

# **Evaluation of the Use of Different Transfer Modalities in ECHO Humanitarian Aid Actions 2011- 2014**

## **Draft Final Report September, 2015**

### **Volume 1 – Main Report**

**This evaluation was commissioned by the Evaluation Sector of the  
Directorate General Humanitarian Aid and Civil Protection – ECHO  
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*The opinions expressed in this document represent the authors' point of view which are not  
necessarily shared by the European Commission or by the authorities of the concerned countries.*

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## Acronym list

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|        |   |
|--------|---|
| ACF    | Action Contre la Faim   |
| ADB    | African Development Bank  |
| ADE    | Analysis for Economic Decisions   |
| AFS    | Currency of Afghanistan   |
| AIDS   | Acquired Immune Deficiency Syndrome   |
| AU     | African Union   |
| BRICS  | Building Resilience in Central Somalia (DFID-funded NGO consortium)               |
| CALP   | Cash Learning Partnership   |
| CAR    | Central African Republic  |
| CBT    | Cash-Based Transfers  |
| CCT    | Conditional Cash Transfers  |
| CFA    | Central African Franc   |
| CFGB   | Canadian Food Grains Bank   |
| CFI    | Chronically Food Insecure   |
| CFW    | Cash-for-Work   |
| CIDA   | Canadian International Development Agency   |
| CO     | Country Office  |
| CSI    | Coping Strategies Index   |
| CT     | Cash Transfer   |
| CTP    | Cash Transfer Programme   |
| CWG    | Cash Working Group  |
| DEVCO  | European Commission Directorate General for Development Cooperation               |
| DFID   | UK Department for International Development                                       |
| DG     | Directorate General   |
| DR     | Draft Report  |
| DRC    | Danish Refugee Council  |
| DRR    | Disaster Risk Reduction   |
| EC     | European Commission   |
| ECB    | Emergency Capacity Building project   |
| ECHO   | European Commission Directorate General for Humanitarian Aid and Civil Protection |
| ECOWAS | Economic Community Of West African States   |
| EDF    | European Development Fund   |
| EM     | Evaluation Manager  |
| EMMA   | Emergency Market Mapping and Analysis   |
| EQ     | Evaluation Question   |
| ER     | Evaluation Report   |
| ERC    | Enhanced Response Capacity  |
| EU     | European Union  |
| EUD    | European Union Delegation   |
| EUR    | Euro  |
| FAFA   | Financial and Administrative Framework Agreement                                  |
| FAO    | Food and Agriculture Organisation of the United Nations                           |

|         |  |
|---------|--|
| FCAS    | Fragile and Conflict Affected States                             |
| FCS     | Food Consumption Score   |
| FEWSNET | Famine Early Warning Systems Network                             |
| FFW     | Food For Work  |
| FP      | Family Planning  |
| FPA     | Framework Partnership Agreement                                  |
| FSAC    | Food Security and Agriculture Cluster                            |
| FSL     | Food Security and Livelihoods                                    |
| GAM     | Global Acute Malnutrition  |
| GBP     | British Pound Sterling   |
| GBV     | Gender-Based Violence  |
| GDP     | Gross Domestic Product   |
| HEA     | Household economy analysis                                       |
| HFA     | Humanitarian Food Assistance                                     |
| HH      | Households   |
| HIP     | Humanitarian Implementation Plan                                 |
| HIV     | Human Immunodeficiency Virus                                     |
| HOPE    | Humanitarian Office Programme Environment                        |
| HQ      | Headquarter  |
| HR      | Human Resources  |
| HSNP    | Hunger Safety Net Programme                                      |
| IASC    | Inter-Agency Standing Committee                                  |
| ICAI    | Independent Commission for Aid Impact (UK)                       |
| ICRC    | International Committee of the Red Cross                         |
| ICT     | Information Communication Technology                             |
| IDP     | Internally Displaced Person                                      |
| IFPRI   | International Food Policy Research Institute                     |
| IFRC    | International Federation of Red Cross and Red Crescent Societies |
| IGAD    | Intergovernmental Authority on Development                       |
| IGC     | International Grain Council                                      |
| IHL     | International Humanitarian Law                                   |
| IK      | In-Kind  |
| IMF     | International Monetary Fund                                      |
| INGO    | International Non-Governmental Organisation                      |
| IP      | Implementing Partner   |
| IR      | Inception Report   |
| IRC     | International Rescue Committee                                   |
| IT      | Information Technology   |
| IUCD    | Intrauterine Contraceptive Device                                |
| JD      | Jordanian Dinar  |
| JHDF    | Joint Humanitarian Donor Framework                               |
| JRC     | Jordanian Red Cross  |
| KES     | Kenyan Shilling  |
| KRI     | Key Results Indicators   |
| LAPM    | Long-acting and permanent methods                                |

|        |  |
|--------|--|
| LRRD   | Linking Relief, Rehabilitation and Development                     |
| MEB    | Minimum Expenditure Basket   |
| MENA   | Middle East and Northern Africa                                    |
| MFI    | Microfinance Institution   |
| MIFIRA | Market Information and Food Insecurity Response Analysis           |
| MOU    | Memorandum of Understanding  |
| MPCG   | Multi-Purpose Cash Grants  |
| MPCT   | Multi-Purpose Cash Transfer  |
| MPTP   | Multi-Purpose Transfer Programme                                   |
| NFI    | Non-Food Item  |
| NGO    | Non-Governmental Organisation                                      |
| OCHA   | Office for Coordination of Humanitarian Affairs                    |
| ODI    | Overseas Development Institute (ODI)                               |
| OFDA   | Office of U.S. Foreign Disaster Assistance                         |
| ONG    | Organisation Non Gouvernementale                                   |
| OPM    | Oxford Policy Management   |
| OPT    | Occupied Palestinian Territories                                   |
| PANIS  | Food Assistance Thematic Working Group                             |
| PDM    | Post-Distribution Monitoring                                       |
| PSNP   | Productive Safety Nets Programme                                   |
| RCM    | International Red Cross and Red Crescent Movement                  |
| RO     | Regional Office  |
| SCUK   | Save the Children UK   |
| SF     | Single Form (ECHO)   |
| SIDA   | Syndrome d'Immunodéficience Acquis                                 |
| SOP    | Standard Operating Procedure                                       |
| TA     | Task Areas   |
| TBD    | To be determined   |
| TCTR   | Total Cost-Transfer Ratio  |
| UCT    | Unconditional Cash Transfers                                       |
| UFS    | UFS-CT   |
| UN     | United Nations   |
| UNFPA  | United Nations Population Fund                                     |
| UNHCR  | United Nations Office for the Coordination of Humanitarian Affairs |
| UNICEF | United Nations International Children's Emergency Fund             |
| UNRWA  | United Nations Relief and Works Agency                             |
| US     | United States of America   |
| USA    | United States of America   |
| USAID  | United States Agency for International Development                 |
| USD    | United States Dollar   |
| WASH   | Water, Sanitation and Hygiene                                      |
| WFP    | World Food Programme   |
| WHS    | World Humanitarian Summit  |
| WTO    | World Trade Organisation   |





# Executive Summary

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*To follow after review of draft report*

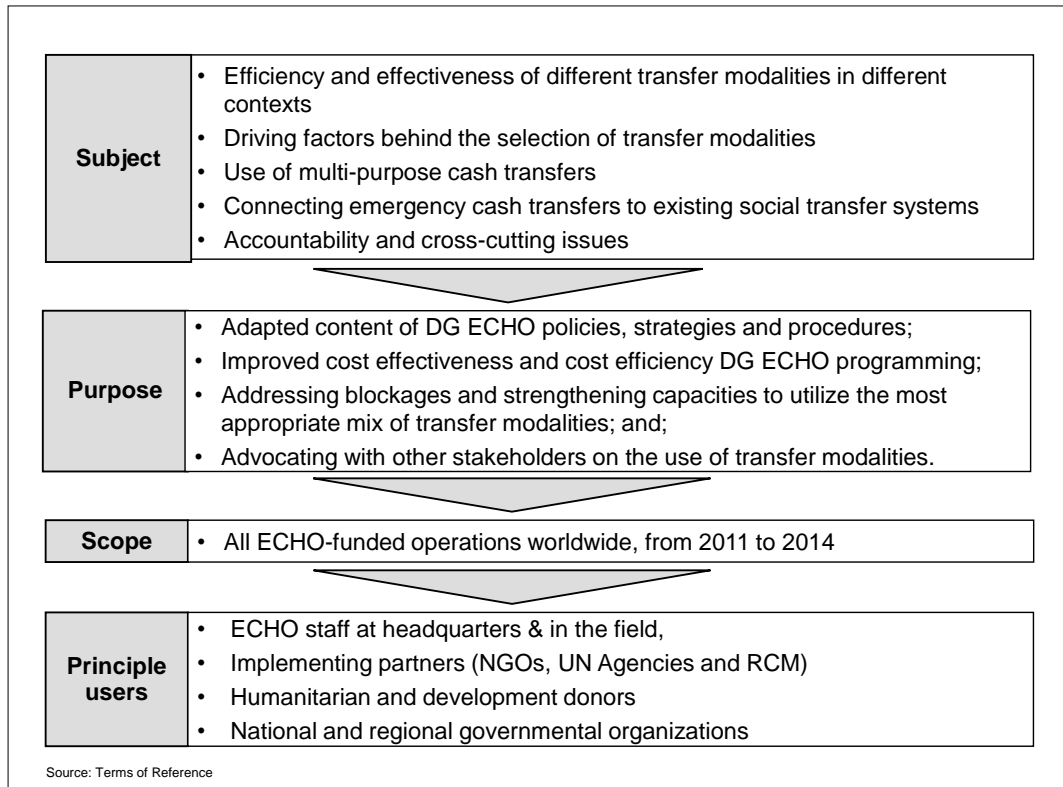


# 1. Introduction

## 1.1 The scope and purpose of the evaluation

The “Evaluation of the use of different transfer modalities in ECHO Humanitarian Aid actions 2011-2014” was commissioned by the Evaluation Sector of the Directorate General Humanitarian Aid and Civil Protection (ECHO). The Figure below describes the purpose, subject and scope and principle users of the evaluation, as expressed in the evaluation Terms of Reference (Annex II):

