



## Social transfers value for money checklist

16 steps for programme design, support and management<sup>1</sup>

### Before you start at step A:

- VfM analysis can be costly, so be proportionate: budget according to programme size
- Plan your VfM analysis early and book economists' time well in advance
- Don't expect complete data, and plan how data gaps can be filled in future
- Think about your own context, there may be good reasons why your costs are higher.

### A. Understand the 3e's framework

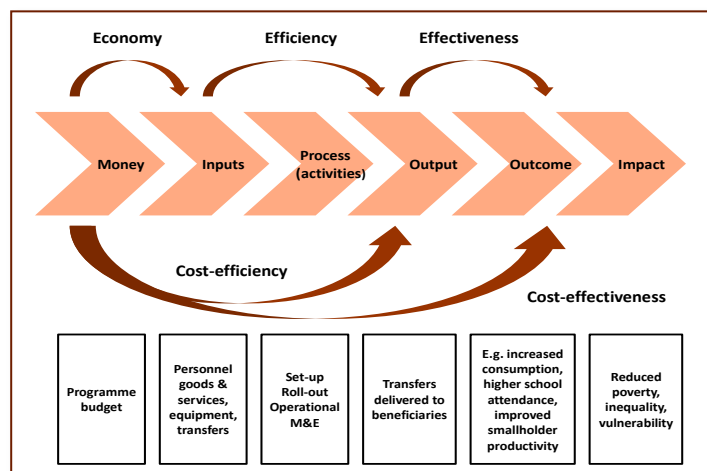
**Economy:** the price at which inputs are purchased.

**Efficiency:** how well inputs are converted to outputs, or transfers.

**Effectiveness:** how well outputs are converted to outcomes and impacts.

**Cost-efficiency:** the relationship between costs and value of transfers delivered to beneficiaries.

**Cost-effectiveness:** the cost of achieving intended programme outcomes and impacts.



### B. Set out costs for all development partners, including total programme

- **Coverage**, by year
- **Transfer cost**, by year and overall
- **Administrative cost**, by year and overall
- **Other costs** (to recipients, and cost of complementary services)
- **Total programme cost** (transfer, administrative and other) by year and overall

### C. Break down programme administrative cost into key components

- **Set-up costs:** design, planning, training and major investments in systems
- **Roll-out costs:** targeting/retargeting and enrolment of beneficiaries
- **Operational costs:** recurrent implementation costs, e.g. delivery of transfers
- **Monitoring & evaluation costs:** regular monitoring, learning and external evaluations.

### D. Assess 'other' costs, where possible

Assess other quantifiable and non-quantifiable costs where possible: costs to beneficiaries and communities, and other political, economic, social and environmental costs.

### E. Estimate quantifiable benefits, and assess unquantifiable benefits

- **Outputs, outcome and impacts** reflected in your logframe

<sup>1</sup> This checklist accompanies *Guidance on measuring and maximising value for money in social transfer programmes – Toolkit and explanatory text*, White, P. Hodges T & Greenslade, M. (2013) DFID, London. Available at <https://www.gov.uk/government/publications/guidance-for-dfid-country-offices-on-measuring-and-maximising-value-for-money-in-cash-transfer-programmes>

- **Other benefits**, growth and multiplier effects, social benefits (social status, reduced crime), political benefits (especially of universal programmes) and environmental
- Use evaluation findings from this or comparable programmes and describe the quality of the evidence.

#### F. Understand when cost-efficiency, cost-effectiveness and cost-benefit analysis needs to be done

**Cost-efficiency analysis:** at all stages - design, implementation and evaluation

**Cost-effectiveness analysis:** at design and evaluation stages

**Cost-benefit analysis:** at design and evaluation stages where benefits can be monetised.

#### G. Do cost-efficiency analysis in all cases to establish the most cost-efficient way to deliver transfers to beneficiaries

**Economy:** examine procurement procedures to ensure that inputs (personnel, materials, equipment and services) of the required quality are obtained at the best possible prices.

**Efficiency:** scrutinise management organisation, implementation approaches and technical design to ensure that inputs are used to achieve outputs as efficiently as possible.

