Dear Reader,

WELCOME TO THE 2010 SPRINGTIME EDITION of the Centre for the Study of African Economies (CSAE) newsletter. It contains the highlights from this year’s CSAE annual conference, which took place in Oxford in March. This conference is one of the largest of its kind outside Africa and brings together around 260 academics and policymakers from around the world to discuss the latest research on a variety of issues affecting Africa. The highlights from this year’s conference include evidence showing how mobile phones are making a difference to peoples’ lives in Africa and a talk by Paul Romer from Stanford University on his idea of Charter Cities. This idea is all about creating special zones within countries that guarantee the rule of law and order and therefore are attractive areas for investment, job creation and for those trying to escape difficult conditions in their home towns and countries. You will find a summary of the research on the impact of mobile phones on page 2 and an edited version of an interview with Paul Romer on page 4 of this newsletter. The full version of the interview with Paul Romer is available as a podcast which can be downloaded from http://www.csae.ox.ac.uk/conferences/2010-EdiA/Interview-PaulRomer.htm.

If you would like more detailed information about the CSAE conference, you can download video clips of the two key sessions from http://www.csae.ox.ac.uk/conferences/2010-EdiA/Panel-BeneathTheAK.htm and http://www.csae.ox.ac.uk/conferences/2010-EdiA/Panel-Technology.htm. You can also download the papers presented at the conference from www.csae.ox.ac.uk/conferences/2010-EdiA/paperlist.htm. The CSAE website also features a short interview with Shanta Devarajan, Chief Economist of the World Bank's Africa region. In this interview Shanta Devarajan talks about the challenges facing Africa from climate change, the debate of agriculture versus industrialisation, the similarities between Africa and Sri Lanka and how economic research and medical research are producing converging policy recommendations for education. The interview with Shanta Devarajan can be downloaded from http://www.csae.ox.ac.uk/conferences/2010-EdiA/Interview-ShantaDevarajan.htm.

Staying in Asia, we are also featuring CSAE work on the connection between education and women’s access to jobs in Pakistan. Also, don’t miss our back page summary of the CSAE’s latest working papers and books.

This newsletter is designed to give you a flavour of the type of work undertaken at the CSAE. If this has whetted your appetite and you would like a more comprehensive overview of the CSAE’s activities over the past year, please take a look at our redesigned 2010 Research Summary, which has just been published and is available from www.csae.ox.ac.uk/ressummy/default.html. There is also a separate publication giving detailed information on CSAE members’ research interests, which is also available at www.csae.ox.ac.uk/ressummy/default.html.

Enjoy your reading.

The Editor, Karin Loudon

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Mobile phones have become an important feature in many African countries, with mobile phone coverage increasing rapidly over the last ten years. As of 2008, the number of mobile phone subscribers in sub-Saharan Africa was estimated to be 377 million people, or 30 per cent of the population.

CSAE researchers have been working in different African countries to provide statistical evidence on how mobile phones are changing the lives of people. In Mozambique, new CSAE research has shown that improved information about electoral problems via text messages on mobile phones can increase voter turnout and affect voters’ perceptions of the cleanliness of elections. CSAE researchers analysed a three-part information campaign in the run up to, during and after elections held in Mozambique in October 2009. In different provinces of Mozambique, voters had access to either a mobile phone hotline service (to which electoral problems could be reported), voter education leaflets and SMS, or a free newspaper with information about the elections.

Crucially, the different measures all resulted in increased voter participation. They also had the following effects:

- The hotline service increased voters’ perceptions that fraud was taking place. It is also made them more inclined to want a strong president, and hence made them more inclined to vote in the presidential elections. This in turn harmed the opposition whose supporters were using violence.
- The voter education leaflet and SMS decreased voters’ perceptions of vote-miscounting.
- Reading the free newspaper left voters with higher perceptions of vote-buying and fraud, but of less intimidation than in areas where the newspaper was not distributed. It also increased political participation as measured by how many people wrote an open letter to the President.

In Niger, the lowest ranked country on the UN’s Human Development Index, CSAE researchers looked at whether mobile phones are reducing the price differences for the key crops millet and cowpeas. The researchers found that, in the areas that had access to a mobile phone network, the differences in prices for the same...
Each other. This appears to have occurred because traders in mobile phone markets searched across more markets and sold in more markets than their non-mobile phone counterparts. However, this greater market efficiency did not necessarily mean that farmers got higher prices for their crops. This suggests that to reduce farmers’ poverty other issues such as access to credit also need to be addressed.

CSAE researchers have also been considering the effects of using mobile phones on literacy rates in Niger. Niger’s education indicators are among the worst in the world, with over 70 per cent of adults classified as illiterate. In addition, conventional adult literacy programmes have not had much effect on improving the literacy in adults. The researchers found that participants in a mobile phone literacy programme had higher numeracy and literacy scores than those participating in a conventional literacy programme. These improved test scores could be seen not only immediately after the end of the course, but also six months later.

