Cost Reporting Manual

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Cost Reporting: An Overview

Introduction

To strengthen accountability, transparency, and value for money within the United States Agency for International Development (USAID) education sector, it is essential that the true costs of USAID-funded interventions are captured and analyzed. A better understanding of the cost structure of donor-funded interventions will help set realistic expectations and maximize limited resources to support education in developing countries.

By collecting and using cost data, USAID Missions and implementing partners can conduct a wide range of cost analyses at the activity level, country level, and USAID global education portfolio level. USAID has provided several resources on cost reporting and cost analysis on the Cost Measurement page of EducationLinks. The Cost Reporting Guidance and Cost Analysis Guidance outline the general objectives and principles of cost measurement as well as methods for cost-related data analyses. The Annexes to the Cost Reporting Guidance provide definitions, examples, and reporting templates. The Field Implementation Guidance provides supplemental guidance for USAID implementing partner staff on how to correctly set up and implement a cost reporting system. This Cost Reporting Manual Template serves as a complement to these resources and is designed to facilitate setting up activity-level cost reporting. The main audience for this template is USAID implementing partners.

Purpose of the Manual

This document is a template to facilitate the development of a cost reporting manual for education development activities[1] funded by USAID. USAID has designed the template to help staff of USAID-funded implementing partners in the education sector comply with the cost reporting requirements included in their awards.

> **The key objective of the cost reporting manual is to ensure consistency and accuracy of cost reporting throughout the activity implementation**.

Implementing partners should use this template to plan and set up cost reporting processes for their activity, train activity staff on accurate cost reporting, conduct periodic cost data quality checks, and submit cost reports to CORs/AORs. In cost reporting, implementing partners must use USAID's standard cost reporting categories to capture and disaggregate the entirety of activity expenditure according to the intended purpose of the expenditure. The manual provides activity staff with guidance on how to code their labor, travel, and other expenses for this reporting. The completed manual will ensure clarity around billing staff time and continuity as new staff come onto the activity[2]. *To complete*

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[1] Throughout this document, the definition of "activity" follows ADS 201: "An activity carries out an intervention, or set of interventions, typically through a contract, grant, or agreement with another U.S. Government agency or with the partner country government." (USAID ADS 201, p.138, 2016)
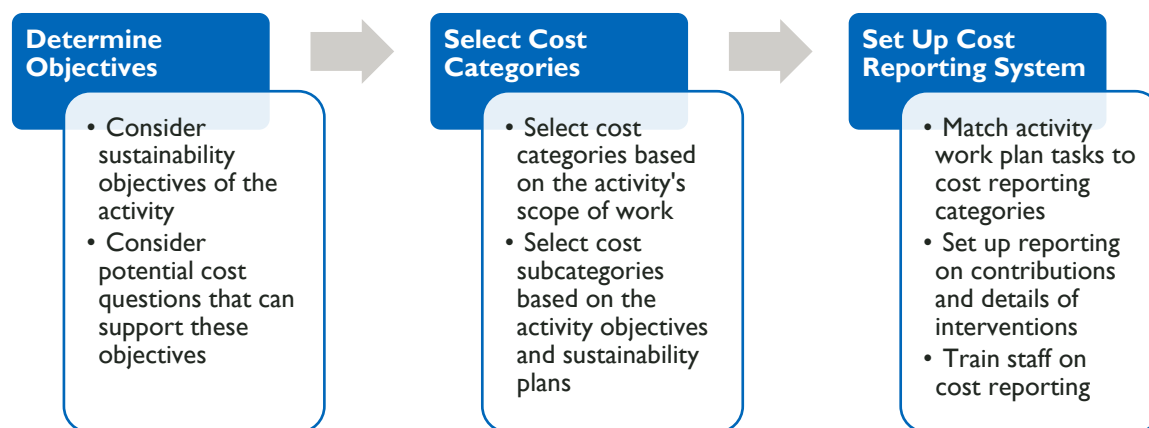
[2] Because the cost categories are standardized across all USAID Education projects, implementing partners who have already developed reporting manuals may be able to more easily adapt them for new activities.

the manual, replace the text in each editable content control with activity-specific information. If a field is meant to be empty, please enter a space to clear the default text.

