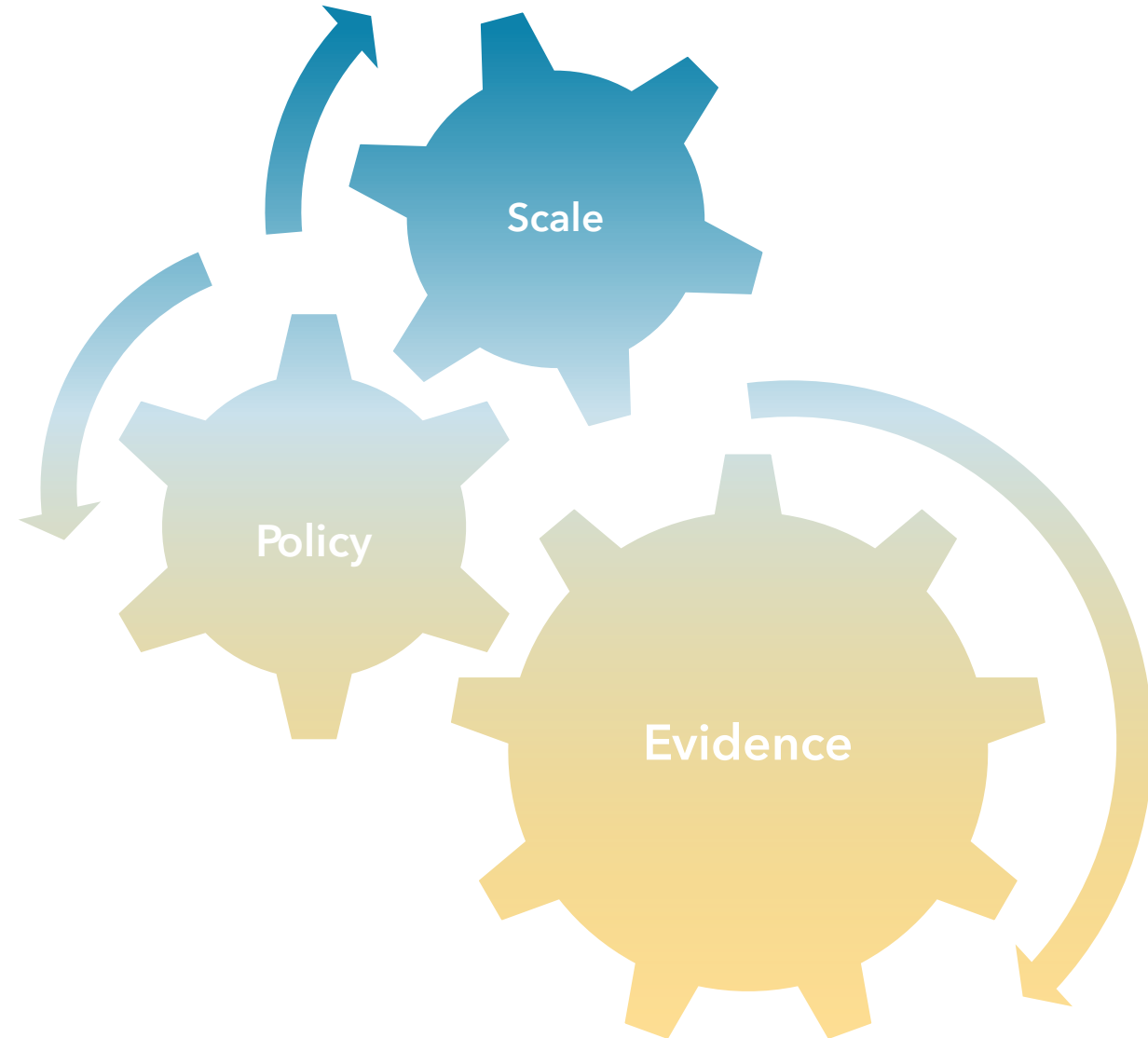
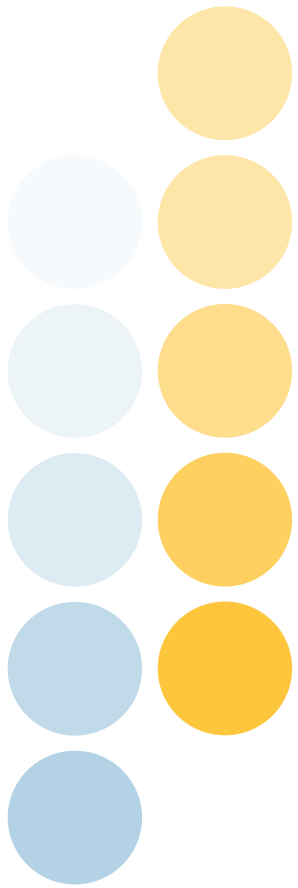


