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2011 is likely to prove a significant year for Africa.

Africa is at last arriving as a location for serious investment. Although the world has recovered from the financial crisis, global investors perceive opportunities to have changed profoundly. Manifestly, the Organization for Economic Cooperation and Development (OECD) looks less promising. There is a new consensus that the BRICs\(^1\) are the place to be, but because it is the consensus it is also in the price: the smart money is already looking beyond the BRICs. Africa is where they are looking. The region weathered the global crisis remarkably well and many countries are now growing quite rapidly. Investors are aware that the region is under-represented in their portfolios; they are also aware that they have never built a knowledge base in the region.

Correspondingly, many African governments are thinking beyond defensive economic positions. With debt levels and fiscal positions that would be the envy of OECD governments, and highly liquid global financial markets, technically they are in a position to borrow. Yet if this is not to repeat the debt crisis, decisions will need to change, and behind decisions are incentives, capacities and knowledge. The best defence against a repetition of Africa’s history is that its history should be well understood.

2011 is also the 25th anniversary of the Centre for the Study of African Economies (CSAE). The original rationale for establishing the CSAE was that there was a chronic shortage of quantitative and analytical economic research on the region. Over the last 25 years, this has changed dramatically, though the original rationale for the CSAE still stands as a source of rigorous policy-relevant research on Africa and there is a continuing high demand for our young scholars. In this anniversary report we provide a perspective on where the next generation of research needs to be heading.

There are now many more economists working on Africa than in 1986 and so there is a corresponding need for networking. The CSAE Annual Conference, each March, has evolved into the world’s largest forum for academic research on African economies. As economic research has become more technically rigorous, the gulf with the policy community has correspondingly widened. The CSAE hosts a range of initiatives to bridge this gap. For example, Richard Manning, formerly Chair of the Development Assistance Committee of the OECD, has now joined us to manage the interface between research and policy. We host an annual workshop for governors of African central banks, and we co-host the Natural Resource Charter (naturalresourcecharter.org), which the New Partnership for Africa’s Development (NEPAD), an African Union programme, is making one of its flagship programmes.

I hope that in another quarter of a century the original rationale for the CSAE will have evaporated. But, for the present, the need for serious research, for effective networking and for communication with the world of policy is increasing, as Africa’s new dynamism opens more questions than it settles.

\[ \text{Paul Collier} \]

\(^1\) BRICs is commonly used to refer to Brazil, Russia, India and China collectively.
CSAE research is funded by the Economic and Social Research Council (ESRC), the Department for International Development (DFID), the World Bank, the International Growth Centre (IGC) and the Bill and Melinda Gates Foundation.

**ESRC**

The ESRC funds research and training in social and economic issues. It is an independent organisation, established by Royal Charter, but receives most of its funding through the Department for Business, Innovation and Skills.

**DFID**

DFID is the part of the UK government that manages Britain’s aid to poor countries and works to get rid of extreme poverty. It is DFID’s job to make sure UK aid works its hardest to help the world’s poor.

**The World Bank**

The World Bank is a vital source of financial and technical assistance to developing countries around the world. Its mission is to fight poverty with passion and professionalism for lasting results and to help people help themselves and their environment.

**IGC**

The IGC promotes sustainable growth in developing countries by providing demand-led policy advice based on frontier research. The IGC is directed and organised from hubs at the LSE and Oxford and comprises country offices across the developing world. The IGC was initiated and funded by UK aid from DFID.

**Bill and Melinda Gates Foundation**

Bill and Melinda Gates’ belief that every life has equal value is at the core of their work at the foundation. They follow 15 guiding principles, which help define their approach to their philanthropic work, and employ an outstanding leadership team to direct their strategies and grant making.
We asked four prominent Africans working on Africa to outline their thoughts as to how research on Africa should be focused for the future. Here are their answers.
There are four areas which I see as being important to the research agenda for Africa over the next 10 years. These are the following.

**Re-evaluating the calculation of ‘national income’**

Academic research should revisit how national income is calculated. The standard methodologies for calculating both gross national product and gross domestic product (GDP) face challenges when applied to economies with large ‘informal’ sectors. The informal sector is an important part of the domestic economy of every African country. Yet, despite its importance, its contribution has not been satisfactorily captured as part of national income accounting. As a result, a number of the continent’s consumer statistics look odd when set against the size of the individual African economies. For example, national income numbers for several countries looked too low when set against the reports on revenues circulated by consumer goods companies, such as those operating in the telecommunications and food and drinks sectors. Further research into the calculation of national income is important as growing private investment seeks to take advantage of the rise of the African ‘consumer’.

**Assessing the returns of private investments into public infrastructure**

There is an important and growing trend of private investment in public infrastructure goods. Future research should look at how these investments should be funded and how to properly calculate both the social and commercial returns from these investments. When looking at the funding of such investments, research needs to evaluate how these types of projects could both reach the widest number of people within a given country and stimulate greater economic growth without compromising returns. Understanding the returns – including social returns – generated by these investments is important as these social returns tend to lead to the expansion of the economy, which in turn leads to greater investment returns. This circular dynamic, which tends to be associated with public goods, needs to be better researched in the African context.

The success of private investment in telephones in Africa and other emerging markets has led to a number of other public infrastructure goods attracting investor attention. These include investments in power stations, rail, roads and other forms of traditional public infrastructure, as well as investments in ‘social infrastructure’ including hospitals and schools. The likelihood is that a number of these initiatives will be launched as ‘public–private’ partnerships. Understanding the conditions under which these public
goods generate sufficiently attractive returns for private investors is, therefore, an important area of future research.

Interdisciplinary research into the overlapping areas of law and economics

An important area for future research is joint research in law and economics. This joint research should focus on areas such as property rights, business and human rights, and corporate ownership and productivity. I also expect this research to be based on more rigorous analytical tools than has been the case in the past. This focus on improved joint research is necessary as African economies move towards greater transparency brought about by wider participation in political processes. The continuing importance of research into the economics of conflict and the economic viability of post-conflict economies will also be further enhanced by a more interdisciplinary approach to research.

Developing a better understanding of credit markets

A more rigorous understanding of Africa’s banking and financial services markets will be an important component of any future research agenda. The recent emergence of longer term domestic capital markets in several African countries requires a better understanding of how these markets function. Another reason for more research in this area is the growth of the domestic tradable debt markets as a source of capital for governments and businesses. These domestic capital markets continue to prove attractive to foreign investors. Research should also provide a more informed analysis of expanding credit and savings markets. Africa’s banks, insurance companies and other financial intermediaries are starting to expand beyond their traditional urban customer base in the formal sector into the urban informal markets and the rural agricultural markets. These markets will need to be better understood.
I outline my four chosen areas that need to be the focus for research on Africa in the next 10 years.

Why has African economic integration not progressed further?

Future research should try to find the reasons for the lack of progress in African economic integration. A recent forum in Mauritius highlighted how all in Africa – governments, the private sector and civil society – support an agenda for greater African economic integration. Yet, progress has been very slow. Why? What constrains progress in this area? Is it fear of increased competition? Are politicians and bureaucrats afraid of losing power to supranational institutions? Are ordinary people afraid of an influx of migrants? If most, if not all, of our countries are subscale in this globalised world, economic integration must be essential for us. Economic integration is a key element on the way to prosperity for the African continent. Why does this gap remain between intent and outcome?

The future structure of agriculture

Research into Africa should help answer the question of what a new business model for agriculture in Africa could look like. Seventy per cent of Africans live and work off the land. This is by far Africa’s main resource. However, central governments allocate a disproportionately small amount of resources to this sector. To date, only seven countries have met the target set in the Maputo Declaration of allocating 10 per cent of national budgets to agriculture.

Lots of research and work focuses on smallholders and subsistence farming, driven no doubt by the noble aim of reducing poverty. This includes the work of the Alliance for a Green Revolution in Africa (AGRA), on whose board I serve. Nevertheless, the
question needs to be asked as to whether subsistence farming is the way forward for Africa? I doubt it. Instead, research should help provide answers to: How can we make it from subsistence farming today to a different model tomorrow in an effective and humane manner?

**How to cope with climate change**

Research needs to help Africa find ways of dealing with the effects of climate change. The case for climate change is established, and it is likely that Africa will be among the worst affected. The questions for research to answer are: How do we cope with climate change and mitigate its effects? What models will work? Can carbon trading replace aid for Africa in the near future? Can we make a case for innovation in green technology for Africa using the sun and hydropower and without building any more grids using traditional fuels?

**Improving governance and leadership**

Research can help provide the data which will allow us to assess whether governance is improving. Good governance is about harnessing resources to achieve results. Information on results is currently lacking in developing countries, but development will not come from simply increasing aid, but from measuring and achieving results. One of the main challenges is in measuring poverty, obviously a crucial point if we want to assess success in development policy and spending. Leadership is about making choices and deciding priorities. But how do we decide what is the right order of priorities to achieve lasting development? Do we give priority first to health, or to education, or to security, or to infrastructure? Is there a trade-off between poverty alleviation for the very poor and more general growth which benefits most the less poor? Future research should help answer these questions.
The research community should focus on assisting economies in conflict to design appropriate policies to bring about change to avert future conflict, and in this way contribute to putting these economies on the path of sustainable development. Research also needs to look at climate change, natural resource management, food security and security for fragile states, and conflict and post-conflict economies. To embark on the much needed research in these new areas, it is evident that there is an immediate need to build the requisite capacity of African researchers’ theoretical and analytical competence to address policy-relevant issues.

