

RESEARCH OPPORTUNITIES IN IGC PARTNER COUNTRIES.

IGC CALL FOR RESEARCH PROPOSALS -

MAIN AREAS OF FOCUS AND RESERACH OPPORTUNITIES

IN IGC PARTNER COUNTRIES.

September 2010.

1. Bangladesh
2. Ethiopia
3. Ghana
4. India Central and India Bihar
5. Pakistan
6. Sierra Leone
7. Tanzania

1. BANGLADESH

The success story of Bangladesh is not much known, far less understood. The country emerged from a war of independence in 1971 desperately poor, ravaged by recurrent food shortages and reeling from overwhelming war damage to its institutional and physical capital. Four decades down the road, Bangladesh is on a path of respectably high economic growth with even more remarkable progress attained in several social development indicators, notwithstanding the alleged governance weakness and domestic political instability. Several broad research questions thus emerge:

- How could the progress achieved thus far have been possible given the country's desperate initial conditions and allegedly poor record in governance?
- Can a resource-poor and labour-surplus country like Bangladesh maintain high rates of export growth by relying on labour-intensive manufactured export (thus far, Bangladesh being able to do so by exporting mainly readymade garments)?
- How far will Bangladesh be able to move from 'replication' to 'innovative' ways of achieving economic growth (such as from micro credit, garment export, and export of unskilled labour to more productive and skill-intensive activities)?
- As the gains from low-cost solutions and public awareness campaigns are reaped, can further progress in social development indicators be achieved in the face of low levels of public social spending and the low quality of public service delivery?
- With no historical precedence of economic growth taking place under such extreme conditions of land scarcity as in Bangladesh, what patterns of urbanisation and environmentally sustainable growth the country can possibly follow?
- And, to quote a recent report on Bangladesh in the Guardian (UK), can "the people of one of the most vulnerable and yet resilient and innovative countries transform it from being the world's most famously 'vulnerable' country to being recognised as one of its most 'adaptive' country?"

Much of the IGC's proposed programme of research and analytical work in Bangladesh is set within the context of these broad questions. The work programme has currently five areas of focus: (i) effective economic governance – including tax policy, public procurement, regulatory framework, and public-private partnership in investment in large projects; (ii) export competitiveness and diversification, especially in relation to firm capabilities; (iii) infrastructure development for decentralised and sustainable urbanisation; (iv) efficiency of marketing of agricultural and food products; and (v) linking top-down strategies for pro-poor growth with household-level interventions – which encompasses livelihood adaptation to climate change. The programme aims to feed the outputs from research and analytical work into the policy debate.

The IGC country team welcomes research proposals, preferably but not exclusively in the above thematic and focus areas. For more information, please contact Wahiduddin Mahmud, Country Director, IGC, and University of Dhaka (wmahmud@bangla.net), Fahad Khalil, Lead Economist, IGC, and University of Washington (khalil@u.washington.edu) and Ahmed Mushfiq Mobarak, Lead Economist, IGC, and Yale School of Business (ahmed.mobarak@yale.edu).

2. ETHIOPIA

1. Themes in the agricultural programme

The country team would welcome applied theoretical and empirical research proposals on:

- **innovation in agriculture;**
- **agricultural transformation and rural-urban linkages**, including studies of large traders, the market for trucking and other transport issues, rural-urban price differentials, and the scope for the Ethiopian Commodity Exchange to offer substantial growth incentives;
- applied theoretical and empirical work on **land grabbing** and other land acquisition issues, land compensation and its consequences;
- **rural finance** to support agriculture including applied theoretical and empirical work on whether MFIs could turn into rural banks
- any research work with direct links to the new **'Growth and Transformation Plan'**.

Up to now, we have focused on three themes

- (1) Assessing the agricultural production achievements and the potential for agriculture in the economy;
- (2) Sources and processes of innovation in agriculture;
- (3) Rural finance issues, including insurance.

More recently, we have been asked to expand our work to look at

- (4) Markets and traders
- (5) Land acquisition and other land policy issues in the context of entry by large scale farmers and/or new industrial investments.