Impact Evaluation Collaborative

Moving Economic
Inclusion to Scale

IE WORKSHOP





Measuring costs for Economic Inclusion Programs



Agenda

- ❑ What, Why, and When of Cost Analysis?
- ❑ PEI Quick Costing Tool
- ❑ What have we learned so far on EI Program Costs
- ❑ Challenges, Key Takeaways & Open Questions

What, Why, and When of Cost Analysis?

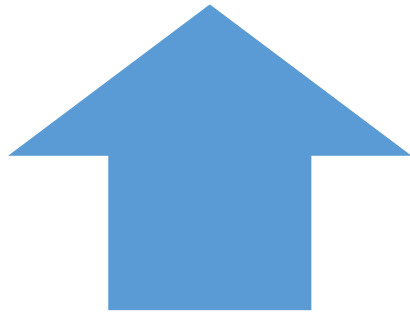
What is Cost Analysis?

- A cost analysis, or 'costing', is a "disaggregated" estimate of the total or incremental financial cost or economic value of the resources required to implement a program or provide a service.
- Such resources may include transfers (including cash transfers, grants, asset/in-kind transfers), training/coaching provided to program beneficiaries, access to markets, local resources development, etc.
- Moreover, the cost analysis can unpack the cost of targeting, Monitoring & Evaluation Costs and other delivery and implementation expenses.

Cost analysis is not a financial audit or mechanism for assessing financial accountability, nor is it a method to track investments or public or social spending.

Costing perspective?

The costing perspective defines whose costs will be included in the estimate.



Costing from the **societal** perspective will include the value of all resources regardless of who bore the cost or when the cost was incurred, typically the direct and opportunity costs to beneficiaries and their communities.



In contrast, an **institutional** perspective cost analysis includes only the costs borne by implementing bodies or other institutions, and typically includes only financial costs.

We focus on the institutional perspective here.. Less complicated and quick answers.

Why do a cost analysis?

- **Scale Up** - Costing is an important instrument for making the case for scaling up economic inclusion programs as it allows to embed resource requirements into multi-annual budget decisions.
- **Political Economy:** Communicating a robust analyses on the full or incremental cost of a program, cost per program recipient, or the potential return on investment helps to build the case for investing in a specific economic inclusion intervention.

Why and when to do a cost analysis?