The mobile phone literacy programme used mobile phones as a way to promote reading and writing in local languages. The literacy programme continues until June 2011, so further results will be available in due course.

crops decreased by 20 per cent. Economic theory suggests that the better markets are working, the lower the difference in prices for a particular commodity across different markets. The reduction in price differentials was larger the closer markets were to each other. This appears to have occurred because traders in mobile phone markets searched across more markets and sold in more markets than their non-mobile phone counterparts. However, this greater market efficiency did not necessarily mean that farmers got higher prices for their crops. This suggests that to reduce farmers’ poverty other issues such as access to credit also need to be addressed.

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How Charter Cities could help create jobs for millions of migrants

Paul Romer is a Senior Fellow at the Stanford Institute for Economic Policy Research. He gave a keynote address on his concept of ‘Charter Cities’ at the Centre for the Study of African Economies’ annual conference in March 2010. This abridged interview by Karin Loudon reflects the key points from his speech. To listen to the full interview, go to http://www.csae.ox.ac.uk/conferences/2010-EdiA/Interview-PaulRomer.htm

KL: Can you outline the key points of your lecture on Charter Cities at the Centre for the Study of African Economies’ annual conference?

PR: There were really two key steps in the argument. I first made the case that employment – specifically formal sector employment – is a very important priority for all nations. Formal sector employment is a critical part of economic inclusion. Countries that instil a real sense of inclusion have done much better than countries where large parts of the population are excluded. The second part of the argument is that cities are the most productive places for people to get employment. Well-run cities can be safe, healthy and low-cost places to live and find formal sector employment. If the goal is cities that expand inclusion and employment, I propose this notion of a Charter City as a political mechanism that could lead to rapid urbanisation throughout the developing world.

KL: Some people say ‘Isn’t this colonialism under a different guise?’

PR: Let me try and describe the logical structure of the idea. Then we can come back and ask is this or is it not like colonialism. The idea is to create an opportunity where everyone can be better off – a way for millions of people, really hundreds of millions of people, to move to a city and be better off than they are where they currently live. At the same time, there is a way for investors to build the infrastructure that could make these cities safe and livable. I think of this as a win-win kind of solution. But it does take rules that establish how this is going to work for everybody involved. This includes rules that apply for decades and outline for an investor that is building a road or an airport what they need to do to stick to their side of the deal. Rules that would ensure the investors who build an airport would stick to agreed pricing practices rather than behaving like a monopolist once the airport is built. Such rules would also ensure that the government cannot turn around after the airport is built, and say: ‘Well those fees that you were going to use to pay off the debt that you used to build the airport, we’re going to tax all those fees away.’ Creating a rule structure, a political structure where massive amounts of infrastructure investments can take place very quickly, is a critical part of this idea.
Some countries could create a new city with just an unoccupied piece of land and a charter specifying what the rules would be like in that place before residents, firms and investors come together. Some countries, like India, can do this without any outside involvement. You could call it the central government in India creating a colony in an Indian state — but this wouldn’t feel very much like colonialism. It would be more like China’s creation of special economic zones where cities grew up. It’s easy to imagine cities that could grow up in special zones in a country where the central government puts its credibility on the line to both protect the investors and ensure that they stick to their side of the deal.

But there are some governments that can’t provide that kind of commitment on their own. These governments might reasonably invite the collaboration of a third party as a kind of guarantor. The role of guarantor is kind of like a judge who makes sure that the mortgage lender and the home buyer both stick to their side of their long-term deal. By partnering with other governments, some of the countries that would otherwise struggle with long-term commitment could build a new city very quickly. Entered into voluntarily, this type of arrangement really isn’t anything at all like the deeply flawed traditional colonial ventures where the nation and the people who were governed by most colonial regimes had no choice in the matter.

TO FIND OUT MORE

ABOUT PAUL ROMER

Paul Romer, Senior Fellow, SCID (Stanford Center for International Development) and SIEPR (Stanford Institute for Economic Policy Research). He is interested in the dynamics of the rules that people follow. In particular, how can people living in places such as Haiti, the Democratic Republic of the Congo or Cuba get access to rules that protect them and let them engage in mutually beneficial exchange with others from all over the world?

ABOUT CHARTERED CITIES

For more information on Charter Cities: http://www.chartercities.org
What can be done to improve women’s equality in the labour market in Pakistan?

Recent CSAE research shows that, despite high paybacks to girls’ education, the government of Pakistan needs to implement practical measures such as formal pension schemes, night-time schooling, money incentive schemes and the expansion of secondary schools to counter the cultural and financial disincentives to women’s education.

The research is based on unique data on employment and education in Pakistan gathered from over 4000 individuals during 2006 and 2007 and on a nationally representative survey of more than 16,000 households conducted by the Federal Bureau of Statistics. The data show that extra education improves women’s wages by more than it does men’s wages. The return is measured by looking at the extra wage generated by additional years of schooling. The research shows that the payback for women is between 13 and 18 per cent and between 7 and 11 per cent for men. So, on the face of it, the higher payback to schooling for girls should act as an incentive for parents to invest in their daughters’ education and therefore give them better chances in the job market.

