Early-career call for proposals

Country priorities

September 2021

DIRECTED BY

FUNDED BY

Countries

BANGLADESH

Economic and political context

Bangladesh's economic growth of 6%in the last decade has been coupled with a satisfactory decline of poverty while income inequality has remained broadly stable. The country has experienced a steady improvement in a number of human development and social indicators, comparing favourably to similar low-income countries. This feat of striking a sound balance between equity and growth is commendable. As the country primes to graduate to middle-income status in the near future, economic growth of 7-8% will be necessary, as well as ensuring that growth remains inclusive and sustainable.

In the last decade, the broad development strategy pursued by the government rested on two areas of structural change and economic transformation. Firstly, on the production side, policies were undertaken to steadily strengthen the economic transformation from a low-value agrarian economy towards broadening the base of manufacturing and modern service sectors. Concurrently, to ensure that growth is pro-poor, policies were undertaken to raise attainments in education and health. Safety net programs were introduced in an attempt to narrow the rural urban divide in income and welfare.

At the same time, built-in resiliency and strong macro-fiscal fundamentals have helped the economy to successfully navigate through a series of exogenous shocks. As a result, growth for the economy is expected to be buoyant, driven by exports and strong domestic demand, supported by prudent macroeconomic policies, continued improvements in infrastructure provision, and ongoing structural reforms.

In the near term, growth prospects hinge on political stability. Political turbulence is costly not only in terms of lost output but also in terms of human casualties as unrest often escalates to violence. In the medium term, further growth hinges on Bangladesh's ability to increase the level of investment, particularly in energy and transport infrastructure, and to enhance the state's effectiveness in public finance. Based on the outlook of weak external demand and increased protectionism, Bangladesh face considerable downside risk on export earnings.

Research priorities

A. State effectiveness

- **Improving public service delivery:** E-governance has emerged as a promising tool to effectively manage data and information to enhance public service delivery. Research on how e-governance platform can be further utilised for improvements in service delivery, increasing efficiency, timeliness etc. will be of interest to the government.
- **Taxation:** Bangladesh continues to face low level of revenue mobilisation- at 8%, its tax-to-GDP ratio is one of the lowest in the world. Reforms are necessary to improve revenue collection and research on topics like tax policy, rationalization in rates of different tax instruments, incorporating practices that can lead to voluntary compliance among firms and individual taxpayers review of existing tax

incentives etc. are expected to address existing knowledge gaps. Diagnostic research on tax revenue gap analysis by various instruments is also expected to be helpful.

B. Firms, trade, and productivity

- **Improving firm productivity and accelerate pace of employment generation:** Research priorities in this area include how to improve business environment and infrastructure, setting a reforms agenda on trade policy and industrial policy particularly linked to development of Special Economic Zones (SEZs), how to support growth of high potential SMEs; how to upgrade labour productivity, how to encourage firms to invest and adopt modern managerial practices etc.
- **Foster inclusive labour market outcomes:** Female labour force participation has stagnated in recent years despite improvements in female education attainments. To foster more inclusive labour market outcomes research in the following areas may be helpful – how to improve compliance on labour laws and occupational health and safety; how to bring improvements in job quality; how to encourage changes in gender norms, girls' educational attainment, and women's LFP, mobility; what are the barriers to gender integration at workplace.
- **Firm formalisation and access to finance:** large segment of SME sector in Bangladesh still operates informally. Research is needed to understand the barriers to firm formalisation, to what extent formalisation can assist in firm growth, how can assistance in terms of access to credit and other facilities be provided to firms which are not registered.

C. Energy and environment

- **Access to energy:** Since 1990, primary energy consumption has grown at an average rate of 6.9% per year in Bangladesh. Despite this increase, per capita energy consumption in Bangladesh still remains low when compared to neighbouring countries and accounting for different levels of GDP per capita. Research priorities include - demand-side management through responsible consumption; how to integrate on and off grid renewable energy; reforms in energy pricing including fossil fuel subsidies and optimal energy mix.
- **Promoting Green Growth:** Bangladesh is vulnerable to the impacts of global warming in terms of its exposure to sea level rise, salinisation intrusion, higher temperatures, and more extreme climate events. Inputs from research is needed to develop jobs-related polices to facilitate spatial and structural transformation including ways to decarbonise structural transformation; transitions from agricultural to non-agricultural livelihood and the role internal migration can play.

D. Cities

i. **Public infrastructure:** Bangladesh's capital, Dhaka, is one of the most densely populated and fastest growing cities in the world. The city's infrastructure is grossly insufficient for its 21 million inhabitants. For sustainable city development the following research topics appear important – how to reduce congestion in the capital and other major cities of Bangladesh? how to reform the public transport system including development mass rapid transit options? How can behavioural nudge interventions be utilised for improvements in waste disposal, adherence to hygiene and public health protocols etc.

ETHIOPIA

Economic and political context

Ethiopia is the second most populous country in Africa, home to more than 110 million people and one of the world's fastest growing economies. With annual economic growth averaging 10% over the last decade. Ethiopia has also made considerable strides in infrastructure investment and human capital development, with public-sector investment demand being a key driver of growth. Services sector were some of the fastest growing, notably, construction and wholesale and retail trade, overtaking the agriculture sector as the most important contributor to GDP. While the backbone of government's industrialisation policy since 2010 has been investment in enabling infrastructure and industrial parks, manufacturing's contribution to GDP has remained modest at 5% of GDP.

Along with the government's greater investment in infrastructure there has been improvements in access to clean water, road infrastructure, electric power supply, and telecommunications infrastructure. With a decline in the national level headcount poverty ratio from 38% in 2004-05 to 22% in 2018-19 financial years with a higher prevalence in rural areas. Social indicators have also improved, with a halving of maternal and infant mortality rates since 2001 and rapid increase in enrolment rates at all levels of education. However, a large proportion of the population still faces multi-dimensional poverty.

