



In Practice

A Standardized Approach to Estimating the Cost of Economic Inclusion Programs

**Sarang Chaudhary, Hugo Brousset Chaman,
and Jenny Swatton**



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1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

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About the *In Practice* Series

The Partnership for Economic Inclusion introduces the *In Practice* series featuring accessible, practitioner-focused publications that highlight learning, good practice, and emerging innovations for scaling up economic inclusion programs.

Guide to Navigation

The *In Practice* series is interactive and provides built-in technical features to assist readers as they progress, including a navigation bar, progress bar, and the ability to jump to endnotes and back to the text throughout.

Chapter navigation



The navigation bar at the top of each page allows easy navigation with a simple click.

Progress bar

This bar orients readers to their progress in each chapter and through the document.

Jump notes¹

Endnotes throughout the text are interlinked to allow easy navigation from notes and the main text.

Abbreviations

CCT	conditional cash transfer
CRM	customer relationship management
EI	economic inclusion
FAO	Food and Agriculture Organization
FONCODES	Cooperation Fund for Social Development, Peru
INADEH	National Institute of Vocational Training and Training for Human Development, Panama
M&E	monitoring and evaluation
MIDES	Ministry of Social Development of Panama
MIDIS	Ministry of Development and Social Inclusion, Peru
NGOS	nongovernmental organizations
PEI	Partnership for Economic Inclusion
PPP	purchasing power parity
VSL	village savings and loan

Introduction


Economic inclusion (EI) programs have become a key feature of national social protection systems globally, with many actors scaling up and adapting approaches to match local contexts and reach different population groups (box 1). A large and growing body of evidence suggests that EI programming can increase the incomes and resilience of people living in extreme poverty (Banerjee et al. 2015; Andrews et al. 2021; Bossuroy et al. 2022). As a result, there is strong operational demand to better understand the cost drivers, cost-effectiveness, and sustainability of EI programs, including how these interventions interact with other services targeting the poor.

Impact evaluations, process evaluations, and other performance management approaches have been a common feature of development and social protection programs for decades. There is now growing recognition of the relevance of cost analysis, cost-effectiveness analysis, and other forms of economic evaluation alongside measurements of programs performance to inform evidence-based policy and programming decisions.

The unique design and institutional characteristics of EI programs makes costing them both more challenging and more important than it is for traditional safety net programs. Cost analysis of these programs can provide valuable information for designing, planning, and evaluating programs. It can also be used to advocate for a shift in priorities and resource allocation. Without a robust understanding of the drivers of program costs, policymakers lack the information required to make decisions about which interventions to pursue, replicate, or scale up.

Box 1 What is EI programming?

The World Bank's the *State of the Economic Inclusion Report 2021: The Potential to Scale* (Andrews et al. 2021) defines EI programming as "a bundle of coordinated multidimensional interventions that help poor individuals, households, and communities increase their incomes and assets to achieve the long-term goal of economic self-sufficiency." Graduation programs, pioneered by BRAC, are also considered EI programs. EI programs are normally anchored in three preexisting entry points: social safety nets, livelihoods and jobs, and financial inclusion.



Costing is also critical because governments, nongovernmental organizations (NGOs), and donors are increasingly asking for demonstration that the programs they support yield value for money.

To make informed decisions about which programs to invest in, policy and decision makers want evidence that a program works and if so at what cost. Experience analyzing the costs of EI programming is limited, however. Too little is known about the costs of different packages of services or activities and the sequencing of components and understanding of the value of cost analysis in EI operations is limited. As a result, it is rarely conducted.

Decision-makers tend to focus on the “sticker price” of a program—such as the average cost per participant—without recognizing the relevant aspects required to contextualize and interpret cost estimates. Sticker prices do not fully capture value for money, longer-term impacts, or sustainability.

The limited availability and lack of comparability of data create another challenge, especially for novel EI programs, as expenditure and costing data remain very limited.

This note provides a standardized approach to costing EI programs using the Quick Costing Tool¹ of the Partnership for Economic Inclusion (PEI). It offers guidance to programs teams on how to perform costing analysis, highlighting the operational relevance of cost data.²

Until now, one of the challenges of reporting cost data on multidimensional EI programs has been the different ways in which organizations budget, handle financial accounting, analyze, and report costs. These differences make it very hard to communicate average program costs and easy to make flawed comparisons of different programs.

This note seeks to make quick costing a part of EI program management. It complements and adds value to the existing PEI landscape survey by standardizing the process by which contributing organizations analyze and report their costs. The note and the Quick Costing Tool can help practitioners and researchers unpack cost drivers. Programs teams can submit the request to access the tool on PEI's Data Portal³.

The note is organized as follows. The first section explains what cost analysis is and why and when it should be conducted. Section 2 introduces a revised Quick Costing Tool and presents the steps in the cost analysis process. Section 3 presents three case studies that describe how the tool has been applied to real-world EI programs. Section 4 reviews the implications of this work for EI programming.

What Is a Cost Analysis— and Why and When Should It Be Conducted?

A cost analysis, or costing, is an estimate of the total or incremental financial cost or economic value of the resources required to implement a program or provide a service.⁴

Such resources may include labor; commodities (including cash, assets, or in-kind transfers and cash grants); training to program beneficiaries; training of program personnel; supplies and supply logistics; facility management; operational and capital investments; and other costs.

A *societal costing* includes the value of all resources, regardless of who bears them or when the costs are incurred. They typically include direct and opportunity costs to beneficiaries and their communities.

An *institutional cost analysis* includes only the costs borne by implementing bodies or other institutions. It typically includes only financial costs. Whether a costing is conducted based on a societal or institutional perspective depends on the objectives of the analysis. This note and the corresponding quick costing tool focus on the institutional perspective.

Cost analysis is not a financial audit or a mechanism for assessing financial accountability; it is not a method for tracking investments or public or social spending. Although the results of a cost analysis can provide data to support budgeting, by determining the envelope of resources

required to implement a program or policy at a given scope and scale, program cost analysis and budgeting are two separate but linked processes. Cost analysis may be useful as an input into analyses of fiscal space and financing; on its own, it is insufficient to determine the financial feasibility or sustainability of a program. It can, however, provide decision makers with valuable cost-related information required to operationalize policy choices.

Cost analysis provides an estimate of the value of the resources required to implement a program. There are inherent uncertainties in any estimate, especially when it is not possible to directly observe and valorize the consumption of resources. Most cost analyses present a single point estimate, but the actual cost may be much higher or lower based on how precisely implementation costs are estimated. Some analyses present a most likely scenario as well as plausible high- and low-cost scenarios. The more detailed the analysis is, the greater the precision and certainty of the estimate. Sensitivity analysis can be conducted to better understand the sources of uncertainty and how much the estimates may vary.

