

Introduction to Development Economics

MSc in Economics 2024/25

Brais Álvarez Pereira

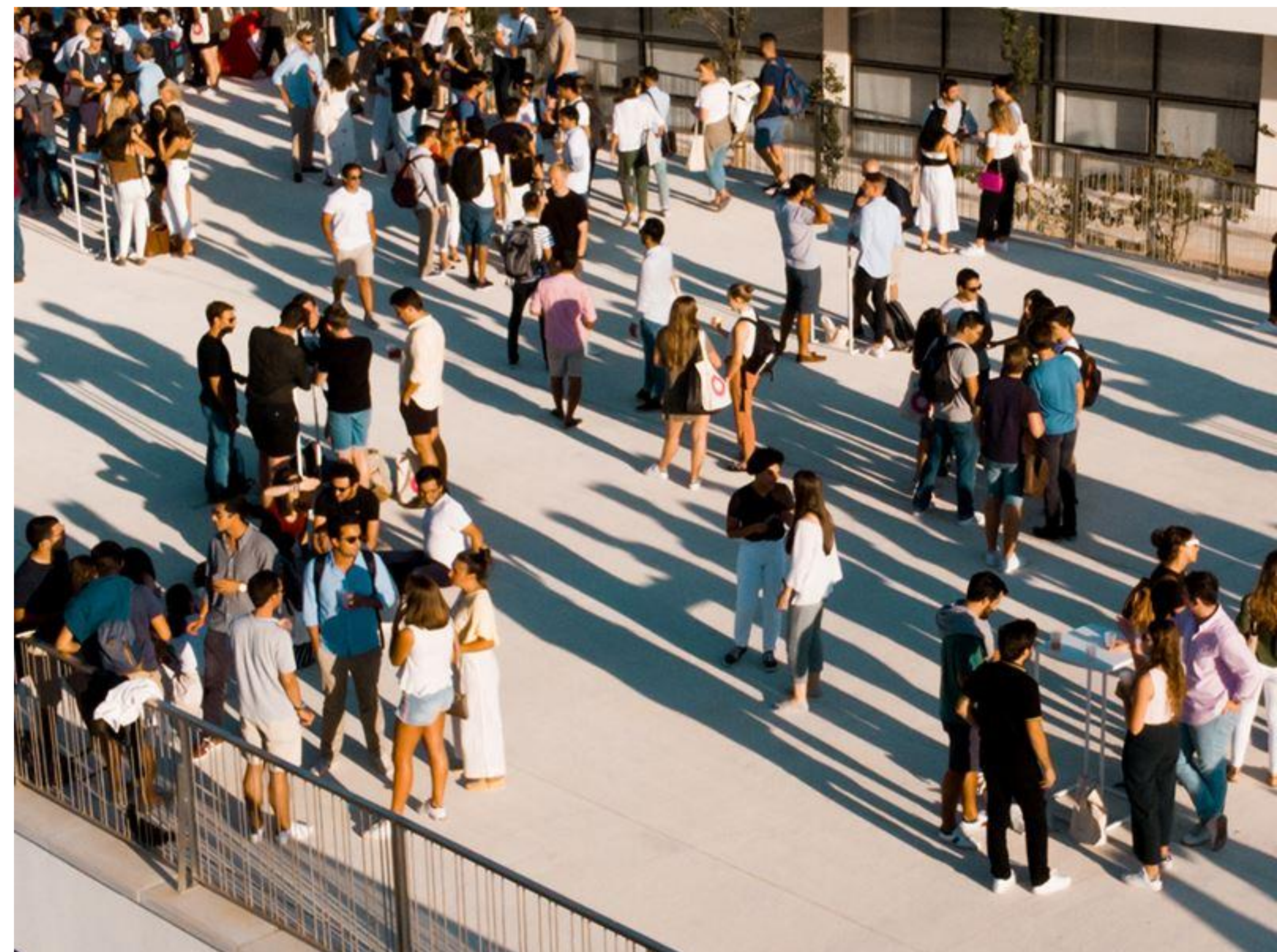


Plan for this 1h25

1. Personal introductions: Brais, Afonso and some of you – 20'
2. Presentation of the course – 25'
3. Assignments and distribution into groups – 10'
4. Introducing Development Economics – 30'

1. Personal introductions

Who we are and what we plan to do here





Brais’ Presentation

BRAIS ÁLVAREZ PEREIRA

brais.pereira@novasbe.pt

A career as a researcher and consultant in:

Polycymaking



Private sector



Academia



A career as a researcher and consultant in:

