



USAID
FROM THE AMERICAN PEOPLE



Cost Reporting Guidance for USAID-Funded Education Activities

2021

Cost Reporting Guidance for USAID-Funded Education Activities

Bureau for Development, Democracy, and Innovation, Center for Education (DDI/EDU)

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

2021

Version 2.1

This document should be cited as follows:

Walls, Elena, 2021. *Cost Reporting Guidance for USAID-Funded Education Activities*, second edition. Washington, DC: United States Agency for International Development. <https://www.edulinks.org/resources/usaids-cost-measurement>

Contents

- List of Exhibits..... i**
- Definitions..... ii**
- 1. Introduction 2**
 - Guidance Objective and Audience 2
 - What Is Cost?..... 2
 - Why Measure Costs?..... 3
- 2. Fundamentals of Cost Reporting 6**
 - Activity-Based Costing (ABC) 6
 - Cost Reporting Categories 6
 - Sub-Categories for Policy or Research Questions..... 8
 - Sub-Categories for Scale and Sustainment Questions..... 9
 - Understanding USAID-Specific Costs..... 10
 - Capturing Inputs from Other Sources 10
 - Collecting Cost Data in Real Time..... 11
- 3. Setting up Cost Reporting 14**
 - Selecting Cost Reporting Categories..... 14
 - Sub-Contractor Cost Reporting..... 16
 - Reporting on Inputs from Other Sources 16
 - Reporting on Details of Interventions 17
 - Submitting Cost Reports 19
- 4. Data Analysis and Use..... 22**
- Bibliography 23**

List of Exhibits

- Exhibit 1. Intervention Cost Components 3
- Exhibit 2. Cost Measurement Objectives 4
- Exhibit 3. Ingredient Categories in Cost Reporting..... 7
- Exhibit 4. Standard Cost Reporting Categories and Sub-Categories..... 7
- Exhibit 5. Examples of Using Sub-Categories to Answer Policy Questions..... 9
- Exhibit 6. Examples of Applying Development and Implementation Sub-Categories 9
- Exhibit 7. Fixed system costs versus marginal costs incurred by USAID 11
- Exhibit 8. Cost Measurement Process..... 12
- Exhibit 9. Illustrative Code Structure for an Early Grade Reading Activity 15
- Exhibit 10. Illustrative Cost Report for a Youth Activity..... 16
- Exhibit 11. Reporting on Contributions: Decision Tree..... 17
- Exhibit 12. Details of intervention to report on, associated with standard foreign assistance indicators. 18

Definitions

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 partner government, non-governmental entity, or private individuals. Contributions can be either monetary or in-kind (e.g., labor, equipment).

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.

Cost Capture: A systematic way of recording the expenditures and corresponding contributions necessary to implement an activity into predefined categories corresponding to specific objectives.

Cost Category: A class of costs incurred to produce a particular kind of education output or outcome, such as trained teachers.

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.

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.

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

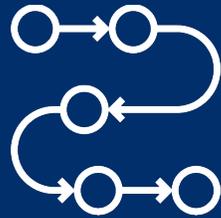
Ingredient: A type of resource used to develop and/or implement an intervention. Typical ingredient categories include labor, materials, rent, travel, and other elements; they can be disaggregated further into individual resources within an ingredient category (e.g., labor is an ingredients category and individuals such as project coordinators, trainers, chief of party, etc. are the ingredients within that category) (Levin et al., 2018).

Non-Governmental Entities: Includes private non-profit and for-profit organizations as well as private individuals.

Outcome: A measure of an activity’s impact or effectiveness, for example, scores on a standardized test. (See also Effect of the Intervention)

Outputs: The quantities of goods and services that an activity delivers to its beneficiaries.

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.



Introduction

I. Introduction

Guidance Objective and Audience

This guidance document is produced by the USAID Center for Education for USAID Missions and implementing partners. The guidance applies to all USAID assistance and acquisition awards aiming to improve educational outcomes through education-related interventions across the entire education continuum, from pre-primary to higher education, inclusive of interventions targeting youth¹.

This guidance aims to standardize reporting on costs of USAID-funded activities in the education sector across the USAID education portfolio. It outlines how to capture and report on expenditures and other essential inputs. This guidance builds on existing USAID systems of financial and performance reporting to avoid duplication or parallel reporting. It defines key terms, outlines the cost reporting principles, and provides guidelines for setting up cost reporting systems at an activity level. Templates and instructions for reporting on expenditure, contributions, and details of interventions are found in accompanying annexes, published as a separate document.

A systematic measurement of costs across the USAID education portfolio will allow USAID operating units (OUs) to routinely examine and use detailed cost data in planning, budgeting, and managing activities, as well as for transferring effective interventions to partner governments. A better understanding of the cost structure of USAID-funded interventions will help set realistic expectations and maximize limited resources to support education in partner countries. Accurate, detailed cost data are also a prerequisite for transferring successful interventions to partner governments for continued implementation. At the portfolio level, a routine cost data analysis will help DDI/EDU tease out trends and patterns associated with the most cost-effective interventions and include cost information as part of reporting to stakeholders.

What Is Cost?

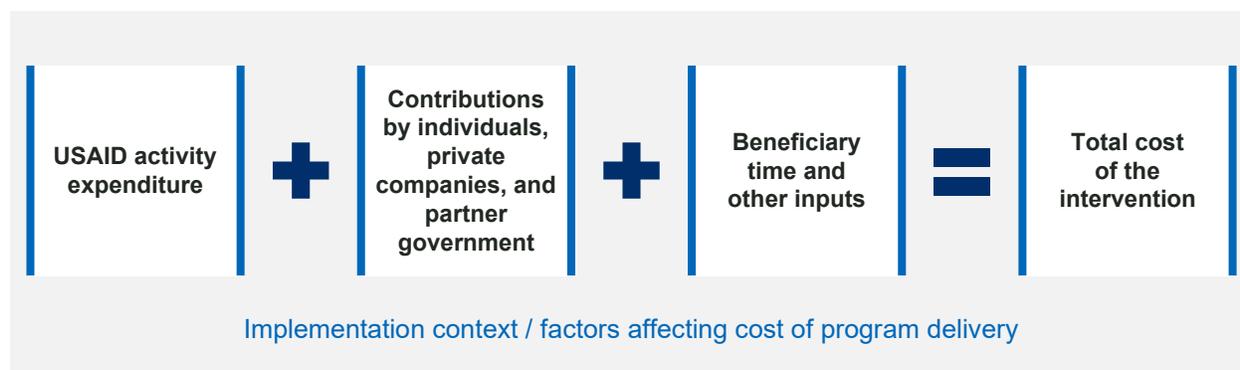
In everyday language use, the term “cost” is frequently used interchangeably with “price” (such as in “How much does it cost?”, when inquiring about a price of an item). In financial management language, “cost” is sometimes used interchangeably with “expenditure”. This guidance defines cost as **the 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. Activity cost data are comprised of three elements:

1. Activity expenditure;
2. Contributions of government and non-government partners, including individuals; and
3. Beneficiary time and other inputs

¹ “Educational outcomes” are defined in the 2018 USAID Education Policy.

Exhibit I 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. Additionally, data on implementation context and intervention details help accurately contextualize findings and inform their use.

Exhibit I. Intervention Cost Components



Why Measure Costs?

USAID’s investments in education focus on improving education systems to enable all children and youth to acquire the education and skills needed to be productive members of society². Central to this objective is an understanding of what works and how best to employ resources based on data and evidence. To ensure evidence-based programming and strong public-resource investment management, USAID needs better data on the effects of, and costs associated with, education interventions. While the number and quality of impact evaluations in the education sector have increased in recent years, their results would be more helpful if they had associated cost data for the evaluated interventions. Cost data is also necessary for planning and managing scale-up and transfer of effective interventions to partner governments.

At a fundamental level, the costs of specific components of common USAID-funded education interventions, such as educator training or the production of teaching and learning materials, are poorly understood. This is due to a lack of sufficiently detailed and categorized data on expenditures and external inputs. Routinely collecting such data to measure actual costs of education programming would allow USAID operating units to better understand the levels of investment needed to produce outputs and outcomes of interest and inform strategic decisions relating to education programming in specific contexts. An analysis of costs of USAID-funded education interventions is an essential part of improving accountability, transparency, and value for money of USAID education investments. Improved understanding of the cost structure of donor-funded interventions will also help set realistic expectations and help maximize limited resources allocated to supporting education in developing countries.

² USAID Education Policy, 2018, p. 4.

The objectives of the cost measurement initiative are to improve sustainability and overall value for money of USAID investments in the education sector through a better understanding of cost structures, cost-efficiency and cost-effectiveness of interventions (Exhibit 2):

1. **Sustainability:** ensure that effective interventions can be scaled and sustained by determining the cost of intervention components for transfer to partner governments.
2. **Value-for-money:** improve planning and management of USAID education investments by studying the cost-effectiveness of comparable interventions to identify the least costly models with the greatest impact on the outcomes of interest; improve intervention efficiency through identification of cost drivers; and inform intervention design, planning, and budgeting through a better understanding of intervention cost structures in different contexts.

Exhibit 2. Cost Measurement Objectives

<p>VALUE FOR MONEY </p> <p>We want to reach more people and achieve greater impact.</p> <p>Improved visibility into cost details of different intervention components helps USAID Missions and their partners plan, budget, and manage activities to identify the least costly activity models with the greatest impact on our key outcomes.</p>	<p>SUSTAINABILITY </p> <p>We want our investments to make a lasting impact.</p> <p>To sustain effective interventions, partner governments need to know the details of their implementation and what resources are required. Comprehensive cost reports alongside evaluation findings can provide this information.</p>
---	--

To accomplish these objectives, the USAID education sector must improve the comparability of cost data across its education programs. To do this, USAID is standardizing reporting of activity-related³ expenditure across implementing partners and how data on inputs from other sources are captured. Such standardization enables USAID Missions and USAID/Washington to conduct routine analyses⁴ of cost data, including associated context and intervention information as well as evaluation data,⁵ where available. The results of these analyses are used to inform our understanding of the current structure of expenditure across the USAID education portfolio, understand regional and program-related cost differences, establish relationships between levels of investment and results, and understand the role of such mediating factors as the amount of government and/or non-government support, among other things. The findings help inform dialogue with host country governments on scaling and sustaining education interventions. The findings can also be used internally for activity planning, budgeting and management by USAID Missions.

³ Throughout this document, the definition of “activity” follows ADS 201: “An activity carries out an intervention, or set of interventions, typically through a contract, grant, or agreement with another U.S. Government agency or with the partner country government.” (USAID ADS 201, p.138, 2016)

⁴ USAID’s Cost Data Analysis Toolkit for the Education Sector will be released in 2019.

⁵ USAID partners are encouraged to analyze their cost data to inform planning, budgeting, and management of their activities.



Fundamentals of Cost Reporting

2. Fundamentals of Cost Reporting

Activity-Based Costing (ABC)

This guidance uses a method called “activity-based costing”, or ABC, as the foundation for cost reporting on USAID education activities. ABC is a cost accounting method that helps estimate the total costs of an intervention, service, or product, including the direct costs of labor and materials and the indirect costs of support activities.⁶ Since its first introduction in 1980s, ABC has been recognized as a reliable method of estimating true costs of interventions, products and services.

In activity-based costing, an “activity” is any unit of work associated with a specific goal or objective for which it is performed. Expenditures can then be organized into pre-set categories associated with specific sectoral objectives. **These pre-set categories are called “cost categories” and represent a class of costs incurred to produce a particular kind of education output or outcome, such as trained educators.**

The use of the ABC method is appropriate since it builds on the existing practices of expenditure reporting by USAID implementing partners, which involves capturing staff time spent on tasks using timesheets and reporting to USAID Missions through financial reports and invoicing. Implementing partners are also familiar with principles of cost allocation to a specific objective which is commonly used in contractual reporting using contract line-item numbers (CLINs)⁷.

Cost Reporting Categories

This guidance introduces **13 standard cost reporting categories** that correspond to the most common objectives of USAID-funded activities in education and includes the fourteenth category “other”. These standard reporting categories, as listed below, are described in detail in Annex A of the guidance. These categories must be used as stated, without changing the wording of the categories.

