

Call for proposals

Country priorities

December 2019

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IGC call for proposals

Country priorities – December 2019

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1. BANGLADESH

Since 2015, Bangladesh's economic growth performance has been on an impressive upward trajectory. The provisional estimate of GDP growth for FY18-19 was 8.1%, which is the first time that growth has exceeded 8% after clocking in approximately 7.4% average annual GDP growth in the previous three years (FY15-18). Headline inflation (CPI) has slowed to approximately 5.4%. Overall macroeconomic management continued to be prudent with broad fiscal and monetary discipline maintained. In FY19, strong economic growth was sustained by buoyant domestic and external demand. Commodity export earnings in FY19 increased by 10.6% to USD 40.5 billion compared to USD 36.7 billion in FY18; remittance inflow by migrant workers grew by 9.6% to USD 16.4 billion compared to USD 15 billion in FY18. Although the current account deficit was reduced by higher export and lower import growth, a decline in the financial account surplus has lowered the overall balance of payments deficit.

Bangladesh attained lower-middle income status in 2015 as is on track to graduate out of the least developed countries category by 2024. Despite having a remarkable track record in reducing poverty since 2000, in recent years' economic growth may have become less pro poor compared to before. Although Bangladesh has enjoyed over a decade of relatively rapid and stable economic growth, overall job creation has been moderate. Weak pace of employment growth is of concern as annually nearly 2 million new entrants enter the workforce. Moreover, low labour productivity continues to be a challenge for Bangladesh. In spite of the expansion of access to education in recent decades, poor quality of education has resulted in weak learning outcomes across the education system which, in turn, hampers pace of human capital development. Equipping young people with the skills needed for productive jobs remains crucial.

The general election in December 2018 was conducted peacefully, which has led to an overall dissipation of uncertainties on the political front. Compared to previous elections and government transition, there has been negligible disruption to economic activity. The Awami League has formed the government for three consecutive terms since 2009. However, it is unclear if this continuity in on the political front (in terms of party and leadership) has had a favourable impact in terms of pace or execution of politically sensitive reforms.

State effectiveness

- **State revenue and effective state policies**
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - Enhancing the efficiency of administrative structure in order to achieve effective delivery of services
- **Poverty reduction, labour markets, and inclusive growth**
 - **Occupational transformation, inclusive labour markets policies**
 - Understanding the determinants of female labour force participation to ensure that economic growth continues to be inclusive
- **State revenue and effective state policies**
 - **Spending effectiveness (procurement, PPPs, targeting)**
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - Evaluation of government project implementation, specifically for infrastructure projects that are fundamental for growth

Firms, trade, and productivity

- **Firm capabilities**
 - **Entrepreneurship, management practices, training programs**
 - Improve technology, management practices and labour productivity to enhance cost competitiveness

- **Technology adoption, innovation, and quality upgrading**
 - Methods to incentivise technology adoption among firms
- **Access to finance, material inputs and electricity**
 - Financial inclusion through Digital Financial Services (DFS), specifically research into how DFS can assist firm growth and address the persistent gender gap among the financially included
- **Markets**
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - Assessments to understand firm management bottlenecks that could be preventing fuller integration to global value chain
 - **External economies and industrial policy**
 - Reducing anti-diversification bias– because of the stellar success of RMG exports, trade policy and incentive regime have a clear focus on this sector which is provided a free trade channel plus logistic support
- **International trade**
 - **Export promotion, trade policy and related policies**
 - Formulate non-distortionary time bound policy on sector specific needs like export subsidy, exchange rate management, and import liberalisation reforms to reduce anti-export bias
 - **Trade integration and infrastructure**
 - Improve management of trade logistics particularly customs procedures, port infrastructure and logistic competence in terms of tracking tracing, and timeliness.
 - **FDI policy (attraction, SEZs, spillovers, linkages programs)**

Cities

- **Housing, crime and urban public services**
 - **Housing, water and waste management**
 - **Other local public services**
 - Innovation in the provision and delivery of services in urban areas and piloting service provision through non-traditional modalities like public-private partnership, NGO led model, private sector, peer-to-peer model, hybrid models etc.
- **Municipal finances and urban governance**
 - **Tax policy and compliance**
 - Research is needed to update the tax base of various local government/municipal taxes like holding tax, land tax etc.
- **Urban land and transport**
 - **Transport infrastructure**
 - The capital's public transport system is expected to get a much-needed overhaul through the 20km metro rail service and 47 km Elevated Expressway. These transport infrastructures are expected to have significant impact on economic activity, mobility, land valuation etc. in the local economy. Studying the impact will fine tune transport regulatory policies

Energy and environment

- **Access to energy**
 - **Impact of energy access on firms and households**
 - **Energy market design**

- Demand-side management and off-grid solar energy technologies that can solve last mile problem and address exclusion and inequalities of access to energy
 - **Political economy of energy supply**
 - Research on the availability of land to undertake solar power projects.
- **Local externalities from energy consumption**
 - **Consequences of pollution on health and human capital**
 - **Willingness-to-pay for air and environment quality**
 - **Governance and regulations**
 - Focus on net-metering to boost solar power generation and popularise it among users

2. ETHIOPIA

Recently, clouds have appeared on the horizon for Ethiopia's economic and political future. The country was long hailed as one of Africa's success stories and a posterchild for the potential of the developmental state to deliver economic growth (over 10% per year between 2004 and 2017). Agriculture and industry grew by 7% and 12% per year, respectively, in the decade after 2007. These sustained growth rates translated into significant progress on reducing poverty; the poverty headcount ratio declined from 38% in 2004 to 23% in 2015. Meanwhile, large investments in health, education and infrastructure have led to major gains in access to key services. This spectacular growth was driven primarily by demand-side factors, especially major public investment, which increased as a share of total government expenditure from 20% in 2000 to 47% in 2017.

Economic growth slowed down to 7.7% in 2017/18, revealing sustainability issues related to slow structural transformation and growing macroeconomic imbalances. Despite large growth rates, the Ethiopian economy has struggled to shift economic activity and employment towards higher-value sectors. Manufacturing income remains stuck around 5% of GDP, while the share of employment in agriculture has not fallen commensurately with its share in output, leading to increased income inequality. At the same time, distortionary financing of government investment – based on loose monetary policy, artificially low interest and exchange rates, and financial repression – has led to high inflation, a large parallel foreign exchange market premium, high external debt, and growing trade deficit. Compounding these issues, these distortions have crowded out the private sector, limiting investment and job creation. On the policy side, civil service capacity has been hurt by declining real wages and increased politicisation, limiting the ability of the authorities to respond to macroeconomic issues. The government is currently drafting a 10-year development plan led by the Planning and Development Commission, which, combined with the recently formulated Home-Grown Economic Reform plan, aims to tackle these economic challenges.

Political tensions following Prime Minister Abiy Ahmed's election in April 2018 have been a concern. Ethnic-based conflicts in Oromia and Amhara have led to significant internal displacement and risked destabilising the government, and have included a reported coup attempt in June 2019. However, the current administration has shown openness to political reform, inviting opposition members to government positions in some cases. This openness has also extended to the policy space, where the government has enhanced its engagement with development partners and signalled its intent on addressing the economic and political issues it faces.

State effectiveness

- **State revenue and effective state policies**
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - Civil servant productivity and expansion of capacity for policy implementation

Firms, trade, and productivity

- **Firm capabilities**
 - **Labour market policies**
 - Addressing market frictions to enable job creation
- **International trade**
 - **FDI policy (attraction, SEZs, spillovers, linkages programs)**
 - Increasing FDI and maximising its economic benefits
 - **Export promotion, trade policy and related policies**
 - Addressing structural bottlenecks to business and their relationship to exports and Firm capabilities
 - Realignment of incentives to export

Cities

- **Firms and employment in cities**
 - **Industrial parks and clusters**
 - The industrialisation-urbanisation nexus, including the relationship between industrial park performance and housing and other urban infrastructure
 - **Labour market policies**
 - The relationship between labour policy and urban growth
- **Housing, crime and urban public services**
 - **Housing**
 - The relationship between housing policy and economic growth in Ethiopia's cities, especially Addis Ababa

Energy and environment

- **Access to energy**
 - **Impact of energy access on firms and households**
 - **Energy market design (e.g., tariff reform)**
- **Global externalities from energy consumption**
 - **Mitigation and energy policy**
 - Impact of economic policies on environmental outcomes, including through e.g., an environmental social accounting matrix

3. GHANA

Over the past ten years, Ghana's GDP has grown at an average of 6.9% per year and the economy has nearly doubled from a GDP (in constant USD) of USD 28.44 billion in 2008 to USD 53.79 billion at the end of 2018 (USD 66.29 bn – USD 125.37bn in constant PPP terms). In the same period, real per capita income grew from USD 1,206.99 to USD 1,807.06. In July 2011, Ghana graduated to lower middle-income country status. In spite of this performance, economic growth in Ghana has been sporadic over the same period, recording a very high GDP growth rate of 14% in 2011 followed by a much lower growth rate of 2.1% in 2015. In April 2019, Ghana completed and exited from a four-year IMF Extended Credit Facility programme. The IMF programme was arranged in 2015 to help restore debt sustainability and macroeconomic stability in the country to foster a return to high growth and job creation while protecting social spending.

