

Cost Efficiency Analysis

Legal Aid Case Management



In emergency settings, refugees and internally displaced persons (IDPs) often have difficulty accessing key government services, especially if they lack formal documentation of their citizenship or work status. One way of ensuring people are guaranteed their basic rights is to help them access the services to which they are already entitled, by helping them navigate the legal and justice systems. The International Rescue Committee (IRC) operates large-scale case management programs for legal aid in Iraq, working through Protection Assistance and Reintegration Centers (PARCs) spread throughout the country. Just as case management programs for gender-based violence (GBV) survivors or at-risk children conduct needs assessments and provide referrals to necessary services, legal aid caseworkers assess the legal needs of their clients and connect them to the right services.

This analysis examines six legal case management projects in Iraq. Three of these projects were implemented by local partners acting as sub-grantees of the IRC, while three of them were directly implemented by the IRC itself. In addition to learning about the costs of providing such services in insecure environments, examining the cost efficiency¹ of these projects provides an opportunity to assess the assertion that local partners are more cost efficient than large international NGOs (INGOs). The claim that local implementers have leaner cost structures, and access to a larger pool of beneficiaries than international organizations, is explored through this case study of legal protection projects in Iraq.

- **The average cost per case over the course of a year ranged between \$98 and \$1900 in Iraq, with a median cost per case of \$400, depending largely on the number of people who used the services.** These costs can be thought of relative to the risks that they mitigate. People who lack documentation and legal representation are often unable to move freely, lack physical security and have difficulty securing formal work or accessing government services. They may be deprived of services ranging from health care, food rations, and education, to housing, and social welfare benefits, placing them at increased risk of deprivation or exploitation.
- **For directly IRC-implemented legal aid projects, between 40 and 80 percent of total costs went to legal aid staff and supplies; this suggests that incremental costs that increase use of those services could increase the cost efficiency of these projects.** A sizeable proportion of spending was dedicated to the staff and spaces which made legal aid available to clients, which is encouraging. Because case management provides a flow of services, rather than a discrete distribution of goods, its cost efficiency can be improved by increasing the number of people using those services—for instance, through awareness raising campaigns which increase the number of vulnerable people seeking assistance.
- **Data from this small sample of projects suggests that local partners—who do have lower costs—can operate more cost-efficiently¹ than INGOs, though this may have been due to the fact that local partners worked on different kinds of cases than the IRC.** The median cost per case served during 2015 was \$138 through the three local partners and \$597 for the IRC as a direct implementer. Interestingly, this was not driven by lower support costs, but by lower spending per case on programmatic resources like lawyers. Anecdotal evidence suggests that this may be because local partners focused on providing legal aid to people who required less-intensive services. This suggests that local partners are not a substitute for INGOs, but fill a complementary role by providing a high volume of services on cases that do not require as intensive legal support.
- **Legal case management projects often use funding from several grants to provide the whole package of services; if funding across grants is not considered then the cost per case of such services will be mis-estimated.** Each of the projects in this analysis was supported by four to five separate grants, and data had to be collated across them to generate an accurate understanding of the costs and outputs in different governorates.

¹ Cost efficiency measures the cost per output of a program—in this instance, the cost per case. By contrast cost effectiveness measures the cost per outcome, which helps capture elements like service quality and the impact on the lives of clients.

