

## DEVELOPMENT ECONOMICS

<b>Course code</b>	<i>GRAE029</i>
<b>Course title</b>	<i>Development Economics</i>
<b>Year of study</b>	<i>MSc 2<sup>nd</sup> year</i>
<b>Semester</b>	<i>Fall 2019 (intensive, November)</i>
<b>Number of credits / ECTS</b>	<i>6 ECTS</i> <i>36 academic hours of lectures/seminars, 124 hours of self-study</i>
<b>Lecturer</b>	<i>Jamelia Harris</i> <i>jamhar@faculty.ism.it</i>
<b>Office Hours</b>	<i>TBA</i>
<b>Study form</b>	<i>Full-time (consecutive / evening)</i>
<b>Course prerequisites</b>	<i>Undergraduate studies in social science</i>

### Course description:

The Development Economics course will be taught with an emphasis on finance and development. The course begins by assessing various problems in international development, how these problems are measured, and which goals have been set to promote the development agenda. We then explore how development can be financed by looking at Overseas Development Assistance (ODA), examining theoretical arguments for ODA, innovative financing instruments and the incentive effects on Governments. The second part of the course delves into national Governments' responsibility in the development process as it relates to revenue mobilisation, debt financing and public financial management reform. Finally, the course concludes by studying financial systems in developing countries, issues of financial inclusion, and the role of financial sector development in poverty reduction. The course will be taught using a mix of chapters from textbooks, journal articles, and policy documents from international development organisation. Classes will be a mix of lectures and tutorials. Examples will be drawn from Central/Eastern Europe and developing countries around the world.

### Course objectives:

Upon successful completion of this course, students will be able to:

<b>Course learning outcomes (CLO)</b>	<b>Study methods</b>	<b>Assessment methods</b>
CLO1. Critically engage with key issues in international development and how indicators are measured.	Lectures, self-study	Course work, Final exam
CLO2. Explain theoretical foundations of overseas development assistance	Lectures, seminars, self-study	Course work, Final exam
CLO3. Evaluate the role of donors and the government in financing the development agenda	Lectures, seminars, self-study	Course work, Final exam
CLO4. Describe and evaluate methods by which national Governments can finance development projects	Lectures, seminars, self-study	Final exam
CLO5. Assess the role of financial sector development in promoting growth and reducing inequality	Lectures, seminars, self-study	Final exam

### Course schedule (subject to change):

<b>Week</b>	<b>Date</b>	<b>Topics</b>
1	30/09/19	<b>Introductory discussion.</b> An introduction to issues in international development: Development indicators. Development goals. Stylised facts. Measurement issues.
	01/10/19	Financing development using ODA 1. Theoretical perspectives on ODA: Why do we <i>need</i> to give? – Theories of economic growth in development. Why to people give? - Giving and utility models.
	02/10/19	Financing development using ODA 2. Methods of financing development. New innovative sources of global development financing
2	03/10/19	Donor relationship with Governments: The principal agent problem. Conditionality. Dependency Theory. Worked problem set <b>Take-home assignment given</b>
	10/10/19	<b>In-class group assignment</b>

	14/10/19	Financing development domestically: Domestic tax and revenue mobilisation. Debt Financing Managing Finances: Issues in Public Financial Management and Government Reform. The PEFA Framework. The institution-Growth Nexus <b>Take-home assignment due</b>
3	15/10/19	Financial Sector Development 1: Banking and financial fragility: Cross-country comparisons of financial sector development. Lending in developing countries. Worked problem set
	16/10/19	Financial Sector Development 2: The finance-growth nexus. Issues in financial inclusion, poverty and inequality Measuring Impact in Development
	17/10/19	<b>Review.</b> Wrap-up, exercise session and exam preparation.
-	24/10/19	<b>Final exam</b>
	TBA	<b>(Re-take exam, TBA)</b>

### Assessment methods

The final grade will be computed taking into account the scores of the assessed coursework assignments and final exam.

Task	Weight
Take-home individual assignment	10 %
In-class group assignment	20 %
Final exam	70 %

A 're-take' exam will be held for students who did not meet the passing score. This is normally scheduled a week after final grades are announced. Details will be communicated in due course.

