Discussion Note: Cost Data Collection and Analysis

This Note describes how USAID operating units can collect and analyze cost data of USAID-funded activities to improve overall efficiency and effectiveness of USAID investments.

Introduction

There is a growing interest at USAID to routinely measure and use cost data to inform decision-making. This guidance provides an introduction and overview of how mission and Washington-based offices and sectors within USAID can develop systems for standardizing and reporting on costs of USAID-funded activities and interventions. USAID can use cost data to inform decisions for internal planning, budgeting, and reporting to stakeholders as well as for transferring effective interventions to partner governments. This Discussion Note provides a general overview for technical staff in USAID Missions, Washington-based offices, and implementing partners who are interested in setting up systems and processes to collect cost data to allow for sector-specific cost analysis. It is also designed to inform leadership on what is required to be able to commission and implement cost analysis studies.

Why Measure Costs?

USAID investments in interventions and programming are substantial. To ensure evidence-based programming and strong public resource investment management, in addition to knowing ‘what works’, USAID needs better data on the associated costs of its interventions. For example, while the field has made great strides in recent years to raise the number and quality of impact evaluations, the results are incomplete without comprehensive cost data for these interventions.

Existing financial reporting systems do not provide sufficiently detailed data to understand true costs of USAID interventions. This is due to a lack of sufficiently detailed and categorized data on expenditure and external inputs. In almost all cases, the costs associated with specific components of interventions are bundled with the cost of other components, and thus are not readily available for examination by policy makers. Routinely collecting detailed and categorized data to measure actual costs of interventions would allow the Agency to better understand the levels of investment needed to produce outputs and outcomes of interest and will inform strategic decisions relating to development
programming. An analysis of costs of USAID-funded interventions is an essential part of improving accountability, transparency, and value for money. Improved understanding of the cost structure of donor-funded interventions will also help set realistic expectations and help maximize limited resources allocated to support development programs.

Cost measurement can also contribute to:

- **Sustainability and local ownership** by ensuring that effective interventions can be scaled and sustained by costing out intervention components for transfer to partner governments, and;
- **Planning and management of USAID investments** by a) studying the cost-effectiveness of comparable interventions to identify the least costly models with the greatest impact on the outcomes of interest; and b) improving intervention efficiency through identification of cost drivers.

**USAID POLICY ON COST ANALYSIS**

It is important to note that USAID, per ADS 201, requires that “All impact evaluations must include a cost analysis of the intervention, or the interventions being studied” which facilitates a greater evidence base for assessing both cost efficiency (cost for delivering products or services to achieve certain outputs) and cost effectiveness (cost of achieving outcomes and impacts).

**Costing in the USAID Program Cycle**

The **four key stages** of costing in the USAID Program Cycle are:

1. **Planning for Costing**: Determining cost-related questions that stakeholders have at project ideation or activity design, to inform costing objectives and define necessary resources.
2. **Tracking Costs**: Establishing the systems and methods for collecting cost data in real time during activity implementation.
3. **Analyzing Costs**: Analyzing captured data to understand the specific costing objective identified (e.g., efficiency, effectiveness, etc.) throughout implementation, monitoring, and evaluation, and to inform future planning.
4. **Using Cost Data**: Using the cost analysis to inform broader decision-making such as country research priorities, government policies, and priorities broader than the initial costing objectives.

*Costing in the Program Cycle section taken from the Technical Brief on Costing Multi-sectoral Nutrition Activities* June 2021. Prepared for USAID Advancing Nutrition under the terms of contract 7200AA18C00070 awarded to JSI Research & Training Institute, Inc.*
What is Required to Enable the Routine Collection, Analysis, and Use of Cost Data?

Table 1 summarizes what is required by USAID sectors to be able to implement and sustain the routine collection, analysis, and use of cost data.