This analysis covers six legal case management projects operated in Iraq during 2015. These projects all provided case management service to refugees, IDPs, and other persons of concern to assist them getting government documentation or accessing social services, as well as providing assistance on complex cases such as illegal detention. Among these six projects, some served fairly small populations within a limited geographic area, while others served much larger populations across multiple governorates. Three of these projects were directly implemented through IRC Protection Assistance and Reintegration Centers (PARCs) in Iraq, while another three were implemented by local partners operating their own PARCs. This mix of direct- and partner-implemented projects offers the opportunity to test the frequent claim that local implementing partners are a more cost-efficient option than international NGOs.

management specifically, and for each remaining ingredient they recorded the unit cost, number of units needed, and the percent of that item that was dedicated to legal case management rather than other aspects of the project. For projects that produced multiple outputs—for instance, some also operated women’s Listening Centers—staff estimated the proportion of each line that was relevant for case management versus other outputs. Any funding which was shared among these projects was attributed proportionally to the number of cases served by that project. Lastly, ingredients were broken down into categories, and tagged as either programmatic costs (e.g. costs which contribute directly to frontline services, such as PARC management, lawyers’ time, or building rental) or support costs (e.g. cross-cutting functions such as grant management, payroll, financial management, or security).

Table 1. Programs in This Analysis

Project	Governorates Covered	Total Cost of Legal Aid Services	Cases Served
Local Partner 1	Baghdad	\$89,933	361
Local Partner 2	Babylon	\$290,625	253
Local Partner 3	Ninewa	\$217,993	933
Direct IRC 1	Anbar, Babylon, Baghdad, Diyala, Kerbala, Najaf, Ninewa, Sala al Din, Wassit	\$4,623,981	20,089
Direct IRC 2	Baghdad (Palestinian communities)	\$486,314	196
Direct IRC 3	Baghdad, Al-Qadisiyah, Diyala, Wassit	\$296,919	460

The funding for these projects was spread across several overlapping grants—the largest grant funded both the Direct IRC project #1 in nine governorates of Iraq, and also covered the sub-grants to local partners in 3 governorates. This analysis, consistent with IRC analyses of case management programs in other sectors, highlight the importance of considering all of the relevant funding streams when assessing the value-for-money.

For every project in the analysis, IRC staff collected data from relevant narrative documents, log frames, budgets, and expense reports to identify all necessary ‘ingredients’ of delivering case management services in that particular area. Staff separated costs that were not relevant for legal case

Legal case management is not a discrete package of services, but instead provides as-needed support to clients who may require assistance over a sustained period of time, and is often funded by multiple grants. To estimate the cost efficiency of such programming, staff combined all relevant costs over the course of 2015, and divided by the total number of cases served during that time. Cases ranged greatly in the exact services they provided: in some cases, PARC staff might simply have helped to fill out and file a request for documentation, while in other cases they might have provided legal representation during a lengthy detention case. The resulting cost efficiency estimates thus reflects the average length and type of services provided; estimates from other contexts, where the duration and nature of services may vary, will not necessarily be comparable.

Measuring the Cost Efficiency of Case Management for Legal Aid

$$\text{Cost Efficiency for Legal Aid Case Management} = \frac{\text{Total costs attributable to case management in relevant governorates in 2015}}{\text{Number of cases serviced in that area and year}}$$