Policymaking



Private sector

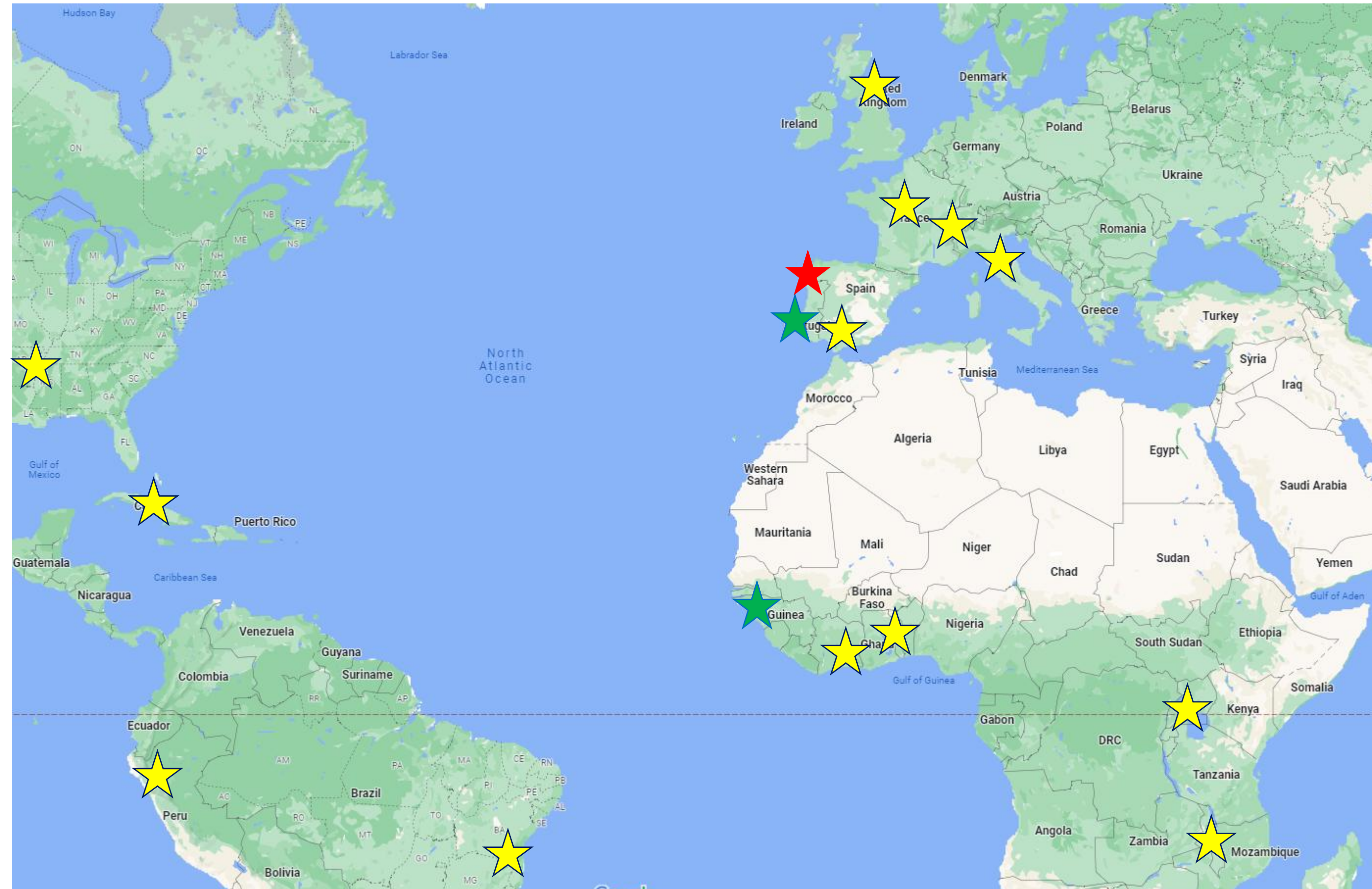


Academia



Question

Some geography



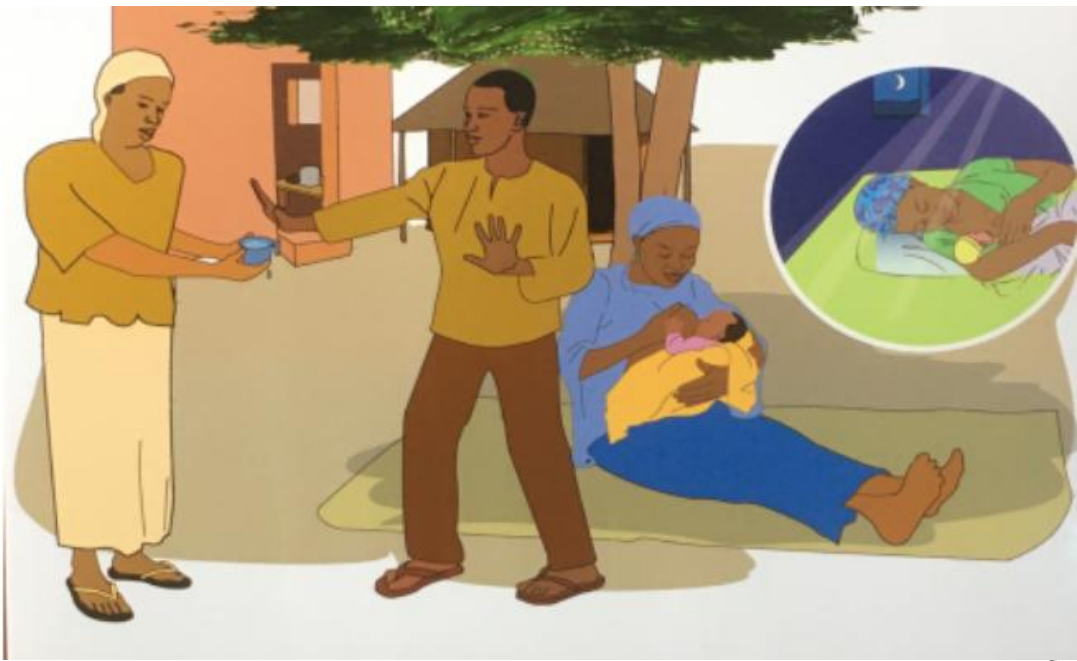
Research

Guinea-Bissau and Moçambique

Information and rural development



Traditional medicine and health

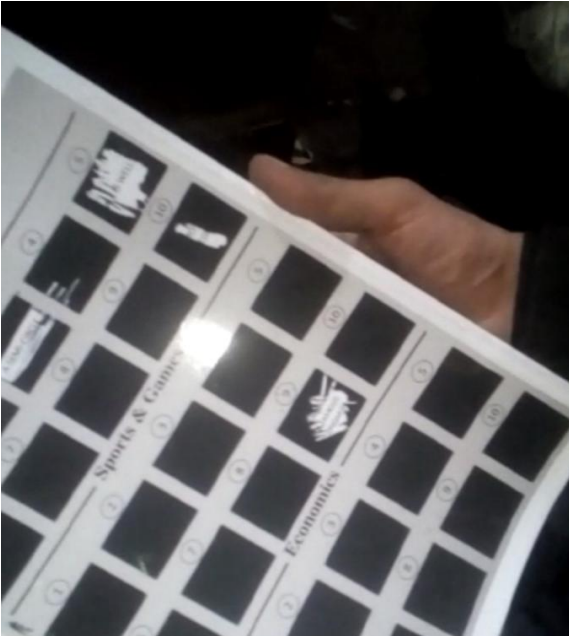
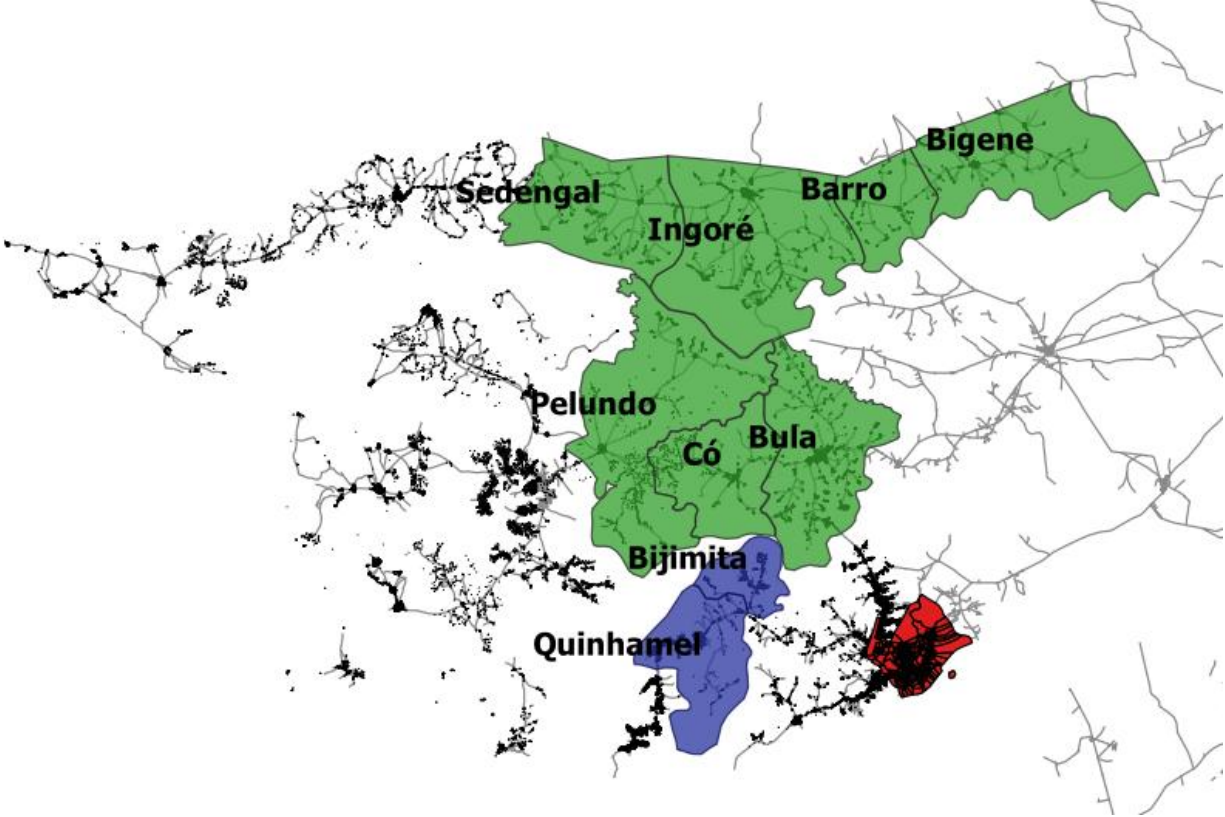
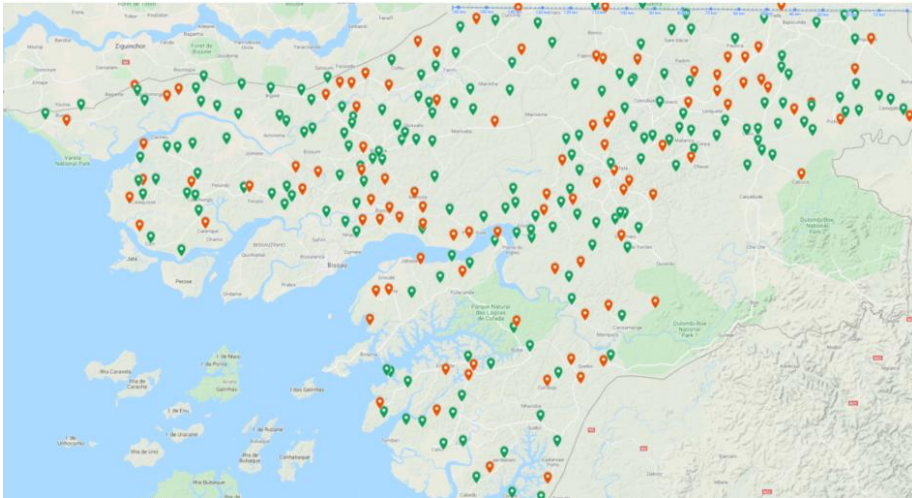