TABLE 1: REQUIREMENTS TO SUPPORT ROUTINE COST DATA COLLECTION, ANALYSIS, AND REPORTING

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
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<tr>
<td><strong>Leadership</strong></td>
<td>Buy-in and active advocacy by senior leadership is essential for the implementation of cost-related policies, protocols, and processes.</td>
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<tr>
<td><strong>Staffing</strong></td>
<td>Cost measurement champions with subject matter expertise are needed to help advocate for cost measurement, reporting and use; build internal capacity of USAID staff as appropriate to manage activities collecting cost data and implementing cost analysis studies, and advise on the management of resources to support cost measurement.</td>
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<tr>
<td><strong>Resources</strong></td>
<td>Dedicated funding is needed to provide support for consultants and contractors to develop guidance, provide training, and conduct analytical work.</td>
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<tr>
<td><strong>Policies and Guidance</strong></td>
<td>It is essential that sector-specific policies, processes, protocols, and guidance are developed, socialized, and used.</td>
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I. Planning for Costing

WHAT QUESTIONS CAN WE ANSWER WITH COST DATA?

Cost analyses are used for a variety of purposes, and can answer questions such as:

- How much does it cost to develop and deliver interventions? How much was spent on different components?
- Which factors drive up the cost of an intervention?
- How much does it cost to improve outcomes for the most marginalized beneficiaries?
- How can cost considerations inform the selection of interventions?
- How much would it cost to the partner government to scale or sustain this intervention?
- What did this intervention cost per output delivered? How does that compare to other interventions to produce this output?
- What did this intervention cost per outcome delivered? How does that compare to other interventions that produce this outcome?
Cost questions should be answerable, utilization-focused, and aim to advance concrete objectives. Different cost analysis objectives and questions will necessitate a collection of different data. To answer questions about the cost of sustaining an intervention, for instance, we need to know how much the USAID-funded activity spent on developing this intervention, as well as how much was spent on its implementation. Questions about cost-effectiveness of different intervention models will require impact (or comparison) data for each model in addition to detailed cost data for each model. Routine cost data captured throughout activity implementation can also help with activity management by providing important insights into costs of specific inputs, resources allocation to various components of the activity, and levels of contribution from stakeholders.

Articulating cost questions early in the process will enable the collection of the most appropriate data throughout the implementation of the intervention. Cost questions need to be determined prior to launching the intervention so that appropriate cost data collection processes can be established before the start of the intervention. It is difficult, if not impossible, to accurately estimate these costs retroactively.

**WHAT ARE ‘COSTS’?**

**Costs** are the value of all resources needed to produce the product, service or outcome of interest. Its component parts include expenditures, in-kind contributions of others (e.g., donated labor, donated space or equipment, etc.) and the opportunity cost of participants’ time. To answer cost questions, we need to measure costs of activity components or specific interventions. Cost data are comprised of expenditure data, private sector and government contribution data, and participant contributions of time (expressed in the analysis as the beneficiary opportunity costs). The main objective of collecting data on contributions is to produce estimates of the total costs of USAID-funded interventions, inclusive of USAID and non-USAID funding. These estimates are critical for replication, scale, and sustainment, as well as overall learning. Additionally, to implement cost data analyses, we need to have data on intervention details (e.g., duration of the intervention, geographic coverage of services).

**Figure 1. Intervention Cost Components**

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Figure 1 shows components of cost measurement that together help arrive at the total cost of an intervention. All three data components must be captured in order to accurately measure intervention costs. Data on implementation context and intervention details will help accurately contextualize findings and inform the use of results.

WHAT IS COST MEASUREMENT?

Cost measurement refers to a process of collecting, processing, analyzing, and reporting on the costs of interventions. Figure 2 highlights how implementing standardized cost data capture, analysis, and reporting can inform scaling and sustaining interventions and provide USAID with information useful for strategic decision making.

Figure 3 below shows how cost questions determine the cost capture approach, including the data required to be collected to answer specific cost-related questions.

WHEN DO COST ANALYSIS?

Cost analysis is informative at different stages of a program or intervention including during development and pilot, roll-out, and refinement and scale up. The costs of delivering an intervention will likely be higher at its pilot stage versus later on when the intervention is fully refined and being delivered at scale. Early cost analysis during the pilot or introductory stage can provide information to program managers and decision makers with estimates of the current costs associated with the intervention, which will help provide ballpark estimates about what the intervention will likely cost when it is rolled out on a larger scale.

