

PEP-CGD project a model of successful localization and Policy Engagement.

Discussion Paper



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List of Abbreviations

CGD	Center for Global Development
CGE	Computable General Equilibrium
MDB	Multilateral Development Bank
NDC	Nationally Determined Contributions
PEP	Partnership for Economic Policy
PIDE	Pakistan Institute of Development Economics
SDPI	Sustainable Development Policy Institute

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I. Introduction

In the context of the current localisation/locally-led movement in economic development¹, this note explains how the Partnership for Economic Policy (PEP) makes it possible to successfully engage with local researchers and stakeholders. We use a recent Center for Global Development (CGD)-PEP Project on green transitions and other similar efforts as an illustration. The basic idea here advocates that PEP's approach² of supporting high-quality, policy-engaged research in the Global South by building and promoting local capacity for conducting high-quality and policy-engaged research in developing countries, could serve as a solution to nurturing local leadership, which in turn advocates for locally-led economic policy research and informs contextualised policy solutions.

In line with PEP's approach where, as well as funding, training, and mentoring, PEP grant recipients also benefit from a variety of resources so they can carry out their analysis in the best possible research environment, the CGD-PEP project used as an example in this note employs state-of-the-art scientific techniques that are provided from PEP to Southern researchers at no cost to them or their organisation or country teams.³

Developing countries in the Global South face wide-ranging challenges such as climate change and energy transition. Finding solutions to these challenges requires local leadership.⁴ A key solution lies in empowering these countries to conduct their socio-economic analyses, including local researchers and stakeholders who are knowledgeable about the local economy and policy environment. This will enable the development of home-grown ideas and consequent, Southern-led economic reforms that demonstrably improve the lives of people in the Global South while at the same time reducing their dependence on

¹ See, for example, <https://www.usaid.gov/documents/what-locally-led-development-fact-sheet>.

² <https://www.pep-net.org/approach>

³ <https://www.pep-net.org/research-resources>

⁴ Southern Voice. (2020, March). Addressing global systemic concerns while implementing SDGs at the country level. <https://southernvoice.org/state-of-the-sdgs-homepage/>

foreign expertise.

In the following section, we demonstrate how economic development research would improve significantly by giving local researchers greater leadership.⁵ We argue that local researchers possess a deep understanding of the social, economic, cultural, and political contexts within their communities. This allows them to design research questions, choose methodologies, and interpret results in a way that is most relevant to local needs. Furthermore, local researchers have strong ties to stakeholders such as government officials, civil society organisations, and the private sector. This facilitates collaboration and ensures that research findings are effectively translated into actionable policies in a local context.

Despite these advantages, Southern researchers from developing countries are currently underutilised.⁶ Studies show they are significantly under-represented in top development journals, editorial boards, conferences, and policy discussions. This marginalisation is caused by a combination of factors. On the supply side, local researchers often face a lack of funding, research infrastructure, technology, and even brain drain as skilled researchers leave for opportunities elsewhere. Demand-side obstacles include a preference in academic journals for theoretical innovations over practical applications relevant to local contexts. Funders at times also have difficulty in identifying qualified local researchers.

PEP offers a successful model for overcoming these challenges and provides crucial support to local researchers in developing countries through offering funding, training, mentoring, networking opportunities, and resources to create a conducive research environment. PEP also advocates for the recognition of local researchers' contributions and their rightful place at the table in shaping development policies.

⁵ Partnership for Economic Policy (PEP). (2022). Promoting local leadership of economic development research. <https://www.pep-net.org/promoting-local-leadership>

⁶ Amarante, V., & Zurbrigg, J. (2022). The marginalization of southern researchers in Development. *World Development Perspectives*, 26, 100428

Evidence shows that locally led research has a demonstrably positive impact⁷. Studies supported by PEP have influenced policy decisions, strengthened local research expertise, and contributed valuable insights to global development discussions.⁸ By increasing support for local researchers and their participation in development research, we can ensure that economic development strategies are more effective and truly address the specific needs and challenges faced by communities around the world.

II. The PEP-CGD Partnership: A Model for Southern Engagement

The CGD-funded research at PEP is an example of Southern leadership in addressing the green transition challenge. This partnership encompasses elements that strengthen efforts in research, capacity building, advocacy, and policy outreach.

The focus of the project was to evaluate ways Multilateral Development Bank (MDBs) can better support green energy transition and financing in the Global South.