However, the research also highlights important factors that may stop parents from investing in their daughters’ education. Based on 2007 data, jobs that were socially acceptable for women in Pakistan required at least 8 years of schooling. For men there were jobs available that required fewer years of schooling. Secondly, although the pay off to an extra year’s education is higher for girls than for boys, men’s overall wages were higher. As a result, the incentives for parents to invest in their daughters’ schooling are constrained by the fact that a daughter may require longer schooling and then still earn less than a son.

In addition, social norms may stop parents from investing in their daughters’ education. The payback to parents, rather than to children, from investing in education may be
determined by the marriage market, and it seems likely that for girls higher educational attainment may be a disadvantage in the context of marriage. Also, if a girl is less available to do household chores as a result of being in school, this will discourage parents from increasing the amount of education they will offer their daughters. In addition, custom dictates that, in the absence of formal pension schemes, elderly parents go and live with a son rather than a daughter. So investment in a son’s education may also be provision for old age, which is not the case for a daughter’s education.

The research also looked at which type of education, primary or secondary, generated the highest return. In line with other recent studies it was found that returns to secondary education were higher than returns to primary education. However, the returns to primary education were still higher in Pakistan than in other developing countries.

These findings indicate that the government of Pakistan needs to look at a number of issues if it wants to improve women’s access to jobs. This includes considering how to deal with the lack of a formal pension scheme and considering nighttime school and money incentives or income subsidy schemes to increase girls’ enrolment in schools. In addition, the findings that the returns to secondary education are higher than those to primary education show that higher level schooling should be expanded. This may not need to be fully subsidised as the incentives for individuals to continue schooling are high. There is also, however, a considerable need to maintain and expand universal primary schooling in the country as it is not only a human right but also the key input to secondary schooling.

The research is part of a multi-year research programme looking at the impacts of education in reducing poverty by increasing earnings.

TO FIND OUT MORE

ABOUT THE RESEARCHER

Monazza Aslam is a Research Officer at the CSAE. Her research focuses on the economics of education, applied microeconometrics and gender issues in education in developing countries.

ABOUT THE RESEARCH


Interview with Dr Aggrey Niringiye, a visiting scholar from Makerere University, Uganda.

**Q** Why did you want to spend time at the CSAE?

**A** I wanted to spend time at the CSAE to complete my research work, get feedback on my research from CSAE staff and gain academic exposure.

**Q** What are you going to do while at the CSAE that you could not do at home?

**A** I’m going to complete my research on ‘Determinants of exports: evidence from manufacturing firms in sub-Saharan Africa’, attend CSAE seminars, network, and utilise CSAE library resources.

**Q** What are you enjoying most about your time at the CSAE?

**A** The good environment for research excellence.

**Q** What did you find most different or strange?

**A** There are no cultural shocks.

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**Working Papers**

Available at: [www.csae.ox.ac.uk/workingpapers/wps-list.html](http://www.csae.ox.ac.uk/workingpapers/wps-list.html)

- **Dictator games in the lab and in nature: External validity tested and investigated in Ugandan primary schools** by Abigail Barr and Andrew Zeitlin. WPS/2010-11
- **Who Wants to Work in a Rural Health Sector? The Role of Intrinsic Motivation, Rural Background and Faith-Based Institutions in Post- The Role of Intrinsic Motivations and the Non-Profit Health Sector: Evidence from Ethiopia** by Roxana Gutiérrez-Romero. WPS/2010-07
- **On the Evolution of the Firm Size Distribution in an African Economy** by Justin Sandefur. WPS/2010-05
- **Intrinsic Motivations and the Non-Profit Sector: Evidence from Ethiopia** by Paul Collier. WPS/2010-04
- **The Returns to Formality and Informality in Urban Africa** by Paolo Falco, Andrew Kerr, Neil Rankin, Justin Sandefur and Francis Teal. WPS/2010-03
- **Learning & Earning in Africa: Where are the Returns to Education High?** by Neil Rankin, Justin Sandefur and Francis Teal. WPS/2010-02
- **Jobs, Skills and Incomes in Ghana: How was Poverty Halved?** by Nicholas Nsowah-Nuamah, Francis Teal and Moses Awoonor-Williams. WPS/2010-01

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**Books**

- **The Plundered Planet** by Paul Collier. Published by Penguin (UK) and Oxford University Press (US), May 2010. Corrupt politicians and greedy industrialists plunder the world’s natural resources in the name of ‘development’. Their actions are ruinous for the environment. Opposing them, romantic, backward-looking environmentalists would have us put ‘nature’ in a museum showcase. Meanwhile, the world’s poorest countries, mostly in Africa, continue to struggle towards economic growth that would enable them to feed and clothe themselves.

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**Funding**

CSAE research is funded by the World Bank, the ESRC, the Department for International Development (DFID), the British Academy and the Bill and Melinda Gates Foundation. The views expressed are not necessarily those of the funding bodies. The CSAE carries out economic research with a particular focus on Africa. Its aim is to improve economic and social conditions in the poorest societies.