

Cash Transfer Grants in South Africa during the Covid-19 Pandemic: Work Behind the ESRC Outstanding Public Policy Impact Award 2023 Podcast Transcript



Stefan Dercon:

Welcome to the CSAE Research Podcasts, a series of conversations about projects taking place at the Centre for the Study of African Economies, University of Oxford. My name is Stefan Dercon and I'm the Director of the CSAE and a Professor of Economic Policy at the Department of Economics and the Blavatnik School of Government.

Last week, the Economic and Social Research Council of the UK hosted their Celebrating Impact 2023 prize ceremony. I'm delighted to be joined today by the winner of the award for Outstanding Public Policy Impact, Kate Orkin. Kate is a member of the CSAE, she's an Associate Professor in Economics and Public Policy at the Blavatnik School of Government and Lead at the Mind and Behaviour Research Group at the University of Oxford. Kate, thank you for joining me.

Kate Orkin:

Thank you so much for having me.

Stefan Dercon:

It's great to be able to talk about research that seems to have actually had impact rather than aspirational research that hopes to have some impact. It's great for us to do this because, at the Centre, it's something we try to achieve, to do research that's not just relevant for academic purposes, which is a virtuous purpose in itself, but also to try to go further and see whether we can actually make a difference. So I would be delighted to hear a little bit more from you about the problem your contribution was trying to resolve here. Tell us a little bit more about what was going on then what you are trying to solve.

Kate Orkin:

So I'll take you back to the very early days of the COVID pandemic and what happened in South Africa. But the situation was very similar all across the developing world. So in April 2020, there were about one in five South Africans going to bed hungry. In many countries, they locked down very hard, work was very casual and so millions of workers were laid off. And if there was any government support, it has tended to be through food parcel distribution. And so in South Africa, like in many places, the existing system of getting aid out was just completely overwhelmed. There

were issues with logistical management, there was theft. And so you just saw these nightly images on the news of these long queues for food and they were all running out, it was really a dire situation across the developing world. We know these problems are quite predictable. So there's actually been a long standing evidence base in development economics over the last 20 years that has tried to change what economists now think of as quite an ideological, non-evidence based approach to aid, which is that it has to go out as food. Policy makers worry a lot about giving recipients cash, they worry that people will spend it frivolously, and so they either give food or if welfare is given as cash like to jobseekers, it often has quite strict conditions attached such as having to be searching for a job. And so in this policy situation, the existing research base that we had, which was very strong, backed quite a radical new form of welfare: the idea that you can just give cash directly to poor households, including during emergencies.

Pre-COVID, you [Stefan] and I, as well as a big team of other researchers: Rob Garlick, Mahreen Mahmud, Richard Sedlymar, and Johannes Haushofer, ran a big randomised trial in Kenya with GiveDirectly, a non-government organisation that has really pioneered this approach to testing what happens when you just give cash directly to poor households. Like a lot of other studies, we find that recipient households really use the money “well”. They spend it on food; that improves children's nutrition and development, they also use cash to buy assets for businesses or to search for work. They often end up working more rather than less, and they certainly aren't wasting the money. They are really investing it in things that can help them to improve their economic position in the future.

And so what this research was trying to do was apply that evidence base, which we had pre-COVID, to the crisis of aid distribution that was happening during the COVID pandemic and say, look, actually, we know a shift that needs to happen. It's a really big shift. But we need to stop trying to think we can get food parcels out and that that's going to solve this emergency. We need to do something that the policymakers may not approve of. But if we can give aid as cash, we'll be able to get it out much faster and to many more people.

Stefan Dercon:

And it's interesting because if we think about it, the evidence base shows that cash can be really effective. It's been there now for a while. And it's interesting that every time, again, when you try to do some of these things and you tell policymakers, we have the evidence, you can just do cash. I know from experience that a lot of people will have these prejudices. And it's not just governments, it's middle classes, there's all kinds of people have this prejudice that actually giving cash will not have beneficial impacts. So it's one thing to supply the evidence, but there's clearly other work that needs to be done as well. So how did you go about convincing them? And I think that's almost the more important part. We can keep on writing papers, we can write a little blog, we can say we have the evidence there, but so many countries have not picked this up. So tell us a little bit more about how you convinced the South African government to do this.

