

Value for Money of Cash Transfers in Emergencies



Courtenay Cabot Venton, Sarah Bailey, Sophie Pongracz

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Executive Summary

The objective of this study is to analyse evidence on the Value for Money (VfM) of cash transfers. VfM refers to the optimal use of resources to achieve the best outcomes for people affected by crisis and disaster. The study examines evidence on the VfM of cash compared to in-kind assistance and vouchers and undertakes analysis on how VfM can be maximised. It is based on a global literature review on cash, vouchers and in-kind transfers and case studies in Ethiopia, Philippines and Lebanon. The main findings from the study are as follows.

Cash, when compared to in-kind approaches, consistently emerges as more efficient to deliver. The cost to aid agencies of getting cash to people is generally less than the cost of delivering in-kind aid. ***However, the overall efficiency of cash as compared with other transfers depends on the prices of commodities that recipients purchase in local markets, which can vary significantly, even within countries, over time and between seasons.*** Aside from delivery costs, factors that determine the relative efficiency of cash, vouchers and in-kind aid include differences in local and international prices, the degree of competition in voucher markets, the scale of the intervention, the type of delivery mechanism and the degree of market integration. ***The type of transfer is only one factor that affects efficiency.***

The potential for Value for Money gains of cash are particularly evident when cash is considered as a multi-sector tool with a wide range of benefits. The goods and services that households access as a result of cash transfers vary between households and span different aid sectors – results that would be difficult or impossible to replicate via in-kind assistance. The specific outcomes of the intervention depend not solely on the transfer but also on the context, programme design and implementation, including targeting and programme quality.

Because cash enables households that receive it to use assistance according to their own capacities, risks and opportunities, ***a case can be made that cash has the potential to support the resilience of households*** to manage shocks. However, links between cash transfers and resilience is a hypothesis that needs to be tested, rather than a finding of this study.

The flexibility of cash to provide access to a range of goods and services means that it is uniquely placed to enable VfM gains in the humanitarian system. This is not to suggest that cash is always a more preferable and appropriate transfer, but rather

highlights the significant opportunity for expanding the use of cash, and investigating the political and institutional frameworks required to allow the use of cash to grow.

Key recommendations from the study:

- Increase the scale of cash programmes to achieve efficiency gains through economies of scale, where appropriate. The use of market assessments is key to inform the appropriateness of cash and other kinds of transfers.
- Rather than using cash to substitute for a single type of in-kind assistance (i.e. cash for food), use cash for broad objectives that take the place of multiple types of in-kind or voucher assistance (i.e. multi-sector cash transfers to meet a variety of basic needs).
- Consolidate cash distribution platforms (in circumstances where this would increase efficiency), maximize coordination and rationalise programmes and actors accordingly, particularly in countries where there are large numbers of agencies engaging in cash-based programming, and as part of preparedness measures in places with high risk.
- While further research on specific areas such as multiplier effects would be valuable, there is already a significant body of evidence on the effectiveness of cash. The primary focus should be on systematically documenting future interventions and collecting data that can be used to analyse the efficiency and effectiveness of the transfer provided, thus supporting good programming and decision-making.
- From a practical perspective, the diversity of budgeting and reporting systems across partners makes comparative analysis on VfM difficult. A common protocol for demonstrating costs and outcomes would greatly benefit understanding moving forward, as would guidance on ex ante analysis of the value for money of different transfers to inform decision-making.

1 Introduction

1.1 Objective of Study

The objective of this study is to support the analysis and maximization of Value for Money (VfM) of cash transfers in different emergency contexts, leading to the development of DFID guidance. It reviews evidence on the economy, efficiency and effectiveness of cash, vouchers and in-kind transfers, in order to support a more structured analysis of the VfM of different transfers. Specifically, the study:

- i) Reviews evidence on the VfM of cash transfer programmes, through a literature of global evidence and case studies in Ethiopia, Lebanon, and Philippines; and
- ii) Develops DFID guidance on analysing the VfM of cash transfers in emergencies to inform decision-making on appropriate responses.

This report summarises the main findings from the three case studies and literature review, which are annexed. The guidance on VfM analysis is a separate document.

1.2 Overview of VfM

VfM refers to the optimal use of resources to achieve the best outcomes for people affected by crisis and disaster. DFID's approach to VfM is made up of three components, referred to as the 3 e's:

- **Economy** relates to the price at which inputs are purchased. Inputs can include the price of in-kind goods, banking fees, vehicle and storage rentals, staff salaries, truck rentals and the cost of consultants.
- **Efficiency** relates to how well inputs are converted to the output of interest, which in the case of humanitarian programmes is usually access to certain goods and services. Cost-efficiency analysis spans both economy and efficiency, focussing on the relationship between the costs of a programme and the value of the assistance delivered to beneficiaries. Efficiency also includes costs to recipients, such as paying for transport or the opportunity cost.
- **Effectiveness** relates to how well outputs are converted to outcomes and impacts, such as food consumption, food security, improved nutrition, school attendance, increased use of health services / improved health, improved livelihoods, asset accumulation, market impacts and social cohesion. Cost-effectiveness analysis examines the cost of achieving intended programme outcomes and impacts, and can compare the costs of alternative ways of producing the same or similar benefits.

This study investigates the 3 e's for the three main types of emergency transfers:

- Cash: Recipients are given money, and can use it however they see fit.
- Vouchers: A voucher is a paper, token or electronic card that can be exchanged for a fixed quantity or value of specified goods or services at shops or markets participating in the scheme.
- In-kind: Agencies directly transfer commodities to people, such as food, water, shelter and other non-food items.

1.3 Structure of this Report

Following this introduction, Section 2 summarizes findings from the literature review. Section 3 describes the case study approaches, level of information available and challenges faced in collecting evidence. Section 4 summarizes the key findings from each of the country studies. The conclusions and recommendations are presented in Section 5. Annexes A, B and C contain the full reports for each of the study countries and Annex D contains the literature review. This summary report draws key comparative findings and lessons learned across the three case studies.

2 Literature Review Findings

A literature review was conducted to inform the design of the case studies, analysing existing evidence on the cost-efficiency and cost-effectiveness of emergency cash transfers, including comparisons between cash, vouchers and in-kind assistance. It identifies trends, gaps in evidence and critical questions for understanding the VfM of emergency cash transfers.

2.1 Types of Evidence and Guidance

There are three main types of comparative evidence on efficiency and cost-effectiveness of different transfers:

- Controlled research using randomised approaches to compare different aid modalities;
- Non-randomised pilots that provide different types of assistance and directly compare them;
- *Ex post* comparisons between different approaches not implemented side by side.

