

Evaluation

A Systematic Approach

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Chapter 10:

Assessing the Economic Efficiency of Programs

Assessing the Economic Efficiency of Programs

- Benefits
- Costs
- Cost-benefit analyses
- Cost-effectiveness analyses

Key Concepts in Efficiency Analysis

(1 of 3)

- Results should be viewed with caution
- Costs and outcomes depend on the perspectives and values of sponsors, stakeholders, and beneficiaries
- Accounting perspectives

Key Concepts in Efficiency Analysis

(2 of 3)

- Ex Ante and Ex Post Efficiency Analyses
 - Ex ante efficiency analysis - during the planning and design phase)
 - Ex post efficiency analysis - retrospectively

Key Concepts in Efficiency Analysis

(3 of 3)

- Cost-Benefit and Cost-Effectiveness Analyses
- Requires estimates of:
 - Benefits of a program
 - Costs of undertaking the program

Conducting Cost-Benefit Analyses

(1 of 9)

- Assembling Cost Data
- Useful sources of cost data include:
 - Agency fiscal records
 - Participant cost estimates
 - Cooperating agencies

Conducting Cost-Benefit Analyses

(2 of 9)

- Accounting Perspectives
 - Individual participants or target populations
 - Program sponsors
 - Communal social unit

Conducting Cost-Benefit Analyses

(3 of 9)

- Accounting Perspectives
 - Secondary effects
 - Distributional effects

Conducting Cost-Benefit Analyses

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- Measuring Costs and Benefits
- Monetizing Benefits:
 - Money measurement
 - Market valuation
 - Econometric estimation
 - Hypothetical questions
 - Observing funding allocations

Conducting Cost-Benefit Analyses

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- Measuring Costs and Benefits
- Estimating Costs:
 - Direct expenditure data
 - Market price estimates
 - Shadow prices
 - Opportunity costs

Conducting Cost-Benefit Analyses

(6 of 9)

- Measuring Costs and Benefits
- Other Considerations in Cost-Benefit Analysis:
 - Secondary effects (externalities)
 - Distributional effects
 - Discounting

Conducting Cost-Benefit Analyses

(7 of 9)

- Comparing Costs to Benefits
 - Final step
 - Subtract costs from benefits
 - Programs that show negative cost-benefit relationships may be socially important

Conducting Cost-Benefit Analyses

(8 of 9)

- When to Do Ex Post Cost-Benefit Analysis
- Optimal prerequisites include:
 - The program has separable funding.
 - It is beyond the developmental stage.
 - The program's impact and the magnitude of that impact are known.

Conducting Cost-Benefit Analyses

(9 of 9)

- When to Do Ex Post Cost-Benefit Analysis
- Optimal prerequisites include:
 - The benefits of the program can be represented in monetary term.
 - The results can be expected to interest decision-makers.

Conducting Cost-Effectiveness Analyses

- Assess the economic efficiency of programs and compare to alternatives
- Evaluators and stakeholders are often uneasy about cost-benefit analysis when applied to social programs.