

Cost-efficiency analysis of cash transfer programs and in-kind assistance in Colombia

March 2026 | Colombia

Context

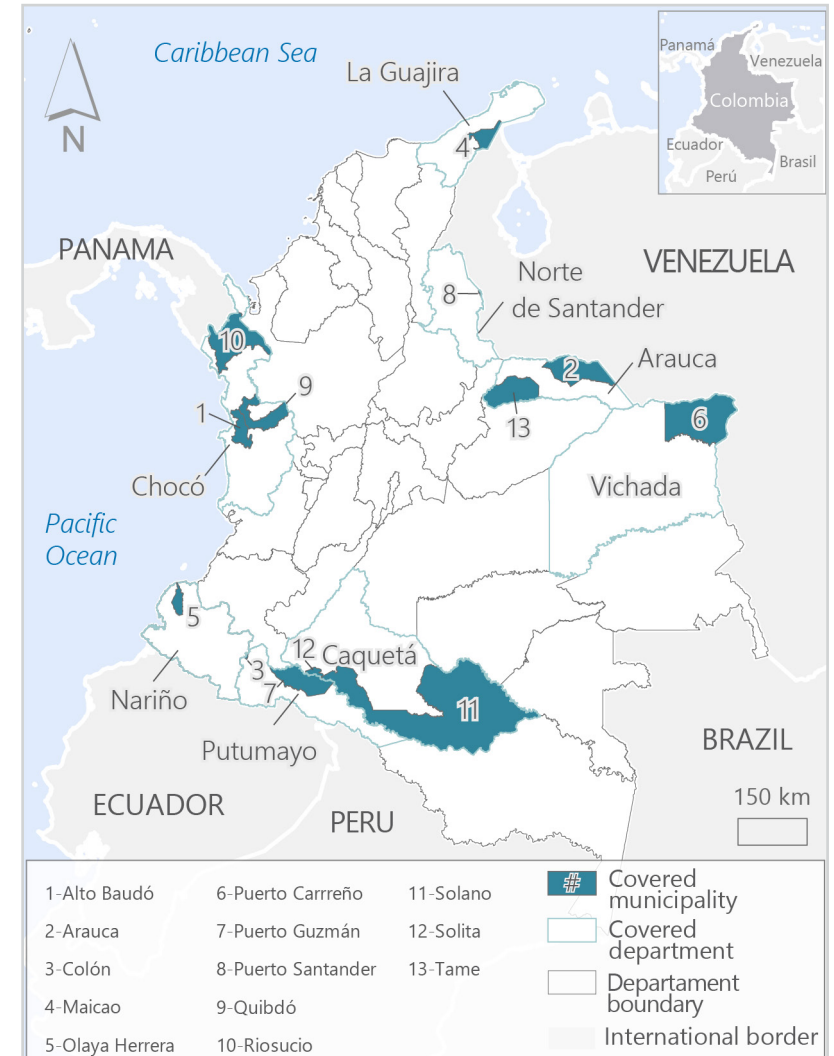
The humanitarian reset aims to steer the response toward a more people-centered approach by maximizing the use of resources, **prioritizing local responses, and providing assistance through cash transfer programs** in line with the Great Bargain agreements¹. However, in Colombia, funding for cash transfers has been negatively impacted by the overall reduction in humanitarian funds. According to the Financial Tracking Service (FTS) for the 2025 Humanitarian Response Plan (HRP), of all planned activities involving multipurpose cash assistance (MPCA), only 12% have been funded, creating a gap between the needs of affected populations and the response capacities of organizations.

At the global level, the MPCA model has technical backing regarding its relevance, as it has demonstrated that, in emergency contexts, it is an assistance model that addresses basic needs in a more **cost-efficient, flexible, and community-responsive manner** for affected communities². However, the bulk of this evidence has focused on countries such as Kenya, Somalia, Ethiopia, and Lebanon. In this context, the Colombian Cash Working Group (CWG), in collaboration with REACH Initiative, proposed conducting an analysis to explore the cost-efficiency of cash-based assistance compared to direct in-kind distributions, **particularly in areas with severity 4³**, with the aim of **contributing to the evidence base on the efficiency of cash transfers** and their relevance in contexts prioritized by the Humanitarian Country Team for 2026 (areas with double or triple impacts from armed conflict, migration crises, or climate variability events).