The literature review located twenty studies falling into these three categories, of which eight used randomised methodologies and three were non-randomised pilots. There are also numerous (150+) evaluations / studies of cash and voucher programmes that do not make comparisons with alternative approaches. The vast majority of comparisons are between cash transfers and food aid. This is because cash was pioneered as an alternative to food aid and increasing access to food continues to be a common objective of cash transfer programmes, even though the expenditures made by recipients span the sectors by which aid is organised.

While there is no shortage of general guidance on deciding when cash transfers are appropriate, there is little specific guidance on analysing efficiency and even less for cost-effectiveness / VfM. A recurrent theme from the literature is that these are important issues to consider but that such analysis is difficult for many reasons, including because agencies track their costs in different ways and because benefits of different transfers are diverse and not easily compared. The guidance that does exist concerns mainly *ex ante* analysis, since it is meant to assist decision-makers in determining whether cash is the most appropriate response. Gaps in *ex ante* cost-effectiveness analysis are not specific to cash transfers and apply more generally to decision-making on humanitarian interventions. In reviewing how aid agencies make decisions on responses, Maxwell et al. found many agencies cited cost-effectiveness as

an important criterion, but few had good examples of how to factor it into decision-making, especially in a context of fluctuating local and global prices.¹

2.2 Key Findings on Evidence

An analysis of VfM requires understanding the costs and results of different transfers. However, research and evaluations from humanitarian settings show that it can be very difficult to obtain accurate, comparable cost data. It is challenging to get the ‘full cost’ of individual assistance programmes – meaning all of the costs of purchased (or donated) relief commodities, transport, staff salaries, etc. Aid agencies usually do not record costs by activity and even when they do there are no standard classifications. For VfM there is the added challenge of comparing outcomes since the expenditure patterns and benefits of cash are not easily compared with in-kind assistance – beyond narrow measures like food consumption indicators. Factors such as preference, flexibility and timeliness are not easily quantified, but need to be considered when analysing the benefits of different transfers.

Cash, when compared to in-kind approaches, consistently emerges as more efficient to deliver in the studies and evaluations reviewed. In other words, it usually costs less to give people cash than food. However, the overall cost-efficiency of cash versus food aid depends on the prices paid by beneficiaries for food in local markets compared to the cost aid agencies incur to purchase food in bulk and deliver it. Only two of the studies using randomised methodologies analysed the full cost of assistance. Table 1 summarises findings on efficiency and cost-effectiveness from studies where recipients were randomly assigned to receive cash and food aid (or vouchers).

With the exception of a small number of evaluations and studies that consider the cost of cash and food aid in improving specific food consumption indicators, cost-effectiveness is rarely ‘calculated’. Where cost-effectiveness is analysed, the most efficient approach is not necessarily the most cost-effective, because the benefits of one transfer may offset additional costs. As shown from the Ecuador example in Table 1, judgement on cost-effectiveness may be influenced by the specific objective of the programme – vouchers were more cost-effective at improving food consumption indicators, whereas cash was determined to be the preferred approach at improving general household welfare.

¹ Maxwell, D., H. Stobaugh, J. Parker and M. McGlinchy (2013). Response analysis and response choice in food security crises: a roadmap. Network Paper Number 73. Humanitarian Practice Network.

Several factors affect the cost of a cash transfer programme and its efficiency compared to other modalities. The main costs are the transfer itself, staffing and expenses associated with the delivery mechanism. Factors that influence efficiency are scale, the size of the transfer and any additional time requirements associated with the programme (e.g. intensive monitoring) compared to programmes using in-kind aid – though where more intensive monitoring systems are adopted, cash is being held to a higher and double standard compared to other approaches. There is evident efficiency potential for cash as a multi-sector tool, since aid agencies cannot easily replicate the uses of cash by recipients ‘across sectors’ through in-kind assistance. This is a core added value of cash transfers.

Rigorous evidence on efficiency and cost-effectiveness might appear meagre given the number of cash transfer interventions. However, the level of resources and effort required for robust cost-effectiveness comparisons are high – studies using randomised approaches require significant time and planning, and their results will be context-specific. Furthermore, the overall evidence base on cash transfer programming establishes that it can be appropriate and effective, and often more efficient to deliver than in-kind assistance. Given these factors, a sensible approach is supporting decision-making to help ensure that aid agencies choose approaches that provide the best value for money in an individual context, and that they document interventions in ways that enable analysis of value for money.

When considering ways to maximise VfM, factors that influence the efficiency of cash transfers are the scale of the intervention, the amount / frequency / duration of transfers and the delivery mechanism. Efficiency is influenced by whether cash is provided as a substitute for in-kind assistance or whether it is provided in addition to it (meaning that aid agencies operate both cash and in-kind delivery systems). These all concern ‘how’ assistance is provided and not just ‘what’ is provided. Efficiency gains could be achieved through increasing the scale of cash programmes where it is appropriate, substituting cash for multiple types of in-kind assistance (i.e. multi-sector transfers), and consolidating cash-based programmes where multiple ones are being implemented in the same context.

Table 1: Findings on efficiency and cost-effectiveness from comparative studies with randomised methodologies

Context programme /	Transfers compared	Most efficient	Most cost-effective - Calories	Most cost-effective - FCS	Most cost-effective – diversity (HDDS or DDI)	Most cost-effective – other measures
Cost of delivery						
Ecuador; IFPRI, WFP ²	Cash, vouchers, food	Cash	Vouchers	Vouchers	Vouchers	Cash ³
Uganda; IFPRI, WFP ⁴	Cash, food	Cash	N/A	Cash	Cash	Cash ⁵
Niger; IFPRI, WFP ⁶	Cash, food	Cash	Cost-effectiveness not analysed			
Yemen; IFPRI, WFP ⁷	Cash, food	Cash	Food aid baseline data compromised			
Cost of food procured via aid agency v. local market cost (Alpha value)⁸						
Malawi; WFP ⁹	Cash, food, mixed	Food	N/A	Cash	Cash	

² Hoddinot, J., S. Sandström and J. Upton (2014). The Impact of Cash and Food Transfers – Evidence from a Randomized Intervention in Niger. IFPRI Discussion Paper 01341

³ Cash was deemed to be the ‘preferred approach’ to improve household welfare because recipients preferred it; it was the least costly modality.

⁴ Gilligan, D., A. Margolies, E. Quiñones and S. Roy (2013). Impact Evaluation of Cash and Food Transfers at Early Childhood Development Centers in Karamoja, Uganda. Final Impact Report. IFPRI.

⁵ Cash caused reductions in anaemia in children aged 54-83 months and was cheaper than food aid.

