

**Fulbright Economics Teaching Program
Fall Semester, 2015**

The Appraisal of Development Expenditures

Teaching Team

Instructor: Nguyen Xuan Thanh
Huynh The Du
Tutor: Hoang Van Thang
Ngo Thanh Tuyen

Class Meeting Time

Monday 08:30 – 10:00
Wednesday 08:30 – 10:00
Friday 08:30 – 10:00

Office Hours

	Monday	Tuesday	Wednesday	Thursday	Friday
Nguyen Xuan Thanh					14:00 – 17:00
Nguyen Tan Binh	15:30 – 17:00			15:30 – 17:00	
Hoang Van Thang			15:15 – 16:45		15:15 – 16:45
Ngo Thanh Tuyen		15:30 – 17:00		15:30 – 17:00	

If the scheduled office hours are not convenient, please make specific appointments with members of the teaching team.

Course Objectives

The objective of the course is to expose students to both the theoretical principles and the practical applications of project appraisal. Upon completion of the course, students will have gained the knowledge and skills necessary for conducting the financial and economic appraisals. In addition, students are expected to build appraisal model by Excel for practical projects of public investment, evaluating the feasibility and analyzing risks based on the model.

Course Description

The course is divided into two major parts. In the first part of the course, we discuss the fundamentals of project financial appraisal, ranging from project structure to the financial cost of capital, the construction of cash flows, the application various appraisal criteria, basic financial model and risk management. The second part of the course is devoted to the social and economic appraisal of a public investment project, including the methods of estimating the economic costs and benefits of project inputs and outputs in different market structure and extortion, the economic values of production factors such as capital, land, foreign currency and the evaluation of stakeholder impacts.

While there are formal lectures every week, more than half of class time will be devoted to case study discussion. Students will have to use the knowledge and skills acquired in formal lectures and readings to analyze real cases within the context of public investment in Vietnam and the world.

Course Requirements

Students will have to complete four problem sets covering major technical and theoretical aspects of the course. The problem sets will include questions and policy memos relating to the case studies discussed in the class.

Problem Set	Topic	Date of Distribution	Date of Submission
Problem Set 1	Basic financial modeling for project appraisal	01 July 2015	13 July 2015
Problem Set 2	Sensitivity and risk analysis	13 July 2015	24 July 2015
Problem Set 3	Economic Price in project appraisal	29 July 2015	14 Aug 2015
Problem Set 4	Modeling and economic analysis	14 Aug 2015	26 Aug 2015

In preparing answers to the problem sets, students are encouraged to discuss in groups. Students, however, should write their own answers after consultations within the group.

There will be a mid-term exam and a final exam, both of which are computer-based. The use of Microsoft Excel and other analytical software packages is expected in these exams.

Grading

Problem Sets:	30%
Class Discussion:	15%
Mid-term Exam:	25%
Final Exam:	30%

Problem sets and other types of submission are due at 08:20 in both hard and soft copies unless otherwise instructed. Hard copies are submitted at the Computer Room, while electronic files are uploaded in the course webpage. See FETP Student Handbook for penalties against late submission of assignments.

Readings

The main reading for the course is case studies written by FETP on public investment projects in Vietnam and case studies on public investment in the world written by Harvard Kennedy School and Harvard Business School.

The World Bank Institute, Economic Analysis of Investment Operations: Analytical Tools and Practical Applications, 2002 (Abv: WBI)

Glenn Jenkins and Arnold Harberger, Manual on Cost-Benefit Analysis of Investment Decisions, Harvard Institute for International Development, 1995. (Abv: SHD)

John D. Finnerty, Project Financing: Asset-based Financial Engineering, Wiley Finance, 2007. (Abv: Finnerty).

Richard Brealy, Stewart Myers & Franklin Allen, Principles of Corporate Finance, Mc Graw-Hill, 9th edition, 2008.

Robert Pindyck & Daniel Rubinfeld, Microeconomics, Prentice-Hall, 5th edition.

In addition, there are case studies and other readings assigned for each class.

PART I – FINANCIAL ANALYSIS

WEEK 1		
Lecture 01:	Monday, 29 June 2015	Nguyen Xuan Thanh
Introduction to Project Appraisal and Project Cash Flow		
Readings:	WBI, Chapters 1 & 2. SHD, Chapter 1, 2 and 3: 3.1 & 3.2. Phu My Electricity Project 2.2	
Lecture 02:	Wednesday, 01 July 2015	Nguyen Xuan Thanh
Cash Flows and Project Appraisal Criteria		
Readings:	SHD, Chapter 4. WBI, Technical Appendix, pp. 289-298. Finnerty, Chapter 9. SHD, Chapter 3: 3.3.	
Distribution of Problem Set 1, due on Monday, 13 July 2015		
Review 01:	Thursday, 02 July 2015	Hoang Van Thang
Cash Flow and Present Values (optional)		
Case 01:	Friday, 03 July 2015	Nguyen Xuan Thanh
Project appraisal based on cash flow method		
Readings:	Kho Son Cement project appraisal: similarities of different cash flow methods, FETP case study.	

