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FINANCE COMMITTEE

Hundred and Forty-ninth Session

Rome, 27 - 28 May 2013

Report of the External Auditor on the Use of Cash and Vouchers

Queries on the substantive content of this document may be addressed to:

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EXECUTIVE SUMMARY

- This report presents the results of the Comptroller and Auditor General of India's audit of the World Food Programme (WFP) with regard to its performance on Use of Cash and Vouchers (C&V). The main objective of the audit was to assess the effectiveness of the system of selection and use of C&V modalities in WFP and the controls in place, with a view to their further scalability. The Performance Audit covered the period 2010–2012, spanning WFP Headquarters (HQ) in Rome, 16 country offices (COs) and 3 regional bureaux (RBs). The report made 11 recommendations. Some of the key issues noted are as follows:
- Corporate guidance on comparative cost efficiency and effectiveness analysis of C&V-based projects was in progress during the audit period and had been rolled out only in 2012 for sectoral capacity assessment for selection of appropriate transfer modality by the COs.
- External Audit noted project execution issues such as non-finalisation of guidelines for selection of cooperating partners for C&V modalities, the limited role of financial service providers (FSPs) in implementing C&V-based projects, delays and shortfalls in beneficiary assistance, gaps in beneficiary database in the COs, non-roll-out of the Corporate Beneficiary Management System, shortfalls in monitoring, etc., which need to be addressed.
- External Audit observed that no oversight missions had been conducted in the three selected RBs, related particularly to the C&V modalities. There was lack of adequate training of WFP staff and cooperating partners before commencement of projects. Capacity constraints were also observed as a risk area of the RBs and need to be given added thrust. Corporate tools and systems need to be developed for rolling out these modalities at an accelerated pace. Guidelines for impact evaluation of C&V modalities were also not in place, and needed to be drawn up.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to consider the document "Report of the External Auditor on Use of Cash and Vouchers" and provide comments for consideration by the Executive Board.

Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the FAO Finance Committee considered the document "Report of the External Auditor on Use of Cash and Vouchers" and made comments to the Executive Board in the report of its 149th Session.**

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RESOURCE, FINANCIAL AND BUDGETARY MATTERS

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REPORT OF THE EXTERNAL AUDITOR ON USE OF CASH AND VOUCHERS

This document is printed in a limited number of copies. Executive Board documents are available on WFP's Website (<http://www.wfp.org/eb>).

NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration.

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal point indicated below, preferably well in advance of the Board's meeting.

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Should you have any questions regarding availability of documentation for the Executive Board, please contact the Conference Servicing Unit (tel.: 066513 2645/2558).

The Comptroller and Auditor General of India (CAG) provides an external audit service to the World Food Programme (WFP).

CAG's audit aims to provide independent assurance to the World Food Programme and to add value to WFP's management by making constructive recommendations.

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External Audit Report

***Performance Audit Report on
Use of Cash and Vouchers***



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COMPTROLLER AND AUDITOR GENERAL OF INDIA

Performance Audit Report on Use of Cash and Vouchers

Executive Summary

This report presents the results of the Comptroller and Auditor General of India's audit of the World Food Programme (WFP) with regard to its performance on Use of Cash and Vouchers (C&V). The share of C&V in the food aid has steadily increased since 2008. From US\$5 million in 2008, these transfers were projected to increase to US\$255 million in 2012 and by 2015 are expected to account for 30–40 per cent of the value of WFP's food assistance. In view of scaling up of transfer modalities, the Cash-for-Change Service (ODXC) was launched in early 2011 with the objective of developing the required systems, processes and tools.

Different contexts, population groups and needs require different forms of assistance. As is the case for food transfers, several C&V delivery mechanisms are available to reach beneficiaries. They range from the use of banks and microfinance institutions, to the direct distribution of cash in envelopes and to the use of e-enabled information such as cell phones and smart cards.

The main objective of our audit was to assess the effectiveness of system of selection and use of C&V modalities in WFP and the controls in place, with a view to their further scalability. We covered the period (January 2010 to September 2012) in our Performance Audit. Our audit spanned the WFP Headquarters (HQ) in Rome, 16 country offices (COs) and 3 regional bureaux (RBs).

We observed that corporate guidance on comparative cost efficiency and effectiveness analysis of C&V-based projects was in progress during the audit period and had been rolled out only in 2012 for sectoral capacity assessment. There were delays and shortfalls in the assistance provided to the selected beneficiaries and capacity-building needed a lot more thrust. Oversight by HQ and RBs needed strengthening and corporate IT solutions supporting the transfers were the need of the hour.

Thus, though C&V interventions have been increasing, it would take time, dedication and a continued willingness to learn and adopt the processes to mainstream the changes into WFP's responses and programmes. It would also require new skills, which means re-profiling current staff and/or hiring staff with the required skills and experience. Some institutional constraints remain – these include monitoring and evaluating processes and outputs and outcomes over time in a way that is cost-effective and uniform across COs.

Summary of recommendations

Recommendation 1

- a) To fully scale up the use of C&V interventions, WFP should develop corporate tools to compare the cost efficiency and effectiveness of different transfer modalities based on predetermined criteria and standards, at the earliest possible.*
- b) Comparative cost-efficiency and effectiveness analysis of C&V transfer modalities need to be completed in COs for selection of appropriate transfer modality.*
- c) The COs should use the corporate tools to assess the sectoral capacity, (retail, financial, IT and security) to select the most appropriate transfer modality.*

Recommendation 2

- a) WFP needs to finalize guidelines for selection of cooperating partners (CPs) working on C&V projects, particularly for cash distribution and monetizing vouchers, by adopting objective and well documented criteria such as their capacity and skills.*
- b) Country offices should maintain the CPs roster and also have a proper system of evaluation of CPs for C&V projects in each CO, which can be used for follow-up and subsequent engagement in a programme.*

Recommendation 3

- a) WFP should increasingly use Financial Service Providers (FSPs) for financial transfers in C&V-based projects, so as to tap their financial skills and infrastructure, wherever reliable service providers are available and in contexts where their engagement is feasible.*
- b) Corporate guidelines for FSP fee negotiations should be finalized.*
- c) Financial Service Providers should be selected on the basis of their accountability and performance capacity and their contracts should invariably contain penal provision for deficiency in performance.*

Recommendation 4

WFP should factor in the gender specific priorities, while introducing C&V modalities.

Recommendation 5

Pipeline management of C&V modalities should be done to ensure adequate and timely availability of resources for smooth implementation of C&V projects.

Recommendation 6

Standard Operating Procedures (SOPs) should be put in place to provide for pre-defined alternate mechanisms to address operational issues, which could delay timely disbursement of C&V to beneficiaries.

Recommendation 7

- a) *Post-distribution monitoring, food security and market monitoring needs to be strengthened in the COs with focus on outputs and outcomes.*
- b) *WFP needs to roll out on priority, the Corporate Beneficiary Management System to register, manage and monitor beneficiaries in all COs, with the ultimate objective of facilitating comprehensive and timely reporting on beneficiary assistance.*

Recommendation 8

- a) *The RBs are required to build capacities at the level of COs through their newly appointed technical experts and play a stronger role in providing technical support to the COs.*
- b) *The RBs, in collaboration with HQ, need to prepare checklists for the oversight of C&V-based projects and ensure appropriate oversight mechanism, in the context of their enhanced responsibility in the new organizational design (Fit for Purpose).*

Recommendation 9

As the C&V delivery modalities are in the process of being scaled up, we recommend that corporate guidance and tools for standardization and risk mitigation be developed, as a priority. A more pro-active oversight role by WFP HQ needs to be considered for rolling out these modalities at an accelerated pace and to collect best practices and disseminating these across all COs.

Recommendation 10

We recommend that WFP issue guidelines for training and capacity-building to be undertaken as part of pre-project activity involving WFP staff at RBs/COs, CPs and local communities. More thrust needs to be placed on capacity-building, including a review of the existing in-house staff expertise in C&V implementation and roping in external specialists, if required.

Recommendation 11

- a) *Impact analysis on C&V projects needs to be performed on a periodic basis.*
- b) *WFP needs to draw up a set of guidelines for impact evaluation of C&V modalities, with clearly defined key focus areas such as beneficiary identification, performance of CPs/FSPs, inter-action with local government, gender-related issues, entry and exit strategy, short-term impact on hunger food insecurity, mid-term impact on restoring livelihoods and the long-term impact on countries abilities to look after its citizens. Depending on the situation on the ground, the impact evaluation could expand the research on some of the areas but reporting on all would be required to have a complete view of the usefulness of C&V modality.*

A. INTRODUCTION

I. Strategic Objectives

1. The WFP Strategic Plan (2008–2013) lays out five objectives for the organization:
 - Save lives and protect livelihoods in emergencies;
 - Prevent acute hunger and invest in disaster preparedness and mitigation measures;
 - Restore and rebuild lives and livelihoods in post-conflict, post-disaster or transition situations;
 - Reduce chronic hunger and undernutrition, and
 - Strengthen the capacities of countries to reduce hunger, including through hand-over strategies and local purchase.

