

Objectives

This course is intended to provide future managers, expecting to work in or with developing countries, with an understanding of their current economic reality and future prospects of these nations. The course will concentrate on the relationship between corporate management and the economic and social development of poor countries. It will not cover in detail the internal operational challenges of corporations.

There are three parts to this course. Part A provides a general introduction to the problems of development, and the implications of the international economic and political order. Part B addresses the role that private business and markets can play in promoting economic growth, stressing the activities of foreign investors. Part C looks at the specificities of poverty and the role of the private sector in solving this problem.

Grades

The course is project-based and there will be no exam. The requirements for this course are as follows:

- 1. Class Participation: Class attendance is mandatory:** students will automatically **fail** the course, if they miss more than **two sessions** (no justification accepted).
Active and thoughtful **class participation** is encouraged and will be rewarded by up to 0,5 bonus point in the final grade. You are advised to read the readings before each class, so that you can participate. The reading of the case-studies for class discussion, when assigned (marked with ** below), is absolutely required.
- 2. Case-study (write-up)** This project will account for **50%** of your grade. It is to be undertaken in groups of 4 students and is due on **17/12/2008**. The write-up is **limited to 15 double-spaced pages**. It will be judged by its originality and innovation, the use of tools developed in the course and, above all, the quality of the analysis and recommendations. IT IS NOT SUPPOSED TO BE A SUMMARY OF THE COURSE.
- 3. Individual report (write-up)**. The report should answer to one of the questions stated below. It is **limited to 2 double-spaced pages**, (not including the list of references) and will account for **50%** of your grade. It is due on **17/12/2008**.
You are expected to research relevant references on your own, and to provide empirical backing for your assertions and opinions. IT IS NOT SUPPOSED TO BE A SUMMARY OF THE COURSE. You are required to add a list

of references at the end of the write-up. The strict standards of the ULB concerning references, sources and acknowledgements apply.

Q1. The HIPC Initiative is a comprehensive approach to debt reduction for heavily indebted poor countries pursuing IMF and World Bank supported adjustment and reform programs. Comment on the rationale and validity of this initiative from the perspective of creditor organizations, such as the IMF and the Bank, and of debtor developing nations.

Q2. The potential for corruption to compromise the outcomes of development programs is significant. However, the fight against corruption has long been neglected in public policies. It has now enjoyed a resurgence of interest by policy-makers. Stress the potential impacts of corruption for the development of poor countries and address the validity of the current World Bank/IMF approaches in the fight against corruption.

Q3. In the WTO negotiations for trade liberalization, known as the Doha round, India's position has been against the liberalization of its imports of agricultural food. Comment on India's position, stressing the issues at stake and the pros and cons of its position for itself, for developing countries, in general, and for the WTO.

COURSE OUTLINE AND READING LIST

In this syllabus, you will find the key contents and the required readings for each session. For each topic, you can find many additional readings, references and www links on the course's website.

PART A - Roots of Economic Development

Session 1 - Introduction to Development Economics

- What are key differences between rich and poor countries?
- What is the historical evidence on the evolution of this gap?
- What are the key components of economic development?
- What are the main drivers of development: institutions, policies or geography?

Class Readings

"**Inequality**" by Lougani, P.; Finance and Development 38(4) Sep 2003

"**The Primacy of Institutions**" Rodrik, D. and Subanian, A.; Finance and Development, Jun 2003, 40 (2)

"**Institutions Matter, But Not For Everything**" Sachs, J.; Finance and Development, Jun 2003, 40(2)

"**Root Causes**" by Acemoglu, D; Finance and Development, Jun 2003, 40(2)

"**In Search of Prosperity - Ch.1 Introduction**" by Rodrik, D, Princeton University Press, 2003

"**Institutions to support markets**" by R. Islam, Finance & Development, Mar 2002, 39 (1)

"**Corruption and development**" by C. Gray & D. Kaufmann, Finance & Development, Mar 1998 35(1)

Session 2 - Aid and its Effectiveness

- •What have been the effects of Aid on Economic Development?
- •How to explain its effectiveness?
- •How to deal with the overwhelming debt amassed by many countries?

Class Readings

"The Utopian Nightmare**" William Easterly. Foreign Policy, Sept/Oct 2005

"**Aid and Growth**" Steven Radelet, Michael Clemens, and Rikhil Bhavnani, Finance & Development, Sept 2005 42(3)

"**Help in the Right Places**" The Economist, Mar 14, 2002

"**The elimination on poverty**" by Martin Wolf, FT.com Feb 15, 2005

"**Making Aid Work**" Peter S. Heller, Finance & Development, Sept 2005 42(3)

"**Straight Talk: Debt Relief and Growth**" Raghuram Rajan, Finance & Development, Jun 2005 42(2)

"Rethinking the Money and Ideas of Aid" in Assessing Aid—What Works, What Doesn't, and Why, World Bank Policy Research Report, November 1998

"Our Common Interest" Report of the UK Commission for Africa, Executive Summary, <http://www.commissionforafrica.org>

Session 3 - The Washington Consensus

- What explains the success of EAST ASIAN economies? Can it be replicated?
- What are the key components of the Washington Consensus?
- What is the evidence of success or failure of the Consensus?
- How can the Consensus be improved?