Cost analysis can be an important instrument for making the case for scaling up EI programs. Government-led programs are normally subject to budget and capacity constraints, with competing priorities to fund other human development interventions. As EI programs move to scale and are integrated into national social protection systems, reliable cost data and analysis can provide information that supports cost optimization and improves cost-effectiveness.

NGOs play a key role in piloting EI programs, testing different approaches to inform program design and adaptations for specific contexts and integrating these approaches in national-level policy and programming. However, funders often focus on the sticker prices of NGO-led EI programs, which are higher than those of long-established safety nets (box 2). Overcoming “sticker shock” and generating evidence of what works, where, and at what cost requires analysis of the costs of different components of a program and value for money.

Box 2 Looking beyond a program’s sticker price

The total cost of an EI program, or its sticker price, is insufficient for assessing its value, for multiple reasons. First, program costs vary widely by context, design, and costing methodological choices. Contextual factors—such as geography, accessibility, recurrent environmental or political threats, existing infrastructure, and the macro-economic environment—all affect the cost of a program. Second, the cost of a program must be compared with its financial or economic benefits, such as asset accrual or improvements in earnings or the value of human or social impacts, such as knowledge, confidence, or self-efficacy.

Assessing the value of an EI program is challenging for a variety of reasons:

- **Programs are often not comparable.** The bundling of components, institutional arrangements, and delivery mechanisms of programs can vary substantially across countries—and even between interventions handled by the same implementing agency—making it difficult to compare programs.
- **Disentangling administrative expenses can be tricky.** Many EI interventions include cost items that look like administrative expenses but are actually part of direct implementation costs, including staff, travel, and other items needed to roll out skills training and form savings groups. Ideally, administrative costs should be defined as any portion of staff and per diem costs that is not used for direct program implementation.
- **Different entities often implement different program components.** In some programs, components are implemented by different entities, through partnerships or service contracts (for example, livelihood activities provided by an NGO build on safety net provision provided by the national government, or a private actor provides vocational training). Each delivery actor is likely to have a different way of accounting for and reporting costs, complicating the identification of these costs and their harmonization across programs.
- **Government costs that are directly linked to programs are often excluded.** Many government-led programs are jointly implemented by government staff who support several other interventions and activities; some of these costs may not be appropriately accounted for. The exclusion may reflect difficulties obtaining such data from ministries and estimating staff time and cost allocations to specific interventions.

Box 2 continued

- **Opportunity and sunk costs are often not accounted for.** Cost estimations often exclude the opportunity costs of participating in a program, including training sessions, traveling to payment sites, and so forth. These exclusions apply to both monetary and time costs. Cost analysis also often ignores sunk costs, such as the cost of developing a social registry, a program management information system, or training content. As these interventions are often designed as part of larger social assistance programs, it is challenging to account for these sunk costs.
- **Gaps in impact assessments make it difficult to assess cost-effectiveness.** Broadly in the development sector, fewer than one in five impact evaluations integrates cost-effectiveness analysis (Brown and Tanner 2019). The *State of the Economic Inclusion Report 2021: The Potential to Scale (Andrews et al. 2021)* collected costing data on 34 programs, but impact evaluation results are available for only one. The lack of data on program costing makes it challenging to conduct value for money analysis.

Cost is often cited as a bottleneck to scaling up EI programs. But costs are often poorly understood. Factors such as insufficient capacity for targeting beneficiaries, poor or fragmented local community-based networks to support outreach and/or training coaching components, and a lack of robust coordination mechanisms and incentives for bundling components are often what hinders scale-up.

Paired with a fiscal space analysis, cost analysis can help set priorities, by assessing the financial feasibility of programs under consideration. It can be conducted at several stages of the program cycle (table 1). Comparable data can be exploited to find opportunities to scale up interventions along with other social safety net programs. Modeling the cost of programs or design features within a program ex ante can help decision makers make better-informed decisions about what to prioritize while highlighting potential tradeoffs. Cost analysis ex ante can help tweak a program's design, scope, and scale to meet budget envelopes or identify the need to seek additional resources. Ex ante costing can also be used to operationalize a program's scale-up strategy and embed resource requirements into multiannual budget decisions.

Costing may also reveal opportunities for improving efficiency by avoiding duplicative efforts sometimes encountered when layering new programs into an existing structure or implementing a multipronged EI program. A better understanding of the cost structure of a program may also help identify opportunities to improve planning and increase the efficiency of back-office costs and shared activities at the central and local levels, including beneficiary targeting and registration, monitoring and evaluation (M&E), information dashboards, outreach, and other activities.

There is also a strong rationale for analyzing costs ex post. Examining actual rather than budgeted costs allows more accurate estimation of the cost per beneficiary. When paired with process evaluation, an ex post cost analysis can inform future program design, particularly the optimization of cost. An ex post analysis can also identify gaps between the initial budget estimates/allocations and actual expenditure. Analyzing the reason for the discrepancy increases program transparency and can inform future programming/mitigation strategies.

Table 1 Timing and objectives of cost analysis

PURPOSE	TIMING	OBJECTIVE AND EXAMPLES
Planning	Ex ante	<ul style="list-style-type: none"> • Provide cost-related data to help decision makers set priorities and allocate resources. • Assess financial feasibility and sustainability of a program, policy goal or scale-up plan.
Budgeting	Ex ante	<ul style="list-style-type: none"> • Support budget advocacy, processes, and coordination with cost estimates rooted in local context and program design. • Contribute to development of operationalized action plans.
Financing	Ex ante	<ul style="list-style-type: none"> • Contribute context-specific data to help estimate financial resources to be mobilized. • Pair with public or social expenditure reviews, budget analysis, or fiscal space analysis to identify funding gaps or disconnect between policy objectives and resourcing.
Program design	Ex ante, in real time, or ex post	<ul style="list-style-type: none"> • Compare costs of alternative program scenarios based on variations in scope, scale, intensity, or other programmatic choices. • Explore lower-cost alternatives to standard practice. • Estimate incremental cost of adding a component to an existing program.
Program adjustment	In real time or ex post	<ul style="list-style-type: none"> • Determine cost drivers and identify opportunities to decrease costs without reducing program quality. • Identify underutilized opportunities for cost-sharing and avoidance of duplication. • Identify program components that may be over- or under-resourced. • Estimate potential cost savings by changing a program’s design.
Other	Ex ante, in real time, or ex post	<ul style="list-style-type: none"> • Better understand economies and diseconomies of scale of a scaled-up and/or integrated program. • Explore reasons for potential inequalities in access to intervention based on differential costs of reaching different populations. • Assess beneficiary cost of participation and determine whether erosion of transfer value is sufficient to warrant changes to delivery design.