Despite this, more recently economic growth has slowed, declining below 10% since 2016 and it being expected to be 4% lower because of the COVID-19 pandemic. While this downward trend may in-part reflect productivity growth in agriculture and manufacturing not having kept pace with public investment, severe macroeconomic imbalances have also revealed tensions and may pose a challenge to the sustainability of the growth and structural transformation model. While risks are also posed by large and growing urban youth unemployment, acute trade imbalances and foreign exchange shortages, and persistent double-digit inflation affected both economic and political stability.

Waves of protests in the Oromia and Amhara regions since 2015 culminated in the resignation of the former Prime Minister and election of a new leader and thus new Prime Minister, Dr Abiy Ahmed, in early 2018. With the new administration started undertaking economic and political reforms in response to protests and political space having opened and the government's expressing a commitment to adopt more evidence-based policymaking. Reflected by a significant increase in the number of political parties and debates about nation building, federalism, and national identity. Nonetheless, unrest and ethnic-based conflicts have continued, presenting serious political and economic challenges, most recently in the Tigray region of the country.

The economic challenges have prompted the new administration in 2018 led by Prime Minister Abiy Ahmed to change gears in the country's growth drivers. Building on the achievements of the past decade, the country entered a reform period to realign incentives and encourage private sector-driven and supply-led growth. This includes a focus on addressing macroeconomic imbalances and addressing youth unemployment, as laid out in the 'Home Grown Economic Reform Program' in late

2019 and more recently in the ‘Ten Year Perspective Plan’. Boosting agricultural productivity in light of small size of average land holdings of farm households and land degradation remains an important policy challenge.

Industrialisation challenges include boosting the returns to energy, telecommunication and transport infrastructure through market reforms and aligning with urbanisation policy. Mining, tourism and ICT sectors are also identified as priority sectors in the reform and perspective plans.

The COVID-19 pandemic has posed additional challenges to inclusive growth in Ethiopia. While the Ethiopian government has taken a number of mitigating and preventive measures, including border controls and increased social distancing measures in businesses and schools, the overall economic impact is expected to be substantial. With the major impact of COVID-19 on Ethiopia being a result of the global economic slowdown. With IGC modelling suggesting that shocks to external trade and remittances shocks would reduce growth by total of roughly 4% a year (2% via each channel).

These impacts are expected to be felt across income groups, with the export and remittance shocks particularly acute for rural poor and urban poor, respectively. To support livelihoods, Government responded with a range of fiscal, financial, and external support measures in addition to containment measures, including expansion of the social safety net and business tax relief. Yet the combination of the domestic and external shocks can only exacerbate the pre-existing macroeconomic imbalances. Hence, addressing these imbalances remains a high government priority.

The COVID-19 crisis is also diminishing new job creation and increasing unemployment in Ethiopia. Informal workers, roughly 40% of employment, are particularly vulnerable including farm and non-farm rural jobs. Given impacts of the pandemic on industries and global supply chains around the globe, COVID-19 also poses a grave challenge to Ethiopia’s industrialisation strategy. For example, garment production and employment has slowed, and firms are anticipating further disruptions in demand. Adjusting to a post-COVID world will be an important challenge.

Research priorities

A. State Effectiveness

- **Microeconomic underpinnings of macroeconomic imbalances:** Given the macroeconomic imbalances observed over the past few years research project that provide microeconomic underpinnings are important to inform policy. These include foreign exchange markets, food markets and financial markets.
- **Exploring sub-national impact of COVID-19:** Regional differentiation is an important element of the Ethiopian federal system. As part of its response to the COVID pandemic, IGC is supporting the Amhara regional government in understanding the impact on its economy.

B. Firms, trade, and productivity

- **Jobs:**
  - Facilitating school to work transitions and skills in the Ethiopian labour market. This pertains to skills mismatch, weak skills signalling, recruitment frictions
  - Linking labour market functioning with firm growth. This strand of research would help better understand the links between the functioning of labour markets and firms growth.
  - Using labour market policies to benefit vulnerable population. This concerns jobs policy measures that affect the welfare of vulnerable groups in the society like women, internally displaced and refugees, those who did not complete high school.
- **Industrial transformation:**
  - Addressing firm growth constraints. This includes access to input and output markets, access to infrastructure, regulation and taxation, business environment and management related.
  - Revisiting Investment Promotion. With the policy shift towards supply side and private sector driven growth, the focus will be on incentives for investment in addition to addressing the above constraints.

C. Energy and environment

- **Mining and migration:** The focus of IGC Ethiopia is linking growth and poverty with the changing environment including sustainable growth in the mining sector and internal migration

D. Cities

- **Urbanisation and industrialisation linkages:** Urbanisation and agglomeration have important synergies with industrialisation. Key challenges for urban areas in the context of industrial parks and beyond are how to maximise returns to the infrastructure investments and expand urban housing. The IGC has already commissioned research on housing issues which have emerged for workers migrating to industrial parks. It also has commissioned research on effectiveness of public housing, notably in rapidly growing Addis Ababa. However, key research gaps remain, related to the functioning of rental markets and the potential to combine public and private-led solutions to urban housing challenges. As this will be key to integrate urbanisation and industrialisation policies. IGC Ethiopia will continue to focus on the area by integrating cross-country lessons and filling other Ethiopia-specific research gaps.

GHANA

Economic and political context

Over the past 10 years (2010-2019) the economy of Ghana has seen an average annual GDP growth of about 7.1% with per capita incomes rising from USD$1,190 to USD$2,220 in that period. Nevertheless, the economy experienced some major challenges which heavily restrained growth in some years. These include: a 3-year-long power crisis caused by serious shortfalls in electricity supply; significant macroeconomic instability partly driven by large fiscal slippages, especially in election years; and a large clean-up in the financial sector which involved the closure of over 450 insolvent financial institutions, mostly in the microfinance sector. Throughout this period, tackling high youth unemployment and transforming the informal sector have remained difficult constraints to overcome. Politically, Ghana has remained a stable democracy with very active political competition albeit with high partisanship.