II. Programme Categories

2. WFP operations are categorized into four groups:
 - **Emergency operations** (EMOPs) for food assistance to meet emergency needs;
 - **Protracted relief and recovery operations** (PRROs) for food assistance to meet protracted relief needs and support recovery after an emergency;
 - **Development operations** (DEVs) to support economic and social development, and
 - **Special operations** (SOs) to rehabilitate and enhance transport infrastructure to permit speedy delivery of food assistance and to enhance coordination with the UN and partners through the provision of designated common services.

III. Project Approval

3. The projects are prepared by the WFP COs in collaboration with governments and in line with government policies on food security, nutrition and social protection. The country programmes are prepared as part of a common UN framework.¹ The authority to approve a project vests with the Executive Board (EB), which has further delegated the powers, within prescribed caps, to the Executive Director. Emergency operations requiring funding that exceeds the level of authority delegated to the Executive Director are approved jointly by the Executive Director and the Director-General of the Food and Agriculture Organization of the United Nations (FAO). Further delegation of the powers to the Chief Operating Officer/Country Directors is predicated to the category of the project and the levels of funding.

IV. Funding Model

4. All contributions to WFP are on a voluntary basis. Contributions are made by governments, intergovernmental bodies, other public and non-governmental, including private, sources. The resource mobilization strategy of WFP seeks to enhance the predictability, flexibility and security of its funding by broadening its donor base and increasing engagement with the private sector for advocacy and fundraising.

¹ United Nations Development Assistance Framework (UNDAF)

5. The financial policy framework is based on the principle of full-cost recovery. Donors fund all direct and indirect costs² of projects supported by them. WFP characterizes contributions to its projects mainly³ as:
- **Multilateral:** where WFP determines the projects on which the contribution will be used.
 - **Directed Multilateral:** a contribution earmarked to a specific country by the donor.

V. Cash and Voucher Modalities

6. Cash and voucher (C&V) modalities were initiated in WFP operations on a pilot basis and interim guidance issued in May 2007. Their use, as additional food assistance transfer modalities, was formalized by the Executive Board with the approval of the Strategic Plan (2008–2013) and the Management Plan (2010–2011). The Strategic Plan defined WFP's historical shift from a food aid to a food assistance agency, with a more nuanced set of tools to respond to critical hunger needs.
7. The Cash-for-Change Service (ODXC) was created in early 2011 within the Programme Division to support and coordinate activities required to build the capacity necessary to integrate C&V-based transfers in WFP's programme of work. Therefore, three transfer modalities, i.e. cash, food and vouchers, have been integrated to enhance the effectiveness of WFP interventions. An integrated approach allows maximum operational flexibility and also ensures optimum use of WFP's resources. In different contexts, population groups require different forms of assistance. These delivery mechanisms have been categorised into four models: i) cash account, ii) immediate cash, iii) paper voucher; and iv) electronic voucher.
8. The share of C&V transfers in the food assistance has steadily increased since 2008. From US\$5.8 million in 2008, these transfers were projected to increase to US\$255 million in 2012. The number of C&V-based projects has also increased from 5 in 2008 to 45 projects in September 2012. From only 7.3 per cent in 2012, these modalities are expected to account for a significant 30–40 per cent of the value of WFP's total assistance by 2015.

B. OUR AUDIT WORK

I. Audit Objectives

9. The performance review on use of C&V in WFP seeks an assurance that the:
- a) Corporate guidance provided a comprehensive framework for implementation of C&V;
 - b) Selection of C&V as the appropriate modality and the timing of its use was informed by the needs assessment and market analysis as well as feasibility review in the country;
 - c) Skills and expertise required for designing the projects, implementing and monitoring them, were being built across the COs, RBs and the HQ;

² WFP also accepts contributions of commodities/services from non-traditional donors that are unable to provide cash to cover the associated costs.

³ Another funding window is of bilateral contribution which is directed by the donor to be used to support an activity not initiated by WFP, provided it is consistent with the objectives and policies of WFP.

- d) Criteria for selection of partners and service providers were clear and the COs had been able to build sustained relationships to build their capacity in implementation of the projects;
- e) Potential for integration of projects in the national programmes had been assessed and harnessed to ensure sustainability of the impact;
- f) Financial controls in the distribution of C&V were adequate;
- g) Monitoring and evaluation provided inputs to the scaling of the use of C&V in future;
- h) Periodic review of the impact of the deployment of these tools, particularly on the value chain, was conducted to re-adjust the project design and the deliverables.

II. Scope of Audit

10. Our work spanned the WFP HQ in Rome and 16 COs under 3 RBs. The audit in HQ was conducted during September–October 2012 and in the field offices between October and November 2012. The three RBs⁴ and eight COs⁵ were covered by field visits. We issued questionnaires to these RBs and COs as well as eight other Cos,⁶ selected on the basis of number of actual beneficiaries and approved budget transfers. The RBs having more countries with C&V-based projects were given proportionally higher representation. Response from Haiti to the detailed questionnaire had not been received. Limited response received on some issues, has been factored in, wherever relevant. Our comments are thus largely with regard to 15 COs and three RBs, which comprised 82 per cent of the C&V transfers.
11. We covered the period January 2010 to September 2012. For trend analyses, we used the data and figures for the past five years, wherever necessary.

III. Audit Criteria

12. The performance of WFP was examined against the provisions contained in the following documents:
- WFP Strategic Plan (2008–2013)
 - WFP's gender policy
 - Consolidated framework of WFP policies
 - Directives issued by WFP
 - C&V manual/*Programme Guidance Manual*
 - Documents such as *A Handbook for Non-Governmental Organizations*
 - Documents in country offices such as the Standard Operating Procedures (SOPs), Notes for the Record of Project Review Committee meetings, capacity assessments and evaluation of cooperating partners (CPs)/financial service providers (FSPs), agreements signed with governments, C&V distribution reports, etc.

⁴ Regional Bureau – Asia, Bangkok (OMB); Regional Bureau – East and Central Africa, Nairobi (OMN); and Regional Bureau – Southern Africa, Johannesburg (OMJ).

⁵ Bangladesh, Kenya, Pakistan, the Philippines, Somalia, Sri Lanka, Zambia and Zimbabwe.

⁶ Burkina Faso, Haiti, Iraq, the Niger, State of Palestine, Senegal, the Sudan and Uganda.

IV. Audit Methodology

13. We discussed the audit objectives, scope and methodology with management at the HQ in Rome during an Entry Conference on 24 September 2012. We also discussed our audit findings with management in an Exit Conference on 9 October 2012. Our field audit teams also held entry and exit meetings in the COs and RBs to discuss the preliminary audit observations and elicit responses.
14. Our findings and recommendations are detailed in the succeeding paragraphs and are strictly based on information made available to us.
15. We thank WFP management for the cooperation and assistance rendered for finalizing this report at WFP HQ in Rome, and the RBs and COs, and also for providing responses to the questionnaires.

C. AUDIT FINDINGS

I. Corporate Approach for Selection of Transfer Modality

16. **Cost efficiency analysis.** The WFP directive of May 2007 required the cash pilot projects to be accompanied by evaluation reports with evidence on effectiveness and efficiency of delivery mechanisms, relating to food aid. The new corporate directive of November 2011, which superseded the earlier one, also emphasized the need to select one or a combination of the three main transfer modalities of food, cash or voucher on the basis of their relative cost efficiency and effectiveness.
17. We noted that corporate tools to compare the cost efficiency and effectiveness of different transfer modalities were still under process during the audit period. Further, comparative cost efficiency and effectiveness analysis of C&V-based projects had not been completed or not undertaken for projects in the COs of Burkina Faso, Iraq and Uganda. The analysis was in progress in the Zimbabwe CO and as per the CO, the cost comparison was not straightforward as it had implemented a mixed model of paper voucher with cash transfer/cash transfer with in-kind distribution, and current tools did not allow for easy comparison of mixed-modality intervention.
18. WFP stated that it recognized the need to develop a more comprehensive approach to cost-effectiveness analysis, which could be systematically applied at CO level and put forth the Omega Value⁷ as a tool, which was still at the testing stage and would help weigh cost considerations against more qualitative considerations. It was believed that based on this, a suitable tool/approach with supporting guidance for approaching cost-effectiveness analysis could be rolled out in 2013 to the COs.
19. We were further informed by WFP HQ that, while efforts were ongoing to develop tools and guidance along with analytical studies to measure the ex-ante efficiency and effectiveness of transfer modalities, the COs had been using the Alpha value⁸ to compare

⁷ Omega value is a more accurate indicator that compares the cost per nutrient value between an in-kind food basket provided by WFP and a food basket procured directly by beneficiaries with cash or vouchers.

⁸ Alpha value is an indicator that compares the cost of food on the international market with the cost of the same commodity procured on the local market.

relative cost efficiency of in-kind food transfer with cash or voucher transfers in most instances.

