peru and LFS in Vietnam), have been used to address issues associated with informality on a larger scale (generally national), sometimes with a time dynamic (see, for example, Nordman et al., 2010a).

**Outlook**

Of all the possible ways forward, three avenues are top of the list for further exploration: the question of employment and the informal sector, especially in relation to poverty, the microeconomic and macroeconomic dynamics of the labour market, and the impact of public policies. These three aspects are closely interconnected.

**Employment, informal sector and poverty**

Using the international definitions proposed by the ILO, and more broadly by the official statistics community (labour statisticians and national accountants), we have shown that the concepts of the informal sector and its extension (informal employment) could pay off analytically, provided they are handled with a certain rigour. Their alternatives (such as vulnerable employment) do not deliver any better performances. They are, in any case, unavoidable in view of the massive weight they represent on the labour markets. Given that the 1-2-3 Survey was designed precisely for this purpose, the prospective use of Survey phases 2 and 3 should generate significant and innovative knowledge effects on the informal economy, especially in Africa. In particular, the project underway on *Unlocking Potential: Tackling Economic, Institutional and Social Constraints of Informal Entrepreneurship in Sub-Saharan Africa* (Grimm et al., 2009) will work on improving on the partial results already obtained. Among the questions addressed are the returns to physical and human capital (economic constraints), the costs of legalisation and corruption (institutional constraints), and the weight of redistributive pressure and the role of social networks in informal sector performances (social constraints). The combination of the different phases also makes for a tool suited to measuring and analysing the phenomenon of the working poor (such as they are defined by the ILO).
Microeconomic and macroeconomic labour market dynamics

The second field of research to be explored concerns the analysis of the microeconomic and macroeconomic dynamics of the labour market. One of the only dynamic aspects to be addressed to date is intergenerational mobility, with retrospective questions in the surveys about the father's professional situation. Expanding on this calls for cross-sectional, multi-round surveys, or panel data. These two types of 1-2-3 Surveys are already found in certain African countries, such as Madagascar where a 15-year series is available (1995-2010). It would therefore be possible to reap some answers on the cyclical or counter-cyclical nature of this sector (pseudo-panel data) and to explore job transitions between formal and informal sectors to gain a better understanding of the labour market segmentation phenomena (panel data). Bear in mind that panel data, independently of their time properties, form an invaluable source of information to enrich the analysis of the studied phenomena since they can be used to control for the "unobservables" assumed to be constant over time. This means that information can be gathered on questions as simple and crucial as the largely unknown impact of international financial crises on the labour markets in poor countries.

Impact of public policies

The third extension is the evaluation of the impact of public policies targeting the informal sector. Africa is rife with programmes that directly or indirectly target the labour market, but are very rarely rigorously evaluated: education, vocational training and on-the-job training; support to job seekers, to young entrants and for the redeployment of privatised public enterprise staff; market access and access to information, microcredit programmes; social security schemes, etc. For example, all the policy evaluation examples given in the latest ILO report on youth employment trends (2010) and the ILO and IMF report on growth, employment and social cohesion (2010) concern the developed countries only. The recent, well-founded interest in ex-post public policy evaluation evidently applies and these approaches warrant being developed. The 1-2-3 Surveys, duly rounded out by ad-hoc protocols, could serve as a suitable medium for these analyses, see, for example, Gubert and Roubaud, 2006 for an impact study on a microfinance institution in Madagascar. On another level, we need to look into the impact of farther-reaching macroeconomic policies (such as the effect of international openness on the informal economy) and shocks such as the international financial crisis, inflation created by the food crisis and commodity prices, and deregulation policies (minimum wage, labour code liberalisation, etc.).

All of these questions call for more surveys to be conducted, and surveys that are comparable over time. This glaring lack of data has led the ILO to develop macroeconometric models to estimate and forecast employment and unemployment worldwide which, given the rather crude assumptions they use, are no substitute for a substantial, steady supply of survey data. We are therefore calling for this to be developed, building on the modest work by DIAL and others in recent years. From this point of view, expanding the focus in sub-Saharan Africa beyond the French-speaking world would already be a large step forward that would bring in a wealth of information.