Support policies to SMEs



REPÚBLICA DE MOÇAMBIQUE
MINISTÉRIO DA ECONOMIA E FINANÇAS

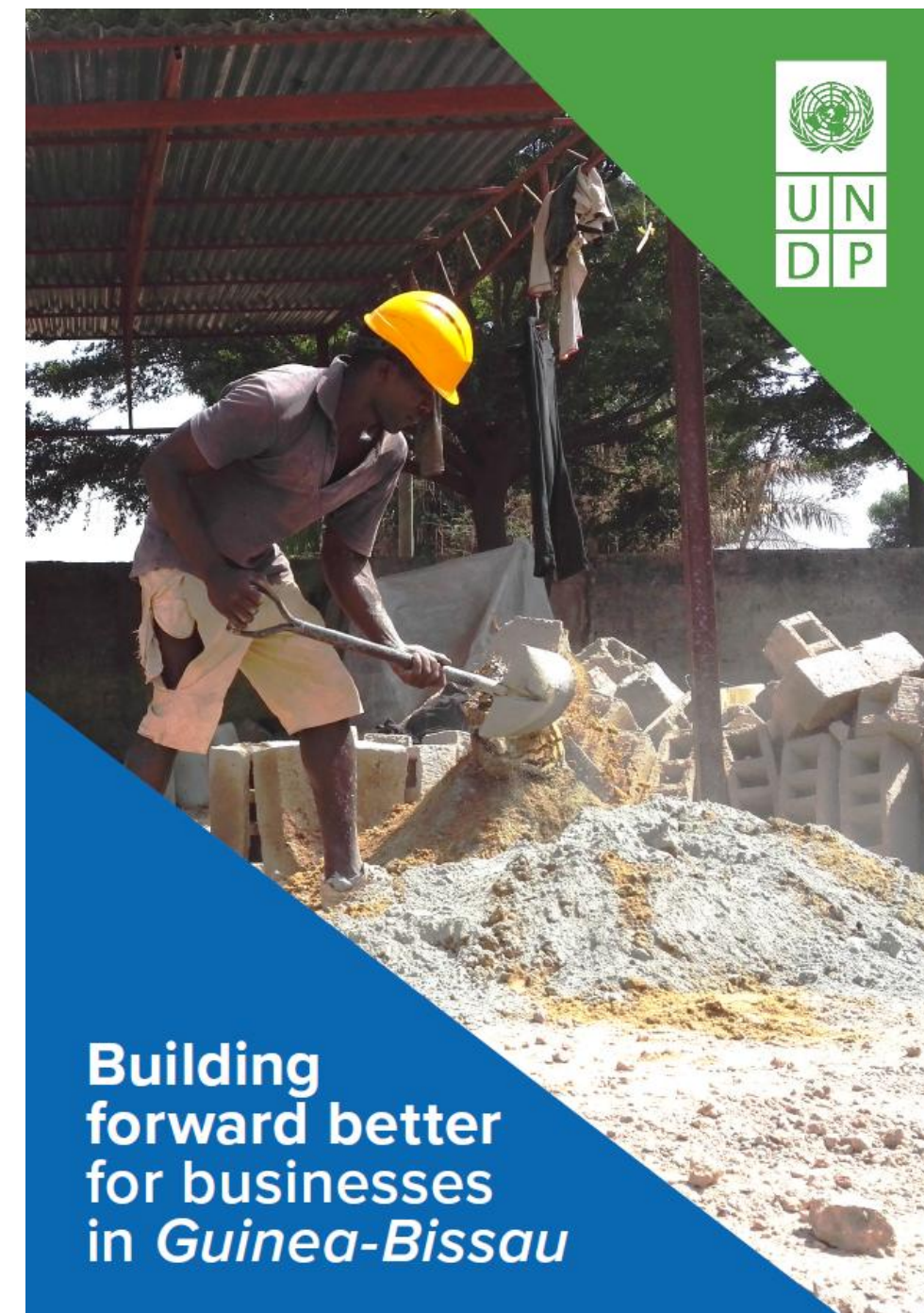
Group composition and performance



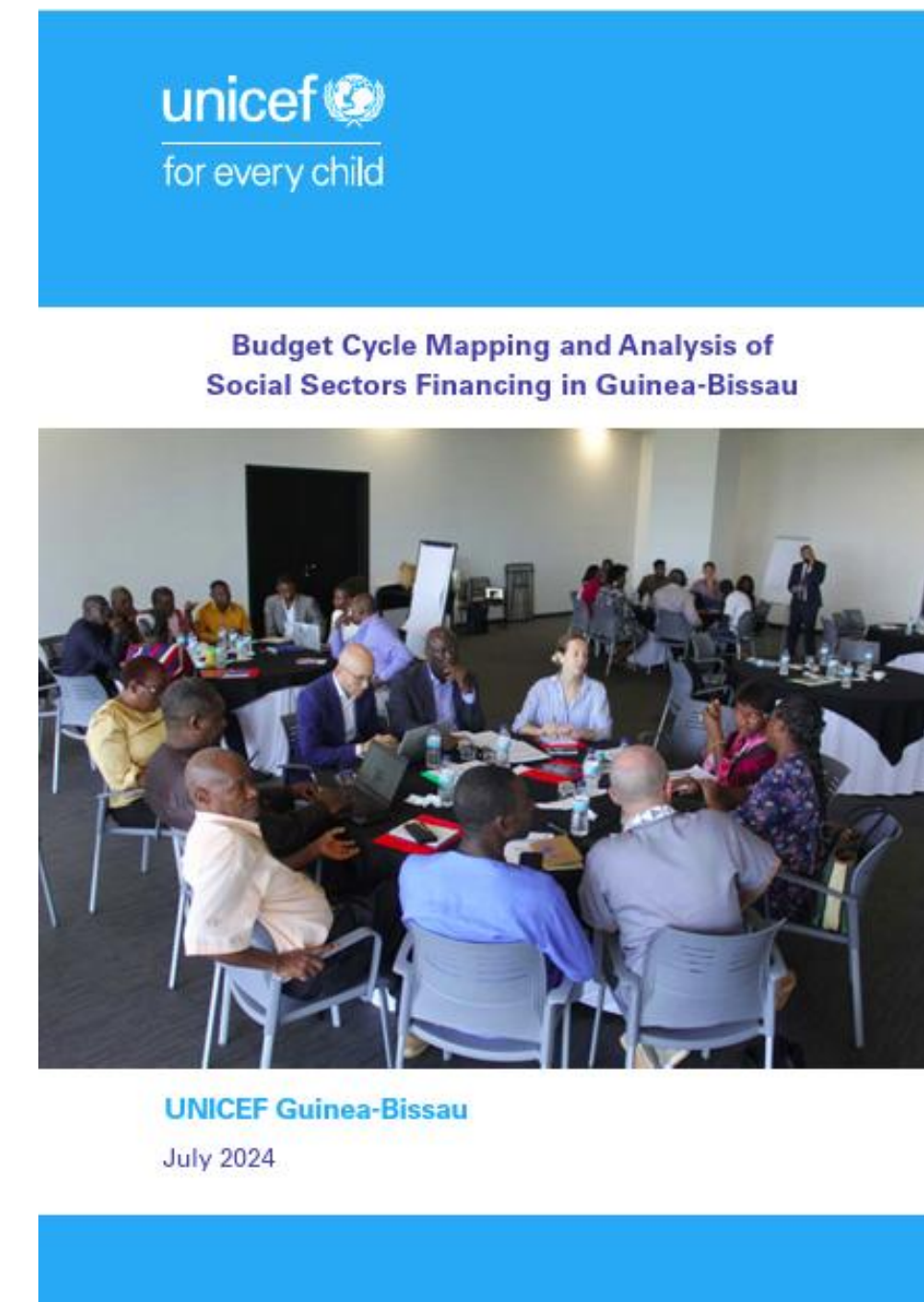
Selected consulting and policymaking



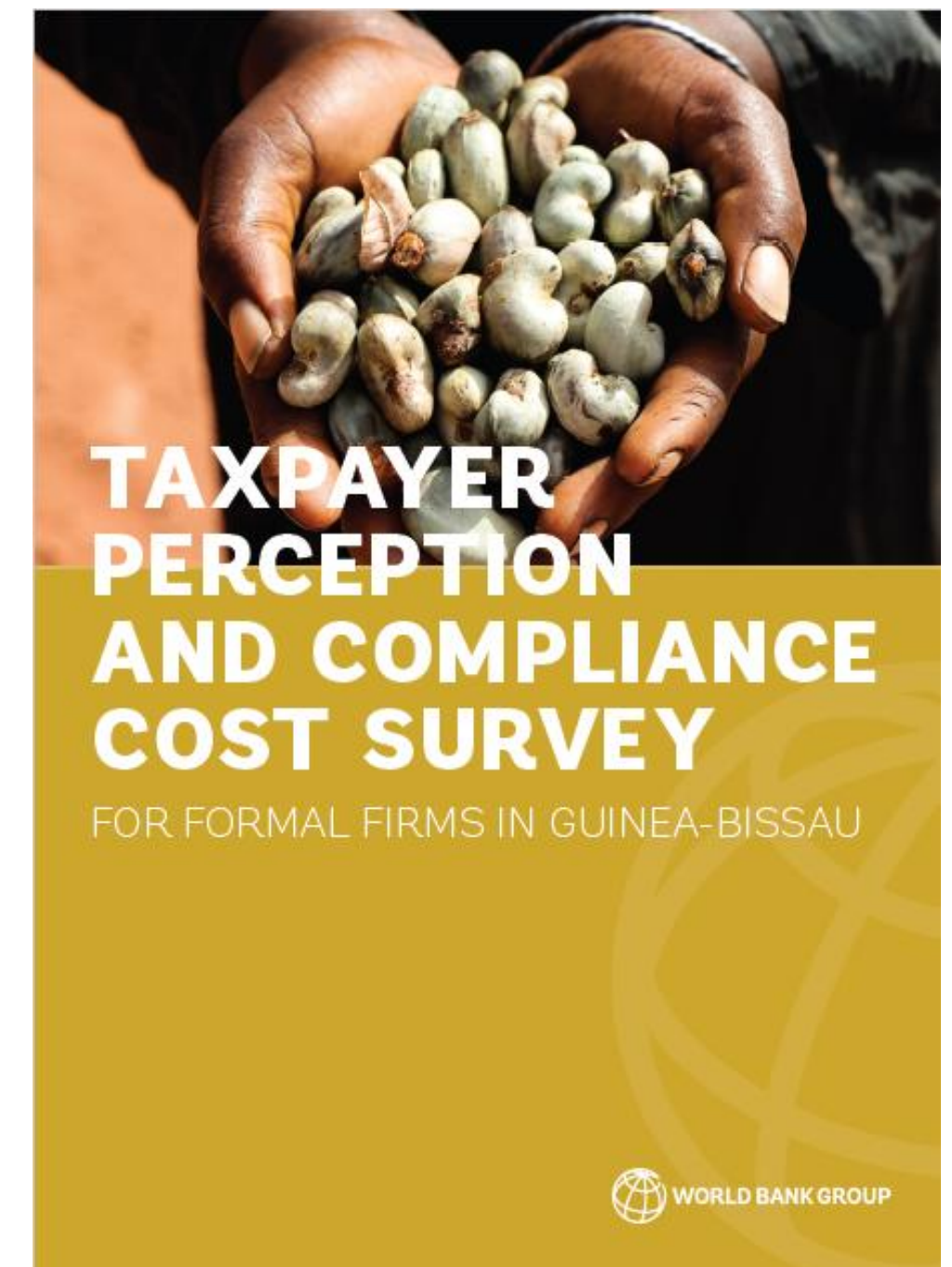
National Strategy for
Financial Inclusion
UNDP – Government GB



