First ideas on T2.2 – Funding schemes

João Bernardino, 02-02-2015, Chios, BENEFIT Kick-off meeting

T2.2 Perspetive: funding schemes

- **Funding schemes** in BENEFIT: how to **caracterize** them
- Studying their **effect on performance** factors of the infrastructure Project

1. Overview funding schemes

- Define a **list/classification** of funding schemes to cover
- Such a list/classification should become the basis for the remaining project activities.
- A proper list should be defined by basic aspects of characterization of funding schemes which are **relevant for further analyses**.

1. Overview funding schemes

Essential dimensions of characterization of funding schemes:

- **Source**: general public budget, earmarked funds, user charging, other infrastructure commercial revenues, ...
- **Indexation**: element of indexation of revenues (e.g. earmarked funds indexed to a specific tax; pricing may be indexed to specific variables like traffic, congestion, pollution, etc)
- Specificity of **effect on performance factors**: having specific attributes that influence their relation to performance factors (economic, environmental, social, institutional)

1. Overview funding schemes

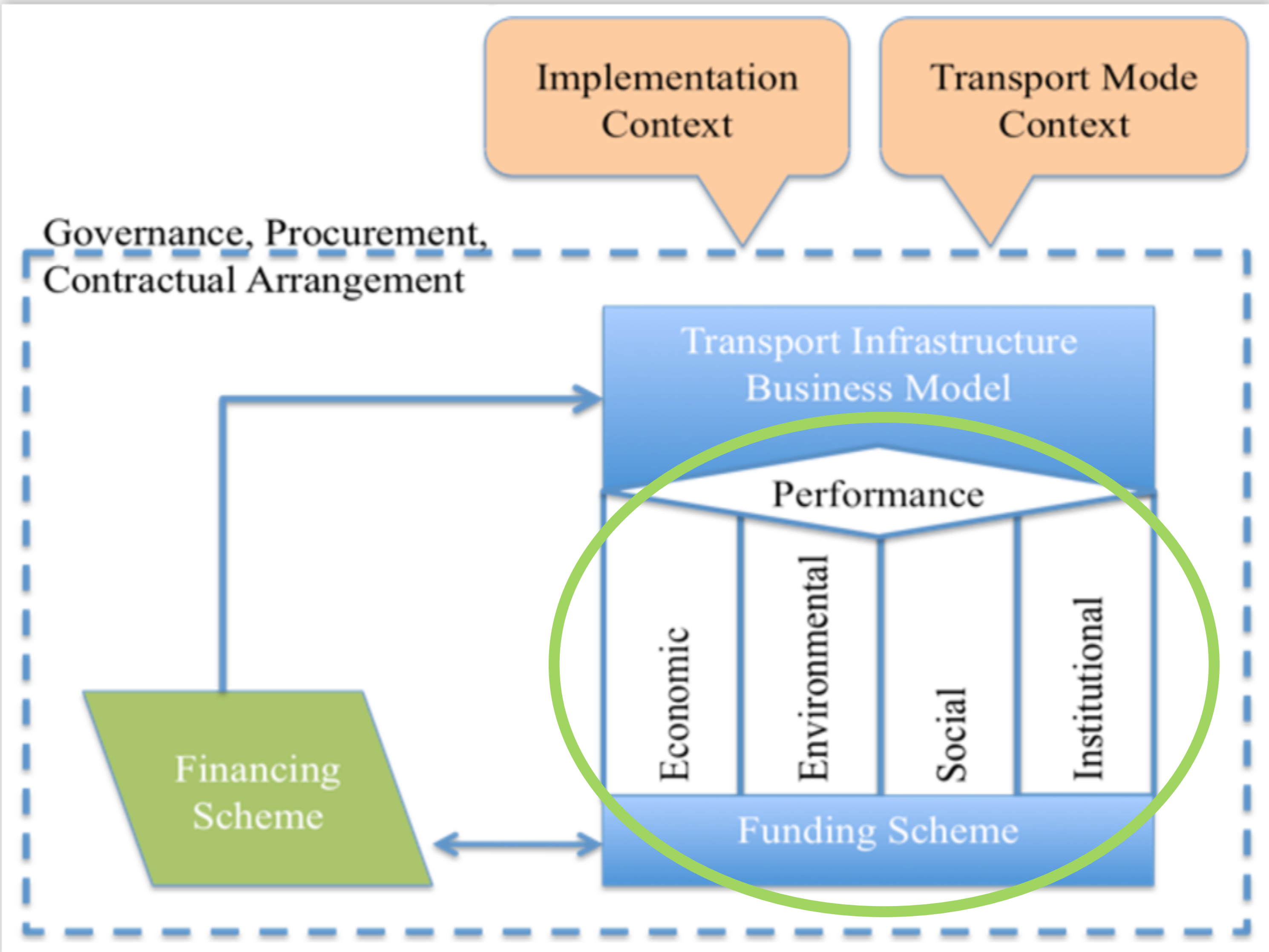
Source
Users
State
Consumers
Stakeholders