**Highlighting the Work of the Education Sector at USAID**

*The Cost Reporting Guidance* (2018) and the *Cost Analysis Guidance* (2021) for USAID-funded education activities and related technical documents build on the existing USAID systems and best practices with collection and analysis of cost data. These guidance notes lay the foundation for routinization of cost measurement as part of the ongoing improvement of the evidence base in the education sector, with the overarching objective of improving sustainability, planning and management, and overall value for money of USAID investments in the education sector.

**II. Tracking Costs**

**SECTOR-SPECIFIC REPORTING CATEGORIES REQUIRED**

To enable portfolio-level cost analyses by sector, standard reporting categories that correspond to the most common objectives of USAID-funded activities and interventions in a specific sector are required. Cost categories help capture costs incurred by the activity to produce a particular kind of output or outcome. Collecting cost data according to standardized cost categories allows for the projection of future costs for scale up or sustainment of discrete intervention components. Cost categorization is
based on a common accounting method called “activity-based costing” (ABC). ABC is a method of assigning costs—such as salaries or travel—to products and services produced. The ABC system of cost accounting is based on “activities”, which are considered any event, unit of work, or task with a specific goal. Those goals help associate tasks with specific cost categories in the accounting system, to help capture costs of achieving those specific goals. Ideally, these goals should have corresponding output and outcome indicators, to allow for straightforward matching of expenditures with results and compute cost-efficiency estimates (unit costs of producing outputs) and cost-effectiveness estimates (costs of achieving specific outcomes).

IMPLEMENTING PARTNERS TASKS AND RESPONSIBILITIES IN COLLECTING, TRACKING, AND REPORTING ON COST DATA

Collecting, tracking, and reporting on cost data is a collaborative effort involving USAID A/CORs, technical experts, and staff working in Mission and Washington offices and sectors. Most often, implementing partner staff will be involved in supporting USAID collection and management of cost data. The partner teams typically involved and their roles and responsibilities are summarized in Table 2.

**TABLE 2: IMPLEMENTING PARTNER TEAMS’ TASKS (ILLUSTRATIVE) INVOLVED IN COST COLLECTION, TRACKING, AND REPORTING**

<table>
<thead>
<tr>
<th>Team</th>
<th>Description</th>
<th>Tasks</th>
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<tbody>
<tr>
<td>Finance</td>
<td>The finance team is responsible for collecting the expenditure data in real</td>
<td>Determine and select relevant cost reporting categories.</td>
</tr>
<tr>
<td></td>
<td>time, including coordinating with the A/COR to determine and select relevant</td>
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<tr>
<td></td>
<td>cost reporting categories. With the A/COR, implementing partner(s) select</td>
<td>Develop a cost reporting manual. The cost reporting manual provides</td>
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<tr>
<td></td>
<td>the appropriate cost categories from the list of standard cost reporting</td>
<td>the partner staff clear guidance on how to code their labor, travel,</td>
</tr>
<tr>
<td></td>
<td>categories, based on the objectives of the activity. Additional sub-categories</td>
<td>and other expenses under the established cost reporting categories.</td>
</tr>
<tr>
<td></td>
<td>may be created to further disaggregate cost data for evaluation, sustainability,</td>
<td>Train staff on cost reporting. Training topics may include cost</td>
</tr>
<tr>
<td></td>
<td>or other purposes.</td>
<td>capture categories; billing to capture costs in real time including</td>
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<td></td>
<td></td>
<td>staff time and expenses; capturing the actual costs of labor as well</td>
</tr>
<tr>
<td></td>
<td></td>
<td>as other direct costs; reporting on labor expenditure by disaggregating</td>
</tr>
<tr>
<td></td>
<td></td>
<td>labor by locally hired staff, international staff, and consultants,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>etc.</td>
</tr>
<tr>
<td>Operations</td>
<td>The operations team (OT) is responsible for collecting data on contributions</td>
<td>Develop or adapt reporting templates based on the objectives of the</td>
</tr>
<tr>
<td></td>
<td>The OT is composed of the partner’s Chief of Party, management field staff,</td>
<td>activity and the expected contributions from the government and</td>
</tr>
<tr>
<td></td>
<td>and HQ support</td>
<td>nongovernmental actors.</td>
</tr>
</tbody>
</table>

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staff. The OT team has a holistic knowledge of the interactions between the activity and other important actors, be they the government or non-governmental organizations. The OT is responsible for capturing estimates of the substantial and activity-critical contributions from other sources, which are not already included in the budget. In addition to government contributions, including in-kind donations, time spent in trainings, etc.), inputs from community volunteers, private sector actors, or any non-governmental groups that are not paid from project funds should be reported.