Planning Cost Reporting

Cost reporting must be planned **prior to the beginning of project implementation,** during the start-up process. Exhibit 1 shows steps of planning cost reporting:

Exhibit 1. Planning Cost Reporting

Determine Objectives
- Consider sustainability objectives of the activity
- Consider potential cost questions that can support these objectives

Select Cost Categories
- Select cost categories based on the activity's scope of work
- Select cost subcategories based on the activity objectives and sustainability plans

Set Up Cost Reporting System
- Match activity work plan tasks to cost reporting categories
- Set up reporting on contributions and details of interventions
- Train staff on cost reporting

Step 1. Determine Objectives. Consider how cost data can be used to support objectives of the activity, including transfer to the local government, scale up using USAID or government resources, or planning a new USAID activity. The Cost Analysis Guidance provides examples of questions under various categories of analysis.

Step 2. Select Cost Categories. Select the appropriate cost categories from the list of standard cost reporting categories in the Annexes to the Cost Reporting Guidance, based on the scope of work of the activity. Implementing partner may need to create additional sub-categories to further disaggregate cost data to support the objectives of cost reporting.

Step 3. Set up Cost Reporting System. Using this template, match activity work plan tasks to cost reporting categories and subcategories. Establish procedures, roles and responsibilities for capturing data on contributions and details of interventions, data quality assurance, and reporting procedures.

Planning and setting up a cost reporting system requires coordination between activity operations, finance, and MEL teams. The Cost Reporting Manual should be considered a living document and should be updated as needed. The manual can be included as part of the activity's policies and procedures manual and used as part of activity staff orientation. The manual serves as a reference document for the activity staff to ensure they have a general understanding of the objectives and the principles of cost reporting. Staff may be familiar with having different time codes based on Contract Line Item Numbers

(CLINs) from previous activities. The cost capture categories replace CLINs in most cases,[3] but they are different in a very important way: billing to cost capture categories must capture staff time and expenses in real time. The goal of cost reporting is to capture the **actual** cost of labor and Other Direct Costs (ODCs), regardless of any assumptions around how much labor specific tasks will require in the budgeting stage. Key guidelines for staff training include the following:

1. As required under all federally-funded activities, staff **must** record their time at the end of **every day.** They may be unable to correctly code their time if they wait until the end of the pay period.

2. Staff should bill to the correct cost category from their **first day working on the activity.**

3. Staff should bill their time to the cost category that **relates most closely to the tasks they are performing**. Staff working on an activity are not expected to routinely split their time between many cost categories. If the employee's job description is broad and they support the activity on a range of different tasks that cut across multiple cost categories, they should charge their time to the general management and operations code.

4. While most Missions financial report templates have a single line for labor expenditure, the sustainability objectives of the cost measurement initiative require disaggregation of all labor costs into local and international labor costs. Therefore, **partners should capture and report on costs for international and local labor separately**.

For further information on all the topics covered in the manual and for background on cost measurement, please visit the USAID Cost Measurement page on EducationLinks website.

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[3] Some activities will have both CLINs and cost categories, where CLINs serve the function of setting up budgetary limits to expenditures in a particular geographic or technical area, and cost categories serve the function of capturing data on costs of achieving specific outputs and outcomes.

Manual Template

Step 1. Determine Objectives

Cost measurement can be used for a variety of purposes. It can support government policy objectives, inform future USAID investment decisions, or help inform discussions with sector stakeholders about sustaining effective interventions. It is helpful to consider potential objectives of cost measurement early in the activity in collaboration with USAID Mission staff, host country government representatives, and local stakeholders.[4]

If the activity team has considered objectives of cost measurement or specific cost analysis questions, please enter them below.

- Enter potential cost measurement objectives or cost analysis questions
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[4] USAID's Cost Analysis Guidance provides examples of cost analysis objectives and questions.

Step 2. Select Cost Categories

Building on USAID's experience with implementing interventions to improve education and youth workforce development outcomes over the past decade, USAID has developed a list of 13 standard cost categories that correspond to the most common tasks of USAID-funded activities in education and youth workforce development. USAID-funded education and youth workforce development activities should select relevant categories from this list to report on. Cost categories cannot be changed, and all activities are required to report on Category 1. General operations, management, and reporting.

