CALL FOR RESEARCH PROPOSALS

AERC COLLABORATIVE RESEARCH ON:

REEXAMINING THE GROWTH, POVERTY AND INEQUALITY RELATIONSHIPS IN AFRICA – FRAMEWORK PAPERS AND COUNTRY CASE STUDIES

1. Introduction

African Economic Research Consortium (AERC), established in 1988, is a public not-for-profit organization devoted to the advancement of economic policy research and training in sub-Saharan Africa (SSA). AERC's mission is to strengthen local capacity for independent, rigorous inquiry into problems pertinent to the management of African economies, through synergetic programs combining economic research with postgraduate training in economics.

The AERC collaborative research program addresses topical policy relevant issues and brings together seasoned researchers from both Africa and elsewhere to generate policy-oriented research. Research collaboration enables researchers to tackle complex yet contemporary research issues with a bearing on policy making in Africa that otherwise could not be adequately addressed by one or a few researchers and leverages diverse skills of researchers to deliver high quality research outputs.

2. The Project and Its Context

During the last couple of decades, poverty has increasingly become an issue of global concern and interest both by global and national policy makers, researchers, multilateral institutions and non-state actors. The Millennium Development Goals (MDGs) agreed by all UN members in 2000 targeted to reduce extreme poverty by 50% between 1990 and 2015 as the first goal. AERC has contributed to these efforts through generating research to inform policy making in the region. In 1998, AERC commissioned a project on *Poverty, Income distribution and Labor Market Issues in Sub-Saharan Africa* and this project informed the development of PRSPs for many sub-Saharan countries. This was followed by the *growth-poverty nexus* project in 2007 which provided detailed country studies on poverty in Africa and further supported policy making in the study countries.

By 2015, remarkable success had been recorded at the global level and parts of sub-Saharan Africa (SSA).

- Poverty declined significantly in many parts of the world. Global poverty declined from about 35% in 1990 to about 10% in 2015.
- Many regions of the world realized their MDG goals. However, SSA did not perform well in most of the poverty indicators. Poverty declined from about 56% in 1990 to about 43% by 2015 – a notable improvement. However, the number of people living in poverty actually increased in SSA during this period, rising from about 280 million in 1990 to about 390 million in 2017 (World Bank, 2018), the only major world region where the size of the poor population increased but only marginally between 2010 and 2015 from 409 million to 413 million This happened despite the region posting robust and uninterrupted GDP growth of about 5% per annum for almost two decades.

  Strong growth performance and concurrent low poverty reduction in SSA has created somewhat a puzzle, and as such has given rise to a vast literature on drivers of pro-poor growth and the role of income distribution in the growth-poverty relationship. While it has been generally agreed that income growth is a key driver of poverty reduction, there are debates on how much attention should be paid to

the levels and changes in income inequality when conducting poverty reducing strategies (see for example Basu 2013). The Stockholm Statement provides guidance on how to ensure strong and inclusive growth through recognizing the limitations and the failures of the *Washington Consensus*, using a broader range of objectives and instruments and having a more balanced view on the participation of different groups in the development process. Numerous studies have identified income inequality as an important factor in the relationship between income growth and poverty reduction (e.g. Fosu 2009).

- Even though there is a large literature on pro-poor growth, growth in SSA in the last two decades has not been sufficiently inclusive. With a large share of the population not meaningfully participating meaningfully in the economy, growth in SSA did not rise to the levels seen for example in China and other East Asian countries. Also, growth remained largely driven by commodities, with minimal diversification of African economies. This raises questions regarding the appropriateness of pro-poor growth strategies in Africa. Further, this also calls for new thinking regarding inclusive growth. In particular, can pro-growth poverty reduction strategies deliver broad-based and thus more sustainable and inclusive economic growth in Africa?[1] Indeed, recent research seem to support the notion that poverty and inequality detract from economic growth, and makes growth fragile, and thus advocate for redistributive growth friendly policies and strategies (Ostry et al (UNU-WIDER presentation, 2018);).

The literature is not always completely cohesive in its message though. For example, an influential study by Dollar and Kraay (2002) find that incomes of the poorest fifth of society grow proportion-ally with average incomes, implying that the poor, on average and over time, benefits from growth just as much as the rest of society. The study does not exclude the possibility of a significant role of income inequality but simply implies that any effective poverty reduction strategy should have growth-enhancing policies at its very centre. The study could still perhaps have been contributing to the notion addressed in a study by Ravallion (2007) that "the only thing that really matters to reducing absolute income poverty is the rate of economic growth", implying that little or no attention should be paid to levels or changes in income distribution.

A growing number of studies and policy makers question this notion and point towards the importance of income distribution in the growth-poverty nexus. Most notably, in 2013 the World Bank Group endorsed two new goals beyond the 2015 horizon, namely i) ending extreme poverty by 2030 and ii) shifting focus from average economic growth to promoting income growth amongst the bottom 40 percent of people. Looking ahead, the World Bank Group (2014) acknowledges that growth alone, even if assumed to be quite strong, will not achieve the targeted poverty reduction by 2030, but point towards the need for inclusive growth and adequate attention towards income inequality and how it evolves. Going into the post-2015 era of poverty reduction and the Sustainable Development Goals (SDGs), there is need to pay special attention towards the growth-poverty-inequality nexus and the sustainability of poverty reduction policies in the region.

