

SYLLABUS

F527 / V427 International Development Finance

Spring 2025

Section 11547 / 11648

Tuesday and Thursday 9:35 – 10:50 a.m.

Instructor

Daniel Preston

prestond@iu.edu

Teaching Assistant

Abidemi Adeoye

aadeoye@iu.edu

Course Description

This course provides an overview and application of international financial tools utilized to foster sustainable development for low- to middle-income countries. The course first develops a foundation in financial, credit and macroeconomic concepts, analysis and principles. It then evaluates the various means and mechanisms by which developing countries can harness finance to improve living conditions, power economic growth and reduce poverty. Topics explored in this course include sovereign borrowing, project finance, remittances, securitization, export finance, equity-based development finance, financial inclusion, fintech, multilateral finance, official development assistance, concessional lending, disaster finance, guarantees, blended finance and debt restructuring and forgiveness. The major course requirements include assigned reading, quizzes, attendance, in-class activities and participation, four homework assignments, two examinations and a final project. An introductory finance course is recommended but not required.

Learning Objectives

Students who successfully complete the requirements of the course will be able to do the following.

1. Conduct a general credit assessment of a sovereign country.
2. Interpret how bond prices respond to market forces and macroeconomic conditions.
3. Demonstrate general knowledge and understanding of each financial product covered in the course.
4. Identify how development finance can play a productive role in sustainable development.
5. Articulate how development finance can harm developing countries.
6. Draw conclusions from credit reports, prospectuses and articles regarding development finance.
7. Conduct financial analysis in Microsoft Excel utilizing principles of finance.
8. Be able to obtain and analyze market data from a Bloomberg terminal.
9. Demonstrate the capacity to research and provide a general overview of development finance activity in a sovereign country.
10. Express general knowledge about countries in Africa, Asia, Latin America and the Caribbean.

Reading

Required readings will be posted on the Canvas course website. They will be downloadable, accessed via weblink or available through electronic reserve at the Business/SPEA library. Canvas will indicate when assigned readings need to be completed.

Course Requirements

Quality of Engagement

This requirement measures the quality of in-class engagement. This will be worth **10 percent** of your final grade. The score will be calculated at the instructor's discretion based on your performance. The instructor will keep track of your in-class engagement, so your score is based on an objective measure. To earn a score of 100 for this requirement, a student must be absent five or fewer times, refrain from the use of a mobile phone during class unless expressly permitted by the instructor, use a laptop or tablet only for purposes related to the course, participate (provide a verbal contribution to the class when prompted by the instructor) in most class sessions, and be an active participant in all classroom exercises.

The instructor will provide name tents for students to facilitate this effort. **Students will also be asked to submit assignments on Canvas during class to gauge attendance.** Attendance will be tracked on Canvas. **Students have up to one week to dispute the attendance record from the date of the class tracked; after that, no dispute for that class will be considered by the instructor.** While this is an in-person course, it may shift to Zoom. In this case, students must keep their camera turned on for the duration of all class sessions. Performance below the standard described above will lead to lower scores based on the degree by which the performance is below the benchmark.

There are a few specific rules for this score. **Each absence beyond the five-absence allowance will result in an automatic 10-point deduction for each additional absence. As a result, students cannot earn credit for this requirement if they miss 15 or more times.** Additionally, use of a mobile phone without the express permission of the instructor, use of a laptop or tablet for activities unrelated to class, or leaving class early without informing the instructor in advance will result in automatic point deductions for each class period that it happens. Further, an interactive class contributes to your learning and encourages better preparation. In the event of inadequate voluntary participation, the instructor will cold-call on students.

Do not come to class if you are sick. The five-absence allowance exists to allow students to miss class when they are sick. As a result, absences will not be excused. Special provisions are provided when students are acutely ill or face a serious medical or personal emergency requiring them to miss more than four consecutive classes. In that event, email the instructor directly to work out accommodations.

Quizzes:

This will be worth **10 percent** of your final grade. Each student is required to respond to a brief set of open-book short answer or multiple-choice questions due before most classes covering the assigned reading. **At the end of the semester, the instructor will not count your lowest quiz score.** Therefore, if you received a low score on one quiz or simply did not respond, you can rest assured that score will not be included. The final score will be calculated by taking an average score for the semester.

