



Measuring Stimulus Effects in the Economy Proposal for Research Funding

1. Introduction

In the context of the Covid-19 pandemic, societies around the world have faced difficult trade-offs between their public health responses and the economic impacts of the crisis, and the social distress arising from this. In South Africa, these combined factors have exacerbated an unemployment crisis that was already severe, with deepening poverty manifest in heightened levels of hunger and food insecurity. In April 2020, South African President Cyril Ramaphosa announced a range of support measures to mitigate the impact. This included emergency social protection and employment stimulus measures.

In terms of social protection, existing grants, including the Child Support Grant, the Old Age pension and disability grants were also augmented. This was for an initial period from May to October. In addition, a new grant called the Social Relief of Distress grant was introduced, providing R350 per month for unemployed people not covered by any other form of support. This closed an important gap in the existing architecture of South Africa's social protection system. The SRD grant was extended to April 2021, but has, at present, lapsed. These measures contributed over R50 billion in grant payments over the period.

Also announced was support to employment of R100 billion. The first phase of this was announced by the President in a joint sitting of parliament in October 2021, with a budget of R12,6 billion and a target to directly benefit 700,000 people, through a mix of public employment, livelihoods support and job retention programmes within the 2021 financial year. The single biggest programme in the Phase 1 portfolio has been the Basic Education Employment Intervention, which placed over 320,000 young people as assistants in schools. Also in December, 128,000 subsistence farmers applied for production support vouchers, as part of the stimulus. In the cultural sector, support to over 35,000 people has been provided through the stimulus. Environmental programmes are scaling up, while several new programmes target graduate employment. Eleven national departments are participating in the rollout. A further allocation of R11 billion has been made to support a second phase of the stimulus, with the specific allocations to programmes currently in adjudication.

An explicit part of the aims of the Employment Stimulus is for it to contribute to the wider economic recovery, through the multiplier effects of local spending enabled through the programme. On average, in participating stimulus programmes, over 70% of the funds spent go directly into the pockets of beneficiaries, with most payments at the level of the National Minimum Wage. Much of the balance goes to local input suppliers. It is anticipated that this translates quickly and directly into spending in townships and rural economies, boosting local demand in ways that create local market opportunities. Intuitively, this should benefit small enterprises and the informal sector in particular, with the effects also trickling up into value chains in the wider economy also.

Although a less explicit part of the rationale for the Special Covid Grant, this too can be expected to boost consumer demand, particular in the food economy, with over 6 million people having received the R350 grant every month. While the quantum of the transfer is far less, it has a far wider reach.

In a context of severe fiscal constraints, the SRD grant has, at this stage, been terminated. The funds allocated to the Employment Stimulus are currently significantly less than the R100 billion promised, even if this was envisaged as a medium-term programme. In a context of difficult and contested policy choices, there is a tendency within the discourse to treat anti-poverty interventions as distinct from economic recovery and growth, as if these are two distinct agendas, with a binary policy choice to be made between them. Yet if indeed income transfers contribute to economic recovery, growth and more sustainable local economies, this is a vital part of the portfolio of evidence that policy makers need to be considering.

There is an extensive international literature on this topic, with a range of different methodological approaches to assessing the multiplier effects of such stimulus interventions. An overview of this field is covered in the attached Concept Note. There is however very little research done on this topic in the context of South Africa – and certainly, it is evidence from our direct context that is most likely to be persuasive in policy discussion. It is this gap that this proposal hopes to close through a well-designed research programme.

2. Developing the research agenda

In preparation for this proposal, a series of workshops have been held, convened by the Project Management Office in the Private Office of the President, in partnership with SALDRU and AFD. These have invited inputs from researchers and stakeholders, to explore the methodological challenges and opportunities in this field, taking into account the specific South African context.

The first workshop focused on how new sources of digital, mobile and other data might create new opportunities to ‘follow the money’ within the local and national economy and how such sources might provide new insights into the following:

- Aggregate flows
- Spatialised effects
- Circulation of money in local economies
- Spending in local SMEs or the informal sector
- Trickle-up effects in the wider economy.
- The sources of data
- How these might interface with eg the National Income Dynamics Study (NIDS) and statistical data.

International experts Daniel Riera-Crichton from the World Bank and Karthik Muralidharan from the University of California, San Diego, provided insight into critical areas of international experience in this field, also elaborated in the Concept Note.

A third workshop is still pending, that will focus on the kinds of instruments that can be used to provide more granular insights at the local economic level, in particular, where the use of cash currently renders these transactions invisible in other data. This is a critical ‘missing link’ in mapping transactions and flows, but a range of methodologies can in fact be used to provide insight at this level, including inter alia financial diaries, working with savings groups, micro-

finance entities, informal trader groups and spaza shop support agencies. This is in fact a key area for innovation in the research process.

The workshops helped to inform the attached Concept Note produced by SALDRU. This sets out the methodological design issues relevant to quantitative work in this field and some of the data requirements and challenges for such work and is provided as a resource to those participating in the call.

