

Chapter 1: Introduction

This research began with a hunch. The author's career pathway started in public policy analysis, branched into economic evaluation of health care interventions, and then broadened into policy and program evaluation more generally. Program evaluators skilled in economic evaluation are relatively rare, and the author was regularly sought out to provide assessments of something called 'value for money' (VFM).

This raised an interesting set of conundrums. VFM was a familiar term in public policy, but an amorphous concept. When pressed to explain what they meant by VFM, people's responses would vary from 'are we getting enough outcomes to justify what we're spending?' to 'just reassure us we're not tipping money down the drain'. Even official governmental publications defined the term in diverse ways, ranging from sound practices to ensure reasonable prices are paid for quality inputs, to aspirational statements about hard-to-measure concepts such as "maximising the impact of each pound spent to improve poor people's lives" (DFID, 2011, p. 2). Could there be a unifying definition of VFM? Could VFM be defined in such a way that it expresses something meaningful, important, and evaluable?

Views differed, too, on how VFM should be evaluated. Some people held a conviction that the only way to really tell if something provides VFM is to conduct a randomised controlled trial (RCT; to determine whether the program causes outcomes) followed by a cost-benefit analysis (CBA; to determine whether the benefits of the program, valued monetarily, exceed the costs). Others, however, questioned the applicability of this rigid methodological stance to social policies and programs. They pointed out that imposing these methods might limit the circumstances in which it is feasible to assess VFM, and could limit the sorts of outcomes that would be included in the analysis. For example, future savings to the public purse may be easier to estimate than a 'cultural return on investment' where the primary objective of a policy is to support the sustainability of indigenous language and culture. Some went so far as to reject CBA entirely, arguing that the most important values in a social policy or program are intangible and either cannot or should not be valued monetarily.

Neither economic evaluation nor other evaluation methods seemed able to provide a satisfactory answer to a VFM question, but they appeared to bring complementary insights. Economic evaluation can provide valid and useful indicators of efficiency, but has recognised limitations in circumstances where outcomes, processes or equity trade-offs are difficult to value in the required metrics, or in circumstances requiring balancing of conflicting values. Conversely, program evaluation offers a more diverse set of approaches to determining value, but not how these might be used to compare value created with value consumed. This disciplinary divide may diminish capacity for good resource allocation decisions in social policies and programs.

In international development, for example, aid programs are routinely subjected to process and outcome evaluations which do not examine costs. Economic evaluation is often applied prospectively in assessing a business case for a new program but is rarely revisited during program delivery. In practice, VFM is often assessed on the basis of a narrow set of indicators, devoid of explicit evaluative reasoning. There is a risk that such assessment could focus on activities that are easy to measure but unimportant, or on the quantification of outputs and outcomes at the expense of more nuanced consideration of their quality and value. Could evaluation of VFM be enhanced by reaching across disciplinary boundaries to combine evaluative reasoning with economic methods of evaluation?

An explicit theoretical foundation did not exist to explain whether it is valid to combine the theory and practice of program evaluation and economic evaluation, nor to guide when and how this should be done. An opportunity was identified for theory-building research to fill this gap in the existing body of evaluation theory.

Accordingly, the aim of this research is to develop a model to guide the combined use of evaluative reasoning together with economic evaluation, to assess VFM in social policies and programs. The research commences with a review of existing theory and knowledge to develop a conceptual model, identifying the features of good VFM evaluation of social policies and programs. The purported gold standard, CBA, is then systematically

assessed against the conceptual model to expose its strengths, limitations, and potential use within the model. A process model is developed, guiding the application of the conceptual model in practice. The model is applied in real-world evaluations of VFM, and these evaluations are analysed as case studies to learn whether the theory works in practice. The structure of the thesis mirrors these research steps, as follows.

Overview of thesis

Background (Chapter 2) introduces the key spheres of theory and practice that are within the scope of the thesis, namely evaluative reasoning and economic evaluation. The topic of VFM is explored. It is found that there are a multitude of definitions of VFM. A unifying definition is proposed. An interdisciplinary opportunity is identified where economic and other valuing methods should be better integrated. It is argued that a theoretical foundation should be developed to address this opportunity.

Methods (chapter 3) describes the overarching design and methods used in the research. A deductive approach has been taken, involving a cumulative process of theory building and empirical investigation. The approach is multi-method, including critical analysis of literature to develop a model, and case studies to investigate its conceptual quality. A series of four investigative phases, and their corresponding methods, are explained. Each phase of the research is reported sequentially in the subsequent four chapters, as follows.

Conceptual model (chapter 4) sets out a logical argument, developed through critical review and synthesis of literature, about what VFM means and how it should be evaluated. The proposed conceptual model identifies requirements for good VFM evaluation. This model provides a foundation for the subsequent study.

