

# From cities to **STATES**

**Jonathan Leape**, new director of the International Growth Centre at LSE, explains the four research themes that will help power development in 15 countries across the world.

As a postgraduate at Oxford in the 1980s, Jonathan Leape became friends with a diverse group of South African students, some of them members of the African National Congress, others the sons of apartheid government ministers. These friendships, at a time when the campaign to free Nelson Mandela from prison and abolish apartheid was slowly gathering momentum, sparked an enduring interest in African societies, particularly the economic challenges they face.

Professor Leape, the new executive director of the LSE–Oxford International Growth Centre (IGC) which makes some of the world's leading economists available to policymakers in developing countries, said: "The South Africans were a very interesting group because they came from all parts of the political spectrum and many were student activists. As I got to know them, I began to realise how difficult it was to understand South Africa from the outside. This inspired me to get a grant to go and do a range of

interviews in South Africa with business and the emerging black trade unions, which were then the most important political force for change."

Professor Leape, who has been at LSE since 1985, eventually published a book on the role of foreign investors in South Africa and was approached in 1989 by the office of the Australian Foreign Minister to set up a South African research centre at the School, which eventually became the Centre for Research into Economics and Finance in Southern Africa (CREFSA).

He said: "It was looking increasingly likely that there would be change in South Africa and that there was going to be a whole range of challenging economic questions that needed to be addressed in terms of South Africa's transition back into the community of nations and the world economy. The idea was that this centre could support that process by providing authoritative and independent research. So my interest in Africa and development grew in that way and I was involved with this all through the 1990s and beyond."



## **Henrik Kleven – Pakistan Tax Project**

Collaborating with the Pakistan Federal Board of Revenue (FBR), IGC researchers Professor Henrik Kleven (LSE) and Mazhar Waseem (FBR, LSE) carried out a ground-breaking analysis of taxpayer data that revealed how the structure of the tax system was impeding growth. Their recommendations were adopted by the government and incorporated into the tax code in the 2012 Budget. The reform is expected to increase Pakistan tax revenues by 1 per cent of GDP and the project has sparked further engagement between the IGC and the FBR, aimed at developing long-term research and analytical capacity to inform policymaking.

## “What’s special about the IGC is a new model for making this sustained engagement work”

Professor Leape, Associate Professor of Economics at LSE, was appointed to the IGC last year with the launch of a new four-year programme, backed by a grant of £51 million from the Department for International Development.

He explained why he is relishing his new role: “I have for a long time been interested in the challenges of knowledge exchange and how policymakers and researchers can work together to discover the questions that need to be researched. The IGC has developed an innovative model for taking research into policy that is without parallel anywhere.”

Bringing the ideas from frontier research into policy – long a core part of LSE’s mission – is a challenge in all countries. But it is especially so in developing countries, where there may be large gaps in the relevant research knowledge and those gaps are typically compounded by a lack of access to international researchers.

That lack of access to international researchers also has a cost in terms of knowledge creation. Many leading researchers simply do not have access to the local knowledge and networks necessary to understand the policy challenges facing developing

countries and, as a result, relevant ideas do not get generated and knowledge does not get created.

Professor Leape explained: “So the idea of the IGC is really a simple one. If we want to generate ideas relevant to growth policy and to effectively feed that knowledge into policy and public action, then we have to bring together top researchers and senior policymakers. That’s what the IGC is all about.

“What’s special about the IGC is a new model for making this sustained engagement work. That new model combines a global network of leading economists in growth and development with a set of 15 embedded country teams across Africa and South Asia. Those teams provide the local knowledge and facilitate the dialogue between policymakers and researchers that make it possible to identify the key research questions underlying a country’s growth policy challenges.


“And then, as that research generates new ideas, country teams channel those ideas in the other direction, back into the policy process and into public debate. The country teams and researchers work together in engaging policymakers to ensure that these ideas inform policy decisions.”

The IGC’s new research agenda focuses on four areas that are crucial to growth in developing countries. The first of these is state effectiveness. Without an effective state, it is hard for any development to take place and almost impossible for the private sector to generate rising incomes. One part of this research agenda looks inside the “black box” of government, examining the factors that determine the government’s ability to raise revenue and provide public services – such as the challenges of recruiting and retaining high-calibre civil servants. The other part looks at governance and political economy, at the challenge of strengthening public institutions to ensure that government serves the interests of the many, not the few.

The second and broadest area focuses on firms. Successful growth policies must be rooted in an understanding of the principal drivers of productivity. Professor John Sutton’s path-breaking enterprise maps have shown that large manufacturing firms in Africa often start as trading firms, not as small manufacturing firms – highlighting the crucial role of trade policy and investment promotion. All too often in Africa, small firms and farms remain small and unproductive. Understanding how basic entrepreneurship can be encouraged, and how farms

as firms can become more productive, is essential to achieving sustained reductions in poverty.

The third key area is cities, and research here examines the challenges of urbanisation in the developing world and the potential of cities to act as drivers of economic growth. In sharp contrast to cities in advanced economies, which host the most



### Oriana Bandiera – Zambia Health Worker Project

In 2010, the government of Zambia launched a six-year strategy to improve health-care delivery in remote rural areas by creating a new cadre of 5,000 community health workers. IGC researchers Professors Oriana Bandiera (LSE) and Nava Ashraf (Harvard) worked closely with the Ministry of Health to embed evaluation into the design of policy, using the first-phase roll-out to identify effective strategies to enhance recruitment, motivation and retention. Their evaluation identified a new recruitment strategy that increased the competence and productivity of this key group of civil servants. The collaboration is continuing with an evaluation of the effects of goal-setting techniques on employee performance.



### Africa Growth Forum 2013

The IGC Africa Growth Forum, held in Kampala in December, brought together senior African policymakers and leading researchers from IGC’s international network. Speakers included the Prime Minister and the Central Bank governor of Uganda, the deputy ministers of finance and petroleum of South Sudan, and Professors Sir Paul Collier, David Bevan and Eric Verhoogen, among many others. Sessions on trade, natural resources, private sector development and effective governance provided occasions for lively debate among policymakers and researchers.

productive clusters of economic activity, cities in Africa and South Asia are typically dysfunctional.

Finally, energy. One of the greatest obstacles to growth in developing countries relates to energy: access to energy in poor rural areas, energy theft and the implications for reliable supply, sustainable energy sources and the challenges of managing the considerable externalities associated with the sharp increase in energy consumption that will occur as these countries develop.

Professor Leape added: “By driving forward our research programme in these four areas in tandem with our 15 country programmes, the IGC is in a unique position to contribute to the country-specific knowledge necessary for effective growth policies, while also building a global knowledge base, generating new ideas to support sustainable growth around the world.” ■

*Jonathan Leape was talking to Jo Bale, senior press officer at LSE.*