Key Messages

- The cash transfer programs studied demonstrated greater cost-efficiency compared to in-kind assistance. On average, in-kind incur \$2.69 in administrative costs for every dollar transferred, while cash transfers incur \$1.17, representing a difference of \$1.52 per dollar transferred to beneficiaries.
- The efficiency of interventions also varies depending on the response sector, the duration of the program, and operational conditions, especially in contexts with greater logistical or access challenges.
- Both delivery modalities exhibited economies of scale, but these were more pronounced in in-kind than in cash transfers.

Scope of analysis



Methodology

This analysis was conducted using budget data from four organizations within the CWG ⁹. To this end, a matrix was designed to project program costs in a standardized manner, thereby calculating the total cost ratio (TCR). In the literature, the TCR is the method used to calculate cost-efficiency for both MPCA and in-kind programs; this formula divides the total program costs by the value of the cash transfer or the goods delivered to beneficiaries.

$$TCR = \frac{\text{Total cost of the transfer} - \text{value of the transfer}}{\text{Value of transfer}}$$

Characterization

What is cost efficiency, and what does the TCR represent?

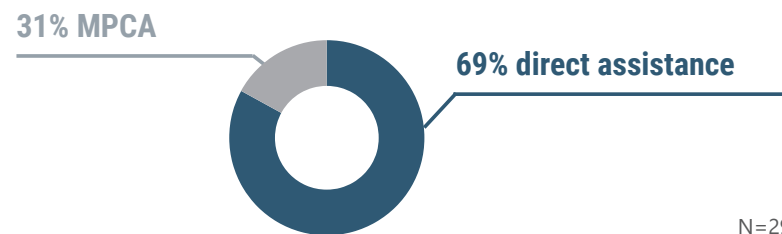
For this analysis, the term “cost-efficiency” was adopted from the Value for Money (VfM) analytical framework developed by the Department for International Development (DFID)⁴, which refers to **maximizing the impact of the resources allocated to improve the lives of people in vulnerable situations**. To assess VfM, the framework uses the “4Es,” referring to the analysis of the effectiveness, efficiency, economy, and equity of the implemented project.

In these analytical categories, effectiveness refers to the achievement of results and impact in relation to the underlying costs associated with the outputs; **efficiency refers to the aggregate cost of the inputs that are transformed into outputs**; economy refers to the cost of the inputs; and equity is a cross-cutting concept related to the fair distribution of the assistance.




Given the above, **cost-efficiency analysis involves maximizing the output per dollar spent on inputs**, and therefore, this type of analysis is limited to identifying a program’s performance in terms of **costs and distribution**.

It is worth noting that the cost-efficiency analysis does not aim to measure the impact of cash-based interventions in the country, nor does it seek to prioritize program-related expenditures within humanitarian assistance, as its purpose is not to generate profits, but rather to help populations affected by crises overcome their vulnerability.

Breakdown of the types of assistance reported



Of the twenty in-kind programs, ten were for food security, nine for water and sanitation assistance (WASH), and one for health. Meanwhile, the MPCA were aimed at:

-  Responding in terms of protection for vulnerable populations or survivors of gender-based violence (GBV). (6 programs)
-  Responding to winter storm emergencies. (2 programs)
-  Improving the protective environment for communities in hard-to-reach areas facing multiple or compound challenges. (1 program)

Timeframe of the programs analyzed

For the analysis, programs with at least six months of implementation were considered, as well as those that completed the entire project in a shorter period. This was done to avoid analyzing periods that were too short, which may be subject to spikes in procurement or distribution, since short periods can involve concentrated expenditures that do not reflect the program’s regular operations.

