

Ex-post CBA R2 Zvolen East - Pstruša

The Grant Agreement for the expressway project „R2 Zvolen East - Pstruša“ was signed on 9 May 2016. It was a financial contribution for the construction of 7.85 km of the expressway R2 Zvolen East - Pstruša. The Beneficiary (National Motorway Company, hereinafter as “NMC”) received a financial contribution of **EUR 44 070 600**, consisting of the contribution of **EUR 37 460 010** from the European Regional Development Fund (85% of the total amount) and the contribution of **EUR 6 610 590** from the state budget (15% of the total amount). The contribution was determined based on the financial analysis of the project’s cost/benefit analysis (CBA) at the financial gap of **86.01% (meaning that 86.01% of the eligible project expenditure was provided from the Operational Programme Integrated Infrastructure 2014 - 2020)**. The expressway R2 Zvolen East - Pstruša is in operation since May 2017.

As the Managing Authority, the Ministry of Transport and Construction of the Slovak Republic proceeded to an ex-post review of CBA to improve the quality of future CBAs for road projects, to refine transport modelling of future projects and to help to update the CBA Methodological Guide (if proven necessary).

This activity will contribute to increasing the efficiency of expenditure of public and EU funds.

The following actual input data for the period from 2007 to 2018 were considered for the ex-post CBA:

GDP - source: Statistical Office of the SR, Ministry of Finance of the SR, Slovak CBA Guide OPII

Inflation - source: Statistical Office of the SR

Fuel prices - source: Statistical Office of the SR

Investment costs - source: National Motorway Company accounting

Traffic intensity - source: nation traffic census 2015, automated traffic counters of NMC

Operation and Maintenance costs - source: National Motorway Company accounting

Revenues - source: National Motorway Company accounting

Accidents - source: Police of the SR

Subsequently, the CBA of the entire project was recalculated including predictions until 2041 using the currently valid methodology for the Operational Programme Integrated Infrastructure (2014 - 2020). The original CBA was calculated using the methodology of the previous Operational Programme Transport (2007 - 2013).

Evaluation of financial analysis

The financial gap has slightly decreased from **86.01% to 84.94%**, which means that the contribution from the operational programme resources should currently be a bit lower than those in the Grant Agreement dated in 2016. The minor decrease of the percentage of the financial gap is mainly due to decline of the real costs and due to an increase in the residual value.

Investment cost	original 77 637 217 EUR	updated 81 115 396 EUR	+4.5%
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The stated investment costs are undiscounted and excluding VAT.

Residual value	original 2 935 068 EUR	updated 25 092 080 EUR	+755%
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The residual value of the project in the previous CBA was calculated based on financial cash-flow as perpetuity. In accordance with the current CBA manual, the updated residual value was recalculated based on the basic life-cycle of project objects.

Revenues	original 23 490 208 EUR	updated 3 751 820 EUR	-84%
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Incremental toll revenues are directly dependent on the freight transport intensities. Freight transport intensities on the analyzed expressway section are lower compared to the expected traffic volumes from the original CBA.

Another reason for the decline in expected revenues is the change in the method for their calculation; whereas in the original CBA only the toll revenue on the newly built expressway section R2 was quantified, the updated CBA includes the difference of toll revenues between the R2 section and the parallel road I/50.

Operation & Maintenance costs	original 13 808 828 EUR	updated 398 852 EUR	- 97%
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A significant change concerns the operation and maintenance costs of the project, which is caused by the change in the method of calculation in the current version of the CBA Methodological Guide. The current maintenance costs and periodic maintenance costs are incrementally higher due to the new CBA methodology: the

considered area is calculated based on the size of the surface of the road in square meters, which is greater for the newly built expressway than for the parallel road I/50.

However, there is a notable cost saving in the toll collection costs and therefore the overall cost of operation and maintenance of the infrastructure is lower. The savings are caused by the method of determining the toll collection costs since the tolled vehicles pass on the built expressway section only through one toll section, whereas there are many more toll sections on the parallel road I/50.

Evaluation of the economic analysis

The cost benefit ratio (B/C) has decreased from **3.13 to 2.16**. The decrease of B/C value was caused mainly due to lower values of the indicators below, as well as due to the fact that the ex-post CBA was recalculated using the currently applicable methodology that contains different rates (such as lower Value of time).

Despite the reduction in the cost benefit ratio we can conclude that the project is beneficial for society as the indicator B/C remains comfortably above value 1.

Passenger travel time savings	original 186 111 198 EUR	updated 85 605 154 EUR	-54%
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Time savings have been reduced because of the use of the real traffic intensities, which are lower than those assumed by the transport model.

Fuel costs savings	original 7 396 034 444 EUR	updated -1 965 707 EUR	-
General vehicle operating costs savings	original -2 698 592 EUR	updated 18 440 433 EUR	-

Vehicle operating costs consist of the fuel consumption costs (where savings were not generated) and other operating costs of vehicles, such as depreciations, where the projects generates savings.

Accident costs savings	original 30 765 227 EUR	updated 18 443 187 EUR	-40%
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The accident rate was calculated on the basis of the number of accidents for years 2014 – 2018 (parallel road), respectively 2017 - 2018 (expressway R2). For a more accurate calculation of the accident rate, a longer period considered would be beneficial.

Emission costs savings	original 0 EUR	updated 3 276 810 EUR	-
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Emission savings were not quantified in the original CBA. Based on the incremental fuel consumption (these form the basis for calculation of emissions) over the entire reference period significant savings were also calculated.

Noise costs savings	original 0 EUR	updated 15 552 253 EUR	-
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Savings in the noise costs were not quantified in the original CBA. In general, construction of expressway sections means that the population is less exposed to noise from passenger and the freight traffic, which was also confirmed in the analyzed section of the expressway.

Final evaluation

The CBA's retrospective assessment showed justification for funding the project from EU funds. The financial analysis has confirmed the assumption that the project is unable to fully cover the expenditure of its revenue, and therefore a financial contribution from the European Regional Development Fund is justified.

The economic analysis confirmed the efficiency of the public funds expenditures as well as justification of the project, since the project's benefits to the society as a whole, outweigh its costs.