COVID-19 has had a damaging impact on the economy of Ghana. It has caused the country's first recession on record in 37 years, after the economy contracted in the second and third quarters of 2020. The shortfall in government revenues accompanied by a sharp rise in government expenditure is a threat to fiscal stability and debt sustainability, with the country's debt-to-GDP ratio reaching 74.4% as of November 2020. It is worth noting that a second wave of the pandemic starting in January 2021 has taken on a more devastating character in terms of the health impact. This poses further threats to the government's plans for fiscal consolidation.

Prior to the pandemic, the economy was on a relatively strong growth path from 2017 to 2019 with the government focused on implementing a number of key policies that are of interest for academic research. These include: the "1 District 1 Factory" to boost value addition in manufacturing; a Free Senior High School policy to improve the quality of the country's basic human capital; the Nation Builders Corps to provide work experience to unemployed graduates; the establishment of the Ghana Commodities Exchange (GCX) to formalise and improve trade in agriculture commodities; and finally, the ratification of the Africa Continental Free Trade Agreement (AfCTA) with Accra as its Head Office.

The general outlook for the economy in 2021 and the next two years is highly uncertain due to the ongoing COVID-19 pandemic. The government seems focused on delivering its post COVID recovery plans under the COVID-19 Alleviation & Revitalisation of Enterprises Support (CARES) programme. The government also understands a need to significantly enhance revenue mobilisation as well as make expenditure more efficient, to restore fiscal and macroeconomic stability.

Research priorities

A. State effectiveness

- Improving taxation and revenue mobilisation both at the central and local government levels

- Improving efficiency in government spending
- Improving public service delivery as well as the performance of state institutions
- Improving the state's capacity for making and implementing good policies

B. Firms, trade, and productivity

- Increasing formalisation of the informal sector
- Supporting the growth and productivity of businesses
- Transforming the labour market and making it more efficient, inclusive, and effective
- Harnessing and enhancing the gains from international trade and FDI

C. Energy and environment

- Improving efficiency and reducing losses in the power sector
- Increasing use of clean energy (especially for cooking) and reducing pollution
- Improving natural resource governance as well as managing the environmental impacts of natural resource exploitation (e.g. Galamsey mining)
- Exploring the use of carbon taxes for controlling CO2 emissions and behaviour

D. Cities

- Addressing the challenges of urbanisation and high population density in cities
- Addressing issues related to urban governance, especially coordination among multiple local governments in large urban areas
- Examining the environmental and climate change related issues in urban areas, including sanitation, waste management and sustainable finance/green bonds for funding environmentally friendly urban infrastructure

MOZAMBIQUE

Economic and political context

Mozambique achieved independence in 1975, followed by a civil war that lasted 15 years and left the country with minimum physical and social infrastructure. The 10 years following the first multiparty elections in 1994 represented a period of solid progress, with an average annual economic growth of 9%. Strong economic growth was accompanied by significant progress in poverty reduction, from 69.7% of the population in 1996 to 52.8% in 2002, and foreign aid was a major source of external funds.

Mozambique's growth record was among the highest on the continent since early 2000s, and this was a period where the country experienced the peace dividend. Between 2000 and 2010, growth was mainly driven by the agriculture sector, which accounted for over 25% of GDP, and the services sector, such as transport, real estate, and financial services. From 2010, the extractive sector gained more prominence, driven by large FDI projects in coal and gas extraction, and this trend is predicted to continue in the future, considering the prospects for natural gas exploration in the Rovuma basin and "first gas" expected in 2024.
After sustaining an average real GDP growth of 7% for 2 decades until 2015, growth gradually declined until it reached an estimated 3.5% in 2018 (AfDB, 2019). The decline was largely the product of the "hidden debt" crisis in 2016, when high volumes of undeclared external debt from the government were discovered, which eroded investors' and donors' confidence in the country, setting both public and private investments in a negative trajectory in the following years. In 2019, the tropical cyclones Idai and Kenneth hit the country and caused major damage to infrastructure and livelihoods, further reducing the growth and wellbeing of the population.

The COVID-19 pandemic, in turn, has shaken the prospects of economic recovery from the hidden debt and cyclone crisis. The pandemic has affected the economy in two ways: through reduced domestic economic activity linked to low demand for goods and services as a result of lockdown measures, and reduced demand for commodity prices that slowed down the pace of investment in the important coal and natural gas industries. The combined effect of these factors led to negative economic growth in 2020, estimated at -1.3%.

The foundations of the Mozambican economic and political context remain fragile. The period since 2013 has seen a return of political tensions, as some members of the opposition (RENAMO) took up arms again, alleging that the benefits of growth were not being shared sufficiently. Although a new peace agreement was reached in 2019, it was violated several times by a dissident RENAMO military faction known as "Junta Militar". Moreover, the government is struggling with an Islamist insurgency in areas of the Cabo-Delgado province, which started in 2017 and has intensified from 2020, forcing the government to concentrate military troops in that part of the country.

Looking ahead, macroeconomic stability is critical for restoring investors' trust in Mozambique and resuming capital flows, through both external funding and foreign direct investment (FDI). Fiscal austerity measures are at the core of Mozambique's macroeconomic plan and government authorities will need to continue to show signs of commitment to fiscal sustainability while improving efficiency in the use of the scarce financial resources available.

Despite a strong growth trajectory during the years since 2000 and a decline in poverty rates, growth gains have not been well distributed. Inequality is slowly becoming a structural problem. The economy is still highly concentrated on commodities and therefore vulnerable to external shocks. Mozambique's climatic conditions are also prone to natural disasters. A more diversified and inclusive economy can mitigate the impact of these types of shocks and allow more Mozambicans to benefit from shared growth. Building resilience, creating fiscal buffers, and developing the insurance markets can help mitigate risks associated with natural disasters. At the same time, it will be important to enhance key drivers of inclusion, by increasing access to basic services, such as education, health, sanitation, electricity, as well as access to labour markets and means of production, which in turn could improve social indicators.

Another long-term measure is increasing the productivity in agriculture and the living conditions in the cities, which should push the country towards more inclusive growth. Despite the strong rural exodus absorbed by services in urban areas, a significant portion of the population still lives in rural areas and rely on smallholder farming. Improving access to information and reducing market distortions, as well as the technical skills of smallholder farmers and linkages to value chains can boost the productivity in agriculture. At the same time, promoting a balanced urbanisation process is a key challenge in a country that needs to give economic opportunities to urban youths.

