



USAID POSITION PAPER:  
**COST-EFFECTIVENESS**  
OCTOBER 2024



**USAID**  
FROM THE AMERICAN PEOPLE

“ COST-EFFECTIVENESS IS A MEASURE OF  
IMPACT PER DOLLAR SPENT ON AN  
INTERVENTION, FOR A PARTICULAR  
POPULATION ” (ADS 201.6)



## INTRODUCTION & BACKGROUND

USAID works to address numerous development and humanitarian challenges, and for each challenge, it can consider a variety of programming options. Understanding and acting on the trade-offs *across* these options allows USAID to achieve the greatest impact possible with available resources. Cost-effectiveness—a measure of impact achieved per dollar spent on an intervention, for a particular population (see [ADS 201.6](#))—is central to this endeavor. Shifting from less to more cost-effective interventions allows the same budget to generate deeper impact for a given population *and/or* reach more people by expanding the scale of critical development or humanitarian assistance.

As a catalytic actor driving progress on global development and humanitarian objectives, USAID should lead by example. By using its resources as effectively as possible, USAID acts responsibly not only to taxpayers but also to its partners and local communities through its leadership and insights that enable others to use their resources more cost-effectively. The effectiveness of USAID's programming depends on specific choices made during the funding decision process and program design and implementation.<sup>1</sup> These choices are complex because whether an approach “works” is complicated and context-specific, and also depends on the varying interests and constraints of the Agency's bilateral and other partners. Although the context can influence impacts and costs, evidence demonstrates that certain interventions are consistently more cost-effective than alternatives at achieving particular outcomes.

This is the promise of bringing greater focus on cost-effectiveness to bear on USAID programming: delivering greater progress on specific development and humanitarian challenges, for every dollar of taxpayer money spent. Not all USAID programs are suitable to be assessed with cost-effectiveness thinking, and, even when they are, many other factors also inform USAID decision-making. However, for the set of programs that *can* be assessed with this lens, and where evidence *does* exist or could be generated, thinking about cost-effectiveness can help USAID achieve greater impact per dollar spent. Elevating cost-effectiveness evidence at the Agency represents a step forward in upholding this imperative to steward US government resources responsibly and transparently.



Photo: Kelley Lynch

### Box 1. Using Cost-Effectiveness Evidence Does NOT Mean Conducting an Impact Evaluation

USAID's position is not that all or most programs need to conduct impact evaluations so they can demonstrate the cost-effectiveness that USAID funding is achieving. Rather, programs should use the large body of existing cost-effectiveness evidence, produced within and beyond USAID, in the design process to maximize their impact per dollar. New impact evaluations, with cost analysis, should be prioritized primarily in cases where sufficient cost-effectiveness evidence does not yet exist.



Photo: Tim Frank/USAID

Highlighting cost-effectiveness is both relevant and timely, and builds on other Agency initiatives from the last decade, including the [Evaluation Policy](#), [Knowledge Management and Organizational Learning \(KMOL\) Policy](#), and [Policy Framework](#). More recently, the Agency has revised its key [operational policy](#) related to planning, delivering, assessing, and adapting development programming with a [stronger focus on cost-effectiveness](#).<sup>2</sup> Likewise, the [Foundations for Evidence-Based Policymaking Act of 2018](#) has sharpened the focus of federal departments and agencies on the importance of using and generating evidence. The massive growth in impact evaluations, particularly randomized evaluations, of development and humanitarian programs over the past two decades enables USAID to make more confident evidence-informed decisions (See Box 1 for more on the distinction between generating and using cost-effectiveness evidence). Given that the existing evidence base does not provide complete answers about “what works,” particularly in some sectors, USAID operates on a continuum, leveraging existing cost-effectiveness evidence when appropriate while investing in new evidence generation to fill key gaps. To both leverage and expand this critical mass of evidence, in 2023, USAID established the independent [Office of the Chief Economist](#) with a mandate to bring greater economic theory and evidence to bear on USAID’s work. This Position Paper lays out USAID’s commitment to cost-effectiveness and outlines five guiding principles with best practices to help the Agency and its partners increase their impact per dollar.

## PROBLEM STATEMENT

Cost-effectiveness thinking does not prioritize one development objective over another, but rather accepts each as given and asks what the most cost-effective approaches are to achieve that objective. In USAID, the program design process often focuses on identifying barriers to development and humanitarian outcomes and finding interventions to address them. Given the multifaceted challenges USAID faces, this can lead to a tendency to add more interventions to the same program, with less attention given to the trade-offs between those different interventions. While many interventions might each be better than doing nothing, they cannot all be more effective *relative* to one another. There is an opportunity cost of adding more interventions to a program: fewer resources for other interventions. This can lead to lower overall impact if the added intervention has comparatively less impact.

