



Oxford Policy Management

A guide to calculating the cost of delivering cash transfers in humanitarian emergencies

With reference to case studies in Kenya and Somalia

Working
Paper

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1st edition: June 2014

Foreword

The emergence of cash transfers as a viable alternative to in-kind aid – such as food or shelter materials – for households affected by humanitarian disasters has been documented for some years now¹. Under certain conditions, when local markets are able to accommodate increased demand and prices will remain stable, cash hand-outs may offer benefits to recipients and donors alike. Households have the flexibility to meet their own needs as they choose, often with great freedom as to what they can buy, and where and when they buy it. Meanwhile, humanitarian agencies may experience a lighter logistical burden as cash transfers do not require the procurement, transportation and storage of in-kind goods.

One consideration among several when determining whether a cash transfer is an appropriate humanitarian response is the cost of the programme. This is important in the context of policy debates on 'value for money', since what matters is not just the effectiveness of the programme but how much it has cost to run it, and whether that money might have been better spent on an alternative intervention. This working paper presents a method for determining retrospectively the cost of a cash transfer programme and for understanding the implications of the cost for the design, implementation and possible scale-up of the intervention.

The target audience for this paper are those responsible for the funding, design, implementation and analysis of cash transfer programmes in humanitarian contexts. However, the method described is also applicable to the analysis of the cost of longer term social assistance programmes, not just those in an emergency setting.

We hope that, by using this step-by-step guide to analysing cash transfer programme costs, agencies can contribute to a body of evidence on cost, built around a common analytical framework. This may facilitate the comparison of interventions across and within countries, and promote an understanding of the factors that influence the cost-efficiency of cash transfers.

Acknowledgements

The research method described here was developed and used by Clare O'Brien and Fidelis Hove of OPM, and Gabrielle Smith, then of Concern Worldwide, for an assignment commissioned by the Cash Learning Partnership, CaLP, in 2013 to review the cost-efficiency of electronic transfers used in humanitarian programming in Somalia and Kenya (available [here](#)). We warmly appreciate the valuable inputs and the time devoted by all contributors in Kenya, Somalia and worldwide, as well as by CaLP's staff and Technical Working Group, who were instrumental in facilitating the research process, providing the data necessary for the analysis, and patiently spending time ascribing costs to tasks in line with the research method. The participating organisations were Oxfam, Concern Worldwide and SOS Children's Villages Kenya. A list of interviewees is cited in the full report of the CaLP-funded study.

The views expressed in the CaLP-funded study and the present working paper are those of the authors and do not necessarily reflect the views of other parties.

¹ See e.g. Harvey and Bailey (2011).

1 Introduction

1.1 Costing emergency cash transfer programmes – the story so far

Cash is increasingly offered to households in emergencies worldwide as an alternative or supplement to in-kind aid such as food, clothing and shelter. It has the potential to improve food security and to enable households to meet a variety of essential needs such as payment for health or education services. Policymakers take numerous factors into account when determining whether a cash transfer is an appropriate humanitarian response. These include its political and popular acceptability; the legislative and regulatory framework; the ability of local markets to accommodate increased demand without inflating prices; the existence of suitable payment mechanisms; and the capacity of organisations to deliver cash. One crucial consideration is the cost of implementing the programme. This is important in the context of policy debates on 'value for money': what matters is not just whether an intervention works but how much it has cost to run it, and whether that money might have been better spent on an alternative, such as an in-kind transfer.

Evidence on how much it costs to run emergency cash transfer programmes has hitherto been limited. Where costing analyses have been conducted the data may not be comparable across programmes because different factors have been used in the calculation. Where data are unavailable agencies tend to assume that, intuitively, cash transfers must surely be more cost-efficient than their in-kind equivalents because they do not require logistical arrangements of storage and transportation; and that electronic transfers (e-transfers), that disburse the cash using technology such as mobile phones or electronic bank cards, must in turn be more cost-efficient than the 'manual' distribution of physical banknotes to beneficiaries, because the money can be transferred at the click of a button. However, some of the few completed studies suggest that this hierarchy of cost-efficiency does not always apply². Moreover, the argument overlooks factors such as the costs of setting up the programme, and its duration. We therefore consider that there is a value in offering a practical guide that enables implementing agencies to explore programme cost in a consistent manner. Over time this may improve the reliability of comparisons between different types of cash transfer response. It may also improve comparisons between cash and in-kind transfer programmes: this would simply require small additions to the classification of the different cost dimensions to accommodate the features of in-kind transfers, such as the storage and transportation mentioned above.

1.2 How this guide came about

In 2013 the Cash Learning Partnership (CaLP) commissioned Oxford Policy Management (OPM) and Concern Worldwide to fill the knowledge gap through a set of case studies, from Kenya and Somalia, that illustrate the cost of e-transfer and manually delivered programmes in emergencies and that identify the factors that drive those costs (O'Brien *et al.*, 2013).

In the interests of facilitating the use of a consistent approach to the calculation of cost we therefore present in this working paper the research method that was used for our studies in Kenya and Somalia. The paper offers a general model for analysing costs that is broadly applicable to the programmes run by many non-governmental organisations (NGOs) and other agencies, but it also includes reference to the specific decisions that were made in relation to the seven case studies. We refer regularly to the CaLP-funded study throughout this paper; hereafter it is termed the 'OPM study'.

² See e.g. Audsley *et al.* (2010), which presents the results of a study in Malawi in which in-kind food assistance was found to be more cost-efficient than cash transfers.

1.3 Who is the guide for?

We hope that the guide will serve as a useful tool to help build up the body of evidence on the factors that drive the cost of cash transfers in humanitarian programming. The calculation and analysis of this cost is relevant to parties both inside and outside a cash transfer programme:

- Implementing agencies can review the cost of their operations to understand whether and how they could improve their efficiency
- External parties can learn from others' experience by comparing cost structures across different cash transfer interventions.

1.4 A note of caution in interpreting the results

Whilst we are offering this tool as a way to promote the comparison of data collected in a consistent fashion across different programmes, we urge caution: quantitative results from different interventions cannot simply be gathered and ranked to judge which cash transfer programme offers the 'best' value for money, because the programmes themselves are not directly comparable. They take place in different countries and locations (urban vs. rural), with widely varying numbers of beneficiaries and responding usually to food insecurity caused by different conditions such as drought, conflict or political instability. Instead, the guide allows every case study to be conducted in a similar way, to serve as a starting-point for exploring reasons for the variation in cost-efficiency. The ways in which the programme context affects the cost is central to the discussion, and it is therefore important to specify that context clearly.

Note also that we are not advocating for programmes always to seek to minimise their administrative costs for the sake of improving their cost-efficiency. There may sometimes be valid reasons why an agency chooses to be less cost-efficient for the purpose of achieving its objectives: this might include a desire to e.g. extend its coverage of the population, carry out more frequent retargeting, or experiment with a new approach. These reasons are discussed in brief during this guide and in more detail in the full OPM study.

2 What do we mean by 'costing'?

Costing analyses can be done either before a humanitarian programme starts (*ex-ante*), to estimate how much money is required to run it – in which case they are a budgeting exercise – or else during and after programme operations (*ex-post*), to review how much was actually spent. **This paper, and the case studies from which it is drawn, focuses exclusively on the latter definition. It describes the method used retrospectively to analyse the cost of completed programmes.** The categories used to disaggregate the data nonetheless offer a useful framework for policymakers planning future interventions.