20. **Sectoral Capacity Assessment.** We noted that corporate tools and guidance on the sectoral capacity assessments were developed only during 2012. As per the ODXC guidance on selection of appropriate transfer modality, the assessment data for food assistance was to include information on key operational sectors, i.e. local and retail market, financial services capacity, IT capacity, field security assessment, etc. This assessment data was to provide information on the potential operational scope with respect to the implementation of cash, food or voucher programmes in any given context and also support the selection of the most adequate transfer modality. The sectoral assessment could take place at any time and their re-assessment was required prior to the design of a new intervention.
21. WFP HQ intimated that in the absence of corporate guidance, the COs had mainly used ad hoc tools and secondary sources to assess the extent to which they could make use of the various sectors.
22. We noted that based on the guidance available, the COs had largely analysed the various sectors before commencement of their projects and some COs like Bangladesh, the Sudan and Uganda had also initiated/planned use of corporate tools in conducting sectoral capacity assessment for their new projects.

Recommendation 1

- a) To fully scale up the use of C&V interventions, WFP should develop corporate tools to compare the cost efficiency and effectiveness of different transfer modalities based on predetermined criteria and standards, at the earliest possible.*
- b) Comparative cost-efficiency and effectiveness analysis of C&V transfer modalities need to be completed in COs for selection of appropriate transfer modality.*
- c) The COs should use the corporate tools to assess the sectoral capacity, (retail, financial, IT and security) to select the most appropriate transfer modality.*

II. Project Implementation

i) Selection of CPs/FSPs

23. WFP executes almost all its projects in collaboration with CPs. The selection criteria for CPs have been prescribed in WFP's Programme Guidance Manual. We observed that CPs were selected often on the basis of food distribution experience and not based on familiarity with the C&V process. As C&V was a relatively new modality, it was desirable to have guidelines on selection of CPs for C&V-based projects, particularly where they were involved in distribution of cash to beneficiaries or monetizing vouchers at retailer level. However, these had not been finalized up to the audit period.
24. The CPs need to be selected on the basis of their implementing capacity of the project. In Zambia, for selection of CPs in SPLASH (Sustainable Programme for Livelihoods and

Solutions for Hunger), the CO informed us that as this was an emergency project, due to time constraints, capacity assessment was not done and the CPs were picked on the basis of their knowledge, experience and prior engagement with WFP. In the Philippines, an international non-governmental organization (NGO) was selected based on it being considered a competent and experienced CP and not on the basis of an established criteria or SOPs. A roster of the CPs having the necessary skills and capacity needs to be maintained in the COs and reviewed/updated regularly. The Bangladesh CO reported a good practice of emergency roster (pre-qualified list) of CPs being established collectively based on the joint capacity assessments by all UN agencies for the immediate cash model.

25. There is also a need for placing a proper system of evaluation of CPs for C&V projects in each CO, which can be used for follow-up and subsequent engagement in a programme. We noted that for the SPLASH programme in Zambia, the clinic-based registration and monitoring of clients was carried out by the five CPs under the oversight of World Vision International (WVI). There was no system of evaluation of the CPs in the CO with reference to the quality of their performance and only the quantitative reports were available with the CO. However, we feel it is essential to understand the systemic problems of the CP through a performance evaluation. The parameters to perform such evaluation need to be developed by the CO. The CO stated that to improve the CP's performance, a complaints desk was established in all project localities to provide feedback for the clients on project delivery. Regular CP meetings were also put in place to ensure constant review of project performance.
26. WFP agreed with us that selection of NGO CPs must be transparent, based on clear criteria and that a roster of potential NGO CPs may prove useful at CO level. It also stated that it may be useful for COs and CPs to jointly agree on a number of Key Performance Indicators (KPIs) to monitor the fulfillment of the obligation of the CPs under the field-level agreements (FLAs) governing C&V projects.

Recommendation 2

a) WFP needs to finalize guidelines for selection of CPs working on C&V projects, particularly for cash distribution and monetizing vouchers, by adopting objective and well documented criteria such as their capacity and skills.

b) COs should maintain the CPs roster and also have a proper system of evaluation of CPs for C&V projects in each CO, which can be used for follow-up and subsequent engagement in a programme.

27. **Engagement of Financial Service Providers (FSPs).** For C&V projects, in contexts where it is feasible, the reliance needs to be more on engaging FSPs, to tap their financial skills and infrastructure. However, in most of the countries in our sample during the audit period, with the exceptions of COs like Haiti, Kenya, the Niger, Pakistan, Zambia and Zimbabwe, the projects were mainly being implemented through CPs.
28. We observed that the guidelines for negotiations of fees with FSPs were required to be issued by WFP HQ, as part of corporate guidance on the various distribution models. However, these were not in place up to the audit period in October 2012.

29. We were informed that ‘the corporate guidance tool on FSP fee negotiations was a work in progress. This tool reflected the country context and would consist of a matrix of FSP fee paid by other COs and cost of transfers per CO. This is an issue that came up relatively recently with the roll-out of the C&V distribution models. ODXC had started to work closely with RMFTT (Treasury Operations Branch) and pro-bono partner MasterCard on this corporate guidance tool’.
30. We also observed certain deficiencies in the projects implemented through FSPs, as per case studies below:
31. **Case Study 1: Cash scheme through Equity Bank.** The Kenya CO implemented a pilot project in August 2010 for delivery of cash to 18,700 targeted households through the Equity Bank for nine months period expiring 15 May 2011. Under this contract, the Equity Bank had to open and maintain a dedicated temporary and project specific account in the name of WFP and transfer funds deposited by the CO to the beneficiary’s account. The cash delivery mechanism envisaged was Equity Bank’s mobile banking product, which allowed beneficiaries to access their Equity Bank accounts through their mobile phones and withdraw funds with any agent in the village.
32. We observed that the CO shifted the mode of money transfer from the telephone exchange to the automatic teller machine (ATM), amending the contract in February 2011. The cost of each ATM card was KSh 300 and KSh 60 was charged for two monthly cash withdrawals (per beneficiary). The shift was due to the fact that the mobile phone signal strength in many areas was not sufficient to support m-banking; only about 40 per cent of the beneficiaries owned mobile phones and fewer were literate to use the mobile phone system to withdraw funds. As a result, only 26 per cent of the targeted beneficiaries could receive their cash transfers. A detailed cost evaluation of continuing with the same bank for the new mode as against other providers of the same service was also not done.
33. The contract was amended three times. First, in February 2011 to include 4,684 food-for-assets targeted households, second in May 2011 to include 42,000 additional beneficiaries and a third time in October 2011 to include another 108,000 households under WFP’s unconditional cash transfer programme (as a response to corporate emergency) for execution up to 15 May 2012. As a result, the contract value increased from US\$61,000 to US\$445,939. While approving the 3rd amendment, HQ stated that there should be no further extension and that the tendering process be adopted well before the expiry of the contract (15 May 2012).
34. The contract expired in May 2012 but no new contract was in place though the CO was fully aware of the fact that the contract was due to expire. The arrangement with Equity Bank continued and it was only on 16 May 2012 that a Request for Proposal was sent to 12 short-listed financial institutions. Finally, in July 2012, the CO recommended to HQ to award the contract to a cooperative bank (with the rate of KSh 250 for each ATM card) for cash transfer to 80,000 beneficiaries for a period of three years. The approval of HQ to the same was awaited (October 2012).

35. The CO stated that the feasibility study conducted in July 2010 indicated that mobile phone signal strength and availability was adequate for mobile money transfer and the purpose of carrying out a very small-scale pilot was to test and study these assumptions in a live environment. When assumptions were found incorrect, WFP took steps to change the delivery method. The contract with the newly selected cooperative bank to replace the Equity Bank was at the stage of finalization. The CO further stated that to keep pace with new technology in Kenya, small pilots to test new mechanisms will continue to be required.
36. We are of the opinion that feasibility studies and selection of appropriate modality need to be done with adequate care to ensure proper selection of the tools used. Beneficiary targeting also needs refinement to ensure all eligible beneficiaries get covered and there are no unwarranted delays in project execution.
37. **Case Study 2: Cash transfers by financial service provider.** We observed that the Kenya CO selected Jamii Bora as a FSP (June 2010) to transfer KSh 1,500 each to 750 of the most vulnerable beneficiaries in the Mathare slums in Nairobi for a nine-month period under PRRO 10660. The scheme provided that funds from WFP would be deposited in a temporary account and transferred to the beneficiaries using payment terminal technology. The FSP was responsible for: a) delivery of cash to beneficiaries, b) monthly monitoring reporting; and c) monthly financial reporting. The last cash transfer by the FSP was in September 2011. The transaction cost to WFP was KSh 55 per beneficiary per month, amounting to KSh 372,250.
38. Meanwhile, a FLA was entered into with a CP (*Cooperazione Internazionale* – COOPI) in May 2010 to cooperate with WFP in providing services for targeting and monitoring cash transfer in the Mathare slum, which would include beneficiaries served by FSP.
39. The post-distribution monitoring reports submitted by the CP revealed that the bank delayed the distribution, allowed withdrawal of cash only on specific days, never produced proper bank statements on time and there were difficulties in monitoring transfers made to beneficiaries. The remaining beneficiaries who did not get their full transfer credits (1500X9) were moved from the cash transfer scheme to transfer by mobile phone mode by WFP when the contract with the FSP ended in September 2011.
40. We observed that due to non-incorporation of any penal clause in the agreement with FSP, the CO could not take action on the CP reports regarding deficiencies in the service provided by the FSP, which adversely affected the programme objectives and WFP's reputation. It had to thus transfer the beneficiaries at the end of contract with FSP to the mobile mode of transfer scheme provided by other service providers.
41. The Kenya CO stated, that it made every reasonable effort (including a tendering process) to select suitable financial service providers and to correct the problems. However, the FSP did not deliver as per contract. Thus, it agreed for the contracts with FSPs to contain penal provisions.