Other possible research areas include investigating the sources and spread of growth opportunities and distribution of benefits; regional integration and strategic trade relations with traditional trading partners and emerging markets; and financial sector development. In addition to addressing the policy needs of African countries, it is critical to extend capacity-building support to those still mired in conflict, those on the brink of conflict and those that are sadly classified as failed states as a result of prolonged conflict. Building the research capacity of individuals from these countries will require, among other things, national–regional research and outreach partnerships; enhanced modes of knowledge exchange; communication and outreach; and new sources of funding interested in supporting research within Africa.

The research environment today is radically different from that of a decade or two ago. There is an upsurge in demand for high-quality, policy-relevant research as several obstacles to development loom large. These obstacles are: increased competition for resources; the peaks and troughs of global financial cycles; and, to some extent, the volatility, political or otherwise, of the demand base globally. The increase in demand for policy-relevant research may be partly attributable to the capacity built across sub-Saharan Africa. As a result, a more educated and knowledgeable cadre of policymakers rely on empirical research to inform the policymaking process. Nevertheless, economic policy capacity remains limited and overstretched in countries across the African continent.

William Lyakurwa – Executive Director, African Economic Research Consortium
African countries in general weathered the financial crisis that struck in 2008 rather well. African countries are beginning to demonstrate progress in the quality of economic management, in both a responsive and strategic sense.

A key question for Africa is how to position itself as the next global economic growth pole. In pursuing this positioning, it must define its objective as one of economic growth that is strong, sustained, shared and clean (SSSc). This ‘triple S crown’ in the pursuit of economic growth requires research in new political economy questions and institution creation, and in defining key pillars of success. The identification of these pillars requires research which I believe the CSAE could incorporate into its agenda for the future. Below are some of the research areas.

Political economy: focusing on who liberates you

Future research should focus on analysing the importance of the liberation experience on the formation of institutional environments. Some of the latest research in political economy has rightly focused on ‘who colonised you’ as a key driver in predicting the types of institutional environment that emerge. However, in Africa, it seems that it matters not so much who colonised you but ‘who liberates you’. Most post-colonial regimes in Africa were born out of liberation movements, some of whose leaders have relinquished power voluntarily but some have not. Those who have not have developed a sense of entitlement and undermined the development of robust institutions. This right to rule may then negate the now popular position that it matters ‘who colonised you’: ‘who liberates you’ may be more important than ‘who colonised you’. This research will go a long way in informing debates on governance and institutions that foster and support economic growth.

What should infrastructure investment focus on?

More research needs to be carried out on how to develop infrastructure in a continent such as Africa. Africa typically has low population densities and low rates of urbanisation and small cities. African infrastructure investment requirement is about US$95 billion per year. However, the actual investment in infrastructure is about half this. Infrastructure is critical to economic growth and it works via various channels, some of which are direct in the form of gross domestic fixed investment (GDFI), part of GDP, and some of which are through energy and water provision, or efficient transport and port facilities that support trading activity. Infrastructure investment also has some correlation with the quality of institutions, such as property rights and regulatory environment.

Regional integration and foreign direct investment: looking at new questions

Research on regional integration has focused mostly around the growing size of regional markets through common market areas. Regional integration in Africa has some interesting nuances that warrant research. First is research on infrastructure investments that increase trade flows such as cross-border bridges, efficient border posts and deepening and widening port facilities. Second, maritime security issues around piracy activities that have a serious impact on
trade activity, including tourism and fisheries and offshore oil-drilling opportunities in maritime economic zones attracting foreign direct investment (FDI), are critical. There is also a need to understand the nature of intra-Africa investment. Often, African companies in one country or region have a slightly better understanding of investment conditions in countries in the same region or other regions in Africa. Some research needs to be done to understand the nature of this intra-Africa investment as a source of FDI within Africa, and what drives it.

Increasing understanding of financial inclusion, deepening and technological innovation

Research on mobile telephone banking would help answer the question of how Africa can use technology for financial deepening and to improve financial inclusiveness. The relationship between financial deepening and economic growth has been controversial, as we are unable to conclude which leads the other.

Pro-growth macroeconomic policies versus pro-poor macropolicies: flexibility

The crisis has already demonstrated the existence of good economic management outcomes in Africa. Macroeconomic policy implementation should be flexible, and its success judged on outcomes rather than inputs. Macropolicies should be pro-growth and not just pro-poor.

Regulatory capacity and environment

More research on financial regulation in general and its eventual economic impact is warranted. The financial crisis fall out has resulted in the Basle III regulatory pronouncement. We need to know how this will affect the African financial sectors and the economy. It does seem that trade finance is already being affected negatively.

Productivity growth in Africa

The robust growth that is being witnessed in Africa is supported by generally rising productivity. It is imperative to understand which sectors are driving productivity and how it can be stimulated to increase even further. Some research on productivity trends, sectoral distribution and supportive strategies is important.

Aid architecture

The flow of official development assistance to Africa is set to decline going forward. Therefore, there is a need to research options for new aid architecture. Such options may include aid flows that have an insurance character and are contingent on specific adverse events taking place. The aid will be pledged but not disbursed as it would be linked to event triggers.
The last two decades have seen many of the low-income countries of Africa start to re-engage purposively with the global economy. The challenge for the next decade is to ensure that this engagement leads to substantial rises in incomes, opportunities and, particularly, employment. Achieving success on these fronts suggests that our research priorities should include:

- accelerating the structural transformation of African economies from a dependence on agriculture and the exploitation of natural resources; this will require a focus on industrial policy, on location and the role of infrastructure investment, and on understanding processes of employment generation

- the fiscal policy challenges of demographic change and migration; how urbanisation, ageing and climate change-driven migration change the demands on the state, in the provision of health, education and other public services

- re-thinking the design of robust macroeconomic policy regimes as globalisation and capital market development deepens the integration of low-income countries with the rest of the world.

This relates directly to understanding what the shift in the global centre of gravity towards Asia means for trade, investment and development finance in Africa.

Global integration has increased the international linkages of financial markets for most developing and emerging market countries. Speculative pressures, contagion and reversible capital flows create vulnerability to exchange rate volatility, and the ensuing uncertainty carries implications for investment and consumption decisions and for monetary policy. A key channel for the international transmission of inflation and economic cycles is from exchange rate movements to domestic prices, known as exchange rate pass-through. Improved models of exchange rate pass-through are needed, taking account of potential asymmetries and changes in the trade composition and in the monetary regime (e.g. to inflation targeting). Better modelling and forecasting of inflation is essential for monetary policy, especially at the sectoral level, with links to household inequality. More attention is needed on the quality of the underlying data, especially the consumer price index. Finally, modelling the determinants of easily reversible bond and equity flows, and distinguishing global secular trends from domestic aspects, are needed to inform policy given ongoing global imbalances.

Pakistan – what future research should look into

While Pakistan has made substantial headway recently in achieving some dimensions of the ‘Education for All’ Millennium Development Goal (MDG2),
it still has a long way to go. Enrolment, however, is the very first rung of the ‘access’ ladder. While much research has gone into investigating this issue, future research needs to investigate meaningful access. That requires – in addition to school enrolment – good attendance rates, timely progression through grades and mastery of basic cognitive skills. Not all enrolled children attend school regularly, and not all who attend regularly complete primary schooling; finally, not all who complete primary schooling acquire adequate learning to be literate and numerate. Stable and regular attendance of both students and teachers is necessary for learning. The political scenario of Pakistan has also changed dramatically in the last few years. The year 2009 was the bloodiest so far for Pakistan. The conflict in the picturesque Swat valley in what used to be the North-West Frontier Province has now well and truly spread to the entire country. Within this context, a crucial research question that remains un-investigated is: What makes individuals take up arms and engage in conflict? In particular, there is a need to investigate the driving forces behind the proliferation of insecurity in Pakistan.

**Sambit Bhattacharyya**

An important piece of the development puzzle is how societies use existing institutions to approach collective action problems. Be it technology adoption or making the most out of natural assets, institutions play a crucial role. We already know that better institutions lead to superior development outcome. The evidence is widespread, and it is not difficult to spot that the economically developed societies are those with superior institutions. However, we know very little about why some societies have superior institutions and others do not. Some argue that history matters but we do not know to what extent. Our knowledge is also fairly limited when it comes to improving institutional quality. Perhaps the next decade should be for us to sort out some of these complex questions.