⁶ Hoddinot, J., S. Sandström and J. Upton (2014). The Impact of Cash and Food Transfers – Evidence from a Randomized Intervention in Niger. IFPRI Discussion Paper 01341

⁷ Schwab, B., A. Margolies and J. Hoddinott (2013). Impact Evaluation of Cash and Food Transfers for the Seasonal Emergency Safety Net in Hajjah and Ibb Governorates, Yemen. Endline Report. IFPRI.

⁸ This does not include the cost of delivering the cash or the food aid to the recipient.

⁹ Audsley, B., R. Halme and N. Balzer ‘Comparing cash and food transfers: a cost-benefit analysis from Rural Malawi’ in Omamo, S.W., U. Gentilini and S. Sandström (2010). Revolution: From Food Aid to Food Assistance- Innovations in Overcoming Hunger. WFP.

Full cost of assistance (cost of transfer + delivery)							
Sri Lanka, WFP ¹⁰	Cash, food	Cash	Cost-effectiveness not analysed				
DRC Tufts / Concern ¹¹	Cash, vouchers	Cash	N/A	N/A	No difference	Cash ¹²	

¹⁰ Sandström, S. and L. Tchatchua, 'Do cash transfers improve food security in emergencies? Evidence from Sri Lanka' in Omamo, S.W., U. Gentilini and S. Sandström (2010). Revolution: From Food Aid to Food Assistance- Innovations in Overcoming Hunger. WFP.; Sharma, M. (2006) An Assessment of the Effects of the Cash Transfer Pilot Project on Household Consumption Patterns in Tsunami-Affected Areas of Sri Lanka. IFPRI.

¹¹ Aker, J. (2012). Examining Differences in the Effectiveness and Impacts of Vouchers and Unconditional Cash Transfers. Concern Worldwide and Tufts University.

¹² Cash was deemed to be more cost-effective than vouchers as it resulted in additional benefits and was cheaper to implement; cash households were less likely to report having suffered from food insecurity since the previous harvest as compared with voucher households.

The main gaps identified in the review were practical tools for analysing efficiency and cost-effectiveness or VfM (*ex ante* and *ex post*), analysis on the efficiency and VfM of cash-based programming as a multisector tool (as opposed to cash v. food aid) and evidence on the economic impacts of interventions and multiplier effects. Issues for undertaking VfM research and developing VfM guidance include:

- There are trade-offs between analysing VfM for narrow objectives and broader ones (conclusions on effectiveness and cost-effectiveness might differ according to how the objective is defined);
- The potential VfM benefits of cash are greatest when it is considered as a multisector approach;
- The parameters of VfM must be clearly identified and consider benefits that are not easily quantified - the potential for bias in determining parameters needs to be considered and assumptions should be carefully monitored;
- The expectations and design of research should be realistic given the challenges of analysing costs and VfM; and
- VfM guidance must consider that decisions are made with imperfect information.

3 Case Studies: Methodology and level of available evidence

3.1 Introduction

Information that allows for a detailed VfM analysis of cash, in-kind and voucher programmes is complex; a direct like for like comparison of different transfers is difficult unless a humanitarian intervention is designed for this purpose.

The design of this study deliberately did not seek to establish controlled comparisons, but rather sought to review evidence already available from research and evaluation, and to undertake case studies to determine the level and types of evidence available 'after the fact' on the VfM of different transfers in recent and on-going humanitarian responses. This approach was taken in order to fill gaps in the evidence from recent responses and inform guidance on analysing VfM.

The three country case studies were selected to represent three different scenarios and were conducted between July and September 2014.

- **Ethiopia** - Humanitarian response to chronic food insecurity / protracted crisis;
- **The Philippines** - Humanitarian response to a sudden-onset disaster; and
- **Lebanon** – Humanitarian refugee response in a middle income country.

Field visits were used to meet with key stakeholders in each country to gather data on the different types of transfers being used for humanitarian response, their outcomes and impacts, as well as the drivers for using different types of transfers. Further to this, consultation was used to identify available data to inform VfM analysis.

3.2 Country Contexts

The choice of the three study countries purposefully focused on three different humanitarian contexts (slow onset drought, rapid onset disaster, urban refugee) to investigate costs and drivers of efficiency and effectiveness in different settings. The relative importance of cash, vouchers and in-kind aid, and the primary objectives in the interventions, also varied. Table 2 describes the key characteristics of each of the country studies.

Table 2: Country Studies, Key Characteristics

Key Characteristics	Ethiopia	Lebanon	Philippines
Hazard type	Slow onset; drought and price shocks	Protracted urban refugee crisis	Rapid onset; typhoon
Transfers	Cash, in-kind, hybrid transfers (cash + in-kind), very limited vouchers	Cash, in-kind and vouchers through many different delivery mechanisms	In-kind, cash transfers (unconditional and conditional), cash for work, hybrid transfers (cash + in-kind), vouchers (very limited)
Number of agencies	Consolidated in a few large implementing partners – WFP, UNHCR	Large number of aid agencies and implementing partners	Large number of aid agencies and implementing partners
Use of electronic transfers / digital payments	E-transfers / digital payments not in use	One very large e-voucher programme; cash e-transfers through multiple agencies	E-transfers / digital payments not in use (with one exception)
Sectors for cash-based responses	Food	Food, shelter, WASH, multi-sector	Basic needs (multi-sector), food, shelter
Characteristics of cash-based responses	Multiple transfers over time	Different programmes varying in size, length, objectives and reach	Short-term, mainly 1-2 transfers (exception for recovery); some harmonisation of values

3.3 Level of Information Available

Table 3 highlights the level of information that was available in each of the countries as well as the obstacles to gathering data. The main form of data available is cost and effectiveness data from aid agencies on their individual responses (as opposed to pre-existing comparative analysis of interventions implemented by different agencies). On the one hand, a great deal of evidence from one large aid agency was available in Ethiopia, and because the food/cash system involved a relatively limited set of actors, it was much easier to analyse the data. On the other hand, both the Philippines and Lebanon were characterised by an abundance of actors and programmes. Each aid agency in turn has very different ways of recording data, different operating procedures, etc, making comparative data analysis between interventions and transfers more difficult. In the Philippines much less data was available and no comparative analysis between different transfers had been carried out, owing primarily to the fact that aid

agencies moved quickly to address humanitarian needs and based their decisions to use cash mainly on the recovery of markets and presence of delivery mechanisms.