This section describes the different types of retrospective costing analysis that can be done, what data you need to collect for each, and the choices that were made for the OPM study.

2.1 Cost-efficiency, cost-effectiveness or cost–benefit analysis?

The decision as to what type of costing analysis to undertake depends on the objective of the analysis and the availability of data. Policymakers may face a choice between three closely related but distinct options. These are cost-efficiency analysis, cost-effectiveness analysis and cost-benefit analysis:

- **Cost-efficiency analysis** asks, 'How much did it cost to run the programme?'. It permits accountability for spending, without needing to take into account what result was achieved for the money. When reviewing cash transfer programmes the cost can be divided into two: the value of the transfer disbursed to beneficiaries, and the amount spent in delivering that transfer to them. This means that we can say, 'This programme spent [\$X] to deliver [\$Y] in cash to beneficiaries'.
- **Cost-effectiveness analysis** asks, 'How much did the programme cost, for each [X%] change in the intended objective?' This compares the cost with the change in a single objective such as an improvement in household consumption or dietary diversity. It provides answers such as, 'This programme cost [\$Y] to achieve a 1-point improvement in the average dietary diversity score of beneficiary households'.
- **Cost–benefit analysis** asks, 'How much did the programme cost, and what is the value of all the benefits it delivered?' It therefore attempts to assign a *monetary value* to all the positive and negative aspects of a programme, including even abstract concepts such as the value of a sense of security and dignity. The valuations of such social, qualitative benefits are often necessarily subjective and require the analyst to make several assumptions. The financial costs are then compared with the net benefits (the positive benefits minus the negative).

Table 1 summarises the respective merits of these three approaches.

Table 1 Three types of costing analysis

Measure	What it can tell us	What data must be collected?	Advantages	Drawbacks
Cost-efficiency analysis	Cost of the programme in comparison to the value of the cash delivered to beneficiaries	<ul style="list-style-type: none"> • Data on direct costs (both admin cost, and value of transfers disbursed) • Data on indirectly assignable costs (e.g. salaries of personnel, estimated by analysing time allocation) • Estimated value of donated resources (economic cost) • Output data 	Relevant data can usually be obtained from secondary sources (such as the programme's own financial reporting / accounting software) alongside conversations with programme implementers	Does not say what outcome was achieved with the money that was spent
Cost-effectiveness analysis	Cost of the programme in comparison to its outcome (achievement of the stated objective)	<ul style="list-style-type: none"> • Same data as for cost-efficiency analysis, plus... • Quantitative data on the achievement of programme objective 	<p>Analysis improves comparisons between interventions since it considers what was achieved with the money, not just how much was spent.</p> <p>An intervention that cost more than another, but that achieved a much greater impact, might turn out to be the more cost-effective.</p>	<p>Requires a survey of programme outcomes that can be isolated and matched to the specific programme costs (ideally an impact evaluation).</p> <p>Agencies often find it hard to quantify the contribution of their programme to observed results. Post-distribution monitoring may track changes in well-being but data analysis cannot reveal how much is attributable to the intervention, as there is no comparison group.</p> <p>For instance, if the reported rate of food insecurity is 90% of households at the start of an intervention, and 10% at the end, how do we know if this change has been brought about by the intervention, rather than a change in external factors such as a good harvest?</p>
Cost-benefit analysis	Cost of the programme in comparison to the value of all benefits (incl. subjective value of social and economic benefits)	<ul style="list-style-type: none"> • Same data as for cost-efficiency analysis, plus... • Estimated value of all programme benefits, including subjective value of non-monetised social and economic benefits 	Analysis considers intangible benefits of humanitarian responses that may not be an explicit part of programme objectives, but that contribute to preferences for one response over another (e.g. timeliness, safety). Helpful for programmes with multiple outcomes.	Extremely hard to place a monetary figure on these intangible social benefits such as the value of beneficiaries feeling safer. Imputed values tend to be based on the analysts' subjective assumptions. In contexts where many of the perceived benefits are of this unquantifiable nature, as in emergency relief programming, the analysis may therefore seem rather contrived in contrast to its potential use in a context such as the delivery of an infrastructure project.

Source: OPM.

Approach selected for the OPM study: Cost-efficiency analysis

The OPM study of Kenya and Somalia provides cost-efficiency data only. This is possible because all participating agencies keep programme accounts.

We could not conduct a cost-effectiveness analysis because it was not possible to quantify the outcome of the programmes. In some cases this was because the agency being reviewed offered multiple benefits to recipients, e.g. both cash transfers and another intervention, and we could not identify the effect of the cash transfer component alone; in other cases they teamed up with others to conduct an evaluation covering several organisations at once, so we could not know the impact of the individual agency.

We did not attempt a cost-benefit analysis because that would have required large-scale surveys of all the programme benefits. This was considerably beyond the scope of the study, and in any case would have been difficult to estimate given that many of the programmes finished some years ago and it might now be difficult for beneficiaries to recall accurately the benefit of the programme.

2.2 Financial vs. economic costs

All three types of costing analysis require an answer to the question, 'How much did it cost?' The definition of 'cost' is fundamentally divided into two: **financial cost** and **economic cost**. The financial cost of a programme is the actual sum of money spent on it, both the direct costs and also indirectly assignable costs that were actually paid but might not be immediately thought of, like the share of salaries of agency staff. The economic cost encompasses not only the financial costs, but additionally the value of all resources that have been given for free, such as time donated by volunteers. This represents the opportunity cost. Broadly, an analysis of financial costs may be more appropriate if the purpose is to provide retrospective accountability to donors as to how their funds have been spent; an analysis of economic costs might be more suitable if the aim is to make projections for future spending, to estimate how much the programme might cost if it were repeated by others who might not have access to free resources, or to analyse the relative efficiency of different programmes.

TIP: Be clear about the scope of your study

Be sure to specify whether your analysis covers financial costs only, or the full economic cost.

Approach selected for the OPM study: Financial costs

OPM analysed the financial costs only for the studies in Kenya and Somalia. No volunteers or free resources were reported to have been used in the seven case studies reviewed, so there was no need to consider calculating an economic cost

2.3 What counts as an administrative cost

We talk in the remainder of this paper about how to do a cost-efficiency analysis for emergency cash transfer programmes, covering financial costs. We mentioned in section 2.1 above that there are two parts to the cost of these programmes: the amount that is given to the beneficiary (the 'transfer value'), and the amount spent on getting that money to the beneficiary (the 'administrative cost').

This means that *all* resources spent on implementation count as 'administrative costs', regardless of whether they were incurred in the field or at headquarters: the term covers everything spent under the programme other than the transfer received by the beneficiary. It includes the costs of the time of

paid field staff, managers and administrators, transport, security arrangements, printing, the purchase of phones or bank cards for the beneficiaries, report-writing etc. It therefore covers expenditure that NGOs may refer to as 'direct' and 'indirect' programme costs, 'operating costs', 'management costs' or 'support costs'. It should not be confused with the narrower concept of 'overheads', which often refers to non-programme-specific support functions provided by agencies' headquarters, such as human resources and accounting.