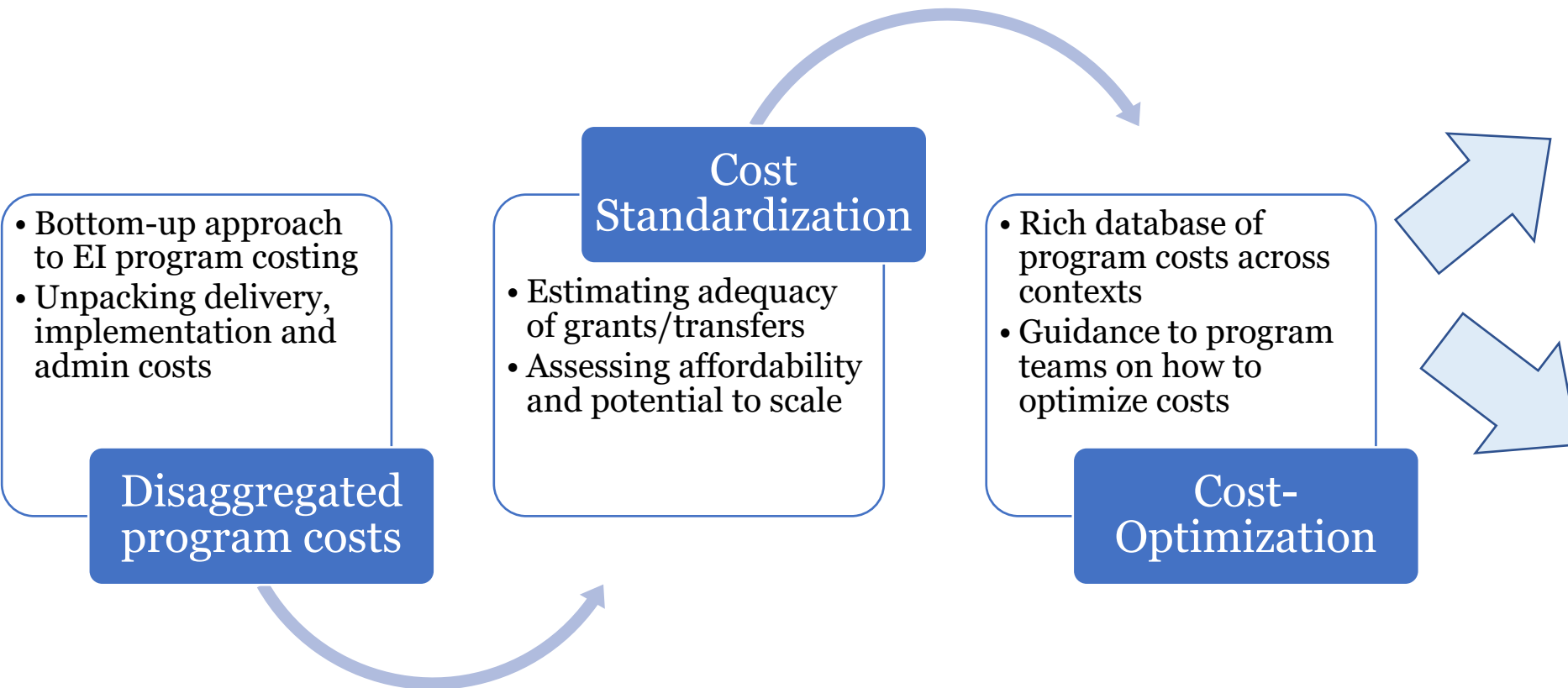
- Cost analyses can be done **ex-ante** as a part of project planning and can influence program decisions such as the frequency or mechanism of grant distributions, for example.
- There is also a strong rationale for implementers to analyze costs **ex-post**. The focus on the actual costs accrued rather than costs predicted in program budgets means that it is possible to calculate more accurately the cost per direct participant. It allows for implementers to assess the overall return on investment based on the actual investment rather than a normative budget.

PEI Quick Costing Tool

A Standardized Approach - PEI Quick Costing Tool

- First costing tool to provide multicountry cost disaggregation for government- and NGO-led economic inclusion programs globally.
- Provides improved understanding of basic cost structures and a vital starting point to assessing the cost-effectiveness of economic inclusion programs
- Field tested with 24 Government-led and 10 NGO-led Economic Inclusion programs globally.

Costing Framework



- **Can be used**
 - Ex-Ante for program design
 - During implementation to monitor program expenditures
 - Post completion to identify key cost drivers

- **Outcomes**
 - [Open access cost data on PEI Data Portal for programming & policy making](#)
 - First step towards estimating Cost-effectiveness
 - Systematic understanding of costs for policy dialogues