To that end, data was collected on projects implemented from 2021 through 2025. The in-kind programs had an average duration of 6.9 months, while the cash transfer programs lasted 11.2 months.

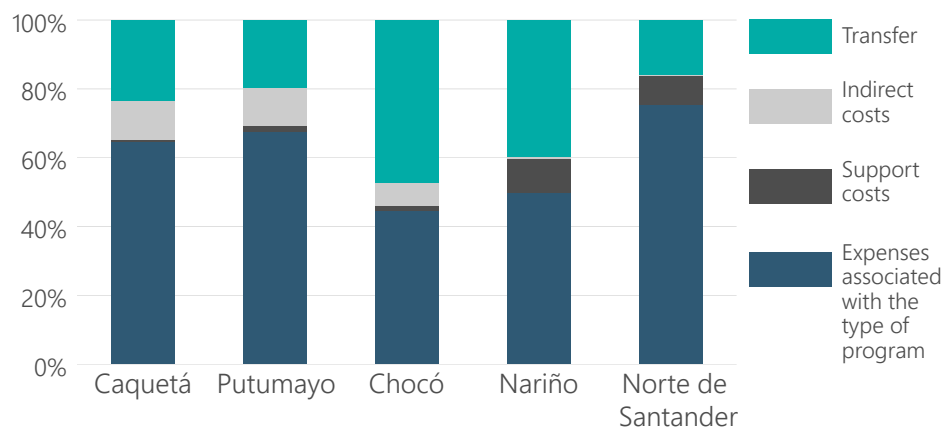
Breakdown of program expenses

Based on the information in the matrices, the data was broken down by type of assistance for the different categories of expenditure in order to provide an overview and characterization of the programs.

Type of expense	Definition
Indirect costs	Costs that cannot be directly attributed to a specific program or project, but that are essential to the overall operation of the organization.
Support costs	Costs directly related to the implementation of projects and activities.
Expenses associated with the program	Costs directly associated with delivery by type of assistance (e.g., commercial service fees for the financial services provider).
Value of the transfer	Total value of the transfer or goods delivered to the beneficiaries.

Within each in-kind program, the portion allocated to expenses related to the delivery method (salaries, storage, transportation, etc.) accounted for a large share of the budget, particularly in Norte de Santander.

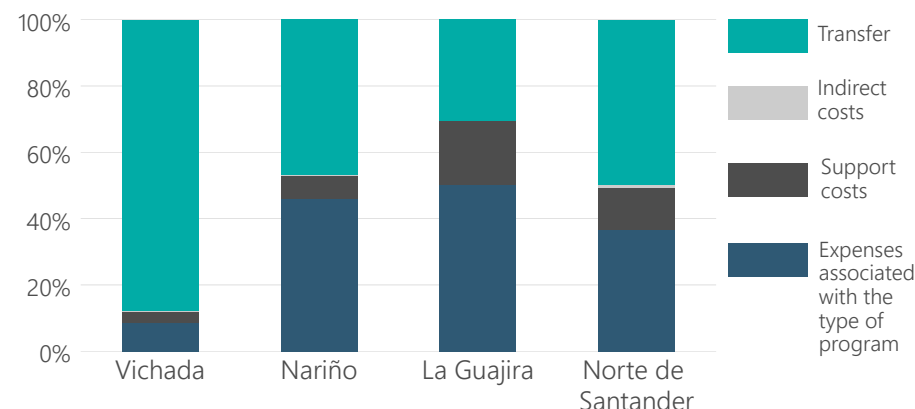
Figure 1: Breakdown of program expenditures by category and department for in-kind assistance



For the MPCA, indirect costs accounted for a smaller share of total costs, while the share of direct support expenses (travel, supplies, etc.) increased. In addition, a higher proportion of the transfer amount was allocated to total project costs, particularly in the case of Vichada.