A finding is that the level of evidence available is determined by the data collection and analysis that aid agencies themselves are undertaking – which will be influenced by the speed at which they need to make decisions and whether they are planning for continued engagement and/or need to justify and modify their approaches. Aid agencies collect and gear analysis towards their intervention objectives, which may be narrow and linked to their particular mission and mandate.¹³ This excludes analysis on other costs and benefits that a transfer may have, such as benefits to households outside of the programme objective. Whether research and evaluations have been conducted also influences the type and amount of data available, which in turn is influenced by timing, pressure to justify approaches and motivations to improve programming. The level of information around indirect impacts of different types of programming, for example on social cohesion, human outcomes and local markets, was limited, in large part because the range of outcomes is large.

¹³ In examining how aid agencies make decisions, Maxwell et al. found that ‘the choice of objectives and modalities are often made on the basis of the agency’s organisational capacity and strongly held views about what kind of intervention is appropriate’ (2013)

Table 3: Enabling factors and obstacles for collecting information relevant to VFM

	Enabling factors	Obstacles
Ethiopia	<ul style="list-style-type: none"> • Slow onset / protracted – agencies have had time to evaluate and analyze their approaches • Small number of agencies and they had compared cash and in-kind aid • WFP was very forthcoming with data on cost and effectiveness based on cash pilots / comparisons with in-kind aid 	<ul style="list-style-type: none"> • Impacts are not captured which could affect the analysis – e.g. cost of time to government to deliver, cost to beneficiaries of collection, effect on local economies
Philippines	<ul style="list-style-type: none"> • Presence of an OCHA cash coordinator and a ‘who what where’ list • Five aid agencies shared monitoring and / or cost data • One agency calculated cost of cash transfers compared to food aid for this case study 	<ul style="list-style-type: none"> • Only three evaluations / reviews of programmes using cash transfers have been published • Most data on cost and effectiveness is internal to aid agencies and donors • Aid agencies had not undertaken their own comparisons of the cost / effectiveness of cash and in-kind • Aid agencies lack incentives to generate analysis and share data for research
Lebanon	<ul style="list-style-type: none"> • Data gathering was helped by the Cash Working Group’s data collection and relationships with key actors • Several agencies had analysed cost efficiency when they started programming for the longer-term • WFP provided data on costs of vouchers compared to a hypothetical cash programme • WFP carried out economic impact analysis of the e-voucher programme (including on the multiplier effect) and IRC did an impact evaluation of unconditional cash 	<ul style="list-style-type: none"> • 180 different cash and voucher programmes and 40 aid agencies – impossible to cover all possible interventions / sectors in time frame • Evidence base quickly outdated owing to changing context (e.g. number of beneficiaries, targeting approach)

4 Case Study Findings

The following section highlights the main findings from the three country studies, specifically in relation to Economy, Efficiency and Effectiveness. The section concludes with a discussion around the barriers to scaling up cash transfers.

4.1 Economy

4.1.1 Introduction

Economy assesses the cost per input of a programme - how much aid actors pay to hire staff, rent trucks, deliver a cash transfer, etc. This is very closely linked to the efficiency analysis, which looks at the cost per output because changes in the cost per input will directly impact the cost per output.

Summary of Key Findings

- Aid agency systems for managing cash and vouchers are relatively new compared to in-kind delivery infrastructure. As a result, economy gains have been made and are documented more readily within in-kind transfers.
- The more limited experience with cash programming suggests that more economy gains could be made in the future, in particular by agencies using collective bargaining power with financial service providers, and as part of global or country level preparedness activities in high risk contexts.
- By default, cash maximizes economy in terms of the cost of the transfer, as compared to in-kind aid (which can be purchased at higher or lower prices). It reduces the risk of price collusion that can exist in voucher programmes.
- Economy gains can be made across all types of transfer in relation to their delivery mechanism and implementation costs.

4.1.2 Discussion of Key Findings

The case studies identify instances where aid agencies have made savings in the cost per input.

Significant economy gains have been made over time for purchasing in-kind commodities, particularly food, in large part because food transfers have been the

dominant transfer type for such a long time, and aid agencies have had the opportunity to implement measures that can bring costs down at scale. In other words, they have developed procurement practices that enable them to procure food and other aid commodities at low prices.

However, the margin for reducing the costs of inputs varies by country. Local procurement can bring transport costs down significantly; but this has to be weighed against the cost of goods procured in different markets, as international markets may have cheaper goods but higher transport costs. In Ethiopia, for example, the cost of local food is typically lower than international food aid in the harvest season, but international food prices can be cheaper than local prices in the lean season. Erosion of the value of cash through inflation can also make food more preferable (as was the case in many areas covered by the Productive Safety Net Programme (PSNP)). In the Philippines local procurement was 27% less costly than overseas food aid once transport was considered; and in Lebanon the cost of hygiene items and non-food items is much cheaper when procured internationally in bulk.

Aid agency systems for managing cash and voucher programmes are relatively new compared to in-kind delivery infrastructure. Aid agencies have less experience (and in some cases less internal guidance) for setting up delivery mechanisms with banks, remittance companies, electronic payment companies, mobile phone operators, etc. In the Philippines, for example, documentation of fees charged by financial institutions would enable aid agencies to understand rates being paid by others, and potentially provide more bargaining power to reduce transfer fees. In Lebanon, WFP's corporate relationship with Mastercard and the bank with which it partnered resulted in waived fees for certain costs, and economies of scale and competition led a card services company (CSC) working with UNCHR partners to reduce costs associated with ATM-distributed cash.

Vouchers pose unique issues for economy. Aid agencies select businesses to participate in a voucher programme, which may create non-competitive markets with more risk that suppliers artificially raise prices for beneficiaries. In theory, aid agencies could leverage the guaranteed income to participating stores to get discounts. In Lebanon – the only case study country with a large voucher programme – WFP found that in over half of all districts, markets were controlled by a small number of vendors (creating an oligopoly) with prices 6% higher and more volatile than in more competitive markets.

By default, cash maximizes economy in terms of the cost of the transfer. In other words, a \$100 transfer will always cost \$100.¹⁴ This is in sharp contrast to food or NFIs where the cost of commodities can vary and impact on economy. Economy gains in cash transfers can be made through reducing other programme costs, such as banking and transfer fees.

4.2 Efficiency Analysis

4.2.1 Introduction

Efficiency analysis refers to the conversion of inputs to outputs, for example the cost per beneficiary or the cost per transfer, for equivalent levels of assistance. Efficiency gains can come from choosing more efficient transfers and also decreases in direct costs, such as transport and procurement. Efficiency also includes more indirect costs, such as cost to beneficiaries to collect transfers and the 'real' value of the transfer (i.e. the value of the transfer to recipients is reduced if they can purchase less with the transfer than intended owing to higher prices, or if in-kind goods are sold for more preferred items).

