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UPDATE ON THE IMPLEMENTATION OF WFP'S POLICY ON VOUCHERS AND CASH TRANSFERS

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This document is submitted to the Executive Board for information

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 points indicated below, preferably well in advance of the Board's meeting.

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EXECUTIVE SUMMARY

This paper provides an update on implementation of the 2008 policy “Vouchers and Cash Transfers as Food Assistance Instruments: Opportunities and Challenges” (WFP/EB.2/2008/4-B). Since 2008, the portfolio of WFP cash transfer and voucher programmes has increased significantly, using various implementation modalities, technology and delivery mechanisms in different contexts. The programmes have been systematically based on assessments, informed by best practices and supported by analytical tools and implementation controls. This has ensured that WFP deployed the right tool, at the right time and at the right place.

WFP’s growing experience has positioned it as a leading player in the use of cash transfers and vouchers for food assistance. It has also demonstrated the importance of defining the objectives of interventions, scaling up interventions in a controlled way, forging robust partnerships and conducting impact evaluations. Ten WFP divisions, along with the regional bureaux and country offices, are engaged in learning by doing, establishing guidelines and protocols, enhancing corporate capacity. In order for WFP to expand cash transfer and voucher programming effectively and efficiently, investments are required to develop protocols and enhance capacities in analysis, programming, accountability and results management.

DRAFT DECISION*

The Board takes note of “Update on the Implementation of WFP’s Policy on Vouchers and Cash Transfers” (WFP/EB.A/2011/5-A/Rev.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.

INTRODUCTION

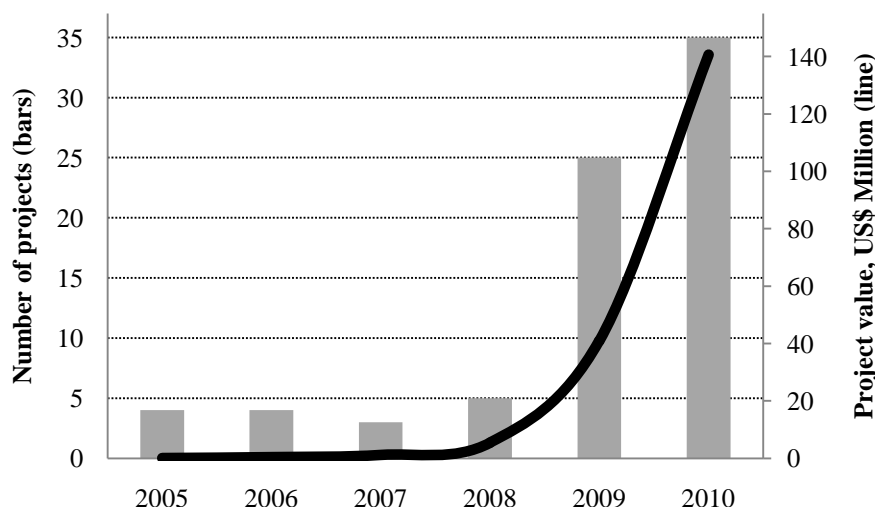
1. Vouchers and cash transfers are becoming central elements of responses to emergencies and protracted crises, and of national social protection and safety net systems.¹ With the 2008 policy “Vouchers and Cash Transfers as Food Assistance Instruments: Opportunities and Challenges”² in place, WFP has rapidly expanded its experience in design and implementation of programmes using cash transfers and vouchers. WFP has pursued a “prudently aggressive” approach, seeking to balance the opportunity for expanded flexibility to respond to hunger with established standards for rigour and risk mitigation in programme design and implementation. This paper documents the principal results of that balanced approach by taking stock of progress since 2008 in the context of the cultural and operational shift from food aid to food assistance, and identifies challenges and priorities for the future.
2. The paper reviews the main features and trends in WFP’s cash-based operations since 2008, lays out emerging issues and challenges, and outlines priorities for further mainstreaming of cash transfers and vouchers in WFP’s portfolio.

RECENT TRENDS AND CONDITIONS

3. WFP’s engagement in cash transfer and voucher programming has risen steeply since 2008. Over the period 2008–2010 the number of planned cash transfer and voucher projects increased seven-fold, from 5 interventions in 2008 to 35 in 2010 (Figure 1). The value of planned projects increased from US\$5.4 million in 2008 to US\$41 million in 2009. After an initial estimate of US\$300 million for the 2010–2011 biennium, US\$140 million was programmed in 2010; on the basis of current approvals, this is expected to be higher in 2011.