Standard Cost Categories in USAID Education Programming

- | | |
|------------------|---|
| Cost category 1. | General operations, management, and reporting |
| Cost category 2. | Assessments and evaluations |
| Cost category 3. | Capacity strengthening of government systems |
| Cost category 4. | Capacity strengthening of local organizations |

⁶ Mitchel, R. Gregory. 2004, p. 137.

⁷ The established practices relating to the uniform use of line items, per Mandatory Reference for ADS Chapter 302, can be found in conflict with the cost reporting approach. This guidance recommends an approach to line items that complements cost reporting to avoid such potential conflict. For example, an approach when line items correspond to contract years or to implementation in different regions would complement the cost reporting approach and objectives, while line items relating to technical deliverables may overlap with reporting on standard cost reporting categories, creating a challenging reporting situation.

- Cost category 5. Pre-service educator training
- Cost category 6. In-service educator training
- Cost category 7. Teaching and learning materials
- Cost category 8. Safe, inclusive spaces and infrastructure
- Cost category 9. Parents and community engagement
- Cost category 10. Private sector engagement
- Cost category 11. Leadership development
- Cost category 12. Scholarships and cash transfers to individuals
- Cost category 13. Other

USAID implementing partners are expected to report on the breakdown of expenditure for each cost category using components referred to as “cost ingredients.” Cost ingredient categories are labor, materials, rent, travel, and other types of expenditure, as captured through the accounting system for the reporting period (Exhibit 3). While cost categories represent the objectives, or the “why” of expenditures, cost ingredients represent the “what” of the expenditures. Both are essential elements of cost reporting.

In reporting, it is recommended to use standard invoice line items, including associated overhead recovery. Labor costs of international staff are to be reported separately from locally hired labor and are to be captured in real time, using timesheets. When possible, detailed unit-level reporting is encouraged to allow for more accurate analysis and cost modeling.

USAID-funded education activities should select which cost categories to report on based on the activity scope of work. Activities should select those cost categories most closely aligned with their scope of work and report only on those.

While the overall cost categories are expected to be adopted by implementing partners without modifications, activities can use **cost sub-categories** for more nuanced reporting (Exhibit 4). Implementing partners should select activity-appropriate cost sub-categories through a consultative process with the USAID Mission, partner government, and, if applicable, the evaluation partner. Section 3 of this guidance illustrates how cost analysis questions help determine which sub-categories are needed to answer specific policy or research questions that the Mission, the government, or implementing partner may have.

Exhibit 3. Ingredient Categories in Cost Reporting

- Local labor
- International labor
- Fringe benefits
- Allowances
- Travel and transportation
- Equipment and supplies
- Other direct costs
- Indirect costs
- Other fees

Exhibit 4. Standard Cost Reporting Categories and Sub-Categories

#	Standard Category	Illustrative Sub-Categories
I	General operations, management, and reporting	<ul style="list-style-type: none"> a. Operations b. Management c. Reporting

#	Standard Category	Illustrative Sub-Categories
2	Assessments and evaluations	a. Assessments b. Evaluations c. Research and learning agendas
3	Capacity strengthening of government systems	a. Policy revision/development b. Capacity strengthening c. Improvement of systems
4	Capacity strengthening of local organizations	a. Policy revision/development b. Capacity strengthening c. Improvement of systems
5	Pre-service educator training	a. Intervention development (non-recurrent costs) b. Intervention implementation (recurrent costs)
6	In-service educator training	a. Intervention development (non-recurrent costs) b. Intervention implementation (recurrent costs)
7	Teaching and learning materials (TLM)	a. New TLM development and testing (non-recurrent costs) b. Production and distribution of TLMs (recurrent costs)
8	Safe, inclusive spaces and infrastructure	a. Safe and inclusive spaces b. Construction of education spaces c. Improvement of education spaces
9	Parents and community engagement	a. Intervention development (non-recurrent costs) b. Intervention implementation (recurrent costs)
10	Private sector engagement	a. Public-private partnership development b. Work-based learning
11	Leadership development	a. Individual leadership development b. Peer-to-peer education c. Youth networks
12	Scholarships and cash transfers to individuals	a. Scholarships b. Grants and cash transfers to individuals
13	Other	As appropriate

Determining which sub-categories to include in the cost reporting system must be driven chiefly by policy and sustainability questions. The following sections outline the main considerations for decision-making relating to the selection of sub-categories.

Sub-Categories for Policy or Research Questions

USAID Center for Education recommends isolating costs through sub-category codes when it helps to answer critical policy or research questions. The selection of sub-categories determines which cost analyses are possible once the data are collected and what questions can be answered.

Exhibit 5. Examples of Using Sub-Categories to Answer Policy Questions

Common Policy Questions	Sub-Categories to Add
The partner government partner wants to know the cost of producing books in a mother tongue compared to the development and production of books in English.	“Category 7 – TLMs” should include a sub-category for TLMs in the mother tongue and a separate sub-category for TLMs in English.
The Mission wants to know the cost-effectiveness of teacher coaching versus the cascade teacher training model, to establish the sustainability potential of coaching.	“Category 6 – In-service educator training” should include a sub-category for developing and/or implementing the coaching model, and a sub-category for developing and/or implementing a cascade educator training model.
The implementing partner wants to know the cost of building schools in remote versus accessible areas (addressing equity considerations).	“Category 8 – Safe, inclusive spaces and infrastructure” should include separate sub-categories for construction in remote areas and accessible areas

Sub-Categories for Scale and Sustainment Questions

The **development** and **implementation** sub-categories allow for the capture of upfront, non-recurring⁸ expenditures for designing different interventions (“development” costs), and expenditures incurred when implementing them on an ongoing basis, including any necessary adaptations (“implementation” costs). Separating development costs from implementation allows analysts to more accurately estimate the cost of scaling or sustaining interventions by partner governments after the end of the USAID-funded activity. **Activities that include a substantial⁹ development component in their scope of work should capture differences in expenditure between development and implementation through dedicated sub-categories.**

Exhibit 6 shows examples of when and how to divide a cost category into “development” and “implementation” sub-categories.