In spite of the economic growth and improvements over the last decade, Ghana's economy is still grappling with a number of significant weaknesses, challenges and constraints to making growth more sustainable and inclusive. As a lower middle-income country, Ghana struggles with an inherent problem in finding adequate financial resources to pay for the basic, pertinent and pressing public goods and services needed to drive the country's growth and prosperity. On the trade and productivity

side, the economy still exhibits high informality in the economy, which hinders sustainable increases in productivity. There is also low capacity for the exploitation of trade for economic growth. Ghana's growth and development is impeded by weaknesses in the governance of its natural resources (forests, precious minerals, crude oil and gas), which has undermined efforts to maximise the benefits and opportunities from natural resources endowments.

The government's vision and medium-term plans are detailed in its *Coordinated Programme of Economic and Social Development Policies, 2017-2024* document, which is sub-titled "An Agenda for Jobs: Creating Prosperity and Equal Opportunity for All". The document shows that the government broadly aims to "build a prosperous country; create opportunities for all Ghanaians; safeguard the natural environment and ensure a resilient built environment; and maintain a stable, united and safe country". Under this eight-year plan, Ghana aims to double its 2017 per capita income of about USD 1,632 by 2024 with an average annual GDP growth of about 7.2%.

State effectiveness

- **Poverty reduction, labour markets and inclusive growth**
 - **Social protection**
 - The provision of safety net for the poor and vulnerable
- **State revenue and effective state policies**
 - **Tax revenues (compliance and policy)**
 - Using innovative ways to broaden the tax net, improve tax morale, and reduce the burden on taxpayers
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - Improving productivity in the civil service and institutions
 - Bridging the gap between policy and implementation
 - **Spending effectiveness (procurement, PPPs, targeting)**
 - Procurement practices, the capacity for undertaking and obtaining value for money for public projects, and leakages in government spending (including government payroll)
 - Enhancing the capacity for harnessing PPPs for development financing

Firms, trade, and productivity

- **Firm capabilities**
 - **Entrepreneurship, management practices, training programs**
 - The effectiveness of government entrepreneurship interventions (such as the National Entrepreneurship and Innovation Programme – NEIP) and the role of management practices
 - **Technology adoption, innovation, and quality upgrading**
 - Understanding the role of technology and digitisation in transforming the economy
 - **Labour market policies**
 - Improving enrolments into the public pension scheme for informal sector workers
 - Job allocation and job matching
- **Markets**
 - **Misallocation of factors of production, structural transformation**
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - Access to and the role of markets (including the commodity exchange market)
 - Strengthening value chains

- **External economies and industrial policy**
 - Strategies for increasing access to international markets and global value chains
- **International trade**
 - **Trade-affected and trade-related distortions**
 - **Export promotion, trade policy and related policies**
 - **Trade integration and infrastructure**
 - Capacity for implementing the African Continental Free Trade Agreement (CFTA)
 - **FDI policy (attraction, SEZs, spillovers, linkages programs)**
 - **Trade and inequality**
 - The management of challenges that accompany the free movement of people and goods within the ECOWAS region

Cities

- **Firms and employment in cities**
 - **Slums and inclusive cities**
- **Housing, crime, and urban public services**
 - **Housing**
 - **Water**
 - **Waste management**
 - **Other local public services**
- **Municipal finances and urban governance**
 - **Tax policy and compliance**
 - **Governance and public finance management**
 - Improving management and governance of local governments (MMDAs)
 - Finding innovative sources for financing infrastructure projects
- **Urban land and transport**
 - **Urban planning**
 - Improving the governance of large urban areas in the context of highly decentralised local governments
 - Improving planning and spatial planning for human settlements
 - **Transport infrastructure**

Energy and environment

- **Access to energy**
 - **Impact of energy access on firms and households**
 - **Energy market design**
 - Improving both the electricity tariff structure and tariff recovery
 - Improving efficiency and/or reducing losses in the power sector
 - **Political economy of energy supply**
- **Local externalities from energy consumption**
 - **Consequences of pollution on health and human capital**
 - Improvement of natural resource governance and management of environmental impacts of natural resource exploitation
 - **Governance and regulations**
 - Increasing use of clean energy (especially for cooking)
 - Reduction of pollution

4. MOZAMBIQUE

Mozambique started 2019 showing early signs of recovery after a few years of sluggish economic growth following the hidden debt crisis in 2016. Unfortunately, the negative supply shock created by the tropical cyclones Idai and Kenneth will slow down Mozambique's recovery. Nevertheless, the economy is expected to rebound to pre-cyclone levels and resume growth in 2020, provided government authorities continue to show commitment to macroeconomic stability and address governance challenges.

After sustaining an average real GDP growth of 7% during FY04-15, growth gradually went down until it reached an estimated 3.5% in 2018. The decline was largely the product of the hidden debt crisis of 2016, which eroded investors and donors' confidence in the country, setting both public and private investments in a negative trajectory in the following years. Furthermore, as a consequence of the debt crisis, the Mozambican government faced a significant reduction in its fiscal space, which resulted in decreased levels of public investment.

The pressures embedded in the balance of payments triggered a strong devaluation of the Mozambican currency, the metical, which led to high inflation over the FY16-17 period. Food price inflation was particularly high reaching 40% in November 2016. Imported goods such as maize and rice are important items in Mozambicans' typical diet. Thus, the impact of the currency devaluation, combined with the effects of the FY16-17 regional drought, translated into a significant reduction of household consumption and an overall increase in poverty rates. In the longer term, diversifying the economy is key for a more sustainable growth for Mozambique.

State effectiveness

- **Fragility and economic development**
 - **Escaping extreme fragility**
 - Analysis of possible conflict prevention measures in fragile areas of Mozambique, particularly Cabo Delgado province
- **State revenue and effective state policies**
 - **Tax revenues (compliance and policy)**
 - Taxation and macroeconomic policy and reform measures, with a particular focus on taxation of mineral resources
 - **Natural resource management and other sources of revenues**
 - Accountability and transparency and the role of the media in the context of natural resource discoveries and reconstruction after natural calamities (e.g., recent cyclone Idai)
 - Redistribution strategies in the context of natural resource exploration (as in the case of artisanal mining)
 - **Spending effectiveness (procurement, PPPs, targeting)**
 - Optimal management of government service provision as part of wider improvements in government coordination
 - Complementarities and efficiencies between investments
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - Efficiency improvements in service provision

Firms, trade, and productivity

- **Firm capabilities**
 - **Entrepreneurship, management practices, training programs**
 - Improving the productivity of medium to large firms through financial management and training
 - **Access to finance, material inputs and infrastructure**

- Financial inclusion in agriculture, specifically improving financial management through access to insurance for commercial farmers and the links between financial inclusion, agricultural productivity, and inclusive growth
- Infrastructure as a constraint to firm-level productivity gains
- **Markets**
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - Identify interventions to promote the development of value chains as a means to diversify the Mozambican economy and promote long-term economic growth
 - Integration into international value chains in agribusiness
- **International trade**
 - **Export promotion, trade policy and related policies**
 - Linking the study of value chains to trade policy and export promotion

Cities

- **Urban land and transport**
 - **Transport infrastructure**
 - Market design in public transportation, particularly in Maputo and other large urban centres
- **Housing, crime and urban public services**
 - **Housing**
 - Low-cost housing, urban design and property rights

Energy and environment

- **Access to energy**
 - **Impact of energy access on firms and households**
 - Explore the ongoing electrification effort, especially the impact of grid rollout to rural areas on household and firm-level welfare
- **Global externalities from energy consumption**
 - **Adaption and public goods**
 - Managing the aftermath of economically disruptive climate events, such as the recent cyclones affecting central and northern Mozambique
 - **Mitigation and energy policy**
 - Measures for better prevention to minimise the effects of future natural calamities

5. MYANMAR

Economic and political reform continues in Myanmar under the National League for Democracy (NLD) government led by Daw Aung San Suu Kyi since the 2015 election. However, the reform process has not been as smooth or rapid as many expected, especially since the NLD appeared to focus primarily on the peace process in its first years in power. As peace efforts stalled, attention has begun to shift to much-needed economic reforms, which were started under the previous administration. The Myanmar Sustainable Development Plan for 2018-2030 has been adopted and provides an overall development strategy and coordination framework.

