



External Review May 2020

Executive Summary

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1. Introduction

The Partnership for Economic Policy (PEP) engaged us in May 2019 to undertake a review of the organisation and its activities. The review was intended to cover (1) the partnerships that PEP had with four institutions, (2) the governance and financial sustainability of the organisation, (3) the PAGE II project, and then finally (4) propose strategic directions for the organisation.

For the review of partnerships, we were requested to assess whether the management and operations of PEP had been effective at the level of partners. This included determining whether the quality of project coordination and management by each of the partners was acceptable. It also included assessing whether each partner had been effective in mobilizing resources to support its work, as well as assessing the role of the Secretariat in managing the partnerships. We looked at the quality of research undertaken by their researchers, assessing the effectiveness of the capacity building strategy, and assessing the contribution of each partner to the communications, research dissemination and research uptake activities of PEP. Noting that PEP had been restructured in 2013, the assessment of PEP as an institution looked at how effective the current governance arrangements were, especially with respect to relationships among the different stakeholders and in terms of Board effectiveness. This included a consideration of fundraising approaches and the financial sustainability of the Network. In the review of PAGE II, our focus was on the extent to which PEP has delivered on its PAGE-II commitments. We reviewed (1) *policy research*, (2) *capacity building and promotion of southern expertise* and (3) *policy engagement and research communication*. We finally put together a set of considerations to be made by PEP as it prepares for its future.

The reviews have been completed, relying mostly on documentation available from the Global Secretariat of PEP and interviews with key stakeholders during, and in some cases after, the annual meeting held in Cape Town in May 2019. The stakeholders included researchers working in the four Thematic Research Groups (TRGs) and their mentors. Other stakeholders included Board members and representatives of various funding organisations. We subsequently had in-depth discussions with the leadership of PEP and the two partners at Laval and AKI. For the PAGE II review we relied on progress reports to donors, the M&E system data and a detailed review of 12 completed studies.

This Executive Summary essentially shows the highlights of the reviews undertaken.

2. PEP with Partners and Collaborating Institutions

PEP has relationships with four institutions. The first two, namely Université Laval and Angelo King Institute of De La Salle University, are classified as partners, defined as “the organisations that comprise the institutional membership of the PEP network”. The other two, namely the Centre for Distributive, Labour and Social Studies (CEDLAS) based at the *Facultad de Ciencias Economicas* at *Universidad Nacional de La Plata* in Argentina and the University of Pretoria, South Africa, are described as “collaborating institutions”.

The purpose of the arrangement with partners/collaborators is to undertake capacity building for economic policymaking with a focus on methodological rigour. Thus, each of the four institutions addresses the chosen themes for PEP research using specific methodological approaches that are associated with the 4 Thematic Research Groups (TRGs). While PEP is interested in employment and labour markets, training and education, social protection, child well-being, growth and fiscal policy, youth and women’s empowerment, poverty/inequality and inclusiveness, agriculture livelihoods and food security, etc, the TRGs use their different approaches to analysis to build the capacity of researchers in the developing world. In this regard, we summarise below our findings for each of them.

Angelo King Institute and CBMS

The CBMS TRG has been the hub for PEP’s activities in community-based monitoring systems research, developing its methodology, building capacity, executing research and doing outreach. The CBMS methodology includes the design and implementation of community-based monitoring systems to generate household and individual level data at the local level. The approach entails census data collection of CBMS indicators relating to multiple dimensions, using specially developed data collection and mapping software. The approach is also highly institutional, involving technical and capacity building support to local institutions as project partners. It is intended for improved governance and greater transparency and accountability in resource allocation at the level of local government units.

A remarkable achievement in terms of CBMS policy outreach is the adoption of the *Community-based Monitoring Systems Act* in 2019 by the Philippine Parliament institutionalising CBMS in all cities and municipalities in the Philippines. CBMS will be part of the official statistical system and an officially recognised tool for implementing poverty reduction and development programmes. CBMS has been successful in cultivating a great relationship with the Government of the Philippines and in promoting community-based approaches, involving considerable interaction with local communities.

