

JASPERS

Cost Benefit Analysis

Application to Water Sector with
Emphasis on Accession Countries

December 2024

Cost Benefit Analysis/ What changes?

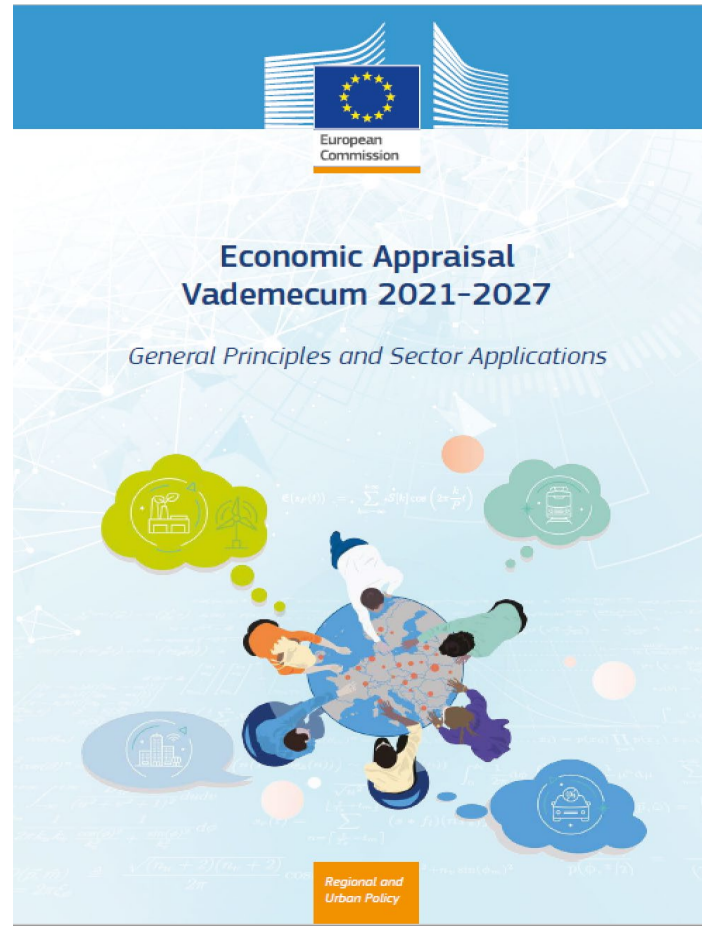
- **Vademecum;**
- **Shift from Regulation (back) to Guidance;**
- **Climate Agenda/Carbon Footprint.**

Cost Benefit Analysis/ What matters?

Key Outputs of CBA:

- **Tariff and Sustainability;**
- **Funding Gap;**
- **Economic return;**
- **Carbon Footprint.**

Vademecum/ What is it?



[Economic Appraisal Vademecum 2021-2027 - General Principles and Sector Applications - Regional Policy - European Commission \(europa.eu\)](#)

