



Change of modality discussion

16 July 2020



**FOOD SECURITY
CLUSTER**

AGENDA



- Introduction
- Situation in Nigeria: context, issues, challenges
- Presentations from Zimbabwe, Pakistan and Venezuela.
- Q/A and discussion
- Next steps
 - Any support, guidance, products required from the gFSC / gFSC-Cash and Market
 - Way forward
- AOB



Change of Modality Presentation from Nigeria

Thursday, 16 July 2020

TIME: 11AM



Next on
the
Agenda



AT WHAT POINT SHOULD WE CHANGE MODALITY?

After the COVID-19 outbreak, staple prices in North East Nigeria and the rest of the country significantly increased from April to date due to various reasons including;

1. The Nigeria economy has made improvements over the past three years; however, **due to the fall in international oil prices and COVID-19 pandemic, foreign exchange reserves have considerably dropped.** This has led to the depreciation of the NGN on the official and parallel markets, **although most notably on the parallel market.** (FEWSNET, June 2020).
2. **Increase in demand for food due to seasonality** (start of the lean season and Ramadhan)
3. **Reduction in food supply due to:**
 - a) **Border closures** coupled with **inter-state restrictions in movements** and **lockdowns** in some states as a result of COVID-19
 - b) **Low agricultural production due to insecurity especially 10 year conflict with the Non-State Armed Groups.** (Cardre Harmonize results compared: 2018 only 2 LGAs were inaccessible as compared to 4 in 2020 with another 8 partially inaccessible).

- Nigeria's annual inflation rate (all items) rose for a ninth straight month to 12.40% in May of 2020 from 12.34% in the prior month. **It was the highest rate since April of 2018**, due to the lingering effects of the global pandemic. **Food inflation hit an over two-year high of 15.04%**, amid supply chain disruptions caused by lockdown restrictions (CBN, June 2020).

WFP June 2020 Borno and Yobe Market Monitoring

- The **retail prices of red beans** were observed to have increased significantly **compared to three months ago (March 2020)** in Monday and Abbaganaram (25%), Bullumkutu (33%), Kasuwan Shanu and Budum (40%) and Baga road (50%) markets of Borno State. Similarly in Yobe, prices of red beans increased in Jakusko (13%), Yusufari and Yunusari (25%), Gujba, Nguru, and Potiskum (33%), Damaturu (40%), Bursari (43%) and Gashua (50%), due to reduced supplies on the markets.
- Likewise, **the prices of maize were observed to increase when compared to the prices in March 2020**. A significant increase was recorded in some markets such as Custom (20%), Budum (39%), Tashan Bama (40%), Kasuwan Shanu (63%) in Borno state. In Yobe, prices increased in Bursari (15%), Damaturu (23%), Yusufari (31%), Yunusari (38%), Nguru (40%), Gujba (43%), Gashua (46%), Gulani (50%), Jakusko (54%) and Potiskum (88%) markets.
- At the height of the lean season, **the prices of most staple food commodities are generally expected to remain well above average in both Borno and Yobe States**, due to reduced market supplies and increased demand owing to continued depletion of food stocks at the household level.

Initial discussions with support from the gFSC colleagues

Approach

We should be thinking more generally about **appropriateness, feasibility, objectives and cost.**

1. Are households able to safely access functioning markets where they can find the quantity and quality of goods available?
2. Is it possible to safely transfer resources to the household?
3. Will the modality meet the intended objectives?
4. Is the modality cost efficient relative to others?

If the primary concern is inflation, commodity vouchers are a good option to continue using market channels without the inflationary effects impacting the households (they continue to receive their month to month kcals while the variable costs are managed by the implementer/vendors).

The best way to go about it is to review the key considerations for **CVA feasibility, around markets, risks, cost-effectiveness/efficiency**, etc, around what might have changed.

Refer to the **Decision Tree**

For Nigeria Context

We can change transfer value at a threshold of 15%

What about if the inflation significantly increases that an increase in transfer value is no longer sustainable? At what point do we change modality?

We would like to get some **practical feedback from other country programmes that could have previously made such changes in modality or currently experiencing something similar.**

Please refer to the list of indicators proposed (*Project the list of indicators in word document*)



ZIMBABWE
FOOD SECURITY
& AGRICULTURE CLUSTER

ZIMBABWE: Between Hyperinflation and Drought

How do cash-based transfer programmes fit a currency crisis?