Kate Orkin:

So I think the most important thing is that this could happen because there was a huge amount of evidence. Researchers tend to get excited about their new study and their working paper that's not even published yet, and then they want to go and say to the government "Oh, you should do this new thing at the frontier that I've come up with". I think the key thing here was that we were able to show that there's been systematic reviews. We can show 160 studies from all around the world in many different contexts that have similar findings. We've done it recently in a context like Kenya, which is very similar to this country, but actually the evidence base was big. I think for me, that was important. In fact, possibly governments shouldn't be scaling one study, they should be scaling things where we have meta-analysis, where we know that the evidence base is deep and it's an uncontroversial choice. So I think that was the first thing. It was really important when talking to government that we weren't just selling our solution, we were doing evidence reviews across multiple contexts, including contexts that were similar to South Africa, to draw the conclusion. That was the first thing that the evidence base needed to and was actually quite deep.

The second thing was we needed to change the format that we presented as the proposal, so from a research paper into what was actually going to be useful in the policy process, so showing the impact. We worked collaboratively with the presidency and the Social Security Agency and the Department for Social Development in South Africa. And there were a group of civil servants who knew of this evidence base, and they formed a working group on poverty that wanted to see whether the existing grant system in the country could be used to put in place these solutions. But the really important thing was workshopping the policy questions that they needed answers to and thinking about the formats that they needed the answers in. It wasn't a research paper, it wasn't a policy brief, it was going to have to go through Cabinet resolutions. So we need a short summary of what's being proposed, and then we need the underpinning research work written in a really clear, accessible format. And I think learning to do that writing was completely different from how you would write a research paper, focusing on what the evidence is across the range of papers rather than just one paper. So, you're writing statements like "there are 20 studies in this field and six of them find this and 14 of them find that. So our best guess is that this is what one should learn from that evidence". And I think that's really something economists don't do a lot. In health we do a lot of meta studies, and we've actually worked a bit with the Mind and Behaviour Research Group on doing meta-analysis studies. I think that was actually the most important skill that I was able to bring to this was looking across the evidence. So that was the second thing.

And then the third thing, which is something the CSAE has worked very hard at, is having these deep, long collaborations with economists in developing countries. Here we were working with the University in Cape Town (UCT), that was actually where I did my undergraduate studies. We were working with a team led by Ingrid Woolard, Murray Leibbrandt, and then we also had Maya Goldman, Ntuthoko Hlela, Jessica Niklin, and Brynde Kreft. So it's a really deep team of both senior and more junior researchers who had huge government reputation. So they'd done consultation for the Treasury and the presidency before Murray was on the big panel that looked at social welfare even pre-pandemic. And so it was working with that team that we were able to achieve policy impact because we had local credibility. I think those three ingredients really were what brought together having the impact. But it's very different from what the current model, particularly in the

RCT (randomised control trial) world, of you do one trial and then you write a policy brief and then government is going to do the policy. This wasn't what it looked like at all, and I think that was a really important learning for us.

Stefan Dercon:

So can I push you a little bit on that in terms of the way these debates went and the way people were thinking about the evidence base. I don't know if any of the studies you could review referred specifically to South Africa, but often you get this experience that people say “maybe that may have worked in Ethiopia or in India, but it won't work here, we are different, there is no external validity to this” or “surely the cost involved here would be so much higher. What are the numbers involved?” So were there any attempts to do some modelling work, do some adjustment work? How was that handled? Was that something the Treasury people were doing? Or were other people doing that? Tell me a bit more about that. And then how do you convince bureaucrats? How do you convince civil servants? I've been one, you know, it's not easy to convince them. Tell us a little bit more how that all went.

