



HUMANITARIAN CASH TRANSFER: COST, VALUE FOR MONEY AND ECONOMIC IMPACT

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DEDICATION

This dissertation is dedicated to God Almighty for all He has done for me. Dedication is also extended to my loving and caring wife, Mrs Elizabeth Lopyy Gomez, my sons, Pa Martin and Pa Bisenty Saviour Gomez. Finally, dedication goes to my parents Bisenty Gomez and Lena Correa, all of blessed memory. May their souls and all departed RIP.

ABSTRACT

Title of the Study: HUMINATARIAN CASH TRANSFER: COST, VALUE FOR MONEY AND ECONOMIC IMPACT

Background

According to reports on humanitarian cash transfers, there is growing use of the provision of cash as a mechanism to provide relief to people after disasters, on the part of international aid agencies and governments. The banking industry is also undergoing rapid changes, with new technologies providing different options for making payments and delivering banking services.

Global Objective of the Study

The study seeks to review cash transfer in relation to cost, value for money and its economic impact and to explain the overall effect that cash brings about in markets and local economies.

Methodology

The study looks at literature reviews on cash transfer; cost, value for money and economic impact through documentations and web search. The starting point was the extensive literature searches on studies on humanitarian cash transfer. Literature on cash transfer programmes was obtained via web searches and the Cash Learning Partnership (CaLP).

Conclusion

The review of short-term cash transfers in unstructured markets shows that even small-scale cash injections can produce temporary inflation of local commodities. This seems recurrent when the size of the transfer is significant compared to household incomes and when it covers a high proportion of the local population. 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 other findings

Key Words: Humanitarian cash transfer, cost, value for money and economic impact.

RESUME

INTITULE : TRANSFERT DE FONDS HUMANITAIRES : COÛT, RENTABILITE, ET IMPACT ECONOMIQUE

Contexte

L'aide humanitaire lutte pour pourvoir de façon plus appropriée, effective et efficace, aux besoins des populations affectées par une crise. Elle est apportée de façon diversifiée en fonction des besoins et du contexte. Les impacts associés aux transferts de fonds s'étendent au-delà de la santé, de l'agriculture, de l'enseignement pour la subsistance, des relations sociales, du travail des enfants, des travaux dangereux et de l'économie de marché.

But de L'étude

Le but de cette étude est d'examiner les preuves sur comment les interventions, faisant usage de transfert de fonds, impactent sur l'économie locale.

Méthodologie

Cette étude est une analyse rétrospective des données secondaires du transfert de fonds à travers des revues littéraires, des publications et des recherches web. Le point de départ a été la recherche littéraire élargie sur les études menées sur le transfert de fonds humanitaires. La documentation sur le programme de transfert de fonds a été obtenue via les recherches web, Le « Cash Learning Partnership » et les correspondances avec les collaborateurs des organisations de secours tels qu'UNICEF Gambie.

Conclusion

Les transferts de fonds sont sources de subsistance, ils améliorent les normes de santé et le niveau de vie des bénéficiaires. Ils améliorent aussi l'état nutritionnel des bénéficiaires, en particuliers, les femmes et les enfants. Ils renforcent l'économie des marchés locaux dans un système exigeant. Cependant, leur mise en place devrait être abordée avec prudence pour éviter tout impact négatif sur la vie des bénéficiaires.

Mots Clés : Transfert de fonds humanitaires, coût, rentabilité et impact économique.

LIST OF ACRONYMS/ABBREVIATIONS

HCT:	Humanitarian Cash Transfer
HACT:	Harmonised Approach to Cash Transfer
CT:	Cash Transfer
CTP:	Cash Transfer Programme
AWF:	African Water Facility
AfDB:	African Development Bank
GBoS:	Gambia Bureau of Statistics
GNI:	Gross National Income
CBPP:	Contagious Bovine Pleuropneumonia
CRR:	Central River and Upper River regions
GAM:	Global Acute Malnutrition
WHO:	World Health Organization
NaNA:	National Nutrition Agency
UNICEF:	United Nations Children Fund
JAM:	Joint Assessment Mission
ECHO:	European Commission Humanitarian Office
HLPHCT:	High Level Panel on Humanitarian Cash Transfers
EC:	European Commission
MN:	Micronutrients
SSA:	Sub-Saharan Africa
WFP:	World Food Programme
NDMA:	National Disaster Management Agency
GRCS:	Gambia Red Cross Society
RFS:	Reliance Financial Services
PROGRESA:	Mexican CCT later renamed Oportunidades
SCB:	Standard Chartered Bank-The Gambia
RDC:	Democratic Republic of Congo
VfM:	Value for Money
CaLP:	Cash Learning Partnership
EBF:	Early Breastfeeding
NCDs:	Non-Communicable Disease

EHS: Environmental Health and Sanitation

UN: United Nations

NFIs: Non- Food Items

CFW: Cash for Work

CFT: Cash for Training

MDGs: Millennium Development Goals

OCHA: Office for the Coordination of Humanitarian Affairs

GHCT: Gambia Humanitarian Country Team

IDPs: Internally Displaced Persons

ICRC: International Cross of Red Crescent

ICT: Information, Communication and Technology

MIS: Management Information System

CMP: Child Money Programme

CT-OVC: Cash Transfer Programme for Orphans and Vulnerable Children

LEAP: Livelihoods Empowerment Against Poverty

MFI: Microfinance Institutions

MEGS: Maharastra Employments Guarantee Scheme

NREGS: National Rural Employment Guarantee Scheme

HNSP: Hunger Safety Net programme

PSNP: Productive Safety Net Programme

GB: Great Britain

OPERATIONAL DEFINITION OF KEY WORDS

Humanitarian Cash Transfer can be defined as the provision of money to individuals, households or communities, either as emergency relief intended to meet their basic needs for food and non-food items, or services, or to buy assets essential for the recovery of their livelihoods (**Jessica Hagen-Zanker 2015**).

Value for Money (VfM) refers to the optimal use of resources to achieve the best outcomes for people affected by crisis and disaster (**Cabot-Venton, C et al 2015**).

Cost is the price at which a commodity or services is pay for in relation to value for money and cost effectiveness.

Conditional Cash Transfer can be defined as assistance that requires beneficiaries to undertake a specific activity (such as attending school, building a shelter, attending nutrition screenings or trainings, hospital deliveries) before receiving the transfer.

Unconditional Cash Transfer is assistance that is given to beneficiaries or households without them having to do anything in return.

Conditional Cash Transfer Programmes refers to programs that are involved in the provision of cash and vouchers in humanitarian and development contexts to meet a variety of objectives.

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1.0 CHAPTER ONE

1.1 BACKGROUND INTRODUCTION

According to reports on humanitarian cash transfers, there is growing use of the provision of cash as a mechanism to provide relief to people after disasters, on the part of international aid agencies and governments. The banking industry is also undergoing rapid changes, with new technologies providing different options for making payments and delivering banking services. The use of cash, as opposed to 'in kind' assistance, remains a relatively new approach and aid agencies are at the early stages of developing guidelines, policies and organisational capacity to implement cash projects. There are efforts to support and guide Project managers about the practicalities of how most efficiently and effectively to deliver cash to people **(Paul Harvey et al 2010)**.

This report documents examined the humanitarian cash transfer: cost, value for money and its impact on the economy by drawing lessons learned from previous experience and provides guidance for the use of cash transfer to people. The report is based on a review of the relevant literature, project documents and consultation with some aid agency staff.

1.1.1 Humanitarian Cash Transfer (HCT)

Humanitarian assistance strives to provide the most appropriate, effective and efficient responses to the needs of people affected by crisis. It is provided in many ways depending on needs and context. The choice of appropriate transfers, or their combination, must be based on a thorough assessment and context-specific analysis, including cost effectiveness and efficiency, secondary market impacts, the flexibility of the transfer, local availability of goods and services, prioritisation and targeting, gender and protection considerations, and risks of insecurity and corruption **(Bailey, S. and S. Pongracz (2015))**.

In the past assistance was delivered as food parcels, blankets and packages of soap and medicine, whereas now, increasingly, it is provided in the form of cash. In kind deliveries will continue to have a place, often in combination with cash or vouchers, but in order to understand this fundamental change in the way assistance is delivered, the humanitarian community needs to look at why this change is taking place, where it is likely to lead **(Barrett, C. 2006)**

For decades, humanitarian agencies have responded to the food needs of people suffering the effects of disasters and war by providing them with in-kind food aid. It is now accepted that cash can be an alternative or complement to in-kind assistance. Where markets are functioning and cash transfers are the most suitable response, people can purchase what they need according to their own priorities **(Bailey, S. 2013)**.

Major humanitarian crises such as the Asia Tsunami (2004), Pakistan earthquake (2005), Haiti earthquake (2010), Pakistan floods (2010), Horn of Africa and Sahel (2011), Syrian refugees (2012) and more recently Philippines (2013), have allowed cash transfers to be tested and have demonstrated their feasibility and benefits in many diverse contexts. They also demonstrate that multi-purpose cash transfers will be a key element of the response strategy at all stages of the life cycle of a programme **(Sarah Bailey and Paul Harvey, 2015)**.

1.2 OBJECTIVES OF THE STUDY

1.2.1 General Objective

The study seeks to review cash transfer in relation to cost, value for money and its economic impact and to explain the overall effect that cash brings about in markets and local economies.

