



UKRAINE
FOOD SECURITY & LIVELIHOODS CLUSTER
Strengthening Humanitarian Response

FSL Cluster in Ukraine is led by
Food and Agriculture Organization of the United Nations

Photo: ©FAO/Genya Savilov

FOOD BASKET AND CASH-BASED TRANSFERS VALUE REVISION

Following the recommendation of the Strategic Advisory Group (SAG)¹ of the Food Security and Livelihood Cluster (FSLC), a review of the food basket content and price commenced in September 2020. Accordingly, the cluster conducted a socio-economic analysis and market monitoring review to determine the changes in price over January 2018 to September 2020 period. In complement, considering the COVID–19 crisis, a review of the changes in household income was conducted for the same period. In consultation with the SAG, barley will be replaced with buckwheat and oatmeal, given the preference for them evidenced in the post-distribution monitoring by FSLC partners who are providing in-kind food assistance. These replacements are therefore in line with beneficiaries' preferences and availability at local markets. They are also more appropriate in the Ukrainian context.

¹ The FSLC Strategic Advisory Group (SAG) plays a quality control role in the development of any guiding document in the cluster. SAG is required to endorse any technical guidance prepared by the cluster or the technical working groups before dissemination within the cluster. The FSLC SAG members are: Agency for Technical Cooperation and Development (ACTED), Arbeiter-Samariter-Bund (ASB), Caritas, Charitable Foundation "Humanitarian Aid and Development Center" (HADC), Food and Agriculture Organization (FAO), International Organization for Migration (IOM), Norwegian Refugee Council (NRC), and Triangle génération humaine (TGH).

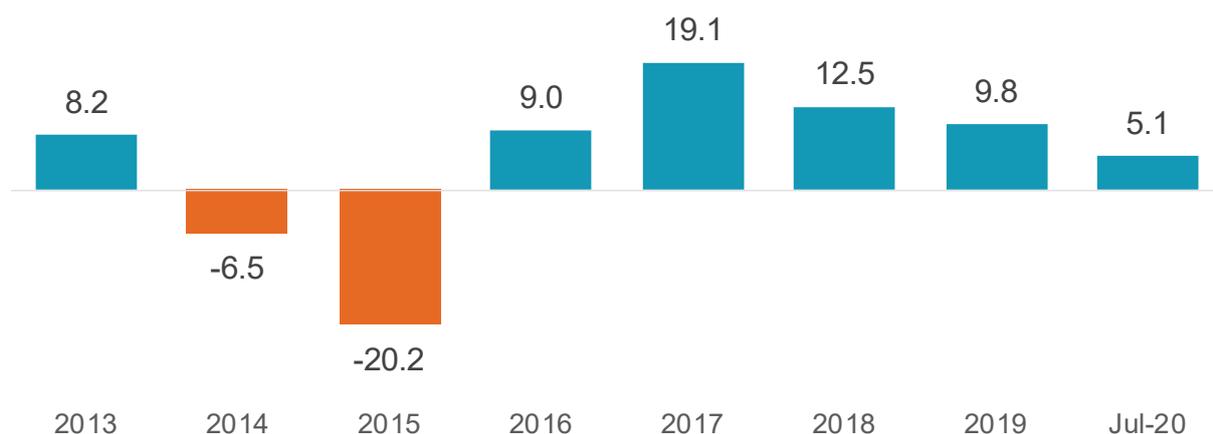


Since the last cash-based transfer (CBT) value revision in September 2018, the food basket has recorded a 12.8% overall increase in price for Ukraine, and a 13.0% increase for Donetska oblast and an 11.7% increase for Luhanska oblast (as of October 2020). Compared to the previous year, the largest increases are recorded for the most basic food items: buckwheat (112%), potatoes (31%), and wheat and rye bread (28% and 25% respectively)².

Socio-economic analysis

Although the average real salary has been increasing since 2016, the growth rate has been slowing down since 2017 (Figure 1).