**Cost-efficiency metrics:**

- **Total cost-transfer ratio** (TCTR) is the ratio of *total programme cost* to value of transfers.
- **Cost-transfer ratio** (CTR) is the ratio of *administrative costs* to transfer costs.
- TCTR is better for in-kind transfers, because it allows the procurement cost of transferred commodities, which is included in total cost, to be compared with their transfer value at the point of distribution using market prices.
- **Unit cost** is the cost per unit of output or cost per direct recipient or beneficiary, per period.

#### H. Check cost-efficiency and unit costs against international benchmarks

But **beware programme comparability issues** such as context, objectives, scale and maturity.

**Table 1: Unit cost and cost-efficiency ratios for selected social transfer programmes**

Programme	Year of operation to which cost efficiency metrics apply	No. of direct recipients	Cost per direct recipient	Cost per wider beneficiary	Admin cost per recipient	Admin cost as % of total cost	Total cost-transfer ratio
<b>Ex ante costs (2012 US\$)</b>							
Ghana LEAP, 2012	5	164,370	155	40	35	23%	1.29
Nigeria CDG, 2017	5	60,000	400	100	107	27%	1.37
Tanzania PSSN, 2018	5	275,000	296	55	104	35%	1.54
Zambia Child Grant, 2015	5	85,502	237	47	60	25%	1.34
<b>Actual costs (current US\$)</b>							
Bangladesh CLP, 2011	8	17,485	940	235	347	37%	1.59
Ethiopia PSNP, 2010	7	7,535,451	34	34	9	28%	1.38
Ghana LEAP, 2010	3	26,079	132	34	69	53%	2.11
Kenya CT-OVC, 2008	3	15,000	331	75	83	25%	1.34
Kenya HSNP, 2011	4	68,611	297	50	51	17%	1.21
Mexico PROGRESA/ Oportunidades 2000	4	2,600,000	314	63	16	5%	1.05
Mexico PROGRESA/ Oportunidades 2012	16	6,500,000	815	163	42	5%	1.05
Zambia Child Grant, 2011	2	32,643	251	50	111	44%	1.79

#### I. Be aware of the limits of cost-efficiency analysis

- Limited to transfer and administrative costs, and may face data gaps (e.g. govt. staff costs)
- Not necessarily a good indicator of *cost-effectiveness*.

## J. Analyse cost-effectiveness for wider, measurable benefits

**Cost-effectiveness metrics:** *cost per measure of outcome or impact* e.g. unit cost per 1% reduction in poverty gap, inequality or incidence of child stunting. Use to compare costs of alternative ways of achieving desired outcomes and impacts.

## K. Be aware of the limits of cost-effectiveness analysis

- Data requirements and methods can be demanding
- Effects need to be measurable in the same units
- Ignores impacts that cannot be measured.

## L. Consider cost-benefit analysis where main costs and benefits can be credibly monetized

**Basic cost-benefit analysis (CBA) steps:**

1. *Identify main units of benefit and how they may be quantified and valued*, and set out assumptions and evidence on which they are based. Benefits might include:
  - immediate value of transfers to recipients, with distributional uplift where appropriate
  - short-term welfare benefits from better health & nutrition
  - short to medium-term household productivity gains due to liquidity and nutrition impacts
  - medium to long-term earnings gains for children due to better physical and cognitive growth
  - income multiplier effects in the local economy.
2. *Set out incremental economic cost and benefit streams* over a full time horizon (for all the years that they accrue), compared with the counterfactual case (what would have happened in the absence of the programme).
3. *Discount costs and benefits over time*, using established country discount rate.
4. *Calculate cost benefit analysis metrics:* net present value, benefit-cost ratio using country discount rate, and economic internal rate of return (optional).
5. *Test sensitivity to changes in key assumptions* (including discount rate) to reflect uncertainty.
6. *Show proportion of costs attributable to partners* financing the programme.

Where units of benefits can be monetised but their quantity cannot be estimated, do *break-even analysis*: assess the benefits required to outweigh costs, and their likelihood of achievement.

Table 2 overleaf provides examples of CBA results from evaluations and appraisals.