Kate Orkin:

I think first focusing on does the international evidence apply or not. In this particular instance, actually, the government was hugely eager to get that comparative evidence base because South Africa had this long history of doing cash grants for pensions. And there's a big child support grant that was put in place that's been enormously successful. So, we did know about running cash grants and that programme is actually world leading in terms of the number of beneficiaries who it manages to reach successfully. It's very well targeted, it's extremely pro-poor, and there's not a lot of leakage in the programme. It works on biometrics. So there was that success case. And I think, had we been starting with the social welfare system from scratch, that probably would have been difficult. But they were incredibly eager to learn from other countries. During the early days of the pandemic we actually got a Venezuelan student who could read on what the Latin American countries were doing, when it was in Spanish and Portuguese and we couldn't even get it in English. So we had a comparative table of what different countries are doing. At the World Bank, Ugo Gentilini and that social protection group, they were talking a lot about the evolving response to the crisis. And policymakers really wanted that because I think one of the things they were worried about was, are investors going to think we're being completely profligate, just giving out money to our populations? And the fact that there was this broad movement towards increasing social protection during the pandemic in other countries was really important to reassure them that perhaps they wouldn't be that response in this case.

So I think people were really eager to get the international experience. Actually, one of the things Murray and Ingrid and team had worked on, even in previous iterations of the work that they'd done, was a deep mission talking to the people who did Bolsa Família in Brazil and learning a bit more about how they did the targeting, because the approach that South Africa ended up using is the most similar to Brazil compared to other countries. So I think there was a real eagerness to

learn from other countries and not a sense that this wasn't relevant. And we have to have the evidence for our context. You know, policymakers are quite used to making the decisions based on not perfect information. I think sometimes we, especially in the RCT world, we think, oh, we have to have done the RCT of this trial in this context at this time. And they were less worried about that. You sometimes have to make jumps when you don't have the perfect evidence. The other thing that you asked about was cost; that was super important. We did some cost calculations in our initial Kenya trial, but I didn't know anything about studying costs, which is a great shame. What the UCT team brought, they're not primarily ICT researchers, they weren't studying cash transfers, they had already built this model of the South African economy that one could use to study the poverty incidence of social transfers. And if you also wanted to put in place tax increases, how that would affect levels of poverty. And so that wasn't a modelling technique I was familiar with as someone who primarily does field experiments, but that was the core of the work, being able to say this is how many poor people they are, you know, people below the poverty line. If you give this amount of money, this is how it's going to change what people's consumption levels are, whether they are living in poverty. And then if you do different versions of the grant, this is how many people are going to be eligible and what the poverty impact is going to be. And so that model was the core of the work that we did, and it was real learning for me as an RCT researcher that the benefits is only the first step. And then you have to be able to say to the government, who is this going to reach and how much is it going to cost? We just cost what's in the RCT, but that's not even the right question. So I think that really blew open for me what the discipline needs to be doing if you're really going to get national governments to scale. And I think it is collaborating much more with researchers in the fiscal and public space to say how is this policy going to play out on a national scale?

Stefan Dercon:

That's really interesting. Clearly, you know, it's one thing for a government to take up a policy and to do it. Let me gently suggest you wouldn't get an impact prize if there was no evidence that actually it had impact and that actually there is some evidence for South Africa of the impact it have. There's one thing that I don't think I've ever told you, I was a peer reviewer of a review on the impact of the Covid-19 pandemic on poverty across the world, run by the World Bank. And it was really interesting because they just crunched the numbers from all of the world, whenever they can come in. And they were worried because South Africa was an outlier. They said there must be something wrong with the numbers here and so on. And actually only in through that process could we could see, maybe there's one or two other countries as well, that actually have really managed to have a substantial poverty impact during the pandemic in ways that they were quite surprised by. And so they ended up digging deeper and it is the case that as seen from the World Bank clearly from their comparative evidence that South Africa ended up being judged as one of the countries that handled the poverty impacts better than many, if not most countries, from across the world. Now, I presume you will have other evidence. I'm sure the government has been trying to collect it. Tell us a little bit more what is the impact on beneficiaries and what kind of things have we learned since the basic policy shift?

Kate Orkin:

We have the situation where they were giving out about 1.2 million food parcels a week, but they were about 10 million people who were below the breadline. So below the food poverty line, they didn't have enough income that they could actually get enough to eat. The need was about a 10th of what was going to be necessary to avoid widespread hunger and what the government did in that situation instead of sticking with the food parcels (which were actually constitutionally set up approach to social welfare). Like many developing countries, they didn't have a basic grant for if you were an adult, you were able bodied (you didn't have a disability) but you were unemployed. And so the only thing that was there were these food parcels. If you were really in very dire need = you could go to your municipality and apply for them. So with the UCT researchers and our team at Oxford, the shift that we achieved was instead of delivering aid through the food parcel system, the government did two things: they first increased the amount that was paid to people who were already getting a cash grant. So pensioners, women largely who were receiving child grants on behalf of their children, and people who had a disability payment. So they temporarily increased the amount of the cash grants. We know already from the evidence that people share that money with their families. So the idea was that through the grant system, just by increasing the amount that flows out, you'll already be able to reach more people; And then the second thing, which was the really, you know, remarkable policy shift, was to do this new monthly cash grant for 10 million able bodied unemployed people. They had previously not had any welfare payments, but the government would put in place an entire new grant in a six week period. And the technology was amazing. People mainly signed up for it through WhatsApp, but they could also sign up online and so they signed up for the grant, were checked, this was the Brazilian approach, against a set of data, a few things that they could check in admin data that you weren't very wealthy, you didn't have a vehicle, you weren't getting unemployment insurance, you weren't on the government payroll, for example. And then later we actually built in that they looked at people's banking data to see their income, and then that that new technology meant that they were able to get eventually about 10 million people onto a new monthly cash grant. And so all in all, that meant that we went from reaching 1.2 million people who were getting the food parcels to 28 million people who were getting some sort of payment from the cash grant. So that was a huge shift in social welfare spending. In total, governments now sent about £7 billion, so that's about 3% of annual GDP. It's about the same scale as the as the UK furlough scheme through that kind of increase in cash grants. And the research has shown that that's really been targeted very well at the country's poorest households. So the set of means testing that they did has actually managed to have a really sort of poverty targeted grant. And so now they're no longer doing the increased child and child grants and pension payments, but that grant for the unemployed has stayed in place. And so we've modelled that with the UCT team and we estimate that that's currently keeping about 2 million people out of severe poverty every month. So it's been a really big new policy shift. It's the first grant for the unemployed in Africa. So it's been a really big extension of the social welfare system and it's really having quite remarkable effects on poverty.

Stefan Dercon:

That's really fascinating. Maybe Kate, as a final question. We're all researchers. We all try to have impact at times. What have you learned about trying to get impact from research from this experience?

Kate Orkin:

I think the most important thing in this was empathy. It was about stepping out of your academic world and trying to put yourself in the shoes of the civil servants who were trying to solve the problem. And so we worked really closely with this group. They were just incredibly committed to delivering that kind of impact. They were just working round the clock for years. And so I think so to really say, if I was sitting facing this problem, what are the technical inputs that I would need? And you have to take yourself as a researcher out of the process. It's not about whether it's your particular thing that's got your name on it. You know, it's not about whether it's your particular solution. It's about what, you know, what's actually going to be the best in the situation. And I think drawing on the really broad range of evidence, looking at what other people in other countries have done, and then really thinking about what are the civil servants worried about, why are they worried about that? What are the barriers to them taking this this policy to scale? Because I think that's thinking partly about the technical challenges. And they were really deep in the weeds of the numbers and the model, but trying to make the model so that it answered questions that they had. But then also thinking about the politics, like how are you going to get this grant through? And so for us, there's this huge worry that the cash grant builds dependency and that has been there in welfare states for hundreds of years. But actually to have this evidence base, we don't talk about it emotionally, but it's to say, giving people cash builds resilience, it builds autonomy, it builds people's ability to make decisions. They are the owners of their economic lives. And you're giving them the most flexible tool that you can. And that narrative of empowerment was hugely politically important. A lot of the evidence is saying just your food calorie consumption improves, but the thing that actually gripped people was people can look for work, they can buy assets and that there weren't reviews on that so much. And we really focussed on that evidence base and I think that was actually what swung it. And that's also been what's kept the grant in place as part of the economic recovery is, is saying this is a tool to help where the state is struggling to get that sort of economic growth going. You are actually putting this in the hands of the citizens and those are very effective economic agents. So I think that change in narrative was actually the most important thing, and that came from trying to understand the political reality that people were facing. Yeah. So I think empathy, empathy with your policymakers is my catch phrase.

Stefan Dercon:

Very good. Well, it will come. Thank you very much, Kate Orkin, And also, again, congratulations for winning the award of Outstanding Public Policy Impact of the Economic and Social Research Council of the UK. Thank you very much for talking us.