

# Bucharest Summer School - Cost Benefit Analysis Training

Bucharest, 3 – 6 July 2012

## OBJECTIVE

This 4 days training will focus on the ex-ante appraisal (**Cost Benefit Analysis**) of investment projects in Romania asking for co-financing from the European Regional Development Fund and the Cohesion Fund . The specific objectives are to present the methodology of Cost Benefit Analysis, to provide operational examples in the application of the methodology, to explain why Cost Benefit Analysis (CBA) is one of the most important tools in the current programming period 2007 – 2013 of the **Cohesion Policy**, as well as the next (2014 - 2020), and to practice on how to review a project's feasibility study and how to adjust it to its context.. Signs point out that funding will continue for investment projects in the next programming period 2014 – 2020, CBA remaining the most effective evaluation tool for investment projects of the coming period.

Also, in line with the next programming period a special notice may be given to other two complementary methods of project evaluation, the use of the Cost – Effectiveness Analysis and the Multi-criteria Analysis, as being preferred over the CBA in certain sectors.

By the end of the course, participants will have acquired theoretical knowledge on the elaboration of a CBA and practical experience through the review and assessment of a case study.

## TARGET

Public officials, professionals and practitioners dealing with the preparation or review of feasibility studies and application forms for infrastructure projects to be co-financed by the European Regional Development Fund and the Cohesion Fund in Romania.

## FACULTY

The school is organised by Project Development Consultants (Bucharest) and will benefit from the participation of experts from CSIL Centre for Industrial Studies, Milan, and the University of Milan, Italy, who developed the new edition of the Guide **to Cost Benefit Analysis of Investment Projects of the European Commission**, DG Regional Policy, with **Professor Massimo Florio (University of Milan) as Scientific Director**. Speakers will include (in alphabetical order):

### University of Milan and Centre for Industrial Studies (CSIL)

- Chiara Del Bo (University of Milan)
- Massimo Florio (University of Milan)
- Davide Sartori (CSIL)

### Projects Development Consultants (PDC)

- Alexandra Marcu (PDC)
- Iulia Pasa (PDC)
- Sabin Rotaru (PDC)
- Victoria Goldenberg Vaida (PDC)

**Chiara Del Bo** is a researcher at Università degli Studi, Milano. She earned a PhD in Economics from Università degli Studi di Milano, with the dissertation "Essays on Investment and Growth in an International Setting". She has been a visiting researcher at the Department of Spatial Economics, Vrije Universiteit, Amsterdam and a visiting scholar at the Economics Department of Boston College, USA. She also holds a Master degree in Economics (MEc) at Università Commerciale Luigi Bocconi and graduated in Economics at Università Cattolica del Sacro Cuore, Milano with a dissertation on "Research Joint Ventures in the semiconductor industry". Her research interests are in public and applied economics, with a specific focus on regional growth and international issues. Her research has appeared, among others, in *Fiscal Studies*, *Journal of Economics*, *European Planning Studies*, *Socio-Economic Planning Sciences*, *Journal of Urban Technology*.

**Massimo Florio** is Professor of Public Economics and President of the Evaluation Committee at Università degli Studi di Milano. He has also been awarded by the European Commission a Jean Monnet Chair of Economics of European Integration. His main research interests are in welfare economics, cost-benefit analysis, industrial and regional policies, infrastructure and growth, regulation and privatization. Recent publications include: *"The great divestiture. Evaluating the welfare impact of British privatization, 1979-1997"* MIT Press (2004), *"Cost-Benefit Analysis and Incentives in Evaluation. The Structural Funds of the European Union"* Edward Elgar (2007) and the EC *"Guide to Cost- Benefit Analysis of Investment Projects"* (2008), *"Public Investment, growth and fiscal constraints: challenges for the EU new Member States"* Edward Elgar (2011), as well as several papers in international journals. He has been involved in evaluation and advisory activities for the European Parliament, the European Commission (mainly DG Regional Policy), the OECD, the World Bank and other institutions. He was the Scientific Director of 2011 edition of the Milan Summer School.