Cost Analysis - Steps

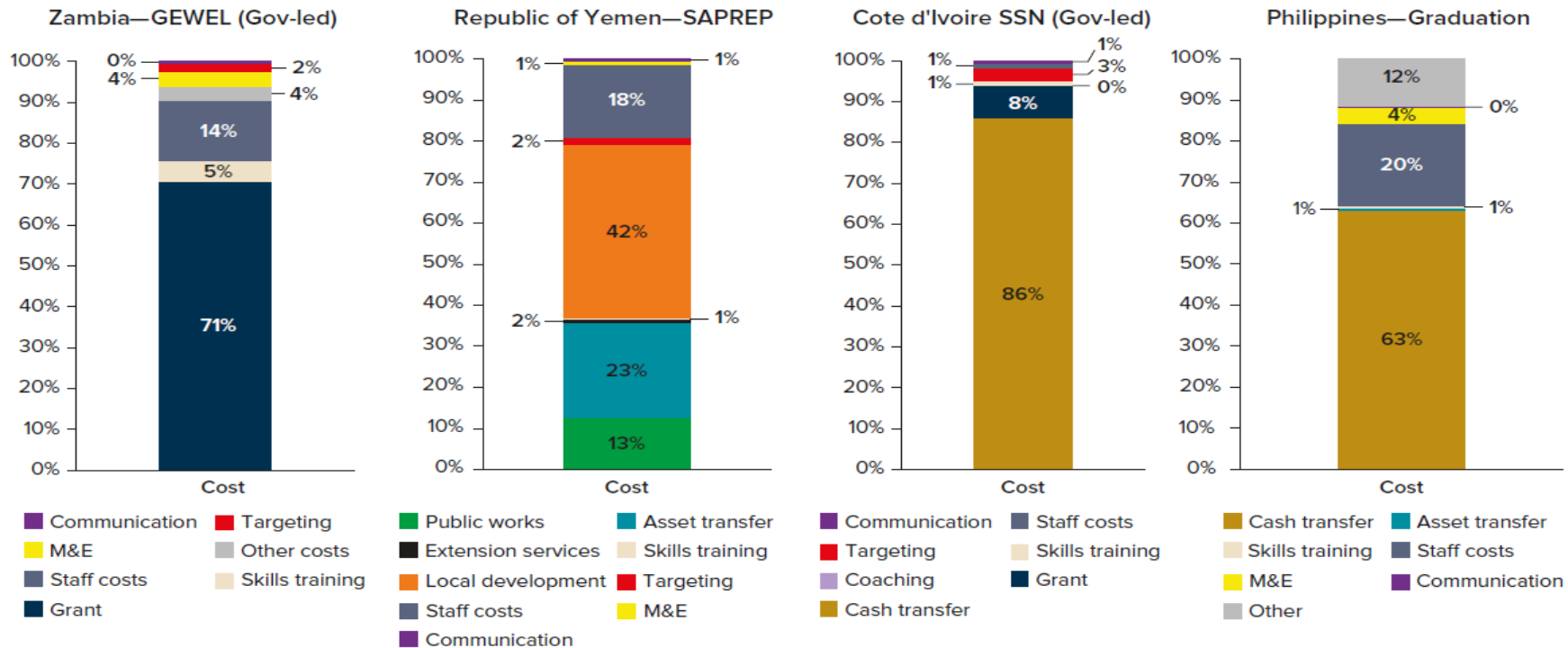
- 1. Identify the objective:** Define the scope and identify the objective of the costing exercise
- 2. In-country Data Gathering:** Identify the data sources and submit the costing data using the Quick Costing tool.
- 3. Qualitative Review:** Review the design, implementation, and institutional arrangements as they pertain to the cost of a program.
- 4. Sensitivity Analysis:** Conduct sensitivity analysis and/or account for uncertainty in estimates
- 5. Data Harmonization:** Harmonize costs i.e., Purchasing Power Parity (PPP) conversions , estimating adequacy, etc. and integrate the program in existing costing database.
- 6. Cost Optimization Guidance:** PEI team benchmark program costs and provide guidance on, for instance, improving the adequacy and variation in intensity/modality of training, etc.

What have we learned so far on EI Program Costs?

Program costs show huge variations depending on program design, contexts, and lead implementing agency

Total costs ranges between \$41 & \$2,253 (in 2011 PPP) per beneficiary over the program duration (3.6 years on average)

