



# **The Partnership for Economic Policy: Vision, Mission and Strategy**

**February 2015**

*Paper approved by the PEP Board of Directors on February 6, 2015*

*This paper provides an overall vision and strategic directions for PEP.*

*It will be complemented by two additional documents to be discussed and approved by the Board:*

- 1. A clear governance and management structure with a set of rules, procedures and understandings on the operationalization of the principles and directions set out in this paper.*
- 2. A more detailed business plan for the period 2015-2020.*

## Table of Contents

1	Inception and Evolution .....	3
2	Vision, Mission and Competitive Advantage .....	5
2.1	Vision .....	5
2.2	Mission .....	6
2.3	Competitive Advantage.....	6
3	Strategic Challenges – 2015-20 .....	7
3.1	Renewing and Extending the Open Partnership Model .....	7
3.1.1	PEP and Its Partner Institutions .....	7
3.1.1.1	Partnership Principles .....	7
3.1.1.2	Mobilizing the Existing Partners .....	9
3.1.1.3	Recruiting New Partners.....	9
3.1.2	PEP and Its Individual Researchers .....	9
3.2	Renewing and Extending PEP’s Research Agenda.....	10
3.3	Streamlining PEP’s Governance and Management .....	11
3.4	Running the Network: Strengthening The Nairobi Secretariat .....	12
3.5	Funding the Network: Resource Mobilization .....	12

# 1 INCEPTION AND EVOLUTION

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- [1] The initial Poverty and Economic Policy (PEP) research network was created in 2002 by a joint initiative of the Angelo King Institute in the Philippines and Université Laval in Canada (the first “PEP partner institutions”), with funding from the International Development Research Center (IDRC). PEP’s origins go back even further, to MIMAP, an IDRC program launched in 1990 to examine the micro impacts of macroeconomics and adjustment policies, led also by Université Laval. Since its launch in 2002 PEP has become an international and multi-donor organization, including four partner institutions representing different regions of the world, as well as over 9000 registered members (through the PEP website) and activities in nearly 50 different countries of Africa, Asia and Latin America.
- [2] PEP’s initial goal was to “build the capacity and expertise of local researchers in developing countries in the application of cutting-edge methodologies for the analysis of policy issues related to poverty, and social and economic development in their home countries.”
- [3] In order to do this, PEP pioneered an innovative and effective approach to building research capacity based on a very distinctive “learning by doing” approach. This was coupled with financial support, formal training (PEP Schools), intensive peer review of the research at its inception, mentoring (both distance and “live”) during its implementation, as well international exposure for the research and researchers once the work was completed.
- [4] The ultimate objective was to build an international network of researchers based in developing countries with the expertise, resources and reputation to contribute to national and international academic and policy debates around key development issues in the South. This network would provide a more relevant local evidence base for policymakers to design and implement appropriate policies to tackle poverty and development issues in their home countries. It would also address the dearth of Southern voices in both academic and policy debates; help persuade policy makers in developing countries to seek advice from local researchers instead of Northern-based experts and consulting firms; and give researchers in the South more freedom to define their own research agenda and focus on policy priorities identified at the local level.
- [5] By 2014 PEP had made significant progress towards this goal, helping to build the scientific expertise of nearly 680 developing country researchers through the support of 212 projects in 56 developing and emerging economies – mostly in Africa, Asia and Latin America, but also in Eastern Europe and the Middle East. Of the researchers receiving grants, 44% are women, and approximately 30% were less than 30 years of age at the time of project selection. PEP support and capacity building activities have thus helped create a gender-balanced pool of young researchers based in the South with strong expertise in the analysis of poverty and development issues. PEP-supported research has not only built capacity but also enlarged the evidence base for policy, with the publication of 305 working papers and 119 policy briefs. PEP research has been not only relevant, but of high

scientific quality: a recent survey revealed that about 48% of PEP-supported studies have been published in peer-reviewed scientific journals.

