

PhD Programme: Development Economics (micro)
University of Gothenburg
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Computer Exercise II

Enterprise Development and Policy

The assignment: You are an economic advisor to a donor agency that is in the midst of reviewing its private sector policy to developing countries. The agency has asked you to provide a background paper (10 pages maximum, not including tables, appendices, references etc.) in which you identify the leading constraints on enterprise performance and job creation, and draw out the implications (if any) for donor policy. You have access to detailed survey data for several countries (the data are to be introduced in the lab session) and you are free to choose any country or countries you like, for which data are available. You may add to your firm-level analysis any auxiliary information that you feel contributes to the main storyline, however the analysis should primarily be micro oriented.

The report, which should be rigorous, analytical and well written, will probably contain the following components:

- i) Background and context: A discussion of the main problems facing entrepreneurs in poor countries (consult the papers we've covered as part of the course and any other relevant references that you can find)
- ii) A description of the country/countries and the data (quality, coverage, limitations etc.)
- iii) A discussion of your empirical approach (e.g. if you are using regression analysis, choice of specification and pointers on how to interpret the results – remember, your audience consists primarily of informed non-economists)
- iv) Analysis of the empirical results
- v) Discussion of the policy implications & identification of areas for which more research is needed.

Keep in mind: This is a *difficult* task, and there is no right answer. Acknowledge the difficulties! What you must avoid *at all cost* is a superficial analysis in which you pretend there are no difficulties, and argue that a few quick fixes (e.g. providing credit...) will do miracles for the sector. You can look at the data on perceived problems for business, but you certainly need to look at other data too. Test your own ideas – both logically and empirically. Keep an open mind as to what the main problems are and how they can best be fixed – let the data guide you. Don't be afraid to come up with a non-conventional message if that is supported by the data. Keep in mind that you may need a lot of evidence if, as is usually the case, your audience is particularly sceptical about inconvenient arguments.