

Course Structure and Standard Syllabus

Course Topic: Inclusive Growth and Structural Policies

Course Title: Inclusive Growth (IG)

Course Description: This course, presented by the IMF's Institute for Capacity Development, is designed to increase participants' understanding of the concepts of inclusive growth and give them analytical and operational tools to evaluate, measure and monitor how macroeconomic policies can affect growth, poverty, inequality and job creation. Lectures introduce the basic concepts of inclusive growth, with a special focus on long-term sustainability, and workshops offer participants an opportunity to apply the concepts and think about the design of inclusive growth strategies, drawing from country case studies.

Course Objectives: Upon completion of this course, participants should be able to:

- Interpret measures of poverty and inequality,
- Analyze the role of macroeconomic policies in promoting growth and equality and reducing poverty,
- Identify obstacles to inclusive growth and prioritize reforms, and
- Design an inclusive growth strategy for their own country.

Target Audience: Mid- to senior-level officials involved in economic and strategic planning, monitoring and evaluating policy strategies for reducing poverty and inequality, and promoting job creation.

Qualifications: Participants are expected to have a degree in economics or social sciences or equivalent experience.

Performance Evaluation: Two multiple-choice quizzes will be given, one at the beginning of the course and another at the end to ascertain participants' progress.

Topics (*Core Units*)

1. Introduction to inclusive growth

Part I. Measuring and assessing growth, poverty and inequality

2. Growth theory and growth accounting
3. Measuring the inclusiveness of growth

Part II. Inclusive growth strategy

4. Designing an inclusive growth strategy

Part III. Policies that affect growth, poverty and inequality

5. Fiscal policy and inclusive growth
6. Competition policy
7. Labor market policy
8. Human capital policies
9. Demographic trends and gender
10. The impact of corruption
11. Financial inclusion

Topics (*Auxiliary units*): Regional customization

The core units are designed to be offered in all regions. Nevertheless, the lectures are typically customized to the region, to include regional examples and policy issues. In many case, case studies used for the workshops are also region-specific. In addition, the following auxiliary units have been developed, and can be included in the course at the discretion of the course team.

A1. Gender policies. This unit focuses on gender budgeting and other gender policies. It was initially offered in JVI (where it was developed), but is now becoming part of the core curriculum.

A2. Trade, FDI and inclusive growth

A3. Climate change and inclusive growth

A4. Guest lecturers from the region (from RTACs, resident representatives, experts, the authorities)

PROGRAM OUTLINE FOR COURSE ON INCLUSIVE GROWTH

DAY 1

UNIT 1: INTRODUCTION TO INCLUSIVE GROWTH

Lecture (1.5 hour)

- *Defining inclusive growth*
- *The growth-poverty-inequality nexus*
- *Course objectives and roadmap*

References

- Dollar, David, Tatjana Kleineberg, and Aart Kraay. 2013. "Growth Still Is Good for the Poor." The World Bank Policy Research Working Paper 6568.
- Berg, Andrew G., and Jonathan D. Ostry. 2011. "Inequality and Unsustainable Growth: Two Sides of the Same Coin?" IMF Staff Discussion Note SDN/11/08.
- Ostry, Jonathan D., Andrew Berg, and Charalambos G Tsangarides. 2014. "Redistribution, Inequality, and Growth." IMF Staff Discussion Note SDN/14/02.

World Bank on behalf of the Commission on Growth and Development. 2008. "The Growth Report: Strategies for Sustained Growth and Inclusive Development".

UNIT 2: GROWTH THEORY AND GROWTH ACCOUNTING

Lecture (1.5 hour)

- *Models of growth*
- *Growth accounting*
- *Growth convergence: measures and evidence*
- *Explaining differences in TFP across countries*

References

- Aghion, Phillippe, and Peter Howitt, 2009, "The Economics of Growth", MIT Press.
- Aghion, Phillip, and Steven Durlauf, 2007, "From Growth Theory to Policy Design" (World Bank).