Summary of Key Findings

- No transfer – cash, vouchers or in-kind aid – is universally more efficient than another. In Ethiopia, cash is cheaper to deliver than in-kind aid; in Lebanon, e-vouchers are less expensive than cash to deliver but their efficiency gains are offset by transaction costs paid by retailers and higher prices paid by beneficiaries; in the Philippines, there is insufficient data to make a conclusion on the efficiency of cash compared to in-kind transfers.
- As a result, it is critical to understand the drivers of efficiency to aid decision-making. Key drivers in the three case studies include fluctuations in local and international food prices, the scale of the transfer, the type of delivery mechanism, and the degree of market integration and availability and price of goods locally.
- Other costs, such as costs to beneficiaries or traders and the value of goods resold, are not usually included in efficiency calculations of agencies. They can have significant bearing on the VfM of the different transfers.

4.2.2 Discussion of Key Findings

¹⁴ The amount of food that \$100 can buy can shift according to changes in prices, which is addressed in the next section on efficiency.

No transfer – cash, vouchers or in-kind aid – is universally more efficient than another. Of the three case studies, Ethiopia provided the clearest findings related to the efficiency of food aid compared with cash. Two WFP programmes had substituted cash for food, to provide a robust comparison of both the costs and outcomes of transfers. The WFP relief programme substituted a food transfer with the equivalent in cash, and the WFP refugee programme took a portion of the in-kind basket and replaced it with cash. **The data on costs suggest that cash is 25-30% cheaper to deliver than in-kind aid.** Along similar lines, when considering the total cost of transferring \$1 of resources (i.e. the Total Transfer to Cost Ratio (TCTR)) for food this was estimated at 1.9 and for cash 1.2/1.3. Cash results in substantial savings on both external transport costs as well as landside transport, storage and handling. Many of the gains of cash transfers arise because WFP did not set up a separate system but rather maintained efficiency by using the existing food delivery system.

A primary reason for shifting part of the food basket to cash was because post distribution monitoring showed that beneficiaries were reselling between 30 and 50% of their wheat entitlement. A significant portion of the cash that refugees could access was used to buy other types of food that were highly preferred. Furthermore, refugees were re-selling their wheat at unfavourable terms: US\$ 0.22/kg compared to WFP's costs of US\$ 0.66 to purchase the commodity and transport it to the camps.¹⁵ Cereals make up 78% of the food basket. The total food basket for a monthly general food ration per household is valued at \$19.09 under current prices, and the combined basket (cash and food) is valued at the same as an equivalent amount of cereal is substituted with cash. However, if grain prices are depressed by 2/3, the food basket loses its value for the beneficiary, and the cereal component of the basket drops from nearly \$15 to \$5, rendering the food basket worth \$9 (despite it costing WFP \$19 to deliver it).

In Lebanon, WFP estimates that its food voucher programme is cheaper to deliver than if WFP were to transfer cash through ATM cards. WFP estimates that the **set-up costs for a cash transfer programme would be 17% higher than for e-vouchers and the monthly running costs would be 78% higher** with the currently negotiated banking fees.¹⁶ This large differential of almost \$700,000 per month is due to the higher banking fees charged for transferring cash through ATM cards but not for loading the WFP e-vouchers that are used at Point of Sale machines in WFP contracted stores.

¹⁵ WFP/UNHCR (2014). "Joint Programme Review on Cash for Food Assistance: Cash pilot in the Sheder and Aw Barre Refugee Camps, Jijiga".

¹⁶ This pricing structure negotiated with WFP's partner bank for ATM card usage is very similar to the pricing of UNHCR's winterisation cash programme with their card service provider. In both cases, the loading fees for ATM cards are the main cost driver, and they are almost identical per transaction.

However, *the non-competitive nature of the e-voucher business and transaction costs to retailers results in hidden costs through 1) higher prices to beneficiaries, 2) transaction fees for retailers and 3) resale of vouchers at a loss. These off-set the efficiency gains of the lower voucher delivery cost.* Table 4 summarizes the cost comparison. The WFP food basket price in non-competitive areas of WFP contracted stores is 6% higher on average than in competitive areas. WFP analysis suggests that half of all Lebanese districts are non-competitive. Assuming that between a quarter and half of beneficiaries pay these higher costs, between \$495,000 and \$990,000 will have been lost every month in higher prices/lower transfer value to beneficiaries.¹⁷

The e-voucher programme shifts certain costs to retailers. They pay a 0.45% transaction fee on each transaction to Banque Libano Francaise amounting to about \$148,500 every month. In addition, WFP and NGOs have collected data on the value loss to households of selling balances of their e-vouchers because they need cash to purchase other items such as medication, hygiene items or fresh food that they cannot buy with their vouchers. In the first quarter of 2014, the efficiency of the vouchers was reduced by about 5% owing to resale.

Table 4: Summary of Lebanon Cost Comparison

US\$	E-vouchers (actual)	Cash (hypothetical)
Monthly delivery – cost to agency	877,020	1,560,216
Transaction fees – cost to retailers	148,500	
Higher prices – cost to beneficiaries	495,000-990,000	
Face value loss – cost to beneficiaries ¹⁸	165,000	
Total	1,686,000-2,181,000	1,560,216

In other examples provided by aid agencies in Lebanon, *cash is 10-14% cheaper to deliver than non-food item kits and 21% cheaper to deliver than hygiene kits.* Nevertheless, cash was less efficient overall, because beneficiaries have to buy the

¹⁷ Despite WFP analysis suggesting that half of all areas are non-competitive, it is not clear that all these areas would be fully competitive without the voucher market. There might be other underlying reasons for higher prices. The analysis above therefore provides a range of between a quarter and half of beneficiaries paying higher prices due to the voucher programme.

¹⁸ According to PDM reports, resale amounts and value loss vary quite significantly between quarters. Because of data availability, the first quarter data was used and applied to the 220,000 caseload as for all efficiency calculations.

goods on local markets with higher prices than internationally bulk procured goods. However, what has not been quantified in these examples is the appropriateness of the in-kind assistance and the sale of the commodities by recipients – for which there is strong anecdotal evidence. Indeed shops are reportedly reselling hygiene items at large discounts.

In the Philippines, there is insufficient data to make a conclusion on the efficiency of cash compared to in-kind transfers. The only comparison between cash and in-kind food aid found that, when all costs were considered, it cost \$1.09 to provide a dollar through cash transfers and \$1.21 per dollar of food aid. However, the retail price of food in the local markets frequented by beneficiaries was 10% more expensive than the price that the aid agency paid wholesale, making the overall efficiency of the cash transfer and the in-kind rations as a means to increase access to food nearly equal.¹⁹ At the same time, a cash versus food comparison is less meaningful when one considers that households spent the cash on a wide variety of basic needs – and not just food.