**Erlend Berg**

As I see it, one of the main themes in development economics over the last few years has been linked to the increased use of randomised field experiments as a research method. The explosion of papers relying on randomised design was followed, more recently, by a broad critique of randomisation as a one-stop shop for development research. I believe that the focus of research will, over the next few years, rightly shift back to increasing our understanding of the basic mechanisms and processes of economic development. Randomised experiments will play an important role in achieving that aim. But these techniques will be seen as a means rather than an end. Randomisation in itself is not ‘economics’, nor is it a cure-all for development research. But, applied well and in the right contexts, it will remain one of the most reliable tools in our toolbox.

**Markus Eberhardt**

It is a somewhat overwhelming task for a junior academic to define a research agenda for development economics, so I will confine my comments to my own research area and how this could improve its contribution to development policy. Over the past decade the use of cross-country empirical analysis has been heavily criticised and much of the academic literature presently favours randomised controlled trials (RCTs) to establish ‘what works’ for development. My own research has argued that cross-country empirics continue to play an important role, especially if we want to determine ‘what works where’, which
RCTs are less obviously able to address. Having set out to develop empirical models more in line with the complex and highly idiosyncratic constructs that economies represent, over the next decade there is a clear need for the cross-country empirics literature to identify the underlying causes of heterogeneity and commonality, or better: to find out ‘what works where and why’.

Marcel Fafchamps

There has always been a symbiotic relationship between development agencies and development economics as an academic field. Academics have long sought to influence the policy debate while their research agenda is itself influenced by the interests of funding agencies. For instance, when donors shifted their focus from macro and growth to more welfare-oriented issues such as microfinance, health or education, the academic profession followed. We can expect this symbiotic relationship to continue in the foreseeable future. While it is important to be open to the needs and demands of the development community at large, researchers should also remain true to what they believe in. In the long run, the intellectual integrity of the researchers is essential to the quality of the policy recommendations that come out of their work. The world continues to evolve. The job of the research community is to continue exploring how human behaviour shapes economic outcomes and individual welfare.

Chris Ksoll

Modern technology has transformed the way Western economies work, and simple versions of modern technology – for example, mobile phones – have the potential for transforming Africa quite radically. Price information is disseminating more rapidly, adult literacy participants are learning faster when mobile phones are part of the curriculum, and patients with HIV are more likely to regularly take their drugs when contacted by mobile phones. The challenge for development researchers and practitioners in the next decade will be to identify those constraints to growth which can most easily be overcome by using these simple technologies. In many cases, this will mean substituting for infrastructure that is lacking, or complementing it (as in the case of the literacy programme or mobile banking); providing access to information that otherwise is not as relevant (such as through price information or health); or providing a commitment device (such as when providing a savings opportunity or reminders for patients to take their medication); as well as developing marketing channels for markets that are further away. The low costs of technology and implementing projects means a successful project can often be replicated at extremely low costs elsewhere. Development practitioners and researchers have a unique opportunity – perhaps even responsibility – for fruitful interactions in the next decade.
An important part of the work of the CSAE over the last 25 years has been training researchers who will be better equipped to work on issues of development. In this section, we asked three past students from the CSAE to report on their current activities, which cover work on capital markets for private firms and research carried out within universities and international development organisations.
The end of the Cold War was the single most important political development in emerging markets in the past 25 years. Unable to cling onto power solely with the support of a foreign power, governments across more than 100 emerging economies – half of them in Africa – were forced to focus on voter demands at home in a bid to stay in power. African voters – poor and vulnerable to shocks – overwhelmingly vote for stability and growth. The result was a dramatic improvement in African macroeconomic indicators over the past decade.

Unsurprisingly, Africa’s financing situation evolved in response to these improvements in economic conditions, albeit from a very low base. The momentum was particularly strong leading up to the 2008 global financial crisis, when several sub-Saharan African countries, including Nigeria, Zambia, Ghana, Gabon and Senegal, made significant strides in developing local currency yield curves and/or issuing benchmark sovereign bonds in the global markets. When Africa did better than other regions during the crisis, investors maintained a presence in the region and are now pouring back into the region. Africa’s integration into the global capital markets will continue.

The process of modernising sub-Saharan Africa’s financing sources has nevertheless been frustratingly slow. One clear positive is that China has been very proactive, offering African countries choices they never had before. But African countries are still widely regarded as ineligible for non-concessional financing, particularly in official circles. For example, the small print in most International Monetary Fund programmes effectively rules out market-based financing from the outset by invoking assumptions that private and social returns to public infrastructure in Africa are zero. This assumption sits uncomfortably alongside the observation that private money is willingly flowing into public infrastructure projects in the region.

Diversification of African finance is also becoming increasingly urgent. African

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**Jan Dehn – Portfolio Manager, Ashmore Investment Management**

Africa’s financing situation has evolved in response to Governments focusing on voter demands.
fiscal balances are far more vulnerable to cutbacks in donor funding than any other part of the world. Official flows are set to be scaled back significantly in the coming years owing to fiscal constraints in many donor countries. The good news is that the crisis has lowered global interest rates dramatically, so this is also a very opportune time to accelerate the development of Africa’s yield curves. But it is critical that the development of Africa’s financial infrastructure is not just seen as a question of financing governments; yield curves also send real-time signals to policy-makers and constitute critical pieces of infrastructure to price corporate bonds and ultimately secure growth and job creation.

The bottom line is that, while much has been achieved in the past 25 years, the development of Africa’s financial infrastructure is still in its infancy. Africa’s financing picture still resembles more a snapshot from the Cold War than a vision of an African renaissance. Capital markets remain woefully underdeveloped and the private sector is particularly underfinanced. But the progress so far will not be reversed, and further progress looks set to occur in the years to come. In order to control and accelerate this process, African governments need to become far more proactive in reviewing their financing priorities.

Donors will have a role here, especially in promoting rather than impeding capital markets. They can also impart valuable experience of legal and regulatory issues, public debt management, the development of local pension systems and how to set up ‘repo’ (repurchase agreement) markets and market makers.

CSAE research has an important part to play in all these areas; both a challenge and an opportunity.
With the adoption of the Millennium Development Goals (MDGs) in 2000, poverty reduction has become the overarching development policy objective in Africa. The international community adopted the goal of eradicating extreme poverty and hunger (MDG1), with the specific targets of halving the proportion of poor people and halving the number of people suffering from hunger over the period 1990–2015. The average poverty rate in 1990, the base year, was 58.6 per cent. Thanks to the compilation of data from household surveys across Africa, it is possible to track the trends in poverty. Using the standard poverty line of $1.25 per day, cross-country data show that the average poverty headcount increased from 56.4 per cent in 1981 to 60 per cent in 1993 and then declined to 48.4 per cent in 2005, the most recent year for which comparable data are available. Hence, from 1993 to 2005, poverty in Africa declined by almost 12 percentage points.

These statistics show that Africa has made some progress in poverty reduction, particularly starting from the mid-1990s. This trend coincided with a turnaround in Africa’s economic growth. From negative rates throughout the 1980s and until the mid-1990s, Africa recorded an average annual per capita income growth rate of about 3 per cent in 2005–8, before the recent economic crisis dampened this trend in 2009. In 2010, the continent’s economy is expected to have recovered, reaching about 2.5 per cent growth of per capita income.

Despite the progress, Africa is still the region with the highest level of poverty and the lowest income growth elasticity of poverty. One percentage point of growth reduces poverty by 0.76 per cent in the continent. Elsewhere, the income growth elasticity varies between 1.05 per cent in South Asia and 2.89 per cent in the Middle East and North Africa. Hence, comparatively, the high rates of economic growth recorded over the last decade have not translated into faster poverty reduction. Several factors such as high inequality and high levels of initial poverty account for the weak response of poverty to economic growth. More generally, the decline in agriculture production across the continent over the last quarter of a century has been a key factor explaining the high level of poverty and its relative persistence.

Africa’s recent growth performance has been largely attributed to increases in export revenue, which in turn have mainly resulted from external factors, particularly the sharp rises in commodity prices. Indeed, African economies are heavily reliant on the export of fuels and mineral primary products. These are produced in ‘enclave’ industries that are poorly integrated with the rest of the economy, particularly with economic sectors where poor people are most active. In most countries, the poor are concentrated in subsistence agriculture and the food sector, which on average account for two-thirds of the labour force. Despite the strategic importance of the agriculture sector, very little public and private resources have been allocated to it to increase its productivity. Hence, owing to neglect, food production in Africa has declined by 10 per cent over the last 40 years compared with an increase of 145 per cent worldwide. As a result, Africa has failed to properly feed its ever-increasing population. The failure to
modernise Africa’s agriculture has made the continent too vulnerable to food imports and weather shocks that have become too regular, compromising the chances of fast and sustained poverty reduction.

Therefore, accelerating the rate of poverty reduction will require a change in development priorities. Agriculture modernisation will have to be at the centre of the development process. A recent book entitled *The New Harvest: Agricultural Innovation in Africa* argues that Africa can transform its agriculture and become food self-sufficient in just one generation. Africa could use its young labour force, water resources and vast arable land to achieve a green revolution if these ‘natural’ assets are made more productive. This will be achieved through, among others, the provision of relevant training and infrastructure, adoption of existing scientific breakthroughs, fostering of entrepreneurship and building the appropriate platform for the governance of innovation.
As African governments become more accountable, to both their constituents and donor agencies, and as capacity for policy analysis within governments deepens, the demand for evidence on which to base policy will continue to increase. Over the past 25 years, the CSAE has been an important contributor in this area. There are three key components required for economic analysis to be rigorous and to inform policy.