Program designers face a range of complex decisions when designing program approaches, and cost-effectiveness evidence is a valuable

### Box 2: Example of Evaluating Whether Multiple Interventions Make a Program More Cost-Effective

The Indian state of Rajasthan was facing low rates of full child immunization. While immunizations were free at health clinics, many children received only one or two of the recommended five shots. A non-profit began holding **regular immunization camps** in 30 communities, while in another 30 communities they gave **immunization camps and small incentives** (a bag of lentils) for families to attend.

Researchers conducted a [randomized evaluation](#) to test which approach was more cost-effective. Communities with regular camps had three times higher full immunization rates than those without, but communities with camps plus incentives had six times higher full immunization rates. The addition of incentives may seem like an additional cost, but in fact it actually lowered the *cost per immunization* because the incentive led far more children to attend the camps (with each camp incurring a large fixed cost). In this case, adding a component clearly increased the program’s cost-effectiveness.



tool that can inform these decisions. In some cases, program designers consult complex theories of change and then add interventions on the idea that multiple binding constraints should *all* be addressed to make any difference on the development or humanitarian challenge. A more complex program may have synergistic benefits in theory, but could also lead to reaching fewer people and increasing implementation risk. The theoretical promise of a multi-layered program generating more impact than the sum of its parts is appealing. However, there are key trade-offs that should be considered, and cost-effectiveness evidence can help assess and guide. There is no one-size-fits-all answer to this tension. Evidence undoubtedly will, in some cases, find individual interventions to be most cost-effective while, in others, multi-layered bundles of interventions will be. Cost-effectiveness evidence can and should be used to identify what individual intervention or bundle of interventions is likely to make the greatest impact for a given outcome with available resources (see Box 2 for an example).

USAID has made progress in producing more impact evaluations, and in using that evidence to inform implementation and to foster collaborative learning. Yet the Agency has not fully leveraged the even larger—and still growing—body of cost-effectiveness evidence produced by others in low- and middle-income contexts. In the past two decades, there has been a large increase in the number of impact evaluations conducted and the amount of cost-effectiveness evidence available. Yet, the large scale of the evidence base can itself be a challenge. Introducing new or adapting existing programming models, even those grounded in strong cost-effectiveness evidence, can be difficult if USAID staff or implementing partners are not familiar with them. And the ever-present imperatives to keep on schedule and demonstrate success make it challenging to pause and consider whether alternatives might achieve *more* impact per dollar than familiar approaches.



Photo: USAID/INDIA

## VISION, GUIDING PRINCIPLES, AND BEST PRACTICES

USAID can increase its impact on key outcomes, for every dollar of taxpayer money spent, through both using cost-effectiveness in planning and decision-making and generating cost-effectiveness evidence of USAID programs. USAID envisions widespread use of cost-effectiveness evidence during program design to weigh the expected impact per dollar of different approaches. While cost-effectiveness analyses are not feasible for all problems, and such evidence may be scant, applying existing evidence can increase the expected impact of USAID's spending. In the areas where cost-effectiveness evidence is scant, USAID should invest in new evidence generation to help itself and others make more informed decisions in the future.

**Principle 1: Cost-effectiveness is about *impact per dollar*.** As defined in USAID operational policy, cost-effectiveness measures “how much a key development outcome changes for a particular population as a result of an intervention (measured as the change in the outcome compared to how it would have changed without that intervention), per dollar cost of the intervention” (ADS 201.6). Both elements of this definition—*impact* and *cost*—are critical. If focused only on *impact* without considering costs, USAID would then effectively be ignoring scale—the number of people who can benefit from its programs. On the other hand, if focused only on *low-cost delivery* without considering impacts, USAID would risk making little or no difference for program participants.

Best Practice 1.1: Identify the desired target outcome clearly in program design. The definition of cost-effectiveness relies on knowing an intervention's impact, but impact on *what outcome*? Stakeholders' priorities (in particular, local stakeholders), needs assessments, and other factors drive the selection and prioritization of outcomes. This outcome selection can be specific to target populations to improve equity,<sup>3</sup> or the timeframe of impacts.<sup>4</sup> Once those have been determined, cost-effectiveness enables an assessment of trade-offs in furthering those outcomes, usually in program design or early in implementation (see Box 3 for how cost-effectiveness analysis differs from cost-benefit analysis).