1.2.2 Objective of Study

1. To review evidence on cost and value for money of cash transfer programmes.
2. To review ways in which cash transfers stimulate production and trade effects on local economies.
3. To review impact of cash transfers on the economy.
4. To outline factors that may affect effective cash transfers.

2.0 CHAPTER TWO

2.1 LITERATURE REVIEW

2.1.1 Introduction

There is a growing use on the part of international aid agencies and governments of the provision of cash as a mechanism to provide relief to people after disasters. Cash is increasingly being used as a complement or alternative to a range of in-kind assistance, notably food aid, shelter and wider support to livelihood recovery. The banking industry is also undergoing rapid changes, with new technologies providing different options for making payments and delivering banking services. There is an increasing focus on expanding financial access to people previously seen as too poor or too remote to be included in the banking system. A growing interest in the expansion of social assistance programmes to support chronically poor people is also opening up new opportunities **(Paul Harvey et al 2010)**.

The use of cash, as opposed to ‘in kind’ assistance, however, remains a relatively new approach, and aid agencies are at the early stages of developing guidelines, policies and organisational capacity to implement cash projects. This has meant that there has been a tendency to ‘reinvent the wheel’ each time cash projects are implemented. Project managers appear to lack support and guidance about the practicalities of how to most efficiently and effectively deliver cash to people. Too often that means they have to start from scratch in assessing and choosing between different options for cash delivery. Whether it makes sense to give people money in envelopes, open bank accounts for them or develop mobile banking approaches depends on a context-specific analysis of the options available in each crisis. There is, however, scope for learning from past experience about how to assess different options, and the costs and benefits of various mechanisms to both the agency and the recipient **(Paul Harvey et al 2010)**.

There is also scope to engage in a process of dialogue with potential private sector providers at national, regional and global levels to explore whether stronger contingency and preparedness plans could be put in place to produce more effective partnerships – able to get cash to people sooner and more effectively after disasters.

2.1.2 Humanitarian Cash Transfer

Cash transfers can be defined as the provision of money to individuals, households or communities, either as emergency relief intended to meet their basic needs for food and non-food items, or services, or to buy assets essential for the recovery of their livelihoods (**Jessica Hagen-Zanker 2015**). Cash can be distributed directly or indirectly in the form of money, vouchers or in-kind depending on the choice of beneficiaries, context and nature of the disaster. Cash can also be distributed through mobile phone transfers, ATM, remittance companies, post offices or even physically. Beneficiaries decide how to use the cash received. As such, a cash transfer is multi-purpose usage, contributing to enabling beneficiaries meet their basic needs, be they food, non-food or services.

CTs have expanded so widely in the world because they have important gains in improving the well-being of beneficiaries. In **2009**, **Fiszbein and Schady** show that in Latin American countries (Colombia, Mexico, Honduras, and Nicaragua) CTs have made a significant impact in reducing poverty (**Fernald, Gertler et al 2009**). Other studies also show clear impacts on educational enrolments and positive effects on cognitive development in early childhood (**Paxson and Schady 2010**).

Whether cash, vouchers or in-kind assistance are provided as humanitarian relief it is important to understand the cost efficiency of different transfer modalities, their comparative effectiveness in meeting defined objectives and the impact on economies and markets. Whether or not cash responses are appropriate, efficient and effective depends on context and will vary over time as markets recover following disasters (**Sarah Bailey and Sophie Pongracz, 2015**).

FORM, LEVEL, DURATION AND PERIOD OF TRANSFERS

Form of transfer

Form of transfer (cash, food, farm inputs, livelihood assets, vouchers etc.) influences VfM in a number of ways. Cash, in physical or electronic form, has risen to prominence in the last 15 years or so due to its multiple advantages over food and other forms of social transfer. In most situations cash is the most cost-efficient and cost-effective form of transfer, due to its lower delivery costs and potential for reducing fiduciary risk (especially where transmitted electronically), flexibility of use by recipients including for the purchase of a variety of foods

to achieve greater dietary diversity, ability to stimulate rather than undercut local markets (food markets in particular) and generate multiplier effects, and its scope for encouraging financial inclusion and financial services (**Philip White et al 2013**).

There are some circumstances in which other forms of transfer offer better VfM. Where food prices are sharply rising, the value of cash transfers in food terms falls. Where cash transfers are indexed to food prices and are on a large enough scale in relation to local food supply, they may in principle bring about further food price inflation. Thus in isolated, food deficit markets food transfers can be more effective in preventing a catastrophic collapse in food security in the short term, when they may also be more cost-efficient despite their higher logistical costs. This will be signalled by total cost-transfer ratios, where the transfer is valued in local market terms, being lower for food than for cash (**Jock Baker, et al. 2013**) .

Food transfers may also have positive gender impacts, being more likely than cash to be controlled by women in recipient's households. Vouchers, denominated in quantity or value terms, provide a means of limiting use of transfers to particular commodities (often food or farm inputs/assets) which are in line with specific programme objectives, in terms of which they may prove more cost-effective than cash. For example, the Malawi's agricultural input subsidy programme, transferred to targeted smallholders as vouchers that can be part-exchanged for a prescribed input package, has resulted in impressive gains in national food self-sufficiency with marked political dividends for the government, despite its high cost, vulnerability to global fertiliser price volatility, risk of failure when drought strikes, and tendency for the poorest recipients to sell their vouchers cheaply to meet cash needs. Nevertheless, social protection objectives are most often better served by cash transfers than other forms, with better VfM (**Philip White et al, 2013**).

Cash Transfer Level

Level is a basic design feature of a social transfer which has important VfM dimensions. Choice of level varies widely between programmes and usually represents a balance between diverse and often conflicting considerations including programme objectives, affordability, incidence and depth of poverty relative to basic needs and food poverty lines, average or target group household consumption levels, official minimum wage and actual casual wage rates, and political calculations. Level of transfer per time period may be a flat rate per recipient, or vary according to number of household members of specified ages, or by gender,

region, target group or time of year.

As noted above, transfer levels need to be revised periodically to account for increases in living and food costs. Increases may be pledged by competing political parties to boost support in the lead-up to elections, as occurred with Lesotho's Old Age Pension in 2007 (**Kerry Selvester, et al. 2013**).

Low levels of transfer inevitably mean low cost-efficiency, since administrative costs then comprise a higher proportion of total costs. This is likely to impair cost-effectiveness, since it will raise the cost of achieving desired outcomes. In addition, low transfer levels are unlikely to have the transformative outcomes for poor and vulnerable households that might be envisaged in national social protection policies, since their impact on livelihood resilience and capacity to invest in productive activities will be marginal at best.

Confronted with widespread poverty but tight budgets, many government programmes are so thinly spread that they are neither cost-efficient nor cost-effective. In 2007, Mozambique's Food Subsidy Programme provided between US\$2.70 and US\$5.40 per month depending on the number of dependent household members, equivalent on average to just 5 percent of the minimum wage. At the start of Ghana's LEAP programme in 2008, the transfer level was set at 15–30 percent of minimum wage (then US\$6–11 per month), again depending on number of dependents, but this remained unchanged by 2011 despite a 44 percent increase in the consumer price index over this period (White, 2011). In northern Ethiopia, cash transfers provided by the PSNP lost almost 75 percent of their value in maize terms between July 2007 and July 2008, due to failure to adjust transfer levels to keep up with rapid food price inflation. Despite subsequent adjustments, by 2011 average PSNP transfers per household were equivalent to under US\$10 monthly or just 10 percent of the poverty line (**Philip White et al, 2013**).

An alternative model, is one that attempts to concentrate transfers on the poorest of the poor in the poorest districts, using proxy means tests combined with community targeting, often alongside conditions related to uptake of health and education services and/or participation in public works. Such schemes may permit a more adequate level of transfer, but tend to suffer from high targeting costs, significant targeting errors and limited coverage of the poor. Moreover, where poverty is widespread, those fortunate enough to be enrolled are likely to end up much better off than others in the community who are excluded, with socially divisive effects which are sometimes mitigated only by sharing transfers across the community.

Many public works programmes attempt to simplify targeting by setting wage rates at below-market levels so that only the poorest will apply, but high poverty rates often mean that they are over-subscribed and have to ration places by other means. Lowering the wage rate to avoid this problem may serve only to force down cost-efficiency further still (**Kerry Selvester, Lourdes Fidalgo and Neila Tambo 2013**).

Lesotho's Old Age Pension, in contrast, started at US\$24 per month in 2002, or around 100 percent of the poverty line, and was increased regularly thereafter to reach US\$43 in early 2012. This was sufficient to transform the food security status not only for the over-70s who qualify for the pension, but also benefit other household members including children, many orphaned by AIDS, who reside in over 60 percent of pensioners' households and thereby have access to funds for school uniforms, books and stationery (**Croome *et al.*, 2007**).

On the other hand, South Africa's system of unconditional social grants is more generous still: the Child Support Grant (CSG) provided about a dollar a day in 2010, while the disability grant and social pension were each roughly equivalent to the household poverty line (**Samson *et al.*, 2010**). These grants have had very substantial positive impacts on the quarter of all South Africans who receive them and their families. The CSG has increased height-for-age among recipient children, will potentially more than double their lifetime earnings, and has reduced the probability that a school-age child is not attending school by more than half, all of which provides a strongly positive return on CSG investment (**Aguero *et al.*, 2006**). The social pension also improves school enrolment, especially among girls in recipient households. Grant recipient households spend more of their income on food and education and less on alcohol, tobacco and gambling, and the grants have together reduced South Africa's poverty gap by 47 percent (**Samson *et al.*, 2010**).