We have been concerned, however, about what is generally seen as relatively less interest in academic publications, which tends to affect the quality of work done by researchers. We would like to see greater attention paid to additional approaches that bring more rigour into data analysis that will make policy work more credible. We observed considerable disparity in the assessments made by CBMS of their work and that of the Global Secretariat.

Université Laval and PMMA

Laval was very instrumental, alongside AKI, in getting PEP started. It has emerged over the years as the pace setter in the network. The Economics Department at the university supports the TRG for Poverty Monitoring, Measurement and Analysis (PMMA). This TRG recognises the various developments that have taken place in the way governments respond to poverty and related socio-economic challenges around the world. Its researchers work on “social protection schemes, labour market legislation, job training, education, migration, access to credit, agricultural development programmes”. There is strong interest in youth, gender, child labour, microfinance and land tenure by PMMA researchers. Researchers working with the TRG tend to be interested in the effectiveness of policy or impact of interventions or treatments. Some of the approaches used include regression discontinuity design, propensity score matching, instrumental variables, difference-in-difference, endogenous switching regression, etc. Micro-simulation techniques for considering ex-ante outcomes of some interventions are a common feature in the work of the TRG. The general approach of PMMA is to use rigorous econometric techniques to draw out the expected outcomes of interventions. The work of the TRG is expected to guide policy makers in the determination of national priorities as it provides a more acceptable scientific basis for spatial and sectoral allocations. Work associated with PMMA has led to “two world-renowned software tools for distributive analysis” which are used globally.

We came out with very positive assessments of the work of this TRG. The quality of the research undertaken was generally rated highly by all stakeholders and is evidenced by the large number and quality of publications of its researchers. It worked very well with the Global Secretariat and was deemed to be generally responsive. The main challenge with this Partner is the lack of clarity on how long the host university will continue to be interested in PEP under the current arrangements, following the restructuring of PEP.

CEDLAS and PIERI

CEDLAS manages the PIERI programme for PEP after signing a Memorandum of Understanding in 2017. It specialises in the empirical study of distributive, labour and social issues in Latin America. Its main areas of study are poverty, inequality, evaluation of public policies, labour market and employment, education and health, microfinance and poverty. It is ranked among the top three think-tanks in Latin America. It organises MSc-level courses, develops research projects in collaboration with various international organisations, national governments and academic institutions. It constructs poverty, distributive and labour statistics for Latin America and several of the Caribbean countries. Research supported under the PIERI programme uses experimental approaches to conduct rigorous impact evaluations of social policies/programmes on targeted populations in developing countries. Two types of methods are used, namely randomised controlled trials (RCTs) and field experiments (FEs).

We assessed the quality of PIERI research to be high, leading to 3 publications in high-impact journals and a number under review since 2017. The quality of capacity building is also judged to be high, diligently applying the PEP ‘grants-plus’ model. Most stakeholders we engaged were generally happy with the approach to mentoring used in this TRG where there is very close collaboration between researchers and mentors throughout the project.

University of Pretoria and MPIA

University of Pretoria signed a Memorandum of Understanding in 2018 with PEP to work together in the development and management of projects. The MPIA TRG operates under this arrangement. MPIA is about “building and using economy-wide models as ‘laboratories’ to simulate macro policies or shocks and their impacts on welfare at the household level”. This is a complement to the work at PMMA. The main methodological tool for this TRG is CGE modelling and household microsimulation. Through the many projects undertaken by researchers from many different countries, the MPIA work is expected to answer questions about how various public interventions affect welfare in different types of households. The TRG works with six steps starting with the construction of a macro model, probably CGE; simulating a business-as-usual scenario with the model; introducing a shock to the model and simulating its effect; comparing outcomes from both scenarios; building a micro-model with household survey data and linking it with the simulated macro effects; and finally looking at the micro impacts of the policy interventions through the various scenarios.