Photo: Solomon Onyiah/USAID



### Box 3. Cost-Effectiveness Analysis & Cost-Benefit Analysis

Cost-effectiveness analysis (CEA) is distinct from cost-benefit analysis (CBA). CEA is useful to inform activity design and implementation, because it focuses on maximizing progress on specific development and humanitarian objectives. CEA takes an objective—whether set by Congressional mandate, Mission-level stakeholder determinations, or otherwise—as given and then asks, “Given available resources, what approach will generate the biggest impact on that prioritized outcome?” By contrast, CBA converts all impacts into their estimated dollar value to society, to then be able to compare the benefit-cost ratio of programs across different sectors. Numerous other resources are available covering when and how to use CBA at USAID.<sup>5</sup>

Best Practice 1.2: For programs targeting multiple outcomes, break the cost-effectiveness question into pieces. In many cases, USAID programs aim to achieve multiple outcomes. The cost-effectiveness of such programs cannot be fully captured by looking at cost-effectiveness for only one outcome. In such cases, design teams can break their decision-making into smaller parts, identifying each of those outcomes separately and considering what intervention is likely to be most cost-effective for each outcome. Given that multiple outcomes may be interrelated, there may be interventions (whether individual or bundled) that are demonstrated to be cost-effective for multiple outcomes at once.<sup>6</sup>

Best Practice 1.3: To assess an intervention’s likely cost-effectiveness, look at past impact evaluations on that intervention.<sup>7</sup> Assessments of the future cost-effectiveness of a possible intervention should be based on data which can credibly estimate impact, i.e. impact evaluations.<sup>8</sup> Impact evaluations that do not report cost estimates can still improve USAID’s understanding of the impact part of the cost-effectiveness ratio, but evaluations that actually measure cost-effectiveness are preferred.

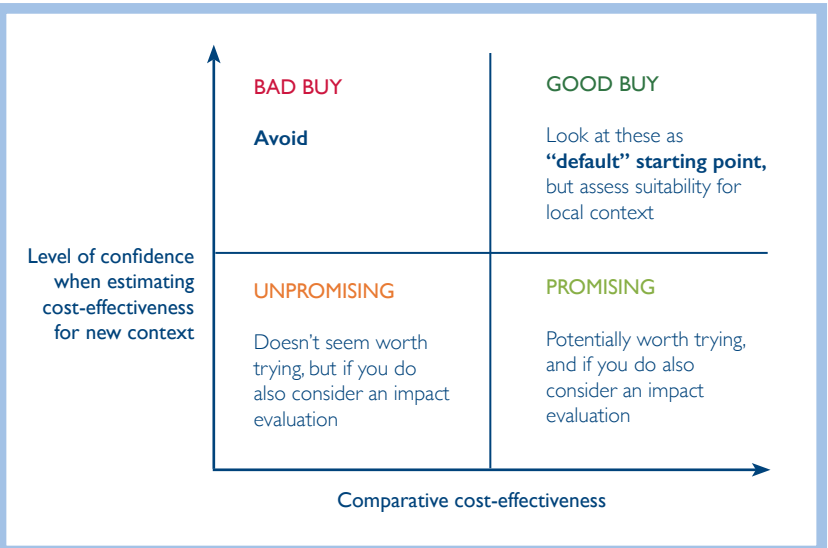
Best Practice 1.4: Consider all impact evidence, not only USAID evaluations. USAID should consider existing cost-effectiveness evidence from similar contexts, regardless of whether that evidence is specifically about a USAID program. USAID-produced evidence may be more familiar and accessible to staff. However, USAID can benefit considerably from insights generated from non-USAID impact evaluations and cost-effectiveness evidence.<sup>9</sup>

**Principle 2: Assessing cost-effectiveness is inherently comparative.** Cost-effectiveness asks how alternative approaches compare, in terms of the amount of impact they are likely to achieve per dollar on a particular outcome. For any given context, cost-effectiveness evidence helps the decision-maker compare their alternatives. USAID should not set potentially arbitrary absolute benchmarks for cost-effectiveness, as contexts and priorities differ across the world.

