**LEADING ISSUES IN GLOBAL DEVELOPMENT FINANCE**

**PPOL 829 (MODULE)**

SPRING 2010 (January 19 – March 2)[[1]](#footnote-1)

Tuesdays 3.10-5.10pm

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**Course Description:** This module will examine the leading issues related to capital flows between the developed and developing worlds. It will cover the various types of official and private finance as well as the institutions and policies designed to manage and promote these flows. The first half considers development assistance from both the recipient and donor perspectives, as well as the changing roles of the IMF and the multilateral development banks. In the second half, the course explores the key issues in debt, private investment, and the financial sector. The course will stress policy-relevant issues and the presentation of analysis and information in a format used in real policymaking settings.

**Requirements:** This is a seminar-style course; active participation is essential and reflected in grade weighting. Your grade is based on a class presentation (33%), participation in class discussions (33%), and two written memos (33%). The first memo is due on February 16th and a follow-up memo will be due before the final class on March 2nd. Format and topics for memos and presentations will be explained in the first class.

**Readings:** The required books are:

John Taylor, *Global Financial Warriors*: *The Untold Story of International Finance in the Post-9/11 World*, WW Norton, 2007.

Todd Moss, *African Development: Making sense of the issues and actors*, Lynne Rienner Publishers, 2007

The remaining required readings are available on the web, as are most of the suggested ones.

**Class 1 (January 19): Introduction to Global Development Finance: Where is the Money?**

This session will focus on the overall global flows of capital going to low-income countries. Where they are coming from? Where are they going? What are the different types of capital flows and their characteristics? This talk would lay the groundwork for all the other lectures.

Required:

G-20 Communique. Text here: <http://www.nytimes.com/2008/11/16/washington/summit-text.html>

Global Development Finance, World Bank. Read the overviews of both 2008 (5 pages) and 2009 (6 pages).

*2008:* [*http://siteresources.worldbank.org/INTGDF2008/Resources/gdf\_overview\_001-006\_web.pdf*](http://siteresources.worldbank.org/INTGDF2008/Resources/gdf_overview_001-006_web.pdf)

*2009*: [*http://siteresources.worldbank.org/INTGDF2009/Resources/gdf\_overview\_001-006\_web.pdf*](http://siteresources.worldbank.org/INTGDF2009/Resources/gdf_overview_001-006_web.pdf)

**Class 2 (January 26): Official Development Assistance: The Donor Perspective**

This session will primarily focus on the donor side of the ODA equation.  Who are the
primary donors and why?  What are the key drivers in different donors' levels and conditions of financing?

Required:

Moss, Chapter 8

One Campaign, “The DATA Report 2009” [http://www.one.org/c/us/hottopic/2815/l](http://www.one.org/report/en/index.html)

Tim Harford and Michael Klein, “The Market for Aid” (summary briefing available: <http://rru.worldbank.org/PublicPolicyJournal>)

OECD, Development Cooperation Report, 2009, Summary: <http://www.oecd.org/dataoecd/55/59/42193704.pdf>

Suggested:

Charles Kenny, “What is Effective Aid? How Would Donors Allocate It?” World Bank Policy Research Working Paper 4006 (September 2006).

David Dollar and Victoria Levin, “The Increasing Selectivity of Foreign Aid, 1984-2002,” World Bank Policy Research Working Paper 3299, (May 2004).

Andrew Rogerson, “The International Aid System 2005-2010: Forces For and Against Change,” Overseas Development Institute, ODI Working Paper 235, 2004.

Benn Eifert and Alan Gelb, “Improving the Dynamics of Aid : Towards More Predictable Budget Support,” World Bank Policy Research Working Paper 3732, (October 2005).

**Class 3 (February 2):** **Official Development Assistance: From the Recipient View**:

This session will look at how ODA is actually spent and coordinated on the
ground.  It will highlight the realities that many country face in trying to vie for and coordinate significant donor funding.

