

**Fulbright Economics Teaching Program
Summer Semester, 2016**

The Appraisal of Development Expenditures

Teaching Team

Instructor: Nguyen Xuan Thanh
Tran Thi Que Giang
Tutor: Hoang Van Thang
Le Phan Ai Nhan

Class Meeting Time

Monday 08:30 – 10:00
Wednesday 08:30 – 10:00
Friday 08:30 – 11:45

Office Hours

	Monday	Tuesday	Wednesday	Thursday	Friday
Nguyen Xuan Thanh	15:30-17:30		15:30-17:30		
Tran Thi Que Giang		15:30-17:00		15:30 – 17:00	
Hoang Van Thang			15:15 – 16:45		15:15 – 16:45
Phan Le Ai Nhan	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	06 July 2016	18 July 2016
Problem Set 2	Sensitivity and risk analysis	18 July 2016	29 July 2016
Problem Set 3	Economic Price in project appraisal	03 Aug 2016	15 Aug 2016
Problem Set 4	Modeling and economic analysis	15 Aug 2016	26 Aug 2016

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 (240') and a final exam (300'), 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, 04 July 2016 (08:30-10:00)	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. WB, Executive Summary of Evaluation Report of Phu My Electricity Project 2.2	
Lecture 02:	Wednesday, 06 July 2016 (08:30-10:00)	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.	
<i>Distribution of Problem Set 1, due on Monday, 18 July 2016</i>		
Review 01:	Thursday, 07 July 2017 (15:15-16:45)	Hoang Van Thang
Cash Flow and Present Values (optional)		
Case 01:	Friday, 08 July 2016 (08:30-11:45)	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, 11 July 2016 (08:30-10:00)	Nguyen Xuan Thanh
Financial modeling: principles (i)		
Readings:	WBI, Chapter 5, “Financial Analysis and Inflation”, pp. 52-56. SHD, Chapter 6: 6.1-6.3	
Lecture 04:	Wednesday, 13 July 2016 (08:30-10:00)	Nguyen Xuan Thanh
Financial modeling: principles (ii)		
Readings:	SHD, Chapter 6: 6.4.	
Case 02:	Friday, 15 July 2016 (08:30-11:45)	Nguyen Xuan Thanh
Financial modeling for a bus project by Excel		
Readings:	Cho Lon – Go Vap Bus Project, FETP case study	

WEEK 3		
Lecture 05:	Monday, 18 July 2016 (08:30-10:00)	Nguyen Xuan Thanh
Sensitivity Analysis		
Readings:	WBI, Chapter 11	
	HCMC-Long Thanh, Dau Giay Expressway, FETP Case Study	
Submission of Problem Set 1. Distribution of Problem Set 2, due on Friday, 29 July 2016		
Lecture 06:	Wednesday, 20 July 2016 (08:30-10:00)	Nguyen Xuan Thanh
Risk Analysis		
Readings:	WBI, Chapter 11	
	HCMC-Long Thanh, Dau Giay Expressway, FETP Case Study	
Review 02:	Friday, 22 July 2016 (08:30-11:45)	Hoang Van Thang
Sensitivity analysis practice and simulation by Excel		

Financial Modeling: Preparing Cash Flow Statements

WEEK 4		
Case 03:	Monday, 25 July 2016 (08:30-10:00)	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, 27 July 2016 (08:30-10:00)	Nguyen Xuan Thanh
Practical financial modeling: Tate & Lyle Nghe An Sugar Factory Project (2)		
Readings:	Nghe An Tate & Lyle Sugar Company, HBS Case Study	
Review 03:	Friday, 29 July 2016 (08:30-11:45)	Hoang Van Thang
Mid-term review		
<i>Submission of Problem Set 2.</i>		

WEEK 5
Mid-term exam: Monday, 01 Aug 2016 (08:00-12:00)

PART II – ECONOMIC ANALYSIS

WEEK 5
Lecture 07: Wednesday, 03 Aug 2016 (08:30-10:00) Nguyen Xuan Thanh Cost and Benefit Analysis in Undistorted Markets Readings: SHD, Chapter 7&8 WBI, Technical Appendix, Conceptual Framework, pp. 299-302 <i>Distribution of Problem Set 3, due on Friday, 15 August 2016</i>
Lecture 08: Friday, 05 Aug 2016 (08:30-11:45) Nguyen Xuan Thanh Cost and Benefit Analysis in Distorted Markets Readings: WBI, Technical Appendix, Conceptual Framework, pp. 302-304 SHD, Chapter 9

WEEK 6
Case 04: Monday, 8 Aug 2016 (08:30-10:00) Nguyen Xuan Thanh Estimating economic prices of water and electricity Readings: Thu Duc Water BOT, FETP Case Study DPE Power, FETP Case Study
Lecture 09: Wednesday, 10 Aug 2016 (08:30-10:00) Nguyen Xuan Thanh Economic Valuation of Foreign Trade Goods and Economic Exchange Rate Readings: WBI, Technical Appendix, pp. 305 – 319 SHD, Chapter 10
Case 05: Friday, 12 Aug 2016 (08:30-11:45) Nguyen Xuan Thanh Economic Appraisal of An Nhon Steel Mill Readings: An Nhon Steel Mill, FETP Case Study.

WEEK 7		
Lecture 10:	Monday, 15 Aug 2016 (08:30-10:00)	Nguyen Xuan Thanh
Economic Cost of Capital		
Readings:	WBI, Technical Appendix, pp. 319-324 SHD, Chapter 12.	
<i>Submission of Problem Set 3. Distribution of Problem Set 4, due on Wednesday, 26 Aug 2015</i>		
Lecture 11:	Wednesday, 17 Aug 2016 (08:30-10:00)	Nguyen Xuan Thanh
Economic Cost of Labor and Land		
Readings:	WBI, Chapter 5, pp. 70-73; Technical Appendix, pp. 324-328 SHD, Chapter 13.	
Case 06:	Friday, 19 Aug 2016 (08:30-11:45)	Nguyen Xuan Thanh
Economic Evaluation of HCM-Long Thanh-Dau Giay Expressway		
Readings:	HCM-Long Thanh-Dau Giay Expressway, FETP Case Study	

WEEK 8		
Lecture 12:	Monday, 22 Aug 2016 (08:30-10:00)	Nguyen Xuan Thanh
Analysis of Stakeholders' impacts		
Readings:	SHD, Chapter 14 WBI, Chapter 12	
Case 07:	Friday, 24 Aug 2016 (08:30-11:45)	Nguyen Xuan Thanh
Evaluating the Impact of Nghe An Sugar Project on its Stakeholders		
Readings:	Nghe An Tate & Lyle Sugar Company, HBS Case Study.	
Review 04:	Friday, 26 Aug 2016 (08:30-11:45)	Nguyen Xuan Thanh
Final Exam Review		
<i>Submission of Problem Set 4.</i>		
WEEK 9		
Final Exam:	Wednesday, 31 Aug 2016 (13:00-18:00)	