Duration and periodicity

Duration and periodicity of cash transfers can also have VfM implications. Since cost-efficiency and cost-effectiveness improve as a programme matures, partly due to increasing administrative efficiency but also because regularity and predictability are prerequisites for sustainable impacts, those with limited duration are unlikely to provide good value for money except in terms of providing lessons for wider implementation.

Public works programmes (PWPs) designed as safety nets tend to be limited duration (four months or less) one-off events for target communities, so are unlikely to respond to chronic poverty and vulnerability. Some PWPs, such as Ethiopia's PSNP or India's MGNREGS, are exceptional in providing seasonal employment on an on-going, regular annual basis, and provide better VfM. The positive impacts of 'life-cycle' programmes such as child, disability and old age grants are partly attributable to their longevity and predictability (**Philip White et al, 2013**).

Periodicity is also important because it affects the use to which transfers are put. Many social transfer programmes deliver payments monthly, so that households can use them to meet immediate consumption needs, especially for basic foods. It is usually cheaper to deliver payments every two months, as occurs on Ghana's LEAP programme, but this poses problems for very poor households which struggle to survive from one payment to the next. LEAP's actual performance in its early years failed even to maintain this two-monthly schedule, since cash release delays meant gaps of up to six months between payments. When the cash did arrive, often unpredictably, it tended to be used to pay off debts or invest in small enterprises instead of buying food (**Philip White et al, 2013**).

Targeting

Cost-effectiveness of targeting options should be analysed, to the extent that there are genuine choices to be made – some options may be excluded for political or technical reasons.

When assessing the cost-effectiveness of transfer programmes, it is crucial to know the extent to which programmes are reaching their intended beneficiaries. The higher the inclusion error (the proportion of actual beneficiaries who are not intended beneficiaries), the more 'leakage' of resources reduces cost-effectiveness. Exclusion errors (the non-participation in the programme of some intended beneficiaries) reduce effectiveness and should be of particular concern to programme managers, even though in this case costs may be reduced proportionately. There are a range of alternative possible measures by which to assess the accuracy of targeting mechanisms: the most suitable measure will depend on programme goals, eligibility criteria, and available data. It is not proposed here to review in detail the menu of targeting options, which goes beyond the scope of this note. In-depth guidance and evidence on targeting can be found in **Samson et al. (2010)** and **Coady et al. (2004)**, the

latter analysing the targeting performance of 122 anti-poverty programmes in 48 countries.

An initial requirement is to be clear about who the intended beneficiaries are. There is a general presumption that governments and donors are ultimately interested in directing transfers to the poor. On this basis, universal categorical targeting (e.g. age-based transfers for children under two years, or the elderly over 65 years) is often judged to be less cost-effective than poverty targeted transfers, as might be inferred for example from Figure 6 above. The case for selecting such programmes would then rest on, for example, whether these groups have higher-than-average poverty incidence, or whether attempts to target poverty more directly (e.g. through geographical, community-based or proxy means test targeting) entail prohibitively higher administrative costs and/or inclusion/exclusion errors.

However, experience tells us that, barring a universal grant to all citizens which no country has yet found to be politically and financially feasible, it is impossible to reach all of the poor with a single programme. Poverty targeting is subject to high errors and typically low coverage, while categorical targeting excludes all the poor who fall outside that category. For many social transfers poverty is not the criterion for selection, or may be one criterion amongst many. If, for example, child nutrition or girl enrolment indicators are bad amongst richer quintiles as well as poorer quintiles, then a conditional cash transfer may be intended *primarily* to address nutrition or gender equality, and the target population is all children or all girls of school age, not only those who are poor. Cash transfers are increasingly considered an appropriate response during or after emergencies, targeted for immediate humanitarian need rather than poverty status. In some circumstances, more universal categorical benefits may be advocated on the grounds that these are thought to be more effective than narrowly targeted transfers in building a sense of citizenship and strengthening state legitimacy and state-society relations (particularly important in fragile or post-conflict settings) (**Philip White et al, 2013**).

There is also an important political economy perspective to incorporate into the analysis, whereby targeting approaches are judged against their ability to generate broad support for social protection. Thus it may be easier to ensure an adequate coalition in favour of support for the elderly or for children, for example, than for poverty-targeted transfers, especially when programmes are seen as stages in the development of a broader social protection system that will be able to cover the poor within a more realistic timeline of, say, 30-40 years.

2.2.3 FACTORS TO CONSIDER WHEN PLANNING A CASH TRANSFER

2.2.3.1 Delivery Options

One of the main concerns that agencies have when undertaking cash interventions in less developed countries is finding a safe and reliable mechanism for physically delivering cash into people's hands (**Levine and Carrington, 2009**). There are many ways in which money can be transferred to people.

Previous experience in different contexts highlights this variety and the innovative methods that have been used to transfer cash (**Harvey, 2007; Ahmed, 2005**). Cash delivery methods include the direct delivery of cash (by an agency or a sub-contracted party); cash payments at banks or post-office branches (with or without using bank accounts); and payments into bank accounts or wallets, accessed using smart cards, ATMs, Point of Sale (PoS) devices or mobile phone technologies. There are a range of options, from operating entirely outside of the payments and banking systems to operating entirely within the banking system.

When examining delivery options it is useful to look at: who is involved in the delivery of cash (agent/s), and how the cash is delivered (method). Delivery agents include governments, aid agencies, banks, post offices, mobile phone companies, micro-finance companies, security companies, local traders or a combination of these. Delivery methods, whereby cash, vouchers or e-money is delivered, include: direct delivery (cash in envelopes); delivery through banking systems (either over the counter, from ATMs or other mobile banking technologies); and delivery using smart cards, debit cards, prepaid cards and Point of Sale devices and/or mobile phone technologies. Different delivery methods and delivery agents have been used in various combinations (**Paul Harvey et al 2010**).

Different delivery methods and delivery agents have often been used in combination. For example, in **Kenya**, as part of the Hunger Safety Net Programme (HSNP), cash is delivered using a smart card system. Recipients have their fingerprints scanned and receive a smart card that they take to a local trader or agent to get their cash. The local trader or agent uses a Point of Sale device to verify recipients' identities. People are also able to get their cash from a branch of Equity Bank. In urban slum areas of Kenya, in response to food price increases and post-election violence, Concern and Oxfam in conjunction with the government of Kenya are using mobile phones to transfer cash. Recipients are provided with a SIM card.

Table 1: Cash delivery methods and agents

Delivery Method	Cash or voucher			E-wallet		Bank account		
	Direct (cash in envelopes or vouchers)	Cheque or bank draft	Mobile phone	Smart card	Prepaid card	Debit card	Mobile phone	Smart card
Delivery Agent	Aid agency directly	Government	Bank	Post office	Micro-finance institution	Remittance company	Security company	Local traders

2.2.3.2 Payment Systems

In making choices between different mechanisms for getting cash to people, it is important for agency staff to understand the basic elements of a banking payments system. The key basic elements are described in the table below:

Table 2 : Basic elements of a banking payment system

Elements of payment process	Risks	Options
1. Creation of database of eligible beneficiaries	<ul style="list-style-type: none"> • Incomplete registration accuracies • Slow set up 	<ul style="list-style-type: none"> • Involves collecting names and sometimes identity numbers, photographs, fingerprints or other biometrics • Can be manual or electronic collection
2. Identification methods	<ul style="list-style-type: none"> • Fraud identity • Recipients lacks required documentation • Slow process 	<ul style="list-style-type: none"> • National Ids against government database, electoral rolls or other database • Identification by community members

3. Method of authentication	<ul style="list-style-type: none"> • Identify fraud, technology failure • Recipients cannot operate technology (eg, forget pin) 	<ul style="list-style-type: none"> • Visual authentication at point of payment by community members or photograph • Biometric on chip card read by reader, fingerprint • Pin, Password
4. Currency	<ul style="list-style-type: none"> • Invalid card/voucher • Theft 	<ul style="list-style-type: none"> • Cash • Voucher • E-money
5. Point of payment	<ul style="list-style-type: none"> • Fraud by merchant • Lack of affordable accessibility (distance and time) 	<ul style="list-style-type: none"> • Can be more or less flexible or convenient depending on time and location • Can be at specified times or any time Can be money in envelopes, mobile pay out machine, taking cards, ATM • Can use existing infrastructure which accepts request for payment
6. Reporting and reconciliations	<ul style="list-style-type: none"> • Failure to follow up errors or fraud • Failure to identify problems quickly • Loss of funds/cards • Inability to produce accurate and timely reports 	<ul style="list-style-type: none"> • Automated with delay, internet real time or banking control over process • Card management inventory

7. Reporting, training, communication, customer support	<ul style="list-style-type: none"> • Receipients unable to receive funds due to lack of confidence • Distrust due to lack of transparency 	<ul style="list-style-type: none"> • Call centre • Aid agency personnel at pre-agreed points • Banners, posters, leaflets, videos
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Source: Paul Harvey, Katherine Haver, Jenny Hoffmann and Brenda Murphy, 2010

2.2.3.3 Assessment

Before undertaking a cash-based relief project, an assessment of the most appropriate delivery option should take place. The assessment should ideally include weighing the costs and benefits of different delivery options using clear criteria. It is important to examine benefits and drawbacks from the perspective of both the delivering agent and the recipient. Choosing which cash delivery option to use must always be a context-specific judgment. It is neither possible nor desirable to make inflexible recommendations about which delivery option is likely to be the most appropriate. Rather, in each context, it is important to assess the strengths, weaknesses and costs of as wide a range of options as possible (**Paul Harvey et al 2010**).