- [6] PEP has expanded geographically and thematically beyond its 2002 base. It has provided support in 49 different countries of Africa, Asia and Latin America, and has added an institutional partner in Africa and in Latin America: CRES (based in Dakar) and GRADE (based in Lima). PEP research covers a growing number of themes, from child welfare to fiscal policies, trade and globalization, education, health, gender, labor markets, inclusive growth, and the impact of crises.
- [7] In addition PEP now offers its researchers training and mentoring in a much broader range of cutting-edge methodologies, including macro-micro modelling and simulation techniques, multidimensional poverty and distributional analysis, community-based monitoring systems, and experimental and non-experimental impact evaluations. The development of these tools and techniques has been stimulated by their application in the projects supported by PEP, as well as through innovations introduced by PEP's teams of international experts.
- [8] PEP has also expanded its institutional base, not only in terms of regional partners, but also funding sources, collaborations and institutional networking, with support from AusAID, CIDA, DFID, IADB, IDRC, IFPRI, ILO, UNDP, UNICEF, and UNIFEM/UN WOMEN.
- [9] DFID and IDRC, for example, support PEP's largest current program, Policy Analysis for Growth and Employment (PAGE), which was launched in 2012. PAGE supports a series of locally-led analyses of inclusive growth and employment in developing countries. In addition to capacity building, PAGE aims to apply cutting-edge methodologies fill current evidence gaps on growth and employment.
- [10] In this way PEP has come to be regarded throughout the world as an important source of expertise, in terms both of its distinctive approach to research capacity building and the innovative research methodologies it utilizes.
- [11] Over time PEP's role has evolved to give more emphasis to promoting the Southern experts in the PEP network and the expertise PEP has built (and continues to build) in developing countries.
- [12] More recently PEP has been called on to mobilize and supervise teams of local researchers in developing countries, to produce evidence to be used for policy making and to stimulate public debate on issues such as the global financial crisis, climate change, social protection, inclusive growth strategies, and child poverty.
- [13] The increasing demand from international institutions for PEP to lead initiatives involving local expertise also testifies to the need for a credible supra-national research institution to provide the networking infrastructure needed to "level the playing field" for Southern experts. Such infrastructure is essential to enable Southern researchers to establish their reputations in the international research community, and to play a full and meaningful role in major international research initiatives.
- [14] In 2013 PEP changed its name to the Partnership for Economic Policy to reflect the broader scope of its activities and its evolution into a fully global partnership of institutions and researchers in Africa, Asia, Latin and North America.

- [15] At the same time PEP also initiated a series of fundamental changes in its structure in order to provide a more solid foundation for these global activities. PEP adopted a new legal status as a non-profit international organization legally registered in the USA and recognized as a 501(c)(3) tax-exempt organization with public charity status under Sec. 509(a)(1) of the US Internal Revenue Code. In 2014 PEP built on this new formal status by signing a comprehensive host-country agreement with the Government of Kenya that gives PEP full-fledged international status with certain diplomatic and tax-exemption privileges.
- [16] The new status as a non-profit international organization, along with the host-country agreement, will enable PEP to recruit staff for its Nairobi Secretariat as well as to plan and implement activities in Kenya and across the global South.
- [17] From 2015 onwards PEP will be able to draw more effectively on its partner institutions and its network of researchers to offer high-level Southern expertise and high-quality scientific evidence to policymakers at the national, regional and global levels. In this way PEP will continue to pursue its mission of building research capacity in the South and putting this capacity to work where it is most needed. By providing a stronger voice for Southern researchers PEP will also provide new and more relevant perspectives on key development challenges.

## **2 VISION, MISSION AND COMPETITIVE ADVANTAGE**

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- [18] In 2014 PEP also took the opportunity to refine its vision and mission statements and clarify its competitive advantage.

### **2.1 VISION**

- [19] A global network that brings together researchers and research institutions from throughout the world. PEP operates as an “open partnership network”, drawing on the strengths of its partners and network of researchers to build research capacity and to undertake research that provides contextualized solutions to key economic and social policy challenges in developing countries.
- [20] Operating as an open partnership the PEP network offers significant advantages:
- PEP can draw on the best scientific and management resources wherever they may be located. This depth and breadth gives PEP a significant competitive advantage over other research organizations.
  - Because the partnership model is open, PEP has the flexibility to attract new partners and collaborators when needed.
  - PEP can attract the best partners because it allows them to specialize according to their comparative advantage (e.g. scientific, management, or networking).
  - Because they have a formal relationship to PEP, partners have strong incentives to achieve excellence in their work. Since the relationship is a long term one, partners have the space to innovate as well.

