



# Cost-Effectiveness Analyses: Donor Perspective

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# Common cost measurement questions in the USAID Education sector

- What is the cost per student of this intervention?  
Considering CEA ratio, is it a good investment?
- How much does it cost to...
  - achieve results we want?
  - scale/sustain successful interventions?
  - improve learning outcomes for learners?

# **BETTER** cost measurement questions

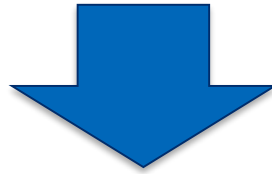
- How much does it cost to achieve results we want?



- Given policy objectives and available resources, what are the investment options that are likely to maximize results?

# **BETTER cost measurement questions**

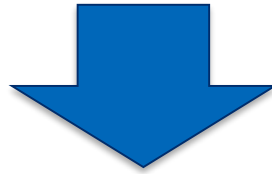
- What is the cost per student of this intervention?  
Considering CEA ratio, is it a good investment?



- Holding costs per student constant, which intervention produces the better results? Which is likely to scale up well given the existing capacity/context?

# **BETTER** cost measurement questions

- How much does it cost to sustain a successful intervention?



- What are the intervention elements marginal to the existing education system and how much would they cost if implemented by the partner government?

# **BETTER** cost measurement questions

- How much does it cost to replicate a successful intervention?



- What are the context elements and intervention features that drive cost and likely influence results?

# BETTER cost measurement questions

- How much does it cost to improve learning outcomes for learners?



- What are the differences in costs of intervention delivery to different types of beneficiaries to produce comparable outcomes (minority language? Learners with disabilities? Girls from poor households? Community school learners? Etc)?

# Objectives of USAID education cost measurement

## Program design

Map out cost structure and needed inputs to achieve desired results

## Sustainability

Cost out intervention components for sustaining or scaling them

Improve value  
for money

## Efficiency

Examine expenditure to identify opportunities for cost savings

## Effectiveness

Identify the least costly models with the greatest impact



# Our approach

capture

Step 1. Establish foundation for cost analysis by standardizing expenditure reporting across interventions.



analyze

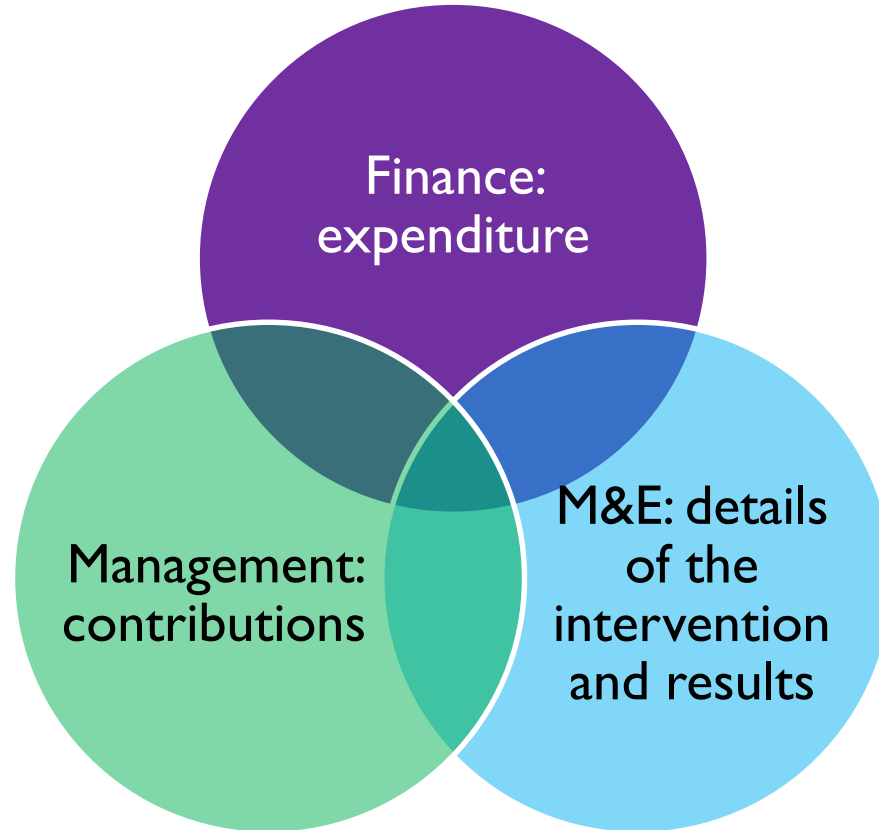
Step 2. Standardize cost analyses to ensure comparability of results