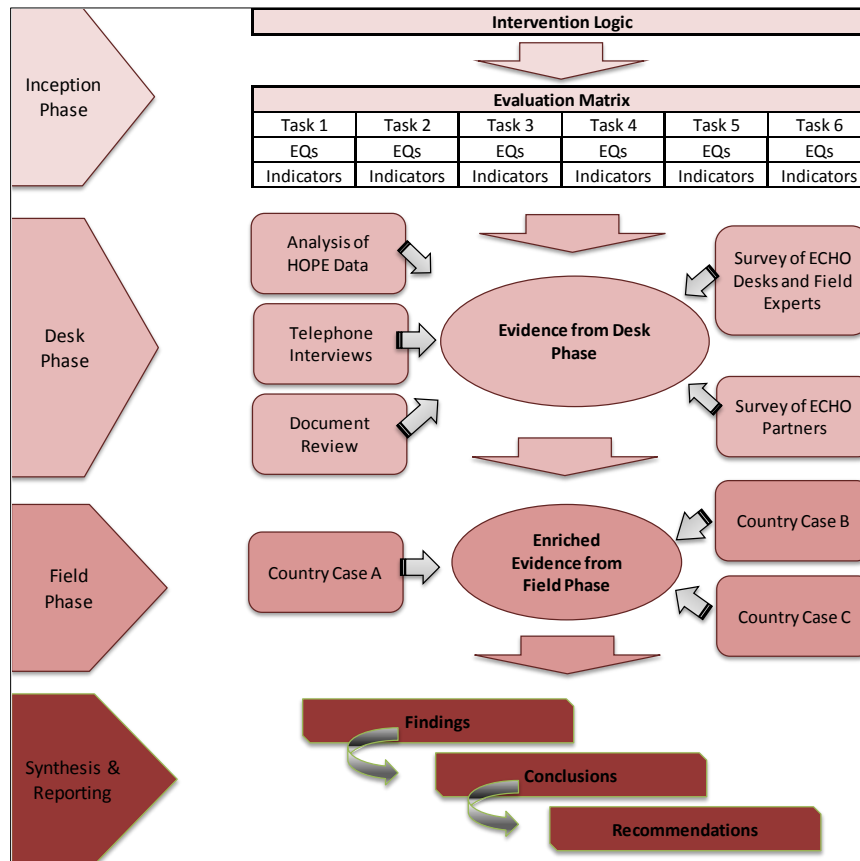
**Figure 1: Evaluation purpose, subject, scope and principle users:**



## 1.2 Methodological approach

The evaluation approach is summarized in **Error! Reference source not found.** This shows the sequencing and interrelationship of activities under each of the four phases of the evaluation.

**Figure 2: Methodological Approach**



The evaluation matrix provided the core reference to guide the exercise. The matrix defines indicators for answering each EQ and specifies the evaluation tools used to gather data for each indicator<sup>1</sup>. Five main evaluation tools were used during the evaluation and are summarized below:

<sup>1</sup> The evaluation questions, indicators and data sources are given in each of the respective evidence papers in Volume II of the report (Annexes III - IX).

**Table 1 : Evaluation Tools**

| Evaluation Tools                         | Description   |
|--|---|
| <b>Document review</b>                   | <p>The document review included:</p> <ul style="list-style-type: none"> <li>• Reference literature<sup>2</sup> on cost efficiency and cost effectiveness analysis of different transfer modalities, the use of multi-purpose cash transfers, the institutionalization of cash transfers, linking emergency and social transfer systems.</li> <li>• ECHO policy documents</li> <li>• ECHO Humanitarian Implementation Plans (HIPs)</li> <li>• Narrative review of selected Single Forms and Fichops</li> </ul>   |
| <b>Analysis of HOPE data</b>             | <p>An extensive quantitative data analysis was conducted on sampled records in the ECHO HOPE database. To support the cost efficiency and cost effectiveness analysis data was sampled from 179 results (82 cash, 35 voucher, 30 in-kind and 32 combined). Details of the sampling methodology and extraction process are given in Annex III &amp; IV.</p> <p>With the data extracted from the final reports, the Total Cost to Transfer Ratio (TCTR) was calculated. The TCTR was defined as the ratio of the total cost<sup>3</sup> to the value of transfers received by beneficiaries<sup>4</sup> (total cost / transfer value).</p> <p>A further data extraction was conducted to analyse the tools used by partners to select transfer modalities (see Annex V for details).</p>                            |
| <b>Telephone interviews</b>              | <p>Key stakeholders at global and regional levels were consulted through telephone interviews. Interviews were conducted using a standard checklist of questions.</p> <p>Over 70 interviews were conducted with ECHO staff, partner staff at HQ level (NGO, UN and RCM), researchers, cash transfer networks and other donors. A full list of interviews conducted by stakeholder group is given in Annex XII.</p>  |
| <b>Survey of ECHO staff and partners</b> | <p>The evaluation administered two closely-related surveys. One targeted ECHO staff (both Brussels and field-based) and one targeted ECHO FPA partners. The surveys focused on the EQs for which perception data are considered essential, whilst enabling a more structured and quantitative analysis and presentation of results.</p> <p>31 ECHO staff responded (a 24% response rate) and 71 ECHO partners (a 35% response rate).</p> <p>Survey results are presented in full in Annex X.</p>  |
| <b>Field Missions</b>                    | <p>Three field missions were conducted to three ECHO field offices: Jordan, Somalia and Niger. These were selected to allow the evaluation team to explore all six Task Areas in each setting. The field missions helped to:</p> <ul style="list-style-type: none"> <li>▪ Validate key findings of the desk phase.</li> <li>▪ Develop a better understanding of the explanatory factors underlying the desk findings</li> <li>▪ Collect additional evidence</li> </ul> <p>A range of stakeholders representing the EC/EU, implementing partners, other donors, clusters/sector leads and national authorities were interviewed using a standard checklist. A total of 70 field interviews were conducted. An exit debrief was provided in-country and the power point presentations are included as Annex XI.</p> |

<sup>2</sup> A bibliography is presented in Annex XIII.

<sup>3</sup> Total cost was defined as the total cost of the result + as judged appropriate on a case by case basis part or all of the cost of other results in the project + a proportion of the indirect costs charged.

<sup>4</sup> For cash transfer and vouchers the monetary value of the transfers was used. For in-kind transfers the transfer value was assumed to be the procurement costs. The justification for this is discussed further in Section 3 below.

An evaluation Steering Group, composed of the officers in charge of the external evaluation and representatives of PANIS, DFID and CaLP, provided comments and recommendations at each phase (inception, desk, field and synthesis) of the evaluation.

### 1.3 Limitations and challenges

**Cost Efficiency and Effectiveness Analysis:** The evaluation ToR ask for a comparative (quantitative) analysis of the cost efficiency and effectiveness of ECHO funded projects. To answer this the evaluation drew extensively on the HOPE database. However, numerous constraints were encountered to data extraction and analysis:

- Transfer modalities are not clearly identified in the HOPE database: vouchers are not distinguished from cash transfers, or conditional transfers from unconditional ones. Large numbers of projects (and results) were found to use a mixture of transfer modalities but were not clearly classified. Consequently, defining a basic sampling frame required reading a large number of narrative descriptions.
- Numerical data in HOPE was inconsistently reported and entered. For example: beneficiary numbers could refer to unique beneficiaries or number of distributions; transfer modalities were incorrectly reported<sup>5</sup>. This again required additional time to clean data by cross reference to the narrative descriptions.
- A major constraint to the cost effectiveness analysis was that only a small minority of projects used outcome level indicators, and even for those that did the basis of reporting was inconsistent precluding a comparative analysis.
- Most of the data needed for the analysis was not recorded as easily extractable numerical fields in the data base. This included key information such as the value of the transfers. Again data had to be extracted manually from the narrative descriptions.
- Projects often contained a number of loosely related activities. Consequently, the cost efficiency and effectiveness analysis related to a specific transfer had to be teased out manually from the data.

These constraints combined to: make the data extraction a highly labour intensive process; reduce the number of cases available for analysis and produced a less than ideal sample frame; and precluded some types of analyses (for example, quantitative cost effectiveness analyses).

In addition, the ECHO-specific data was limited to agency level costs and monitoring of anticipated outcomes. More comprehensive data covering indirect costs and benefits could not be factored into the analysis such as beneficiary costs or the multiplier effects on local markets.

**Survey response rates:** Considerable effort was invested in maximizing the response rates to the electronic surveys<sup>6</sup>. While the response rates were fair compared to previous

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<sup>5</sup> For example, when looking for in-kind transfers, 17 results were in fact cash transfers which were incorrectly classified.

<sup>6</sup> This included significant investment in the survey design to ensure user friendliness, two reminders, 1 deadline extension, an official notification request from ECHO evaluation sector, and a final individual follow-up email to non-respondents.

experience with similar evaluations and provided a useable sample, the response rate from ECHO staff was somewhat disappointing (24% compared to 35% for partners).

## 1.4 Report outline

The report consists of two volumes with contents summarized as follows:

### Volume 1 – Main Report

- **Introduction:** provides the scope and purpose of the evaluation and presents the evaluation report and a description of how it meets the ToR requirements.
- **Response to the evaluation questions:** a succinct answer is given to each of the Evaluation Questions (EQs). These answers are supported by detailed Evidence Papers presented in Annex.
- **Conclusions and recommendations:** drawing on the answers to the evaluation questions, core conclusions and recommendations directed to DG ECHO are given.