The reason why administrative costs are defined in this way when calculating the cost of transfer programmes (be they in cash or in kind) is that, for those programmes, the 'value' of the programme for the beneficiary equals the value of the transfer. For all other expenditure the distinction between headquarter overheads and project operating costs is immaterial: no matter whether \$1,000 has been spent on, e.g., office rent at headquarters or office rent for project staff, this is still \$1,000 that does not reach the beneficiary³. This contrasts with other types of intervention where the 'value' of a programme to a beneficiary might be measured in the amount of staff time spent, say, offering counselling or running activities in the community. In the latter instance there is value in distinguishing direct and indirect programme costs.

We encourage the reader to recognise that this means the amounts calculated as the 'administrative costs' of a cash transfer are likely to be higher than the ceilings that are often set for NGOs as to the proportion of their expenditure that can be absorbed by overheads. As such, the method discussed in this paper generates a realistic estimate of how much it costs to run an emergency cash transfer programme.

2.4 Whose costs?

Many individuals and agencies contribute money, time and resources to emergency cash transfer programmes. Some use the resources themselves, while others donate the funds to be used by other organisations. Those involved include:

- Donors
- The lead implementing agency – often an NGO or a consortium of NGOs
- Local implementing partners
- Private companies such as mobile network operators or banks
- Beneficiary households

It is important to maintain a distinction between those who provide the money, and those who use the money, in order to avoid double-counting expenditure. Drawing on the terminology used in national health accounting, we classify these as 'financing sources' and 'financing agents' respectively. Organisations can be on both lists. This distinction is discussed fully in section 3 below.

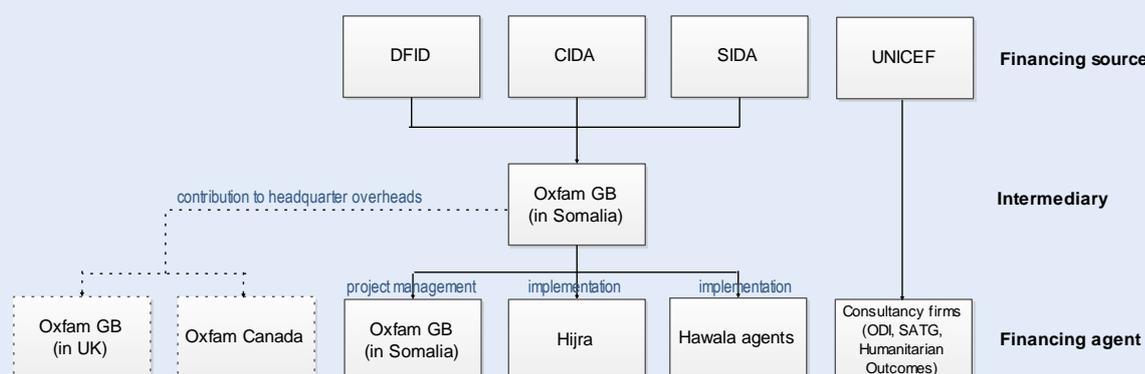
³ For cash transfers where project staff are providing complementary interventions, such as training, it would be necessary to assign a value to the training and include this on the 'transfer value' side of the equation rather than the 'administrative cost'.

TIP: Working out the financing sources and financing agents

An easy way to distinguish between financing sources and financing agents is to draw a diagram showing the agencies who provide the money (the 'financing sources') on one line, and those who use the money (the 'financing agents') on another, perhaps with a third line in-between to show any intermediary who collects all the funds and channels them to the financing agents. The total amount of money identified on each line should be equal, because all the money that is donated is allocated to an agent to spend.

The example presented below shows the financing sources and agents for Oxfam's Emergency Cash Transfer response to the 2011 famine in Mogadishu, Somalia. We see that four donors made contributions to the programme. UNICEF spent money directly on the firms providing technical assistance. The other three donors channelled their money through Oxfam, who spent a proportion of it themselves, and subcontracted a local NGO, Hijra, and a payment service provider (the 'hawala agents') for other aspects of programme delivery.

Financing structure for Oxfam's Emergency Cash Transfer in Mogadishu, Somalia, 2011



Source: OPM, from discussions with Oxfam. Note: DFID = United Kingdom Department for International Development. CIDA = Canadian International Development Agency. SIDA = Swedish International Development Cooperation Agency. ODI = Overseas Development Institute. SATG = Somali Agricultural Technical Group.

The analyst must make a choice as to whose expenditure to include in the costing. Again, this depends on the purpose of the study and on the availability of data. Is the aim to understand the cost-efficiency of resources spent by the official implementing partners, or by the whole community including the beneficiaries?

Approach selected for the OPM study: Analysis of costs from all financing sources except beneficiaries

The OPM study examines the expenditure from all formal financing sources – the main donors, the implementing agency and its private-sector and NGO partners, wherever possible – for setting up and delivering the cash transfers.

It was not within the scope of the study to calculate the costs to the beneficiary of participating in the programme. This would have required separate large-scale surveys; and the programmes included had already finished, up to two years previously, so beneficiaries' recollection of time and money spent would have been inaccurate. Beneficiaries therefore do not appear on either the 'financing source' or 'financing agent' lines of the diagram above. If their costs were also being analysed, they could be included in the diagram.

2.5 Selecting the time period for analysis

It can be difficult to set the limits of the costs to be included in an analysis. Emergency cash transfer interventions may, for instance, be repeated annually in response to a recurrent crisis, so a decision will have to be made as to the number of rounds of the intervention to be taken into account. The full cost of an intervention also includes all the costs of setting it up, from the design and contract negotiation onwards, as well as the regular costs of disbursement. The occasional costing studies that had been completed prior to the OPM study tended to disregard set-up costs, distorting the picture of the true comparative cost of different programmes. We recommend that these costs are included. Nonetheless, standalone analyses of costs in second or subsequent phases of an intervention may not need to include this start-up expenditure if it has already been ascribed to the first phase, when perhaps it was not expected to repeat the rollout. In that instance a programme would be seen to have low start-up costs and the explanatory factor would be that it was building on a previous phase of work.

Approach selected for the OPM study: Analysis of costs from start-up through to implementation

The OPM study took into account the one-off cost of setting up each programme as well as the recurrent cost of disbursement. It was decided that it was important to capture the one-off costs because these can amount to hundreds of thousands of dollars. For example, often the cost of setting up an e-transfer can be quite expensive the first time it is done, because of the need for developing software and purchasing hardware (e.g. the purchase of mobile phones for thousands of beneficiaries). The subsequent recurrent costs incurred during each e-transfer might be cheaper than for a system that disbursed physical cash manually, but it is useful for the policymaker to consider how much the e-transfer system would need to be used in order for these cheaper recurrent costs to offset the more expensive initial investment.

2.6 Selecting the data source

Table 1 above noted the necessity of collecting data on both direct costs – the costs that fall exclusively under the cash transfer programme (e.g. purchase of ID cards for beneficiaries) – and indirectly assignable costs, calculated by estimating what proportion of general organisational costs such as office rent are devoted to the programme. It is important to consider what the source of the data will be. Ideally this will be the figures reported in the accounts, assuming that these reflect accurately the use of resources on a programme.