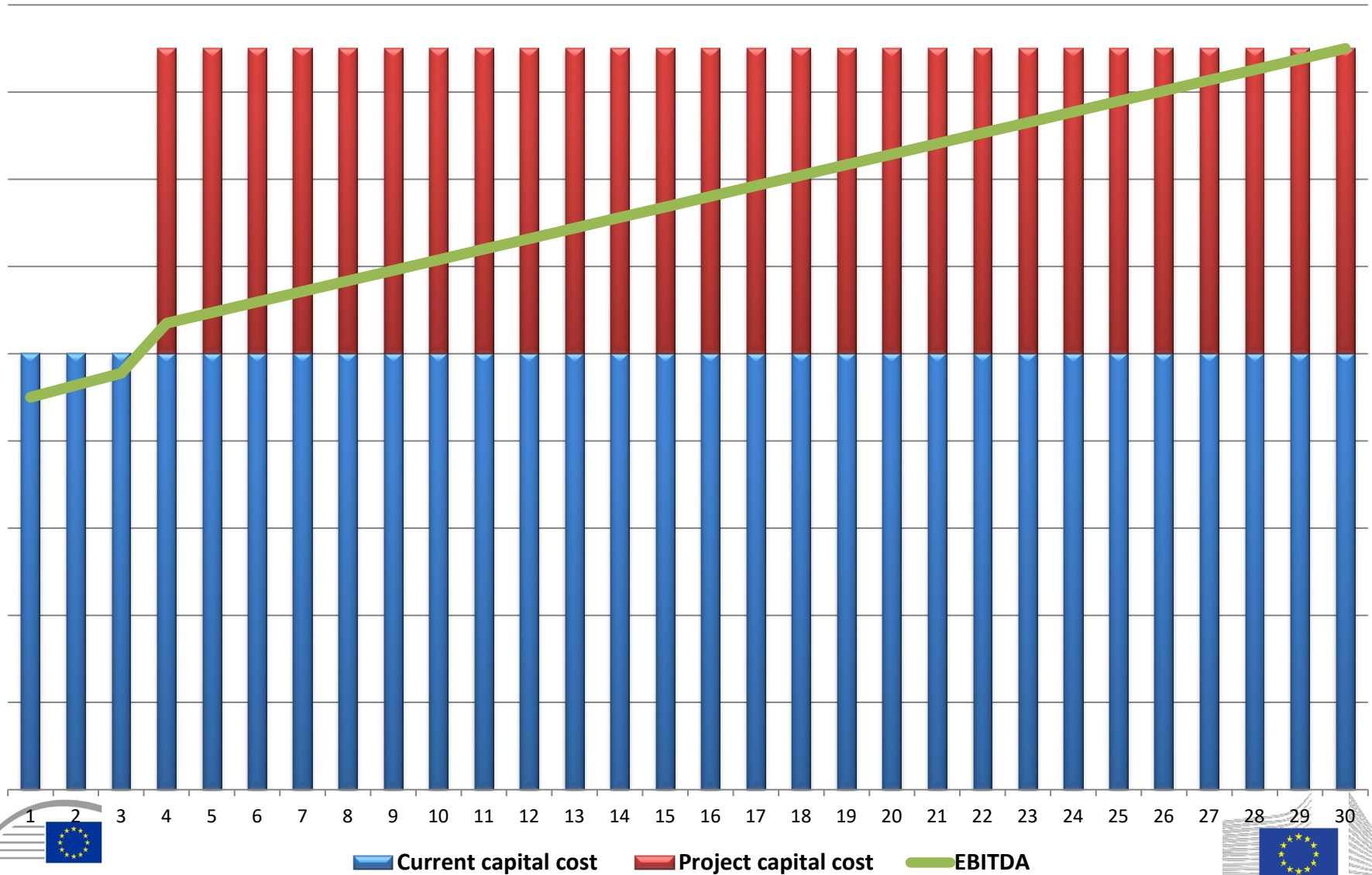
Annex VII Water & Wastewater

- **“Compliance” vs “Efficiency” Driven Projects**
- **Emphasis on least cost solution as main means of investment selection (especially for “compliance”)**
- **Need for cash flow projections remains, in order to measure affordability and sustainability;**
- **“Polluter Pays Principle” and need to aim for Full Cost Recovery Tariff**

