Lessons from Using Cost-Effectiveness Evidence in RFSAs

USAID/Office of the Chief Economist[1]

This analysis focuses on Resilience and Food Security Activities (RFSAs), designed and funded by the Bureau for Humanitarian Assistance (BHA). USAID's Office of the Chief Economist (OCE) contributed to the activity design process, with a goal of introducing the best available cost-effectiveness evidence into activity design to maximize impact per dollar. We first discuss failure points in the RFSA design process, then identify lessons that support the use of cost-effectiveness evidence in activity design and implementing partner proposals. We then walk through our estimates of the impact of such an approach on key RFSA outcomes.

1. Failure Points - RFSA Design

The section below identifies three specific failure points, with example text throughout from a "typical" solicitation (the FY22 Mozambique RFSA) and a solicitation that benefitted from cost-effectiveness evidence (the FY24 Madagascar RFSA).

1.1 Lack of clarity from USAID about which interventions are expected

The design of each USAID activity was led by an activity design team, which typically included staff from the USAID operating unit funding the activity, Mission staff (if different from the unit funding the activity), and technical experts in USAID's other Washington-based operating units. This team was responsible for determining what USAID expected from potential implementing partners, ensuring alignment from all internal stakeholders (for example, Mission leadership), and drafting the solicitation that would be posted to Grants.gov.

While most USAID activities specified the outcome(s) they intended to improve (e.g., improved nutrition outcomes for children under 2, improved resilience and food security), the typical design process focused on outlining *potential barriers* to these outcomes. The design team asked applicants to propose interventions that would contribute to the specified target outcomes.

As a result of this focus on *barriers*, rather than *specific solutions*, the typical USAID activity ended up with a large number of overlapping interventions, with more or less clear theories of change leading to targeted outcomes. For example, the FIOVANA project (2019-2024) in Madagascar included about 18 different interventions, including the creation of at least eight different volunteer-led community groups. At a minimum, this lack of focus increased operational complexity and overhead costs; worse, it reduced the amount of resources allocated to the most effective components of the activity, reducing overall impact. According to a recent randomized evaluation, the SPIR project (2016-2021) in Ethiopia, for example, did not lead to any changes in household consumption.

[1] This analysis was first produced by USAID's Office of the Chief Economist in 2024 to estimate the return on investment of funding OCE advisors. It has been revised to illustrate how to incorporate cost-effectiveness evidence into activity designs and solicitations and to demonstrate the benefits of doing so.

→ **Identify cost-effective interventions that are evidence-based solutions to overcoming the specific barriers facing the target population and achieving the activity's target outcomes.** Discuss *tradeoffs* inherent in choosing to include multiple interventions, versus focusing the majority of activity resources on the most cost-effective options.

→ **Included precise definitions of the evidence-based approach, making it more likely that what is delivered will match what global evidence indicates is likely to be cost-effective** (see Appendix Table).

1.2 Typical solicitation language encourages lack of focus and unnecessary costs

The typical USAID solicitation included a large amount of "standard" language on the Agency's priorities and preferences, which implementing partners likely interpreted as a justification for extraneous interventions and staff, driving up activity costs without improving impacts on target outcomes. For example, standard language related to disaster risk reduction encouraged applicants to add specific, risk-focused interventions to proposals (see Appendix Table).

→ **Once the design team has agreed to focus on a short list of evidence-based interventions, ensure that the entire solicitation–even stock language on Agency-wide policies and priorities–delivers a consistent message to applicants**: they are expected to deliver the specific intervention(s) identified for inclusion in the activity, and to give attention to priority issues through those interventions, rather than adding other, standalone interventions.

In addition, many USAID activities–once awarded to an implementing partner and the typically five-year award "implementation" timeframe started–began with a long start-up phase before any actual implementation took place. During this phase, the partner was expected to conduct primary data collection, stakeholder engagement, and detailed work planning. Even when USAID had decided to implement a highly focused approach and limited applicants to that approach, because this startup period was the norm, it still occurred. For example, the Graduating to Resilience project in Uganda, which was designed to fund *only* the graduation approach, included a 12-month "Refine and Implement" period (one year of the five-year activity timeframe) that ended up costing $312 per participating household, more than 10% of the total cost.[2]

→ **Provide clearer parameters on contextualization and adaptation within the solicitation itself, and require applicants to provide more detailed information in their proposals.** This can reduce the time and expense needed for this type of post-award refinement that occurs at the beginning of the activity implementation phase (see Appendix Table).

