



# Systematic Cost Analysis Tool

## > Overview

Humanitarian emergencies are growing at a time when resources are increasingly constrained. To help humanitarian actors develop and implement programs that efficiently target and apply funds for greater effectiveness, the International Rescue Committee (IRC) created and is piloting an innovative costing tool. The Systematic Cost Analysis (SCAN) tool will simplify the process of conducting cost analyses for country-based and technical staff, ultimately facilitating program decision-making processes to achieve greater reach and impact for crisis-affected populations.

## > Background

Enormous demand exists for quick and simple cost analyses within the project life cycle to help in budgeting, program design, management, and donor communications.

In 2015 and 2016, IRC's Best Use of Resources (BUR) team conducted 10 cost efficiency analyses for key interventions across different countries where the organization operates. The BUR team developed a standard methodology for conducting such analyses, and worked closely with the staff who implemented programs to understand how project resources were used for different outputs and outcomes. The conversations with country teams also generated a host of new questions they wanted to answer with cost analysis.

## > A Field-Focused Cost Analysis Tool

The IRC is decentralizing the production of cost analysis to enable field staff to quickly and easily conduct them while still meeting methodological standards. The goal is to have country and technical staff own the cost analysis process from beginning to end, as they best understand the program structure, the daily work, the use of resources, and the information needed to drive better and more efficient programs. To enable production of rapid and rigorous cost analyses, IRC developed the SCAN tool, which is software that:

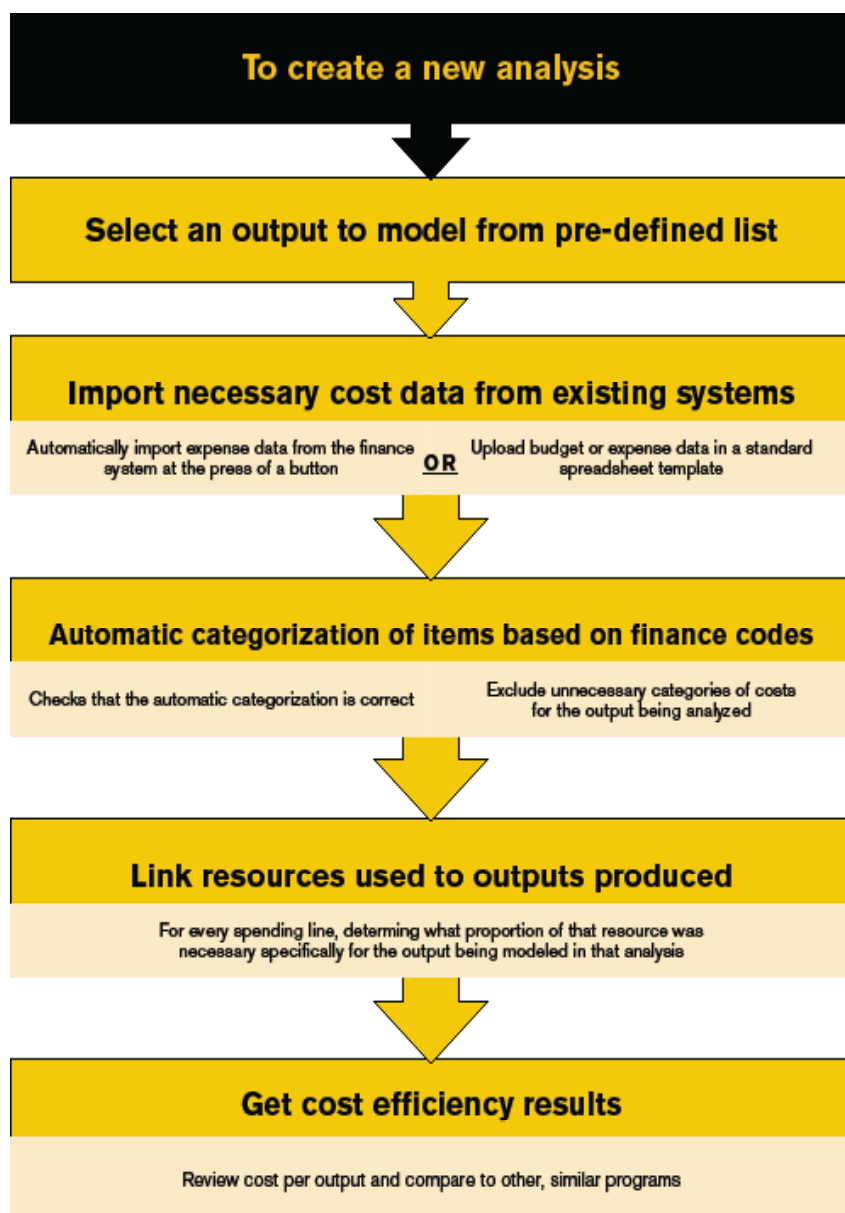
- Pulls data automatically from finance systems
- Walks users through standardized methodology

By streamlining the formerly time-intensive and complex steps to automate data collection and standardize the analytical structure, the SCAN tool enables users to easily input the best information available on how program resources were spent in the field. This process dramatically reduces the time needed to conduct a cost analysis from several days to a few hours. Embedding the methodology in a software system also ensures that all cost analyses will meet common methodological standards, making them more comparable across different staff and organizations.

Equipped with the SCAN tool, program staff can now readily answer a host of program- and budget-related questions, such as, How much does it cost to treat a child for severe acute malnutrition? Which type of latrine should be built based on the budget and constraints faced? What is the cost per village served that this program can achieve based on the type of governance training given in this context?

The IRC aims to continue growing the evidence base for cost analysis. Thanks to user-generated analyses, going forward the organization will build a sector-, country-, and program-specific evidence database regarding the use of resources.

## > How the Tool Works



## > Where We Go From Here

At present, the 'back end' of the SCAN tool software is specific to the IRC because it links to the organization's finance systems. However, the user interface and process is adaptable to any humanitarian organization wanting to conduct rapid and rigorous cost analyses; the only thing required for other organizations is a one-time investment to link the software to their finance systems and develop the business processes to govern usage within their teams.

In late 2016, the IRC is convening an Implementer Steering Committee comprising donors and peer organizations to test, guide, and champion the ongoing development and improvement of the SCAN tool. The goal is to pilot the current beta version of the tool within the committee members' own organizations and have them provide feedback for what requirements and features should be included in future releases. The ultimate end is the creation of a compatible tool that can be configured to an organization's finance systems to easily assess the cost and cost efficiency of their programs. Widespread adoption of a common SCAN tool would ensure that costing data from different organizations is comparable, allowing the sector as a whole to learn the approaches and interventions that provide the greatest value to clients at a given cost.

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*This work was conducted by the BUR team at the IRC and funded with UK aid from the UK government.*

