

Interreg



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NEXT Poland–Ukraine

GUIDELINES FOR FEASIBILITY STUDY

The following guidelines outline the minimum requirements for feasibility study. The feasibility study shall be conducted for all infrastructure activities in the project. It is acceptable to prepare separate feasibility studies for infrastructure components planned to be implemented by particular Project Partners within the project.

Title-page

The following information should be presented:

- Title of the project;
- Name and country of registration of the Lead Beneficiary of the project;
- Names and countries of registration of other Beneficiaries implementing the project;
- Short information on kind of investment which is a subject of this feasibility study, including its location (country, region, town).

1. English summary

This point shall be elaborated after completion of all other points of the Feasibility Study, described below. Here the applicant shall provide a summary of the main elements of the Feasibility Study and its findings, described in the points below.

Regardless of whether one feasibility study for all infrastructure activities in the project or separate feasibility studies for particular Beneficiaries' infrastructure components have been prepared, the English abstract shall refer to the whole project, i.e. it shall include information on each infrastructure component planned within the project.

2. Lead Beneficiary and project Beneficiaries implementing the project

- Lead Beneficiary's name, information about its legal form and ownership structure;
- Other project Beneficiaries' names, information on their legal form and ownership structure;
- Presentation of the entities performing particular infrastructure components, in terms of their technical, legal, financial and administrative potential (including personnel) for implementation and further maintenance of infrastructure components planned within the project. This point should contain clear division of tasks between the institutions involved in the project implementation.

3. Subject of feasibility study

- Name of the investment and its short description, including infrastructure and its equipment (if applicable) and location (country, region, town etc.);
- General description of the target region, relevant to the scope of investment in which the project will be implemented (basic demographic, economic, financial, social, etc. data);
- Analysis of existing problems and social / environmental needs and constraints with regard to the project location (target region);
- Project objectives – they should be based on the conducted analysis of the existing problems and needs, clearly indicating the socio-economic benefits of the project, logically related to each other. Indicators of project objectives' achievement with specific baseline and target values should be determined along with the method of measuring the achievement and sources of its verification);
- Characteristics of the target groups/final beneficiaries of the project;

- Analysis of the benefits resulting from the implementation of the project (investment) for its target groups/final beneficiaries and the target regions/countries; i.e. relevance of the project to their needs and constraints;
- Consistency with the strategy and objectives of the Interreg NEXT Poland-Ukraine 2021-2027 Programme (specified in the Programme document available on the Programme website).

4. Description of the project

This part should contain brief and clear information on the overall concept of the project and the logical frameworks.

- Description of the planned infrastructure, including its main technical parameters and other characteristics such as materials to be used (etc.), and its equipment (if applicable).
- Preservation of accessibility standards for people with disabilities (i.a. through universal design);
- Location of the infrastructure, availability of investment areas, ownership structure, purchase and compensation costs, consistency of the project with the local spatial development plans, present use of land, plans for use of the areas covered by the application resulting from the adopted strategic documents.
- Description of existing infrastructure and its technical condition; functional and physical links between the project and the existing infrastructure.
- Description of the planned work by tasks, performed in a logical sequence, description of the technology to be used. This point should contain a clear description of activities that will be carried out within the project. For more complex projects, the individual activities should be grouped into stages.
- Project costs:
 - total eligible project costs and costs planned for the infrastructure and its equipment, if applicable, (national currency and EUR) including information on eligibility of VAT in case of Polish project partners;
 - Information whether financial contribution of the project is a state aid (if it is, what kind of state aid it constitutes and whether the entity received de minimis aid over a 3-year period);
 - Information whether the project generates income along with explanation in case it does.
- Information on the results of the project and its long-term impact on its target groups/final beneficiaries and target regions/countries.

5. Feasibility analysis of the project together with demand analysis and options analysis.

Alternative solutions should be provided based on the cost-effectiveness analysis of the investment, along with a zero-option analysis (project abandonment analysis). It is the responsibility of the applicant to demonstrate that the chosen project option is the

best of the possible alternatives. For this purpose, the applicant shall conduct a feasibility analysis, demand analysis and options analysis (alternative solutions).