Myanmar has strong growth potential but faces several structural challenges. The real GDP growth rate for FY18-19 is projected to be 6.5% and the economic outlook remains positive with growth expected to accelerate to 6.7% by FY20-21 according to the World Bank. Building reform momentum, planned large-scale infrastructure projects and investment in sectors undergoing liberalisation are likely to propel growth forward. However, the Myanmar economy faces headwinds primarily from external sources. Escalation of US-China trade tensions, slowing regional and global economic

growth and potential revocation of preferential EU access under the Generalised System of Preferences (GSP), which is likely to disproportionately affect the garments sector, could put downward pressure on economic growth.

Several issues of political economy also constrain the policy space in Myanmar. Domestically, the Tatmadaw (Myanmar military) retains significant power and influence in politics and economics: formally through the ministries of defence, home affairs, and border affairs, as well as informally. The Rakhine crises of 2017 led to a mass exodus of refugees from Northern Rakhine and garnered international condemnation. Although most international donors have maintained their levels of support to Myanmar, some support has shifted to direct humanitarian aid rather than government assistance. Trust between the Myanmar government and international counterparts has decreased, further compounding existing coordination issues in policymaking.

State effectiveness

- ***Fragility and economic development***
 - **Escaping extreme fragility**
 - Analysis of the war economy and illegal trade
 - The electoral process and role of social media in a context of fragility
 - **Inclusive institutions (political selection and state accountability)**
 - Political economy dimensions of the peace process, governance and equitable sharing of natural resources
- ***Poverty reduction, labour markets, and inclusive growth***
 - **Social protection**
 - The state's ability to effectively deliver development programmes, such as the National Community Driven Development and Maternal and Child Cash Transfers Programmes
 - Social protection programmes, including implementation in conflict-affected areas.
- ***State revenue and effective state policies***
 - **Tax revenues (compliance and policy)**
 - Tax administration and policy, e.g., effective tax rates and informal taxation
 - **Public sector organisation and policy implementation**
 - Support the national development planning process, particularly the implementation of the Myanmar Sustainable Development Plan and the important areas of infrastructure and migration
 - Organisational effectiveness issues, such as decentralisation, iterative reform, and citizen engagement

Firms, trade, and productivity

- ***Firm capabilities***
 - **Entrepreneurship, management practices, training programmes**
 - Workplace communications, such as the role of language frictions as a barrier to knowledge transfers
 - Industrial relations and labour market policies
 - **Access to finance, material inputs and electricity**
 - Agricultural value chain financing to help cover the country's agricultural lending gap (estimated at over 90%)
- ***Markets***
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - Complementarities across value chains and the link to quality upgrading, firm-level productivity and export competitiveness
 - **Market power and competition policy**

- The role of crony capitalism in Myanmar, how market capture affects the competitiveness of the private sector, and what policies can address this issue
- **International trade**
 - **Export promotion, trade policy and related policies**
 - Costs of exporting, improved competitiveness, export promotion programmes
 - **FDI policy (attraction, SEZs, spillovers, linkages programs)**
 - Monitoring and evaluating the Thilawa SEZ, assessments of firm productivity and potential supply linkages and spillovers

Cities

- **Housing, crime and urban public services**
 - **Other local public services**
 - The effectiveness of public service provision in Mandalay and Yangon and its links to inclusive growth
- **Municipal finances and urban governance**
 - **Tax policy and compliance**
 - Revenue mobilisation efforts in both Mandalay and Yangon, particularly through strengthening of the property tax regimes in these two cities
 - **Governance and public financial management**
 - Organisational effectiveness issues such as in the Mandalay city administration
- **Urban Land and Transport**
 - **Urban planning**
 - Structural approaches to transportation and land use in Yangon

Energy and environment

- **Access to energy**
 - **Impact of energy access on firms and households**
- Estimating the welfare effects of grid expansion through the National Electrification **Poverty reduction, labour markets, and inclusive growth**
 -
 - Understanding the drivers behind household connections to both grid and non-grid electricity sources.
 - **Energy market design**
 - Estimation and tackling of power sector losses
 - Analysis of the new tariff regime, its effects on welfare and financial sustainability
 - Areas for further reform

6. PAKISTAN

Following the 2018 general election, the Pakistan Tehreek-e-Insaf became the first political party to take control of both central government and the Punjab government (IGC's main province of engagement). The government is committed to forgo the past practice of consumption-led growth financed by internal and external borrowing as such growth is not sustainable and macroeconomic imbalances recur. The path to sustained economic growth and productive employment requires structural reform to address three fundamental gaps in the economy: the revenue-expenditure gap, the export-import gap and the saving-investment gap. The broader reform agenda also includes social protection and governance reform.

Pakistan was one of the top ten fastest growing developing countries between 1960 and 1990, recording an annual average growth rate of 6%. The structure of the economy was also transformed during this period with the share of agriculture falling from 50% to 20%. Yet the past 25 years have seen a significant decline in growth rates and, in the more recent years, Pakistan has underperformed even within the region. This can primarily be attributed to weak economic management due to Pakistan not being able to tackle the core structural weaknesses of diminishing fiscal space, declining international competitiveness and low investment.

GDP growth slowed in FY19 to reach 3.3% as economic policies to address current account and fiscal deficits took place. Over the past year, the exchange rate was allowed to depreciate (with a cumulative depreciation of 25.5%), the development budget was cut, and energy prices were increased. Pakistan is currently under an IMF Extended Fund Facility arrangement focusing on a decisive fiscal consolidation to reduce public debt and build resilience while expanding social spending; a flexible, market-determined exchange rate to restore competitiveness and rebuild official reserves; elimination of quasi-fiscal losses in the energy sector; and strengthening institutions and enhancing transparency.

State effectiveness

- ***Fragility and economic governance***
 - **Inclusive institutions (political selection and state accountability)**
 - Strengthening accountability, oversight and participation mechanisms, particularly through information, between low-income citizens and women and service providers and political representatives at the provincial and local levels
 - Creating better awareness of gender in economic governance
- ***Poverty reduction, labour markets, and inclusive growth***
 - **Social protection**
 - Helping the state in designing better targeted and more cost-effective social protection programmes (improving the understanding of political economy, financial and data constraints; measuring behavioural costs and benefits)
 - Addressing governance in the access to education and health services for the poor
 - **Occupational transformation, inclusive labour market policies**
- ***State revenue and effective state policies***
 - **Tax revenues and revenue mobilisation**
 - Improving compliance and tax policy, strengthening capacity to raise revenue across federal, provincial and local governments
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - Improving government capacity through civil service reform so that the government can undertake its function more efficiently and with greater effectiveness (e.g. improving recruitment, selection and motivation of civil servants, improving management practices)
 - Building state capacity of provincial and local governments to deliver effective social and municipal services (e.g. in health and education)
 - **Spending effectiveness (corruption, procurement, PPPs, targeting)**

Firms, trade, and productivity

- ***Firm capabilities***
 - **Entrepreneurship, management practices, training programs**
 - Reducing various frictions through better training, support services, market linkages and reforms particularly in the agricultural and livestock sector
 - Evaluating mechanisms to improve management practices across manufacturing and exporting firms via collaboration with both public and private sector players

- Promoting healthier and more educated workforce
 - **Technology adoption, innovation, and quality upgrading**
 - Understanding organisational barriers that prevent adoption of existing technology for manufacturing and exporting firms.
 - **Labour market policies**
 - Creating jobs with strong participation from the private sector and enhancing women's participation rates.
 - **Access to finance, material inputs and electricity**
- **Markets**
 - **Misallocation of factors of production, structural transformation**
 - Working towards reducing frictions (financial, informational, labour market, product market, etc.) faced by firms
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - **External economies and industrial policy**
- **International trade**
 - **Trade-affected and trade-related distortions**
 - **Export promotion, trade policy and related policies**
 - Supporting export-oriented industries, such as garments, light engineering, pharmaceuticals, agri-processing, especially in light of CPEC.
 - **Trade integration and infrastructure**
 - **FDI policy (attraction, SEZs, spillovers, linkages programs)**
 - Designing mechanisms and policies through which benefits of FDI can be leveraged to promote local manufacturing, e.g., through FTAs, FDI policy, etc.
 - Determining the type of government support most needed to boost exports, such as SEZs, zero-rate sales tax, subsidised gas and power prices, etc.
 - Enabling joint ventures between Chinese and Pakistani businesses under CPEC
 - Enhancing cross-border knowledge and technology transfers in the industrial sector.