**Davide Sartori** holds a degree in economics and management of public administration and international institutions from Bocconi University (Milan). In 2006, he carried out in the field a cost-effectiveness analysis of a healthcare project in Vietnam, collaborating with the World Health Organisation. In July 2007 he joined CSIL, Milan, where he is a Partner and Project Coordinator, Evaluation Unit. He is a specialist in the evaluation of operational planning documents and development programmes and in the financial, economic and risk analyses of infrastructural projects. He is one of the authors of the *Guide to Cost Benefit Analysis of Investment projects* recently adopted by the European Commission. He is expert conducting training on cost-benefit analysis for EU civil servants at EIPA, European Institute of Public Administration of Barcelona, and has had several training experiences with DG Regio officers, New Member States public officers and post graduate students in Milan. He coordinated the 2011 edition of the Milan Summer School. Finally, he advises the European Commission, DG Regio, by reviewing the application forms of Italian major projects asking for EU co-financing for the current programming period (2007-2013).

**Alexandra Marcu** holds Degree in Financial Management and MSc Degree in Project Management for EU funded contracts having over 16 years of professional experience mainly in running financial, economic and institutional analyses, costing, diagnostic and positioning, accounting, monitoring etc. for infrastructure, agriculture and environmental projects financed through local, EU or international financial institutions. Wide experience in financing applications development and financial evaluation of EU funds applications. She is an expert conducting training on cost-benefit analysis, being appointed key expert and trainer in the contract "Developing capacity for Cost – Benefit Analysis", contract that aims to cover the training needs of potential beneficiaries of public funding and public authorities support staff at central and local procurement process in Structural Instruments by providing knowledge and skills necessary in this domain. Over the course of her professional career she has been involved as financial expert or project manager in a series of important projects, such as (e.g.): *Support for the Managing Authority and IBs in managing SOP Environment including support in training, procedures improvement and evaluation process of projects financed within SOP Environment; Application evaluations under ROP, guidelines preparations; Applications evaluations under CBC programme for roads, environment, business infrastructure etc; Preparation of*

*Applications for certain regions and counties in the water and solid waste areas such as in Calarasi, Mures, Sibiu, Maramures, Hunedoara, Drobeta etc; Preparation of applications under ROP social, tourism, SME etc, Preparation of applications under SOP CCE for IMM etc;*

**Iulia Pasa** holds a PhD. in Economics having 15 years of professional experience in the domain. Her key qualifications are as follows: Corporate Finance; Financial Analysis (financial projections and financial modeling); Project Development and Implementation (financial, economic and environmental project design, elaboration of documentation, implementation, analysis and monitoring); National Regional Development Policies, wide experience in running CBA for EU funded projects. Mrs. Pasa is appointed senior expert in the contract "Developing capacity for Cost – Benefit Analysis", project financed through the Technical Assistance Operation Program and implemented by the Authority for Coordination of Structural Instruments (ACSI). Projects in which she took part as financial expert include (e.g.): *Extension and modernization of water and waste water systems in Bistrița-Năsăud county; TA for supporting Managing Authority, Ministry of Development, Public Works and Housing, and Intermediate Bodies in the implementation of Regional Operational Program 2007 – 2013 and for the improvement of projects quality submitted on 1-5 priority axes; Support for the Managing Authority and IBs in managing SOP Environment including support in the evaluation process of projects financed within SOP Environment.*

