Economic Research Southern Africa Activity

February 2007 – March 2008

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Dawn

Gerard Sekoto

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Director's Statement

For ERSA the 2007/2008 year was one of substantial growth.

Not only have the traditional areas of activity of ERSA grown substantially in terms of both scope and depth, but a range of new initiatives have added to the intellectual span of ERSA.

Perhaps most importantly the ERSA Working and Paper Series have seen significant improvement during the course of 2007. The number of submissions received by ERSA under the two papers series has increased substantially, with a growing range of academic institutions in South Africa submitting papers for review.

The result of this increase has been a growth in the intensity and frequency with which the reviewing of papers has had to be conducted. Hence the editorial panel of ERSA has now been expanded to four (the Director and three Deputy Directors of ERSA), who conduct weekly teleconferences to discuss, monitor and process submissions. In addition, the editorial panel of ERSA has been able to draw on the refereeing expertise of a wide range of experts both nationally, and internationally. As a result, I believe that the quality of feedback to authors has improved substantially. While the impact of this improvement remains to be seen over a longer run, the editorial panel hopes that the quality of journals in which the work of South African economists appears will improve also – with top level journals being the main target for ERSA Working and Policy papers.

Toward the end of realising top-end publications, the ERSA incentives around the Working Paper Series explicitly incentivise publication in high end journals. Details of the mechanism can be found in the section of this report which deals with the Working Papers, while an appendix provides more comprehensive information about the individual papers that have appeared in the ERSA series to date.

While ERSA is still monitoring the publication rate of its paper series, one indication that this incentive is having the desired effect is that of the 68 Working Papers and 11 Policy Papers published by ERSA to date, 15 have already been published or accepted by international journals, 9 by South African journals, and 2 have appeared as book chapters. There is thus not only a high publication success rate of 33% from the ERSA paper series, but of the published papers international publications 63% are appearing in international journals, including in the top 30 journals in economics. In addition, of the remaining papers, the overwhelming preponderance is under review primarily in international, but also local journals.

It is therefore appropriate to attach some confidence to the expectation that the net effect of the ERSA paper series will be to raise the publication

intensity of Southern African based economists in terms of quantity, but far more importantly, in terms of quality.

Workshop activity under the ERSA banner has also increased dramatically during 2007. A total of nine workshops were hosted by ERSA, covering a wider range of topics in economics than was previously the case. The traditional strengths of ERSA in macroeconomics and growth, as well as labour poverty and inequality were supplemented by new departures in industrial organization, data issues, economic history, as well as new training workshops in policy and programme evaluation.

A particularly valuable feature of the workshop programme of ERSA continues to be a strong presence of leading international economists at the workshops. The consequence is a raising of the breadth and standard of the debate in economics in South Africa, with immediate accessibility of the international leading edge in the focus area under examination.

During 2007 a particular feature of the international participation has been a strong presence of the workshops of members of the international panel of experts invited by National Treasury and the Presidency to review the ASGISA growth policy framework. During 2007 three of the international panel of experts participated in ERSA workshops. During 2008, this pattern looks set to continue, not least through research collaboration between members of the panel and South African based economists, which is being facilitated through ERSA.

International attendance at ERSA workshops has come from the London School of Economics, Harvard, Michigan, Oxford, Wisconsin, Goteborg and Vienna amongst other institutions.

What has continued to be particularly pleasing has been the wide array of institutions from which participation at the workshops has been drawn. A total of 24 different South African institutions have participated in the ERSA workshops, covering academic, private sector and policy making bodies. In addition, a number of institutions that have historically not been centrally involved in national debates in economics have participated not only strongly in individual workshops, but have shown a persistent repeat attendance at the ERSA workshops. The section of this report that covers the workshop activity of ERSA provides more detail, while an appendix provides detailed information about the content of the individual workshops held under the ERSA banner.