Research priorities

A. State effectiveness

- **Fragility and economic development:** Analysis of possible conflict prevention measures in fragile areas of Mozambique, particularly Cabo Delgado province
- **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. Redistribution strategies in the context of natural resource exploration (as in the case of artisanal mining)
- **Public sector organisation, effective bureaucracies, policy implementation:** Efficiency improvements in service provision (e.g., as minimising the negative effects of the pandemic on the health system)

B. Firms, trade, and productivity

- **Firm productivity:** Entrepreneurship, management practices, training programs. COVID-19 and Firms - way forward for Economic Recovery
- **Markets:** Value chains, firm-to-firm relationships, intermediaries, access to markets
- **International trade:** Export promotion, trade policy and related policies

C. 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
- **Adaptation to Global externalities from energy consumption:** Managing the aftermath of economically disruptive climate events, such as the recent cyclones affecting central and northern Mozambique. Climate change and hydrological risk in Sub-Saharan Africa (due to changes in the influx of Zambezi River)
- **Climate change mitigation and energy policy:** Measures for better prevention to minimise the effects of future natural calamities

D. Cities

- **Integrate migrants in the city:** Integrate rural migrants who arrive in cities in a disadvantaged position. Integrate internally displaced individuals from the different conflict zones in the country.
- **Housing and urban public services:** Low-cost housing, urban design, and property rights
- **Municipal finance:** Property taxation schemes to increase municipal revenue

PAKISTAN

Economic and political context

Pakistan, now the sixth most populated country in the world, was one of the top ten fastest growing developing countries during 1960 to 1990, recording an annual average growth rate of 6%. During this period, the structure of the economy transformed, with the share of agriculture falling from 50% to 20% of GDP. However, with limited success in enhancing individual or economy-wide productivity, there were limited gains made in international competitiveness and exports remained relatively flat.

The past two decades have seen a significant decline in growth rates and more recently, Pakistan has underperformed against other South Asian countries. Weak economic management in Pakistan has left it unable to tackle core structural weaknesses of diminishing fiscal space, declining international competitiveness, and low investment. Other problems, such as weak tax enforcement and loss-making state-owned enterprises, have festered for long periods leading to structural bottlenecks and a myriad of system-level frictions preventing an effective exchange and a steady increase in exports. The risk of hurting the interests of the entrenched elites and rentiers has prevented attempts to address these concerns.

Following the 2018 general election, the Pakistan Tehrik-e-Insaf (PTI) became the first leading political party to take up the reins of government both at the centre and in Punjab, the country's largest province. It also retained its government in Khyber Pakhtunkhwa (KP) and is part of a new governing coalition in Balochistan while Pakistan Peoples' Party (PPP) continues to lead in Sindh for a third successive term. As a party in power at the centre i.e. federal government, in Punjab, and as a coalition member in Balochistan, it has opened up considerable space for fresh engagement in areas of evidence-based policymaking and advocacy for high-impact reform.

In May 2019, Pakistan entered into its 13th agreement with the IMF, this time for a $6 billion three-year rescue package. The government, already wrestling with a balance of payments crisis, has been further challenged by the global slowdown due to the COVID-19 pandemic that has led to an unprecedented economic loss for the country. Pakistan's economy has contracted for the first time in 68 years, by almost 0.4% in FY20.

The government's broader reform agenda is focused on reducing the revenue-expenditure gap, correcting the balance of payments, encouraging savings and investments, and enhancing coverage and effectiveness of social protection. Underpinning and central to these efforts is a restructuring of the civil service and governance reforms to improve service delivery and strengthen local government institutions. The specific economic priorities of the government are summarised below.

- To raise revenue and lower expenditure: via a complete overhaul of the government's fiscal apparatus including its tax system and streamlining of public expenditure.
- To increase the rate of national savings: by improving the investment climate and ease of doing business, providing support to the manufacturing sector and improving access to finance for agriculture, housing, and SME sectors.
- Boosting exports: through streamlining the exchange rate regime, reduce energy shortage and production costs by creating a more efficient energy sector, and review import tariffs and streamline customs procedures. The government also plans to integrate Pakistani producers and exporters within international value chains.
- To protect the poor and vulnerable groups: by integrating all government social protection programmes under an overarching Ehsaas programme. Beyond integration, the programme will also expand social protection coverage to ensure economic and social equality, human development and jobs, and improve livelihoods for the poor.
- Governance reforms: so as to increase government capacity to undertake service delivery more efficiently and effectively. The reform agenda includes a series of civil service reforms, a greater use of e-governance tools and an overhaul of local governance.

Research Priorities

A. State Effectiveness

Research ideas under this theme should aim to assist the Government in its efforts to stabilise the economy through structural reforms and support to low-income strata and women via effective delivery of social protection and municipal and social services, as well as through governance reforms. Priority areas include:

- **Governance reforms:** Informing and enhancing pro-growth and productivity increasing reforms

- **Taxation:** Strengthening federal, provincial, and local governments' capacity to raise revenue efficiently, especially in urban areas
- **State Capacity:** Building state capacity of provincial and local governments to deliver effective social and municipal services, including in urban areas
- **Inclusivity:** Strengthening accountability and responsiveness of social and municipal service providers to low-income groups and women
- **COVID response:** State's role in COVID-19 awareness, messaging, and citizen behaviour
- **Social Protection:** Improving social protection and coverage of the informal sector, particularly in urban areas

B. Firms, trade, and productivity

Research ideas under this theme should be closely aligned to government priorities such as promotion of agriculture, manufacturing and SMEs sectors, and use of digitisation and technology amongst others. IGC research would like to focus on:

- **Productivity:** Improving agricultural and livestock productivity through skills, support services, market linkages and reforms across the value chain
- **Management practices:** Evaluating mechanisms to improve management practices across firms and understanding barriers preventing adoption of technology, particularly for SMEs
- **Trade:** Supporting export-oriented industries, such as garments, light engineering, pharmaceuticals and agri-processing
- **COVID recovery:** Support the private sector to adapt to COVID-19

C. Energy and environment

Access to reliable energy, ensuring the sector's financial viability, and reducing negative externalities such as increased pollution and environmental degradation, are crucial for sustainable economic growth. Priority areas for research include:

- **Energy distribution:** Reducing power sector losses and understanding the role of behavioural- and technology-based interventions in curtailing sector losses
- **Renewables:** Increasing share of renewable energy in the overall fuel mix and encouraging uptake of net metering
- **Global externalities and climate change:** Addressing environmental challenges pertaining to climate change. Encouraging use of cleaner fuels in remote communities
- **Local externalities and pollution:** Developing mechanisms for regular monitoring (of air and water quality) and enforcement.