Figure 1
Real salary change (% compared to previous year)



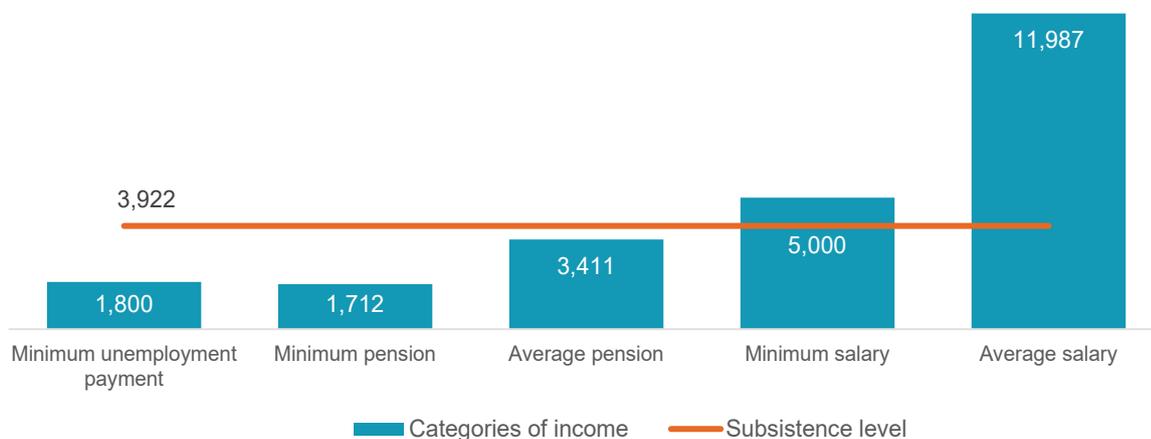
Source: State Statistics Service of Ukraine, September 2020

Despite this continuing increase in average real salary, social benefits that are the income source for the majority of the affected population are significantly below the subsistence line (Ukrainian hryvnia (UAH) 3,922), as defined by the Ministry of Social Policy for the month of November 2020). The minimum unemployment payment is UAH 1,800, the minimum pension is UAH 1,712, and the average pension is UAH 3,411 (see Figure 2).

² Calculation by FSLC based on World Food Programme (WFP) methodology.
Data source: http://www.ukrstat.gov.ua/operativ/operativ2020/ct/sctp/sctp_u_e.xlsx



Figure 2
Monthly income levels and subsistence line, November 2020, in UAH



Source: Ministry of Social Policy of Ukraine ³

The unemployment analysis shows that unemployment rates in Donetsk and Luhansk government-controlled areas (GCAs) have remained higher than average for Ukraine since the beginning of the conflict. This gap has been partly aggravated by the decrease in industrial production. While the average unemployment rate for Ukraine from 2013 to the beginning of 2020 increased by 1.4 percentage points, reaching 9.6% in June 2020, in Donetsk oblast the unemployment rate almost doubled (reaching 15.0%). In Luhansk oblast, the rate increased 2.6 times (reaching 16.0%) for this period (see Figure 3).

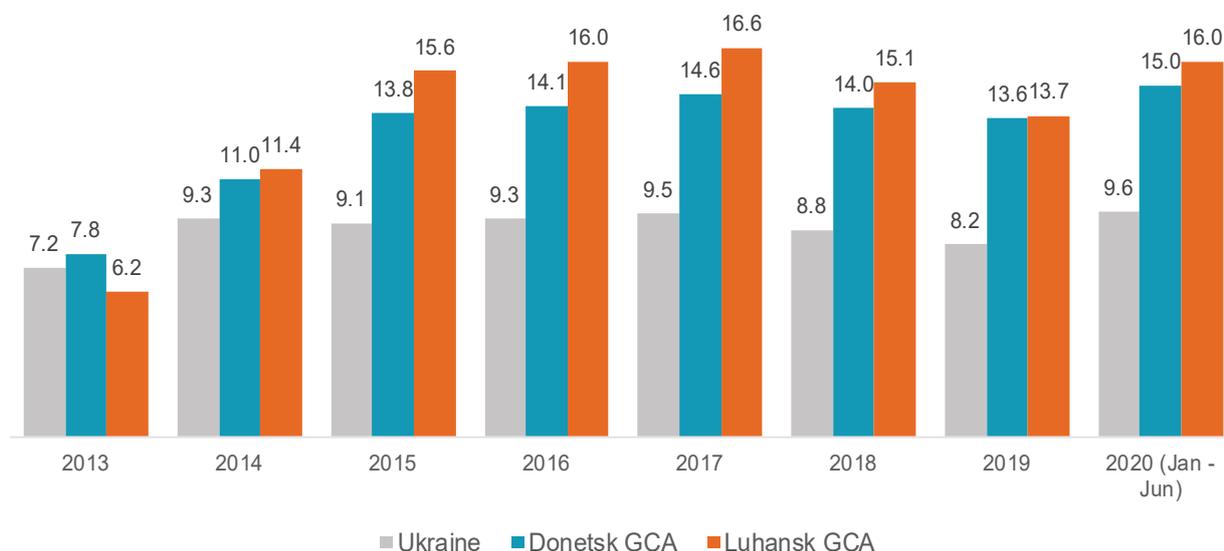
Considering that the last revision of food basket content and CBT for food value was conducted in 2018, and taking into account macroeconomic changes (including price spikes) and data issued from partners working with accountability to affected population (AAP) mechanisms, the revision of food basket content and CBT value has become a high priority.

