


May 2013

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FINANCE COMMITTEE

Hundred and Forty-ninth Session

Rome, 27 - 28 May 2013

**WFP Management Response to the Recommendations of the 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

- In its report on the Use of Cash and Vouchers, the External Auditor made 11 recommendations. WFP management has analysed and accepted these recommendations, which reinforce and support the corporate business model developed in 2012 by the Cash for Change initiative to facilitate the scale-up of Cash and Voucher transfers, and has prepared a response and timeline for their implementation.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is requested to note the response made by WFP management to the recommendations of the Report of the External Auditor on the Use of Cash and Vouchers and to endorse it for the notification of the Executive Board.

Draft Advice

- **In accordance with Article XIV of the General Regulations of WFP, the Finance Committee advises the WFP Executive Board to take note of the management response to the recommendations of the Report of the External Auditor on the Use of Cash and Vouchers.**

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**Executive Board
Annual Session**

Rome, 3–6 June 2013

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

For consideration



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WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON THE USE OF CASH AND VOUCHERS

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration.

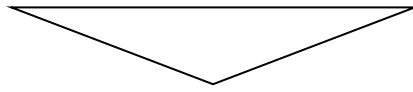
The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal point indicated below, preferably well in advance of the Board's meeting.

Deputy Director, OSZ* and Ms A. Conte Tel.: 066513-2086
Chief, Programme Innovation Service:

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

* Policy, Programme and Innovation Division

DRAFT DECISION*



The Board takes note of “WFP Management Response to the Recommendations of the Report of the External Auditor on the Use of Cash and Vouchers” (WFP/EB.A/2013/6-G/1/Add.1).

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

BACKGROUND

1. WFP management welcomes this review and its recommendations, which support the business model developed in 2012 by the Cash-for-Change initiative to facilitate scaling up of the use of cash and voucher (C&V) transfers.
2. Most of the operations reviewed in the performance audit were designed and implemented during the piloting of C&V transfers. Several of the issues identified have been addressed through the development of new processes, tools and normative guidance to be rolled out in 2013 by the Cash-for-Change Unit (OSZIC, previously ODXC), although systematic application by country offices will require further capacity development. WFP will draw on the External Auditor's findings and recommendations as it enhances its management of C&V transfers.
3. Specific responses to the recommendations are presented in the attached matrix.

**WFP MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR
ON THE USE OF CASH AND VOUCHERS**

Recommendations	Action by	Management response and action taken	Timeframe
<p>Recommendation 1:</p> <p>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.</p> <p>b) Comparative cost-efficiency and effectiveness analysis of C&V transfer modalities need to be completed in COs for selection of appropriate transfer modality.</p> <p>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.</p>	<p>Cash-for-Change Unit (OSZIC); Operations Management Department (OM); Resource Management and Accountability Department (RM)</p>	<p>Agreed.</p> <p>The cost efficiency and effectiveness of response options should be analysed.</p> <p>a) OSZIC has developed new corporate processes and indicators for analysing and comparing the <i>ex ante</i> cost efficiency and effectiveness of cash, in-kind and voucher transfers.</p> <p>b) OSZIC and regional C&V programme officers will support country offices in applying and rolling out the new corporate tools.</p> <p>c) Corporate tools for sectoral capacity assessments have been developed and tested. Their use by country offices is gradually expanding as staff capacity and experience are enhanced.</p>	<p>December 2014</p>
<p>Recommendation 2:</p> <p>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.</p> <p>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.</p>	<p>OSZIC; OM; RM</p>	<p>Agreed.</p> <p>In most cases, financial institutions or other service providers will be responsible for delivering cash or vouchers. However:</p> <p>a) When WFP contracts a CP to deliver cash to beneficiaries or to monetize vouchers at the retailer level, further assessment of the partner's capacity and experience will be required. OSZIC is preparing a training module on the programming of WFP C&V transfers by partners.</p> <p>Guidelines for selecting CPs are to be incorporated in the Joint Directive on C&V to be issued by the Finance and Treasury Division and the Policy, Programme and Innovation Division, which calls for assessment of partner financial capacity based on the harmonized approach to cash transfers criteria (Section 4.1.3).</p> <p>b) The availability and capacity of CPs working on C&V projects depend on the context. WFP agrees that rosters of partners must be maintained, and evaluation should be improved. Corporate guidance on monitoring and evaluation (M&E) is being developed. Please refer to the management response to recommendation 9 of the "Report of the External Auditor on Working with Cooperating Partners" (WFP/EB.A/2013/6-F/1).</p>	<p>December 2014</p>