Exhibit 6. Examples of Applying Development and Implementation Sub-Categories

Cost Category	Examples of Tasks to Include in Development Sub-Category	Examples of Tasks to Include in Implementation Sub-Category
Category 6. In-Service Educator Training	Labor and other costs associated with designing educator training model, developing training materials	Labor and other costs associated with delivering training, all other recurrent costs. Includes ongoing improvement.
Category 7. Teaching and Learning Materials	Labor and other costs associated with developing curricula and materials, creation of instructional software	Production and distribution of books and materials; purchasing and distribution of instructional technology

⁸ Adaptation of the implementation approach or specific content is not considered to be “development.” For example, if a project is being gradually rolled out in multiple provinces, an adaptation of the strategy, materials, etc., may be necessary in each new province. Generally, such adaptation does not warrant creation of the “development” sub-category. Furthermore, projects are generally expected to routinely learn from their implementation process and adapt in response. Only substantial, non-recurring development activities should be captured under the “development” sub-category.

⁹ “Substantial” is defined here as exceeding 5 percent of the overall activity budget.

Cost Category	Examples of Tasks to Include in Development Sub-Category	Examples of Tasks to Include in Implementation Sub-Category
Category 9. Parents and Community Engagement	Labor and other costs associated with designing parent training approach	Labor and other costs associated with delivering training to parents

Adaptations, course corrections, and adjustments made during implementation as part of adaptive management of the project are considered a part of the implementation process and should be captured under the “implementation” sub-category.

Understanding USAID-Specific Costs

In addition to cost data disaggregation by different types of common education activity tasks, it is important to isolate costs of operations unique to USAID-funded programs. These costs include expenditure to set up and close out the activity, costs associated with USAID compliance and reporting, security, transportation, and rent. When estimating costs of the scale-up or sustainment of the intervention by host country governments, these costs should not be included since the country’s education system is likely to have those inputs already available. As such, they need to be captured separately, to be appropriately included or excluded at the analysis stage. These **USAID-specific** costs must be captured accurately in Category I: General operations, management, and reporting.

To enable USAID to more accurately estimate costs of operations in different contexts, implementing partners are encouraged to report cost data on the following sub-categories: a) operations, b) management, and c) reporting to USAID. It is important to only include management of the entire project in the “management” sub-category of Category I, such as labor and travel of the project director and the chief of party. Management labor for specific technical tasks should be captured under the relevant technical cost categories. See Annex A for definitions and guidance on reporting.

Capturing Inputs from Other Sources

USAID education activities are typically designed to leverage the inputs of existing institutions and infrastructure (Exhibit 7). For example, basic education activities are frequently implemented with teachers on the government payroll, teaching in the existing school buildings, and are supported by the administrators and information systems already in place. Similarly, many youth workforce development activities work with existing vocational training institutes, and all higher education activities work with pre-existing higher education institutions. It is important to distinguish the systems that are already in place from the interventions or other inputs that USAID-funded activities introduce. Additionally, substantial contributions from communities and the private sector, such as volunteer labor, donated spaces or equipment, must be accounted for when considering the overall costs of the activity.