We learned from stakeholders that the capacity building associated with the approach has been very beneficial. The ‘grants-plus’ approach is seen by the researchers as having facilitated their professional development. The approach is particularly useful as governments consider many social policy interventions and MPIA researchers look out for the likely outcomes. One area of interest is how public spending impacts the welfare dynamics in poor households. The relevance of the work in this TRG is not in doubt. The quality is also judged to be good. The TRG works closely with the Global Secretariat in the management of projects and is generally seen to be responsive.

An observation we make about the arrangements establishing CEDLAS and MPIA is that they are both associated with universities and faculties. While CEDLAS is a well-known think-tank that is well established at the University, it is not the same for MPIA. MPIA illustrates how a determined and capable Research Director can achieve good results, but it also brings up the question of what PEP expects from the institutions that it collaborates with; how much of their resources should they put into the arrangement and what will they receive in return? This is important if the institutions are expected to play a key role in the relationship beyond providing a home.

The Role of the Secretariat in Managing Partners

The Secretariat undertakes its own assessment of how partners are performing in relation to agreed performance indicators after three years, and these are compared to self-assessments from the partners. The assessments cover a wide range of issues, but are particularly useful for insights into how they relate to each other. In addition, we spoke to different stakeholders about the responsiveness of the Secretariat. The assessments by the Secretariat showed significant disagreements between CBMS and the Secretariat in terms of expectations and outputs. It is our understanding that these differences have reduced considerably over time. Most stakeholders we engaged were very positive about the role of the Secretariat. It is generally seen as being responsive and effective.

3. The Governance of PEP as an Institution

After 11 years of operating in an arrangement that was generally loose, PEP now has a more formalised structure as a 501(c)(3) entity. The main purpose of the reorganisation was to create a more efficient body that could attract support from diverse sources. In this aspect of the review we were interested in whether the new governance arrangement was delivering what was required of it. We looked at the Board, including its structure, composition and effectiveness. We also looked at corporate membership and what it brings to the organisation. We observed how the Programme Committee was structured and operated. Of interest was whether the different stakeholders of PEP had adequate opportunity to contribute to decision-making in the organisation and in the general governance of it. The funding of PEP and its sustainability was also examined by us.

Board Effectiveness

There is a general perception among stakeholders that the Board has been very effective in guiding the network on the intellectual front. It provides very capable research leadership. It has highly accomplished individuals who can drive and stimulate discussion of the intellectual growth of the network. The Board is seen to know what current trends in socio-economic research are, and is very much in tune with methodological developments in the area.

Stakeholders questioned the Board's effectiveness with fund-raising. They said "everyone expected the partners to be raising funds for PEP; the main responsibility lies with the Board". Board members did not necessarily share this view. We recognise the fact that one of the main prescribed functions of the Board is "to provide leads on possible funding", but also understand that this can be interpreted in several different ways. The Board is currently not structured to be an effective fund-raiser.

Corporate Membership and its Effectiveness

Corporate membership is essentially the Board plus up to five other persons. A maximum of three of the five represent the partner institutions (currently two) and two represent PEP Research Fellows elected by them. The corporate members are responsible for electing members to the Board of Directors. They are also responsible for approving changes to the by-laws of PEP, and for admitting and terminating partners. It is obvious that this entity has roles that are typically reserved for Boards. It is difficult to establish the effectiveness of the corporate membership arrangements.

The Role of Partners and the Programme Committee in Governance

The partners may appoint a Research Director for a TRG who then sits on the Programme Committee (PC). The PC is basically the organ for taking care of the technical and scientific business of PEP. It reviews the strategy documents, annual programme of activities and budget before they are submitted to the Board for approval. They also approve projects with value of less than \$100,000.

Before PEP's restructuring, the PC was the main decision making organ. We learned of initial tensions as the Board was placed above the PC, but these appear to have given way to a very large extent. The partners, through the PC, are generally seen to have a voice in the making of decisions. The PC was generally viewed positively in terms of effectiveness.

