

CARLETON UNIVERSITY
DEPARTMENT OF ECONOMICS
2020 WINTER

ECON 3509 A – Development Planning and Project Evaluation
Thursdays, 6:05 – 8:55 pm, SA 502

Instructor: Dr. Samuel Bonti-Ankomah

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(please use the cuLearn e-mail facility for all course-related electronic communication)

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Office hours: Thursdays, 5:15 – 5:55 pm

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 1001 or 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:

Boardman, A.E., Greenberg, D.H., Vining, A.R., and Weimer, D.L., 2018. *Cost-Benefit Analysis: Concepts and Practices*, 5th ed, Cambridge University Press

Campbell, Harry, F. and Brown, Richard, P.C., 2003. *Benefit-Cost Analysis: Financial and Economic Appraisal Using Spreadsheets*, Cambridge University Press, New York, ISBN 13-9780521528986

Pedro Belli, Jock R. Anderson, Howard N. Barnum, John A. Dixon, and Jee-Peng Tan, 2001. *Economic Analysis of Investment Operations: Analytical Tools and Practical Applications*, World Bank Institute, Washington, D.C., 292 p., ISBN 0-8213-4850-7.

Todaro, Michael and Smith, Stephen, C., 2015/2012/2009. *Economic Development* Addison-Wesley, Boston, USA

Dale, R., 2006. *Development Planning: Concepts and Tools for Planners, Managers and Facilitators*, Zed Books Limited, London, United Kingdom.

Townley, P., 1998. *Principles of Cost-Benefit Analysis in a Canadian Context*, Prentice Hall.

United Nations Development Program, 2018. *Human Development Indices and Indicators: 2018 Statistical Update*, <http://report.hdr.undp.org/>

United Nations Development Program, 2018. *Human Development Indices and Indicators: 2018 Statistical Update, Technical Notes*, http://hdr.undp.org/sites/default/files/hdr2018_technical_notes.pdf

Zerbe, R. and Dively, D., 1994. *Benefit-Cost Analysis in Theory and Practice* Harper Collins College Publishers.

Additional materials will be obtained from the following sources:

- United Nations Development Program, 2016. *Human Development Report*,
- Treasury Board Secretariat of Canada, 2007. *Canadian Cost Benefit Analysis Guide*: <http://www.tbs-sct.gc.ca/rtrap-parfa/analys/analystb-eng.asp>
- Treasury Board Secretariat of Canada, 2003. *Assessing, Selecting and Implementing Instruments for Government Action*: <http://www.tbs-sct.gc.ca/rtrap-parfa/asses-eval/asses-evaltb-eng.asp>
- 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/

Course Evaluation

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

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

Class Quizzes

There will be two class quizzes to be held on Thursday, January 23, 2020 and Thursday, March 12, 2020. 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 is expected in this course. Details of the assignment will be given in class by Thursday, February 6, 2020 and will be due on Thursday, March 19, 2020. This should 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 date of March 19, 2020. Students who fail to submit their assignments without any compelling reason will be awarded a grade of zero for the assignment and the assignment grade weight will not be distributed to the remaining evaluation instruments

Mid-term Examination

There will be mid-term examination to be held in class on Thursday, February 13, 2020 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 13-25, 2020. 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.

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 standing in a course is determined by the course instructor subject to the approval of the Faculty Dean. This means that grades submitted by the instructor may be subject to revision. No grades are final until they have been approved by the Dean.*** 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. Please consult Carleton University's Academic Integrity Policy at <http://www2.carleton.ca/studentaffairs/academic-integrity>.

Requests for Academic Accommodations

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

Pregnancy obligation

Please contact your 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. For more details, visit the [Equity Services website: https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf](https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf)

Religious obligation

Please contact your 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. For more details, visit the [Equity Services website](#).

<https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>

Academic Accommodations for Students with disabilities

If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC 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 your instructor as soon as possible to ensure accommodation arrangements are made. For more details, visit the [Paul Menton Centre website](#).

Survivors of Sexual Violence

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and where survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: carleton.ca/sexual-violence-support

Accommodation for student Activities

Carleton University recognizes the substantial benefits, both to the individual student and for the university, that result from a student participating in activities beyond the classroom experience. Reasonable accommodation must be provided to students who compete or perform at the national or international level. Please contact your 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. For more details, see [the policy](#) at <https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>

Course Content

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; UNDP Human Development 2018 Statistical Update and Technical Report)

Quiz 1 –January 23

PART 2: Economic Foundations of project evaluation – January 23

2. Efficiency, and project evaluation – [Boardman, *et al*, Chap. 2 (pp. 28-30)]
3. Willingness to pay and opportunity cost [Boardman *et al*, Chap. 2 (pp. 31-41)]
4. Consumer and producer surplus – [Boardman *et al*, Chap. 3 (pp. 55-75)]
5. Market Distortions and project evaluation– [Belli *et al*, Appendix 1A (pp.199-213)]

PART 3: Cost Benefit Analysis – A tool for Project Evaluation – January 30

6. What is Cost Benefit Analysis? [Boardman, Chap. 1 (pp. 1-2)]
7. Private versus social Cost Benefit Analysis [Boardman, Chap. 1 (pp. 1-2)]
8. Key Steps in Cost Benefit Analysis [Boardman, Chap. 1 (pp. 4-15)]
9. Why Cost benefit Analysis? [Boardman, Chap. 1 (pp. 21-23)]

PART 4: Identification and Valuation of Costs and Benefits – February 6

10. Identifying cost and benefits [Belli, Chap. 4]
11. Valuing Benefits and Cost [Boardman, Chap. 4, 5 & 6]

Mid-term examination- February 13

PART 5: Monetising Costs and Benefits – February 27 & March 5

12. Market Approaches (Belli, Chap. 5; Campbell and Brown, Chap. 8; Townley, Chap. 6)
13. Non-market/Indirect Market approaches (Boardman, Chap. 15 & 16; Belli, Chap. 4; Campbell and Brown, Chap. 12; Townley, Chap. 9)

Quiz 2 – March 12

PART 6: Decision Criteria for Cost Benefit Analysis – March 12 & 19

14. Cost Benefit Analysis Criteria (Belli, Technical Appendix (pp.217-222); Campbell and Brown, Chap. 3; Zerbe and Dively, Chap. 9)
15. Discounting [Boardman, Chap. 9]
16. Cost Effectiveness [Boardman, Chap. 18; Belli, Chap. 7]

Class Assignment Due – March 19

PART 7: Dealing with Risks and Uncertainties – March 26

17. Risks and Uncertainty (Zerbe and Dively, Chap. 12)
18. Analysing uncertainty (Boardman, Chap. 11; Belli, Chap. 11; Zerbe and Dively, Chap. 12; Campbell and Brown, Chap. 9)

CLASS REVIEW – April 2

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