Train management and technical staff of the requirement to report on the contributions and know how to document them when they occur.

Report and record contributions for the reporting period and submit with the financial report to the USAID A/COR. Reporting on contributions of third parties should be based on written communication with contributors and on existing documentation, and it is not expected to be precise, validated by partner staff, or monitored using USAID’s resources.

| Monitoring, Evaluation, and Learning (MEL) | The MEL team is responsible for reporting on the activity’s standard indicators and ‘dosage’ data (where and when relevant). The MEL team should be familiar with collecting data and reporting on USAID’s standard indicators, and any other output or outcome indicators deemed important through the development of the activity’s monitoring, evaluation, and learning plan (AMELP). | Collect detailed information about intervention, including information on beneficiary-level dosage of core intervention activities and products, outputs by cost category, and beneficiary-level outcomes, if applicable. |


III. Analyzing Costs

COST ANALYSIS METHODS

Cost Analysis methods can broadly be thought of in two categories, based on what kinds of questions we have about the resources being used: economic evaluation (which includes cost-efficiency and cost-effectiveness studies) and expenditure analysis. Economic evaluation typically uses national or local prices and incorporates a “social perspective” meaning that all costs are accounted for, regardless of who (e.g., the host government, volunteers) paid for or donated the resources. When conducting an economic evaluation at USAID, actual expenditures from interventions are substituted for national or local prices in the analysis. Expenditure analysis usually estimates costs from one specific stakeholder’s perspective, using the records of expenditures actually incurred to purchase a resource, and does not include the opportunity cost of donated items.
Analysts have several options for the kinds of cost analysis they can do, each of which addresses slightly different questions and requires somewhat different data. The cost analysis objectives, questions, and intended use of results should determine the method of cost analysis performed. No single analysis method is appropriate for all questions or all intervention types. Likewise, there is no single cost analysis method that should be applied to every intervention. Attempting to apply a particular method when the necessary data are not available is likely to result in inaccurate estimates that are not useful for decision making. It is important to note, however, that if relevant data are available, it is possible to conduct multiple types of analyses with regard to the same intervention.

### TABLE 3. COST ANALYSIS METHODS AND ILLUSTRATIVE QUESTIONS

<table>
<thead>
<tr>
<th>Analysis Method</th>
<th>What Questions Can It Answer?</th>
<th>What Can Cost Analysis Help Achieve?</th>
<th>What Data Will Analysts Need?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-economy analysis</td>
<td>What did it cost to deliver this intervention? How much was spent on different components?</td>
<td>Help plan/budget for new activities; help manage existing activities.</td>
<td>Details of the intervention; expenditure and contributions reports disaggregated by cost categories and ingredients; a method for allocating shared costs across cost categories.</td>
</tr>
<tr>
<td>Cost-efficiency analysis</td>
<td>What did this intervention cost per output delivered? How does that compare to other interventions to produce this output?</td>
<td>Identify unit costs per output. Compare unit costs across delivery methods and identify which one achieves the most outputs, within a given budget.</td>
<td>Details of the intervention; expenditure and contributions reports disaggregated by cost categories and ingredients; a method for allocating shared costs across cost categories; output counts using common indicators for all interventions.</td>
</tr>
<tr>
<td>Cost-effectiveness analysis</td>
<td>What did this intervention cost per outcome delivered? How does that compare to other interventions that produce this outcome?</td>
<td>Identify unit costs per outcome. Compare costs of outcomes across different interventions. Identify the intervention that achieves the most outcome, within a given expenditure per beneficiary.</td>
<td>Details of the intervention; expenditure, and contributions reports disaggregated by cost categories and ingredients; a method for allocating shared costs across cost categories; credible estimates of the impact; credible estimates of the cost and effects of comparable interventions.</td>
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Cost-benefit analysis

How did the costs of this intervention compare to the monetary value of all the benefits created by this intervention?

