Financial Innovations for Economic Development

Course number: 55721

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October 21, 2012-January 28, 2013
Jerusalem School of Business Administration, Hebrew University
17:00 - 20:00 (Trading Room)

Course description: The course focuses on the means and methods of finance applied to social, economic, and environmental challenges of development. Financial innovations gives rise to new intermediaries (e.g., community venture capital, revolving small business loan funds, social investment banks), new types of instruments (structured finance, microfinance, social impact bonds, etc.), and new services or techniques (ETFs, mission related investing, public-private partnerships) to create jobs, build communities, and enable capital formation and economic growth.

This course will review the application of financial innovations to these new products and services, new processes and operations and organizational forms in addressing problems as diverse as entrepreneurial finance, alternative energy infrastructure, environmental finance, accelerating medical solutions, regional development, urban revitalization and archaeological conservation and discovery. We will discover why capital structure matters in aligning diverse interests into new business models for social and economic change. Students will research practical applications to financing challenges for Israeli economic development.

Evaluation:

1) Final paper (60%)
   Requirements:
   - Students are requested to choose a topic and submit a one-page outline in class on December 3, 2012.
   - Upon approval of the topic and the outline, students are required to compose 15-20 pages (double-spaced) and submit the final paper no later than February 8, 2013.
   - Late papers will not be accepted.

2) Completion of case study write-ups and readings presentations: You will be asked to review and present case studies and/or readings related to the course (marked with * symbol). (20%)

3) Class room participation and attendance (20%)


Course Overview

4. November 12, 2012: Urban and Regional Economic Development
5. November 19, 2012: Housing Finance
9. December 17, 2012: Global Economic Development
10. December 24, 2012: Environmental Finance
11. December 31, 2012: Infrastructure Finance
Lectures and Course Readings

1. **The power points mentioned under each lecture** can be viewed via High-Learn and the Fellows Program Website ([www.kmifellows.org](http://www.kmifellows.org)). You can prepare for each class, or review them after each class at all times.

2. **This course uses a required textbook:**

   A copy of the required textbook will be available at the library’s reserved books section. Purchase is available via Amazon and might be available via Akademon.

3. **The course readings can be accessed via a weblink from this syllabus, or they will be provided as a PDF file in the course package.**

Session I:
Financial Innovations and Economic Growth
October 22, 2012

*Lecture Presentations:*

Timeline – Financial Innovations for Business

1. Finance at a Glance

2. The Importance of Finance for Economic Growth and Stability

3. Financing the Future


5. Future of Financial Innovation

Course Readings:

Required Readings:


- Chapter 1: The Evolution of Finance
- Chapter 2: A Framework for Financial Innovation: Managing Capital Structure


Optional Readings:


Session II:
**Financial Reform and Policy Innovations**
October 29, 2012

*Lecture Presentations:*

1. Some Basic Facts about Globalization
2. Global Financial Crisis
4. Financial Regulatory Reform
5. Competitiveness Commission
6. Global Banking Regulation
7. Regulations

*Course Readings:*

**Required Readings:**


**Optional Readings:**


Session III:
The Israeli Financial System and the Global Economy
November 5, 2012

*Lecture Presentations:*

1. Where Does Israel Stand?
2. The Israeli Paradox
3. Lessons in Stability and Growth
4. Israel and Global Capital Markets
5. Growth Strategy
6. Structural Challenges
Course Readings:

**Required Readings:**


Agmon, Tamir and Ami Tzadik. “Business Groups in Israel: Description, Analysis and Implications (Updated)”, The Knesset Research and Information Center, June 20, 2010. (HEBREW)

**Optional Readings:**


Session IV:
Urban and Regional Economic Development
November 12, 2012

Lecture Presentations:

1. Municipal Finance
   1A. Intro

2. Urban Revitalization in Israel

3. Genesis Jaffa Fund

4. Northern Israel

5. Urban Real Estate: Canyon-Johnson

6. Urban Revitalization: CIM Case Study

7. Innovations in Municipal Finance (in Hebrew)

8. PPPs for Jerusalem

Course Readings:

Required Readings:


Session V:  
**Housing Finance**  
November 8, 2010

**Lecture Presentations:**

**Timeline – Financial Innovations for Housing**

1. The Rise and Fall of the U.S. Mortgage and Credit Markets
2. Affordable Housing

3. E. Silverman, Affordable Housing and Urban Design

View Low Income Housing Tax Credit: [http://www.youtube.com/watch?v=XxwpoLztx70](http://www.youtube.com/watch?v=XxwpoLztx70)

**Course Readings:**

**Required Readings:**

  - Chapter 4: Innovations in Housing Finance


Session VI:
Entrepreneurial Finance, Securitization and Small & Medium-Sized Enterprises
November 26, 2012

Lecture Presentations:

1. Business Finance
2. SME and Banking Competition
3. Entrepreneurial Financing
4. Venture Capital
5. Bond Financing

Course Readings:

Required Readings:

  
  - Chapter 3: Innovations in Business Finance

Ben-Ishai, Guy, and Glenn Yago. "Financing Small and Medium-Sized Enterprises (SMEs) and Banking Competition.” Milken Institute, 2010.