A transparent and detailed understanding of program costs help program proponents advocate for external funding or internal resource allocation. A clear view of the cost architecture provides donors an opportunity to make financial commitments that align with their priorities. The prospect of contributing strategically to a component of a larger, more holistic approach may draw donors in. Detailed cost analyses provide the possibility for greater ex ante financial transparency, which donors increasingly demand. It is not enough to provide a sticker price; policy makers need to know what they are getting for their investment

and why it will lead to a better return than investing in an alternative. Government-led interventions require several inputs from multiple implementers. Understanding how these inputs are mapped out, planned, and executed in a coordinated fashion to become products and services is critical to efficient program management. Being able to communicate robust analyses on the full or incremental cost of a program, the cost per beneficiary, or the potential return on investment can help build the case for investing in an intervention or design feature.

PEI's Quick Costing Tool

For complex EI programs, existing accounting systems and practices typically do not allow for easy coding of program activities or components to facilitate cost analysis. A standardized costing tool can improve consistency.

The Quick Costing Tool was developed to demystify and unpack the cost of EI programs. It was first developed in 2020, as part of the background research and analysis for the [*State of the Economic Inclusion report \(Andrews et.al. 2021\)*](#), to understand the range of costs of EI programs and the cost drivers, including the complexity of the programs and the modality of delivery, the costs of delivering interventions, and the dosage. The tool was field tested with self-reported cost data from 34 programs from around the world, including programs in low- and lower-middle-income countries, different sociopolitical contexts, and different implementation modalities. Of these programs, 24 were government-led, and 10 were NGO-led. (Appendix A provides a cost breakdown for all of these programs.) Testing the tool with a diverse set of programs provided insights on how to collect and enter cost data (Appendix B). As a result of feedback from users, PEI refined the tool to make it more intuitive and created a detailed instruction manual. Wherever feasible, the tool allows annual changes in prices to be incorporated.

There is often variation in the understanding of a unit cost. The term *unit cost* is sometimes understood as the cost per participant of an entire service or program. It can also be understood as the cost per unit of resources required to provide a service or program.

The Quick Costing Tool looks at the latter. One of the limitations of the tool is that it uses a standardized approach to estimate direct costs of an EI program from the perspective of the implementing institution only; it does not incorporate the opportunity costs of beneficiaries' participation in the program. Measuring opportunity costs is complicated. However, as we get a better understanding of direct program costs, PEI intends to integrate estimations of indirect costs, both monetary and time, incurred by recipients in the further iterations of the tool.

COSTING TOOL FRAMEWORK

The quick costing tool operates under a simplified cost analysis framework (Figure 1) where the first step is to disaggregate program cost, to an extent possible, to identify key cost drivers in a diverse set of EI programs. This is followed by standardizing costs, by estimating adequacy and affordability, across comparable programs or similar program components. Finally, the disaggregated and standardized data can help provide guidance to program teams on how to optimize program costs. We now look at these steps in detail.

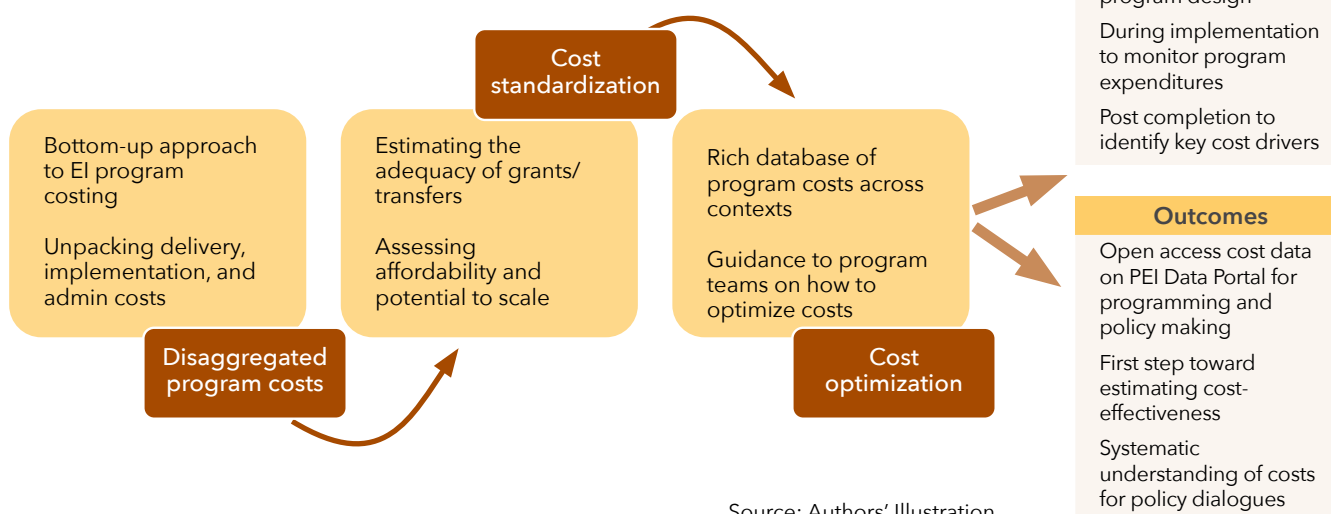
Disaggregating Program Costs

The costing tool uses a bottom-up approach. It first identifies total program cost before (a) disaggregating the cost of direct benefits (such as transfers, grants, and asset/input transfers) received by beneficiaries; (b) estimating the cost of human resource-intensive components, such as training, coaching, and formation of savings group; and (c) estimating the program's overhead (indirect costs), such as the cost of targeting, the cost of staff not involved in the direct delivery of components (such as communications or administrative staff), communication costs, and other administrative expenses.⁵

Program teams often struggle to disaggregate the last two sets of costs, as there are overlaps, especially in accounting for staff costs, that result in double-counting.

To address this challenge, the tool highlights the differences in costs if the sum of the costs entered exceeds the total program cost. It also provides detailed guidance on how to estimate delivery and implementation costs. It shows the share of total costs of all components, which helps identify the key cost drivers and provides initial estimates of cost per beneficiary.

Figure 1 Framework - Quick Costing Tool



Source: Authors' Illustration

Standardizing costs

The tool provides estimates of the adequacy of grants and transfers.⁶ This feature is managed at the backend by the PEI core team.⁷ Estimating the adequacy of financial support interventions at the household level can provide useful design information to program teams on benefit levels as a share of household consumption for targeted beneficiaries.

This feature provides guidance to program teams as they negotiate with policy makers on increasing benefit amounts with government counterparts.⁸ Combined with the estimation of unit costs at the individual and household level and comparison with similar EI interventions, the tool allows users to assess the affordability and potential to scale for these programs.

Optimizing costs

The tool collects design information on aspects such as delivery modalities, the frequency and duration of interventions, linkages with NGOs and the private sector, and government/community structures that can be leveraged, all of which affect program cost. The team performs a qualitative review of design, implementation, and institutional arrangements.

