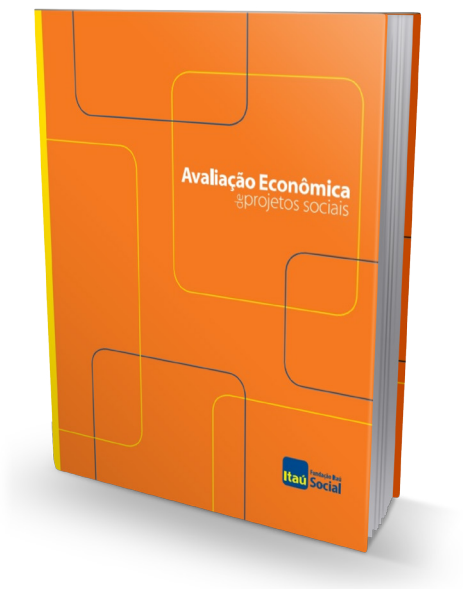
BOOK REVIEWS

Translated version

SOCIAL PROJECTS: EVALUATION METHODOLOGIES AND INSTRUMENTS

ECONOMIC EVALUATION OF SOCIAL PROJECTS

Naercio Menezes Filho (Org.). São Paulo, SP, Brazil: Itaú Foundation, 2016, 2nd ed., 293 p.



By

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Avaliação Econômica de Projetos Sociais, an initiative of Itaú Social Foundation, is the second edition but the fourth book in the series published by the institution. It has 8 chapters and 293 pages. The database introduced by the first edition of the book, published in 2012, helped in the development of this work. The other two books in the series are *Private Social Investment Evaluation: Organizational Strategy and Evaluation for Private Social Investment: Methodologies*.

Each chapter has a different author. According to these authors, the primary objective was to present theory and practice in economic evaluation of social projects. The main features of the book and some suggestions on form and content that could help achieve the established objectives are presented in this review.

The first chapter in the book generically introduces the theme. It explains, for example, that economic evaluation is divided into impact evaluation and economic return evaluation. The chapter presents the reasons for and importance of evaluations and explains that there are experimental and non-experimental methods for performing these evaluations. It also clarifies concepts such as program impact and helps in understanding effective and potential impacts. The text also addresses cost-effectiveness and cost-benefit, when to evaluate—before or after a program, limitations of evaluation, and methods to find out if a social program has contributed to improving the lives of participants and whether the amounts invested are fair.

The second chapter describes how to constitute control and treatment groups, i.e., to develop a counterfactual and thus measure the impact of certain government actions on society. Furthermore, it explains naive comparisons, i.e., those in which the control group is divided into treated and untreated, or even the state of the group before and after government action. The text presents the methods of comparison that try to reduce self-selection bias.

The third chapter is dedicated to presenting the experimental Randomization Method. In this model, individuals with homogeneous characteristics are selected to the control and treatment groups. Public policy evaluators disseminate this model. The chapter, besides demonstrating the difficulties of randomization, also presents a review of the external validity and internal validity of an evaluation, costs, and statistical analysis of the model.

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The fourth chapter of the book introduces non-experimental methods. The first method is Differences in Differences (DD), which consists of, as the name suggests, the difference of two means. In this chapter, the naive methods are criticized and a statistical analysis of the DD model is performed, highlighting its disadvantages.

The fifth chapter is dedicated to explaining the method of pairing. In this model, a control group similar to the treatment group is constructed with observable characteristics. In this chapter, a statistical analysis of the model is performed and the pairing estimators such as Simple Matching, Propensity Score Matching, Linear Regression, Rebalancing, and a combination of these methods are shown.

The sixth chapter of the book is dedicated to Instrumental Variables, a model that aims at analyzing the unobservable variables. This chapter presents multiple instruments and continuous instruments, focusing on mathematical and statistical analyses.

The seventh chapter introduces the method of Regression Discontinuity Design, which allows the use of weaker hypotheses than the other non-experimental models explained in previous chapters. In this chapter, the Sharp and Fuzzy cases and the Estimation are detailed, graphic analysis is performed, and the method is compared with the other methods described earlier.

The last chapter emphasizes the calculation of economic return. While the previous chapters served to measure the impact of a policy on the treatment group compared to the control group, this chapter presents several ways of transforming the benefits of a program into economic benefits using project cost evaluation, sensitivity analysis, and economic return measures.

After discussing the content and structure of the book, we must consider some aspects that could be improved in the work. The first is its form. All chapters have questions at the end. However, there is no section with answers. This may make reading difficult for those who use the book as a tool for evaluating policies. Ideally, there should be an appendix for this purpose. Second, the text could be given in the format of an instruction manual. The layout is clean and well organized, but without a standard font type. The first, second, and eighth chapters are instructive and explanatory, while the others are mostly technical. Given that each chapter has a different author, there is a clear difference in the style of argumentation and construction of text. Therefore, the organizer could be more attentive, presenting the content in a more didactic format.

Some aspects of the content must be pointed out. The introduction of the book explains that the text is directed at people with a degree in social sciences and knowledge of basic statistics. However, the concepts of statistics are explained in detail and, therefore, those who do not have a deeper knowledge of this subject may not understand the content completely. Moreover, many statistical formulas are not explained, and this compromises the objective of disseminating the evaluations. Although the book has a section listing books that may help answer questions relating to statistical formulas, presenting only the formula and not explaining how to obtain a given result does not help. Providing examples in all chapters will help the reader understand the subject.

Another aspect that could be improved is the concept of counterfactual. In some parts of the book the term "counterfactual" is used, while in others the term "control groups" is used. This usage of terms could be standardized to ensure clarity. Furthermore, the text could be targeted not only at people with a certain degree of public policy knowledge, but also managers with lesser knowledge of public policy, by adopting a less technical writing style.

In any case, the book fulfils its objective of clarifying the importance of evaluating policies and how this should be done in a more appropriate (expert/sophisticated) way. This book could be used more widely if simplifications and adjustments to form and content are carried out, insofar as the decision maker has more grants to direct actions towards the public policies established by him. The promotion of free-of-charge distribution of the book on the Itaú Social Foundation website helps with its dissemination. However, the proposed changes are fundamental to achieve the primary objective of the book.

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