In a hypothetical analysis on the efficiency of cash transfers to support livelihoods / income-generating activities, the same aid agency concluded that cash transfers were a more efficient approach than in-kind aid, which would have necessitated procuring 20 different types of in-kind inputs in order to support the income-generating activities identified by beneficiaries (staff costs alone would have totalled about £40,000).

This second example emphasises that the efficiency of cash compared to in-kind aid can increase greatly when one considers what it would cost for in-kind aid to replicate cash assistance (i.e. what aid agencies would pay to provide similarly diverse goods and services that people purchase with cash) rather than the cost of cash assistance to replicate in-kind aid (i.e. what people would pay on the local market for the same items that an aid agency would give them). In settings where a large proportion of a cash grant goes to only a few commodities, such as staple foods, whether the starting point of the comparison was cash or in-kind assistance would make much less of a difference to the analysis.

4.2.3 Drivers of Efficiency

The factors that determine the efficiency of different transfers vary by case study, and this is an important point, as it emphasises that decision-making about types of transfers and how best to maximize VFM will vary by context.

¹⁹ This comparative analysis has important limitations and cannot be used to make any general statements on the efficiency of cash compared to food aid, for several reasons – the timing and size of the food and cash programmes were different, the intervention area is not indicative of other areas in the Philippines, and it is only a single example amongst numerous cash and food interventions.

Some of the more common factors that drive efficiency are listed below, while the case studies highlight the diversity of factors in more detail.

- *Fluctuations in local and international food prices* – a driver of the efficiency of food aid is the cost of international food prices compared with local prices. However, the relative price of food can fluctuate – for example, during the lean season in Ethiopia local food prices often increase above the international price of food. As a result, the efficiency of cash transfers compared to food aid can fluctuate over time. Relative food prices can depend on a whole host of factors, for example seasonality, global and local price fluctuations, and currency rates, and hence good market analysis and preparedness are key.
- *The scale of the transfer*, both in the size of the programme and its duration. Larger scale programmes tend to result in efficiency gains through economies of scale.
- *The type of delivery mechanism* – the ways that transfers are delivered have cost implications. Efficiency when it comes to delivery is as much about the delivery mechanism that is used as it is about cash or vouchers. In Philippines, aid agencies were able to tap into well-developed remittance systems that charged 1-3% of the transfer value (or less); in Lebanon, the e-voucher system in theory could also be used to distribute cash through the e-voucher shop network at a much lower cost than through ATM cards.
- *The availability, quality and price of goods locally* – the level of market integration influences prices, availability and quality of goods locally, as do power dynamics that lead to market manipulation, corruption and rent-seeking behaviour.
- *The degree of competition in voucher programmes* – the WFP voucher business in Lebanon is generally oligopolistic with higher prices in half of the intervention areas compared to the other half with more competition.
- *Procurement practices* – in Philippines, local procurement of food aid by WFP was more efficient than food aid donated by the USA, once transport costs were factored in.
- *The degree of coordination, consolidation and cooperation of aid agencies* – efficiencies can be gained not only within modalities or by switching modalities, but also within the overall response. Large numbers of agencies and small programmes work against economies of scale, the amount of intermediation increases transaction costs, and the lack of joint negotiation with the private sector limits efficiency gains.

4.3 Effectiveness and Cost-Effectiveness Analysis

4.3.1 Introduction

Effectiveness relates to how well outputs are converted to outcomes – essentially what an intervention achieves. Cost-effectiveness analysis examines the cost of achieving intended programme outcomes and impacts.

Judgement on the effectiveness of a transfer programme depends on the objective. Various indicators and data can speak to effectiveness – such as food consumption indicators, beneficiary preference and expenditure patterns (for cash). As a result, this is an area where the evidence is most varied, particularly given that the effectiveness of an intervention is influenced by more factors than the type of transfer used.

Summary of Key Findings

- It is very difficult to make broad-sweeping conclusions of the effectiveness of different transfer types, due to the myriad of outcomes and impacts brought about by transfers that cover a wide range of sectors.
- The benefits of cash are uniquely flexible and not easily replicated by in-kind assistance. Households use cash for their specific needs, and, according to economic theory, use it for purposes that maximize the households' marginal utility.
- As a result, *where enabling conditions exist*, cash is likely to be the most cost effective response measure to respond to a broad range of household needs.

4.3.2 Discussion of Key Findings

Different transfer types bring about a multitude of outcomes and impacts, especially given that cash is used for a wide range of household needs cutting across multiple sectors (food, water, health, education, etc). As such, it is very difficult to compare effectiveness across transfer types and particularly across contexts, and understanding different facets of effectiveness may be more useful for VfM evidence and decision-making purposes. Having said this, as a multi-sector transfer, the expenditure patterns of cash could not be replicated by in-kind assistance.

Beneficiaries are able to use cash according to their specific household needs. As a result, each household is able to maximize their marginal utility with their cash. Marginal utility is the gain from an increase in consumption of a good or service. One of the rules of economic theory is that people allocate their resources to goods or services that have the greatest marginal utility *for them*. In other words, each household spends cash differently, and on the things that their individual household most needs. While

food can be sold and the cash used to buy other household needs, this typically occurs at depressed prices for food, reducing the total value of the transfer that the house receives.

WFP's vulnerability assessment in Lebanon also shows that people do not spend their cash or vouchers on 'non' essentials. At least 81% of expenditure is for basic needs. Anti-social use, as for alcohol or tobacco, is minimal at 4%. An IRC evaluation of winterisation cash also found that people did not spend the increase in their marginal income on temptation goods.

Beneficiaries largely prefer cash, but not universally. The preference for cash is a common message coming out of surveys and monitoring data in Lebanon and the Philippines. A demand for cash is also reflected through the sale of in-kind assistance, for example by the sale of e-vouchers in Lebanon. In Ethiopia, as previously discussed, a large percentage of the wheat entitlement is resold at depressed prices by beneficiaries. The PSNP in Ethiopia was an exception – many beneficiaries preferred food over cash. However, this was due in large part to cash transfer amounts that lost value with local inflation and hence became more or less worthless, which was a function of the programme design. Processes to decide transfer amounts have changed and become more accurate, and as a result the preference for cash has been increasing.