[Best Practice 2.1: Compare interventions' cost-effectiveness against evidence-based defaults.](#) The relevant benchmark for judging an intervention's cost-effectiveness—during program design, in a portfolio review, or when looking at impact evaluation results—is the impact per dollar that could be achieved with the most cost-effective alternative. In many sectors, sufficient evidence exists to identify default “Good Buy” approaches—those that have consistently generated greater impact per dollar than alternatives.<sup>10</sup> USAID sometimes uses the [“Improved Activity Cost-Effectiveness” \(ImpAct\) Approach](#) (link only accessible to USAID staff)<sup>11</sup>—an approach developed by the Office of the Chief Economist (OCE) to categorize interventions based on their typical cost-effectiveness in prior impact evaluations, as well as the level of confidence when estimating the intervention's cost-effectiveness for new contexts (see Box 4 for more details).

**Box 4. Improved Activity Cost-Effectiveness (ImpAct) Approach**

OCE and collaborators around the Agency categorize interventions that target a particular outcome based on two dimensions. Interventions that can be assessed with cost-effectiveness evidence are put into four categories:



[Best Practice 2.2: Do not get attached to precise impact per dollar figures.](#) While it is appealing to choose an approach with the absolute highest cost-effectiveness based on prior impact evaluations, uncertainty always exists around both impact and cost estimates. The inherent variability means that small differences in interventions' typical cost-effectiveness from past impact evaluations are probably less consequential than insights about whether particular interventions are well-suited for that context.<sup>12</sup>

[Best Practice 2.3: Use the design process and solicitation materials to communicate evidence-based defaults, and expected targets, for impact per dollar that any proposed intervention should achieve.](#) When sensible, solicitation materials should reference one or more defaults (such as Good Buys from ImpAct Reviews), their likely costs and impacts, and the key local knowledge needed in order to contextualize the intervention. Likewise, solicitation materials should avoid “Bad Buys”—those interventions that have been shown to consistently generate less impact per dollar than alternatives. Solicitation materials can encourage implementing partners to take one of two paths. Propose program designs that implement one of the identified default interventions (with explanations of how they would contextualize that intervention). Or, propose alternatives, with explanations of why they expect an alternative to deliver more impact per dollar in that context.



**Principle 3: Context matters.** USAID aims to identify and use interventions that consistently generate greater impact per dollar than alternatives across contexts. But even for cost-effective interventions, USAID should carefully consider context. First, cost-effectiveness evidence should be used to determine if a particular intervention is indeed likely the most cost-effective for that context. Second, once an intervention is selected, cost-effectiveness evidence should also inform design and implementation decisions to adapt the intervention to the local context.

**Box 5. Example of “Good Buys” Requiring Contextualization to Inform Design & Implementation**

The Graduation Approach is a bundled set of components (consumption support, productive assets, financial access, business training, and mentoring) that helps ultra-poor households transition to sustainable livelihoods. Randomized evaluations across 20 low- and middle-income countries have shown that the Graduation Approach sustainably increases household income and consumption.

While the Graduation Approach has been shown to be effective in dozens of countries, the core components were locally tailored each time it was implemented and evaluated. This has helped identify when and how they should be adapted given local needs, markets, and institutions:

- **Consumption Support:** The Graduation Approach can leverage the targeting of local social safety net programs, where they exist (e.g., [Ethiopia](#), [Niger](#), the [Philippines](#)). Working with existing safety nets can allow programs to build on locally relevant targeting schemes, and possibly to layer onto existing consumption support components and lower USAID’s costs.
- **Productive Assets + Training:** The choice of what livelihoods to support in a given context is critical, and requires local knowledge to contextualize: e.g., to identify livelihoods that provide appropriate returns and expected risks, an onramp to markets, and diversified income sources.
- **Financial Access:** Where participants can’t access formal financial institutions, access can be promoted through informal savings groups (e.g., [DRC](#), [Malawi](#)), or promotion of informal saving at the household level (e.g., [Honduras](#)).



Best Practice 3.1: Use cost-effectiveness evidence to identify the conditions under which interventions are more or less effective and costly. The typical cost-effectiveness of an intervention may be useful to rule out Bad Buys. But among interventions that are likely to be cost-effective, USAID and its partners should also seek to understand the *variation* in how, and how *well*, interventions have worked in past impact evaluations. Building from an understanding of what the drivers of cost-effectiveness were in those past studies (e.g., local prices, institutional capacity, population density), decision-makers can apply local knowledge, diagnostic data, and other types of evidence to assess whether the factors that made an intervention work in some prior setting and time, including scale of implementation, actually apply in their current context (see Box 5 for an example).<sup>13</sup>

Best Practice 3.2: Engage local actors as decision-makers and as a critical source of information. Local knowledge can help program designers determine whether the right contextual conditions are present for a particular Good Buy approach (which may be particularly valuable when evidence is scant). Local knowledge also helps to adapt the core ideas of evidence-based models for effective delivery through local systems and partners.<sup>14</sup>

