



Finance Circular No. 2006/01

To all FMA Act agencies and CAC Act bodies

Australian Government *Introduction to Cost-Benefit Analysis and Alternative Evaluation Methodologies* and *Handbook of Cost-Benefit Analysis*

Purpose

This Circular announces the publication of revised Australian Government guides to cost-benefit analysis: *Introduction to Cost-Benefit Analysis and Alternative Evaluation Methodologies* (the Introduction) and *Handbook of Cost Benefit Analysis* (the Handbook).

Target Audience

This circular is relevant to Chief Financial Officers, and relevant officers in FMA Act agencies and CAC Act bodies with responsibility for evaluating programs and policies.

Issues

1. Managers in Australian Government agencies are often called on to evaluate programmes and projects to ensure that they represent an efficient and effective use of public money. Cost-benefit analysis (CBA) is a method of quantitative economic analysis that is widely used to evaluate existing and proposed projects, programmes and policies, and which can inform decision-making.
2. The Introduction is a pragmatic presentation of the principles of CBA, targeted at managers of Commonwealth entities seeking a broad working overview of relevant aspects of the CBA principles and framework. The Introduction is designed to promote the efficient, effective and ethical use of resources by public sector agencies, consistent with the requirements of legislation and government policy.
3. Readers seeking a more technical CBA discussion can refer to the revised Handbook - a detailed text on CBA principles and theory that expands on the principles of the Introduction.
4. Importantly, the guidelines highlight that CBA is only one method of evaluation. Two alternative methods are outlined for which the use by agencies must be appropriately documented and defensible.
5. The publications replace the 1995 (revised) edition of the Introduction and the 1991 edition of the Handbook.

Contacts

6. If you have any queries in relation to this circular please email finframework@finance.gov.au or visit our website at www.finance.gov.au.
7. Should you be unable to access the revised Introduction and Handbook via the Finance website you may request printed copies at frameworkpublications@finance.gov.au.

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