2.2.3.4 Timing, Preparedness and Partnerships

It has tended to take agencies a relatively long time to get cash projects up and running, in part because the systems are often not in place to quickly deliver cash. Cash provision has not been included in contingency and preparedness planning, and agencies do not have the sort of preferred supplier arrangement for private sector cash providers that they have with private sector providers of in-kind goods such as food and tents (**Paul Harvey et al 2010**).

There certainly seems to be an opportunity to request proposals for appropriate payments solutions in areas of frequent emergencies, such as those prone to drought or typhoons. This would allow some ‘in principle’ discussion on costs, the practicalities of the implementation and the refinement of the solution in advance. Aid agencies in any country could perform a simple review of potential providers in their country, meeting with each to gauge their interest and to get an overview of services, likely costs and possible contract terms. Aid agencies could also solicit expressions of interest, and ‘pre-qualify’ certain providers.

It would even be possible to establish ‘pro forma’ agreements, including service level agreements, which would only be finalised and activated in the case of an emergency.

2.2.3.5 Scale, Flexibility and Resilience

Cash delivery mechanisms will ideally be designed to be operated on a large-scale if needed, and be flexible enough to vary payment levels and the frequency of payments to adjust to changing needs. Delivery mechanisms also need to be resilient enough to be able to continue providing cash in the face of the disruption caused by emergencies, including physical damage and disruption following natural disasters, and insecurity in conflicts. Experience from existing cash projects suggested that current delivery mechanisms could flexibly respond to changing circumstances. Scaling up cash-based responses is an area where greater coordination is needed (**Lebanon 2014**).

Competing issues need to be considered in deciding on the most appropriate degree of beneficiary choice. Greater choice fosters dignity and allows beneficiaries to meet their most pressing needs, in particular the heterogeneous needs of affected households and individuals. Cash transfer provides the flexibility to move beyond a standard ration that meets the average need of the average household. Conversely, a restricted type of transfer may be more directly linked, and have a larger impact on, a specific objective, for example providing food of a specific nutritional composition.

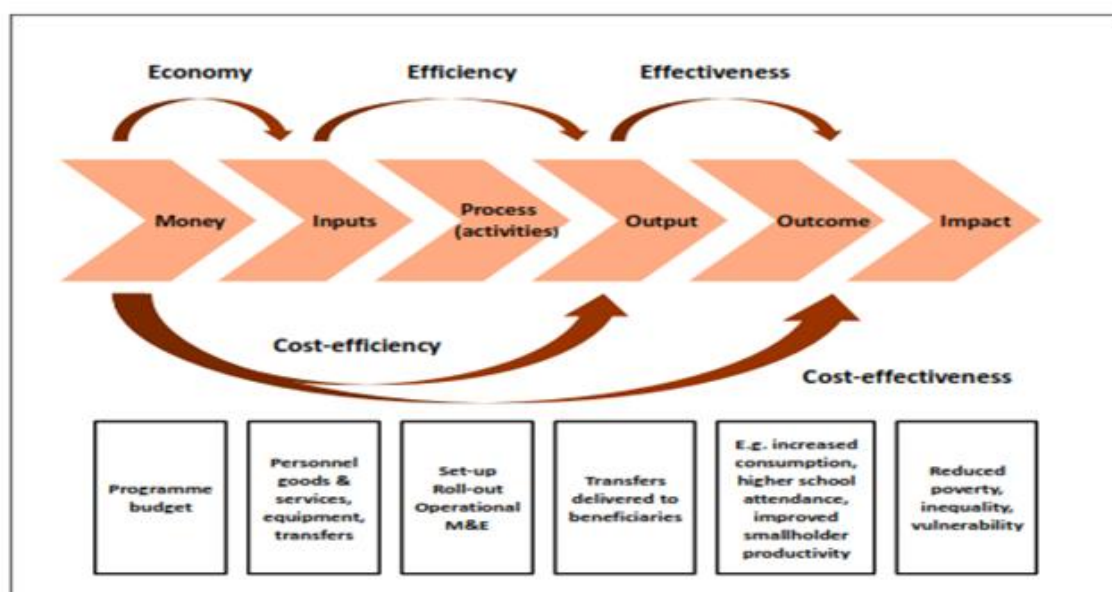
2.2.3.6 Vulnerable Groups

When choosing and designing a cash delivery system, it is important to cater for vulnerable groups within the recipient group. For example, elderly or ill people may have mobility problems getting to distribution points. Children may not be able to receive money through systems using bank accounts, and women may face additional challenges. Previous experience shows that vulnerable groups are catered for fairly well in existing cash transfer projects (**Harvey P. et al 2010**).

2.3 OVERVIEW OF COST AND VALUE FOR MONEY (VfM)

VfM refers to the optimal use of resources to achieve the best outcomes for people affected by crisis and disaster. It also refers to as cost-effectiveness that is the cost of achieving some desirable outcome. The approaches have long been used by the private commercial and industrial sectors and, over the past few years, there has been a trend amongst donors to increasingly use VfM concepts to make decisions about foreign aid allocations and account for taxpayer's contributions (**Cabot-Venton, C et al 2015**). According to DFID's approach to VfM is made up of three components, referred to as the 3 es:

- 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, and 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 **Jock Baker et. al, 2013**.

Figure 1: Applying the 3 E framework to analysing VfM in social transfer

Source: Philip White, Anthony Hodges and Matthew Greenslade

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 **Courtenay Cabot Venton, et. al, 2015**.

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 (**Cabot-Venton, C et al 2015**).

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.

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 (**Philip White et al, 2013**).

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.

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 (**Philip White et al, 2013**).

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 (**Cabot-Venton, C et al 2015**).

3.0 CHAPTER THREE

3.1 METHODOLOGY, SCOPE AND STRUCTURE

3.1.1 Methodology

The study looks at literature reviews on cash transfer; cost, value for money and economic impact through documentations and web search. The starting point was the extensive literature searches on studies on humanitarian cash transfer. Literature on cash transfer programmes was obtained via web searches and the Cash Learning Partnership (CaLP).

This study reviews the impact of cash transfer on the economy in relation to cost and value for money. The views expressed here may not actually represent the real findings by the researcher due to a limitation of data collection in the field.

However, this humanitarian cash transfer evidence paper does not make specific recommendations on what humanitarian actors should or should not do, but instead identifies key lessons for consideration in evidence-based decision-making in the humanitarian field especially on socio-economic impact and evidence on cost-effectiveness and value for money.

3.1.2 Conceptual Framework

In other to meet the above, a conceptual framework from the **European Commission, 2013** was used to understand and guide the use of cash transfer (**Figure 3**).