WEEK 2		
Lecture 03:	Monday, 6 July 2015	Nguyen Tan Binh
Inflation and price in financial appraisal		
Readings:	WBI, Chapter 5, “Financial Analysis and Inflation”, pp. 52-56. SHD, Chapter 6: 4.1-6.3	
Lecture 04:	Wednesday, 8 July 2015	Nguyen Tan Binh
Working Capital in Project Appraisal		
Readings:	SHD, Chapter 6: 6.4.	
Case 02:	Friday, 10 July 2015	Nguyen Tan Binh
Financial modeling for a bus project by Excel		

Readings:	Cho Lon – Go Vap Bus Project, FETP case study
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WEEK 3		
Lecture 05:	Monday, 13 July 2015	Nguyen Tan Binh
Sensitivity Analysis		
Readings:	WBI, Chapter 11	
<i>Submission of Problem Set 1. Distribution of Problem Set 2, due on Friday, 24 July 2015</i>		
Lecture 06:	Wednesday, 15 July 2015	Nguyen Tan Binh
Financial Modeling: Preparing Cash Flow Statements		
Readings:	WBI, Chapter 11	
Review 02:	Friday, 17 July 2015	Hoang Van Thang
Sensitivity analysis practice and simulation by Excel		

WEEK 4		
Case 03:	Monday, 20 July 2015	Nguyen Xuan Thanh
Practical financial modeling: Tate & Lyle Nghe An Sugar Factory Project (1)		
Readings:	Nghe An Tate & Lyle Sugar Company, HBS Case Study	
Case 03:	Wednesday, 22 July 2015	Nguyen Tan Binh
Practical financial modeling: Tate & Lyle Nghe An Sugar Factory Project (2)		
Readings:	Nghe An Tate & Lyle Sugar Company, HBS Case Study	
Review 03:	Friday, 24 July 2015	Hoang Van Thang
Mid-term review		
<i>Submission of Problem Set 2.</i>		

WEEK 5

Mid-term exam: Monday, 27 July 2015

PART II – ECONOMIC ANALYSIS

WEEK 5

Lecture 07: Wednesday, 29 July 2015 Huynh The Du

Cost and Benefit Analysis in Undistorted Markets

Readings: SHD, Chapter 7&8

WBI, Technical Appendix, Conceptual Framework, pp. 299-302

Distribution of Problem Set 3, due on Friday, 14 August 2015

Lecture 08: Friday, 31 July 2015 Huynh The Du

Cost and Benefit Analysis in Distorted Markets

Readings: WBI, Technical Appendix, Conceptual Framework, pp. 302-304

SHD, Chapter 9

WEEK 6

Case 04: Wednesday, 5 Aug 2015 Huynh The Du

Financial Appraisal of the HCMC-Long Thanh-Dau Giay Expressway

Readings: HCMC-Long Thanh-Dau Giay Expressway, FETP Case Study.

Lecture 09: Friday, 07 Aug 2015 Nguyen Xuan Thanh

Economic Valuation of Foreign Trade Goods and Economic Exchange Rate

Readings: WBI, Technical Appendix, pp. 305 – 319

SHD, Chapter 10

WEEK 7		
Lecture 10:	Wednesday, 12 Aug 2015	Nguyen Xuan Thanh
Economic Cost of Capital		
Readings:	WBI, Technical Appendix, pp. 319-324 SHD, Chapter 12.	
Case 05:	Friday, 14 Aug 2015	Nguyen Xuan Thanh
Economic Appraisal of An Nhon Steel Mill		
Readings:	An Nhon Steel Mill, FETP Case Study.	
Submission of Problem Set 3		
Distribution of Problem Set 4, due on Wednesday, 26 Aug 2015		

WEEK 8		
Lecture 11:	Monday, 17 Aug 2015	Nguyen Xuan Thanh
Economic Cost of Labor and Land		
Readings:	WBI, Chapter 5, pp. 70-73; Technical Appendix, pp. 324-328 SHD, Chapter 13.	
Lecture 12:	Wednesday, 19 Aug 2015	Nguyen Xuan Thanh
Analysis of Stakeholders' impacts		
Readings:	SHD, Chapter 14 WBI, Chapter 12	
Case 06:	Friday, 21 Aug 2015	Nguyen Xuan Thanh
Evaluating the Impact of Nghe An Sugar Project on its Stakeholders		
Readings:	Nghe An Tate & Lyle Sugar Company, HBS Case Study.	

WEEK 9	
Review 04:	Wednesday, 26 Aug 2015
Final Exam Review	
<i>Submission of Problem Set 4.</i>	
Final Exam:	Friday, 28 Aug 2015