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A Program for the Advancement of African Economics

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**A Program for the Advancement of  
African Economics**

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## Introduction

This is a proposal for the formation of a US-Africa Science Foundation. This foundation will support basic research among scholars based in African universities and research institutions, on the one hand, and scholars based in the US, and particularly the African Diaspora community, on the other. The primary goal will be to foster collaborative links between the two groups. For the African based researchers, the principal benefit will be to help further internationalize (or globalize) their activities and to give such researchers access to the contacts and experiences of their US based colleagues. For the US based researchers, the primary benefit will be to help provide on the ground, African experiences and local knowledge for use in their research.

This proposal makes the case for a Program or Foundation for the Advancement of Africa Economics. This program will offer research grants, sponsor workshops and seminars and ultimately have teaching/curricular programs as well as a publications program. There will also be a component, to be described later, to foster the dissemination of the research output with a view to supporting policy making and enhancing the awareness in Africa of many of the economic issues of the day. Enhancing the awareness in Africa of many of the development issues of the day is central to the concept of the "Development University" that is often talked of. The latter aspect of the proposal could help further thinking this idea through, at least as far as the economics field is concerned.

The collaborative research, teaching exchanges, workshops, and seminars will strengthen African universities by improving the research environment of African researchers, thereby making it more likely that they will stay in research and do so in Africa. The African and US institutions may be strengthened by an increased internationalization of the curriculum on both sides. This will be both in the theoretical dimension of more modern tools and frontier research methods, as well as in the more applied areas, introducing a greater appreciation for the problems and environments of the economies in Africa.

Too often, the skills of Africans who, living outside the continent, are written off as lost-the so-called "brain drain". The Africans who live abroad are often made to feel guilty about "betraying" Africa for not going back to do something about the economic situation back home. This proposal seeks to engage the Diaspora community in the development of Africa. Ultimately this will help change the direction of the brain drain (which, as we will refer to later, is better referred to as "brain circulation") to the benefit of Africa.

The internationalization of the research and teaching envisioned in this proposal will have other benefits. By improving the public policy debates and setting them within the context of the larger global economy, the different policy tradeoffs will become clearer. Experiences of other countries will become readily available when discussing economy policy options. In the longer term, this program will therefore assist in the formulation of improved economic policy.

This proposal will first make the case for a Program in African *Economics*. We remark later on that this could also serve as a model for a Program in Social Sciences. The hope is to begin with economics and gradually extend the research collaboration to the rest of the social sciences.

We believe that the new information technology world now makes the collaboration between African-based and US-based scholars and researchers feasible. The use of e-mail will allow constant contact between researchers on different continents. Indeed, there are many famous cases of researchers collaborating on important works who have never met face to face – all communication goes through the Internet. Whereas in the past the collaborative network proposed here would face insurmountable communications difficulties, it is now possible to achieve that collaboration with relative ease. As part of this proposal, as we shall indicate later, we will advocate not only the use of the internet in communication, but also in dissemination of research and in the production of databases to be housed on the internet.

## Research as the Engine of Growth

It is well known that it is new ideas that create growth in economies, especially in this world of the digital revolution. In some sense this is even more important for Africa. Given the challenges faced by the continent, new ideas and approaches are often called for. Many of the issues Africa confronts are new, and in many ways different from those the rest of the world faces. This calls for critical research on issues facing the continent.

It is almost a banality to say that getting economic policies right is essential for economic growth. Slightly less banal is the statement that it is important to do research to figure out what the correct policies are. In Africa there is yet another dimension. There is quite a bit of argument and controversy over basic economics, and these issues and debates can have major impacts on politics and ultimately the livelihoods of many Africans. For example, one major issue of perpetual concern is that of the exchange rate. Tinkering with the price of local currency in terms of foreign ones can actually bring down governments (Ghana in early 70's). Small changes in the price of rice or maize can lead to street riots resulting in loss of lives. Reductions in subsidies on gasoline products at the pump can cause countries to come to a standstill and may even cause the collapse of national governments (Nigeria).