Cash and vouchers inject money that circulates within the local economy and therefore have multiplier effects. In Lebanon, WFP estimated the multiplier effect of the food voucher programme at 1.51 in the food products sector, with the benefits concentrated in the hands of the small number of participating traders and suppliers. The IRC winterisation evaluation estimated a cash multiplier of 2.13 for the approximately \$51 million in cash injected into the economy in the winter of 2013/14, generating additional income of \$109 million.²⁰ In Ethiopia, impact evaluations of cash transfers in a non-humanitarian context are estimated to generate 1.84 and 1.26 of real total income through multiplier effects in the local economy.²¹ In-kind aid could also generate multiplier effects through truck rental, storage facilities and similar avenues, though further evidence is required.

Evidence suggests that cash improved food consumption and dietary diversity in Ethiopia. The results from a WFP assessment of the cash/food distribution in the

²⁰ The IRC cash multiplier is based on the Jordanian marginal propensity to consume. The multiplier is also not directly comparable to the WFP voucher multiplier as very different methodologies have been used.

²¹ <http://www.fao.org/economic/PtoP/en/>. Presentation by Benjamin Davis (FAO) and Justin Kagin (UC Davis), Nov 12-13, 2013.

refugee camps in Ethiopia²² indicate that the food consumption and dietary diversity score among the refugees has significantly improved. No comparison was made with food aid, which would be necessary to determine whether cash has a greater impact on these measures. This finding is in line with evidence from other humanitarian settings, which suggests that cash often improves diet quality and diversity compared to in-kind transfers.²³

Evidence from Lebanon on a five month winterisation cash programme suggests that cash reduced the use of negative coping strategies (such as dietary restrictions, child labour and dangerous work), increased expenditure on food, especially on fresh food items as well as protein rich food (appropriate for cold weather conditions), was not captured by elites and reduced the need to take out loans.²⁴ The impact evaluation resulting in these findings compared households receiving unconditional cash to similar households that did not, and thus does not speak to the comparative impacts of different transfers. WFP's post distribution monitoring found that food consumption scores and the average number of food groups consumed per day by beneficiaries of WFP e-vouchers appear to increase with the length of stay in Lebanon. However, despite their better food consumption levels, households who have been in Lebanon for a longer period of time appear to be applying more negative coping strategies, possibly because they have exhausted their savings or other sources of livelihoods.

As a multi-sector transfer, the expenditure patterns of cash could not be easily replicated by in-kind assistance. In the Philippines, cash transfers were spent on food, shelter, agricultural inputs, medical inputs, school fees, sharing, debt repayment, clothing, hygiene, fish inputs and transport. A core element to the effectiveness of cash is the ability to meet individual household needs, in a way that in-kind transfers cannot – unless they are sold at a loss. An exception is when households use the marginal income from cash for similar purchases (e.g. staple foods in a food security crisis) – which aid agencies can replicate through in-kind assistance.

There may be examples where in-kind goods and services are more effective than cash, particularly in Philippines where high quality in-kind materials were used in shelter responses. Moreover there are examples where in-kind was most appropriate, such as food aid in the immediate aftermath of Typhoon Haiyan. Where minimum quality

²² WFP/ARRA/UNHCR (2014). "Final Report: Joint WFP/ARRA/UNHCR Post-distribution Survey on the Combined Cash and Food Distribution for Somali Refugees, Sheder Refugee Camp."

²³ Bailey, S. and K. Hedlund (2012) *The Impact of Cash Transfers on Nutrition in humanitarian and transitional settings*. ODI.

²⁴ International Rescue Committee (2014). "Emergency Economies: The Impact of Cash Assistance in Lebanon, An Impact Evaluation of the 2013-14 Winter Cash Assistance Program for Syrian Refugees in Lebanon"

standards are needed (e.g. shelter upgrades, health in Lebanon), vouchers or in-kind transfers may be preferable to cash, though in Philippines and Lebanon aid agencies have used cash with conditions and trainings for shelter to ensure that beneficiaries choose quality materials. Some agencies have provided a mix of cash and in-kind transfers in Philippines and Ethiopia. ***The effectiveness of an intervention is never due to the transfer alone – the design of the programme, the quality of implementation and the targeting of recipients all determine the outcomes and impacts of an intervention.***

4.4 Barriers to Scaling Up Cash Transfers

Globally cash makes up a significantly smaller proportion of assistance than in-kind aid and is usually provided at a smaller scale than in-kind assistance, with the notable exception of humanitarian cash assistance done by the government of Pakistan. In all three case studies, cash has been used at a smaller scale than in-kind assistance (and vouchers, in the case of Lebanon). The largest barrier to scaling up in Ethiopia and Philippines is the capacity of aid agencies. Cash remains relatively new, and systems for in-kind transfers are much more established, as is coordination within the aid architecture, for appeals processes, etc. However, there is growing acceptance that the cost of investment in capacity to implement cash transfers will be far outweighed by the benefits. In the Philippines, preparedness investments by the IFRC for cash transfer programming were key in enabling a large-scale cash transfer response.

The barriers to cash transfer programming are by no means solely technical. In Lebanon there are political sensitivities around the large refugee population and reticence by the government over cash programming. Aid agencies are programming cash transfers and vouchers through the filter of their individual missions and mandates and for different objectives – essentially replicating in-kind approaches. The greatest potential for improving VfM arguably lies in a more radical response model that combines platforms, rationalises actors and provides multi-sector transfers to households where appropriate rather than compartmentalised programmes distribute cash and vouchers. In all three of the case studies, donors could consider programming humanitarian cash transfers through governments, though this raises a different set of questions on VfM as well as on humanitarian principles.

5 Conclusions and Recommendations

5.1 Conclusions

Cash, when compared to in-kind approaches, consistently emerges as more efficient to deliver. This finding was a key point from the case studies and literature review, and is supported by the findings of several systematic and robust RCTs.

However, cash is not necessarily more efficient than other transfers and the overall efficiency of cash as compared with other transfers can vary significantly, even within countries, over time and between seasons. The higher efficiency of voucher delivery in Lebanon for example is off-set by transaction costs to retailers, higher prices and hence lower transfer values due to the non-competitive nature of the voucher programme. A range of factors drives the comparative efficiency of transfers, including:

- Fluctuations in local and international food prices;
- The degree of competition in voucher markets;
- The scale of the transfer (i.e. economies of scale);
- The type of delivery mechanism; and
- The degree of market integration and availability, price and quality of goods locally.

The type of transfer is only one factor that affects efficiency. A comparison of cash vs vouchers vs in-kind does not necessarily provide a clear assessment of the efficiency of interventions. Other factors that affect efficiency are the delivery mechanism, the programme design and the scale of the intervention.