Recommendation 3

- a) WFP should increasingly use Financial Service Providers (FSPs) for financial transfers in C&V-based projects, so as to tap their financial skills and infrastructure, wherever reliable service providers are available and in contexts where their engagement is feasible.*
- b) Corporate guidelines for FSP fee negotiations should be finalized.*
- c) FSPs should be selected on the basis of their accountability and performance capacity and their contracts should invariably contain penal provision for deficiency in performance.*

ii) Beneficiary Selection

42. Beneficiaries are the core clientele of WFP and its raison d'être. Therefore, targeting activities, which help in selecting the most needy and vulnerable people for assistance, equitable distribution and use of assistance, communication with beneficiaries about their entitlement and transfer modality and monitoring of impact of intervention on beneficiaries is the high priority for WFP. The current system of targeting is primarily community based and relies on nominations and communities confirming the eligibility of nominated households. The CPs also play a significant role. In this regard, we observed the following:

- a) In Kenya, based on a household expenditure analysis, the CO reported both inclusion (39 per cent) and exclusion errors (29 per cent) in PRRO 10666. The CO stated that a review of community-based targeting methodology had been initiated to address the issue.
- b) In Senegal, certain (9 per cent) inclusion errors were reported by the CO in its paper voucher programme.
- c) In Somalia, for the EMOP 200281 (July 2011–December 2012), C&V tools were used after budget revision in February 2012. A total of 12,000 beneficiaries were targeted for distribution of paper vouchers in Burao, Somaliland. We noticed from the monitoring reports of CPs that the vouchers were distributed to around 100 non-targeted people. The CO reported that after the incident, a full re-screening of the beneficiaries was conducted and it was ensured that ineligible people were not receiving vouchers. The two staff members involved in the incident were removed from duty by the CP. It was further stated that additional checks and balances had been put in place since then, including a more robust complaints and feedback mechanism. Also, WFP Somalia was one of four pilot countries in the HQ-led corporate solution for the management of C&V, which would include a biometric authentication process in order to add more control to the whole process.

43. We recognize that better beneficiary targeting using IT solutions can minimize inclusion/exclusion errors, especially for large-scale targeted assistance. Shifting gradually to biometric identification of beneficiaries, with due cost review, would also be helpful for enhancing beneficiary identification, verification and monitoring.

iii) Gender Implications of Food and Cash Transfers

44. We observed that WFP had not completed the study on gender implications of transfers, in respect of countries and regions where C&V transfer modality was used. ODXC stated that it was carrying out research together with the Office of the United Nations High Commissioner for Refugees (UNHCR) in many countries including Bangladesh, Chad, Ecuador, Jordan, Kenya, Pakistan, State of Palestine and the Sudan. However, no interim reports or preliminary studies were made available to us at WFP HQ during audit to evaluate the usefulness of the exercise. We were intimated that the study has since been completed in March 2013.
45. We were informed by the Pakistan CO that a gender and protection study on C&V had been conducted, which addressed gender implications of C&V transfers. Similarly, the State of Palestine CO informed that an evaluation had been completed in 2012 on gender and protection related to the voucher programmes and the Niger CO had initiated such a study on studying the sociological implications of cash transfers.

Recommendation 4

WFP should factor in the gender specific priorities, while introducing C&V modalities.

iv) Under-resourcing of Projects and Shortfalls in Beneficiary Coverage

46. We observed from the budget figures and beneficiary numbers made available by the Project Budget and Programming Service (RMBP) and ODXC that 48 projects out of a total 53 projects during 2010 and 2011⁹ were under-resourced, as per the details in the **Annexure A**.
47. As seen from the Annexure, in three projects, i.e. PRRO 104270 (Afghanistan), EMOP 107880 (Bangladesh) and EMOP 108170 (State of Palestine), actual C&V distribution was in excess of the planned budget. Only in the IR-EMOP project 200334 in Mauritania were planned budget and actuals the same and in one PRRO project 200307 (Tunisia), there was no budget.
48. WFP stated that the Country Directors had the flexibility to increase/decrease the C&V component against the food component of the same project to best meet the project objectives.
49. We also observed that there was a significant gap between the number of targeted beneficiaries and actual beneficiaries, as per details below:
- a) Against the total budget of US\$337,365,771, only US\$176,638,801 (52 per cent) was transferred during 2010 and 2011.
 - b) Similarly, against the target of 11,547,943 beneficiaries, 7,399,097 (64 per cent) beneficiaries were covered during the same period.
 - c) In 36 projects, a lesser number of beneficiaries was covered against target.

⁹ For 2012, data on beneficiaries were not available and hence comparison was made for the two years (2010 and 2011).

- d) In nine projects, more beneficiaries against the target were covered, though distribution was less than the budget.
 - e) In three projects, 100 per cent beneficiaries were covered against target.
 - f) In four projects, no beneficiary was covered in spite of the planned budget and beneficiary target as there were no C&V transfers in these COs (Burundi, Congo, Ecuador, Somalia). The Somalia CO intimated that due to operational challenges and security reasons, the C&V operation was not initiated until the beginning of 2012.
 - g) In one project PRRO 200307 (Tunisia), 50,000 beneficiaries were planned to be covered without any budget but there was no achievement as there was no transfer.
50. Our field visits to COs also revealed shortfalls in beneficiary coverage, mainly due to resource constraints, as per the details below:
51. **Case Study 3:** In the Philippines, the PRRO 200131(1 July 2010 to 30 April 2012) aimed to provide emergency food and nutrition assistance to the most vulnerable flood-affected people. Initially, there was no provision for distribution of C&V in the project. In the 4th budget revision (27 December 2011), it was proposed to extend this benefit to 60,000 people. The 5th budget revision (January 2012) provided a transfer of PHP 170 (US\$4) per household per day and the benefit was extended to another 12,000 households comprising 75,000 beneficiaries under combined food and cash for work and the project commenced from 1 May 2012. Since US\$2.9 million in contributions from the Philippines to the PRRO were confirmed, this activity was started earlier than originally planned. Under this scheme, though a target of 135,000 people was planned to be covered, the beneficiaries actually covered were only 60,160. The CO stated that it could reach 60,160 people under this scheme due to budget constraints.
52. **Case Study 4:** In Kenya, the PRRO project 106660 (cash account) was started with effect from 1 June 2009 and targeted 1,139,310 beneficiaries. But, 1,047,150 beneficiaries were actually covered in the PRRO due to operational delays and breaks in the cash pipeline in 2011 and 2012.
53. **Case Study 5:** In Sri Lanka, the PRRO 200143 was started on 1 January 2011 and was to be completed on 31 December 2012 after an extension of 12 months. The C&V-based tool was first introduced through the budget revision 1 in March 2012. Due to a limited funding commitment, the scheme was being executed only in Jaffna district since March 2012 and was to continue up to December 2012. We, however, observed that against the target of 20,000 beneficiaries, 12,462 beneficiaries were covered between March to October 2012. This resource limitation also affected C&V scale-up and as intimated by the CO, it was able to reach 79 per cent of the planned caseload by December 2012.
54. The above gap in availability of budgetary resources and coverage of beneficiaries reflects the need for a more realistic beneficiary planning and also resource planning. We thus reiterate our recommendation 2 in the Audited Annual Accounts 2011 that WFP should consider the integration of a resource plan into the planning processes including the Management Plan and potentially project planning.

55. There was also a strong need for pipeline management in C&V modalities as, unlike the food assistance based projects, there was no system of intra-project borrowing of resources in the C&V-based projects. We noted that in COs like the Philippines and Zambia, a cash-specific pipeline management tool did not exist.
56. We were intimated that the discrepancies between planned and actual beneficiary figures were not always linked to insufficient resources, but also to operational constraints and related revisions of planning figures, such as the lack of an appropriate financial infrastructure to effect transfers to all planned. It was stated that WFP would identify such risk factors in the planning stage and incorporate mitigation measures to eliminate future gaps.