The following pieces have been commissioned via the country programme and the research programme:

- On (1), a review paper by Douglas Gollin (Williams and Yale) on the "Comparative evidence on the growth in yields and modern input use" (draft received). We envisage further work on issues of agricultural growth and economic transformation.
- On (2), a review and policy paper is near completion by William Masters (Tufts) on "Incentives for innovation in Ethiopian agriculture" exploring ways to boost innovation diffusion in agriculture. A research/review paper has been commissioned on "Innovation and diffusion of crops, inputs and techniques: evidence from a 15 year panel survey" by Pramila Krishnan (Cambridge) using the Ethiopian Rural Household Survey panel data set, with inputs on "Returns to fertilizer and inputs: evidence from a 15 year panel survey" by Getachew Abegaz (Ethiopian Economic Association).
- On (3), there is a review paper on "A review of the state and structure of the rural finance system in Ethiopia", by Dr. Wolday Amha (Association of Ethiopian Microfinance Institutions) and Prof Gebrehiwot Ageba (Addis Ababa University) (draft received). A research project is under way on introducing weather-related index insurance products via informal insurance groups by Stefan Dercon (Oxford), Ruth Vargas Hill (IFPRI), Alebel Beyrou (EDRI), Alemayehu Seyoum (IFPRI), Daniel Clarke (Oxford) and Ingo Outes-Leon (Oxford).
- On (4), markets and traders, a research project is under way on "Development Blossoming: Industrial Policy and the Evolution of the Kenyan and Ethiopian Floriculture Export" by Rocco Macchiavello (Warwick) and Ameet Morjaria (LSE).
- On (5), scoping work is under way on land acquisition issues in rural and peri-urban areas.

2. Themes in the industrial programme

The country team would particularly welcome research proposals on:

- **Financial development issues**, including studies on the performance of loan officers and possible experimental/RCT studies on means of improving their performance
- **Managerial Skill Development**: how to do it, does it work?
- **Job Creation by Firms**: why and how do some (but few) firms grow and create jobs; where are jobs created per dollar of incentives; job creation in large versus small firms.

The industrial research programme has two outcomes thus far and one piece of work is in progress:

John Sutton (LSE) has produced an Enterprise Map, documenting Ethiopia's biggest enterprises and their capabilities, how they acquire capabilities, how they source inputs and access their markets. Mans Soderbom (Gotenburg) has produced an analysis of the dynamics of the micro, small and medium-sized enterprises using the manufacturing census data. Work is under way by Chris Blattman (Yale) and Stefan Dercon (Oxford) on the local-level impact of job creation at large factories.

A brainstorming session in Addis Ababa (with inputs from Eric Verhoogen, John Sutton, Mans Soderbom and other research and country programme members) resulted in some possible key issues that should and could be researched

- o **Loan officers**: How do they make decisions? Can one train loan officers and how? Can computer programmes beat loan officers in assessing projects? (Experimental/RCT or survey based studies)
- o **Managerial Skill Development**: how to do it, does it work? Would training for managers in medium-sized firms be good for growth? Would mentoring work? (Scope for RCT based studies)
- o **Job creation by firms**: How to link incentives to capabilities? Where are most jobs created per dollar of incentives? How come very few small firms grow big and few succeed to grow employment? What is behind success in job creation? What is the point of supporting micro and small enterprises?
- o **Rural-urban links**: can the Ethiopian Commodity Exchange really offer incentives for commercialisation and real value addition? Does the market structure for the transport and trucking market constrain growth and commercialisation?
- o Is the absence of a stock market really a binding constraint?
- o How to run a state-owned bank?

The Ethiopian team would welcome any other ideas for pertinent research on the Ethiopian economy. For more information, please contact John Page Senior Fellow, Global Economy and Development, Brookings Institution and Country Director, IGC Ethiopia (jmpagejr@gmail.com), and Stefan Dercon, Oxford University and Lead Economist, IGC Ethiopia (stefan.dercon@economics.ox.ac.uk).