Sample Cost Structures

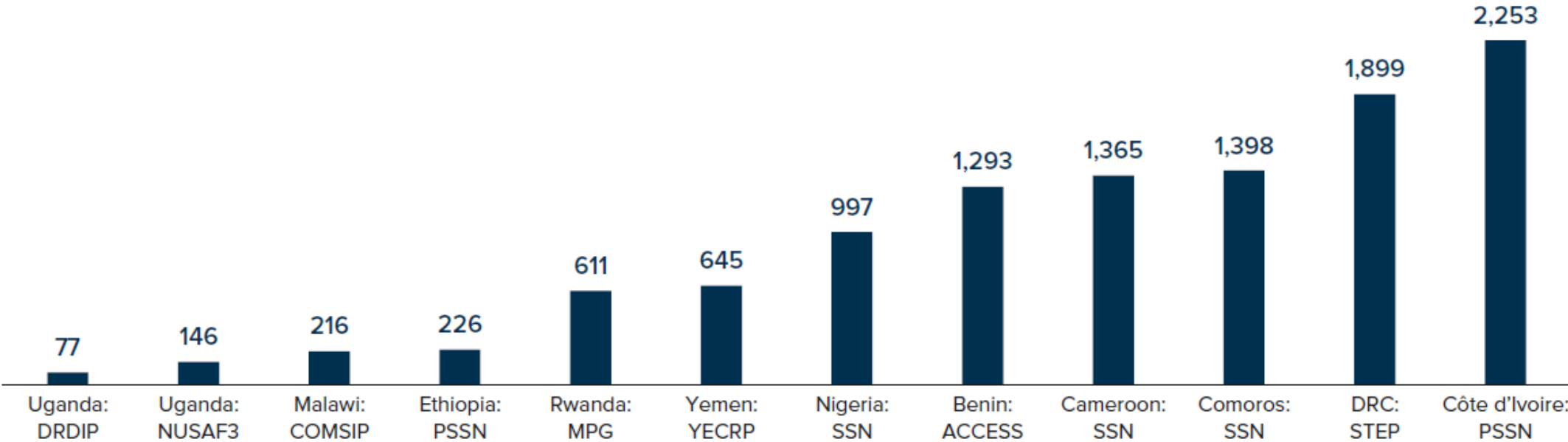


Note: GEWEL = Girls' Education and Women's Empowerment and Livelihoods Project; SAPREP = Smallholder Agricultural Production Restoration and Enhancement Project; SSN = social safety net; M&E = monitoring and evaluation.

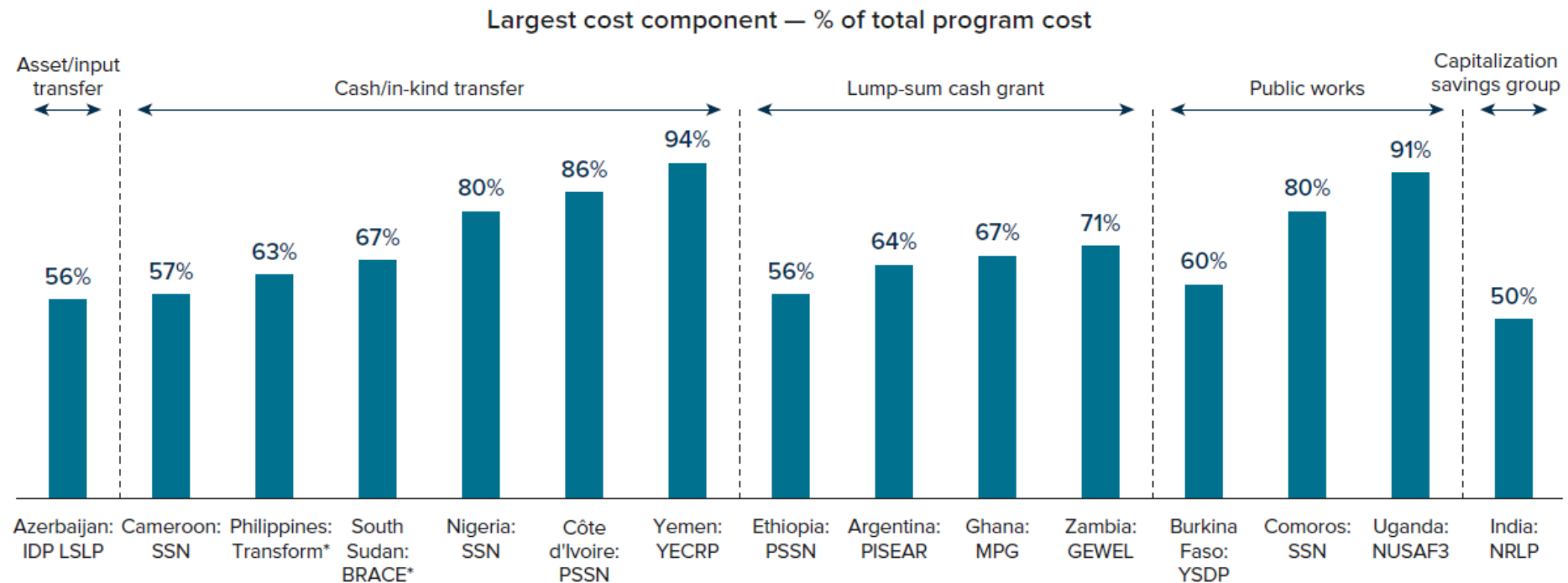
However, as programs move to scale the costs tends to be lower

Based on the current sample, the median cost of EI programs that build on Social Safety Nets is \$628

