

# **AFRICAN DEVELOPMENT REVIEW / REVUE AFRICAINE DE DEVELOPPEMENT**

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## **Libéralisation du commerce et intégration spatiale des marchés: Le cas du maïs au Togo**

*Koffi Yovo et Etsri Homevoh*

**Abstract:** The cereal market of Togo was liberalized in 1987. This policy aims to improve markets' spatial integration through the development of arbitrage. The paper assesses the extent of maize market spatial integration in order to understand how it has been affected by price liberalization. The monthly retail maize prices collected on 13 markets for the period from 1980 to 2001 are considered. The results show that the impact of price liberalization on markets integration is moderate. The liberalization has not significantly improved the extent of long-run and short-run integration of maize markets. The speed of price adjustment is relatively weak for most of the markets. In order to improve market efficiency, it is suggested that the government should create a market information service (SIM) which will be entrusted in collecting and disseminating weekly cereal prices all over the country.

**Résumé:** En 1987, la commercialisation des céréales a été libéralisée au Togo. Le but visé par cette politique est d'améliorer l'intégration spatiale des marchés à travers un développement de l'arbitrage. Le papier évalue le niveau de l'intégration spatiale des marchés du maïs afin de comprendre comment celle-ci a été affectée par la libéralisation des prix. Les prix de détail mensuels de maïs collectés sur 13 marchés pour la période 1980–2001 sont considérés. Il ressort des résultats obtenus, que l'impact de la libéralisation des prix sur l'intégration des marchés de maïs est mitigé. La libéralisation n'a pas amélioré de manière significative le niveau de l'intégration de long terme et de court terme des marchés. La vitesse d'ajustement des prix est relativement lente pour la majorité des marchés. En vue d'améliorer l'efficacité du fonctionnement des marchés, il est suggéré que l'Etat mette en place un Système d'Information sur les Marchés (SIM).

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## **Measuring Producer Benefits of Price Stabilization in the Nigerian Primary Sector: History Revisted**

*Richard Ilorah*

**Abstract:** The Nigerian commodity marketing boards may have been dissolved far back in 1986, but as long as the export sector of the country's agriculture remains dysfunctional and unproductive, with the authorities unwilling to give it the priority, in practical terms, that it deserves for revival, there is bound to remain lots of hard feeling in the collective psyche of Nigerians, farmers in particular, directed at the Boards for their market intervention activities during the period 1942–86. We argue that the legacy of the Boards' heavy taxes on the export sector of Nigerian agriculture lives on in the form of damaged producer-incentives reflected by a generally dysfunctional sector. Developing a simple formula that derives from

Newbery and Stiglitz (1981), for the measure of producer benefits of price stabilization, we argue that the Boards' stabilization scheme remains partly to blame for the present poor state of the country's export agriculture.

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## **Promoting of Investment in Africa**

*John C. Anyanwu*

**Abstract:** This paper examines the trend, constraints, promotion, and prospects of investment – domestic investment, foreign direct investment, and private portfolio investment – in Africa. After identifying the importance of investment in Africa's economic development, it was shown that all forms of investment are low in Africa and hence inadequate for the attainment of the MDGs and poverty reduction in the continent. The constraining factors include: low resources mobilization; high degree of uncertainty; poor governance, corruption, and low human capital development; unfavorable regulatory environment and poor infrastructure, small individual country sizes; high dependence on primary commodities exports and increased competition; poor image abroad; shortage of foreign exchange and the burden of huge domestic and external debt; and undeveloped capital markets, their high volatility, and home bias by foreign investors. The paper recommends that successful promotion of both domestic, foreign direct and portfolio investment in Africa will require actions and measures at the national, regional, and international levels. It concludes that the prospects are bright. New and attractive investment opportunities are emerging in infrastructure, particularly as most African countries now encourage public/private partnerships for investments in this sector. In addition to privatization, renewed interest within Africa in undertaking regionally based projects and joint exploitation of natural resources is creating other investment opportunities. Apart from the fact that investment in Africa yields the highest returns, investment risk in the continent is declining. In addition, much progress has been made in recent years to improve the investment climate in Africa. All this is of course is not to deny that obstacles do remain hence economic reforms to enhance domestic investment would need to be complemented by measures to attract increased foreign capital. Critical in such endeavors must be efforts to improve governance in some countries as well as to eliminate socio-political violence in others and development of domestic capital markets, while government institutions must be modernized and upgraded.

