

**Fulbright Economics Teaching Program
Academic Year 2016
Summer Semester**

SYLLABUS

Development Finance

Teaching Team

Instructor: Tran Thi Que Giang
 Do Thien Anh Tuan
Tutor: Vu Thi Mai Tram

Class Meeting Schedule

The course will last for 8 weeks, from 30th June to 20th Aug. Class meets two sessions a week in the afternoons of Tuesday and Thursday (from 13:30 to 15:00).

Office Hours

	Monday	Monday	Wednesday	Wedday	Friday
Tran Thi Que Giang		15:30-17:00		15:30-17:00	
Do Thien Anh Tuan	15:30-17:00		15:30-17:00		
Vu Thi Mai Tram	18:30-20:00				18:30-20:00

Participants are welcome to schedule appointments with members of the teaching team at another time.

Course Objectives

1. Understanding the structure of the financial system and the role of financial development in economic growth and development.
2. Applying economic theories to the analysis of the financial system (instruments, markets, institutions, and infrastructure).
3. Analyzing the role of the government in financial development, and examining the requirements and challenges in creating a market-oriented and well-functioning financial system.

Course Description

The main theme of the course is how to build an efficient financial system conducive to economic development in a *developing, transition and open* economy like Vietnam. The institutional approach is used throughout the course.

The course begins with an overall picture of the financial system, its role in economic development, and an analysis of financial system evolution in developing countries. Topics include the potential dangers of government failure from financial repression to financial

liberalization. Discussion will also touch on financial crisis, syndromes, causes and solutions based on the experiences of financial crises in different countries.

The course will then study in greater details the components of a financial system and analyzes the ways in which a government in developing and transition countries intervenes in finance. Here we assume an active role of the government in creating and helping financial markets, especially in developing and transition economy. Finally, fundamental issues regarding management principles and market supervisions by international organizations will be examined.

Teaching Methods

Formal lectures and open discussions in class will be the teaching format. As per the nature of the course and the discipline of public policy, case study methods will be employed intensively and systematically throughout the course.

Some topics will be taught by guest speakers. It is the Teaching Team's effort to bring reality into classroom environment, giving students opportunity to talk with policy makers, researchers and practitioners to update themselves with real world development.

Course Requirements and Expectations

It is expected that participants attend class regularly, participate actively in class discussions, and complete all course requirements successfully. Participants are also expected to read the assigned readings before coming to class. During the lecture, participants may be called upon any time to comment on the assigned readings or answer instructor's questions. Participants who want to gain a deeper knowledge about any topic are encouraged to consult other textbooks in the library or ask a member of the Teaching Team.

Course Assessment

Assessment will be based on the individual problem sets, class discussions and exams. The grading will be based on the following weights:

	Weight
Individual paper	30%
Class participation	20%
Final paper	50%

Individual problem sets

There will be 5 individual problem sets in the form of papers based on case studies (maximum 500 words according to Microsoft word count). Writing content will be based on questions suggested in each case study. When answering problem sets, participants can exchange ideas and discuss with each other. However, each participant must write and submit his/her own answers that reflect his/her own work. Problem sets should be turned in electronic copy as instructed by 8:20 on the due date. The hard copy will be used for discussion in class and submitted to the instructor by the end of the class.

Problem sets	Topic	Due Date
Paper 1	Capital Access by Vietnamese businesses	11/07
Paper 2	Financial Depression and Liberalization in Vietnam	20/07
Paper 3	Financial Crisis in Vietnam	27/07
Paper 4	Provision of Micro Finance Services	10/08
Paper 5	Vietcombank Equitization	22/08

Final Exams

The final exam will be held on Mon. 24th Aug 2015. The purpose is to evaluate overall knowledge that students learned during the entire course. In order to perform well on this exam, students should read and understand all distributed materials and attend all classes.

References

Readings are selected from different sources to fit each lecture. The students can refer to the following textbooks, mostly on development finance.