Recommendation 5

Pipeline management of C&V modalities should be done to ensure adequate and timely availability of resources for smooth implementation of C&V projects.

v) Delays in Delivery of Assistance

57. We noted few cases of delay in assistance rendered to the beneficiaries, pointing out systematic gaps, as per the case studies below:
58. **Case Study 6: Scratch (electronic) vouchers to the SPLASH beneficiaries.** In Zambia, the SPLASH programme under PRRO 105940 was operated from December 2008 to March 2011. The programme initially targeted households with moderately malnourished children (MMC) under five and in the second phase expanded to target patients registered for anti-retroviral (ART) and tuberculosis (TB) treatments. The clinic-based registration and monitoring of clients was carried out by five CPs under the oversight of World Vision International (WVI). The household food assistance package was provided first through paper vouchers and then electronic vouchers or scratch cards that allowed disbursement of household rations to be approved and monitored online. The beneficiaries, after registration at the health centre, were entitled to get the scratch card as soon as possible so that they could redeem the vouchers to get the entitled food items from the retailers. As per the procedure, once the beneficiaries had been registered, they had to wait to be notified that they had been placed on the voucher distribution list.
59. Analysis of beneficiary data received from the Mobile Delivery and Tracking (MDT) division, however, showed a significant delay in the receipt of first scratch voucher by the beneficiaries after its creation. The delay was as much as 298 days. The illustrative list of the beneficiaries, who received the voucher after a delay of more than 200 days, is given in **Annexure B**. As these beneficiaries were patients registered under ART and TB treatments that needed immediate food assistance, such delays would have impacted the very purpose of the programme.

60. The CO replied that:

- a) When the e-voucher pilot was first introduced in the SPLASH programme, a lot of different issues had to be resolved before the system went live (e.g. dummy runs) and as it was being rolled out.
- b) Furthermore, the e-voucher system was an evolving system with several changes occurring as the pilot scaled-up including changing from the two pin scratch card to the one pin scratch card and changing registration from ART/TB numbers to National Registration Card (NRC) numbers.
- c) Lastly, the e-voucher system captured 52,000 beneficiaries which is important to contextualize the 200 NRC numbers identified that were a result of system teething errors.

61. We would like to point out that we have highlighted cases where there was a delay of more than 200 days in receipt of vouchers by beneficiaries after its creation and not 200 NRC numbers. While we appreciate the teething problems of the project, we are of the opinion that delay of over 200 days is significant in project execution and data management issues need to be given priority by WFP to manage such e-voucher systems in the future.

62. **Case Study 7: Delay in beneficiary assistance through banks.** In Kenya, the PRRO 106660 was designed to refocus WFP Kenya to recover from the food security crises declared by the National Government of Kenya in January 2009.

63. There were 1,047,150 cash beneficiaries under the project during January 2010 to September 2012. The CO engaged the services of Equity Bank/WFP account bank and deposited the amount of cash payable to beneficiaries under cash for assets (CFA) and (later) unconditional cash transfer programmes, for further transfer to beneficiary's account. The beneficiaries under the programme were selected by communities (facilitated by the CPs) and verified by the Head of the Field Office and approved by the CO.

64. Although the beneficiaries list had been verified at three points, in certain cases timely transfer of cash to the beneficiaries account could not be made due to reasons such as defects in the account number, accounts frozen due to non-operation, etc. In these cases, the amount due to the beneficiaries was paid after a gap of more than four months against the SOPs that payments be released within 30 working days. Since the beneficiaries were poor, their accounts were frozen due to non-transfer of money in time and consequently the accounts became non-operational.

65. Even the self-evaluation of the project by the CO brought out that only 10 per cent of households reported to have received transfers on time. This was due to time taken to process payments, abrupt changing of bank's manager, banks lacking liquidity, lack of national IDs preventing beneficiary enrolment.

66. The CO stated that the main reason for delay was resource constraints and timely transfer to beneficiaries in some cases had been a technical challenge. It further stated that the CO had made significant efforts to improve systems in order to minimize delay and WFP was working on a resourcing strategy to ensure a steadier pipeline for cash transfer.

67. We further noted that:

- a) assistance in the Uganda CO (DEV project 108070 involving cash for work) was not always delivered in time;
- b) it was sometimes reported as delayed in Iraq (PRRO 200035), due to the delays in the bank transfer;
- c) in the Niger CO, it was reported that mostly cash was delivered on time with some exceptions when assistance came late: MFI (Micro Finance Institution) or NGO arrived late on site; NGO had not submitted cash distribution list on time; bank went on strike and cash transfers from WFP bank account to partners' account took longer than predicted and technical problems with the cell provider; and
- d) in Pakistan (EMOP 200177), in most of the cases (98 per cent in 2011 and 76 per cent in 2012) the beneficiaries were informed about the distribution schedule only one or two days in advance. The CO stated that this was due to security issues. The beneficiaries, however, need to be informed about the distribution schedule well in time so that they can collect the assistance in time.

Recommendation 6

Standard Operating Procedures (SOPs) should be put in place to provide for pre-defined alternate mechanisms to address operational issues, which could delay timely disbursement of C&V to beneficiaries.

vi) Contract with Retailers

68. The C&V manual outlines the process to be followed for selection and entering into contracts with retailers.

69. We noted that all the COs entered into contract/agreement with retailers/shopkeepers either at their level or at CP/FSP level. In COs like Burkina Faso, as a risk mitigation strategy, the selection of retailers was done by WFP, the Ministry of Trade and the financial partner and not left to the FSPs alone. As a good practice, this can be considered for adoption by other COs also. The commodity price lists also may be considered for display at trader premises for transparency, as was already being done in COs like Senegal.

vii) Use of C&V Assistance for Non-Food Purposes

70. The use of assistance for non-food items was observed more in the immediate cash or cash account model of C&V transfer modality as against where e-voucher or paper voucher was used as a C&V transfer modality. For example, in the Burkina Faso CO (cash-for-work project), we were informed that 24.4 per cent of the money received by beneficiaries was used for non-food items. As against cash, in case of paper vouchers, we were informed that while in all cases beneficiaries used their vouchers to buy food, only in a few cases they asked retailers to buy food items not included in the defined food basket (Burkina Faso CO); there was limited purchase of soap and tea with redeemed vouchers (the Sudan CO) and less than 10 per cent of assistance being used for non-food items (Senegal CO).

71. Appropriate reinforcement needs to be made in such cases to ensure that cash is spent for intended purposes. While the Philippines CO intimated that there was no diversion-based post-distribution monitoring, the Uganda CO intimated that this was being integrated in the M&E system in 2012.
72. WFP may strengthen its monitoring for cash transfers and consider shifting C&V projects gradually and wherever feasible to electronic transfers to check such practices. WFP management at ODXC agreed that electronic transfers were a desirable option when compared to paper and cash-in-hand transfers, to facilitate scale-up and accountability.

viii) Distribution Reconciliation

73. This process entailed a comprehensive overview and reconciliation of the monthly distribution outputs (beneficiaries reached and volume/amount of assistance delivered). We noted that at the end of distribution cycle, actual distribution of C&V among the beneficiaries was not reconciled with the end of cycle report received from CP/FSPs in Uganda. We observed that in Pakistan, under the EMOP 200177 as per the CP's report, 84,790 beneficiaries were distributed cash during the year 2012 (up to September 2012) whereas as per the Bank's report 84,700 beneficiaries were distributed cash. Further, as per the data available in WFP, 68,416 beneficiaries were distributed cash up to September 2012. Agreeing to the reconciliation, the Pakistan CO replied that since most of the beneficiaries worked for more than one month, the reconciliation of beneficiaries was a continuous process and the CO reported final reconciled figures in year-end reports. In Bangladesh also, we noted discrepancies in the beneficiary numbers during May–June 2011 and also during July–August 2012 in the monthly cash distribution reports of the partner (National Development Plan) and their actual distribution record, as maintained in the sub-offices. The CO stated that the error was in the zone-wise data but in total, numbers were correct. While the CO may be right, the discrepancies in the distribution reports of the CP, as highlighted in audit, point to the need for streamlining the reconciliation process. The CO agreed to the reconciliation of beneficiary data.

ix) Impact on Market Prices

74. The monitoring of the C&V distribution among the beneficiaries comprised activities aiming at examining the distribution process, outputs achieved against planned and the impact of the transfer on the beneficiaries. At this stage, market and retail price monitoring also needs to be undertaken within the existing food security monitoring to estimate beneficiaries' access to food.
75. We observed that in four COs (Bangladesh, Burkina Faso, Sri Lanka and Uganda) market price trend monitoring was not performed post distribution of assistance. The Philippines CO informed that field monitoring was ongoing. The Sri Lanka CO informed that it did not practise monitoring of the market prices after the distributions (post-distribution) as the impact on the regular market was limited due to it being a voucher programme with fixed and pre-agreed prices which were prevailing at market. In view of the scale of transfers spread over a fixed area, however, the intervention had the potential to impact the local economy and the CO would do well to collect data as envisaged.