Best Practice 3.3: Use solicitation documents to identify what further work is needed, post-award, to implement contextually appropriate delivery. Where past evaluations provide a variety of ways to implement or adapt cost-effective interventions, solicitations can outline how USAID expects implementing partners to use local knowledge, piloting, and iterative testing to identify and refine each component for the context.<sup>15</sup>

#### **Principle 4: Use existing cost-effectiveness evidence, or produce it (cost-effectively)!**

If evidence is strong enough, and local knowledge indicates the right contextual factors are present, then USAID and partners should use cost-effectiveness evidence in designing and implementing programs. When cost-effectiveness evidence is not strong enough, consider building impact evaluations into program design. But, apply cost-effectiveness thinking to evaluation itself. This likely implies shifting to higher quality impact evaluations and, critically, choosing what and how to evaluate based on expected contribution to knowledge gaps, which not only ensures future accountability to stakeholders but also prioritizes forward-looking learning.

Best Practice 4.1: Where there is **less** confidence in existing evidence of an intervention's impact, invest **more** in cost-effectiveness evidence generation. USAID envisions cost-effectiveness evidence informing action. But what if no one has measured the impact of the interventions of interest on the outcome you want to achieve, in this type of context? What if new innovations have potential to outperform existing “defaults”? What if it is unclear whether individual interventions or bundled interventions have a greater impact per dollar on a given outcome? These are important opportunities to conduct an impact evaluation and obtain cost estimates, thereby expanding the cost-effectiveness evidence base (see Box 6 for an example).<sup>16</sup>



### Box 6. Example of Innovating (and Evaluating) Towards Better Cost-Effectiveness

A USAID [Improved Activity Cost-Effectiveness Review](#) of approaches to raise women's agricultural income found that when agricultural technologies are specifically adapted for women farmers, e.g., improved seeds for traditional women's crops, or subsidized equipment that is socially acceptable for women to operate, these "gender-appropriate inputs and equipment" can trigger increases in income. However, the evidence was not clear enough to enable predictions of exactly which new technologies would be gender-appropriate enough to ensure that women benefit. The report concluded, therefore, that "Gender-appropriate inputs and equipment" represent a Promising Buy. "Promising Buys" are a category of intervention that have the potential for high cost-effectiveness, but where the evidence is not yet strong enough to be confident that the intervention is a "Good Buy" (see Box 4). This means that, in addition to more innovation in women-centered agricultural technologies, more impact evaluations that measure impacts on women's income and report costs are needed.





Best Practice 4.2: Invest in cost-effectiveness evidence generation proportional to its potential contribution to an important open question.<sup>17</sup> When USAID wants to know if an intervention is effective and cost-effective, it is essential to plan and budget for a high-quality impact evaluation with cost analysis at the design stage. An impact evaluation's learning value hinges on whether it would substantially increase USAID's confidence in selecting more cost-effective interventions. To promote judicious evidence generation, ask whether the evaluation results could and should change future programmatic decisions.

Best Practice 4.3: Invest in impact evaluations that can be done well. While there may be an important open question about an intervention's cost-effectiveness, not every potential impact evaluation can be done well<sup>18</sup> for a variety of reasons including operational feasibility. A poor quality answer to an important question about program impact will not improve decision-making and, if applied, can even cause harm.<sup>19</sup>

Best Practice 4.4: Include local actors to improve the quality of evidence generation. Local actors are well-positioned to improve evidence generation because of their likely deeper knowledge of local context. Engaging local actors also enhances the evaluation's relevance for setting policy, both by improving the rigor of the evaluation output and by enhancing the likely dissemination to local policymakers. Lastly, it may build local research capacity, thus improving long-term development goals for strengthening local universities and research capabilities.

**Principle 5: Cost-effectiveness is not the only thing that matters.** Cost-effectiveness is important, but only one consideration. When comparing alternative approaches to achieving an outcome, USAID should continue to weigh many factors beyond cost-effectiveness, such as the preferences of the national or local government partner. Furthermore, some areas of USAID programming can only incorporate cost-effectiveness thinking abstractly, as they do not lend themselves to clean measurement with counterfactuals.