Still on the statistical front and in addition to the surveys, two projects are urgently required. Firstly, it is vital to incorporate the informal economy into the national accounts. This is one of the most eagerly-awaited uses of the surveys on the informal sector. Yet, to date, aside from a few exceptions (Cameroon, Mexico, etc.), the potential of the surveys on the informal sector remains largely untapped. For example, it is still impossible to answer the question about the cyclical or counter-cyclical nature of the informal sector (from the point of view of production) and, more broadly, even the simplest of questions on the sector: "In a given country, has the informal sector's production risen or fallen over time (either in absolute or relative terms)?" This is because of the lack of time-comparable survey series and the lack of a deflator built to assess informal sector growth in real terms. This major shortcoming has direct repercussions in terms of research: it is probably responsible for the fact that macro studies on the informal sector have been dropped in favour of more micro approaches centring on the labour market. In this area, an international project is underway at the instigation of DIAL and the Centre for Population, Poverty and Socioeconomic Policy Studies (CEPS). The project brief is to design a standard procedural framework to incorporate the survey findings into the national accounts and to develop a generic satellite account on the informal sector (as called for by the 2008 revision of the System of National Accounts) and to test them in the seven African, Latin American and Asian pilot countries taking part in this project. Secondly, informal sector surveys need to seek to become regular programmed operations, permanently part of the national statistics systems. This is not currently the case in most countries. The institutionalisation of the surveys, with its technical and political implications, is a priority.

This data collection work obviously cannot be expected to pay off without associated research programmes in which researchers from the developing countries, especially Africa, can find their place. Basically, on this continent where the informal economy is at its most intense and where research activities are the least developed, we need to work to gradually bring the information and research on the informal economy into step with the wealth of information and research found in this area in Latin America (where the many panel surveys have made for substantial progress with our understanding of the mechanisms at work) and, to a lesser extent, in Asia.

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20 years of DIAL

For DIAL’s birthday, DIAL’s founders and first director look back and share their thoughts about what was to grow into a real intellectual adventure. Readers of these pages will realise that the reasons that led the founders to propose the creation of an original research structure in the international environment of the time are just as valid today as they were then, even though the environment has radically changed and there has been a huge shift in ideas about development. This same message is expressed by Denis Cogneau, who concludes this issue.

DIAL celebrates its 20th birthday
Thoughts on its creation and its success

by Yves FRANCHET (*)

When the French Scientific Research Institute for Development through Co-operation (ORSTOM), CESD-Paris and Eurostat set up the DIAL Scientific Interest Group in 1990, it was to fill a void in macroeconomic analyses on the developing countries and measurement instruments to conduct these analyses.

The World Bank had a virtual monopoly over macroeconomic analyses, and the short- and long-term social cost of its structural adjustment programmes worried many observers and stakeholders. Neither the European Commission’s Directorate General for Development nor the French Co-operation Ministry had any teams of economists to propose alternative analyses.

It is folly to think that pertinent macroeconomic analyses can be produced without reliable, recent and relevant statistical instruments. And the verdict in this regard was catastrophic: statistics were lacking or years old and the concepts used in the surveys did not correspond to the questions asked.

So DIAL was tasked with helping to improve the situation with research/action programmes to answer the questions raised by governments and aid bodies and with the development of research programmes to improve knowledge and practices in this field.

DIAL was set up for a period of three years, to be renewed if its results were judged promising.

Small resources for a big ambition

How did DIAL perform?

First of all, the very fact that DIAL is still here 20 years down the road is, in itself, proof of its success.

DIAL has had all the ups and downs of a small structure over its lifetime, rolling with the punches whenever its sponsors reorganised and suddenly changed their practices.

Its projects have come under the microscope of a series of evaluations by the organisations that finance it.

And every time its term came up for renewal, the renowned quality of its studies and the originality of their macroeconomic analyses prompted the decision to keep the group going.