Three new initiatives have been launched through ERSA during the course of 2007. For ERSA to become sustainable through wide spread ownership of its scholarly and intellectual activity, it is imperative that there is wide-spread participation in defining suitable topics for the workshop series that ERSA hosts. To provide such a wider base of participation in the setting of the research agenda of ERSA, during 2007 ERSA affiliates were introduced for

the first time. The model was provided by the National Bureau of Economic Research in the USA, and the Centre for Economic and Policy Research in Western Europe. Affiliates were identified by Academic Board as amongst the leading researchers in three core areas in which Academic Board had identified a critical mass of researchers to be present in South Africa. Affiliates are intended to provide the research and scholarly leadership in the three research areas, particularly in defining a research and training agenda for the groups, and in acting so as to be inclusive of all researchers in the area, and in drawing in promising graduate students into the national and international debates.

Since the affiliate mechanism is new to South Africa, it has taken a little time to take root. However, particularly in the Macroeconomics & Growth and Trade & Industrial Organization research groups, the participation of affiliates has been active, and a strong research agenda has emerged. Common across all three groupings has been the emergence of a clearly defined work agenda centred on a series of three annual workshops to be hosted by each of the three research groupings.

Also as a new initiative has been the provision of support by ERSA to the African Econometric Society. For the 2007 conference of the society, ERSA provided funding for a keynote speaker, as well as support for the attendance at the conference for scholars who did not have adequate financial support from their home institutions. Given that the conference of the AES is arguably the premier regional conference in the field of economics in terms of the quality of papers presented, and the international profile of the conference, the support provides a useful extension to the support mechanisms that ERSA provides to scholars in economics in the region.

Added to the already existent support that ERSA provides to the Economic Society of South Africa for the publication of its journals, ERSA has thus effectively extended its institutional support for other professional societies. From the side of ERSA, it is hoped that this institutional association with both societies can continue.

ERSA has also taken a first step toward providing support to students. During 2007 ERSA introduced a range of ERSA prizes for study in economics. While of very limited financial consequence, the prizes provide departments of economics with the ability to reward and recognize outstanding performance by their students, as a way to provide encouragement for continued study in economics.

Finally, the wide ranging activities of ERSA have relied on the input of a wide range of individuals. Members of Academic Board have given a large number of days pro bono, in order to help define the focus and the mechanisms by which ERSA conducts its business. The three Deputy Directors similarly have provided substantial input not only into the editorial processes of ERSA, but also sustained substantive direction to the development of the research

groups that have come to emerge under the ERSA banner. While the affiliate structure of ERSA is new, it is already clear that already a substantial burden of activity is coming to vest in them.

Perhaps most importantly of all, since all of the ERSA activities, including the planning and logistical realization of the paper series, workshops, international visitors, research group activity and the administration of the day-to-day functioning of ERSA rests with a single administrator, Gloria Halland deserves explicit recognition for her tireless contribution to the activities and wellbeing of ERSA.

Certainly as Director my job would not have been possible without the contributions of all of these individuals, and my sincere thanks goes to them all.

Johannes Fedderke
Director: Economic Research Southern Africa
24 March 2008

Summary of Existing ERSA Mechanisms

Economic Research Southern Africa (ERSA) is a programme whose primary objectives are:

- To provide for the management of a research programme focused on growth, employment and broadening participation in the South African economy.
- To create a network of economic researchers based in South African universities and to deepen economic research capacity in Southern Africa.
- To expand and broaden economic research capacity in Southern Africa, train and mentor young economists and create a supportive network to link Southern African economic researchers.
- To draw a broad and representative range of South African economists into a programme of policy-oriented research, and to encourage independent and expert economic research.

ERSA employs four mechanisms designed to facilitate research activity in economics:

- The Affiliate Programme
- A Working Paper and Policy Paper series.
- A Workshop Series.
- An Academic Visitorship programme.

In terms of governance, the Director of ERSA is accountable to the Steering Committee of ERSA for the use of the funding, and to the Academic Board of ERSA for the academic content, direction and quality of its activities.

