IN THIS NEWSLETTER WE HIGHLIGHT SOME of our work focused on policy and impact, two prominent themes of concern to funders of research and to policy makers. While many Africans are very poor it is important to keep in mind that over the last 10 years there have been substantial improvements in African economies. Not only have aggregate incomes gone up but poverty has gone down.

How much, if any, of this can be attributed to the increased volume of research on Africa? More generally, what is the connection between research and impact on policy? More pertinently still, while there has been a positive impact it has been limited, so can the improvement be accelerated?

The role of research in policy is one of the themes explored by Marcel Fafchamps in his conversation with Richard Manning. Clearly most research impacts indirectly on policy if at all. However as Marcel argues, while it is difficult to point to a direct link, it is hard not to think that the dramatic improvement in macro policy in most African countries is due at least in part to the improvements in economic understanding of the impacts of the poor policies of the past.

What of the more general link between research and impact? It can be argued that this takes two broad forms. One is the ‘how do we solve a particular problem’ type of research. An example of this is the work that has begun at the CSAE on housing issues in Africa (see page 7). That there is a problem is obvious, how you solve it less so. If solutions can be devised, the link between research and impact will be immediate. The second form of research is rather different. It addresses what might seem rather general or abstract problems. At the iGi and CSAE conferences held in March a very wide range of topics was discussed and in this newsletter we highlight some of that work (see page 6). Can we point to the impact of those presentations? No. Can we point to their importance for understanding African problems? Yes. Will they eventually have an impact? That depends on this research feeding into policy and that is a slow (and certainly not simple) business.

And what of our final question – can the improvement in Africa in the last decade be accelerated – and has research a role to play in that process? It is clear that Africa now has the best opportunities in several generations to build on the successes of the recent past. It is also clear that more and better research is being produced on Africa than ever before. In this newsletter we direct your attention to some research that we hope will provide insights into what may effect that acceleration.
RESEARCH FROM THE FIRST phase of the iiG programme was highlighted in March as part of the CSAE conference. Presentations were designed to show how research on governance and accountability could inform a policy agenda geared to inclusive growth.

The role of the public sector in development has always been a contentious issue and this is particularly true in Africa where the public sector has frequently, and rather conspicuously, failed to deliver such basic goods as security and peace. The agenda is however wider than the one posed by the problems of fragile states.

Paul Collier has argued that for African states well endowed with natural resources that not only do these resources dwarf any considerations from aid, but that they present unique challenges for such states in that the resources from the economy are inevitably in the hands of the state. If that state is dysfunctional then parallel worlds develop of extreme poverty and plutocratic wealth. Nigeria is a country which has a reputation for such a dysfunctional state.

One of the first presentations at the iiG conference drew attention to evidence of some success within Nigeria in the provision of public services and how this can translate into a greater willingness to pay taxes. In the case of Lagos State, Governor Babatunde Fashola launched a reform agenda that involved asking citizens and businesses to pay more tax in return for improved public services and a better, cleaner, state. The popularity of these reforms – despite the fact that they significantly increased the tax burden – demonstrates that African leaders can build a cross-ethnic support base by providing public goods. Most strikingly, the provision of basic public services dramatically increases the willingness of individuals living in recipient communities to pay higher levels of taxation. In other words, ordinary people can be persuaded to buy into the notion of the state remarkably quickly once effective and visible action is taken with regards to public services.

Empowering women in development

A strong focus in the iiG programme is that of gender and development.

Women face additional constraints while participating in the process of poverty reduction, and policy aimed at easing these constraints, particularly in the areas of property rights, labour markets, employment training and access to capital, has the potential to improve the condition of women, with implications for long-run growth.

Research in India found that a reform aimed at granting women greater inheritance rights to ancestral property was associated with an improvement in their mean educational attainment. Interestingly, however, the reform had no impact on the actual likelihood of women inheriting. This is possibly due to the fact that social norms in India have traditionally disallowed women from inheriting property. The reason behind this would be that married daughters leave the parental household while married sons stay back and work with family assets, and also with taking care of parents. To avoid an incentive problem for the sons, parents would give inheritance rights to only sons and not daughters;
instead, daughters would be given dowry payments at the time of their marriage, as some form of ‘pre-mortem’ bequest.

