



Costs of Projects for Orphans and Other Vulnerable Children: Case Studies in Eritrea and Benin

Many developing countries are witnessing the emergence of a large and growing number of orphans, street children and children in the worst forms of labor. In particular, conflict and HIV-AIDS have produced a large and growing cohort of orphans in Africa. Interventions to address their plight take a variety of forms such as group homes, orphanages, subsidized adoption, and reunification and reintegration. Low cost solutions are critical if large numbers of orphans and other vulnerable children (OVC) are to be reached, yet there is very little information available on the actual costs of delivering services that assist them.

Over the past four years, World Bank staff have prepared several small and medium-sized interventions for orphans and OVC in a number of African countries. This study estimates the costs of interventions in Benin and Eritrea, in order to determine which sorts of projects are most suitable for scaling up, given limited financial resources.

Economic Costs versus Financial Costs

This study measures the average annual *economic* costs of the project. Many assessments of cost focus narrowly on financial costs such as salaries, purchases of equipment, consumables, etc. However, financial costs can be misleading for several reasons. Most organizations serving OVC benefit from donations such as food and clothing and voluntary labor such as free med-

ical care, and these would not be captured in a financial analysis. The *economic* costs measured by the study incorporate the value of these goods and services. In a financial cost analysis, the cost of capital is divided over its expected lifetime to determine an annual depreciation figure. The economic analysis of costs used in the study includes depreciation but also values the opportunity cost of the money tied up in the capital good. The costs of initiating a project are also considered in this study. Start-up costs include, for example, capital costs such as the cost of construction, vehicles and office equipment. They may also contain non-capital costs such as the cost of studies identifying beneficiaries, and recruiting and training staff.

Cost-Effectiveness

While the study accounts for all the costs of these interventions, it does not measure cost effectiveness. Comparison of the cost-effectiveness of alternative investments in OVC is complicated by differences in the characteristics of the children entering the project, the quantity and quality of the services they receive and the benefits realized by them.

Findings

A key finding is that institutional solutions are costly compared to family based solutions. The average annual economic cost per child of the Adi Keith Group Home for orphans in Eritrea

Benin & Eritrea—Size & Structure of Average Annual Economic Cost per Child in Six Projects

(12% discount rate)

Project Years	Benin: Child Protection Fund			Eritrea Orphans		
	GRADH Child Labor 2001-03	Red Cross Street Children 2001-03	Ouidah Orphanage 2001-03	Reintegration 2001-03	Adi Keith Group Homes 2003	Adoption 2001-03
Personnel Share (%)	45%	20%	41%	6%	9%	52%
Other recurrent (%)	44%	31%	56%	90%	27%	48%
Capital Share (%)	11%	50%	3%	4%	64%	0%
Total cost (%)	100%	100%	100%	100%	100%	100%
Avg annual cost per child in US \$	\$566	\$646	\$1,315	\$96	\$1,943	\$29

was about \$1,900; and that for the Ouidah Community Orphanage in Benin was about \$1,300. The corresponding cost of orphans' integration in Eritrea was less than \$100. The cost per child of a Red Cross project for street children in Benin was almost \$650. In that project children are encouraged to move to a shelter before insertion with their families, foster families or educational placement. A project to assist children in abusive child labor in Benin invests in apprenticeship arrangements for older children and reinserts younger children into school at a cost per child of almost \$570.

The costs per child of the projects in Benin are too high to scale-up to serve the volume of OVC in the region. The group homes in Eritrea are also too expensive to scale up. However, the Eritrea reunification and reintegration project is relatively inexpensive. This is a limited intervention, consisting mainly of the transfer of revenue-generating micro-projects to foster families (often livestock). While it delivers less services to the children than the group homes, its low cost allowed this support to be delivered already to the foster families of 24,000 orphans.

The World Bank Social Safety Nets Primer series is intended to provide a practical resource for those engaged in the design and implementation of safety net programs around the world. Readers will find information on good practices for a variety of types of interventions, country contexts, themes and target groups, as well as current thinking on the role of social safety nets in the broader development agenda.



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