The Steering Committee

Memberships of the Steering Committee consists of representatives of the donors to the ERSA programmes, the private sector and representatives of the academic community of economists in South Africa. Specifically, membership consists of:

- The Chair of the Steering Committee: Elias Masilela
- The Chair of the Academic Board: Merle Holden
- The Director of ERSA: Johannes Fedderke
- Academia:
    - One nominated representative:
        - Murray Leibbrandt
    - The coordinators of the three research groups of ERSA:
        - James Fairburn
        - Dorrit Posel
        - Nicola Viegi

- National Treasury: Two representatives:
    - Christopher Loewald
    - Ismail Momoniat
- Presidency: One representative:
    - Ashraf Kariem or
    - Alan Hirsch
- Private Sector: Two representatives:
    - Appointment pending
    - Appointment pending
- Statistics South Africa: One representative:
    - Rashid Cassimx

The Academic Board

Membership of Academic Board is determined by professional standing, and in the case of the Director of ERSA in ex office terms.

Membership is as follows:

- Tania Ajam, AfRec
- Melvin Ayogu, University of Cape Town
- Johannes Fedderke, Director: ERSA
- Augustin Fosu, WIDER
- Jan van Heerden, University of Pretoria
- Merle Holden, Chair
- Steve Koch, University of Pretoria
- John Luiz, University of the Witwatersrand
- Mthuli Ncube, University of the Witwatersrand
- Dori Posel, University of Kwa-Zulu-Natal
- Nicola Viegi, University of Cape Town
- Ingrid Woolard, University of Cape Town

Meetings of Academic Board in order to provide oversight functions over the work of ERSA, and in order to consider any proposals placed before Academic Board occur in February, July and November of each calendar year.

Current ERSA Office Bearers

The ERSA programme does not currently have full time staff, other than an administrator. It has a Director, and three Deputy Directors who contribute time to its activities on a part-time basis. Currently these office bearers are as follows:

- Director: Johannes Fedderke
- Deputy Directors:
    - Jan van Heerden
    - Dori Posel
    - Nicola Viegi
- Administrator: Gloria Halland

The Affiliate Programme

The primary purpose of Research Affiliates is to recognize substantial and sustained intellectual contribution to the field of economics.

Granting of Affiliateship status is thus in the first instance meant to be an honour for substantial achievement in the field, and an incentive in its own right.

In addition, ERSA Affiliates are intended to provide academic leadership in the research groups of ERSA, which cover:

- Macroeconomics & Growth,
- Microeconomics, Labour, Poverty and Inequality
- Trade and Industrial Organization

in order to improve the quality of guidance, oversight and direction of research within ERSA and across the Southern African region generally.

The objective is to draw on the most experienced researchers in economics from across Southern Africa, in order to provide leadership, direction, advice and guidance to emergent researchers. In addition, they provide the focal point of the research groups around the main research areas within ERSA.

The Working and Policy Paper Series

ERSA publishes two paper series. Publication is both in hard copy format, as well as in electronic form on the ERSA website, at www.econrsa.org

The Working Paper series is intended to carry research output that is of the strongest possible academic quality.

The Policy Paper series emphasizes findings that are policy relevant, but also aspire to highest possible standards of analytical rigour.

Difference between the two series is thus principally one of the immediacy to policy relevance.

Completed papers are submitted to the ERSA office for evaluation. Evaluation is by the ERSA editorial team, consisting of the Director and Deputy Directors of ERSA, for assignment to referees. Referee's reports require author responses, and determine acceptance into the ERSA paper series.

Acceptance into the ERSA paper series is associated with a small financial incentive; publication in an peer reviewed learned journal is associated with an additional financial incentive, determined by the international academic standing of the journal in terms of the ISI rating service.

The Workshop Programme

One of the prime purposes of ERSA is to facilitate the exchange of ideas, in order to generate an acceleration of research activity.

An important mechanism designed to increase the interaction of academic and policy researchers will be the conduct of regular research workshops, in which invited participants present relevant research findings, identify new agendas for future work, and explore opportunities for collaboration.