Cities

- **Firms and employment in cities**
 - **Industrial parks and clusters**
 - Adopting a comprehensive strategy for sustained industrialisation and productive urban jobs
 - Allocating land to promote industry and adopting regional planning to integrate housing, education, transport and commercial development
 - **Labour market policies**
 - Improving urban services that can enhance citizen/Firm capabilities and satisfaction.
 - **Slums and inclusive cities**
- **Housing, crime and urban public services**
 - **Housing**
 - **Water**
 - **Other local public services**
 - Strengthening local government for improved service delivery by low-tiered government bodies as opposed to centralised administrations.
- **Municipal finances and urban governance**
 - **Tax policy and compliance**

- Improving property tax collection and striking the right balance between tax collection and firm growth
 - **Governance and public finance management**
 - Strengthening local government for improved service delivery, facilitating provision of services within and across city jurisdictions, improving functioning of small cities/towns
 - Strengthening civic accountability, oversight and participation
- **Urban land and transport**
 - **Land ownership**
 - Promoting vibrant land markets and improving land management
 - **Urban planning**
 - Understanding how urban centres contribute and adapt to climate change
 - **Transport infrastructure**
 - Shifting the existing emphasis of urban investment on roads for private vehicles to public transport, understanding the effects of transport innovation on employment and upward mobility
 - Overcoming barriers to women's mobility

Energy and environment

- **Access to energy**
 - **Impact of energy access on firms and households**
 - **Energy market design**
 - Reducing power sector losses to improve financial viability of the sector and eventually set-up a merchant market for electricity (role of behavioural and technology-based interventions; informing institutional, regulatory and business environment adjustments to facilitate successful privatisation)
 - **Political economy of energy supply**
- **Global externalities from energy consumption**
 - **Mitigation and energy policy**
 - Increasing the share of renewable energy in the overall fuel mix and encouraging uptake of net metering
 - Encouraging the uptake of net metering
 - Improving energy availability for commercial activity in rural and peri-urban areas through off-grid renewable energy solutions and encouraging the use of cleaner fuels in remote communities
 - **Adaptation and public goods**
- **Local externalities from energy consumption**
 - **Consequences of pollution on health and human capital**
 - Understanding the long-term effects of exposure to air pollution on health, cognition, etc, and the distributional impacts by age, gender, class, religion, etc.
 - **Willingness-to-pay for air and environment quality**
 - Incentivising the polluting industries to adopt energy-efficient and environment-friendly technologies, as well as supporting the government with the necessary regulatory and policy measures for the uptake of such technologies
 - **Governance and regulations**
 - Developing the mechanisms for regular monitoring of air and water quality and enforcement

- Incentivising uptake of efficiency standards for electrical appliances/products by manufacturers/importers and efficient usage of electricity by firms and citizens
- Promoting energy audits for large users

7. RWANDA

Since the 1994 genocide, Rwanda has made remarkable progress towards building a resilient and inclusive economy. Per capita incomes have more than tripled, extreme poverty has more than halved and mortality rates for mothers and children have significantly declined. At the core of Rwanda's success has been the government's commitment to setting a strategic development agenda with an attached implementation plan, prioritising evidence-based policy and building effective institutions. The economy has also seen increased dynamism with stronger growth contributions from the manufacturing and services sectors.

Over the past decade, economic growth has remained robust at an average of 7.6%. However, barriers to growth persist, and momentum, particularly around productivity and export growth, has slowed. In addition, recent growth has not translated into sustained reductions in the poverty rate; between 2014 and 2017 poverty went down by only around one percentage point to 38.2%, significantly lower than the 5 percentage point reduction between 2011 and 2014.

Under its overarching Vision 2050, the Government of Rwanda has outlined an ambitious development agenda for the next five years under its flagship National Strategy for Transformation (NST1) which sets economic, social and governance priorities for the period 2017-2024. The NST1 articulated many objectives central to IGC's thematic interests, including creating 214,000 decent and productive jobs annually; increasing sustainable urbanisation from 18.4% in 2017 to 35% by 2024; promoting industrialisation and attaining a structural shift in the export base to high-value goods and services with the aim of growing exports by 17% annually; increasing domestic savings and positioning Rwanda as a hub for financial services; increasing the productivity of agriculture and livestock, and sustainably managing the environment and natural resources; enhancing the demographic dividend through Improved access to quality education; strengthening capacity, service delivery and accountability of public institutions.

State effectiveness

- **Poverty reduction, labour markets, and inclusive growth**
 - **Social protection**
 - Reform of the Social Security Board's pension fund and medical insurance scheme to improve sustainability and secure the productivity of the formal workforce
 - **Occupational transformation, inclusive labour market policies**
 - Programs to promote structural transformation and employment
- **State revenue and effective state policies**
 - **Tax revenues (compliance and policy)**
 - VAT policy (including the reform of the lottery programme and the effect of exemptions) and compliance (including a proposed rebate scheme)
 - Taxation of SMEs and processed agriculture
 - **Spending effectiveness (procurement, PPPs, targeting)**
 - Public expenditure analysis
 - PPP structuring and implementation
 - Policy around PPPs for financing urban infrastructure
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - Implications of policies on firm-level competition, in areas such as VAT exemptions, tax incentives, and the Common External Tariff
 - Research on effective service delivery strategies to increase human capital

- Review of appropriate, cost-effective incentives for public sector workers to perform

Firms, trade, and productivity

- ***Firm capabilities***
 - **Technology adoption, innovation, and quality upgrading**
 - Direct impact of NIRDA's technology and management support programme and potential spill-over effects to other firms
 - Measuring and tracking technology adoption innovation at the firm level
 - Identifying the obstacles to adoption of improved agricultural inputs and policy interventions that can effectively address them
 - **Labour market policies**
 - Labour productivity, including the drivers behind a firm's choice to use technology as well as the capacity and ability of the firm to exploit the adopted technology
 - Employment potential in manufacturing and other new high productivity sectors
 - **Access to finance, material inputs, electricity, and other inputs**
 - Identifying policies that can stimulate increased adoption and absorption of finance among agricultural value chain agents
- ***Markets***
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - Using tax and sales transaction data, identify high potential sectors and firms for supplier development initiatives, and possible behavioural interventions to improve the impact of these programmes
 - Identify the implications of digital intermediation platforms on efficiency and inclusiveness within agricultural value chains
 - Diagnose importance of input, output and factor market frictions in development of non-traditional agricultural export commodities and identify policies that can best address them
 - Identify the key constraints to increasing export revenues from traditional export commodities (coffee, tea, pyrethrum)
- ***International trade***
 - **Export promotion, trade policy, and related policies**
 - Mechanisms for boosting exports, including regional trade policy, industrial policy to encourage facilitative services, and sectoral policies to promote agricultural and mineral exports
 - **Trade integration and infrastructure**
 - Optimal strategy to harness the Common External Tariff and the African Continental Free Trade Agreement
 - Review of Rwanda's integration into regional and global value chains
 - Identify ways to reduce trading costs

Cities

- ***Housing, crime and urban public services***
 - **Housing**
 - Practical means to expand the formal housing market, e.g., through construction sector policy to reduce costs and create jobs
 - Evaluating overall housing policy, including regulations that impact on housing cost, and government investment in housing