D. Cities

Research under this theme should support the government's on-going efforts to overhaul the system of local governance and financing of cities. Specific priority areas include:

- **Urban services:** Facilitating provision of services within and across city jurisdictions. Improving urban services to enhance citizen/firm productivity and satisfaction
- **Transportation:** Overcoming barriers to women's mobility
- **Clean cities:** Improving understanding of how urban centres contribute and adapt to climate change
- **Land markets:** Promoting vibrant land markets and improving land management.
- **Taxation:** Improving revenue mobilisation including reforms in property tax

RWANDA

Economic and political context

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 implementation plan attached, 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 from 39.2% to 38.2%, significantly lower than the 5-percentage point reduction between 2011 and 2014.

The onset of the COVID-19 pandemic, the associated policy response, and the unfolding global recession have had a serious impact on Rwanda's economy: economic growth is projected to slow to 2% in 2020, a huge drop from 9.4% in 2019. The services sector is projected to grow by just 1% in 2020, travel of tourists and others to Rwanda has fallen by 70%, and the agricultural sector has faced reduced demand from local markets and reduced revenue from international markets due to low international prices of export crops. The industrial sector has also suffered because of postponed foreign investment. In August 2020, Rwanda's infection rate from COVID-19 was among the lowest in the world.

The country ranked 179th in the world in terms of cases per million people. However, risks remain high because of weaknesses in the health system, widespread informal movement of people, and overcrowding especially in some unplanned settlements in central Kigali.

Under its overarching Vision 2050, the Government of Rwanda has outlined an ambitious development agenda for the next 4 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:

- To create 214,000 decent and productive jobs annually.
- Increase sustainable urbanisation from 18.4% in 2017 to 35% by 2024.
- Promote industrialisation and attain a structural shift in the export base to high-value goods and services with the aim of growing exports by double digits annually.
- Increase domestic savings and position Rwanda as a hub for financial services.
- Increase the productivity of agriculture and livestock, and sustainably manage the environment and natural resources.

- Enhance the demographic dividend through Improved access to quality education
- Strengthen capacity, service delivery and accountability of public institutions.

Research priorities

A. State effectiveness

- **Tax compliance to drive revenue mobilisation:** Research into how the government can innovatively improve tax compliance using consumer incentives, audit and monitoring strategies.
- **Efficient public spending and service delivery:** Public expenditure analysis as well as research on the structuring and implementation of PPPs. On public service delivery, social security and education are two critical areas for the Rwandan government.
- **Competition and the role of government regulation:** Analysis that looks at the impact of government policies around taxes and investment promotion affects the ability of firms to effectively compete. Regional regulations under the East African Community and other regional integration initiatives are also salient to competition and merit detailed research.

B. Firms, trade, and productivity

- **Firm networks and productivity:** How are value chains and firm networks organized? Mapping of value chains and firm networks using administrative data, such as value-added tax (VAT) records, supplier and buyer information, and customs data would be key to understanding how Rwandan firms operate within domestic, regional and global value chains.
- **Export growth:** What challenges/frictions at the market and firm level limit export potential? What types of effective and feasible interventions might the government implement to address these challenges? With the pandemic, research into strategic diversification of supply chains and export markets would also be crucial.
- **Innovation, technology and management for firm growth:** How are current government initiatives affecting technology and management upgrading among Rwandan firms? Research looking into better ways to measure and track technology adoption innovation at the firm level would be useful. More research on sector-specific barriers to technology adoption, along with research on the most effective interventions to reduce those barriers is also welcome.
- **Labour markets and firm productivity:** How can the government better align labour market policies to improve firm level productivity? Useful studies in these areas would look at the main types of labour market frictions in the Rwandan economy and the potential for vocational training and apprenticeship programs to address these frictions.
- **Productivity growth in agriculture:** Research looking at main drivers of low agricultural productivity and the importance of market structure (price setting, cooperatives and collective bargaining), technology adoption (improved seed varieties, technical inputs and irrigation) and skills training would be especially relevant.

C. Energy and environment

- **The economics of climate adaptation and mitigation:** Analysis of the potential costs and impact of implementing specific measures in the Nationally Determined Contribution (NDC) that Rwanda submitted to the United Nations Framework Convention on Climate Change; or other important economic questions around implementing NDC measures.
- **Quantifying climate impacts:** Analysis that attempts to quantify the most significant =economic impacts that climate change could have without adaptation measures.
- **Electrification:** Analysis of how Rwanda can electrify in a sustainable, affordable and inclusive way and minimise the fiscal burden on government.

D. Cities

- **Housing, infrastructure, and services:** How the construction sector can provide housing and infrastructure to Rwanda's rapidly expanding urban population, affordably and at sufficient speed to meet demand, as well as how central and local government can plan and pay for this infrastructure in a fiscally and environmentally sustainable manner through land value capture.
- **Connectivity:** How Rwanda's intra- or inter-urban transport systems can deliver efficient, sustainable and inclusive connectivity to enable citizens of Rwanda's urban areas to flourish; how Rwanda can scale up electric mobility solutions.
- **Urban public "bads" and externalities:** Analysis of the extent and/or impacts of air and water pollution, congestion, contagion, or other urban public "bads" or externalities which may hamper agglomeration economies in urban areas.
- **Spatial analysis:** Analysis using remote sensing data from satellite imagery and/or spatially disaggregated data to analyse urban phenomena relating to housing, settlements, infrastructure, public parks and spaces, environmental variables and risks, economic activity, or other factors relevant to the socioeconomic wellbeing of Rwanda's urban residents.