The intention is to allow for workshops with three possible focuses:

- *Research Workshops*: Workshops whose primary purpose is to present research findings from both Southern African and international researchers, that are "cutting-edge." Purpose of the workshops is to disseminate findings amongst researchers and policy makers, and to explore avenues for further work.
- *Training Workshops*: Workshops whose primary purpose is to disseminate new research techniques to as wide and inclusive an audience of Southern African researchers as possible. Primary objective of these workshops is to ensure that Southern African researchers remain abreast of international analytical innovations and research directions, and to disseminate national research strengths to as wide and inclusive a set of researchers as is feasible.
- *Networking Workshops*: Workshops whose primary purpose is to stimulate networks of researchers around research clusters, in order to realize critical mass in important research questions facing the Southern African region. Particularly important here is the inclusion of researchers from less active research institutions, in order to facilitate their participation in research initiatives and debates. Equally, the initiative is designed to include new researchers, and graduate students, in order to expose them to leading national and international researchers.

The opportunity to host workshops is open to any institution and/or researcher in Southern Africa. Applications are considered by the Academic Board of ERSA, assessed for quality, and approved or rejected accordingly.

In addition to these workshops the three research groups of ERSA each hold three networking workshops a year, in order to disseminate their research findings.

The Academic Visitorship Programme

The intention of the visitorship programme is to facilitate the interaction of South African researchers in economics with leading international scholars. In particular, the objective is to enable the transfer of human capital to South African researchers, as well as the collaboration of South African researchers with international scholars on research programmes of common interest.

The explicit intention of the academic visitorship programme is to:

- Attract leading international scholars.
- Facilitate academic exchange between Southern African institutions.

It is vital to note that the intention of the programme is not only to attract and interact with leading international scholars, but also to allow Southern African academics to increase the extent of their interaction, including particularly academics from historically disadvantaged institutions.

REPORT TO THE STEERING COMMITTEE FROM THE CHAIR OF THE ACADEMIC BOARD

This is not really a report as such but rather a series of comments and observations from the chair.

ERSA in its latest incarnation has now been running for over two years. During this time one cannot fail to be impressed with the progress that has been made towards the achievement of the objectives set at the start of this very ambitious project.

The foundations of the programme are now all in place. The director supported by his deputies are doing an excellent job of publishing the working papers, setting up workshops both training and research, establishing the data base and organizing the affiliates.

Some of the research groups have been a bit tardy about getting off the ground such as the trade and industrial organization group. However, it is to be hoped that now that the affiliates are in place their activities should accelerate.

An example of the impact of these workshops on the research agenda is well demonstrated by the recent firm level data workshop where through the interaction of researchers and policy makers it was agreed that a user group should drive the future process for gathering relevant firm level longitudinal data.

I have perused the working papers emanating from ERSA finding them to be of a high standard. I would like to suggest that ERSA also track the outcome of these papers reporting on whether, how and when they have found their way into the journals. This should be easy to keep track of given that the authors will be applying for the research incentive money from ERSA. This would be a measure of the effectiveness of the ERSA refereeing process.

In conclusion, despite the hard work of the director and his deputies I think that there is still much to be accomplished in raising the image of ERSA in the academic community. Sadly, there is the view that ERSA is competitive with ESSA and the matter of turf is at issue among the older members of the Economics community.

Merle Holden

Chair, Academic Board ERSA March 25, 2008

ERSA Income and Expenditure Statement: 01/02/07 – 31/01/08

REPORT TO ECONOMIC POLICY RESEARCH SUPPORT PROJECT
INCOME AND EXPENDITURE STATEMENT
PROJECT: ECONOMIC RESEARCH IN SOUTHERN AFRICA
FUND 421040
CUMULATIVE: 01 MARCH 2005 - 31 JANUARY 2008
CURRENT: 01 FEBRUARY 2007 - 31 JANUARY 2008

