Objectives
This book provides an original framework for assessing public investment policies co-financed by Union (Federal) governments. This framework is applied to two important case studies: EU Cohesion Policy and US Federal Investment Policies.

The objectives of the book are: to shed light on a number of outstanding issues regarding economic theory; and to present how the related insights can be applied in the real-world decision making. This is to provide guidance to policy-makers involved in the design and in the implementation of public investment policies, in particular, in Europe and in the USA.

In contrast with standard economic theory, the framework presented in Cost-Benefit Analysis of Multi-Level Government is consistent with the decision-making sequence taking place in reality — fund budgeting, policy setting, project selection — and explicitly assumes that having different objectives and constraints, decision-makers at different government levels design the related policies through negotiation. For example, in the case of EU Cohesion Policy, the allocation of funds (fund-budgeting) per Member State and per priority objective is made before the negotiation between the European Union and Member State’s authorities concerning the National Strategic Reference Frameworks and the operational programmes (policy-setting). Only after the adoption of the said programming documents, specific investment projects are then chosen by the managing authorities (project selection). Within the said framework, the following key issues are addressed:

- Under what circumstances is intervention by higher level government in Member States through investment policies justified?
• Is there a welfare economics rationale to underpin interregional equity? What is the relationship between interregional and interpersonal income distribution? How can social exclusion be included in cost-benefit tests?

• How can a higher level of government allocate financial resources to investment policies before it bargains over the related programming documents with lower levels of government?

• In these circumstances, how can optimal matching rates be derived under binding or non binding budgetary constraints?

• How can such an analytical framework provide guidance for real-world decision makers?

In addition to the above, the book also describes EU Cohesion Policy, and US Federal Investment Policies. In particular, guidelines such as the Impact Assessment Guidelines (European Commission), Appraisal and Evaluation in Central Government, the Green Book (British Treasury), and Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs (Executive Office of the US President) are also analyzed.

Rationale and Structure
The book is made up of the following four parts:

1. an introduction to the relevant economic theory including an historical overview concerning policy, programme, and project assessment;

2. the description of EU Cohesion Policy and of US Federal Investment Policies including an historical overview, the policy objectives, the policy instruments, programming, and principles and methods for key evaluations of impact assessment as presented in the relevant guidelines;

3. the presentation of the new analytical framework concerned with discussing and modelling the need and the justification of the EU Cohesion Policy along with principles and methods regarding welfare weights, social discount rates, and shadow wage rates. Given its greater complexity, the overall discussion and modelling are specified with regard to the EU case study, and the related results are then extended to the US scenario;

4. conclusions where the first part relates to policy insights arising from the literature review and the modelling developed in the book; and the second part includes an analysis of the current guidelines adopted in EU, UK and US. Methodological directions to further develop the said guidelines are also provided.

Relevance
As aforementioned, the analytical framework provided in this book aims at identifying how to assess policies, programmes and projects in scenarios where: (a) given their complexity due to numerous national and regional/local governments, and to a wide variety of sectors of investment and geographical areas, the decision-making process is
based on the sequence: fund budgeting — policy setting — project selection; and (b) decision-makers at different levels of government are assumed to have different objectives and constraints. This framework is a novelty in the relevant economic literature.

From an applied standpoint, the modelling developed will offer to actual policy makers a framework on which they may rely in the said complex circumstances. The relevance of the book is further emphasized by taking into account that the impact of its findings may be highly significant in terms of avoiding potentially large misallocation of public funds. The two case studies considered here, benefit in fact from very large financial resources. To this end, it is worth noting that the budget devoted to EU Cohesion Policy is the second most important EU policy in budgetary terms and it became increasingly important given in particular the 2004 and 2007 enlargement to twelve countries whose income per capita is barely one-third of the EU average income. In the programming period 2007–13, these funds, are equal to 308 billion euro (2004 prices), that is, 35.6 per cent of the entire EU budget, or 0.37 per cent of the EU GNI. As regards US, in 2007, the size of the overall Federal investment policies amounted to 430 billion dollars, that is, 3.1 per cent of US GDP, a budget approximately equal to 7.5 times the one of the EU Cohesion Policy.

Given the above, the book is clearly of interest especially to policy makers, but also to students and researchers in cost-benefit analysis, welfare economics, public choice, public finance, multi-level government economics, and income distribution issues.

**Key Conclusions**

In the light of the literature review and of the modelling developed, the author draws the following key conclusions:

1. by applying the principle of subsidiarity in terms of efficiency, equity and stabilization, it is argued that there is a strong case for the EU Cohesion Policy across all European regions; in addition, given the better knowledge of citizen’s preferences and of the local economy, the ECP design and the implementation should be made in close cooperation with national and regional/local governments;

2. impact assessment has been a milestone in the decision-making of the European Commission as it provides a method to identify and to discuss pros and cons of policy options ensuring thus greater accountability of the related decisional process, and greater efficiency and effectiveness of the policy selected;

3. it is essential to further develop and extend the use of cost-benefit analysis for the impact assessment of public investment policies as it is the only methodology which ensures a full comparison of the selected policy options;

4. it is highly desirable to further develop the relevant methodological guidelines in particular as regards distributional analysis (welfare weights), discounting (social discount rates), and labour evaluation (shadow wage rates). These aspects are, in fact, the key areas of evaluation as they determine the choices relating to: intra- and inter-generational income distribution; the size of the public sector; the level of employment; and technology.