SIERRA LEONE AND LIBERIA

Sierra Leone - Economic and political context

Following a ten-year internal conflict between 1991-2002, Sierra Leone's economy has experienced wild swings in GDP growth rates and only short periods of relatively stable growth. This has been driven largely by the agriculture and mining sectors that are subject to large external shocks. Immediately after the war, the agricultural sector was the main driver of GDP growth and exports were dominated by the mining sector from 2010-2014. The outbreak of Ebola in 2014 coincided with the slump in mineral prices and a drastic decline in prospecting for oil. In 2015, the economy virtually collapsed with a double-digit contraction in GDP growth. By 2018, GDP growth had recovered to 3.7%, largely driven by the agricultural and services sectors. The economy remains small, open, and largely undiversified. Agriculture accounts for over 50% of GDP and minerals provide over 60% of export earnings. Over this period, income inequality has significantly increased. In 2018, there was a Gini coefficient of 0.7 and a poverty rate of 56.8%.

The wide fluctuations in GDP may explain the inability to attract investment that can further propel growth and create employment opportunities. From a high of US$950million in 2011, FDI flows in 2016 dropped to US$138million. Sierra Leone operated a negative trade balance in 2018, contributing to inflation which hovered around 18%. Additionally, there is a substantial fiscal deficit, though there are signs of improvement through increased domestic revenue mobilisation and better expenditure controls. Binding constraints to growth include infrastructure and energy deficits, high transactions costs and limited access to capital.

Looking forward, both agriculture and mining will remain key sectors for economic expansion. As mentioned above, the agricultural sector accounts for over 50% of GDP and continues to be a priority sector for government with plans for increased investment to boost production and productivity. With the completion of the geo-physical survey, it is expected that the country will attract large investment into the mining sector leading to increased growth and revenue. It will be critical to enhance the enabling environment for private sector expansion to realise potential economic growth. This in turn is a function of the economic and political governance both for the sector and the economy at large.

While government efforts to complete geo-physical surveys could lead to a renewed surge in exploration and investment, there remains negative fall-out from the disputes with mining companies after the closure of the country's two largest mines in 2013. As a result, future investment in the sector is likely to be heavily-dependent on investor's perception of whether rules and regulations will be applied fairly and consistently. Without this, there is a risk that further investment in exploration and expansion will not materialize, leading to sluggish growth in the long-term.

A number of large existing investments in the agriculture sector are likely to increase agricultural productivity, diversify production and increase added value. These have the potential to become the primary source of sustained economic growth over the medium term. However, like the mineral sector, for these investments to be successful requires both predictability and fairness in the application of rules and regulations across the sector.

In a low-income country where the formal private sector is very limited, politics permeates all activities and businesses are vulnerable to changes in government. The positive news is that with rapid changes in political governance to ensure greater participation and inclusion, better reforms will become possible and policy decisions to change direction will become a reality. A key consideration will be how the country prepares for the African Continental Free Trade Area (AfCFTA). The AfCFTA is potentially a game changer for the country's businesses, with the possibility of either collapsing in the face of international competition, or domestic businesses using the opportunity to expand and supply the wider market.

There are huge opportunities for sub-regional exports with improvements in infrastructure connecting to foreign markets. Measures to promote exports where there is a clear case for industrial scale expansion and potential to capture the sub-regional market, such as the Cassava industry, must be given priority.

The country has conducted five relatively peaceful democratic elections and two peaceful transitions to the opposition party. Hence, the country can claim to have enjoyed relative political stability since the end of the war in 2002. Nevertheless, underlying political tensions remain high with accusations and counter accusations of corruption and abuse of power between the two main political parties still commonplace.

In the past, bi-elections have also been marred by violence. With civil society accusing the Government of using the state security apparatus to intimidate and harass the opposition. Some efforts are being made to reduce the tension. This includes the recent enactment of the Independent Commission for Peace and National Cohesion Act. It is expected that this Commission will be primarily responsible for promoting peace, national cohesion and development.

Sierra Leone - Research priorities

A. State effectiveness

- **Taxation:** Sierra Leone's tax base is very narrow largely due to widespread tax evasion and a huge informal sector that is difficult to monitor and tax. Consequently, IGC will explore studies on tax policies and systems to increase revenue generation.
- **Conflict and fragility:** IGC previously supported two studies to identify the drivers and underlying causes of conflict and fragility. The programme will trend towards studies on the sub-regional dimension of fragility and resilience, as well as how to simultaneously promote growth and build resilience to shocks in fragile states.

B. Firms, trade, and productivity

- **Improving export performance:** Sierra Leone exports are very low and there exists no credible data on productivity. Potential studies could investigate innovative ways of improving export performance and identify realistic export opportunities, market inefficiencies that export promotion might address; and public sector measures for reducing credit constraints for potential exporters.

- **Trading infrastructure:** Several studies have identified the lack of trading infrastructure as a major impediment to trade promotion and expansion. Areas for possible research include the type of physical and policy infrastructure needed to promote trade; as well as a review and analysis of the consequences of opening state provided services to trade.
- **Impact of the African Continental Free Trade Agreement (AfCFTA):** A trade and investment strategy has been prepared and approved by the Government of Sierra Leone to guide the implementation of the AfCFTA. The implications of the agreement on small open economies like Sierra Leone are far reaching. Understanding what strategies such countries should adopt to maximise benefits from the agreement are extremely important and topical. IGC will encourage more detailed studies as a basis for policy reforms

C. Energy and environment

- **Energy access:** Assess the effect of rural electrification on local structural change and economic growth. In addition, the country team intends to link this domain with "firm productivity" and assess how access to capital, inputs and innovation support can foster economic growth. This line of research could be expanded to explore the impact of access to cleaner energy on health and human capital accumulation. Additionally, the political economy of energy supply and re-distributional effects of energy access are areas of interest.