- **Municipal finances and urban governance**
 - **Tax policy and compliance**
 - Identify and understand alternative revenue sources for municipal authorities, e.g., infrastructure financing models for large commercial and residential developments or integrated neighbourhood financing models
- **Urban land and transport**
 - **Urban planning**
 - Updates to population projections for land use master plans
 - Analysis of economic activity and appropriate development strategies in secondary cities
 - Incorporation of the informal economy into urban planning
 - Analysis of economics of public green spaces
 - Appropriate indicators of city performance for Rwanda in its African context
 - **Transport infrastructure**
 - Assessing the ex-ante or ex-post economic impact of transport infrastructure on a range of economic outcomes including accessibility to jobs
 - The transition to electronic transport in Rwanda

Energy and environment

- **Access to energy**
 - **Energy market design**
 - Design of a cost-effective rollout of subsidies for stand-alone energy systems, to maximise their welfare and economic returns
 - Public investments in energy generation, aiming to ensure competitive pricing in Power Purchasing Agreements
 - Capacity for regional trade in electricity to lower costs and improve availability
- **Global externalities from energy consumption**
 - **Mitigation and energy policy**
 - Ways to tap into solar, geothermal and wind technology to phase down reliance on carbon sources of energy
 - **Adaptation and public goods**
 - How can public policy build resilience of livelihoods against the negative effects of climate change?

8. SIERRA LEONE AND LIBERIA

Sierra Leone

Over the past 20 years, Sierra Leone's economy has experienced a net expansion and growth that has been characterised by wild swings in GDP growth rates and short periods of relatively stable growth. The economy is small, open and remains largely undiversified. Agriculture accounts for over 50% of GDP, while minerals provide over 60% of export earnings. The fluctuations in GDP growth rates are due to external shocks hitting both sectors.

The outbreak of Ebola in 2014 coincided with the slump in mineral prices, including the drastic decline in prospecting for oil – the combined impact on Sierra Leone's economy was significant. In 2015, the economy virtually collapsed with a double-digit drop in GDP growth. The fiscal deficit remains a concern (5.7% of GDP in 2018) but there are signs of improvement, through increased domestic revenue and better expenditure controls. As a result of stricter controls, revenue to GDP ratio increased by 2.3% (from 14.9% in 2017 to 17.2% in 2018), while total expenditures increased marginally by 0.3% (from 23.5% in 2017 to 23.8% in 2018). The country's currency, the Leone, continues to depreciate against the dollar and other major foreign currencies. The impact on the cost

of living is expected to affect poverty levels given the high level of multidimensional poverty in the country.

In the short-term, agriculture and mining will remain important for expanding the economy given the amount of investments now flowing into both sectors. The rate and sustainability of growth in these sectors depends on the nature of the investments and the extent to which the enabling conditions for expansion are created. This, in turn, is a function of the economic and political governance of both the sector and the economy at large.

State effectiveness

- ***Fragility and economic development***
 - **Escaping extreme fragility**
 - Sub-regional dimension of fragility and resilience
 - How to simultaneously promote growth and build resilience to shocks in fragile states
 - **Inclusive institutions (political selection and state accountability)**
- ***State revenue and effective state policies***
 - **Tax revenues (compliance and policy)**
 - Tax policies and systems to increase revenue generation and welfare
 - Improving voluntary tax compliance and minimising tax evasion
 - **Natural resource management and other sources of revenues**
 - Testing strategies to improve the National Mineral Agency's access to data on artisanal mining
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - **Spending effectiveness (procurement, PPPs, targeting)**

Firms, trade, and productivity

- ***Firm capabilities***
 - **Technology adoption, innovation, and quality upgrading**
 - Increasing firm productivity and creation of value in the agricultural sector
 - **Access to finance, material inputs and electricity**
- ***Markets***
 - **Misallocation of factors of production, structural transformation**
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - Promotion of market integration in the agricultural sector
- ***International trade***
 - **Export promotion, trade policy, and related policies**
 - Improving export performance, identification of realistic export opportunities, market inefficiencies which export promotion might address, and public sector measures for reducing credit constraints for potential exports
 - **Trade integration and infrastructure**
 - Exploring how Sierra Leone could maximise the benefits of AfCTFA, and how AfCTFA could serve as a basis for policy reform
 - Address poor trade infrastructure that impedes trade
 - Type of physical and policy infrastructure required to promote trade
 - Analysis of the consequences of opening state-provided services to trade
 - **FDI policy (attraction, SEZs, spillovers, linkages programs)**

Cities

- **Firms and employment in cities**
 - **Slums and inclusive cities**
 - Analyse the mechanisms through which cities can better contribute to inclusive growth and development.
- **Housing, crime, and urban public services**
 - **Crime**
 - Explore the nature and magnitude of crime in order to design and adopt appropriate strategies
 - **Other local public services**
 - Evaluate the impact of devolution of some basic service provision to local councils and cities.
 - Ensure effective implementation of devolution policies
 - Innovative methods of service delivery
- **Municipal finances and urban governance**
 - **Tax policy and compliance**
 - Application of strategies to increase revenues for local authorities through voluntary compliance and innovative financing mechanisms
 - **Governance and public finance management**
- **Urban land and transport**
 - **Urban planning**
 - **Transport infrastructure**
 - Explore the nature and magnitude of congestion to design and adopt appropriate strategies

Energy and environment

- **Access to energy**
 - **Impact of energy access on firms and households**
 - Productive use of energy from renewable sources
 - Assess the effect of rural electrification on local structural change and economic growth
 - Impact of increased energy access on pollution and health and human capital
 - **Political economy of energy supply**
- **Local externalities from energy consumption**
 - **Consequences of pollution on health and human capital**
 - Assess the magnitude and map the transaction and distribution dynamics of the use of mercury for gold mining within artisanal and small-scale mining.

Liberia

State effectiveness

- ***Fragility and economic development***
 - **Escaping extreme fragility**
 - Sub-regional dimension of fragility and resilience
 - How to simultaneously promote growth and build resilience to shocks in fragile states
- ***State effectiveness***
 - **Tax revenues (compliance and policy)**
 - Tax policies and systems to increase revenue generation and welfare
 - Improving voluntary tax compliance and minimising tax evasion

- **Natural resource management and other sources of revenues**
 - Testing strategies to improve the Ministry of Mines and Energy's access to data on artisanal mining

Firms, trade, and productivity

- **Firm capabilities**
 - **Technology adoption, innovation, and quality upgrading**
 - Increasing Firm capabilities and creation of value in the agricultural sector
- **Markets**
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - Promotion of market integration in the agricultural sector
- **International trade**
 - **Export promotion, trade policy and related policies**
 - Improving export performance, identification of realistic export opportunities, market inefficiencies which export promotion might address, and public sector measures for reducing credit constraints for potential exports
 - **Trade integration and infrastructure**
 - Exploring how Liberia could maximise the benefits of AfCTFA, and how AfCTFA could serve as a basis for policy reform
 - Address poor trade infrastructure that impedes trade
 - Type of physical and policy infrastructure required to promote trade
 - Analysis of the consequences of opening state-provided services to trade
 - Document trade activities between Liberia and Sierra Leone, including the drivers of informal trade across land crossing points

9. UGANDA

Uganda's political system is relatively stable, with President Yoweri Museveni in power since 1986. Upcoming elections in 2021 may well be hotly contested, and, if history is a guide, are likely to affect policy and public expenditure in the years both before and after the election. Major policy decisions are approved in the Presidency, but a tier of senior ministers and permanent secretaries play an important role in shaping policy and are key interlocutors for the IGC.

The Ugandan economy has experienced a significant recovery since 2016. The economy is estimated to have grown by 6.1% in FY18-19, at the same rate as the previous year and up from 3.9% in FY16-17. Due to rapid population growth of 3.3%, these rates have provided only modest increases in average per capita incomes, somewhat below East African averages.

Agricultural production, particularly coffee production, has benefited from favourable weather conditions, as well as active government policies to provide extension services and inputs. Recent years have seen the emergence of a number of medium-skilled industries that offer higher value-added activities and have greater potential for long-term productivity gains. Industries such as tobacco, pharmaceuticals and construction have driven industrial growth rates of 5.8% in FY19-20. Most significant growth has been seen in the service sector at 7.2% in FY18-19, driven by financial, insurance and tradeable services. Concerted efforts to promote tourism in Uganda have contributed significantly to the sector's growth over the last decade tourism now ranks as the country's highest foreign exchange earning sector.

