

COST BENEFIT ANALYSIS OF INVESTMENT PROJECTS: UPDATE OF THE GUIDE

CLIENT: *Evaluation Unit, DG Regional Policy, European Commission*

YEARS: *2007 – on going*

DESCRIPTION OF ACTIVITIES

Cost-benefit analysis (CBA) of investment projects is explicitly required by the new EU Regulations for Structural Funds (SF), Cohesion Fund (CF) and Instrument for Pre-Accession countries (ISPA), for projects with a budget upper than to, respectively, 50 MEuro, 10 MEuro and 5 MEuro.

The CBA Guide is intended to be an operational manual, supporting the Evaluation Unit as well as the geographical Units, DG Regional Policy, and other Commission Services in their need to assess and check the completeness and appropriateness of the applications to Funds received by the applicant Member States. At the same time the CBA Guide will suggest state-of-the-art approaches to project analysis for all the other actors involved.

For the new programming period 2007-2013, the DG Regio needs to update the previous edition of the CBA Guide, because after five years there are important lessons to be learned from the 2000-2006 period, a new regulatory framework, and because of advances in evaluation research. TRT Trasporti e Territorio, in partnership with Csil Milano, will update the CBA Guide.

Objectives of the project

The current edition of the CBA Guide offers three detailed case studies on the following sectors:

- waste treatment,
- water supply and depuration,
- transport.

Moreover, there are brief thematic sections on the following: energy transport and distribution; energy production; ports, airports and infrastructure networks; training infrastructures; museum and archaeological parks; hospitals and other health infrastructure; forest and parks; telecom infrastructure; industrial estates and technological parks; industrial and other productive investments.

The new version of the CBA Guide will include in principle all the sections treated by the previous edition. As far as possible, for all these section the relevant benchmarking values will be updated, and the Team will provide reference values for all the 27 Member States. The CBA Guide will also discuss possible methods to adjust these values, when needed, over the project time horizon.

The case studies will be five: 2 new (rail and a productive investment), and 3 only updated. Also the

existing annexes will be update and the new ones will be included:

- demand analysis,
- evaluation of PPP project,
- the project's impact on employment and the opportunity cost of labour,
- real options.

The main objectives of the new edition of the CBA Guide are:

- to include the development of Community policies, financial instruments, cost-benefit analysis and the new legal framework under which major projects will be financed during 2007-2013 programming period;
- to improve the guidance to the readers in terms of methodological support, case studies and other worked examples and explanations;
- to reflect the lessons learned over the years in training activities for non- specialists.

Expected impact

CBA is aiming to identify:

- the best feasible alternative,
- the financial resources needed to carry out the project,
- the project impact on the area where it will be implemented,
- project risks and its financial and economic implications.

The Guide must fulfil two distinct requirements: firstly to perform as a methodological source book that imposes good working practices at high international standards, and secondly to act as an operational guide and reference point for non-specialist project promoters.

The role of TRT

The project will be managed by TRT Trasporti e Territorio and its efforts will focus on:

- ensuring the experts act as a goal-oriented team;
- reporting, informing and otherwise articulating with the Commission services in all relevant aspects;
- ensuring the fulfilment of time and quality criteria of the work performed by all consortium members;
- ensuring efficient communication between the European Commission and the project team.