

October 19th - 21st 2016. Juba



SOUTH SUDAN

**Food Security &
Livelihoods Cluster**

Strengthening Humanitarian Response

Cash-based programming for the food security and livelihoods sector

DAY 2

Session 5 - Preliminary assessments

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Session 5.1 - Finance



Role of Finance in CBT

- **Technical requirements** for RFI/RFP
- Evaluation of proposals
- Evaluation of SP, CP **financial strength**
- **Suggest** controls

- **Funds transfer** between NGO, partners, service provider and Beneficiaries
- **Voucher management**
- **Payments and account reconciliation**

Risk Management & Internal Control

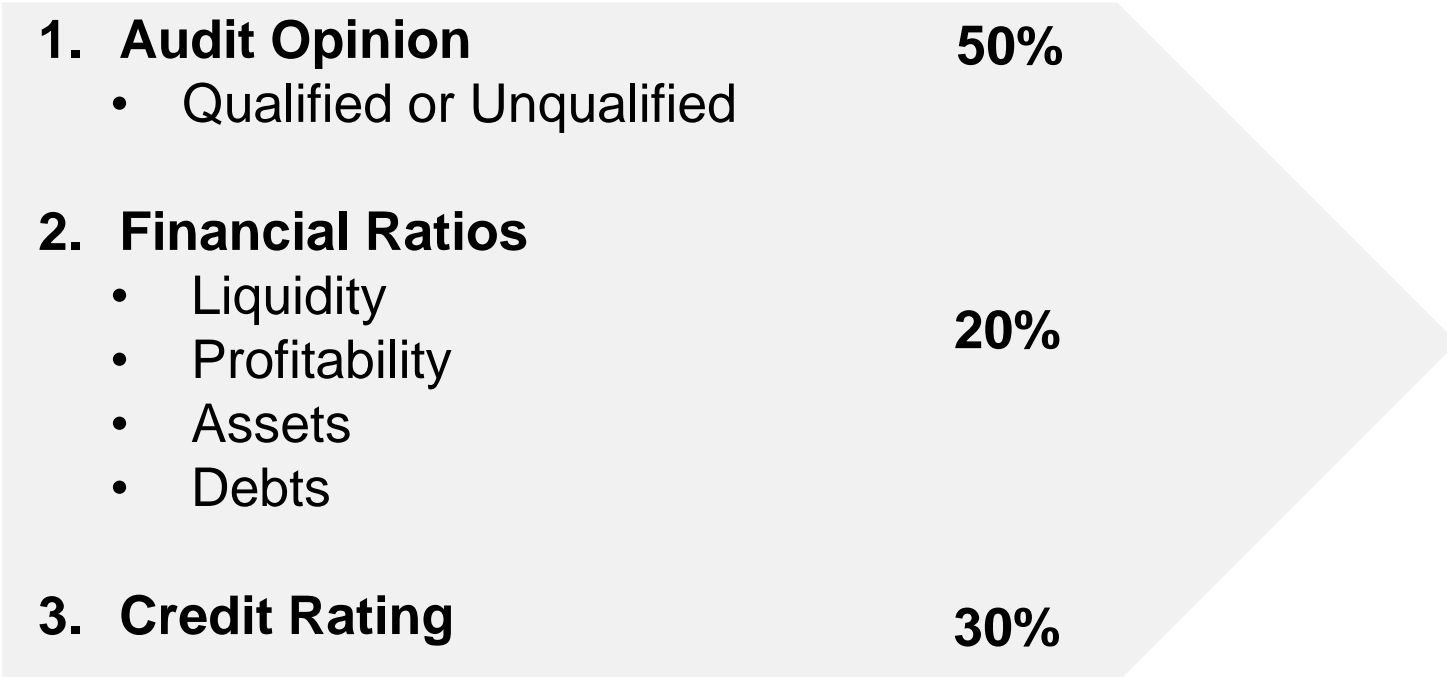


- Key financial risks identified & mitigated
- Reliable service providers selected
- Selection of Efficient and Effective transfer modality
- Internal controls inbuilt in all processes and segregation of duties
- Timely payment of obligations
- Correct accruals and reporting

Funds...