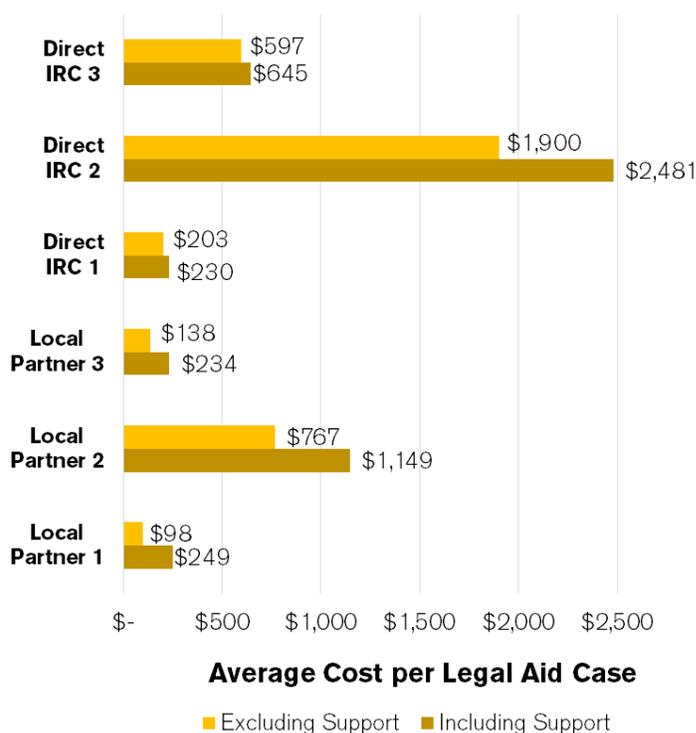


The cost per case managed during the year of programming under analysis was between \$98 and \$1900, when the costs of support functions are excluded. When those costs are included the cost per case ranged between \$230 and \$2480. These costs can be thought of relative to the harm that they help prevent: people who lack documentation often have difficulty securing work, face limited freedom of movement to visit or reunite with family members, and face a greater chance of forcible relocation or lengthy judicial proceedings. One 'case' may also cover many individuals, for instance in cases of illegal evictions in a large apartment building. This analysis provides only a measurement of the costs of providing such services. A full cost-benefit analysis would be needed to rigorously assess whether the benefits of providing legal case management outweigh the costs in the Iraqi context.

Across the six projects examined, most directed around 45 percent of total costs to the legal casework staff and supplies. The safe spaces and legal support encompassed in those expenses represents the value that was being provided to clients, since the cost of caseworker time scales roughly with the number of clients being served. Any incremental costs which could increase the use of these services—for example, by running awareness campaigns which increase the number of vulnerable people seeking legal services, and making use of existing legal capacity at PARCs.

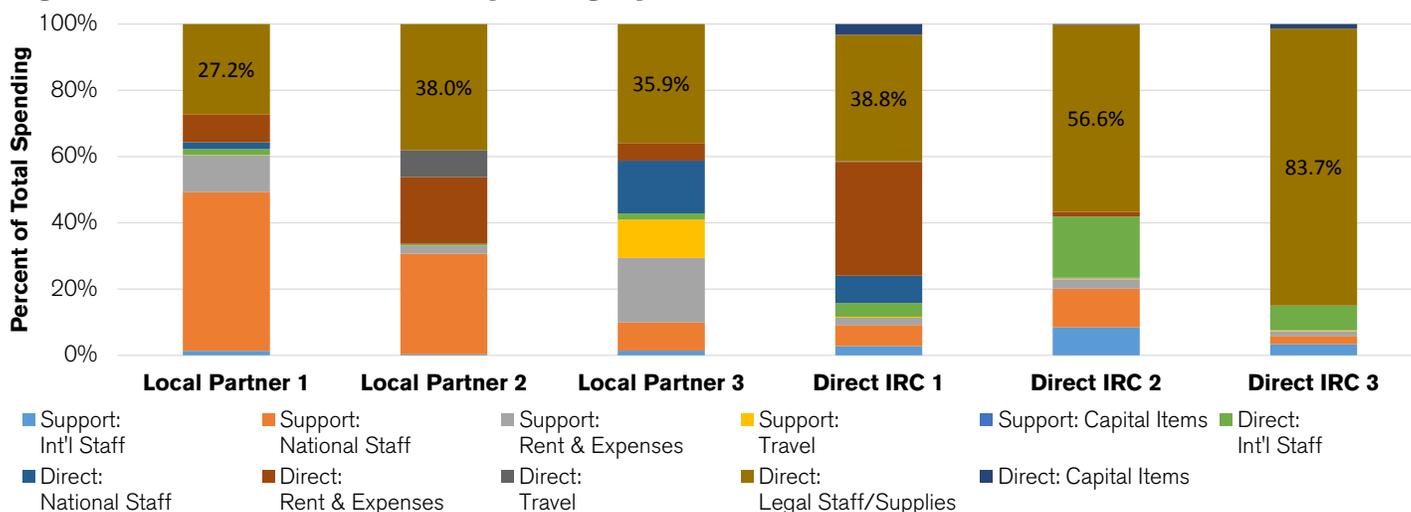
Contrary to expectations, the proportion of costs dedicated to legal aid & supplies (the brown bar in Figure 2) is actually higher for IRC-implemented projects, ranging from 40 to 80 percent, than for those implemented by local partners. In part this is a reflection of the fact that the