It should be noted that these percentages must be considered in relation to the size of the programs. This will make it possible to determine whether the reduction in indirect costs is due to the type of transfer or to economies of scale resulting from the volume of operations, a topic that will be addressed later.

Figure 2: Breakdown of program expenditures by category and department for MPCA



Cost-efficiency: A Comparative Analysis

TCR: Direct assistance versus MPCA

The TCR indicates how much organizations spend on administrative costs for every dollar transferred to beneficiaries. According to the data analyzed, delivering one dollar through MPCA requires an average of \$1.17 in support costs, which is \$1.52 less than with in-kind assistance, demonstrating better overall cost efficiency.

In this case study, in-kind programs have the highest TCR: for every dollar invested in the households assisted, an average of \$2.69 was needed to cover administrative expenses. However, significant variations were identified among in-kind programs depending on the sector they aimed to serve (Figure 4).

Figure 3: TCR in-kind and MPCA

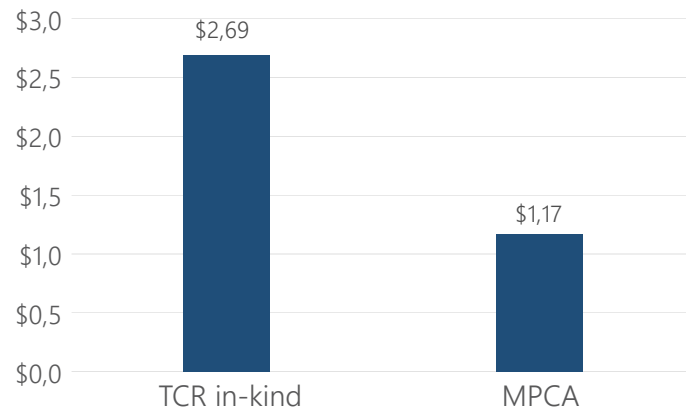
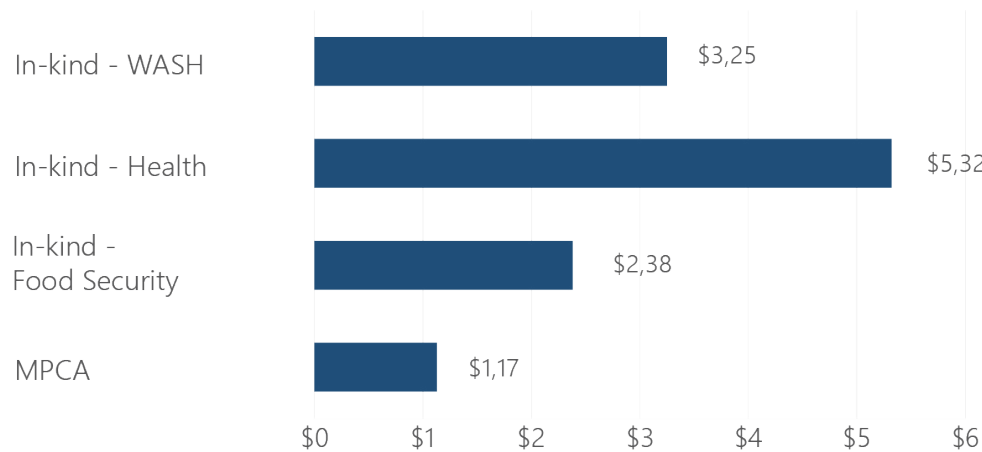


Figure 4: TCR in-kind and MPCA per type of sector



Health assistance costs in in-kind programs were the highest; however, according to information reported by the organizations, this type of program includes a range of activities and indicators that go beyond the delivery of equipment or kits, which increases costs unrelated to care or direct support services. In other words, the reported health in-kind assistance included the provision of services through outpatient primary care consultations, as well as the distribution of supplies such as hygiene kits, protective equipment, and vaccines, which resulted in a higher TCR.