As more cost data are collected and analyzed across countries, understanding of the costs of EI programs will grow. This rich information can then be used to understand how to optimize program costs.

COST ANALYSIS STEPS

The Quick Costing Tool follows six simple steps to disaggregate, standardize, and optimize program costs:

1. **Identify the objective of the analysis and the unit of analysis (individual, household, group, or community level).** The objective could be analyzing program costs ex post for the entire duration of the program using actual expenditures or assessing program activities ex ante using budget data.
2. **Collect data.** Identify the data sources such as annual reports, budget allocation and expenditure statements, or MIS data and enter them into the Quick Costing Tool.
3. **Conduct sensitivity analysis.** Account for uncertainty in estimates by considering a plausibly optimistic and plausibly pessimistic scenario in addition to the base case estimate to unpack the implementation costs.
4. **Harmonize the data by converting figures into purchasing power parity.** The key backend function of the tool, managed by PEI, is to harmonize costs i.e., Purchasing Power Parity (PPP) conversions,⁹ estimating adequacy, etc., to allow for cross-country comparisons and integrate the programs in existing costing database on PEI's Data Portal.
5. **Conduct a qualitative review.** Review design, implementation, and institutional arrangements. Alongside program team, PEI will perform a qualitative review, to put the analysis in context.
6. **Provide guidance on cost optimization.** Once the tool is applied across diverse contexts and a strong database is created, it will be possible to benchmark program costs and provide guidance on improving program features. As a follow-up to the analysis, PEI will engage with program team to provide guidance on how to optimize program costs.

The Quick Costing Tool in Action: Country Case Studies

The Quick Costing Tool was recently applied in three countries:

- In Panama, the World Bank task team used the tool ex post to analyze the costs of a World Bank–funded EI pilot program implemented by the government over two years.
- In Peru, the country team used the tool to assess the costs of the Haku Wiñay program, a fully government-funded flagship EI program implemented since 2012.
- In Malawi, Concern Worldwide (a global NGO) used the tool to analyze the cost of its graduation program.

These brief case studies show the utility of the Quick Costing Tool in diverse contexts, for different programs designs, and at various stages of the program implementation cycle.

PANAMA: STRENGTHENING THE NATIONAL SOCIAL PROTECTION AND INCLUSION SYSTEM

Panama made rapid progress in reducing poverty over the last two decades. Between 2007 and 2014, the headcount declined from 39.9 percent to 25.8 percent for poverty and from 15.6 percent to 11.3 percent for extreme poverty (World Bank 2014). Despite largely pro-poor growth, differing rates of poverty reduction resulted in concentrations of poor and vulnerable people in remote areas, where the majority of the indigenous population resides.

Panama’s social protection programs, particularly social assistance transfers and conditional cash transfers (CCTs), played a significant role in reducing extreme poverty in rural areas. However, these programs did not reach the remote indigenous population, and programs lacked components for improving employability.

The broad objective of the EI program was to both increase the efficiency of the social protection system and to improve the income-generation capacity of the poor and vulnerable. The efficiency of the social protection system was increased by expanding coverage and improving harmonization with the country’s flagship CCT programs. The income-generating capacity of the poor and vulnerable was addressed by increasing their participation in productive/EI programs.

The Quick Costing Tool was used to analyze the expenditures of the productive inclusion pilot “Cohesion Social,” implemented by the Ministry of Social Development of Panama (MIDES), the Food and Agriculture Organization (FAO), and the World Bank. The EI interventions targeted CCT beneficiaries; more than 95 percent of direct beneficiaries were households headed by women. The program exploited the capacity of the National Institute of Vocational Training and Training for Human Development (INADEH) to design and implement skills training and coaching.

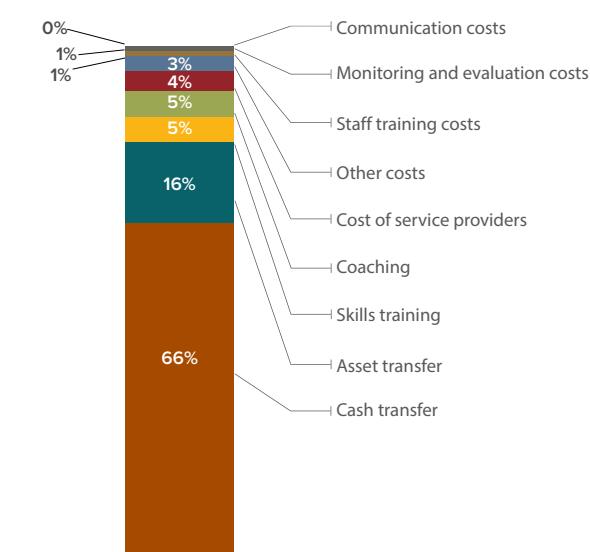
The objective of the productive inclusion program component was to complement CCT programs with support to investments in human capital that enhance income-generating capacity. This component institutionalized productive and training activities for the poor and vulnerable population registered in the single registry living in indigenous communities. On top of CCTs, the pilot provided three EI interventions:

- **Productive asset transfer:** Beneficiaries received agriculture inputs, such as seeds, organic fertilizer, and tools, as well as poultry and fish.
- **Skills training:** Training combined two types of skills modules: (a) a life-skills training module to help beneficiaries in specific behavioral, psychosocial, and remedial activities and (b) a technical skill module focused on specific entrepreneurship activities. Training services were delivered through farmer field schools, using a learning-by-doing model.
- **Coaching:** The local staff of INADEH provided coaching services to program participants.

The costing tool was used ex post to analyze the cost per beneficiary and identify cost drivers. Total budget expenditure for the EI pilot was about US\$1.8 million (all figures in 2017 PPP). The estimate of the cost per beneficiary included US\$3.7 million in direct cash transfers. At a total cost of US\$5.5 million and 3,087 direct beneficiaries' households, the total cost per beneficiary household was US\$1,825 (figure 3) over two years of program delivery. Removing the cash transfers from the unit cost estimations reduces the cost to US\$607 per beneficiary household.

About 82 percent of the program cost reached beneficiaries directly in the form of financial support, with cash transfers representing 66 percent of the cost¹⁰ and asset transfers 16 percent (figure 2).

Figure 2 Breakdown of costs of Panama's Strengthening the National Social Protection and Inclusion System Program (percent of total)



The program provided about US\$50 a month as a CCT for 24 months, and the average cost of productive assets was about US\$286. The program spent 10 percent of its budget delivering skills training and coaching. The average duration of a training course was about 250 hours within a three-month period.