Occasionally the figures in the accounts may not present the best reflection of actual costs. In a humanitarian context where funds may be raised in a short time from multiple donors, items are sometimes rather arbitrarily distributed among different donor budgets out of necessity, and reported on accordingly. For example, the costs of salaries for support staff, or of vehicles, may be covered by the budget for a single programme while the staff themselves also work on many other programmes and the vehicles are used for many purposes. You may need to consider whether to use the costs that have been assigned to the programme in the financial records, or the value of resources actually used. The latter may be more accurate but may also entail greater investigation (in the form of e.g. detailed staff time-use surveys) to identify the appropriate figures⁴.

⁴ See the tip, 'Estimating personnel costs', in section 3.1 below for a more detailed example of this.

Approach selected for the OPM study: Accounting records for materials; time-use data for staff costs

For most of the seven case studies in the OPM study, the team used the figures recorded in the accounts as the actual expenditure on the programmes. Costs for non-salary expenditure such as equipment, travel, etc. were taken as given. To define salary costs, the team consulted with programme implementers to understand whether the budget and reported expenditure matched the true allocation of staff time on the programme. In cases where it diverged, the implementers estimated the actual time spent by programme staff, including the proportion of time spent on the cash transfer programme by senior management and support staff as well as programme implementers, even where this time had not originally been foreseen in the budget and hence was not being reported against (for instance, the time spent by donor organisations' country directors was rarely assigned to the programme, although they had an important role to play in contract negotiation, coordination with other agencies, and reporting). This estimated share of staff salary costs was used instead of the reported value.

2.7 Standardising the measurement of cost

Two factors that affect the standardised measurement of costs are the treatment of inflation and exchange rates.

1. **Inflation.** For long interventions, in countries where inflation is significant, you may need to index prices to a particular year of analysis, stating in which year's values the costs are given, and the deflator used. In such instances this would be necessary so that a programme does not look like it is increasingly expensive simply because costs in the country have risen more generally. In the case studies for the OPM study – as, perhaps, for many emergency cash transfer programmes – the timeframe of the intervention was too short for it to be necessary to take inflation into account. Some of the programmes consisted of a single transfer or a series over just three months.
2. **Exchange rates.** Options for converting expenditure in different currencies into a single common currency include using the market rate at the time the expenditure was incurred, or converting using the purchasing power parity (PPP) exchange rate, which takes into account in part the relative prices of goods in different countries.

The framework for cost-effectiveness analysis issued by the Abdul Latif Jameel Poverty Action Lab (J-PAL) offers a more detailed guide both on the treatment of inflation and on the relative merits of the different exchange rate conversions; it also shows how adjustments can be made to take these factors into account. See Dhaliwal *et al.*, 2012, for further details.

Approach selected for the OPM study: Inflation and exchange rates

- (1) Inflation was not taken into account because the timeframe for the interventions studied was short.
- (2) All expenditure was reported in US dollars. Currencies were converted to US dollars using an average nominal market exchange rate for the year the expenditure was incurred (or across the duration of the project, if shorter).

3 Dimensions of cash-transfer costing

The total sum spent on an emergency cash transfer programme can be broken down in numerous ways. These disaggregations have different uses. For example, one reveals information about the cost of specific items such as salaries or bank cards; another shows the cost of activities such as training or monitoring programme outcomes. Whichever way it is broken down, the expenditure should always add up to the same total. We propose here six key dimensions by which it is useful to disaggregate expenditure on emergency cash transfer programmes (Figure 1).

Figure 1 Six ways to disaggregate expenditure on emergency cash transfers



Source: OPM.

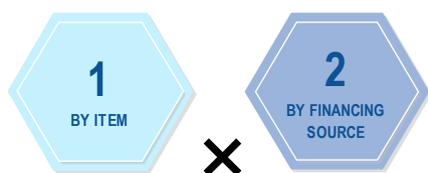
The first five of these were used for the OPM study. In the case of the seven emergency cash transfer programmes that we reviewed the sixth dimension was not applicable, as none of the programmes had multiple subcomponents among which it was necessary to make a distinction. Policymakers may think of other dimensions by which they wish to disaggregate spending, e.g. by year. This is not covered here because many emergency programmes, including all those reviewed for the OPM study, took place over a fairly short period of time (mostly only a few months).

The most straightforward way to collect data on expenditure is by the first two dimensions, by item and by financing source (see section 3.1 below). Once you are sure you have collected the full data using these two dimensions, you will know the total (aggregate) cost of the emergency cash transfer programme. You can then select any other dimension of interest to disaggregate the total according to your requirements, provided that you have collected data in a way that permits the disaggregation. The rest of this chapter describes the six dimensions and proposes some typical ways of categorising expenditure under each.

TIP: Decide the disaggregations at an early stage during implementation

Your data collection strategy will depend heavily on which dimensions of cost you are interested in. You will need to be sure that you are recording data in a way that permits you to make the disaggregations that you choose at the end. Decide which of these disaggregations are of interest to you, and check that you are recording cost information by those dimensions. See the tip, 'Advance preparation for an activity-based analysis' in section 3.3 for a more detailed example.

3.1 Classifying expenditure by item and financing source



Organisations typically keep track of their expenditure by **budget line item** (dimension 1 in the above list), in accordance with usual accounting procedure. This is true for agencies implementing emergency cash transfer programmes and for their partners. It is the way that agencies generally present their budgets to prospective donors; they then report their expenditure

against the agreed budget lines. This breakdown shows what items the resources were spent on: these could be personnel or material goods. Table 2 proposes one such breakdown, as used for the OPM study.

Table 2 Dimension 1: Example classification of expenditure by item

Item	Explanation
1. Personnel	
1.1 Managerial staff	share of salary of e.g. country directors, programme managers at headquarters
1.2 Technical staff	share of salary of e.g. field officers, monitoring and evaluation officers
1.3 Support staff	share of salary of e.g. accountants, administrators, logistics officers
2. Transport / travel	
2.1 Travel costs	e.g. aeroplane tickets, taxis
2.2 Vehicle purchase / rent / maintenance / fuel	Expenditure on cars and trucks run by the agency
2.3 Accommodation	For personnel when away from home
2.4 Per diems	For personnel when away from home
3. Communication costs	
3.1 Telephone	
3.2 Internet	
3.3 Courier and postal services	
4. Printing and publications	
4.1 Printing of forms and cards	e.g. application forms, ID cards
4.2 Advertising campaigns	
5. Office and general supplies	
5.1 Office rent	
5.2 Purchase of assets	e.g. furniture, fittings, IT equipment
5.3 Stationery / computer supplies	
6. Fees and commission	
6.1 Management fees	Paid to agency headquarters
6.2 Commission	Often paid to payment providers e.g. mobile network operators
7. Transfers and grants	
7.1 Cash to beneficiaries	
7.2 Other donations to beneficiaries	e.g. mobile telephones

Source: OPM.

Note: The lines suggested in the table might be the sum of several budget codes grouped together. You can decide how detailed you wish to make the classification.

Agencies generally report back their expenditure to each of their donors in this way. Note that Table 2 includes capital expenditure (the purchase of assets that may last several years, such as vehicles or computer equipment) as well as recurrent expenditure. Capital expenditure can be treated in different ways in accounting: the costs can be assigned to the year of purchase, spread evenly across the number of expected years of life of the asset, or discounted over a number of years using a more complex formula. For the purpose of the costing study this type of expenditure can be treated in the same way as is done in the agency's accounting system. In the case of emergency cash transfers, where the interventions are often short-term, the question of how to distribute the cost across a number of years may not arise.