Exhibit 7. Fixed system costs versus marginal costs incurred by USAID

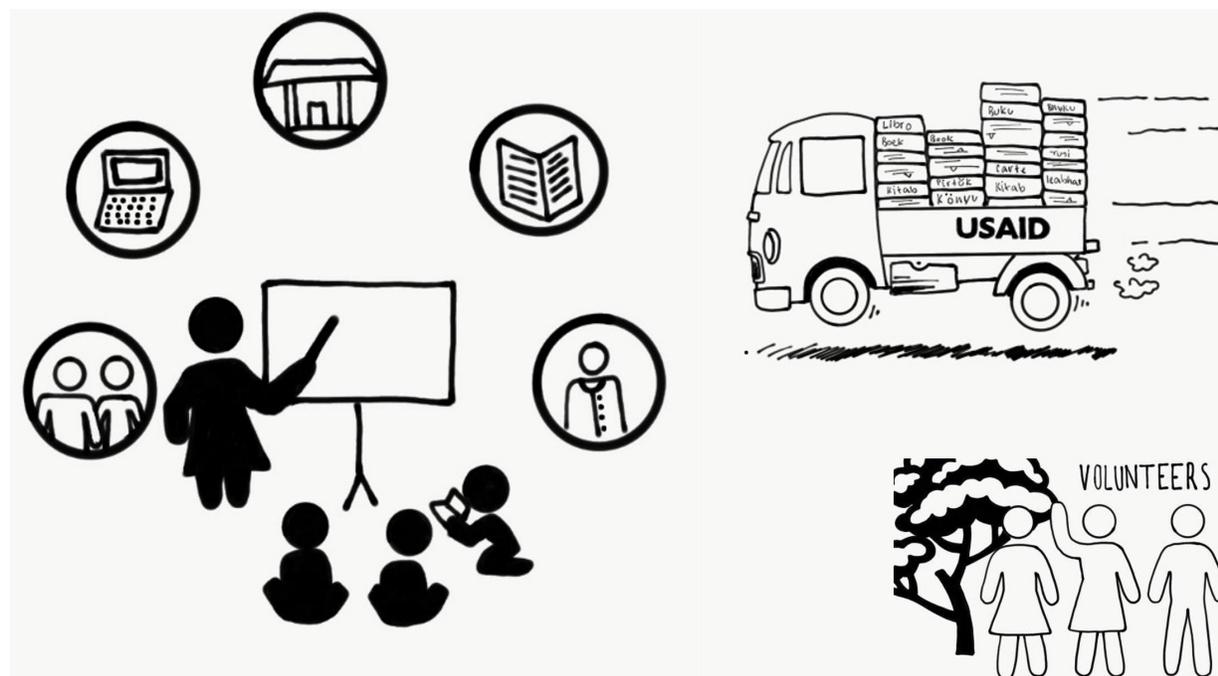


Image credit: Eimear de Bhaile

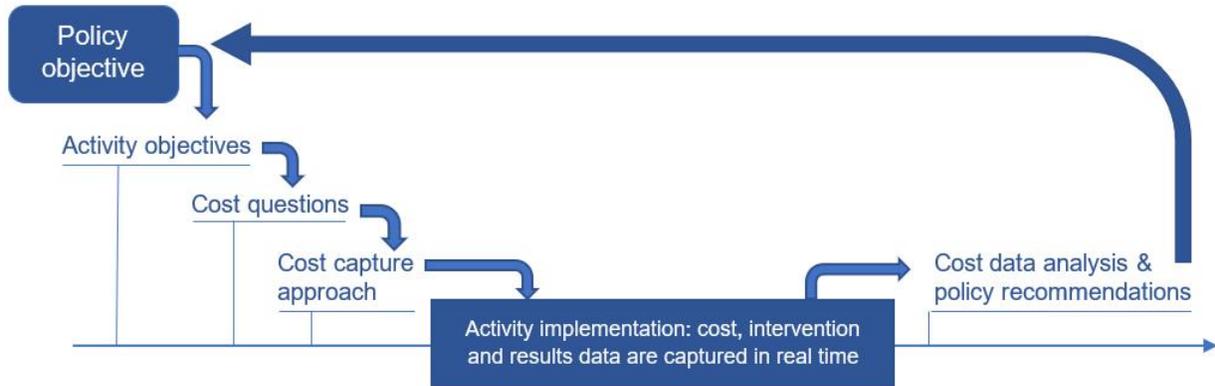
USAID-funded activities operate within the context of the country education system, building on existing infrastructure and human resources. In estimating costs of sustaining USAID-funded interventions, the costs of the existing system (on the left) should not be included. Only new costs of USAID-funded interventions and leveraged contributions (on the right) should be included.

While costing out the existing local education system is outside the scope of the cost measurement objectives, to the extent practical, it is important to capture information about essential activity inputs that were not paid for by USAID but were critical in achieving the results. This information helps improve estimates of the total costs of outputs and outcomes of the intervention and inform intervention scale-up, replication in a different context or with different beneficiaries, or transfer of the intervention to the partner government for continued implementation after the end of the USAID-funded activity.

Collecting Cost Data in Real Time

Due to the complexity and duration of USAID-funded education activities, it is impractical to rely on recall when estimating costs of different activity components or interventions. Therefore, it is really important to set up cost data collection early in activity implementation and collect cost data in real time. Exhibit 8 illustrates how the cost capture approach (i.e., which cost categories and sub-categories to use) is informed by cost analysis questions and activity objectives.

Exhibit 8. Cost Measurement Process



The activity objectives may evolve over time, and new cost questions can emerge. The cost reporting approach should be adjusted in response to the changes in activity objectives. For example, new categories can be added if the activity adds a new component, or removed if the activity has completed a component and no new expenditures are expected.



Setting up Cost Reporting

3. Setting up Cost Reporting

Selecting Cost Reporting Categories

It is important to consult with key stakeholders during an activity startup phase when deciding which cost categories and sub-categories should be included in the activity accounting system. Stakeholders who might be using the results of cost analyses should be included in consultations. These stakeholders are likely to include USAID, partner government, and the evaluator engaged with the activity. The steps below illustrate this process of selecting cost reporting categories.

Step 1. Select cost categories. Compare the activity statement of work/program description with standard cost categories and select the most appropriate categories that best match the objectives of the activity. “Category 1. General operations, management and reporting” is required for all activities.

Step 2. Determine which categories will need sub-categories. A selection of sub-categories may be warranted if important policy or research questions can only be answered by using data from such sub-categories or if significant expenditures are anticipated on the development of interventions, as discussed above. This step requires consultation with stakeholders, to discuss potential cost analysis questions that may be useful for advancing the policy agenda or laying the groundwork for sustaining specific interventions developed by the activity. Sometimes the cost-effectiveness of different intervention models is a key policy and/or sustainability question. In those cases, the relevant cost sub-categories will be needed to collect cost data separately for different intervention models. For example, if the activity is implementing different models of entrepreneurship training and the evaluation is designed to compare the results, collecting cost data on each model is necessary to enable cost-effectiveness comparisons of these different models. Activities selected for external impact evaluations are expected to collaborate with the evaluation partner to establish which categories and sub-categories are necessary to include in cost reporting to answer evaluation questions.

Step 3. Prepare the activity Cost Reporting Manual. During the start-up, the implementing partner is responsible for documenting cost reporting categories and sub-categories in a cost reporting manual¹⁰. A description of tasks under each cost reporting category will enable staff and sub-contractors to correctly categorize and bill their time. The Manual should be updated as needed if there are changes to the activity’s scope of work and corresponding changes in the cost reporting.

Step 4. Train staff on cost reporting. When training staff on cost reporting, the essential principle of assigning a unit of work to a cost category is the question “why”: Why was this equipment purchased? Why was that trip conducted? Why was that person hired? The answer to the “why” question is essential since the same unit of work can be assigned to different categories. For example, if a laptop was purchased for the Chief of Party, this expenditure should be billed under Category 1. General operations, management and reporting. If a consultant was hired to support an early grade reading assessment, the labor and associated costs of this consultant should be captured

¹⁰ Cost reporting manual template can be downloaded from the [USAID Education Cost Measurement website](#).

under Category 2. Assessments and evaluations. If an M&E specialist conducted classroom observations to collect data on teacher practices in order to inform the development of a coaching approach, the labor and travel should be captured under Category 6. In-service education training, the “development” sub-category, rather than Category 1 or Category 2. The answer to the question “why” helps determine the appropriate cost category for this specific expenditure.

Exhibit 9 shows an example of cost reporting for an early-grade reading activity. The first column shows which categories were selected for cost reporting. The selection of sub-categories in the second column shows the activity working in two different languages and the decision to capture costs of development and production of materials in each language. It also shows the breakdown of expenditure reporting for policy work and for strengthening data systems work under “Category 3. Capacity strengthening of government systems.”