Despite these successes, there remain significant development challenges that threaten Uganda's long-term growth trajectory, particularly in the context of sluggish global growth prospects. There is a significant need to raise both productivity growth and domestic savings in the economy to finance higher rates of investment. The Ugandan economy remains concentrated in low productivity subsistence agriculture and non-tradeable services, such as education and public administration,

which collectively make up around 70% of GDP. Internationally competitive industrial and services are relatively limited, with falling levels of worker productivity seen in both industry and services.

State effectiveness

- **Poverty reduction and pro-poor growth policies**
 - **Occupational transformation, inclusive labour market policies**
 - Facilitating structural transformation and job creation through effective labour market policies and policies to promote non-traditional, high productivity activities
- **State revenue and effective state policies**
 - **Tax revenues (compliance, policy and administration)**
 - Mobilising domestic revenues through improved tax compliance and administration
 - Impact of tax policy on inequality, informality, technological adoption and the choice between domestic versus external production
 - **Natural resource management and other sources of revenues**
 - Improved management of and investment in forthcoming oil revenues
 - **Spending effectiveness (competition and transparency in procurement, PPPs, targeting)**
 - Raising the productivity and efficiency of public investment and spending
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - Improving policy coordination, implementation and civil service incentive reform

Firms, trade, and productivity

- **Firm capabilities**
 - **Entrepreneurship, management practices, training programs**
 - Enhancing agricultural productivity and value addition through commercialisation, increased agro-processing for exports, access to finance and the provision of high-quality inputs
 - **Technology adoption, innovation, and quality upgrading**
 - Impact of ICT technology on general firm productivity and, notably, on SMEs
 - **Labour market policies**
 - Whether and which non-traditional and service-oriented industries have the largest potential to create jobs in Uganda, especially for the youth
- **Markets**
 - **Misallocation of factors of production, structural transformation**
 - Tourism and its role in facilitating structural transformation, providing employment and fostering growth in the country
 - Assess the role of access to land, tenure management and control in facilitating investment
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - Evaluate programmes affecting technology adoption, supplier development linkage programmes, search frictions and other means to increase the volume and quality of local production
 - **Market power and competition policy**
 - Role of cross-border competition in services in the East African Community (financial, transportation, insurance)
 - **External economies and industrial policy**

- Assess the effectiveness of different instruments of industry policy, including programmes associated with Buy Uganda, Build Uganda, strategic public investments, technology policy, and policies aimed at commercialising agriculture
 - Assess the suitability and feasibility of location-based interventions such as industrial parks and free zones
- **International trade**
 - **Trade-affected and trade-related distortions**
 - Effects of shocks to Uganda's trade performance and possible policy options for mitigation
 - The role of services in Uganda's export performance as well as the interplay between service provision and goods production and trade
 - **Trade integration and infrastructure**
 - Non-tariff barriers, rules of origin, trade facilitation, small scale trade and how Uganda can harness the EAC customs union and other trade agreements
 - Reduction of trade costs and improved border crossings efficiency
 - **FDI policy (attraction, SEZs, spill overs, linkages programs)**
 - Explore the role of investment promotion and tax incentives in attracting FDI

Cities

- **Firms and employment in cities**
 - **Industrial parks and clusters**
 - Identifying options for attracting investment and promoting productive businesses in the control of city governments
- **Housing, crime and urban public services**
 - **Housing**
 - Improving access to affordable housing and diagnosing underlying issues of policy design and implementation in housing construction, financing and land access
 - Exploring and evaluating options for implementation of land sharing agreements in cities
 - **Other local public services**
 - Assessing the impact of rapid population influx (including of refugees) on urban service delivery
- **Municipal finances and urban governance**
 - **Tax policy and compliance**
 - Identifying and assessing options for improving citizen accountability and evaluating their relation to tax compliance
 - Enhancing tax revenues and voluntary compliance
 - Exploring the link between taxes and firm survival in cities
 - **Governance and public finance management**
 - Exploring options for urban and metropolitan governance for Greater Kampala and for new cities
 - Exploring innovating financing mechanisms for service delivery in cities
- **Urban land and transport**
 - **Urban planning**
 - Exploring options for proactive and tenure responsive urban planning
 - **Transport infrastructure**
 - Informing and evaluating strategies to formalise and regulate informal transport e.g. through mobile applications

- Informing strategies to improve urban mobility (particularly in Kampala) through infrastructure investments and regulation, to enhance productivity and living standards
- Evaluating plans to reduce congestion associated with school transport in the city

Energy and environment

- **Access to energy**
 - **Energy market design**
 - Examining the consequences and advisability of energy subsidies for power development
 - Evaluating the prospects for the East African Power Pool to reduce the costs of supply to the Ugandan grid
 - Increasing the returns to investment in the energy sector and the effectiveness of public expenditure on energy infrastructure (e.g. the incidence of electricity connection subsidies)
- **Global externalities from energy consumption**
 - **Mitigation and energy policy**
 - Role and potential of low carbon energy sources, notably solar and geothermal
- **Adaptation and public goods**
 - Agricultural adaptation to climate change

10. ZAMBIA

Zambia has undergone a volatile transition from a single-party polity with a state-led economy until the early 1990s to a stable multi-party democracy with an open, relatively deregulated economy today. Although growth was strong in the 2000s on the back of rising commodity prices, in recent years the country has begun to face similar macroeconomic problems to the past: slowing growth, spiralling debts, continued reliance on copper exports for foreign currency earnings, and low private investment in the economy. Several unfavourable factors – both internal and external – are responsible for this macroeconomic deterioration: declining copper prices, a large bill from past infrastructure spending, a long-term depreciation of the kwacha, crowding out of private investment by increased government borrowing, and faltering energy supply due to poor rainfall.

Compounding Zambia's economic woes, diversification remains very limited and economic growth is non-inclusive. Sectoral analysis shows that mining continues to dominate the export sector, while the largest employer, agriculture, only contributes 6% to GDP due to very low productivity. Zambia has undergone a dramatic de-industrialisation since 1990, with the sector's GDP share falling to 9% of GDP and constituting only 3% of the labour share. Much of the population entering the labour force is absorbed by the informal sector, which provides low and uncertain wages. As a result, more than 75% of rural Zambians continue to live below the poverty line (and more than 50% nationally) while income inequality continues to grow.

Politically, the country has proved that it has a resilient multi-party democracy since its transition in 1991. Nevertheless, frequent alternations in power are perceived to have contributed to the politicisation of government agencies and entrenchment of corruption. The next elections are scheduled for 2021, meaning that policymaker attention is likely to be influenced by political pressures over the next year. These will likely test the new Minister of Finance's commitments to fiscal discipline laid out in Zambia's latest budget. At the same time, the IMF is likely to push for fiscal restraint as a precondition to financial support for Zambia's debt situation, making 2020 a challenging year for Zambian policymakers.

State effectiveness

- **Fragility and economic development**
 - **Inclusive institutions (political selection and state accountability)**
- **Poverty reduction, labour markets, and inclusive growth**
 - **Social protection**
 - Incidence and impact of cash transfer programs to the vulnerable (such as the Girls Education and Women's Empowerment and Livelihood program) and subsidies such as the Farm Input Subsidy Programme
 - **Occupational transformation and inclusive labour market policies**
- **State revenue and effective state policies**
 - **Tax revenues (compliance and policy)**
 - Tax policy and administration to improve tax compliance and revenue yield
 - Robust analysis of existing tax structure, in effort to prevent frequent and abrupt tax policy changes (in mining and consumption taxes)
 - **Spending effectiveness (procurement, PPPs, targeting)**
 - Improve the efficiency and distributional impact of public spending and reduce wasteful spending
 - Evaluating the targeting efficiency of public subsidy programs
 - Optimal allocation of human resources (e.g., teachers and nurses) and the links to complementary infrastructure investment
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - Institutional analysis of policy implementation in key ministries, such as finance, water and environment, infrastructure.
 - Scope and design of fiscal decentralisation and its links with municipal governance
 - Political economy of decentralisation
 - **Natural resource management and other sources of revenue**
 - Management of national resources including mining of copper and other metals and minerals, national parks/wildlife, timber and others
 - **Access to finance, material inputs, and electricity**