Best Practice 5.1: Use cost-effectiveness evidence when feasible, but do not dismiss interventions merely because they cannot produce clear evidence of their cost-effectiveness. Absence of evidence (of cost-effectiveness) is not necessarily evidence of absence (of cost-effectiveness). Because some types of systems strengthening (for example country-level trade reforms or ministry-level capacity building) are not amenable to impact evaluations, they will not have a cost-effectiveness evidence base to guide design decisions. However, even activities that engage in systems change often include components that can be informed by cost-effectiveness evidence (i.e., components implemented at the household, community, or firm level).

Best Practice 5.2: Even when cost-effectiveness cannot be directly estimated, use "cost-effectiveness thinking" to consider trade-offs. When considering investments in areas of USAID's programming for which cost-effectiveness evidence may not exist, it is still often possible to apply cost-effectiveness *thinking*. This means considering the plausible impact an investment might have on the target outcome, and comparing that to a Good Buy for which impact per dollar is more easily estimated (see Box 7 for an example).<sup>20</sup>

### Box 7. Example of Using Cost-Effectiveness Thinking

A design team might be considering funding an electronic medical records (EMR) system which contributes to a reduction in medication side effects and adverse effects from vaccinations. This investment would improve the effectiveness of routine primary services and vaccination campaigns, for some roughly known cost.

While there are unlikely to be impact evaluations that estimate how much an EMR will reduce health complications, the design team can still consider the likely cost-effectiveness of the EMR compared to alternatives. The *plausible* reduction in health complications could be roughly estimated—for example based on the number of patients who would benefit from the EMR. Then, the ratio of possible years of healthy life saved per dollar, could be compared to a Good Buy for which cost-effectiveness evidence does exist.



Photo Credit: David Rochkind, USAID

## CONCLUSION

USAID's approach to using and generating cost-effectiveness evidence will build upon past efforts, identify and acknowledge existing constraints and disincentives, engage and empower local actors, and continuously work to propose solutions to overcome those barriers. The Agency is mindful that the existing evidence base does not provide complete answers about what works, particularly in some sectors. Consequently, navigating the continuum between evidence generation and evidence use is critical—adapting existing evidence to relevant contexts when feasible while continuing to invest in cost-effectiveness evidence generation to fill strategic gaps. Guided by the above five principles of cost-effectiveness, USAID will continue to prioritize taking action where evidence exists and conducting impact evaluations with rigorous cost measurement where it does not, committing to a culture of continuous learning to deliver more impact per dollar. Such thought, action, and leadership not only enhances USAID's stewardship of taxpayer resources, but drives broader improvements for bilateral and multilateral partners and thus the communities that USAID supports around the world.

## ENDNOTES

1. For the purposes of this paper, “programs” refers to an intervention or set of interventions, typically implemented through contracts, grants, or cooperative agreements, designed to advance identified development or humanitarian objectives. The term “intervention” as used throughout the paper refers broadly to a specific action or set of actions that typically takes place under an activity to advance identified development or humanitarian needs.

2. Revisions to this “Program Cycle Operational Policy,” known as [ADS 201](#), finalized in May 2024 include: defining “cost-effectiveness” in Agency policy for the first time (201.6); creating a new section on cost-effectiveness (201.3.1.9); establishing a new requirement that each Mission overseas and each Regional and Pillar Bureau in Washington must designate a Cost-Effectiveness Evidence Point of Contact to strengthen the use and generation of cost-effectiveness evidence in that operating unit’s programming (201.3.1.9); identifying points in the Program Cycle when USAID staff are encouraged to consider how they can strengthen cost-effectiveness (see, e.g., 201.3.4.4); and providing further guidance on strengthening the focus on cost-effectiveness in Agency programming in [ADS201 sas: Cost-Effectiveness in USAID Programming](#).

3. For example, rather than selecting the outcome of ‘literacy,’ program designers could target the outcome of ‘[girls’ literacy](#)’ which embeds a focus on a particularly important sub-population, often selected with equity in mind. An example in the health sector could be focusing on [HIV outcomes for key populations](#), rather than HIV outcomes across *all* populations. This selection of a particular target population allows for greater focus on tailored approaches that more effectively reach vulnerable groups, which often have unique needs and risk factors.

4. USAID may particularly value long-term and sustained changes in development outcomes, in sectors in which impacts might fade, persist, or even grow over time. For example, anti-poverty programs might want to focus on sustainable livelihoods as an outcome, ensuring not only that households increase their savings and consumption during the program but that they maintain that higher income for years in the future. Whether cost-effectiveness assessments can capture long-term impacts depends on whether impact evaluations have been conducted that measure impacts over longer time periods. An increasing number of impact evaluations have been conducted looking at impacts five to ten years after program implementation ended. See [J-PAL’s blog](#) post and [Bouguen et al. \(2019\)](#) for more discussion on this topic of measuring long-run outcomes.

