Humphrey School of Public Affairs
University of Minnesota

PA 5521
Development Planning and Policy Analysis, 4 credits
LEC 2:30-3:45 TTh, HHH 184
LAB 8:15-9:30 F HHH 85

Prof. Ragui Assaad
Office: HHH 252.
Tel: 612-625-4856
Email: assaad@umn.edu
Office Hours: Wed. 1:00-3:00
Thurs. 4:00-5:30

Sign-up at: http://tinyurl.com/nt7eygf

TA: Khandker Wahedur Rahman
(Wahed)
E-mail: rahma120@umn.edu

Prerequisite: PA 5031, Empirical Analysis or equivalent.

Course Description:

This course examines the techniques and assumptions of development planning and policy analysis at the national, program and project levels. The course focuses on modeling techniques and policy applications rather than on theory. Students are therefore assumed to have some background in the theories of economic development and to have had previous preparation in quantitative methods. While the focus will be on developing countries, many of the techniques covered will also have applications in the U.S. context.

Learning objectives:

- Provide and introduction to some widely used quantitative modeling techniques.
- Build an appreciation of the promise and pitfalls of quantitative modeling.
- Acquire a specific set of modeling and interpretation skills through hands-on application.
- Develop an ability to describe the macroeconomic context of a country based on an analysis of time series data on major economic variables.
- Learn to conduct financial and social cost-benefit analyses of public and non-profit development interventions and programs.
- Become effective and critical consumers of experimental and non-experimental impact evaluation studies of development programs and interventions

Course Requirements and Grading:

The class format will be lectures with active student participation through comments and questions. Students are therefore expected to do the required readings prior to class and to actively participate in discussion. A weekly lab session is a required part of the class and will be used for hands-on data analysis and empirical applications.
Grading will be as follows:

<table>
<thead>
<tr>
<th>Project # 1</th>
<th>% of Grade</th>
<th>Date Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm Exam</td>
<td>15%</td>
<td>2/23</td>
</tr>
<tr>
<td>Project # 2</td>
<td>35%</td>
<td>4/11</td>
</tr>
<tr>
<td>Final Assignment: Review</td>
<td>25%</td>
<td>5/10</td>
</tr>
</tbody>
</table>

of non-experimental evaluation

**Course website:** There is a Moodle 2.8 course website.

**Exam and Final Assignment.** There will be one take-home open-book, open-notes mid-term exam. The exam will be made available on Friday February 19th at 10am and will be due back on Tuesday February 23rd at 2:00pm. The final assignment is a review of a non-experimental impact evaluation study, which will be due on Tuesday of finals week (5/10) at 5:00pm. Both the mid-term and the final assignment are to be completed individually.

**Team Work:** Projects 1 and 2 are both team projects. The team will be formed by the instructor using information from an online survey to be filled on Moodle in the first week of class. The survey will elicit information on your abilities along several dimensions and your schedule, as well as suggestions of classmates you wish to work with and ones you cannot work with. One project report is expected from each team. The report should be submitted to the Moodle site no later than midnight on the due date. See “Tips for PA 5521 success” document on the Moodle site.

**Workload expectations.** According to University policy, undergraduates are expected to spend 3 hours on homework per credit hour per week, on average, in order to achieve an average grade. For this class, that means that 9 hours per week on homework would be expected for undergraduates. Expectations are higher for graduate students.

**Extra credit.** No extra credit will be allowed in this class.

**Missed exams and late work.** Missed exams can be made up if the instructor is informed in advance and agrees that the reason for delay is valid. Late work will be marked down at the instructor’s discretion. Students will not be penalized for absence during the semester due to unavoidable or legitimate circumstances. Such circumstances include verified illness, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, and religious observances. Such circumstances do not include voting in local, state, or national elections. For complete information, please see: http://policy.umn.edu/Policies/Education/Education/MAKEUPWORK.html

**Incompletes.** This course follows the Humphrey School policy regarding incompletes. An incomplete will only be granted after the instructor and the student have mutually agreed upon a timetable (written contract) for completion of coursework. An incomplete must be requested in advance, and the Humphrey School incompletes form must be filled out.
**Disabilities.** It is University policy to provide, on a flexible and individualized basis, reasonable accommodations to students who have disabilities that may affect their ability to participate in course activities or to meet course requirements. Students with disabilities are encouraged to contact their instructor early in the semester to discuss their individual needs for accommodations. Accommodations must be arranged in advance. Further information is available from Disabilities Services (230 McNamara Hall).