### Coursework assignments and final exams

The assessed coursework assignment comprises two parts. The first will be a take-home individual assignment, which consists of both short-answer and essay questions (10%). The assignment will be given on October 3<sup>rd</sup>, and be due on October 14<sup>th</sup>. Material covered in the first four lectures will be assessed. The second entails a small research-based in-class group assignment (20%). This will take place on October 10<sup>th</sup>, 2019. All students must be present. Students will be required to use computers for the in-class group assignment.

The final exam (and re-take) will cover all topics discussed during the course. The final exams consist of both short-answer and essay questions. Students may be required to bring calculators for the exams. No computers and smart phones are allowed.

### Additional remarks

Students are expected to be acquainted with undergraduate level of consumer theory, have a basic understanding of growth models in macroeconomics, and some level of quantitative knowledge to be able to interpret regression models.

### Reading List

#### Week 1:

Banerjee and Duflo (2004). *Growth Theory through the Lens of Development Economics*.  
<https://economics.mit.edu/files/521>

Cardim de Carvalho, F. (2009) Financing Development, *International Journal of Political Economy*, 38 (4), 5-24

Bougrine, H. and Seccareccia, M. (2009) Financing Development, *International Journal of Political Economy*, 38(4), 44-65

Jenkins, S and Lambert, P (1997) The Three I's of Poverty Curves, with an Analysis of UK Poverty Trends. *Oxford Economic Papers New Series*, 49 (3), 317-327

\* World Bank Group (2017). World Development Indicators 2017. <https://data.worldbank.org/products/wdi>

\* Sen A. (2003) Development as Capability Expansion. In: Fukuda-Parr S, et al Readings in Human Development. New Delhi and New York: Oxford University Press

\*Ray, D. (1998). *Development Economics*. Princeton University Press. Chapters 3 and 4. Handouts to be provided.

\*Atkinson (2008). Giving Overseas and Public Policy. *Journal of Public Economics*, 93, 647-653.  
<http://www.sciencedirect.com/science/article/pii/S0047272708001801>

\* Atkinson (2004). *New Sources of Development Finance*. Nuffield College, Oxford. Chapters 1, 2 and 12 can be found here: <https://www.unngls.org/orf/pdf/new%20sources%20for%20development%20finance.pdf>

\* Radelet (2006). A Primer on Aid Effectiveness. Working Paper 92. Centre for Global Development.  
[http://www.who.int/hac/techguidance/training/analysing\\_health\\_systems/a\\_primer\\_on\\_foreign\\_aid\\_06.pdf](http://www.who.int/hac/techguidance/training/analysing_health_systems/a_primer_on_foreign_aid_06.pdf) ==> also for Week 2.

### **Week 2:**

\*Ferraro, V. (2008) "Dependency Theory: An Introduction," in *The Development Economics Reader*, ed. Giorgio Secondi, London: Routledge, pp. 58-64

\*Matias (2009) Dependency Theory. *The Princeton Encyclopedia of the World Economy*, 269-272. Princeton.  
<https://search.proquest.com/docview/189250815?OpenUrlRefId=info:xri/sid:primo&accountid=13042>

\*Junquera-Vareal, R. et al. (2017) *Strengthening Domestic Resource Mobilization Moving from Theory to Practice in Low- and Middle-Income Countries*. World Bank Group.  
<https://openknowledge.worldbank.org/bitstream/handle/10986/27265/9781464810732.pdf?sequence=2&isAllowed=y>  
Chapter 1 required, other chapters are compulsory.