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## **Does the Group Leader Matter? The Impact of Monitoring Activities and Social Ties of Group Leaders on the Repayment Performance of Group-based Lending in Eritrea**

*Niels Hermes, Robert Lensink and Habteab T. Mehrteab*

**Abstract:** This paper analyses whether the effects of monitoring and social ties of the group leader and other group members on repayment performance of groups differ, using data from an extensive questionnaire held in Eritrea among

participants of 102 groups. We hypothesize that the monitoring activities and social ties of the group leader have a stronger positive impact on the repayment performance of groups. The results show that social ties of the group leader do have a positive effect on repayment performance of groups, whereas this is not true for social ties of other group members. We do not find evidence for the hypothesis that monitoring activities of the group leader have a stronger positive impact on group repayment performance. All variables measuring monitoring activities, either of the group leader or the other group members, are found to be statistically insignificant.

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## **The Structure of Production, the Balance of Payments and Growth in Developing Countries: An Essay in Memory of Mohammed Nureldin Hussain 1954–2005**

*A. P. Thirlwall*

**Abstract:** This essay commemorates the work of Mohammed Nureldin Hussain who was Chief Research Economist in the African Development Bank, and Editor of the African Development Review from 2003 to his untimely death in 2005. It focuses on five aspects of his work: his emphasis on the role of the structure of production and trade for an understanding of growth rate differences between countries; his development of the balance of payments constrained growth model with capital flows; the application of this model to compare the performance of African and Asian countries; his use of this model as an alternative to the Harrod–Domar growth model for estimating the financing requirements in Africa to meet the Millennium Poverty Reduction targets by 2015 — and also for estimating the impact of the Highly Indebted Poor Country initiative on growth and poverty reduction in Africa, and finally, his critical appraisal in the 1980s of the supply-side approach to devaluation in his own country, the Sudan.

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## **Stock Market Development and Economic Growth: Evidence from Côte D'Ivoire**

*Félix Fofana N'Zué*

**Abstract:** The present paper investigates the relationship between the development of the Ivorian stock market and the country's economic performance. Stock market development indicators were identified and used to calculate the Ivorian stock market development index. A set of control variables were also identified. The empirical results suggest that gross domestic product and stock market development are cointegrated when the control variables are included in the analysis. That is, there is a long-run relationship between these variables taken together. Moreover, there is a unidirectional causality running from stock market development to economic growth.

**Résumé:** Le présent papier analyse la relation entre le développement de la Bourse des Valeurs d'Abidjan, BVA (Côte d'Ivoire) et la performance économique du pays. Des indicateurs du développement des marchés boursiers ont été identifiés et utilisés pour développer un indice de développement de la BVA. Un ensemble de variables de contrôle a été aussi identifié. Les résultats empiriques suggèrent que le PIB (mesure de la performance économique) et l'indice de développement de la BVA sont cointégrés. Ainsi, il y a une dynamique de long terme entre le développement du marché boursier, la croissance économique et les variables de contrôle pris ensemble. En outre, il y a une causalité unidirectionnelle allant du développement du marché boursier vers la croissance économique.

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## **Stock Market Development and Economic Growth: The Case of Selected African Countries**

*Charles K.D. Adjasi and Nicholas B. Biekpe*

**Abstract:** This paper studies the effect of stock market development on economic growth in 14 African countries in a dynamic panel data modelling setting. Results largely show a positive relationship between stock market development and economic growth. Further analyses, based on the level of economic development and stock market capitalization, are also conducted. The results reveal that the positive influence of stock market development on economic growth is significant for countries classified as upper middle income economies. On the basis of market capitalization groupings, stock market developments play a significant role in growth only for moderately capitalized markets. The general trend in results shows that low income African countries and less developed stock markets need to grow more and develop their markets to elicit economic gains from stock markets.