

## Training Programme CBA

### Lessons learned-checklist

Geert Smit, April 20, 2007

Translating facts into vision

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Registratiernr.

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## Content

- Learning objectives and results
- The Guide and the seven steps
- A checklist

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## Objective and delivery

- Start: to create basic understanding and be able to check the quality of a CBA
- Day 1: focus on basic understanding
- Days 2-3: more practical focus based on case studies

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Guide

cost-benefit analysis  
of investment projects

Prepared for:  
Evaluation Unit  
EC Regional Policy  
European Commission

## Basic elements

### CBA Guide

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## Main steps in CBA

### EC Guide to CBA

- Objectives definition
- Project identification
- Feasibility and options analysis
- Financial analysis
- Economic analysis
- Multicriteria analysis
- Sensitivity and risk analysis

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## Objective definition-1

### Check Step 1 EC Guide to CBA

- Does the project have a clearly defined objective in terms of socio-economic variables?
- Are these socio-economic benefits attainable with implementation of the project?
- Are the objectives connected logically?
- Are the overall welfare gains arising from the project worth its cost?
- Have all the most important direct and indirect socio-economic effects of the project been considered?

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## Objective definition-2

### Check Step 1 EC Guide to CBA

- Are the means of measuring the attainment of objectives indicated?
- Is the project coherent with the EU objectives of the funds?
- Is the project coherent with the EU objectives specific to the sector of assistance?

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## Project identification

### Check Step 2 EC Guide to CBA

- Does the object constitute a clearly identified unit of analysis, according to the CBA principles and (in case of EC funding)?
- Does the project satisfy the financial thresholds as defined in the regulations are respected:
  - Structural Funds/ERDF: 50 mEURO
  - CF: 10 mEURO
  - ISPA: 5 mEURO

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## Feasibility and options analysis

### check Step 3 EC Guide to CBA

- Has the application dossier given sufficient evidence of the project's feasibility (from an engineering, marketing, management, implementation, environmental...points of view)?
- Has the applicant demonstrated that alternative options have been adequately considered, at least in terms of do nothing or do-minimum alternatives?

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## Financial analysis

### Check Step 4 EC Guide to CBA

- Has a proper time horizon been set for the project?
- Has an adequate discount rate been applied for the project, i.e. consistent with comparable projects in Romania (or preferably based on national guidelines)?
- Have financial costs and benefits been defined and are they realistic?
- Are unit prices for costs and valuation of benefits in line with comparable projects?
- Is there no double-counting?

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## Economic analysis

### Check Step 5 EC Guide to CBA

- Are effects on society as a whole incorporated?
- Are corrections made for:
  - Externalities
  - Fiscal corrections
  - From market to accounting prices
- Is the discount rate used in line with comparable projects elsewhere?

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## Multicriteria analysis other effects

### Check Step 6 EC Guide to CBA

- Are other effects included in the analysis, e.g. environmental impact?
- Is there negative side-effects of the project, not captured in the CBA?

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## Sensitivity and risk analysis check Step 7 EC Guide to CBA-Sensitivity

- Are the project's critical variables identified?
- Are tests done on outcome of financial and economic analysis based on variation of the variables?
- Are results used to safeguard the delivery of the critical variables?

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