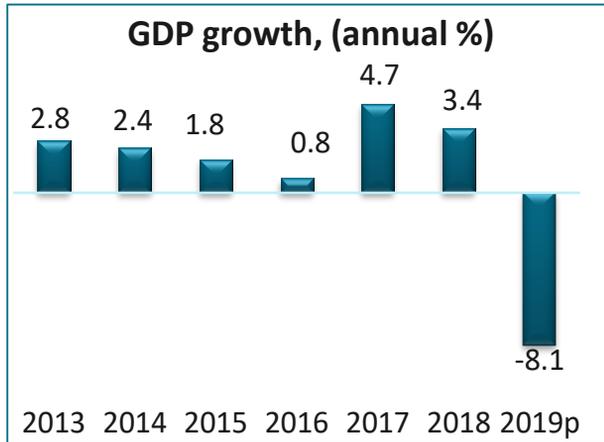


General Situation Overview

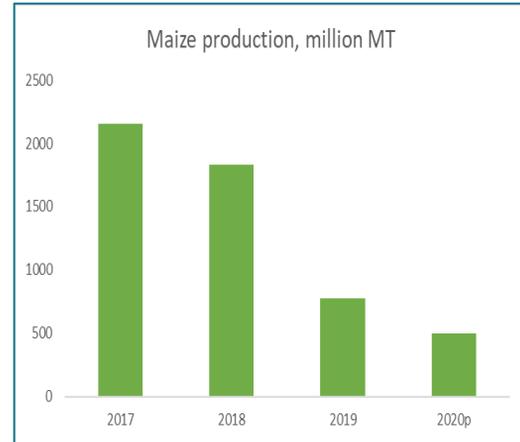
- Financial Situation Overview:
 - Year to year Inflation recorded at 787% in May 2020
 - Food remains the main driver of inflation estimated at 954% in May 2020
- Supportive services overview:
 - Fuel shortage
 - Electricity shortage and additionally electricity tariffs increased by 320% in October 2019
- Agricultural overview:
 - Annual cereal production is more than 41% below Zimbabwe's five-year national average, which translated into a cereal deficit for human consumption of more than 720,000 tonnes
 - An estimated 1.8M cattle is endangered due to poor pastoral conditions
- Food Insecurity overview:
 - WFP estimates: 3.7 million from July to September 2020, 5.3 million from October to December 2020 and 6.4 million from January to April 2021 will be food insecure in rural areas. In urban areas, it is estimated that 3.3 million people will be classified as food insecure between July 2020 and March 2021.

World Bank Analysis prior to COVID19 Outbreak

Economy was in a deep recession as climate shocks crippled agriculture, electricity and water supply



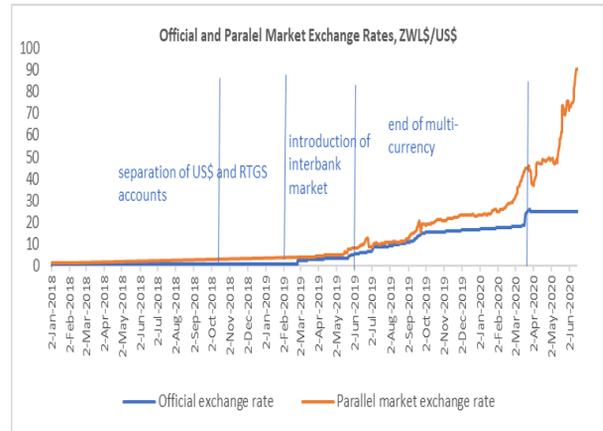
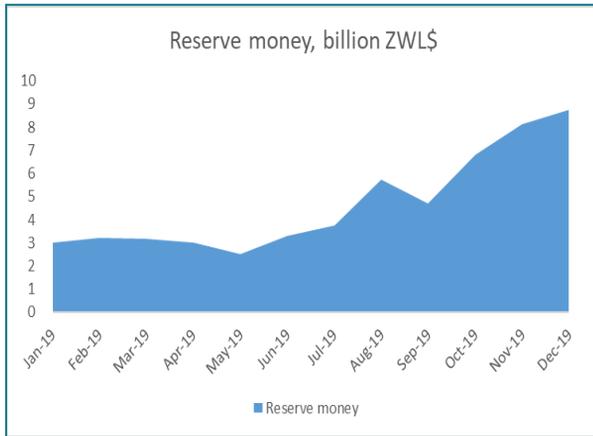
Production of key agriculture products, especially maize, sharply declined, depleting grain reserves