¹ While cash transfers and vouchers are both market-oriented, they represent two distinct forms of assistance: cash transfers provide beneficiaries with money, while vouchers enable them to access food for a predefined value or quantity in identified outlets.

² WFP/EB.2/2008/4-B

Figure 1: Total Number and Value of Planned Projects, 2005–2010

4. On the basis of the Management Plan approved in 2009, the planned volume of cash and vouchers will be 7 percent of the programme of work for the biennium. This is small in relative terms but large in absolute terms. The number of planned WFP beneficiaries supported with cash or vouchers was 2.5 million in 2009 and 4.2 million in 2010. The average planned project size increased slightly from US\$1.6 million in 2009 to US\$3.4 million in 2010. Some country portfolios include large-scale interventions, such as in Haiti (US\$46 million), Bangladesh (US\$20 million) and Pakistan (US\$13 million).
5. WFP has systematically implemented its 2008 cash transfers and vouchers policy and expanded its implementation exponentially in a context of limited but growing internal capacity and frequent gaps in the capacity of potential cooperating partners.
6. Of the 15 initiatives underway, 5 were implemented in emergency operations, 9 in protracted relief and recovery operations, and 1 in a country programme. Five of these 15 projects involved unconditional transfers, while 10 used transfers with conditions attached.³ The average number of beneficiaries was 66,000, with numbers ranging from 2,000 in the Lao People's Democratic Republic and Mozambique, to 300,000 in Bangladesh. Nearly two thirds of the projects lasted for less than one year.
7. In 2008, cash transfer and voucher projects were carried out primarily in countries covered by the Regional Bureau Bangkok (Asia) and the Regional Bureau Cairo (Middle East, Central Asia and Eastern Europe). Currently these projects are being carried out in all regions. The range of contexts has also expanded: interventions now include responses to natural disasters (as in Haiti and Pakistan); economic shocks in urban areas (as in Afghanistan and Burkina Faso); chronic child malnutrition in rural areas (as in Uganda); seasonal food insecurity (as in Bangladesh and Malawi); and support to special groups (for example refugees in the Syrian Arab Republic).

³ Conditional transfers entail the provision of food, cash or vouchers in exchange for activities undertaken by beneficiaries such as school attendance or bringing children to health clinics. School feeding, for example, is a form of "conditional food transfer". Conversely, unconditional transfers do not require these activities, and involve only the provision of transfers for beneficiaries.

8. By 2010, over 60 percent of the projects had used traditional delivery instruments such as paper vouchers or direct cash transfers. Electronic vouchers were used in seven projects, debit or smart cards in four, and e-money in two. The most common organizations for handling money transfers were banks or bank agents (40 percent) and non-governmental organizations (NGOs) (30 percent); microfinance institutions, telecommunications companies, post offices and security companies also handled transfers.

EMERGING ISSUES AND CHALLENGES

Selection of Transfers and their Impacts

9. As envisioned in the 2008 policy, cash transfers and vouchers have broadened the range of tools available to WFP, enabling programmes to use cash or vouchers instead of direct food transfers. When deciding which transfer to use in a given context, it is important to consider several factors that have a bearing on programme design, performance and impact, including programme objectives, how the markets function, availability of financial systems and delivery mechanisms, security conditions, implementation costs (efficiency) and expected impacts (effectiveness), societal gender constructs and beneficiary preferences. Best practices emerging from programme implementation have been used to validate these factors.
10. Given the number of factors to be considered, selecting transfers is an iterative process that must be revisited periodically to ensure the best decisions are made.⁴ Evidence is needed on the costs and impacts of a given tool in a particular context relative to the objectives. For example, using vouchers to reduce the incidence of underweight children may generate different impacts and costs in rural Afghanistan than, for example, in urban Kenya, especially if market conditions are very different. In some situations, giving cash transfers to women may empower them inside their households and magnify the positive impact on food and nutrition security; but in others it may expose them to domestic violence and potentially diminish the impact on nutrition security. Design features such as the frequency of distributions or targeting women also appear to have a bearing on programme performance in terms of food and nutritional security achievement.
11. Experience thus far indicates that the comparative performance of given instruments depends on the context. The use of cash or vouchers in the immediate aftermath of natural disasters, which significantly disrupt food supply chains, can be highly challenging, particularly if there are no safety nets. In view of this, WFP may start an emergency response with direct food transfers, but as food supply chains recover it will switch to cash transfers, as in Haiti. It cannot be assumed that cash or voucher transfers are always less costly than local food procurement. Lower final prices for WFP generated by economies of scale in purchases of large volumes of food from a small number of suppliers might outweigh savings from food handling costs realized in cash or voucher programmes implemented through finance systems or networks of dispersed retailers. Similarly, it could