* Interim Report on Team to Examine Increasing Competition in the Banking Sector, Bank of Israel, July 2012. (Hebrew)


* Yago, Glenn, and Betsy Zeidman. "Building Israel’s Small Business and Microenterprise Sector Israel Entrepreneurial Finance Initiative." Milken Institute, 2005.  


Session VII:
Community Finance-Impact Investing
December 3, 2012

Lecture Presentations:

1. Social Finance and Poverty
2. Community Finance
3. Social Investment and Impact Investing
4. Impact Investing Models
5. Intro

View:

http://nonprofitfinancefund.org/pay-for-success

http://socialfinance.ca/social-impact-bonds

http://www.americanprogress.org/issues/2012/03/social_impact_bonds101.html


http://www.youtube.com/watch?v=wdU2tLqT5HA webinar from McKinsey

http://www.youtube.com/watch?v=E6GrQtCh83w

Course Readings:

Required Readings:

http://mckinseyonsociety.com/social-impact-bonds/

Zeidman Betsy and Jill Scherer. “Innovative Financing Strategies for Early Childhood Care.”
The PEW Center on the States, November 2009.


Bernanke, Ben, Mark Pinsky, Nancy Andrews, Paul Weech, Ellen Seidman and Rick Cohen.

Optional Readings:

Community Investing Center, "Community Investing Industry Structure."
http://ussif.org/projects/communityinvesting.cfm/overview/industry.cfm


Community Development Finance Association. "Helping Communities - Investing in CDFIs."


Session VIII:

**Globes Israel Business Conference**  
December 10, 2012

Financial Models for Economic Development (Presentation of Researchers and Practitioners)  
David Intercontinental Tel-Aviv  
(All students registered in the class and with regular attendance will be provided complimentary passes to the Globes Conference for sessions that afternoon and this important panel at the scheduled Class time).

Session IX.  
**Global Economic Development**  
December 17, 2012

**Lecture Presentations:**

**Timeline – Financial Innovations for Development**

1. Moving from Aid to Investment
2. Global Health
3. SME’s
4. World Hunger
5. Development Finance
6. G-20 Ag Mechanism

**Course Readings:**

**Required Readings:**  
- Chapter 6: Financing the Developing World

http://econpapers.repec.org/article/wlyjintdv/v_3a24_3ay_3a2012_3ai_3a1_3ap_3a1-16.htm

http://spirit.tau.ac.il/government/downloads/Integrating_Israel.pdf


Session X:
**Environmental Finance**
December 13, 2010

*Lecture Presentations:*

**Timeline – Financial Innovations for the Environment**

1. Water for Life
   1A. Water
   1B. Eco-Innovation
2. Water Financing: The Yarqon Project
3. Financial Resources for Yarqon Park
4. Financial Plan for Development of the Yarqon River Park
5. The Invisible Green Hand: How Private Decisions and Markets Shape Climate Change Outcomes (Martha Amram and Nalin Kulatilaka)
6. Environmental Finance: Saving the World’s Oceans and Fisheries
7. Ensuring the World’s Water Supply
8. Investing in Green Energy
9. Green Buildings
10. Residential Energy Efficiency

Course Readings:

Required Readings:


*Yago, Glenn and Caitlin Maclean, “Biodiversity Financing in Israel,” Milken Institute, Financial Innovations Lab (July 2012)


Optional Readings:


Session XI: Infrastructure Finance
December 31, 2012

Lecture Presentations:

1. How Are we Going to Pay for the World’s Infrastructure?
2. Global Development Bonds
3. Infrastructure Projects as Economic Stimulus
4. Build America Bonds Program
5. Investing in Global Infrastructure
**Course Readings:**

**Required Readings:**

“Financial Innovations for Infrastructure Finance: The Grid, Renewables and Beyond.”


Session XII:
**Project Finance Continued—Applications**

(Continued)

Session XIII:
**Financing Medicine and Science**
January 14, 2013

**Lecture Presentations:**

**Timeline – Financial Innovations for Medicine**

1. Financial Innovations for Translational Medicine
2. Hi-Tech Presentation
3. Industrial Biotechnology
Course Readings:

Required Readings:


- **Chapter 7: Financing Cures**


Session XIV:

**Financing Cultural Heritage for Economic Development**

January 10, 2010

Lecture Presentations:

**Timeline – Financial Innovations for Arts and Entertainment**

1. Indiana Jones Meets Wall Street: Valuing the Past to Save Antiquity for the Future
Course Readings:

Required Readings: