.

EdData II

Measurement and Research Support to Education Strategy Goal 1

Early Grade Reading Costing Template and Guidance

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Education Data for Decision Making (EdData II) Technical and Managerial Assistance, Task Order 20
Period of Performance: 10/1/2012 – 9/30/2014
Contract Number AID-OAA-BC-12-00003
RTI Project No. 0209354.020

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List of Abbreviations

CDCS	Country Development Cooperation Strategy
CLIN	Contract line item number
COP	Chief of Party
DCOP	Deputy Chief of Party
EGR	early grade reading
HCG	Host Country Government
IP	Implementing Partner
LTTA	Long Term Technical Assistant
M&E	monitoring and evaluation
R&R	Rest and Recreation
RFP/A	Request for Proposal/Application
STTA	Short Term Technical Assistant
USAID	United States Agency for International Development

1 Background and rationale

With the advent of USAID's *Education Strategy (2011–2015)* and its goal (Goal 1) of improved reading skills for 100 million children in primary grades by 2015, a growing number of early grade reading (EGR) interventions[1] have been developed and implemented in USAID partner countries. USAID anticipates that this number will continue to grow. With this increased focus comes the heightened attention to the costs associated with the specific program outcome, namely the cost of reading improvement at the child level. Taking a cue from improvements in data transparency and reporting in Global Health[2], Congressional representatives have begun to ask for estimates of the cost associated with getting a child to read; USAID mission staff want to know what it might cost to take an evidence-based EGR intervention to scale; and both USAID missions and host country government (HCG) decision makers want to know what it might cost to sustain an EGR intervention once taken to scale. Additionally, USAID is keen to conduct a number of cost analyses regarding these interventions such as comparing development costs to implementation costs and understanding which phase of an EGR program is most expensive and why. For example, USAID and host country government decision makers may be interested in analyzing the distribution of the costs of various elements of an EGR program both within countries and across countries to better understand how to plan for scale-up of a successful intervention.

Detailed cost data can also be used to examine the relative cost effectiveness of different programs. If, for example, a particular program resulted in 2 million children with improved reading skills and the estimated cost of program implementation was $60 million, the cost-effectiveness ratio would be $30 per *child with the defined level of reading improvement*. More nuanced cost-effectiveness studies can be designed to examine the relative cost-effectiveness of different approaches to achieving the same outcome. See the comparison of three tablet-based programs (used at the coach, teacher and child level) in Kenya (Piper et al. 2015). The results of this cost effectiveness study were useful for the Government of Kenya in their plans for a national tablet program for students. In alignment with the recommendations from the study, Kenya has since rolled out a national tablet program, but at the level of the instructional coach.

To support these kinds of costs analyses, it is important for USAID and its implementing partners (IP) to account for the "ingredients" of an evidence-based EGR program intervention and their associated costs. The template and guidance provided in this document reflect an approach to costing that has been referred to in the literature as the *ingredients method* (Levin, 1995; Levin and McEwan, 2001; Dhaiwal et al, 2011; Levin et al, 2012; McEwan, 2012). This method is based on the idea that every program uses ingredients with identifiable costs. If the key ingredients that comprise a program can be identified and costs estimated for each, then a

[1] Throughout this document we make reference to EGR assessments, an EGR program, and an EGR intervention. The term EGR intervention is used when referring to both EGR assessment and the EGR program. The EGR program refers to the measures undertaken to help children read (i.e., materials delivery, teacher training, coaching, etc.).

[2] See for example the FY14 USAID Global Health Report to Congress: https://www.usaid.gov/sites/default/files/documents/1864/2015-USAID-Global-Health-Report_0.pdf

great number of critical cost analyses can be conducted—analyses that can be used to improve overall program design and implementation.

2 Cost types and cost categories

The template and guidance offered in this document are intended to help implementing partners account for the ingredients and associated costs of an EGR intervention. Each EGR program can be considered a recipe comprised of a number of particular ingredients, with specific amounts of each ingredient, and the directions for how these ingredients are to be used. It is this specific recipe that yields the impact or intended program effect. Note that USAID is interested only in the cost and cost-effectiveness of its own (incremental) programming, which is usually layered on top of existing host country government efforts and expenditures. For this reason there is no need to calculate the costs for the host country system investment.[3]

In addition, USAID and Ministry staff have expressed interest in knowing the composition of program costs in order to inform future planning and budgetary decisions. For this reason, the total implementation cost may also be broken down into key components or ingredients. By using the ingredients method and identifying the individual costs of each ingredient, implementing partners can respond to this request.

Below is a list of the broad cost categories of interest:

- **Management and associated technical costs**: Management costs are those associated with running the project through which the technical work is being provided. This category would include much of the cost of the project office, the labor cost of the project's finance director, home office, etc. Associated technical costs are those tied to the provision of technical labor, such as the transportation, lodging, and per diem costs tethered to the provision of a short term technical advisor and the housing costs associated with the provision of a long term technical advisor.
- **Development costs**: Costs of developing all of the materials, survey instruments, training programs, etc. Once developed, these materials are assumed to become the property of the host county government and would therefore not need to be redeveloped (only recurrent costs associated with printing would need to be included under the "implementation" category below).
- **Implementation costs**: Costs associated with the implementation of the program. This cost category is of primary interest to USAID and host country government staff as it can inform future budgets and designs for scale up. It should include all of the recurrent activities related to the program. The total implementation cost is also used to generate the cost effectiveness ratio.

[3] One exception to this is if a program intervention includes, as part of its design, in-kind contributions that are a critical ingredient. For example, a reading improvement program that includes a volunteer youth peer tutoring component would need to include the in-kind value of the volunteer time in the total implementation cost.