Eurostat was closely involved in the beginning in promoting the improvement of the available statistics – which is its core brief – and the invention of the 1-2-3 Surveys largely justified this involvement. It also played a key role in liaising with the Directorate General for Development and, here too, the close rapport between the two bodies reflects the value of this approach.

Since DIAL’s creation, the quality of macroeconomic analyses on these countries has improved and the importance placed on statistical quality has grown.

Although I follow the story from afar, I very much doubt that all the questions raised have been resolved – 20 years is not a long time in research – and I would not be surprised to hear one day that DIAL, maybe in a different form, is celebrating its 40th birthday.

(*) Former Director-General of EUROSTAT and co-founder of DIAL
The following is an excerpt, give or take a few details, from a book entitled A la Recherche du Développement. Un Fonctionnaire au Service d’une Passion, which has just been published by Karthala. The book follows my career from 1960, when I started work with ORSTOM, through to the early 2000s. The year here was 1988, when I had been Director of Public Affairs at the International Institute for Public Administration (IIAP) for nearly five years and was thinking about taking a new step in my career.

So I started giving shape to the goals I had set myself when I joined ORSTOM and that I had defended to the Central Economic Co-operation Fund (the future AFD), to establish a hub of macroeconomists in France specialised in development policies. Right from the start of 1988, I launched into the preparations for this DIAL project.

I should mention a few details on this project that was as dear to my heart as the AMIRA Group (Improvement of Investigation Methods in Rural Africa), the preparations for which kept me busy throughout 1988, which was to be my new posting right from the beginning of 1989 after returning to ORSTOM and ... which, launched without me, is now 20 years old and has made a name for itself.

My starting point was the following: France, despite its experience, assets and weight in terms of Official Development Assistance remained totally dependent on the analyses, methods and recommendations of the IMF and the World Bank when it came to economic policies in the developing countries. In the early 1980s, these Bretton Woods Institutions had imposed on the developing countries the famous Structural Adjustment Programmes (SAPs), which were supposed to reduce their public debt and rebalance their public finances and balance of trade. Although there was no denying the pertinence of their goals, the SAPs were sharp, draconian and uniform. They imposed huge sacrifices on the populations and, focusing on the short term, hardly took any interest in long-term development. Moreover, as I have already mentioned, the analyses and models supposed to justify these SAPs were based on poor and often old statistical information at odds with the countries’ different realities, which the IMF corrected, manipulated and standardised using methods known only to itself (and the World Bank). It eventually turned out that these programmes, as painful as they were, did not often manage to achieve their goals and ended up having to follow on one after the other.

I was utterly convinced that French experts, macroeconomists, national accountants and statisticians, with their extensive field and co-operation experience and with the support of the decades of knowledge built up by ORSTOM’s social science researchers could, should help correct these SAPs and their most glaring defects.

Unfortunately, these French experts were scattered across a number of different institutions – French National Institute of Statistics and Economic Studies (INSEE), Policy Planning Directorate, Co-operation Ministry, technical assistance, ORSTOM and the universities – and there was no place, no research and study programme that could combine their expertise to give them a voice with the Bretton Woods Institutions, mobilise the human sciences researchers and bring on board the economists and statisticians from the countries concerned that the European Community and France had trained since the 1960s. ORSTOM had some forty economists, but the few macroeconomists recently recruited following the 1983 reform were not always used to the best of their ability, as I myself had experienced since my own recruitment.

I therefore decided to repeat, with a little tweaking, the experience that had been so successful with the AMIRA Group. So I spoke to the heads of the various institutions concerned to put the case for a team of economists-statisticians from ORSTOM backed up by INSEE and technical assistance experts to be assembled under one roof, in one laboratory.

My case was heard at ORSTOM, INSEE and the Co-operation Ministry. And I received vital support from the European Community, mindful of supporting the African experts it had helped to train. This support was not hard to get as the Director of the Statistical Office of the European Communities and the President of the European Training Centre for Statisticians of Developing Countries (CESD) were none other than Yves Franchet, my former INSEE colleague, head of the Co-operation Service’s Programmes Division.

