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 Evaluation**

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

- **In-class Quiz 1:** 15%
- **In class quiz 2:** 15%
- **Assignment 1:** 15%
- **Assignment 2:** 15%
- **Final examination (scheduled by the University):** 40%

**Class Quizzes**

There will be two class quizzes to be held on Thursday, July 13, 2017 and July 27, 2017. Each quiz will be worth 15% of class grade and will cover text material, class discussions and other documents discussed in class up until that time.

**Assignments**

Two assignments are expected in this course. The first assignment will be due on July 20, 2017 and the second assignment will be due on August 3, 2017. Assignment 2 will be done in groups of not more than 4 people. All submitted assignments should be typed. Hand-written assignments will not be accepted.

Students will lose 5% per each day for submitting assignments after the due dates of July 20, 2017 and August 3, 2017.

**Final Examination**

The final examination will be held between August 19 and 25, 2017. The exact date, time, and place of the final examination will be determined by the University.

The final examination will cover text materials and class discussions throughout the course.

**Satisfactory Performance Criteria**

Students must fulfil all of the preceding course requirements in order to achieve a passing grade (D- or higher). Failure to take one or both of the class quizzes, or failure to submit the two assignments, will result in a grade of FND (“Failure with No Deferred final examination allowed”). Failure to write the final examination after achieving satisfactory performance during the term will result in a grade of ABS (“ABSent from a required final examination”). See Academic Regulation 2.3 for the official meanings of these 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 a serious offence at Carleton and should be recognized and avoided. For further information on how to do so, please see “Pammett on Plagiarism and Paraphrasing” at www.carleton.ca/economics/courses/writing-preliminaries.

Academic Accommodation Requests

Students may need special arrangements to meet their academic obligations during the term because of disability, pregnancy, or religious obligations. Please review the course outline promptly and write to the instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist.

Students with disabilities requiring academic accommodations in this course must register with the Paul Menton Centre for Students with Disabilities (PMC) for a formal evaluation of disability-related needs. Documented disabilities could include, but are not limited to, mobility/physical impairments, specific Learning Disabilities (LD), psychiatric/psychological disabilities, sensory disabilities, Attention Deficit Hyperactivity Disorder (ADHD), and chronic medical conditions. Registered PMC students are required to contact the PMC (telephone: 613-520-6608) every term to ensure that their instructors receive their Letter of Accommodation no later than two weeks before the first assignment is due or the first in-class test/midterm requiring accommodations. Students requiring accommodations for their formally scheduled exam(s) only in this course must submit their requests for accommodations to the PMC by July 24, 2017 for the Late Summer term.

See the Equity Services Web site at www.carleton.ca/equity/accommodation to obtain more detailed information on academic accommodation to view the associated policies.
Course Contents

PART I: Basic Principles of Development Planning- July 4 & 6
1. Basic Concepts of development planning (Dale, Chapter 1, 4 & 5; Todaro et al, Chapter 11)

PART 2: Economic Foundations of project evaluation – July 11 & 13
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)]

Quiz 1 –July 13

PART 3: Cost Benefit Analysis – A tool for Project Evaluation – July 18
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)]

PART 4: Identification and Valuation of Costs and Benefits – July 20 & 25
10. Identifying cost and benefits [Belli, Chap. 4]
11. Valuing Benefits and Cost [Boardman, Chap. 4 & 5]

Class Assignment 1 Due – July 20

PART 5: Monetising Costs and Benefits – July 27 & August 1
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)

Quiz 2 –July 27
PART 6: Decision Criteria for Cost Benefit Analysis – August 3 & 8
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 2 Due – August 3

PART 7: Dealing with Risks and Uncertainties – August 10
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 – August 15

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