The reform does not appear to have changed this behaviour. Instead, increased investment in the daughter’s education was being used as a means of buying out her new-found right to ancestral property. This suggests that policy aimed at improving the condition of women may often not realize the desired outcome if it is in conflict with existing deep-rooted social norms and institutions. Change in social attitudes would be required to bring about a real improvement in the position of women in the context of inheritance. However, what is interesting is that even in such contexts where social norms act as a constraint for women in the household, policy may lead to unintended but positive changes that ultimately empower women (through higher education, in this case) and enable them to lessen the constraints they face in other areas, e.g. the labour market.

**Aspirations matter**

Economists increasingly recognise the role that aspirations can play in determining economic opportunity. Most economic opportunities require an important degree of self-belief – for example, a belief that education is valuable, or a belief that a household can viably run a small enterprise. This is particularly important in developing economies, for at least two reasons. First, opportunities in developing countries are often very costly – for example, education may impose large opportunity costs in terms of lost income, and creating a household enterprise may require substantial initial outlays. Second, many people in developing economies – particularly the young – may lack proximate role models to persuade them that their dreams are achievable. For example, many girls in developing economies may dream of completing a secondary education even though their mothers never had the same opportunities. For these reasons, aspirations matter in developing economies: they matter as an explanation for poverty, and they also matter as a potential policy tool. If policymakers can encourage people in developing economies to dream grander dreams for their future – that is, to believe that investment in human and physical capital is worthwhile – then this can create opportunities for the poor to help themselves to escape from poverty traps.

iiG research has made important empirical contributions to understanding the role of aspirations, and the ways that aspirations can be shifted. Work in rural Ethiopia has studied the relationship between fatalistic beliefs and economic outcomes; the research found that holding fatalistic beliefs (that is, limited aspirations) correlates closely with lower demand for credit. This suggests that policy programmes designed to shift aspirations may have an important role in encouraging households to make greater investments in future growth.

**A guarantee of employment?**

In another project, iiG researchers looked at a large-scale public works programme in India, the National Rural Employment Guarantee. Conceived of as an alternative to unemployment benefits, it entitles every rural household to 100 days of employment provided by the government. In the year between April 2010 and March 2011, the scheme generated more than 2.5 billion person-days of employment.

At this scale, it is natural to ask whether the increased demand for unskilled manual labour has wider repercussions. In particular, does it push up agricultural wage rates? If it does, the programme would have welfare effects well beyond those directly employed by it. Using a decade’s worth of data on agricultural wages by month and district, iiG researchers found that the programme increased agricultural wages by 5.3% on average. Since casual wage earners in agriculture are the poorest of the poor, the implication is that public works programmes are potentially important anti-poverty policy tools.

**TO FIND OUT MORE**

**ABOUT THE RESEARCH**

The iiG programme has recently published several briefing papers summarising research on key areas: Foundations of Growth; Mechanisms of Growth; Gender and Growth; and The Political Economy of Growth. All are available to read at www.iig.ox.ac.uk.

iiG research in Nigeria, see http://www.iig.ox.ac.uk/research/41-institutions-security-ppgrowth-nigeria.htm

iiG research on gender and development, see http://www.iig.ox.ac.uk/research/27-female-inheritance-rights-india.htm and http://www.iig.ox.ac.uk/research/18-economic-empowerment-female-adolescents.htm

iiG research on aspirations, see http://www.iig.ox.ac.uk/research/16-aspirations-ethiopia.htm and http://www.iig.ox.ac.uk/research/26-psychosocialskills-and-aspirations-india.htm

iiG research on the National Rural Employment Guarantee in India, see http://www.iig.ox.ac.uk/research/46-indias-employment-guarantee.htm
RM (Richard Manning): Do you feel that the increasing volume of research on Africa is having an impact on policies? Would you have some specific examples or areas where research messages seem to be neglected?