3 Overarching costing template

Table 1, below presents the overarching costing template by which all relevant costs should be accounted for in IP accounting systems. To best operationalize the below model, implementing partners and contracting officers should ensure that the Contract Line Item Number (CLINs) described in the contract (or charge categories proposed in the Cooperative Agreement) are aligned with the highest code level (Management, Development and Implementation). As the specific ingredients within the implementation category may vary based on the interest of the host country government of USAID mission, the sub-codes should not be set at the agreement level, but should be determined based on mutual agreement following award. For most organizations following USAID cost reporting requirements, if charge codes are set up following the below guidance, all costs can be assigned to a specific cost ingredient category.

Table 1: Overarching cost template

CLIN or Cost Code	Cost Ingredient Category	Sample Project Code
1	Management and associated technical costs	0214446.001.001
2	Development	0214446.001.002
3	Implementation	0214446.001.003
3.1	• Materials	0214446.001.003.001
3.2	• Training (Teachers)	0214446.001.003.002
3.3	• Training (non-Teachers)	0214446.001.003.003
3.4	• Coaching	0214446.001.003.004
3.5	• Monitoring and Evaluation	0214446.001.003.005
3.6	• Community Mobilization	0214446.001.003.006
3.7	• Systems and Policy	0214446.001.003.007
3.8	• Other	0214446.001.003.008

The below guidance provide sample costs and activities that would be assigned to each individual ingredient cost category. For all costs and activities below, it is assumed that standard accounting categories (e.g. labor, other direct costs and indirect) would be attributed to each cost ingredient category.

3.1 Management and associated technical costs

Project management costs are those costs that would not be of interest under the "implementation" category (that is, not planned for in terms of future scale up by host government implementation). Management costs would include such items as:

- Project office
  - furniture
  - equipment
  - utilities
  - paper
  - communications

    - postage
    - non-technical personnel (i.e., project finance director, secretaries)
    - purchase of project cars
- A percentage of various ex-pat COP/DCOP costs (assuming the COP/DCOP do some managerial *and technical* work)
    - housing
    - R&R
    - home leave
    - education allowances
    - other.
- Home office management support
- Associated indirect rates and fee

Associated technical costs would include such items as:

- Travel, lodging, and per-diem tied to the provision of short-term technical assistance
- Housing, education allowance, and rest and recreation costs tied to the provision of long term technical assistance.
- A percentage of various ex-pat COP/DCOP costs (assuming the COP/DCOP do some managerial *and technical* work)
    - housing
    - R&R
    - home leave
    - education allowances
    - other.
- Associated indirect rates and fee[4]

3.2 Development costs

Development costs would include one-time costs for development of materials, survey instruments, teacher training programs, etc., that are needed for the successful implementation of an EGR program. Program development costs, including labor, direct costs and all other cost types, could include the following illustrative activities:

- Lesson plan development
- Materials development
- Training and coaching materials development
- Designing the monitoring and evaluation approach
- Survey design and development and preparation
- Workshops and planning meetings associated with the above items
- Associated indirect rates and fee

3.3 Implementation costs

[4] Some contractor systems may not be able to tether fee to each ingredient, but one could, in the end, parse out the overall fee across these ingredients using certain percent cost values.

Implementation costs are those costs that are expected to be recurrent program activities for achieving the objectives of the program. As noted above, only the overall implementation cost is needed for cost effectiveness calculations. If there is additional interest on the part of USAID and host country governments, then information on the cost of the individual ingredients should be collected. Program implementation costs (and ingredients categories) could include the following illustrative activities:

- Materials (printing and distribution)
- Training[5]
- Coaching
- Monitoring and Evaluation
- Community Mobilization
- Systems and policy
- Other activities/costs of interest to USAID and host country governments
- Associated indirect rates and fee

4 Conclusion and Recommendations

The above approach is a work in progress and its feasibility will be judged in the next several projects that pilot the tracking of these cost categories. A key determining factor in the feasibility of the approach will be the number of cost categories that require tracking. Experience dictates that the number of charge codes should hover around 10—anything much more than this usually results in lower quality results (largely derived from human error).

Implementation of this approach will also require a departure from the standard Intermediate Results based reporting approach that is characteristic of USAID contracts, usually with 5-7 CLINs, each one associated with an Intermediate Result (see Table 2).

Table 2: Typical CLIN structure

CLIN	Intermediate Results
1	Improved Reading Instruction for Primary Grade Reading Outcomes
2	Increased Parental and Community Engagement in Supporting Student Reading
3	Safer Learning Environments for Reading Created
4	Pathways for Sustainability Ensured
5	CDCS Priority of Integration Realized
6	Indirect
7	Fee

While one alterative could be to overlay a code for each of the ingredients of interest for each of the codes above (see Table 1), that would potentially generate between 50 and 75 project codes, which is not feasible for implementation, particularly for small local organizations. Instead, to operationalize this approach at the contract or cooperative agreement level, the cost code

[5] For analytical purposes, it will be important to separate the costs associated with teacher training from the costs associated with the training of all other personnel types (i.e., coaches, district officers, head teachers, etc.).

structure set in the contract (or proposed by the implementer for the cooperative agreement) should align with the desired cost ingredients (as described in Table 1). Therefore, it is recommended that in situations where CLINs that are unrelated to the above ingredients are already in place, and it is still feasible to change the CLINs, measures be taken to modify the contract/agreement such that the CLIN structure reflects the ingredients shown in Table 1. For projects that have yet to be designed, the recommendation is that contractors be instructed in the RFP/A to propose budgets that mirror the ingredients shown in Table 1 (which would then be reflected in the final contract or agreement).

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