**Electronics in class.** You may use your laptop computer in class for note-taking or (rarely) looking up answers to questions that come up in class. You may not use it for checking email or Facebook or anything else. It's very tempting – and also inappropriate, not to mention detrimental to your education. First offenders are asked to turn off the computer for the class. Second offenders are required to keep computers put away for the rest of the semester. Similarly, cell phones and smart phones and the like may kept on and visible by people with small children or similar responsibilities (but tell the instructor); everyone else is expected to keep their electronics out of sight and out of hearing.

**Academic integrity.** Academic integrity is essential for a positive teaching and learning environment. All students enrolled in this course are expected to complete course-related responsibilities with fairness and honesty. Failure to do so by seeking unfair advantage over others, by misrepresenting someone else’s work as your own, or by another kind of scholastic dishonesty can result in disciplinary action, including receiving an F or an N for the course.

**Scholastic misconduct** is broadly defined as any act that violates the right of another student in academic work or that involves misrepresentation of your own work. Scholastic dishonesty includes, (but is not necessarily limited to): cheating on assignments or examinations; plagiarizing, which means misrepresenting as your own work any part of work done by another; submitting the same paper, or substantially similar papers, to meet the requirements of more than one course without the approval and consent of all instructors concerned; depriving another student of necessary course materials; or interfering with another student's work. Student Conduct Code: [http://regents.umn.edu/sites/regents.umn.edu/files/policies/Student_Conduct_Code.pdf](http://regents.umn.edu/sites/regents.umn.edu/files/policies/Student_Conduct_Code.pdf)

**Sexual harassment.** "Sexual harassment" means unwelcome sexual advances, requests for sexual favors, and/or other verbal or physical conduct of a sexual nature. Such conduct has the purpose or effect of unreasonably interfering with an individual's work or academic performance or creating an intimidating, hostile, or offensive working or academic environment in any University activity or program. Such behavior is not acceptable in the University setting. For additional information, please consult Board of Regents Policy: [http://regents.umn.edu/sites/default/files/policies/SexHarassment.pdf](http://regents.umn.edu/sites/default/files/policies/SexHarassment.pdf)

**Equity, diversity, equal opportunity, and affirmative action:** The University will provide equal access to and opportunity in its programs and facilities, without regard to race, color, creed, religion, national origin, gender, age, marital status, disability, public assistance status, veteran status, sexual orientation, gender identity, or gender expression. For more information, please consult Board of Regents Policy: [http://regents.umn.edu/sites/default/files/policies/Equity_Diversity_EO_AA.pdf](http://regents.umn.edu/sites/default/files/policies/Equity_Diversity_EO_AA.pdf).
Appropriate student use of class notes and course materials: Taking notes is a means of recording information but more importantly of personally absorbing and integrating the educational experience. However, broadly disseminating class notes beyond the classroom community or accepting compensation for taking and distributing classroom notes undermines instructor interests in their intellectual work product while not substantially furthering instructor and student interests in effective learning. Such actions violate shared norms and standards of the academic community. For additional information, please see: http://policy.umn.edu/Policies/Education/Education/STUDENTRESP.html.

Resources for Success:

Student Writing Support at the Center for Writing. Student Writing Support provides free writing instruction for all University of Minnesota students – graduate and undergraduate – at all stages of the writing process. They help students develop productive writing habits and revision strategies via in-person consultations. See writing.umn.edu/sws/index.html. It is also possible to submit short papers online to the Student Writing Support page at the Center for Writing and get comments and feedback from experienced writing tutors.

Mental health. As a student you may experience a range of issues that can cause barriers to learning, such as strained relationships, increased anxiety, alcohol/drug problems, feeling down, difficulty concentrating and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance or reduce a student's ability to participate in daily activities. University of Minnesota services are available to assist you with addressing these and other concerns you may be experiencing. You can learn more about the broad range of confidential mental health services available on campus via the Student Mental Health Website at http://www.mentalhealth.umn.edu
Course Topics and Schedule

Introduction:
Topic #1 (1/19): Intro to class and “What do we mean by development planning and policy analysis?”