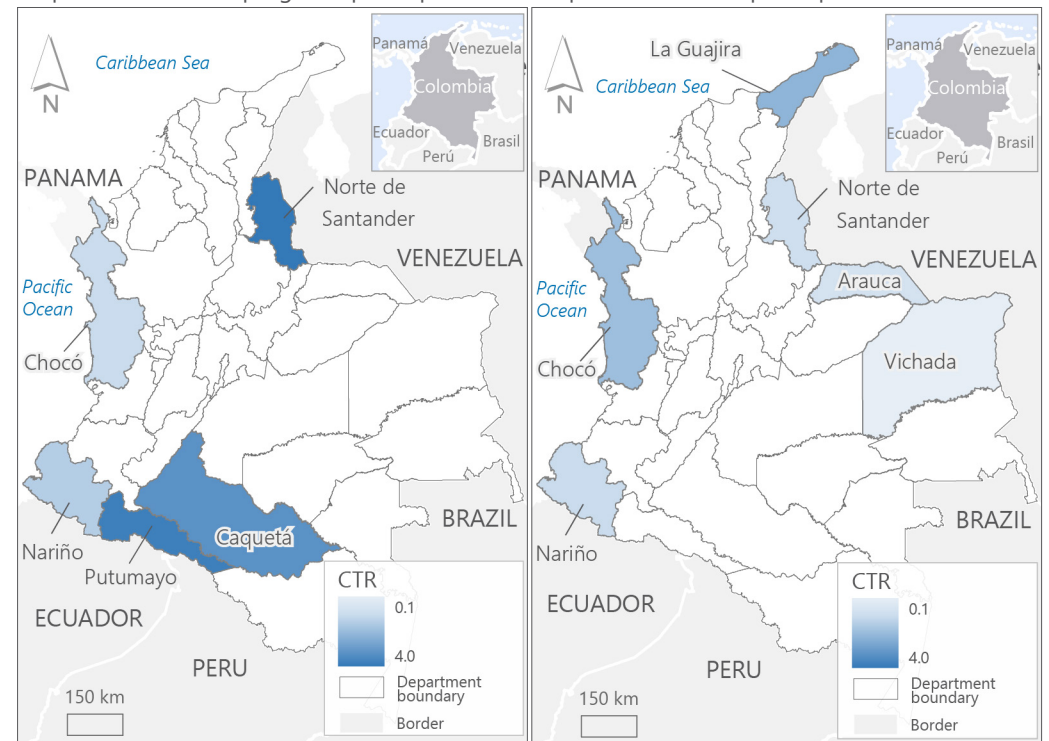
Furthermore, in contexts where markets or services are not available, these interventions require the direct mobilization of resources, personnel, and specialized logistics, which increases the observed administrative costs.

This finding highlights that humanitarian assistance programs cannot be evaluated solely on the basis of their cost-efficiency, but must also be assessed in terms of the outcomes they aim to achieve. In this regard, the comparability between interventions such as the provision of health services and cash transfers is limited when analyzed exclusively through the lens of efficiency indicators.

Therefore, the health program was excluded from the aggregate analysis of the in-kind programs to ensure the comparability of the results—that is, among programs that only included the provision of goods in their proposals.

TCR at the geographical level

Map: TCR for in-kind programs per department | Map: TCR for MPCA per department



The TCR varied across different implementation areas. In the case of the in-kind programs, **the responses with the highest TCR were recorded in Norte de Santander and Putumayo**. According to information reported by the organizations, this increase may be associated with factors such as the sector in which the intervention took place—primarily WASH and health—, the scale of delivery (number of beneficiaries reached), and the duration of implementation.

In Putumayo, the program’s duration (less than 6 months) appears to be the factor that reduces efficiency, although, as will be seen later, the program’s scale also influences this aspect. In Norte de Santander, however, the main factor driving up costs is the intervention sector (health-focused in-kind assistance). In contrast, the programs with multipurpose transfers in the same department showed better performance in terms of cost-efficiency, **with \$4.32 less spent for every dollar delivered to beneficiaries**.

