

COST AND BENEFIT ANALYSIS



MAKING INFORMED DECISIONS

- Cost-benefit analysis is a decision-making tool that helps individuals and organizations make informed decisions by comparing the costs of a decision or project to its potential benefits.



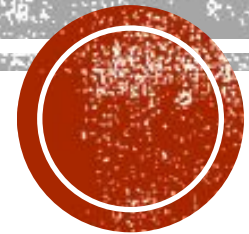
ADVANTAGES OF CBA



- Improved decision-making: Helps decision-makers understand the trade-offs involved in different options and make informed decisions.
- Increased efficiency: Helps organizations allocate resources more effectively and efficiently.
- Greater transparency: Provides a clear and structured way of evaluating decisions, which can help build trust and accountability.



LIMITATIONS OF CBA



- Difficulty in measuring costs and benefits:
Some costs and benefits may be difficult to quantify, which can make it challenging to accurately estimate the net present value.
- Potential for bias: The results of cost-benefit analysis can be influenced by the assumptions and inputs used, which can introduce bias into the analysis.



ASSESSING THE BENEFITS AND COSTS OF ECONOMIC GROWTH, INCLUDING ENVIRONMENTAL COSTS, IS A COMPLEX AND MULTIFACETED TASK. HERE ARE SOME KEY CONSIDERATIONS:



Benefits:

- 1. Increased employment opportunities:** Economic growth can lead to the creation of new jobs and increased employment opportunities for people in different sectors.
- 2. Higher standards of living:** As the economy grows, individuals can expect higher standards of living and improved access to goods and services.
- 3. Improved infrastructure:** Economic growth often leads to the development of new infrastructure, such as roads, schools, hospitals, and public transportation systems.
- 4. Innovation and technology:** Economic growth can drive innovation and technological advancements, leading to increased productivity and efficiency in various industries.
- 5. Improved international competitiveness:** Economic growth can improve a country's competitiveness in the global marketplace, leading to increased exports and higher revenue.



Costs:

1. **Environmental degradation:** Economic growth can result in increased pollution, deforestation, and depletion of natural resources, leading to negative environmental impacts.
2. **Income inequality:** Economic growth can exacerbate income inequality, as the benefits may not be equally distributed across all segments of society.
3. **Social costs:** Economic growth can lead to social costs, such as increased congestion, crime rates, and urbanization, which can negatively affect the quality of life for some individuals.
4. **Public health impacts:** Economic growth can have negative public health impacts, such as increased exposure to air and water pollution, leading to respiratory diseases and other health problems.
5. **Strain on resources:** Economic growth can put a strain on resources such as energy, water, and raw materials, leading



COST BENEFIT ANALYSIS: TRANSPORTATION PROJECT (RAIL SYSTEM)

	8% discount	6% discount	4% discount
Total costs – revenue (over 30 years)	-\$1,330.00	-\$1,440.00	-\$1,538.00
Transport benefits	\$1,319.00	\$2,057.00	\$3,277.00
Increased productivity value-add (net)	\$3,333.00	\$4,720.00	\$6,879.00
Net cost benefit	\$3,322.00	\$5,337.00	\$8,618.00
Benefit-cost ratio (rounded)	3.5	4.7	6.6