⁴ For example, banking systems may be available but security levels alarming, such as in many peri-urban slums. If micronutrient deficiencies coexist with functioning food markets, the question arises whether to deploy enriched foods or cash-based responses. In some cases where markets work, food may still be efficient than vouchers.

be that cash-based responses are not cheaper than imported food if local production is non-competitive or inflation is high.⁵

12. It is still too early in the implementation phase for definitive answers to these dilemmas. With support from the Government of Spain, WFP is working with the International Food Policy Research Institute (IFPRI) to design, implement and rigorously evaluate a set of cash transfer and voucher programmes in five countries in different regions (Ecuador, Niger, Timor-Leste, Uganda and Yemen). Based on randomized controlled trials, the initiative will generate unique, highly robust quantitative evidence on comparative impacts and costs of interventions. All studies will collect sex-disaggregated data to show how gender issues impact programme effectiveness. The initiative is underway and will be completed in early 2012, after which its findings will be compiled and disseminated. In Cambodia, WFP is working with the World Bank to evaluate the relative effectiveness and efficiency of take-home cash and food transfers in the context of a school meals programme.
13. The current set of interventions and best practices is yielding important early insights into impacts. In some cases cash transfers and vouchers have improved dietary diversity (Bangladesh, Malawi and Sri Lanka). Intra-household gender issues can influence this result, with increased food purchases higher when women have control of the cash transfer (Sri Lanka). Cash transfers are often used by households to access higher-quality protein and micronutrient-rich foods (Malawi). The use of vouchers enables perishable foods, with higher nutrient quality such as dairy products to be included in transfers, which would not be possible if direct food transfers were used, for example in the Occupied Palestinian Territory. Mobile phones have been used to deliver cash transfers to beneficiaries (Kenya and the Philippines). Electronic vouchers have stimulated local markets and enable better management of operations – particularly through the use of software for real-time programme and financial monitoring (Occupied Palestinian Territory, Syrian Arab Republic, Zambia and Zimbabwe). In Burkina Faso, where economic conditions deteriorated during programme implementation – food prices remained high and available employment declined – it is clear that vouchers protected household food supplies, with vouchers used almost immediately and a high number of purchases of staple grains. Vouchers also reduced food storage losses of beneficiaries by allowing people to purchase food when they needed it.⁶

Scale, Diversity and Capacity

14. A cursory analysis of operations in 2009 suggests that half of the countries in which WFP has active operations should consider cash transfers and vouchers for possible cost savings. This analysis is not definitive, but it suggests that there is considerable scope for expansion. There is broad expectation that WFP will expand its use of cash transfers and vouchers quickly; host governments, development partners and civil society organizations are pressuring to use cash transfers and vouchers more, because they are widely considered

⁵ The price-induced crisis of 2008 led to a range of cash-based programmes, but WFP ensured that vouchers and cash were only used where market and implementation conditions were conducive. In contexts of rapidly rising food prices, cash-based transfers should be used judiciously because under certain circumstances they may be no more effective, efficient or preferred by beneficiaries than food transfers (see, for example Sabates-Wheeler, R. and Devereux, S. 2010. Cash Transfers and High Food Prices: Explaining Outcomes on Ethiopia's Productive Safety Net Programme. *Food Policy* 35(4): 274-285).

⁶ For examples of WFP cash and vouchers programmes, see case studies offered in Omamo, S.W., Gentilini, U. and Sandström, S. (eds.) 2010. *Revolution: From Food Aid to Food Assistance. Innovations in Overcoming Hunger*. WFP, Rome.

to be more cost effective and to have more positive and longer lasting benefits for local economies.