1.3 Proposal evaluation criteria do not prioritize technical quality

It was rare for a USAID activity to prioritize the quality of the proposed technical approach, relative to other elements (for example, applicants' adherence to the solicitation's formatting instructions, ability to describe the context, or stated commitment to other USAID priorities like localization and private sector

[2] See Figure 11 of the Graduating to Resilience Cohort 1 Endline Report for cost estimates, and the Country Specific Information for information on how the solicitation was phrased.

engagement). Because evaluation criteria determined which proposal was successful, especially when reviewers in USAID were not familiar with relevant cost-effectiveness evidence, the successful proposal might not have been the one most faithful to what evidence indicated was the most effective use of resources. Instead, it was likely to be the proposal that did the best job of mentioning each criterion.

→ **Develop evaluation criteria that emphasize the fidelity of the proposed technical approach to the evidence base.** In addition to increasing the relative weight of the technical approach among the evaluation criteria, the explanation of each criterion can be written to emphasize key elements of a successful, evidence-based intervention, ensuring that all reviewers prioritize these elements in their review (see Appendix Table).[3]

Altogether, these improvements increased both the likely effectiveness and efficiency of the activity.

2. Estimating the impact of cost-effectiveness evidence on program outcomes

To quantify the value of using cost-effectiveness evidence in RFSA design, this document focuses on two activities for which OCE provided hands-on support at key moments of the design process: the FY24 Madagascar RFSA and the FY24 Somalia RFSA, as well as the FY22 Mozambique RFSA, for which OCE supported a redesign during the startup phase after a shift in the type of funding allocated to this project. We use "OCE engagement" as shorthand for the use of cost-effectiveness evidence.

2.1 What would these activities achieve without *an emphasis on cost-effectiveness evidence?*

We begin by quantifying the expected impact of these three activities on household consumption, assuming they were designed according to the typical USAID process.

For both the FY24 Madagascar and Somalia RFSAs, had OCE not been involved, we assume that the solicitations would have stated that USAID intended to deliver the graduation approach, but that the solicitations would lack the precision, clarity, and focus that OCE's engagement contributed. Therefore, we anticipate that the final graduation approach would look similar to other programs that USAID funded, with a high cost per household and no consumption impact generated by the training, savings, and coaching elements. The most relevant example is USAID's SPIR activity in Ethiopia, which is described as a "lighter-touch graduation model," and which did not generate any changes in household food security or consumption. Assuming that the proposed graduation models would successfully deliver consumption support and a productive asset grant, we therefore quantify the impact of the activity as the impact that would be generated by delivery of cash grants equal to the consumption support and productive asset transfer. In effect, these programs end up looking like very expensive delivery mechanisms for unconditional cash transfers (UCTs).

[3] In OCE's experience, the USAID funding unit would typically convene a group of 5 to 7 scoring members of a "Selection Committee" to assess all proposals against the evaluation criteria specified in a given solicitation. These individuals would aim to achieve consensus on which proposal(s) would receive funding as a result of the solicitation (i.e., the Committee does not select a recipient(s) based on simple majority rule). In addition to the scoring members, a Selection Committee may include non-scoring members who submit written comments on each proposal for scoring members' consideration, but who do not participate in the consensus discussion.

To estimate the impact of these grants on household consumption, we explore two approaches. The first (Approach A0) uses the estimates from Crosta et al. (forthcoming), a meta-analysis of 73 randomized evaluations of UCT programs, of the impact of different types of cash transfer programs. Specifically, Crosta et al. estimate that every $100 transferred in the form of ongoing payments generates a $2.2 increase in monthly consumption ($26.4 per year), when estimated 12 months after payments end. They estimate that every $100 transferred in the form of a lump sum generates a $2.1 increase in monthly consumption ($25.2 per year), when estimated 12 months after payments end. Here, and throughout this analysis, we assume zero additional benefit of cash transfers after 12 months; given the strong evidence that consumption effects of UCTs do not disappear after 12 months, we are underestimating the total benefits of the activity.

The second approach (Approach B0) uses an estimate from Kondylis and Loeser (2021), a meta-analysis of 14 UCT and 11 graduation programs. Kondylis and Loeser estimate that every dollar transferred through a UCT generates a 0.35 dollar increase in annualized consumption.