Encouraging discussions on basic economics among the general population, including civil society organisations is therefore critical, not only for sustainability of the policy actions necessary for growth, but also for the survival of the national institutions and the basic political structures. Such discussions will make clear the different tradeoffs involved in adopting the various economic policies. Consider yet another example. In many African countries, there is a lot of protest at the high interest rates that exist in the formal banking system of local economies. In some countries this can run as high as 50%. There are typically many protests from the business community about this situation. The argument typically made is that at such high interest rates, no business can borrow and expect to make money after paying such onerous interest rates. Protests by business can seriously undermine the stability of the national governments. On the other hand, in the countries where the interest rates are around 50%, say, the inflation rate is even much higher. This means real rates of interest are negative. If you can get your hands on money from a local bank you would want to borrow as much as you can. You could then invest in any instrument that provides even a 0 real rate of return and pay the loan back in depreciated currency. (One tactic often used is to convert the local currency into foreign currency, save the currency in a foreign bank or buy some imported goods whose real value is assured to remain the same, and reconvert it at a later date. This is how the favored elite made fortunes in the bad old days of the controlled-economy 1970's). The point here is that although people may focus on the high interest rates as a signal of things going bad in the economy, the problem could be somewhere else (e.g. pressures on the fiscal budget due to high wage demands).

The point here is not that one particular economic model is better than another, but that most economic policies involve some kind of tradeoff of one thing for the other. If there is more discussion and understanding of these tradeoffs, citizens will be able to make more informed protests – hopefully not destroying national institutions in the process. Part of the problem, of course, is that many in Africa believed, usually correctly, that economic policy decisions in general and choices of the various tradeoffs were being made by outsiders who do not necessarily have the best interest of Africa at heart.

In the 1980's and 1990's many observers began to raise alarm about the lack of African voices in the world policy debates. The World Bank was worried about the lack of participation of African professionals in the formulation of the Bank's programs. There was the realization that it is important that the decisions come from Africans and that African voices be heard in the debates. This concern led to the formation of the African Economic Research Consortium by some major foundations, the World Bank, and others. The goal of this effort was to help in the training of African based professionals, through a collaborative MA program as well as research grants, seminars, etc, for research and scholars--again, African-based.

In the US, the concern about the lack of African voices led to the establishment of the African Finance and Economics Association (AFEA), a professional body of US-based African Economists and Finance professionals. The association runs a scholarly journal, the Journal of African Development and Finance (JAFED), and also holds workshops at seminars, usually at professional meetings (e.g. the Allied Social Science Association/American Economics Association meetings held in the US annually.) On the US side, there was another reason for the establishment of AFEA. Most of the membership of AFEA consists of professionals, for the most part university professors, born in Africa but working in the US. For many of such professionals, there is the feeling of not being in touch. Such people work in US institutions, often on US –inspired issues and problems, using US datasets, and very often without any contact with other Africans. After a few years, there is often the feeling of losing touch with the realities back home. There then sets in a yearning to reconnect and indeed, if possible, to start working on problems relevant to Africa. It is this yearning that is the other reason for the establishment of AFEA.

The two sides, the Africa-based researchers on the one hand, and the US-based African or Africanist professionals on the other hand, have so far had very little contact with each other. Many African junior professors we have had discussions with, indicated that they did not know of anyway of getting assistance in doing Africa-based research. Indeed, many of the US sources of assistance for professors, e.g., the National Science Foundation (NSF) and the National Bureau for Economic Research (NBER) seem, over time, to be getting more and more focused on domestic US issues. On the African side, although there are a few opportunities for collaboration with US based professionals, these are primarily for management and policy professionals who work at local central banks, finance ministries or development banks. Opportunities for collaboration on research are rare. The goal of this proposed Program in African Economics is to encourage the two groups to work together on research and issues pertaining to Africa.

The next two sections describe in more detail the two halves of the proposed foundation: the Africa-based and the US-based halves. After that we provide concrete details as regards what is being proposed. We then catalogue some of the other institutions and foundations that provide related research grants. Some of these (e.g. between the US and Israel and also between the US and Latin America) are models that we have used in designing this proposal. Others are grants that are targeted to Africans but do not quite fulfill goals of this proposal. As remarked earlier, this proposal is the first step in what we hope will be a bigger enterprise, with extensions to the other social sciences and networks in Africa beyond the AERC.

As will become clear later, there are two aspects of this proposal, in terms of capacity building. First, there is individual capacity building, increasing the effectiveness and human capital of each researcher that takes part in the program. The program will also be designed to effect institutional change and improve the institutions in Africa. This will eventually help towards sustainability of this program. As the economies of African countries improve, the national governments and national business communities and donors will see the importance of funding the program.

## **Brain Drain or Brain Circulation?**

The Rockefeller Foundation funded a study by the Social Science Research Council to determine what percentage of the Africans who obtain Ph.D. at North American Universities return to Africa. Contrary to anecdotes that one often hears, this number is fairly large - 62% of Africans gaining their Ph.D. in the period 1986-1996 returned to Africa. The percentage for economists is even higher - 66%. In particular, that study suggests that 2/3 of the African Ph.D.'s in North America economists return to Africa.