Homework Assignments:

Students are required to complete four homework assignments applying course concepts. Scores on the homework assignments will be averaged and worth **35 percent** of your final grade.

Exams:

There will be two exams in this course. Exams will consist primarily of multiple choice, calculation and short answer questions. The exams will be in-class and worth **30 percent** of your final grade.

Final Project:

Students will be assigned teams by the instructor. Each team will be required to prepare and deliver a comprehensive presentation to the instructor in a boardroom format. A memo will be posted on Canvas describing the assignment. **Graduate students will have separate groups, and their projects will be subject to a more rigorous grading rubric.** The project is worth **15 percent** of your final grade.

Office Hours

Office hours will be held after class or by appointment. If you would like to meet after class, just simply approach the instructor after class and request a meeting. To schedule an appointment, email the instructor or the TA directly (depending on whom you would like to meet) with your availability to meet, and a response will be sent with a time for the meeting.

Grading Policy

First, each student receives a numeric score on each course requirement ranging from 0 – 100. Second, a weighted average is calculated. Grades will be assigned based on the scale provided below. One caveat exists for the students' benefit. The instructor reserves the right to adjust the scale in the favor of students if upon review and reflection it is determined the exams and expectations of assignments were too difficult.

A: 93 – 100	B+: 87 – 89.99	C+: 77 – 79.99	D+: 67 – 69.99	F: < 60
A-: 90 – 92.99	B: 83 – 86.99	C: 73 – 76.99	D: 63 – 66.99	
	B-: 80 – 82.99	C-: 70 – 72.99	D-: 60 – 62.99	

Exam Policy

All students are expected to take the exams on the day and time identified in the class schedule. Make-up exams will only be given if (a) the student informs the professor s/he will be absent prior to the exam time, and (b) the student provides adequate documentation of illness or a personal/family emergency. If these conditions are not satisfied, no make-up exam will be given.

Submission of Homework Assignments and the Final Project

The homework assignments must be submitted on Canvas and are due at the date and time specified on Canvas. Late homework assignments will be accepted, but for each day or part of a day that an assignment is late a 10% point penalty will be assessed. Late submission of the final project will not be accepted. One member from each team will need to submit the group project via the Canvas class website. Exceptions to these guidelines will be made only under extremely unusual circumstances and must be approved by the instructor ahead of time.

Religious Observances

Please contact the instructor if a religious observance requires you to miss an exam. Under IU policy, students are required to request accommodation for religious observance before, not after, it occurs. More details can be found at <https://enrollmentbulletin.indiana.edu/pages/relo.php>.

Students Requiring Accommodations

Students with a learning disability, hearing impairment, speech impairment, or any other medical condition that may affect their ability to fulfill a course requirement should contact the Accessible Educational Services (AES): <https://studentlife.indiana.edu/care-advocacy/iub-aes/index.html>. You must contact your instructor right away if you have documents from AES that indicate a need for accommodation and make an appointment with your instructor to discuss and agree to an action plan.

Policy for Use of Artificial Intelligence (AI)

Use of AI software to assist in completing course requirements is prohibited. If you do use AI, you will be committing plagiarism and will be subject to penalties in this class and sanctions by Indiana University.

Policies on Plagiarism

A definition of plagiarism, along with definitions of other forms of academic misconduct, is found in the Indiana University *Code of Student Rights, Responsibilities, and Conduct*. The policy on academic misconduct is also published each semester in the IUB *Schedule of Classes*. All instances of academic misconduct will be handled according to IUB policies.

Academic Dishonesty

Problems with academic dishonesty are rare. On occasion, however, a student may be tempted to take a shortcut or to cheat in some way. For anyone who cheats, the policies for this course are clear.

- Exam Policy: Any student who cheats on an exam will be given a failing grade in the course in addition to any other sanctions imposed by the School or the University.
- Homework Assignments and Final Project Policy: Any student who cheats or plagiarizes on any assignment or the group project will be given a failing grade in the course in addition to any other sanctions imposed by the School or the University.
- Engagement: Attending and/or participating under a false name is considered cheating and will result in a failing grade in the course in addition to any other sanctions imposed by the School or the University.