3. GHANA

Main Areas of Focus: Target policy areas and key policymakers:

- 1. Macroeconomic stability.** Shaping the thinking on mobilizing additional external resources and their likely effects on the macroeconomic situation, options for sterilization and inflation management, mobilizing domestic resources, managing public expenditures for the best outcomes, and maintaining a sustainable debt level.
- 2. Agriculture sector restructuring.** Addressing issues in two main clusters: A) Macro/Trade, and B) Productivity.
- 3. Private sector development.** Informing the debate on design and implementation of an appropriate, successful industrial strategy.
- 4. Education and skills acquisition.** Helping inform policy by examining A) how the acquisition of human capital influences the pattern of economic growth in Ghana; and B) the major constraints individuals face in accumulating education and skills, as well as the role of government policy in the presence of such constraints.
- 5. Natural resource management.** Contributing to the debate on natural resource management strategies, particularly given Ghana's recent oil discovery.

For more information, please contact Ernest Aryeetey, Vice Chancellor University of Ghana and Country Director, IGC Ghana (earyeetey@brookings.edu), Sam Mensah, Resident Director IGC Ghana (smensah@semfinancial.com) and Chris Udry, Yale University and Lead Economist, IGC Ghana (christopher.udry@yale.edu).

4. INDIA CENTRAL AND INDIA BIHAR:

BIHAR

The IGC Bihar programme studies the process of economic growth in Bihar, with a focus on design of policies that can accelerate and sustain the growth process. Target policy areas and key policymakers are:

- 1. Economic Transformation.** To study what factors have contributed to the spurt in growth in Bihar and thereby to ensure that appropriate policies are followed by the Government of Bihar and for identification of suitable long term strategies for the Chief Minister and Deputy Chief Minister.
- 2. Resource Mobilisation.** To identify what options are available to the Government of Bihar in terms of Fiscal policy and in identifying the nature of flows from the Central Government and provide necessary inputs to the Department of Finance and the Principal Secretary Finance and the Finance Minister in the State.

For more information on IGC Bihar program, please contact Anjan Mukherji Retired Professor, Jawaharlal Nehru University, and Country Director, IGC India Bihar (anjan.mukherji@gmail.com), and Maitreesh Ghatak Professor of Economics, London School of Economics, and Lead Academic, IGC India Bihar (m.ghatak@lse.ac.uk).

INDIA CENTRAL

The IGC India Central Program invites research proposals in three main areas, which were identified following a conference held in New Delhi April 2010 with leading academics and Indian policy-makers:

1. Human Development: Health and Education
2. Urbanization and Infrastructure
3. Macroeconomics and Financial Sector Policies.

Further details of each area are provided below.

Human Development: Health and Education

Improving health outcomes, from reducing child mortality to improving women's health, are an important priority for improving long-term growth. Basic interventions through vaccines and immunization programs have been effective and the question is how to prioritize and scale up such interventions in order to maximize the payoffs. In order to reap the demographic dividend from the relative youth of its workforce, India needs an education system that provides better primary and secondary schooling as well as adequate technical skills to high-school and university graduates. Researchers have identified many challenges—from teacher absenteeism in schools to difficulties in recruiting and retaining high-calibre university professors. It is necessary to understand where and what sort of interventions can have the most impact. In health and education, issues concerning accountability, service quality, public-private interactions, decentralization, and household factors contributing to inequality in access, will be important both in understanding existing access patterns as well as generating effective remedial policies. In addition to academic research, policy-related research drawing upon experiences from other countries would also be useful to make progress in these areas.

Urbanization and Infrastructure

Managing the urbanization process effectively is critical from the perspectives of welfare, equity and sustainability. As the structure of the Indian economy continues its shift away from agriculture and towards industry and services, there is likely to be a further push towards urbanization. This will create an enormous set of challenges related to the provision of water and sewerage facilities, public transport, and affordable housing in urban areas. Development of physical infrastructure is essential to extract scale economies and other benefits of agglomeration. All of these needs in turn entail financing requirements that need to be addressed through some combination of public financing, private-public partnerships and other forms of direct financing. Governance mechanisms for managing the urbanization process, and associated legal rules regulating land use, need to be designed appropriately. Dimensions of urban poverty, slum upgrading programs, and small firm cluster development policies will have to be addressed.