MF (Marcel Fafchamps): Let me try to deal with the positive aspects first. To give you an example: macro policy in Africa. When I first started some African countries were still playing with the toys of macro-economic policy, sometimes pushing in crazy directions. Perhaps the most recent one was when Mugabe decided to give hyperinflation a go. But that was an aberration, because everywhere else it looks as if people have understood that high inflation does not buy you anything in the long run and certainly hyperinflation gives you a lot of grief. Now this is not one person writing one paper, and getting headlines in the Financial Times, and everybody going ‘Ahhh...!’ No, this is hundreds of people, with their students, over a long period, developing ideas and then pushing these across. So I see this as a team effort, and a good example of how a volume of research has an impact on policy.

You could say similar things about trade. We as economists have tried to convince countries to take advantage of the opportunities that trade brings, only to see crazy things like: ‘Oh, let’s raise the tariff on this to 250% and see what happens’. Well, what you get is a lot of clandestine trade. But now things are moving in more reasonable directions. Other examples include auctions for foreign exchange and for public procurement.

A lot of the RCT-driven research agenda is about welfare and service delivery. There is a large body of work now on how to incentivise teachers, how to bring children to school using conditional cash transfers for example. This is ongoing work but it has already yielded valuable insights.

RM: What you are saying is that a critical mass of research messages is needed to have this effect?

MF: A critical mass, yes. One person with one headline might have the effect of people paying attention to a body of work that already exists, perhaps at a critical moment. But the body of work has to be there.

You also asked me about areas where research messages seem to be neglected. There are two things that seem to me as being relatively neglected.

The first is exclusion. A lot of work on poverty has been to look at the individual and see what’s wrong with them, rather than looking at what’s wrong in the relations between this person and the rest of society or the rest of the economy – or the relations of this economy with the rest of the world. Exclusion is an important factor in poverty.

For instance, imagine that you are a Dalit, an untouchable: it’s not really a problem with you; it’s a problem with others dealing with you. There’s not much you can do about it: you can’t change your caste, your gender, or ethnicity. So how can societies integrate people who suffer prejudice for such reasons? How does policy foster ethnic integration in developing countries – and we know that these issues are as big if not bigger than in developed economies.

The second issue which has not received sufficient attention is technology transfer. Ultimately countries improve their standard of living only if they adopt more productive ways of producing things. A lot of application of science to technology has already taken place, so countries need is to adapt existing technologies to their local circumstances. Perhaps a good
example is the recent explosion in mobile telephony in Africa.

But then technology is not just machines and other physical goods. Often it’s forms of contracting, institutions. You and I can buy a new machine and adopt it in our factory, but you and I cannot change the Central Bank. These things have a public good element, and there may be a coordination failure. So institutional innovations are more difficult to diffuse than simple technological innovations.

RM: You have been Editor in Chief of the Journal of African Economies for 10 years. What’s your vision for its future?

MF: There are basically two ways of thinking about a Journal of this kind. One would be to focus on the way that we, in England, in the West, look at Africa, like you would have had Journals of Soviet Studies in the US and Europe when the Soviet Union was there. But that’s not the way I want the Journal to be. I don’t want it to be a discourse by people in the developed economies on a part of the world that’s less developed.

And so I see the future of the Journal as being in Africa. I would hope that we are going to have a bigger involvement of African scholars in writing for the Journal, refereeing articles, and finally editing it. I have cherished our longstanding relationship with the African Economic Research Consortium, because ultimately – I am not talking about next year or in five years – it is an organisation like AERC that should take the Journal over. That’s not a secret. I have had discussions about the subject with the Oxford University Press, and they welcomed this idea as well. So hopefully we will eventually reach that goal.

At present roughly 40% of the submissions come from Africa. A lot of the authors of articles are also from the region although, of those who currently successfully publish in the Journal (and we publish only about 10% of submissions), the African authors are typically either working with someone from outside the region or are in a research centre outside the region. The proportion of authors from the region is nevertheless increasing.

RM: How should a Northern-based research centre such as CSAE see itself adapting and developing over the next decade?