In the case of Vichada, the factor that appears to contribute to lower costs compared to other cash transfer programs is the type of crisis the program is designed to address. Since this assistance is provided within the framework of a rapid emergency response, indirect and operational support costs—such as offices and equipment—tend to be lower, **while spending is concentrated primarily on the deployment of personnel and the fees charged by financial service providers (FSPs)**.

In longer-term interventions in response to protracted crises or those with a broader geographical scope, it is common to see an increase in operating expenses. Therefore, it is essential to take these differences into account when interpreting variations in the TCR.

Cost efficiency and economies of scale

Although the TCR data indicates that **MPCA is more cost-efficient** compared to the reported in-kind assistance, it is important to consider other factors that drive efficiency, such as the scale of the programs and the number of households reached. According to the International Rescue Committee’s cost-efficiency report on TMM, **one of the most important factors driving cost efficiency is the scale at which programs are implemented**: by reaching more households, the fixed costs of country support are spread across a larger group of beneficiaries, which reduces costs per household.⁵

For this reason, and to complement the analysis, we used the metric of administrative costs per household (ACH), which allows us to estimate how much it costs to reach beneficiaries through cash transfers or direct assistance over the course of a month, and to understand the scale of the programs.

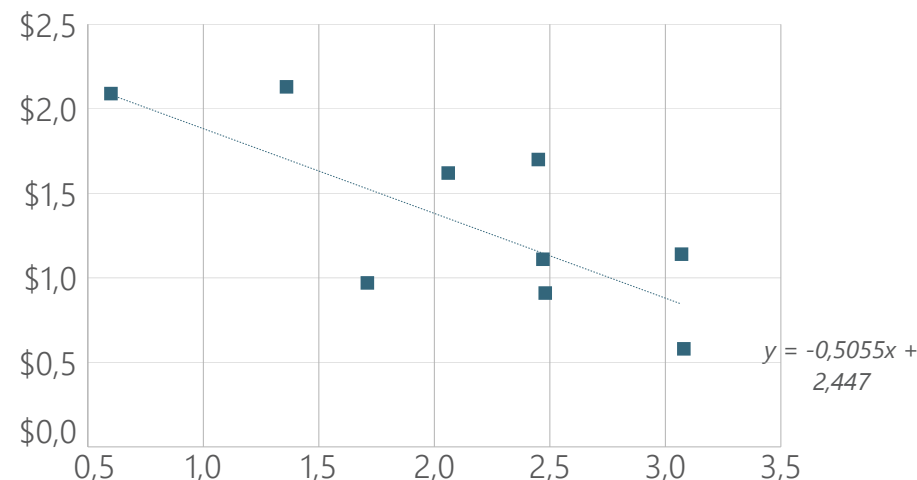
Figure 5: ACH formula

$$ACH = \frac{\text{Total cost} - \text{value of transfer}}{\# \text{ of households reached} \times \text{months of assistance}}$$

Based on the available data, the cost per household was calculated for the in-kind assistance and MPCA using the number of households reached. It should be noted that, in some cases, information was not available at the household level, but only for the number of people assisted; in these cases, the values were imputed based on the average household size in each of the reported departments, according to information from DANE. Additionally, a logarithmic transformation⁶ was applied to stabilize the relationship between the program’s scale (number of households reached) and costs, thereby allowing for a more precise analysis of the presence of economies of scale. This makes it possible to observe, through a linear regression, whether the cost per household tends to decrease as more households are assisted⁷.

