Introduction

The course will provide students some understanding of the basic principles of development planning and introduce them to the tools used in economic evaluation of development projects. It provides an analytical and practical approach to financial and economic project evaluation that looks at projects from the perspective of governments or development agencies. The course covers general economic principles that are used for evaluating the social benefits and costs of projects. It includes approaches to valuing market and non-market benefits and costs and analysis of uncertainty.

Learning Outcomes:
After successful conclusion of this course, students should be able to:
● Describe the key steps involved in a standard cost-benefit analysis
● Explain the economic principle that guides cost-benefit analysis;
● Identify all relevant costs and benefits of a particular project/policy/ regulation;
● Properly classify all relevant benefits and costs of a project/policy/regulation;
● Understand how to attach a dollar value to benefits and costs;
● Evaluate the role of non-market benefits and costs in a CBA;
● Understand the importance of the discount rate in CBA;
● Conduct a basic cost-benefit analysis.

Prerequisite: ECON 1000 or FYSM 1003.

Students who believe they have taken similar background course or courses from another university must provide appropriate documentation to the Department of Economics Undergraduate Administrator, Amanda Wright.
Text and Reading Materials

Materials will come from several sources and books including:


Todaro, Michael and Smith, Stephen, C., 2011/2009. Economic Development Addison-Wesley, Boston, USA


Additional materials will be obtained from the following sources:

- World Bank www.worldbank.org/
- World Bank, Operations Evaluation Department (OED) sub-site: www.worldbank.org/oed
- Inter-American Development Bank: www.iadb.org
- Asian Development Bank: www.adb.org
- African Development Bank: www.afdb.org/
- Canadian International Development Agency: www.acdi-cida.gc.ca
- USAID: www.usaid.gov/
Course Contents

PART I: Basic Principles of Development Planning- January 9 & 16
1. Basic Concepts of development planning (Dale, Chapter 1, 4 & 5; Todaro et al, Chapter 11)

Quiz 1 – January 23

PART 2: Economic Foundations of project evaluation – January 23 & 30
2. Efficiency, and project evaluation – [Boardman, et al, Chap. 2 (pp. 27-40)]
3. Willingness to pay and opportunity cost [Boardman et al, Chap. 2 (pp. 29-31, 34-37)]
4. Consumer and producer surplus – [Boardman et al, Chap. 3 (pp. 53-68)]
5. Market Distortions and project evaluation– [Boardman et al, Chap 4 (pp. 78-110) ; Belli et al, Appendix 1A (pp.199-213)]

PART 3: Cost Benefit Analysis – A tool for Project Evaluation – February 6
6. What is Cost Benefit Analysis? [Boardman, Chap. 1 (pp. 1-5)]
7. Why Cost benefit Analysis? [Boardman, Chap. 1 (pp. 2-5)]
8. Key Steps in Cost Benefit Analysis [Boardman, Chap. 1 (pp. 5-25)]
9. Private versus social Cost Benefit Analysis [Boardman, Chap. 1 (pp. 1-2)]

Mid-term Examination – February 13

PART 4: Identification and Valuation of Costs and Benefits – February 27 & March 6
10. Identifying cost and benefits [Belli, Chap. 4]
11. Valuing Benefits and Cost [Boardman, Chap. 4 & 5]

Quiz 2 – March 13

PART 5: Monetising Costs and Benefits – March 13 & 20
12. Market Approaches (Belli, Chap. 5; Campbell and Brown, Chap. 8; Townley, Chap. 6)
13. Non-market/Indirect Market approaches (Boardman, Chap. 14 & 15; Belli, Chap. 4; Campbell and Brown, Chap. 12; Townley, Chap. 9)
PART 6: Decision Criteria for Cost Benefit Analysis – March 27 & April 3
14. Cost Benefit Analysis Criteria (Belli, Technical Appendix (pp.217-222); Campbell and Brown, Chap. 3; Zerbe and Dively, Chap. 9)
15. Cost Effectiveness [Boardman, Chap. 18; Belli, Chap. 7]

Class Assignment Due – March 20

PART 7: Dealing with Risks and Uncertainties – April 3
16. Risks and Uncertainty (Zerbe and Dively, Chap. 12)
17. Analysing uncertainty (Boardman, Chap. 7; Belli, Chap. 11; Zerbe and Dively, Chap. 12; Campbell and Brown, Chap. 9)

CLASS REVIEW – April 10

Note: The foregoing is a tentative list of contents. There may be changes due to questions and interests of students.