Of course, if 2/3 of the African recipients of Ph.D.'s in the US and Canada return to Africa, there is still left 1/3 of the Ph.D.'s in the North America. Part of this group ends up in international institutions, primarily the World Bank, where they often play an important role in African development anyway. The majority of the 1/3 that stay in North America, however, end up in North American Universities. In most cases, this 1/3 is written off, as a lost cause, investment wasted. As has been remarked earlier however, this is a group that is actually very anxious to participate in the development of Africa. This proposal suggests a method to harness this "written off" stock of human capital for the development of the African University in particular, and African development in general. The numbers involved are potentially large, especially relative to the need and size of economics departments in Africa.

The African Finance and Economics Association (AFEA, to be described in detail later) estimates its current membership at around 150. This is a small fraction of the African economist working in the US, many of whom are not yet AFEA members. Most of the membership is in US academic institutions. Every seven years, such researchers have available a year's sabbatical. This would mean that just from AFEA sources, something

like 21 people are on sabbatical in a year. Given that the size of a typical African Economics department is relatively small (e.g. the University of Ghana has 15 full time Economics faculty positions and is one of the relatively big ones), 21 is therefore a large number of professors relative to the size of economics departments in Africa.

Another misconception that is often made is to think that Africa-based economists, or more generally university professors, spend all their time in Africa. Many African based researchers actually more often than US based researchers, spend more time in outside their stations. You are more likely to see a locally based African economist visiting a US university, research institute or the World Bank in Washington than you are to see a US based African economist visiting an African university. Many of the Africa-based researchers count on their interactions abroad to keep in touch with the academic profession, which keeps them focused and excited about their chosen professions. Without the professional contacts with people outside their home universities, there may be an even bigger brain drain of local African Professors to secondary and non-academic activities within their home countries, than currently is the case. This is perhaps the brain drain that should be getting more attention.

This proposal will definitely help African based scholars stay in touch with the international community. By making research more intellectually fulfilling, this may mitigate the internal brain drain from African universities to the African non-university sector. This proposal advocates having professional seminars and workshops in Africa. This too may induce more African scholars to spend time in Africa rather than abroad when seeking professional contacts. Currently, since at any time local African faculty may be away at conferences, staffing at African universities is much more severely constrained than the already depressing superficial staffing numbers indicate. Although the staffing numbers may indicate a particular faculty student ratio, the effective ratios may be much lower since professors are visiting other universities or away on conferences and seminars for extended periods. This proposal can help by making available, from the Diaspora community, teachers to staff some of the classes.

We now turn to the training component of this proposal. Since the late 1970's external donor support for overseas training has declined steadily. Phased out are the grants that used to be provided for institutional development by the Rockefeller Foundation, the Ford Foundation and the International Development Research Center. Yet many studies have indicated that there is currently an acute shortage of Ph.D.'s in Economics in Africa. For example, Jeff Fine estimates that there have been about 11 doctoral students gaining Ph.D.'s in overseas universities every year from all of anglophone Africa since the mid 1980's. The studies quoted by Jeff Fine show that even at conservative estimates, the needs for economists in the universities, private and public sectors, exceeds supply by factors ranging from 2:1 to 7:1. Take Kenya for example, where demand for Economics Ph.D.'s in Kenya for decade 1996-2006, is conservatively estimated at 84, while the total number expected to be produced in that period is estimated at only 9.

The AERC is currently planning for a collaborative Ph.D. program based in local African Universities. The program proposed here will assist the AERC in this effort. First, as

mentioned earlier, it may open a relatively large pool of human capital to help in staffing the Ph.D. classes. Second, the Diaspora community can assist in various sandwich programs where students in the collaborative Ph.D. program go abroad to take some classes, and then return to their home universities to write their dissertations. In the absence of such innovative arrangements, and there is not an increase in this number of Ph.Ds coming on stream, the AERC may be unable to sustain its collaborative masters programme, let alone its prospective doctoral programme. The program proposed here could help in assisting AERC with its mission.

In the next section we describe the Africa half of this proposal. We shall highlight what we perceive as the benefits this proposal will provide for the Africa end of the proposed US-Africa collaboration. Following that, in the next section we will describe the US half of the collaboration. It must be stressed up-front that we believe that both sides will benefit tremendously from the proposed collaboration. In particular, we do not see this as charity from one side to the other. We believe that both halves will complement the other for the good of all.