Firms, trade, and productivity

- **Firm capabilities**
 - **Labour market policies**
 - Raising labour productivity and increasing job creation, for example by addressing matching frictions or looking at how to better integrate with global value chains for high-employment sectors such as agriculture and tourism
 - Harnessing the potential of industries such as tourism, agro-processing, horticulture, services, and transport in Zambia's economic transformation
 - Strategies for leveraging a growing mining sector to drive economic diversification
 - Studies on the artisanal small mining and local economic development
- **Markets**
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - Extractives and economic diversification, including potentially cross-country work on value chain diversification
 - Leveraging demand for battery component metals to create jobs in higher value-added sectors

- Global value chains, including agriculture and agro-processing and the potential for productivity-led exports, specifically identifying the potential for domestic firms to increase local production and job creation.
 - **Misallocation of factors of production, structural transformation**
- **International trade**
 - **Export promotion, trade policy, and related policies**
 - Regional trade and local economic development in border towns
 - **FDI policy (attraction, SEZs, spillovers, linkage programmes)**
 - Evaluate the potential gains from production externalities, for example through the new industrial park programme
 - Identify optimal industrial policies on agglomeration and FDI attraction
 - Whether local content requirements are effective in promoting development of value chains
 - **Trade integration and infrastructure**
 - **Trade and inequality**

Cities

- **Firms and employment in cities**
 - **Industrial parks and clusters**
 - **Labour market politics**
 - **Slums and inclusive cities**
- **Housing, crime, and urban public services**
 - **Water and other public services**
 - Improving the efficiency of electricity and water provision
 - The state of local economic development in Zambia's cities: provision of urban utilities, transport and mobility
 - Economic analysis of sustainable public transit options and costs of inaction
Citizen participation and informal settlements upgrading strategies
- **Municipal finances and urban governance**
 - **Tax policy and compliance**
 - How could Zambia maximise land-based financing as a source of funding?
Reviewing the potential of value-based annual land taxes, more effective collection of property taxes, and public investment and related capital gains taxes
 - **Governance and public finance management**
 - Potential for local authorities to obtain urban development finance from financial markets (possible models and how councils could qualify)
- **Urban land and transport**
 - **Land ownership**
 - Security of urban land rights, and constraints to an active land market
 - **Transport infrastructure**
 - Zambia's system of cities and implications for spatial and income inequality and economic diversification
 - Use of economic corridors, policy frameworks for infrastructure investments, and an evaluation of previous investments in infrastructure, such as roads
 - **Urban planning**

Energy and environment

- **Access to energy**
 - **Impact of energy access on firms and households**
 - Assess the productivity and welfare gains that increased access to energy brings
 - **Energy market design**
 - Improving production and regulation of supply, including management of ZESCO
 - Attracting more generation investment
 - Identifying a more optimal energy mix
 - Demand-side interventions to ensure productive use and ensure access
 - **Political economy of energy supply**
 - Political economy of electricity tariffs and how different consumers react to changes in tariffs
- **Global externalities from energy consumption**
 - **Mitigation and adaptation**
 - Forecast the type and severity of climate crises Zambia could face and identify suitable adaptive strategies, such as climate resilient practices and safeguards
- **Local externalities from energy consumption**
 - **Governance and regulations**
 - Identify policies for Zambia to curb transport and industrial emissions
 - Reduce the use of plastics
 - Reduce the damage on health and the environment that has already occurred

11. JORDAN

The areas of possible IGC research programs in Jordan and Lebanon listed below are based on conversations with policymakers/researchers and public reports in the two countries. However, given the flexible mode of engagement in both countries i.e. no full time in-country presence, we will be highly selective where we engage. This is even more true in Lebanon where it has been difficult to sustain dialogue with government counterparts because of political uncertainties especially during the previous months.

Jordan's economy has remained resilient in the past years despite being subjected to prolonged external shocks. The combination of the global financial crisis of 2009, regional turbulence, energy crisis, closure of major trading routes with Iraq, a decline in remittances, security costs, and increasing food and oil prices has put a significant stain on Jordan's economic and fiscal drive.¹ Between 2010 and 2016, poverty rates have increased from 14.4% to 20%. Real GDP growth remains low and is constrained by structural impediments and inefficiencies. Unemployment remains high at 18% reaching around 35% for the youth. Macroeconomic imbalances persist alongside a fiscal deficit and public debt which reached 4% and 96% respectively of GDP in 2019.

In terms of fiscal performance, consolidation continues to be challenging due to slippage on the domestic revenue side and limited flexibility to curtail spending even after the introduction of a new income tax law. In August 2016, Jordan and the IMF agreed to a USD 723 million Extended Fund Facility in order to lower debt levels and the fiscal imbalance. Moreover, to help ease macro imbalances, the government introduced controversial hard measures such as the removal of bread subsidy.

¹ Jordan Economic Growth Plan

Currently, Jordan's balance of payments is showing significant improvement because of favourable terms of trade, which have helped curtail the cost of imports, largely due to a decline in international oil prices. Export growth is showing moderate pick-up; tourism receipts remain robust, but FDI flows remain stagnant, which remain a concern. Moreover, the stability of Jordan's economy relies on its access to international markets and the realisation of the multilateral and bilateral commitments made to support it.

The political landscape in the country remains stable. Nonetheless, there is a pressure on the current cabinet to deliver on its economic promises and failing to do so will result in another government reshuffle, something that happens quite frequently in Jordan.

State effectiveness

- **Poverty reduction/pro-poor growth policies**
 - **Social protection**
 - Evaluation of current and new social welfare programmes - improving targeting, expanding coverage and improving coordination across government agencies
 - **Occupational transformation, inclusive labour market policies**
 - Labour movement into more productive jobs
 - Retention of young high-skilled workers
 - Greater female labour market participation
 - Reforming subsidies and social security contributions to reduce labour costs
 - Addressing informality
- **State revenue and effective state policies**
 - **Tax revenues (compliance and policy)**
 - Reduce reliance on regressive taxation (i.e. sales tax) and transition to a more progressive system, exploring opportunities for other sources of progressive taxation (property taxes, capital gains taxes etc.)
 - Use of technology to enhance revenues and curb evasion
 - **Spending effectiveness (PFM, procurement, PPPs, targeting)**
 - Reduction in losses and leakages in government spending
 - Public procurement reform and enabling competitive public tendering
 - Involvement of SMEs in procurement
 - Models to promote private sector involvement (e.g. effective privatisation and PPPs)
 - **Public sector organisation, effective bureaucracies, policy implementation**
 - Recruitment and monitoring of civil servant performance
 - Enhancing coordination among government institutions
 - Public sector wage structure and benefits reform
 - Policy implementation of government priorities and growth plans (e.g. "The London Initiative 2019" and "Jordan 2025")

Firms, trade, and productivity

- **Firm capabilities**
 - **Entrepreneurship, management practices, training programs**
 - **Technology adoption, innovation, and quality upgrading**
 - **Access to finance, material inputs and electricity**
 - Enhancing access for finance for firms and the assessment of ongoing programmes

- Promotion of venture capital financing and contribution of capital markets to the local economy
 - Access to cheaper energy sources
- **Markets**
 - **Misallocation of factors of production, structural transformation and reform of major sectoral bottlenecks**
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**
 - **Market power and competition policy**
 - Promotion competition and reduction in business costs and monopolistic behaviour
 - **External economies and industrial policy**
 - Review and reform of industrial policy (tax incentives, government spends on subsidies in certain sectors like garment manufacturers)
- **International trade**
 - **Export promotion, trade policy, and related policies**
 - Support firms to access foreign markets
 - Enhancing trade integration and infrastructure (physical infrastructure and customs), and reduction in trade costs
 - **FDI policy (attraction, SEZs, spillovers, linkages programs)**
 - Assessment of current FDI policy
 - Attraction of export-oriented FDI and promoting its integration into domestic value chains
 - Assessment of current SEZs/QIZs (degree of linkages and creation of jobs for Jordanians, sourcing from local firms, skills upgrading, review of incentive and exemption structures etc.)