### Volume 2 - Annexes

- Annex I – Acronyms
- Annex II – Evaluation Terms of Reference
- Annex III – IX Evidence Papers detailing the findings of the evaluation by task area:
  - Annex III Cost Efficiency
  - Annex IV Cost Effectiveness
  - Annex V Multi-Purpose Cash Transfers
  - Annex VI Drivers of Modality Selection
  - Annex VII Links to Social Transfers
  - Annex VIII Accountability and Cross Cutting Issues
  - Annex IX – Cash and vouchers transfers in the health sector
- Annex X – Evaluation Survey Results
- Annex X1 – Field Mission Debriefing PowerPoints
- Annex XII – List of Persons Interviewed
- Annex XIII – Bibliography

The final report responds to the requirements of the terms of reference. For ease of reference, the following table presents the list of ToR requirements (Annex II) and the corresponding final report sections.

**Table 2 : Mapping the Final Report against the ToR requirements**

| ToR requirements  | Report section                                   |
|---|--|
| Executive Summary. This section should be conceived for high managerial and political level, focusing on the most important finding and recommendations. This section should clearly distinguish the six sections as indicated in the ToR.  | Executive Summary                                |
| The report should include at least a description of: <ul style="list-style-type: none"> <li>▪ the purpose of the evaluation</li> <li>▪ the scope of the evaluation</li> <li>▪ the design and conduct of the evaluation, including a description of the methodology used</li> <li>▪ limitations and challenges</li> <li>▪ the evidence found and the analysis carried out</li> </ul> | Chapter 1:<br>Introduction<br>Annexes III - VIII |
| The conclusions drawn in the form of reasoned answers to each of the evaluation questions provided in the Specifications. <b><i>The questions must be quoted fully in the report, followed by an evidence-based answer.</i></b>   | Chapter 2:<br>Response to EQs                    |
| Recommendations for the future. Recommendations should be clearly linked to the findings and based on conclusions.  | Chapter 3:<br>Conclusions and Recommendations    |
| Annexes. This section should be conceived to allow a technical reader to get as much information on the each of the specific dimensions of the evaluation that he/she is interested on. This section should clearly distinct the six sections as indicated in the ToR.  | Volume 2 -<br>Annexes                            |



## 2. Response to Evaluation Questions

| Questions   | Evaluation Findings   |                       |         |         |         |         |      |      |      |      |      |         |             |      |      |      |          |             |      |      |      |           |             |      |      |      |       |  |  |      |      |
|---|---|-----------------------|---------|---------|---------|---------|------|------|------|------|------|---------|-------------|------|------|------|----------|-------------|------|------|------|-----------|-------------|------|------|------|-------|--|--|------|------|
| <b>Task Area 1: Cost-efficiency (cost per output) of transfers by cash, voucher and in-kind</b>   |   |                       |         |         |         |         |      |      |      |      |      |         |             |      |      |      |          |             |      |      |      |           |             |      |      |      |       |  |  |      |      |
| 1.1 What are the differences in the cost efficiency between the three transfer modalities for actions funded by DG ECHO over the evaluation period? | <p>The available evidence on comparative cost efficiency still relates principally to comparisons in the use of cash and vouchers as substitutes for in-kind food transfers. All data sources reach a similar conclusion that, when used in comparable contexts, cash transfers are consistently more efficient to deliver than either vouchers or in-kind transfers. However, in some specific contexts (for example where large savings can be made on international procurement in bulk) in-kind transfers can offer a more cost efficient option.</p> <p style="text-align: center;"><b>Table 3 : Total Cost Transfer Ratio<sup>7</sup> (TCTR) by modality and number of beneficiaries</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #4f81bd; color: white;">Beneficiaries ('000s)</th> <th style="background-color: #4f81bd; color: white;">Cash</th> <th style="background-color: #4f81bd; color: white;">Voucher</th> <th style="background-color: #4f81bd; color: white;">In-kind</th> <th style="background-color: #4f81bd; color: white;">Average</th> </tr> </thead> <tbody> <tr> <td>&lt; 10</td> <td>2.72</td> <td>3.23</td> <td>2.40</td> <td>2.74</td> </tr> <tr> <td>10 – 50</td> <td><b>1.46</b></td> <td>1.87</td> <td>1.86</td> <td>1.70</td> </tr> <tr> <td>50 – 100</td> <td><b>1.30</b></td> <td>1.44</td> <td>1.55</td> <td>1.70</td> </tr> <tr> <td>100 - 500</td> <td><b>1.28</b></td> <td>1.36</td> <td>2.05</td> <td>1.60</td> </tr> <tr> <td>&gt; 500</td> <td></td> <td></td> <td>1.63</td> <td>1.63</td> </tr> </tbody> </table> <p>The administrative costs of using vouchers appears significantly higher than using cash transfers. This deserves greater attention as vouchers are rarely analysed independently and are often assumed to have similar characteristics to cash transfers.</p> | Beneficiaries ('000s) | Cash    | Voucher | In-kind | Average | < 10 | 2.72 | 3.23 | 2.40 | 2.74 | 10 – 50 | <b>1.46</b> | 1.87 | 1.86 | 1.70 | 50 – 100 | <b>1.30</b> | 1.44 | 1.55 | 1.70 | 100 - 500 | <b>1.28</b> | 1.36 | 2.05 | 1.60 | > 500 |  |  | 1.63 | 1.63 |
| Beneficiaries ('000s)   | Cash  | Voucher               | In-kind | Average |         |         |      |      |      |      |      |         |             |      |      |      |          |             |      |      |      |           |             |      |      |      |       |  |  |      |      |
| < 10  | 2.72  | 3.23                  | 2.40    | 2.74    |         |         |      |      |      |      |      |         |             |      |      |      |          |             |      |      |      |           |             |      |      |      |       |  |  |      |      |
| 10 – 50   | <b>1.46</b>   | 1.87                  | 1.86    | 1.70    |         |         |      |      |      |      |      |         |             |      |      |      |          |             |      |      |      |           |             |      |      |      |       |  |  |      |      |
| 50 – 100  | <b>1.30</b>   | 1.44                  | 1.55    | 1.70    |         |         |      |      |      |      |      |         |             |      |      |      |          |             |      |      |      |           |             |      |      |      |       |  |  |      |      |
| 100 - 500   | <b>1.28</b>   | 1.36                  | 2.05    | 1.60    |         |         |      |      |      |      |      |         |             |      |      |      |          |             |      |      |      |           |             |      |      |      |       |  |  |      |      |
| > 500   |   |                       | 1.63    | 1.63    |         |         |      |      |      |      |      |         |             |      |      |      |          |             |      |      |      |           |             |      |      |      |       |  |  |      |      |

<sup>7</sup> The TCTR is defined as the ratio of the total project cost to the value of transfers received by beneficiaries. The more TCTR exceeds unity, the less cost-efficient the project is (see Annex III).

| Questions  | Evaluation Findings  |
|--|--|
|  | <p>Non project costs - such as costs to beneficiaries - are poorly captured by ECHO partners. Additional research evidence on these factors is needed to help provide a comprehensive answer to comparative cost efficiency. The cost efficiency of cash transfers is expected to improve further at both the project level (as the use of electronic transfers increases) and at the system level (with the increased use of transfers at scale).</p> <p>The ECHO data demonstrates that other features of the project design have a potentially more significant effect on the overall cost efficiency than the modality selected, including:</p> <ul style="list-style-type: none"> <li>▪ the scale of the project</li> <li>▪ the size of the transfer</li> <li>▪ the transfer distribution mechanisms (e.g. electronic or manual)</li> <li>▪ the context (rural versus urban)</li> </ul> <p>ECHO cash transfers are mainly done at relatively small scale (predominantly by NGOs), whilst large-scale transfers are mainly implemented using in-kind transfers (predominantly by UN agencies) and increasingly through the use of vouchers. Consequently the full cost savings in the use of cash transfer do not appear to be realized by ECHO. Focussing on the transfer modality in isolation from these other variables may even reduce cost efficiency, e.g. if a large-scale in-kind transfer is replaced by a number of smaller scale cash transfer projects.</p> |
| <p>1.2 Is it possible to determine a threshold range of the Total Cost-Transfer Ratio (TCTR) of DG ECHO funded actions, and to what extent would this depend on a)</p> | <p>A ‘threshold range’ is understood as a tool to guide the appraisal of partner proposals. The TCTR values of ECHO funded projects have a relatively low degree of variance. Based on the analysis of historical projects the 25% least efficient projects are estimated to have a TCTR of approximately 2 or above, across all transfer modality types.</p> <p>It is not evident that geography per se would present a useful basis for nuancing TCTR thresholds. The small number of cases per country presents a challenge in setting reliable thresholds disaggregated to this level - nor do results appear to group easily by region. Instead it appears that the underlying cost drivers of scale, size of transfer, distribution mechanism and remoteness of operating context might be more appropriate factors to take into account in analysing the variations in the TCTR values.</p>   |