Class Readings

****"Rethinking Growth"** Finance & Development, Mar 2006

****"What Happened?"** Finance & Development, June 2006

"How many paths to salvation?" *The Economist* Mar 5, 1998

"Wanted: a New Regional Agenda for Economic Growth" *The Economist* Apr 24, 2003

"Latin America: Overcoming Reform Fatigue" by G. Ortiz; *Finance and Development*, Sept 2003

"Understanding African Poverty: Beyond the Washington Consensus to the Millennium Development Goals Approach" McCord, G; Sachs, J. and Woo, W. T. in *Africa in the World Economy - The National, Regional and International Challenges*, Fondad. The Hague, 2005

"Rethinking capital controls: When should we keep an open mind?" by K. Rogoff, *Finance and Development*, Dec 2002, 39(4)

PART B - Harnessing Business for Development

Session 4 - Corporate Responsibility and FDI (22/10)

- What is the role of public governance in the effects of FDI?
- How serious are the institutional shortcomings of poor countries?
- How to address failures of governance?
- How should the lack of competent governance institutions affect the strategies of multinationals investing in poor countries?

Class Readings

****"Chad's Billion-Barrel Oilfield: From Rags to Riches?"** INSEAD, 1999

"The false Developmental Promise of Corporate Social Responsibility: Evidence from Multinational oil Companies". Frynas, Jędrzej G. 2005. *International Affairs*, 81 (3).

"A Nation's Challenge: Sudden Wealth" IHT 18/02/04

"How Globalization Works - and Doesn't Work - in Africa" Knowledge @ Wharton, Jan 14, 2005

"**What Goes Up....**" S. Barnett and R. Ossowski; *Finance and Development*, Mar 03, 40 (1)

"**Managing Oil Wealth**" B. Eifert, A. Gelb, and N. Borje Tallroth; *Finance and Development*, Mar 03, 40(1)

Session 5 - Competing for Foreign Investors (29/10)

- What are the key determinants of Foreign Investment at the country level?
- What are the benefits of foreign investment in developing countries?
- How can developing countries compete for foreign investment?
- Can FDI really be the magic bullet for development?
- What is the potential for development strategies based on attracting FDI?

Class Readings

"Intel's Selection Decision in Latin America**" Thunderbird 1999

"**How Beneficial Is Foreign Direct Investment for Developing Countries?**" by P. Loungani and A. Razin; *Finance and Development*, June 2001

"**The Truth About Foreign Direct Investment in Emerging Markets**" by D. Farrell, J. Remes and H. Schulz, *McKisnsey Quarterly*, 2004 N.1

Session 6 - The International Development Institutions (5/11)

- Guest Speaker: **Ms Andrea Engel**, European Stakeholder Liaison, IFC/ World Bank

Session 7 - Privatization (12/11)

- What are the advantages and disadvantages of privatization in emerging countries?
- How should privatization be undertaken?
- What are some of the risks for the country, as well as the investors?

Class Readings

"Cancun, Mexico: Water System Privatization**", Kennedy School of Government, KSGG1593.0

"**SURVEY: WATER**" *The Economist*, Jul 17, 2003

"**Reforming Infrastructure: Privatization, Regulation, and Competition**" World Bank Policy Research Report, Jun 2004

PART C - Business to Fight Poverty

Session 8 - Strategies for the BOP (19/11)

- Can 'selling to the poor' be a moneymaking strategy, as well as a socially responsible one? Can the poor be a sustainable market?

- What role for the corporate world in fighting global poverty?
- What is the role of information technology in development?
- What can corporations do to address this, as an element of their social responsibility?

Class Readings

****"Building bridges across the Digital Divide - HP's e-Inclusion"** (A) and (B), INSEAD 2004

****"The Next 4 Billion. Market Size and Business Strategy at the Base of the Pyramid". Executive Summary.** International Finance Corporation (WB) and World Resources Institute

"Marketers must seek their 'Fortune at the Bottom of the Pyramid'" Knowledge@Wharton, 2004

"The real digital divide" The Economist Mar 10, 2005

"Calling across the divide" The Economist Mar 10, 2005

Session 9 - Foreign Investment at the Bottom of the Pyramid (26/11)

- Guest Speaker. **Mr. Michael Massart**, Director, Millicom International Cellular (www.millicom.com)

Session 10 - Micro Credit: Lending to the Poor (3/12)

- How does micro credit work?
- How successful have been micro credit institutions?
- How much have they helped in fighting poverty and promoting development?

Class Readings

****"Millions For Millions"** by CONNIE BRUCK, The New Yorker, 30/10/06

"Global Poverty" Special Report; *Business Week*, 14.10.02

"Tiny loans make a big difference in lives of poor" The New York Times, Mar 29, 2004

"Frequently Asked Questions" The Microfinance Gateway, <http://www.microfinancegateway.org>

Session 11 - Child Labor (10/12)

- Is development confined to economic growth?
- Is Child Labor a cause or a consequence of poverty?
- What are good and bad policies to address this issue?
- What is the role of corporations?

Class Readings

****"Third-World Families at Work: Child Labor or Child Care"** HBR Case Study, Jan-Feb 1993

"**The fuss over child labor is misguided**" by N. Kristof, International Herald Tribune, Apr 6, 2004

"**Why Quality Matters in Education**" by Eric A. Hanushek, Finance and Development, June 2005, 42 (2)

"**New thinking about an old problem**" Economist.com Sept 15, 2005

Session 12 - Financing Social Entrepreneurship

- Guest Speaker: To be confirmed