	01-Feb-07 to 31-Jan-08 Current Actual		01-Mar-05 to 31-Jan-08 Cumulative Actual	
INCOME	**R**	**2,892,550.01**	**R**	**5,109,096.67**
Balance carried forward	R	642,550.01	R	-
ERSA	R	2,250,000.00	R	5,109,096.67
EXPENDITURE	**R**	**2,196,426.64**	**R**	**4,412,973.30**
Payroll	**R**	**430,269.20**	**R**	**1,037,047.91**
Director	R	143,052.50	R	367,352.50
Deputy Director	R	78,193.79	R	78,193.79
Media Manager	R	20,200.00	R	72,419.67
Administrator	R	188,822.91	R	519,081.95
Other Expenses	**R**	**1,766,157.44**	**R**	**3,375,925.39**
Research Grants and referee payments	R	333,489.14	R	633,489.14
Vistorships - Honariums	R	219,079.29	R	231,564.29
Academic board and steering committee	R	120,953.83	R	120,953.83
Travel and conference	R	160,995.90	R	182,259.64
Sponsorships - AES Conference	R	68,065.00	R	68,065.00
Media and monitoring	R	6,360.90	R	6,360.90
Workshops	R	429,877.18	R	1,052,867.15
Printing	R	-	R	71,558.20
Working Papers	R	46,611.03	R	138,918.00
Economics prizes	R	19,800.00	R	19,800.00
Web - Design, maintenance and renewal	R	3,200.10	R	33,632.60
Software/IT	R	62,610.01	R	209,873.45
Office Furniture	R	56,002.05	R	86,361.93
Postage	R	3,740.44	R	8,293.37
Stationery	R	4,231.70	R	15,142.26
Telephone	R	10,815.04	R	13,558.84
Entertainment	R	14,324.21	R	17,179.52
Bank Charges	R	1,032.12	R	1,157.29
Sundry Expenditure	R	422.00	R	422.00
UCT Overhead Levy (10%)	R	204,547.50	R	464,467.98
Net Surplus at 31 January 2008	**R**	**696,123.37**	**R**	**696,123.37**

Note: Subsequent actual plus commitment expenditure incurred to 10 March 2008 amounts to R 319 129.47

I confirm that the above figures agree with the books and the records of the University of Cape Town. UCT's financial policies, procedures and books of account are the subject of an annual external audit by the firm Ernst & Young.

Z. MAKHOSONKE
Asst. Finance Manager

MW Daubenton
Commerce Faculty - Management Accountant

I certify that all the amounts detailed above have been actually and necessarily expended under the grant, in accordance with the terms and conditions outlined in the grant agreement.

Professor J Fedderke
Project Director

1. New ERSA Initiatives for 2008/2009

A number of new ERSA initiatives are planned for the 2008/2009 period of activity.

The Economic Research Southern Africa (ERSA) initiative was created by National Treasury as a means of deepening research capacity in economics in Southern Africa. The principal means of achieving this objective was to foster research activity and a research culture in the economics discipline, across institutions in the region with an exposure to the generation and consumption of research output in the economics discipline. Focus of the mechanisms implemented by ERSA was the generation of research output that was uncompromising in its academic quality, in order to facilitate economic research that was internationally competitive.

Thus far ERSA has been approaching this task by means of four distinct mechanisms, a Working and Policy Paper series, a Workshop Series, the introduction of ERSA Affiliates, and the facilitation of Academic Visitorships between Southern African institutions, as well as from international scholars to South African institutions.

In terms of stimulating academic interest and output, ERSA is having an immediate impact which appears likely to be sustained into the future.

Three initiatives planned for introduction during 2008/2009 are designed to broaden both the range of issues covered by ERSA mechanism, as well as the accessibility of the research mechanisms.

The first innovation relates to the quantity and depth of policy related work.

The second innovation relates to a broadening of the range and type of training programmes offered by ERSA.

Third is the introduction of a scholarship programme fro graduate students in economics in South Africa, to widen and deepen the pool of graduate students engaged in working towards higher degrees in economics.

The ERSA Policy Research Initiative

As ERSA's research output continues to increase, the relationship of that work to a broader community particularly amongst policy makers becomes progressively more important.

