



Preparation of the cost-benefit analysis

CEF Transport Info Day – 25 October 2016

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Agenda



The role of CBA in the CEF Transport calls

CBA in practice

Recommendations



The role of CBA in the CEF Transport Calls

Why CBA is relevant?



- TEN-T Regulation Article 7.2.c

- "A project of common interest shall be economically viable on the basis of a socio-economic **cost-benefit analysis**."



- CEF Regulation Article 10.6

- "The amount of financial assistance (...) shall be modulated on the basis of a **cost-benefit analysis** of each project, availability of Union budget resources and the need to maximize the leverage of Union funding."

How is it used?

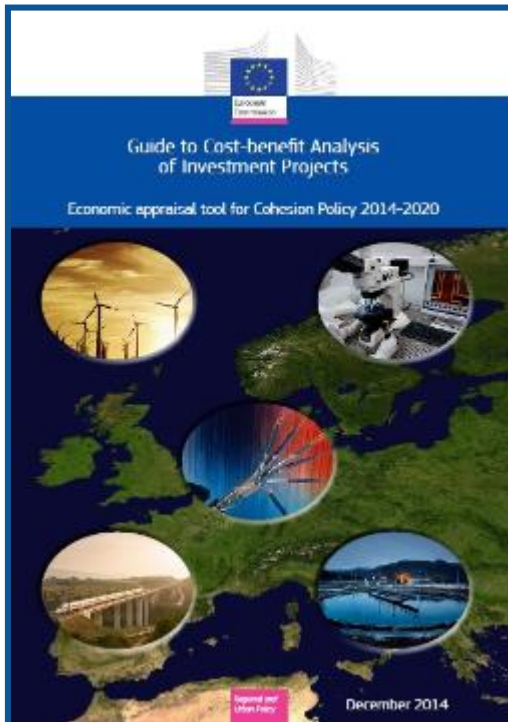


- Additional evidence of socio-economic performance (impact criterion) – [Economic analysis](#)



- To identify cases of potential overfunding – [Financial analysis](#)

Which methodology?



- The European Commission methodology developed for the Cohesion Policy (DG REGIO)

- Applicable to both Cohesion and General calls

RECOMMENDED



CBA in practice

What does it mean in practice?



- A CBA is required for works and mixed proposals (with sectorial exceptions for compliance driven projects – e.g. ERTMS, SESAR, Rail freight noise)



- Specific CBA assessment has been embedded since the evaluation of CEF 2015 call projects proposals



- Dedicated experts are involved during the assessment of applications to review the CBAs.

CBA is reflected in the Impact criterion

CBA is an additional input

- CBA analysis is a complementary source of information for the assessment of the "Impact" criterion
- CBA-specific experts provide to the traditional external experts a CBA Assessment Report with their analysis
- Findings related to CBA are taken into consideration in the evaluation and scoring of "Impact"

What is a major weakness in CBA?



- The impossibility to achieve one of the two objectives defined by the Regulations:



- When on the basis of the **financial analysis** it is not possible to conclude on the magnitude or concludes on the absence of the need for CEF funding (as per CEF Regulation Art 10.6)



- When on the basis of the **economic analysis** it is not possible to conclude or concludes negatively on the socio-economic impact (as per TEN-T Regulation Art 7.2.c)



Recommendations

Recommendations

General

- CBA should be part of the project **preparation process** to improve projects (not treated only as an obligation).
- CBA shall include both **economic and financial analysis**. The REGIO methodology includes also technical feasibility, environmental sustainability and a risk assessment.
- **Single unit of assessment**. In some cases the CBA should target the global project not only the action (e.g. unconnected – isolated action is meaningless).

Recommendations

Financial and Economic Analysis

- Follow the Guide for Applicant for the calculation of **the funding gap** and includes all cash revenues directly borne by users of the infrastructure in relation to the single unit of assessment.
- Unless transferred to users by a reduction of fares or compensated by an equal reduction in the operating subsidy, **cost savings are considered as revenues** and therefore impact the funding gap.
- Provide additional **qualitative information on revenues** (number of sources, formalisation/contractualisation of the revenue streams).
- Make sure **traffic volume forecasts** are in line with national and EU planning (when relevant), otherwise explain the variance. Optimistic demand could overestimate socio-economic benefits.



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Look for INEA!

Thank you!