The first is reliable data. In sub-Saharan Africa microeconomic data, on individuals, households and firms, have been scarcer than macrodata. Yet microeconomic questions and challenges are some of the most important that African countries face: How are more and better jobs created? Who is poor and how can poverty be reduced? What influences educational outcomes and what are the returns to education and training? How can health outcomes be improved? What determines firm and farm productivity? How do firms respond to policy changes, regional integration and infrastructure investment? What constrains credit?

The key to being able to answer these questions lies in the availability of relevant data, in particular microdata – on households, on firms, on farms and on individuals. Over the last 25 years all these sources of data for Africa have expanded, in part because of the work of the CSAE. It is important that the data not only exist but that the expertise to use them be created. This can be done in many ways but one that I have experienced is when the researcher is closely involved in the design of the survey instruments and the collection and analysis of the data. This helps to increase the quality of the data – since they will most likely be used in research – and provides an understanding of where the data come from, their context and their potential limitations. There are also rather obvious advantages if this work can be done in collaboration with researchers in Africa and with African statistical agencies. New technology has greatly changed how both regularly collected and on-off surveys can be carried out and how the resulting data can be stored and disseminated. Making such data available to an informed pool of users is a critical part of enabling research to feed into policy.

The second component is the ability to use the data sensibly yet with rigor. This requires, first, rigorous training of graduate students, partly at the doctoral level but also through MSc and MPhil programmes. When such students are drawn from a wide number of countries it is possible that this training can influence policy through their work at multilateral organisations, such as the World Bank; through fellowships, such as the Overseas Development Institute fellowship, that place them in government departments in Africa; and through the teaching and research they do when they return to their home countries. This is the case particularly for students from Africa who return – as happened with the entire cohort of DPhil students who started at the CSAE in the same year as I did.

The third component is communication – both to academic peers, to ensure that the analysis is rigorous, and to those involved in influencing and creating policy. Many of the papers presented at the conference and published in the working paper series go on to be published in peer-reviewed academic journals – a sign of their
quality. But academic journals, with their jargon, formulas and statistical analysis, are often inaccessible to those involved in the crafting of policy. To ensure that the research does have an impact on policy briefs, non-technical summaries of research and continued engagement with African governments, donors and academics is crucial.

Returning to South Africa after 4 years at the CSAE I was particularly struck by how well the CSAE model works: for the collection of data; for training; for rigorous analytical research; and for engagement in policy debates. It is a model we have tried to modestly replicate with the establishment of the African Micro-Economic Research Unit (AMERU) at the University of the Witwatersrand since we believe that the type of work carried out by institutions such as the CSAE will become increasingly more relevant and important in the future.
Policies, politics and African development in the last 25 years

Over the last 25 years economic policy in Africa and the growth of African economies have been transformed. From 1975 to 1995 Africa’s real GDP per capita fell by about 16 per cent. Since 1995 there has been a steady recovery, and recent data suggest that growth is accelerating. Indeed, some of the fastest growing economies in the world are now in Africa.
Figure 1 puts this success into context. As Mthuli Ncube, the current Chief Economist at the African Development Bank, noted in his assessment of research needs (see page 9), African countries in general weathered the financial crisis of 2008 rather well. However, while the transformation in the overall performance is real, success is relative. By 2007 GDP per capita was only marginally higher than it had been in 1975, a period in which both China’s and India’s growth rates have been such that they have gone from being much poorer than Africa to being richer, and in the case of China much richer, as shown in Figure 1b.

These figures for total incomes are only one part of the story. It has been recognised for a long time that a growing economy may go hand in hand with continuing and grinding poverty. To know whether this success at the level of average incomes has been translated into declines in poverty, it is necessary to analyse microdata, and here the picture is much more mixed. In some countries there have been substantial declines in measured poverty; in some there has been no decline at all; and understanding what explanations lie behind this diverse picture is a central part of the CSAE research agenda.

In this section of the Research Summary, we present elements of the current CSAE research programme, focusing on the ways in which research is informing key policies for future economic success in Africa.

**Figure 1.** (a) Africa’s real GDP per capita: 1960–2007. Source: World Bank: World Development Indicators. (b) Real GDP per capita in 1980 and 2007. Note: sub-Saharan Africa excludes South Africa. Source: PENN 6.3 World Tables. GDP per capita is weighted by population and expressed in 2005 PPP.
Almost all sub-Saharan African economies depend on natural resources to generate a substantial part of their national incomes. For some countries, a single commodity dominates both exports and government revenues. Examples are Zambia, whose economic history has been dominated by copper, Nigeria, whose economy since the 1970s has been dependent on oil, and Guinea, a small country rich in a range of minerals but desperately poor. For many years these resources were not well managed, and this has had very long-term implications for the economies of Africa. One implication is that there has been far less prospecting in Africa than, for example, in the OECD. As of the year 2000, some US$114,000 of subsoil assets were known to lie beneath the average square kilometre of the OECD. The equivalent figure for Africa was a mere US$23,000.

CSAE research has been looking at why resources have not been better managed. In the case of Zambian copper, the country moved from a position where, in the late 1950s, Zambian mines briefly accounted for almost 15 per cent of global production to a long period of persistent decline in prices, production and profitability and the near collapse of the copper industry. By the mid-1990s losses from the state-owned mining company posed such a severe threat to public finances that its privatisation became inevitable, despite political opposition from many quarters. The privatisation of the mines took place at a time when world copper prices were at an all time low. This meant that the Zambian government had to agree to very favourable terms with the private investors. The subsequent recovery of the sector – particularly during the background of the 2003-8 global commodity price boom – saw the lion’s share of the gains accrue to the mine owners. The failure of the state to capture any of the income from the boom has returned the contest over the shape of the regime for mining taxation to the centre of the economic policy debate in Zambia.

Such privatisation highlights the nature of the problems both governments and private investors face in Africa. Investments in copper, as is the case for most natural resources, are large and irreversible. This creates a problem. How do the investors know, once the investment has been made, that governments will not alter the rules and take more than the agreed incomes in tax? As companies recognise the problem in advance, they will discount the value of any extraction rights that the government is attempting to sell. As a result, the government can only sell the extraction rights for less than they would be worth were it able to commit to the terms that it offers. In many cases the consequences of the problem are so severe that no deal can be reached: the resources remain underexploited.

Bauxite mining in Guinea has been one such example of the difficulties of private investment. Over several decades the aluminium company Alcoa repeatedly decided not to invest US$1 billion to refine the bauxite in Guinea, preferring the considerably more expensive option of shipping out the ore to be refined.
The board of Alcoa took this decision because of the risk of bureaucratic hold-ups once it had made its investment. In this instance, the government of Guinea was the victim of its own inability to make a credible commitment to private investment. However, the government of Guinea has itself been at the other end of the commitment problem. A discovery of iron ore in the interior of Guinea required a route to the coast for export. The closest port with an existing rail connection was Buchanan. However, because Buchanan is in Liberia, the government of Guinea was concerned that, were iron ore exports to be dependent upon this route, the investment needed for extraction would be subject to hold-ups by the government of Liberia. To avoid the problem the government decided to construct a new railway and a new port within Guinea, adding US$4 billion to the cost of the investment.

What rules then should apply to natural resource extraction? The World Trade Organization (WTO) should help governments to credibly commit to taxation regimes. Governments in poor countries are not able to negotiate the correct pay-off for extraction rights, as investors know that governments could change the taxation regime at any moment. This is particularly harmful for developing countries that need the money from natural resource extraction to support their development. Equally, the WTO should require that such credible taxation regimes allow for appropriate increases in taxation of extraction companies if the price of the natural resource rises. Similarly, the WTO could require that extraction rights are allocated in an open process, and that there be a requirement that WTO members put in place anti-bribery laws. In addition, the CSAE researchers see the need for the WTO to adopt a rule that companies with extraction rights will be free to choose where to sell their output. This would prevent any bypassing of international markets, and thereby ensure continuing extensive markets in natural resources.

Researchers see a further role for the WTO in negotiating a gradual reduction in import tariffs and export subsidies, in particular for oil. Last, they advocate developing rules for assigning the ownership of natural resources.

CSAE research has also focused on Nigeria. It is well known that Nigeria’s rise as a major oil-producing economy did not lead to an improvement in the incomes of its citizens. What is less well known is the fact that in recent years the management of the economy has improved so that over the period from 2001 to 2007 it is the non-oil part of the economy that has been growing most rapidly (Table 1).

For both Zambia and Nigeria the improvements need to be seen in terms of potential, and success is relative. However, if these improvements can be built on for both countries, the next 25 years promise to be very different from the last 25 years.