Cities

- **Firms and employment in cities**
 - **Industrial parks and clusters**
 - Where should zones be created in relation to population density and agglomeration economics?
- **Housing, crime, and urban public services**
 - **Housing infrastructure**
 - **Water**
 - Improve efficiency of water usage and testing models of new saving technologies by the public
 - Assessment of tariff structure etc.
 - **Waste management, other local public services**
- **Municipal finances and urban governance**
 - **Tax policy and compliance**
 - Including the link between compliance, tax morale and public service delivery
 - **Governance and public finance management**
 - Enhancing municipalities' abilities to raise own-resources and bolstering their administrative, political and financial independence through effective decentralisation
 - Enhancing evidence-based policy on the city level and promote the use of data in decision-making
- **Urban land and transport**
 - **Land ownership**
 - Land reform and urban planning in Amman and other major cities.

- **Transport infrastructure**
 - Investment in public transport and urban mobility in Amman and other cities and its effects on the economy's general equilibrium (e.g. BRT)
 - Reduction in transport costs
 - Transport subsidies and link to social welfare programmes
 - Enhancing inter-municipal cooperation for transport infrastructure and other related services

Energy and environment

- **Access to energy**
 - **Impact of energy access on firms and households**
 - **Energy market design**
 - Tariff reform, gradual removal of subsidies, reduction of cross-subsidisation to enhance competitiveness and reduce inequality
 - Energy efficiency and energy conservation
 - Demand side management
 - Financial and management support to NEPCO
- **Climate change migration and adaptation**
- **Pollution and other local environment damages**
 - **Consequences of pollution on health and human capital**
 - **Governance and regulations**

12. LEBANON

Lebanon is characterised by macro-economic, social and security fragilities. The country has an unsustainable debt to GDP ratio (currently around 155%), a sluggish output growth (around 1% in 2018) and large fiscal and current account deficits. In 2019, GDP growth remained low and inflation rate picked up quickly. Decades of political bickering, corruption, and regional tensions have led to social unrest and dissent from citizens towards the government. Unemployment and poverty levels have reached worrying signs with the country facing imminent debt, financial, banking and currency crises. The recent protests in Lebanon signals additional fragility to the current social and economic equilibrium established after the end of the Civil War.

Lebanon has traditionally relied on its commercial banking system to attract capital inflows into the local economy. Since 2011, ongoing political deadlock and regional turmoil have hurt its position as a financial hub in the region as well as its real estate and touristic sectors, leaving the country with little growth potential. In a such environment, the Central Bank of Lebanon relied on unconventional measures and high interest rates to keep capital following into the system. This has led to the crowding out of private sector and lending for rent-seeking behaviour. The main driver of growth is the services sector which is characterised by low productivity and low employability potential for high-skill labour. The service sector constituted 72.4 percent of real GDP over the 2004-2016 period, while industry and agriculture made up a much less 14 percent and 4.3 percent of GDP, respectively. Moreover, deficient telecom, transport, and energy networks constitute strong bottlenecks for private sector development. Similarly, the transport network has been characterised by a steady deterioration over the last ten years, leading to heavy congestion in urban areas. The Ministry of Public Works and Transport estimates that only 15% of the network is in good condition, and the World Economic Forum's 2016-17 Global Competitiveness Index ranks Lebanon's quality of roads in 124th place out of 138 countries. Moreover, because of absence of governance and rule of law, Lebanon is one of the least competitive economies in the world and is ranked 143th on the Doing Business Index.

Lebanon urgently needs a new economic growth model that replaces the current deficient and regressive one. The current ruling class are unable to govern Lebanon towards an inclusive growth trajectory, and therefore new political and governance structures are also needed.

State effectiveness

- **Fragility and economic development**
 - **Inclusive institutions (political selection and state accountability)**
 - Increasing access to information and transparency in political selection
 - Introduction of new inclusive and democratic electoral law and accountability mechanisms
 - Shift towards a civil state and promotion of new social contract between the state and citizens
- **Poverty reduction, labour markets, and inclusive growth**
 - **Social protection**
 - Assessment of social assistance programmes (methods for scale-up) and the reform of National Social Security Fund (NSSF).
 - **Occupational transformation and inclusive labour market policies**
 - Including focus on women, labour in rural Lebanon, refugee camps etc.
- **State revenue and effective state policies**
 - **Tax revenues (compliance and policy)**
 - Enhancing government resources through the introduction of progressive taxation systems and new non-distortionary taxes (e.g. wealth tax)
 - Models for increasing compliance and the tax morale
 - Reduction of evasion (especially in customs and income tax)
 - Effects of these changes on the fiscal space and debt burden
 - Review of the current incentives and exemptions structures.
 - **Spending effectiveness (procurement, PPPs, targeting)**
 - Public procurement reforms (tendering process, eProcurement, transparency, involvement of SMES)
 - Shift to successful privatisation and PPPs
 - Reducing elite state capture
 - **Public sector organisation**
 - Reform of hiring, promoting and monitoring civil servants and military personnel
 - Revision of wage structure, benefits, and pension structure
 - Reform of key sectoral bottlenecks (e.g. telecoms)

Firms, trade, and productivity

- **Firm capabilities**
 - **Entrepreneurship, management practices, training programmes**
 - **Technology adoption, innovation, and quality upgrading**
 - **Labour market policies**
 - Ensuring that labour markets are more inclusive
 - Reduction of informal employment and enhancing job-market matching between firms and human capital
 - **Access to finance, material inputs and electricity**
 - Enhancing access to capital and finance and studying the effectiveness of current programmes
- **Markets**
 - **Misallocation of factors of production, structural transformation**
 - Structural transformation to more productive jobs
 - Promotion of growth in priority sectors like tourism, agriculture, financial services, ICT etc.
 - **Value chains, firm-to-firm relationships, intermediaries, access to markets**

- **Market power and competition policy**
 - Reduction in monopolistic behaviour across all sectors and introduction of pro-competitive measures (e.g. competition authority)
 - Impact on consumers' surpluses, price levels, competition etc.
 - Legal and economic reforms to enhance ease of doing business, reduce corruption and red tape
- **International trade**
 - **Export promotion, trade policy and related policies**
 - Reduction of the trade balance deficit and reliance on imports
 - Measures to incentivize smaller firms to export to foreign markets
 - **Trade integration and infrastructure**
 - Promote economic integration with other markets through building up infrastructure, enhancing custom measures, and new trade agreements
 - **FDI policy (attraction, SEZs, spillovers, linkages programs)**
 - Understanding how to attract FDI to Lebanon and capture spillover impacts on employment, productivity and foreign earnings etc.
 - SEZs policy and ensuring that zones are addressing key market failures while aligning them with the country's industrial policy

Cities

- **Firms and employment in cities**
 - **Slums and inclusive cities**
 - Understanding how cities can be more inclusive and research into the integration of refugee camps into the economic cycle and the effects on the general equilibrium
- **Housing, infrastructure, water, waste management and other public services**
- **Municipal finances and urban governance**
 - **Tax policy and compliance**
 - Including the link between compliance, tax morale and public service delivery.
 - **Governance and public finance management**
 - Enhancing municipalities' abilities to raise own-resources and bolstering their administrative, political and financial independence through effective decentralisation (e.g. decentralisation law)
- **Urban land and transport**
 - **Land ownership**
 - Public land ownership reform and urban planning
 - **Transport infrastructure**
 - Investment in public transport urban mobility (e.g. BRT, Greater Beirut Urban Transport) and its effects on the general equilibrium

Energy and environment

- **Access to energy**
 - **Impact of energy access on firms and households**
 - **Energy market design**
 - Increasing generation and reduction of losses
 - Subsidy and tariff reform
 - Cost-recovery plans
 - Measures to reduce electricity bill's evasion

- Enhancing effectiveness of public expenditure on energy infrastructure (e.g. involvement of private sector)
 - LNG infrastructure
 - Administrative and financial reform of EDL
 - **Political economy of energy supply**
 - Willingness to pay and equal distribution
 - Electrification of rural Lebanon
- **Global externalities from energy consumption**
 - **Mitigation and energy policy**
 - Introduction of alternative green energy resources (e.g. solar panels and wind farms)
- **Local externalities from energy consumption**
 - **Consequences of pollution on health and human capital**
 - **Governance and regulations**
 - To reduce water, land and air pollution through incentivising working with citizens and punishing major industrial polluters from the private sector

The International Growth Centre (IGC) aims to promote sustainable growth in developing countries by providing demand-led policy advice based on frontier research.

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