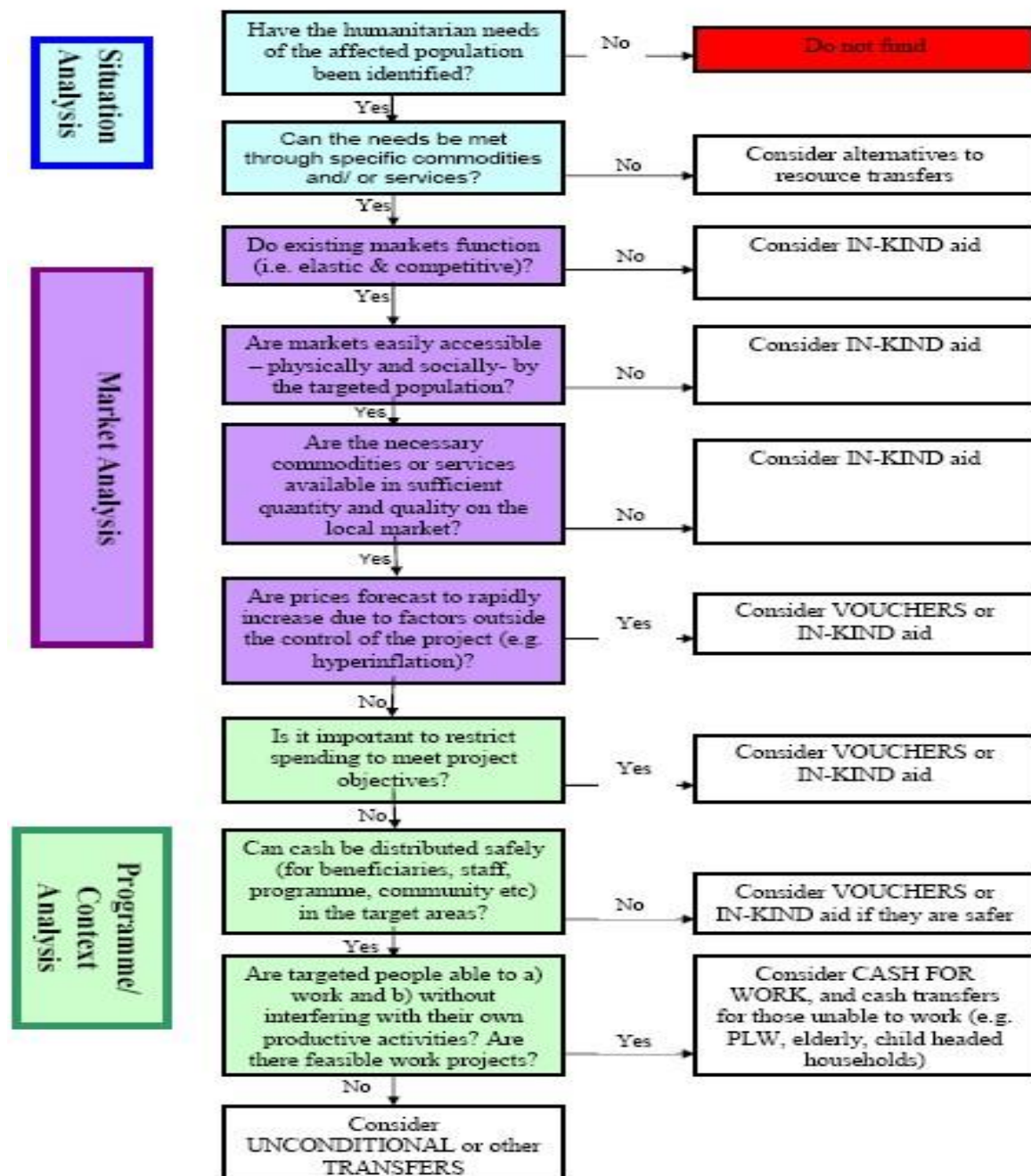
3.1.3 Scope of the Study

The scope of the study looks at humanitarian cash transfer case studies conducted around cost, value for money and economic impact in the humanitarian arena. That is either as relief, disaster or development.

3.1.4 Structure of Study

The study is structured as follows. Chapter 1 provides background information on humanitarian cash transfer with the aim and objectives. Chapter 2 outlines literature review on cash transfer, factors to consider when planning a cash transfer, cost and value for money. Chapter 3 deals with the methodology of the study, while chapter 4 deals with the analysis and discussion. Finally, chapter 5 provides conclusions and recommendations.

Figure 2. Conceptual Framework



Source: European Commission, 2013

4.0 CHAPTER FOUR

4.1 ANALYSIS AND DISCUSSIONS

Cash transfers have risen rapidly up the agenda in both emergency and developmental contexts, causing different reactions and raising a number of political, financial and operational challenges for governments, donors and NGOs. Proponents of cash-based approaches argue that they can be more cost-effective and timely, allowing greater choice and dignity to participants, and have beneficial knock-on effects on the local economy. Distributing cash can stimulate production and trade in agriculture, and avoids disincentive effects because, contrarily to commodity distributions, cash is unlikely to discourage local trade or production (**Philip White et al, 2013**).

According to some authors, the extent to which these knock-on effects benefit the local economy can be easily understood and depends on how and what the moneys are spent on. The assumption is that, when cash is spent locally and on useful things, it will positively impact and have a knock-on effect on the local economy. Although this argument is likely to be true, it does not comprehensively describe and explain the socio-economic processes and interactions taking place.

4.1.1 Markets Economy

The early stages of sudden onset emergencies may prove challenging for establishing cash transfers. Markets may be disrupted, infrastructure damaged, people displaced and security threatened. But markets can recover quickly and in some contexts cash transfers may have particular a limited and clearly defined range of products is sold to a specific group of customers at the start of an emergency as an ideal tool to meet the heterogeneous needs of affected households (**Bailey, S. and S. Pongracz 2015**).

Furthermore, in protracted crises markets often re-establish themselves, creating opportunities for cash transfer. Cash interventions may have other positive economic impacts. They can increase liquidity and enable recipients to repay debts and re-enter credit markets. The Citizens Damage Compensation Programme in Pakistan, for example, helped the microfinance sector recover when it was struggling to manage the impact of the floods due to non-repayment of loans (**OPM, 2013**).

Evidence from programmes aimed at poverty reduction suggests that larger grants to support livelihoods may increase future income. Cash grants to unemployed youths in northern Uganda (equal to twice their annual income) resulted in most recipients increasing their annual earnings by at least 40% (**Blattman, Fiala and Martinez, 2013**).

4.1.2 Scale of transfer

The scale of the transfer indicates how large the cash injection is compared to the volume of cash normally exchanged in the local economy. For example, in Northern Uganda, the amount of cash transferred with the first instalment (US\$ 150,000) was probably too small to have a significant impact on local markets. However, it was not possible to compare the size of transfer with the normal cash flow in the local economy. Households' grants represented between 25% and 40% of the annual income for farmer groups, and up to 87% for the poorest landless group. The transfers covered, on average, 15% of the county and sub-county population; but they reached up to 50% at village level. The high value of the grant compared to the income of households and the high coverage at village level were indications of potential market crowding effects. This still depended on how markets were unstructured and the way participants spent their money (**Pantaleo Creti 2010**).

When predicting the impact of cash transfers on local markets, it is important to distinguish the scale of the project (its geographical cover), from the scale of the transfer. It is often argued that scaling-up cash transfer programmes would significantly affect markets, but this depends on the size of the transfer rather than on the scale of the project. Small pilot projects, covering limited geographical areas and conducted in short periods of time can inject considerable amounts of cash and affect local markets even more than nation-wide transfers, where the target population is scattered and receive only small amounts of cash (**Pantaleo Creti 2010**).

4.1.3. Impact of cash transfers on market prices (Flash Inflation' Case studies)

The Uganda case study shows that small-scale transfers, despite having negligible impact on prices of commodities at the national level, can produce temporary inflation at the local level. The transfer caused a 'flash' inflation of livestock prices. The increased prices, mainly experienced in local markets and informal transactions, were about 10-30% higher than the expected (seasonal) ones.

Inelasticity of supply – Local livestock markets were not well integrated with markets field and suppliers were not able to promptly respond to the increased demand. The remoteness of the intervention area, its poor infrastructure and the enforcement of strict movement regulations increased the costs of moving livestock from distant markets (high transaction costs). These structural problems were compounded by the exponential increase of the demand compared with the normal volumes traded in local markets.

The demand rose of 13 times the initial livestock population among the target group. These 'crowding' effects were even bigger because the purchase was concentrated in a short period of two to three weeks.

Local traders and farmers pointed out that traders were not able to increase their supplies due to the short time and limited logistic capacities.

Inelasticity of demand - Although participants became aware of the price differentials between markets, they still preferred to purchase locally. Consumers' decisions can be attributed to the high transaction costs, which were even higher for consumers than traders. However, the preference towards local purchase was also associated to trust towards local farmers and about the origin of the livestock. The inflation was temporary and it was not expected to further affect local prices in the future. The exponential increase of local stock will rather smoothen out and stabilise prices in the future, as local availability will be better able to absorb changes in demand. The increased number of livestock is also expected to attract large buyers.

The Uganda findings fall in line with other experiences of small-scale transfers in unstructured markets. They produced temporary local inflation, although they had negligible impact on commodities' prices at national level. These effects seem recurrent when the size of the transfer is substantial compared to incomes of households' and when it covers a high proportion of the local population.

Common features of these programmes were the high transaction costs and poor supply-side information, which make traders unable to meet the increased demand. Traders can find it difficult to suddenly respond to a localised increase in demand for certain items, especially when they are not informed in advance. This was particularly the case of expensive items (livestock) in Uganda, and goods that are not widely traded (oil and milk) in Niger.

Information was a key factor in the cash transfer project that Save the Children implemented in remote locations of Ethiopia's highlands. Traders were given sufficient notice and they were able to supply grains from surplus-producing areas. There was a temporary price hike, when cash was distributed in two districts, which shared the same local market. The price remained high for few days until traders were able to respond to the increased demand.

In Niger (2008), cash transfers approximately equivalent to \$120 were distributed to 1,500 very poor households in the most food insecure villages of Tessaoua district. The project targeted approximately one-third of the population in the targeted villages during the 'hunger gap'. This represented one-third of the annual household income, but it was not significant compared to the size of the wider local economy. While no inflation of prices for the staple food was detected, the inflation of some items, like milk and oil, anticipated possible bottlenecks in the supply chain and traders were not prepared to respond to an increased demand for such items. The transfer doubled the households' income during the project period.

Beneficiaries improved and diversified their diet. They reduced the reliance on coping mechanisms – such as credit, migration, or sale of animals – and reduced the daily labour in the fields of better off households. This gave them more time for land preparation and it led to an important increase in their crop's yields.

Cash transfers also had some positive effect on local trade and the development of certain livelihood sectors, as well as a knock-on effect on the local wage rates. The impact would have been even greater if the transfers were regular and predictable.

Many other times, short-term cash transfers operate on an insufficient scale to inflate food prices, even in unstructured markets. In Zambia, for example, cash transfer projects between 2003 and 2008 did not produce any inflationary effect on input prices, nor distorted local labour markets. Similarly, Oxfam GB's short-term cash grants in Zambia, in response to reduced crop yields and targeting up to 13,500 households, had no inflationary effect on local economies.

Price trends followed expected seasonal patterns and participants were able to access basic items, mostly food, at reasonable prices.

Also ACF's cash for work project in Somalia (2004-5) highlights that traders were able to respond adequately to the increased demand, and that livestock and basic items were available in sufficient quantities. Apart from seasonal price fluctuations, abnormal price inflation was not noted. In other cases, the potential effects of significant cash injections in localised and food deficit areas were levelled out by the surplus availability in the neighbourhoods (Malawi).