Figure 1. Cost Efficiency of Legal Aid Projects



total cost of partner-implemented projects was lower, and so their fixed support costs like executive management or accountants form a larger proportion of total costs. A higher percent of spending dedicated to support costs does not necessarily represent lower efficiency, if local partners are able to serve more cases with a leaner project structure while maintaining the same quality. Though cost efficiency does not capture quality in the “cost per case” metric, it is possible to look at the underlying ingredients of these projects to begin to understand what was provided.

Figure 2. Breakdown of Costs by Category



The three local partners examined in this analysis achieved a lower cost per case than the IRC, but this was driven by a less intensive (proportional to cases served) programmatic structure rather than a less intensive support structure. For example, dividing the total costs of support functions by the number of cases served, projects run through local partners paid between \$96 and \$381 in support costs per case they served. Two of the projects operated directly by the IRC incurred \$27 and \$49 in support costs per case served, much less than the local partners. This is not a universal rule, though: the smallest project operated directly by the IRC actually incurred more than \$500 per case on support functions such as finance, HR, and supply chains, because these “fixed” costs were spread over so few clients.

The fact that much of the difference in observed local partners' cost efficiency was driven driven by lower spending per case on legal staff and supplies suggests that services provided by these partners may have been less intensive than that provided by the IRC. On the other hand, some readers might wonder whether the IRC simply paid inflated wages to its legal staff, driving up the cost of legal supplies without any corresponding increasing in quality. The IRC does use an Iraq-wide pay scale in order to be competitive with other INGOs, in contrast to local partners who may only recruit from a local labor market and pay lower wages. However, re-running the same cost efficiency analysis substituting the IRC salary rates into partners' cost models did not dramatically change the results. The cost per case rises at most 10 percent when the higher salary rates for lawyers are used. This suggests that it is the intensity of the services being provided, and

Table 2. Is Cost per Case Driven by Higher Lawyers' Salaries at the IRC?

Project	Cost per Case		% Change in Cost per Case
	Actual Salaries	Substitute Salaries	
Local Partner 1	\$262	\$275	4.9%
Local Partner 2	\$1,161	\$1,272	9.6%
Local Partner 2	\$246	\$248	0.8%

not the different salary rates being paid which drives lower programmatic spending per case by local partners at PARCs in Iraq.

There is little evidence of duplicating support costs between the IRC and sub-grantees. One concern when INGOs are used to train and sub-grant money to local partners is that there will be a duplication of support functions, such as financial oversight, procurement, or HR. In Iraq, however, little duplication was evident. Looking at the ingredients listed in cost models, local partners had relatively fewer support staff, and what support staff they did employ focused on financial tracking and case monitoring. The IRC's support staff handled grant management, financial compliance, as well as capacity building for legal aid staff across both organizations. For each of these cost models, ingredients were separated out by whether they were incurred by the IRC or its local partner, and the total spending by each was summed up. The support functions housed within the IRC formed only a small layer on top of the partners' costs.

Figure 3. Proportion of Cost per Case Incurred by IRC vs. Local Partners



The scale at which projects are run has a greater impact on cost efficiency than direct versus partner implementation, and local partners do not always have a greater reach than INGOs.