Building forward
better for businesses
in Guinea-Bissau
UNDP

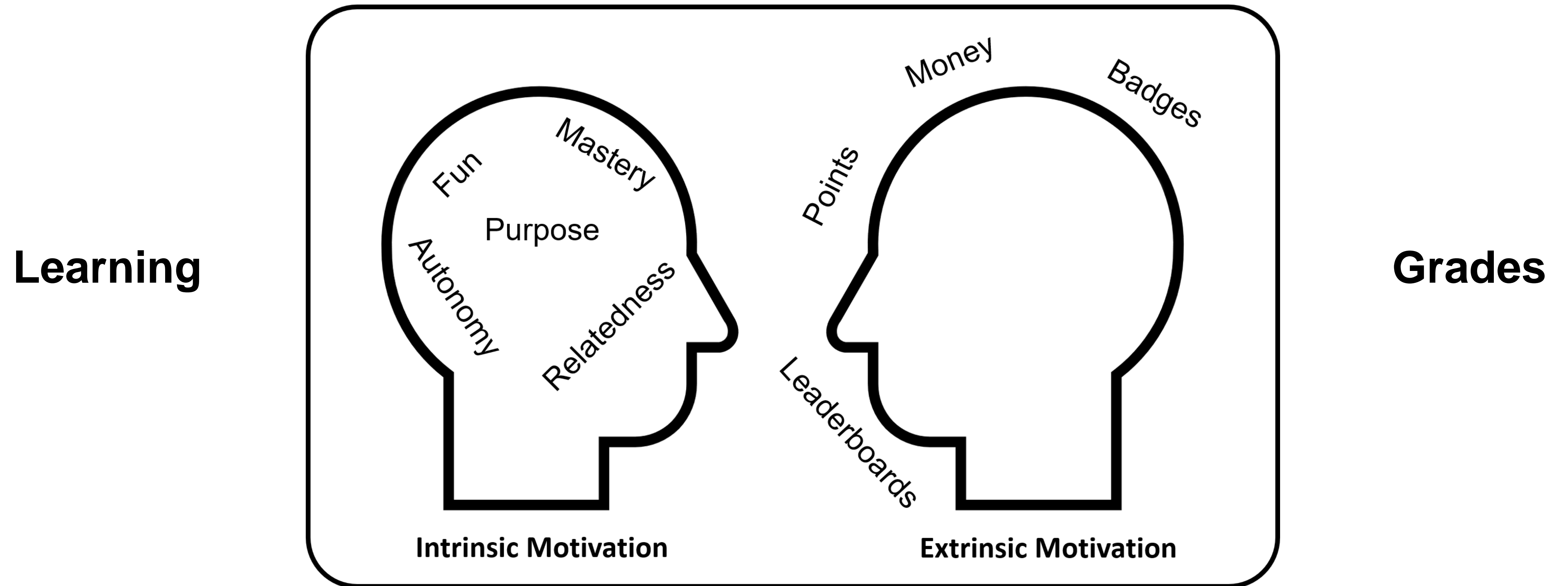


Budget cycle Mapping
and Analysis of Social
Sectors Financing.
UNICEF



Taxpayer perception and
compliance cost survey
World Bank

Some advice from experience: balance intrinsic vs. extrinsic motivation



Setting principles and goals for professional life



- 2021
- 2022
- 2023
- 2025

Some important lessons I got through University

And which I aim to pass forward to you through this course

- To think about social phenomena as statistically as possible: fighting stereotypes and discrimination
- To differentiate between correlation and causality: fighting manipulation and fake news
- **Keep calm and stay healthy**

Teaching principles

- Potential of education to improve our lives... and hopefully the world
- Value of practical knowledge: contributing to preparing you for your professional life
- Communication: treatment, languages and smartphone
- Values: cooperation, honesty and gender parity (+ being clever with the image you give to others)
- Approachable, but very busy: please google it (or discuss it with some AI), research and reflect a bit before emailing



Jorge's Presentation

JORGE FERREIRA
jorge.ferreira@novasbe.pt

Previously:

- Master in Economics at NOVA SBE
- BSc in Economics at UCL.

Currently:

- PhD candidate in Economics at NOVA SBE
- Inequality, Urban Economics and Public Policy.



Presenting yourselves

- A few volunteers: initial expectations, aims and doubts or concerns about this course?

2. Course introduction

What we'll be doing in these coming weeks and why we'll be doing it



Enrolling to the course in Moodle

2176-Development Economics-2425_S2

Home / Courses / 2024/25-Masters / 2Sem / 2176-2425_S2



This course examines key topics in **development economics**, including poverty, foreign aid, governance, institutions, and policy evaluation. Emphasizing both **theory and empirics**, it explores methods such as **randomized controlled trials** and other impact evaluation techniques.

Students will engage in **group presentations and individual research proposals**, developing the skills to critically analyze development interventions and interpret empirical findings. By the end of the course, they will be equipped to assess development policies with a solid foundation in economic analysis.

- **Course ENROLMENT key:** dev_econ_2025



Announcements



Course syllabus v1

Enrollment in Moodle opened until the 14th of October

Please use **Moodle or email for communication** – need for Teams group?

When each material in Moodle is considered final it will say so in the file’s name.

Course brief description

This course examines key topics in **development economics**, including poverty, foreign aid, governance, institutions, and policy evaluation. Emphasizing both theory and empirics, it explores methods such as randomized controlled trials and other **impact evaluation** techniques.

Students will engage in **group presentations** and **individual research proposals**, developing the skills to critically analyze development interventions and interpret empirical findings. By the end of the course, they will be equipped to **assess development policies with a solid foundation in economic analysis**.

Course aims

- *Development Economics – Applying Economic Knowledge to Low and Lower-Middle-Income Contexts.*
- Three ambitious core objectives:
 1. **Develop creative thinking** for evaluating development interventions.
 2. **Understand and critically analyze scientific research papers** in development economics.
 3. **Be able to develop your own research proposal.**

Course modules

1. Foreign Aid.
2. Curses: natural resources and ethnic divisions.
3. Institutions and democracy.
4. Corruption.
5. Governance.
6. Health and Education.
7. Financial inclusion.
8. Agriculture... and more!

Typical time distribution – two 1h30 lectures per week

In class –Wednesdays (D105) 11h00 and Thursdays (D107) 12h30:

1. Brais: Lecture and discussion of assignments – 50'
2. Students, in groups: Presentation of a research paper – 25' presentation and 10' discussion

Office hours:

- Typically, 1 hour after Thursday lecture and scheduled over email.

