

**Fulbright School of Public Policy and Management
Summer Semester, 2018**

**The Appraisal of Public Investments
4 credits**

Teaching Team

Instructor: Tran Thi Que Giang (giang.tran@fuv.edu.vn)
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Teaching Assistant: Ho Thi My Hanh (hothimyanh271@gmail.com)

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
Trần Thị Quế Giang			15:30-17:00		15:30-17:00
Đỗ Thiên Anh Tuấn		15:30-17:00		15:30-17:00	
Hoàng Văn Thắng			15:30-17:00		15:30-17:00
Hồ Thị Mỹ Hạnh	12:00-13:00				13:00-15:00

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

The goal of our MPP Program is to “*educate students who are Confident, Competent, Connected, Committed, and Competitive, in aid of improving public policy and decision-making in Vietnam as the country transforms to an advanced, globally-integrated economy.*”

Course Competencies and Objectives

This course focuses in part on NASPAA Universal Competency 2#: “To participate in and contribute to the policy process” and #3: “To analyze, synthesize, think critically, solve problems and make decisions,” and MPP Competency #8: “To contribute effectively to the public policy reform in Vietnam”.

The objective of the course is to expose students to both the theoretical principles and the practical applications of public investment 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.

Upon completion of the course, students are expected to:

- Having a critical thinking on current public investment issues
- Be able to build appraisal model to analyse any public investment project performance, feasibility and risks;
- Be able to make a decision on public finance and investments;
- Contribute effectively to the economic reform and development in Vietnam by providing evidence-based analysis to avoid unhealthy project and allocate capital toward the good public investment project.

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	20/06/2018	06/07/2018
Problem Set 2	Financing, sensitivity and risk analysis	06/07/2018	20/07/2018
Problem Set 3	Economic Price in project appraisal	06/08/2018	20/08/2018
Problem Set 4	Modeling and economic analysis	20/08/2018	07/09/2018

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') which is computer-based. The use of Microsoft Excel and other analytical software packages is expected in this exam.

A final team project will divide students in small groups, each will establish an appraisal model that analyzes a proposed project in terms of economic and financial perspectives.

Grading

Problem Sets:	30%
Class Discussion:	15%

Mid-term Exam:	25%
Final group project:	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 FSPPM Student Handbook for penalties against late submission of assignments.

Readings

The main reading for the course is case studies written by FSPPM 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:	<p>Monday, 18 June 2018 (08:30-10:00)</p> <p>Introduction to Project Appraisal</p> <p>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</p>
Lecture 02:	<p>Wednesday, 02 June 2018 (08:30-10:00)</p> <p>Cash Flows Discounting and Project Appraisal Criteria</p> <p>Readings: SHD, Chapters 3 (3.3) & 4. WBI, Technical Appendix, pp. 289-298. Finnerty, Chapter 9.</p> <p><i>Distribution of Problem Set 1, due on Monday, 06 July 2018</i></p>
Review 01:	<p>Friday, 22 June 2018 (08:30-10:00)</p> <p>Cash Flows Discounting and Project Appraisal Criteria</p>

WEEK 2	
Case 01:	<p>Monday, 25 June 2018 (08:30-10:00)</p> <p>Project appraisal based on cash flow method (1)</p> <p>Readings: Kho Son Cement project appraisal: similarities of different cash flow methods, FETP case study.</p>
Case 01:	<p>Wednesday, 27 June 2018 (08:30-10:00)</p> <p>Project appraisal based on cash flow method (2)</p> <p>Readings: Kho Son Cement project appraisal: similarities of different cash flow methods, FETP case study.</p>
Lecture 03:	<p>Friday, 29 June 2018 (08:30-10:00)</p> <p>Financial modeling: principles (i)</p> <p>Readings: WBI, Chapter 5, “Financial Analysis and Inflation”, pp. 52-56. SHD, Chapter 6: 6.1-6.3</p>

WEEK 3	
Lecture 04:	<p>Monday, 02 July 2018 (08:30-10:00)</p>

<p>Financial modeling: principles (ii)</p> <p>Readings: SHD, Chapter 6: 6.4.</p>
<p>Case 02: Wednesday, 04 July 2018 (08:30-10:00)</p> <p>Financial modeling for a bus project by Excel (1)</p> <p>Readings: Cho Lon – Go Vap Bus Project, FETP case study</p>
<p>Case 02: Friday, 06 July 2018 (08:30-10:00)</p> <p>Financial modeling for a bus project by Excel (2)</p> <p>Readings: Cho Lon – Go Vap Bus Project, FETP case study</p> <p><i>Submission of Problem Set 1. Distribution of Problem Set 2, due on Friday, 20 July 2018</i></p>