Of the two projects which cost dramatically more per case than the rest, one was run by a local partner while the other was run directly by the IRC. Even if local partners do have leaner cost structures, the data shows that they cannot escape diseconomies of scale when projects are run at particularly small scale. The necessary costs of management and finance staff, even when minimal, still cost a great deal per case when they are only spread over a small number of cases served. This suggests that the key question when considering whether an organization will deliver legal aid cost efficiently is not “are they a local partner?” but “how wide is their reach?” Local partners can provide lower intensity legal services for a much wider pool of clients, complementing the more complex legal services provided by INGOs, and driving down the average cost per case.

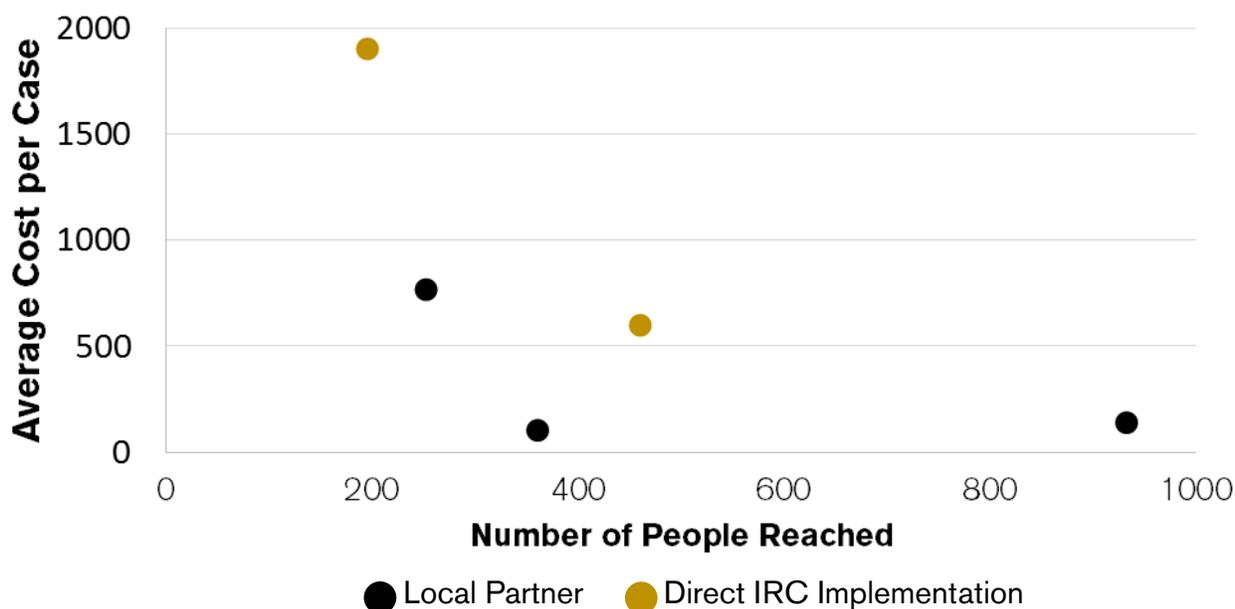
It is not necessary to implement enormous projects to achieve “returns to scale”—much of the decrease in cost per case occurred simply by shifting from serving 200 to 400 cases.

The smallest project operated directly by the IRC cost more than \$1,900 per case to serve 196 cases, but there was much less difference in cost per case for the other two directly implemented projects—one of which served more than 460 cases while the other served more than

20,000 cases. For projects by implementing partners as well, the smallest (serving around 250 cases) was the most expensive per case, costing cost nearly \$800 per case when support costs were excluded. But the two larger projects—one of which served 360 cases while the other served more than 900 cases—both cost between \$100 and \$130 per case. This is consistent with several other cost efficiency analyses which show that the greatest efficiency returns are achieved by moving from very small to moderately sized projects.²

These results should not be over-interpreted to mean that there is some threshold around 350 cases at which legal aid projects suddenly became cost efficient. Rather, the intuition is that very small projects must incur some “fixed” level of administration and support costs, which drives up their cost per case served almost exponentially. As projects serve more people, these fixed costs can be spread over a larger and larger pool of beneficiaries, driving down the cost per person. Then at some point, as reach expands, implementers will need to begin hiring more finance or monitoring staff and doing more capacity building and monitoring of these newly hired staffers, to accommodate that increase in cases served, causing cost per case to level out. This also suggests that sharing support costs across multiple projects—for example, by bundling protection monitoring with legal case management services which, is likely to increase each individual project’s cost efficiency.