Assignments and grading

Instructions later in the slides and in the syllabus, examples in Moodle

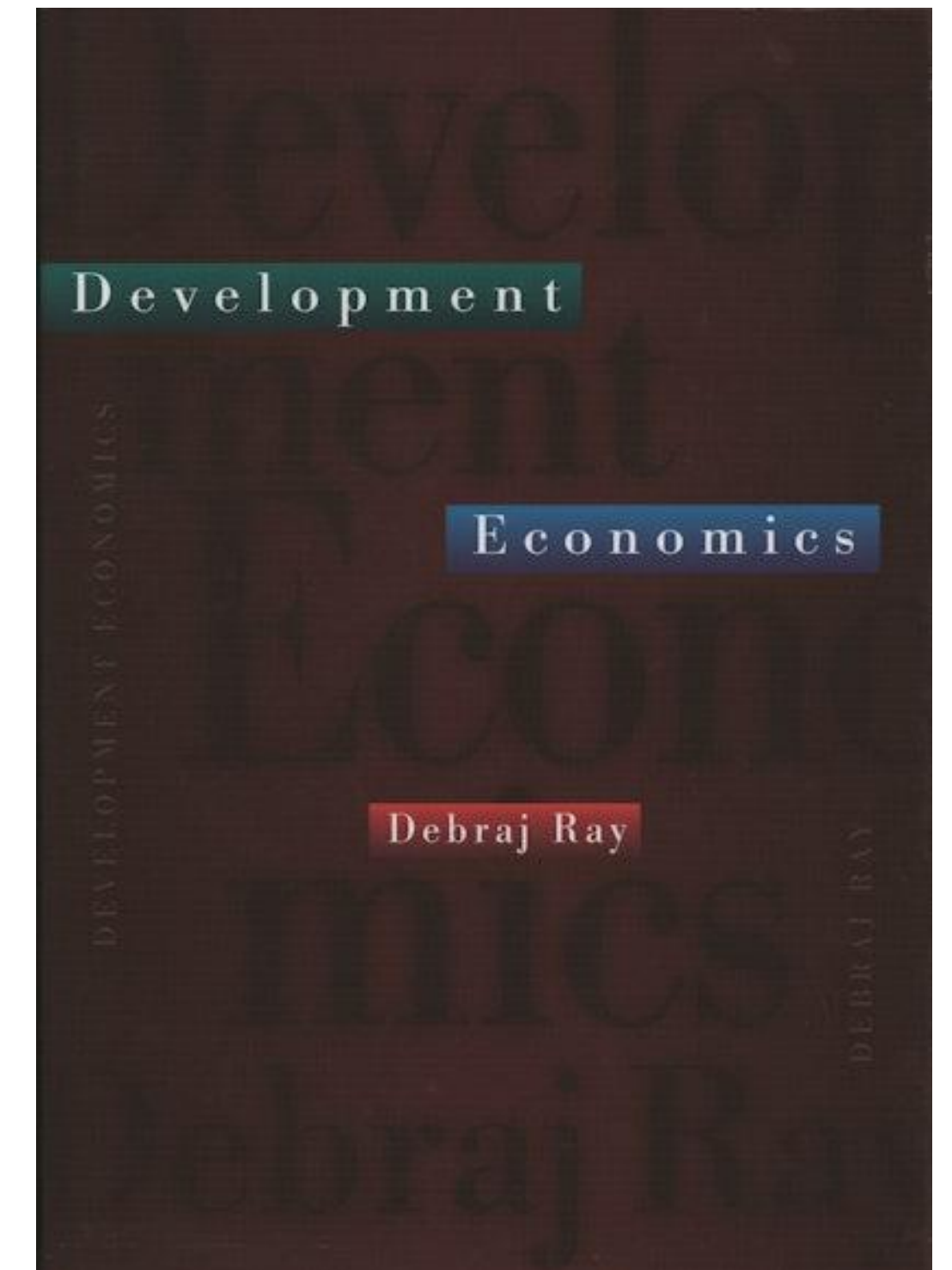
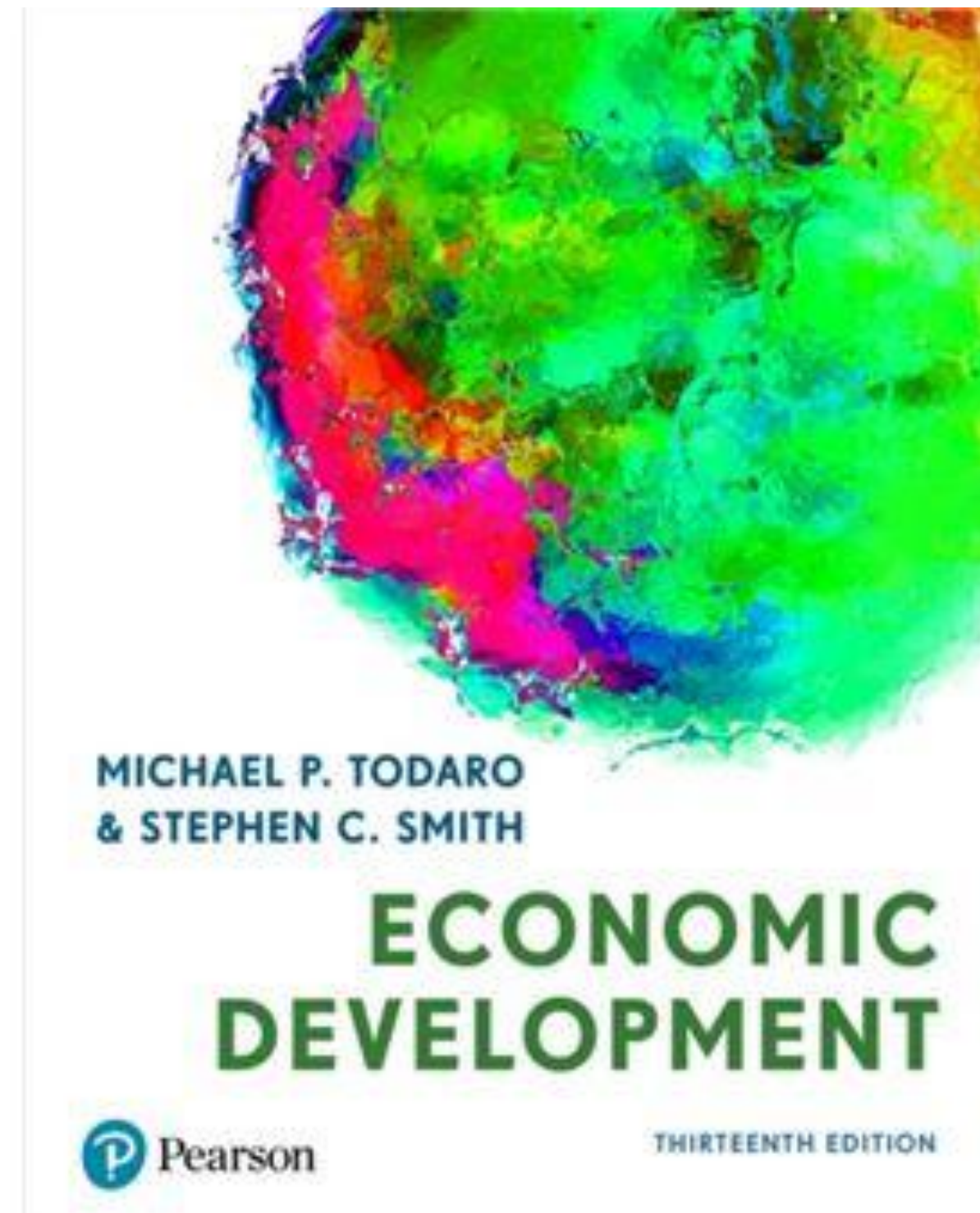
1. Presentation of a research paper in groups – 20%
2. Writing a proposal for a research/evaluation design – 20%
3. Reviewing two drafts of research/evaluation designs at half term and providing feedback to colleagues – 10%
4. Final exam (*with minimum grade 6/20*) – 50%

Weekly readings

Everyone should read (in advance) the paper and policy brief discussed every week in class.

It is highly advised to read the papers covered in the lectures in advance, with (P) in the syllabus, *to be updated*.

The course is based on research papers, for complementary background and information



Other content in the syllabus

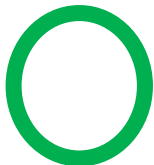
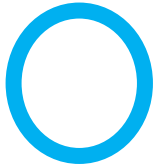
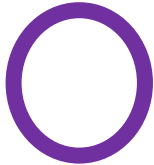
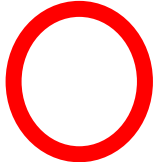
1. Learning Objectives
2. Subject-specific skills
3. General skills

Summary: the main objective of this course is for you to learn how to **identify and design research evidence** that can **guide policies** and interventions that **successfully fight poverty** in its many contexts and dimensions.

Course calendar – 1st half

February/2025						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	CF 2	20	21	22
23	24	25	26	27	28	

March/2025						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	HOL	5	6	7	8
9	10	11	12	13	14	15
16	MU 19/02	MU 04/03	19	20	21	22
23	24	25	26	27	28	29
30	31					

-  Presentations - ? - TBC
-  Lectures – 12
-  Idea for research design – TBC
-  Research design draft – TBC

3. Assignments and distribution into groups

THE ROLE OF COMMUNITY
PREFERENCES IN CHILD MARRIAGE
The effect of a randomized radio intervention program
on the social norm in rural Ethiopia

Assignment 1: presenting a research paper – *25% of the grade*

1. Brais will randomly distribute students in groups of 2 to 4 people – in Moodle by Sunday 9th.
2. For a given lecture, the corresponding group will prepare a 25' presentation of the paper and prepare to respond 10' of questions in a discussion with Brais and classmates.
3. Guidelines:
 - a. Presentation: the objective is to successfully communicate the **content and contribution** of the original document, critically evaluating its contributions and implications.
 - b. Be ready to respond potentially challenging questions that require you understood the paper very well.
 - c. Examples in Moodle.

Assignment 2: the research proposal – *25% of the grade*

1. Select a relevant research question, of interest to you and with a well identified contribution to the literature – by week 4.
2. Develop a first draft of a research design / proposal – by week 6 / end of Term – *10%*.
3. Incorporate feedback to develop a final research design / proposal – by week 11 – *15%*.

Assignment 3: review a research proposal produced by your classmates – *10% of the grade*

- After the submission of the draft for a research design / proposal, each of you will review and grade two of your classmates' documents.
- Objective: provide useful and well-oriented feedback and, to a lesser extent, propose a reasonable grade.
- The grade for the assignments will be determined by Jorge, the grader.

Assignments – penalties for late submission

All documents should be submitted through Moodle (unless indicated otherwise) before 23:59 of the corresponding date:

- **A few minutes to 2 hours delay – 5%**
- 2 hours to 1-day – 10%
- 24 hours to 2-days delay – 20%
- 2-days to 5 days – 50%
- Over 5 days – 100%

For the slides for the presentations and discussions, please send them to my email before 6am on the day you are presenting – 10% deduction on the grade for slides sent after that.

Final exam – 40%

1. An in-class written exam testing the –mostly practical- knowledge obtained through the course.
 2. No tricks: be active in the lectures, readings and assignments.
 3. Be honest.
 4. There is a **minimum grade of 6/20 in the exam to pass the course.**
- * I'll try to post some past exams online after a few lectures

4. Topic 1: Introducing Development Economics



NOVAFRICA Internships / Research Assistantships

- Great – first- step to get experience working in international development.
- Frequently 2 to 9 months in Guinea-Bissau, Mozambique, Cabo Verde...
- Steep learning curve: varied complex tasks and high responsibility in a –often- completely new context.
- Outside of the academic year.
- You can start by joining [NOVAFRICA Student Group](#):
 - Pizza&Topic, Podcast and Blog.



Group thesis (PAP) with BELAB *in Guinea-Bissau*

- *Group* master thesis working on some relevant development topic in *Guinea-Bissau*
- Based mostly on quantitative data.
- Thesis published as a BELAB working paper, soon online [here](#).