World Bank Analysis prior to COVID19 Outbreak

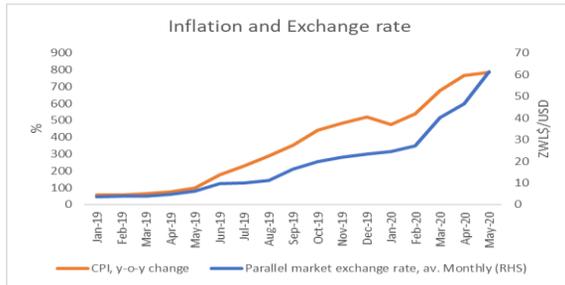
Central Bank continued to create money to finance quasi-fiscal operations

...contributing to significant depreciation of local currency against the US\$ and inflation

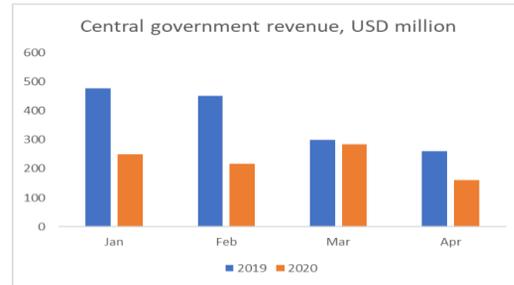


Short-term indicators point to further deterioration in 2020

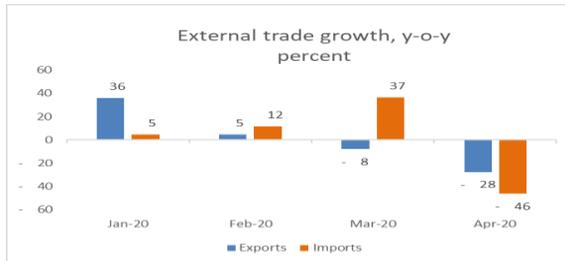
Prices continue to surge



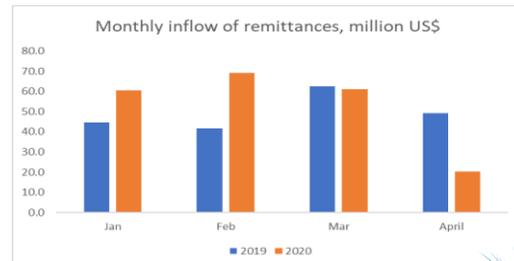
Fiscal revenues weaken



Exports down by 28% and imports by 46% in April



Remittances drop by 59% in April



Sources: ZIMSTAT, MOFED, RBZ, and World Bank staff projections for 2019.

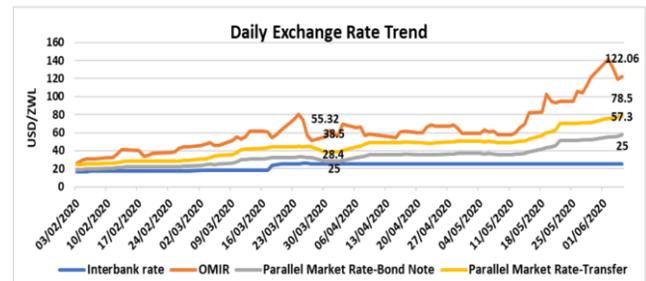
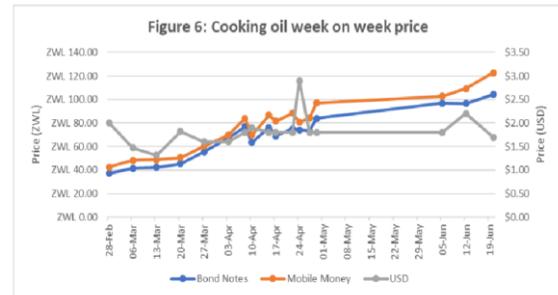
Practical consequences on the Cash Environment : A volatile multi-currency system

- The high inflation means that there is not enough liquidity in the country. The population needs to rely massively on alternate transaction tenders, such as mobile money.
- Due to the very volatile exchange rate fluctuations, trust in the local currency as eroded significantly, leading the population to rely more and more on US dollars.
- The results is a multi-currency system, with goods priced differently and exchange rates fluctuating for each method (mobile money, physical bond notes, US dollars).



