

Evaluation of public investment in France: why and how ?

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Socioeconomic evaluation in France: a long tradition

Jules Dupuit (1804-1866), a « founding father » of CBA:

“ The measure of utility ... of public work is not an absolute measure; it is the measure of progress; it is the distance between the point from which we started and the point where we arrived.

“The relative or definitive utility of a product is expressed by the difference between the sacrifice which the purchaser would agree to make in order to obtain it, and the purchase price which he is obliged to give in exchange.”

1960 - Introducing CBA : *Claude Abraham et André Laure (1959)*

“ Economic calculations should not be intended to substitute for decisions to be made: **they are one of many factors** in the choice of investments, a choice that can not be abstracted from more general considerations of a political and social nature in particular. ”

1970-1980 : LOTI and theory of balance

- **On public utility** : "if the attacks on the private property, the financial cost and the social disadvantages ... are not excessive considering the interest which it presents" (**C.E. Ville nouvelle Est, 28.05.1971**)
- **Theory of balance** : Mandatory evaluation of the choices of infrastructure projects, equipment and transport equipment; ex-post balance sheet of the mandatory contracting authority (**LOTI - 31.12.1982**)

Reports commissioned by France Stratégie/Commissariat au Plan

- **1994 - Boiteux 1:** economic calculation as a tool for public decision-making, unifying practices and extending it to environmental effects.
- **2001 - Boiteux 2:** reaffirms the value of cost-benefit analysis, by reassessing the effects on the environment or safety (cost of living)
- **2005 - Lebègue:** discount rate and value of time
- **2009 - Chevassus-au-Louis :** Economic approach to biodiversity and ecosystem services
- **2011 - Gollier :** Risk calculation in public investments
- **2014 - Emile Quinet :** Socio-economic evaluation of public investments

Objectives :

- The choice of large investments is decisive for the proper use of public funds.
- The decision must be informed by reasoned procedures and methods of choice, which make it possible to compare competing projects, and to better assess their economic, financial, but also environmental, social or health impact.
- This is even more true in the current context of restoring fiscal balances and public finances.



Figure 2 : Montant des investissements publics en valeur absolue en 2018
(Eurostat - Md€)

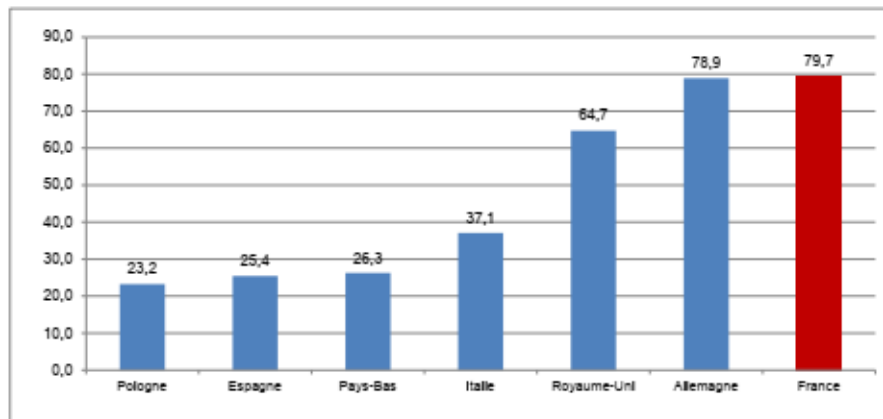
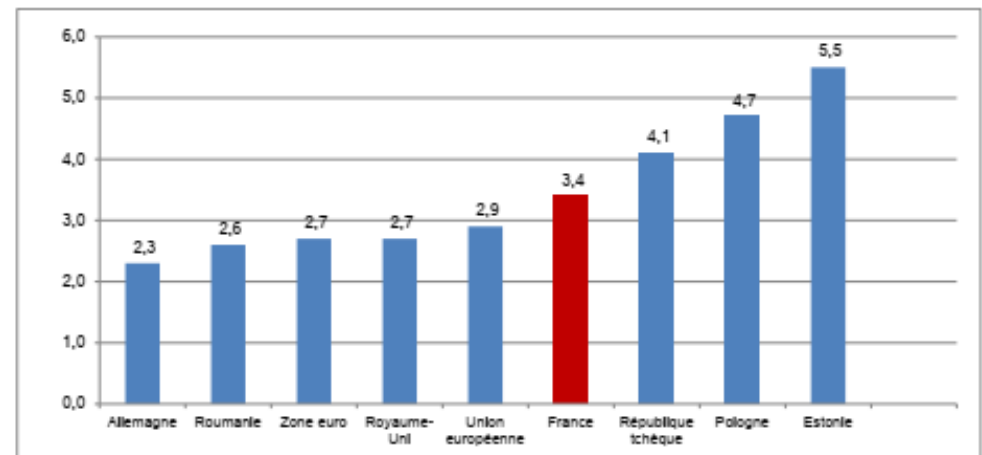


Figure 3 : Investissement public en % du PIB en 2018
(Eurostat)



The 2012-2017 Public Finance Planning Act and its enforcement decree (December 2013) have generalized obligations :

- Socio economic evaluation of all major projects of civil investments in excess of € 20 millions funded from the State and its institutions
- Socio-economic assessment documentation must meet a set of specifications
 - ✓ Detailed presentation of the project, its variants and alternatives
 - ✓ Project dimensioning and calendar
 - ✓ Relevant socio-economic indicators (NPV)
 - ✓ Comparative analysis of funding options
 - ✓ Risk mapping

The socio-economic assessment must answer two essential questions:

- Does the project have an interest in the community: the profits - ie the positive effects it will bring - will they outweigh the costs collectively born?
- How to choose between those projects the ones that will bring the most benefits considering a financial envelope, or budget, determined?

