

The socio-economic assessment

The cost-benefit analysis (CBA) requirement

- The requirement for socio economic assessment has been streamlined in this programming period to take account of the added value of the tool for each priority
- There are now three levels of granularity of information
 - Full CBA
 - Simplified CBA
 - For some categories no CBA is required
- No more Cost Effectiveness Analysis (CEA)

Full CBA

- For **works and mixed projects** with budget (total eligible costs) **above EUR 10 million**. In mixed proposals, the threshold of EUR 10 million applies to the work component(s) of the eligible costs.
- “Full CBA” is composed of:
 - a standalone text document, with a minimum length of 20 pages, and
 - the CBA Cash Flow template filled in to present the results of the CBA in a harmonised format.

Simplified CBA

- For **works and mixed projects** with budget (total eligible costs) **below EUR 10 million**
- The simplification consists in
 - dropping the requirement for the standalone text document, and
 - replacing the CBA Cash Flow template with the simplified CBA excel calculator
- The simplified CBA calculator requires fewer inputs to produce the output indicators by automating the calculation of externalities and the monetisation of time saving.
- When a simplified CBA is required, applicants may submit a full CBA if they wish so (following full CBA requirements).

Simplified CBA calculator

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- It is important to configure correctly the calculator for CEF Transport calls.
- In this respect, please make sure to choose the following 3 settings in the general assumption sheet (“G.Asm”).

	Cell	Appearance
Select “Transport sector”	F11	Sector <input type="text" value="Transport"/>
Select “Cost Benefit Analysis”	F13	Economic appraisal method <input type="text" value="Cost-benefit analysis"/>
Activate “Financial analysis”	F75	Do you want to calculate the financial performance indicators? <input type="button" value="Yes"/>

Simplified CBA calculator

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- The tool comes as “Excel Macro-Enabled Workbook (*.xlsm)” file but the evaluation environment applies limitations to this file format.
- Before submitting the Simplified CBA calculator, Applicants must save it as “Excel Workbook (*.xlsx)”. This will remove the Visual Basic project (i.e. the code of the Macros)

File name: Simplified CBA project XXXX.xlsx

Save as type: Excel Workbook (*.xlsx)

* The threshold applies to eligible costs
– for works proposals

CBA requirement by priority

Work programme “Objectives”	Priorities	Requirement
6.1 Projects related to the efficient, interconnected, interoperable and multimodal networks		
	Railways	Full CBA / Simplified < 10 m€ *
	Inland waterways and inland ports	Full CBA / Simplified < 10 m€ *
	Maritime ports	Full CBA / Simplified < 10 m€ *
	Roads, rail-road terminals, connections to airports and multimodal logistics platforms	Full CBA / Simplified < 10 m€ *
6.2 Projects relating to smart, interoperable, sustainable, multimodal, inclusive, accessible, safe and secure mobility		
6.2.1 Projects related to smart and interoperable mobility	ERTMS	No CBA
	ITS	No CBA
	RIS	No CBA
	SESAR common projects	No CBA
	SESAR other projects	No CBA
	Transport interoperability	No CBA
6.2.2 Projects related to sustainable and multimodal mobility	Alternative fuels infrastructure	Implementing Partner: No CBA Others: Simplified CBA
	Motorways of the Seas	Full CBA / Simplified < 10 m€ *
	Multimodal passenger hubs	Full CBA / Simplified < 10 m€ *
	Reduction of rail freight noise	No CBA
6.2.3 Projects related to safe and secure mobility	Safe and secure parking infrastructure	Full CBA / Simplified < 10 m€ *
	Road safety	Full CBA / Simplified < 10 m€ *
	Projects improving transport infrastructure resilience	Full CBA / Simplified < 10 m€ *
	External border checks	Full CBA / Simplified < 10 m€ *
6.3 Military mobility		
	Military mobility	No CBA

Grandfathering

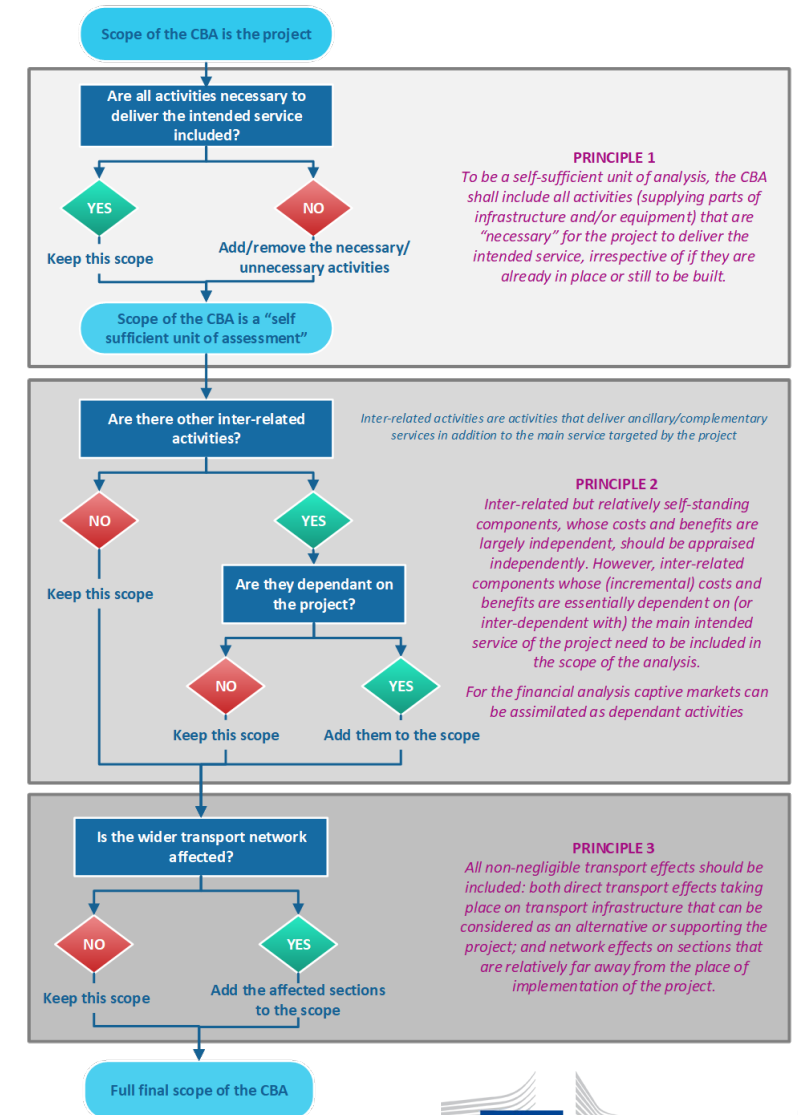
- Applications relating to a new phase of a project under construction and already supported by CEF may re-submit the CBA originally submitted if
 - the new project was already included in the scope of the original CBA
 - no significant changes have occurred (nature, scale and scope of the project or its context/background) that may impair the value of the original CBA (e.g. new competition, technological breakthrough, new normative constraint, social conditions, uses and customs).
- If applicants decide to re-submit the original CBA they must confirm that these two conditions are met and explain their arguments in Application **Form part B section 4.2** also indicating to reference/code of the original proposal.