Against this backdrop, this collaborative research project will seek to generate new evidence on the growth-poverty-inequality nexus in sub-Saharan Africa and how this trinity is affected by *redistributive* policies and

[1] According to Thorbecke (2018), "the underlying logic of pro-growth poverty reduction is that by focusing on poverty directly and reducing it, some major constraints on the behaviour of the poor will be removed. Poor households will be better able to keep their children in school, acquire more education and skills, borrow and invest in their farms and informal activities, and afford to adopt riskier but more productive technologies such as high-yielding seed varieties in small-scale agriculture. The difference between the latter strategy and the more conventional pro-poor growth strategy is that the trigger or intervention point is directly focused on reducing poverty. Policies and institutions—such as social protection schemes helping poor households acquire human capital and rural infrastructure projects of the 'food for work' variety—can facilitate rural-to-urban migration. They do so by providing poor potential migrants with additional skills and by reducing the transaction costs of moving. Such schemes can engender a virtuous spiral, generating a faster and more inclusive growth pattern that, in turn, reduces the inequality of opportunities and income and propels further rounds of poverty alleviation and inclusive growth".

strategies. The project will seek to generate new evidence on the nature and design of pro-growth poverty reduction policies and interventions in sub-Saharan Africa with a view to informing policy on inclusive and sustained growth in the region. This would address the shortcomings of the recent growth policies in the region, where the high growth they induced did not translate into large scale poverty reduction and enhanced development.

3. The Call for Research Proposals

This Call is for Proposals to undertake both framework research and country case studies on the growth-poverty-inequality-redistribution relationships in Africa. Framework research relates to cross-national and/regional studies seeking to develop and/or apply analytical methodologies on the issue under investigation whilst country case studies will seek to deepen understanding of the growth-poverty-inequality dynamics in selected African countries by paying greater attention to nuances in the specific countries (or group of countries). Under this collaborative research project on "Reexamining Growth-Poverty-Inequality Relationships in Africa", AERC will commission about 10 framework papers and about 10 country case studies. Although the two phases will practically be carried out concurrently, authors of the framework papers should endeavor to work faster so that their papers can guide and support parts of the case studies. It is expected that both framework and case study papers will use existing datasets. To that end, proposals should identify and briefly describe the datasets to be used (see below).

The research will focus on, but not limited to the following themes:

- Recent growth dynamics in Africa, including the nature and drivers of growth and inequality in different African contexts.
- The nature of the interactions between inequality and growth as well as measures of effects of the interactions on poverty reduction at micro and macro levels across African countries or regions.
- Dynamics of the nexus between growth-inequality-poverty, as well as the determinants of the differences in the dynamics across African countries or regions.
- Pro-growth poverty reduction policies and strategies – design features and impact pathways, including evidence on the efficacy of such strategies.
- Interface between pro-poor growth and pro-growth poverty reduction interventions/strategies
- Effect of small-scale agriculture on growth-inequality-redistribution linkages in Africa
- Growth of informal and service sectors on poverty reduction, inequality and income distribution
- Impacts of accomplishments in health, nutrition and agriculture by private and philanthropic aid foundations such as the Bill and Melinda Gates Foundation (such as vaccinations, fight against AIDS, malaria control, rehydration pills) on growth, poverty and inequalities.
- The Role of Investment and Industrial Policy on Full Employment and Inclusive Growth
- The political economy of poverty and inequality in Africa, and the role and design of *redistributive* policies, including social protection and other social safety nets
- Governance and Institutional Quality and the Links with Growth and Inequality in Africa
- How does the African growth (development) model differ from that of the successful earlier growers in Asia? Can it be based on services and appropriate nodes in the global value chain instead of labor-intensive industrialization?
- There is evidence that much progress was achieved in human development indicators in SSA. Human development and well-being are highly multi-dimensional concepts that can only be captured imperfectly by monetary measures.

4. Proposal Requirements

Each proposal, not to exceed 15 pages, should include the following:

i) **Objective (s):** A brief statement of the specific objectives of the study.

ii) **Methodology and Data**: In addition to the usual statement detailing how the research objectives are

to be achieved, researchers intending to investigate specific issue(s) drawing on country data must demonstrate availability and access to the requisite data required for the study

iii) **Expected Outputs**: A high quality, policy relevant and publishable research paper to be approved by independent peer reviewers. A policy brief of no more than 5 pages should also be produced.

iv) Statement of Qualification and Current CV(s) for each author (include in the CV: nationality, gender, and full contact details). *Women are particularly encouraged to apply.*

v) **Work Programme and Timeline**: A brief description of the activities and timeline needed for each activity. Total duration of the study should not exceed 12 months

vi) **Budget**: Estimated expenditure by major line items, e.g., research assistance; travel; computer time; secretarial support; honorarium etc. Total budget should not exceed US$15,000.

5. Submission Requirements and Key Dates:

Proposals must consist of: (i) a maximum of 15 pages setting out the issues to be analysed together with the methods to be used; (ii) a CV for each author (including in the CV: nationality, gender, and full contact details). Submit your proposal to: AERC Collaborative Research at cresearch@aercafrica.org on or before **February 28th, 2019**. Authors will be informed of the outcome of their proposal by **May 31st, 2019**.

References

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