The Funding Situation

Even though PEP has received funding from a good number of sources over the years, most of its funding has come from a succession of single, large projects funded by IDRC, IDRC-CIDA and/or DfID. This narrow spread makes PEP rather vulnerable. In 2018 and 2019, the William and Flora Hewlett Foundation awarded PEP funding of US\$2.09 million over three years, to strengthen impact evaluation capacities in East and West Africa. Since 2016, PEP has received an accumulated funding of US\$17.9 million.

Our analysis showed that the flow of funds from 2018-2019 was on target. PEP also has several grant applications under review as it seeks to diversify its income sources. These include applications to MasterCard Foundation and Global Affairs Canada (on Climate Change and Women's Economic Empowerment). We learned of other applications that were being put together. Given the long lead times in acquiring funding, we are sceptical about the targeted increase in income for 2020. The need for PEP to diversify its grant sources should be priority for the immediate future.

Cost Effectiveness of the Current Structure of PEP

The total overall cost of the secretariat for 2017 was estimated at US\$ 913,914. If we assume the same annual cost for 2018-2019, a total of 25% of the total budget will be spent on the secretariat. After making allowance for some of the secretariat cost that is programme-based, we estimate a cost share of 22% for administrative expenses. If we compare this share to that of AERC, a direct competitor, at 8.6%, it becomes obvious that PEP secretariat expenses are rather high. While it may not be entirely accurate to compare the structures of the two entities and associated costs, the large difference warrants discussion.

We believe that scale is a factor. PEP is using a relatively resource-intensive system to manage a smaller set of activities than AERC. An important reason for this is that PEP's capacity building model is much more demanding than AERC's, reflecting PEP's "grants-plus" approach. But, we have no reason to suggest that PEP's relatively resource-intensive administrative arrangement is inefficient. On the contrary, it is able to deliver all that is required of it. Donors have indicated that PEP is a good institution to work with, being an honest, self-reflective and learning institution. It should be possible to scale up significantly the level of activity in order to bring down the cost of supporting the capacity building programme.

Current Strategy and Structure of Fundraising

In March 2018, PEP launched its *Resource Mobilisation Strategy and Implementation Plan 2018-2020*. The strategic goal is to enhance efforts to attract adequate resources from a wider range of donors. We found the strategy document to be well-designed, including a SWOT

analysis and concrete ideas for implementation. We do not see an urgent need for a different approach to what is in the current strategy. What is required is an intensification of the effort to implement it.

4. A Review of PAGE II Project

PEP launched the second Policy Analysis on Growth and Employment (PAGE II) programme in 2016 with support from DfID and IDRC to continue building on the success of the PAGE-I programme (2012-2016). The initiative supports rigorous, locally-led analyses aimed at the creation of reliable evidence to assist policy-making for inclusive growth, employment and female empowerment in the areas of labour markets, social protection and entrepreneurship in developing countries. The programme aims at filling evidence gaps in the scientific literature on growth and employment using cutting-edge methodologies. Priority is given to low-income economies, fragile and/or conflict-affected situations.

The main initiative (2016-2020) supports 46 project grants, including 30 MPIA/PMMA grants for non-experimental research projects, 8 CBMS projects, 6 PIERI grants for randomized controlled trials and field experiments (4 and 2 projects respectively), and 2 grants combined to support an institutionalisation project for CGE modelling (MPIA method). An extension of the project, supported by IDRC supports 14 projects from (2019-2021).

The objective of this third component of the external review was to determine the extent to which PEP had delivered on its PAGE-II commitments. The review covered three main issues: (1) *policy research*, (2) *capacity building and promotion of southern expertise* and (3) *policy engagement and research communication*.