Thus I was able to develop the DIAL Group project with the “main purpose of conducting studies and research on the definition, monitoring and evaluation of economic policies in the developing countries so as to inform co-operation agency and ACP country thinking on the implementation of the structural adjustment programmes.”

I suggested setting up this laboratory as a Scientific Interest

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1 This acronym stood for Development of Long-Term Investigations before the name was changed to Development and International Integration, and then to Development, Institutions and Globalisation.

(*) Former Director General of the IRD (then ORSTOM) and one of the founders of DIAL.
Group, which is not a legal entity, but a group associating the participating institutions by means of a co-operation agreement. ORSTOM, the CESD and the Statistical Office of the European Communities were all willing to sign up. ORSTOM supplied researchers and some funding, the CESD gave the legal support, and Europe provided a subsidy. INSEE agreed to contribute specialised personnel and the Co-operation Ministry pledged to grant an annual subsidy with the possibility of technical assistants between two field assignments. Offices had to be rented in Paris to house the group, whose creation was scheduled for the beginning of 1989. It was understood that I would be the group’s director.

It was not easy to put this project together. The French administrations and institutions are not that inclined to co-operate and there is a lot of red tape to wade through. I managed to impose my ideas because the goal was clear and politically sensitive, I knew the different institutions and their heads well, and I was starting to get used to all the channels and procedures. Most importantly, though, my previous experience gave me clout. I was starting to get used to all the channels and procedures. Most sensitive, I knew the different institutions and their heads well, and I was therefore prepared to leave the IIAP to rejoin ORSTOM and importantly, though, my previous experience gave me clout.

I therefore prepared to leave the IIAP to rejoin ORSTOM and launch DIAL. And leave the IIAP and rejoin ORSTOM I did, but launch DIAL I did not! With the re-election of François Mitterrand as President of the French Republic, the leftwing returned to power and Rocard was appointed Prime Minister. Within just a few months, the President of ORSTOM had been dismissed and the Director General had also been shown the door. So it was that, in beginning of 1989. It was understood that I would be the group’s director.

DIAL’s development was remarkable. Its legal form changed and it has recently become a Joint Research Unit (UMR) associating the IRD (formerly ORSTOM) with the University of Paris Dauphine. As head of ORSTOM, I was obviously able to support the structure, mainly with a steady stream of young researcher recruits with the required skills.

If I have lingered on this project, it is because it was very dear to me. It was the concrete expression, as the AMIRA Group had been, of what I had always had in mind ever since I first joined ORSTOM, which was to make this organisation proficient in development policy matters using a multidisciplinary approach associating researchers and economists from the countries where ORSTOM worked.

(*) Former Director General of the IRD (then ORSTOM) and one of the founders of DIAL

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20 years on:

A difficult birth, a huge ambition, a fight for survival and finally a transformation, but there is still the competition to think about

Guy de MONCHY (*)

Although I was not DIAL’s inventor and merely its first director, it is hard not to be pleased (nay proud) to see that DIAL, which was set up on a short-term, three-year renewable contract (like a French contract civil servant), is now 20 years old, even though it has still not got tenure. Twenty years is a long time and DIAL, with its new legal form, may well have solved one of the problems that has haunted all its directors, its status. At the risk of sounding like a “veteran”, I would like to take a brief look back at the difficult and exciting moments in DIAL’s birth and continued life. Looking in from the outside, you realise the intellectual (and organisational) comfort there is to be had in a large Finance Ministry directorate and how hard it is to suddenly have to carve out a place in a world in which you strive to have the merits of your project and your contribution to it recognised as much for its worth as for the new profile of your expertise.

First, the undertaking had to succeed, i.e. generate high-quality research in a virtually boundless work programme with the number of initial DIAL members: the director, two researchers from ORSTOM and a third potential recruit who ended up elsewhere due to the delays in getting DIAL started.

