



Ingredients Costing

An Operations Perspective

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The Ingredients Costing Method—Rationale

- The ingredients costing method is based on the idea that every program uses ingredients with identifiable costs.
- Key ingredients and costs are identified, and a cost per unit of effectiveness can be calculated.
- For example,
 - Program X resulted in 2 million children with improved reading skills
 - Program X cost \$60 million
 - Cost-effective ratio is \$30 per child, with a defined level of reading improvement
- The U.S. Agency for International Development (USAID) is interested in comparing the costs for different ingredients and interventions.
 - What phase of an early grade reading (EGR) program is most expensive and why?

What Are the Ingredients of an EGR Program?

- There are three broad cost categories of interest: management, development, and implementation
- The overarching cost template is as follows:

Management
Development
Implementation
Training (teachers)
Training (non- teachers)
Coaching
Monitoring and Evaluation
Community Mobilization
Systems and Policy
Other

Contractual Requirements and How to Track Ingredients

C.7 EGR Program Monitoring and Evaluation

The contractor is also required to comply with the following cost data collection and reporting parameters:

- **The contractor should use the ingredients costing method to document the costs of the intervention and clearly document what is included in the cost calculation.**
- Ways to track costs by ingredient are as follows:
 - Project codes
 - Precise coding in QuickBooks and manual work
- Challenge with a misalignment between CLINs and ingredients

CLIN Structure for the Nepal EGR Program

	CLIN
A	Personnel/direct labor
B	Fringe benefits/allowances
C	Travel
D	Equipment
E	Supplies
F	Materials and printing distribution
G	Contractual: Other
H	Other direct costs
I	Total direct costs
J	Fee/profit
K	Grants under contract programs
L	Indirect costs

Determining the Charge Code Structure for Nepal

- **Management**
- **Development**
- **Implementation**
 - Materials printing and distribution
 - Training
 - Coaching
 - Community and parental engagement
 - Assessment
 - Policy systems
 - Grants

Determining the Charge Code Structure for Nepal (contd.)

- **Management**
- **Development**
 - L1
 - L2
 - MT 1
 - MT 2
 - MT 3
- **Implementation**
 - Materials printing and distribution
 - Training
 - L1
 - L2
 - MT 1
 - MT 2
 - MT 3
 - Coaching
 - L1
 - L2
 - MT 1
 - MT 2
 - MT 3
 - Community and parental engagement
 - M&E
 - Operations
 - Assessments
 - Policy Systems
 - Grants
 - Standardization
 - Community
 - School improvement

New Project Charge Codes

Management
Development
L1: Materials development
L2: Materials development
MT1: Materials development
MT2: Materials development
MT3: Materials development
Implementation
Materials printing and distribution
Training
Coaching
Community & parental engagement
Assessment (EGRA)
Policy Systems
Grants

Conclusion

- Implementers hoping to use the ingredients costing method should budget by ingredients.
- CLINs and ingredients must match. We suggest more flexibility than traditional CLINs to account for ingredients.
- It is important to keep your charge code structure simple (no more than 10 codes).
- The charge code structure and the rationale behind it should be explained, and concise guidance should be provided.
- The charge codes should be included on all project documents.

More Information

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