TIP: Estimating personnel costs

If personnel costs are not formally assigned to the specific programme in the accounts, they can be estimated by using timesheets or holding consultations to identify how much time each staff member spent on the programme, then multiplying by the salary.

Sometimes this may be necessary even when the accounts record a figure for expenditure on personnel. Experience from the case studies reveals that when agencies submit a financial proposal to a donor they sometimes have to make an approximation of the staff time required for the project; figures for spending on staff are then reported against the amounts originally shown in the budget. However, this may not represent the real distribution: some contributors may have their salary accounted for under another project, while others may be fully accounted for under the budget for the emergency cash transfer although they do not spend all their time on it. If this is the case it will be more accurate to calculate figures afresh using timesheets and salary costs, rather than relying on the figures in the accounts.

A single project may be funded by many donors. Each donor can be considered a **financing source**. As mentioned in section 2.4 above this terminology is in line with that used in producing national health accounts. 'Financing sources' are defined as,

The institutions or entities that provide the funds used in the system by financing agents [see dimension 3 below] (World Health Organisation, 2003, p.4).

The most easily recognised financing sources are those that have formal contracts with the lead implementing agency. These might be bilateral or multilateral donors, such as UNICEF or the UK Department for International Development (DFID). However, there might also be several others. The implementing agency might contribute funds out of its own resources, e.g. if its country director devotes some time to overseeing the project but is not included in the budget agreed with any external donor. Some financing sources do not channel their money through the implementing agency: a private sector partner such as a mobile network operator might spend some of its own resources on a project without reimbursement, perhaps offering training in the use of its software.

In order to obtain the full cost of the programme it is necessary to identify all the financing sources who have contributed funds – be that in cash, material resources or the time of personnel – and then to get the breakdown from each as to what their funds have been spent on. This breakdown may be drawn directly from financial reports, or it may have to be estimated in discussion with the organisation. The tip, 'Working out the financing sources and financing agents' in section 2.4 above illustrated one way of organising this information.

Table 3 offers a suggestion of the financing sources for an emergency cash transfer programme. The programmes reviewed in the OPM study each had between two and eight financing sources.

Table 3 **Dimension 2: Example classification of expenditure by financing source**

Item	Explanation
1. Multilateral donor	e.g. UNICEF, UNHCR, ECHO, IOM
1.1 Multilateral 1	
1.2 Multilateral 2	
2. Bilateral donor	e.g. DFID, CIDA, SIDA
2.1 Bilateral 1	
2.2 Bilateral 2	
3. Implementing agencies	The implementing NGO and its partners
3.1 International NGO	
3.2 National NGO	
4. Private sector partners	May be an implementing partner, or may provide funds as part of corporate social responsibility
4.1 Mobile network operator	
4.2 Bank or other card provider	
5. Beneficiary	Beneficiary may contribute their own funds to reach the paypoint, or may spend time travelling and waiting there

Source: OPM.

TIP: Checking for completeness

It is often the case that the cost of running an emergency cash transfer programme is not absorbed exclusively by a single donor. Several donors may contribute funds, over many contracts. Not all budget line items may be listed under a given contract. It is therefore useful to check whether expenditure may have been incurred that has not been accounted for by any of the major donors; for instance, an agency may have rented additional office space to run the programme but absorbed this under its own resources. You may find it useful to review the example list of budget items shown in Table 2 and check whether all those that are relevant have been accounted for.

3.1.1 The first iteration of the costing spreadsheet

Having identified all financing sources of the programme, and obtained the data on what items their funds have been spent on, you are now able to fill out a spreadsheet that sums up the total cost of the emergency cash transfer programme. This will be a simple two-dimensional matrix. We recommend that budget line items are listed in the rows, and financing sources in the columns, since accounting records most often have budget lines in rows so it will be easier to paste in the data.

Table 4 Example spreadsheet of cost by item and financing source

Item	Financing source		
	Bilateral donor X	Impl. agency Y	Card provider Z
1. Personnel			
1.1 Managerial staff	5,000	2,000	-
1.2 Technical staff	20,000	-	-
1.3 Support staff	2,000	-	1,000
2. Transport / travel			
2.1 Travel costs	1,000	-	-
2.2 Vehicle / fuel	2,000	-	-
2.3 Accommodation	-	-	-
2.4 Per diems	-	-	-
3. Communication costs			
3.1 Telephone	-	500	-
3.2 Internet	-	200	-
3.3 Courier / post	-	300	-
4. Printing / publications			
4.1 Printing	500	-	-
4.2 Advertising	500	-	500
5. Office / general supplies			
5.1 Office rent	-	3,000	-
5.2 Purchase of assets	-	-	-
5.3 Stationery	-	500	-
6. Fees and commission			
6.1 Management fees	6,000	-	-
6.2 Commission	5,000	-	-
7. Transfers and grants			
7.1 Cash to beneficiaries	200,000	-	-
7.2 Other donations to beneficiaries	-	-	-
TOTAL SPENT	242,000	6,500	1,500

Total \$250,000

Source: OPM. Note: This is a hypothetical example of an emergency cash transfer programme with a total cost of \$250,000. A principal donor funds most of the programme, but the implementing agency spends some of its own resources on office running costs, while the card provider spends some of its own staff time (not reimbursed) on administration and on some publicity materials.

In principle **the analysis of costs may finish at this point**. These two dimensions – item and financing source – are enough to identify the total cost of the programme, and from there to calculate the share of total expenditure that is spent on administration, or alternatively the ratio of administration costs to transfer costs as discussed in section 4 below.

However, this may be of limited use for policymakers who might wish to, for instance, compare how efficiently their implementing partners use funds, or find out which activities in the programme are more costly. For this it is necessary to disaggregate the total by other dimensions as outlined below.

N.B. These subsequent dimensions do not add any more costs to the total. The total remains the same. All other dimensions simply disaggregate the known total cost in different ways – slicing the

pie differently. In the example given in Table 4 above, our hypothetical programme has been found to have a total cost of \$250,000. Any later disaggregation will also add up to \$250,000.

3.2 Classifying expenditure by financing agent



A third dimension by which costs can be broken down is by financing agent, i.e. the organisation that spends the money. Again, using the terminology from national health accounts, financing agents are defined as,

'The institutions or entities that channel the funds provided by financing sources and use those funds to pay for, or purchase, the activities' (World Health Organisation, 2003, p.4)

Every financing *source* is also likely to be a financing *agent*: each agency that contributes funds to the programme must also, as a minimum, spend a bit of funding on administering its own participation. This could be e.g. the cost of staff time to negotiate the contract, to authorise payments and to review the programme outputs and outcomes. However, the amounts assigned to the agency in its capacities as source and agent will be different. The financing source (say, a bilateral donor such as DFID) might give away 95% of its funds to be spent by the implementing NGO, keeping only 5% for its own administrative use.

In addition there are likely to be other entities involved in implementing emergency cash transfer programmes that are *only* financing agents: they spend money that is given to them, but they do not donate any of their own resources. Even their administration costs are covered by their agreements with their funder. This might include, for example, some national NGOs or private sector partners.

The list of possible financing agents is therefore similar to that provided for financing sources in Table 3 above.