For the director, success was first of all quite simply about successfully getting off the ground, which was not as easy as all that ... I was told, “Now that all the stakeholders have agreed to launch DIAL, you’ll have to manage with the resources earmarked ... a year ago.” In the interim, the boom of the late 1980s had created a shortage of office space in Paris. After three months of looking, we finally found premises that not only seemed too big for our three beginners, but were more importantly much more
expensive than provided for in the initial budget.\(^1\) And the first hurdle for DIAL after just three months was how to make the first rent payment when you have been granted a budget, but not yet the corresponding cash flow, when you have no corporate status and when you have to ask one of the stakeholders to advance you the money ... Fortunately, we did not need a public accountant’s authorisation for this, otherwise we could have closed after just three months ... and yet it is common knowledge that a balanced budget does not mean an adequate cash flow at time t. It has to be said that some allocations took their time coming when they were “public subsidies”, even specifically earmarked, whereas others that were “orders” were paid faster and in keeping with more visible timetables. Well, that’s just a juggling act, you might say, and maybe so, but a dropped ball would have meant the end of this new entity, especially since the infant was quickly realising that not everyone was its friend. Whatever the merits of the project, the new allocation of human and financial resources sparked jealousy and the discourtesy that could go with it from certain French, but also European, institutions. We were really spoilt to be so closely watched and envied before we had even opened our mouths!\(^2\)

The project’s ambition was huge and enthusiasm was needed to overcome the technical hitches and continue to believe in the value of pursuing an important idea, since it was directly overcame the technical hitches and continue to believe in the success of this new entity, especially since the infant was quickly realising that not everyone was its friend. Whatever the merits of the project, the new allocation of human and financial resources sparked jealousy and the discourtesy that could go with it from certain French, but also European, institutions. We were really spoilt to be so closely watched and envied before we had even opened our mouths!\(^2\)

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A niche opened up for DIAL with the first major study on Cameroon at the request of the French co-operation network. This gave rise to the creation of what was to become a leading DIAL product to assess labour market and poverty developments, that is the 1-2-3 Survey (see the article by François Roubaud above and by Denis Cogneau below). Now you may say that this survey was statistical, but it produced statistics that finally generated a response to the social impacts of the macroeconomic shocks by seeking to securely representative portrayals of the labour market and especially of the informal sector to be able to inform public policy in social matters.

We tend to associate DIAL’s success with the success of this survey, and it was indeed well earned.\(^3\) However, as I said above, we had to pull off the DIAL undertaking, and this was more than just a question of subject, means and integration. This successful take-off was only made possible by the quality of the people working for DIAL, who chose this assignment (most of them via positions opened up by the IRD) and who gave DIAL so much of their time, energy and dedication without the same remuneration and career prospects available to many people with the same qualifications and work pace. Among the many researchers at DIAL today, five of the six on this first enthusiastic team are still there. Our thanks go to them here for having contributed to creating this seed from which DIAL has grown and branched out in different directions even though, fortunately, some major avenues of research remain. Still with DIAL (in their order of arrival) are François Roubaud, Denis Cogneau, Mireille Razafindrakoto, Sandrine Mesplé-Somps and Javier Herrera. Marie-Paule Verlaeten, who was on the initial team, has left DIAL to work on other research subjects.

There may be one regret in terms of DIAL’s “European” ambition, which was part of its initial brief. Despite my pitiful English, I toured the development research centres in Europe where I received a warm welcome and, sometimes, a cooperation agreement on the basis that someone expressed a research focus at European level (DG8) and DIAL provided the (financial) resources to see it through.\(^4\) Following two interesting studies with a number of European centres on proposals for the allocation of European funds in post-war Ethiopia (with the same underlying question for Angola, Mozambique and Congo when their day came) and on environmental protection, it quickly became clear that this facet of DIAL called for another profession, other resources and also a different status to satisfy the European bid submission standards. Thus ended our Commission back office era. However, a vestige remains of this European ambition in the form of our continued relations with Oxford’s CSAE.

Giving DIAL a status on a par with the other research bodies in France will definitely cure a practical and existential headache for the successive directors. Yet DIAL will have to continue to mark its difference, an issue to keep its supply of researchers going, to attract students and to maintain the critical mass it needs to carry on.

(*) First Director of DIAL

\(^1\) - Four years later, after the 1993 recession, the second director found DIAL’s current offices – much bigger and cheaper.