Required:

Nancy Birdsall, Seven Deadly Sins: Reflections on Donor Failings, CGD Working Paper Number 50 (2004), <http://www.cgdev.org/content/publications/detail/2737>

Paul Mosley, “How to Confront the World Bank and Get Away With It: A Case Study of Kenya” in Chris Milner and A.J. Rayner (eds.), *Policy Adjustment in Africa*, MacMillan (1992).

Suggested:

William Easterly, “The Cartel of Good Intentions: Markets vs. Bureaucracy in Foreign Aid,” CGD Working Paper 4 (2002) <http://www.cgdev.org/content/publications/detail/2786>

“Special issue: Aid and Development” Finance & Development (September 2005), <http://www.imf.org/external/pubs/ft/fandd/2005/09/index.htm>

Peter Heller, “Pity the Finance Minister: Issues in Managing a Substantial Scaling Up of Aid Flows,” IMF Working Paper, (September 2005) [www.imf.org/external/pubs/ft/wp/2005/wp05180.pdf](http://www.imf.org/external/pubs/ft/wp/2005/wp05180.pdf)

**Class 4 (February 9): The International Financial Institutions**

This session will look at the role of the IMF, World Bank and regional banks in development finance.  What is the IMF and what does it do?  What about the multilateral development banks? How do they raise funds? How do they allocate it? How are their roles changing? What are some of the current proposals on the table for reform?

Required:

Taylor, Chapters on IMF and World Bank, plus “Loan Rangers,” Wall Street Journal (19 April 2006) <http://siepr.stanford.edu/siepr_news/taylor_article.pdf>

Glance through any recent “IMF Staff Country Report” for a country. Try to interpret the jargon: what does the Fund think are the country’s key challenges?

IDA-15 Replenishment Agreement, <http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/FinalreportMarch2008.pdf>

Suggested:

Ted Truman, Reforming the IMF for the 21st Century, Introduction and Summary, IIE, (30 pp), available: <http://www.iie.com/publications/chapters_preview/3870/01iie3870.pdf>

Jessica Einhorn, “The World Bank’s Mission Creep,” *Foreign Affairs* (September 2001).

Sebastian Mallaby, “Saving the World Bank,” *Foreign Affairs* (May/June 2005).

“Building Africa's Development Bank: Six Recommendations for the AfDB and its Shareholders,” Center for Global Development (September 2006) <http://www.cgdev.org/content/publications/detail/10033>

*Can Africa Claim the 21st Century*? World Bank (2000), Executive summary

**Class 5 (February 16): Debt and Debt Relief**

This session will examine the debt problem for many countries, the various debt relief programs that have been enacted, and the effects of such initiatives.

Required:

Moss, Chapter 8

Ben Leo, Seth Searls, and Lukas Kohler, "Achieving Debt Sustainability in Low-Income Countries: Past Practices, Outstanding Risks, and Possible Approaches,” US Treasury Occasional Paper No. 5 (September 2006). <http://www.ustreas.gov/offices/international-affairs/occasional-paper-series/112706_OccasionalPaper5.pdf>

William Easterly, “How did Heavily Indebted Poor Countries Become Heavily Indebted? Reviewing Two Decades of Debt Relief,” *World Development* (October 2002), <http://www.nyu.edu/fas/institute/dri/Easterly/File/World.pdf>

Suggested:

Todd Moss, “The G8’s Multilateral Debt Relief Initiative and Poverty Reduction in Sub-Saharan Africa,” *African Affairs*, Vol. 105, No. 419, April 2006. (Updated version on <http://www.cgdev.org/content/publications/detail/7912>)

Nicolas Chauvin and Aart Kraay “What Has 100 Billion Dollars Worth of Debt Relief Done for Low-Income Countries?” World Bank, 2005. <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=818504>

World Bank and IMF, “Central African Republic: HIPC Completion Point Document,” (September 2009)

**Class 6 (February 23): Private Finance I: FDI and Portfolio Flows**

This session will examine the trends and current debates surrounding foreign direct investment and portfolio flows (bonds and local equity markets). Where are private capital flows going and why? When is FDI thought most developmentally-friendly? What is the role of local stock markets?