D. Cities

- **Increasing domestic revenue:** Most development expenditures in cities are financed by central government or development partners. IGC will seek strategies that have proven successful elsewhere in increasing revenues for local authorities through voluntary compliance as well as innovative financing mechanisms.
- **Service delivery:** With decentralisation, the provision of basic services has been devolved to local councils and cites. Several interventions are being rolled out to ensure that the devolved functions are effectively implemented. Evaluations of these current interventions and introducing innovative methods are possible areas for further studies. Increase representation of gendered preferences in services being provided, and women's participation in the decision of public services being provided by cities.

Liberia - Economic and political context

After the end of the war in 2003, multi-party democracy was restored and the government's focus was primarily on rebuilding state institutions, the provision of basic services and infrastructure, ensuring good governance and the rule of law, and reviving the economy. Significant progress has been made as the country has conducted 3 presidential and legislative elections and for the first time since the inauguration of President William V. S. Tubman in 1944, observed a peaceful transition of power in 2017.

In 2013, the economy grew considerably, recording 8.7% in GDP growth. However, since the Ebola crisis in 2014, Liberia has experienced minimal to no economic growth, creating damaging consequences for citizens, and magnifying many of the country's problems. It also suffered a twin shock in the form of falling commodity prices, significant when the mining sector contributes over 70% to the economy. GDP growth plummeted to 0.7% in 2014 and then further deteriorated to a contraction of 0.5% in 2016. Liberia remains vulnerable to weak security and justice systems, a lack of resilience in the healthcare sector, high youth unemployment and crime rates, and political instability.

The country has prepared a long-term vision, labelled 'Liberia Rising 2030', with the primary objective to promote inclusive growth and economic transformation. Several short- and medium-term plans have been developed as steps to achieve this. In 2018, upon the inauguration of President George Manneh Weah, the administration sought to create a development agenda titled 'Pro Poor Agenda for Prosperity and Development' to address the country's economic challenges. This agenda consists of four pillars:

- Power to the People—Liberians empowered with tools to gain control of their lives
- The Economy and Jobs— Economic stability and job creation through effective resource mobilisation and prudent management of the economic inclusion process
- Sustaining the Peace—Promoting a cohesive society for sustainable development
- Governance and Transparency—An inclusive and accountable public sector for shared prosperity and sustainable development

Despite support from international partners, Liberia's economic development agenda has made limited progress. The economy is challenged with rising inflation of around 31%, largely due to the depreciation of the local currency. This, among other factors, have limited government's capacity to deliver services and meet other obligations. The country struggles with infrastructure deficits and issues of governance and the rule of law. Additionally, the lack of political will affects the implementation of the economic development agenda, as policy prescriptions often come at the cost of short-term political capital.

In 2019, the IMF warned that high fiscal deficits and an accommodative monetary policy could further erode the purchasing power of the poorest. Implicit in the warning is the fact that the economy will experience further contraction due to declining output. The mining sector is expected to grow by about 8% due to increase production of gold and iron ore, but manufacturing and services are expected to contract and the agricultural sector is weak. In addition to declining output, donor assistance to Liberia has been reduced from USD$624 million, equivalent to 19.3% of GDP in 2018, to USD$461 million, 14.3% of GDP in 2019.

Liberia - Research priorities

A. Economic governance

- **Fragility:** Supporting studies that will investigate the drivers of conflict and fragility and how to build resilience to shocks. In particular, the sub-regional dimension of fragility and resilience.

B. Firms, trade, and productivity

- **Impact of African Continental Free Trade Agreement (AfCTFA):** As in the case of Sierra Leone, the implication of this agreement might have a severe impact on the country's growth and structural transformation. We will therefore support detail studies that that will not only assess the impact of the agreement, but also propose strategies the countries should adopt to maximise the benefits from the agreement.
- **Cross border trade:** To date, Liberia lacks a comprehensive and credible data on trade between the country and her neighbour. A recent study on the Sierra Leone side of the border has documented trade activities between Sierra Leone and Liberia. We therefore hope to support a study that will comprehensively document trade activities between Liberia and Sierra Leone. Specifically, looking to identify what is being traded, the volume and value of trade, and drivers of informal trade across land crossing points.

UGANDA

Economic and political context

Until the recent shock from the COVID-19 pandemic, the Ugandan economy was experiencing a significant economic recovery. With the economy estimated to have grown by 6.1% in the 2017-18 and 2018-19 financial years up from 3.9% in 2016-17. However, because of rapid population growth of 3.3%, these rates provided only modest increases in average per capita incomes, somewhat below East African averages. Sector specific growth has been led by increased rates of growth in recent years across the agricultural, industrial and service sectors. Uganda remains politically relatively stable, despite considerable unrest surrounding the 2021 elections.

The key economic priorities for Uganda include 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-tradable services (such as informal trade), 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. Efforts to raise productivity across and within sectors will be crucial in putting Uganda on an accelerated growth path, allowing foreign investment and export growth to replace Official Development Assistance (ODA) in the medium to long run.

The International Growth Centre has singled out several priorities to raise economic growth in Uganda over the next five years. These priorities were identified through discussions with government counterparts like the Bank of Uganda, the Ministry of Finance, Economic Planning and Development and various line ministries and implementing agencies (e.g., the Uganda Revenue Authority), as well as through multi-stakeholder events like the Economic Growth Forum event series and from the priorities set in various government strategy documents. A selection of key priorities for the Ugandan government are outlined below:

- Raising the productivity and efficiency of public investment
- Enhancing agricultural productivity and value addition
- Facilitating structural transformation for high value export promotion and job creation
- Improving Domestic Revenue Mobilisation
- Investing in productive and liveable cities
- Improving policy coordination and implementation

Research priorities

A. State effectiveness

- **Taxation:** Domestic revenue mobilisation, including tax compliance and administration as well as tax policy
- **Public finance:** Raising the productivity and efficiency of public investment

- **State capacity:** Improving policy coordination and implementation across government, including work on the incentive structures governing bureaucratic systems

B. Firms, trade, and productivity

- **Trade:** Promoting international trade as a driver for growth, including work on trade agreements (EAC-CET, AfCFTA, and others), non-tariff barriers, export promotion and supply chains
- **Large firms and industrial policy:** Especially work on evaluating the benefits of investment promotion programs, special economic zones, and industrial parks
- **Jobs:** Labour markets, vocational training and human capital development
- **Small enterprises:** Enhancing productivity of MSMEs, supplier development and value addition to drive structural transformation

C. Energy and environment

- **Renewables:** Research on how Uganda can harness the potential of renewable energy to drive inclusive, sustainable growth
- **Energy access:** Analysis of the effectiveness of public investments in energy infrastructure, including returns to investment on energy infrastructure, and the efficiency of energy subsidies for households and firms
- **Global externalities:** Climate adaptation and resilience in Uganda, especially in agriculture and cities.