- 1) Beim, David, and Charles Calomiris (2000). *Emerging financial markets*. New York: McGraw-Hill / Irwin, 2000
- 2) Frederic S. Mishkin (2003), *The Economics of Money, Banking, and Financial Markets*, 7th edition, Harper Collins College Publishers.
- 3) P. K. Rao (2003). *Development Finance*. Springer.
- 4) The World Bank (2001). *Finance for Growth: Policy Choices in a Volatile World*, co-publication of the World Bank and the Oxford University Press.

WEEK 1

Mon (04/7) Lecture 01: Global Financial System and the Role of Finance in Economic Growth and Development

Đ.T.A.Tuấn

World Bank (2001), *Finance for Growth: Policy Choices in a Volatile World*. Chapter 1: “Making Finance Effective”, pp. 31-44

“International Institutions”, HBS case 9-796-116, February 13, 1996 & FETP cập nhật 2013

Reference:

P. K. Rao (2003), *Development Finance*, Chapter 1&2

Levine R. (2004), *Finance and Growth: Theory and Experience*. Working Paper 10766. NBER.

Stephen G Cecchetti and Enisse Kharroubi (2015), “Why does Financial Sector Growth crowd out real economic growth?” BIS Working Papers No. 490. Monetary and Economic Department.

Wed (06/7) Lecture 2: Financial System in Vietnam

Đ.T.A.Tuấn

Huynh The Du, Nguyen Minh Kieu, Do Thien Anh Tuan (2013), *Vietnam Financial System*

SBV (2011), “Overview of Credit Institutions in Vietnam”

Nguyen Xuan Thanh (2016), “Vietnamese Commercial banks: from Legal and Policy Changes in 2006-2010 to restructuring events in 2011-2015”

WEEK 2

Mon (11/07) Case study 1: Capital Access by Vietnamese businesses

T.T.Q.Giang

Mr. Nam's Dilemma, KSG case study

Paper 1 due

Wed (13/07) Lecture 03: Financial Repression and Liberalization

T.T.Q.Giang

Jay K. Rosengard & Huỳnh Thế Du (2008), "Banking Sector Reform: A Comparative Study of Vietnam and China".

McKinnon (1992), Chapter 4: "Instruments of Financial Repression"

Nguyen Xuan Thanh, "Vietnam: the Journey to Interest Rate Liberalization"

Nguyen Xuan Thanh, "Financial Liberalization", lecture note.

References:

Charles W. Calomiris, David O. Beim (2000), Emerging financial markets, Chapter 2: "Financial Repression and Financial Liberalization"

Asli Demirgüç-Kunt & Enrica Detragiache (1998), "Financial Liberalization and Financial Fragility", World Bank Annual Conference on Development Economics

WEEK 3

Mon (18/07) Lecture 04: Capital Account Liberalization

D.T.A.Tuan

WB (2012) "Global Development Finance: Foreign Debt of Developing Countries"

J. Frankel et al. (2007), "World Trade and Payments, an introduction", Chapitre 15 "The Balance of payments accounts", p. 273 - 290

IMF Institute, Financial Programming and Policy, 1999 - Unit 5: "Analysis of the Balance of Payments".

Stiglitz, Joseph (2005). "Liberation of capital market, globalization, and IMF," *Oxford Review of Economic Policy*, Vol. 20, No. 1, pgs.57-71.

Wed (20/07) Case study 2: Interest Rate Control in Vietnam 2008-2012

T.T.Q.Giang

Paper 2 due

"The Interest Rate Race 2008-2012", FETP Case Study

WEEK 4

Mon (25/07) Lecture 05: The Theory of Financial Crisis

D.T.A.Tuan

The World Bank (2001), Chapter 2, "Prevention and Mitigation of Crisis"

N.X.Thanh, "*Models of Monetary Crisis: 1st and 2nd generations*", lecture notes

N.X.Thanh, "*Model of Monetary Crisis: 3rd generation*", lecture notes

Wed (27/07) Case study 3: Financial Crisis in Vietnam

D.T.A.Tuan

The Asia Program at Harvard Kennedy School and the Fulbright Economics Teaching Program at the University of Economics, HCMC, "Policy Paper: Structural Reform for Growth, Equity, and National Sovereignty", Jan. 2012.