| Questions  | Evaluation Findings   |          |          |         |         |         |                   |          |          |          |      |            |          |         |         |      |              |          |         |         |      |                  |         |         |         |      |
|--|---|----------|----------|---------|---------|---------|-------------------|----------|----------|----------|------|------------|----------|---------|---------|------|--------------|----------|---------|---------|------|------------------|---------|---------|---------|------|
| geographical area; b) type of crisis; and c) type of partner?                            | <p>Equally, whilst the TCTRs vary significantly between types of implementing partner, this is best understood through reference to similar underlying variables. There appears little justification for setting different thresholds expectations on cost efficiency by type of partner - unless it can be shown that certain costs are systematically under reported by certain types of agencies.</p> <p>The crisis type can have a big influence on relative efficiency of different modalities in differing crisis settings. The data suggests that specific transfer modalities may be more challenging to deliver efficiently in certain contexts.</p> <p style="text-align: center;"><b>Table 4 : Average TCTR by Crisis Type<sup>8</sup> (number of cases shown in brackets)</b></p> <table border="1" data-bbox="725 587 1718 842"> <thead> <tr> <th>Context</th> <th>Cash</th> <th>In-kind</th> <th>Voucher</th> <th>Average</th> </tr> </thead> <tbody> <tr> <td>Complex Emergency</td> <td>2.81(27)</td> <td>1.86(13)</td> <td>2.11(18)</td> <td>2.37</td> </tr> <tr> <td>Slow Onset</td> <td>1.64(16)</td> <td>2.44(7)</td> <td>1.54(3)</td> <td>1.81</td> </tr> <tr> <td>Sudden Onset</td> <td>1.39(29)</td> <td>1.46(6)</td> <td>2.72(6)</td> <td>1.62</td> </tr> <tr> <td>Refugee Response</td> <td>1.15(4)</td> <td>1.48(4)</td> <td>1.81(7)</td> <td>1.44</td> </tr> </tbody> </table> | Context  | Cash     | In-kind | Voucher | Average | Complex Emergency | 2.81(27) | 1.86(13) | 2.11(18) | 2.37 | Slow Onset | 1.64(16) | 2.44(7) | 1.54(3) | 1.81 | Sudden Onset | 1.39(29) | 1.46(6) | 2.72(6) | 1.62 | Refugee Response | 1.15(4) | 1.48(4) | 1.81(7) | 1.44 |
| Context  | Cash  | In-kind  | Voucher  | Average |         |         |                   |          |          |          |      |            |          |         |         |      |              |          |         |         |      |                  |         |         |         |      |
| Complex Emergency  | 2.81(27)  | 1.86(13) | 2.11(18) | 2.37    |         |         |                   |          |          |          |      |            |          |         |         |      |              |          |         |         |      |                  |         |         |         |      |
| Slow Onset   | 1.64(16)  | 2.44(7)  | 1.54(3)  | 1.81    |         |         |                   |          |          |          |      |            |          |         |         |      |              |          |         |         |      |                  |         |         |         |      |
| Sudden Onset   | 1.39(29)  | 1.46(6)  | 2.72(6)  | 1.62    |         |         |                   |          |          |          |      |            |          |         |         |      |              |          |         |         |      |                  |         |         |         |      |
| Refugee Response   | 1.15(4)   | 1.48(4)  | 1.81(7)  | 1.44    |         |         |                   |          |          |          |      |            |          |         |         |      |              |          |         |         |      |                  |         |         |         |      |
| 1.3 How should the cost efficiency of DG ECHO funded actions be appraised and monitored? | <p>ECHO currently lacks corporate procedures or systems to routinely analyse the cost efficiency of proposed or on-going actions - including a cost efficiency analysis by type of transfer modality. Many partners are open to conducting cost efficiency analyses and many partners are developing their own approaches. However, these inconsistent approaches do not facilitate comparisons between projects or the most efficient allocation of available funds.</p> <p>The consensus of all stakeholders was that ECHO should incorporate a capacity for cost efficiency analysis in their systems. However, decision making should balance cost efficiency considerations against effectiveness.</p> <p>The emphasis is on keeping the requirements simple and ensuring that comparable approaches are adopted. Basic data requirements from partners to calculate efficiency ratios would include (i) the transfer value, (ii) the administrative cost, (iii) the number of beneficiaries, and the (iv) number of transfers made. This would allow ECHO to monitor a range of useful</p>  |          |          |         |         |         |                   |          |          |          |      |            |          |         |         |      |              |          |         |         |      |                  |         |         |         |      |

<sup>8</sup> Crisis type per project was categorized through a reading of the fichops

| Questions   | Evaluation Findings   |
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|   | <p>efficiency ratios with minimal increase in data requirements. A standard format for the breakdown of administrative costs may not be appropriate.</p> <p>Standardizing the methodology across agencies and donors is necessary to ensure the comparability of findings between projects, modalities and agencies, and reduce transaction costs. ECHO was seen to have a key role in promoting common approaches.</p>   |
| <p><b>Task Area 2: Cost-Effectiveness (cost per outcome) of cash, voucher and in-kind transfers</b></p>   |   |
| <p>2.1 Is there a transfer modality funded by ECHO that seems to be more cost-effective, taking into account sectors and context based factors?</p> | <p>Methodological challenges, inadequate data and differing objectives make the comparison of the effectiveness of different transfer modalities challenging. Quantitative evidence from the literature on cost effectiveness is limited and reaches mixed conclusions and the ECHO database does not currently support a cost effectiveness analysis. In practice only one transfer modality may be feasible and effective in a given situation.</p> <p>The data suggests that used in comparable and appropriate contexts, cash transfers are generally shown to be more cost effective than the alternatives in meeting food needs. However, for other sectoral objective (such as nutrition) vouchers or in-kind transfer may be assessed as more effective.</p> <p>Cash transfers are undoubtedly better at meeting diverse needs through a single transfer. The flexibility of cash transfers reduces the risk of targeting beneficiaries with the wrong goods or services Beneficiaries expressed a strong preference for cash transfers, citing the flexibility of cash. Various combinations of transfer modalities may be used, either concurrently or sequentially, but the evaluation was not able to find evidence of the relative effectiveness beyond generalized qualitative arguments.</p> <p>Effectiveness depends in part on the timeliness of the response. The evidence indicates that timeliness is primarily driven by the capacities and experience of implementing agencies, rather than being inherently associated with the transfer modality.</p> <p>A significant gap exists of the indirect impacts of cash, vouchers and in kind transfers including the multiplier effects on local markets, the greater financial and social inclusion of beneficiaries, sustainability and resilience. Accounting for these indirect effects tends to strengthen the case for cash based transfers.</p> |

| Questions   | Evaluation Findings   |
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| <p>2.2 For each transfer modality (cash, voucher, in-kind), what are the main factors associated with the effectiveness of DG ECHO funded projects?</p> | <p>A number of drivers of cost effectiveness were identified by the evaluation. Many effectiveness drivers apply to all transfer modalities while others are more closely associated with specific types of transfers.</p> <p>In general terms effectiveness depends on the design of the programme and the quality of implementation irrespective of transfer modality. The size and adequacy of the transfer in relation to needs is critical.</p> <p>Other drivers include:</p> <ul style="list-style-type: none"> <li>▪ Targeting accuracy is central but the ability to select the right beneficiaries does not seem differs according to the modality.</li> <li>▪ The delivery mechanism is seen as a big driver of cost effectiveness. Depending on the context electronic transfers were generally more efficient, but not always.</li> <li>▪ The importance of investments in preparedness to support an effective response was repeatedly referenced. This was seen as a particular issue for the use of cash transfers and vouchers were agencies lack experience.</li> </ul> <p>Complementary measures (e.g. trainings) were shown to add costs to transfers. However, the evaluation lacked the data to isolate the additional impact of such investments.</p> |
| <p>2.3 How should the cost effectiveness of DG ECHO funded actions be appraised and monitored?</p>  | <p>ECHO has not developed guidelines or procedures to facilitate cost effectiveness analysis. The ECHO Single Form and associated monitoring and reporting processes do not currently support a routine analysis of the cost effectiveness of projects. There was little evidence of partners conducting their own cost effectiveness analyses. Clearly the data demands and analytical skills required are considerably higher than for cost efficiency analysis.</p> <p>Changes were suggested in the ECHO application and reporting processes to enable cost effectiveness analysis. In addition to better information on costs and beneficiaries (outlined in Annex III) the key requirement is strengthened reporting on outcome indicators. Key changes suggested were to:</p> <ul style="list-style-type: none"> <li>▪ Review ECHO Key Results Indicators (KRIs) to ensure that all indicators measure outcomes rather than outputs.</li> <li>▪ Reduce the number of key KRIs per sector (ideally to one) and improve guidance on the presentation and use the selected indicators to ensure comparability across projects.</li> </ul>   |

| Questions  | Evaluation Findings   |
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|  | <ul style="list-style-type: none"> <li>▪ Define a KRI for multi-sector cash assistance. It was suggested by some stakeholders that <i>a coping strategy index which might be a relevant core indicator</i> to capture the overall welfare of beneficiaries – suitably adapted to context.</li> <li>▪ Increase the accountability of partners in routinely using KRIs.</li> </ul> <p>However, the actual use of cost effectiveness metrics in decision making will need to be carefully assessed given that this leaves out key issues such as preference, economic impact and the ability to meet needs outside of the objective.</p>   |
| <b>Task Area 3: Multi-purpose versus sector-specific cash transfers</b>                      |   |
| <p>3.1 To what extent have ECHO funds been used to promote multi-purpose cash transfers?</p> | <p>The concept of Multi-Purpose Cash Transfers (MPCTs) emerged in the last two years in the Middle East where disaster-affected populations have high diversity of ‘basic needs’ across sectors which can be best met through cash. MPCTs are defined by ECHO to (i) be designed to meet a variety of household needs through a single transfer, with (ii) the value based on the expenditure gap across a variety of needs. The main distinction from Unconditional Cash Transfers (UCTs) lies in the design - beneficiaries will use both for multiple purposes.</p> <p>Overall evidence suggests that the frequency of ECHO-funded projects supporting MPCT as per ECHO’s understanding is still very limited. While the fungibility of cash transfers is explicitly acknowledged in many ECHO projects –the action is still ostensibly linked to a specific sector. Transfer values are rarely designed to meet a full basket of needs.</p> <p>The HOPE database does not support a quantification of MPCT funding. Even the Syria response still involves parallel cash transfers and food vouchers. ECHO cash transfer projects with MPCT-like design feature include NGO led responses in Afghanistan, the UNICEF led cash transfers in response to the 2011 Somali Famine, and the response to Haiyan in the Philippines.</p> <p>Prompted by learning based on the Syria crisis, ECHO has started to invest in other measures to promote MPCTs. ECHO ERC budget is funding a consortium of agencies led by UNHCR with the aim of ‘Improving cash based programming through elaborating the operational implications of the multipurpose grant and increasing understanding of protection results’. ECHO has also advocated for the use of MPCTs, including through the organization of a Cash Round Table in Brussels that brought together other donors and implementing partners.</p> |