Required:

Moss, Chapter 13

Commission on Capital Flows to Africa, report, June 2003, [www.petersoninstitute.org/publications/papers/africa-report.pdf](http://www.petersoninstitute.org/publications/papers/africa-report.pdf)

Theodore Moran, *Harnessing Foreign Direct Investment for Development*, CGD, 2006. Intro chapter: <http://www.cgdev.org/doc/books/Moran%20FDI/Introduction.pdf>

Linda Goldberg, “Financial Sector FDI and Host Countries: New and Old Lessons,” New York Federal Reserve, (2004) <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=973853>

Suggested:

Todd Moss, Vijaya Ramachandran and Scott Standley, “Why Doesn't Africa Get More Equity Investment? Frontier Stock Markets, Firm Size and Asset Allocations of Global Emerging Market Funds,” CGD Working Paper 112 (February 2007) <http://www.cgdev.org/content/publications/detail/12773>

*O. Janet Adelegan and Bozena Radzewicz-Bak, “*What Determines Bond Market Development in Sub-Saharan Africa,” IMF Working Paper WP/09/213 (September 2009), [www.imf.org/external/pubs/ft/wp/2009/wp09213.pdf](http://www.imf.org/external/pubs/ft/wp/2009/wp09213.pdf).

IMF, “Institutional Investors in Emerging Markets,” Chapter 4 in *Global Financial Stability Report* (April 2004) <http://www.imf.org/External/Pubs/FT/GFSR/2004/01/pdf/chp4.pdf>

**Class 7 (March 2): Private Finance II: Private Equity, SME Banking, and Microfinance**

This session will look at the various kinds of banking and financial facilities in low-income countries, plus other kinds of finance such as private equity. What role does the formal banking sector, both local and international, play in promoting development? What is SME finance? Where does microcredit fit into the development picture?

Required:

Josh Lerner and Ann Leamon, “A Note on Private Equity in Developing Countries,” Harvard Business School,” (April 2008)

Roger Leeds and Julie Sunderland, “Private Equity Investing in Emerging Markets,” *Journal of Applied Corporate Finance*, (Spring 2003) <http://www.sais-jhu.edu/centers/bizgovcenter/pdfs/journal_of_acf_final_5102.pdf>

Alan Patricof and Julie Sunderland, “Venture Capital for Development” <http://www.brookings.edu/global/200508blum_patricof.pdf>

Connie Bruck, “Millions for Millions,” *New Yorker* (October 30, 2006)

Suggested:

Florence Eid, “Private Equity Finance as a Growth Engine: What it Means for Emerging Markets,” *Business Economics* (July 2006)

Emerging Capital Partners, “Investment Approach,” http://www.ecpinvestments.com/1038.xml?d=1038&p=1010.

Thorsten Beck and Asli Demirguc-Kunt, “SMEs, Growth, and Poverty,” World Bank (2004). 4-page brief

Allen Berger and Gregory Udell, “A More Complete Conceptual Framework for SME Finance,” World Bank, (2004) <https://www.businessgrowthinitiative.org/KeyPracticeAreas/Documents/More%20Complete%20Concept%20for%20SME%20Finance.pdf>

David Roodman and Uzma Qureshi, “Microfinance as Business,” Working Paper 101, Center for Global Development (November 2006). <http://www.cgdev.org/content/publications/detail/10742>

John Hawkins and Dubravko Mihaljek, “The banking industry in the emerging market economies: competition, consolidation and systemic stability: an overview,” Bank of International Settlements papers, (2001) <http://www.bis.org/publ/bispap04a.pdf>

1. January 19/26, February 2/9/16/23, March 2 [↑](#footnote-ref-1)