x) **Beneficiary Management Solution**

76. Beneficiary Management Solution (BMS) is an IT tool for COs to manage, monitor and track the delivery of C&V assistance to the beneficiaries. It was envisaged to be developed as part of corporate guidance and tools to facilitate cash-based programming and comprehensive and timely reporting on beneficiary assistance. For scale up of C&V interventions, a Corporate Beneficiary Data Management and Monitoring System is the most significant need of the hour.
77. We noted that the corporate BMS was initially scheduled to be rolled out in mid-2012. Due to contractual delays, it is now scheduled to be rolled out on a pilot basis in four countries: Democratic Republic of the Congo, Kenya, Somalia and the Sudan in 2013.
78. We observed that in the absence of the corporate system, some of the COs had taken their own measures to monitor and track assistance to the CPs/FSPs and beneficiaries, which were not comprehensive and uniform. In COs like Burkina Faso and Sri Lanka, spread sheets were used for the purpose; the Bangladesh CO reported other measures and COs like Kenya, Pakistan, State of Palestine, Senegal, Somalia, the Sudan, Zambia and Zimbabwe had either their own or FSP-developed systems to monitor and track assistance to beneficiaries.
79. We also noted certain gaps in the database of beneficiaries, as per case studies below:
80. **Case Study 8: Duplicate and invalid NRC numbers in the system.** We noted that the identification of beneficiaries was based on the NRC numbers, given by the Government of Zambia to its residents. Analysis of beneficiary data received from the MDT division however showed duplicate NRC numbers (see illustrative list in **Annexure C**).
81. The Zambia CO stated that the duplicate NRCs were due to data entry errors. The duplicate numbers were identified in May 2010, documented and corrected.
82. In this regard, we further observed that the SPLASH Programme was a household food assistance programme and the package was provided through vouchers and more than one member of the same household (having a different NRC) could get registered under this programme and benefited as the system was not designed to reject such registration. Such issues were also reported in the evaluation report.
83. The CO stated that it acknowledged this as an important point as, unless all NRCs were identified in the household and registered under a household account, the system could not differentiate household members. This risk was identified and could be mitigated by close oversight by the field partner (NGO) and their linkages to the community volunteers and clinic staff to ensure issue of duplicate provisions to households did not occur.
84. Analysis of scratch card voucher beneficiary data received from the MDT division also revealed discrepancies like the date of delivery of vouchers being prior to the date of creation and invalid NRC numbers in some cases (an illustrative list is given in **Annexure D**).

85. The CO stated that such errors could be the result of wrong data entry and system problems.
86. **Case Study 9:** In Zimbabwe, the PRRO 200162 was to provide food assistance to 1.5 million beneficiaries in 2012. This operation consolidated the activities of its predecessor and aimed to achieve sustainable solutions to food insecurity and inadequate nutrition. The beneficiary data on the e-voucher distribution programme in two districts, Bulawayo and Harare, for the month of February 2012 showed the following discrepancies.
87. *The NRC number allotted by the Government of Zimbabwe was an alphanumeric code having 11 to 13 digits. It was found that some of the NRC numbers had less digits.*
88. *There were other discrepancies in the data of beneficiaries such as irrational household sizes, age, inconsistencies in clinic names, number allotted to the clinic, gender and head of household.*
89. The CO attributed the reasons for this to mainly data entry errors and the problems in exporting data from the system in case of the e-voucher programme. Regarding incorrect NRC, the CO responded that not all the individuals had nationally issued ID cards and hence they resorted to using their clinic issued numbers.
90. While we agree that use of other IDs – such as driving licence number, any other certificate number, etc. including number given by the clinic, if the beneficiary does not possess NRC – is acceptable, we feel that the nature of the ID document should be invariably mentioned. Also, in all cases of data entry errors in the COs, the beneficiary database needs to be cleaned up and validation checks built into the system.

Recommendation 7

- a) Post-distribution monitoring, food security and market monitoring needs to be strengthened in the COs with focus on outputs and outcomes.*
- b) WFP needs to roll out on priority, the Corporate Beneficiary Management System to register, manage and monitor beneficiaries in all COs, with the ultimate objective of facilitating comprehensive and timely reporting on beneficiary assistance.*

xi) Complaint Mechanism

91. A robust complaints mechanism for the beneficiaries needs to be adopted by all COs as a good practice, particularly since the modalities need to be further scaled up. We queried the various COs on the same and observed that while in COs like Bangladesh, Kenya, Somalia, the Sudan, Zambia and Zimbabwe, beneficiaries had various options to share their concerns/complaints; in others like the Philippines and Uganda, it was left to the CPs (see **Annexure E**). Escalation mechanism beyond the COs, if any, was also not apparent. We are of the opinion that a sound complaint mechanism for beneficiaries, which also involves WFP staff, should be set up in each CO, with provision for appropriate escalation, to enable speedy and satisfactory grievance resolution.

III. Oversight by Regional Bureaux and Headquarters

i) Regional Bureaux

92. In our audit of the three RBs: Regional Bureau – East and Central Africa, Nairobi (OMN), Regional Bureau – Asia, Bangkok (OMB); and Regional Bureau – Southern Africa, Johannesburg (OMJ), we observed as under:
93. **Risk areas identified by RB Missions** – The following risk areas were identified by the selected RBs, related to the C&V modalities:
94. **OMN.** We were given to understand by the RB that except for Kenya, all COs were slow to recognize that introduction of market-based approaches instead of in-kind assistance required up-front investments in the form of developing office capacity and redefining the roles of existing staff. Financial delivery systems were not always available in WFP programme areas and the corporate systems to mitigate these were slow to develop. There was a lack of trained personnel to design and implement C&V-based projects. The organization needed to invest more in fostering learning and training staff before the scalability of these interventions.
95. **OMB.** As per the RB, the risks included the process of decision-making on transfer modalities especially in rapid-onset emergencies, beneficiary targeting and verification procedures, capacity constraint at the CO level (not all the COs having enough qualified staff in different units of finance, procurement, logistics, programme, information and communications technology, to explore the full range of delivery options available in a particular country) to determine the most cost-effective and best delivery mechanism, gender and protection risks, etc. We were intimated that since the HQ guidance, trainings and SOPs were still being finalized, there were irregularities in connection with the use of C&V transfer modality in various projects, as per the details below:
- a) Selection of financial service providers (process and procedure)
 - b) Level of involvement of units beyond programme (logistics, procurement, ICT, finance) in the design and implementation of C&V-based projects
 - c) Tracking cash distributions in the WFP Information Network and Global System (WINGS)
 - d) Staff capacities in different units in COs.
96. **OMJ.** OMJ informed that no comprehensive risk analysis containing any C&V-related activity in any of the COs had been conducted by the RB at the beginning of the year during the work planning session, owing to the fact that the C&V expert had taken up his duties after that date. However, such an analysis was expected to be an integral part of the 2013 work plan. Though no major irregularities were pointed out by the RB in implementation of C&V-based projects in the region, some noteworthy issues included:
- a) Transfer value not included in the cost of transport from retail outlets to the residence (Mozambique, Zambia and Zimbabwe).
 - b) C&V projects were being introduced in the region in an environment where there was limited experience, if any, of the use of C&V in the humanitarian sector. As such, WFP and partners/stakeholders were together learning-on-the-job.

- c) Initially, Alpha Value was used in cost efficiency analysis. The tool was deficient requiring development of a more robust tool. The Omega tool was currently under review and may be used for future cost analysis.
97. **Oversight missions by the RBs.** We observed that no oversight missions, per se, were conducted in the three RBs related particularly to the C&V modalities though there were technical support missions.
98. The East and Central Africa Regional Bureau had reviewed a couple of projects implemented by the COs under it, in which C&V tools were used during the period (15 April 2011 to 30 September 2012) but the same was mainly limited to vetting of project documents of the programme and offering remarks on them.
99. We noted that the OMJ region had a small footprint in cash programming. The OMJ provided technical support to COs in their pursuit to explore, design and implement C&V-based projects. We, however, observed that oversight missions, per se, had not been undertaken for cash programming purposes. The oversight matrix for 'programme' also did not include issues specific to C&V.
100. As most of the projects were still in the form of pilot projects and a number of risk areas had been identified by the RBs, there was scope for special oversight missions for assessing the performance. Relevant inputs for C&V also needed to be provided in the oversight matrix.
101. WFP HQ in response to our observation regarding stronger supervision of C&V projects, stated that the regional finance officers (RFOs) at RB level had gone through C&V training and a joint cash and finance directive was being finalized, which would be issued shortly (by 31 December 2012) and would function as an important guidance document for resource management, financial management and procurement and contracting at CO level, with support and supervision by the RBs. However, we did not notice any significant role of the RFOs in oversight of C&V projects in the field.
102. The Southern Africa Regional Bureau informed us that the role of the RFOs has now been revamped with additional focus on the new business process clarifying roles and responsibilities. Several RFOs under the RB had undergone WFP C&V training, better equipping them with the appropriate C&V support skills.