Policy Research

The focus was on the scientific quality of research, policy relevance and research innovation. Looking at the numbers of peer-reviewed publications in PEP working paper series, publications in highly regarded peer-reviewed journals, as well as presentations at international conferences, we conclude that PEP has more than achieved set targets. As we looked at a random sample of 12 projects stratified by the different TRGs, we observed that the scientific quality of research was generally high, even if there were some variations across the TRGs. PEP has good reason to be proud of the quality of work coming out of PAGE II, even though some projects and their researchers need to pay greater attention to the presentation of their analysis and results. The relevance of most projects was also ahead of the target. Researchers needed to show evidence-based policy recommendations and most of them did more than was expected. The most significant innovation has been in the development of three bilingual online courses as well as the update of the trademark DASP software.

Capacity Building and the Promotion of Southern Expertise

For capacity building and the promotion of southern expertise, there were six areas of interest, including training delivery, quality of training and mentorship, research and policy integration, professional development, institutional capacity enhancement and focus on gender equity.

For all the indicators provided, the performance exceeded, sometimes by far the target set where applicable. There is a strong sense among researchers that the training programme has been beneficial and facilitated their professional development. In some cases, they have been able to transfer the knowledge gained to others in their countries. The PEP performance on gender equity is certainly commendable as there is generally good balance in most areas. More than half of researchers are female. The lowest female participation rates were 38% for researchers who went on a study visit and 39% for team leaders.

Policy Engagement

Around policy engagement and research communication, we considered policy research design and evidence-informing policy, policy outreach and targeted research communication, and then continuous policy engagement. We are glad that the targets set for policy research design and evidence-informing policy were achieved. There is no doubt that considerable effort goes into bringing research to the attention of policymakers. What is still not clear is how much of that research actually goes into policy, despite the interest shown by the latter. We see evidence of significant policy outreach and the production of targeted research communication, including 48 policy briefs. In terms of engagement with different types of media, we observed the role of newspapers, radio, television, worldwide web, and any other media. The level of engagement varied by TRG with MPIA having the most newspaper mentions, while PMMA led by far appearance on national television.

The review showed a very positive set of activities and associated outputs from PAGE II. There is no doubt that the targets that were set for each of the components have been achieved, sometimes well beyond what was expected.

5. Future Strategic Directions

Around governance, PEP faces two important strategic issues. The first relates to whether its new governance structure as an institutional partnership-based organization is the best form or that a more individual-based arrangement without institutional partners is more appropriate. The second is whether PEP should consider dropping or bringing in new institutional partners to strengthen its current institutional partnerships?

Institutional Partnership versus Individuals Approach

PEP has had the privilege of working with both institutions and individuals not necessarily affiliated with any of its TRGs. Both arrangements have led to significant achievements. There are *pros* and *cons* with both, however. Opting for an exclusively individual model seems a bridge too far at this stage, although not unimaginable. It is important to note that attracting the best partners does not imply that there is no room to attract the best individuals or even organisations (on an ad hoc basis). PEP's institutional partnership-based model does not preclude the presence of institutional 'collaborators' or individuals, as proven by the current PEP setup which includes two institutional partners (Laval and AKI), two institutional collaborators (CEDLAS and Pretoria), and a group of individual resource persons with affiliations elsewhere.

The big question is what incentive PEP can negotiate with partners. For most institutions, especially in the global north, one would imagine that an opportunity to develop capacity building and research projects together, with both the direct costs and institutional overheads covered, would be very attractive. Working with PEP in developing countries is certainly a big incentive for any institution, in view of the large network that PEP offers in those countries. And, while having direct costs covered is significant, as in the case of Laval, a more promising incentive could be to build institutional overheads into project costs.

The Future and Current Partners

If PEP wants to maintain its institutional partnership model, the second important strategic issue it faces is whether it should consider dropping or bringing in new institutional partners to strengthen its current institutional partnership? During this review, the CBMS office at AKI notified the Global Secretariat that it was planning on “taking a break” from the partnership, although it did not see this necessarily as a permanent separation. Our review identified multiple issues in the partnership with AKI that will take significant effort to resolve.