Preliminary aggregate **list** of types of funding:

- Infrastructure use pricing (user-pays)
- Marginal cost pricing (internalize external costs)
- General EU/State/local budget
- Fuel taxes
- Distance-based taxes or charges
- Vehicle use/registration taxes
- Commercial activities in infrastructure
- Value capture (land/property taxes, ...)

Funding schemes

2. Effects on performance factors



2. Effects on performance factors

Which relevant performance factors should be considered?

Economic	• Revenue stability and risks • Incentives to each party (private, public) (life-cycle investment, user benefits) • Allocative efficiency (economic): infrastructure costs, congestion, safety • Cost recovery
Environmental	• Internalization of environmental costs
Social	• Equity • Acceptability
Institutional	• … subtasks (iii) transport mode context, (iv) implementation context and Task 2.4 – Governance, Procurement and Contractual Agreement

2. Effects on performance factors

Overview of current knowledge on effects of funding schemes on performance factors...

Funding schemes	**Economic**				**Environmental**	**Social**		**Institutional**
	Revenue stability and risks	Incentives	Allocative efficiency	Cost recovery	Internalization of costs	Equity effects	Acceptability	... [(iv) and T2.4]
scheme 1								
scheme 2								
...								

... per **transport mode**

2. Effects on performance factors

... per **transport mode**

1. Identify the most common funding practices in each mode and understand generally why they tend to follow such different approaches
2. Detail Economic, Environmental, Social and Institutional effects per mode

2. Effects on performance factors

Indicators

"In a scale from 1 (very bad) to 5 (very good), how is funding scheme … **rated** in relation to performance factor:"

- Revenue stability and risks
- Incentives to each party (private, public) (life-cycle investment, user benefits)
- Allocative efficiency (economic): infrastructure costs, congestion, safety
- Cost recovery
- Internalization of environmental costs
- Equity
- Acceptability

"And how much does that specific rate in each case depends on **context** aspects? (scale 1 to 3) Which aspects?"

2. Effects on performance factors

Possible overall assessment of funding scheme

Funding schemes	Economic Revenue stability and risks	Incentives	Allocative efficiency	Cost recovery	Environmental Internalization of costs	Social Equity effects	Acceptability	Institutional … [(iv) and T2.4]
scheme 1								
scheme 2				Ratings				
…								

+

Policy objectives + Business models: weight of each performance factor

Multi-criteria assessment?

Optimal scheme

Task 2.2/4.1 Template from perspective of pricing analysis (T4.1)

- I.9.2 Contract: (V) Type of expected revenues. Clarify:
  - **Source** and indexation of revenues
  - Who gets **collected** revenues? (concession, concessionaire)
  - How Is the concession **remunerated**?
  - What percentage of total Project costs are **covered** by each funding source?
- I.9.2 Contract: (VI) User charges
  - Clarify **objectives** behind pricing: cost recovery, market efficiency, environmental cost internalization
- I.11 Other details on economic, social and environmental impacts
  - **Detail performance factors to guide authors more closely**

2. Effects on performance factors

Relation with other tasks: direct input to...

- T4.1: raising points for validation and key questions
- T3.1 Matching Framework: systemization of hypotheses

Funding schemes

Next steps

1. Define and validate list of funding schemes
2. Validate performance factors to be covered
3. Coordinate with mode analysis
4. Coordinate with institutional analysis
5. Overview on funding schemes
6. Effects on performance factors (general/theoretical)
7. Effects on performance factors (mode)

TIS – Transportes, Inovação e Sistemas, SA
Av. Marquês de Tomar 35, 6º Drt
1050-153 Lisboa
Portugal
T (351) 21 350 44 00

R. Gilberto Studart, 728 - 2º
60190-750 Fortaleza
Brasil
T (55) 8 532 492 903

global@tis.pt
www.tis.pt | www.tis.br.com

João Bernardino | **joao.bernardino@tis.pt**