Tool 10: Scale Costing Protocol

Table 13: Scale Costing Protocol

1. Baseline Documentation Analysis	**One-Time Costs:** Document any one-time costs (e.g., vehicles, computers, development of new materials) needed to launch the intervention. In some cases, these costs are *unit costs*, and in some cases they are fixed regardless of the scale of operation. Where these costs are for a *depreciable* asset, they should also be *amortized* as recurring costs to make provision for replacing these assets when that becomes necessary.
	Recurring Costs: As the intervention is rolled out, document in a careful and disaggregated way the full *recurrent costs* of service delivery, including the costs of supervision, reporting and quality control, as well as the allowance for depreciation and renewal of assets.[1] Estimates should also be included for the imputed value of *in-kind contributions* provided by government, volunteers and implementing partners (i.e., how much would they cost if one had to pay for them). There are a number of tools useful for organizing and guiding this part of the process. Organizations such as J-PAL have materials such as costing guidance, templates and methods papers to get you started. [2]
	Cost Drivers: Describe in as much detail as possible any special or outsized costs currently incurred to meet donor requirements.
	Cost-Benefit Analysis: If the decision has not yet been taken to proceed, carry out as appropriate a *cost-benefit* or *cost-effectiveness analysis*.[3]

1 Where possible, base these estimates on one or more geographies where the intervention is delivered under conditions similar to how it would be delivered sustainably at scale.

2 Radhika Bhula , Meghan Mahoney, and Kyle Murphy, *Conducting Cost-Effectiveness Analysis (CEA)* (J-PAL, 2020), https://www.povertyactionlab.org/resource/conducting-cost-effectiveness-analysis-cea.

3 Ibid.

2. Use of Funds	**Scenario Development:** Develop one to four scenarios[4] of how the intervention would be delivered at scale—by whom, to whom, in what way, phased in over what time period, etc. This analysis is often used as a basis for discussion and negotiation with those responsible for authorizing, delivering and funding implementation at scale. Scenarios can differ with regard to complexity, "dosage," coverage, timetable, funding model or mode of delivery.
	Unit Cost Estimation: For each scenario, estimate the unit costs of delivery at scale, including *direct costs*, *indirect costs* of implementing organizations, and in-kind contributions. Draw on the baseline data and make allowances for changes to the cost structure resulting from: (1) provision of the service by the organization(s) that will be responsible for delivery at scale; (2) any expected benefits resulting from economies of scale; and (3) potential savings from attenuating or eliminating certain elements of the intervention considered unsustainable or no longer required following proof of concept. If delivery at scale involves grafting activities onto the responsibilities of existing staff and programs, the "unit cost" estimate should be of any incremental costs involved. Incorporate a "sensitivity analysis" to establish how costs might differ across different target groups, contexts and scales of operation.
	Timetable: Propose a timetable for transition to provision at scale.
	One-Time Costs: Identify any one-time costs associated with transfer of responsibilities to the at-scale provider(s) and at-scale funder(s), and any one-time costs associated with rollout of the intervention to new geographies and population groups. Suggest a year-by-year breakdown of these costs linked to one or more proposed scenarios for transition to scale.
	Budget Estimates: Develop disaggregated annualized budgets showing net budget impact, including recurrent and one-time costs by year. Cover the period from the beginning of the transition through the first year of delivery at scale.

4 On rare occasions, more than four scenarios might be called for.

3. Source of Funds

Sources of Funds: List all potential sources of fund including, but not limited to:

- National, state and local government taxes/budgets
- Special taxes and fees
- Bonds
- Fee-for-service revenue
- Donor projects
- Philanthropy (one-time or evergreen)
- Other

For each item on the disaggregated annual budgets noted above, identify one or more potential funding source(s).

Summary Funding Proposal: Develop a summary funding proposal or alternative scenarios, disaggregated by funding source and by year, and cross-referenced to the budget structure of the Adopting Organization, interim funder and/or at-scale funder.

Briefing Note: Prepare one or more high-level briefing note(s) based on relevant portions of the above, including data visualization.

Budget Negotiation: Hold joint or individual discussions with policymakers and potential funding sources. Modify proposals as necessary.

Glossary

amortized: the running down or payment of a loan by installments (example: mortgage payment on a house)

cost-benefit analysis: a method of reaching economic decisions by comparing the costs of doing something with its benefits

cost-effectiveness analysis: a form of analysis that compares different outcomes based on relative costs of each course of action

depreciable asset: the fall in value of an asset

direct cost: expenses can be directly tied to the production of a specific good or service (i.e., manufacturing materials)

economies of scale: the cost advantages that industries attain when production becomes efficient (As output increases, the average cost of each unit produced falls.)

incremental costs: the extra costs incurred due to an additional unit being produced

indirect costs: expenses that are related to the production process but not traceable to a specific product or service (i.e., rent, utilities)

recurring costs: costs that occur in regular intervals and are anticipated

sensitivity analysis: measures how the impact of uncertainties of one or more input variables can lead to uncertainties on the output variables

unit costs: the costs to build or create one unit of product