Challenges for the Food Security Cluster: A multiplicity of indicators to Monitor

- Cash actors are faced with challenges to calculate transfer values: food commodity prices fluctuate daily, and can fluctuate in opposite directions depending on the currency considered
- Another issue is the existence of an official rate, which makes it legally difficult to plan using black market rates, although it is the reality of our beneficiaries
- To face this situation WFP VAM Unit maintain a weekly monitoring of price in a variety of trading modalities:
 - Interbank: Official
 - Parallel (black market) for both notes and Mobile Money
 - OMIR: A proxy reflecting likely actual market value and future evolution based on Insurance Companies Stocks



Solution: Adaptation of value to each delivery modality

Urban MEB Cost

Item	ZWL	USD	USD -> ZWL (parallel rate)	USD -> ZWL (Mobile Money)	USD -> ZWL (Interbank rate)
Food	940.86	10.91	9.41	18.82	14.30
Other WASH/NFI	118.00	1.47	1.18	2.36	1.79
Services	264.72	3.09	2.65	5.29	4.02
Inflation provision	105.89	1.24	1.06	2.12	1.61
Total/HH/Month	1429.47	16.70	14.29	28.59	21.72

- As a solution, cash actors need to adapt the value of the transfer to their specific transfer modality
- Actual cost of transfer for humanitarian organisations can increase twofold based on transfer modality.
- The harmonisation between organisations must be based on calculations methodologies and MEB content rather than final transfer value.

Conclusion: How to adapt to hyperinflation ?

- Detailed understanding of market dynamics and beneficiary payment methods
- Constant market monitoring (at least on a weekly basis)
- Monitoring of prices in multiple currencies
- Adaptation of transfer value to each specific delivery modality



Presentation Sources:

- ZIMSTAT
- World Bank estimates and projections
- Reserve Bank of Zimbabwe
- MOFED
- ZimVac
- WFP VAM Weekly Market Monitoring Reports

ASSESSING PROGRAMME MODALITY (CASH vs FOOD)

Presentation by:
Iftikhar Abbas & Aman ur Rehman Khan,
Programme Policy Officers, VAM Unit, WFP Pakistan

RAPID FEASIBILITY ASSESSMENT

Methodology

A Rapid Feasibility Assessment is carried out in the planned area of intervention to decide on whether a certain area is feasible for CBT or In-kind support to the vulnerable communities.

The Rapid Feasibility Assessment has two key components:

- **Market/traders survey**
- **Focus Group Discussions (FGDs)**

CONDUCTING MARKET SURVEY

Survey questionnaire

A structured survey questionnaire is designed to capture relevant market information from the traders.

Primary data

During survey, primary data is collected by interviewing a combination of wholesalers and retailers of key food commodities including grain/oil, poultry, beef, mutton and vegetables.

MARKET INDICATORS

Market Integration and Functionality (main characteristics of markets)

- Trader's primary source of food commodities for their supplies
- Price of food commodities (current, 6 months ago, 6 months ahead)
- Source of price information for Pricing Decision. Prices are set by the traders themselves or set from elsewhere.
- Average storage capacity (in kgs and numbers of days for new supplies)
- Change in transportation costs
- Sales volume on credit
- Average number of customers/day (current/6 months ago)
- Current status of demand and supply (as compared to 6 months ago).
- Season of highest and lowest sales volume; Reason of highest and lowest sale volume
- Main constraints to increase turnover & increase in demand traders can meet
- Possible impact of cash on price/demand
- Terms of Trade (ToT): change in daily wage of unskilled labour.

FOCUS GROUP DISCUSSIONS (FGDS)

- FGDs are conducted to develop a food security profile of the areas. Key Informants (KIs) are consulted using a checklist of FS indicators for identification of potential/priority areas for interventions.
- Key Informants include notables from the local communities and government officials from relevant line departments.
- Secondary information is used for information/data triangulation purposes from findings of various recent survey reports of the area.