- Repeated interactions among partners also build trust and reduce transaction costs. As a result, PEP can operate with a lean management and coordination structure.

## 2.2 MISSION

[21] PEP’s mission is to build research capacity in the South and to put this capacity to work where it is most needed. PEP trains local researchers to apply cutting-edge methodologies to the analysis of key economic and social policy challenges in developing countries. Drawing on its partner institutions and its network of researchers, PEP also offers high level expertise and high-quality scientific evidence to policymakers at the national, regional and global levels. PEP provides the essential infrastructure to enable Southern researchers to establish their reputations in the international research community and to play a full and meaningful role in major international research initiatives. By providing a stronger voice for Southern researchers PEP provides important new perspectives on key development challenges.

[22] Capacity building has always been, and will continue to be at the heart of PEP’s mission. PEP’s partnership network has developed over the years a unique model for supporting capacity building for researchers in developing countries (particularly those that are less developed or fragile) that has been shown to be highly effective. PEP will continue to promote and improve this model.

[23] In its next phase, PEP aims to make use of this capacity to undertake policy focused research. Some of this research will mobilize the existing skills of the network of PEP alumni and will take advantage of the expertise that is already available within the partner institutions. Other research will bring new partners and researchers into the network and will allow PEP to develop new areas of expertise for capacity building.

## 2.3 COMPETITIVE ADVANTAGE

[24] There are many institutions engaged in building research capacity in the developing world and even more engaged in carrying out research on development issues. PEP thus has many potential competitors. What is distinctive about its offering?

[25] PEP offers three important advantages over its competitors:

- i. It is a network – a “think-net” – that can draw on the best individuals or institutions wherever they may be located, and can do so at relatively low cost. PEP can also mobilize and support local expertise in the countries or regions to be analysed. This gives it both a quality and a cost advantage over in-house research institutes.
- ii. It has distinctive and well regarded expertise in capacity building. Since the PEP approach is based on “learning by doing”, it can effectively combine doing high quality research with building local research capacity. Building research capacity helps ensure that PEP’s research will provide more sustainable solutions over the longer term and create a pool of local expertise.

PEP's approach to capacity building has been based on frontier methodologies, and it has used experience in building capacity to make innovations in these methodologies. This emphasis on cutting edge methodologies helps ensure that PEP's research, like its capacity building, will be of high quality.

### **3 STRATEGIC CHALLENGES– 2015-20**

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#### **3.1 RENEWING AND EXTENDING THE OPEN PARTNERSHIP MODEL**

[26] PEP operates as a partnership network to promote capacity building for research and to undertake policy relevant research. It is a unique network, in that it comprises both research institutions and individual researchers. During 2015-20 it will strengthen its relationships with existing members of the network and extend the network to include both new partner institutions and individual researchers.

##### **3.1.1 PEP AND ITS PARTNER INSTITUTIONS**

###### **3.1.1.1 PARTNERSHIP PRINCIPLES**

[27] Since the Partner Institutions are an essential feature of PEP's vision and mission, PEP will move towards giving them a formal status by amending its bylaws to make these Partner Institutions "Members" of PEP and giving them an active role in its governance. Membership of individual partners will be governed by a Memorandum of Understanding (MOU).

[28] PEP will invite an institution to become a Member Partner only after it has collaborated with PEP on at least one project (has been a project partner). In the case of a multi-year project, PEP could issue an invitation once half the project had elapsed. Invitations would be proposed by the ED, discussed with the MC and authorized by the Board. The PEP Board will establish a sub-committee responsible for partnerships, in particular for any issues arising from the MOUs as well the overall health of the relationships between PEP and its Member Partner Institutions.