Exhibit 9. Illustrative Code Structure for an Early Grade Reading Activity

Components of an EGR Activity	Accounting Code
(Category 1) General operations, management, and reporting	Operations: XXXX.XX.01.001 General management: XXXX.XX.01.002 Reporting: XXXX.XX.01.003
(Category 2) Assessment and evaluations	XXXX.XX.02.000
(Category 3) Capacity strengthening of government systems	Policy: XXXX.XX.03.001 Data systems: XXXX.XX.03.002
(Category 6) In-service educator training	Development: XXXX.XX.04.001 Implementation: XXXX.XX.04.002
(Category 7) Teaching and learning materials	Development of TLMs in Language 1: XXXX.XX.05.001 Development of TLMs in Language 2: XXXX.XX.05.001 Production/distribution of TLMs in Language 1: XXXX.XX.05.003 Production/distribution of TLMs in Language 2: XXXX.XX.05.004
(Category 9) Parents/Community engagement	Development: XXXX.XX.06.001 Implementation: XXXX.XX.06.002

It is reasonable to anticipate that some staff might work on more than one activity component. Activity staff should record their time on a timesheet according to the tasks that they spent time on. Any staff member who splits their time across all categories most likely should bill their time to “Category 1 – General operations, management, and reporting.” The detailed description of each category in Annex A should help clarify how to allocate expenditure across reporting categories.

Cost reports submitted by the activity should reflect both cost categories and cost ingredient categories (Exhibit 10). More detailed information on actual cost ingredients within a specific reporting period, such as the number of labor hours by specific staff positions, description of equipment, or specifics of travel, would allow for a much more precise cost analysis.

Exhibit 10. Illustrative Cost Report for a Youth Activity

	Category 1: Operations, Management and reporting			Category 2: Assessments and evaluations	Category 4: Capacity strengthening of local org-s		Category 8: Safe, inclusive spaces and infrastructure		Category 10: Private sector engagement	TOTAL
	1.1. Operations	1.2. Management	1.3. Reporting	n/a	4.1. Development	4.2. Implementation	8.1. Safety and Inclusion	8.2 Infrastructure	n/a	
Local Personnel	\$243,095	\$78,801	\$63,698	\$102,937	\$155,969	\$18,638	\$151,314	\$3,548	\$3,817	\$821,817
International Personnel	\$96,312	\$276,930	\$15,962	\$35,375	\$58,104	\$5,208	\$37,355	\$1,126	\$0	\$526,372
Fringe Benefits	\$95,034	\$99,605	\$22,305	\$38,727	\$59,940	\$6,677	\$52,827	\$1,309	\$1,069	\$377,493
International travel	\$0	\$98,865	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$98,865
Local travel	\$19,312	\$152,032	\$23,785	\$3,623	\$0	\$0	\$40	\$0	\$60,168	\$258,960
Equipment and supplies	\$8,208	\$33,187	\$6,172	\$107	\$56,470	\$65,307	\$74,572	\$55,303	\$6,685	\$306,010
Subrecipients	\$0	\$0	\$0	\$177,885	\$0	\$0	\$0	\$0	\$883,738	\$1,061,623
Other direct	\$78,396	\$82,347	\$24,618	\$14,597	\$7,199	\$1,696	\$33,983	\$418	\$2,386	\$245,639
Total Direct	\$540,356	\$821,767	\$156,539	\$373,251	\$337,682	\$97,527	\$350,091	\$61,704	\$957,862	\$3,696,778
Indirect	\$266,268	\$307,709	\$66,520	\$76,196	\$92,858	\$26,004	\$111,826	\$21,446	\$231,009	\$1,199,836
TOTAL	\$806,624	\$1,129,476	\$223,059	\$449,447	\$430,539	\$123,531	\$461,917	\$83,150	\$1,188,871	\$4,896,614

Sub-Contractor Cost Reporting

Many USAID-funded education activities are implemented by multiple partners, including local partners.

- In cases where two or more large international NGOs (iNGO) partner on a single activity and each partner is involved in implementing a range of tasks corresponding to different cost categories, each partner is required to report on costs using the same agreed-upon cost categories and sub-categories.
- When a large iNGO sub-contracts to a local NGO for a specific task, the entirety of the expenditure of the subcontractor can be categorized using the appropriate cost category. For example, if the iNGO has engaged a local partner to support parent intervention, then the entirety of the local partner expenditure can be billed to “Category 9. Parents/community engagement.” Disaggregation of costs by ingredient categories (e.g., labor, travel) is required.
- Ensuring accurate cost reporting by sub-contractors and sub-awardees is the responsibility of the prime award holder. In cases when a local partner supports the implementation of multiple components of the activity, the prime should provide necessary support and assistance to ensure correct reporting.

The entirety of USAID funding must be accounted for in cost reporting.

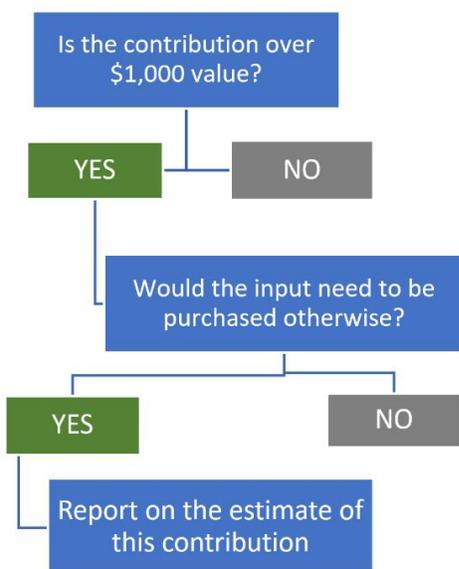
Reporting on Inputs from Other Sources

In addition to routine reporting on the amount and structure of expenditure in each category selected by the activity as appropriate for their scope of work, activities are required to report **estimates**¹¹ of **substantial** and **activity-critical** contributions by host government and non-governmental actors. Estimates of partner government contributions include partner government staff time dedicated to the USAID activity, partner government facilities used by the USAID activity, and materials and other in-kind

¹¹ Estimates can be derived from a variety of sources, including verbal and written communication by authorized representatives of the partner government, documentation and written communication by authorized representatives of NGOs and private entities, activity documentation, etc. No verification of the partner government contribution is required solely for the purpose of cost reporting.

donations. Estimates of non-government, corporate, and individual contributions may include time volunteered by individuals, NGO or corporate donations (labor, monetary, or in-kind).