Table 1. Macroeconomic aggregates, 2001 and 2003–7 (per cent)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
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<tr>
<td>Real GDP</td>
<td>8.4</td>
<td>21.4</td>
<td>10.2</td>
<td>10.5</td>
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<td>Oil GDP</td>
<td>5.6</td>
<td>–5.7</td>
<td>23.8</td>
<td>3.3</td>
<td>0.5</td>
<td>–4.4</td>
<td>–5.5</td>
</tr>
<tr>
<td>Non-oil GDP</td>
<td>9.8</td>
<td>33.9</td>
<td>5.8</td>
<td>13.2</td>
<td>8.6</td>
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<tr>
<td>Inflation rate</td>
<td>18.9</td>
<td>12.9</td>
<td>14.0</td>
<td>15.0</td>
<td>17.9</td>
<td>8.0</td>
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</tr>
</tbody>
</table>
One substantial transformation in the last 25 years is that Africa has seen an improvement in the political and civil rights of its citizens. Measures of such rights have been constructed since the early 1970s by Freedom House. In 1972, of the 39 African countries covered in the data, only two (5 per cent) were classified as free whereas nine (32 per cent) were classified as partly free. In 2010, of the 48 countries now covered in the data, nine (19 per cent) were classified as free and 23 (48 per cent) were classified as partly free. A few countries have slipped backwards, but for most there has been some progress (Figure 2).

This transformation in some countries in Africa represents progress on a similar scale to what has been achieved on the economic front. However, as with economic progress, there remain important problems. In Nigeria, the most populous country in sub-Saharan Africa, improvements have been at best marginal. Kenya is another country which has seen only modest gains.

While establishing a democratic state is about more than elections, it remains true that such elections are not only a prerequisite for such a state but also the most visible and, for its citizens, the most popular dimension of the transformation from autocratic rule.

However, do more democratic states make for better policies? One reason why there may be no direct link between having elections and better government policies is that the electorate does not vote on the basis of the performance of the politician but on the basis of his or her ethnicity. Ethnic identity in many African countries influences political and social behaviour. Some countries with high ethnic diversity, such as Tanzania, have used the education system and redistribution of resources to develop a sense of national as opposed to ethnic identity. However, in other ethnically diverse countries, such as Kenya, political parties have used ethnic identity to mobilise voters and to establish political alliances, leading in some cases to violent ethnic conflicts. An example of this is the recent disputed Kenyan presidential election.

**FIGURE 2.** (a) Average index of civil liberties. (b) Average index of political rights. Note that these indexes are from Freedom House and have been rescaled so that both civil liberties and political rights are measured on a scale of 1–7, with 7 representing the highest degree of freedom and 1 the lowest.
CSAE research in this area has found strong evidence that ethnic identity was one of the main factors associated with voting intentions. There was a striking correlation between respondents’ ethnicity and their chosen candidate, despite the fact that less than 1 per cent of respondents claimed that ethnicity was the main factor in deciding who to vote for. It might be thought that other factors were actually driving the voting decision, for example respondents’ characteristics and economic indicators rather than ethnicity. However, while these factors were shown to matter, ethnicity mattered much more.

While ethnicity matters so much it seems likely that more elections will not lead to better policies as politicians will not be punished for their economic failures. Voters may assume that an MP or President of the same ethnicity as themselves would give them better access to goods such as education, health services or water. An ethnic basis for voting combined with the perception that the election results are unfair can be a toxic mixture.

CSAE research on the unprecedented violence after the 2007 presidential elections in Kenya argues that violence took place mainly in towns and in areas where there had been land disputes. Urban areas had more politically motivated gangs operating, and land disputes tended to arise where one ethnic group had been settled on land previously owned by another.

Clearly, reforms that would give Kenya’s Electoral Commission the power to investigate election irregularities and changing the law so that politicians advocating violence could be prosecuted would increase the probability that voting was fair and less contested, but the underlying problems of no close linkage between electoral competition and the quality of policy choices will still remain. The absence of such a link in many African countries, not only Kenya, remains a major obstacle to the formation of better policies that have an impact on the welfare of their citizens.

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FOR MORE INFORMATION: The Role of Ethnic Identity and Economic Issues in the 2007 Kenyan Elections (http://www.csae.ox.ac.uk/workingpapers/pdfs/2010-06text.pdf)

Decentralization, Accountability and the 2007 MP’s Elections in Kenya (http://www.csae.ox.ac.uk/workingpapers/pdfs/2010-09text.pdf)

Triggers and Characteristics of the 2007 Kenyan Electoral Violence (http://www.csae.ox.ac.uk/workingpapers/pdfs/2010-12text.pdf)
One aspect in which it is to be hoped that Africa has been transformed in the last 25 years is that famines will become a thing of the past. If they do not then it is vital to learn lessons from past famines and to ensure that, should there be a recurrence, the effects can be more successfully mitigated. In 1984 Ethiopia came to the developed world’s attention via TV pictures showing starving people on a massive scale. These pictures and a resulting global rock concert called Live Aid galvanised citizens in Europe and the USA into donating millions of pounds to relief agencies. There was also unprecedented pressure on their governments to send humanitarian relief. Up to 1 million people may have died in that famine. Many more were left destitute, making it one of the worst famines in recent history, and comparable to the Chinese famine of 1959–61 in terms of deaths as a proportion of the population.

While the loss of life from the famine is clearly very important so are the effects for the survivors. CSAE researchers have carried out the first study to quantify the long-term consequences of this famine – one of Africa’s most severe. The study draws on data for 479 young adults aged 17–25 in 2004 whose lives after the famine can be followed. It is possible to compare affected and non-affected siblings across cohorts with their older and younger siblings. The study also has data on a measure of crisis intensity at the household level, so it is possible to ask how different households within the same village were affected by the crisis.

The study found that, by adulthood, children who were under the age of 36 months at the peak of the crisis were significantly shorter than the older cohort, who were at a less vulnerable age, by at least 3 cm. Actual height relative to genetic potential height can be seen as a measure of nutritional achievement, and taller people tend to be healthier, do better on cognitive tests, have more schooling and earn more. The study confirms the presence of some of these other socioeconomic effects from the famine period: affected children are less likely to have completed primary school and are more likely to have experienced recent illness. It is shown that these results are economically important for these young adults, leading to income losses of between 3 per cent and 8 per cent per year over their lifetime.

Finally, the study sought to assess whether the relief operations at the time helped to mitigate the effects of the famine. Aid amounts were very small, and targeting appears to have been relatively imprecise: 32 per cent of those affected by the famine obtained some food aid compared with 25 per cent of unaffected households. A full evaluation is difficult to do as it is hard to assess what would have been the consequences if aid had not been forthcoming. However, the study found no conclusive evidence that there is any difference between children in affected households that did and did not receive food aid. This could mean that aid was well targeted, so that those receiving food aid would have been worse off than those not receiving it, and that now they have equal opportunities. That does not seem the most likely interpretation of the evidence, and the alternative that it was not, in fact, successful points to the need to learn how best to ensure relief does target vulnerable groups effectively in any future emergency.
In the last 25 years the average years of education of the population aged over 15 in sub-Saharan Africa has roughly doubled from 2.5 to 5 years. In the longer run – from 1950 – sub-Saharan Africa has seen a fourfold rise in the average level of education of its citizens (Table 2), higher than the rise in other parts of the developing world. Clearly, this represents a major achievement for African countries to match the move towards higher incomes and more political and civil rights.

However, this increase in education has not been matched by increases in incomes at the macrolevel. Figure 3 shows the macroevidence for sub-Saharan Africa for the period from 1960 to 2004. Figure 3a shows what we expect – namely that countries with higher levels of education do have higher incomes. It is the curve shown in Figure 3b which points to the problem. Changing education is associated with some increase in income, but the effects are modest and it is clear from many countries in sub-Saharan Africa that large increases in education have not been associated with any increase in income.

Why for so many African countries has education not had the expected benefits? There are many possible reasons why substantial investments in education do not lead to increases in income and CSAE research has investigated some of them. One possibility is that the value of education is linked to the kind of jobs that the economy is generating. Another is that as education expands it becomes less valuable to those who have it, so while a middle school education gets their parent a good job the same is not true for the current generation. A further possibility is that, while education has

<table>
<thead>
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<th>Developing</th>
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<tr>
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<td>3.2</td>
<td>6.2</td>
<td>2.1</td>
<td>1.3</td>
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<tr>
<td>1960</td>
<td>3.7</td>
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</tr>
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<td>1990</td>
<td>6.1</td>
<td>9.6</td>
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<td>3.9</td>
</tr>
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<td>2000</td>
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<tr>
<td>2010</td>
<td>7.8</td>
<td>11.0</td>
<td>7.1</td>
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</table>

Sub-Saharan Africa has seen a fourfold rise in the average level of education of its citizens since 1950.
expanded in terms of numbers in school, the quality of that education has fallen and it is as important to look at the quality of the education as it is the amount.