[29] The following principles will govern PEP's relationships with its Member Partner Institutions:

- i. Since PEP has a dual mission, creating research capacity and carrying out policy relevant research, its Partners should contribute to both aspects of the mission. In other words, PEP's Partners (as opposed to its project collaborators) should be engaged with PEP in both building capacity and doing research.
- ii. Since one of the most distinctive features of PEP's "brand" is the emphasis it gives to providing training in state of the art methodologies, applying these methodologies to policy research and advancing these methodologies where

possible, Partners should be in a position to contribute to this methodological focus. The methods and tools developed through such partnerships shall remain in the public domain protected by PEP for the purpose of enhancing research capacity in the developing countries.

- iii. The natural division of labour in projects between PEP's Secretariat and its partners is for the Secretariat to provide the coordination and management services for projects, and the Partners to provide the scientific inputs for both capacity building and for research. This suggests that for most PEP projects, the PEP Secretariat would act as the main contractor, with partners acting as sub-contractors. Exceptions to this would be possible, but would have to be authorized by the Board. The expertise of staff currently based in the Partner institutions and working for PEP is one of the network's most important assets: the new PEP may continue to make efficient use of this expertise through appropriate arrangements and adjustments.
- iv. Project income recovery (either for direct costs or allowances for administrative costs or institutional overheads) will be apportioned to reflect the activities of the Partners involved, including their contribution to the conceptualization and development of the funded project proposal.
- v. Member Partnerships will be reviewed every three years. As part of the review, the PEP Secretariat will carry out a performance assessment of the partnership in terms of capacity building and research within the overall working of the organization. The Partner will be invited to contribute to the overall assessment by carrying out a self-assessment of its own performance.
  - o The assessment by the Secretariat will take into account, amongst others the:
    - Contribution to resource mobilization
    - Quality of project coordination and management
    - Contribution to communications, research dissemination and uptake.
  - o The self-assessment by the Partner will include, amongst others, the
    - Contribution to resource mobilization
    - Extent and quality of participation in capacity building activities
    - Extent and quality of participation in research activities (including peer reviewed publications).
  - o The assessments will be discussed by the Board sub-committee and the Partner. The aim will be to reach a consensus on the performances of the PEP Secretariat and the Partner, whether the partnership should continue, and if so what difficulties needed to be addressed going forward. The resulting report will be shared with the Partner and communicated to the PEP Board for action and decisions.



### **3.1.1.2 MOBILIZING THE EXISTING PARTNERS**

- [30] PEP currently has four institutional partners – AKI, CRES, GRADE and Laval. These partners play a vital role in implementing PEP’s current research projects but PEP needs to engage them in mobilizing new resources and ensuring they play a significant role in new projects.
- [31] In some cases keeping the existing partners engaged in PEP’s activities will be straightforward. For some of the other partners, more deliberation and discussion will be required. In the fourth quarter of 2015 PEP will formally start the review process of each Partner’s relationship with PEP, along the lines suggested above (Section 3.1.1.1). Beyond the specific criteria set out in this Section, the underlying goal of the reviews would be to ascertain whether the Partner as a whole has a strong interest as an institution in maintaining the partnership, and if so, what role it envisages it could play in the new PEP. The review process will clarify the respective roles and expectations of PEP and each Partner and so is an essential step in strengthening the partnership network.

### **3.1.1.3 RECRUITING NEW PARTNERS**

- [32] Even if all of the existing partners do become more active and engaged in new PEP projects, PEP still needs to recruit new institutional member partners. PEP must have the capacity to respond to shifts in policy priorities among donors and developing country governments. New priorities will require new areas of expertise, both in terms of issues and research methodologies, and the existing partners will not always have such expertise.
- [33] PEP will work continuously, through its various activities and deliberations, and through conversations with donors and governments, to identify new topics and issues which are high on the policy agenda, and have a substantial methodological “angle”, lending themselves to PEP’s approach to capacity building. Current possibilities include agriculture, climate change, and institutions and political economy.
- [34] Once an issue has been identified as of interest, if the existing member partners do not have the required expertise or lack the capacity to contribute effectively in the target country or region, then the PEP network will be canvassed for suggestions for interested researchers and new project partners. This process will be managed by the Executive Director, liaising with the Board’s Partnerships Committee.