Academic Integrity

It is your responsibility to maintain academic integrity detailed at <http://www.iu.edu/~code/> and adhere to the O'Neill Honor Code found at https://oneill.indiana.edu/doc/undergraduate/ugrd_student_honorcode.pdf.

Note Selling: Several commercial services have approached students regarding selling class notes/study guides to their classmates. Selling the instructor's notes/study guides in this course is not permitted. Violations of this policy will be reported to the Dean of Students as academic misconduct (violation of course rules). Sanctions for academic misconduct may include a failing grade on the assignment for which the notes/study guides are being sold, a reduction in your final course grade, or a failing grade in the course, among other possibilities. Additionally, you should know that selling a faculty member's notes/study guides individually or on behalf of one of these services using IU email, or via Canvas may also constitute a violation of IU information technology and IU intellectual property policies; additional consequences may result.

Online Course Materials: The faculty member teaching this course holds the exclusive right to distribute,

modify, post, and reproduce course materials, including all written materials, study guides, lectures, assignments, exercises, and exams. While you are permitted to take notes on the online materials and lectures posted for this course for your personal use, you are not permitted to re-post in another forum, distribute, or reproduce content from this course without the express written permission of the faculty member. Any violation of this course rule will be reported to the appropriate university offices and officials, including to the Dean of Students as academic misconduct.

Course Schedule

The course schedule is designed to be fluid. Due to this, all topics may not be covered, topics might be added and the order might change depending on the discretion of the instructor. Additionally, readings could be updated, changed or be added due to the dynamic nature of topics covered in the course. Therefore, it is important to complete the readings as indicated on Canvas.

Topic	Required Reading
Introduction <ul style="list-style-type: none"> • Course Requirements • Course Overview • Finance Fundamentals • Credit Analysis Fundamentals • Macroeconomic Fundamentals 	Dykman, A. (2011) "How Savings Accounts Grow From The Magic Of Compound Interest," <i>Forbes</i> , 12 December 2011. Fidelity (n.d.) "Bond Prices, Rates and Yields," Fidelity Investments. Fidelity (n.d.) "What is a Bond?," Fidelity Investments. Marston, R. (2012) "What is a rating agency?," BBC News, 24 July 2012. S&P (2008) <i>Sovereign Credit Ratings: A Primer</i> , Standard & Poor's Ratings Service, 29 May 2008. S&P (n.d.) "Credit Ratings Definitions & FAQs," Standard & Poor's Ratings Service.
Sovereign Borrowing <ul style="list-style-type: none"> • Debt Management – managing type, size and duration of debt • Short-Term/Revolving Credit • Medium Term Note Programs • Sovereign Bonds • Concessional Borrowing • Paris vs. London Club Debt • Debt Restructuring • Sukuk Bonds 	Blas, J. (2013) "Africa shows growing taste for sukuk," <i>Financial Times</i> , 17 October 2013. Bloomberg (2021) "Colombia Taps Local Green Bond Market Again to Meet ESG Demand," 19 October 2021. Colombia (2021) <i>Colombia Sovereign Green Bond Framework</i> , Republic of Colombia. CRS (2012) <i>The Paris Club and International Debt Relief</i> , Congressional Research Service, 17 February 2012. EIU (2021) "Nigeria: Country factsheet," Economist Intelligence Unit. EIU (2021) "Nigeria: Country outlook," Economist Intelligence Unit. FIXINE (2014) "Uganda shelves Eurobond plans, favours Chinese loan," <i>Fixed Income Market: News and Comments</i> , 28 January 2014. IMF (2011) <i>IMF Crisis Lending</i> , International Monetary Fund, November 2011. IMF (2008) <i>Strategic Considerations for First-Time Sovereign Bond Issuers</i> , International Monetary Fund, November 2008. Klasa, A. (2015) "Africa's bond boom will be slow to return," <i>Financial Times</i> , 13 November 2015. Law, F. (2015) "Demand Chills on Mongolia Bonds," <i>Wall Street</i>
Multilateral Finance and Bilateral Development Assistance <ul style="list-style-type: none"> • Understanding key players • Means and mechanisms at their disposal • World Bank case • IMF case • Bilateral assistance case 	