WEEK 4	
<p>Lecture 05: Monday, 09 July 2018 (08:30-10:00)</p> <p>Sensitivity Analysis</p> <p>Readings: WBI, Chapter 11</p> <p>HCMC-Long Thanh, Dau Giay Expressway, FETP Case Study</p>	
<p>Lecture 06: Wednesday, 11 July 2018 (08:30-10:00)</p> <p>Risk Analysis</p> <p>Readings: WBI, Chapter 11</p> <p>HCMC-Long Thanh, Dau Giay Expressway, FETP Case Study</p>	
<p>Review 02: Friday, 13 July 2018 (08:30-10:00)</p> <p>Sensitivity analysis practice and simulation by Excel</p>	
WEEK 5	
<p>Case 03: Monday, 16 July 2018 (08:30-10:00)</p> <p>Practical financial modeling: Tate & Lyle Nghe An Sugar Factory Project (1)</p> <p>Readings: Nghe An Tate & Lyle Sugar Company, HBS Case Study</p> <p><i>Submission of Problem Set 2</i></p>	
<p>Case 03: Wednesday, 18 July 2018 (08:30-10:00)</p> <p>Practical financial modeling: Tate & Lyle Nghe An Sugar Factory Project (2)</p> <p>Readings: Nghe An Tate & Lyle Sugar Company, HBS Case Study</p>	Nguyen Xuan Thanh

Review 03:	Friday, 20 July 2018 (08:30-10:00)	Hoang Van Thang
Mid-term review		

WEEK 6
Reading Week/Group Project

WEEK 7
Mid-term exam: Friday, 03 Aug 2018 (08:00-12:00)

PART II – ECONOMIC ANALYSIS

WEEK 8
Lecture 07: Monday, 06 Aug 2018 (08:30-10:00) 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 Monday, 20 August 2018</i>
Lecture 08: Wednesday, 05 Aug 2018 (08:30-10:00) Cost and Benefit Analysis in Distorted Markets Readings: WBI, Technical Appendix, Conceptual Framework, pp. 302-304 SHD, Chapter 9
Review 04: Friday, 10 Aug 2018 (08:30-10:00) Cost and Benefit Analysis in Undistorted and Distorted Markets

WEEK 9
Lecture 09: Monday, 13 Aug 2018 (08:30-10:00) Estimating economic prices of water and electricity Readings: Thu Duc Water BOT, FETP Case Study

DPE Power, FETP Case Study	
Lecture 10:	Wednesday, 15 Aug 2018 (08:30-10:00)
Economic Valuation of Foreign Trade Goods and Economic Exchange Rate	
Readings:	WBI, Technical Appendix, pp. 305 – 319 SHD, Chapter 10
Case 04:	Friday, 12 Aug 2018 (08:30-10:00)
Economic Appraisal of An Nhon Steel Mill (1)	
Readings:	An Nhon Steel Mill, FETP Case Study.
WEEK 10	
Case 04:	Monday, 20 Aug 2018 (08:30-10:00)
Economic Appraisal of An Nhon Steel Mill (2)	
Readings:	An Nhon Steel Mill, FETP Case Study.
<i>Submission of Problem Set 3. Distribution of Problem Set 4, due on Friday, 27 September 2018</i>	
Lecture 11:	Wednesday, 22 Aug 2018 (08:30-10:00)
Economic Cost of Capital	
Readings:	WBI, Technical Appendix, pp. 319-324 SHD, Chapter 12.
Lecture 12:	Friday, 24 Aug 2018 (08:30-10:00)
Economic Cost of Labor and Land	
Readings:	WBI, Chapter 5, pp. 70-73; Technical Appendix, pp. 324-328 SHD, Chapter 13.
WEEK 11	
Case 05:	Monday, 27 Aug 2018 (08:30-10:00)
Economic Evaluation of HCM-Long Thanh-Dau Giay Expressway	
Readings:	HCM-Long Thanh-Dau Giay Expressway, FETP Case Study
Case 05:	Wednesday, 29 Aug 2018 (08:30-10:00)
Economic Evaluation of HCM-Long Thanh-Dau Giay Expressway	
Readings:	HCM-Long Thanh-Dau Giay Expressway, FETP Case Study

Lecture 13: Friday, 31 Aug 2018 (08:30-10:00) Analysis of Stakeholders' impacts Readings: SHD, Chapter 14 WBI, Chapter 12
WEEK 12
Case 06: Wednesday, 05 September 2018 (08:30-10:00) Evaluating the Impact of Nghe An Sugar Project on its Stakeholders Readings: Nghe An Tate & Lyle Sugar Company, HBS Case Study.
Review 05: Friday, 07 September 2018 (08:30-10:00) Final Exam Review <i>Submission of Problem Set 4.</i>
WEEK 13
Reading Week/Group Project
WEEK 14
Group project report: Friday, 8:20 am, 21 September 2018