Recommendation 8

- a) The RBs are required to build capacities at the level of COs through their newly appointed technical experts and play a stronger role in providing technical support to the COs.*
- b) The RBs, in collaboration with HQ, need to prepare checklists for the oversight of C&V-based projects and ensure appropriate oversight mechanism, in the context of their enhanced responsibility in the new organizational design (Fit for Purpose).*

ii) Headquarters Role

103. The WFP HQ has the Programme Review Committee as the first step in the project approval process. Operations are approved according to delegation of authority by the Regional Director, the Executive Director or the Executive Board. The Country Directors are responsible for proper implementation after approval with the primary support and oversight function of the RB.
104. The WFP HQ provides corporate oversight and is responsible for ensuring overall accountability. It therefore needs to ensure that a corporate policy framework is put in place under which the COs and RBs can operate to manage the financial risks. We acknowledge that since its creation in 2011, ODXC has been engaged in developing corporate guidance to facilitate integration of C&V transfers into WFP's programme of work. However, ODXC has to further ensure that the tools, systems and processes are put in place to ensure large-scale implementation and scale-up of C&V programmes.
105. The ODXC stated that a number of tools were being developed at the corporate level to better mitigate the risks identified, including financial market assessment, contract templates, tools to build the capacity of small retailers, joint directives, standard operating procedures, a beneficiary management system and biometric registration of beneficiaries.

Recommendation 9

As the C&V delivery modalities are in the process of being scaled up, we recommend that corporate guidance and tools for standardization and risk mitigation be developed, as a priority. A more pro-active oversight role by WFP HQ needs to be considered for rolling out these modalities at an accelerated pace and to collect best practices and disseminating these across all COs.

IV. Capacity-Building

106. The C&V transfer modality is a relatively new mode of execution of projects for the WFP. While the organization has years of experience in delivering food assistance, this method has a fledgling status. Therefore, it is essential that while executing the projects using these modalities, the organization has to acquire the wherewithal to handle the hindrances and challenges that are associated with this technique, as also highlighted in the various evaluation reports.
107. As part of capacity-building for use of C&V tools, the Haiti CO reported developing a manual with the Ministry of Agriculture for labour intensive activities, based on the cash-for-work activities carried out after the 2010 earthquake. The manual favours standardization of the salaries provided to workers and the rules which partners should abide to.
108. We observed that, particularly at the field level, with few exceptions, no formal training was imparted either to the CP staff or the WFP staff before the commencement of the projects. Lack of trained staff was also observed as a constraint by the COs and RBs.

There is, thus, an urgent need for a structured and systematic training at the ground level for future scaling up of the C&V projects.

109. The Cash-for-Change Service stated that it had trained more than 250 senior and operational managers in the C&V transfer programme in 2012. We were also informed by HQ that a training module for CPs was under preparation to address the specific needs in designing and implementing C&V.

Recommendation 10

We recommend that WFP issue guidelines for training and capacity-building to be undertaken as part of pre-project activity involving WFP staff at RBs/COs, CPs and local communities. More thrust needs to be placed on capacity-building, including a review of the existing in-house staff expertise in C&V implementation and roping in external specialists, if required.

V. Ex-post Audit and Evaluation

i) Internal Audit

110. We observed that the Office of Internal Audit (OSA) had reported on the HQ management of the C&V initiative in July 2010. However, during the examination of Internal Audit Reports of the Haiti, Iraq, Kenya, Pakistan and the Sudan COs in 2010 and 2011, we observed no comments on the C&V transfer modalities, though there were active projects in these countries.
111. The Office of Internal Audit agreed with the analysis and stated that it takes into account the risks of C&V-based activities, both at the time of annual work planning and in each individual audit's engagement planning, in accordance with the International Professional Practices Framework of the Institute of Internal Auditors (IIA), in particular Standard 2010 – Planning. Following this standard, OSA may or may not carry out detailed audit procedures on C&V-based activities in each individual office visited, depending on the relative risk of those activities in the period audited.
112. We appreciate that the Internal Audit wing of WFP works in accordance with international professional practices. We found the observations of Internal Audit on the Philippines cash transfer programme, finalized in September 2011, very useful in terms of the corrective methods which needed to be taken for future activities in the area.
113. We also understand that WFP is planning to scale up activities in the C&V field to take it up to 40 per cent of the total assistance rendered, in the near future. Therefore, the ODXC and the entire management of WFP need timely inputs about the execution of projects based on these modalities from sources other than those actually executing the programme.
114. We thus feel that the Internal Audit is in a good position to carry out the examination and analysis of the C&V-based projects in the COs visited by them to contribute to the learning process in the improvement of the design and programme delivery mechanisms associated with the C&V transfer modalities.

ii) Impact Evaluation Reports

115. The impact evaluation reports prepared by independent agencies/institutions/researchers on the C&V-based pilot projects in various countries (Iraq, Kenya, Pakistan, State of Palestine, the Philippines, Sri Lanka, the Sudan, Zambia and Zimbabwe, etc.) contain a wealth of useful information and analysis which could help the C&V modality become more effective and efficient in future. These include both positive and negative aspects of C&V transfers.
116. We observed that in the absence of a standardized evaluation template, the focus area and the parameters on the basis of which evaluations were carried out differed from project to project. For instance, in Sri Lanka the focus was on the use of cash assistance for various purposes by beneficiaries; in the State of Palestine, the area of in-depth analysis was the effect of the intervention on suppliers and markets; in Iraq, there was a lot of information about the work output related to assistance; in the Philippines, it was the manner in which cash was used and inter-action with local governments.
117. WFP stated that the Cash-for-Change Service will be setting guidance for programme level monitoring, with periodic evaluation over a given period; the Office of Evaluation will conduct a C&V policy evaluation and may also, in future, consider conducting an impact evaluation series, as part of its evaluation strategy.

Recommendation 11

a) Impact analysis on C&V projects need to be performed on a periodic basis.

b) WFP needs to draw up a set of guidelines for impact evaluation of C&V modalities, with clearly defined key focus areas such as beneficiary identification, performance of CPs/FSPs, inter-action with local government, gender-related issues, entry and exit strategy, short-term impact on hunger food insecurity, mid-term impact on restoring livelihoods and the long-term impact on countries abilities to look after its citizens. Depending on the situation on the ground, the impact evaluation could expand the research on some of the areas but reporting on all would be required to have a complete view of the usefulness of C&V modality.

Annexure A

Details of Budget and Beneficiary coverage

	Country Office	Project Number	Total 2010 and 2011		Shortfall(-)/excess(+)		Beneficiaries 2010 and 2011		Shortfall(-)/Excess(+)	
			C&V Planned Budget	C&V Actual Transfer	In amount	In %	Targeted	Actual	In nos.	In %
1	Afghanistan	104270	900,000	1,238,815	338,815	38	60000	58068	-1932	-3
		200063	12,700,000	655,456	-12,044,544	-95	91251	35952	-55299	-61
2	Armenia	100532	1,015,200	349,481	-665,719	-66	10000	4526	-5474	-55
3	Bangladesh	100454	22,464	13,052	-9,412	-42	107	45	-62	-58
		104100	19,458,985	12,060,212	-7,398,773	-38	440000	347690	-92310	-21
		107880	12,741,374	18,443,727	5,702,353	45	749610	749610	0	0
4	Burkina Faso	107730	4,942,351	4,275,028	-667,323	-14	267000	258410	-8590	-3
		200196	1,687,500	1,207,383	-480,117	-28	80000	109976	29976	37
5	Burundi	200164	81,153	0	-81,153	-100	2000	0	-2000	-100
6	Cambodia	200202	180,000	49,010	-130,990	-73	51600	22505	-29095	-56
7	Congo	200211	529,440	0	-529,440	-100	16836	0	-16836	-100
8	Democratic Republic of the Congo	106080	606,664	471,013	-135,651	-22	24465	21086	-3379	-14
		200167	2,163,458	969,581	-1,193,877	-55	48998	48624	-374	-1
9	Côte d'Ivoire	200255	2,343,157	1,542,398	-800,759	-34	60000	52220	-7780	-13
10	Ecuador	200275	466,500	0	-466,500	-100	16514	0	-16514	-100
11	Georgia	107870	5,069,530	922,425	-4,147,105	-82	49900	29350	-20550	-41
12	Haiti	108440	19,183,360	1,649,054	-17,534,306	-91	375000	211555	-163445	-44
		200110	61,727,400	31,101,003	-30,626,397	-50	854744	954830	100086	12
13	Iraq	107170	330,000	315,041	-14,959	-5	3000	4953	1953	65
		200035	3,025,575	2,779,559	-246,016	-8	45588	58284	12696	28
14	Kenya	106660	18,338,310	12,980,539	-5,357,771	-29	1187510	510096	-677414	-57
15	Lao People's Dem. Rep.	103060	50,000	41,141	-8,859	-18	2292	4224	1932	84
16	Liberia	108210	1,930,800	234,485	-1,696,315	-88	31000	18355	-12645	-41
17	Mauritania	200334	350,000	350,000	0	0	18995	18695	-300	-2
18	Mozambique	106000	1,407,988	502,662	-905,326	-64	25768	10477	-15291	-59
19	Myanmar	200032	650,000	12,523	-637,477	-98	37000	3270	-33730	-91
20	Nepal	106760	2,643,450	2,077,441	-566,009	-21	360000	153787	-206213	-57
		200152	9,398,634	3,519,571	-5,879,063	-63	413901	207844	-206057	-50
21	Nicaragua	104440	394,560	389,520	-5,040	-1	2740	2705	-35	-1
22	Niger	200051	6,960,720	2,981,047	-3,979,673	-57	517496	318416	-199080	-38
		200170	4,920,000	4,449,299	-470,701	-10	436100	360297	-75803	-17
23	Pakistan	102690	1,500,000	765,300	-734,700	-49	69000	73626	4626	7
		108280	1,600,008	1,152,000	-448,008	-28	70000	79779	9779	14
		200145	7,135,413	1,694,364	-5,441,049	-76	450000	112385	-337615	-75
		200177	24,217,672	6,012,210	-18,205,462	-75	2121000	351603	-1769397	-83
24	Palestine	103871	249,260	233,667	-15,593	-6	780	780	0	0
		107740	5,756,991	3,298,561	-2,458,430	-43	61498	37925	-23573	-38
		108170	4,280,636	4,426,013	145,377	3	30290	29172	-1118	-4
		200037	11,960,348	5,412,952	-6,547,396	-55	90139	32380	-57759	-64
25	Philippines	200076	1,080,000	992,976	-87,024	-8	49822	49822	0	0
26	Senegal	106120	6,949,810	3,585,386	-3,364,424	-48	209736	149451	-60285	-29
27	Sierra Leone	105540	447,315	18,574	-428,741	-96	4400	2311	-2089	-47
		200062	1,323,000	488,320	-834,680	-63	34400	27029	-7371	-21
28	Somalia	200281	4,166,667	0	-4,166,667	-100	96000	0	-96000	-100
29	Sudan	200027	5,957,642	3,145,353	-2,812,289	-47	245858	241919	-3939	-2
		200151	19,210,451	9,320,854	-9,889,597	-51	629578	629494	-84	0
30	Syrian Arab Rep.	107170	503,200	315,041	-188,159	-37	7400	6281	-1119	-15
		200040	19,938,732	17,948,009	-1,990,723	-10	144600	140739	-3861	-3
31	Tunisia	200307	0	0	0	0	50000	0	-50000	-100
32	Uganda	108070	2,661,188	492,767	-2,168,421	-81	61443	76366	14923	-24
33	Zambia	105940	7,568,942	5,421,184	-2,147,758	-28	566237	480961	-85276	-15
34	Zimbabwe	105950	3,544,923	2,874,208	-670,715	-19	129680	88685	-40995	-32
		200162	11,095,000	3,460,595	-7,634,405	-69	146667	212539	65872	45
	TOTAL	TOTAL	337,365,771	176,638,801	160,726,970	-48	11547943	7399097	4148846	-36