For both approaches, we assume the cost-per-household would be $3,200, which is the cost-per-household of the USAID-funded graduation pilot in Somalia described in Leight et al. (2024).[4] We calculate the number of households that would be reached by the Madagascar and Somalia RFSAs by dividing each total award budget by $3,200.

Table 3.1. Transfer values in FY24 RFSAs

	Madagascar	**Somalia**[5]
Consumption support	$26.50 per month for 16 months[6]	$30 per month for 9 months
Productive asset grant	$138[7]	$400
Total cash transferred	$624	$670
Households reached	31,250	45,000

Table 3.2. Household consumption generated, without OCE

	Madagascar	**Somalia**
Crosta et al.	$4,584,750	$7,743,600
Kondylis and Loeser	$15,736,000	$13,507,200

[4] Total activity budget and total number of participants available in internal USAID documents
[5] Transfer values used by World Vision in BHA-funded graduation pilot in Baidoa, Somalia, described in Leight et al. 2024
[6] Transfer amount determined by Madagascar's Cash Working Group, November 2023
[7] Median estimate from review of 12 graduation programs that report the value of the asset transfer

We assume that the FY22 Mozambique RFSA would not generate an impact on household consumption as it was originally designed, given the lackluster results of similar programs implemented by USAID (e.g., SPIR in Ethiopia).

2.2 What were these activities expected to achieve, given the use of cost-effectiveness evidence?

We also explore two possible approaches to estimate the impact of the FY24 RFSAs, given that OCE introduced cost-effectiveness evidence into the design process. We apply conservative assumptions throughout this analysis, likely leading us to underestimate the benefits of OCE's support by a substantial margin.

First (Approach A1), we review the estimated consumption impacts, measured 12 to 18 months after the end of the program, from seven impact evaluations of graduation programs in relevant contexts (shock-prone contexts with high levels of humanitarian assistance), and apply the median impact estimate of 13% (estimates range from 7% to 30%).[8] We apply this estimate to baseline household consumption estimates from similar contexts.[9] Second (Approach B1), we apply the estimate from Kondylis and Loeser (2021), who find that every dollar transferred through a graduation program generates a 0.52 dollar increase in annualized consumption. As above, we assume zero additional consumption impact after 12 months; given the strong evidence that consumption effects of graduation programs persist for multiple years, we are underestimating the total benefits of the activity.

When applying both of these impact estimates, we assume the same transfer values as above, but assume that the quality of the other components of the graduation approach would be delivered with sufficient quality to generate impacts commensurate with the evidence on graduation (not cash transfer) programming. We also assume that the cost per household would be lower, as OCE estimated that an evidence-based graduation program in Madagascar can be delivered for $1,250 per household, and in Somalia for $2,500 per household, and ensured that these estimates are incorporated into USAID's internal documents related to these activities (and the solicitation itself, in the case of Madagascar).

Table 3.3. Household consumption generated, with OCE

	Madagascar	**Somalia**
Median RCT estimate	$12,844,000	$15,919,488
Kondylis and Loeser	$23,379,200	$29,592,576

[8] The evaluations included are: Angelucci et al. 2022 (DRC), Banerjee et al. 2015 (Ethiopia), Bedoya et al. 2019 (Afghanistan), Bossuroy et al. 2022 (Niger), Brune et al. 2022 (Yemen), Chowdhury et al. 2017 (South Sudan), TOPS 2022 (Uganda)

[9] In Somalia, we estimate that annual household consumption without the graduation program is $2,126 in 2022 USD, extrapolated from the daily per capita consumption estimate in Leight et al. 2024. In Madagascar, we estimate that annual household consumption without the graduation program is $1,235 in 2022 USD, extrapolated from the daily per capita expenditure estimate in the FIOVANA Baseline Report.

Finally, we estimate the consumption generated by the FY22 Mozambique RFSA, given that OCE provided advice on the redesign of the program after a change in the budget allocation. In particular, OCE provided guidance on how to incorporate a UCT into the design, along with guidance on how to deliver impactful "plus" components to achieve impact on nutrition outcomes. Assuming that, without OCE's engagement, there would have been no shift to UCTs, we calculate the expected consumption gains of delivering the cash grant. Based on the estimate from Crosta et al. (2024), the additional consumption would be $1,915,200; based on the estimate from Kondylis and Loeser (2021), the additional consumption would be $2,660,000, again counting only the first year of benefits in both cases.