USAID standard cost reporting categories:

Category 1. General operations, management, and reporting
Category 2. Assessment and evaluations
Category 3. Capacity strengthening of government systems
Category 4. Capacity strengthening of local organizations
Category 5. Pre-service educator training
Category 6. In-service educator training
Category 7. Teaching and learning materials
Category 8. Safe, inclusive spaces and infrastructure
Category 9. Parents and community engagement
Category 10. Private-sector engagement
Category 11. Leadership development
Category 12. Scholarships and cash transfers to individuals/families
Category 13. Other

In addition to standard cost categories, activities can develop custom sub-categories to further disaggregate cost data based on what they want to learn. Cost sub-categories are flexible. They respond to the needs of USAID, the host country government, implementors, and evaluators, and can facilitate later analyses. For example, if a team wants to learn the cost of developing and distributing books in two different languages, there will need to be separate cost sub-categories for the costs related to development and distribution of materials in each language. For activities involved in developing a new intervention, USAID requires reporting on separate "development" and "implementation" cost sub-categories. These sub-categories are necessary to enable estimation of the cost to the host country government of continuing the intervention without including the separate development costs, which the host country government will not need to expend. Implementing partners should try to minimize the overall number of cost reporting categories since a large number of categories can lead to confusion among staff and poor data quality.[5]

Table 1 defines the 13 cost categories and provides space to describe any components of the activity that fall under each cost category. You can find more details on the cost categories and examples in the Annexes to the Cost Reporting Guidance. In consultation with the technical leadership of the activity, please select cost categories and sub-categories the activity will report on and fill in Table 1 by adding tasks from the activity scope of work or work plan that correspond to each selected cost category. The table also includes illustrative sub-categories. In the space beneath these illustrative cost sub-categories, enter the cost sub-categories that your activity will actually report on (which may or may not include

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[5] Cost categories and sub-categories should be established for tasks that are expected to expend five percent or more of the overall activity expenditure (Five percent is proposed for moderately sized awards (10 to 25M); the percentage could be smaller for large awards and larger for small awards). Tasks with smaller percent expected expenditure can be "housed" in other related cost categories. For example, if a community literacy support activity has a very small component that has to do with private sector engagement in support of community-based literacy intervention, rather than creating a dedicated **Category 10. Private-Sector Engagement** cost category, the expenditure can be captured under **Category 9. Parents and Community Engagement**.

the illustrative categories). You can also use the table to specify financial charge codes for each sub-category. In most cases, you will have as many financial charge codes as you have cost sub-categories.

Table 1: Activity cost categories, sub-categories, and financial codes

Cost Category Description	Activity Components	Sub-Categories	Charge Code (optional)
Category 1. General Operations, Management, and Reporting. This includes labor and other expenditure on costs that are specific to USAID-implemented activities and would not be part of the transfer of the intervention to the host government, such as rent, transport, HR, finance, security, and general management and reporting to USAID.	This is a required category for all activities. It includes labor and other expenditure that is associated with the general management of the activity (chief of party, project director, etc), operations (rent, transport, HR, finance, security, etc) and reporting to USAID (monitoring, communications, etc).	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. General operations 2. General management 3. Donor reporting	Enter charge codes
Category 2. Assessments and Evaluations. This includes labor and other expenditure on evaluations and assessments, as well as expenditure on general research and learning agendas. Costs of monitoring for USAID compliance and accountability are captured under Category 1. Costs of formative research are captured under specific technical cost categories.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. Learning assessments and evaluations 2. Research and learning agendas	Enter charge codes
Category 3. Capacity Strengthening of Government Systems. This includes labor and other expenditure to strengthen existing government education systems and promote accountability, including reforming education policies, improving data systems, and developing the capacity of the government education staff and the national, regional, and local levels.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. Policy development 2. Staff capacity strengthening 3. Improvement of systems	Enter charge codes
Category 4. Capacity Strengthening of Local Organizations. This includes labor and other expenditure to strengthen the capacity and performance of local organizations involved in all levels of education provision, from early childhood to higher education, as well as youth development. Tasks under this category include improvements in policies and systems and developing the staff capacity of local organizations to result in improved performance of recipient organizations.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. Policy development 2. Staff capacity strengthening 3. Improvement of systems	Enter charge codes
Category 5. Pre-Service Educator Training. This includes labor and other expenditure for improving the	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories:	Enter charge codes