Unit Cost – Government-led Economic Inclusion Programs



Cost of economic inclusion programs tends to be driven by a single intervention

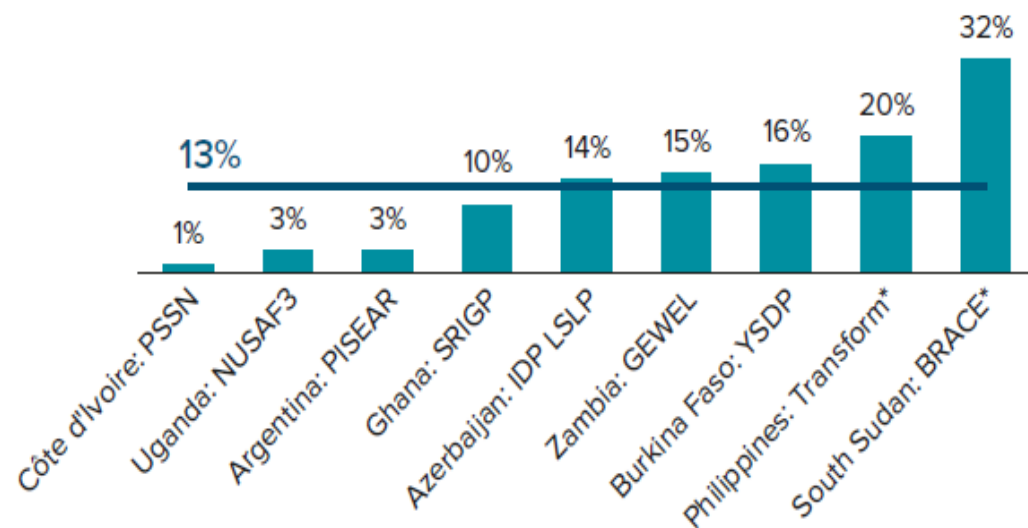


Source: PEI Quick Costing Tool 2020, World Bank.

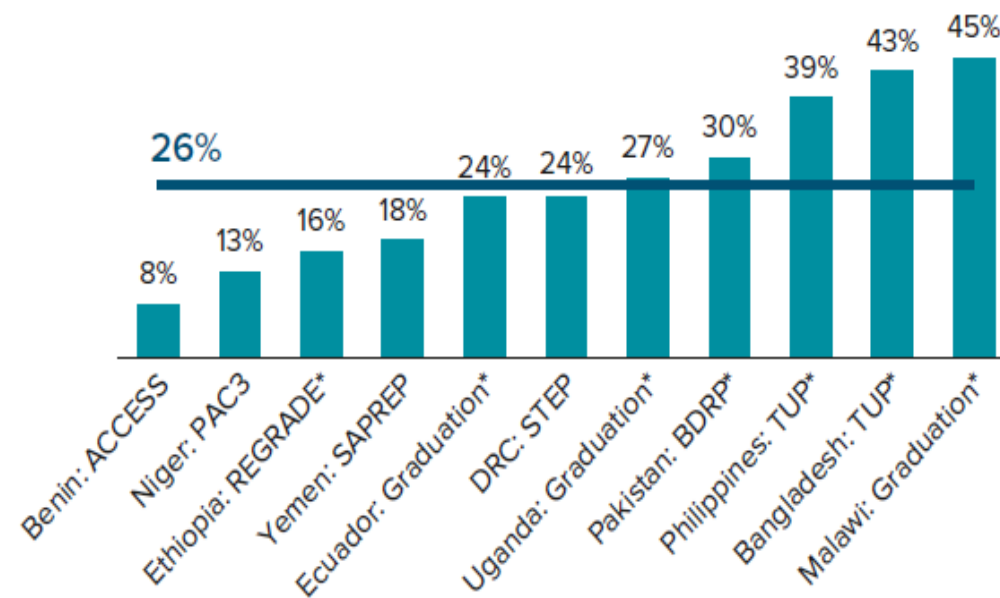
Programs with multiple cost drivers, incur higher delivery and staff costs