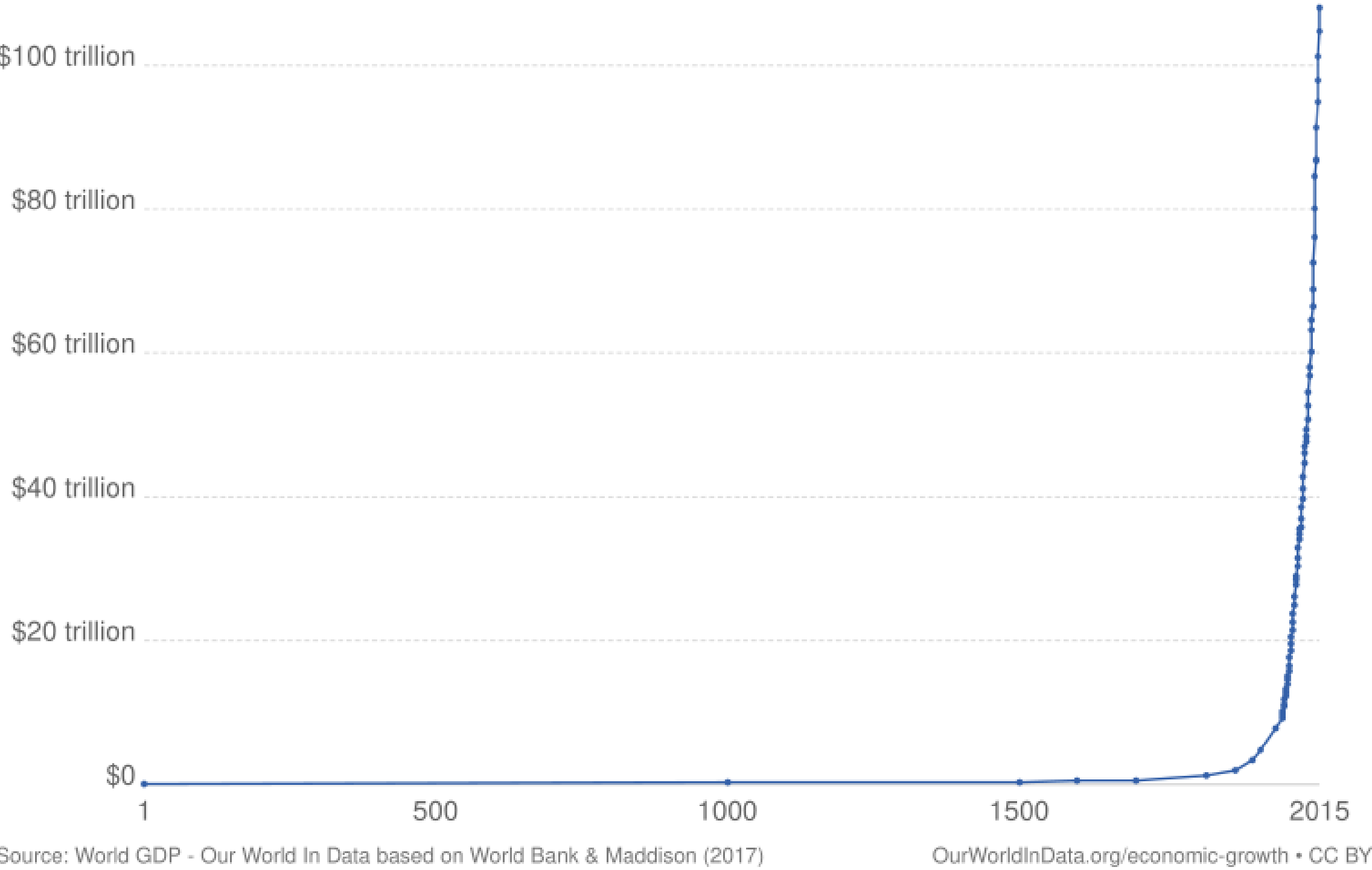
A definition of Development Economics

- Development economics deals with the **economic, social, political, and institutional** mechanisms, both public and private, necessary **to bring about** rapid and large-scale **improvements** in levels of living for the masses of **poverty-stricken** malnourished, and illiterate peoples of the world.'

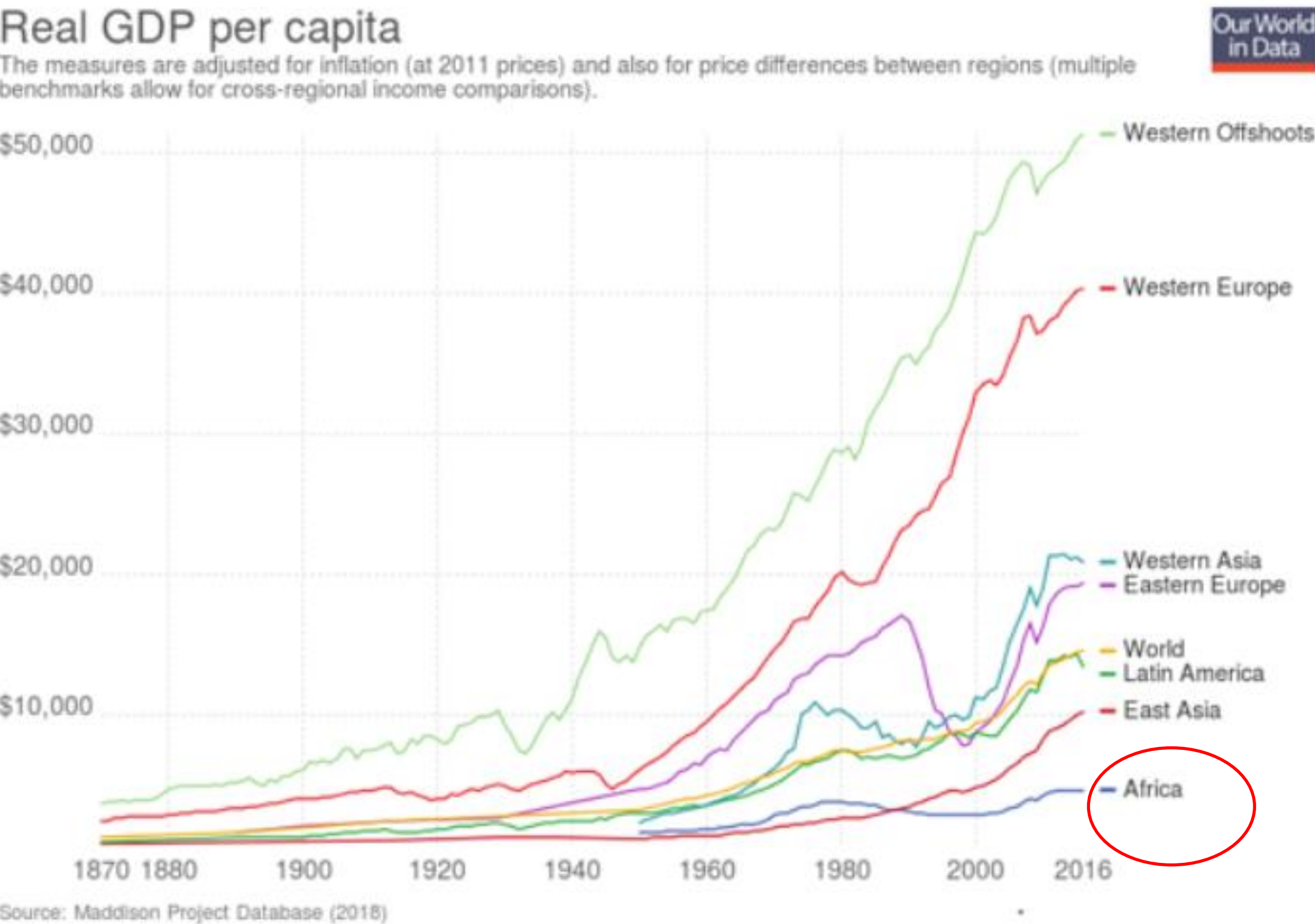
Michael Todaro, 1997

Low-income contexts – GDP per capita

World GDP over the last two millennia
Total output of the world economy; adjusted for inflation and expressed in international-\$ in 2011 prices.



A fast history of growth theory



Question

The colonial origins of development

- 2024 Nobel Prize: Inclusive institutions as drivers of economic growth and efficiency.
- **Extractive institutions and countless market failures.**



III. Niklas Elmehed © Nobel Prize Outreach

Daron Acemoglu

(1967), born in Türkiye of Armenian descent, is a professor at the Massachusetts Institute of Technology (MIT).



III. Niklas Elmehed © Nobel Prize Outreach

James A. Robinson

(1960) was born in the United Kingdom and is a professor at the University of Chicago.



III. Niklas Elmehed © Nobel Prize Outreach

Simon Johnson

(1963) is American and is also a professor at the MIT.

Acemoglu and Robinson are the co-authors of *Why Nations Fail*, which since its release in 2012 has become one of the most influential books on economics both with the general public and among economists and governments.

Acemoglu and Johnson recently published *Power and Progress*, on the role technology plays not only in driving economic growth but also in shaping power and concentrating wealth.