What is the added value of using cost-effectiveness evidence?

To calculate the value of using cost-effectiveness evidence in RFSA design, we subtract the household consumption generated without OCE's engagement from the estimate of household consumption generated with OCE for each of these activities, and sum across the three activities. We use the estimates that rely on Kondylis and Loeser (2021) together (Approach B1-Approach B0), and use the other estimates together (Approach A1-Approach A0).

OCE's engagement on the FY24 Madagascar and Somalia RFSAs was concentrated in the activity design process, before an implementer is selected or implementation begins. Given the many decision points after the solicitation is posted–and even after the selected applicant has begun implementing the activity–that affect the quality of USAID-funded programming,[10] we consider discounting the added value of OCE's engagement during the activity design process to account for the nonzero probability that the final program is less effective than the evidence-based design that resulted from OCE's support. We apply both a 10% and 25% discount rate when considering the FY24 RFSAs. Because OCE's engagement in the FY22 Mozambique RFSA began at a much later stage, during the activity's startup phase, and involved directly advising and reviewing plans from the implementing partner, we estimate there to be no more than a 10% risk that OCE's added value would not materialize.

Table 3.4. OCE's added value

	Added value of OCE engagement on cost-effectiveness evidence
	Panel A: 10% discount applied to all RFSAs
Approach A	$15,282,469

[10] After posting a solicitation, USAID's grantmaking process includes evaluation of submitted proposals, negotiation with applicants, and signing of the award. Once an award has been posted, the selected implementer and the USAID funding unit work together to complete project start-up activities, including finalizing a number of important implementation details; for the FY24 RFSAs, these details will include confirming the value of consumption support and asset transfers, as well as the training, coaching, and savings promotion components of the graduation programs. In OCE's experience, USAID activities can evolve substantially over the course of the five-year implementation window as a result of "pause and reflect" sessions (promoted by USAID's Collaborating, Learning, and Adapting practices), mid-term evaluations, or other adaptive management techniques.

Approach B	$20,825,398
	Panel A: 25% discount applied to FY24 RFSAs, 10% discount to FY22 RFSA
Approach A	$10,967,946
Approach B	$12,879,632
	Panel C: No discount applied
Approach A	$18,350,338
Approach B	$26,388,576

It is worth emphasizing that these estimates are conservative on a number of dimensions. First, all estimates focus only on benefits that accrue within one year of the conclusion of the graduation program.[11] While this means that both the impact without OCE (Section 3.2) and the impact with OCE (Section 3.3) are underestimated, the impact with OCE is underestimated to a larger degree, due to both efficiency and effectiveness improvements. Given the increased efficiency brought about by OCE's engagement, both activities would have reached more households with OCE than they would have without (i.e., long-term benefits would accrue to a larger number of people with OCE engagement than without). The programmatic shift from (effectively) an expensive UCT to a quality graduation program was likely to generate more durable positive effects, though evidence on the persistence of impacts is relatively sparse. Finally, because we assume that the Mozambique RFSA would not have included a cash transfer without OCE's engagement, the additional consumption impacts generated by OCE's engagement in that activity are definitely underestimated.

Second, we have not accounted for the "market multiplier" or "spillover" effects of these activities on non-participating households, which have been documented for both UCT and graduation programs.[12] Given that we only have estimates from a handful of contexts, we cannot confidently predict the implications of this assumption (for example, we cannot easily compare the magnitude of market multiplier effects of UCTs to that of graduation programs).

Third, we have not accounted for additional impacts of these programs beyond consumption effects. Given that there is strong evidence of both UCTs and graduation programs improving outcomes beyond consumption, we expect that these activities would generate meaningful improvements in participants' lives that go beyond consumption impacts. Because OCE's engagement increases both efficiency and effectiveness of all three activities, incorporating these benefits would likely lead to large improvements in the activity's other intended impacts.

[11] When USAID funds graduation programs, implementers typically deliver programming to two cohorts of participants during the course of the (typically) five-year activity. In this analysis, we are considering the impacts that each participant will experience for the year immediately following the conclusion of the 12- to 24-month graduation program in which they participate.