3.2.1 The next iteration of the costing spreadsheet

This third dimension – and, indeed, any subsequent dimension – is easily represented on a spreadsheet in a set of columns parallel to those already presented for the financing source. Table 5 gives an example of how this might look.

Note, as explained above, that the total cost recorded for expenditure by financing agent is the same as that recorded by financing source: the same pie has just been sliced differently. In the hypothetical example given, the major donor spends a small amount of its own money, from the management fee on the contract, on its own costs, but donates the rest to an international NGO 'Y', supported by a national NGO 'A', with funds passing through the card provider 'Z'. The card provider gets a percentage commission on the transfer value, which covers its general running costs; most of the remaining funds go to the implementing NGO partners.

Table 5 Example spreadsheet of cost by item, financing source and financing agent

Item	Financing source			Financing agent			
	Donor X	Agency Y	Card provider Z	Donor X	Agency Y	Card provider Z	National NGO A
1. Personnel							
1.1 Managerial staff	5,000	2,000	-	2,000	4,000	-	1,000
1.2 Technical staff	20,000	-	-	-	5,000	-	15,000
1.3 Support staff	2,000	-	1,000	500	500	1,000	1,000
2. Transport / travel							
2.1 Travel costs	1,000	-	-	-	500	-	500
2.2 Vehicle / fuel	2,000	-	-	-	1,000	-	1,000
2.3 Accommodation	-	-	-	-	-	-	-
2.4 Per diems	-	-	-	-	-	-	-
3. Communication costs							
3.1 Telephone	-	500	-	-	500	-	-
3.2 Internet	-	200	-	-	200	-	-
3.3 Courier / post	-	300	-	-	300	-	-
4. Printing / publications							
4.1 Printing	500	-	-	-	200	-	300
4.2 Advertising	500	-	500	-	500	500	-
5. Office / general supplies							
5.1 Office rent	-	3,000	-	-	3,000	-	-
5.2 Purchase of assets	-	-	-	-	-	-	-
5.3 Stationery	-	500	-	-	500	-	-
6. Fees and commission							
6.1 Management fees	6,000	-	-	6,000	-	-	-
6.2 Commission	5,000	-	-	-	-	5,000	-
7. Transfers and grants							
7.1 Cash to beneficiaries	200,000	-	-	-	-	200,000	-
7.2 Other donations to beneficiaries	-	-	-	-	-	-	-
TOTAL SPENT	242,000	6,500	1,500	8,500	16,200	206,500	18,800

Source: OPM.

Each line adds up to same total as the 'Financing source' columns

3.3 Classifying expenditure by activity



Development partners often have a much greater interest in the relative cost of different programme designs and activities than in budget line items. What matters most is not whether more money has been spent on, say, fuel or printing, but rather whether a particular activity such as targeting or monitoring could be made more efficient.

Cash transfer programmes have a common set of core activities. The programme is set up; beneficiaries are identified and enrolled; the transfer is disbursed; and the results are monitored through routine administrative data or through surveys. Beneficiaries may have recourse to a grievance system in case of any queries or complaints. Some programmes may have additional activities relating to ensuring compliance with any conditions. You can estimate the breakdown of expenditure by activity simply by ascertaining from the financing agents what they did with the items they purchased.

A suggested classification by activity, with examples of the types of task that might be included under each category, is presented in Table 6 below.

Table 6 Dimension 4: Example classification of expenditure by activity

Activity	Explanation
1. Programme design	Analytical studies, determination of target population and benefit value, writing operational manuals, designing forms and databases
2. Institutional arrangements	Negotiating with partners, setting up contracts
3. Communication / advocacy	Awareness-raising campaigns
4. Training	Training programme staff, implementing partners; training beneficiaries in use of hardware and software
5. Targeting / registration	Community mobilisation, targeting exercise, registration of beneficiaries with ID cards, supply of mobile phone or bank card to beneficiaries
6. Disbursement	Transfer of funds, including commission
7. Compliance with conditions	Liaison with service providers, monitoring of compliance
8. Monitoring and evaluation	Setting up databases, monthly monitoring of market prices, post-distribution monitoring, independent impact evaluation

Source: OPM.

TIP: Keeping budget line items and activities separate

Agencies' budgets are sometimes found to contain a mixture of line items and activities. This can make it more complex to know where to assign expenditure. For instance, if 'Training' and 'M&E' are tagged onto an item-based budget alongside 'Personnel' and 'Transport' it becomes difficult to know where to assign, for instance, expenditure on transport to a training venue. It is therefore recommended to draw up budgets that include either line items (Dimension 1 described above) or activities (Dimension 4, as here) but not a combination of both within a single total, unless there is a specific reason.

It is not always easy to ascribe budget line items to an activity, especially when they are general overheads such as office rental costs, and telephone and internet bills. In cases where the precise activity is not known, you will need to make a reasonable estimate as to how to apportion these general costs. Options include, for example, distributing these overheads among activities in the same proportion that salary costs are apportioned, or distributing them in line with the duration of each activity. In the hypothetical example shown

in Table 7 we present a scenario whereby the targeting, disbursement and M&E activities are estimated to have been twice as resource-intensive as the other activities (see the examples for communication costs, office rent and agencies' general management fees).

3.3.1 The third iteration of the costing spreadsheet

Table 7 presents our hypothetical example of costs, with the total expenditure now disaggregated by activity. This would be the next set of columns following those for the financing source and financing agent shown in Table 5 above.

TIP: Advance preparation for an activity-based analysis

If you plan to conduct an analysis of programme expenditure disaggregated by activity your task will be greatly simplified if, from the outset of programme implementation, your accounting records include a reference to the activity. A one-word reference will be sufficient. Personnel recording their time in timesheets could note whether they spent their time on training, targeting, monitoring etc. A driver's logbook could use the same set of codes to note the purpose for which a vehicle is used, so that the driver's time and fuel costs can be assigned to the relevant activity.

If this is not done during the course of programme implementation, the only way to reach an activity-based disaggregation of expenditure will be to retrospectively review the accounts and to try to recall the purpose for which items were purchased. The final result will be heavily dependent on this subjective recollection.

3.4 Classifying expenditure by frequency of occurrence

The fifth disaggregation reviewed in this paper is that of the frequency of recurrence of expenditure. This is useful because we can see which costs were for one-off activities that will not be repeated, such as the design and set-up of the cash transfer, and which are for the recurrent distribution of cash. This distinction is important for understanding how the cost of a programme will change over time: policy-makers may wish to use a retrospective analysis of expenditure to predict how much it would cost to expand the programme to new districts or new beneficiaries.



Splitting costs into 'one-off' and 'recurrent' costs may not be precise enough to generate the type of unit costs that would allow an estimate of the cost of expanding a programme. We therefore suggest a series of levels of one-off and recurrent activities. An example is presented in Table 8 on p. 22 below.

You can see from Table 8 that the disaggregation of costs by frequency of occurrence is more easily done by looking at the activity than by budget line item: it is simpler to consider, 'How often will we incur this expenditure on targeting beneficiaries?' than to consider, 'How often will we use fuel?' We therefore suggest that this dimension is not captured in another set of columns in the spreadsheet as per the disaggregations for financing source, financing agent and activity; rather, once the disaggregation by activity has been made, the figures from that dimension can be grouped according to whether they are one-off or recurrent.