Why are many countries poor? Institutions – I

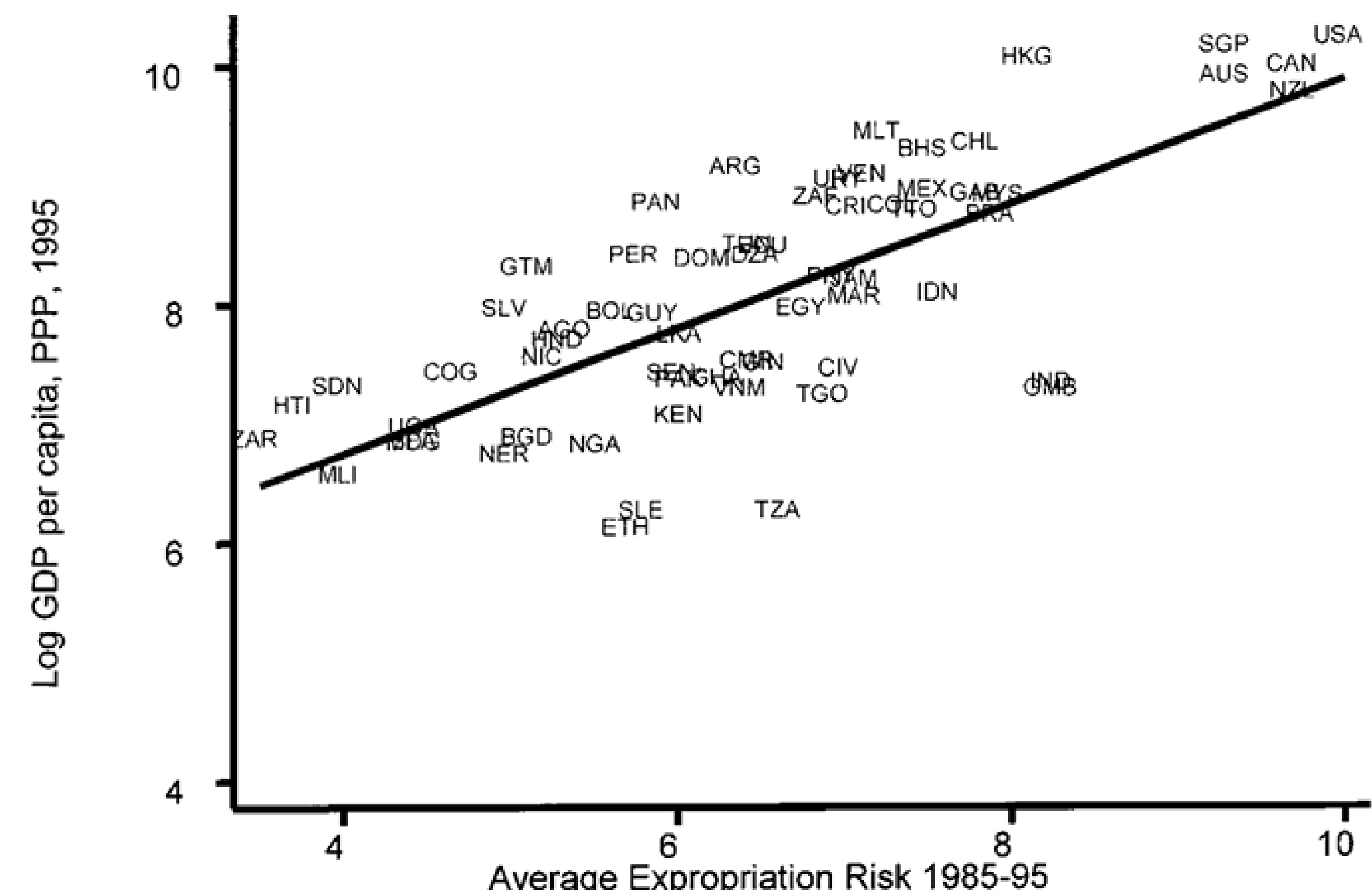
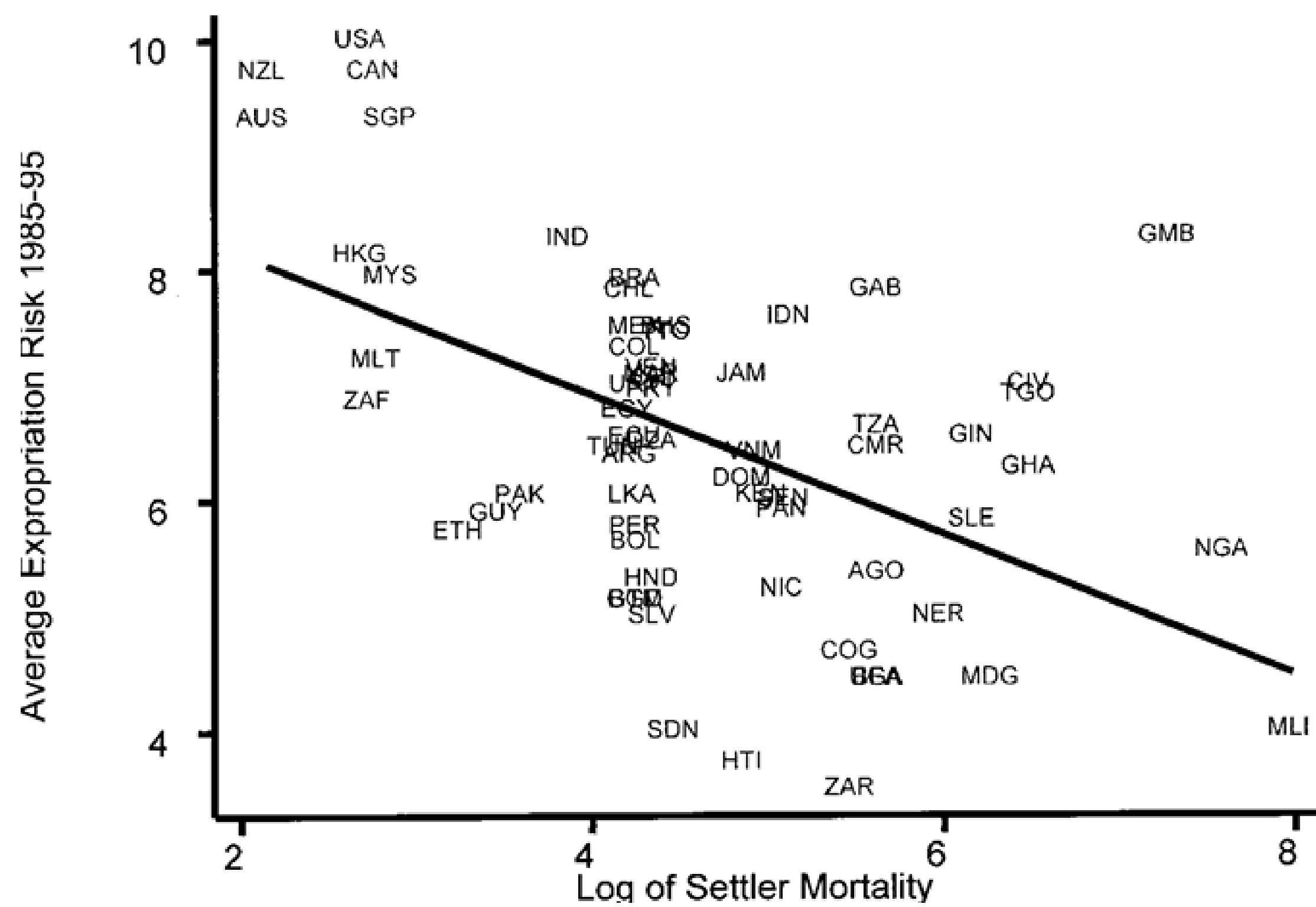
Acemoglu, D., Johnson, S., & Robinson, J. A. (2001). The colonial origins of comparative development: An empirical investigation. *American economic review*, 91(5), 1369-1401.

The authors exploit **differences in European mortality rates** (over 100 years ago) to estimate the **effect of institutions on economic performance**. Europeans adopted very **different colonization policies** in different colonies, with **different associated institutions**. In places where Europeans faced **high mortality rates**, they could not settle and were more likely to set up **extractive institutions**. These institutions persisted to the present. Exploiting differences in **European mortality rates as an instrument for current institutions**, they estimate **large effects of institutions on income per capita**. Once the effect of institutions is controlled for, countries in Africa or those closer to the equator do not have lower incomes.

