

# Revitalising the Policy for Global Development

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# Purposes of the study

- Survey of social-science literature on development:  
What do we know?
- Policy conclusions for a small, non-aligned country like Sweden:  
What should be in focus for development cooperation?

# Knowledge base: improving, but important weaknesses remain

## Improvements

- Data supply has improved
- New methods in causal analysis

## Weaknesses

- Data quality
- Poverty, illiteracy, poor health services are underreported
- Integrity of basic statistical services and audit institutions

# Main themes of the study

- Growth
- State-building
- Inclusive development

# Growth

Theories of economic growth:

- Capital and labour
- Technology
- Human capital (endogenous growth)
- Institutions: constitutional design, quality of government
- Natural conditions
- Trade

The Singer-Prebisch hypothesis partly confirmed:  
de-industrialisation, inequality, volatility

# State-building

## Institutions matter

- constitutional design
- middle-range: budgetary institutions
- micro-level: accounting, transparency

## Education and collective goods

- individual autonomy, female emancipation
- productivity
- crime, corruption, conflict

## Scope of the state

- the Washington Consensus
- core functions: public administration, education, health care
- tax revenues

# Inclusive development

Main justification: market drift towards inequality

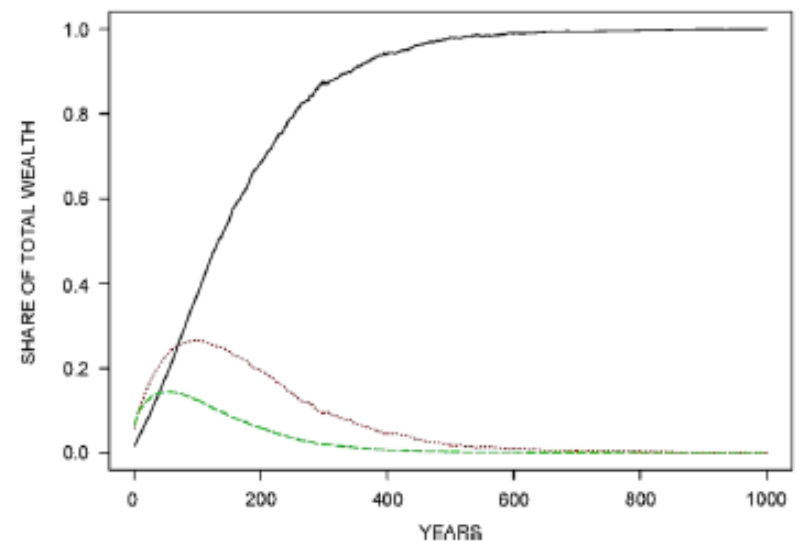
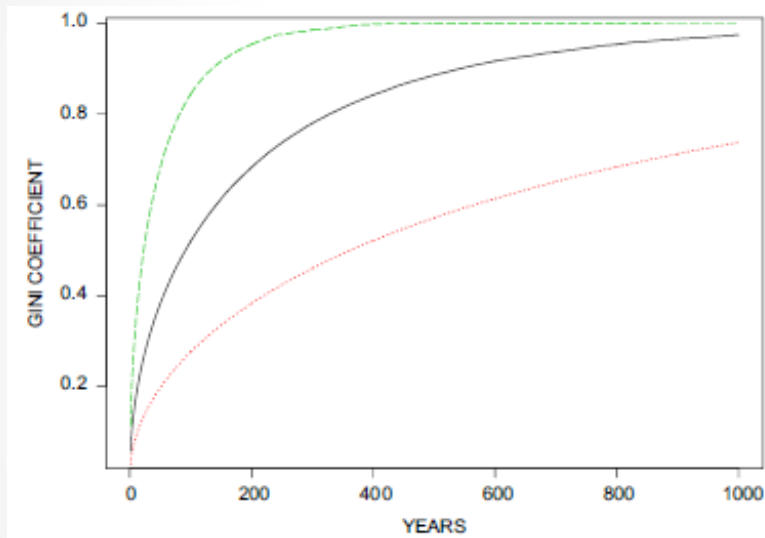
Dimensions of inequality

- land
- gender
- education

No inherent conflict between equality and growth

- equality of opportunity fosters growth
- some equalisation of outcomes is necessary

# Long-term distribution in a market economy is starkly unequal



Left curve Gini coefficient, right curve share of total assets for (from the top) the richest 1%, 1-5%, and 5-10%, respectively.  
Source: Fernholz & Fernholz, *J. Econ. Dyn. & Control* 44, 251-269 (2014).

