

IGC South Asia Regional Conference

Ijaz Nabi

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Pakistan's Growth Challenges

- GDP growth half historical trend rate
- Militancy and related law and order deterioration
- Macro-economic instability (the two deficits)
- Energy crisis (2 percentage points off? Demand vs Supply)
- Loss of international competitiveness (Dutch disease?)
- Poor service delivery (key MDG's)
- Managing rapid urbanization

- Most resonate with IGC focus areas

Opportunities for engaging

- Transition to democracy
- Federal provincial governments and contestability
- Appetite for evidence based policy making
- Opportunities to engage
 - Punjab
 - Sindh
 - Now KP
 - Baluchistan
 - Federal government

Policy making in Pakistan

- **The usual practice**
 - More of the same
 - The last person to catch the ear
 - Political pressure
 - Anecdotal evidence
 - Policy advisory groups
- **Donor-led (comes with money)**
 - International best practice! Benchmarking of likely correlates
 - A lot good stuff too (BISP in Pakistan)

The IGC Model

- **The IGC model entails**
 - Policy hypotheses tested with time series/cross section data
 - Randomized controlled trials (noise reduction)
 - Both require intensive data gathering; engagement with policy makers?
- **Quality established in publication in reputable journal**
- **The model assumes**
 - Policy makers are astute and well versed with economists' method
 - Policy makers have patience
 - Policy makers have tenure

IGC Pakistan's strategy in Phase I

- Create space for IGC in a donor congested setting by
 - engaging with the policy maker continuously and at many levels
 - responding quickly (given tenure, attention span)
 - extending budgets creatively (value for money?)
- Focus on bringing international researchers to Pakistan
- Create a brand name in Pakistan among researchers, policy makers, the private sector and the media.

Completed 64 projects during phase I (2010-13)

	Number of Projects	Rapid Response	Policy Studies	Research Project	Pilot Research	Scoping Study	Event
2010-11	18	6	9	0	1	2	6
2011-12	22	2	10	3	3	4	7
2012-13	24	6	6	6	1	5	6

Some successes in Phase I

- Federal Government (Finance and Planning Commission)
 - Rationalizing import policy (Donor)
 - Rationalizing Public investment program (Donor)
 - Expanding the income tax base (IGC)
- State Bank of Pakistan
 - Support for macro-modelling (IGC)
 - Understanding informal finance (?)

Some successes in Phase I (continued)

- Government of Punjab
 - Property tax policy (Donor)
 - property tax collection (IGC)
 - Health delivery monitoring (IGC)
 - Mapping cities for zoning (IGC)
 - Skills development (IGC?)
- Private sector
 - Technology diffusion among exporting firms (IGC)
 - Effective contracting of labor (IGC)
 - Promoting garments exports (IGC?)
 - Removing barriers to trade with India (Donor)

Phase I overall assessment

- Engagement with policy makers WB/M model (Good)
- Engagement with policy makers WB/M model (high transaction costs, needs continued vigilance)
- Engagement with International researchers (better than feared at start, could be a lot better)
- Engagement with domestic researchers (Good, but needs more work in phase II)
- Engagement with media (moderate, needs more work)
- Engagement with the private sector (moderate, needs more work)

Phase II - so far

- Expansion of the IGC program to Khyber Pukhtunkhwa province
- Including infrastructure and urbanization streams to the program
- Strengthening engagement with private sector and expanding support to state competitiveness in social sectors
- Introduction of competitive grants for research projects

Phase II- Thematic Areas

Macroeconomics / Growth

Fiscal and monetary policy reforms

Trade

Financial Sector Reforms

State Capabilities

Tax Reforms

Enhancing Social Service Delivery & access to Justice

Improving Political/Economic Governance

Streamlining public expenditure

Firm Capabilities

Improving Competitiveness of Firms & Industry

Technology Adoption

Understanding & Alleviating barriers to growth

Urbanization & Infrastructure Development

Urban Management

Urban Infrastructure

Impact of urbanization on Poverty

Phase II Funding Process

- Rolling support to policy studies with strong demand and ownership from Government
 - Proposals to be evaluated in terms of potential
 - benefit to the government
 - Strength of research team
 - Value for money
- Two Rounds of Call for Proposals per year for research studies
 - Projects to be evaluated by leading academic researchers from leading research institutions/universities
 - Projects to be evaluated in terms of their potential
 - Academic contribution
 - Policy relevance
 - Technical design
 - Project viability
 - Value for money

Potential for Collaboration

- Leading international researchers paired with local academic researchers
- Researcher partnership with key stakeholders (from private and public sector)
 - Evidence-based design and diagnostics
 - Learning from experiments and evaluations
 - Economic modeling that informs policy
- Descriptive applied research informs policy agenda

Phase II: Strengthening Local Research Capacity

- Research Program to encourage linkages of local researchers with international researchers
- Under previous call received proposals from local universities
→ suffered from methodological weaknesses
- IGC supports this by
 - Allowing pre-submissions for detailed review and feedback
 - Matching offers to strengthen existing proposals and fill in capacity gaps
 - Allowing submission of ideas for research/proposals 2-3 months before next call to further strengthen ideas and connect with international researchers