Figure 4. Cost Efficiency vs. Program Scale (Excluding Support Costs)



² See “Cost Efficiency Analysis: Latrine-Building Programs in Ethiopia” and “Cost Efficiency Analysis: Unconditional Cash Transfer Programs”.



Cost Analysis at the IRC

The IRC is committed to maximizing the impact of each dollar spent to improve our clients' lives. As the IRC's CEO wrote in a 2015 article in *Foreign Affairs*, "Donors need to not just double the amount of aid directed to the places of greatest need but also undertake reforms that seek to double the productivity of aid spending." The Best Use of Resource initiative is focused on improving the reach and impact of the IRC by using internally available data to better understand the cost of delivering key IRC interventions. Generating evidence about cost efficiency and cost effectiveness will enable the IRC to cost and compare different approaches and their related impact, ultimately allowing decisions that achieve the best use of resources.

"Cost efficiency analysis" compares the costs of a program to the outputs it achieved (e.g. cost per latrine constructed, or cost per family provided with parental coaching), while "cost effectiveness analysis" compares the costs of a program to the outcomes it achieved (e.g. cost per diarrheal incident avoided, cost per reduction in intra-family violence). Conducting cost analysis of a program requires two types of information:

- 1) Data on what a program achieved, in terms of outputs or outcomes, and
- 2) Data on how much it cost to produce that output or outcome.

Asking Ourselves "What Did a Program Produce?"

Units across the IRC produce a wide range of outputs, from obvious items like nutrition treatment or shelter kits to more intangible things like protection monitoring or case management. Cost analysis requires us to focus in on one output (for cost efficiency) or outcome (for cost effectiveness), such as the number of items produced or the number of people provided with a service. Such outputs will not necessarily encompass all the work that a program has done. For example, a WASH program may build water pipelines, latrines, and solid waste disposal pits; each of which could be defined as a single output. The Best Use of Resources initiative focuses on analyzing the IRC's key outputs, such as access to sanitation in refugee camps, malnutrition treatment, and case management services. The focus is not to dismiss other dimensions of our program's work, but to concentrate on one output, allowing for comparison of cost efficiency across programs and contexts in ways not possible if budget data at the program level was the only factor considered. The Best Use of Resources initiative team works together with IRC's Program Quality Unit to identify the most important outputs and understand how to quantify these outputs to improve the accuracy and efficacy of the results of analyses and use these improved results in programming decisions.

Asking Ourselves "How Much Did It Cost?"

After defining the output of interest, staff builds out a list of inputs that are necessary for producing that particular output. If one thinks of a program as a recipe, the inputs are all of the 'ingredients' necessary to make that dish. Budgets contain a great deal of information about the ingredients used and in what quantities, but a single grant budget will frequently cover several types of outputs, or program activities across multiple sectors. Therefore, not all line items in a program budget will be relevant to a particular output; to get an accurate sense of the costs of producing a particular output, staff categorize costs by the output they contributed to and count only those that are relevant to that particular output. Many of the line items in grant budgets are shared costs, such as finance staff or office rent, which contribute to an entire program's outputs. When costs are shared across multiple outputs, it is necessary to further specify what proportion of the input was used for the particular output. Specifying such costs in detail, while time-consuming, is important because it provides lessons about the structure of a program's inputs. We can divide costs into categories and determine whether resources are being allocated to the most important functions of program management, and enable us to model alternative program structures and quantify the cost implications of different decisions.

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