All programs

a. Programs with largest cost components



b. Programs with multiple cost components

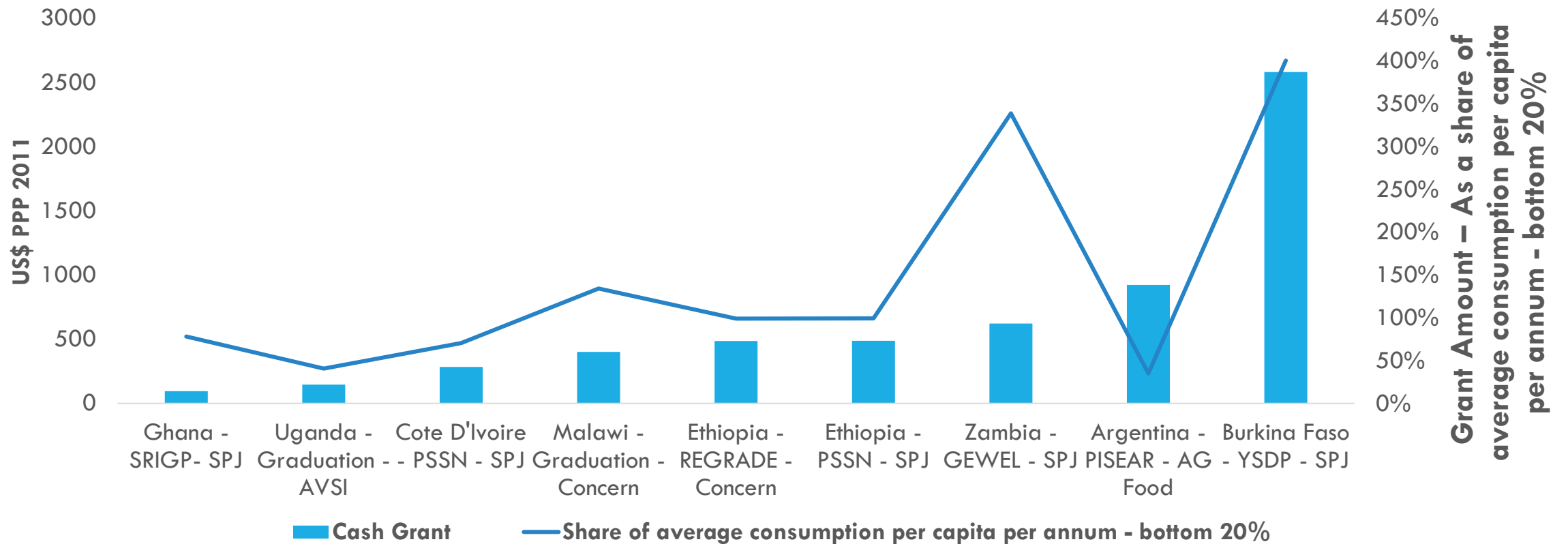


■ Staff cost — Average

Huge variation in adequacy of Cash Grants (for business set up) across countries.

How to benchmark the adequacy of Cash Grant?

Cash Grant (\$ 2011 PPP) – As a share of average consumption per capita per annum - bottom 20%



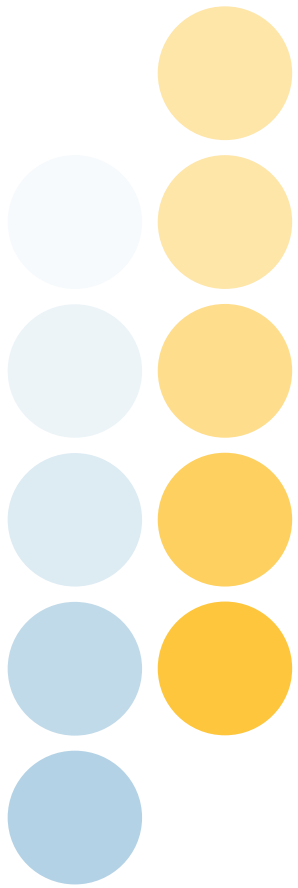
Challenges, Key Takeaways & Open Questions

Costing Challenges

- Comparability across economic inclusion programs
- Variations in cost-accounting standards, exchange rate issues, and in levels of data disaggregation
- Complications with assigning costs to administrative expenses
- Cost-effectiveness analysis limited by lack of simultaneous access to impact assessment results

Key Takeaways & Outstanding Questions

- Disaggregated costing data is a critical step toward understanding cost optimization and design of economic inclusion programs
- Program “sticker prices” can be misleading and mask considerable heterogeneity
- A concerted effort to understand costs is critical as it would allow for better and more robust analysis, particularly, by program types, regions, and target groups
- How to navigate the political economy challenges that drive cost considerations and budget allocations?
- What is the opportunity cost of doing nothing i.e., the cost of Inaction?



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Thank you!



PEI FUNDING PARTNERS



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