3. The Proposed Call for Proposals

This proposal is for funding support to advance the evidence base and understanding of the stimulus effects of income transfer programmes in the South African context, focusing on the impacts of social grants and/or of public employment programmes. ‘Stimulus effects’ are understood here to mean the indirect effects of these programmes. So, while it is usually safe to assume anti-poverty effects for recipients of social grants or participants in jobs programmes, and for their households, the focus of this research is on the economic effects and multipliers from spending by recipients. The research questions envisaged include – but are not limited to – the following:

- What are the impacts of local spending from income transfer programmes on the informal sector and small enterprise in the local economy, in terms of returns generated, diversification of products and services, and/or increased circulation of funds in the local economy
- Is there an increase in local investment in productive activity?
- What are the impacts on the larger retail businesses servicing these communities and/or servicing local suppliers such as spaza shops? To what extent is such spending focused on particular product groups?
- Is it possible to ‘follow the money’ within key sectors and value chains, such as in the food sector, clothing, white goods or data usage, looking at local supply chains but also at trickle up effects in the core economy?
- In any of the above cases, what are the employment impacts and multipliers?

The methodological challenges of answering these questions are significant. For this reason, the call for proposals recognizes that a range of different methodologies will be needed to contribute different parts of the picture. The intention is to support a mix of approaches, including localized, granular studies in a given spatial context as well as more macro-level studies, where relevant data is accessible. Research can approach the above issues on an integrated spatial basis, or focus on ‘following the money’ in other ways, such as within a given value chain. Methodologies that analyze the local general equilibrium effects such as the LEWIE (Local Economy-wide Impact Evaluation) model are also of interest. Approaches can also make use of long-term data, where these provide insights relevant to the current context, or take advantage of the current rollout of particular programmes.

While both the SRD grant and the Employment Stimulus may provide unique current opportunities for research, research need not be limited to these. Interesting as insights in this regard would be, the primary purpose is not to evaluate these programmes specifically, but to find sources of evidence for the stimulus effects of income transfer interventions in general, in the South African context.

The call for proposals is being issued jointly by the Presidency and Agence Française de Développement, in association with the European Union. A panel of experts appointed by

them will assess the submissions, aiming to support a portfolio of research studies that contribute to the field in complementary ways. Proposals should be for a maximum of R350,000 for a period of a maximum of one year.

Researchers from all successful submissions will be expected to participate in quarterly peer learning processes, in which all participating researchers participate in the review of papers by other contributors, as part of building a community of practice in this field. Papers will be presented in a final symposium.

4. Guidelines for submission

Authors should submit a proposal of a maximum length of 5 double-spaces pages.

The proposal should be structured to contain three sections in the following format:

1. **Statement of the research question:** a clear and concise description of the nature and importance of the proposed research; its scope and boundaries; its general context; and objectives with explicit reference to feasibility and policy relevance.
2. **Value added:** A selective and analytical review of the relevant literature, intending to both demonstrate knowledge of past theoretical and empirical work, as well as identifying the knowledge gap that the proposed research is intended to address within the need for evidence-based analysis of the stimulus effects.
3. **Conceptual Framework and Research Methodology:** A clear statement of the conceptual framework should be provided elaborating on the set of specific, identifiable and concrete questions for which the proposed research is intended to provide answers. This is to be followed by an elaboration of the research methods to be employed and why they are best suited to answer the research questions. The section should also indicate the nature of the information required and the data collection techniques, whether primary or secondary or a combination of the two. Finally, it should explain how the information will be analyzed and interpreted using quantitative and/or qualitative methods.
4. **Budget:** The budget should be submitted in ZAR, itemized and inclusive of all research and dissemination expenses. Research costs should be defined by deliverables. Other budget items may include travel, if necessary, research assistance, data collection, office supplies and photocopying. The purchase of equipment is not allowed under this grant rules. Please note that the maximum budget per project that can be funded is R350,000 for a period of a maximum of one year.

You can submit your proposal by email to the following address:
researchfacilityinequality@afd.fr

You need to specify the following subject: "Proposal_stimulus_analysis"

Your submission should include:

- Author(s)' CV(s)
- Two published papers from amongst the research team, and
- Proposal as per the above mentioned guidelines.

Please note that we reserve the right to exclude proposals that are not consistent with these guidelines.

5. Eligibility criteria

Researchers should have significant expertise in the topic being researched.

The primary affiliation of the researchers should be to a South-African research institution.

Researchers from disciplines other than economics can apply.

6. Selection criteria

A refereeing committee will evaluate all proposals by the following criteria:

- The value added from the project in terms of contributing to existing knowledge,
- The methodological soundness and the rigour of the analysis,
- The context and policy relevance of the findings.

Please note that we will take a portfolio approach to the selection of proposals in order to ensure a diversity of focal areas and methodologies.

7. Timelines

Submission of proposals deadline: August 15th, 2021

Announcement of pre-selected proposals: September 6th, 2021

Peer-review workshop: September 20th, 2021 (TBC)

Submission of revised proposals deadline: October 11th, 2021 (TBC)

Announcement of selected proposals: October 18th, 2021 (TBC)

Mid-term peer-review workshop: March 21st, 2022 (TBC)

Submission of draft papers: July 18th, 2022 (TBC)

Workshop for discussing draft papers: July/August 2022 (TBC)

Submission of final papers: October 30th, 2022

Final symposium: November 28th, 2022 (TBC)

For further inquiries, please contact Ms. Anda David, Scientific coordinator of the UE-AFD Research Facility on Inequalities, email: davida@afd.fr



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