## **3.1.2 PEP AND ITS INDIVIDUAL RESEARCHERS**

- [35] There are many research networks of individual researchers in economics. These networks carry out many of the same functions, but some, such as AERC, are heavily engaged in training and capacity building, while others, such as NBER, do no capacity building.
- [36] These networks also differ according to whether the network is formal, in the sense that they offer formal appointments as research fellows or affiliates, or whether it is informal, with membership in the network following on from involvement in a network activity. This affects how quality control is carried out

and so is an important aspect of managing a research network. Networks without formal appointment procedures must rely on more ongoing peer review in order to ensure the quality of their outputs.

- [37] PEP has no formal appointment procedure and so at present the PEP network comprises the researchers who have participated in its capacity building activities, either as instructors / resource persons or as students.
- [38] PEP does not yet have the resources to provide a broad range of services to this network. Beginning in 2015 it will, however, begin a phased expansion of this activity including formal appointment procedures.
- [39] The first step towards more effective networking of individual researchers will be to establish criteria for appointment to the network and to specify the services PEP would provide to members of this network (the “PEP Research Fellows”).
- [40] Once these criteria have been established, the next step will involve the consideration of PEP’s Resource Persons for appointment as the first “Research Fellows”. These Fellows will be entitled to distribute their scientific papers in the PEP Working Paper series and the PEP Secretariat will, on request, organize research workshops and conferences for these Fellows.
- [41] This group of PEP Research Fellows will be gradually enlarged by formally appointing, as PEP Fellows, researchers who become involved in and make a significant contribution to new PEP Research Projects.
- [42] PEP will also make a determined and proactive effort to engage with the Southern researchers who have participated in past PEP research projects or capacity building activities. This will help ensure that these researchers have the best possible opportunity to become involved in new PEP projects and so in due course be appointed as Fellows. The first step in this process, to be completed in 2015 will be to construct and maintain a database of comprehensive and up to date information on the research interests and activities of these researchers.

### **3.2 RENEWING AND EXTENDING PEP’S RESEARCH AGENDA**

- [43] PEP’s largest current program, Policy Analysis for Growth and Employment (PAGE), was launched in 2012 with support from the UK Department for International Development (DFID) and IDRC. This highly successful program supports a series of locally-led analyses of inclusive growth and employment in developing countries. In addition to capacity building, PAGE applies cutting-edge methodologies that fill current evidence gaps on growth and employment.
- [44] PEP’s immediate priority is to secure funding for the next phase of PAGE. As part of this process it will carry out an external evaluation of the current phase of PAGE and submit it to DFID and IDRC by May 2015.
- [45] In parallel with this evaluation PEP will prepare a detailed proposal for “PAGE II” for consideration by funders in June 2015. The new proposal will take on board the lessons from the evaluation of PAGE I, but will also aim to include new research themes, new researchers and new Partner Institutions. This will require engaging with the current as well as potential new Partners and Resource People.

- [46] Looking beyond the next phase of PAGE, PEP will aim to secure in 2015 and 2016 funding for a set of new projects of a similar magnitude.
- [47] It is difficult to predict what these projects will be, but a few principles will guide the choice. PEP will pursue projects that:
- i. Effectively build research capacity building as well as generate substantive and high-quality policy-relevant research results
  - ii. Emphasise the use and further development of state of the art methodologies
  - iii. Draw on the intellectual resources within PEP's network of partner institutions and individual researchers