I. Macroeconomic Accounting and Modeling:
Topic #2 (1/21, 1/26, 1/28, 2/2): Review of income and product accounts and the balance of payments.
Lab #1 (1/22): Downloading Data from the World Development Indicators (WDI) Database
Lab #2 (1/29): Analysis of Macroeconomic data using Excel
Lab #3 (2/5): Analysis of Macroeconomic data using Excel and interpreting the results: The Case of the Philippines
Topic #3 (2/4, 2/9): Exchange Rates: Definitions and Significance
Topic #4 (2/11, 2/16, 2/18): Forces Affecting the Real Exchange Rate: External Shocks, stabilization and Trade Policy
Lab #4 (2/12): Calculating Effective, Real and Equilibrium Exchange Rates: The Case of Pakistan
Lab #4 (Cont’d) (2/19): Exchange rates (Cont’d)

II. Project Appraisal and Cost-Benefit Analysis:
Topic #5 (2/23, 2/25, 3/1, 3/3): Cost-Benefit Analysis
Lab #5 (2/26): Example of a Resource Statement: the Carton Project
Lab #6 (3/4): Case Analysis (“Cost-Benefit Analysis of Izbit Khayrallah Urban Upgrading Project”)
Lab #7 (3/11): Case Analysis (Cont’d)
Lab #8 (3/25): Case Analysis (Cont’d)
Topic #7 (3/24): Non-Traded Outputs in Cost-Benefit Analysis

III. Program Impact Evaluation
Lab #9 (4/1) Case Analysis (Cont’d)
Topic #9 (4/5) Introduction to Program Evaluation Methods: Experimental and Non-Experimental Methods
Topic #10 (4/7, 4/12) Randomized Evaluations
Lab #10 (4/8) Examples of Randomized Evaluations
Topic #11 (4/14) Regression and Propensity Score Matching Methods
Lab #11 (4/15) Sample size determination for treatment and control groups
Topic #12 (4/19) Example of Matching Methods
Lab #12 (4/22) Propensity Score Matching in Practice
Topic #13 (4/21, 4/26) Difference-in-Difference Methods
Topic 14 Instrumental Variable Methods
Course Readings

Introduction:

**Topic # 1:** What do we mean by development planning and policy analysis?

**Required:**


**Suggested:**

I. **Macroeconomic Accounting and Modeling:**

**Topic # 2:** Review of income and product accounts and the balance of payments.

**Required:**


You will also need to refer to the following to complete Project #1:

Select series of interest and click on notes to see definition.

**Suggested:**


**Topic # 3: Exchange Rates: Definitions and Significance**

Required:

**Topic # 4: Forces Affecting the Real Exchange Rate: External Shocks, Stabilization and Trade Policy**

Required:


Suggested:

II. Project Appraisal and Cost-Benefit Analysis

**Topic # 5: Cost-Benefit Analysis**

Required:


Suggested:


**Topic # 6: Social Cost Benefit Analysis and the Use of Shadow Prices**

Required:
Curry and Weiss (1993), Ch. 4, pp. 74-91.


**Topics # 7 Non-Traded Outputs in Cost-Benefit Analysis**

Required:
Curry and Weiss (1993), Ch. 7, pp. 164-182.


Suggested:
Squire and van der Tak (1975/1992), Ch. 7.
III. Program Impact Evaluation

**Topic #8** Causal Inference and Program Evaluation

**Required:**


If you find Ravallion (2007) very difficult to follow, I recommend you read the following paper, which is much more accessible and also more entertaining:


**Topic #9** Introduction to Program Evaluation Methods: Experimental and Non-Experimental Methods

**Required:**

Ravallion (2007), Sections 3 & 4, pp. 3792-3805.

Revisit Ravallion (2001) in case this seems really tough to follow.


**Suggested:**


**Topic #10:** Randomized Evaluations

**Required:**


Topic #11: Regression and Propensity Score Matching Methods

Required:

Ravallion (2007), Section 5, pp. 3805-3812.


Topic #12: Example of Matching Methods

Required:


Topic #13: Difference-in-Difference Method

Required:


Topic #14: Application of Instrumental Variable Method

Required:


Topic #15: Regression Discontinuity Method