Cash transfers in well-structured markets usually do not cause relevant effects on prices. In these market conditions, the amount distributed is usually negligible compared with the volume of cash circulating in the local economy and the supply chain absorbs better any fluctuation in demand (Haiti 2004-05, Indonesia 2006). In the Bangladesh case study the transfers did not affect the local prices of staple food. The prices followed the seasonal trends and maintained the different price patterns among geographic areas. Traders and project participants attributed these differences to the transaction costs in the transport of the staple items along the value chain. In a few other experiences, cash transfers contributed to knocking down prices of commodities by improving trading conditions (i.e. credit services).

For instance, the availability of cash in the hands of consumers reduces the need for credit transactions and it lowers traders' uncertainty. The reduced risk is passed onto the consumers in terms of better prices. In these circumstances, evaluations of projects found that cash transfers boost the food and non-food stocks in shops and local markets, mostly suggesting an improvement of market conditions (Red Sea State, Nepal).

Nationwide cash transfer schemes, reaching significant numbers of people, can have broad effects on commodities, labour and service markets. However, the effects of social welfare transfers, like social pensions, seem to be negligible, as the amount transferred is small compared to the cash flow in the local economy and to households' incomes. The level of concern rises when nation-wide safety nets target chronically poor areas characterised by remote and poorly structured markets.

Below are examples of case studies on the impact on market prices of the Ethiopia Productive Safety Net Programme (PSNP), and the Kenya Hunger Safety Net Programme (HSNP).

4.1.4 Productive Safety Net Programme (PSNP), Ethiopia.

Ethiopia's Productive Safety Net Programme has since 2005 replaced food emergency responses with multiannual, predictable resource transfers to address the underlying causes of poverty. The PSNP assists 8 million rural inhabitants, which represents nearly 10 percent of the Ethiopia population, through public works and direct transfers for those groups unable to work (disabled, elderly etc.). The peculiarity of the programme is that, depending on the grain availability in the market, participants can choose between food and cash. The PSNP has been under heavy scrutiny for the impact of the global food prices on households' purchasing power. The real value of the cash transfer drastically dropped in 2008 due to the volatility of global prices. Even if the project increased the value of the transfers by 33%, this was not enough to keep track with a food price inflation of about 80%.

Several studies have tried to determine the specific contribution of the safety net transfers on the inflation of market prices. The first evidence highlighted an inflationary pressure in the 'cash' project districts, especially in remote and food deficit areas.

A study observed that the seasonal fall in prices, expected between December 2005 and February 2006, did not occur. Districts' officials assumed that the programme was creating demand to which the market could not respond. However, the study also pointed out possible speculation among farmers due to the imminent elections, and high prices for staples were also found in surplus-producing areas.

Another study conducted at the end of the first year raised similar concerns. Interviews with traders suggested that food prices were subjected to high volatility, but also that 'normal' price seasonality dominated over the influence of the PSNP. In those regions where only cash transfers were delivered, local traders benefited from increased sales, and they responded to the increased purchasing power by increasing the prices of food and other basic commodities. Successive studies on market prices show that the injection of cash did not affect market prices in the long run. Districts, where only cash was distributed, did not show tangible differences in price patterns compared to those where only food was distributed.

A more recent study analysed monthly data on cereal prices over 12 years, comparing price movements for areas included in the PSNP with those outside the programme. The study found that prices have converged between PSNP and non-PSNP districts over time, and that this convergence began well before the introduction of the programme.

These findings suggest that the impact of cash transfers in non-integrated PSNP is not the dominant driver of these price movements over time. Instead, the observed convergence in prices suggests either that the effect of in-kind transfers dominates or that the convergence is caused by other factors, such as improved road infrastructure. Given that markets, on average, were integrated, the study suggests that the convergence is caused by other factors, most likely infrastructure improvements hunger safety net programme (HSNP), Kenya.

The Hunger Safety Net Programme (HSNP) is an unconditional cash transfer programme targeted at the chronically food insecure. The goal of the HSNP is to reduce extreme poverty in Kenya. The purpose is to support the establishment of a government-led national social protection system delivering long-term, guaranteed cash transfers to the poorest and most vulnerable 10% of Kenyan households. The principal objective of Phase 1 is to implement a cash transfer programme in the arid and semi-arid land districts of Northern Kenya, making regular cash transfers to 60,000 households every 2 months for 3 years. Phase 2 aims to roll out the HSNP under a national social protection system addressing the needs of 1.5 million Kenyans, with Government of Kenya and donor funding.

The monitoring process of the Hunger Safety Net programme will take place regularly after the start of the project. It will include quantitative analysis of price trends and qualitative information from households and traders. Initial field test monitoring in two project areas where payment had recently started, already indicated an inflation pressure on prices.

The sub-locations monitored were quite remote, and people did not have a lot of choice on where to access basic goods. Traders, vegetable sellers in particular, did seem to be inflating prices as a result of the transfers. This was confirmed during interviews with participants, non-participants and traders. The strict level of targeting - mainly elderly people –leaves a high level of exclusion among poor households, which would be affected by an inflation of commodity prices. These initial concerns about price inflation will need to be confirmed from the regular monitoring of price trends.

4.1.5 Impact of cash transfers on primary beneficiaries

In Otuke County of northern Ugandan for example, livestock restocking is a gradual process in which different rearing systems, like that of chicken, goats and cattle are closely intertwined. Poor farmers start purchasing a young goat that is kept for reproduction with the purpose of increasing the size of the herd. Once the herd reaches 6-7 goats, a few of them are sold to purchase a young cow. With this system it is possible to increase the stock of cattle without a massive investment in terms of money. Before the cash transfer, poor farmers were struggling to start this capitalization process with the small revenues from cropping activities. Project participants used the transfer to accelerate this traditional strategy. The majority, more than 60%, purchased an average of three goats, while another 20% was able to purchase cattle. In fact, the main step of capitalisation is to purchase goats. However, goats do not generate additional income, as goats' milk is not used for food purposes and they are not sold for income – unless there are emergency needs. As a consequence, this livestock capitalization process did not produce an immediate tangible increase of households' income. The economic impact will be felt starting from next cropping season, at least for those who were able to purchase cattle. Animals for traction will be used for land cultivation and this will increase the surface area cultivated.

Lack of manpower limits the capacity to cultivate optimal farming surfaces. The availability of animals for traction ensures an increase of cultivated land and significantly improves agricultural production. The full economic impact is therefore likely to be observed in a couple of years, when most of the participants will have concluded their livestock accumulation cycle and will have access to animal traction.

The baseline study associates livelihoods groups and their wealth to livestock ownership, since different levels of livestock ownership correspond to different levels of household vulnerability and income. The project definitely took a large number of the local population out of the poorest and most vulnerable condition (no livestock ownership).

The cash injection also accelerated the economic transformation process that otherwise would have taken several years. Goats represented important savings and, despite the low initial generation of income, they are of key saving for further capitalisation as well as to deal with unexpected and urgent needs. Lastly, direct consequences of livestock ownership are a better diet and improved agricultural revenues.

4.1.6 Effects on local economy

The effects of cash transfers go beyond the immediate impact on households' consumption and market prices. Cash transfers can produce indirect effects that can either strengthen or weaken the programme objectives. These indirect effects are considered positive when money is invested either in productive inputs creating short-term income or in assets that generate longer-term development. The effect of cash transfers may therefore spill over from the target population to the whole local economy.

The analysis of multiplier effects consists of following the steps through which cash passes from the hands of the project beneficiaries to other market actors. While project monitoring usually stops at the first round of expenditures – that is 'how beneficiaries spend money' – the multiplier analysis follows the cash up to the second and the third round of expenditures. The analysis seeks to understand whether the cash remains in the local economy, and whether additional goods and services are created to meet the additional demand.

4.1.7 Effects of cash transfers on labour market

In Northern Uganda for example, cash transfers did not produce any significant effect on the labour market because the transfers were very late in the planting season. Even if a few participants spent part of the grants to hire casual labour (2.5%) and draught power for land preparation (3%), the increased demand was not enough to produce significant changes in local wages. Secondary effects on the local labour market may occur in the future, as the increased availability of oxen for traction might affect the demand for labour as well as the capacity to further invest in own-farm production.

Other experiences show that cash transfers may affect the demand and composition of the labour market. The report briefly reviews the evidence on the effects of cash transfer on the demand of labour and the potential impacts of cash for work projects on local markets, wages and migration.

4.1.8 Effects on demand for Labour.

Recent experiences have shown that cash transfers can free time from labour to invest in other productive activities. In Niger for instance, cash transfers reduced the need to work in the fields of better-off households. This gave project participants more time for land preparation and it brought about an increase in their crop's yields.

Agricultural inputs alone would not have helped the poorest households to increase their food production, without freeing people's time to work in their own fields. In Malawi, cash transfers reduced the supply of labour. The beneficiaries became less dependent on income from traditional labour and they used the additional free time to either work on their own small farms or they stayed unemployed. Similarly, in Sri Lanka, cash beneficiaries reduced their engagement in casual labour over the implementation period.

The project evaluation argued that, if labour were used as a coping strategy, freeing up an economically active work force to invest in livelihood activities would have had a positive impact.

In South Africa, social transfers supported the participation of the poor in labour markets. Workers receiving cash transfers put more effort into finding work than those in comparable households' not receiving grants – and they were more successful in finding employment.

Other studies explain this effect by suggesting that social grants mitigate social risk and reduced liquidity puts constraints on poor households, encouraging migration in the search of job. Effects on the demand for labour were also observed in Zambia, where the injection of cash created new forms of labour exchange, as destitute and labour constrained households were able to rent labour and draught power to cultivate their fields minimise these potentially negative effects cash for work payments are usually set in line with existing market wages. If salaries are set too high, they can draw labour out from other sectors and induce an increase of the local wages.