- pass through reliable service providers
- tracked and accounted for across accounts

Selecting a Financial Service Provider (FSP)

- 
- | | |
|--|------------|
| 1. Audit Opinion | 50% |
| <ul style="list-style-type: none">• Qualified or Unqualified | |
| 2. Financial Ratios | 20% |
| <ul style="list-style-type: none">• Liquidity• Profitability• Assets• Debts | |
| 3. Credit Rating | 30% |

Key issues to consider - Finance

Process or system fraud

Counterfeit or Collusion between Shop Owners and Beneficiaries

Default of financial service provider

Loss or theft of funds, delivery instruments
(before & after delivery)

Physical safety of staff or Beneficiaries
Possession of large amounts of currency
Violence to beneficiaries

▶ Potential Risks & Mitigation Actions

- Identification & cross-checking mechanisms
- Random monitoring of distributions, shops, and prices

- Careful evaluation of FSPs
- Use of performance bond
- Distribution maximum value = 1 month of benefits

- Procedures, segregation of duties for creation and destruction of cards/ vouchers, release of funds, etc.
- Loss/complaint mechanisms

- security service
- cash-in-transit insurance
- Cashless transactions

Session 5.2 - Information and communication technology

Macro & micro assessments

- ▶ **Macro** – assessing the 'big picture'
 - ▶ Use of Information technology in the country
 - ▶ power
 - ▶ government regulatory framework
 - ▶ technical infrastructure.
- ▶ **Micro** - an in-depth assessment of the envisaged delivery mechanism options.

Setting up and support

Modality	Requirements
a. Cash in envelope or direct cash	-
b. Paper voucher	+
c. Delivery through micro finance institutions and trader networks	++
d. Bank account	++
e. Pre-paid card	++++
f. Smart card	++++
g. Mobile money	++
h. Mobile voucher	+++



CBT and Personal Data Protection and Privacy

Personal Identity Information	Sensitive Personal Data
<ul style="list-style-type: none">• Name• Address• Identity Number• Biometric Data, such as photos, fingerprints, etc. (although in some jurisdictions this is also considered “sensitive”)• Financial Account Numbers	<ul style="list-style-type: none">• Racial or ethnic origin• Physical or mental health status• Sexual orientation• Political affiliation• Religion• Criminal record• Genetic information• Membership in a trade union• Ex combatant status• Refugee displacement status

Key elements to consider - ICT

- ▶ Adoption of technology by beneficiaries
- ▶ Support to beneficiaries
- ▶ Infrastructure requirements
- ▶ Pilot approach
- ▶ Reputation of service provider
- ▶ Data protection

Session 5.3 - Implementing partners

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Partner capacity assessment?

Basic requirements for partnership

- Previous experience in cash programming in the country
- Global experience with cash programming
- Type and sophistication of cash programmes
- Evaluation of cash programmes

Desirable for C&V implementation

Required for handling finances

- Reliable and transparent financial reporting
- Sound segregation of duties
- Sound internal control system
- Adequate accounting standards and processes

Key elements to consider - Partnerships

- ▶ Capacity to implement cash programming
- ▶ Capacity to handle finances

Session 5.4 - Field security

Session 5.5 - Retailers

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Market assessment - Information on retailers

- ▶ Level of competition
- ▶ Barriers to trade
- ▶ Volumes and flows
- ▶ Capacity to increase supply
- ▶ Location, type and size of shops



Selection criteria for retailers

1. Capacity:

- financial (turnover, access to credit)
- business volume
- variety of commodities
- ability to restock
- Storage facilities
- Number of years in business

2. Compliance with Government regulations

3. Pricing

4. Reporting and repayment abilities

5. Willingness to treat beneficiaries in a non prejudicial manner

6. Quality and hygiene

7. Distance to beneficiaries

Key elements in contracts

Agreements with traders should include:

- ▶ Period covered
- ▶ Any restriction on commodities to be exchanged
- ▶ ID requirements for beneficiaries
- ▶ Validity date for acceptance of vouchers
- ▶ Agreed quality and quantity of commodities
- ▶ Accept monitoring mechanisms
- ▶ Reimbursement mechanisms timeframe
- ▶ Distribution timetable
- ▶ Pricing
- ▶ Display of prices
- ▶ Response to price increases

Monitoring of traders

1. Information and sensitization of beneficiaries
2. Price monitoring
3. Post-distribution monitoring
4. Spot checks
5. Secret shoppers

Key elements to consider - Retailers

- ▶ Collusion, price fixation
- ▶ Cheating beneficiaries
- ▶ Inability to meet demand
- ▶ Poor quality of products

Session 6 - Risk analysis



What is a risk?



Risk is the possibility that an event will occur and adversely affect the achievement of objectives.