use

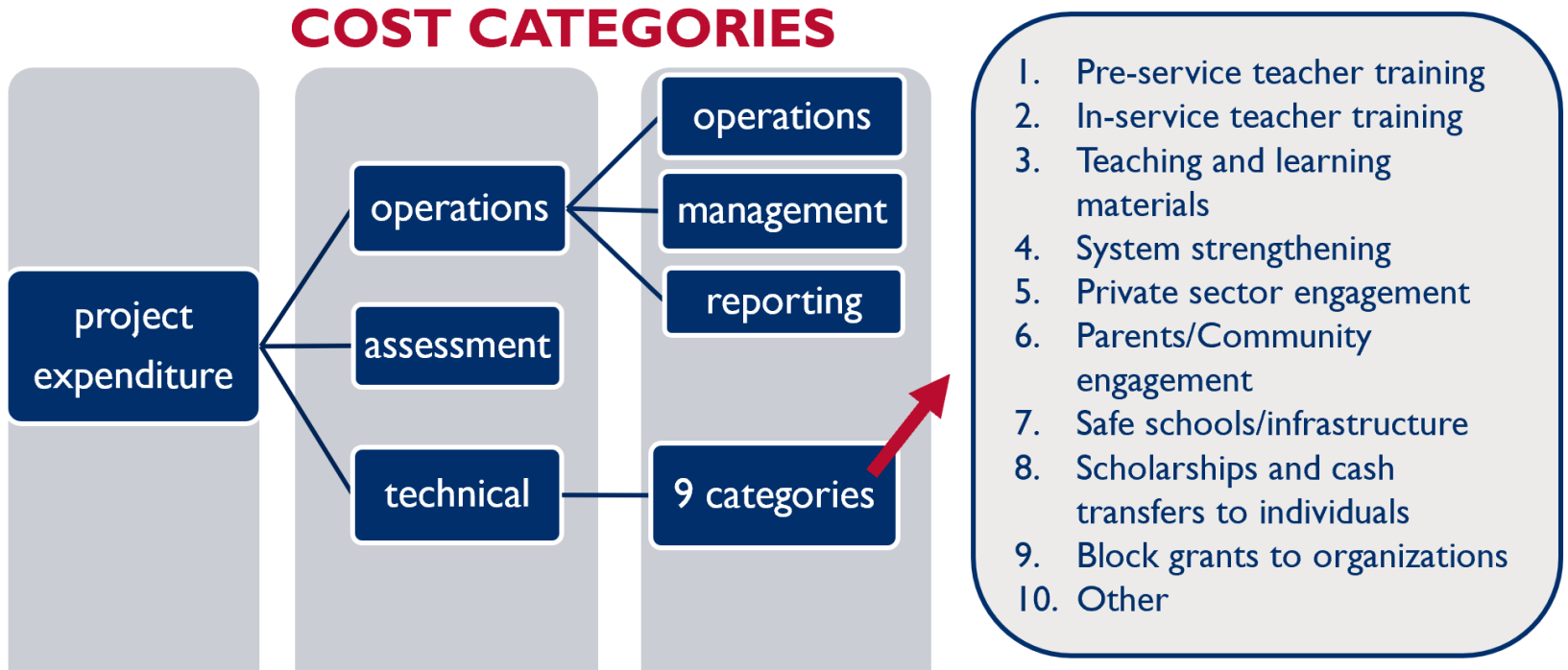
Step 3. Promote cost data use across the program cycle

