

Explanation on the 3rd Edition of "Construction Projects Economic Evaluation Method and Parameter"

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Main content

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- 2. Core ideas (Appraisal techniques)
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How to apply appraisal techniques

Appraisal content	Type of investment	Competitive Operations project	Financial analysis			Economic Cost-Benefits	Cost-Effectiveness	Uncertainty Analysis	Risk Analysis	Influence on Macro and Economic Analysis
			Financial Sustainability	Debt payment	Rate fit					
Direct investment	Competitive Operations project	●	●	●	●	□	●	□	□	
	Non operation project	●	□	○	●	●	□	□	□	
Capital inflow	Competitive Operations project	●	●	●	●	□	●	□	□	
	Non operation project	●	□	○	●	●	□	□	□	
Transferment-Loan of Foreign Government	Competitive Operations project	●	●	●	●	□	●	□	□	
	Non operation project	●	●	○	●	●	□	□	□	
Subsidy	Competitive Operations project	●	●	●	●	□	●	□	□	
	Non operation project	●	●	○	●	●	□	□	□	
Interest subsidizing	Competitive Operations project	●	●	●	●	□	●	□	□	
	Non operation project	○	○	○	○	○	○	○	○	
Company investment	Competitive Operations project	●	●	●	□	●	●	□	○	

Background 1

- The first edition was published in 1983,including 480 pages.
- The second edition was published in 1993 ,including 420 pages.
- The third edition was published in 2006 ,including 225 pages.

Background 2

- As present statistical figure, about thirty thousand book have been sold out. The application of 3rd edition has played an important role in promoting the capability of Chinese investment decision-making.

Why revising it?

- Chinese economic environment is in the transition from the planned economy to a socialist market economy.
- Chinese government investment administration system are reforming.
- The methodology, projects character have show many new changes.

The goals of revising

- Reflecting the true Chinese economic situation.
- Solve some new problems found in practices.
- Develop the rules of economic evaluation.
- Provide tools to enable policy makers to make proper decisions.

The step of appraising projects

- **Affirm the types of projects and its goals**
- **Choose suitable appraisal techniques**
- **Identifying Financial Cost & Benefit,**
- **Who providing the capital?---Funding Sources and Financing**
- **Financial Analysis**
- **Economic Cost- Benefit Analysis**
- **Cost-Effectiveness Analysis**
- **Uncertainty Analysis, Risk and Sensitivity Analysis**
- **Alternative comparison then make a conclusion**

For example

- if the objective is to reduce the cost of vaccination, cost-benefit ratios might be adequate ways of comparing and selecting among interventions.
- If the objective is to improve health status, then the interventions need to be compared in terms of the impact on health status.
- If the objective is to increase a country's welfare, then the comparisons need to be done in terms on a common unit of measurement, usually a monetary measure.

Appraisal techniques

- **Financial analysis**
- **Economic Cost-Benefits**
- **Cost-Effectiveness**
- **Uncertainty Analysis**
- **Risk Analysis**
- **Analyze the influence on Micro-Economic and Area-Economic**

Further study

- Aother book is called "case study for 3rd Edition".
- Many examples used to illustrate the priciples and their use are drawn from actual projects of the industrial institutions and other organization.

- Identifying gainers and losers and measuring the fiscal impact are important steps in assessing the project's sustainability
- In fact, there is no guidelines, standards, and codes in the field of economic evaluation for construction project in china
- Can't fulfill this many industry management departments requirement because there is no detailed industry character in the book.

Thanks!