

APPLICATION REGARDING THE INDICATORS FOR THE COST-BENEFIT ANALYSES ON INFRASTRUCTURE PROJECTS

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Abstract:

The cost-effectiveness analyze is the effectiveness of some social programs analysis, using the systematic approach of the report between the benefits achieved (sum of positive consequences) and its costs (costs with resources) to whom are added the negative effects. The concept was developed in US in '50ty '60ty and was rapidly extended in Europe especially in relation to social policies. Cost benefit analysis is a way of evaluating an investment (procurement) or project from the point of view of its economic efficiency. It consists, essentially, in comparing the total costs with the benefits expressed in financial terms. The costs must include costs with equipment procured, running costs (maintenance, training of users, expendable, etc) but also opportunity costs. The benefits could be quantifiable (profit, reduction of losses), but it could be some benefits that are hardly quantifiable. For example, reduction of stress, improvement of reputation or improvements of employee's satisfaction are hardly to have value in money. The cost-effectiveness analyze is very important in the management of risks, especially in the stage of the control of risks. The decision of investing in measures for reducing the risks must be done only using the cost-effectiveness analyzes method. For example, the risk of loosing products because of a fire could be controlled by getting insurance or installing an automatic system for fire blowout. The costs with the two type of measures than the benefits obtained (depending on the risks analysis results) during of a year period are putted in balance and the best decision is taken. We will make a practical example in case of a road infrastructure project: Rehabilitation of road and pedestrian artery.

Keywords: *cost-benefit analysis, investment, efficiency, risk*

JEL codes:: *D61, D81, H34*