



Program Planning & Design

- To create new institution or program
- To review, update, or improve programs
- Five step planning framework
 - 1) Define development goals and targets
 - 2) Assess potential demand
 - 3) Assess capital market conditions and gaps
 - 4) Evaluate implementation needs
 - 5) Choose institutional model and define products/services
- Use in term projects
- Assessing the overall system (“Capital Absorption Capacity”)



Development Goals and Targeting

- Development goals & desired outcomes
- Geographic focus
- Enterprise & project types to achieve goals
- Undersupplied financing and development services needed for target projects and firms?
 - How do existing institutions affect targeting?
- Secondary data analysis:
 - Identify development needs and opportunities
 - Find industries/firm types to advance goals
 - Size and location of potential target markets
- What targeting issues do you face in your term projects?

Assessing Potential Demand

- Size and characteristics of the target markets
- Target market financing needs and demand
- Demand-side obstacles to financing
- Response to market needs:
 - financing products and development services
- Expected demand: number of loans, annual lending, required capital, etc.
- Information sources:
 - Secondary data
 - Surveys
 - Key informant interviews
 - Focus groups
- Demand side issues for term projects and how you are researching them

Supply Side Analysis

- Identify financial institutions and capital sources serving target markets:
 - Private & public, formal & informal sources
- Analyze the market conditions, type of financing supplied and activities of these institutions
 - FDIC/FFIEC data, industry studies, web sites & annual reports, and interviews
- Review practices of institutions and experience of targeted customers in securing financing
 - Interviews, surveys, focus groups
- Supply side issues for your projects and how you are researching them

Integration Demand & Supply Side

- Results from Demand Side Analysis

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- Supply side assessment of existing institutions, financing products and development services for target markets

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- Define capital gaps and needed products and services
 - What financial products and services are needed?
 - Expand private capital supply or create new program/ institutions?
 - Related development services to fully use capital



Implementation Needs & Resources

- Type and amount of capital needed for identified financing gaps
 - Liability structure/capital sources
 - Amount of capital needed to meet demand and cover operating expenses: financial modeling
 - Start-up funding & initial operating subsidies
- Type/availability of required development services
- Capabilities for implementation
 - Governance, staff, professional services, systems, regulatory approval
- Critical stakeholders and relationships
- What are key implementation issues for your projects?

Institutional Choice and Program Design

- Appropriate Institutional Model:
 - Focus on existing capital suppliers or create a new institutions?
 - Powers, risk-level, and financing for market and role
 - Scale and type of capital needed
 - Accountability
- Define Governance if New Entity
 - Size and composition of board
 - Loan review or investment committee roles
- Design Financial Products
 - Debt\equity
 - Use and purpose
 - Pricing, maturity, amortization, security
- Development services and delivery model
- Design investment process, underwriting standards, and servicing/monitoring requirements

Detroit Banking Study & NYC Small Business Analysis

- What concerns/question do these studies address?
- What methods were used? Similarities and difference in their methods?
 - Demand side analysis?
 - Supply side analysis?
 - Integration and recommendations?
- What is your view of the analysis? Which parts or approaches are most useful for development finance planning? How might practitioners use it?

Capital Absorption Assessment

- “Making the system visible”
 - Analysis of Exemplary Deals: capital sources, absent suppliers, milestones, challenges, what worked, innovations
 - Assess how key functions are performed:
 - Set strategic priorities,
 - Generate a project pipeline
 - Create a supportive enabling environment
- Use analysis to strengthen the system
- What is your view of this approach?
 - Strengths/value? Limitations/problems?

NYC Small Business Gaps

Five gaps in NYC for small & microenterprises

1. Capital gap: loans of 50 to 100,000 for firms without strong credit
2. Asset gap to secure loans (home, credit score, personal and family savings)
3. Transitional gap to move to bank/mainstream loans-credit reporting, transparency & cooperation between sectors
4. Information gap—language barriers, info on resources, financial knowledge
5. Non-profit capacity and service delivery gap



Detroit Banking Study

- Growth in small business, 2000 to 2010:
 - LMI and non-LMI census tracts
 - Detroit and surrounding counties
- National trend in bank consolidation
 - Branch expansion by large banks, faster in higher income neighborhoods
- Shift in Detroit banks from local to out-of-market ownership
 - Decline in branches by all banks in Detroit
 - Growth in large bank branches in suburbs
- Fewer branches per capita & per sq. mile in Detroit and in LMI neighborhoods

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