Summary Description and Objectives

“Applied development economics” or “development practice” could be defined as the use of development economics theory, empirical evidence and other lessons from development interventions to improve upon those interventions in terms of the degree to which their goals are achieved. From the multiple possible “development goals” we choose poverty reduction as the focus of this course, and take a critical look at the development experience fighting poverty over the last decade.

The course aims at providing a solid analytical base for students to conduct and/or evaluate development interventions, especially those using financial services as intended poverty reduction tools. With this overall purpose, the main objectives of the course are:

a. To familiarize the students with recent literature and debates on the relationship between finance and development, and finance and poverty reduction.
b. To review the notion of “financial inclusion” and its relationship with the many areas usually summarized under the heading of “microfinance.”
c. To get students familiar with the rationale for financial (policy) interventions and the role of the state, as well as with the particular issues associated with evaluating the effectiveness of these interventions.

The course begins reviewing poverty measurement, and the relationships between poverty, inequality and economic growth. It then focuses on “micro” level topics prevalent in development practice.

Student preparation

Students are expected to have an intermediate-level background in economics – PBAF 516/517 or equivalent (as determined by instructor) - and/or finance. PBAF 533 – Economics of International Development – and PBAF 531 – Development Management – will be useful but are not required.
Readings and Class Materials
Selected chapters of the texts listed below will be required readings. Other readings may be assigned as relevant to the different topics. Additional optional references are provided as appropriate.


Other book sources (not required):


Course Requirements

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<thead>
<tr>
<th>Requirement</th>
<th>Due dates</th>
<th>Weight in final grade</th>
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<tbody>
<tr>
<td>Classroom participation</td>
<td>All sessions</td>
<td>15%</td>
</tr>
<tr>
<td>Reading journal</td>
<td>All sessions</td>
<td>10%</td>
</tr>
<tr>
<td>Assignment 1</td>
<td>week 4 – January 29th</td>
<td>25%</td>
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<tr>
<td>Assignment 2</td>
<td>week 8 – February 26th</td>
<td>25%</td>
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<tr>
<td>Take-home Exam (handed out week 9)</td>
<td>week 10 – March 11th</td>
<td>25%</td>
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Classroom participation is expected at all times. At least one half of each session will be devoted to discussion of readings or cases among students. Grading:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
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<tr>
<td>0</td>
<td>Absent w/o notice or excuse</td>
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<tr>
<td>1</td>
<td>In late/early</td>
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<tr>
<td>2</td>
<td>Active/excused absence</td>
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</tbody>
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**Reading journals** consist of 1-3 paragraph summary for each required reading. No specific style needed; they are intended as study and class discussion aides. They will be due on Catalyst by 5 PM the day of each class session. Grading:

- 0 Did not submit or highly unsatisfactory
- 1 Late/satisfactory; On time/unsatisfactory
- 2 On time/satisfactory; Late/very good

**Assignments** consist of brief analytic papers on a course topic of your choice, using class readings and additional sources. One of the assignments may be a critical review of a recent publication or report also using class materials and additional references. A list of suggested topics will be provided early in the quarter.

Working in 2-person teams for assignments is encouraged but not required. Note that the due date falls on a Friday. Grading: 4.0 scale.

Basic parameters for the papers are:

- Maximum 3 pages single spaced (5 pages if 2 authors); tables and figures may be included in an Annex, not counted towards the 3-page limit.
- A half-page Abstract (counted towards the 3-page limit) precedes the main text.
- Contents and style appropriate for an audience of peers.
- Complete citations at end of paper; links to sources are fine, and required when citations are not part of the course reading list.

The **take-home exam** will consist of 2 essay questions, to be chosen from a set of 3. The questions will present a real or hypothetical development finance policy situation for which the essay will propose and justify a solution (or a few well-reasoned solution options), based on knowledge acquired in class or researched elsewhere. There will be limits on length of answers. Grading will take into account clarity of approach, rationale for solution(s), and additional information that might be needed to arrive at conclusions. Grading: 4.0 scale.

**Evans School Policy on Academic Integrity, and Community Conversation Norms.** Please note that all students are bound by these policies and norms. You are encouraged to familiarize yourself with these (if you are not already familiar), using the following links:

**Policy on Academic Integrity:** [http://evans.uw.edu/myevans/students/student-handbooks](http://evans.uw.edu/myevans/students/student-handbooks)

**Community Conversation Norms:** [http://evans.uw.edu/myevans/community-conversation-norms](http://evans.uw.edu/myevans/community-conversation-norms)
Class Description

Introduction
- Finance and development – theory and evidence
- Definition and measurement of poverty and inequality – global and regional facts; defining target groups
- Development institution and organizations – landscape and approaches.

Financial inclusion and microfinance
- What is financial inclusion? Access versus uptake and usage.
- Main features, potential and limitations of financial inclusion as a factor in poverty reduction
- The poor and their portfolios, assets, liabilities, cash flows
- Savings and asset accumulation
- Risk mitigation – insurance
- Credit – the role of information asymmetries
- Formal and informal markets for financial services
- The critical role of transaction costs in determining access and usage
- Electronic delivery – cards and devices, mobile phones.