# Key components of cost capture

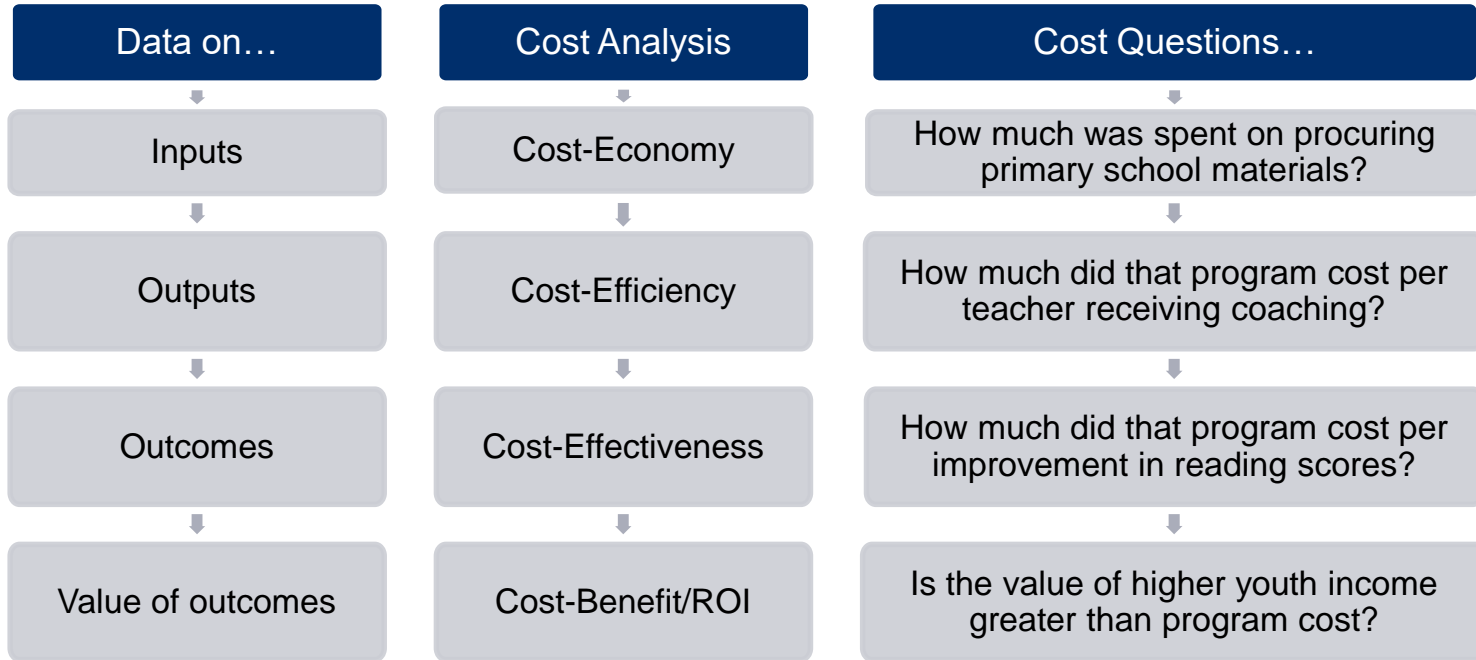


# HOW do we get cost data?

Activity-based costing method



# WHAT cost analysis methods do we use?



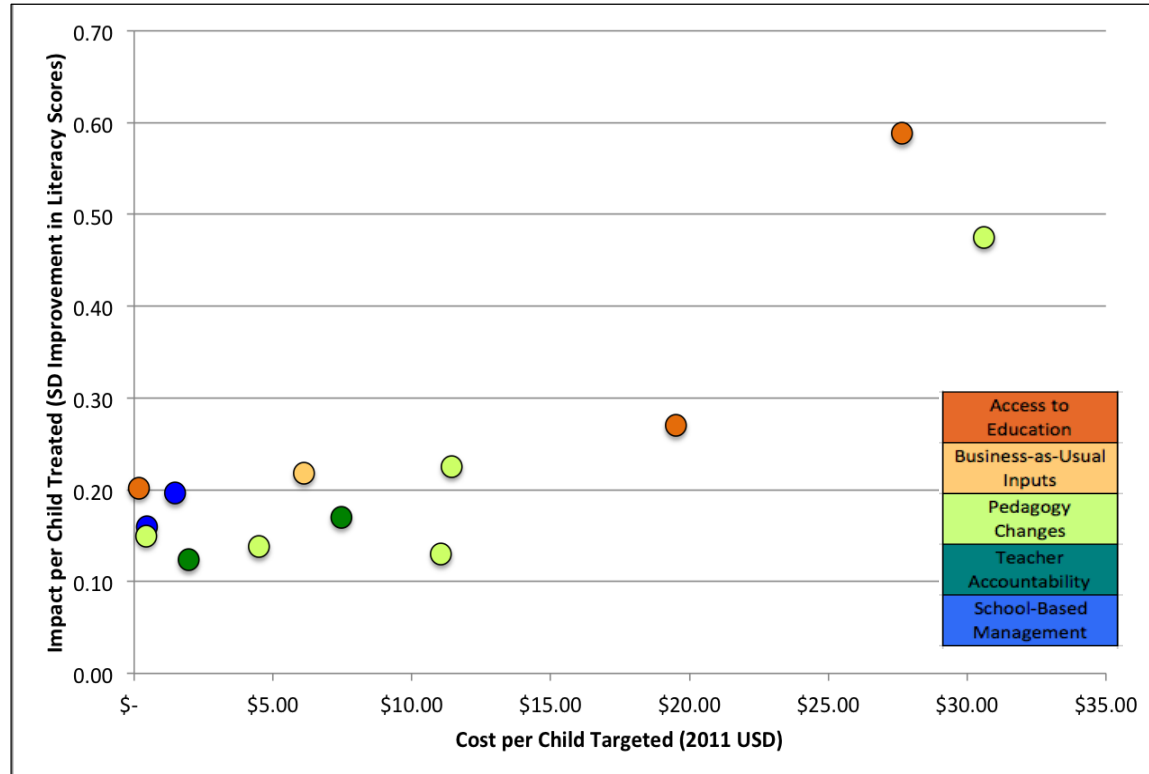
# Cost-effectiveness analysis

## What Questions Will It Answer?

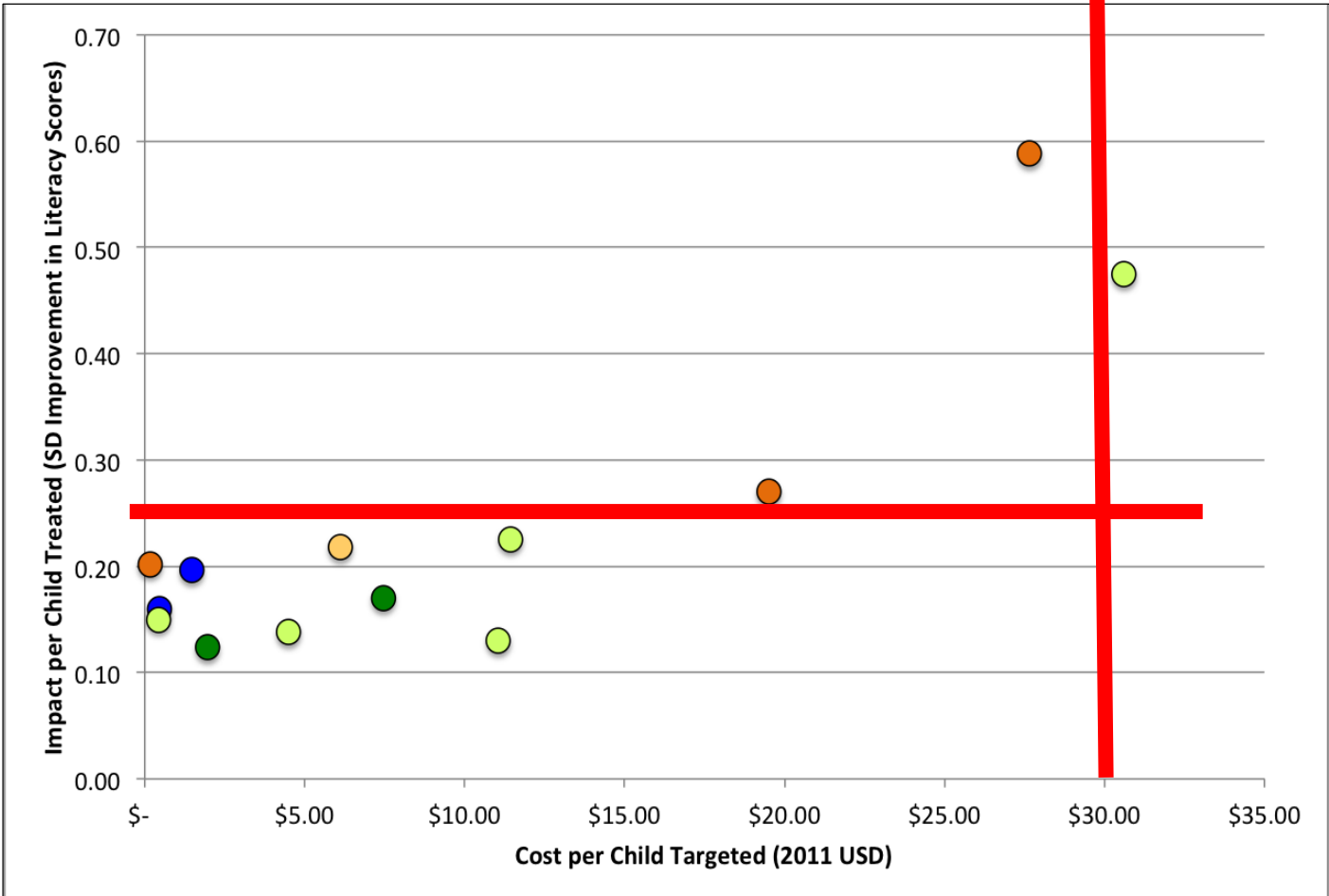
- How much did this program cost per outcome delivered?
- How does that compare to other interventions I could fund instead?

## What Data Will We Need?

- Expenditure and contributions reports, disaggregated
- Credible estimates of program's impact
- Credible estimates of the cost-effectiveness of alternative interventions with the same outcome of interest



# Cost-effectiveness results for decision-making



Access to Education
Business-as-Usual
Inputs
Pedagogy Changes
Teacher Accountability
School-Based Management