It is the first and second of these possible reasons for the lack of connection between education and growth that has been the focus of work by the CSAE. Certainly, the types of jobs in Africa have been changing. While there has been in the longer term a rise in urbanisation, the jobs in urban areas have been primarily those in small-scale enterprises or for the self-employed. It is possible that in these types of jobs the return to education is low. We do have some evidence that where education has expanded most, which is at the junior secondary level and below, the value of education is not high.

Most workers in urban areas have 10 years or fewer of education. While there is some gain in earnings it is very limited relative to the income increases available for those with post-secondary education. These numbers need to be treated with caution. Most of the data come from wage employment and most Africans do not have waged jobs. So in looking at how education affects the earnings of wage earners we are looking at only a small, and highly atypical, part of the labour force.

However, where we have data for earnings in other sectors, the broad patterns of how earnings and education relate are confirmed. Income gains from low levels of education are small relative to the gains available to those with much higher levels of education.

Such findings are potentially important for understanding why there has been such a mismatch between the growth in education and that in incomes in Africa. How can this mismatch be corrected? CSAE research suggests that at least part of the answer lies in the failure to create better paying wage jobs in larger firms. If policies are not put in place that address the issue of jobs then there is a real danger that improvement in the education of the workforce will not get translated into higher incomes. The last 25 years have seen dramatic improvements in educating citizens: the next 25 years need to see those citizens working in more and better paid jobs.

Research work completed in 2010

Research published in journals and books

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Panel Econometrics for Worriers.


Post-conflict Recovery and Peace Building.


Who Shares Risks with Whom Under Different Enforcement Mechanisms.


The CSAE runs a substantial doctoral programme and currently has 30 doctoral students from around the world. There follows a brief description of thesis topics opposite.
Meltem Aran
Measuring women’s revealed preferences and empowerment using experimental data

Meltem Aran is currently working on a paper that investigates the impact of the current economic crisis on household welfare and adjustment mechanisms in Turkey. Drawing on a special household survey conducted during the months of May–June 2009 in seven provinces of Turkey, the paper looks at (1) the extent to which aggregate shocks at the provincial level have translated into household-level labour income shocks; (2) the formal and informal safety nets households have utilised in times of need; and (3) how (particularly in the absence of safety nets) households have responded to income shocks through changes in consumption behaviour.

EMAIL: meltem.aran@economics.ox.ac.uk

Patrick Barron
What causes peace to consolidate? Understanding post-conflict violence in Indonesia

This thesis builds theory on why violent conflict re-emerges in some areas that previously experienced large-scale violence and not in others, and what causes different forms to emerge (or not). A mixed methods research design is employed allowing for an assessment of the causes of subnational variation in post-war violence within Indonesia. A new large-n dataset of over 100,000 violent conflict events in Indonesia from 1998 to 2009, constructed for this project, allows for the tracing of the evolution of violence incidence, impacts and forms. Three provinces that experienced different types of large-scale violence (civil war, inter-religious extended violence and ethnic riots) will be selected for in-depth study; within each, three districts, exhibiting different levels and forms of post-war violence, will be chosen. The comparative analyses will tease out provincial and local causal factors leading to divergence in post-war violence.

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Rulof Burger
Estimating the returns to education for South African workers since political transition

This dissertation investigates the effect of education on the productivity of South African workers. A variety of econometric techniques are used in order to address the biases that can plague the Mincerian returns, including the use of panel data, instrumental variable and structural modelling techniques.

EMAIL: rulof@sun.ac.za
Bet Caeyers  
*The impact of social and political networks on access to community-driven development projects*

In one case study, I investigate whether a household’s social networks and political connections matter for access to (decentralised) food aid in rural Ethiopia. In another case study, I look at the role neighbours play in the inclusion of vulnerable households in a community-driven development project in Tanzania, through their behaviour, their access to information and their political connectedness.

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Daniel Clarke  
*Insurance design for the poor*

How should agricultural insurance for the poor be designed? First, I characterise rational demand for indexed insurance and show that indexed products do not help to protect the most risk averse. Second, I argue that, in the presence of inexpensive informal insurance arrangements, formal insurance should be designed to target systematic, not idiosyncratic, risk. Third, I report on a series of insurance decision problems played by 378 Ethiopian farmers and argue that participants make complex decisions that are broadly in line with theoretical predictions. Finally, I present a model of catastrophic risk financing for governments, to motivate the use of contingent credit facilities.

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Matthew Collin  
*Essays on intrahousehold allocation, land rights and ethnic bias*

For one of my papers, I consider the size and duration of birth order effects on a variety of child outcomes in the Philippines. I also work on an innovative land rights project based in Tanzania, where I am investigating the impact of property rights on owner-renter matching, the determinants of including children on land titles, and the impact of gender-specific vouchers on female inclusion in land ownership.

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Paolo de Renzio

Buying better governance: the political economy of budget reforms in aid-dependent countries, 1997–2007

This thesis investigates the domestic and external factors affecting the outcomes of reforms aimed at improving the quality of government budget institutions across a sample of 16 aid-dependent countries. It provides a new definition of the quality of budget institutions, and develops an analytical framework that identifies the key factors at play in the political economy of budget reforms. The analysis combines a medium-N ‘pattern-finding’ approach with a small-N ‘process-tracing’ approach, with in-depth case studies of Mozambique and Burkina Faso (with additional evidence from Tanzania), looking at both overall reform trajectories and four specific budget reform areas.

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Paolo Falco

The determinants of income and occupational choices in African labour markets: evidence from survey data and field experiments

My research investigates the workings of African labour markets. Using a combination of survey and behavioural data from Ghana and Tanzania, I have studied the determinants of workers’ allocation across different sectors of the economy, with a particular focus on the role of attitudes to risk and uncertainty. Some of my efforts have been devoted to the measurement of vulnerability, where I have explored the use of a newly developed maximal heterogeneity approach to identify vulnerable worker types, and to the study of the direct impacts of vulnerability on well-being. I have further analysed the determinants of earnings from self-employment, with an interest in assessing whether the rise of the informal sector in developing countries may be an effective engine of growth. In connection to this work, I have investigated the impacts of microfinance on the performance of microenterprises in urban Ghana.

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La-Bhus Fah Jirasavetakul

Essays in labour economics: Thailand’s labour market adjustment and her industrialisation process

My thesis investigates alternative reasons for the fast per capita income growth observed in Thailand during the industrialisation process (the late twentieth century) using labour market and firm-level datasets. The empirical analysis rests on a comparison of predictions between the human capital augmented Solow model and the Lewis model of sectoral reallocation. The first chapter focuses on the labour supply side and the sectoral earnings model analysis based on the data from the National Labour Force Survey; the second explores the evolution of the labour demand and the sectoral migration pattern using the National Industrial Survey and Census; and the third is aimed at providing a comparative study with other small, open, developing economies.

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Gautam Kalani
Coping with risk in poor rural economies

Risk is an inescapable fact of life in every country, but it is more prevalent – and a graver threat – in poor rural regions than in developed economies. In the first chapter of my thesis, I analyse data from rural Pakistan to identify the impact of different risks on households in this region and explore the different informal mechanisms used by households to cope with these risks. In future chapters, I plan to analyse risk aversion and the take-up of microinsurance using data from experimental games conducted in rural Ethiopia.

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Naureen Karachiwalla
Essays in education incentives

This thesis will study the economics of the education sector, with a particular focus on the incentives faced by teachers. Two papers will look at how the extensive annual teacher evaluation system in Gansu province in China affects teacher and student outcomes. A third paper will focus on the effects of teacher placement and ethnicity on teacher and student outcomes in Kenya.

EMAIL: naureen.karachiwalla@economics.ox.ac.uk

Andrew Kerr
Informality and its implications for poverty in sub-Saharan Africa

My thesis focuses on labour markets in sub-Saharan Africa. I explore the impact of unions and the public sector on wage setting in South Africa and the impact of education reform in Tanzania and I develop a matching model of the Tanzanian urban labour market.

EMAIL: andrew.kerr@economics.ox.ac.uk

Martina Kirchberger
Natural disasters and labour markets

My research investigates whether there is evidence that changes in the relative prices of non-tradable to tradable goods induced by an increase in the demand for reconstruction lead to a reallocation of employment and wage premia across sectors in the aftermath of a natural disaster. Combining data from the Indonesia Family Life Survey and the US Geological Survey I study the effect of earthquakes on local labour markets in Indonesia. I find evidence for sectoral reallocation of workers as well as significant and persistent wage premia for individuals employed in sectors producing non-tradables in communities that were struck by an earthquake.

EMAIL: martina.kirchberger@economics.ox.ac.uk
Yuya Kudo
Essays on rural-to-urban migration and urban industrial performance in sub-Saharan Africa

My thesis consists of three empirical papers. Using long-run household panel data from rural Tanzania, the first paper explores the extent to which education plays a role in limiting the internal migration as a source of raising income and consumption. The second paper investigates how rural-to-urban migrants’ earnings compare with those of natives by applying the analytical framework of assimilation literature to data drawn from urban household panel surveys in Ghana and Tanzania. The third paper examines the sectoral difference in enterprise performance in urban Africa by exploiting the firm-level data of manufacturing and retailing drawn from enterprise surveys in seven African countries.