Annexure B

Details of Delays in Voucher Distribution After Creation

NRC No	PROJECT	Date of First Collection	Date of Creation of Vouchers	Duration between Creation and Delivery of Vouchers (in days)
155271251	WFP – anti-retroviral (ARV) voucher project	14-09-2010	20-11-2009	298
186990711	WFP – TB voucher project	16-09-2010	23-11-2009	297
236487711	WFP – TB voucher project	28-09-2010	08-12-2009	294
150322851	WFP – TB voucher project	13-09-2010	24-11-2009	293
198880731	WFP – ARV voucher project	26-09-2010	09-12-2009	291
173000711	WFP – TB voucher project	16-09-2010	09-12-2009	281
203351711	WFP – TB voucher project	16-09-2010	09-12-2009	281
133513741	WFP – ARV voucher project	14-09-2010	09-12-2009	279
305323741	WFP – ARV voucher project	25-10-2010	24-01-2010	274
227028711	WFP – ARV voucher project	25-08-2010	25-11-2009	273
206030711	WFP – ARV voucher project	19-08-2010	28-11-2009	264
156489711	WFP – TB voucher project	20-08-2010	30-11-2009	263
152123711	WFP – ARV voucher project	20-08-2010	01-12-2009	262
150887711	WFP – ARV voucher project	29-08-2010	11-12-2009	261
107126181	WFP – ARV voucher project	30-08-2010	14-12-2009	259
202242711	WFP – TB voucher project	10-10-2010	28-01-2010	255
216859681	WFP – ARV voucher project	19-08-2010	09-12-2009	253
711806641	WFP – ARV voucher project	17-08-2010	09-12-2009	251
246421711	WFP – ARV voucher project	17-08-2010	10-12-2009	250
261093161	WFP – TB voucher project	17-08-2010	10-12-2009	250

Annexure C**Details showing duplicate NRC numbers**

NRC Number	No of Duplicate NRC	Total Vouchers Collected	Total Vouchers Redeemed	First Collection date	Last Collection Date
168843151	2	20	20	27-04-2010	15-11-2010
277612671	2	20	20	21-04-2010	18-11-2010
134655231	2	18	18	22-04-2010	15-11-2010
156606631	2	18	18	10-05-2010	02-12-2010
179302511	2	18	18	28-04-2010	12-11-2010
197732471	2	18	18	22-04-2010	15-11-2010
277198171	2	18	18	22-04-2010	25-11-2010
316321531	2	18	18	30-04-2010	16-11-2010
470780111	2	18	18	22-04-2010	19-11-2010
610940111	2	18	18	29-04-2010	15-11-2010
716397111	2	18	18	23-04-2010	16-11-2010
776479111	2	18	18	22-04-2010	19-11-2010
845798111	2	18	18	22-04-2010	19-11-2010
992971111	2	18	18	26-04-2010	16-11-2010

Annexure D

Details of Invalid NRC Numbers and Incorrect Voucher Creation Date

NRC No	PROJECT	Date of First Collection	Date of Creation of Vouchers	Remarks
	WFP – ARV voucher project	15-09-2009	11-12-2009	Invalid NRC no. and date of collection of voucher is prior to the date of its creation.
123456789	WFP – ARV voucher project	15-09-2009	27-11-2009	Date of collection of voucher is prior to the date of its creation.
112515191	WFP – ARV voucher project	15-09-2009	20-11-2009	
318106741	WFP – ARV voucher project	15-09-2009	20-11-2009	
107189181	WFP – ARV voucher project	15-09-2009	18-11-2009	
33333	WFP – ARV voucher project	15-09-2009	11-11-2009	Invalid NRC No. and date of collection of voucher is prior to the date of its creation.
228712681	WFP – ARV voucher project	15-09-2009	11-11-2009	Date of collection of voucher is prior to the date of its creation.
140161181	WFP – ARV voucher project	15-09-2009	11-11-2009	
157571711	WFP – ARV voucher project	04-11-2009	09-12-2009	
626689111	WFP – moderately malnourished children (MMC) voucher project	16-04-2010	17-05-2010	
171863711	WFP – ARV voucher project	04-11-2009	03-12-2009	
289843531	WFP – MMC voucher project	15-04-2010	13-05-2010	
145064101	WFP – MMC voucher project	15-04-2010	13-05-2010	
79363 0111	WFP – MMC voucher project	15-04-2010	12-05-2010	
149352531	WFP – MMC voucher project	15-04-2010	12-05-2010	

Annexure E

Details of Complaint Mechanisms

Name of the CO	System in Place
Bangladesh	WFP monitoring team at distributing points, Independent Compliance Unit at the CO and Compliance Officer's regular field visits and meetings with beneficiaries
Burkina Faso	Management committees in each village and municipalities
Kenya	Multiple avenues for making complaints including relief committees, CPs, directly to WFP field staff and to local administration
Pakistan	Beneficiary feedback desk available at provincial office and CO
Palestine	Beneficiary feedback in monitoring forms
Senegal	Local committees
Somalia	At area/field offices, meetings with community members, complaint register at distribution point
Sudan	Hotline printed on the vouchers. Sensitization before distribution cycles, WFP and CP staff present on all distributions and mobile markets. WFP and CP staff at times present at trader shops in local market. Review meetings with beneficiary representatives, traders and CPs.
Uganda, Philippines	Left to the CP
Zambia	Help desk and suggestion boxes, CP and FSP phone lines
Zimbabwe	Use of registration point as a help desk and hotline numbers

ACRONYMS USED IN THE DOCUMENT

ART/ARV	anti-retroviral
ATM	automatic teller machine
BMS	Beneficiary Management Solution
C&V	cash and vouchers
CO	country office
CP	cooperating partner
EMOP	emergency operation
FSP	financial service provider
HQ	Headquarters
MDT	Mobile Delivery and Tracking
NGO	non-governmental organization
NRC	National Registration Card
ODXC	Cash-for-Change Service
OMB	Regional Bureau – Asia (Bangkok)
OMJ	Regional Bureau – Southern Africa (Johannesburg)
OMN	Regional Bureau – East and Central Africa (Nairobi)
OSA	Office of Internal Audit
PRRO	protracted relief and recovery operation
RB	regional bureau
RFO	regional finance officer
SOP	Standard Operating Procedure
TB	tuberculosis