**Sabin Rotaru** has 15 years of professional experience holding a BSc Degree in Economics. Has wide experience in large infrastructure projects preparation and evaluation, in running financial, economic and institutional analyses, costing, diagnostic and positioning, accounting and monitoring for infrastructure, agriculture and environmental projects financed through local, EU or international financial institutions. Knowledge and experience in civil, roads, water and environmental sectors within Romania. Mr. Rotaru has wide experience as Financial Evaluator for EU funds applications and in providing training in financial issues including CBA. Mr. Rotaru is appointed senior expert in the contract "Developing capacity for Cost – Benefit Analysis", project financed through the Technical Assistance Operation Program and implemented by the Authority for Coordination of Structural Instruments (ACSI). Other relevant projects in which he has been involved as financial expert are (e.g.): *Services for Technical and Financial Evaluation of financing application submitted under 1-5 Priority Axis of ROP 2007 – 2013; Municipal Services Project - Urban Services in Ilfov, Ialomita, Constanta, Braila and Vrancea Municipalities - Project Preparation for the EU co-financing/ WB Loan; Technical Assistance and FIDIC works supervision during project implementation of the ISPA contracts in Drobeta Turnu Severin; Support for the Managing Authority and IBs in managing SOP Environment including support in the training process, Preparation of applications under ROP social, tourism, SME etc, Preparation of applications under SOP CCE for IMM etc; Application evaluations under ROP, guidelines preparations; Applications evaluations under CBC programme for roads, environment, business infrastructure etc;*

**Victoria Goldenberg Vaida** is senior consultant and trainer with more than 35 years of relevant experience in training and adult learning, out of which 25 in project planning and project management. She has extensive experience in infrastructure projects, identification, preparation and appraisal, wide experience in Cost-Benefit Analysis for public / infrastructure projects financed by EU and WB. Mrs. Goldenberg-Vaida is appointed senior expert in the contract "Developing capacity for Cost – Benefit Analysis", project financed through the Technical Assistance Operation Program and implemented by the Authority for Coordination of Structural Instruments (ACSI). She has extensive experience in appraisal of infrastructure projects, evaluation and selection being involved as financial expert in evaluation of more than 200 infrastructure projects financed under Structural Instruments. Other relevant projects in which she was involved as financial expert: CBA and Financial chapters from Application Form in order to be financed from SOP Environment, Priority Axis 2 – Municipal Waste Management for Neamt, Bacau and Dolj counties projects about 48 million euro) CBA and Application form for 3 roads projects – client County Council Calarasi, financed from ROP 2.1; CBA and application form for Rehabilitation of Waste Water Treatment Plant of Campulung Muscel – client Local Council of Campulung Muscel; CBA and application form for Rehabilitation of Historical area of Campulung Muscel; other 5 smaller projects on municipal infrastructure. In the period 2008-2010, she developed and delivered 14 training courses on CBA for EC projects (collaboration with Bucharest Chamber of Commerce and Industry), about 200 participants. Co-author of the reference manual "Project appraisal for Investment Projects in Municipal Infrastructure".

## METHOD

Apart from traditional training methods, used during the first half of the training (face-to-face presentations on the theory and the methodology of Cost Benefit Analysis, **including concrete examples and extracts from application forms of projects asking for EU co-financing**), an interactive and practical approach will be applied. After the closure of the morning sessions, **participants will work in small groups on project case studies, by practicing on how to review a feasibility study and how to improve its quality by adjusting its key parameters to the Romanian context.** More in detail, training activities will rely on the following methodological methods:

- **Face-to-face lectures ( morning).** These presentations will focus on the theory of Cost Benefit Analysis and the six analytical steps that a project examiner should consider for investment appraisal under the EU Funds: 1. Context analysis and Project objectives; 2. Project identification; 3. Feasibility and Option analysis; 4. Financial analysis; 5. Economic analysis; 6. Risk assessment. Presentations will be structured in such a way to provide for each step the methodological approach, examples extracted from application forms, and a check list for the project appraiser.
- **Hands-on sessions (afternoon).** For the hand-on sessions participants will be divided in small groups and assigned a case study, a specific project they will analyse in depth. Some mistakes and pitfalls will be discovered by the participants themselves by reviewing the project description and the spread sheets with main calculations, following a pre-established check list. The groups will prepare, by the end of the course, a brief power point presentation to report their main findings following a pre-established template. The presentation should be intended as a technical assessment of the cases analysed. It should:
  - Clearly state if the cost-benefit analysis provided is complete, consistent with the methodology presented in the DG REGIO Guide and if results show that the project is worth co-financing.
  - Specify what adjustments should be applied in the main assumptions and key parameters if the project was implemented in Romania.Discussions with the experts and the other groups will follow and each case study will be examined in a plenary session in order to shed light on how to improve the quality of project adjusted for the Romanian context.
- **Project experiences of the participants.** The approach of the training will be strongly interactive. Participants are welcomed to bring their personal experiences with practical examples of projects in Romania they may have come across in their professional experience. This proves to be a good way to have a discussion on practical problems in the application of the methodology to Cost Benefit Analysis of Investment Projects asking for EU co-financing.