Exhibit 11. Reporting on Contributions: Decision Tree



Only those contributions that are necessary for delivering activity objectives and that would otherwise have to be purchased must be reported.

“Substantial” refers to the amount of the contribution, which may differ depending on the size of the activity. “Activity-critical” refers to the importance of the contribution in achieving the activity’s goals (Exhibit 11). See Annex B for detailed guidance on determining whether a contribution is substantial and activity critical.

The main objective of collecting data on contributions is to produce estimates of the total costs of USAID-funded education interventions, inclusive of USAID and non-USAID funding. These estimates are critical for scale-up, replication, or transfer of effective interventions to the partner government, as well as overall learning.

The estimates of the partner government and non-government contributions can be reported in non-monetary terms, per templates in Annex B. Partners are

not responsible for monetizing the reported inputs. See Annex B for detailed guidance.

Reporting on contributions of third parties should be based on written communication with contributors and existing documentation, and it is not expected to be precise, validated by partner staff, or monitored using USAID’s resources. Partners are not expected to engage in any verification activities to establish the accuracy of contributions reported by third parties. Reporting on contributions of others is understood to be an estimate and will not be subject to an audit.

Reporting on Details of Interventions

Every cost analysis requires associated data on details of the delivered intervention and the outputs and outcomes produced, as well as the intervention dosage, which is the amount of services or products received per beneficiary. USAID’s standard indicators typically do not capture such details with sufficient granularity to enable unit cost computations and other analyses outlined in the Introduction section of this guidance. Therefore, a key component of cost data collection is data on the implementation details. This includes information on beneficiary-level dosage of core intervention activities and products, outputs by cost category, and beneficiary-level outcomes, if available. During the analysis, cost data will be matched with dosage and counts of outputs or outcomes. Analysts will need information about geographic areas, types of beneficiaries, time period, and intervention dosage to accurately present the findings of cost analysis and make sure they are used correctly.

Exhibit 12 shows what intervention details should be reported as part of cost reporting, corresponding to standard indicators commonly used by education activities.

Exhibit 12. Details of intervention to report on, associated with standard foreign assistance indicators

Education Level	Details of Intervention to Report On
Basic Education (including pre-primary)	<ul style="list-style-type: none"> • Amount of instruction as specified in the curriculum.¹² Per week. Details: grade, language, type (formal, non-formal), location (urban/rural), disability¹³, public/non-state, crisis and conflict. • Number of hours of professional development (PD) received by educators in a reporting period. Details: grade, subject, format of PD (group, individual). Additional disaggregation by content of training is warranted if the same educators receive training in multiple content areas (e.g., separate training activities in reading instruction and in conflict sensitivity). • Number of teaching and learning materials (TLM) beneficiaries received in a reporting period, per beneficiary. Details: beneficiary type (educator, student), type of TLM (e.g., textbook, book, workbook, teaching guide), grade, subject, language. • Description of education spaces built or repaired. Details: region, level (primary, secondary), crisis and conflict. • Number of hours of training received by parents/community members in a reporting period. Details: content of training, format, local (urban/rural), crisis and conflict.
Youth	<ul style="list-style-type: none"> • Number of hours of professional development (PD) received by educators in a reporting period. Details: content, location (urban/rural) format of PD (group, individual), type (formal/non-formal), conflict and crisis. • Number of youth person-hours in training, including internships, with support from the activity. Details: content of training, region, type (formal, non-formal), location (urban/rural), disability¹⁴, public/non-state, conflict and crisis. • Number of person-hours in individual leadership training with the support from the activity. Details: content of training, region, type (formal, non-formal), location (urban/rural), disability¹⁵, public/non-state, conflict and crisis. • Number of teaching and learning materials (TLM) beneficiaries received in a reporting period, per beneficiary. Details: beneficiary type (educator, student), type of TLM (e.g., textbook, book, workbook, teaching guide), grade, subject, language. • Description of education spaces built or repaired, or spaces with improved safety and inclusion. Details: region, level (primary, secondary), crisis and conflict.
Higher Education	<ul style="list-style-type: none"> • Description of the intervention to strengthen institutional capacity and performance. • Number of hours of professional development (PD) received by educators in a reporting period. Details: grade, subject, format of PD (group, individual). Additional disaggregation by content of training is warranted if the same educators receive training in multiple content areas (e.g., separate training activities in reading instruction and in conflict sensitivity). • Description of education spaces built or repaired, or spaces with improved safety and inclusion. Details: region, level (primary, secondary), crisis and conflict.

If the activity reports on custom indicators that are central to its performance management, those should also be included in the reporting on details of the intervention. Illustrative worksheets for reporting on details of the intervention are included in Annex C. **Reporting on details of**

¹² Only intended instructional time is to be reported; partners are not required to monitor the actual adherence to the curriculum by educators.

¹³ If applicable.

¹⁴ If applicable.

¹⁵ If applicable.

intervention must be aligned with cost reporting to allow for unit cost computation. For example, if the activity is developing and producing teaching and learning materials in two languages and is reporting the expenditure associated with developing and producing materials in each language, then the associated output data should be reported for two languages separately.

Cost analysts will collect information on outcomes from the associated evaluation reports.



SUMMARY: KEY PRINCIPLES OF COST REPORTING

1. The main cost categories cannot be re-named or collapsed.
2. All activities must include the first expenditure category (“General operations, management, and reporting”) in their cost reporting. Other categories should be selected based on the activity’s scope of work.
3. The entirety of the activity expenditure must be reported.
4. Both expenditure amount and ingredients must be reported for each cost category. Ingredients include international and local salaries and wages, equipment and supplies, rent, travel and per diem, participant costs, and indirect costs.
5. Costs of management and technical assistance that support specific technical work must be reported in the corresponding technical cost category, not Category 1.
6. Selection of sub-categories should be informed by evaluation questions and specific policy or sustainability objectives.
7. If the activity is developing a new intervention or materials, relevant expenditure must be reported in a dedicated “development” sub-category.
8. The final list of categories must balance the desire for precision with the need to reduce burden of using too many different categories and sub-categories.
9. Estimates of contributions of the government and private actors must be documented and reported.
10. Details of intervention and associated outputs must be reported concurrently with cost and align with cost categories, when possible.