### **3.3 STREAMLINING PEP'S GOVERNANCE AND MANAGEMENT**

- [48] PEP will continue the transformation that began in 2013, from an informal network of partner institutions into an international organization with a more formal structure and a larger and more diversified research portfolio.
- [49] The key elements in the current structure are:
- i. The Board
  - ii. The Secretariat
  - iii. The Management Committee
  - iv. The Partner Institutions and Individual Researchers
  - v. The Program Scientific Support Committee (PSSC)
- [50] In order for PEP to effectively operate as an international organization, it will streamline its governance and management structure, establish more formal rules of operation and improve communications within its network.
- [51] Improved communications is the least visible, but possibly the most important aspect of this transformation. PEP will devote additional resources to ensure that efficient and effective communication does take place, to ensure that information is distributed widely within the network, so that members of the network understand the direction in which the network is moving, are aware of new initiatives and feel a sense of ownership and loyalty to the network, even though it is not a feature of their day to day professional life.
- [52] The powers and responsibilities of the Board are typical of most not for profit organizations and will remain essentially unchanged. PEP may, however, change the way in which the Board is selected by involving more actively its stakeholders.
- [53] In addition the Board will strengthen its oversight role by meeting more frequently and/or by creating a set of Sub-committees of the Board that will meet more frequently and to which some tasks can be devolved.
- [54] The Board will appoint an Executive and Finance Sub-committee that meets every two months. This Sub-Committee will be tasked with tracking the progress of resource mobilization and the financial state of the organization and will provide a brief written report to the full Board after each of its meetings. The Board will also

appoint a Partnership Sub-Committee that will be responsible for the relationships between PEP and the Partner Institutions, and for reviewing the relationship with each Partner on a regular basis, as described in Section 3.1.1.1

[55] The Management Committee (MC) exists to give the Partners a voice in the operations of PEP and in particular in the implementation of existing projects. In the new PEP, the Secretariat will administer PEP projects. The role and operation of the Management Committee will need to be adapted accordingly.

### ***3.4 RUNNING THE NETWORK: STRENGTHENING THE NAIROBI SECRETARIAT***

[56] The network's activities involve four key tasks:

- i. Resource mobilization, which includes identifying, research gaps, funding opportunities and coordinating the preparation of proposals to secure this funding
- ii. Scientific coordination, management and financial administration of projects once funding has been obtained
- iii. Communications, dissemination of project outputs and research uptake
- iv. Contributions to the research and capacity building activities.

[57] PEP is a network of institutional partners and individual researchers, a "partnership network". Since each institutional partner has in principle the capacity to carry out these four tasks itself, the division of labour between them and the Secretariat is not obvious a priori. In addition, the funds available to run the Secretariat are at present highly constrained, and even if a task falls most naturally to the Secretariat, as a new institution, it may still lack the staff and systems to carry out the task. The division of labour between the partners and the Secretariat will therefore evolve over the coming years as the capacity of the Secretariat grows.

[58] In order to support a larger number of projects and increased pace of activity, strengthening the Secretariat will be a key priority for PEP 2015-20. PEP will move to strengthen first the Secretariat's capacity to develop new project proposals and then its capacity to administer the projects that receive funding. This will be a key aspect of PEP's structural transformation in 2015-20.

### ***3.5 FUNDING THE NETWORK: RESOURCE MOBILIZATION***

[59] In addition to the structural transformation of PEP outlined above, there remains a more challenging transition to an institution that is both operationally capable and financially sustainable.

[60] The problem arises because PEP has transformed itself from a set of linked projects jointly administered by an informal partnership of four institutions into an independent legal entity with a Secretariat based in Nairobi. The Secretariat has at present only three staff (the ED, an Assistant and a Finance Officer), and so its

running costs are modest, but PEP does not yet have either the core funding or a stream of project income to support these costs. Responsibility for administering the current PEP projects remains with the partner institutions and the costs of the Secretariat have been met so far by several “one-off” transfers from PEP’s existing projects.

- [61] PEP therefore faces a significant challenge of raising enough revenue for the Secretariat to make it possible to transition from the old to the new PEP, while conserving resources to allow enough time for these new resources to materialize.
- [62] PEP needs to mobilize sufficient resources (from both core and project income) to support an annual budget of at least **\$750K** by 2017 (and \$ 1 million by 2020) to meet the operational costs of the Secretariat.
- [63] Given that donors prefer to fund the marginal costs of the projects they support, it is very unlikely that PEP will be able to fund itself fully through project funding alone. Therefore, and in the near term, PEP will aim to attract core funding, in addition to project income, in order to secure its long term sustainability.