Cost-Benefit Analytic Tools for Program Evaluation

Outline

This workshop is designed to introduce students to cost-benefit analysis as a tool to evaluate development programs. The workshop will include a combination of in-class work and hands-on group exercises designed to familiarize participants with the many aspects of cost-benefit analysis, as well as its companion method, cost-effectiveness analysis. Over three days, the workshop will introduce participants to the tool, show how it can be applied to particular sectors and problems, and give participants an opportunity for some hands-on work covering aspects of these analytical techniques.

DAY 1—Session 1

In this first session, the tool of cost-benefit analysis will be introduced, and its application to particular public policy problems will be emphasized. Part of this introduction will involve talking about the particular challenges of cost-benefit analysis in public sector settings. We will also discuss the value and uses of cost-benefit analysis. At the conclusion of the first session, participants will be assigned to groups to work on case studies that will provide them with opportunities to apply tools of cost-benefit analysis over the three days of the workshop.

DAY 1—Session 2

In the second session, the steps in cost-benefit analysis will be discussed. The major focus of this session will be cover estimating costs including direct costs and indirect costs. Students will be introduced to a cost-benefit case study, which will be used to illustrate the key cost concepts. Groups will meet at the end of the day to begin working on their cases.

DAY 2—Session 3

The major focus of this session will be the estimation of benefits. Methods discussed will include direct benefit estimates using market prices and indirect benefit estimates using prices from related markets. One of the more controversial types of benefit estimates discussed will be attaching a value to morbidity and mortality. These concepts will be illustrated using the same case study.

DAY 2—Session 4

The discussion of benefits will continue, with illustration of some techniques that have been used in order to attempt to estimate and quantify benefits. The second part of this
session will cover key analytic tools in cost-benefit analysis, discounting and present value. Groups will meet at the end of the day to continue working on their cases.

DAY 3—Session 5

The first part of day 3 will permit participants to finalize, discuss and present their group case study results. Each group will summarize their findings, using a prescribed format and responding to a particular set of questions.

DAY 3—Session 6

The last session will talk somewhat more specifically about the practical differences between cost-benefit and cost-effectiveness analysis. Participants will, in their small groups, discuss how their analyses would differ if they were conducting a cost-effectiveness analysis, rather than a cost-benefit analysis. Other techniques will be introduced as well, including cost-feasibility analysis and cost-utility analysis. The workshop will conclude with a discussion of the lessons that participants can “take away” from the workshop.

At the conclusion of the workshop, participants should both be better able to conduct cost-benefit and cost-effectiveness analyses and have a better appreciation for the tools, their applications and their limitations.