The delivery cost was low because the program leveraged government capacity for implementation and the FAO provided international experience based on the farmer field school model. As government staff were not paid using program's resources and the team was unable to quantify the cost of time spent by government staff in implementing the program, the unit cost estimate represents a lower bound.¹¹

The analysis also ignores the cost of targeting, as the program was layered on existing social assistance programs and used Panama's existing social registry to identify the poor and vulnerable. Overall administrative costs were also low, at 9 percent of program costs, with 4 percent going to service providers, 1 percent going to staff training, 1 percent going to Monitoring and Evaluation, and 3 percent going to other administrative costs.

PERU: THE HAKU WIÑAY PROGRAM

Economic growth in Peru was continuous and sustained between 2005–15 (World Bank 2017). However, growth was disproportionately in urban areas, especially around the capital city, Lima. Although poverty rates declined overall, significant gaps exist between urban and rural areas, with the poverty headcount falling from about 25 percent in 2008 to less than 15 percent in 2018 in urban areas and from 61 percent in 2007 to 41 percent in 2018 in rural areas (INEI 2020).

To support smallholders in rural areas, in 1991 the government created the Cooperation Fund for Social Development (FONCODES). FONCODES provided technical assistance to small farmers in its early years, funded primarily by donors.

The government later funded programs aimed at improving the human capital of small farmers (Haku Wiñay/Noa Jayatai) and medium-size farmers (Agrorural). In 2012, FONCODES and Haku Wiñay were tasked, as part of the newly created Ministry of Development and Social Inclusion (MIDIS), with implementing the fourth pillar (EI of the working-age population) of the National Development and Social Inclusion Strategy.

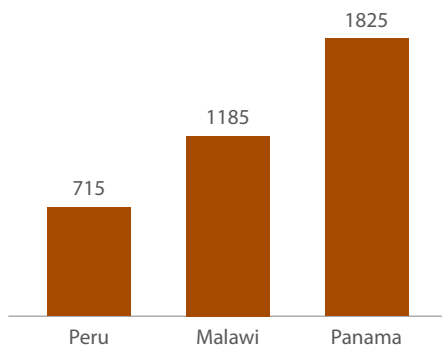
Haku Wiñay provides a three-year productive EI intervention for rural agricultural households. Rural households in the subsistence economy receive technical assistance and training to develop productive skills and enhanced linkages to markets, training, and basic assets to develop rural businesses. The program is delivering four EI components:

- **Skills training:** Farmers receive technical assistance in implementing simple, low-cost technology innovations.
- **Productive asset transfer:** This component promotes inclusive rural businesses by helping farmers organize into business associations and prepare business plans and transfers productive assets to them by including them in competitive government funding programs.
- **Coaching/mentoring:** Coaching/mentoring helps participants develop savings plans and teaches them basic accounting skills. It also focuses on developing and maintaining healthy housing, such as safe cookstoves, water and solid waste management, vegetable gardens, and a barn for small animals.
- **Market linkages:** Delivered through a specialized training session, this component helps facilitate access to markets, by creating value chain linkages. It helps farmers purchase productive inputs and sell farm and off-farm products; it also develops agriculture infrastructure.

The cost analysis was based on the program's first cycle of implementation (2021), using actual expenditure data from Ministry of Finance. Total program expenditure was S/. 260.7 million (US\$125.2 million in 2017 PPP) for 175,081 beneficiary households, yielding an annual program cost of US\$715 per beneficiary household (figure 3).

Figure 3 Overall Unit Cost (per household) for three country cases in PPP

Cost per household (US\$ PPP 2017)



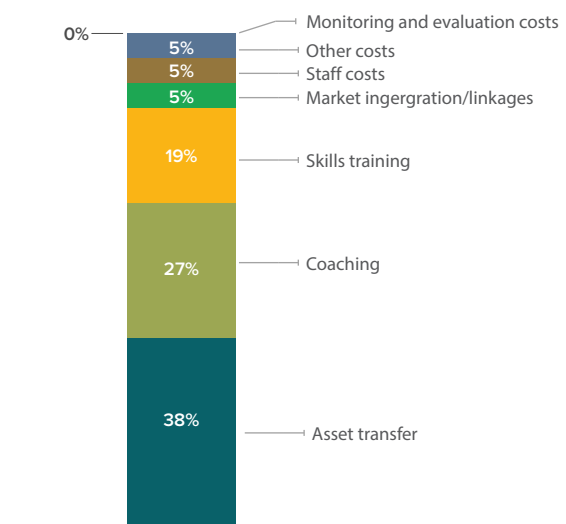
Delivering productive assets to beneficiary households accounted for 38 percent of total expenditures, followed by delivering coaching/mentoring services (27 percent of the total cost) (figure 4). Coaching was provided to households using community structures; it included technical assistance and capacity-building on the use of productive assets and enhanced technologies (including home improvements) using a farmer-to-farmer training model (called *Yachachiqs*).

Nineteen percent of program expenditure was used to deliver technical skills training. Specialized technical assistance and training (including financial literacy training) was provided to selected groups of households for implementing and managing business activities and linking their businesses to markets.

About 5 percent of the cost of the program was used to integrate programs beneficiaries into markets, primarily by organizing fairs at which households sold their products/services. About 5 percent of the total cost of the program went to staff costs, and another 5 percent went to administrative costs, including services, capital goods, and other goods for programs management.

The program shares organizational and institutional capacity with other delivery systems and implementing agencies as part of Peru's national social protection sector. Use of an existing targeting system (SISFOH) and territorial information systems (MIDIStrito, Mi Region) kept expenses low. Because of complex institutional structures and standardized government accounting lines, it was not possible to estimate the cost of staff time used to deliver program activities.

Figure 4 Breakdown of costs of Peru's Haku Wiñay Program (percent of total)



Note: Some beneficiaries received a Conditional Cash Transfer as part of the "Juntos" program. Since the overlap does not necessarily respond to an intentional design, it is therefore not included in the final cost.

MALAWI: CONCERN WORLDWIDE'S GRADUATION PROGRAM

Between 2017 and 2021, Concern worldwide implemented a graduation program in Malawi, known locally as *Tiwoloke*. The program was designed to simultaneously boost livelihoods and income, provide access to financial services, improve people's self-confidence, and reduce social exclusion. It targeted 8,000 households (approximately 40,000 direct beneficiaries) including (a) 2,000 households that received a comprehensive package of support over 18 months, comprising time-bound regular and predictable income-support, market-driven technical and business skills training, a capital transfer, and access to community-based savings facilities, and (b) 6,000 households within the same community that received a smaller package of support that included training on climate-smart agriculture techniques and support to access financial services. Components of the program included the following:

- **Cash transfers for consumption support:** Graduation households were given MK 15,000 (US\$62 in 2017 PPP) a month over either 12 or 18 months.¹² They used the consumption support mainly to buy food and household items, pay school fees, and cover health expenses.
- **Skills training and coaching:** Case workers (field monitors) made bimonthly visits to each graduation household, during which they discussed a wide range of topics, including performance of income generating activities, health and nutrition, hygiene and sanitation, budgeting and savings behavior, life skills, long-term goals and (more recently) COVID-19. They also followed up on the application of learning from other specific activities such as climate smart agriculture training and gender transformation sessions.

