

PAPER 16**Economic aspects of preparing river basin management plans under the Water Framework Directive**

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The Water Framework Directive (“WFD”) came into effect on 22 December 2000 and sets a framework for the comprehensive management of water resources in the European Community. Member States are required to adhere to a schedule which incorporates a number of milestones such as the establishment of River Basin Districts, the characterisation of these districts, and identification of significant water management issues. A major and significant milestone is the preparation and publication of draft River Basin Management Plans (“RBMPs”) in 2008, with final Plans to be put in place in 2009.

A key element of RBMPs is a programme of measures aimed at reducing negative environmental impacts and achieving good status for water bodies by 2015. Goodbody Economic Consultants has developed guidance on the economic aspects of preparing RBMPs. This guidance covers:

- Selecting the most cost effective set of measures to achieve good status in water bodies; and,
- Determining whether these measures would be disproportionately expensive.

These issues are similar those that arise in the appraisal of public capital projects. Goodbody Economic Consultants have drawn on the techniques and tools used in the appraisal of capital projects in developing this guidance. In particular, a number of techniques used in cost benefit analysis and multi-criteria analysis have been adapted for use in this context.

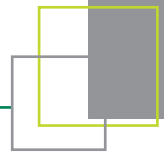
Issues that arose in devising this guidance included:

- Identifying relevant measures;
- Information requirements;
- The need to keep the task manageable given the number of water bodies and pressures involved; and,
- The relationship between measures that can be taken at a river basin level, and national measures.

The tasks carried out included:

- Consultations with a wide range of stakeholders;
- A review of the approaches to the WFD in other Member States;
- Assessing the cost effectiveness of measures identified by the “programmes of measures and standards” exercise currently being carried out by the River Basin Districts;
- A review of academic and public studies of the value of good water status;
- Developing two manuals for River Basin Districts covering Cost Effectiveness Analysis and Disproportionate Cost Analysis; and
- Delivering training on these methods to River Basin Districts and Local Authorities.

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The approach developed to Cost Effectiveness Analysis produces an index of cost effectiveness for each proposed measure or set of measures that is a function of costs, time to implement, durability of the measure and incremental improvement in water quality. A programme of supplementary measure can then be selected based on these index numbers.

The approach developed to Disproportionate Cost Analysis is pragmatic, and recognises the difficulty in placing monetary values on the benefits of improving water status. In the majority of cases a disproportionate cost finding will be based on cost effectiveness analysis already performed. It should only be necessary to quantify the order of magnitude of the benefits of increasing water status in a minority of cases.