

**Fulbright Economics Teaching Program
Academic Year 2013
Summer Semester**

SYLLABUS

Development Finance

Teaching Team

Instructor: Huynh The Du
Tran Thi Que Giang
Co-Instructor: Do Thien Anh Tuan

Class Meeting Schedule

The course will last for 9 weeks, from 1st June to 26th Aug. Class meets three sessions a week in the afternoons of Monday and Wednesday (from 13:30 to 15:00), and morning of Friday (from 10:15 to 11:45)

Office Hours

	Monday	Tuesday	Wednesday	Thursday	Friday
Tran Thi Que Giang	15:00-16:30		15:00-16:30		
Huynh The Du		15:00-16:30		15:00-16:30	
Do Thien Anh Tuan	15:30-17:00		15:30-17:00		

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	25%
Class participation	20%
Team Presentation	25%
Final paper	30%

Individual problem sets

There will be seven 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 or 13:20 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.

<i>Problem sets</i>	<i>Topic</i>	<i>Due Date</i>
Paper 1	Capital Access by Vietnamese businesses	Fri., 05/07
Paper 2	Financial Depression and Liberalization in Vietnam	Fri., 12/07
Paper 3	Financial Crisis in Vietnam	Fri., 19/07
Paper 4	Cross Ownership in Vietnamese Commercial Banks	Fri., 26/07
Paper 5	Provision of Micro Finance Services	Wed., 31/07
Paper 6	Vietcombank Equitization	Wed., 07/08
Paper 7	Financial Monitoring Model	Mon., 12/08

Team Presentation

It is expected that the class will be grouped in three. Each group will choose their own topic on development finance to write a policy paper of maximum 7000 words (using Word Count). Content and formality should follow the requirements in the *Policy Paper Guideline*. Submission of the policy paper must follow teaching team instruction. Group presentation will be held in week 8 of the course (see detailed schedule). A maximum 20 minutes will be given to each group for presentation. Grading will be based on the policy paper submitted and quality of group presentation.

Final Exams

The final exam will be held on Monday 19th Aug. 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) CIEM and UNDP (2004), "Vietnam Financial Market: Reality, Issues, and Policy Solutions", Publishing House.
- 3) Frederic S. Mishkin (2003), *The Economics of Money, Banking, and Financial Markets*, 7th edition, Harper Collins College Publishers.
- 4) P. K. Rao (2003). *Development Finance*. Springer.
- 5) 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

Tues (02/7) Lecture 01: Global Financial System and the Role of Finance in Economic Growth and Development Q. Giang

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

Thurs (04/7) Lecture 2: Financial System in Vietnam A. Tuan

Huynh The Du, Nguyen Minh Kieu (2005), *Vietnam Financial System*

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

Fri. (05/07) Case study 1: Capital Access by Vietnamese businesses H.T.Du

Mr. Nam’s Dilemma, KSG case study

Paper 1 due

WEEK 2

**Monday Lecture 03: Financial Repression and Liberalization H.T.Du
(08/07)**

Jay K. Rosengard và Huỳnh Thế Du (2008), *Funding Economic Development: A Comparative Study of Financial Sector Reform in Vietnam and China*

Ronald I. McKinnon (1992), *The Order of Economic Liberalization: Financial Control in the Transition to a Market Economy*. 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 và Enrica Detragiache (1998), “Financial Liberalization and Financial Fragility”, *World Bank Annual Conference on Development Economics*

**Wednesday Lecture 04: Capital Account Liberalization Q. Giang
(10/07)**

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.

Friday Case study 2: Interest Rate Control in Vietnam 2008-2012

(12/07)

Q.Giang

Paper 2 due

“The Interest Rate Race 2008-2012”, FETP Case Study

WEEK 3

Monday Lecture 05: Overview of Crisis

(15/07)

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

Wednesday Lecture 06: The Theory of Financial Crisis

(17/07)

A. Tuan

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

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

Friday Case study 3: Financial Crisis in Vietnam

(19/07)

H.T.Du

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 và Jay Rosengard, “Vietnamese Economy Dealing With Challenges”

Paper 3 due

WEEK 4

Monday Lecture 07: Central Bank

(22/07)

H.T.Du

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

Vũ Thành TỰ Anh (2010), “Building a Modern Central Bank.”

Wednesday Lecture 08: Commercial Bank

(24/07)

H.T.Du

Huỳnh Thế 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.

Friday (26/07) Case Study 4: Cross Ownership in Vietnamese Commercial Banks Q. Giang

FETP case study, "Ownership Structure in Vietnamese Commercial Banks"

Paper 4 due

WEEK 5

Monday (29/07) Lecture 09: Non-Bank Financial Sector Q. Giang

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

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

Wednesday (31/07) Case study 5: Micro Finance

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 5 due

Friday (02/08) Lecture 10: Money Market H.T.Du

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

WEEK 6

Monday (05/08) Lecture 11: Stock Market

Guest speaker: Trinh Hoai Giang, HSC Vice President

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

World Bank, Vietnam Development Report 2009

Wednesday (07/08) Case study 6: The Equitization of Vietcombank H.T.Du

Huynh The Du and Jay Rosengard, "Equitizing Vietcombank", Case Study

Friday (09/08) Lecture 12: Restructuring Vietnam's Financial System X.Thành

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

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

WEEK 7

Monday (12/08) Case Study 7: Choosing Monitoring Model for Financial System

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

Huỳnh Thế Du, “Choosing Monitoring Model for Financial System in Vietnam”

Paper 7 due

Thurs (15/08) Group Presentation

WEEK 8

Mon. (19/08) Final Exam

Fri (26/08) Final paper due