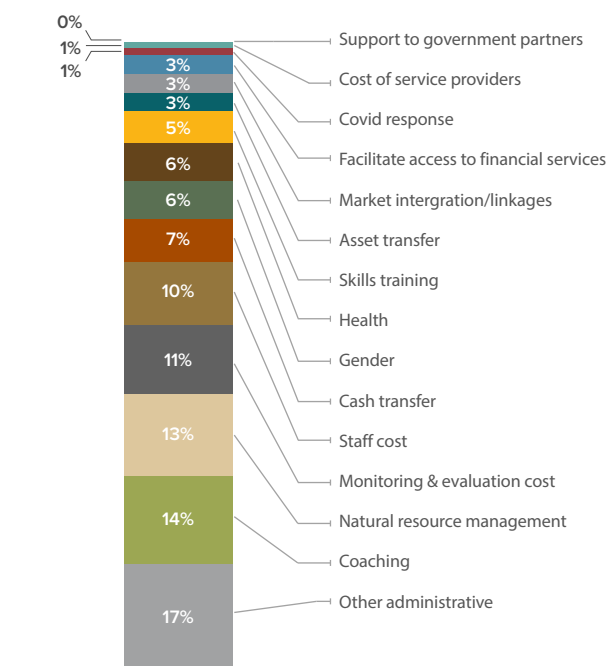
- **Savings and financial access:** All beneficiary households were included in VSL groups. Concern worked closely with village agents, whom it trained to provide support and capacity building for the groups.
- **Productive asset transfer:** Alongside business skills training, graduation households were advised on how to identify suitable income-generating activities (IGAs). After a suitable IGA had been identified and business skills training delivered, case workers worked with participants to develop business plans. After completion and approval of the business plans, graduation households received a capital transfer, of MK 96,000 (US\$396 in 2017 PPP) to either initiate a new IGA or boost an existing one. Graduation households also received technical training related to their IGA in various income-generating activities (such as Climate Smart Agriculture livestock rearing, tailoring, carpentry, baking, motorbike mechanics, brick laying, and haircutting). The sale of fish, production and sale of agricultural produce and rearing of livestock were the IGAs most commonly engaged in throughout the programme.

The program adopted a two-pronged approach—targeting a subgroup of individuals as well as the wider community—in order to help create an enabling environment for sustainable movement out of extreme and chronic poverty.

Total expenditure for the five-year intervention was €7.9 million. With 8,000 beneficiary households, the cost per household was €990 (US\$1,185 in PPP 2017 (Figure 3)).

Consumption support (cash transfers) accounted for just 7 percent of the total cost of providing asset transfers to 2,000 households (about 3 percent of the total cost) (figure 5). The main cost drivers were the human resource-intensive components: coaching/mentoring (14 percent of the total cost) and natural resource management (13 percent). Natural resource management involved specialized training of lead farmers and the setting up of demonstration plots.

Figure 5 Breakdown of costs of Malawi’s Tiwoloke graduation program (percent of total)



Another 12 percent of the program cost went to delivering gender (6 percent) and health (6 percent) components. About 5 percent of program cost was used to deliver skills training, 3 percent went to facilitating access to financial services, and another 3 percent supported with market linkages.

Skills training included business skills trainings, which were given only to the 2,000 graduation households, and broader community trainings in food processing, preservation, and home gardens to create an enabling business environment.

Because of the multidimensional graduation program design and the complex environment, miscellaneous administrative costs were the biggest cost driver (17 percent of the total cost). These costs included costs for offices, staff accommodations and transport, start-up meetings, the setting up of a Customer Relationship Management (CRM) tool, capital expenditure (purchase of hard assets), and other smaller administrative costs. The high administrative costs partly reflected the fact that the program had to adapt to the challenges posed by COVID-19.

Staff cost accounted for 10 percent of the total cost. To ensure high implementation quality, the program spent 11 percent on M&E, which included quarterly and annual review meetings, monitoring/supervision visits, and surveys, including annual performance surveys. The cost of targeting/identifying program recipients was included in the M&E budget for the first year. This targeting included community-based wealth ranking and selection surveys.

Conclusion

EI programs are designed to bring about sustainable changes in well-being, especially by people living in extreme and chronic poverty. In 2021, EI and graduation programming served an estimated 92 million people (directly or indirectly) in 75 countries (Andrews et al. 2021). These programs are now a key feature of national social protection systems.

To support transformative and sustained changes in livelihoods, practitioners and policy makers need to understand how these programs are implemented—including how they operate within existing systems and institutional structures—and how much they cost. Governments and funders are interested in the potential return on investment of these programs, which often have higher price tags than traditional social safety nets. A robust understanding of their cost and return on investment can help make the case for EI programs and support their implementation and scale-up.

The PEI Quick Costing Tool helps practitioners understand cost drivers. Adoption and expanded use of the tool by country teams in diverse contexts and for different program bundles can help development partners optimize program costs and move these interventions to scale.

Accurate costing is a first step in conducting cost-effectiveness analysis. Program teams frequently conduct impact evaluations, but cost data are often not available or not in a format that is conducive to cost-benefit analysis. Costs are rarely disaggregated by component, as budgeting/financial monitoring uses standard accounting lines.

The costing tool presented here, along with technical assistance provided by PEI, can provide the cost information needed for cost-effectiveness analysis, especially at the household level. Real-time operational research, such as process evaluations and other operational documentation (profiling), could incorporate some costing aspects, which the Quick Costing Tool can help analyze.

Qualitative approaches can complement costing; they can be especially useful in identifying opportunity costs for program beneficiaries. Use of the costing tool can also support efforts to improve budgeting and accounting data and systems, including data collection at the local, subnational, and national levels, by governments and NGOs. As newer programs collect, systematize, and share their costing information, PEI will be in a better position to earmark resources, make cross-country comparisons to benchmark costs, and discuss costs in policy dialogues with national governments to move EI programs to scale.