Macroeconomic and Financial Sector Policies

There is considerable debate in India about what monetary policy framework and financial regulatory structure would best promote macroeconomic and financial stability. The financial crisis has generated uncertainty about what framework to aim towards, let alone how and at what pace to get there. In addition to basic research, there is an important role here for synthetic research that allows Indian policymakers to grasp the current state of thinking in the academic community on these topics.

For more information on IGC India Central program, please contact Eswar Prasad, Professor of Economics Cornell University and Lead Academic IGC India (eswar.prasad@cornell.edu), and Dilip Mookherjee, Professor of Economics, Boston University, and Lead Academic, IGC India (dilipm@bu.edu).

5. PAKISTAN

Pakistan's economic growth outcomes have been salutary in the past. Over the six decades since independence average annual GDP growth rate has topped 5 percent and as recently as three years ago, it was 8 percent. As a result, income per capita nearly tripled from US\$ 300 in the 1960's to nearly US\$1000 in 2010. Poverty has fallen sharply. At independence in 1947, one in two Pakistanis was poor; in 2008, this ratio had come down to one in five. Beginning with virtually no industry at independence, industrial activity now constitutes 28 percent of GDP. There are several important manufacturing clusters spread throughout the country and Pakistan has emerged as a major world exporter of textiles. Self sufficient in food, Pakistan is a leading exporter of fine quality rice and raw cotton and is poised for impressive growth in export of fresh fruit especially citrus and mangoes. Pakistani workers, welcomed abroad for their hard work, send home \$8 billion annually in remittances.

There are, however, concerns about sustainability of growth. A chronic fiscal imbalance and failure to diversify manufactures exports have resulted in recurrent balance of payments crises and stop-go growth. Low productivity in manufacturing and agriculture erodes international competitiveness. Insufficient investment in human capital and the persistence of regional and social inequalities pose challenges to sustained high growth as does the impact of climate change on water scarcity. A core underlying challenge is a weak governance structure rendered even more fragile by the ongoing insurgency and a proclivity to natural disasters.

IGC Pakistan program is designed to address these complex growth issues using both rapid response and medium term research instruments, which are being undertaken in partnership with Federal and provincial governments. The objective is to use evidence-based analytical work to inform the design of policies and institutions that affect growth and are in the domain of both the federal as well as the provincial governments. Recent constitutional changes repose increasing responsibility on the provincial governments to deliver on growth.

We are inviting proposals in the following thematic areas (the description of ongoing and proposed work is provided in italics as an illustration of the type of proposals being envisaged)

1. Macroeconomic management and new growth initiatives

- How do we design an effective monetary policy in a high fiscal deficit regime? *This work has been planned in collaboration with the State Bank of Pakistan.*
- What are the barriers to firm growth and efficiency? *Work is planned to analyze: the spatial and sector-level heterogeneity in firm-level productivity, growth and cluster formation; and the effectiveness of an industrial-cluster approach to moving up the value chain.*
- What should be the design of a policy framework for a competitive manufacturing sector? *Work is being undertaken on such a framework based on South-Asia wide experience.*
- What are the barriers to farm growth and efficiency? *Work is planned to analyze the constraints to productivity growth in the rural economy that are resulting from: vulnerability to environmental shocks, climate change, water shortages and price variability; and state-intervention in agricultural product markets.*
- Where are the new vents for growth? Planned work
 - *How should Pakistan leverage its long-standing relationship with China to catalyze growth spillovers*

RESEARCH OPPORTUNITIES IN IGC PARTNER COUNTRIES.

- *How should Pakistan leverage its geographic neighbourhood to catalyze growth*
- *Shifting the debate on growth policy to focus more on productivity-led growth incorporating the new thinking on the role of knowledge, geography, urban centers and connectivity in partnership with the Pakistan Planning Commission*

2. State Capabilities and conflict

- How to increase Federal and provincial revenue collection? *Work is ongoing on designing and implementing a framework for value-added tax in Pakistan and on using cash- and salary-based incentives to motivate tax collectors to improve revenue yield.*
- How do we enhance efficiency and effectiveness of public expenditure? *Ongoing work evaluates the use of information-based instruments (such as public expenditure scorecards, media reports and citizen-based groups); measuring and improving efficiency in public procurement, and the use of ICTs, in flood affected districts, to enhance the accountability of public programmes by strengthening citizen voice. Ongoing work is engaged in the design of a democratic party-based local government system to enhance the efficiency of public expenditure.*
- How do we design effective public expenditure programmes in districts with high incidence of violence?
- Proposed work
 - *Designing an optimal tariff regime for textiles and automobiles sectors*
 - *Developing and evaluating institutional interventions for monitoring and coordinating aid flows, which are being implemented by government for growth effectiveness*
 - *Designing and evaluating institutional interventions for improving federal and provincial policy coordination in key areas of growth enhancement*

