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