15. Under the “prudently aggressive” approach to policy implementation, the average scale of WFP cash transfer and voucher operations remains relatively modest when compared to national initiatives such as the 3.5 million households receiving cash transfers under the Productive Safety Net Programme in Ethiopia, or the 2 million families supported in the Watan card programme in Pakistan.⁷ WFP has also made few attempts to combine or sequence cash transfers, vouchers and food.
16. In order for WFP to scale up cash transfer and voucher programmes, more investment is needed to enhance analytical capability, establish systems to capture and mainstream best practices, maximize opportunities for cost efficiencies such as software development or debit card procurement, and ensure controlled and accountable implementation. To this effect, WFP has launched the Cash for Change initiative to identify and address barriers to scaling up the use of cash transfer and voucher modalities. Led by the Programme Division, the initiative engages ten divisions, along with the regional bureaux and country offices, to identify the skills and mechanisms required in WFP to ensure appropriate processes and controls are in place for sustainable, effective and efficient programme design and implementation. The initiative will ensure that the software and other technology, financial process controls and logistics used have a common core, with customization where necessary to each programmes specific context.

Boundaries and Objectives of WFP Cash-Based Food Assistance

17. According to the 2008 policy, WFP’s cash transfer and voucher interventions should aim to promote immediate access to food and nutrition by vulnerable populations in ways that help meet WFP’s Strategic Objectives and desired results. Responding to beneficiaries’ expressed priorities, or to requests from host governments, donors or partners, WFP sometimes uses cash transfer and voucher projects to enhance food security rather than for immediate food assistance. Some trade-offs may arise between opportunity and risk under the “prudently aggressive” approach.
18. Opportunities include increased scope for: i) engaging in places with very high rates of hunger and malnutrition, where conditions suggest that interventions not involving food transfers have higher potential impact than those involving food transfers; ii) promoting and developing food and agriculture markets; iii) helping increase the impacts of interventions involving food transfers (such as by expanding livelihood opportunities); iv) considering a combination or sequence of direct food transfers and cash and vouchers; v) engaging with governments and development partners to embed food-assistance safety nets in social protection strategies; and vi) contributing to sustainable hand-overs of programmes to governments, communities and partners.
19. Risks include: i) increased subjectivity in determining which interventions to support, given expanded opportunities for food security assistance; ii) new responsibilities in project-cycle functions such as assessment, design, implementation, monitoring and evaluation, with different technical support needs; iii) increased complexity in providing consistent guidance, measurement of corporate results, and development and recruitment of appropriate human resources; and iv) diluting WFP’s comparative advantage in food assistance.

⁷ The scale is also limited by the ceiling of US\$3 million for cash and voucher operations established in the 2007 directive on cash and vouchers. (OD2007/001, 15 May).

20. As suggested in the 2008 policy, these opportunities and risks are context-specific and must be carefully weighed to ensure sustainable interventions that are coherent with WFP's dual mandate to respond to humanitarian crises through emergency operations and to promote long-term development that breaks the hunger–poverty cycle.

Technology

21. A major development since 2008 has been the rapid expansion of technology and infrastructure available for cash-based transactions, even in remote rural areas. The expansion includes the use of mobile phones (for example in the Philippines and Syrian Arab Republic), mobile banking and smart cards (as in Malawi), and various online, digital or biometric solutions for verification of beneficiary identification, implementation and monitoring (as in Zambia). The continually evolving technology not only creates new opportunities for delivery to beneficiaries, but more efficient and effective means to monitor financial flows and mitigate risk. The opportunity for WFP to create new operational partnerships, especially with the private sector, is enormous.
22. A challenge facing many country offices is to find suitable ways to connect to available platforms. Solutions vary in terms of costs and relevance in different contexts, including set-up versus running costs, connectivity in targeted areas, and familiarity of beneficiaries with applications. The use of cutting-edge applications must be balanced against the need to assure programmatic relevance and appropriateness. It is increasingly clear that while technology should be an indispensable component of the design stage, it should not be the main consideration in decision-making about the appropriateness of interventions. In addition to robust financial and technical performance, it is important to identify solutions tailored to WFP's needs, aiming to achieve not only flexibility in addressing beneficiary needs, but also accountability, control and risk mitigation.