Committee of Experts

Composed of academics, and administration (public managers)

- 25 members
- Installed January 2017, confirmed 2019

4 Missions:

- specifying the methodological rules
- specifying studies and developments
- promoting use of socioeconomic evaluation
- popularizing and pedagogy

Committee of Experts (2)

Published Guide to socioeconomic evaluation of public investments (French and English)

Developping methodology in 4 areas:

- Value of Carbon (Alain Quinet)
- Higher education and research (Emile Quinet) → Pierre Courtioux
- Socioeconomic evaluation of social investment, how to implement cost-benefit analyses for employment, health and education policies (Fougère-Heim)
- Urban development and planning (Sabine Baietto-Beysson)

Main working themes:

- Risk
- Discounting
- Maintenance and investment
- Biodiversity
- Transport models
- Culture

In summary, three steps :

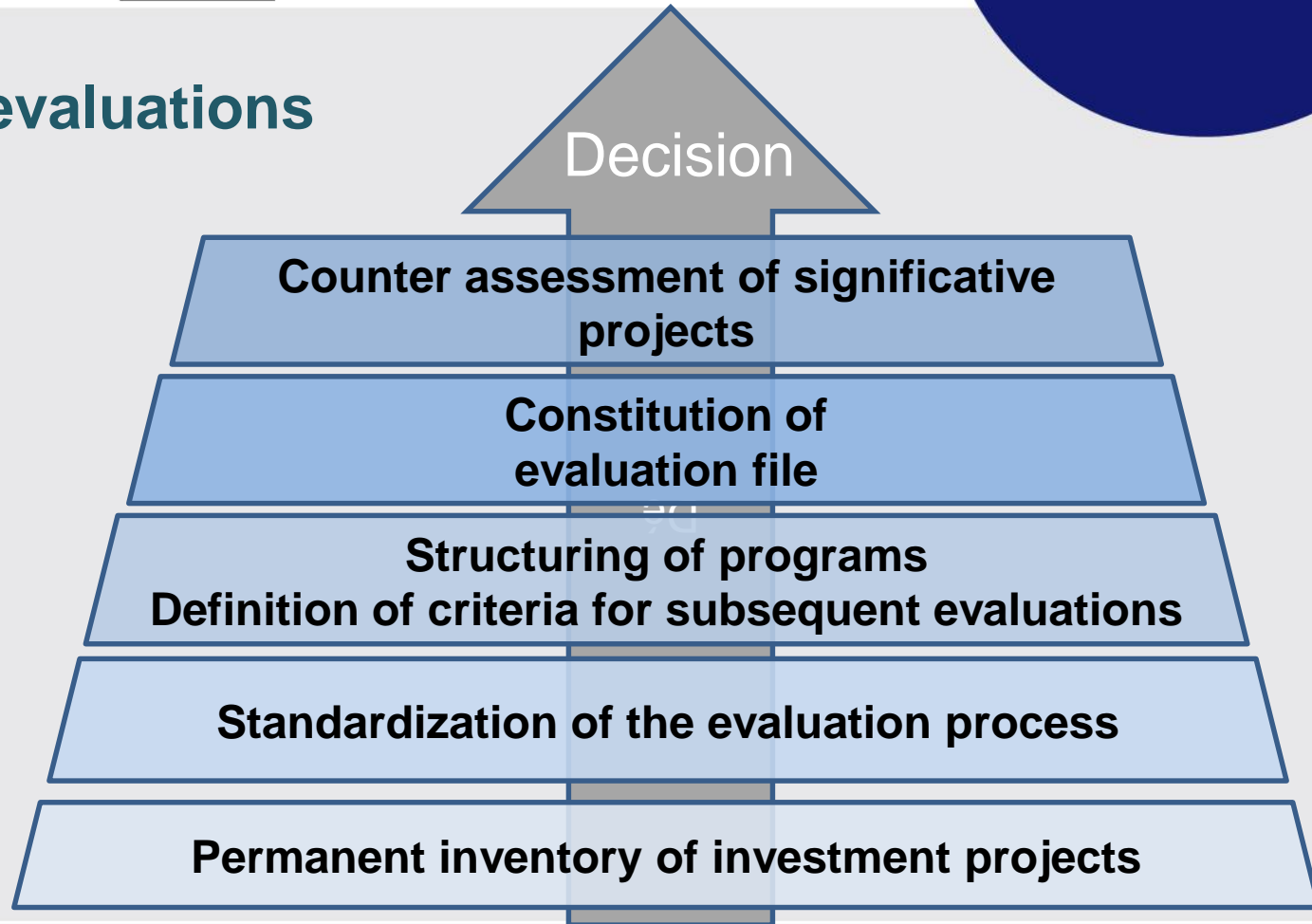
A – Integrate evaluation in public decision process

B – Develop a common approach for decision-makers and project sponsors :

→ produce a Guide on behalf of Committee of Experts

C – Organize counter assessment

Conducting evaluations



Thank you for your attention