Cost Category Description	Activity Components	Sub-Categories	Charge Code (optional)
organizational capacity of education institutions focused on training education professionals, from vocational post-secondary institutions to higher education institutions.	this category is not selected for cost reporting.	1. Intervention development (non-recurrent costs) 2. Intervention implementation (recurrent costs)	
Category 6. In-service Educator Training. This includes labor and other expenditure for training or coaching education professionals already employed or deployed in the formal or informal education system.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. Intervention development (non-recurrent costs) 2. Intervention implementation (recurrent costs)	Enter charge codes
Category 7. Teaching and Learning Materials (TLMs). This includes labor and other expenditure to create, test, produce and deliver TLMs to final beneficiaries, including virtually.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. Development and testing (non-recurrent costs) 2. Production and distribution of TLMs (recurrent costs)	Enter charge codes
Category 8. Safe, Inclusive Spaces and Infrastructure. This includes labor and other expenditure to support the establishment or improvement of safe and inclusive spaces for children and youth and to improve school safety through more accessible and inclusive physical spaces or policies that support safety and inclusion. Examples include school safety surveys, updating school infrastructure, interventions to counter school-based and gender-based violence, and interventions to establish safe and inclusive spaces for children and youth.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. Safe and inclusive spaces 2. Construction of education spaces 3. Improvement of education spaces	Enter charge codes
Category 9. Parents and Community Engagement. This includes labor and other expenditure to involve families and communities in support of the activity objectives. Examples include back to school drives and efforts to involve youth in community decision-making.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. Intervention development (non-recurrent costs) 2. Intervention implementation (recurrent costs)	Enter charge codes

Cost Category Description	Activity Components	Sub-Categories	Charge Code (optional)
Category 10. Private-Sector Engagement. This includes labor and other expenditure to increase private sector involvement in support of the activity objectives. Examples include costs associated with developing and running internships and labor market assessments.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. Public-private partnership development 2. Internships/direct placement 3. Labor market assessments	Enter charge codes
Category 11. Leadership Development. This includes labor and other expenditure to support the development of in-country leadership potential, both formal and informal, throughout the continuum of education and positive youth development. Interventions include individual leadership development, strengthening of networks, and peer to peer education, among others.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. Leadership development 2. Peer to peer education	Enter charge codes
Category 12. Scholarships and Cash Transfers to Individuals/Families. This includes labor and other expenditure to deliver cash transfers to individual beneficiaries or families in support of education activity objectives, including the amount of the transfer and administrative costs. This should be disaggregated by type of cash transfer.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on. Illustrative sub-categories: 1. Scholarships 2. Cash transfers to individuals/families	Enter charge codes
Category 13. Other. This includes labor and other expenditure on activities that are different from the common education and youth development-related tasks.	If this category is selected, describe components of the activity that fall under this cost category. Leave the row blank if this category is not selected for cost reporting.	Enter sub-categories under this cost category that the activity will report on, as appropriate.	Enter charge codes

Step 3. Setting up Cost Reporting System

Roles and Responsibilities

Once the cost categories and sub-categories have been selected and the financial system has been set up to capture and categorize expenditure correctly in real time, the next step is to assign activity staff roles and responsibilities in the cost reporting system. This section outlines the roles and responsibilities of the functional team members involved in setting up and implementing activity cost reporting.[6]

Finance Team: Reporting on Expenditure

The main responsibility of the activity finance team is to ensure accurate expenditure recording in real time and financial reporting to the A/COR according to the timeline specified in the award. Under the cost reporting requirement, the entirety of activity expenditure must be recorded by USAID standard cost reporting categories, according to the intended purpose of the expenditure. These categories correspond to the most common technical tasks of USAID-funded activities in education. During activity startup, the finance team will work with the technical leadership of the activity to select cost reporting categories and sub-categories that the activity will collect cost data and report to USAID on (see above), and set up financial charge codes in the accounting software the prime implementer uses.