Table 7 Example spreadsheet of cost by item and activity

Item	Financing source ¹	Financing agent ¹	Activity						
			Design	Inst. arrangements	Comms.	Training	Targeting	Disbursement	M&E
1. Personnel	[...]	[...]							
1.1 Managerial staff			4,000	2,000	-	-	-	-	1,000
1.2 Technical staff			1,000	-	1,000	2,000	5,000	7,000	4,000
1.3 Support staff			500	500	-	-	-	1,000	1,000
2. Transport / travel									
2.1 Travel costs			500	-	-	-	-	-	500
2.2 Vehicle / fuel			-	-	250	500	500	500	250
2.3 Accommodation			-	-	-	-	-	-	-
2.4 Per diems			-	-	-	-	-	-	-
3. Communication costs									
3.1 Telephone			50	50	50	50	100	100	100
3.2 Internet			20	20	20	20	40	40	40
3.3 Courier / post			30	30	30	30	60	60	60
4. Printing / publications									
4.1 Printing			-	-	-	-	500	-	-
4.2 Advertising			-	-	1,000	-	-	-	-
5. Office / general supplies									
5.1 Office rent			300	300	300	300	600	600	600
5.2 Purchase of assets			-	-	-	-	-	-	-
5.3 Stationery			-	-	100	100	300	-	-
6. Fees and commission									
6.1 Management fees			600	600	600	600	1,200	1,200	1,200
6.2 Commission			-	-	-	-	-	5,000	-
7. Transfers and grants									
7.1 Cash to beneficiaries			-	-	-	-	-	200,000	-
7.2 Other donations to beneficiaries			-	-	-	-	-	-	-
TOTAL SPENT	250,000	250,000	7,000	3,500	3,350	3,600	8,300	215,500	8,750

Source: OPM. Note: (1) These disaggregations would be the same as per earlier tables.

← This is another disaggregation of the same \$250,000 total

Table 8 Dimension 5: Example classification of expenditure by frequency

Frequency	Explanation	Implication for scaling up
One-off costs		
Once per programme	Programme design, contract negotiation, training of central-level staff, setting up databases, impact evaluation	Once incurred, never incurred again unless the entire programme changes
Once per locality	Community mobilisation and awareness-raising, targeting of beneficiaries, training of local payment agents	Incurred once per location (e.g. district, community, camp for internally displaced people). Will only need to be spent again if programme expands to new locations
Once per beneficiary	Provision of ID card, phone, bank card etc. to each beneficiary, training of beneficiaries	Incurred once per beneficiary. Cost will need to be repeated each time a new beneficiary joins the programme even if the cash transfer is not extended to new locations
Recurrent costs		
Repeatedly, for the whole programme	Administrative fee to payment provider, monthly reporting	Costs incurred repeatedly but should not be affected by the number of beneficiaries or locations enrolled
Repeatedly, for each locality	Case management (changes to beneficiary lists), post-distribution monitoring, monitoring of market prices	Costs incurred repeatedly by every locality enrolled in the programme
Repeatedly, per beneficiary	Might include costs for maintenance of phone	Costs incurred repeatedly by every beneficiary enrolled in the programme

Source: OPM.

3.5 Classifying expenditure by programme subcomponent



The final disaggregation discussed here is that of programme subcomponents. A single transfer programme might consist of several mini-programmes that have different objectives, locations or operating mechanisms. Some examples are:

- a transfer for which one portion must be used exclusively for food, and a separate portion can be spent on any goods;
- a programme that is piloting using manual cash transfers for some beneficiaries, and electronic payments for others;
- a programme that takes place in both urban and rural areas.

No classification is provided here for this type of disaggregation: it would consist simply of the list of subcomponents relevant to the particular programme under review. The key tip here, as with the disaggregation of expenditure by activity outlined above, is that you ensure that if you wish eventually to break down your costs by subcomponent, you record your expenditure by those same subcomponents (see 'TIP: Advance preparation for an activity-based analysis' on p. 20 above).

Some costs, such as expenditure on overheads at an agency's headquarters, may not always be easily assigned to a specific subcomponent. In these cases the costs should be apportioned using a reasonable method, just as is done for disaggregations by activity as described above. These might include distributing costs in proportion to the time spent on each subcomponent by the implementing staff; or in proportion to the number of beneficiaries. Caution should be taken to select a method that does not cancel out the very

difference that you are trying to measure. For instance, if your experience of monitoring a programme in urban and rural areas suggests that it is much more costly to reach a beneficiary in a rural area compared with an urban one, then dividing up the common costs equally for each beneficiary would give a false impression of the relative costs of the programme subcomponents. In that example, the key difference between the two programmes might be the amount of time that staff have to spend reaching the rural communities; in which case, a better method for disaggregating might be to use the share of staff salary costs devoted to each subcomponent.

4 Common measures of cost-efficiency

Once the administrative costs are identified it is possible to calculate the indicators that measure the relationship between the value of the transfer and the cost of administering it. Common measures include:

- Cost–transfer ratio
- Alpha ratio
- Cost per transfer
- Cost per beneficiary.

4.1 Cost–transfer ratio

This is the ratio of the administrative cost to the amount transferred to the beneficiary. In the hypothetical example used throughout this paper, the programme spends \$50,000 to deliver \$200,000 to beneficiaries, giving a cost–transfer ratio of $50,000 / 200,000 = 0.25$. The interpretation of this figure is that, for every \$100 disbursed to beneficiaries, it costs \$25 to deliver the transfer.

4.2 Alpha ratio

This is the transfer value as a proportion of the total budget. In the above example it is $50,000 / 250,000 = 0.2$: in other words, 20% of the budget was spent on administration. Projections for programme budgets may often be presented in this way⁵.

Note that there is a direct correlation between the cost–transfer ratio and the alpha ratio: they are consistent as they use the same numerator and just a different denominator. A programme with a cost–transfer ratio of 0.25 (equivalent to $0.25/1$, where 1 is the total transfer value) will by definition always have an alpha ratio of 0.2 (which is $0.25/1+0.25$), where the administration cost is added to the denominator). Both types of measure may therefore be presented in a cost-efficiency study, but there is no need to analyse them separately as they tell the same story.

4.3 Cost per transfer

This can be used if the intention is to find out about the absolute cost spent each time a transfer is delivered, regardless of the size of the transfer. With the two previous examples, the cost–transfer ratio and the alpha ratio, a programme will look more cost-efficient than another if the transfer value is larger, even if all its operational procedures are identical. However, a programme that spends \$100,000 in administration to deliver \$800,000 to beneficiaries may still benefit from learning from a programme that spends only \$50,000 in administration to deliver \$200,000 to beneficiaries, even though it appears at first to be twice as cost-efficient.

A note of caution with this measure is that some administration costs are directly related to the size of the transfer, notably the percentage commission sometimes charged by payment providers, so an estimate of 'cost per transfer' cannot always be interpreted as existing in isolation from the size of the transfer itself.

⁵ See e.g. Devereux *et al.* (2007); RHVP (2008).

4.4 Cost per beneficiary

This measure is less easily interpreted or comparable across programmes than any of the other three. It varies considerably within a programme and does not take into account how long each beneficiary has been enrolled: it acts as if all administrative costs were dependent on the number of beneficiaries on the programme, when we have seen in section 3.4 above that many costs are independent of the number of beneficiaries.