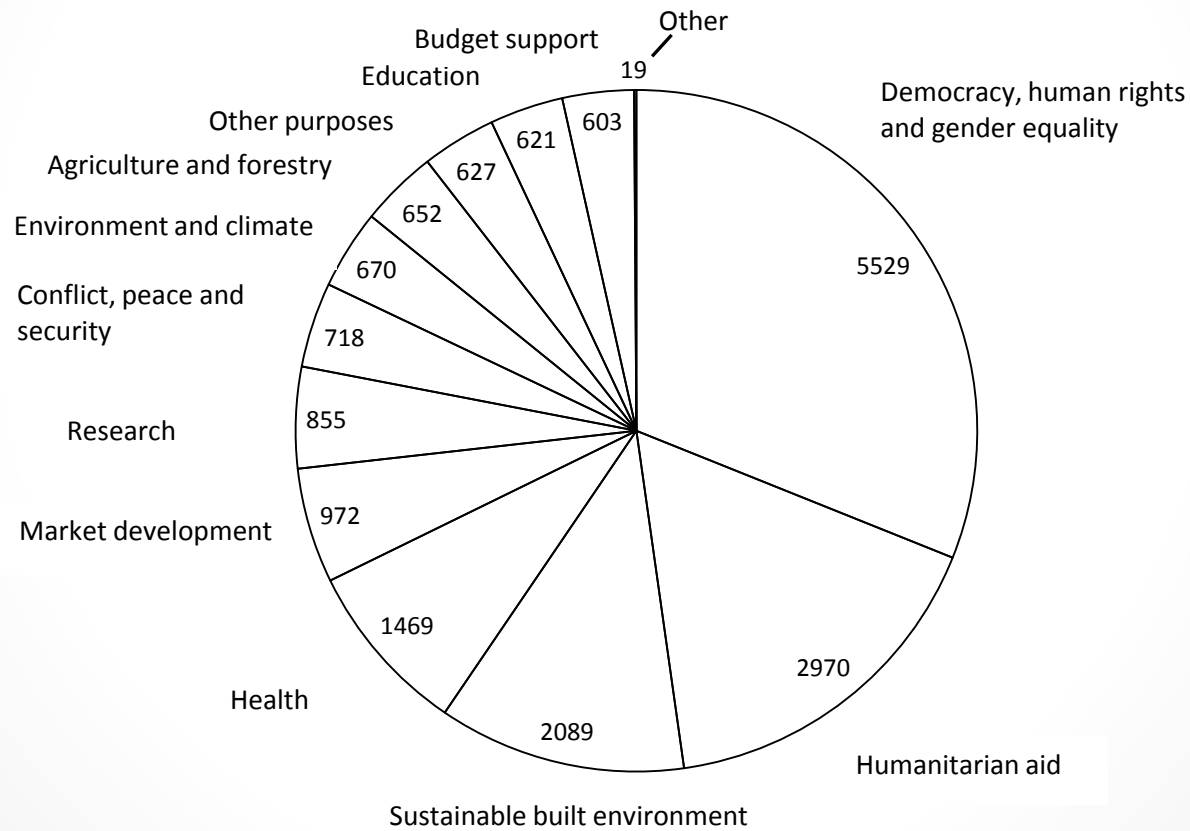


# Stylised facts for policy development

- Aid works on average but could be more efficient.
- Low-growth traps require a joint effort in several fields.
- A strong, well-functioning state is central to development.
- Developing countries are under-taxed.
- Education is of key importance:
  - individual autonomy
  - political maturity
  - female emancipation
  - productivity
  - crime
  - reduced corruption.
- The international trade system is biased in favour of rich countries.



# Swedish bilateral aid: current priorities



# Policy conclusions

## Policy for Global Development:

- *Trade policy*: adapt the international trade regime to the needs of developing countries
- *International tax cooperation*: curb tax evasion (both physical persons and corporations)
- Coordinate the PGD from the Prime Minister's Office

## Bilateral development cooperation:

- Concentrate efforts sector-wise and geographically
- Upgrade support to the educational sector
- Upgrade support to public-administration capacity building

# A way forward