When preparing financial reports, the finance team members will include the breakdown of expenditure for each cost category using components referred to as "ingredients." "Ingredients" are: labor, materials, rent, travel, and other types of expenditure, as captured through the accounting system for the reporting period. Labor costs will be captured in real time, using time sheets. In reporting, the finance team will use standard invoice line items, including associated overhead recovery. However, financial reporting for cost measurement requires a greater level of detail than is normally included in financial reporting. Most importantly, **international and local labor costs must be disaggregated from one another**.[7]

The mandatory breakdown of ingredients is listed below. **Each of these ingredients must be reported for each cost category.**

- International labor costs
- Local labor costs
- Allowances
- International travel, transportation, and per diem
- Local travel, transportation, and per diem
- Equipment and supplies
- Subcontracts or subgrants
- Other direct costs

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[6] For more information and roles and responsibilities, please see the Field Implementation Guidance.
[7] This is required in order to facilitate calculations of the cost to host countries of taking up the activity after USAID funding has been completed. Host countries will not have international labor costs in this case.

- Grants under contract
- Overhead

Annex A of the Cost Reporting Guidance provides definitions and examples of tasks under each cost reporting category.

The finance team should conduct periodic quality checks of the cost data by verifying the accuracy of staff time billing and allocation of ODC expenses to cost categories and sub-categories.

MEL Team: Reporting on Details of Interventions

Without detailed information on the structure of the intervention and the details of outputs and dosage it is impossible to determine unit costs and interpret results in the context of the expenditure data. Whether students receive 20 minutes of reading instruction a week, versus an hour every day, should have an impact on project-level outcomes. Similarly, whether a teacher receives one large group training for 3 days, or dedicated coaching on a weekly basis, has significant implications for cost and is likely to impact project outcomes. Therefore, one of the objectives of cost data collection is to also collect data on details of implementation, including information on beneficiary-level dosage of core intervention activities and products and outputs by cost category.

USAID has developed a template to facilitate reporting on intervention dosage (inputs) and program outputs. Additional guidance for filling out this template is found in the Annex C of the Cost Reporting Guidance. The template is divided into three sections depending on the education level of the beneficiaries:

- C-1: Early childhood through secondary; accelerated and non-formal designed as a replacement of formal (reported annually at the end of the school year)
- C-2: Secondary Technical and Vocational Education and Training (TVETs), post-secondary TVETs, higher education institutions (reported annually at the end of the school year)
- C-3: Youth interventions not linked to education levels (reported on a rolling basis)

The activity MEL team should fill out a template for each intervention implemented as part of the activity. It is not uncommon that a single activity is implementing multiple interventions. For example, an activity that focuses on teacher training can develop and provide such training in different subjects, or with different types of grades of learners. Additionally, different types of beneficiaries may receive different inputs. For example, an activity may provide additional afterschool support to learners in marginalized communities. **Reporting on details of the intervention must be aligned with cost reporting to allow for unit cost computation.** For example, if the activity is developing and producing teaching and learning materials in two languages and is reporting the expenditure associated with developing and producing materials in each language, then the associated output data should also be reported for both languages.

Template C provides space to enter data for standard output indicators. If the activity reports on custom indicators that are central to its performance management, MEL staff should add those indicators to the template. MEL staff can use the space provided in the annex of this reporting manual to save the template for reporting on any custom indicators.

Partners are encouraged to provide as much information as possible without incurring additional cost or causing undue burden. For example, while partners are required to report on instructional time if this is relevant to their intervention, they are only responsible for reporting **intended** instruction time as specified in the curriculum. *Partners are not required to monitor the actual adherence to the curriculum by teachers if such monitoring is not included in the activity's scope of work.*

Annex C does not contain a template for submitting outcome data. Cost analysts will use outcome data from available evaluation reports and do not require the implementing partner to fill out additional templates.