Risk types

Contextual Risk:

External to the organization:
Political, economic, environmental:
state failure, conflict, humanitarian crisis

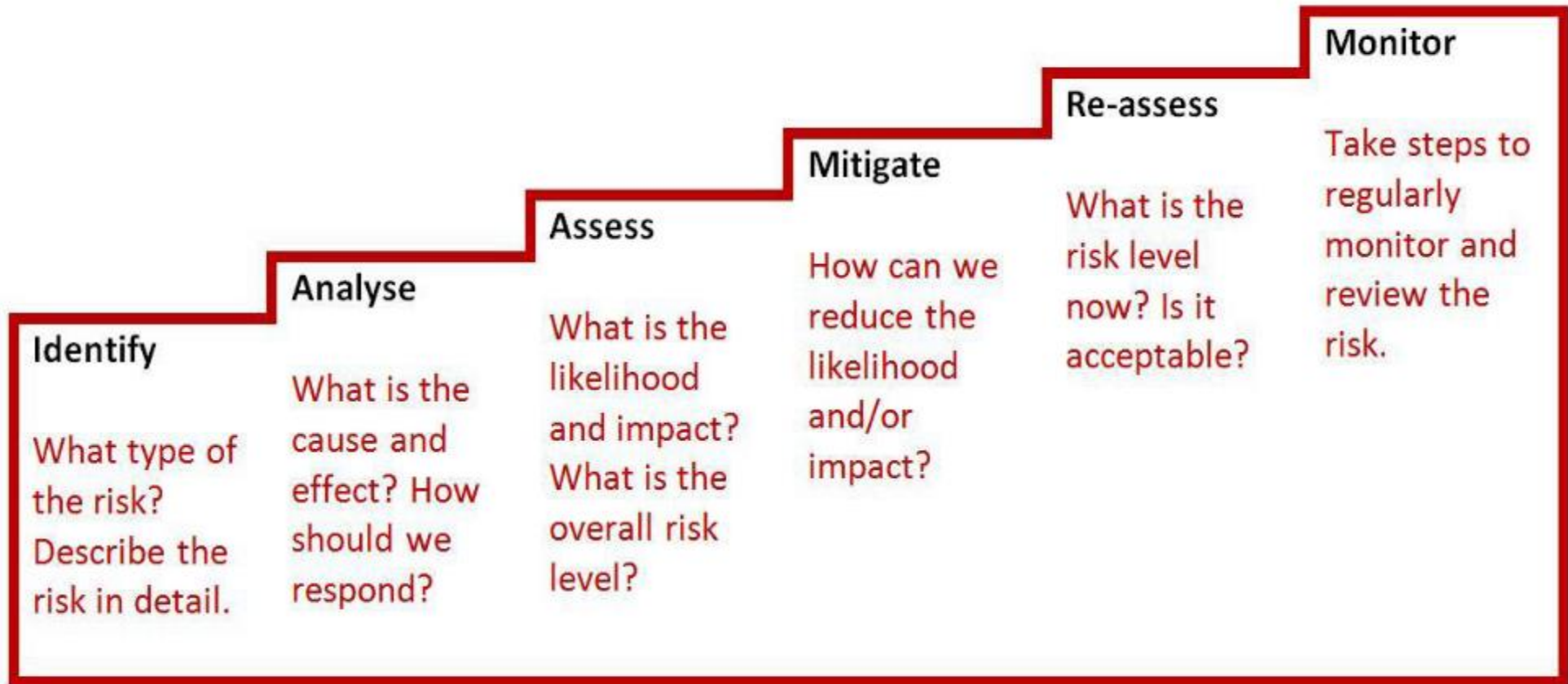
Programmatic Risk:

Failure to meet programme objectives and/or potential harm caused to others through interventions

Institutional Risk:

Internal to the organization:
Fiduciary failure, reputational loss, financial loss through corruption

Managing a risk



Risk management scoring methodology

Risk seriousness = Likelihood x Impact

Risk likelihood

Probability of occurrence

- ▶ Very unlikely = 1
- ▶ Unlikely = 2
- ▶ Moderately likely = 3
- ▶ Likely = 4
- ▶ Very likely = 5