The India National Rural Employment Guarantee Scheme (NREGS) is an example of wages set at the prevailing local market levels. This scheme provides 100 days of employment on rural public work projects at a minimum wage rate. Evaluation of the NREGS argues that it smoothen seasonal fluctuations in labour demand and, therefore, it stabilised wage rates.

On the other hand, setting cash for work wages to the low local market rates may not be an option in extremely poor contexts.

In many sub-Saharan countries, labour markets are highly unstructured, and the wages in the most poorly paid sectors are extremely low, at the point of being exploitative. For this reason, the Ethiopia PSNP did not align its cash for work wages with local prevalent market rates, as this might have compromised the programme's objective of meeting the basic food needs. Very often cash for work wages are set at the minimum market rates because they can produce self-targeting effects.

Evidence from Kenya showed that when the wage was increased non-poor inclusion errors also increased. Similar arguments have also been made on the basis of findings from the Maharashtra Employments Guarantee Scheme (MEGS) in India, where non-poor participation increased significantly after the increase of the cash for work wages. While self-selective behaviour might apply in well-functioning labour markets, this is not always the case in unstructured and segmented markets.

Furthermore, the marginal value of labour varies considerably within and between households, depending on the amount of labour available in the household, and access to productive assets such as land etc. As an example, the low wages used in the Malawi cash for work programmes were unable to perform a self-targeting function adequately. In fact, cash for work employment was attractive to the less poor as a form of secondary income for households which are not labour constrained

The main concern about setting cash for work wages below market rates is that they might not meet the basic consumption needs. One of the justifications when setting low wages is that cash for work schemes engage people only for a few hours a day. This provides sufficient time for participants to dedicate to other types of complementary activities that generate additional income in order to cover the gap between the wage and the needs for subsistence.

However labour constraints, usually single/female headed households, are likely to experience severe difficulties in closing the gap between what they earn with public works and what is required to meet household consumption needs. Single adult (usually female) headed households are less able to source additional incomes from elsewhere, as they use most of the remaining time on household duties. Furthermore, although men and women are paid the same wage on public work programmes, women's earnings in the labour market are lower than men's, and even returns for the same task are likely to be lower for women, meaning that they receive lower returns for the same hours of work

Eventually, a further risk of setting cash for work projects wages arbitrarily (i.e. higher than normal rates), is that they may inhibit normal migration patterns. This would affect employment and wages in both place of origin and place of destination across the country. However, evidence from public work programmes in Malawi shows that, despite the fact that extremely different ranges of wages were set, they did not produce any significant impact in terms of labour migration in search of cash for work employment, and neither did it lead to an increase of wages in labour market. This was explained by the fact that these programmes often target labour constrained households, which are not very mobile. They are likely to be involved in alternative traditional employment and in low return coping activities (gathering firewood etc.) rather than moving to more remunerative sectors of the rural economy.

4.1.9 Effects of cash transfers on financial markets

Cash transfers can increase liquidity and contribute towards restoring of livelihoods and enable participants to repay debts and re-enter credit markets. In Bangladesh, the cash for work programme helped the beneficiaries to get food items on credit from local grocery shops. Participants highlighted that they found it easier to access credit, as shopkeepers knew that they would be able to pay with the salary from the cash for work activities. In Sri Lanka, WFP cash for work projects increased participants' liquidity and this seemed the main factor driving market improvement. Cash availability allowed project participants to pay off their debts and reduced the amounts purchased on credit. The increased cash flow allowed traders to replenish their supplies.

In the Red Sea State, local trading revolved around credit systems, where even the poorest families can access credit from merchants. They are considered as high credit-risk actors and they pay the cost with higher purchasing prices. Cash transfers played a positive role in the rural economy relying on credit. Cash transfers helped poor consumers to pay back debts and to bargain for better prices for their goods. Transfers also helped merchants as they reduced the risk of operating in chronically poor areas. The effects of fairly small transfers were felt for about two years in the form of better prices for poor consumers, healthier accounts for local merchants and some increase in the volume and choice of items in local shops.

Cash transfers can also increase the chance of beneficiaries becoming eligible to microfinance institutions.

In Brazil, where beneficiaries of cash transfers are in many areas provided with a magnetic card to access their benefits from banks or post offices, it was noted that possession of these cards facilitated access to credit from financial institutions. The entitlement to regular and reliable transfers made beneficiaries credit-worthy

On the negative side, cash grants can also undermine the credit market and culture. In particular, short term and unpredictable grants can give mixed signals and an incentive to free riding. The main problems are attributable to absence of links between grants and microfinance agencies. Mixing grants and loans causes confusion among beneficiaries that result in a high incidence of repayment delinquency and mixed signals to beneficiaries. In general, these problems become manifested when agencies fail to clearly separate grants from loans, and are exacerbated by the difficulties of targeting (who should receive grants, who loans).

A cash transfer project can also undermine Microfinance Institutions (MFIs) when they are involved in cash disbursement, without previous assessment of their logistic and financial capacities. In Uganda microfinance groups, formed by farmers and small traders were under pressure to accept new members from cash transfer programmes to their saving schemes. This was mainly dictated by agencies having to meet their project objectives (increase number of people with saving accounts) without a proper appraisal of the financial institutions capacity to absorb and manage an exponential increase of members. Close coordination between relief agencies and MFIs and proper sequencing of grants and loans can help in reducing these problems. Initial assessment can help to understand capacity, strategies in place and not to undermine others work.

4.1.10 Negative Impact of Cash Transfer

If market economy is inelastic, then beneficiaries of cash assistance will be unable to buy what they need because the goods will not be available in sufficient quantities. Whether the supply is elastic or inelastic can be inferred from changes in community prices. When supply is inelastic, cash assistance will cause inflation (prices go up). On the other hand, prices that do not change will suggest that supply is elastic.

Furthermore, security and logistics is a big obstacle of cash, for example people in insecure and remote environments such as Somalia, northern Kenya and DRC. Cash may be more attractive than in-kind assistance, and so might be more prone to being captured by elites, to diversion or to seizure by armed groups. The attractiveness of cash may create risks both for staff transporting cash and for recipients once they have received it (**Harvey, P. et al 2010**).

4.2 COST AND VALUE FOR MONEY

4.2.1 Costs

It is important for agencies to consider the costs and benefits of different delivery mechanisms to both the agency and the recipient. There were not any clear trends in comparing costs between different delivery options. Both direct delivery and working with banks and other financial providers could be relatively cheap and relatively expensive in different contexts, and most of the options seemed to be fairly demanding in terms of staff time. Unsurprisingly, regardless of the delivery option chosen, it is more difficult and more expensive to get cash to people in insecure and remote environments such as Somalia, northern Kenya and DRC. Provider charges, staff time, transport, security and communication costs all need to be taken into account. For all transfer modalities the partner must monitor security and corruption and define the circumstances that would justify a switch to in-kind or cash distributions as appropriate particularly in relation to security and logistics. Bank charges and other transaction fees were generally borne by the agency, not the recipient, meaning that the main costs to be considered for beneficiaries were transport costs, travel and waiting times. (**Harvey P. et al 2010**).

4.2.1.1 Case Studies on cost structures in transfer programmes

The Cash Transfers for Orphans and Vulnerable Children programme (CT-OVC) Kenya example below follows the expected pattern of costs for a new programme. The OPM evaluation, from which the CT-OVC figures are drawn, covered only the 7 pilot districts assisted by donors. The main costs in 2006/07 were those associated with setting up the programme and identifying and enrolling the first cohort of beneficiaries – indeed no actual transfers were made in that year. As the programme matured, set-up costs declined almost to zero by 2008/09, while roll-out for this pilot phase of the programme was already complete by 2007/08.

Expansion to the rest of Kenya's districts would require further roll-out costs. Operational costs, including UNICEF's management fee on DFID funds (about 10 percent of all non-transfer costs), expanded roughly in proportion with the volume of transfers, which grew to their 2008/09 level based on roll-out activities in the previous year.

Administrative costs during the start-up of Progres/Oportunidades in Mexico in 1997-2000 showed a similar evolution, in that set-up and roll-out costs gradually gave way to operational costs as the programme grew, falling from 71% to 15% of administrative costs between Years 1 and 4. Surprisingly, set-up costs appear insignificant at only 6% of administrative costs in Year 1, suggesting incomplete attribution of all such costs to the programme. More strikingly, overall administrative costs comprise a much smaller proportion of total costs in all years compared with the Kenya example; reflecting economies of scale resulting from Progres's more rapid scale-up and much larger size.

The example of Ghana's Livelihoods Empowerment Against Poverty (LEAP) programme illustrates the extent to which actual cost structure (bottom right) can deviate from that which was planned. Planned costs for the five year pilot phase (2008-12) conform to the expected pattern for a pilot roll-out, with relatively high set-up costs and a small volume of transfers in the first year, but diminishing set-up costs thereafter while roll-out and operational out costs increase in approximate proportion to transfer costs as the programme expands. Actual implementation, however, was beset by staff capacity constraints and financing and delivery delays, so that by the end of 2010 only a fraction of the budgeted amounts had been spent, and the proportion of administrative costs in total expenditure was approaching half.