Identify whether the studied intervention was “worth” the investment in monetary terms.

Expenditure and contributions reports disaggregated by cost categories and ingredients; a method for allocating shared costs across cost categories; credible estimates of intervention’s impact on all outcomes; economic valuation of the long-term benefits of the intervention.


Each cost analysis method can be used to answer questions about the programs and interventions that have already been implemented as well as questions about hypothetical situations in the future. Such hypothetical situations can be a **scale-up of the intervention**, a **replication of the intervention with different beneficiaries or in another context**, or a **transfer of the intervention** to a different implementer (e.g., a transfer from a donor-funded implementation to government-supported implementation).

**PROSPECTIVE COST MODELING**

An application of cost analysis methods to a hypothetical situation in the future involving a scale-up, replication, or transfer of an intervention is called **prospective cost modeling**.

**TABLE 4. PROSPECTIVE COST MODELING USE CASES**

<table>
<thead>
<tr>
<th>Use Case</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Scale-up</td>
<td>The act of expanding an intervention to serve a larger number of similar beneficiaries in the same or similar location(s). Scaling is the change in scale when the context stays mostly the same.</td>
</tr>
<tr>
<td>Replication</td>
<td>Replication is the act of implementation of an intervention in a location or with beneficiaries different from the original implementation. It is not uncommon that replication of an intervention is also accompanied by a change in scale and/or a change in an implementer.</td>
</tr>
</tbody>
</table>
Transfer

The act of transferring the implementation of an intervention to an entity different from the original implementing organization. It is not uncommon that transfer of an intervention is also accompanied by a change in scale.


Data needs of the prospective cost modeling are more extensive compared to the retrospective analyses of the existing programs. To produce as accurate of estimates as possible, prospective cost modeling will need the following, at the very least:

- Detailed information about the planned intervention model, including information about beneficiaries, scale, dosage, delivery method, sequence, etc.
- Data on the original implementation, including produced outputs and/or outcomes,
- Original implementation costs disaggregated by cost categories and ingredients within each category,
- A method for allocating shared costs across cost categories,
- Local input price databases for the original intervention as well as the planned one.

For more detailed information about cost analysis methods, see the Cost Analysis Guidance for USAID Funded Education Activities (2021).

Text Box: Perspectives

An important feature that distinguishes prospective cost modeling from retrospective cost analysis is the importance of the perspective from which the cost analysis questions are asked and the results that will be used. For example, a frequently asked question “How much would it cost to scale up this intervention?” lacks clarity about who will be funding and managing the scale-up of the intervention. Is it USAID? Is it the partner government? Is it another party (e.g., a different donor)? The perspective from which the cost analysis question is asked is therefore critical in determining which data we will need to include to answer that question.

Prospective cost modeling implemented from the partner government perspective will usually not need to include USAID-specific costs, such as costs of complying with USAID rules and regulations, costs of starting up and closing out an activity, or costs of routine operations. Some of the technical implementation costs may also not be necessary to include since they may already be included as part of the existing government systems. By contrast, if the same question is asked from the perspective of USAID, all these costs will need to be accounted for in the analysis.


ALIGNING COST ANALYSIS METHODS WITH MONITORING AND EVALUATION ACTIVITIES

Integrating cost measurement with monitoring and evaluation efforts throughout the activity life-cycle is essential to ensure that collection of all relevant intervention, cost, and results data. This is particularly
important for cost-efficiency and cost-effectiveness analyses, which are not possible without output and outcome data. For example, to compute costs for a training, the system for capturing costs of different activity tasks needs to be set up to allow for isolation of training-specific costs. Based on that information we can then compute unit costs of training per participant. Likewise, if we need to know cost-effectiveness of training to produce a particular outcome of the training, the system for capturing costs should be set up to allow for isolation of the costs of such training from all other elements of the program. In addition, the activity will need to have an impact evaluation that specifically measures the impact of training on the outcome of interest.