Risk impact

Impact

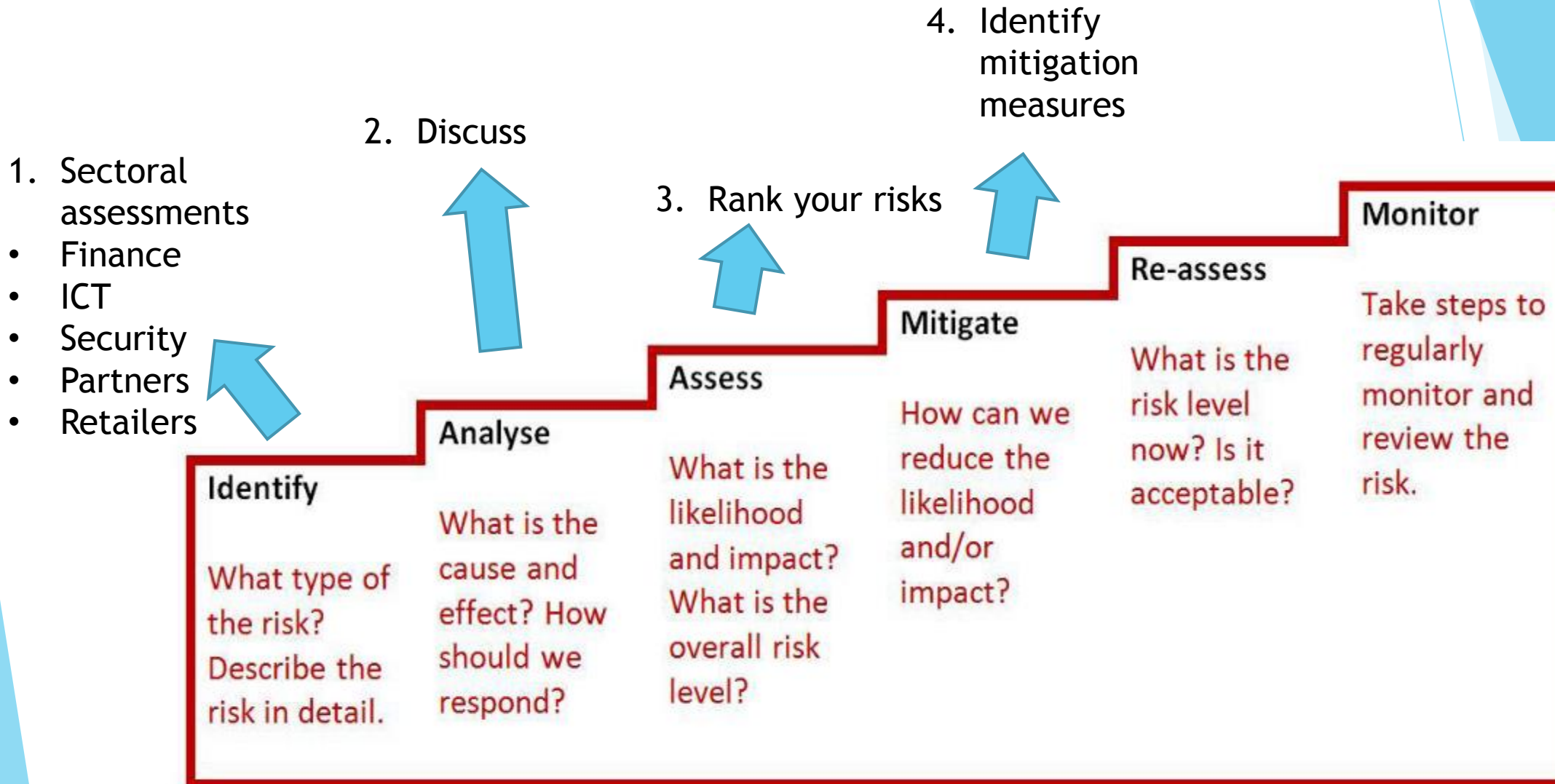
- ▶ Negligible = 1
- ▶ Minor = 2
- ▶ Moderate = 3
- ▶ Severe = 4
- ▶ Critical = 5

Risk heat map

		IMPACT				
		Negligible	Minor	Moderate	Severe	Critical
LIKELIHOOD	Very likely	Green	Yellow	Red	Red	Red
		Green	Yellow	Yellow	Red	Red
	Likely	Green	Green	Yellow	Yellow	Red
		Green	Green	Green	Yellow	Yellow
	Moderately likely	Green	Green	Green	Green	Green
		Green	Green	Green	Green	Green
	Unlikely	Green	Green	Green	Green	Green
		Green	Green	Green	Green	Green
	Very unlikely	Green	Green	Green	Green	Green
		Green	Green	Green	Green	Green

Low = score 1-7
Med = score 8 -14
High - score 15-25

Excercise



Session 7 - Targeting and beneficiary selection