Course Evaluation

Each student’s grade will be calculated as a weighted average of the following six components:

In-class Quiz 1:  10%
In-class Quiz 2:  10%
Assignment:  20%
Mid-term examination:  20%
Final examination (scheduled by the University):  40%

Each student’s final grade in the course will be calculated as a weighted average of scores for class quiz 1 (10%), class quiz 2 (10%), assignment (20%), a mid-term examination (20%), and a final examination (40%).

Class Quizzes

There will be two in-class class quizzes. Quiz 1 will be held on Tuesday, January 23, 2018 and Quiz 2 on Tuesday, March 13, 2018. Each quiz will be worth 10% of class grade and will cover text material, class discussions and other documents discussed in class up until that time.

Assignment

One major assignment will be expected in this course. Details of the assignment will be given in class by February 6, 2018 and expected to be handed in not later than March 20, 2018. All submitted assignments should be typed. Hand-written assignments will not be accepted.
Students will lose 5% per each day for submitting the assignment after the due date of March 20, 2018. Students who fail to submit their assignments without a compelling reason will be awarded a grade of zero for the assignment and the assignment grade will not be distributed to the remaining evaluation instruments.

**Mid-term examination**

There will be a mid-term examination. These will cover text material and class discussions.

The mid-term examination will be held in class on Tuesday, February 13, 2018 and will cover text materials, class discussions, and other documents discussed in class up until that time.

*There will be no deferred mid-term examination. Students who can document a compelling reason for missing the mid-term examination will be excused and their final grade will be based on their performance in the rest of the course; i.e., the weight of each of the remaining evaluation instruments will rise by a factor of 5/4 (example, the final examination weight will become 40%*5/4 = 50.00%). Students must inform the instructor of such an absence in advance, if possible.*

**Doctor’s note or police report**

The documentation provided by students for missed midterm may be subject to verification. Students who provide such documentation must also complete the "Consent to Release Information to a Third Party” form posted on cuLearn.

**Final Examination**

The final examination will be held between April 14 and 26, 2018. The exact date, time, and place of the final examination will be determined by the University.

**Email Policy**

Email should be reserved for questions relating to scheduling, administrative issues or urgent matters affecting your participation in the course. In general it is not possible to effectively answer all questions about class material by e-mail; please reserve these questions for office hours. If you do e-mail me, I will respond within no more than 48 hours. Please include Econ 3509" in the subject line of all emails.

**Satisfactory Performance Criteria**

Students must fulfil all of the preceding course requirements in order to achieve a passing grade (D- or higher). See Academic Regulation 2.3 for the official meanings of the grades, and note that it stipulates that no course grades are final until approved by the Faculty Dean. Note also that course grades may be scaled upwards or downwards in a rank-preserving manner to better fit the relevant departmental distributional norm. Application to write a deferred final examination must be made at the Registrar’s Office.
**Plagiarism**

Please be aware that plagiarism is serious offence at Carleton and should be recognized and avoided. Please consult Carleton University’s Academic Integrity Policy at [http://www2.carleton.ca/studentaffairs/academic-integrity](http://www2.carleton.ca/studentaffairs/academic-integrity).

**Academic Accommodations**

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:


**Academic Accommodations for Students with disabilities**

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or pmc@carleton.ca for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your Letter of Accommodation at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website for the deadline to request accommodations for the formally-scheduled exam (if applicable).