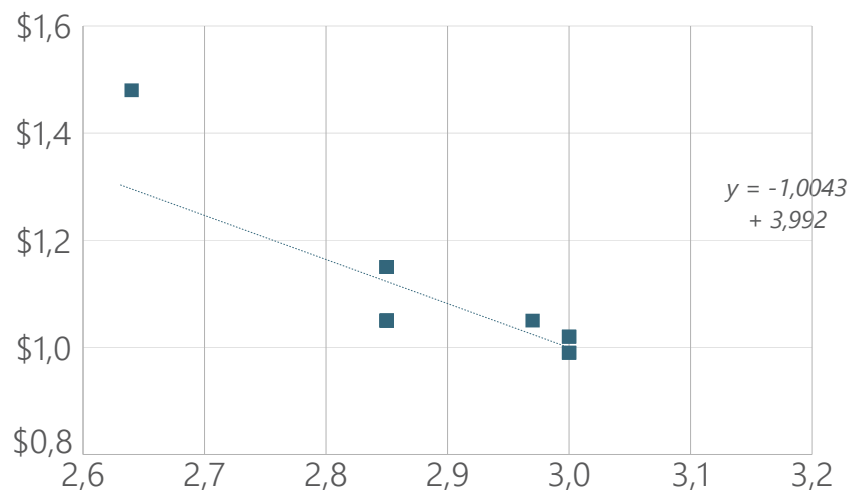
In this regard, the analysis revealed the presence of economies of scale in both types of assistance. In the case of the MPCA (Figure 6), the estimated elasticity (-0.51) suggests **moderate reductions in administrative costs** per household as the number of beneficiaries increases, that is, a reduction of 0.5% for every 1% expansion in coverage.

Figure 6: regression of the cost per household for in-kind assistance



Meanwhile, the in-kind interventions (Figure 7) exhibit an elasticity close to -1 (-1.00), indicating more pronounced economies of scale, where proportional increases in coverage result in nearly equivalent reductions in unit costs.

Figure 7: ACH regression for in-kind programs deliveries



While both models benefit from economies of scale, **in-kind programs showed greater potential for efficiency in contexts with higher coverage**, possibly driven by the high proportion of fixed costs in their implementation. In other words, once the distribution logistics are in place, increasing the volume of goods delivered does not require a proportional increase in administrative overhead.

However, it is important to note that, although the in-kind assistance achieved greater efficiency through economies of scale, **the cash transfers in this study had a cost structure associated with more personalized care**. In this analysis, 7 of the 9 cash transfer programs were interventions in child protection and GBV, in which the priority for care is not a mass-scale response, but rather individualized case management. In this regard, the technical nature of these programs— which includes monitoring, support, and case management at the household level—**entails semi-variable costs, which limits the extent to which they can benefit from economies of scale**.

Finally, regarding the cost breakdown described above, it was observed that the cash transfers allocated a larger proportion of their budget directly to the value of the transfer compared to administrative costs. This pattern is primarily due to the nature of

the modality—in which funds are channelled directly to beneficiaries through financial mechanisms—and not necessarily to economies of scale. That is to say, the cost structure of MPCA is intrinsically geared toward maximizing the amount transferred, which must be taken into account when comparing this modality with in-kind assistance.

Conclusions

In general terms, the results of the analysis indicated that the cash transfer programs studied performed better in terms of cost-efficiency compared to in-kind programs. The TCR showed that delivering one dollar to beneficiaries through MPCA requires, on average, lower administrative costs than in the case of in-kind programs. This finding is consistent with the evidence regarding the operational efficiency of TMMs⁸, especially in contexts where the logistical costs associated with the procurement, storage, and distribution of goods can significantly increase implementation expenses.

Nevertheless, the analysis also showed that the efficiency of interventions varies by response sector, with health and WASH programs among in-kind deliveries exhibiting higher levels of administrative costs.

Both MPCA and in-direct programs demonstrated the presence of economies of scale, that is, a reduction in unit costs as coverage increases. However, this relationship was more pronounced in in-kind assistance, where the high proportion of fixed costs meant that, once logistics were established, expanding coverage led to cost reductions. In contrast, the cash transfer programs exhibited more moderate economies of scale, partly due to the nature of the interventions analyzed, many of which were associated with protection and GBV, which require processes that are more intensive in terms of individualized management.

Finally, the results reaffirm that, while MPCA may offer advantages in terms of cost-efficiency, the choice of assistance modality should not be based solely on this criterion. Factors such as sectoral relevance, the quality of the response, market access, the protection of beneficiaries, and the expected outcomes must also be taken into account to ensure effective and context-specific interventions.