D. Cities

- **Land use policy and urban planning**
- **Urban governance:** Including incentives for local governments, use of data in urban policy design, and enhancing resources available to provide necessary infrastructure and services in cities (especially property taxes)
- **Infrastructure:** Delivering infrastructure and services for growth, including affordable housing, sanitation, and transportation options in cities
- **Local economic development policy**

MYANMAR

Current status of IGC Myanmar

In the dramatically changed post-coup Myanmar context, the IGC has decided to maintain its existing engagements with non-government stakeholders while ceasing all engagements with the government. At the same time, our focus for new research commissioning has shifted to: (1) better understanding Myanmar's complex political economy, which in most cases would fit under the broader IGC research theme of State; and (2) overall monitoring of developments in the Myanmar economy, which may concern issues relating to any of the four themes. The motivation for this research should be to help make sense of recent political developments and to offer potential pathways for key stakeholders towards resolving the crisis.

Research priorities

A. State effectiveness

- **Political economy:**
  - Research that helps to better understand the different actors, institutions and historical forces that shape the complex political economy of modern Myanmar and its different regions.
  - Fundamental issues around state-building and constitutional design, such as understanding how different types of federalism are more or less suited to Myanmar, are of immediate interest.
  - Monitoring developments among as well as changing attitudes to the state, the military and other political actors in the country, particularly if the proposed research makes use of innovative data sources and/or methods
- **Revenue mobilisation:** like taxation, revenue generation from natural resources and service provision, including in areas not under central government control or with mixed control, is also of interest.

B. Firms, trade, and productivity

- **Private sector development:** Monitoring impacts and developments in Myanmar's private sector (especially sectors that are a significant source of employment), particularly if the proposed research makes use of innovative data sources and/or methods. Work that can inform both government and non-government efforts to support sustainable and inclusive private sector development in fragile contexts is of specific importance.
- **Impact of politics on private sector:** Understanding impact of political situation on SMEs, whether in government-controlled or non-government-controlled areas, with a view to informing the kind of support international agencies and other actors can provide to these businesses to help them to weather the shocks they are facing. Understanding how various armed and/or political actors are able to tap into different sources of business revenue, including linkages between firms and armed/political actors, would also be of interest.

C. Energy and environment

- **Access and growth:** Monitoring impacts and developments in Myanmar's energy and electricity sectors, particularly if the proposed research makes use of innovative data sources and/or methods.

D. Cities

- **Urbanisation:** Monitoring economic impacts and developments in Myanmar's cities, particularly if the proposed research makes use of innovative data sources and/or methods.

SUDAN

Through the State Fragility initiative, IGC has been engaged with the transitional government in Sudan since October 2019. We focus on providing research support on key government priority topics and new research commissioning should deepen the evidence base and/or enable more reliable and timely data collection in the following areas:

- **Tax policy and administration –** Research that would bring greater clarity around the existing tax framework, insight into the distributional effects of different tax policies or proposed reforms, evidence on tax administration processes at different levels of government, and policy recommendations aimed at increasing efficiency, fairness, and transparency of Sudan's tax system.
- **Macroeconomic stabilisation –** Despite key reforms to remove fuel subsidies and unify the exchange rate over the last year, Sudan's macroeconomic situation is still dire and we are looking for analysis and viable policy recommendations to aid macroeconomic stabilisation.
- **Federalism, particularly fiscal federalism –** As Sudan shifts to a more federal system of government, we are interested in analysis that would practically support this process by providing evidence on Sudan's current and previous governance arrangements, how they impacted development, resource sharing, service delivery, political representation, etc, and what lessons could be deduced to inform future federalism and decentralisation efforts.

TANZANIA

IGC closed our resident country programme in Tanzania in 2019 but we continue to commission research projects, particularly those that make use of innovative data sources and/or methods. Current priority areas include:

- **Tax policy and administration –** We are interested in research that could inform reforms aimed at increasing efficiency, fairness, and transparency of Tanzania's tax system for both firms and individuals, including better use of technology and data, and improved dispute resolution mechanisms. Research on innovative and cost-effective means of increasing tax revenues by improving tax compliance.
- **Business environment –** We are looking for research to inform business environment reforms in Tanzania, particularly around promoting firm growth and productivity, jobcreation, trade and investment.

ZAMBIA

IGC closed our resident country programme in Zambia in 2019 but we continue to commission research projects, particularly those that make use of innovative data sources and/or methods. Current priority areas include:

- **Sustainable green growth, structural transformation, and building a diversified economy.**
- **COVID recovery phase:** Identify opportunities to build capabilities to withstand crises; how to build resilient firms; improve access to international markets and promote trade during the COVID recovery phase**.**
- **Job creation and labour productivity:** Research to understand ways to build the supply of workers with relevant skills, for example through vocational training, apprenticeships, and the provision of information on the returns to such programmes.
- **Cities** - Research to support the implementation of the national urbanisation policy (that is still awaiting cabinet approval), this includes: navigating urban land rights and customary ownership on the urban periphery for improved urban planning, infrastructure investment and governance; gaps and priorities for informal settlement upgrading and local area planning (including water & sanitation, housing, roads, utilities); decentralisation; funding and financing urban infrastructure – including property tax.