Panizza, U. (2008) *Domestic and External Public Debt in Developing Countries*. United Nation Working Paper No.188  
[http://unctad.org/en/docs/osgdp20083\\_en.pdf](http://unctad.org/en/docs/osgdp20083_en.pdf)

\*Chudik, A. et al. (2017) Is there a debt-threshold effect on output growth? *The Review of Economics and Statistics*, 99 (1), 135-150.  
[http://www.mitpressjournals.org/doi/abs/10.1162/REST\\_a\\_00593](http://www.mitpressjournals.org/doi/abs/10.1162/REST_a_00593)

Ley, E. (2010) *Fiscal (and External) Sustainability*. Economic Policy and Debt Department, PREM, The World Bank.  
<http://siteresources.worldbank.org/INTDEBTDEPT/Resources/468980-1207588563500/4864698-1207588597197/FSPrimer.pdf>

\* Martí, C. and Kasperskaya, Y. (2015) Public Financial Management Systems and Countries' Governance: A Cross-Country Study. *Public Administration and Development* 35 (3), 165-187.  
<http://onlinelibrary.wiley.com/doi/10.1002/pad.1711/abstract>

PEFA Framework for Assessing Public Financial Management:  
[https://pefa.org/sites/default/files/PEFA%20Framework\\_English.pdf](https://pefa.org/sites/default/files/PEFA%20Framework_English.pdf)

\*Hall, S and Ahmad, M. (2014) Revisiting the institutions–growth nexus in developing countries: The new evidence. *New Zealand Economic Papers*, 48 (3), 301-312  
<http://www.tandfonline.com/doi/abs/10.1080/00779954.2013.867795>

### **Week 3:**

Andrianova, S. et al. (2015). *A New International Database on Financial Fragility*. Working Paper No.15/18. University of Leicester. [http://www.le.ac.uk/economics/research/RePEc/lec/leecon/dp15-18.pdf?uol\\_r=d307e306](http://www.le.ac.uk/economics/research/RePEc/lec/leecon/dp15-18.pdf?uol_r=d307e306)

\*Demetriades, P and Rousseau, P. (2016). The changing face of financial development. *Economic Letters* 141, 87-90  
<http://www.sciencedirect.com/science/article/pii/S0165176516300301>

\*Andrianova, S. et at. (2016). Why do African Banks lend so little? *Oxford Bulletin of Economics and Statistics*, 77 (3), 339-369  
<http://onlinelibrary.wiley.com/doi/10.1111/obes.12067/abstract>

\*Fielding, D. and Rewilak, J. (2015). Credit booms, financial fragility and banking crises. *Economic Letters*, 136, 233-236.  
<http://www.sciencedirect.com/science/article/pii/S0165176515003997>

Rousseau, P. and D'Onofrio, A. (2013) Monetization, Financial Development, and Growth: Time Series Evidence from 22 Countries in Sub-Saharan Africa, *World Development*, 51, 132-153.  
<http://www.sciencedirect.com/science/article/pii/S0305750X1300137X>

\*Rewilak (2013). Finance is good for the poor but it depends where you live. *Journal of Banking and Finance*, 37(5), 1451–1459.  
<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3688316/>

Bumann, S. and Lensink, R. (2016) Capital Account Liberalisation and Income Inequality. *Journal of International Money and Finance*, 61, 143–162  
<http://www.sciencedirect.com/science/article/pii/S0261560615001898>

\*Sayinzoga, A. et al. (2015) Financial Literacy and Financial Behaviour: Experimental Evidence from Rural Rwanda. *The Economic Journal* 126 (594), 1571-1599  
<http://onlinelibrary.wiley.com/doi/10.1111/econj.12217/abstract>

**Other Useful Material (Optional):**

- The IMF prepares Article IV Consultation Reports which give a good overview of a countries macro-fiscal position: <http://www.imf.org/external/np/sec/aiv/index.aspx>
- IMF member countries prepare Poverty Reduction Strategy Papers (PRSP) which sets out their national development goals: <http://www.imf.org/external/np/prsp/prsp.aspx>
- The Paris Declaration on Aid Effectiveness provides *guidelines* for donor contributions in order to make aid more effective: <http://www.oecd.org/dac/effectiveness/34428351.pdf>
- Useful data sources:
  - o The World Bank Databank: <http://databank.worldbank.org/data/home.aspx>
  - o The IMF World Economic Outlook Database: <https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/index.aspx>
  - o The OECD International Development Statistics Database: <http://www.oecd.org/development/stats/idsonline.htm>