2.1. Southern-Led Research:

PEP, a Southern-led organisation, brings a unique perspective to economic policy research by empowering researchers from developing countries to take centre stage. Local researchers' deep understanding of local contexts ensures that solutions are tailored to specific needs and challenges. By leveraging its expansive network of over 1,250 research fellows, over 14,000 website subscribers (primarily from the Global South), and alumni, PEP efficiently identifies relevant researchers based on thematic focus, geographic location, and

⁷ See for example: Nunn, N. (2019). Rethinking economic development. *Canadian Journal of Economics/Revue canadienne d'économie*, 52(4), 1349-1373., Ingram, G. (2022). Locally driven development: Overcoming the obstacles. Brookings Institute. <https://www.brookings.edu/articles/locally-driven-development-overcoming-the-obstacles/> and Kaufman, J., Glassman, A., Levine, R. and Madan Keller, J. (2022). Breakthrough to Policy Use: Reinvigorating Impact Evaluation for Global Development. Washington, DC: Center for Global Development, 2022. <https://www.cgdev.org/publication/mainstreaming-evidence-use-through-locally-led-development-recommendations-usaid>

⁸ See for example, Ahmed, V. (2024). Responding to the economic consequences of COVID 19 in Pakistan: lessons learnt. *Journal of the Asia Pacific Economy*, 1–13. <https://doi.org/10.1080/13547860.2024.2318951>

expertise. Additionally, factors like age and gender (half of PEP researchers are female) are considered for a truly inclusive approach.

Specifically, for the CGD project, PEP facilitated a collaborative research exercise involving teams from South Africa and Pakistan⁹. The project aimed to assess the potential benefits of a green energy transition in these countries, focusing on how Multilateral Development Banks (MDBs) can play a critical role in supporting the countries' energy sector, through financing and technical assistance for renewable energy transition, infrastructure development, and capacity building. Local researchers analysed investment requirements, explored financing sources (foreign and domestic), and developed policy recommendations for a sustainable transition.

Findings and recommendations were targeted towards relevant stakeholders including MDB offices, government agencies, and local communities. This project exemplifies the value of Southern-led research and outreach in advancing the green transition. It also demonstrates the success of PEP's approach – engaging local researchers to generate context-relevant, policy-focused analysis. PEP's guidance ensured research questions were scientifically sound, data-driven, and addressed key policy concerns. Ultimately, teams in Pakistan and South Africa received funding from CGD after a clear demonstration that they could implement innovative methodologies and secure data through stakeholder consultations. Local researchers brought their thorough understanding of the context to the table by helping identify points of convergence, especially for foreign funding by MDBs, and ways to navigate points of contention with the goal of ensuring a sustainable future through enabling green transitions

⁹ Initially, Brazil and Ecuador were supposed to be part of the countries studied in the project. However, following consultations with local researchers in these countries, it was decided that they were less relevant to the objectives of this particular CGD-PEP project.

2.2. Locally-led Stakeholder Engagement:

To gain an understanding of the landscape surrounding both Pakistan and South Africa's green transition, the research team conducted extensive local stakeholder consultations. Initial stakeholder mapping was conducted using the influence-importance framework.¹⁰ This process also involved in-depth reviews of government and non-government reports, scientific publications, and key informant interviews. Representatives from a wide range of stakeholders participated in structured and non-structured meetings, including national government ministries, provincial governments, MDBs, international organizations, diplomatic missions, and the private sector.

In the case of Pakistan, the local team's longstanding relationship with the government, their deep understanding of shifting priorities in an election year, and their adaptive research approach—positioning themselves as a true 'partner' throughout the process—were key to successfully navigating the political economy. These consultations yielded valuable insights. Pakistan's ambitious renewable energy targets outlined in its Nationally Determined Contributions (NDCs) were brainstormed, alongside supporting policies like the Renewable Energy Policy 2030 and the National Electric Vehicle Policy 2020. However, the consultations also revealed existing challenges that hinder progress. These include insufficient domestic and international funding for renewable energy infrastructure and technology, institutional weaknesses like a lack of skilled personnel, a large debt burdening the energy sector, and the presence of vested interests in the fossil fuel industry. Understanding this political economy was important to come up with practical policy

¹⁰ Center for Public Research & Leadership. (2020). Leading through learning: Influence and importance matrix. Columbia Law School. <https://cpri.law.columbia.edu/content/leading-through-learning-influence-and-importance-matrix>

simulations.¹¹

In the case of South Africa, a key component of informing and shaping the research was the consultation process conducted with various stakeholders in the South African debate on energy, achieving a just transition, investment and financing, MDB reform, and other related topics to elicit their opinions on what the most important research questions currently are in their respective fields of interest. Representatives from government departments tasked with designing and implementing energy and environmental policy, such as the Presidential Climate Commission (PCC), international development agencies and banks, other local and international financing institutions, labour union leaders, and prominent academics were all consulted.