FGD - INDICATORS

- Overall food Production
- Irrigation Situation
- Livestock Situation
- Food Supply/availability in the markets & Physical Access to Markets
- Major Livelihood Sources & Income
- Potential for FFA works
- Availability to/Access to Drinking Water
- Remoteness (Terrain)
- Access to functioning health facility
- Education/Literacy situation
- Disaster risk and Disaster Type (Floods, Drought, Other)
- Security Risks

FACTORS FOR AREA PRIORITIZATION

- **Total Food Insecurity Rate (Moderate + Severe) based on CARI**
- **Access to markets - Average Distance to Markets (kms)**
- **Total Vulnerability Score (based on FGD)**

COMBINATION OF FOUR ASSESSMENTS

Cash vs In-kind food modality is a combination of following four assessments:

1. **Markets functionality (VAM)**
2. **IT/Payment service capacity/infrastructure (IT)**
3. **Logistics feasibility (SC)**
4. **Security situation (Security)**



IT/PAYMENT SERVICES ASSESSMENTS

- **Internet services and capacity**
 - Availability of mobile/GSM network,
 - Landline availability and functionality
 - Internet Connectivity: 2G/3G/4G, etc
- **Payment Services**
 - Availability of banks and branchless banking options (UPAISA, EASY PAISA, JAZZ CASH, PAYMAX, HBL KONNECT)
- **Energy Services**
 - Electrical supply
 - Power load shedding situation
 - Availability of alternate power sources.

LOGISTICS & SECURITY ASSESSMENTS

- Target areas are assessed by WFP SC staff to assess feasibility for delivering in-kind support.
 - Target areas are assessed by WFP Security staff to assess feasibility of the area from security perspective for programme intervention and delivery of cash/food to the communities.
- ❖ *The combined information from findings of the above mentioned **four assessments** establishes the programmatic feasibility of cash/food interventions.*

IN-KIND BASKET & CASH TRANSFER VALUE

- As per FFA and CBT manuals the transfer value can be determined by two different approaches:
 - 1) by using current prices of WFP's standard food basket (items and quantities x market retail prices) to meet the minimum recommended caloric intake of the beneficiaries during emergencies;
 - 2) it can be set at 80% to 90% of the prevailing local market daily wage rate of an unskilled laborer so that local labor market is not disrupted (mainly for conditional assistance).

EXAMPLE:

For example: in-kind basket and transfer value for cash			
Food items	Food quantity (for HH size 6.5)	Unit price ¹ (PKR)	Cost of food items (PKR)
Wheat Flour (kg)	87	44.23	3,832.88
Pulses YSP (kg)	9	160.10	1,387.53
Cooking Oil (liter)	5	256.15	1,248.72
Salt powder (gm)	217	0.04	8.67
Total	101.217		6,477.80

THANKS !

Images of market survey & FGDs





Organización de las Naciones
Unidas para la Alimentación
y la Agricultura



**CLÚSTER
DE SEGURIDAD
ALIMENTARIA VENEZUELA**

The logo features a stylized blue graphic of wheat stalks rising from a curved base, positioned to the left of the text.

Context



1. Shortage of basic products, the deterioration of the minimum wage and high inflation rates. The latest available data from the BCV 2019 show that annual inflation was 9,585.5%.
2. According to the Documentation and Analysis Center for Workers (CENDAS) during the month of April, the family food basket cost \$ 45,946,257.93 bolivars, an increase of 52% compared to the previous month, more or less being needed 183.8 minimum wages to cover it.
3. Quarantine has fueled hyperinflation in Venezuela. The rise in prices in April indicates an increase of 80%, according to measurements made by the Finance Commission of the National Assembly.

Context



4. Government has not clear policies on humanitarian cash transfer mechanisms.
5. The fuel shortage, which has been a determining factor in the disruption of food security, has particularly affected the productive sectors.
6. In some border regions people do not have access to stores in Colombia because of border closure, beneficiaries prefer in-kind

Response



1. Most of the humanitarian actors are Local NGOs, and they usually do in-kind assistance. However, due to lockdown, cash became an important alternative;
2. There are service providers that allow cash transfers with cards that hold the value in dollars. Mobile money is not an option due to the low limit for transfer;
3. Some organizations are doing bank transfer, but amount limits were not corrected with the inflation, so some payment orders are being rejected.



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Thank you!



NEXT STEPS



- Any support, guidance, products required from the gFSC / gFSC-Cash and Market
- Way forward

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