# Using cost data analysis results

Assess which features drive program costs and impact results in programs across contexts

## Cost-economy:

analysis of local pricing for goods and labor; price response to scale

Use information for **estimating the level of needed investment**; for planning **sustainment**

## Cost-efficiency:

analysis of contextual features which drive efficiency (various barriers to implementation, local capacity)

Use information guide investment decisions given **context, scale, and existing capacity**

## Cost-effectiveness/Rol:

analysis of intervention features associated with results (intervention dosage, number of outcomes, characteristics of beneficiaries)

Use information to guide **intervention model selection** given the objectives and the level of available resources

# Limitations of CEA

- Considering CEA results without a clear view of resource limitations is misleading
- Highly cost-effective interventions may be politically not feasible or not align well with government/donor objectives
- Cost-effectiveness estimates are frequently reported as constants while in reality they are highly variable across types of beneficiaries and features of the context
- Cost-effectiveness estimates have very limited external validity
- Cost-effectiveness estimates are rarely complete



# Conclusion

CEA, along with other CA methods, are valuable tools in donor's arsenal. They help

- Inform budget decisions given existing objectives
- Inform intervention decisions given level of resources
- Inform transfer to the government/other sustainment options
- Ensure transparency and accountability of donor investments

For more information on USAID/Education  
cost measurement initiative Contact Elena  
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