Appendixes

Appendix A

Cost Breakdown of Government- and NGO-Led Economic Inclusion Programs

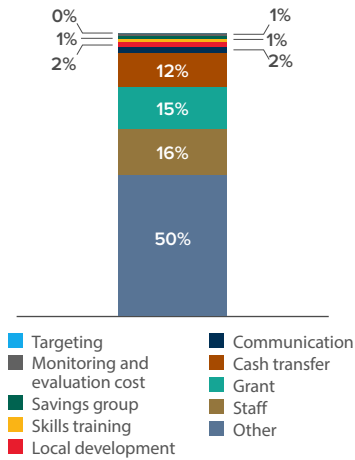
Figure A.1 Cost breakdown of economic inclusion programs, by region and funding source (percent of total)

a. Sub-Saharan Africa, government-led

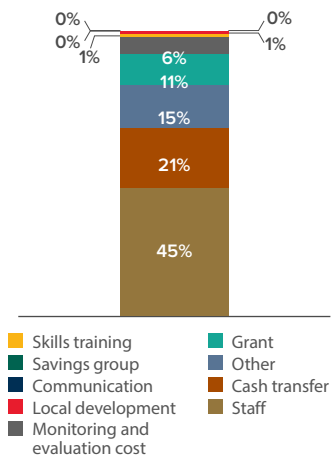


b. Sub-Saharan Africa, NGO-led

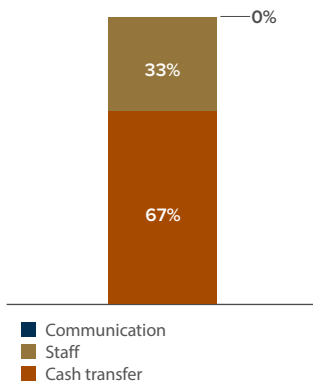
Ethiopia,
Resilience Programming with the Graduation Model
and Evidence Building for Structural Dialogues



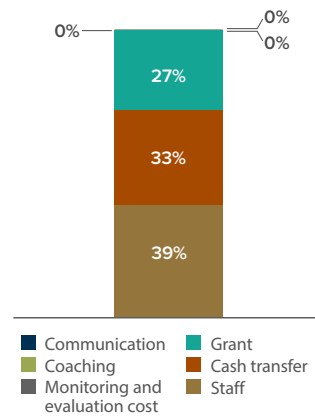
Malawi,
Graduation



South Sudan,
Building Resilience through Asset
Creation and Enhancement

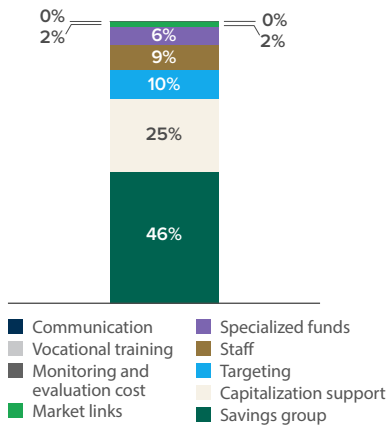


Uganda,
Graduating to Resilience

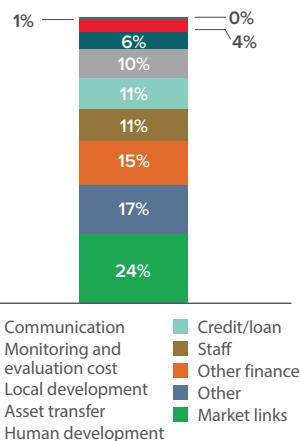


c. South Asia, government-led

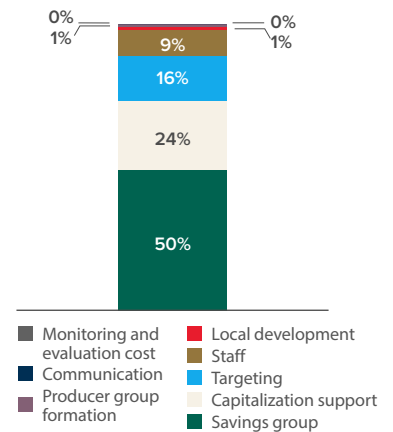
India,
Bihar Rural Livelihoods Promotion
Society, Rural Development
Department, Government of Bihar



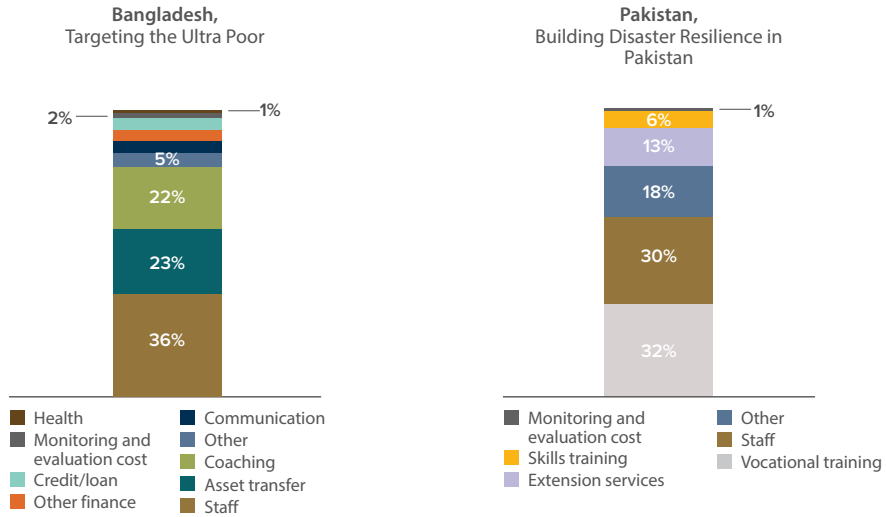
India,
Andhra Pradesh Rural Inclusive
Growth Project



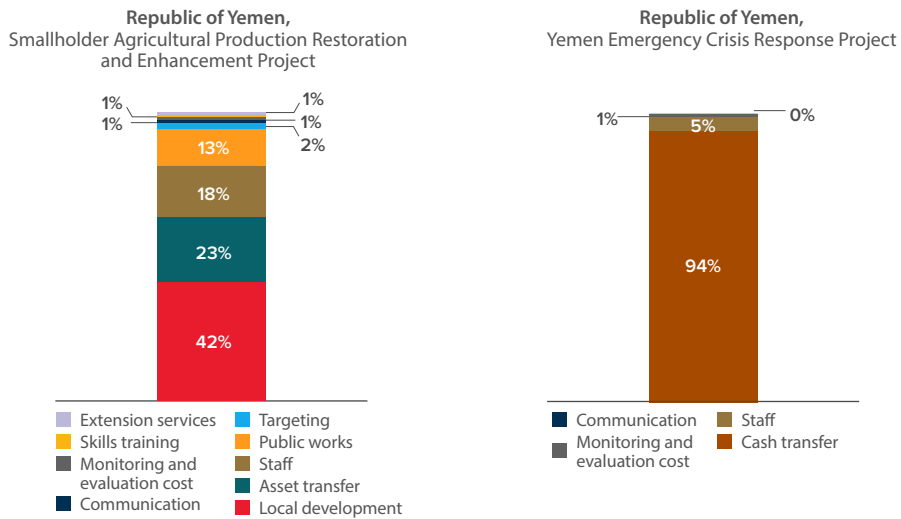
India,
National Rural Livelihood Project