Limitations

Due to the volume and availability of data, it is not possible to generalize the results, either geographically or in terms of the comparison between MPCA and in-kind assistance. Although as much information as possible was harmonized, the interventions continue to differ in scope, implementation timeline, and objectives. The results are categorized under severity level 4; however, this does not imply that there are specific results for all municipalities classified at these levels of intersectoral needs. That is, it does not allow for extrapolation to the total number of areas within a department classified on that severity scale.

Contextual constraints also include factors that drive or hinder the implementation of cash transfer programs, which cannot be mapped in this analysis and affect even identical programs in different ways. That is to say, two programs may be designed in the same way, but if one of them is affected by rising inflation and, as a result, must allocate more resources to the transfer amount, it will technically be perceived as more cost-efficient than the other, even though it has enabled beneficiaries to access the same resources as the program unaffected by inflation. In that sense, it is not possible to fully understand all the factors that influenced both the implementation of the programs and the results of their efficiency.

Furthermore, based on the IASC report on the allocation of indirect costs in the humanitarian sector, this focus on cost efficiency has conceptual limitations stemming from the fact that, although organizations—especially national or local ones—implement efficient programs, many of them are unable to recover their indirect costs. The consequence of this situation is the reinforcement of the so-called “cycle of hunger” in the humanitarian sector. That is, a tendency toward underinvestment in organizational infrastructure, characterized by low resource allocation for administrative expenses.

This results in staff accepting reduced salaries in an attempt to maintain programs or functions that lack sufficient funding, or in the adoption of outsourcing models that reinforce the asymmetrical power dynamics of ever-lower overhead costs. Ultimately, this analysis is based on the understanding that **a cost-efficient program does not necessarily reflect successful operating conditions or sound administrative allocation practices.**

Referencias

- 1 The Grand Bargain and Localization Commitments. Available at: <https://glocalisation.ifrc.org/wp-content/uploads/2021/02/Section-2.pdf>
- 2 The most recent evidence includes a report from June 2025 conducted by Dioptra: Stretching Aid Dollars: New evidence on maximizing the reach of cash transfers. Available at: <https://www.calpnetwork.org/wp-content/uploads/2025/06/Stretching-Aid-Dollars-for-Cash-Transfers-June-2025.pdf>
- 3 In the terms of reference for the study, the initial scope was defined to cover areas with intersectoral severity levels 4 and 5 for 2024. Therefore, the municipalities of Puerto Carreño (Vichada) and Colón (Putumayo) were included, even though they are not prioritized in the HNRP for 2026.
- 4 Department for International Development. (2011). DFID’s Approach to Value for Money (VfM). Available at: <https://assets.publishing.service.gov.uk/media/5a78a9ee40f0b632476992f1/DFID-approach-value-money.pdf>
- 5 Cost Efficiency Analysis: Unconditional Cash Transfer Programs, IRC. Available at: <https://www.rescue.org/sites/default/files/document/954/20151113cashceffcreportfinal.pdf>
- 6 A double-logarithmic (log-log) model was used, transforming both the dependent variable (administrative cost per household) and the independent variable (number of households reached) using natural logarithms.
- 7 It should be considered that there are additional variables that may influence the linear regression that are not being captured in this exercise due to the availability of information and data.
- 8 Cabot Venton, C., Bailey, S., & Pongracz, S. (2015). Value for money in cash in emergencies: Summary report. CALP Network. Available at: <https://www.calpnetwork.org/wp-content/uploads/2020/01/424-summary-vfm-cash-in-emergencies-report-final.pdf>
- 9 USAID, IRC, Grand Bargain Cash workstream. (2019). Cost-Efficiency Analysis of Basic Needs Programs: Best Practice Guidance for Humanitarian Agencies. Available at: <https://www.rescue.org/sites/default/files/document/4100/costefficiencybestpracticeguidance.pdf>

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