Preface

This book collects papers presented at the fifth Milan European Economy Workshop (2006), an annual event where a selected group of invited experts offer their views on a well defined research and policy issue. Each chapter in this volume has been specifically commissioned, discussed at the workshop, and subsequently subject to editorial review.

To me the workshop was a welcome opportunity to rethink my experience with applied cost benefit analysis. Some years ago, in 1994 the European Commission, Directorate General for Regional Policy, asked me to write a *Guide to Cost Benefit Analysis* in the framework of the EU Structural Funds. The objective of the *Guide* was to offer a concise reference text for the country desk officers in Brussels, and guidelines for their national counterparts in the public sector and in the consulting agencies. The latter are regularly involved in the preparation of project appraisals, while the former are responsible for reviewing such appraisals. The CBA *Guide* had to be simple, practical and straightforward. Two subsequent editions followed, respectively in 1997 and in 2002. The success of the *Guide* has been considerable.¹ A reflection on this experience and on challenges for the future seems now useful, because a new wave of investment projects is going to be appraised under the EU Structural Funds in 2007–13.

There are probably two reasons for a revival of CBA in Europe, after some years of declining interest elsewhere. First, there is a wide perception that infrastructure is going to play an important role in European integration. Second, the European Union, through its Cohesion policy and other frameworks, is a key player in the planning of infrastructure, along with national public governments and private investors. Substantial leverage effects are expected through public–private partnerships, loan finance (including from the European Investment Bank and the European Bank for Reconstruction and Development), and other funding mechanisms.

In this context, there is some scope for a book on how social CBA can be helpful to infrastructure planning and evaluation in the EU. The key issues are how to offer flexible but robust methods, and how to generate the right signals and incentives in evaluation activities. A new generation of public sector officers and consultants, particularly in the new EU member states, is going to manage thousands of infrastructure project dossiers in coming years. I have had the opportunity of meeting a fair sample of these

dedicated people over the last few years at evaluation seminars and conferences in Bratislava, Brussels, Budapest, Edinburgh, Luxembourg, Milan, Prague, Rome, Seville, Warsaw, or in candidate countries such as Croatia and Romania. There are frequently asked questions in two directions: planning and evaluation methods, and how to design incentives for their implementation.

Examples of the many questions about methods are: Should we use a unique European social discount rate under the EU structural funds, or rather several national ones? What is the appropriate shadow price of passengers' time-savings for the Trans-European Networks in transport? To what extent should distribution issues be considered in the context of regional policy? Examples of questions about evaluation incentives are: How should the European Commission design financial incentives to stimulate evaluation efforts? Why evaluators so often neglect risk analysis? How can planners and evaluators learn lessons from ex-post project appraisal? Both kinds of question are important. Good methods without the right incentives to use them will be set aside and the whole evaluation process will not deliver convincing results.

To deal with some of these questions, the book is structured in three parts. An introductory chapter sets an analytical framework for evaluation and incentives under multi-government planning (Massimo Florio, University of Milan). First, learning from experience in international organizations is presented: Andrea Mairate and Francesco Angelini, European Commission; Gianni Carbonaro, European Investment Bank; Josè Carbajo, European Bank for Reconstruction and Development; and Robert Picciotto, the keynote speaker at the Milan workshop, Global Policy Project, and formerly Director, Evaluation, at the World Bank. Second, topics in transport and environment evaluation are presented by five experts: Ginés De Rus, University of Las Palmas; Emile Quinet, Ecole Nationale des Ponts et Chausées, Paris; Giles Atkinson, LSE; Per-Olov Johansson, Stockholm School of Economics; Pascale Scapecchi, OECD. Third, there are four chapters on some key parameters for CBA in the EU context, namely the social discount rate and welfare weights: Michael Spackman, NERA Consulting and LSE; David Evans, Brookes University Oxford; Erhun Kula, University of Ulster, Haluk Sezer, Brookes University Oxford.

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opinions expressed in this book necessarily reflect the above mentioned institutions, and the usual disclaimer applies to all chapters.

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M.F.

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NOTE

1. The 2002 edition is downloadable at the Inforegio website: http://europa.eu.int/comm/regional_policy/sources/docgener/guides/guide_en.htm (several official translations are available in pdf version, including French, German, Greek, Italian, Polish, Portuguese, Serbian, Slovenian, Spanish) or at www.csildevelopment.com. Translations in other languages are available on the Internet.

REFERENCE

European Commission (1994, 1997, 2002), *Guide to Cost–Benefit Analysis of Investment Projects. Structural Funds-ERDF, Cohesion Fund and ISPA*, M. Florio, with U. Finzi, M. Genco, F. Levarlet, S. Maffii, A. Tracogna and S. Vignetti, Brussels: DG Regional Policy.