The role of the state and policy interventions
- Safety nets, Government to People (G2P) transfers and Conditional Cash Transfers (CCTs).
- Interaction with provision of health and education services (CCTs). Potential for financial inclusion outcomes of G2Ps and CCTs.

Issues in evaluating financial interventions
- Outputs, Outcomes and Impacts – a refresh.
- The supply side: outreach and sustainability.
- Impact on the ground: correlation versus causation, the fungibility of finance and how it affects impact assessment.

Gender and intra-household economics and finance
- Does gender matter in households’ efficient use of resources?
- Gender as a factor in the efficacy and impact of development interventions.

Agricultural and rural finance
- The particular features of rural and agricultural markets – risks and risk management, transaction costs, market structures
- Linking financial services with value chains.
Schedule and Readings

January 7th – week 1

Introduction (1)
- Finance and development – theory and evidence

Required readings (Catalyst)

World Bank. Finance for All?
- Overview and Summary, pages 1 – 3 (we’ll cover the rest in depth later on);
- Chapter 1.


Supplemental readings:

January 14th – week 2

Introduction (2)
- Definition and measurement of poverty and inequality – global and regional facts; defining target groups
- Development institutions and organizations – landscape and approaches.

Required readings (Catalyst)


Banerjee and Duflo
- Chapter 1: “Think Again, Again.” Includes a good discussion on the diverse positions with respect to aid among economists (Sachs against Easterly).
- Chapter 2: A Billion Hungry People?

Supplemental readings:

January 21st – week 3

Financial inclusion and microfinance (1)
- What is financial inclusion? Access versus uptake and usage.
- Main features, potential and limitations of financial inclusion as a factor in poverty reduction
**Required readings** *(Catalyst)*

- Overview and Chapter 1 (pages 1 – 50)

Armendariz and Morduch. Chapter 1: Rethinking Banking.

- Abstract
- Overview, pages 1 - 9
- Accounts, pages 10 - 27

Supplemental (optional) readings:


**January 28th – week 4**

*Financial inclusion and microfinance (2)*
- The poor and their portfolios: assets, liabilities, cash flows
- Savings and asset accumulation

**Required readings** *(Catalyst)*

Collins, Darryl et al.
- Chapter 1: Portfolios of the Poor.
- Chapter 4: Building Blocks.

Armendariz and Morduch. Chapter 6: Savings and Insurance – stop right before 6.8 “Microinsurance.”

Banerjee and Duflo. Chapter 8: “Saving Brick by Brick.”

**NOTE:** – Assignment 1 due in catalyst dropbox Friday January 29th, 5 PM

**February 4th – week 5**

*Financial inclusion and microfinance (3)*
- Risk mitigation – insurance
- Credit – the role of information asymmetries

**Required readings** *(Catalyst)*


Armendariz and Morduch.
- Chapter 2: Why Intervene in Credit Markets?
• Chapter 6: Savings and Insurance – section 6.8 “Microinsurance.”

February 11th – week 6

Financial inclusion and microfinance (4)
• Electronic delivery – cards and devices, mobile-phone banking
  o Guest lecturer: TBD

Required readings (Catalyst)

Supplemental (optional) readings:
  GSMA. The Mobile Economy 2014. Chapter 1, pages 8 – 20. (Catalyst)

February 18th – week 7. NO CLASS MEETING – Online lecture and assignment

The role of the state and policy interventions
• Safety nets, Government to People (G2P) transfers and Conditional Cash Transfers (CCTs).
• Interaction with provision of health and education services (CCTs). Potential for financial inclusion outcomes of G2Ps and CCTs.
• Market-friendly interventions and Public-Private Partnerships.

Required readings (Catalyst)
Pickens, Mark, David Porteous, and Sarah Rotman. 2009. “Banking the Poor via G2P Payments.” CGAP/DFID.

February 25th – week 8

Issues in evaluating financial interventions
• Outputs, Outcomes and Impacts – a refresh.
• The supply side: outreach and sustainability.
• Impact on the ground: correlation versus causation, the fungibility of finance and how it affects impact assessment.

Required readings (Catalyst)

Supplemental (optional) readings:


NOTE: Assignment 2 due in catalyst dropbox Friday February 26th, 5 PM


Agricultural and rural finance

- The particular features of rural and agricultural markets – risks and risk management, transaction costs, market structures
- Linking financial services with agriculture value chains.
- The financial diaries applied to smallholder farmers and their households.
- The “One Acre Fund” project – an integrated model to support smallholders.

Required readings (Catalyst)


March 10th – week 10

Gender and intra-household economics and finance

- Does gender matter in households’ efficient use of resources?
- Gender as a factor in the efficacy and impact of development interventions.

Required readings (Catalyst)


Supplemental (optional) readings:


Final Exam due in catalyst drop box Friday March 11th, 5 PM