## TRAINING MATERIAL

The participants will be provided with training material in electronic form comprising: slides used for the seminar; spread sheet for the production of tables for financial and economic analysis; detailed bibliographical references and guidelines; case studies material.

# Agenda

## Tuesday 3<sup>rd</sup> July, 2012

08:30-09:00	<b>Registration</b>
09:00-10:45	<b>Session 1: The introduction of CBA, a tool for investment decisions.</b> Principles, application for project appraisal and investment decision; main technical operations for developing a successful CBA
10:45-11:00	<i>Coffee break</i>
11:00-13:00	<b>Session 2: The key ingredients of CBA for various types of investments</b> related to EU co-financed projects in the following sectors: transport, environment, research and development, business infrastructures, energy and tourism.
13:00-14:00	<i>Lunch</i>
14:00-15:00	<b>Session 3: The six steps for a good appraisal: Financial analysis.</b> Inflow and outflow items to be considered for financial analysis, inflation, time horizon, discounted cash flow method, financial discount rate and calculation of financial performance indicators.
15:00-15:15	<b>Division of participants into groups and launch of the case studies</b>
15:15-16:00	<b>Hands-on workshop</b>
16:00-16:15	<i>Coffee break</i>
16:15-17:30	<b>Hands-on workshop (cont.)</b>

## Wednesday 4<sup>th</sup> July, 2012

09:00-10:30	<b>Session 4: The six steps for a good appraisal: Economic analysis.</b> The corrections for economic analysis, from market to shadow prices, evaluation of non-market impacts, externalities, and calculation of economic performance indicators.
10:30-10:45	<i>Coffee Break</i>
10:45-12:30	<b>Session 5: The six steps for a good appraisal: Sensitivity and risk analysis.</b> Project appraisal under uncertainty, sensitivity test, probability distributions and risk assessment.
12:30-14:00	<i>Lunch</i>
14:00-15:30	<b>Hands-on workshop (cont.)</b>
15:30-15:45	<i>Coffee Break</i>
15:45-17:30	<b>Hands-on workshop (cont.)</b>

## Thursday 5<sup>th</sup> July, 2012

9:00-10:45	<b>Session 6: The Shadow Wage.</b> Project's impact on employment and the opportunity cost of labor.
10:45-11:00	<i>Coffee Break</i>
11:00-13:00	<b>Session 6: Other significant evaluation methods: Cost- Effectiveness Analysis and Multi- criteria Analysis.</b>
13:00-14:00	<i>Lunch</i>
14:00-15:30	<b>Hands-on workshop: preparation of case studies reporting and presentations</b>
15:30-15:45	<i>Coffee Break</i>
15:45-17:30	<b>Hands-on workshop: preparation of case studies reporting and presentations</b>

## Friday 6<sup>th</sup> July, 2012

9:00 -10:45	<b>Presentations of groups' results and discussion with experts.</b> Groups presentations on final results of the workshops: how to review feasibility studies, how to provide comments on their quality. Discussion on workshops' results, including debate on problems faced by the participants during the exercises and possible solutions. Recommendations on how to improve the methodological quality of a feasibility study.
	<i>Plenary session</i>
10:45 -11:00	<i>Coffee Break</i>
11:00 -12:30	<b>Presentations of groups' results and discussion with experts (cont). Closure.</b>