For the purpose of this revision, the threshold that would be defined as critical for revision of the food basket is an above-5% increase in food prices. With several exceptions, dynamics in food prices in the Donetsk and Luhansk GCAs are in line with country trends.

³ Data source: <https://www.msp.gov.ua/news/19569.html>;
<http://www.msp.gov.ua/files/monitoring/01-11-2020.docx>



Figure 3
Dynamic of unemployment rates, % of workforce aged 15–70 years old
(International Labor Organization methodology)



Source: State Statistics Service of Ukraine, September 2020

Buckwheat prices increased in 2020 compared to 2019: from UAH 19.5 to UAH 42.4 in Donetsk oblast (a 117% increase) and from UAH 16.6 to UAH 37.1 in Luhansk oblast (a 124% increase). Beef prices increased by 9% in Donetsk oblast and 10% in Luhansk oblast. Carrots became more expensive in Luhansk oblast by 18%, while in Donetsk oblast they became cheaper (compared to August 2019) by 22%. Bread prices increased in Donetsk oblast by 13%, while in Luhansk and in the country as a whole the increase was only 3% and 5% respectively.

The Joint Market Monitoring conducted by ACCESS Consortium partners (ACTED, PIN, MdM, REACH) and NRC and Save the Children, and is led by ACTED in 2020 indicated that food prices did not change significantly in August 2020 compared to August 2019 (1% decrease), however overall increase in August 2019 compared to August 2018 was equal to 12%⁴.

⁴ Accessible at: <https://app.powerbi.com/view?r=eyJrIjojYWY4MDFIYTgtY-TU2OC00OGM0LWlxMTktNGRkYzBkNDRmMDIiIiwidCI6ImQyMDBIOTAzLTE5YjAtNDUyZS1iZDIxLWQxYWwMTzEzOTBkNSIsImMiOiJh9>



Food basket revision

Based on the beneficiaries' feedback and after consultation with the cluster SAG and revision by the gFSC Nutrition Working Group, the FSLC has replaced barley with buckwheat and CSB Super plus with oatmeal. The previous food basket was approved by the SAG in September 2018 ⁵. The 2018 basket consisted of two options: 1) 2,100 kilocalories (kcal) per person per day as per the Sphere-recommended international standard humanitarian intervention in emergencies; 2) provision of the minimum food basket ⁶, up to 75% of the 2,100 kcal, especially where the market is functioning well. Households are classified into three Food Consumption Groups (FCGs) based on the standard thresholds: poor, borderline, or acceptable. The indicator is correlated with caloric intake, coping strategy index, and household expenditure income.

The composition of a food set follows global World Food Programme (WFP) methodology for emergency settings, with some products having been recently adjusted to the context of Ukraine (e.g., buckwheat, oatmeal, and optional black tea).

Total reliance on food assistance — no other source of food

Populations suffering from the aftermath of the continued unrest, spanning from multiple displacements to loss of jobs and the inability to access social services and benefits as well as inflation in prices, have been faced with an increase in food insecurity highlighted by a critical lack of access to food. In these situations where households are unable to meet any of their food requirements, humanitarian response is crucial to provide food assistance that supplies the targeted population with their total minimum nutritional requirement.

Figure 4 suggests the food basket content recommended by FSLC to cover 100% of the daily ration of 2,100 kcal.

⁵ https://fscluster.org/sites/default/files/documents/2409_-_fsc_targetingration_planning_eng.pdf

⁶ The food component represents the minimum set of basic food items comprising 2,100 kcal per person per day for basic energy requirements.