4.2.1.2 Evidence on costs of collecting transfers in transfer programmes

In Ethiopia's Productive Safety Nets Programme, 84% of recipients surveyed in 2008 and 2010 reported incurring no costs in collecting payments, with an average cost for all recipients of less than a day's wage. However, these travel costs were low because, outside of Southern Nations, Nationalities and Peoples' Region, 93 percent of recipients walked to payment sites, with a typical round trip of 25 –32 km. Although in principle no recipient should be more than three hours away from a payment site, for many the journey meant an overnight stay, sleeping in the open to save money. Some recipients (between 1% and 4% in most regions) also reported being harassed and/or robbed while on the journey. (Berhane et al., 2011)

The impact evaluation of Kenya's donor-funded pilot Cash Transfer Programme for Orphans and Vulnerable Children (CT-OVC) assessed the time spent on collecting transfers, paid every two months through the Post Office, and the cost of transport. It found that costs were particularly high for beneficiaries in Garissa district, with its more dispersed population and weaker infrastructure than the other six districts covered by the programme. While 57% of current recipients outside Garissa walked to the payment site, spending on average 2.3 hours on a return trip, in Garissa only 2% lived within walking distance. A much larger proportion in Garissa had to rely on motorised transport, spending on average 19.2 hours on a return trip and incurring much higher travel costs. Some 83% of Garissa recipients had to spend at least one night away from home to collect payments. The programme provided 1,000 Kenya shillings (Ksh) compensation for travel costs in Garissa. However, the impact evaluation found that this was not enough to cover the average costs of almost Ksh 1,500 spent by Garissa participants on transportation, accommodation and food for each 2-monthly payment cycle, to collect a transfer of Ksh 3,000 (**Ward et al, 2010**).

A wider sector review of 22 social transfer programmes in Kenya showed that opportunity costs incurred by programme recipients due solely to their time spent registering for and collecting transfers could be substantial. Simulations using a 'shadow wage rate' based on prevailing rural wage rates and best- and worst-case assumptions about rural under-employment suggested that opportunity costs might range between 2.5% and 16% of the value of transfers (**Government of Kenya, 2012**).

An analysis of Mongolia's Child Money Programme (CMP) found that transaction costs to apply for child allowances could be onerous or even prohibitive for those without the necessary documents, especially if they lived in rural areas and needed to obtain new identity documents or change their residence registration. Focus group participants in a rural area in Dundgoviimag (province) put the cost at 40-55% of the annual child allowance to replace a lost identity card, including travel costs to the centre and the payment of a penalty.

According to household survey data, transaction costs for receipt of child allowances were also substantial, especially for rural dwellers far from local government centres where payments were made. Their monthly round-trip journey to collect the benefit averaged 4.3 hours in summer and 4.9 hours in winter, compared with 1 hour for those living in the capital, Ulaanbaatar. Their total journey cost was more than a third of the value of the monthly benefit per child, and over six times higher than for those living in Ulaanbaatar (**Hodges et al, 2007**).

In Mexico's Progresa Programme, recipients' incurred private costs both in collecting cash payments and in complying with scheme conditionality. The cost of travel to collect payments was put at 1.9% of the value of transfers, or 1.2% accounting for trips that would have been made anyway. Travel costs for additional journeys to clinics and schools attributable to conditions amounted to 1.8% and 1.5% of transfer value respectively. Overall, accounting for the proportions of recipients to whom these conditions applied, private travel costs (excluding opportunity costs) were equivalent to as much as 27% of Progresa's total administrative costs. (Coady, 2000)

4.2.2 VfM concepts and their application

"Value for Money" (VFM) is a concept that has been widely used for some time within the commercial and industrial sectors. Some governments have recently started applying VFM concepts when making decisions about foreign aid contributions. The emphasis by some can be perceived as a development that is linked to on-going aid effectiveness debates, and is partly driven by the influence of the global financial crisis and increased public expectations regarding increased accountability and transparency. VFM is often misinterpreted as a means of merely reducing costs, whereas the main aim of a VFM approach is actually to maximise outcomes in the most cost effective way (Philip White 2013).

Figure 3: VfM model illustrating the ICRC and Sida Relationship



Source: Philip White, Anthony Hodges and Matthew Greenslade 2013

4.2.2.1 Analysing value for money

We need to understand the main drivers of costs, set out programme costs in a clear manner, break costs down into key components appropriate to social transfers, assess costs other than those relating to administration and the transfers themselves, and make sure we get the desired quantity and quality of outcomes at the cheapest possible price.

In principle, set-up costs, which include design, planning and major investments (such as the establishment of a Management Information System (MIS)), are fixed costs that should be concentrated mainly at the start of a programme. Set-up costs will be higher where the programme design is complex (e.g. due to multiple objectives or a multilevel targeting system) requiring greater administrative capacity and often significant external technical assistance and training input; or where the existing Information, Communication and Technology (ICT) infrastructure on which to base an MIS is inadequate.

- Roll-out costs, which include the identification (targeting) and enrolment of beneficiaries, are also concentrated during the periods of programme launch and expansion, but are not strictly one-off where an established programme is enrolling new beneficiaries or if periodic retargeting is required.

Roll-out costs can be expected to be higher where there is a complex set of targeting criteria, requiring intensively supervised selection procedures involving community committees and/or proxy means tests, and periodic retargeting; or where there is no effective identification system for registration of beneficiaries.

- Recurrent operational costs notably include the costs of delivering transfers to beneficiaries (and in CCTs the costs of monitoring conditionality). These are the long term running costs of the programme and should become the dominant component of administrative costs as a programme scales up and reaches maturity. Operational costs are likely to be inflated by complex requirements for monitoring compliance with conditions, and where there is a lack of a financial infrastructure (e.g. post offices or banks) that can handle payments securely and at reasonable cost and to which the target population has effective access; they benefit from economies of scale with respect to both numbers of beneficiaries and level of transfers.

- Finally, monitoring and evaluation (M&E) costs include both an element of on-going monitoring costs and the periodic costs of evaluations. Major process and impact evaluations can be a substantial cost component, and it is useful to distinguish between those that feed into implementation during the life of the programme, and external evaluations that are designed to inform decisions about a follow-on programme or similar programmes in general. The first type should be included as a programme cost, whereas the second should arguably be counted as a public intellectual good and excluded from the programme VfM assessment (**Caldes et al., 2004**). M&E costs will be higher where existing government reporting systems on activities and expenditure are inadequate and/or there are significant fiduciary risks, and where there is a lack of recent data on national poverty from household income and expenditure surveys, and on the living conditions of intended target groups, to provide an effective baseline for impact evaluation purposes.

4.2.2.2 Challenges and risks of VfM

Some key challenges and risks of promoting and demonstrating VFM are:

Lack of consensus on definition and approach: there is no common definition of VFM, or standard measurement approach, in the humanitarian sector; and perceptions even vary within organisations. Most notably, a focus on “money”, instead of “value” of VFM can be a justification for cost-cutting, short-term planning horizons and opting for the cheapest service providers (both private sector contractors and non-profits). It is very context specific; not one size fits all.

Prioritising cost cutting over quality: donors could use VfM to justify earmarking more of their financial resources. Activities that are more easily measurable, such as assistance, or where a baseline exists, may be prioritised over areas, such as protection or prevention and cooperation, which are more challenging.

Pressure to increase transparency: the ICRC constantly needs to balance its need to respect confidentiality with being accountable to its stakeholders. This has implications for results-based reporting and is one of the main reasons why it is easier for the ICRC to report outcomes for their assistance activities than for protection, even though protection is often a priority need.

Reaching the vulnerable: the most vulnerable populations are often the most expensive populations to reach. Promoting VFM too narrowly risks obliging humanitarian organisations to focus on those that cost less and pay relatively less attention to the needs of remote vulnerable populations.

Increased focus on reporting to donors and less on responding to the needs of the affected populations: as the ICRC devotes more time and resources to collecting, analysing and communicating results/outcomes to donors, this may detract from the ICRC's own needs to learn how to improve its operations and make accountability to populations less of a priority.

Increased capacity and profile of national agencies: while in many ways, more effective national actors should be an opportunity to forge more effective partnerships with local actors, there are also risks. One of these is increased competition including in areas of difficult access, where the ICRC may still be one of the sole international agencies present, but they are increasingly working alongside national actors.

5.0 CHAPTER FIVE

5.1 CONCLUSIONS AND RECOMMENDATIONS

5.1.1 CONCLUSIONS

1. The review of short-term cash transfers in unstructured markets shows that even small-scale cash injections can produce temporary inflation of local commodities. This seems recurrent when the size of the transfer is significant compared to household incomes and when it covers a high proportion of the local population.
2. 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 other findings
3. 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
4. The potential for Value for Money gains with cash are particularly evident when cash is evaluated as a multi-sector tool
5. 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

5.1.2 RECOMMENDATIONS

1. Project analysis needs to take into account the ‘initial market conditions’. The scale of the transfer, market structure and integration, and local/regional basic needs’ deficit can help to predict the potential impact of cash transfer on commodity prices, hence to take measures to minimise any negative effect.
2. Improving the monitoring of market prices and better understands the casual factors of inflation including monitoring the use of cash transfers
3. Increase the scale of cash programmes to achieve economies of scale where appropriate
4. 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

5. 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.

5.1.3 Limitations

There are a few limitations that should also be acknowledged.

It should be kept in mind that this study on humanitarian cash transfers: cost, value for money and economic impact was done with limited literature reviews due to limited time and resources with no field visit or data collection.

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