| Questions  | Evaluation Findings  |
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| <p>3.2 What is known about the cost efficiency and effectiveness of multi-purpose cash transfers compared to transfers associated with a single sector in humanitarian action?</p> | <p>Much of the evidence relating to the cost efficiency and cost effectiveness of MPCTs overlap with the evidence on the comparative cost efficiency and effectiveness of UCTs (see Annex III for details). The same contextual factors drive the cost efficiency and effectiveness of other modalities. However, MPCTs appear to have some distinct characteristics.</p> <p>There is a common perception that a consolidated MPCT must be more efficient with potential savings identified as:</p> <ul style="list-style-type: none"> <li>▪ Increased scale (a larger number of beneficiaries and larger transfer amount)</li> <li>▪ Coordinated assessment and registration processes (including a reduced duplication of beneficiaries)</li> <li>▪ A common delivery infrastructure</li> <li>▪ A reduction in the number of implementing agencies</li> </ul> <p>No quantitative evidence was found from research, evaluations or comparative studies – reflecting the relatively new status of both MPCTs and cost efficiency analysis – and there is a need to generate more quantitative evidence. Ultimately the cost efficiencies of MPCTs will be context specific.</p> <p>The <i>reported or perceived effectiveness</i> of MPCTs will be higher than other CTPs as the performance indicators capture and legitimize the full range of beneficiary uses of cash – rather than assessing outcomes in a limited number of sectors. MPCTs are clearly most effective in enabling affected populations to meet a diverse range of needs which varies among households and over time.</p> <p>All data sources pointed out that a key determinant of effectiveness of an MPCT is that the transfer is of sufficient size to meet critical expenditure gaps and prevent beneficiaries resorting to harmful coping strategies.</p> |
| <p>3.3 What lessons have been learnt about the comparison of multi-purpose cash transfers versus traditional mono</p>  | <p>Lessons from the few evaluations of ECHO funded MPCTs largely reinforce the general findings on cost efficiency and effectiveness. Although there is little quantitative evidence, there is agreement that MPCTs have the potential to be cost efficient and effective solutions in all emergency contexts where populations have a diversity of needs that can be met through the market, and where a standard allowance can be calculated easily.</p> <p>Emerging lessons relevant to assessing the cost efficiency and effectiveness of MPCTs include:</p>   |

| Questions  | Evaluation Findings   |
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| sectorial transfers in term of efficiency and effectiveness <i>in DG ECHO funded actions?</i>          | <ul style="list-style-type: none"> <li>▪ Not all material needs can be effectively addressed through a single consolidated transfer - certain, specific needs may be more appropriately addressed through single sector transfers as a complement to MPCTs – such as shelter and nutrition. Consequently a need for multiple agencies and programmes remains and cost efficiency gains will be limited.</li> <li>▪ The feasibility of using common delivery infrastructure and the savings gained from this will vary considerably by context and scale of operations.</li> <li>▪ Responding to total HH needs with limited (and inadequate) resources leads to challenges of targeting. Larger amounts have been targeted to smaller numbers of people - with disproportionate expenditure on precise targeting exercises. Some queried whether a more cost effective approach would be a simpler and cheaper system of targeting and a smaller grant that allowed for more rapid and higher coverage.</li> </ul>  |
| 3.4 What are the key bottlenecks for DG ECHO and its partners to promote multi-purpose cash transfers? | <p>Broad agreement on barriers to scaling up MPCTs was found across agencies, regarding the challenges within partners, within ECHO and within the broader humanitarian system. Many of the constraints to the use of MPCTs overlap with those relating to the use of cash transfers in general (see Annex VI).</p> <p>The major additional challenges to scaling up MPCTs are perceived to lie within the broader humanitarian system. MPCTs are understood to challenge the current humanitarian architecture, where UN agency mandates, coordination structures and funding are largely organized by sector. This leads to resistance to an MPCT approach, a lack of organizational preparedness and poorly developed tools and capacities. General donor funding procedures were also seen as major constraints.</p> <p>Within ECHO there was a perception that constraints include: resistance from some technical sectors; insufficient funding; procedures aligned to sectoral funding; and questions of mandate – as using humanitarian funds to support beneficiary priorities such as debt repayment are questioned.</p> <p>Perceived bottlenecks within organizations relate to insufficient awareness and capacities, concerns on programme quality, the sectoral nature of funding and procedures and constraints to a coordinated assessment, analysis and integrated programme design.</p> |
| 3.5 What is the attitude and understanding of (i)  | The term MPCT has only been introduced within the last year and consequently familiarity is still growing amongst ECHO staff and partners. Some stakeholders questioned the need for this term as any cash transfer, by definition, can be used fungibly to meet multiple needs. However, others thought the term makes explicit that the transfer meets needs across sectors and   |



| Questions  | Evaluation Findings   |
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| <p>DG ECHO staff, and (ii) DG ECHO partners to multi-purpose cash transfers</p>  | <p>through a single consolidated transfer. The significance is the change that this sets out in how programmes are designed – conceived, from the outset, as a response to meet multiple needs and the logic of the intervention, value of the transfer and evaluation design are developed from this understanding.</p> <p>Overall ECHO’s coining of a definition for ‘MPCT’ is seen as useful for the humanitarian sector and is filling a gap - a workable definition to support discussion and action in this area. An overwhelming majority of ECHO staff and partners alike support a scaled-up use of MPCTs.</p> <p>Partners perceive ECHO is willing to fund MPCTs and is ahead of many of its donor peers in this regard. The change to ECHO’s guidelines removing the cap of €100,000 to UCT was an important step. At an operational level ECHO is seen to actively support MPCTs, promoting both cash transfer and harmonised assistance models. At the strategic level ECHO is seen to provide important support to related capacity building and advocacy efforts, which are seen to deserve further support.</p>   |
| <p>3.6 What changes might be appropriate when updating DG ECHO's Cash and Voucher Funding Guidelines in order to take into account multi-purpose cash transfers?</p> | <p>The implications of using MPCTs are not yet widely referenced in ECHO policy documents. A note has been prepared on the principles of using MPCTs (European Commission, 2015) but other key policy documents (such as the ECHO Thematic Policy No. 3 on Cash and Vouchers) have not been updated to explicitly reference the use of MPCTs.</p> <p>Opinion was divided 50:50 on whether it would be useful to revise existing ECHO policies, or develop new ones, to promote the use of MPCTs. Some saw the importance of not promoting MPCT as a separate ‘modality’ and that therefore ECHO shouldn’t develop guidelines or policies on MPCT specifically. Whilst current policies do not promote MPCTs, neither do they preclude them. The change to ECHO’s guidelines removing the cap of €100,000 to UCT has addressed the partner’s previous policy concern. Formal policy change was not necessarily seen as the best way to ensure consistency within ECHO by either ECHO staff or partners.</p> <p>Other complementary actions were identified as high priorities in establishing and implementing a coherent policy framework, including:</p> <ul style="list-style-type: none"> <li>▪ Promoting consistency of interpretation of existing policies by ECHO staff</li> <li>▪ Improving alignment of funding with the strategic goal of promoting MPCTs</li> <li>▪ Improvements in the ECHO Single Form to support MPCTs – such as allowing for multi-sectoral objectives</li> </ul> |

| Questions   | Evaluation Findings   |
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|   | <ul style="list-style-type: none"> <li>▪ Providing the appropriate tools and support to facilitate a more joined up/cross-sectorial approach to needs assessments, analysis and programme design</li> <li>▪ Further high level advocacy with other donors and implementing agencies</li> </ul>  |
| <b>Task Area 4: Factors driving the selection of transfer modality</b>                                |   |
| 4.1 What are the key bottlenecks to increasing the use of cash and vouchers for DG ECHO partners?     | <p>The evidence indicates a range of bottlenecks exist to increasing the use of cash and vouchers. The primary bottleneck cited by ECHO partners and other donors was the availability of funding for scaled-up cash programmes. The second major bottleneck is the absence of a lead agency or cross-sectoral coordination structure. Particular coordination gaps include harmonisation of approaches towards transfer mechanisms, needs assessments, market assessments and evaluation and monitoring.</p> <p>Beyond these two factors, other blockages identified were: a lack of preparedness to deliver at scale, the availability of electronic delivery platforms, uncoordinated donor approaches, host government policies, anti-terrorism legislation, lack of evidence on efficiency and effectiveness, and organizational and individual attitudes.</p> <p>Partner capacity is not generally seen as a critical constraint. Capacity and familiarity with cash and voucher modalities has increased in recent years, thanks in part to ECHO-funded efforts such as CALP and WFP training sessions.</p> <p>Several examples were found where cash transfers have been successfully scaled-up. Key contributory factors are seen to include: in-country proof-of-concept; strong coordination and capitalisation between agencies; and coordinated capacity building initiatives.</p> |
| 4.2 What specific factors are responsible for driving the selection of a particular transfer modality | <p>ECHO staff and partners both perceive market analysis as a key factor driving modality selection. ECHO policy guidance ask partners to select the most appropriate modality on the basis of an analysis of the local situation including beneficiary needs and market analyses. Compliance with this requirement is high. The review of ECHO partner project proposals shows that response and market analyses have consistently been included and ostensibly the rationale for modality selection, as explained in partner proposal, is overwhelmingly explained by reference to these factors.</p> <p>However, further probing suggested that decision making processes are more complex. A primary consideration for many partners are the internal organisational attitudes, experience and mandates. At the onset of a crisis, when agencies need to</p>  |

| Questions   | Evaluation Findings  |
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| within DG ECHO funded actions?  | <p>respond rapidly, they will usually default to a familiar modality. In a protracted crisis there may be more room for innovation based on the local context. Secondly donor attitudes and preferences are key. Strong preferences are often articulated of ECHO staff and partners anticipate what will be favourably received.</p> <p>In practice the selection of the transfer modality by partners often precedes proposal development. The response analysis helps to confirm the feasibility of the proposed transfer modality rather than select between alternatives.</p>   |
| 4.3 To what extent is the conditionality associated with a transfer driven by factors other than by an objective response analysis? | <p>The definition of conditionality could be improved to distinguish conditions on behaviours such as vaccinations or school attendance (commonly termed CCTs) from work conditions (CFW).</p> <p>Most ECHO partner proposals were found to provide a justification for whether or not conditions were given on receipt. This was usually on the basis of either the situation or market analysis, or programme objectives. For example, in the emergency phase response, such as rapid large-scale refugee arrivals in Lebanon and Jordan, unconditional transfers were preferred as the most appropriate way to cover large populations in need of emergency assistance. Whilst in protracted crises, such as Somalia or Niger, examples were cited of cash-for-work transfers being used to build in resilience programming whilst tackling food security needs.</p> <p>Whilst partner proposals justify selection rationale in terms of the response analysis, informally many partners acknowledge that organisational familiarity as a key factor in determining whether to impose conditions on the transfer. There are no guidelines to partners or ECHO staff to guide whether transfers conditional and consequently decisions may lack consistency between countries.</p> |
| 4.4 What tools are used to select a transfer modality?  | <p>ECHO partners consider that adequate tools exist to support decision making - a wide variety of market assessment and response analysis tools are available to support the selection of transfer modalities. Indeed choosing between a plethora of options is confusing for some agencies as the different tools vary considerably in terms of the resources they require and the type of information that they provide.</p> <p>ECHO partners cite EMMA and MIFIRA as the most commonly used tools. The main challenges of using the tools were seen to include the time and capacity requirements (e.g. MIFIRA, which requires more time than EMMA), the need for good baseline data for the tool to function which is often lacking and accounting for evolving market conditions (i.e. the need for periodic re-analyses).</p>   |