Hausmann, Ricardo, Dani Rodrik, and Andrés Velasco, 2005, “Growth Diagnostics”.

Workshop: Growth accounting and convergence (1.5 hour)

DAY 2

UNIT 3: MEASURING THE INCLUSIVENESS OF GROWTH

Lecture (3 hours)

- *Measuring poverty*
- *Measuring inequality*
- *Dynamic measures: growth incidence curves*
- *Non-income-based indicators: access to basic services, and multidimensional social welfare functions*

References

- Coudouel, Aline et. al., 2002, “Poverty Measurement and Analysis,” Volume 1- Core Techniques and Cross-Cutting Issues in the PRSP Sourcebook (Washington: World Bank).

Sen, Amartya, Joseph E. Stiglitz, and Jean-Paul Fitoussi, 2009, *Report by the Commission on the Measurement of Economic Performance and Social Progress*.

Workshop: Measuring the inclusiveness of growth (3 hours)

Participants use excel exercises to calculate the various measures of poverty and inequality, and discuss their meaning and interpretation. They also review the growth incidence curve and perform some simple excel exercises with it.

DAY 3

UNIT 4: DESIGNING AN INCLUSIVE GROWTH STRATEGY

Lecture: Designing an inclusive growth strategy (3 hours)

- *Identifying and prioritizing binding constraints*
- *Designing the policy mix to address constraints*
- *Sustainability of growth*

References

- Hausmann, Ricardo, Bailey Klinger and Rodrigo Wagner. 2008. *Doing Growth Diagnostics in Practice: A Mindbook*. Center for International Development, Harvard University, September
- World Bank. 2012. *Liberia - Inclusive growth diagnostics*. Washington, DC: World Bank

Workshop: Designing an inclusive growth strategy: Zambia case study (3 hours)

The Zambia case study is used to analyze Zambia's experience, perform inclusive growth diagnostics, identify the key binding constraints to inclusive growth and design an inclusive growth strategy.

DAY 4

UNIT 5: FISCAL POLICY AND INCLUSIVE GROWTH

Lecture (3 hours)

- *Fiscal revenues, growth, and equity*
- *Using revenue policy for inclusive growth*
- *Fiscal expenditure and growth in the short and long run*
- *Expenditure composition and inequality*
- *Energy subsidy reform*

References

- Bastagli, Francesca, David Coady and Sanjeev Gupta, 2012 "Income Inequality and Fiscal Policy," IMF Staff Discussion Note 12/08 (Revised).
- International Monetary Fund, 2011, "Revenue Mobilization in Developing Countries," prepared by Fiscal Affairs Department.
- International Monetary Fund, 2013. "Energy Subsidy Reform: Lessons and Implications," IMF Policy Paper (Washington)
- International Monetary Fund, 2013. "Fiscal Policy and Income Inequality," IMF Policy Paper (Washington)

Workshop (3 hours) Fiscal policy and inclusive growth

Depending on the region, this workshop can be a 3-hour case study (available case studies include Ethiopia, Trinidad and Tobago, and Brazil), or it can be two 1.5-hour workshops on

taxation and subsidy reform. In the latter case, the course team may choose to split the lecture, and offer a 1.5 hour lecture and 1.5 hour workshop in the morning, and the same in the afternoon.

DAY 5

UNIT 6: COMPETITION POLICY

Lecture (1.5 hours)

- *Competition and innovation as drivers of growth*
- *Competition policy and inclusiveness*

UNIT 7: LABOR MARKET POLICIES

Lecture (1.5 hour)

- *Links between growth and employment*
- *Cyclical and structural unemployment*
- *Labor-market flexibility*
- *Policies to boost labor supply and demand*

References

- Labor Market Institutions: A Review of the Literature, Gordon Betcherman, Policy Research Working Paper, the World Bank, 2012
- Labor Market Policies and IMF Advice in Advanced Economies During the Great Recession, by Olivier Blanchard, Florence Jaumotte, and Prakash Loungani, IMF Staff Discussion Note SDN/13/02, March 2013

Workshop: Labor market policies (1.5 hours)

At the discretion of the course team, this can be a debate on labor market policies in the region, or a workshop on the impact of growth on unemployment. Alternatively, this workshop can be skipped and replaced by a debate on human capital policies in the region (therefore becoming a part of unit 8).