In the South African context, this research proved to be timely given the recent publication of the updated IRP by the government and the ongoing debate on general infrastructure funding needs in South Africa in the context of a growing recognition for the need to reform aspects of the global financial architecture. Various stakeholders have already invested significant resources towards understanding the details of the IRP and how it impacts other aspects of the economy, including investment requirements, energy security and affordability, to the impact on job markets in regional economies in the long term. By including local stakeholders throughout this research project, we addressed some of the most pressing questions in South Africa's green energy transition. Our economic modelling and analysis provided evidence-based insights into the research questions under investigation that are co-developed by local stakeholders. The role of MDBs, specifically as it relates to the financial support and technical assistance South Africa will require throughout this transition, was also emphasised.

¹¹ Oxford Policy Management. (2020). Using stakeholder dialogues for strengthening evidence use to inform government decision-making during COVID-19. SEDI learning brief 4: Pakistan.

https://www.opml.co.uk/sites/default/files/migrated_bolt_files/sedi-learning-brief-4-pakistan-v4.pdf

Overall, engaging local stakeholders proved to be crucial for several reasons. First, it ensured the research was firmly grounded in the real-world challenges and opportunities facing the green transition in both Pakistan and South Africa. Second, it facilitated the identification of local primary and secondary data sources and ensured their accuracy for developing a robust research model. Third, stakeholder input allowed for the creation of policy scenarios and simulations that accurately reflect Pakistan and South Africa's specific context. Finally, these consultations informed recommendations for MDBs on how to best support Pakistan and South Africa's green journey. By incorporating diverse perspectives throughout the research process, the project provided a data-driven roadmap for a successful and inclusive green transition.

2.3. Capacity Building and Training:

As per its usual approach, PEP played a critical role in building the capacity of both research teams for this project, particularly on research related to green transition. PEP's approach went beyond simply providing funding; it focused on equipping researchers with the technical skills and current debates – knowledge of which was necessary to undertake this work.

Recognising the technical demands of the project, PEP offered dedicated resource personnel with expertise in Computable General Equilibrium (CGE) modelling.¹² These experts from Le Havre University and part of the PEP network provided ongoing guidance and technical assistance throughout the project, ensuring that the research teams could refine the model to accurately reflect their specific context. This demonstrates PEP's approach to addressing skill gaps where local capacity exists and providing a consulting platform where

¹² Partnership for Economic Policy. (n.d.). PEP Standard CGE Models. Retrieved June 30, 2024, from <https://www.pep-net.org/research-resources/cge-models>

researchers can access the expertise and experience of other researchers in a particular methodology.

PEP didn't just provide technical support; it also helped establish valuable academic connections. In the case of Pakistan, the external resource person from Le Havre University not only provided crucial feedback on the research but also established lasting linkages between the French university and local Pakistani think tanks – the Sustainable Development Policy Institute (SDPI) and the Pakistan Institute of Development Economics (PIDE) where this research was taking place. This network-building approach allows researchers to connect not just in a North-South framework but also in a South-South setting.¹³ In the South African case, the research team benefitted from the South African networks from the PEP resource person who introduced them to different stakeholders within the government sphere in the country.

PEP's "learning-by-doing" approach emphasises ongoing interaction with mentors. Both research teams benefited from this approach through regular consultations with PEP's external resource personnel and by participating in a PEP-CGD conference panel discussion at Nairobi in May 2024. The conference also served as a platform for both teams to meet and interact – it was the first time during the project's tenure that both teams could meet in person and discuss their country-specific approaches, allowing for cross-reflection and learning. This focus on continuous improvement reflects PEP's "Grants Plus" program, which provides financial and research resources beyond just funding, including professional development opportunities, publication support, and dissemination assistance.

PEP researchers actively share learnings and best practices with funding organisations

¹³ United Nations Office for South-South Cooperation. (2023). South-South ideas: Digital trade integration - The role of South-South and triangular cooperation. <https://www.southsouth-galaxy.org/wp-content/uploads/2023/08/South-South-Ideas-Digital-Trade-Integration-Role-of-South-South-and-Triangular-Cooperation.pdf>

like the CGD. For instance, the PEP Executive Director participated in a CGD-organized side event alongside other African and Southern think tanks. This event explored how MDBs can better address the needs of client countries. Such discourse influences MDB reforms that prioritise the interests and challenges faced by developing countries.

2.4. Going beyond National Domains :

A crucial aspect of the PEP-CGD initiative goes beyond national-level solutions. For example, PEP's partnership aims to influence the role of multilateral actors in the development space. Researchers are equipped to analyse how MDBs can fine-tune their role to better support Southern priorities. This includes exploring options for technical assistance, grants, and long-term concessional loans specifically targeted at facilitating the green transition.

It is in this context that the CGE models, developed for the PEP-CGD project, simulate the economic and environmental effects of various policy choices, empowering policymakers with evidence for informed decision-making. These models could go a long way in offering valuable insights for designing policies on energy pricing, climate change mitigation, renewable energy transition, infrastructure investment, energy security, trade, labour markets, regional disparities, technological innovation, and consumer behaviour.