EMAIL: yuya.kudo@economics.ox.ac.uk

Christoph Lakner
Essays on occupational choice and educational mobility

My dissertation investigates the relationship between firm size and wages controlling for time-invariant unobservables and sample selectivity in matched firm–worker data from Ghana. In addition, I am interested in studying the development of educational inequality and mobility in Germany and other OECD countries in the last 60 years.

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Ingo Outes-Leon
Essays on risk, nutrition and poverty dynamics

My research centres on how uninsured risk can affect the welfare of households and individuals both in the short term as well as in the long term. In a set of papers using the Young Lives dataset, I explore the impact of shocks on nutritional status, cognitive development and working patterns of young children in Peru, India and Ethiopia. Using the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) dataset, I explore poverty trap dynamics and multiple equilibria in rural Andhra Pradesh. While in Ethiopia, I am currently involved in the evaluation of the Productive and Safety Net Program (PSNP) and a microinsurance randomised intervention.

EMAIL: ingo.outes-leon@economics.ox.ac.uk
Bilal Siddiqi

*Essays in law, institutions and conflict*

My research focuses on legal systems, conflict and development. My first paper exploits a colonial natural experiment to identify the impact of historical inequality on village-level public service delivery and economic development in Pakistan. My second paper creates and ‘tests’ a model of forum shopping between customary and formal legal systems in Liberia, using original household data on conflicts and disputes collected over 2008–9. My third paper is based around a randomised impact evaluation of a novel ‘mobile’ paralegal programme in rural Liberia.

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Abhijeet Singh

*Empirical essays in development economics*

The thesis proposes to look at issues of education, risk and poverty using survey data from India. In particular, the research focuses on the differential performance of private and public school children in India, and on the effect of notable education interventions such as the Midday Meals Scheme on children in public schools.

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**WEB:** [http://www.younglives.org.uk/who-we-are/younglives-people-individual-biographies/abhijeetsingh](http://www.younglives.org.uk/who-we-are/younglives-people-individual-biographies/abhijeetsingh)

Richard Stanley

*Civil war, peace and child survival*

My research involves measuring the relationship between war and child survival. Under-5s mortality rates tend to decline over the long term, whether or not a country has experienced a civil war. Using demographic and health surveys of African post-conflict countries, I find that mortality rates improve significantly in the early post-conflict period, and that this is the result of influxes of aid and stability.

**EMAIL:** richardlstanley@gmail.com

Gerhard Toews

*How do oil price changes affect household welfare via institutional changes?*

Based on a Household Budget Survey of Kazakhstan the effects of the recent oil price boom have been studied, indicating a decrease in income inequality in the oil-rich regions. Identifying the institutional changes, triggered inter alia by the oil price change, I am trying to explain the main transmission mechanisms causing the change in the redistribution of mineral wealth.

**EMAIL:** gerhard.toews@sant.ox.ac.uk
Ana Vaz

*Essays on economic development: social influence on political attitudes and individual turnout within Mozambican households*

The starting point of this paper is that interventions aimed at raising political participation tend to affect many more people than those who are directly targeted. This happens because the effect of the interventions is likely to be spread along the social network of the targeted individual, as this individual exerts social influence on the people with whom he or she interacts. I used data from a randomised field experiment, conducted during the October 2009 elections in Mozambique, to study the social influence within households.

**EMAIL:** ana.vaz@sant.ox.ac.uk

Bruno Versailles

*Aid and regional integration*

My DPhil is made up of two main parts. First, there is a theoretical part exploring linkages between aid flows and regional trade integration in a unified macroeconomic framework. A computable general equilibrium model identifies the real-world implications of the model with an application to the East African community [EAC]. Second, the integration of goods markets for four countries of the EAC is looked at through using a unique database on consumer prices, linking distance, price movements and exchange rates across the region.

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Jan von der Goltz

*Essays in development and environmental economics*

My research explores the impacts of climate and weather volatility on welfare in low-income countries. It seeks to enhance the measurement of extreme weather events, and to propose ways to explicitly treat the role of information.

**EMAIL:** jan.vondergoltz@qeh.ox.ac.uk

Kate Vyborny

*Essays on government redistribution in developing countries*

I study empirically the impact and unintended consequences of various forms of government redistribution, and what we can learn for improving their effectiveness. Empirical applications include assessing the extent of crowding out of private transfers by community-targeted public cash transfers in a natural experiment in Pakistan, and testing political determinants of the geographic distribution of the public procurement of wheat in Punjab, Pakistan.

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Ghada Fayad

*The macroeconomics of migrant workers’ remittances*

My thesis contributes to the growing literature on the macroeconomic effects of migrant workers’ remittances in terms of their Dutch disease effect and growth prospects. My Dutch disease analysis focuses, theoretically and empirically, on the Middle East and North Africa region for its rich (intraregional and international) migration patterns. The growth prospects of remittance transfers are empirically analysed for a large set of developing remittance recipients, where the channels through which remittances may enhance manufacturing sector and overall growth are explored.

Christian Helmers

*Spillovers, innovation and firm performance*

My dissertation analyses the link between innovation, spillovers and firm performance. The focus of my dissertation is to incorporate a firm’s intellectual property (IP) and spillovers into the existing structural production function framework in order to analyse the effect of interfirm spillovers on firm-level productivity. In addition, in other chapters of the dissertation, I analyse the effect of IP on firm performance measured as survival and growth of start-up firms using firm-level data for the UK.

Fadel Jaoui

*Essays in international macroeconomics*

The broad theme of my research is financial crisis prevention in emerging economies. I am currently investigating the implications of exchange rate policy—exchange rate regime choice and capital account restrictions on the likelihood and intensity of financial crises, looking at a broad sample of emerging countries over the past two decades. I am also examining the effect of capital controls on the probability of currency crisis occurrence as well as the optimal interest rate defence policy against speculative attacks based on a currency crisis model of a small, open, economy within a global games framework.
**Sofya Krutikova**  
*Schooling and beyond: essays on skill formation and learning in deprived contexts*

My thesis explores learning and formation of cognitive and non-cognitive skills within formal and non-formal environments, in three separate empirical studies. I consider skill acquisition and learning in a number of spheres. First, I adopt the conventional notion of school-based learning and examine the role of income shocks in evolution of schooling inequalities, in rural Tanzania, using data from the 13-year panel Kagera Health and Development Survey (KHDS). I find evidence of shock-induced permanent changes in the within household distribution of schooling 10–13 years later among those who were children at the time of the shock. Further, I find that the household short-term child labour response is likely to be one of the mechanisms for these long-term effects. Next, I broaden the definition of learning to include acquisition of non-cognitive skills. The second paper is an evaluation of a long-term non-formal schooling intervention in Bombay slums, which works on raising the non-cognitive skills, including self-esteem, a sense of agency and aspirations of children. It shows that, like cognitive skills, non-cognitive skills can be effectively raised through sustained intervention, offering evidence of substantial positive programme effects. The final paper relates to social learning, emphasising the influence of the peer group on individual behaviour. Here, I utilise migration among young women in rural Kagera between economically homogeneous communities to show robust evidence of social effects in their fertility behaviour.

**Priscilla Muthoora**  
*Public finance and growth in sub-Saharan Africa*

My thesis consists of three stand-alone essays examining the non-neutral role of the government in African growth. Two of the essays are ‘backward-looking’ empirical studies on a panel of sub-Saharan African countries. In the first, I document the sources of growth in sub-Saharan Africa (SSA) and provide explanations for the recent pickup in growth. In the second, I examine the deficit bias of governments in SSA in the context of the tax-smoothing hypothesis due to Barro (1979). The third essay is a simulation-based study examining the effects of alternative public spending choices on growth and welfare in a small open African economy.
Natalie Quinn  
*Measuring poverty over time*

This thesis tackles the problem of aggregating welfare data across individuals and over time, in particular to construct measures of poverty which account for the trajectories of well-being experienced by individuals or households. I take weak and normatively highly desirable properties as axiomatic to construct a broad class of suitable measures. In one chapter (joint work with Catherine Porter), we analyse the properties of the induced trajectory ordering in more detail, arguing on normative grounds that intertemporal compensation of well-being must not increase as the level of well-being decreases. This enables us to suggest a new family of intertemporal poverty measures, which we apply to analyse poverty in rural Ethiopia in the period 1994–2004. We also show that this property precludes pure duration sensitivity, making the intertemporal poverty measures proposed inapplicable to the measurement of chronic poverty. However, it does open up the possibility of decomposition into chronic and transient components, which I explore further in another chapter. The final chapter will take a more positivist revealed preference approach to characterise empirically properties of individuals’ intertemporal preferences.

Simon Quinn  
*Credit and legal status in Moroccan manufacturing*

In this thesis, I study the relationship between Moroccan manufacturing firms’ choice of legal status and their access to bank overdraft facilities. I find that Morocco’s corporate law reform of 2001 harmed manufacturing firms’ access to bank overdraft facilities and I consider possible reasons for this.