	<p><i>Journal</i>, 22 September 2015.</p> <p>Owen, N. (2022) “Belize: Swapping Debt for Nature,” Internaional Monetary Fund, 4 May 2022.</p> <p>S&P (2018) “Global Sukuk Market Outlook: Another Strong Performance In 2018?,” Standard & Poor's Ratings Service, 7 January 2018.</p>
<p>Securitization</p> <ul style="list-style-type: none"> • Conceptual framework • Mechanics and funding mechanisms • Asset backed securitization • Portfolio based securitization • Asset backed commercial paper programs 	<p>IMF (2008) “What Is Securitization?,” <i>Finance & Development</i>, September 2008.</p> <p>Moody’s (2012) “Moody's rates Supervielle Créditos 56, a personal loan securitization in Argentina,” Moody’s Investors Service, 23 January 2012.</p> <p>Moody’s (2011) “Moody's assigns (P) Ba3 (sf) / (P) A2.br (sf) rating to senior shares issued by FIDC CDC Financiamiento de Vehículos Credifibra,” Moody's Investors Service, 27 December 2011</p> <p>Moody’s (2003) <i>Demystifying Securitization</i>, Moody’s Investors Service, January 2003.</p> <p>S&P (2021) <i>Latin American Fintech Is Paving A Road To Secruitization’s Future</i>. 20 September 2021.</p> <p>S&P (2016) <i>Credit Outlook 2016: A Decelerating Economy Won't Slow The Development Of China's Securitization Market</i>. Standard & Poor's Ratings Service, 2 February 2016.</p> <p>S&P (2007) “Presale: BBVA Banco Continental RMBS (Peru),” Standard & Poor's Ratings Service, 10 December 2007.</p>
<p>Remittances and Future Flow Finance</p> <ul style="list-style-type: none"> • Defining and quantifying • Sources and mechanisms of transfer • Impact on development • Future flow securitization • Diaspora bonds 	<p>AfDB (2010) <i>Diaspora Bonds and Securitization of Remittances for Africa’s Development</i>, African Development Bank, Volume 1, Issue 7, December 2010.</p> <p>Cohn, C. (2011) “INSIGHT- For expat Africans, patriotism may pay,” Reuters, 31 August 2011.</p> <p>EIU (2011) “Economics focus: Drain or gain?,” Economist Intelligence Unit, 3 June 2011.</p> <p>Fitch (2013) “Fitch Rates LATAM Airlines' USD 450MM Ticket Securitization 'BB+,” Fitch Ratings, 7 November 2013.</p> <p>Ketkar, S. and Ratha, D. (2007) <i>Development Finance via Diaspora Bonds</i>, World Bank Group, May 2007.</p> <p>Moody’s (2006) “Brazilian Diversified Payment Rights Finance Company,” Moody’s Investors Service, 25 January 2006.</p> <p>Ratha, D. (2014) “A \$100 Billion Idea – Tapping Migrants for Financing Development,” World Bank Group, February 2007.</p> <p>Ratha, D. (2007) <i>Leveraging Remittances for Development</i>, World Bank Group, February 2007.</p> <p>S&P (2010) “New Issue: SBP DPR Finance Co. (Scotiabank Peru S.A.A.),” Standard & Poor's Ratings Service, 1 March 2010.</p> <p>S&P (2006) “New Issue: Province Of Neuquén (Argentina),” Standard & Poor's Ratings Service, 15 November 2006.</p>
<p>Disaster Finance</p> <ul style="list-style-type: none"> • Vulnerability to calamity • Indemnity vs. Parametric • Insurance • Catastrophe Bonds 	<p>CGD (2017) “Payouts for Perils: How Insurance Can Radically Improve Emergency Aid (Brief),” Center for Global Development, 19 April 2017.</p> <p>Scism, L and Das, A. (2016) “‘Cat Bonds' Rattle Insurance Industry --- Rising popularity of oddball securities trips uptraditional reinsurers,” <i>The Wall Street Journal</i>, 8 August</p>