## **The Africa-based half of the Program: AERC**

The Africa part of the Foundation is represented by the African Economic Research Consortium, AERC with the possibility of other networks coming on board in subsequent phases. The AERC was founded in 1988. The formation was based on two basic premises. The first, as we mentioned earlier, is that good economic policies are essential to sustained economic growth. Second, the AERC focuses on locally based research conducted by resident national economists. Private foundations, bilateral aid agencies, and international organizations (the World Bank) support the AERC's programmes and secretariat.

The AERC is governed by a Board of Directors made up of sponsoring member institutions and which is responsible for the setting of policy and approving annually the program of work and the budget. There is also an advisory board made up of leading researchers and policy-makers, responsible for setting the research agenda, and preparing material for approval of the Board of Directors. There is also a small secretariat based in Nairobi, Kenya.

The focus of the AERC is on locally based researchers and institutions. The AERC provides support in four main areas. (1) Research support for teams of researchers in areas approved by the advisory board. (2) Conferences, Seminars and Workshops. These take the form of either thematic workshops on some particular issues, national conferences on issues relevant to a national African economy, teaching related seminars and workshops and finally research seminars to publicize work of supported research teams. (3) A training program which includes a collaborative MA program as well as modest awards to assist teaching departments, local economic associations, graduate theses, etc. (4) Finally, the AERC assists local researchers, and supported research

teams, publish and publicize their findings through a Research Paper series as well as book volumes.

This proposal in the first phase, may be considered an extension of the AERC program. The current proposal seeks to extend the first two areas of the AERC, research and workshops, to US based researchers. It is our hope that this proposal can later grow to include US based researchers in the training program and publication activities of the AERC (areas (3) and (4) of the AERC objectives).

Larger numbers of US based African economists are slowly gaining prominence in the American academic community. Many now have editorial positions in the leading economics journals. Collaboration with US based scholars, especially collaborations between junior African scholars and senior US scholars could result in a decent amount of mentoring and also advice as regards publication in the top economics journals, many of which are US-based.

Many others are receiving grants and awards from US based professional institutions like the National Science Foundation, the National Bureau of Economic Research, Brookings Institute, etc. When African-based scholars team up with their US-based counterparts, many of these well-funded US institutions then become partly available to them through their collaboration.

It is well known that conditions in Africa for researchers are exceptionally difficult. Stories abound of professors moonlighting as taxi-drivers. Salaries are so low as to be almost meaningless. The current salary of full professor at the University of Ghana, Legon, converted at the current exchange rate is \$2,500 per year! Many professors maintain their research by visiting economics departments in the US to give talks and seminars, picking up small honoraria here and there. More exchange between US and African faculty could further improve the viability of doing research for African based professionals.

The AERC typically focuses its grants on macroeconomic policy and poverty alleviation. The proposed foundation will have a broader mandate and will choose topics based on usual research criteria. Although some emphasis will be on the topics focused on by the AERC, there will be slightly more leeway to fund academic topics.

We are hoping the AERC funding agencies will be very happy with the proposal. It is, after all, enhancing the investments of those agencies.

## **The US or Diaspora Community Based Half of the Program: AFEA**

The African Finance and Economics Association was formed in 1988. It is a professional association for economic and finance scholars. Although it is open to all interested parties from all over the world, most of its membership is drawn from African-born

researchers based in US and Canadian institutions. The mission of the association is to enhance collaboration between its members as well as colleagues based on the continent on issues relating to the economic development of Africa. It now currently has about 150 members who participate in its activities. This number is expanding fast, and the association is quickly getting membership from Europe.

The association publishes a scholarly journal, *The Journal of African Finance and Development* (JAFED). The association also regularly organizes seminars at ASSA (allied Social Science Associations) meetings. These meetings are annual, and the largest meetings of professional economists in the US. For the January 2001 meetings the association had two sessions with 8 papers presented. (For those 8 slots, there were 32 proposals submitted!)

It becomes very clear, upon attending AFEA meetings, that there is a very strong desire among Africans based in the US to re-connect with Africa and to assist in the development process. It is also very clear that there are not too many channels available. The program proposed here seeks to establish a well-known institution to assist the researchers who want to direct their human capital to the advancement of Africa.

## **What Precisely is Being Proposed in This proposal?**

We are proposing the establishment of a Program for the Advancement of African Economics. The goal is to enhance collaboration between African based researchers and those in North America. A number of activities are proposed under this program.

### ***Collaborative Research Grants***

These grants will be given out to teams of researchers, with the stipulation that at least one member should be based in Africa and the at least one based in North America. These grants will be given out to aid research work in Economics on subjects of relevance to Africa. Judging from the proposals submitted for presentation at the Annual North America Economics meetings (the ASSA/ Econometrics Society Winter Meetings) we have made some estimates as to the number of teams that can be supported. (See the budget pages).