5. See, e.g., the [Circular A-94 Memorandum](#) on the “Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs.” As one example, CBAs have been used at USAID for valuing environmental services, which came about as a result of an Executive Order. From this came additional [Guidance for Assessing Changes in Environmental and Ecosystem Services in Benefit-Cost Analysis](#) and a USAID-published report on [Integrating Ecosystem Values into Cost-Benefit Analysis](#). USAID also published an [Assessment of the 2015 USAID Guidelines for Cost-Benefit and Cost-Effectiveness Analysis](#) and a Practitioner’s Guide on [Handling Risk and Uncertainty in Cost-Benefit Analysis](#).



6. For example, school feeding programs can improve *both* weight gain (from food supplementation) *and* school attendance (via the incentives that school-based feeding provides). See [Wang et al. \(2021\)](#). A nutrition intervention, for example, can actually be cost-effective for outcomes other than just health-related outcomes.

7. Several open-access resources exist for finding and understanding the results of impact evaluations already conducted and those underway. For example, the [3ie Development Evidence Portal](#) (DEP), the [Abdul Latif Jameel Poverty Action Lab \(J-PAL\) evaluation database](#) of randomized evaluations, and the [Behavioral Evidence Hub](#) (B-Hub). Additional open-access resources that will be available in the future include, for example, the [Impact Data and Evidence Aggregation Library](#), which is currently being developed by the Center for Effective Global Action (CEGA) at the University of California, Berkeley.

8. According to [USAID's Evaluation Policy](#), impact evaluations measure changes in an outcome that are attributable to a defined intervention and require a credible and rigorously defined counterfactual.

9. USAID contributes a small proportion of the total number of impact evaluations that are conducted globally. While a precise estimate of USAID's contribution is not possible, some data points illustrate this. For example, USAID's [Evaluation Dashboard](#) reports that, as of August 26, 2024, 110 impact evaluations were completed between Fiscal Years (FY) 2016 and 2022—an average of fewer than 16 per FY. Likewise, according to its Annual Evaluation Plans, USAID reported plans for eight impact evaluations expected to begin, or be carried out partially or fully, in [FY 2024, and six in FY 2025](#). By contrast, the [3ie Development Evidence Portal](#) (DEP) has more than 8,000 impact evaluations in low- and middle-income countries. Likewise, more than 200 new randomized evaluations (one type of impact evaluation) in low- and middle-income countries were added to the [American Economic Association's Trial Registry](#) in 2023 alone (the last full year for which data are available).

10. For example, direct monetary transfers, commonly referred to in the broader global development community as “cash transfers,” are known to be a [‘Good Buy’ for some outcomes](#). Because of the strong evidence base for cash transfers, nearly a decade ago, USAID initiated an effort known as [“cash benchmarking.”](#) Starting in 2015, USAID launched [a series of multi-arm impact evaluations](#) comparing non-cash interventions to cash transfers for several development outcomes. These evaluations ask “How does the per-dollar impact of non-cash USAID programming compare with that of a comparably sized cash transfer provided directly to individuals or households?”

11. USAID's ImpAct Approach draws inspiration from other aid agency efforts to provide guidance on which approaches are likely to be particularly cost-effective for various development objectives. For example, the United Kingdom's Foreign, Commonwealth & Development Office (FCDO) has produced similar reviews, often called “Smart Buys,” such as one [focused on basic education](#).

12. Costs and impacts will vary from context to context even for the same intervention. However, it is still possible to identify the conditions under which interventions tend to be more cost-effective than others, which is an essential step in making recommendations for program design. See, for example, [Angrist & Meager](#), which identifies two main factors that explain most of the heterogeneity, across contexts, in the impact of a targeted instruction education intervention. Likewise, [Tulloch 2019](#) discusses how the variation in cost estimates from large non-governmental organizations implementing development programs can be explained by observable program and contextual characteristics.

13. For more on this contextualization process, see [The Generalizability Puzzle](#) by Rachel Glennerster & Mary Anne Bates (2017). The article includes examples of using cost-effectiveness evidence to inform design and implementation decisions for specific contexts.