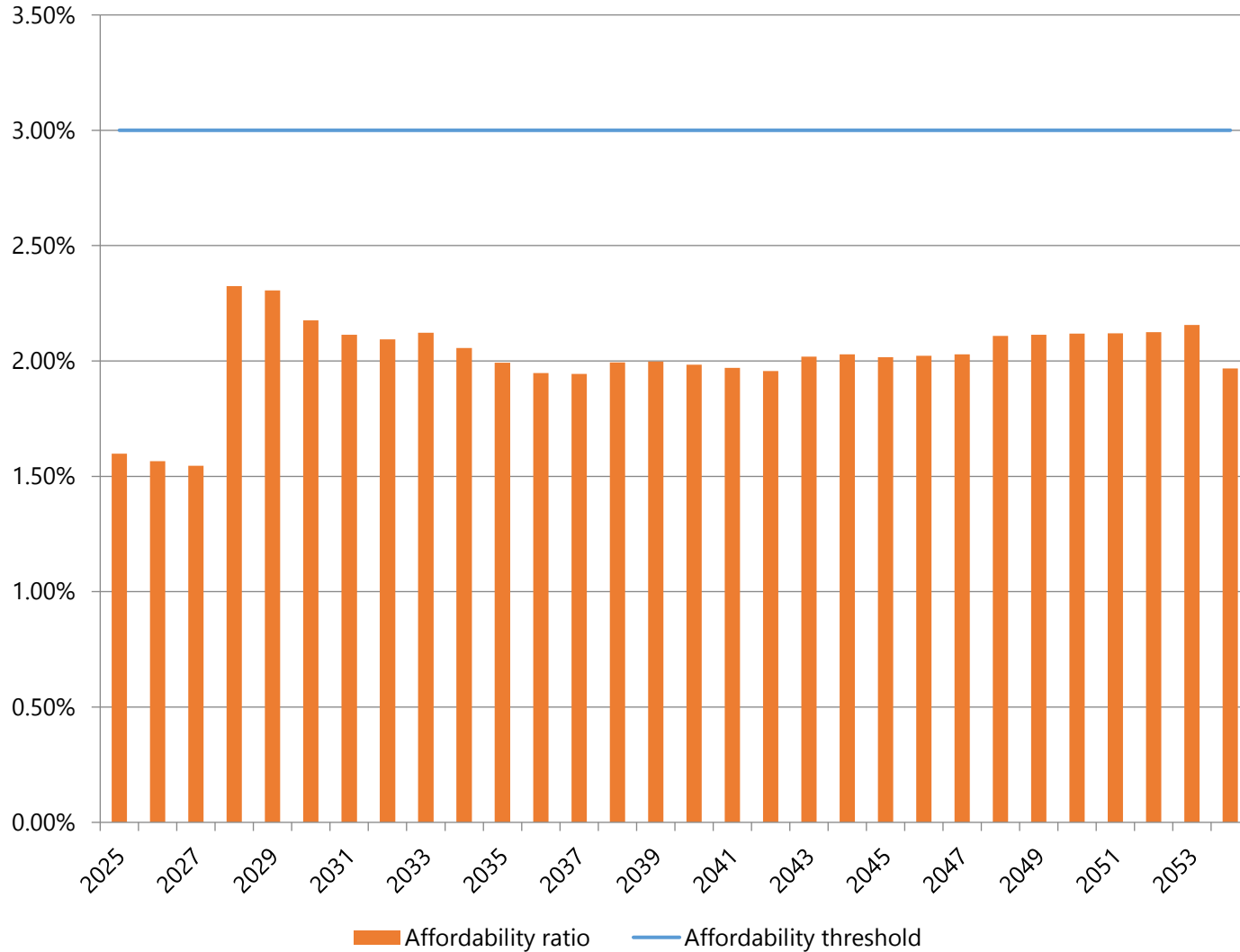
Other themes

- **Regionalisation to spread costs**
- **Low income user support schemes**
- **Benchmarking of operating costs to ensure adequate (eg maintenance) and not excessive (eg staffing costs);**
- **Avoid/phase out cross subsidy between user groups**

Cost recovery example



Affordability (Water & Wastewater Combined)