Note on Scope of Socio-Economic Assessment

Three principal steps to undertake in order to determine the correct scope of the CBA:

- All "necessary" components are added (unnecessary ones are removed)
- All inter-related dependant activities are added
- Effects on the wider transport network are added

(CINEA Guide, p. 24)



How to complete the simplified and full CBA

- Ensure consistency with the *Application form*
- Explain the use of different values of parameters (e.g. FDR, SDR)
- Read the *Notice tab* carefully, this will help to avoid mistakes:
 - copy the revenues (from the *Financial Analysis* section to the *Economic Analysis* section); these should be supported by a robust demand analysis
 - apply an incremental approach, describing the factual (project) scenario AND the counterfactual scenario (no project or not as beneficial option):
- Do not use hardcoded info in the models: if needed used the Free Tabs to provide supporting calculations (ensure transparent background calculations)

How to complete the simplified and full CBA

Financial Discount Rate – FDR (CINEA Guide...)

- You must state this rate and explain why you chose it.
- You can use a rate that exceeds the value recommended in cost-benefit methodologies for public investment (i.e. 4%) and you must provide:
 - evidence explaining why you selected this
 - an indicative calculation of the financial net present value (FNPV) based on the recommended discount rate
 - if the financial discount rate used exceeds the WACC: an explanation of why the project is comparatively riskier than your average risk profile

How to complete the simplified and full CBA

Annex 3

Checklist for your cost-benefit analysis

This checklist lists some of the key points that are assessed during the evaluation process and the main things you need to include in your cost-benefit analysis.

It is not exhaustive – rather it seeks to give some general guidance (you don't have to fill it in).

Have you....

1. Made sure your cost-benefit analysis has the correct scope , as described in annex 1?	Y <input type="checkbox"/> N <input type="checkbox"/>
2. Made sure you have listed and detailed all the ways the project deviates from the scope of the cost-benefit analysis?	Y <input type="checkbox"/> N <input type="checkbox"/>
3. Clearly distinguished cash flows related to the factual scenario from those related to the counterfactual scenario?	Y <input type="checkbox"/> N <input type="checkbox"/>
4. Justified the reference period you used – if it is different from the recommended number of years?	Y <input type="checkbox"/> N <input type="checkbox"/>
5. Justified the discount rate you used – if it is higher than the recommended ones (4% for the financial analysis and 3% for the economic analysis)?	Y <input type="checkbox"/> N <input type="checkbox"/>
6. Made sure that the financial analysis uses a consolidated approach, as described in annex 1?	Y <input type="checkbox"/> N <input type="checkbox"/>
7. Included detailed information about the demand analysis ?	Y <input type="checkbox"/> N <input type="checkbox"/>
8. Properly estimated the residual value , and justified it – if it is not the net present value of cash flows in the remaining life years of the operation?	Y <input type="checkbox"/> N <input type="checkbox"/>
9. Defined conversion factors and willingness to pay , to transition the financial values in the economic analysis?	Y <input type="checkbox"/> N <input type="checkbox"/>
10. Defined externalities to be included in the economic analysis, if relevant (taking into account the Handbook on the external costs of transport)?	Y <input type="checkbox"/> N <input type="checkbox"/>
11. Used the required Excel cash flow template and uploaded it as an additional supporting document for your application?	Y <input type="checkbox"/> N <input type="checkbox"/>
12. Viewed the FAQs and checked the parameters against them?	Y <input type="checkbox"/> N <input type="checkbox"/>

- Fill in the checklist: it is strongly encouraged to attach the Checklist to demonstrate that the CBA (standalone or Simplified CBA) meets all the points.
(If not, please explain the methodological choices.)
- Checklist – annex 3 to CINEA Guide on economic appraisal for CEF-T transport projects
- Link to the Guide:
https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/cef/guidance/cinea-guidance-on-economic-appraisal_cef-t_en.pdf

Guidance on economic appraisal

- All information on CBA is gathered in a single document:
Guide on economic appraisal for CEF –T transport projects
- Please look first for answers on the FAQ tool on the F&T portal
- If you still have questions :

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