14. See [Reflections on Systems Practice: Implementing Teaching at the Right Level in Zambia](#) as one example of how engaging local actors, in this case Ministry of Education leadership, led to successful program implementation. Every aspect of Targeted Instruction (one specific version of which is called “Teaching at the Right Level,” or “TaRL”) in Zambia was designed together with the Ministry of Education, from the delivery model, to the materials and activities, to the monitoring systems. By ensuring that actors at all levels of government were engaged in the process of contextualizing Targeted Instruction, the approach was responsive to local needs and grounded in the complexities of the specific education system.

15. Solicitations can serve as a tool to guide implementing partners in adapting an intervention using context-specific information. For instance, USAID’s Bureau for Humanitarian Assistance released a [solicitation](#) for a Madagascar Resilience Food Security Activity (RFSA) in 2024 outlining expectations around how the implementing partner should adapt the Graduation Approach, which had been identified as highly cost-effective in past impact evaluations, to be contextually relevant. The solicitation clearly defined the core elements of the Graduation Approach (see Section A.6, on page 6). By including details around the drivers of poverty and food insecurity within the specific context, laying out specific target outcomes and target population, and incorporating a specific list of key design questions to be answered in a contextualization period (see page 28), the solicitation provides the eventual implementing partner(s) with essential guidance to deliver a Graduation program that addresses the specific needs of the participants in the RFSA.

16. USAID’s [Evaluation Policy](#) states that, “When USAID needs information on whether an intervention is achieving a specific outcome, the Agency prefers impact evaluations to performance evaluations” (page 9). Likewise, [ADS 201.3.1.2A](#) states that, “When USAID needs information on whether an intervention is achieving a specific outcome, the Agency strongly prefers the use of impact evaluations including cost analysis that enables a comparison of the cost-effectiveness of the intervention to that of other interventions.” The Evaluation Policy (page 2) and ADS 201.3.6.4A also require that “all impact evaluations include a cost analysis of the intervention or interventions being studied.” Finally, the Evaluation Policy (page 10) and ADS 201.3.6.5 (Requirement 3) require an impact evaluation including cost analysis “if feasible, of any new, untested approach that is anticipated

to be expanded in scale or scope through U.S. Government foreign assistance or other funding sources (i.e., a pilot intervention).” [See the ADS 201 sac: Cost Analysis](#) for more information on including cost analysis in an impact evaluation.

17. Before deciding to conduct a new impact evaluation, it is important to review the existing evidence base in order to assess the value-add of new evidence. Evidence Gap Maps, such as those produced by [3ie](#), can be valuable for identifying open questions. [J-PAL’s Policy Insights](#) also include areas for future research.

18. USAID’s [Evaluation Policy](#) (see page 2) states that “[i]mpact evaluations in which comparisons are made between beneficiaries that are randomly assigned to either a treatment or a control group”—in other words, randomized evaluations—“provide the strongest evidence of a relationship between the intervention under study and the outcome measured.” A high-quality randomized evaluation is one that uses an appropriate experimental design and method of randomization, incorporates appropriate qualitative methods, addresses potential ethical concerns, integrates appropriately monitoring and management data into analysis, has sufficient sample size, is designed to minimize threats to internal validity, uses appropriate data analysis, and interprets results accurately. [See Promoting Impact and Learning with Cost-Effectiveness Evidence \(PILCEE\) Notice of Funding Opportunity](#) (pages 6-7). See also USAID’s [Conducting an Evaluability Assessment for USAID evaluations](#) which emphasizes the importance of maintaining high standards for evaluation statements of work used by USAID to procure services of external evaluation partners and describes how to conduct an evaluability assessment.

19. In one example, tens of millions of dollars were spent by governments in several low-income countries, to purchase [laptops that were expected to improve student learning](#). While the website for non-profit One Laptop per Child described these laptops as “extensively field-tested and validated,” it was not until several years *after* the initiative began scaling up that [impact evaluation results](#) showed the laptops created no improvement in literacy or math scores. Subsequent impact evaluations in multiple countries reinforced the finding that providing laptops was [having no effect](#)—or in some cases, [a negative effect](#)—on student achievement.

20. Beyond the example provided in Box 7, [Hauck et al. \(2019\)](#) explores an analytical methodology that can help inform the optimal balance of spending on direct interventions and systems strengthening. Given there are opportunity costs to investing in systems, Hauck introduces a useful framework of trade-off thinking, which can be applied beyond the specific case of systems strengthening interventions. Similarly, an award may digitize some aspect of a government program, thus reducing their cost by 20 percent and, thus allowing that program to then reach more people. That “math” (new people reached per dollar of USAID award) can be compared to an alternative approach to delivering that program to people to understand if the impact of the investment in digitization is worth it in terms of improved program reach, compared to alternatives.



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