During 2008/2009 ERSA will therefore introduce the Policy Research Initiative to facilitate the growth of research based work that is both rigorous and relevant to concrete policy questions. Under the initiative ERSA will appoint a Deputy Director for Economic Policy Analysis, as well as two Policy Associates.

Responsibility of the Deputy Director will be the management of the ERSA Policy Paper series, circulation of the series to a broader policy-making audience, to identify, manage and support specifically policy-related workshops, identify areas of policy analysis, to facilitate networking between the academic and policy making communities, and to provide direction to the policy relevant work of the ERSA Policy Associates.

Responsibility of the Policy Associates will be the production of reports that specifically focus on core questions of concern to policy makers, as well as to produce brief policy synopses of academic papers of relevance to the South African policy environment. Focus of the policy research will be macroeconomics in the first instance, but it may also be extended to other policy relevant areas to which economics can make a contribution.

The ERSA Directorate will be responsible for ensuring the rigour and quality of the policy analysis, as well as its accessibility to policy makers.

While hosted in the ERSA offices, the ERSA Policy Associates would be expected to visit policy making bodies, and academic economics departments in Southern Africa.

The ERSA Skills Development Programme

In order to facilitate the accessibility of advanced research methodologies to a wider body of graduate students and academics in Southern Africa, ERSA plans to widen the range of its training workshops. While workshops addressing the cutting edge of the discipline will continue to be important, it is proposed to introduce a range of workshops that are designed to provide a wide range of mathematical and econometric skills that form the foundation of research in modern economics.

The intention is to develop a recurrent workshop programme covering eh core areas of mathematical tools for economists, and econometrics from basic principles to practitioner level. Coverage will include the provision of training workshops in these areas, of practical applications on data sets where appropriate, the provision of open source web-based teaching materials, and ideally will generate research collaboration amongst participants in the workshop as a requirement for the completion of the workshop programme.

The intention is to conduct a total of four workshops a year, two during the summer, and two during the winter vacations. The workshops will be open to academics, graduate students, and to policy makers interested in refreshing or developing competence in an area being covered by the workshops.

Workshops will emphasise hands-on problem solving under the topics covered in the workshops. Real data, and concrete problem sets will form an integral part of the material covered.

Workshops will also make available teaching material including notes, problem sets and data that will become available online as open source material for participants at the ERSA workshops, as well as in hard copy to workshop participants.

Proposed ERSA Scholarship Programme

The long terms health of the economics discipline depends crucially on the quantity, but above all on the quality of future generations of researchers. Retention of graduate students of the highest quality in Southern African graduate programmes has become increasingly difficult, particularly students from designated groups. This is often the case due to the opportunity cost of continuing with graduate courses, as well as the direct cost of course registration.

For this reason it is proposed that ERSA introduce a scholarship programme.

Feasible programmes of study cover Masters and PhD programmes.

Eligibility for scholarships will be determined by academic excellence as a necessary criterion. Crucial will be the credible demonstration of the ability to succeed in a credible postgraduate programme in economics. Students from designated groups will receive prioritization in the scholarship programme.

Availability of the scholarships will be advertised to all departments of economics in South Africa, though scholarships will be able to be utilized at the institution of choice of the scholarship winner. They will not be bound to the institution of origin of the student. Students who choose to study outside of South Africa, will be required to return to South Africa to work as economists for a period equivalent to that for which they held the scholarship.

Dissertation components of the degrees pursued by the scholarship holders will be required to be submitted to the ERSA Working or Policy Paper series.

Selection of scholarship holders will be through a panel of economists identified and appointed by the ERSA Academic Board.

The initial scholarship programme will involve 10 scholarships, each of R80,000 per annum.

Funding will be available for 1 year for one year coursework Masters programmes, and Masters by dissertation; 2 years for Masters programmes that have two years of coursework and up to 3 years for PhD programmes.

In the case of multiple years of funding, funding will be conditional on reports on adequate academic progress being achieved, verified by the host university.

Song of the Pick

Gerard Sekoto

Courtesy of THE GERARD SEKOTO FOUNDATION