\(^2\) - Where there were some in the recent financial crisis who thought they were “too big to fall”, which was no longer a certainty as we saw, the disappearance of DIAL, which was the complete opposite, would hardly have made waves!

\(^3\) - Although not everything was in compliance with the principles of public accounting. My answer to a World Bank executive who asked me how we managed to pull off these surveys when the Bank had sometimes had to give up was that we drew up schedules with outputs and their financial counterpart for the teams of interviewers and supervisors, and we kept to these despite problems getting cash to the survey sites to pay remuneration without security firms.

\(^4\) - Co-operation research in France was more complicated as there was already an academic centre in place, which was the renowned expert in development matters and which would have “readily hosted” this new initiative.
DIAL, like everything, is a product of history large and small. The first is the history of the world, and the second extends right down to the history of individual people. Yet we have not enough distance from either. Neither do we have the talent (or the courage) of one Carlo Ginzburg, Georges Pérec or Annie Ernaux, not to mention Alexandre Dumas, to write a micro-history combining the collective and the individual.

Twenty years ago, the Berlin Wall had just fallen and talk of the “Third World” was wrapped up in the structural adjustment policies and their impacts. In 1990, Mitterrand gave a speech at La Baule predicting a wave of democratisation in French-speaking Africa. Closer to home, the IRD had still been ORSTOM and had only been an EPST for six years; the AFD was still the CCCE. In 1989, ORSTOM had just taken on a new Director General in the shape of Gérard Winter, who joined the institute from his position as Director of Public Affairs at the IIAP. There, he had met Gaston Olive, an INSEE executive director, who told me one day that he had co-fathered the idea for DIAL. In any case, the ship Gaston Olive, an INSEE executive director, who told me one day that he had co-fathered the idea for DIAL. In any case, the ship

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Fading black. Lights up on 20 years later.

The end of history (Fukuyama, 1992) has not happened and Paul Biya is still President of Cameroon. Flashbacks to elections in Côte d’Ivoire today, the north-south demarcation line yesterday and the death of Houphouët-Boigny the day before yesterday (December 1993). Uncertainties in Madagascar with the disputed Rajelina following Ravelomanana’s resignation (2008) and Ratsiraka’s two defeats (2002 & 1993). In Peru, a Nobel Prize for Literature for Vargas Llosa following the return of Garcia (2006), ten years of Fujishock (1990-2000) and the end of the Shining Path. Repression of the “red shirts” in Thailand, the Asian crash in 1997 and the Vietnamese troop withdrawal from Cambodia in 1989, the same year as Tiananmen Square. The attack on the World Trade Center in New York, and bombs on the Parisian underground in 1995 and 1996. The end of apartheid and genocide in Rwanda (1994). The earthquake in Haiti, the tsunami in the Indian Ocean (2004), locusts in Madagascar (1997), and so it goes on.

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Unbelievable. DIAL has become a Joint Research Unit (UMR) partnered with the IRD and the University of Paris Dauphine. It is no longer an IRD-AFD Economic Interest Group, even less so an ORSTOM-CESD-Eurostat Scientific Interest Group. INSEE and AFD staff have disappeared from its ranks to be replaced by IRD and Dauphine team members. After Gérard Winter left in 1995, the IRD experienced a string of reforming shifts and swings under four successive management teams (M. Levallois-J. Némo, H. Fournier-J.P.Muller, Ph. Lazar-S. Calabre, and J.F. Girard-M. Laurent). Finally, things evened out. First of all, DIAL became an IRD research unit like the others15 and then, also like the others, this research unit UMR'd.16 DIAL’s impossible initial title (see above) was changed to “Development and International Integration” and then “Development, Institutions and Long-Term Analyses” before becoming “Development, Institutions and Globalisation” today. It could be said that institutional change has probably replaced the initial “adjustment” focus, in step with the main shift in development thinking.