The Asia Program at Harvard Kennedy School and the Fulbright Economics Teaching Program at the University of Economics, HCMC, "*Policy Paper No. 4*", Jan. 2009.

Huỳnh Thế Du & Jay Rosengard, "Vietnamese Economy Dealing With Challenges"

Paper 3 due

WEEK 5

Mon (01/8) Lecture 06: Central Bank

D.T.A.Tuan

IMF Institute, *Financial Programming and Policy*, 1999 - part 7: "Analysis the monetary field".

Vũ Thành Tự Anh (2010), "Building a Modern Central Bank."

Wed (03/8) Lecture 07: Commercial Bank

T.T.Q.Giang

Nguyen Xuan Thanh (2016), "Vietnamese Commercial banks: from Legal and Policy Changes in 2006-2010 to restructuring events in 2011-2015"

Huynh The Du (2010), "Positive signals from regulations on operational safety of Vietnamese banks"

Beim and Calomiris (2000). Chapter 7: "The trouble with banks".

The World Bank (2001), Chapter 2: "Preventing and Minimizing Crises," pp. 90-119. (Vietnamese version: Chapter 2, pp. 123-166.

WEEK 6

Mon (08/8) Lecture 08: Non-Banking Financial Sector

T.T.Q.Giang

Mishkin (2003), Chapter 12: "Nonbank Finance," pp. 287-307.

N.X. Thanh, "The HIFU", Case study

Wed (10/08) Case Study 4: Micro Finance

T.T.Q.Giang

KSG Case, “Commercial Bank Providing Micro Finance Services: Sogesol in Haiti.”

Jonathan Morduch (1999), “The Microfinance Promise”

Karla Hoff and Joseph E. Stiglitz (1990), The Economics of Rural Organization, Perspectives”, *World Bank Economic Review*.

Paper 4 due

WEEK 7

Mon (15/08) Lecture 09: Money Market

D.T.A.Tuan

Frank J. Fabozzi (2002), “Capital markets: institutions and instruments” – 3rd ed.

Wed (17/08) Lecture 10: Vietnamese Capital Market

Guest speaker: TBA

CIEM and UNDP (2004), “Vietnam Financial Market: Reality, Issues, and Policy Solutions”, Publishing House. Chapters 3 and 4.

World Bank, Vietnam Development Report 2009

WEEK 8

Mon (22/08) Case Study 5: Vietcombank equitization

D.T.A.Tuan

Huynh The Du & Jay Rosengard, “Vietcombank Equitization” case study

Paper 5 due

Wed (24/08) Lecture 11: Restructuring Vietnam’s Financial System and Choosing Monitoring Model for Financial System

T.T.Q.Giang

Decision 254/QĐ-TTg on “Restructuring Credit Institution Systems period 2011-2015”.

Nguyen Xuan Thanh and Do Thien Anh Tuan (2013), “Combining Macroeconomic and Financial Safety Supervision Policies in Vietnam from an international perspective”, NFSC

Huynh The Du & Do Thien Anh Tuan, “Regulations on Safety Ratios in Vietnamese Banking Operation— a Rough Road”

Do Thien Anh Tuan (2013), “Monitoring Vietnamese banking system”, lecture note.

Daniela Klingebiel (2001), Chapter 13 “Asset Management Company”

Charles W. Calomiris, David O. Beim (2000), Emerging financial markets, Chapter 4: “Legal Foundations” and Chapter 9: “Building Financial Institutions”

WEEK 9

Mon. (29/08) Final Exam