Alan Sanchez  
*Essays on child development and cognitive skills formation in Peru*

The main objective of my thesis is to study the relationship between investment in nutrition (during early childhood) and schooling (during mid-childhood) on later cognitive outcomes. To this end I use longitudinal data from two cohorts of Peruvian children that [so far] have been followed for 5 years since they were 1–2 years old and 7–8 years old, respectively (Young Lives Project). Information on adverse climate events at the community level and changes in educational policy are used to instrumentalise early nutrition and schooling, respectively.
Nicolas Van de Sijpe

Foreign aid and government behaviour

My thesis contributes to the aid effectiveness literature by analysing two aspects of a recipient government’s response to foreign aid: fungibility and the nexus between aid and governance. The first chapter provides an in-depth review of fiscal response models and fungibility studies, from both a theoretical and an empirical perspective. To relax the treatment of fungibility as an exogenous parameter, I formulate a simple principal agent model that can be used to examine some of the circumstances in which aid is (not) fungible. I highlight two empirical problems that pervade much of the literature, namely the inappropriate treatment of off-budget aid and the lack of comprehensive data on the intended purpose of aid.

The second chapter attempts to deal with these problems in order to obtain more reliable estimates of fungibility in the education and health sectors. I construct a unique dataset of education and health aid disbursements. These data, to some extent, also allow the decomposition of education and health aid into an on- and off-budget component, enabling a more precise assessment of fungibility. Sector programme aid is the measure of on-budget aid, while technical cooperation serves as a proxy for off-budget aid. The key result from this chapter is that technical cooperation causes at most only a minor displacement of recipient public expenditure, implying limited fungibility.

The final chapter examines the effect of aid on recipient country governance. In contrast to the majority of studies in this literature, I find no robust evidence associating aid volumes with worse governance. Based on a review of the theoretical channels proposed in the literature, I argue that different aid modalities (i.e. different ways to deliver aid) may have distinct effects on governance. I construct a dataset that disaggregates aid disbursements into government and civil society aid, programmatic aid, investment projects, technical assistance, and a residual category containing all other aid. While none of the other modalities exhibit an effect on governance, technical cooperation is found to weaken government institutions.
Policy questions can only be answered with relevant microdata on households, on firms and on individuals (see page 19)
Policy committee

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<tr>
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</table>
The research team and areas of specialisation

Dr Christopher S. Adam: Reader in Development Economics and Official Fellow of St Cross College: macroeconomics and applied macroeconometrics

Dr Janine Aron: James Martin Fellow, Oxford Martin School, and Research Officer: international economics, monetary economics, applied macroeconometrics on the South African economy

Dr Monazza Aslam: Research Officer: economics of education and microeconomics

Dr Abigail Barr: behavioural and experimental economics applied to development issues

Dr Erlend Berg: British Academy Postdoctoral Fellow in Economics

Dr Sambit Bhattacharyya: Research Officer: economics of comparative development, institutions and poverty

Professor Paul Collier: Director CSAE, Professor of Economics, Professorial Fellow of St Antony’s College: governance in low-income countries, political economy of democracy, growth in Africa, civil war, aid, globalisation and poverty

Professor Stefan Dercon: Professor of Development Economics and Fellow of Wolfson College: microeconomics, poverty and welfare analysis

Dr Markus Eberhardt: Research Officer, ESRC Postdoctoral Research Fellow

Professor Marcel Fafchamps: Deputy Director CSAE, Professor in the Department of Economics and Professorial Fellow at Mansfield College: applied microeconomics

Dr Anke Hoeffler: Research Officer: macroeconomics, growth and economics of conflict

Dr Christopher Ksoll: Research Officer: development economics, applied microeconometrics, family networks and insurance, HIV/AIDS and orphans, information technology and rural markets

Dr Kim Lehrer: Research Officer: development economics, applied microeconometrics, project evaluation, the economics of education, labour economics and gender issues

Dr Justin Sandefur: Research Officer: labour economics, programme evaluation

Dr Francis Teal: Deputy Director CSAE, microeconomics of firms and labour markets

Dr Andrew Zeitlin: Research Officer: development economics, applied microeconomics
CSAE support team

**Suzanne George**: Administrative/Publications Officer (on maternity leave)

**Hana Leithgoe**: Administrative/Publications Officer

**Karin Loudon**: Communications Officer

**Rose Page**: Administrator

**Richard D.W. Payne**: Information Services Officer

**Martina Siertsema**: Personal Assistant to the Director/Administrative Officer

**Gail Wilkins**: Administrative/Finance Officer

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Research associates

**Dr Manos Antoninis** [Oxford Policy Management]: education and labour markets

**Dr Simon Appleton** [Nottingham University]

**Dr M. Niaz Asadullah** [Reading University and SKOPE, Oxford University]: development economics

**Professor J.-P. Azam** [University of Toulouse], Senior Associate Member of St Antony’s College: francophone and lusophone Africa

**Dr S. Bandyopadhyay** [Oxford Department for International Development]: development economics

**Dr Alberto Behar**: labour demand, cross-country growth spillovers, skill-biased technical change

**Professor S. Bhalotra** [University of Bristol]: applied microeconomics, health, education and gender and the family in low-income countries

**Professor Arne Bigsten** [University of Gothenburg]: rural development and Kenya

**Professor D. Fielding** [Leicester University]: macroeconomics

**Professor P. Guillaumont** [CERDI]

**Professor S. Guillaumont Jeanneney** [CERDI]

**Professor Jan W. Gunning** [Free University of Amsterdam]
Research associates continued

K. Hanson (London School of Tropical Hygiene and Medicine): health economics

Dr John Hoddinott (IFPRI)

Dr Catherine Jenkins: macroeconomics, regional integration, South Africa and Zimbabwe

Dr G. Kambou (ADB)

Dr Bereket Kebede (UEA)

Dr Bill Kinsey (Free University of Amsterdam): economic anthropology

Dr Pamela Krishnan (Fellow of Jesus College, Cambridge): labour economics

Dr Ron Leung (Development Research Department, African Development Bank)

Dr Adeel Malik (Lecturer, Development Economics, Oxford University)

Dr N.A. McCulloch (Institute of Development Studies, University of Sussex)

Dr Alexander Moradi (Lecturer, School of Social Sciences and Cultural Studies, University of Sussex)

Professor B. Ndulu (World Bank)

Professor S. O’Connell (Swarthmore College): macroeconomics

Dr Remco Oostendorp (Free University, Amsterdam)

Dr Trudy Owens (Nottingham University)

Professor T.A. Oyejide (University of Ibadan and African Economic Research Consortium)

Dr John Page (The Brookings Institution, Washington, DC)

Dr Catherine Pattillo (International Monetary Fund)

Dr Catherine Porter (Department of Economics, Oxford)

Dr R. Reinikka (World Bank): macroeconomics of trade liberalisation

Dr Elizabeth J.Z. Robinson (Tanzania): environment, resource and agricultural economics

Dr Christian Rogg: asset portfolios, precautionary savings and risk management

Dr Pieter Serneels: microeconomics, behavioural and labour economics

Dr Mans Söderbom: microeconomics, labour markets, productivity, investment, firm performance

Dr C. Soludo (University of Nigeria, Nsukka): Nigeria

Dr D. Stasavage (London School of Economics): politics of macroeconomic policy, political economy of emerging markets, monetary integration, corruption and development
Research associates continued

**Dr Kang Tan**: international macroeconomics, adaptive learning, applied econometrics

**Professor John Toye** (Senior Research Associate, Queen Elizabeth House): development economics and the political economy of development

**Dr Zaki Wahhaj** (Lecturer, Economic Development, Queen Elizabeth House): gender and economics of the family, social norms, informal institutions, risk-sharing, and microfinance

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**Visiting academics**

- **Abubakari Addy**, University of Cape Coast, Ghana, June 2010 to July 2010
- **Mahmudu Bawumia**, November 2009 to November 2010
- **Christine Binzel**, German Institute for Economic Research, Berlin, March 2010
- **Richard Brown**, Faculty of Business, Economics and Law at the University of Queensland, April to June 2010
- **Jacobs de Hoop**, Tinbergen Institute VU University, November 2010
- **Joachim de Weerdt**, October 2009 to September 2010
- **Robert Dowd**, Notre Dame University, August to December 2010 (religion, development and democracy in sub-Saharan Africa)
- **Thomas Flochel**, University of Edinburgh, October 2009 to July 2010
- **Markus Haacker**, London School of Tropical Hygiene and Medicine, October 2010 to September 2011
- **Christian Kingombe**, UNCTAD and Imperial College London, July 2009 to June 2010
- **Noah Mutoti**, Central Bank of Zambia, October 2010 to December 2010
- **Aggrey Nirigingiye**, Makerere University, April 2010 to June 2010
- **Douglason G. Omotor**, Delta State University, April 2010 to June 2010
- **Jeremy Streatfield**, George Washington University, June 2010 to July 2010