[12] For example, Egger et al. (2022) document significant positive spillovers of UCTs in Kenya. Zheng et al. (2023) and TOPS (2022) document positive spillovers of graduation programs in Kenya and Uganda, respectively.

Appendix: Table comparing "typical" solicitation to OCE-influenced solicitation

Reference to Text	**Text from Mozambique FY22 RFSA Solicitation**	**Text from Madagascar FY24 RFSA Solicitation**
	Most relevant text highlighted	
Clarity on intervention definition (2.1)	"Within Zambezia and LHZ 5, barriers to improving women's nutrition are due to a mix of factors, including but not limited to: economic factors, cultural practices, norms, and food insecurity. Successful applicants will demonstrate a robust understanding of those specific barriers and propose a meaningful approach with a focus on interventions that will contribute to sustained activity outcomes. Applicants will have the opportunity to refine their understanding and approach during an R&I period, as well as propose activities or a mix of activities designed to enable and empower individuals, households, and communities to improve women's nutrition in a meaningful and sustainable way." (p. 17)	"This RFSA will implement a contextually-adapted version of the graduation approach, which BHA expects will reach a minimum of 85,000 to 100,000 households, and ideally more. This approach includes a strategically sequenced combination of consumption support, coaching, livelihood skill building, asset transfer, and savings that have been proven to improve the lives and increase the resilience of extremely poor households in many contexts, as detailed in Section A.6." (p. 3)
Lack of focus (2.2)	"Disaster Risk Reduction (DRR): Applicants must consider the risk of natural hazards throughout the application. It is important that applicants consider interventions that strengthen people's capacity to anticipate, cope with, and recover from future shocks by addressing the underlying causes of those disasters... In the context of these guidelines, DRR interventions should mitigate the impact of natural hazards (shocks) on a community while inclusive of vulnerable populations (including but not limited to the poor, women, children, food-insecure families, elders, persons with disabilities and marginalized people); prevent the erosion of household assets and livelihoods; and accelerate recovery. Applicants should integrate DRR with a diverse combination of interdependent activities that contribute to increased resilience (adaptive, absorptive, and transformative) capacities, improved ability to address shocks and stresses, reducing risk, and improved social and economic conditions of vulnerable populations." (p. 44)	Applicants should use a risk-informed graduation approach. To do so, applicants must identify key hazards, vulnerability and exposure, and risk reduction strategies in each component of the graduation approach. Elements of [disaster risk management] can be incorporated into how the five components of the graduation approach are delivered. Illustrative examples of how this can be done include: ● Coaching: Encourage the use of drought-tolerant crops and livestock; increase risk understanding and awareness at the household level; guide households on contingency planning and disaster risk management plans; provide access to and use of weather and climate information, including early warning messages, as applicable; and encourage the incorporation of natural resource management and nature-based solutions for household risk mitigation. ● Livelihood selection and training: Incorporate income diversification and explore risk informed livelihood options. ● Savings: Encourage the use of savings groups to support households when shocks

		occur to mitigate the impacts of shocks. Applicants should deliver DRM within the five components of the graduation approach and no community-level interventions should be added." (p. 14)
Unnecessary costs (2.2)	"BHA expects the Refinement Period to last approximately 12 months, depending on the needs of the activity, context and Recipient. During this period, Recipients will lead or carry out a number of tasks…" (p. 90)	"The Madagascar RFSA will deviate from BHA's Refine and Implement (R&I) approach… BHA will work with the recipient(s) to identify specific Contextualization Period timelines, not to exceed six months, and deliverables appropriate to the design of the award(s)." (p. 29)
Evaluation criteria do not prioritize technical quality	Merit Review Criteria (p. 69) > Activity Design (70 total) >> Technical Approach (30) >> Goal Focused, Strategic Targeting (10) >> Sustainability and Exit Strategies (15) >> Gender, Youth, and Social Dynamics Integration (15) > Management and Staffing (30 total) >> Management and Staffing (20) >> Local Capacity Engagement (10)	Activity Specific Evaluation Criteria (p. 59) > Contextualization of the Graduation Approach (75 total) >> Technical Approach (45) >> Gender, Youth, and Social Inclusion within Graduation Approach (10) >> Sequencing, Layering, and Integrating (10) >> Monitoring, Evaluation, and Learning (10) > Management, Operations, and Staffing (25 total) >> Logistics and Operations (10) >> Management and Staffing (10) >> Incorporation of Local Organizations (5)