

EURASIAN WATER CONFERENCE

3rd ASEM Seminar on Urban water management

Urban solutions for global challenges

13-14 September 2018 Budapest



亚欧水资源
研究和利用中心
ASEM WATER



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ASIA-EUROPE
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Asia-Europe Meeting

Strategic and Economic Planning of Infrastructure Development

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Planning for Urban Water and Wastewater Infrastructure

- Basic human needs – environmental protection
- Long term thinking
- Public investment: social return
- Setting the tariffs: full costs recovery vs. affordability
- Financial sustainability

Cost-Benefit Analysis (CBA)

- Methodology for strategy and project elaboration
- Clear framework for strategic ranking – economic rate of return
- Analytical tool for
 - guiding individual project development
 - Appraising projects

Role of CBA in the project context

It helps project promoters to shape their projects

-- **Elaboration**

CBA results are part of evaluating project applications

-- **Evaluation**

CBA is an analytical framework which shows whether a project is „good project”

Role of CBA in the project context (2)

Elaboration:

Proper and consistent methodology must be used

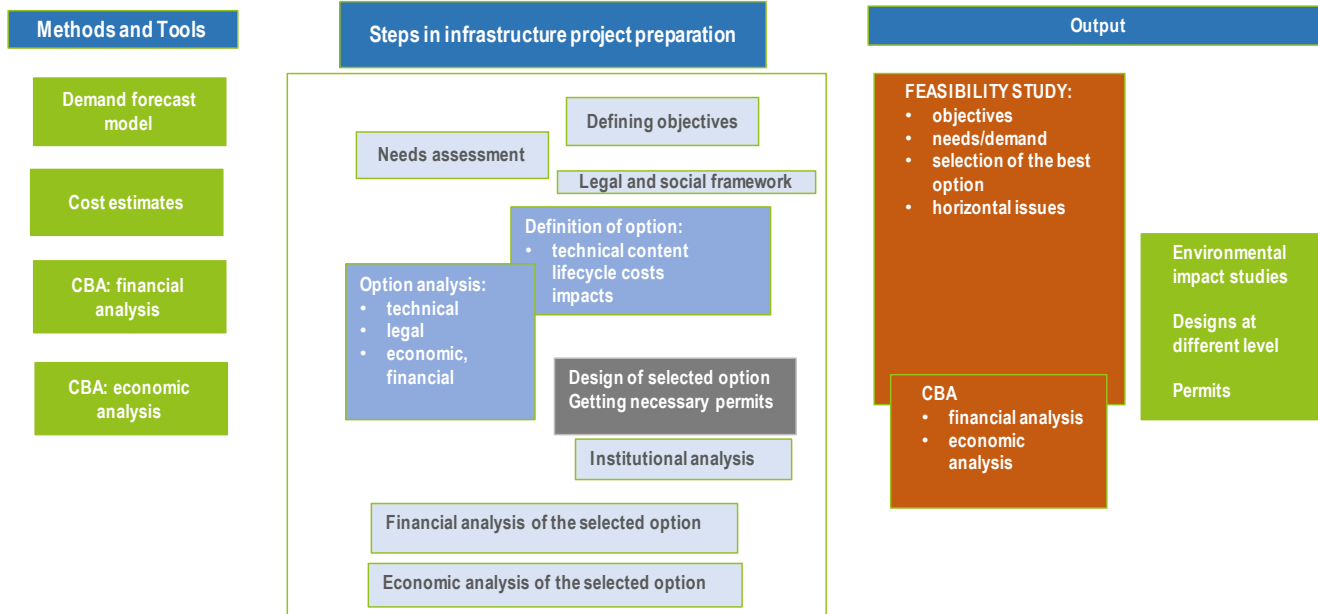


Evaluation:

Assesment whether proper and consistent methodology is used

Assessment of the CBA result

Method – Process – Documents



Timing of CBA

Should be used at early stage of the project preparation

VS.

Detailed technical content and costs estimates are available at later stage of design

CBA methodology is used in feasibility assessment
(option analysis and preliminary financial, economic analysis)

CBA document is preferably finalized after more detailed design
(financial, economic assessment of the selected option)

Key step in project development: option analysis

Purpose: select the „best”/”optimal”/”most efficient” option

- key to quality of the development action
- Economic/social viability of the selected option

Experience:

- Undue focus on investment costs – too little attention to „life cycle costs” that includes O&M costs – dynamic cost calculation method
- Difficulties in communication across different disciplines

Funding and financial sustainability

Purpose:

- Assessing the need for social funding: grant rate calculation
- Highlighting financial sustainability: tariff setting – covering costs of long term assets

Experience:

- Often collapsed into choosing the option with the lowest investment costs
- Tariff implications are not considered at the investment stage
- Financial sustainability is not always considered as important when project scope and technical content is defined

Financial analysis: special issues

- Full cost recovery: how to treat depreciation in tariff setting?
and
how to incorporate coverage for future replacement costs?
- Public grant – full cost recovery -- affordability

Thank you for your attention!

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