On the website: 30 researchers, 18 associates, 16 PhD students and 3 administrators. The 2009 UMRisation prompted 50% growth across all staff categories, but DIAL was posting impressive growth figures even before then, increasing from two to 15 researchers, which represents an annual growth rate of 10.6% over 20 years. This is probably the organisation’s chief success and also the pride of all the individuals who have been part of it at some point in its history. The DIAL founders’ “hidden agenda”, which was no doubt to get a little more quantitative economics into what has become the IRD – what they meant by macroeconomics at the time, whether Marxist-influenced, Keynesian or neoclassical – has definitely been fulfilled. Bear in mind that many researchers at the IRD were prejudiced against the invasion of the Martians, that is the “experts”. I remember, for example, someone being surprised on leaving a committee one day to find that, as a macroeconomist, I was not “a terminator”. This mutual paranoia has largely fizzled out since, but not without a struggle.

On the subject of policy expertise, the initial plan was probably a bit out of step with its time, which already no longer belonged to Charles Bettelheim, René Dumont and Alfred Sauvy. Yet this phrase coined by Bettelheim is probably a very good slogan for DIAL: “When you stop counting, you stop counting human suffering.” Development planning (French style or otherwise) has hardly recovered from the lost decades of the 1980s and 1990s or from “aid fatigue”, and maybe more than from the neoliberal wave17 In France, the 1994 devaluation of the CFA franc marked the last great flurry of activity on this score, and one in which DIAL fully participated. Many saw in this the signs of French policy alignment with the Bretton Woods Institutions’ policies and American positions.18 It is a shame that it was not better prepared and managed. More importantly, though, the other French position of “non-alignment” was no Bandung and had ambiguous colonial roots, with the management of the franc zone being precisely one of its most onerous legacies. The fog has never fully lifted on this colonial past, and it still forms a serious obstacle in France’s relations with the world, even more so than the woes of Françafrique.

Today, we would be hard pushed to find a major French development doctrine, aside from a bit of flag waving over such matters as the French-speaking world and civil law.19 The same thing could be said of Europe, where there is even greater disarray. In realpolitik, however, the neo-colonial instinct is still alive and kicking, thinly veiled in new terms that ring somewhat hollow, such as “co-development”. So it is quite a pity that the French aid, trade and international investment policies, but also immigration policy, should be so absent from the political debate. The fragmented French set-up has often been given as one of the reasons for this shortcoming. A stronger and more independent French Development Agency (AFD) with more resources has already gone some way to putting this right in recent years.

Coming back to DIAL, the absence of keen “political will” at least enabled us to secure indisputable scientific independence. Some will see this as a mere secondary benefit, others as a vital asset. I would side with the latter. Now a research laboratory “like the others”, it has to face the sector’s turmoil like the others. At the risk of sounding smug, though, the organisation has grown quite tough, another secondary benefit of its history. You cannot choose your start in life, but you can choose to own it and to build the future on it. Social science researchers are technically the best equipped to do so, unless you believe in the myth of the cobbler with ill-fitting shoes! A bit of reflexive micro-history never did anyone any harm. Let’s hope that the next twenty years of research will be just as stimulating, on the informal sector, work, inequalities, institutions, trade, migration, public policies and much more. Right, back to it!

15 - At one point, the IRD Research Unit attached to the DIAL Scientific Interest Group was called CIPRE: “Growth, Inequalities, Populations and Role of the State”. It was not until 2000 that DIAL’s IRD researchers (ORSTOM became the IRD in 1998) fused into an independent unit after having been affiliated with the “Development Models and Realities” Research Unit headed by Philippe Bonnefond.

16 - To UMR is to become a Joint Research Unit. This regular (transitive and reflexive) French verb was not yet commonplace twenty years ago, but it will probably not have time to make it into the dictionary.

17 - More akin to the Washington Consensus policies (“Stabilize, privatize, liberalize”, as Dani Rodrik said), the computable general equilibrium models’ “decentralised planning” did not survive the scepticism over medium-term development programming either. The long term is now about institutions and climate.

18 - Whose architects were Edouard Balladur, Prime Minister, and Michel Camdessus, IMF Director from 1987 to 2000.

19 - In 2007, the Védrine report on France’s policy in Africa recommended “changing tone, style and method”. And therefore content, we might be tempted to add.
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