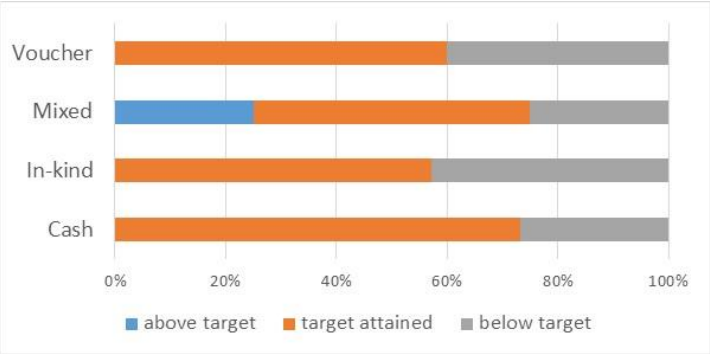
| Questions   | Evaluation Findings  |
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|   | <p>The resource demands of market assessments presents a challenge for all agencies, especially the smaller agencies lacking specialist capacity. In several instances, NGO partners sought to overcome the resource-requirements of market assessment by centralising the process. Instead of conducting individual market assessments on a project-by-project basis, some partners collaborate on a crisis level market study.</p> <p>ECHO's partners generally agreed that DG ECHO's guidelines are useful in their own right, primarily as a reference for the development of their own internal operating procedures and guidelines. Partner infrequently refer to DG ECHO guidelines and the decision tree in their project proposals.</p>   |
| 4.5 To what extent are the tools proposed by DG ECHO used and understood by its partners?   | <p>ECHO partners were generally aware of the cash and voucher policy and familiar with the decision tree. ECHO partners typically did not cite ECHO tools and guidelines in the proposal development process or see them intended for this purpose. Instead most partners referred to ECHO guidelines as useful at a policy level to help them understand ECHO's approach to cash, and as a reference for the development of their own internal SOPs. In some instances NGO partners referred to specific ECHO field officers insisting on the use of the ECHO decision tree in proposal development.</p> <p>A majority of partners did see a need to update the thematic policy at this time, in part because ECHO policy documents are not the key communication channel used by partners to understand the ECHO position on transfer modalities. Partners typically cited the HIPs and direct contact with the field staff as the main means for understanding ECHO's strategic directions.</p> |
| <b>Task Area 5: Social Transfers and cash-based intervention</b>  |  |
| 5.1 To what extent have existing social transfers and safety nets interventions been taken into account in the situation and response analysis in | <p>ECHO lacks a clear, shared, corporate definition on what constitutes a safety net or social transfer. National safety nets are only established in a subset of ECHO operational contexts. A review of the ten countries where ECHO focuses on cash and voucher transfers found approximately 2/3 have a poverty safety net of some kind.</p> <p>Fewer of these national systems include a disaster response component, to complement the core objective of transfers to alleviate chronic poverty. Three countries were identified where ECHO collaborated national social transfer systems displayed a capacity to scale-up in response to emergencies: Kenya, Ethiopia and the Philippines.</p>   |

| Questions   | Evaluation Findings  |            |           |            |             |            |             |  |  |           |            |           |            |           |            |              |    |   |   |   |   |   |
|---|--|------------|-----------|------------|-------------|------------|-------------|--|--|-----------|------------|-----------|------------|-----------|------------|--------------|----|---|---|---|---|---|
| humanitarian actions funded by DG ECHO?   | <p>At operational level the integration of safety nets into ECHO's country strategies remains inconsistent. A review of HIPs for the regions where ECHO analysis identified potential for building linkages to safety nets (MENA; Sahel; Horn) found a great variation in the extent to which national safety nets are mentioned and/or linked to ECHO's strategic response or advice to partners. The significant variations in context lead to very different strategies proposed for ECHO's engagement. The most coherent strategy is that for the Sahel region.</p> <p>An analysis was made of proposals from partners in the three focal countries (Philippines, Ethiopia, Kenya). Few gave consideration to the national system in the response design; most in Ethiopia, and fewest in the Philippines.</p> <p><b>Table 5 : Frequency of reference to national social transfer/safety nets in partner proposals (2012-14)</b></p> <table border="1" data-bbox="676 660 1767 807"> <thead> <tr> <th></th> <th colspan="2">Kenya</th> <th colspan="2">Ethiopia</th> <th colspan="2">Philippines</th> </tr> <tr> <th></th> <th>Proposals</th> <th>References</th> <th>Proposals</th> <th>References</th> <th>Proposals</th> <th>References</th> </tr> </thead> <tbody> <tr> <td><b>TOTAL</b></td> <td>13</td> <td>6</td> <td>9</td> <td>7</td> <td>5</td> <td>1</td> </tr> </tbody> </table>   |            | Kenya     |            | Ethiopia    |            | Philippines |  |  | Proposals | References | Proposals | References | Proposals | References | <b>TOTAL</b> | 13 | 6 | 9 | 7 | 5 | 1 |
|   | Kenya  |            | Ethiopia  |            | Philippines |            |             |  |  |           |            |           |            |           |            |              |    |   |   |   |   |   |
|   | Proposals  | References | Proposals | References | Proposals   | References |             |  |  |           |            |           |            |           |            |              |    |   |   |   |   |   |
| <b>TOTAL</b>  | 13   | 6          | 9         | 7          | 5           | 1          |             |  |  |           |            |           |            |           |            |              |    |   |   |   |   |   |
| 5.2 To what extent were humanitarian cash transfers funded by DG ECHO cost-efficient compared to existing social transfer interventions already in place, targeting the most vulnerable groups? | <p>A number of quantitative studies have been conducted on the cost efficiency of national social transfer systems. A basic comparison of the efficiency ratios shows that national systems deliver transfers relatively cost efficiently compared to ECHO funded humanitarian transfers. Cost efficiency savings in national systems are found to be strongly correlated with the scale and maturity of the programmes.</p> <p>None of the studies of national systems analyse separately the cost efficiency of a shock response component and the cost profile is likely to be different to core costs. While precluding a more definitive conclusion the evidence does at a minimum suggest that social transfers may be a cost efficient option. For example, in Ethiopia and Kenya – where systems include a shock response element - it appears that the cost efficiency compares favourably to ECHO cash transfers. One evaluation of the response to the food crisis in the Horn of Africa in 2011 (Slim 2012) estimated the cost of routine support to 7.2 million people via the PSNP was \$270 million compared with \$822 million for relief to 5 million people – although the conclusions were controversial.</p> <p>In disaster prone countries there is weak evidence of cost efficiencies in transitioning from humanitarian response to more long-term, predictable support through national transfer systems. One analysis suggests very large cost savings as a result of moving to early response and resilience - in Kenya these savings are projected as high as \$21 billion over 20 years.</p> |            |           |            |             |            |             |  |  |           |            |           |            |           |            |              |    |   |   |   |   |   |

| Questions  | Evaluation Findings   |
|--|---|
| <p>5.3 To what extent is the approach of linking existing social transfers with humanitarian transfers relevant to be further pursued?</p>                   | <p>ECHO staff and partners strongly agreed that ECHO should pursue the channelling of humanitarian aid through established national Social Transfer systems. Strong reasons were advanced for ECHO strategic engagement with national social transfer systems. Global experiences delivering emergency transfers through national social transfer systems have been generally positive though evidence is still very much emerging. Arguments include improved cost efficiency, greater effectiveness through improved timeliness and predictability, and increasing the responsibility of national authorities.</p> <p>Significant variations in context suggest – both in the status of national social transfer systems and of risk and vulnerability – imply a range of potential strategic responses options including:</p> <ul style="list-style-type: none"> <li>▪ <b>Advocating for the establishment of social transfer systems where they don't yet exist.</b> Limitations of capacity and mandate suggest that ECHO does not have a comparative advantage in a more direct engagement. Perhaps greatest added value is influencing DEVCO to fund and support such systems.</li> <li>▪ <b>Direct support to existing systems to respond to shocks.</b> Experiences from other donors in providing direct support Evidence from experiences (Kenya, Philippines and Ethiopia) is general positive, but ECHO has no current experience and under current regulations need to fund governments via an intermediary.</li> <li>▪ <b>Funding complementary partner-led activities</b> such as NGO resilience building activities aligned to support the PNSP in Ethiopia. There is little evidence yet on this approach – although partners highlighted the risk reverting to fragmented project based approach.</li> </ul> |
| <p>5.4 To what extent has DG ECHO provided the necessary strategic guidance and technical tools/support to partners to take into account social transfer</p> | <p>ECHO guidance for partners on linkages to social transfer systems is limited and indirect. The Thematic Policy (DG-ECHO 2013a) does not define safety net or provide a rationale for partners to take these into account. The technical annexes of the HIPs address the topic inconsistently and in an ad hoc manner. An internal scoping paper on feasibility of linking crisis response to safety nets is not yet circulated to partners. Consequently the extent to which linkages with social transfer systems are discussed is largely dictated by context and personal interest.</p> <p>Partners recommend that ECHO building more clarity on their position through policy development and global guidance. Several respondent noted that this was not a case of adapting existing policies and guidance but starting from scratch as none currently exists. Clarifications are requested to specify the overall aims and ways ECHO will consider linking to, or complementing, national systems. At the national level more detail could be provided in the HIPs through an ad hoc chapter.</p>  |