MF: The one thing that one can be sure of is that both methods and research themes will continue to change.

When I started, people were happy when you ran a regression; then they wanted instrumental variable regressions; then panel data; and now if you don’t have experimental data, they’re not really interested.

In terms of the research themes, issues of poverty and income have come back pretty much every half a decade, under different names. When I started it was income distribution, then it became basic needs, then we talked about empowerment. There were many expressions that were used to revisit the same issue. But then in between lots of other themes came and went, such as corruption, the environment, or gender. There was a time when people were very interested in agriculture, and then for nearly 20 years no-one wanted to care about agriculture. It’s coming back a bit. And now it looks like the current government is more interested in productivity, technology and investment.

So again, CSAE’s going to have to keep up with where research funding is and what standards of evidence are accepted by the profession.

Now there is one thing that is a source of dissatisfaction. It’s not something within our control. I’m disappointed by the fact that there are so few African students, especially DPhils, here in Oxford. Partly it’s got to do with funding; fees have been raised in Oxford and other UK universities, and there are very few studentships. So African students tend to go to countries that either have lower fees, like some other European countries; or countries like the US that have high fees but have lots of scholarships. That’s something that bothers me; but I haven’t found a solution for it.

On the other hand, where we have been very successful is in teaching. The Centre is fully integrated within the Department, which has a strong graduate teaching programme. And that means that when we teach students we have a lot of credibility. And also we can involve graduate students in what we do. They go to the field, they observe, they talk to their friends, they say ‘You know, what they said in class, actually that’s the way it was’. And so I think that, to me, that is something that we really need to preserve.

Another strong point is that many graduate students have taken up careers built on their work here. Over the years, the Centre is creating a large group of alumni who are now in academia, at various Development Banks, back in their home countries in government or in NGOs; and I think we have given them about the best preparation you could give people to be useful and thoughtful in approaching development issues.

We do not give them certainties, or recipes, or easy solutions, no: we give them tools to think about the problems by themselves. And we teach them to observe. That’s why they are so well appreciated by those who employ them.
THE CSAE CONFERENCE WAS held from 18-20 March at St Catherine’s College. Now in its 26th year it attracted more than 400 participants. The coverage of topics at the conference was extremely wide covering health policy; education; infrastructure; and labour markets at the micro level. From a macro perspective there were sessions on growth; fiscal policy; inflation; and exchange rates.

Influence on policy and evidence of impact are, as we noted in the introduction, increasingly prominent in the objectives set by research funders. The context to both this year’s conference and last year, celebrating 25 years for the CSAE, was the improvement in Africa’s macro outcomes summarised below:

The median per capita growth rate has gone from a negative number to 2.3 per cent per annum, a massive improvement over the period since 1995. It is clear that the path from research discussed at the conference to policy and impact is not a simple one. However the topics covered at the conference illustrate one possible link. Several presentations looked at the role of infrastructure in Africa’s past growth and the importance of transport costs for trade. One of these papers used historical data and thus seems far removed from current policy concerns. Far from it. If Africa’s growth rates for exports can accelerate to a growth rate of 4 per cent per annum after decades of falling exports (as the data in the table opposite shows it has) how much faster still could they grow if the lessons from past successes in investing in infrastructure are learnt.

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<th>Africa’s macro outcomes</th>
<th>GDP per capita growth rate (per cent per annum)</th>
<th>Gross fixed capital formation as a percentage of GDP</th>
<th>Inflation rate (per cent per annum)</th>
<th>Growth rate of real exports per capita (per cent per annum)</th>
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<td>Mean</td>
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<tr>
<td>Median</td>
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<tr>
<td>After 1995</td>
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<tr>
<td>Mean</td>
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<tr>
<td>Median</td>
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The CSAE is embarking upon a research programme investigating large scale housing provision for the urban poor, with the main motivation being the lack of good quality mass housing in Africa. A recent scoping workshop was held in Oxford with four major themes under discussion: housing finance; legal and institutional factors; the costs of housing inputs; and complementary infrastructure. Two CSAE graduate students are currently working in this area: Simon Franklin focussing on South Africa, and Karan Nagpal on India.