	<p>2016.</p> <p>WB (2011) <i>MultiCat Program</i>, World Bank Group, 26 April 2011.</p>
<p>Project Finance</p> <ul style="list-style-type: none"> • Basics of project finance • Isolating assets and cash flows • Calculating the cost of capital • Evaluate effects of access to capital • Oil and gas case • Infrastructure case <p>Equity-Based Development Finance</p> <ul style="list-style-type: none"> • Unique aspects to equity financing to achieve development goals • Fund vs. Direct investing • Challenges of equity investments <p>Export Finance and Development Banks</p> <ul style="list-style-type: none"> • Concept and mechanics of export finance • Export credit agencies • Loan guarantees • Role of development banks 	<p>BP (2016) Baku-Tbilisi-Ceyhan pipeline, British Petroleum, 2016.</p> <p>GIH (2017) “Elazig Hospital PPP,” Global Infrastructure Hub, June 2017.</p> <p>Hill, F. (2004) <i>Pipelines in the Caspian: Catalyst or Cure-all?</i>, Brookings Institution, Winter/Spring 2004</p> <p>IFC (1999) “Ch. 1 The Importance of Project Finance,” <i>Project Finance in Developing Countries</i>, International Monetary Fund, ISBN 0-8213-4434-X, 1999.</p> <p>Lee, N. and Preston, D. (2019) “The Stretch Fund,” Center for Global Development, December 2019.</p> <p>OECD (2020) <i>Global Outlook for Financing for Sustainable Development 2021</i>, OECD Publishing, Paris.</p> <p>OECD (2018) Chapter 1, <i>Making Blended Finance Work for the Sustainable Development Goals</i>, OECD Publishing, Paris.</p> <p>PFM (2003) “Pipeline paradigms,” <i>Project Finance Magazine</i>, 2 December 2003.</p> <p>S&P (2022) “Adani International Container Terminal 'BBB-' Debt Rating Affirmed,” Standard & Poor's Ratings Service, 13 February 2022.</p> <p>S&P (2022) “Parque Eolico Kiyu S.A. Debt Rating Lowered To 'BB+’,” Standard & Poor's Ratings Service, 9 February 2022.</p> <p>S&P (2021) “Presale: Sociedad Concesionaria Vial Montes de Maria S.A.S.,” Standard & Poor's Ratings Service, 16 April 2021.</p> <p>S&P (2007) <i>Updated Project Finance Summary Debt Rating Criteria</i>, Standard & Poor's Ratings Service, 18 September 2007.</p>
<p>Financial Inclusion</p> <ul style="list-style-type: none"> • Methods and techniques of microfinance • Microcredit and savings • Payments and insurance • International funding mechanisms • Lessons learned and merits of microfinance • FinTech 	<p>Aubuchon, C. and Sengupta, R. (2008) <i>The Microfinance Revolution: An Overview</i>, Federal Reserve Bank of St. Louis Review, Volume 90, Issue 1, ISSN: 00149187.</p> <p>Karnani, A. (2007) “Microfinance Misses its Mark,” Stanford Social Innovation Review, Summer 2007.</p> <p>David Roodman, D. (2012) “Microcredit doesn’t end poverty, despite all the hype,” <i>The Washington Post</i>, 10 March 2012.</p> <p>USAID (2016) “Microfinance Securitization,” Development Credit Authority.</p>
<p>Privatization</p> <ul style="list-style-type: none"> • Models of privatization • Valuation and sale of public assets • Regulation of privatized assets and services • Case study 	<p>Finnegan, W. (2002) “Leasing the rain,” <i>New Yorker</i>, 8 April 2002.</p> <p>Interlandi, J. (2010) “The New Oil; Should private companies control our most precious natural resource?,” <i>Newsweek</i>, 18 October 2010.</p> <p>Meggison, W. (2000) “Privatization,” <i>Foreign Policy</i>, No. 118 (Spring, 2000), pp. 14-27.</p>