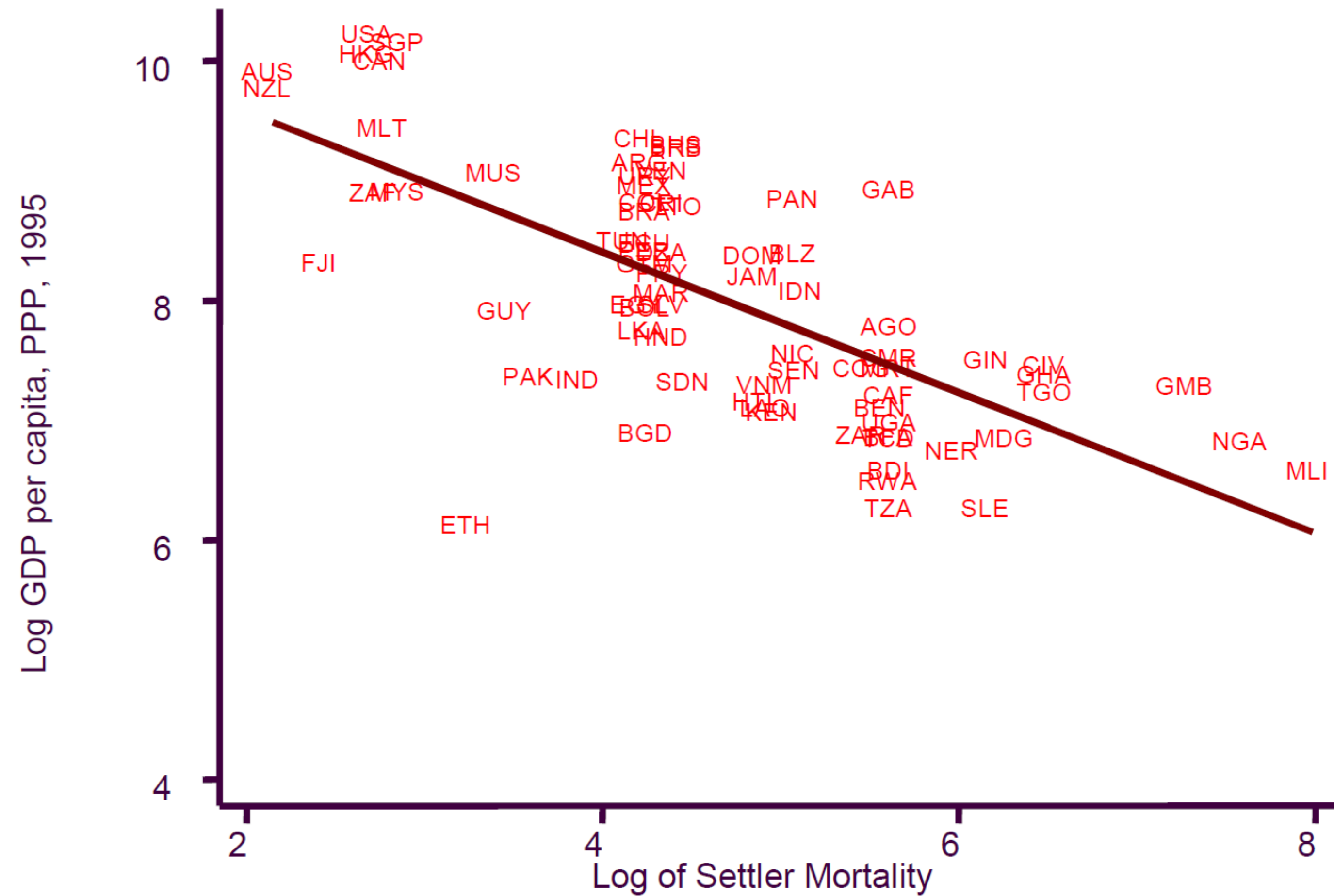
Question

Why are many countries poor? Institutions - II

(potential) settler mortality \Rightarrow settlements
 \Rightarrow early institutions \Rightarrow current institutions
 \Rightarrow current performance.



Why are many countries poor? Institutions – III



Need to review methodologies, like IV?

First research in Dev. Econ.: military among the high officials of Pakistan

- My first research project focused on a low-income country
- Perception that there were very interesting and relevant questions for an economist: the impact of military personnel arbitrarily introduced as high officials responsible for tax collection.
- Total lack of knowledge about the context.



A case study and experience: the discovery of Guinea-Bissau from abroad

Institutions:

- Online image of a failed state.
- The country with the most coups since independence.
- Civil war of 1998-99.
- Narco-state.



Guinea-Bissau – some statistics

- 2 million inhabitants.
- 36,000 square kilometers.
- GDPpc of USD 883 – Portugal USD 27,275 (2023).
- Life expectancy of 60 years in 2022, compared to 50 in 2000 – Pt 81.6.
- Half of the population is 18 years old or younger.



The Discovery of Guinea-Bissau in Guinea-Bissau

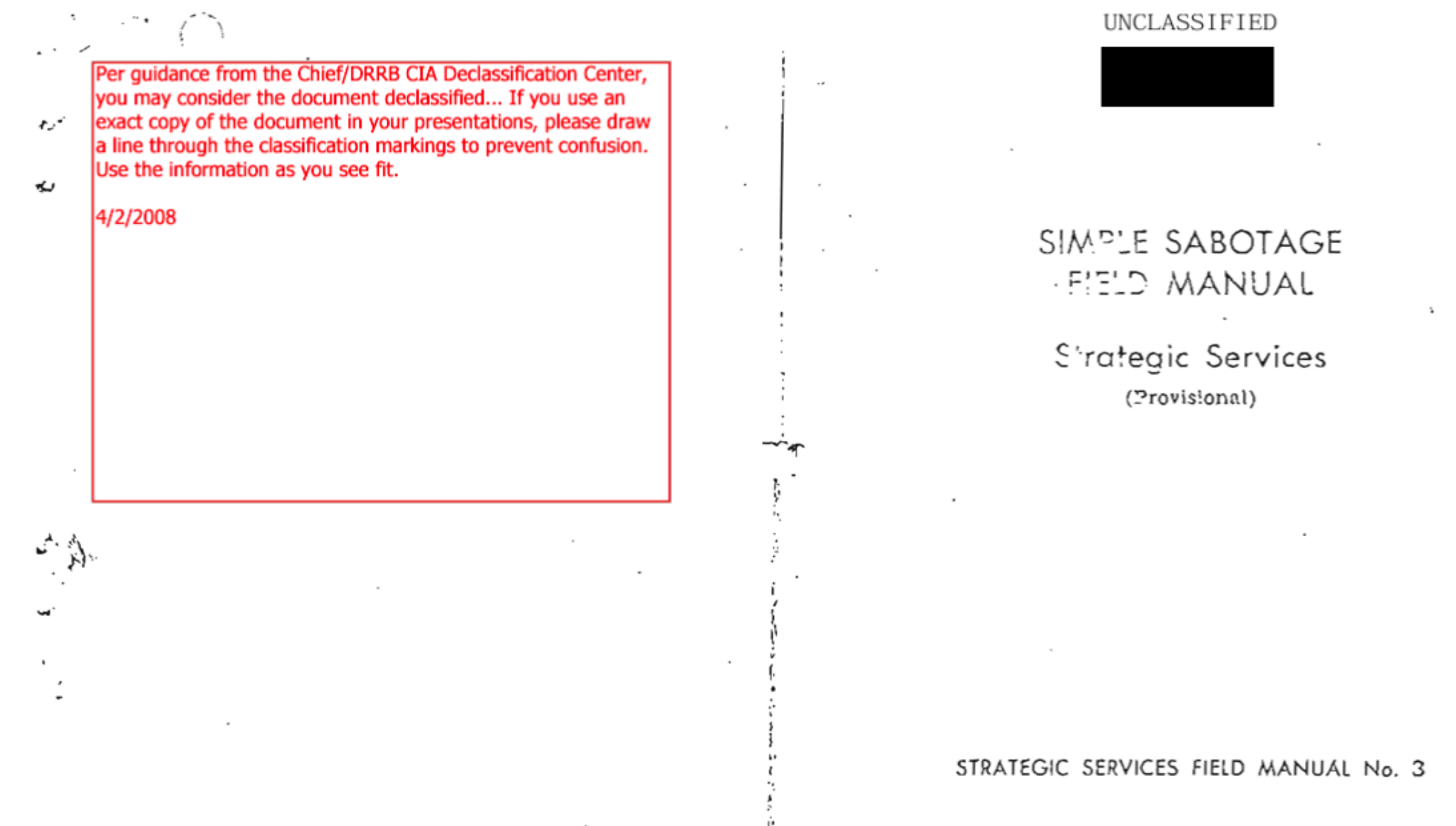
- A completely safe country, with a cohesive, supportive, and very welcoming society.
- A country with great natural wealth.
- A country with terrible institutions – poorly managed.
Wealth is extracted: elites and other countries.



Institutions in Practice 1: Selection Processes and Incentives in Public Administration

- Technical advisor at the General Directorate of Forecasting and Economic Studies.
- 16 young economists: selected through competition and other means.
- **Motivation, appointments, and promotions.**
 - The case of Mamadu and Babacar.

Declassified - Simple Sabotage Field Manual by the CIA: 1944



Institutions in Practice 2: Fragile and Extractive Institutions

Kohnert, D. (2014). *Democratization via elections in an African 'narco-state': the case of Guinea-Bissau*, German Institute of Global and Area Studies (GIGA).



Recent development **cooperation with Guinea-Bissau**, focusing on good governance, state-building and conflict prevention, **did not contribute to democratization nor to the stabilization of volatile political, military and economic structures**. Both the portrayal of Guinea-Bissau as failed 'narco state' as well as **Western aid meant to stabilize this state by multi-party elections are based on doubtful concepts and assumptions**. Certainly, the impact of drug trafficking could endanger democratization and state-building if continued unchecked. However, the **most pressing need is not state-building, facilitated by external aid**, yet poorly rooted in the social and political fabric of the country, but nation-building from below as a pre-condition for the creation of viable state institutions.

Low income contexts: Implications of poverty for daily life

- Infant and maternal mortality.
- Infectious diseases: malaria, HIV/AIDS, and tuberculosis.
- Education and illiteracy.
- Malnutrition.
- IMPORTANT: Difference between humanitarian crisis contexts and contexts in harmony.
- High inequality!



In lecture 2...

- What is poverty and how to measure it?
 - Poverty traps and foreign aid - theory.
 - Foreign aid as the solution for poverty? The debate.
 - Aid: data and research.
-

End of lecture 1

Thanks!!!