Figure 4 demonstrates this alignment, mapping common cost analysis methods to the logic model of an intervention and corresponding evaluations.

Figure 4. Intervention Logic Model, Evaluations and Cost Analyses

![Diagram of Intervention Logic Model, Evaluations and Cost Analyses]

IV. Using and Learning from Cost Analysis Results

REVIEWING AND APPLYING THE RESULTS OF COST ANALYSES

How results from cost analyses are used is as important as how they are conducted; misapplication of the results about a single intervention, or a comparison of several interventions, can undermine the usefulness of cost analyses. Cost analysis can be used to generate cost-efficiency or cost-effectiveness estimates of specific interventions, but it will not always be able to help determine which intervention is “the best” and whether it should be replicated elsewhere. As with any analysis, caution should be used when trying to generalize findings or assuming that findings can be easily and successfully translated from one context to another. The value of cost analyses is in uncovering which characteristics of interventions and contexts in which they are implemented drive their cost or improve their value-for-money. Knowing not just whether an intervention is cost-efficient or cost-effective, but why, is crucial. The answer to the “why” question will provide valuable information in determining overall value-for-money of the investment; information on cost and results alone will not be sufficient in choosing among alternative interventions.

Figure 5: What Can We Learn from Different Cost Analyses?

Assess which features drive intervention costs and impact results in considering cost-efficiency/cost-effectiveness estimates across interventions

Cost-Economy
Analysis of an activity cost structure by category and ingredient; input pricing; price response to scale

Use information for planning, budgeting and management; for examining potential scale and sustainability

Cost-Efficiency
Analysis of contextual or intervention features that impact its efficiency

Use information to guide investment decisions given context, scale, and desired results

Cost-Effectiveness
Analysis of intervention characteristics associated with results in a given context

Use information to guide intervention selection given the context, objectives and the level of available resources


COMMUNICATING THE RESULTS OF COST ANALYSES

As USAID sectors conduct cost analyses, it is important to share methods, results, and experiences in determining how to cost USAID interventions both internally and externally, especially those interventions destined to be sustained and scaled up by local partners in whole or in part.
Looking Ahead

Momentum is growing in USAID to promote and establish routine cost measurement, reporting, and analysis at USAID so that cost is a consideration when determining how to use resources to implement interventions and development programs efficiently and effectively. For more information, please see the references below.

Key Terms in Cost Analysis

- **Activity:** USAID ADS Chapters 200-300 define an activity as a sub-component of a project that contributes to a project purpose. Activity typically refers to an award (such as a contract or cooperative agreement), or a component of a project.

- **Contributions:** Donations to activity implementation by the host government, non-governmental entity, or private individuals, these contributions can be either in-kind (e.g., labor, tangible and intangible resources) or monetary.

- **Cost:** The monetary expression of the value of resources required to develop and/or implement an intervention or produce specific goods or services, regardless of how these resources are financed. Cost is different from price, which is the monetary value exchanged in a market transaction for one unit of a good or service. It is specific to the site and time of the transaction.

- **Cost analysis:** The process of systematically examining the costs of developing and/or implementing an intervention, with or without additional data on intervention outputs or outcomes. Cost analysis can be retrospective or prospective. (See also Prospective Cost Analysis and Retrospective Cost Analysis)

- **Cost category:** A class of cost incurred to produce a particular kind of output(s) or outcome.

- **Cost-efficiency analysis:** An analysis of the costs of producing outputs. The results are frequently expressed as a unit cost for producing a particular output (for example, dollars per beneficiary reached).

- **Cost-effectiveness analysis (CEA):** An analysis of the amount of “effect” a program achieves for a given amount of cost incurred, or the amount of cost required to achieve a given impact. Expressed as monetary cost per unit of each outcome (e.g., dollars per life saved, or avoided years of life lost). CEA compares the costs and outcomes of two or more activities OR compares a new intervention with the status quo. In the health sector, this is the most common type of cost analysis.

- **Cost-benefit analysis (CBA):** A type of analysis that systematically estimates the monetary value of all benefits produced by a program and compares this monetary value to the total costs of the program. Also known as Return on Investment (ROI).