### ***Professional Workshops and Seminars***

These seminars will be held primarily in Africa, once or twice a year. If a few universities (e.g., Makerere, Dar es Salaam, Legon) are carefully selected to hold the seminars on a regular basis, this could lead to capacity building within those institutions.

One of the more prestigious associations for professional economists is the Econometrics Society. The Econometrics Society confers the very prestigious award of "Econometrics Society Fellow" to leading members of the Profession. There are many regional econometrics societies. There is one for Latin America (LACEA), one for North

America, one for Europe and one for Asia. There is however none for Africa. When this Program gets off the ground, one of the first things would be to form an African Econometrics Society, and perhaps have the Professional workshops merge with the regional Econometrics Society meetings. Formation of an Econometrics Society has one advantage: the Society subsidizes the regional meetings! These subsidies come from the Econometrics Society endowment as well from revenues from the society journal (*Econometrica*).

### ***Public Seminar Series***

There is usually the concern that research does not filter to policy makers or the general population. Associated with this concern is usually the demand, as mentioned earlier, for a "Development University" where the human capital is focused directly on the development challenges. As indicated at the beginning of this proposal, research, especially economic research, is important in informing public discourse. To this effect, we propose the formation of a Public Seminar series. Speakers in this series will be professional economists. The audience, however, will be a much more general audience. Speakers will be instructed to present the broad policy implications of their work in a manner that can easily be carried by local African newspapers and radio.

In the US, the seminar series at Yale University and also at New York University have had many economists speaking to general audiences on topics of concern to Africa. These test cases show that there is both interest on the part of the general audience as well as interest of the professional economists in making public presentations.

### ***Research and Teaching Exchanges***

From the North American side there is quite a bit of interest in spending time in Africa to see what is happening on the ground, as well as to acquire original data sets. It was mentioned earlier that the membership of AFEA is about 150, and that every seventh year university professors get their sabbatical leave. From this pool alone we get a decent number who are willing to spend time in Africa. Even 5 full time US based researchers can spend a year in Africa, it will make a difference. Many economics departments in African universities have less than 10 full-time faculty members, and these are not always really full time since financial pressures often dictate that they either have other jobs or travel a lot. Scholars on sabbaticals or who have research funding, from say the US National Science Foundation, may want to spend time in Africa doing their research. Such scholars would be relatively cheap to entice, since there are only minimal amounts to pay. Further, many US based African born scholars may want to return to their home countries for emotional reasons, and so may be much easier to recruit to teach in African Universities.

On the other hand, research visits by African based scholars to US based institutions could be critical in ensuring that the African based scholars are able to overcome the financial difficulties and remain in research.

### ***Training Ph.D. students***

For the intermediate term, while Ph.D programs are developing in Africa, we can think "Pipeline" where there is the collaborative MA program for African students who then do their Ph.D.'s, either a part or all, in North America. There are plans at several US east coast universities to bring in African students into their Ph.D economics programs via their Africana divisions. A related pre-doctoral program has been in effect at Yale University for several years now. The membership of AFEA can then help in locating exchange program arrangements in US institutions for African students to pursue.

We may also think of the reverse. Students in the US, including students who are on financial aid provided by the US schools, may be encouraged to spend a year in Africa and to do their Ph.D. research there.

## **Extending to other organizations**

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## **What else is out there?**

Two programs we used as modeled for this proposed program are the US-Israel Binational Science Foundation ([www.bsf.org.il](http://www.bsf.org.il)) as well as the US National science foundation ([www.nsf.gov](http://www.nsf.gov)).

As regards other bodies that provide research and teaching assistance similar to what we propose here and that we are aware of are the following:

### ***The World Bank Japan Program***

The World Bank Japan Program is a graduate fellowship program and is aimed primarily at mid-career professionals in government and the financial sector. The fellowship is open to people from all member countries of the World Bank. The program pays for a maximum of two years tuition and stipend to attend a Ph.D. Economics program, primarily in North America and Europe. Of the 28,000 people who have applied for this program since its inception more than half of the applications (13,954) have come from Africa. This indicates an extreme need for funding for graduate training in Economics.

### ***Center for the Study of African Economies at the University of Oxford.***

University of Addis Ababa, Ethiopia, has a staff development program with this Center.

### ***AERC-IMF visitorship program***

This is geared toward active AERC researchers, few of whom may be considered senior.

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