| Questions  | Evaluation Findings  |
|--|--|
| programmes in their projects?  | A need is also identified for complementary capacity building and analytical tools, both the ECHO experts and partners. ECHO field experts also requested access to specialist technical advice on social transfers.   |
| <b>Task Area 6: Accountability and cross-cutting issues</b>  |  |
| 6.1 To what extent are the transfer modalities used in the DG ECHO-funded actions coherent with the existing policy documents? | <p>The core ECHO policy guiding the use of transfer modalities is the Thematic Policy No 3 on Cash and Vouchers. ECHO sectoral policies have very limited reference to transfer modality choice, cross references to the Thematic Policy No 3 or other guidance related to the choice of transfer modality or delivery mechanism.</p> <p>ECHO staff and technical experts in partner organizations are generally aware of the Thematic Policy No 3 – although may not always be familiar with the contents. The core policy tool of the decision tree is not used consistently to guide the selection of transfer modality. Systems and procedures to ensure adherence to ECHO policies are informal and inadequate. ECHO staff identified the need for further training on the cash and voucher thematic policy.</p> <p>As discussed in Evidence Paper 4 (Annex V), partner decisions on transfer modality choice are largely guided by other factors not included in the guidance notes, such as: their assessment of suitability to context, familiarity with modalities and knowledge of best practice (e.g. from CaLP); and interpretation of messages coming from the HIP and the interpretation of messaging from donors on organizational preferences.</p> <p>Opinion was evenly divided on whether the thematic policy required updating. Issues highlighted for attention included; better distinguishing the use of cash and vouchers; shifting the emphasis to use cash as a default option; more details on the use of market analysis and electronic delivery mechanisms; links to national systems; and, details of cost efficiency analysis.</p> |
| 6.2 To what extent does the choice of transfer modality influence the impact of ECHO-funded interventions?                     | Data on partner's self-assessment of effectiveness was extracted from HOPE. The data reflects partners own reporting of their performance against the self-selected outcome indicators. The different modalities appear to have similar levels of effectiveness – although combined modalities appear to be assessed to perform better than the alternatives.  |



| Questions   | Evaluation Findings   |
|---|---|
|   | <p style="text-align: center;"><b>Figure 3: Percentage of results achieving target outcomes<sup>9</sup> by modality</b></p>  <p>In vast majority of cases explanations given for under-performance referred to either unanticipated changes in beneficiary numbers, logistical constraints or other contextual factors. Only in three out of 67 projects reviewed (4%) were specific constraints identified related to the choice of transfer modality.</p>   |
| <p>6.3 To what extent does the choice of transfer modality impact on protection issues? Are recommendations in this regard necessary for the DG ECHO policy</p> | <p>There is a widespread lack of understanding of the scope of protection and it tends to be seen equated to Gender Based Violence (GBV). In the context of the evaluation the choice of transfer modality was seen to have a limited relevance to the question of ‘stand-alone’ protection activities and more relevance from a ‘do no harm’ perspective.</p> <p>There is little evidence that the choice of transfer modality significantly impacts on protection risks. A recent evidence review (Berg and Seferis, 2015) found that “Women aren’t disadvantaged” by cash. Stakeholder perceptions were mixed, some seeing cash transfers as increasing protection risks, whilst others felt electronic cash transfers (and vouchers) can significantly reduce risks. This is supported by research and evaluations that find that different transfer modalities have different risks and that programme design in crucial in mitigating risks, rather than one being categorically more or less risky</p> |

<sup>9</sup> As assessed by partner outcome indicators, with ‘attained’ defined as +/- 10% of target



| Questions  | Evaluation Findings  |
|--|--|
| documents and guidelines?  | Opinion suggested that policy advice should focus on promoting good technical design and implementation practices that minimize a range of protection risks through mitigation measures. New guidance in relation to choice of transfer modality was not perceived to be a priority, but better use could be made of the checklist contained in the Thematic Policy No 3.  |
| 6.4 To what extent does the choice of transfer modality influence the involvement, participation and consultation of (i) vulnerable groups (children, elderly, disabled people, women) | <p>Stakeholder perceptions are that it is not the choice of transfer modality that determines beneficiary's involvement, participation and consultation, but good technical design and implementation practices. A cash, voucher, in-kind or combined approach is just as capable of involving, and enabling participation and consultation as any other modality if designed and implemented well.</p> <p>Stakeholders also argued that cash transfers are more involving and participatory in the sense that it inherently increases beneficiary's choice and dignity.</p>   |
| 6.5 To what extent has DG ECHO's 'cash first' approach been successful in promoting cash transfers as an alternative modality to in-kind distributions in the HFA sector?              | <p>Partner and ECHO staff perceive that ECHO has been at the forefront of advocacy and capacity building for cash and voucher transfers. ECHO is recognised and valued for a 'pro-cash' (rather than a 'cash-first') stance and viewed as an effective advocate for cash and an ally and opinion former at national and global levels.</p> <p>ECHO capacity building efforts in support of cash transfers are also widely valued, although stakeholders perceive a decline in support over recent years. Overall, the role of ECHO in advocacy and capacity building is rated as important as direct financing of cash transfers.</p> <p>Further opportunities were identified for continued investment by ECHO in capacity building and advocacy for cash transfers. This includes advocacy with national authorities, smaller implementing partners and many of the national societies of the RCM. Partners would like to see a more coordinated donor approach to advocacy. Other gaps include building evidence on MPCTs and multiplier effects and capacities to measure cost effectiveness and efficiency.</p> |

| Questions   | Evaluation Findings   |
|---|---|
| <p>6.6 What examples are to be found of ECHO-funded cash-based interventions being successful linking relief to development (LRRD)?</p> | <p>EU LRRD policy seeks to link the use of the different funding instruments supported by the EC – both humanitarian and development orientated.</p> <p>ECHO collaboration with the EU Delegations ranges from a strong and pro-active (as seen with the development of Joint Humanitarian Development Frameworks [JHDFs] in Jordan and Turkey to respond to the Syria crisis) to strongly bifurcated (in situations where ECHO fears engagement with other instruments would compromise its humanitarian principles – such as Somalia). Even where JHDFs have been developed very few examples could be found of effective LRRD.</p> <p>Case studies from other agencies do serve to demonstrate the potential of cash transfers to create linkages between humanitarian and development programming as beneficiaries are able to adjust the use of the transfer between meeting basic needs, rehabilitation and development purposes.</p> |

## 3. Conclusions and Recommendations

### 3.1 Conclusions

Key conclusions are presented below that derive logically from the data collection and analysis carried out during the evaluation process.

#### **C1 When used in comparable contexts by ECHO partners, cash transfers are on average more cost efficient than either vouchers or in-kind transfers**

- In-kind transfers generally have higher distribution costs (storage and delivery) and there are larger staff costs associated with managing voucher transfers.
- The comparative cost efficiency of cash transfers is understated as project data does not monitor or report the resale of vouchers or in-kind transfers.

#### **C2 The cost efficiency potential of cash transfers is not realized as ECHO cash transfer projects rarely operate at scale**

- The ECHO data demonstrates that the scale of projects is a key driver of cost efficiency – along with the size of the transfer and the distribution mechanism. Stakeholders do not perceive scale as a dominant driver.
- ECHO funds a large number of cash transfers, but these remain dominated by fragmented, small-scale – and consequently relatively inefficient projects.

#### **C3 Cash transfers are typically more cost effective, especially in meeting diverse beneficiary needs**

- Cash transfers are particularly cost effective in flexibly meeting a range of beneficiary needs. In some contexts vouchers or in-kind transfers can be more cost effective in addressing sectoral needs such as health (see Annex IX) nutrition or shelter. Combinations of transfer modalities are commonly used, but the costs and benefits of these combined approaches remain poorly understood.
- It is noted that the overall effectiveness is dependent on the size of transfer – and the quality of programme design, targeting and management.

#### **C4 The decision on whether to make transfers conditional – for example as CCTs or CFW – is not usually based on evidence of effectiveness**

- The choice of conditionality is typically *ad hoc* and heavily influenced by personal preferences or organizational norms - of both implementing agencies and donors.
- ECHO guidance does not provide criteria to help guide the appraisal of conditionality.

#### **C5 The difference in the cost efficiency and effectiveness of vouchers compared to cash transfers is under acknowledged**

- Vouchers typically have higher administrative costs than cash transfers and are subject to resale by beneficiaries, who use the cash to meet other priority needs.

- However, cash and vouchers are commonly viewed by ECHO and partners as innovative ‘market based interventions’ with similar costs and benefits, especially in relation to the benefits on the local economy.

#### **C6 ECHO lacks the corporate capacities and processes to appraise, monitor and evaluate the cost efficiency and cost effectiveness of the actions it funds**

- ECHO currently has minimal capacity to analyse the cost efficiency and cost effectiveness of its funded actions. The Single Forms and HOPE dataset are not designed to facilitate this process, nor is it considered a core responsibility by ECHO staff.
- Partners are developing their own approaches, but standardized approaches are needed to allow agencies and donors to make comparative judgements.

#### **C7 Cost efficiency can be measured and appraised with relatively low additional demands on partners**

- The evaluation found that establishing threshold ranges of the ratio of administrative costs to the transfer value would be a feasible and potentially highly useful metric for interrogating efficiency of different proposed interventions.
- Further breaking down administrative costs into standard sub-headings *in proposals* would be time consuming for partners and offer little added value to ECHO. Understanding the justification for high cost projects is best done through dialogue, rather than detailed budget submissions in every proposal.

