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**Measurement of Capital Flight: Methodology and Results for Sub-Saharan African Countries**

Léonce Ndikumana and James K. Boyce

*pages 471-481*

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**Implicit Prices of Indigenous Bull Traits in Crop-Livestock Mixed Production Systems of Ethiopia**

Girma T. Kassie, Awudu Abdulai and Clemens Wollny

*pages 482-494*

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**Banks, Microfinance Institutions and Economic Growth in the West African Economic and Monetary Union**

Koffi Sodokin and Charles Donou-Adonsou

*pages 495-510*

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**An Analysis of Welfare Changes in Zimbabwe**

Prudence Kwenda

*pages 511-525*

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**The Effects of Bank Reforms on the Monetary Transmission Mechanism in Emerging Market Economies: Evidence from Egypt**

Monal Abdel-Baki

*pages 526-539*

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**Fertility in Sub-Saharan African Countries with Consideration to Health and Poverty**

Yongil Jeon, Sang-Young Rhyu and Michael P. Shields

*pages 540-555*

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## **Measurement of Capital Flight: Methodology and Results for Sub-Saharan African Countries**

Léonce Ndikumana and James K. Boyce

*Abstract.* This paper presents the methodology for the computation of capital flight and reports new estimates of the magnitude and timing of capital flight from 33 sub-Saharan African countries from 1970 to 2004. Our methodology calculates capital flight as the residual difference between inflows and outflows of foreign exchange recorded in the balance of payments, with corrections for the magnitude of external borrowing, trade misinvoicing, and unrecorded remittances. We find that total capital flight from these countries in this period amounted to \$443 billion (in 2004 dollars). With imputed interest earnings, the accumulated stock of flight capital amounted to \$640 billion. These numbers exceed these countries' external debts, which in 2004 amounted to \$193 billion, indicating that sub-Saharan Africa is a net creditor to the rest of the world.

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## **Implicit Prices of Indigenous Bull Traits in Crop-Livestock Mixed Production Systems of Ethiopia**

Girma T. Kassie, Awudu Abdulai and Clemens Wollny

*Abstract.* This study examines the bull trait preferences of cattle buyers and estimates the relative willingness to pay for the preferred attributes. Data were generated using choice experiment method in five markets in central Ethiopia. Standard and Heterogeneity in Mean (H-M) Random Parameters Logit (RPL) models were used to analyze buyers' preferences for traits, while kernel density estimators were employed to examine the distribution of the willingness to pay for the individual traits. The results show that cattle buyers of central Ethiopia assign high values for good traction potential, big body size, disease resistance, calf vigor, and for places of origin when choosing bulls in the market. The preferences cattle buyers have for these attributes do vary essentially due to differences in occupation, education and age. The main implication of the findings is the necessity of identification and reckoning of trait preferences while designing crossbreeding efforts meant to sustain development of cattle production. Comprehensive and informed approach in this regard will also contribute in reducing the erosion of the genetic diversity of the indigenous animal genetic resources.

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## **Banks, Microfinance Institutions and Economic Growth in the West African Economic and Monetary Union**

Koffi Sodokin and Charles Donou-Adonsou

*Abstract.* This paper aims to investigate the complementary relationship between commercial banks and microfinance institutions in the West African Economic and Monetary Union (WAEMU) as a means to sustain economic growth. Using panel data on seven countries from 1999 to 2005 with the Feasible Generalized Least Squares and the AR(1) disturbances, the study indicates that the banking and microfinance sectors are prone to operating individually, and that banks benefit from microfinance activities. A joint effort of both sectors in facing credit allocation appears to be very significant over the single action of microfinance institutions. The study, therefore, suggests a joint or complementary approach through savings management to face the challenge of the economic growth in the Union.

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## **An Analysis of Welfare Changes in Zimbabwe**

Prudence Kwenda

*Abstract.* This paper presents a brief account of welfare changes in Zimbabwe along the income and education dimensions between 1995 and 2003. Using sequential dominance procedures, we find that education attainment substantially improved over time. However, these gains did not necessarily translate into poverty reduction, rather welfare over the joint distribution of income and education dramatically deteriorated. These results are robust for all education partitions, income thresholds and a broad class of welfare indices. A further inquiry into the factors underlying this apparent disconnection between education and income using decomposition techniques reveals that the increase in poverty incidence cannot be attributed to household characteristics but is reflective of the broader socio-economic trends prevailing at the time. The decline in economic growth contributed tremendously to the decline in welfare while inequality changes account for a small proportion.

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## **The Effects of Bank Reforms on the Monetary Transmission Mechanism in Emerging Market Economies: Evidence from Egypt**

Monal Abdel-Baki

*Abstract.* This paper investigates the transmission of monetary policy to the real economy after the adoption of bank reforms in emerging market economies (EMEs). The Egyptian case is empirically studied to test the efficacy of the banking sector as a transmission agent subsequent to the banking reforms that extended from 1991 to 2009.

The structural vector autoregressive methodology is employed to investigate the impact of the interest rate and foreign exchange rate channels on output and inflation. The results of the study reveal several interactions among the two types of channels. Second, interest rate intervention proves to have substantial effects on output, but less on inflation. Third, exchange rate intervention has some effects on inflation, but less on output. Thus, both transmission channels have showed superior effectiveness after the banking reform. This indicates that the Central Bank of Egypt should not continue to depend on the interest rate channel alone, but has to additionally utilize the exchange rate channel in order to successfully achieve inflation targeting that has been its prime goal since 2003 and even more after the global food crisis of 2007/8. This ruling could prove functional when conducting monetary policy in EMEs of similar circumstances to Egypt.

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## **Fertility in Sub-Saharan African Countries with Consideration to Health and Poverty**

Yongil Jeon, Sang-Young Rhyu and Michael P. Shields

*Abstract.* Fertility has begun to fall in sub-Saharan Africa but it remains high on average and particularly for a few countries. This paper examines African fertility using a panel data set of 47 sub-Saharan countries between 1962 and 2003. Fixed and random country effect estimates are made in models where the explanatory variables are suggested by the theory of the demographic transition as modified by Caldwell (1982). Special attention is paid to the economic status of women, urbanization, the poverty level, and the health of the population including total health expenditures and the prevalence of HIV/AIDS. The results support Caldwell's hypothesis and are generally supportive of hypothesis that a fertility transition is occurring. HIV/AIDS is found to have a negative impact on fertility.

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