

RESEARCH THEMES

Request for Proposals: The Macroeconomic Foundations of Growth and Productivity in South Africa

Theme 1. The Fiscal and Financial Foundations of Growth and Productivity

Sub-themes:

- Examine the structure of South Africa's public debt — including currency, maturity, and instrument composition — and assess how public debt management affect fiscal sustainability, sovereign risk, and borrowing cost.
- Examine how fiscal rules and fiscal institutions affect fiscal discipline, borrowing costs, and fiscal credibility. Identify and discuss fiscal rules design and their feasibility in the economic and political-economy context of South Africa
- Assess the channels and magnitude of fiscal crowding-out of private investment in South Africa. a Evaluate the crowing in effect of credible fiscal framework and expectations of fiscal consolidation.
- Examine the role of forecast errors and data revisions in macro-fiscal planning, particularly how uncertainty around key macroeconomic variables affects fiscal projections, budget credibility and policy choices.
- Assess the macroeconomic effects of tax expenditures and tax incentives in South Africa, including their impacts on investment, productivity, employment, innovation, fiscal revenues, resource allocation, and long-run growth, and evaluate the fiscal and welfare trade-offs associated with alternative incentive designs.
- Estimate the productivity of public expenditure in South Africa across levels of government, and identify the institutional factors that explain variation in outcomes.
- Estimate tax and spending multipliers for South Africa, with attention to how they vary across instruments, economic conditions, and time horizons, and to the role of household and firm heterogeneity in shaping aggregate fiscal effects.
- Assess the fiscal risks posed by contingent liabilities in the energy sector and other state-owned enterprises, and analyse the macroeconomic and fiscal implications of large-scale energy transition financing for debt sustainability, external position, and the broader policy mix.
- Examine revenue mobilisation in South Africa, including the growth and fiscal implications of shifting the tax mix between income, consumption, wealth, and property taxes, and the empirical basis for claims about behavioural responses, informality, high-skilled emigration, and the location of South Africa on the relevant Laffer-type margins.
- Examine the sovereign-financial nexus in South Africa: the role of bank holdings of sovereign debt, the propagation of fiscal stress to bank balance sheets and credit allocation, and the implications for financial stability and the cost of capital.
- Analyse macroprudential policy, balance-sheet risks, and capital-flow vulnerability in South Africa, and assess the implications for financial stability, credit allocation to productive uses, and the macroeconomic policy framework.
- Apply political economy methods to understand how fiscal policy decisions are made in South Africa — including the adoption and durability of fiscal rules, the politics of consolidation episodes, the restructuring of state-owned enterprises, tax reform, and intergovernmental fiscal relations — and what this implies for the trajectory of policy.

Theme 2. The Monetary Foundations of Growth and Productivity

Sub-themes:

- Examine the channels through which inflation affects household welfare across the income distribution in South Africa, and assess the heterogeneous distributional impacts of lower inflation and a lower inflation target.
- Investigate how expectations and credibility influence inflation persistence in South Africa and other emerging markets, and assess the implications for the design and communication of the inflation-targeting framework.
- Examine the channels through which fiscal conditions affect monetary transmission, expectations, and policy credibility in South Africa, and assess whether greater monetary credibility can, in turn, reduce sovereign risk premia and fiscal borrowing costs.
- Analyse the role of financial frictions and informality in weakening monetary transmission, and the implications for the conduct of monetary policy in South Africa.
- Assess how energy price shocks and administered electricity prices transmit through to inflation dynamics, expectations, and the monetary policy response, and the implications for the design of monetary policy under the new target.
- Examine the interaction between monetary policy and macroprudential policy in South Africa, and assess how financial stability considerations should be reflected in the conduct of monetary policy under the new inflation target.
- Assess how monetary policy should respond to external shocks in a small open economy with limited policy space, with particular attention to fiscal stress, risk premia, and the South African transmission channels under the new inflation target.
- Apply political economy methods to understand how monetary policy decisions are made in South Africa — including the institutional foundations of central bank independence, the politics of inflation target choice and review, and fiscal-monetary coordination under fiscal pressure — and what this implies for the credibility and conduct of monetary policy.
- Assess the resilience of South Africa's monetary policy framework to external shocks in a small open economy with limited policy space, including global financial cycles, geopolitical conflict, trade fragmentation, fiscal stress, sovereign risk premia, financial stability, exchange rate dynamics, and competitiveness, and the implications for the appropriate inflation target and the conduct of monetary policy.