Operations Team: Reporting on Contributions

The operations team has a holistic knowledge of the interactions between the activity and other important actors, be they the government, non-governmental organizations, or private companies. The operations team is responsible for capturing **estimates** of the substantial and activity-critical contributions from other sources, which are not already included in the budget. Examples of such contributions include staff or volunteer time, donated facility use, monetary donations, material donations, and other in-kind donations. Only those contributions that are necessary for accomplishing activity objectives and that would otherwise have to be purchased must be reported. **Annexes** to the Cost Reporting Guidance provide definitions and examples. A contribution should be reported if the operations team answers yes to two questions:
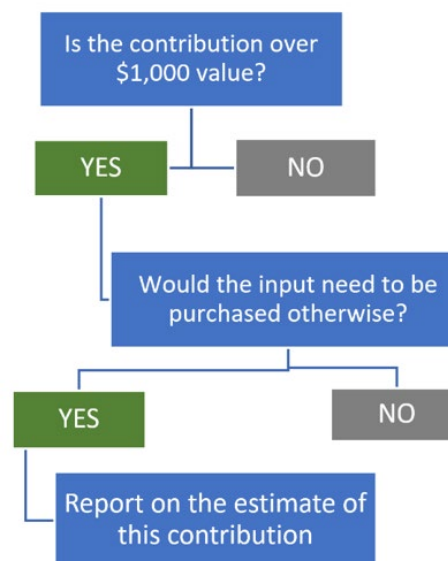
Reporting on contributions: decision tree

- Is the contribution over $1,000 value?
- Would the input need to be purchased otherwise?

If the answer to either question is no, the operations team does not need to report it.

Activities should report on contributions using Template B which includes a template on reporting on government contributions and a template on reporting on contributions from non-governmental entities. Detailed instructions are included in the template. The operations team should adapt these templates to fit the needs of the activity as necessary. The operations team can use the space provided in the annex of this reporting manual to save the template with any adaptations.

Annex B1: Government Contributions. Often USAID projects work closely with host governments and may even have project staff embedded in government offices, or government staff working full time with project teams. These contributions should be reported to USAID using Template B1 following directions in Annex B1. The template is designed to capture the amount of government staff time donated to the activity tasks, the amount of government staff time spent in trainings, and the description of in-kind donations.

Annex B2: Non-Government Contributions. Similar to government contributions, inputs from community volunteers, private sector actors, or any non-governmental groups that are not paid from project funds should be reported using Template B2, following directions in Annex B2. This template is very similar to Template B1 and captures the amount of donated time as well as the description of in-kind donations by private actors.

Assigning responsibility

The responsibility for reporting on expenditure, reporting on details of interventions, and reporting on contributions should be clearly assigned to specific members of the finance team, MEL team, and operations team, respectively.

Please list the individuals responsible for each role, below. Please assign at least one person, and up to four people, per role.

Role in Cost Reporting	Individual(s) Responsible
Finance Team: Reporting on Expenditure ■ Set up selected cost reporting categories and sub-categories in the financial reporting system. ■ Coordinate with the activity management to ensure all technical and operations staff working on the activity know which cost categories they should charge their time and other expenses to. ■ Conduct periodic quality checks of the cost data. ■ Coordinate with the activity management staff to prepare cost reports according to the award reporting requirements.	*Finance team staff in both headquarters and country offices.* Name, E-mail Name, E-mail Name, E-mail Name, E-mail
MEL Team: Reporting on Details of Intervention ■ In coordination with the technical team, fill out worksheets with details of the intervention for submission to the COR/AOR.	*MEL team staff in both headquarters and country offices.* Name, E-mail Name, E-mail Name, E-mail Name, E-mail

Role in Cost Reporting	Individual(s) Responsible
Operations Team: Reporting on Contributions	*Chief of Party, other management staff, and HQ support staff.*

- Manage setting up the cost reporting system (see steps above).

  Name, E-mail

- Fill out the worksheets with estimates of the substantial and activity-critical contributions from other sources.

  Name, E-mail

  Name, E-mail

- Report to USAID on costs, contributions, and details of the intervention, per award reporting requirements.

  Name, E-mail

Reporting Protocol

The activity team will submit the cost reports to the A/COR and USAID's Development Data Library (DDL) based on the reporting frequency specified in the award. Reporting on expenditure will follow the guidance in the ingredients section of this manual. As noted above, the activity team should use the Contributions and Dosage Reporting Templates provided on the cost measurement page of EducationLinks for reporting on contributions and details of the intervention.

All cost data submitted to the DDL will include the following:

- A Risk-Utility Assessment Tab
  - Proposed Access Level: "Non-Public"
- A Data Detail Tab
  - Keywords: "Education," "Cost," and, as applicable, "Quarterly Financial Report," "Annex A," "Annex B," "Annex C," and/or "Cost Reporting Manual"
  - Sector: "Basic Education," "Higher Education," or "Youth" (as applicable)
  - Program code: (as applicable)