## M. Be aware of the limits of cost-benefit analysis

- Can be time-consuming and expensive
- Relies heavily on the credibility of assumptions and inferences from other contexts
- Is open to manipulation and 'optimism bias'.

## N. Show you have considered the critical cost-effectiveness drivers

- **Whether and how to target:** cost as percentage of total cost, percentage of recipients not in target group, percentage of target group not receiving transfers, percentage of total transfers reaching target group(s), frequency of retargeting and rate of graduation.
- **Transfer levels:** level/s of transfer per direct recipient per month in cash terms and as percentage of current poverty line and minimum wage; arrangements for periodic review of levels; arrangements for changes in nominal levels to maintain real levels over time, in response to consumer price index and food prices; arrangements for changes in real levels to increase impact.
- **Conditionality - whether and how to apply:** public costs of monitoring conditions and private costs of compliance; additional use of services specified in conditions, and cost of supplying additional services.
- **Implementation systems:** costs of registration, enrolment, recipient identification and

payments; frequency and timeliness of payments; appeals procedures and outcomes; integrity of financial management systems and control over fiduciary risk.

**Table 2: CBA results from evaluations and appraisals of social transfer programmes**

Programme	Estimate	Source
<b>Benefit to cost ratios</b>		
<b>International evaluations (ex-post)</b>		
Colombia: Familias en Accion	1.59	IFS, 2006
<b>Evaluations (ex-post) for DFID-supported programmes</b>		
Bangladesh: Challenging the Frontiers of Poverty Reduction	3.1 – 6.2	Sinha et al. (2008)
Ethiopia: Productive Safety Net Programme	1.8 – 3.7	Wiseman <i>et al.</i> (2010)
<b>DFID economic appraisals (ex-ante)</b>		
Bangladesh: Chars Livelihoods Programme 2	4.02	Tauhid (2009)
Ghana: LEAP support and expansion	1.34	White (2011)
Nigeria: Child Development Grant	2.18	White (2012)
OPTs: Urban vouchers	1.03	Shah (2011)
Uganda: Social Assistance Grants for Empowerment	1.49	DFID (nd)
<b>Economic rate of return</b>		
<b>International evaluations (ex-post)</b>		
China: South West China Poverty Reduction	8.6 – 9.8%	Ravallion and Chen (2005)
Bangladesh: Food for Education	15 – 26%	Ryan, J.G. and Meng, X. (2004)
Mexico: Oportunidades	8 – 17%	Coady & Parker (2004); Gertler, Martinez & Rubio-Codina (2006)
<b>DFID economic appraisals (ex ante)</b>		
Pakistan: Flood compensation cash transfers	18%	Ferrand (2011)
Zimbabwe: OVC programme – cash transfers element	13%	Toigo
<b>International studies - other sectors</b>		
Median for all WB programmes across all sectors for which ERR estimated, 2005-07	24%	Warner (2010)
<b>Local multiplier effects (n = nominal, r = real)</b>		
<b>International studies</b>		
Lesotho: Child Grants Programme (ex-ante, 2011 baseline)	2.23 (n) 1.36 (r)	Taylor <i>et al.</i> (2012)
Kenya: Cash Transfer for Orphans & Vulnerable Children (ex-post, Pilot Phase)	1.34 – 1.81 (n) 1.08 – 1.23 (r)	Taylor <i>et al.</i> (2013)
Malawi: Dowa Emergency Cash Transfer, 2007	2.02 – 2.45	Davies and Davey (2008)
Mexico: PROCAMPO, 1994-97	1.97	Sadoulet, De Janvry & Davis (2001)

### **O. Build a framework for M&E into programme design, based on the logframe**

The M&E system must be able to provide evidence to validate/inform VfM assessment. See Dissanayake *et al.*, 2012 – *Guidance on evaluating social transfer programmes*.

### **P. Will the programme be sustained when donor support ends?**

**Sustainability analysis** should assess:

- **Government costs** during and after the programme in cash terms and as a percentage of recurrent government expenditure and of GDP
- Other indicators of **fiscal space**, e.g. GDP and tax revenue growth, fiscal balance, aid dependence
- Evidence of **government commitment** to fund programme extension or scale-up by a specific deadline.