3. Social Services and inclusive growth

- How do we improve the quality of human resources in Pakistan?
- How do we promote growth that is regionally and socially inclusive?
- *Ongoing work is engaged in the design of public-private partnerships to enhance quality and access to education through the use of market incentives and an appropriate mix of market-based delivery and state financing and provision*
- *Ongoing work is engaged in the design and evaluation of a large-scale government skills enhancement programme for young adults from low income households in the high poverty districts of Punjab.*
- *Ongoing work is engaged in the design of a fiscally sustainable social protection regime that also builds assets for the poor to participate in growth.*

For more information, please contact Ijaz Nabi, Lahore University of Management Sciences and Country Director, IGC Pakistan (ijaz.nabi@lums.edu.pk), Naved Hamid Lahore School of Economics and Resident Country Director, IGC Pakistan (navedhamid@gmail.com), Asim Ijaz Khwaja Professor of Public Policy, Harvard University Kennedy School of Government and Lead Academic, IGC Pakistan (akhwaja@hks.harvard.edu), and Ali Cheema Associate Professor, Lahore University of Management Sciences and Lead Academic, IGC Pakistan (cheema@lums.edu.pk).

6. SIERRA LEONE

In agreement with the country authorities, the objective of the IGC Sierra Leone country programme is to address issues of major concern to the authorities in implementing the *Agenda for Change – the Second Poverty Reduction Strategy Paper*. In particular, the IGC is currently supporting the government's efforts in promoting private sector development and export promotion. Key policymakers are Minister of Finance and Development, Minister of Trade and Industry, the Bank of Sierra Leone and in general the Government of Sierra Leone. A Memorandum of Understanding approved by the President of the country contains the following important areas for IGC focus at this time:

- (1) Optimal Intervention Policies for Export Promotion and Diversification
- (2) Comprehensive Reform Plan for Technical and Vocational Education and Training
- (3) Strategy to Encourage Commercial Farming in Agriculture
- (4) Developing a Coherent Approach to Nurturing a National Innovation System
- (5) Fostering Effective Cooperation among Private Sector Firms
- (6) Sources of Long-Term Investment Funds for the Private Sector
- (7) Access to Finance in Support of Small and Medium Enterprises

For more information, please contact Omotunde Johnson Country Director, IGC Sierra Leone (oegjohnson@aol.com), and Rachel Glennerster, Director J-PAL Global and Lead Economist, IGC Sierra Leone (rglenner@mit.edu).

7. TANZANIA

Main Areas of Focus: Target policy areas and key policymakers:

1. **Macroeconomic Management for Growth.** Helping shape the reform of the framework for monetary policy. For the Bank of Tanzania (BoT).
2. **Growth and Poverty Reduction.** Informing the debate on “growth without poverty reduction,” and thus shaping the policy response. For the BoT.
3. **Agriculture.** Informing and shaping policy on agriculture, in particular on interventions in markets for seeds and fertilizer, and extension services.
4. **Regional Trade and Integration.** Shaping the thinking on spatial dimensions of development: economic geography topics to be confirmed.
5. **Public Finance.** To shape the evolution of fiscal policy by identifying the options available to the government, in particular in service provision and infrastructure.
6. **Firm Capabilities.** To inform policy in industry and investment.

Please also see the note on IGC website (<http://www.theigc.org/node/782>) on Tanzania country level research opportunities.

For more information, please contact John Page Senior Fellow, Global Economy and Development, Brookings Institution and Country Director, IGC Ethiopia (jmpagejr@gmail.com), and Christopher Adam Reader in Development Economics, Oxford University and Lead Academic, IGC Tanzania (christopher.adam@economics.ox.ac.uk).