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<p>Recommendation 3:</p> <p>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.</p> <p>b) Corporate guidelines for FSP fee negotiations should be finalized.</p> <p>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.</p>	OSZIC; RM	<p>Agreed.</p> <p>Management agrees that WFP should draw on the financial skills and infrastructure of FSPs, and should base contracts on assessment of FSP capacity to support WFP interventions. New tools and guidance are being disseminated to country offices, including templates for requests for proposals from FSPs and for legal agreements.</p>	<p>a) December 2014</p> <p>b) Implemented</p> <p>c) December 2014</p>
<p>Recommendation 4: WFP should factor in the gender specific priorities, while introducing C&V modalities.</p>	OSZIC	<p>Agreed.</p> <p>WFP's gender policy must be applied in C&V activities. To improve understanding of possible gender issues in C&V interventions, WFP and the Office of the United Nations High Commissioner for Refugees jointly studied the impact of C&V transfers on gender, protection and social dynamics. WFP has agreed on elements to be taken into account when designing interventions. In 2014, WFP will carry out a C&V thematic evaluation that will provide further information on gender aspects and include recommendations (see also recommendation 11).</p>	Implemented
<p>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.</p>	OSZIC; RM	<p>Agreed.</p> <p>Country office management of the pipeline for C&V activities is similar to that for food distributions. Pipeline management tools are being enhanced, with standardized templates expected in 2013–2014. However, it should be noted that pipeline management cannot fully address inadequate or delayed resources; the root cause is not lack of planning but rather lack of predictable resources.</p> <p>Pipeline information – received monthly from country offices and consolidated by regional bureaux – is one of the elements considered by the Strategic Resource Allocation Committee to guide resource prioritization and allocation, and is also available to the Government Partnerships Division and the Private Sector Partnerships Division.</p>	December 2014



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<p>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.</p>	OSZIC; RM	<p>Agreed.</p> <p>The implementation delays in several pilot C&V projects resulted from lack of experience with cash transfers or voucher monetization – payment of retailers. Learning from this experience, country offices are now able to avoid likely implementation constraints, and contingency measures are being incorporated into SOPs.</p>	December 2014
<p>Recommendation 7:</p> <p>a) Post-distribution monitoring, food security and market monitoring needs to be strengthened in the COs with focus on outputs and outcomes.</p> <p>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.</p>	OSZIC; OM	<p>Agreed.</p> <p>a) Implementation monitoring and programme M&E are critical processes in C&V interventions.</p> <p>b) A corporate system for cash operations is being piloted in the Democratic Republic of the Congo, Kenya, Somalia and the Sudan.</p>	<p>December 2014</p> <p>December 2014</p>
<p>Recommendation 8:</p> <p>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.</p> <p>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).</p>	OM; RM	<p>Agreed.</p> <p>Providing technical support to country offices is the responsibility of regional bureaux. However, more investment in capacity development is needed, including the hiring of external staff with experience of C&V implementation, to support regional bureaux in fulfilling this role.</p>	December 2014
<p>Recommendation 9:</p> <p>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.</p>	OSZIC; RM	<p>Agreed.</p> <p>OSZIC has developed corporate tools and guidance for standardizing C&V activities, including risk assessments at the macro and micro levels, focusing on partner capacity and operational risks.</p>	June 2015



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<p>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.</p>	OSZIC	<p>Agreed. Following face-to-face training in 2012, e-learning and other web-based capacity development programmes are being considered, to reach as many staff as possible. There is need to invest more in capacity development, including by hiring external staff with experience of C&V implementation. OSZIC is also preparing a training module for CPs to address the specific needs of designing and implementing C&V.</p>	December 2014
<p>Recommendation 11:</p> <p>a) Impact analysis on C&V projects needs to be performed on a periodic basis.</p> <p>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.</p>	OSZIC; RM	<p>Agreed.</p> <p>a) The Office of Evaluation (OEV) will conduct an evaluation of the C&V policy in 2014, to assess the results so far. Depending on the quality of evidence generated by this and the evaluations mentioned under point b), OEV will consider conducting a series of impact evaluations.</p> <p>b) Guidance and tools for <i>ex post</i> project/operation evaluations are being developed, including criteria for evaluating impact.</p> <p>WFP is also contributing to the wider community of practice with four country studies comparing the impacts of food, cash and voucher transfers in enhancing beneficiary food security.</p>	December 2014



ACRONYMS USED IN THE DOCUMENT

CO	country office
CP	cooperating partner
C&V	cash and vouchers
FSP	financial service provider
HQ	Headquarters
IT	information technology
M&E	monitoring and evaluation
OEV	Office of Evaluation
OM	Operations Management Department
OSZIC	Cash-for-Change Unit (previously ODXC)
RB	regional bureaux
RM	Resource Management and Accountability Department
SOP	Standard Operating Procedure