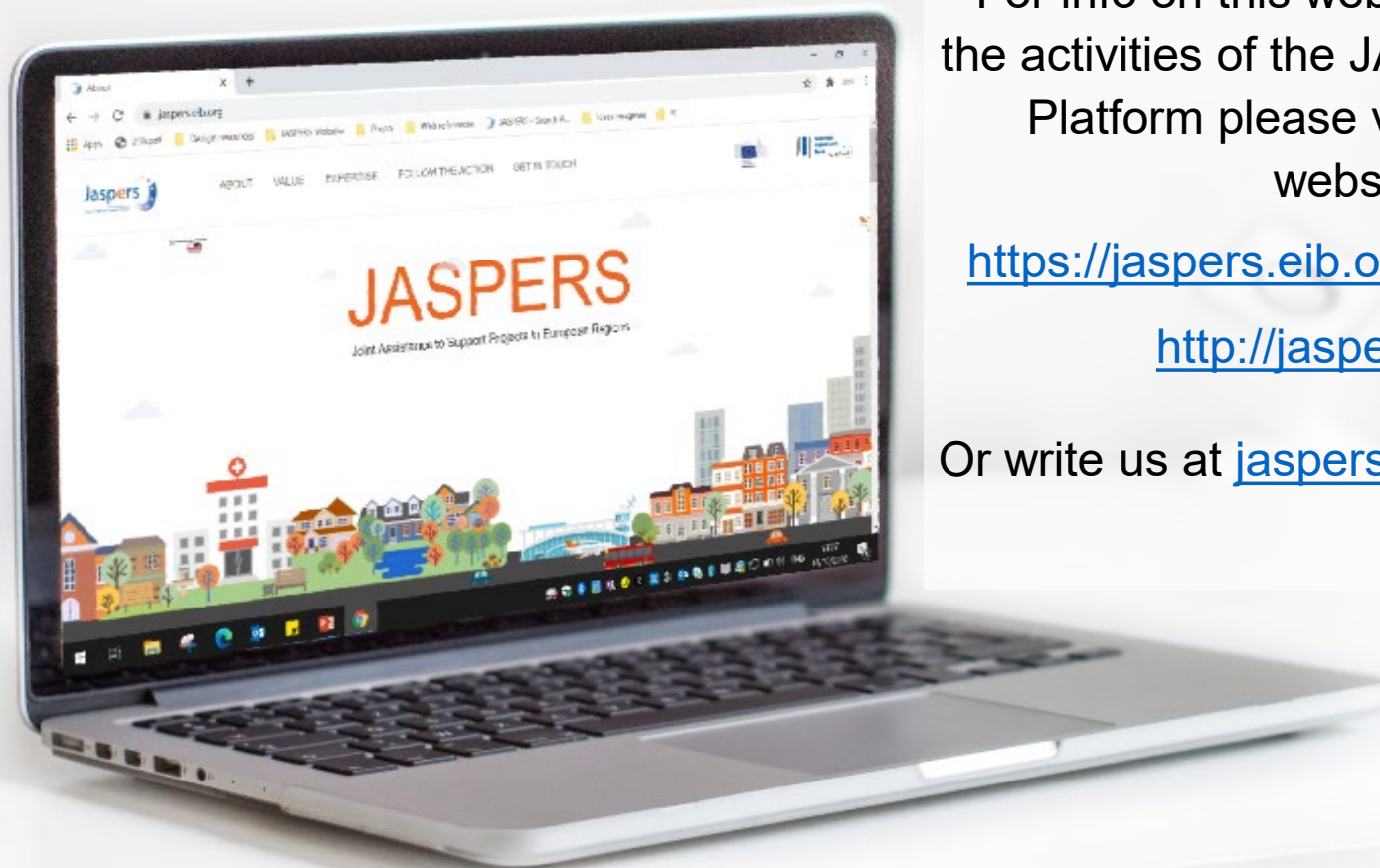
Economic Benefits

- **Improved environmental quality of the water bodies and preservations of ecosystem services (willingness to pay)**
- **Users newly connected to water and wastewater services (avoided costs)**
- **Improvements in Drinking Water Quality (avoided costs)**
- **Variations in GHG emissions**
- **Operating efficiencies realized by the service provider**

Horizontal issues

- **Demand Analysis – Optimism Bias – Risk of Oversized Investments**
- **Options Analysis – Pre-existing ideas, rather than rigorous least cost solution approach - Resistance to Regional Approach**
- **Financial Sustainability – Resistance to needed tariff rises (opex plus depreciation), but also genuine affordability constraints**
- **Investment Cost Overrun**
- **Big fluctuations in energy cost**
- **Local Financing constraints – Funding Gap**
- **Economic Benefits – hard to define (especially “willingness to pay”)**

Thank you!



For info on this webinar and details on the activities of the JASPERS Networking Platform please visit the following websites::

<https://jaspers.eib.org/knowledge/index>

<http://jaspers.eib.org/>

Or write us at jaspersnetwork@eib.org