Financing

23. The practice of embedding cash transfer and voucher activities in WFP's tonnage-based cost structure has led to difficulties in planning, comparative costing, management and implementation of those activities. It has also generated challenges for establishing benchmarks that can be compared across projects, evaluating performance and assessing impacts.
24. The recently approved changes to the financial framework (WFP/EB.2/2010/5-A/1) allow WFP to raise resources for commodity activities and non-commodity activities jointly or separately, with costs of non-commodity activities segregated within projects. This option will increase transparency, strengthen planning and management, and allow clearer links to performance indicators for various activities. The cost of commodities per metric ton will be easily identifiable, thus allowing for more accurate benchmarking and comparison of commodity-based activities across projects.

STRATEGIC PRIORITIES

25. A number of priorities for medium-term investment emerge. These priorities will be addressed under the operationalization of the Cash for Change initiative.
26. *Ensure programming is based on assessments.* WFP should continue to invest in refining assessments and analyses to ensure that the use of food, cash transfers and vouchers is informed by credible and context-specific evidence. Assessments of needs, markets and delivery mechanisms are important factors for decision-making. The establishment of appropriate monitoring and evaluation systems and contingency plans is an integral part of WFP's evidence-based programming. Basing programming on assessments is crucial to ensure that the right tool is deployed at the right time in the right place.
27. *Develop protocols and controls to scale up voucher and cash transfer programmes as appropriate.* Experience indicates that there are three areas of investment that will build foundations for scaling up cash transfers and voucher programmes: i) expanding and refining programme guidance; ii) designing and implementing a capacity development programme for WFP; and iii) refining tools and systems for results measurement and accounting for resources. The Cash for Change initiative, led by the Programme Division, will work through a steering group and an inter-divisional stakeholder group to look at processes, systems and capacity-development needs to move from pilot cash and voucher experience to a point where 30 to 40 percent of the transfers use cash or vouchers. The initiative will ensure cross-divisional synergies and engagement with regional bureaux and country offices, and will provide support to field offices. The primary goal will be to provide leadership supported by programme guidance materials and training. The capacity needs in a variety of contexts – including the specific needs of middle-income countries – will be recognized.
28. *Technology, risk management and accountability.* WFP will continue to improve its management of cash transfer and voucher activities using the most effective and efficient solutions available to monitor them, control unit costs throughout the chain and manage risk. WFP will also seek technological solutions for more effective delivery of cash transfer and voucher programmes.
29. *Strengthen management for results.* WFP will continue to invest in a system for monitoring and evaluating its growing cash transfer and voucher portfolio, aiming to expand implementation and increase impacts; this will entail partnerships across divisions.
30. *Forge strategic and technical partnerships.* WFP is well placed to be a leader in cash transfer and vouchers aimed at providing access to food. That potential can be harnessed through strategic and technical partnerships – including with the private sector, governments, international agencies and NGOs – that facilitate appropriate, rapid and coordinated implementation of cash transfer and voucher activities, along with sharing of lessons and best practices. WFP is working with NGOs that have experience in implementing cash transfer and voucher programmes and, as part of the Cash Learning Partnership (CaLP) initiative,⁸ is exploring ways to coordinate efforts to develop capacity. WFP also has comprehensive partnership agreements with the World Bank, the

⁸ CaLP is a platform of NGOs including Oxfam, Save the Children, the British Red Cross, the Norwegian Refugee Council and Action Against Hunger, funded by the European Commission Humanitarian Aid Department, set up to learn, share and document experiences on cash transfer and voucher programming (<http://www.cashlearning.org/>).

United Nations Development Programme and other United Nations agencies, which establish a solid foundation for further joint initiatives in this field.

31. *Ensure proper integration of cash transfer and voucher programmes with national social protection and safety net systems.* WFP will ensure that cash transfer, voucher and food programmes are implemented in line with country-led social protection and safety net systems. This includes providing technical and implementation support for their introduction, demonstration pilots, expansion and refinement, and possible hand-over of activities as appropriate.⁹ In particular, WFP has an important role in ensuring that appropriate measures for food and nutrition security are included in national systems. WFP is collaborating with the governments of Brazil and Mexico, for example, to learn from best practices, evidence and capacity development initiatives emerging from their national social protection and safety net systems.

⁹ See Gentilini, U. and Omamo, S.W. 2009. Unveiling Social Safety Nets. WFP Occasional Paper no.20. Rome; and “WFP and Food-Based Safety Nets: Concepts, Experiences and Future Programming Opportunities” WFP/EB.3/2004/4-A.

ACRONYMS USED IN THE DOCUMENT

CaLP	Cash Learning Partnership
NGO	non-governmental organization