The background to the research is the provision of better quality housing particularly in rapidly growing urban areas. A range of questions need to be addressed. What is the role of public sector provision? Will private individuals invest in improving the quality of their housing stock and, if not, why not? What is the right balance between ownership and renting? How can access to housing finance best be effected?

The research underway at the Centre is already addressing some of these questions. South Africa is by far the biggest economy in sub-Saharan Africa and the quality of the housing stock available for the black population is a major political issue. There is indeed a constitutional obligation to uphold the right to adequate housing. In part to meet this obligation, the South African government has provided completed stand-alone housing on a mass scale, to more than 13 million people. This programme has been extremely controversial and it is an important research question as to whether the programme could have provided far more housing more cheaply and better targeted to the poor than has been the case. Simon Franklin’s work suggests that households that receive housing have improved incomes and job market outcomes. This effect seems largely due to increased employment amongst female household members, suggesting that housing plays a role in freeing up time from the daily challenges of inadequate living conditions. That the quality of the housing stock is poor and needs radical transformation is not in doubt; the question that needs answering is how this can most effectively be done. There is a lack of evidence on the economic impacts of different policies and initiatives to improve the housing conditions of the urban poor which this research programme plans to address.

In many countries there are programmes of slum clearance where people in sub-standard housing are moved to new sites. Clearly this is one of the policy options open to governments and the property rights that go with these new settlements may well matter with regards to how far the resettled individuals will be willing to invest in their new property. Karan Nagpal investigates the links between property rights and the willingness of households to invest in improving their housing. The study finds that many are willing and indeed able to invest, despite the low penetration of the formal financial sector. It finds that once other factors are allowed for, property rights do not have a direct impact on investment. For those who stress their importance this is a surprising conclusion but it may simply reflect the limited access these households have to formal finance, which may be due to inadequate property rights. Understanding when property rights matter and how will be a central theme of the research getting underway at the Centre.
Four recent CSAE working papers address issues central to the policy agenda in both India and Africa. Two cover employment issues: one for India (WPS/2012-05); the other for South Africa (WPS/2012-04). The Indian study finds that rural public works programmes do increase wages for the unskilled thus acting as a powerful anti-poverty policy. In South Africa, the enormous differences that exist within the earnings of black South Africans are documented and the role of unions and the public sector in creating these gaps is examined. Another working paper (WPS/2012-03) looks at monetary policy in Tanzania, a country whose rapid growth rates have not been matched by declines in poverty. The fourth paper (WPS/2012-02) uses both cross-country data and data from India to argue that not only does democracy reduce corruption, but this effect can be strengthened by an increase in media freedom.

- Can rural public works affect agricultural wages? Evidence from India by Erlend Berg, Sambit Bhattacharyya, Rajasekhar Durgam and Manjula Ramachandra. WPS/2012-05
- The determinants of earnings inequalities: Panel data evidence from South Africa by Andrew Kerr and Francis Teal. WPS/2012-04
- Financial architecture and the monetary transmission mechanism in Tanzania by Peter Montiel, Christopher Adam, Wilfred Mbowe and Stephen O’Connell. WPS/2012-03
- Media freedom and democracy: Complements or substitutes in the fight against corruption? by Sambit Bhattacharyya and Roland Hodler. WPS/2012-02

**Book launch**

**The Oxford Companion to the Economics of Africa** edited by Ernest Aryeetey, Shantayanan Devarajan, Ravi Kanbur and Louis Kasekende. Published by Oxford University Press, 2012.

Launched at the CSAE conference 2012 and including contributions from many CSAE researchers, this volume is a definitive and comprehensive account of the key issues and topics affecting Africa’s ability to grow and develop, outlining thematic and country perspectives by leading economic analysts.

Available at http://ukcatalogue.oup.com/product/978019957978.do

**Blog**

The Centre for the Study of African Economies carries out economic research with a particular focus on Africa. Its aim is to improve economic and social conditions in the poorest societies.

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