PEP’s strategy includes a commitment to diversifying its partners. We think it would be good if PEP could find a new partner of at least Laval’s strength to further drive its agenda. This may be especially important as existing partners may not have the capacity to take on new responsibilities. A strong new partner with capabilities in a complementary methodology/theme (e.g. climate, health) would be an asset for PEP. A southern partner may be preferred, but an exceptionally strong northern partner can also be considered. Of course, a new partner should first start as an institutional collaborator, but exceptionally strong partners could be offered a ‘full partnership-track’.

It is also important to consider how to make the relationship between PEP and University of Pretoria a bit more encompassing, as explained earlier. If the MPIA programme should grow significantly, greater institutional support would be required than is currently available. PEP should think about a future where it can do joint fund-raising with University of Pretoria or any other appropriate Africa-based institution for an expanded MPIA programme

Other areas we considered for strategic directions included PEP capacity building activities. We focused there on the PAGE II programme and saw no great need to make radical changes to the current set of activities, except to tweak them from time to time to reflect new demands and opportunities. The ‘grants-plus’ model is very effective, and can only be tweaked slightly to get even better results. PAGE II is indeed a good example of how effectively the model works. We have suggested three areas that could be generally considered for enhancing PEP activities, including the further development of an online PEP school and supporting the planned 30-credit micro-programme in Development Economics at Laval. We believe similar programmes could be associated with other TRGs/partner institutions. The other suggestion is to ride on the back of the growing number of Research Fellows to develop a facility for commissioned research as these are likely to open new and serious funding opportunities and attract very good researchers from the network and beyond.

6. Summary and Recommendations

On **partnerships**, it is our assessment that the partners and collaborating institutions are performing their capacity building and research functions with generally high standards, even if this varies somewhat across the TRGs. What is crucial is to ensure the sustainability of this performance into the future. PEP's model of capacity building through the TRGs is generally perceived to be state-of-the-art by its stakeholders, but additional systematic evidence on the longer-term impact on alumnae should be developed to support the drive to diversify its donors. It is important for PEP to determine whether it will work with strong partner institutions or good individuals mainly. We have provided various considerations to be made in that regard. If PEP opts to continue working with institutions, it will have to determine whether to bring in new ones or not, and what incentive will be available to partners. We have indeed provided some suggestions that might be considered.

On the subject of **PEP as an institution**, it is our view that the restructuring and new governance arrangements are working quite well, except for a few cases of initial tensions about roles between some partners and the Global Secretariat, and also between the Programme Committee and the Board. The new arrangement seems to be working well now, as the Board is seen to be very effective in providing research leadership. There are challenges with fundraising roles for the Board which need to be ironed out. Diversifying funding sources and setting up a team to tackle fundraising needs to be treated as urgent. We see no real need for the corporate membership role as this could be absorbed by the Board, if there are no legal barriers to such a change. There is adequate voice for partners and all stakeholders in the current governance arrangements. The Programme Committee is generally regarded as effective in providing the scientific leadership to the whole initiative, and we saw evidence of that.

Our assessment of the **PAGE II programme** showed very positive outcomes. In the three areas of research policy, capacity building and the promotion of southern expertise, and policy engagement, the performance exceeded the target outcomes, sometimes by far. The quality of research is generally high, and so is its policy relevance. The training programmes that went with the research activity, including the online courses, were assessed to be very effective in preparing the researchers. Their engagement with policy makers and efforts to bring their research to the attention of policy makers were generally commendable. The efforts to achieve gender equity have been very effective as female participation in the research is more than 50%. Similarly, bringing in researchers from low income economies and fragile states has been worthwhile with the targets achieved.

In concluding our review, we note that PEP has achieved a very high standard in research capacity building that needs to be commended. It is one of the better capacity building initiatives in the global south. It is also certainly a resource-intensive undertaking that leads to outputs and outcomes that are very impressive. With time, PEP can only scale up its activities in a manner that can attract more interested stakeholders, including potential funders.