If a policy-maker decides to use this measure it is necessary to be clear if this refers to all beneficiaries ever enrolled, or to those enrolled at a particular moment, to aid consistency of comparisons between programmes.

TIP: Interpreting the results

Calculating cost-efficiency can be a sensitive task. Understandably, if you calculate the cost-efficiency of your emergency cash transfer programme you may wish to know, 'Is my ratio OK? How do I compare with other programmes?' However, as we have outlined, it would be inappropriate to simply rank programmes on their cost-transfer ratio and to conclude that those with a higher ratio must be doing a poor job. It is more useful to review the ratios and to consider, 'What are the contextual factors that make my programme's ratio higher or lower than others?' With this you can make a subjective decision about whether there are aspects of programme operations that you can improve upon.

If your ratio seems high to you, the explanatory factors might include the following design principles:

- You're giving households very few transfers (perhaps only one or two), so you have a lot of set-up costs which are not offset by many transfers
- The transfer value is small. If you make the policy decision to give a small amount of cash to many households, you have to accept that you will look less cost-efficient than a programme that gives a larger amount to fewer households. This may be justifiable if it suits the programme objectives better
- You're working in an environment that has high security and/or transport costs
- You're investing in innovative technology, databases etc., for which you are bearing the cost this time but will reap the benefit in future
- You're leading a consortium and incurring costs on behalf of the other partners.

If you did not consciously allow these cost-efficiencies in your design, and you feel that you may be being inefficient in your implementation, the factors may include:

- You have been less successful than others at negotiating commission and discounts with your private sector partners (maybe you have partnered with organisations who are charging you a high commission because your programme is impeding their regular work, or you have not teamed up with other agencies to make your cash transfer a more attractive proposition)
- You are attempting to use technology prematurely, before the infrastructure is good enough, and are using a lot of resources having to do lots of back-stopping and finding alternative plans for supporting payment agents or distributing cash. For instance, you may be trying to use mobile money in a country where it is not sufficiently established, and where households immediately try to convert their electronic money into cash.

Remember that the cost-efficiency of a programme generally improves over time, assuming that there is no redesign, because the fixed costs of start-up are gradually spread over an increasing number of transfers.

5 Examples from Kenya and Somalia

The full set of case studies from Kenya and Somalia is presented in the OPM study (O'Brien *et al.*, 2013). We present in Table 9 below a summary of the programmes and some of the factors that have affected their cost-efficiency.

Table 9 Summary of case studies from Kenya and Somalia

No.	Programme	Date	Main financing agents	Brief programme description	Payment mechanism	Cost	Cost-transfer ratio	Factors assisting cost-efficiency	Factors inhibiting cost-efficiency
Kenya									
1	Nairobi Urban Livelihoods and Social Protection Programme	Oct 2009–Mar 2011	Oxfam	Food security and livelihoods promotion in informal settlements of Nairobi. Households received approx. \$19 per month, for varying lengths of time over the course of 18 months. A total of 2,800 households were reached	Mobile money (M-Pesa)	Transfer: \$565,000 Admin: \$361,000	0.64	<ul style="list-style-type: none"> • M-Pesa widely used by beneficiaries already • Became cheaper over time once beneficiaries were registered • Low cost of disbursement under M-Pesa • Phone / SIM purchases not major expense 	<ul style="list-style-type: none"> • Oxfam lead partner in a consortium – work on securing funding commitments / contracts • Devoted some funds to advocacy, raising general awareness of food security crisis • High start-up incl. design • Small value per transfer (\$19)
2	Marsabit Emergency Programme	Sep 2011–Jun 2012	SOS Children's Villages Kenya	Food security intervention in northern Kenya after drought for 2,000 beneficiaries receiving \$87 per month for eight months (= \$696 total per household)	Smart card voucher + cash ('sQuid' card)	Transfer: \$1.39 million Admin: \$204,000	0.15	<ul style="list-style-type: none"> • Heavy discounts from private sector partners (transaction fees at 1%; half-price for other services) – they were interested in trial • point-of-sale terminals fairly low cost • High transfer amount (\$87) 	<ul style="list-style-type: none"> • Setting up office (new programme) • Targeting new beneficiaries • Liaising with traders for food voucher component • High advocacy costs • Travel to Nairobi to upload value to cards because poor network connectivity
3	Marsabit County Emergency Response Programme	Sep 2012–Mar 2013	Concern Worldwide	Food security and livelihoods promotion after drought. About 1,000 beneficiaries received six transfers, either \$26 or \$39 a month depending on location	Manual, via local merchants	Transfer: \$204,000 Admin: \$59,000	0.29	<ul style="list-style-type: none"> • Very low design costs (follow-on from an earlier programme) • No office set-up costs • No new targeting 	<ul style="list-style-type: none"> • High transaction fees charged by traders who had to find the liquidity to pay beneficiaries • Relatively small value per transfer (\$39 / \$26) in comparison to e.g. the SOS Children's Villages Kenya programme

No.	Programme	Date	Main financing agents	Brief programme description	Payment mechanism	Cost	Cost-transfer ratio	Factors assisting cost-efficiency	Factors inhibiting cost-efficiency
Somalia									
4	Emergency Cash Transfer Programme	Aug 2011–Jul 2012	Oxfam	Food security intervention in Mogadishu for over 12,500 households, each receiving 6 transfers of \$75 (= \$450 total per household)	Manual, via <i>hawala</i> agents (money transfer agents)	Transfer: \$5.57 million Admin: \$1.12 million	0.20	<ul style="list-style-type: none"> • Low design costs (Oxfam and partner had used method before) • Economies of scale from reaching 12,500 households 	<ul style="list-style-type: none"> • Staff time to oversee disbursement of manual cash • Large investment in joint monitoring activities with other agencies
5	E-cash Pilot	May–Aug 2012	Oxfam	Livelihood promotion in Mogadishu, and trial of mobile money payment. One-off transfer of \$150 to 2,090 households	Mobile money	Transfer: \$313,000 Admin: \$140,000	0.45	<ul style="list-style-type: none"> • No need to oversee cash disbursement in field 	<ul style="list-style-type: none"> • Purchase of phone and SIM card for every beneficiary • Only one transfer per household, because aim was to pilot-test the mechanism
6	ECHO Conditional Cash	Nov 2012–Aug 2013	Concern Worldwide	Food security intervention in Mogadishu for 500 beneficiaries receiving \$100 per month for 10 months (= \$1,000 total per household)	Mobile money	Transfer: \$500,000 Admin: \$92,000	0.18	<ul style="list-style-type: none"> • Prior experience in using mobile money • Made use of monitoring tools previously developed • Economies of scale because 10 transfers 	<ul style="list-style-type: none"> • Monthly contracting of network operator • Small extra cost of imposing conditionalities
7	IOM Unconditional Cash Transfers	Mar–May 2013	Concern Worldwide	Food security intervention in Mogadishu for 905 beneficiaries receiving \$80 per month for three months (= \$240 total per household)	Mobile money	Transfer: \$217,000 Admin: \$23,000	0.11	<ul style="list-style-type: none"> • As above; plus no retargeting of beneficiaries (therefore no phone purchase either) • No need for training 	<ul style="list-style-type: none"> • Monthly contracting of network operator

Source: OPM, from discussions with the implementing agencies. See O'Brien *et al.* (2013) for the detailed studies.

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