UNIT 8: HUMAN CAPITAL

Lecture: (1.5 hour)

- *Human capital, growth, and inclusiveness*
- *Access to education*
- *Quality of education*

References

- Barro, Robert J. “Education and Economic Growth.” *Annals of Economics and Finance* 14-2 (2013) 301-328
- Hanushek, Eric A. “Economic growth in developing countries: The role of human capital.” *Economics of Education Review* 37 (2013) 204-212.

DAY 6

UNIT 9: DEMOGRAPHIC TRENDS AND GENDER ISSUES

Lecture (1.5 hour)

- *Demographic trends and their impact on growth*
- *Capturing the demographic dividend*
- *Challenges of population aging*
- *Closing the gender gap*

References

- Daly, Kevin. *Gender Inequality, Growth and Global Ageing*. Goldman Sachs Global Economics Paper No154 April 2007
- Elborgh-Woytek, Katrin et al. “Women, Work, and the Economy: Macroeconomics Gains from Gender Equity.” *IMF Staff Discussion Note*. September 2012

Lee, Ronald. “The Demographic Transition: Three Centuries of Fundamental Change.” *Journal of Economic Perspectives*, Volume 17, Number 4 -Fall 2003, pp. 167–190

Workshop: Demographic trends and gender issues (1.5 hour)

A Cape Verde case study is used to perform excel exercises calculating various demographic and gender ratios and analyzing trends.

UNIT 10: THE IMPACT OF CORRUPTION

Lecture (1.5 hours)

- *Corruption and inclusive growth*
- *Measuring corruption*
- *Policies to fight corruption*

References

International Monetary Fund, Policy Discussion Note on Corruption

Workshop: The impact of corruption (1.5 hours)

This workshop is based on the IMF Policy Discussion Note, which is used to answer a set of questions on the impact of corruption and on policies to reduce it.

DAY 7

UNIT 11: FINANCIAL INCLUSION

Lecture (3 hours)

- *Defining and measuring financial inclusion*
- *Financial inclusion, growth, and inequality*
- *Lending to SMEs*
- *Microfinance*

References

- Levine, R. (2005) Finance and Growth: Theory and Evidence, Chapter 12 in Philippe Aghion and Steven Durlauf, *Handbook of Economic Growth*, Elsevier, 865-934.
- World Bank Group. 2013. *Global Financial Development Report 2014: Financial Inclusion*. World Bank, Washington, DC
- Beck, T., A. Demirgüç-Kunt, and R. Levine (2005), “SMEs, Growth, and Poverty: Cross-Country Evidence”, *Journal of Economic Growth*, Volume 10, 199-229.

Banerjee, A. V. (2013), “Microcredit under the Microscope: What Have We Learned in the Past Two Decades and What Do We Need to Know?” *Annual Review of Economics*, 5: 487-519

Workshop: Financial inclusion (3 hours)

Course team chooses from a number of available case studies on financial inclusion policies to organize a discussion or a debate.

DAYS 8-10

Most course teams will include one of the auxiliary units in the course program. The remaining time is used for preparation of participants' final presentations, for presentations themselves, and for the closing session, final quiz, course evaluations, etc.

The structure of the course presented above is indicative. Depending on the preferences of the course team, the order of topics in part 3 of the course can be changed. Additional debates and discussions can be added at various points. Also, if a particular topic attracts a lot of interest in the region, additional time can be allocated to it, a discussion scheduled, or participants can be asked to present their experience on the topic.