Gap analysis (chapter 5) systematically compares the methodological prescription for CBA against the requirements of the conceptual model, to determine the extent to which CBA is theoretically able to meet the requirements of the model, and the manner and circumstances in which CBA might enhance the validity of the model. The chapter concludes by defining a series of theoretical propositions. These propositions, summarising the cumulative findings of the first two studies, provide the analytical framework for the case studies.

Process model (chapter 6) translates the theoretical requirements of the conceptual model into a set of steps for planning and undertaking an evaluation of VFM. The process model is a prototype, designed for testing and refinement in a specific context: international development programs where VFM assessments are mandated by the United Kingdom's Department for International Development (DFID).

Case studies (chapter 7) provide intensive analysis of two VFM evaluations conducted with fidelity to the model: a female economic empowerment program in Mozambique, and a governance reform program in Pakistan. Through documentary analysis, the two cases are described, providing concrete illustrations of the application of the model in practice. The facts of each case are used to systematically assess the conceptual quality of the theoretical propositions. Findings from the two case studies are triangulated to investigate the extent to which the findings are replicated. Observations and experiential learning from the case studies inform refinements to the model.

Discussion (chapter 8) provides a summary of results from the research and what they contribute to the field of evaluation. Opportunities for future research are identified. The chapter concludes with remarks about the nature of VFM and the requirement for sound evaluative reasoning, with methods such as CBA being used in the service of robust evidence and logical argument.

Summary of findings

The research makes seven significant and novel contributions to the field of evaluation. First, VFM is an important construct that is broader than efficiency or return on investment. It is an evaluative question about how well resources are used and whether a resource use is justified. It demands a judgement based on logical argument and evidence.

Second, VFM is a shared domain of two disciplines – evaluation and economics. It is an evaluative question (concerned with merit, worth and significance) about an economic problem (resource allocation). Evaluation and economics can and should be combined to address questions about VFM.

Third, CBA is not a rival to evaluation – it is evaluation, in a literal sense, because it conforms to the general logic of evaluation. Further, CBA estimates something important to VFM – net benefit or aggregate welfare – and it does so in ways that can enhance the validity of evaluation. Evaluators should use CBA more.

Fourth, CBA is not the whole evaluation. CBA evaluates efficiency, and efficiency is only one possible criterion of VFM. Additional criteria such as relevance, sustainability, and distributive justice are also relevant to VFM in social investments. Multiple forms of evidence and knowledge creation should contribute to evaluative judgements about complex social issues. Given the centrality of issues like these in social policies and programs, CBA will usually be insufficient on its own. CBA should be more widely used in evaluation, but not as a stand-alone method. CBA should have a supporting role, contributing part of the evidence toward an evaluation of VFM.

Fifth, evaluative reasoning is essential to making judgements about VFM. This research highlights the worth of evaluation as a discipline, and evaluative reasoning as the backbone of evaluation. As much as evaluators should use economic analysis, economists should make their evaluative reasoning explicit to ensure the validity of CBA design, methods and findings. Evaluative judgements should not be subbed out to a formula, but CBA can supply valuable insights to support sound judgements.

Sixth, program evaluation standards should guide economic evaluation. Any evaluation that stands to affect the welfare of people should be open to scrutiny to determine whether it meets scientific and ethical obligations. Although there is no definitive checklist for such a purpose, a number of existing and widely used program evaluation standards offer a basis for judging the quality of an evaluation. Such standards are the culmination of debate and formalise some degree of consensus about evaluation as a field of practice. Commonly agreed features of high quality evaluations are that they should be useful, practical, ethical, accurate, and accountable. Applying these principles to CBA requires the evaluator to remain open to the possibility of not conducting an economic evaluation.

Seventh, the case studies conducted in this research are a contribution to the evaluation field. The case study analysis models the use of probative inference (inference to the best classification) which underpins the general logic of evaluation. Theoretical propositions were identified that differentiated the strengths and limitations of CBA relative to the features of a proposed model of evaluation involving explicit evaluative reasoning. These propositions, together with evidence from the case studies, underpinned a process of reasoning to evaluate the conceptual validity of the proposed model. The theoretical propositions could be used again in future research and meta-evaluation of the model. Moreover, the general approach of developing such propositions about the nature of evaluation, and testing them empirically through case studies, can be used in other research on evaluation.

Investigation of the model through case studies provides proof of concept. When it comes to investments in social change, VFM is often as concerned with criteria such as social justice, equity and fairness as it is with economic efficiency. Economic methods of evaluation can enhance evaluation of VFM but are insufficient on their own. A stronger approach involves explicit evaluative reasoning, with methods tailored to context including judicious use of economic methods where feasible and appropriate. Such a model can incorporate the strengths of economic evaluation without being limited to economic criteria and metrics alone.