There is strong evidence that cash, when appropriate, can bring unique benefits from a Value for Money perspective; however much of this evidence is qualitative and common sense. Cash can bring about a wide range of efficiency and effectiveness gains, for example:

- Cash can be a unifying approach across agencies. Having a common tool can facilitate greater coordination and efficiency between agencies by eliminating or combining certain interventions. One of the greater inefficiencies is numerous actors doing slightly different things such as in Lebanon where 30 cash and voucher actors provide just 30% of the response with 14 different objectives to their cash and voucher programmes with three different types of delivery mechanisms (cash, e-vouchers and paper vouchers).
- Cash utilization allows households to buy what they most need and leverages the marginal utility of each household. Therefore, assuming cash is appropriate in a given context, donors would know that they are providing tailored access to the goods and services that are needed most. This is particularly important given the

- disconnect that often exists in humanitarian aid between assessing need and designing appropriate responses, as aid agencies tend to provide the goods and services for which they have the most capacity or that correspond with their mission / mandate. It also allows people to meet needs that don't fall neatly within sector and cluster based responses (e.g. fishing inputs, or transport).
- The economic multiplier effect within national and local markets has the potential to be quite significant, as with vouchers or locally procured in kind aid, though cash will benefit the most diverse set of economic actors given that households spend money in different places. More evidence on the different economic impacts of cash, vouchers and in kind aid would provide a greater understanding of the importance of these impacts, to inform decision-making.

The potential for Value for Money gains with cash are particularly evident when cash is evaluated as a multi-sector tool. The efficiency of cash compared to in-kind aid increases greatly when one considers what it would cost for in-kind aid to replicate the diverse benefits of cash assistance rather than the cost of cash assistance to replicate in-kind aid. Cash has the greatest potential when it is analyzed as a multi-sector tool to meet the needs of individual households.

A case can be made that cash has the greatest potential to support the resilience of households to manage shocks. Resilience, or the ability of a household or individual to cope with shocks or stresses, is influenced by a wide range of factors, and varies depending on the characteristics, assets and needs of a household. Given the difficulty of understanding the factors that contribute to a households' resilience (or lack thereof) in a crisis context, and the fact that households make trade-offs that could have negative impacts in the months and years ahead, there is an argument to be made that the most flexible possible transfer has the greatest chance of supporting resilience. However, links between cash transfers and resilience is a hypothesis that needs to be tested, rather than a finding of this study.

The flexibility of cash to provide access to range of goods and services means that it is uniquely placed to enable VfM gains in the humanitarian system. This is not to suggest that cash is always a more preferable and appropriate transfer. Nonetheless, there is clearly significant opportunity for expanding the use of cash. This raises a number of questions around how best to increase the scale of cash, and the extent to which cash transfers would provide efficiency gains if they were provided at a larger scale by a smaller set of actors. The challenge of obtaining basic comparative cost data, and calculating the potential savings of reducing overheads and consolidating approaches, is large, and outside the scope of this study. Further, the political realities of the humanitarian system, including the incentives of aid agencies, donors and governments,

pose a major obstacle to moving forward. However, using cash transfers to a greater extent in the future will inevitably continue to transform how it is delivered and the systems underpinning it.

5.2 Recommendations

The following recommendations are made to improve VfM and reduce the barriers to cash transfers:

- Increase the scale of cash programmes to achieve economies of scale (where appropriate): Expansion of cash programming would benefit from committed multi-year funding in protracted settings and transitioning more in-kind assistance to cash. It will require a context specific understanding of the barriers to scaling up cash, such as political will and international donor policy, as well as identifying windows of opportunity to address technical and political barriers. The use of market assessments will be key to inform the appropriateness of cash and other kinds of transfers. It also requires embedding cash in preparedness and contingency planning of aid agencies and governments. Donors should consider how best to support governments, such as in the Philippines, to deliver humanitarian cash transfers through their social safety nets. The potential for complementary actions to enable people to buy more with their cash can also be usefully explored.
- Substitute cash for multiple types of in-kind assistance (i.e. multi-sector cash transfers): Where aid involves a wide range of sectors, donors and aid agencies should provide households with a cash transfer to meet these various needs, where this is appropriate. This may entail moving from more narrow objectives (e.g. meeting food needs) to broader objectives (meeting basic needs, recovery). Multi-sector assessments should be used to support this. In-kind and voucher programmes should be used when they are necessary to ensure quality, owing to market dynamics, etc, and when the enabling conditions for cash do not exist. Combinations of cash and in-kind, while they require two delivery channels, can be used to secure the quality assurance of in-kind assistance with the flexibility of cash.
- Consolidate distribution platforms for cash, maximize coordination and rationalize programmes and actors, particularly in countries where there are large numbers of agencies engaging such as in Lebanon, or where cash can build preparedness in places at high risk of humanitarian emergencies. Where social safety nets are in place, these offer a platform for reaching large numbers of

people with humanitarian transfers directly through governments, but may require investment to play this role efficiently and effectively. Consolidation of delivery platforms is not necessarily more efficient if one aid agency manages the process and charges a service fee – in fact this could increase costs. The greatest efficiency gains would be realized by working through a smaller number of aid agencies and through government systems, rather than coordinating a large number of small interventions.

There were a few specific areas where further research would benefit the assessment of different transfers, particularly in settings where long-term aid engagement is foreseen (such as between cash and vouchers in Lebanon, where research is already planned). Any research should be practical, and action-oriented, and could include:

- The value of investing in capacity and financial infrastructure as part of preparedness measures and the extent to which this resolves barriers to scale.
- The types and costs of different arrangements with financial institutions and private sector delivery agents to identify the most efficient and effective ways of transferring money.
- The multiplier effects in the local economy of different transfer types, as well as who benefits.

However, rather than research per se, the focus should be on building documentation on future programmes that provide data that can be used to understand whether the type of transfer was good VfM, thus supporting good programming and decision-making in real time. From a practical perspective, and given the diversity of costing across partners that made comparison difficult if not impossible, **a common protocol for demonstrating cost and outcomes for different types of programming will greatly benefit understanding moving forward, as will guidance on ex ante analysis of VfM.** This protocol should ask partners for cost comparisons that differentiate set up and recurrent costs, and to record costs in a uniform manner. This will also help to ensure that implementing partners provide data on cost and results in better analysis on VfM, while recognising that certain types of data (e.g. on market impacts) are outside of what can be reasonably expected from aid agencies. In order to promote ex ante and ex post analysis on the VfM of different transfers, this study will also inform the development of guidance that enables agencies to identify and rank the probable impacts of different transfers; the guidance will take into account that much of this data will not be available in a quantified format.