- **Cost Driver/Mitigator:** A factor that creates or influences the cost of an input, an output, or a result.

- **Cost measurement:** A process of collecting, processing, analyzing, and reporting on the costs of interventions.
- **Direct Cost:** Costs that can be identified directly with the implementation of a particular activity, process, project, or program.

- **Dosage:** The amount of intervention (e.g., number of days of training, number of books per learner) a beneficiary is supposed to receive or actually receives.

- **Economic Evaluation:** The process of systematically examining the total costs of producing outputs and outcomes of an intervention from a society’s perspective. Costs are measured using national or local prices, including opportunity costs which may not appear as direct expenses to any organization. The objective of economic evaluation is to determine how to best allocate scarce resources to their best use from a society’s point of view (Levin H., McEwan, Belfield, Bowden, & Shand, 2018). (See also Expenditure Analysis.)

- **Expenditure:** The amount of money spent, as captured through an implementer’s accounting system.

- **Expenditure Analysis:** A systematic examination of expenditure incurred to implement an intervention and produce outputs and/or outcomes. In this category of cost analyses, non-monetary inputs into the intervention (e.g., opportunity costs, donated labor) are not included in the analysis.

- **Fixed cost:** A cost that does not change in relation to production of an item or number of people targeted (e.g., office space).

- **Impact Evaluation:** An evaluation based on models of cause and effect that measures the change in a development outcome that is attributable to a defined intervention and requires a credible and rigorously-defined counterfactual to control for factors other than the intervention that may account for the observed change. Impact evaluations that make comparisons between beneficiaries that are randomly assigned to either a treatment or a control group provide the strongest evidence of the relationship between the intervention under study and the outcome measured. Impact evaluations must use experimental or quasi-experimental designs (ADS 201).

- **Ingredient:** A type of resource used to develop and/or implement an intervention. Typical categories of ingredients include labor, materials, rent, and travel. (Levin et al., 2018).

- **Incremental cost:** The cost of producing additional interventions, services, or units, or adding participants to business-as-usual operations. Incremental unit costs are costs of producing one additional unit or adding one participant to the business-as-usual operations.

- **Opportunity costs:** The value of a good or service in its best alternative use. When a good or service is used for a specific purpose, the user “gives up” the possibility of employing it in another application (Levin and McEwan, 2001). For example, opportunity cost of time of volunteers who participate in the intervention is the value of income that could be earned in that time.

- **Outcome:** A measure of an activities’ impact or effectiveness, for example scores on a standardized test.

- **Outputs:** The quantities, goods, and services that an activity delivers to its beneficiaries.

- **Retrospective cost analysis:** The application of cost analysis methods to actual data on cost and results, if applicable, from interventions that have already been implemented.
• **Price:** The monetary value exchanged in a market transaction for one unit of a good or service.

• **Prospective cost modeling** is the application of cost analysis methods to a hypothetical situation in the future, such as a scale-up, replication, or transfer of a costed intervention to a different implementer (e.g., the partner government).

• **Shared costs:** Costs that support multiple tasks, interventions, or programs. For example, the cost of renting a space where staff work on different interventions or programs.

• **Unit costs:** The total cost of a single item being measured (e.g., unit cost per person of expanding nutrition treatment).

• **Value-for-Money (VfM):** Spending resources in such a way that they maximize the intended outcomes. While there is no single, commonly accepted approach to establishing “the VfM” of an investment, DFID’s 4E framework (economy, efficiency, effectiveness and equity) is the most widely recognized one in international development. In this guidance note, **VfM analysis** is understood as a qualitative judgment about the value of the investment against alternatives in advancing its objectives, based on cost and result data, either actual or hypothetical.

• **Variable cost:** Cost that changes due to some function of the activity such as an increase in the number of beneficiaries being served (e.g., labor, teaching and learning materials). (See also Fixed Costs).

**References**


Walls, Elena. *Cost Reporting Guidance for USAID Education Activities Final 2018*

Walls, Elena. *Cost Reporting: Field Implementation Guidance Dec 2018*

**Technical Brief on Costing Multi-sectoral Nutrition Activities June 2021**

**Reference Case for Estimating the Costs of Global Health Services and Interventions**