



CBAx

Transforming cost benefit analysis practice

CBAx - helping the government to compare the costs and benefits of different initiatives to assess which will have the most powerful impact on raising living standards for New Zealanders.

The Aim

To transform cost benefit analysis practice across government and promote a results-focused and evidence-based approach to investment decisions.

The Solution

The Treasury created CBAx, a practical tool for government agencies to use to evaluate and compare the long-term impacts - to the individual and society - of different initiatives ('apples to oranges to ... feijoas').

How does CBAx work?

CBAx is a spreadsheet tool that includes a database of dollar values for a wide range of social sector impacts. The value of these impacts are applied to quantify the costs and benefits for an initiative.

The results of the CBAx analysis can then be presented by agencies in a consistent manner, helping government make informed decisions.

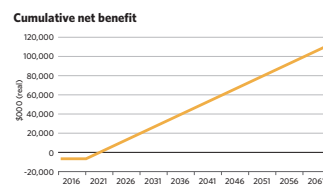
The Result

Part of the success of CBAx has been the learning and support provided by the Treasury to enable agencies to build their cost benefit analysis capability.

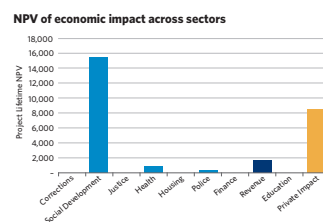
More than 60 CBAx models were submitted in Budget 2016. It is the first time that consistent, transparent and comparable Cost Benefit Analyses have informed budget decisions.

$$\text{Value for Money} = \frac{\text{Value of Impact } \$}{\text{Cost of Investment}}$$

As well as providing a detailed Outputs Summary, CBAx calculates and displays the net benefits of an initiative over time...



...and the economic impact across sectors.



“The Ministry of Health produced CBAx analyses for Budget 2016. Using Treasury’s CBAx tool encouraged the Ministry to be clear about the impacts of health interventions on individuals, other sectors of government, and the wider economy. The process of quantifying and monetising expected impacts into costs and benefits helped sharpen our internal debates on the strength of our evidence, the plausibility of our assumptions, and the transparency. The Ministry is now wanting to use the disciplines, insights and collegial behaviors we applied in the CBAx process to influence the way we design interventions and do policy analysis more generally.”

Amanda Burgess and Sarah Hogan, Ministry of Health