#### **C8 The choice of modality by partners is primarily driven by policies, capacities and attitudes of partners and donors, with the contextual analysis confirming the feasibility of the selected modality**

- Most proposals analyse markets to support the choice of modality, and to varying degrees other criteria including: beneficiary preference; needs and risks of specific vulnerable groups; protection (safety and equality in access), gender concerns and cost efficiency.
- However, the primary considerations driving the modality selection are the policies, capacities and attitudes of donors and partners, with the contextual analysis being used to ‘validate’ the preferred option.

#### **C9 The concept of ‘Multi-Purpose Cash Transfers’ is still gaining acceptance, but helps clarify the way in which cash transfers are designed, monitored and evaluated**

- MPCT is a relatively new term defined by ECHO that has come to the fore as part of the response to the Syria crisis. For many stakeholders there is a confusion in the difference between MPCTs and Unconditional Cash Transfers (UCTs) as all cash transfers are used for multiple needs by beneficiaries.
- However, the term MPCT is useful in helping to clarify the way in which cash transfers are designed, monitored and evaluated by agencies. It increases the recorded effectiveness of cash transfers by ensuring a wider range of outcomes are acknowledged.

#### **C10 Additional cost efficiency gains are expected from delivering Multi-Purpose Cash Transfers in an integrated way, but there is little evidence on these savings yet**

- MPCTs have potential additional cost efficiency gains compared to the use of UCTs in projects in a ‘business as usual’ approach. Some additional efficiency gains can be reasonably expected from the use of MPCTs from a reduced number of assessments, a coordinated delivery mechanism and reduced numbers of operational agencies.
- However, given that there are few examples of MPCTs operating at scale – even the Syria response still utilizes parallel cash and voucher transfers - evidence on the cost efficiencies of a more integrated approach is lacking.

**C11 All humanitarian needs cannot be met through a single cash transfer, and MPCT will be delivered alongside other complementary forms of humanitarian assistance**

- MPCTs can cover priority needs that can be met through markets, but some specific sectoral needs are best addressed through additional in-kind transfers and services (i.e. most aspects of protection, health, nutrition and sanitation needs)
- A case management approach is also required to provide additional assistance (using a variety of transfer mechanisms) to extremely vulnerable HHs.

**C12 Expanding the use of MPCTs requires a review of agency mandates and coordinated donor approaches**

- Sector based agency mandates have inhibited the use of MPCTs by key partners, especially large UN agencies critical for ECHO to support delivery at scale.
- A multi-donor approach is essential to the institutionalization of MPCTs. ECHO can pilot and demonstrate their effectiveness, but collective donor support is needed to finance MPCTs as a routine option at scale.

**C13 There are strong arguments for the greater integration of humanitarian aid with national social transfer mechanisms**

- Practical experience of delivering emergency transfers to national social transfer systems are limited (Kenya, Philippines, Ethiopia) but were positively evaluated.
- Helping national governments to take responsibility for meeting the needs of their citizens is an important objective, providing a medium term exit strategy.

**C14 ECHO has demonstrated little tangible impact in supporting the development or operation of national social transfer systems**

- In many of the ECHO focus countries national social transfers do not exist. ECHO lacks technical skills, or the scale and predictability of budget, or mandate, to help establish such systems. ECHO can influence DEVCO to support national social transfer systems.
- Where national systems exist, is ECHO does not routinely analyse – or encourage partners to analyse – the potential linkages with social transfers through country strategies. Given the great diversity of contexts careful thought is needed in each country as to whether ECHO can and should seek to engage – and how to do so. This should include a consideration of whether engaging with a national system risks compromising humanitarian principles.
- Few national social transfer systems are geared towards disaster response. In any case ECHO is legally not able to channel aid directly to national governments to disburse

through these systems. There is weak evidence that efforts to design ECHO funded activities as complements to the national social transfer systems have been effective.

**C15 ECHO policies have not kept pace with the changing context for using different transfer modalities and policy adherence within ECHO requires attention**

- Suggested changes to policies included: better distinguishing the use of cash and vouchers; shifting the emphasis to the use of cash transfers as a default option; more details on the use of market analysis and electronic delivery mechanisms; explaining the objectives of creating links to national systems; and approaches to cost efficiency analysis.
- ECHO staff felt little accountability for policy adherence, which is often seen as ‘advisory’ or poorly communicated. Given the state of flux in key areas of innovation related to cash transfers, policies might be more usefully updated in the medium term.

**3.2 Recommendations**

This evaluation only has the authority to make direct recommendations to DG ECHO. However, the findings and conclusions may be of relevance to a wider stakeholder group.

The recommendations fall under two main headings.

- Firstly, based on the existing evidence, DG ECHO is recommended to increase the use of cash transfers at scale to improve its overall cost efficiency and effectiveness.
- Secondly, in line with the requirements of the ToR, detailed recommendations are given on how to strengthening the cost efficiency and cost effectiveness analysis of DG ECHO funded actions.

| Recommendation   | Supporting Conclusions | Responsibility              |
|--|------------------------|-----------------------------|
| <b>A. DG ECHO should progressively increase the use of cash transfers at scale to improve cost efficiency and effectiveness, as one element of a comprehensive response</b>  |                        |                             |
| <b>A.1 ECHO should advocate to other key humanitarian donors to fund UCTs and/or MPCTs at scale.</b>   | 1, 2 & 3               | Field level / Capitals      |
| <b>A.2 In consultation with other donors, ECHO should engage in a strategic dialogue with UN partner agencies to clarify their respective mandates for the use of UCTs and MPCTs.</b>  | 2 & 12                 | Agency HQs                  |
| <b>A.3 Develop a strategic approach to promote the use of cash transfers through an analysis of transfer modalities as a chapter in each HIPs and identify/ implement complementary actions needed to address contextual constraints to the use of cash at scale (eg. advocacy with National Governments).</b> | 8 & 12                 | Field with Brussels support |
| <b>A.4 ECHO should invest in preparedness measures of partners to deliver cash transfers at scale including: common market assessments, common / integrated cash delivery mechanisms and common registration and targeting systems</b>   | 10                     | Brussels                    |
| <b>A.5 Strengthen relevant ECHO policy frameworks:</b>   |                        |                             |

| Recommendation  | Supporting Conclusions | Responsibility              |
|---|------------------------|-----------------------------|
| - Review relevant ECHO policies to align with an objective of delivering cash transfers at scale (including MPCTs)  | 1, 2, 3 & 9            | Brussels                    |
| - Draw a clear distinction in all policies, strategies, guidance and processes on the use of vouchers compared to cash transfers  | 5                      | All                         |
| - Strengthen policy dissemination amongst ECHO Field Experts and develop mechanisms to ensure policy adherence  | 15                     | Brussels                    |
| - Support policy oriented research on i) the use of combined transfer modalities, and ii) the efficiency and effectiveness of consortia   | 1 & 3                  | Brussels                    |
| <b>A.6 Promote the use of national social assistance systems to address emergency needs, where possible and appropriate:</b>  |                        |                             |
| - Include a Chapter in the HIPs an analysis of the potential of national social transfer systems in meeting emergency needs and implications for project activities                 | 13 & 14                | Field with Brussels support |
| - Provide training, guidance and specialist technical support on social transfers/safety nets to ECHO technical experts and desks to enable them to undertake this analysis.        | 13 & 14                | Field with Brussels support |
| - Advocate with the EU Delegations to establish and/or support national social transfer systems as appropriate.   | 13 & 14                | Field with Brussels support |
| - Consider changes to the Humanitarian Regulation to allow direct funding of National Authorities   | 13 & 14                | Brussels                    |
| <b>B Institutionalize the analysis of cost efficiency and strengthen the capacity for cost effectiveness analysis</b>   |                        |                             |
| <b>B.1 Adapt the Single Form to enable a routine analysis of cost efficiency:</b>   | 5, 6 & 7               | Brussels                    |
| - Add a new option under the list of 'sectors' by result of 'Multi-Sector/ Basic Needs'   |                        |                             |
| - Classify transfer modalities within each result as one or more of: in-kind, vouchers and cash transfers - clearly distinguishing cash transfers from vouchers                     |                        |                             |
| - Record beneficiary numbers by result as i) the number of households and individuals targeted, and ii) the number of transfers made.   |                        |                             |
| - Record the transfer costs and the administrative costs separately by result – with transfer costs defined strictly as the value of money or goods received by beneficiaries.      |                        |                             |
| - Record the costs of in-kind transfers as both a) actual procurement costs, and, b) the equivalent value of the transfer on retail markets used by the beneficiaries.              |                        |                             |
| <b>REC 6: Institute procedures for the routine analysis of the cost efficiency of proposed and completed interventions:</b>   | 6 & 7                  | Brussels                    |
| - Calculate the TCTR (supplemented by other measures of cost efficiency using the same basic data) for each result, and the whole project, as a standard measure of cost efficiency |                        |                             |
| - Consider using a preliminary threshold of a TCTR > 2.0 in appraisals to trigger further dialogue on cost structures   |                        |                             |

| Recommendation  | Supporting Conclusions | Responsibility |
|---|------------------------|----------------|
| - Develop a database of TCTRs, cross referenced by key variables (including country, number of beneficiaries, number of transfers, amount of transfer and transfer modality) to refine the TCTR thresholds. |                        |                |
| - Consider recruiting specialist regional humanitarian economists to support the Field TAs  |                        |                |
| <b>REC 7</b> As a basis for cost effectiveness analysis, review the selection, definition and use of Key Results Indicators (KRIs):   | 3, 4, 6 & 7            | Brussels       |
| - Reduce the number of outcome indicators per sector and develop guidance to ensure that specific KRIs are clearly defined and are presented in a comparable manner   |                        |                |
| - Consider the Food Consumption Score as a single <u>core</u> food security KRI   |                        |                |
| - Consider the Coping Strategy Index (CSI) as a single core KRI to capture the outcome of all multi-sectoral transfers  |                        |                |
| - Identify and review possible indicators to monitor the timeliness of response   |                        |                |
| - Initiate dialogue with other EU donors on standardized outcome indicators to be used across agencies.   |                        |                |