

# Resources to Encourage Costing and Cost-Effectiveness Analysis

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# WHAT CONDUCT COST ANALYSIS?

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- In environment of limited resources, need information about what programs provide most effect per dollar spent
- Provides useful information for scaling or replicating
  - Important to know what effective programs cost
  - Detailed cost data enables sensitivity analysis

# WHY IS COSTING DIFFICULT?

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- Program budgets likely insufficient to estimate costs
- Complete costing requires collecting information from multiple sources
  - Academic papers or program reports for description of program structure, ingredients, and local conditions like household income
  - Interview researchers and implementers for additional program components and costs
  - Supplement with public sources (e.g. local wages, transportation costs, etc.)

# CIFF-J-PAL CEA TOOLKIT

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- Landscaping study in 2012 identified key barriers:
  - Lack of data (cost and impact)
  - Limited staff capacity to collect data and conduct analysis (time constraints and know-how)
  - Lack of decision points to inform

# CIFF-J-PAL CEA TOOLKIT CONTENTS

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- I. Cost-Effectiveness Analysis of Early Learning Investments at CIFF
- II. Approach to Cost-Effectiveness Analysis Throughout the Investment Life Cycle
- III. Lessons Learned and Remaining Challenges
- Appendices
  - 1: Costing Guidelines
  - 2: Assessing the Quality and Relevance of Impact Estimates
  - 3: Sensitivity Analysis
  - 4: Guidance for Interpreting Cost-Effectiveness in Investment Memos

# I. COST-EFFECTIVENESS ANALYSIS

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$$CE \text{ Ratio} = \frac{\textit{Impact of Program on Specific Outcome}}{\textit{Total Cost of Implementing Program}}$$

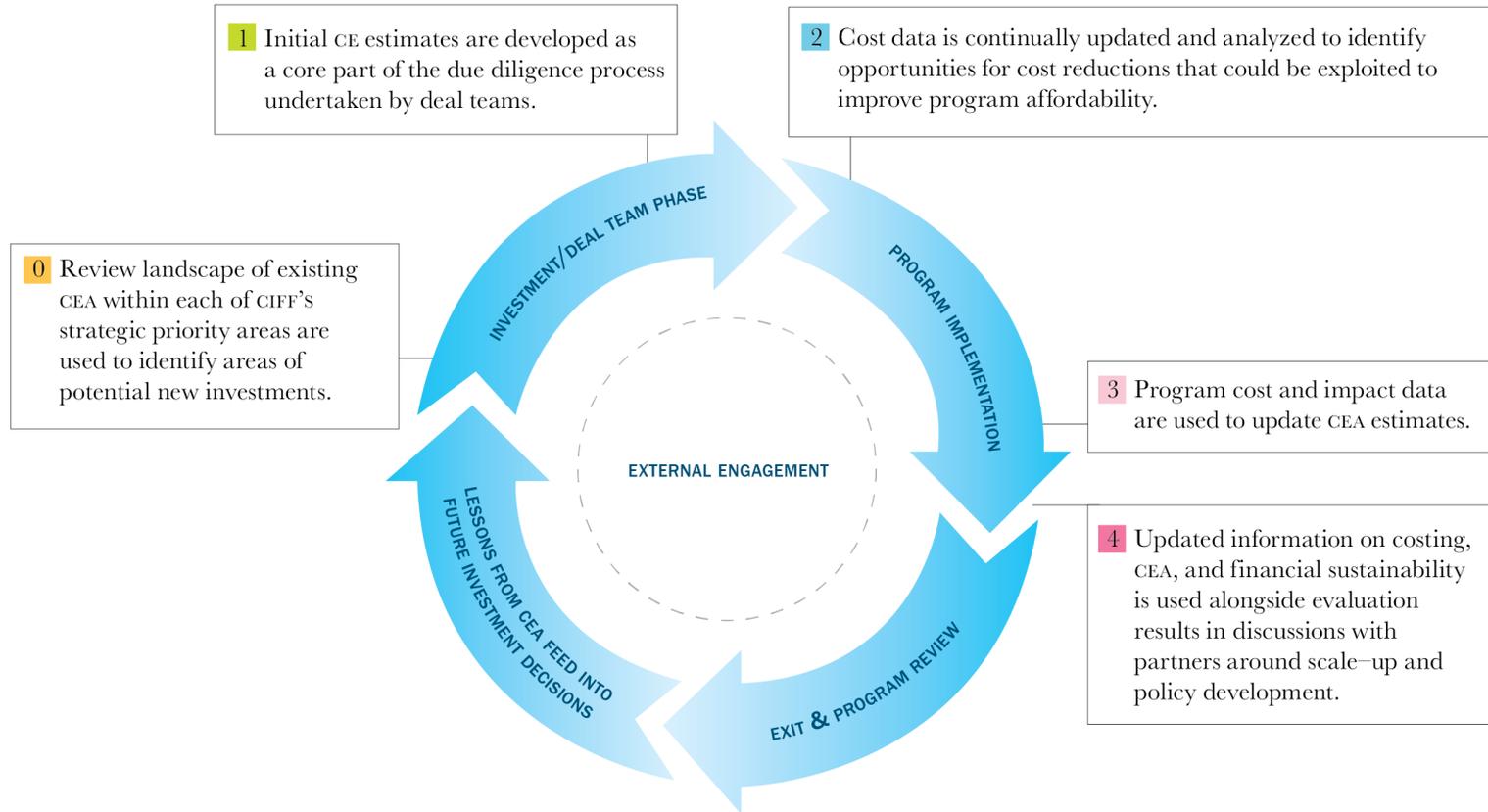
- Summarizes a complex program in terms of a simple ratio of costs to impacts
- Allows for comparison between different programs evaluated in different contexts across different timeframes
- Sensitivity analysis to understand how the cost-effectiveness of a program might vary with context

# II. APPROACH TO CEA THROUGHOUT PROGRAM LIFE CYCLE

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- Retrospective analysis programs
  - Exactly how cost-effective was my program?
- Prospective analysis of programs
  - Roughly how cost-effective could this proposed program be, at pilot or at scale?
  - How big an impact must this achieve to meet our threshold?

# II. APPROACH TO CEA THROUGHOUT PROGRAM LIFE CYCLE



# ADDITIONAL RESOURCES FOR COSTING AND CEA

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1. Costing Guidelines
2. Assessing the Quality and Relevance of Impact Estimates
3. Conducting Sensitivity Analysis
4. Guidance for Interpreting Cost-Effectiveness in Investment Memos

# ADDITIONAL RESOURCES FOR COSTING AND CEA

## Comparative Cost-Effectiveness Analysis to Inform Policy in Developing Countries: A General Framework with Applications for Education

Iqbal Dhaliwal, Esther Duflo, Rachel Glennerster, Caitlin Tulloch<sup>1</sup>  
Abdul Latif Jameel Poverty Action Lab (J-PAL), MIT

<http://www.povertyactionlab.org/publication/cost-effectiveness>

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