Submitting Cost Reports

All cost data along with associated M&E data will be housed by USAID’s Development Data Library (DDL). The timeline and schedule for submitting cost data by implementing partners to the A/CORs and DDL will be set by the terms of the implementing mechanism (e.g. contract, agreement).

All cost data submitted to the DDL should include the following:

- A Risk-Utility Assessment Tab
 - Proposed Access Level: “Non-Public”

- A Data Detail Tab

- Keywords: “Education,” “Cost,” and, as applicable, “Quarterly Financial Report,” “Annex A,” “Annex B,” “Annex C,” and/or “Cost Reporting Manual”
- Sector: “Basic Education” or “Higher Education” (as applicable)
- Program code: Basic Education – 184:020 / Higher Education – 184:021 (as applicable)

Quarterly submission is recommended for all contracts, to align this reporting with the standard financial reporting. A/CORs are responsible for verifying that each cost report contains the following:

1. Expenditure by cost category and ingredient category for the reporting period (with expenditures on international and local labor reported separately);
2. Information on government and non-government contributions to the activity, by cost category, following templates; and
3. Details of the intervention and data on outputs for the reporting period.

Reporting on expenditure should follow the standard USAID financial reporting template. The templates and instructions for reporting on contributions and details of the intervention are provided in the annexes to this guidance.

During the startup phase of the activity, the awardee should develop a cost reporting manual that documents roles and responsibilities for cost reporting as well as provides guidance to partner staff on how to record their time correctly. The manual should be submitted to the A/COR and updated annually or more frequently to reflect any significant changes in staffing or roles.

USAID A/CORs should periodically review cost data submissions, including invoices, for accuracy of cost reporting. Cost reporting manual submitted by the partner can be used to help with data review.

Additional guidance on how to submit cost reports in the Development Information Solution (DIS) database will be provided once DIS is operational in all USAID Operating Units.



Data Analysis and Use

4. Data Analysis and Use

To accomplish the objectives of cost measurement stated in the opening section of the guidance, the USAID Center for Education conducts routine analyses of reported cost data at activity, region, and portfolio levels, and supports Missions with targeted cost analyses of their activities. The Cost Analysis Guidance for USAID-Funded Education Activities (2021) describes analytical techniques for different cost analyses, types of questions that can be answered using cost data, and recommended approaches to resolving common cost analysis challenges.

The Cost Analysis Guidance for USAID-Funded Education Activities (2021) also outlines what questions cost analyses can help answer and how to use cost data for decision-making. How results are used is as important as how they are created; misapplication of the results can undermine the usefulness of cost analyses. Cost analysis is not intended to determine which intervention is “the best” or which implementer provides the best value-for-money, nor should the results be used to inform a proposal evaluation. Caution should be used when trying to generalize findings or assume that findings can be easily and successfully translated from one context to another or from one intervention to another. **The primary value of cost analysis is in uncovering which characteristics of interventions and their contexts 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 provides valuable information in determining the overall value-for-money of the investment.

USAID Center for Education analyzes cost and ingredient data along with the data on external contributions and reported dosage and outputs. In cases where rigorous evaluation data are available, cost data are used to link costs of the intervention to outcomes of interest to enable cost per outcome calculations. The results of data analyses are always interpreted within the context of their implementation to guard against the misinterpretation of observed cost differences. The results are provided back to Missions for their use in conversations with the partner government regarding planning for scale-up and sustainment of effective interventions. The results are also used internally by USAID for activity design, planning, and internal government cost estimates, as well as for other purposes. Summaries of findings¹⁶ may be disseminated externally for sustainability, accountability, and learning purposes.

¹⁶ In cases where summaries of cost data analysis are published, USAID ensures the confidentiality of financial information of individual implementing partners, and will only report aggregate summaries. See, for example, Report: Cost of Teaching and Learning Materials, 2021.

Bibliography

- Department for International Development. (2011). *DFID's Approach to Value for Money (VfM)*.
- Dhaliwal, Iqbal, Esther Duflo, Rachel Glennerster, and Caitlin Tulloch. (2013). "Comparative Cost-Effectiveness Analysis to Inform Policy in Developing Countries." In *Education Policy in Developing Countries*, edited by Paul Glewwe. University of Chicago Press.
- Evans, David, and Anna Popova. (2014). *Cost-Effectiveness Measurement in Development: Accounting for Local Costs and Noisy Impacts*. Policy Research Working Paper 7027. The World Bank Group.
- Levin, Henry, M. (1995). "Cost-Effectiveness Analysis." In *International Encyclopedia of Economics of Education*, 2: ed, Ed. By Martin Carnoy; Oxford: Pergamon; pp 381- 386.
- Levin, Henry, M., and Patrick J. McEwan. (2001). *Cost-Effectiveness Analysis: Methods and Applications*. Vol. 21. Thousand Oaks, CA: Sage.
- McEwan, Patrick J. (2012). "Cost-Effectiveness Analysis of Education and Health Interventions in Developing Countries." *Journal of Development Effectiveness* 4 (2): 189–213.
Doi:10.1080/19439342.2011.649044.
- . 2014. *Improving Learning in Primary Schools of Developing Countries: A Meta-Analysis of Randomized Experiments*.
- Mitchel, R. Gregory. 2004. *Cost Analysis and Activity-Based Costing for Government*. The Government Finance Officers Association of the United States and Canada.
- Report: Cost of Teaching and Learning Materials, 2021. <https://www.edu-links.org/sites/default/files/media/file/DEEP-Cost-of-Teaching-and-Learning-Materials-report-Final-508.pdf>
- USAID Education Policy. 2018. Washington, DC: United States Agency for International Development. https://www.usaid.gov/sites/default/files/documents/1865/2018_Education_Policy_FINAL_WEB.pdf
- Walls, Elena, Caitlin Tulloch, and Christine Harris-Van Keuren. 2021. *Cost Analysis Guidance for USAID-Funded Education Activities, second edition*. Washington, DC: United States Agency for International Development. <https://www.edu-links.org/resources/usaid-cost-measurement>