- **Feasibility analysis** is to identify possible investment solutions that can be considered i.a. technically, economically, environmentally and institutionally feasible.
- **Demand analysis** identifies and quantifies the social need for the planned investment. It should take into account the demand, both current (based on current data) and forecasted (based on forecasts including i.a. macroeconomic and social indicators). The forecast demand analysis shall be conducted for the scenario with and without investment. Furthermore, this analysis should address current and future resource investment needs, expected infrastructural development and network effect (if it occurs or may occur as a result of investment implementation).
- **Options analysis** is to compare and evaluate the possible investment solutions identified at the feasibility analysis stage. The purpose of this analysis is to determine which of these solutions is the most beneficial. They should be comparable on the basis of number of criteria i.a. technical, institutional, economic and environmental. Options analysis shall be conducted in two stages:
 - **first stage - strategic analysis** - this stage focuses on basic strategic solutions (e.g. it answers the question whether it is better to modernize the already existing infrastructure or to build a new one). This stage, in principle, is a multi-criterion analysis and based on qualitative criteria.
 - **second stage - analysis of technological solutions** - at this stage, it is necessary to analyze individual technological solutions. For this stage, quantitative criteria are usually used.

After conducting feasibility, demand and options analysis, the applicant chooses the solution and presents its justification.

6. Institutional and legal analysis of the project

- Characteristics of Beneficiaries implementing the project: legal status, characteristics of their core activity, experience in realisation of similar projects over the past years, organizational and financial capacity to implement their parts of the project, possible links with external entities;
- Characteristics of options considered for investment sustainability (organizational and financial capacity of the Beneficiaries to ensure sustainability of the project for 5 years after its implementation, possible solutions for providing access to the infrastructure to third parties);
- Indication of the most effective institutional solution with justification;
- Readiness for implementation of the investment planned within the project, i.e. formal documents and permissions obtained/to be obtained (expected dates of receipt), necessary for proper implementation of the project, required by relevant law or Programme provisions.

7. Environmental impact assessment of the project

- Project compatibility with environmental policies;
- Means of implementing the EU sustainable development policy through the project;
- Contribution of the project to respectation of the prevention principle;
- Means of implementation of the “rectification at source” and the “polluter pays” principles;
- Characteristics of investment’s impact on the environment during and after project implementation (short- and long-term impact), potentially irreversible changes in nature, proposals for alternative solutions to be used to avoid the risks for environment;
- Environmental impact assessment – document (if applicable).

8. Plan of project implementation and operation

- Structure of project implementation, compilation and schedule of all actions necessary to implement the project, institutional and administrative ones included;
- Structure and organization chart of the project implementation team;
- Proposed scope of contracts, schedule of planned procedures of selection of contractors and conclusion of contracts;
- Implementation schedule and payment plan;
- Infrastructure management after completion of the project;
- Description of organizational and ownership structure after completion of the project;
- Durability of the project.

9. Project financing

- Sources of project financing with information on planned contribution from the Programme, in subsequent years;
- Ability of the Beneficiary and other entities (if applicable) to provide their own contribution and information on the progress in obtaining external funds together with information on financing sources and conditions.

10. Financial analysis including financial sustainability analysis

The financial analysis should include at least the following elements:

- definition of assumptions for its realization;
- information whether the project generates revenues and whether it is possible to estimate them in advance (sources, purpose of use, revenues and costs analysis, etc.);
- presentation of tariff calculations for the goods and services provided by the project;

- calculation of the co-financing level based on the funding gap method or flat-rate income rates for projects from selected sectors and subsectors;
- presentation of the values of financial performance indicators;
- financial sustainability analysis.

11. Socio-economic costs and benefits analysis

Cost-benefit analysis is based on the need to estimate the cost and benefits of the project from the community perspective. The financial analysis is performed from the perspective of the project's beneficiaries only.

- Methodology of cost-benefit analysis (economic analysis);
- Analysis of project implementation costs from the community perspective (qualitative and quantitative) including the effects of the project on employment;
- Economic analysis (if applicable)
 - Adjustment of project's cash flow
 - Fiscal effects,
 - External effects resulting from external costs and benefits identified from the community's point of view,
 - Transformation of market prices into settlement prices ,
 - Other adjustments.
 - Calculation of the economic net present value (ENPV) and internal economic rate of return (ERR).

12. Risk and sensitivity analysis

- Sensitivity analysis (if applicable)
 - Investigated variables and their impact on financial indicators and economic effectiveness of the project and its financial sustainability;
 - Summary of variables identified as critical;
 - Threshold values for critical variables.
- Qualitative risk analysis
 - List of identified risk factors;
 - Risk matrix (causes of risk, if any, the relationship with the sensitivity analysis, effects and probability of occurrence, risk level, risk mitigation, residual risk);
 - Interpretation of risk matrix.