Pakistan and South Africa teams collaboratively developed findings relevant to the green transition in their respective countries. This process involved not only creating and utilizing their models but also engaging in peer-review across teams, providing critical feedback on interim and final reports, and refining the models before submitting them to journals and conferences. Additionally, the teams met in person at the PEP conference, where they presented their models, shared results, and discussed ways to improve them. Such collaborative efforts promote mutual learning, enhance the robustness of research outputs, and create opportunities for cross-country insights into policy challenges.

The importance of this model of learning, where teams co-develop, peer-review, and refine research collaboratively, is supported by the literature. Studies highlight that collaborative learning in research can lead to more rigorous and context-sensitive outcomes, increase the credibility of findings, and create a culture of shared responsibility for knowledge creation (Wenger, 1998; Cook & Brown, 1999). Peer learning in international contexts is particularly valuable, as it not only strengthens individual research capacity but also facilitates the transfer of knowledge across borders, contributing to more globally informed policy solutions (Georghiou et al., 2014).¹⁴

2.5. Other PEP initiatives supporting localisation:

A PEP-supported initiative¹⁵ also highlights how knowledge co-production, built on strong relationships and academic legitimacy, enabled research on COVID-19's socioeconomic impacts in Zimbabwe to directly influence policy decisions. By engaging state actors, the co-produced data and models helped inform and shape effective response measures.

In a similar effort, through a PEP-supported project, Ahmed and Ahmed (2023) explained the macroeconomic and welfare impacts of changes that indirect taxes brought about in response to COVID-19. The authors informed the government whether the tax relief provided for in the federal budget for fiscal year 2020-21 was effective in providing relief to private enterprises and the trade sector. Different stakeholders including the relevant policy

¹⁴ Cook, S.D.N. and Brown, J.S. (1999) 'Bridging epistemologies: The generative dance between organizational knowledge and organizational knowing', *Organization Science*, 10(4), pp. 381–400.

Georghiou, L., Cassingena Harper, J., Keenan, M., Miles, I. and Popper, R. (2014) *The Handbook of Technology Foresight: Concepts and Practice*. Cheltenham: Edward Elgar Publishing.

Wenger, E. (1998) *Communities of Practice: Learning, Meaning, and Identity*. Cambridge: Cambridge University Press.

¹⁵ Mabugu, R.E., Maisonnave, H., Henseler, M., Chitiga-Mabugu, M. and Makochekanwa, A. (2023) 'Co-modelling for relief and recovery from the Covid-19 crisis in Zimbabwe', *IDS Bulletin*, 54(2), available at: <https://bulletin.ids.ac.uk/index.php/idsbo/article/view/3225/3298> (Accessed: 7 September 2024).

makers at the Ministry of Planning & Development, the Ministry of Commerce, and the Federal Board of Revenue in Pakistan were consulted during the project aiding in shaping the research question and making the policy recommendations derived from the project relevant to local stakeholders.¹⁶

Further examples of the impact of locally-led development research are available here: <https://www.pep-net.org/impact>

III. Conclusion

The PEP-CGD collaboration demonstrates a successful approach to localizing research for the green transition in the Global South. This approach offers valuable insights for MDBs seeking to enhance their engagement with Southern researchers.

3.1 Motivations for MDBs:

- Locally grounded solutions: Southern researchers bring a deep understanding of the cultural, social, and economic context, leading to more effective and sustainable policy solutions compared to a "one-size-fits-all" approach.
- Enhanced policy impact: Stakeholder consultations throughout the research cycle, as demonstrated by PEP, ensure that local voices are heard and informed at every stage. This leads to policy recommendations that are more likely to be adopted and implemented.
- Diversity of perspectives: Including Southern researchers broadens the knowledge base and promotes innovation in the green transition debate.

¹⁶ See also: Ahmed, S. and Ahmed, V. (2023) 'Fiscal Policy Response to COVID-19 Pandemic in Pakistan', PEP Working Paper 2022-13, Nairobi: Partnership for Economic Policy (PEP).

3.2 Implementing Localisation:

- Identifying and partnering with local research institutions: MDBs can collaborate with established research institutions in developing countries to identify and engage qualified researchers.
- Capacity building: Programs like PEP's "Grants Plus" can serve as a model for providing Southern researchers with training, mentorship, and access to necessary data and resources.
- Supporting research networks: MDBs can leverage existing research networks like PEP to connect with Southern researchers and facilitate knowledge sharing.

3.3 The Payoff: Locally-Grounded Findings for Effective Policy

Successful localization, as demonstrated by the PEP-CGD project on green transition in Pakistan and South Africa, empowers Southern researchers to develop evidence-based, contextually relevant solutions. These solutions can then inform effective policy decisions by MDBs and national governments, ultimately paving the way for a more sustainable future for all.