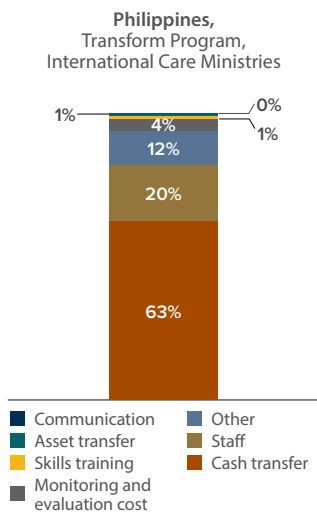
d. South Asia, NGO-led



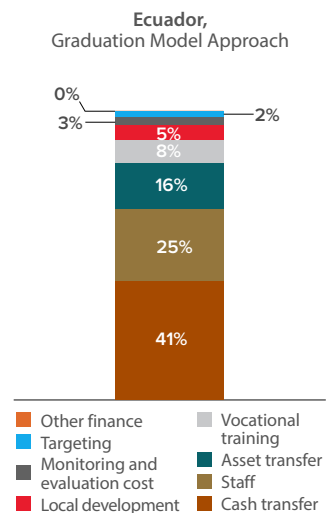
e. Middle East and North Africa, government-led



f. East Asia and Pacific, NGO-led



g. Latin America and the Caribbean, NGO-led



Appendix B

Types of Economic Inclusion Interventions Captured in the Costing Tool

Types of Economic Inclusion Interventions captured in the costing tool

Intervention	Description
Cash transfer	Conditional or unconditional cash transfers to support consumption
Public works	Payments made in return for employment (cash for work, food for work)
In-kind transfers	Physical goods, such as food rations, emergency food supplies, supplementary feeding, clothes, school supplies, and agricultural inputs
Near cash	Benefits such as food stamps, vouchers, coupons, fee waivers, and exemptions
Lump-sum cash grant	Business grants provided to beneficiaries, usually as a lump sum (productivity grants, start-up grants)
Productive Asset/ input transfers	Transfers of assets or inputs such as cows, seeds, and fertilizer
Matching grants	Co-financing provided to beneficiaries to match their own contributions, such as start-up grants provided to beneficiaries who are able to meet a minimum threshold of capital investments
Loan	Formal or informal loan provided to set up businesses
Investment funds to self-help groups and community-based organizations	Business capital provided to self-help or saving groups in rural areas to provide self-employment, training, social mobilization
Insurance	Health, life, disaster and extreme weather, and other forms of insurance
Coaching/mentoring	Guidance, provided in relatively unstructured, conversational way, to enhance beneficiaries' knowledge
Skills training	Time-bound structured teaching that transfers specific skills and knowledge, such as literacy and numeracy, financial literacy/capacity training, and entrepreneurship/business management training
Vocational training	Training on sector-specific skills or knowledge
On-the job training	Paid or unpaid training internships and apprenticeships
Wage employment facilitation/ intermediation	Interventions aimed at helping participants gain wage employment, by, for example, providing access to information on jobs, establishing a pool of resumes, providing job placement assistance, and working with the private sector to create job opportunities
Market integration/ linkages	Strategies may include establishing new and/or developing existing producer organizations, facilitating access to improved inputs and/or technology, linking beneficiaries to service providers and local/regional/national/international buyers, linking beneficiaries to infrastructure programs, and providing agricultural extension services
Access to financial services	Interventions that facilitate access to financial services, such as savings, loans, and insurance. Can be delivered using training and/or coaching/mentoring
Support for natural resource management and adaptation to climate change	Activities aimed at promoting the effective use of natural resources, reducing emissions from livelihood activities, and mitigating climate change, through workshops and awareness campaigns

Notes

- 1 Quick costing tool is an excel-based tool available on request to program teams who want to analyze program costs. The tool can be applied to both government- and NGO-led EI programs. Along with the tool, PEI also provides an instruction manual to program teams and peer-to-peer guidance for program teams on how to enter program costs.
- 2 This note does not cover the measurement of cost-effectiveness, which requires impact evaluation results. Rather, it makes the case that program cost analysis informs cost-effectiveness analysis.
- 3 As part of PEI's next website update, the tool will be made available on the PEI data portal for open access.
- 4 Financial cost is the value of market-traded goods and services; economic cost can include market-traded value and the value of nontraded resources in terms of opportunity or shadow cost. Financial cost analysis includes only resources for which there is a monetary expenditure; economic cost analysis also includes the value of government staff time, for instance, in addition to monetary expenditures.
- 5 Different organizations may have different understandings of different terms. For some, for example, overhead refers to indirect costs; for others, it refers to a service margin or, in other words, operating costs for implementing or managing a program. The costing tool standardizes this terminology and provides guidance on where different costs should be assigned.
- 6 The tool measures the adequacy of financial support components (cash transfers, grants/asset transfers, and public works wages) by comparing the benefit amount with household consumption. Adequacy is calculated by dividing the cost of a component by the average annual per capita consumption of the poorest 20 percent of households in the country.
- 7 Adequacy estimates will be shared with program teams that share their costing data.
- 8 The real value of the benefit amount is calculated using inflation estimates from the International Monetary Fund's World Economic Indicator.
- 9 PPP Conversions (US\$ 2017) = [intervention cost(t) ÷ CPI (2017)] ÷ [ICP (2017)]. This is a standardized World Bank methodology to convert local currency units into US\$ using Consumer Price Index (CPI) and International Comparison Program (ICP) factors published by World Bank on a periodic basis for all countries.
- 10 This figure includes only the cash transfers themselves, not the costs of making the transfers, which was excluded because the transfers were delivered as part of a much larger social assistance programs implemented by the government (Red de Oportunidades).
- 11 Although the tool allows for the accounting of government staff cost, it is often not feasible to accurately measure the staff time used by government staff in the implementation of program activities. Therefore, cost estimates for programs delivered by governments underestimate the true cost of the programs. Ideally, programs should measure the time spent by government and other staff who are not paid directly by the programs as part of its M&E systems. Doing so is especially important for cost-effectiveness analysis, where imprecise cost estimates can result in inaccurate analysis.
- 12 The program was delivered in three cohorts. Cohort 1 beneficiaries received transfers for 18 months; cohort 2 and 3 beneficiaries received transfers for 12 months.

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The Partnership for Economic Inclusion (PEI) is a global partnership with a mission to support the adoption of national economic inclusion programs that increase the earnings and assets of extremely poor and vulnerable households. PEI brings together global stakeholders to catalyze country-level innovation, advance innovation and learning, and share global knowledge. PEI is hosted by the Social Protection and Jobs Global Practice of the World Bank.

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