



ADS 201 REVISION: COST ANALYSIS REQUIRED IN ALL IMPACT EVALUATIONS

On October 28, 2020, the U.S. Agency for International Development (USAID) released an update to [ADS Chapter 201](#). This annually revised document provides guidance and procedures for USAID's Program Cycle. USAID's decisions about where and how to invest in foreign assistance-sponsored programs are based on rigorous evidence that is used to "promote efficient, equitable, effective, cost-effective, and high-quality programs" (pg. 12). However, until recently, estimating the costs and cost-effectiveness of USAID-sponsored programs has been limited. To address this gap, ADS Chapter 201 added the provision that:

"All impact evaluations must include a cost analysis of the intervention or the interventions being studied" (201.3.6.4).

The inclusion of cost analysis in all new impact evaluations serves multiple purposes:

- **Efficiency.** Cost analysis provides critical insight into the resources and the associated expenditures needed to develop and implement programs. This insight can shed light on cost drivers that, when addressed, can lower expenditures without sacrificing quality.
- **Effectiveness.** Policymakers and donors cannot make fully informed decisions about the best way to invest limited resources without information about the costs of achieving desired outputs and outcomes through different interventions or delivery strategies.
- **Sustainability.** Cost data can be used to help further the Journey to Self-Reliance by providing critical information to host governments on the costs of scaling up effective programs.

USAID's Education Sector is well-positioned to support the inclusion of cost analysis in all impact evaluations. In 2017, the Office of Education, Bureau for Economic Growth, Education and Environment (E3/ED), launched its [Cost Measurement Initiative](#), which created guidance documents and templates to support cost data collection, analysis, and use - and provided training to Missions and partners. Additional training on cost analysis is scheduled to be held in spring 2021. E3/ED's Data and Evidence for Education Programs (DEEP) mechanism is available for Mission buy-in to help with cost data analysis and technical assistance.

For more information on USAID's Cost Measurement Initiative in the Education Sector, please contact Elena Walls at ewalls@usaid.gov.