Figure 4
Food basket options at 2,100 kcal per person per day*

RATION CONTENTS	Daily ration	Energy
	g/person/day	kcal
BUCKWHEAT GRAIN	100	343
PASTA, MACARONI	100	371
BEANS, KIDNEY, ALL TYPES	45	150
CANNED MEAT	45	99
OIL, SUNFLOWER, UNFORTIFIED	30	265
SUGAR	15	58
SALT, IODIZED (WFP)	3	0
OATMEAL (OAT FLAKES)	100	350
SARDINES, CANNED IN OIL, DRAINED	45	94
RICE, WHITE, MEDIUM GRAIN	100	360
TEA, BLACK, NUTRIENTS PER 100 ML OF BREWED TEA**	6	0
Ration totals	589	2,090
Beneficiary requirements for		2,100
% of requirements supplied by ration		100%

*Source: NutVal Ration Calculation—exported data.

**Adding tea is optional. It is recommended to be added based on needs of beneficiaries ⁷.

⁷ Some studies (for instance, <https://pubmed.ncbi.nlm.nih.gov/11029010/>) show that polyphenols and phytates in tea are inhibiting factors for absorption of iron. At the same time, the evidence shows that the presence of sufficient amounts of iron absorption enhancers (ascorbic acid, meat, fish, and poultry, as present in most industrialized countries) overcomes the inhibition of iron absorption from even large amounts of tea. Considering that functional AAP mechanisms of FSLC partners in Ukraine show that tea is an expected component of food kits, it is recommended to include it based on these AAP results.



Partial reliance on food basket

In areas with adequate food supply and where markets are functioning well, it is recommended to provide up to 75% of the minimum food basket (1,600 kcal of the 2,100 kcal total) to the vulnerable population groups. It is assumed that these population groups have access to food through (economic) formal and informal safety nets and consequently do not completely rely on humanitarian/food assistance to meet all their food and nutrition needs. Figure 5 presents the nutritional requirements needed to provide 1,600 kcal per person per day.

Figure 5
Food basket options at 1,600 kcal per person per day*

RATION CONTENTS	Daily ration	Energy
	g/person/day	kcal
BUCKWHEAT GRAIN	60	206
PASTA, MACARONI	200	742
BEANS, KIDNEY, ALL TYPES	60	200
CANNED MEAT	30	66
OIL, SUNFLOWER, UNFORTIFIED	20	177
SUGAR	25	97
SALT, IODIZED (WFP)	3	0
SARDINES, CANNED IN OIL, DRAINED	50	104
TEA, BLACK, NUTRIENTS PER 100 ML OF BREWED TEA	6	0
Ration totals	454	1,591
Beneficiary requirements for		2,100
% of requirements supplied by ration		76%

*Source: *NutVal Ration Calculation—exported data.*



Cash-based transfers (CBT) value revision⁸

CBT value calculation is based on the main 23 commodities from the governmental food basket in line with the methodology used by WFP in 2018⁹.

In early 2015, the original USD 45 transfer value (equivalent to UAH 700) was proposed by the WFP's cash and voucher feasibility assessment. It was based on the cost of the minimum food basket defined by the Government of Ukraine, which provided 2,600 kcal per capita (winter ration). In August, a decision was made to use the cost of the food basket as a base for the cash and voucher transfer value for food calculation (CBT). The target groups of that response relied on short-term support with the full basket.

In May 2016, the transfer value was updated to UAH 450, which aimed to cover about 1,600 kcal (75% of the food basket cost). According to the WFP market monitoring reports for June and August, there had been inflation of 40% for food commodities. According to national rates, the average national food basket cost was UAH 668. Therefore, to cover 75% of the kcal intake, the value needed to be increased. After some rounds of consultations and discussions at the Food Security Cluster meeting (October 19, 2016), the CBT value was recommended to be UAH 550¹⁰. For cash transfers that take place in non-government-controlled areas (NGCAs), it was agreed that the value should be raised to UAH 553.

At the FSLC meeting in Kyiv on August 31, 2017, the FSLC group agreed to revise the recommended value to UAH 700 per person per month based on the increase in food prices. The same methodology as used in October 2016 for

⁸ The initiative in revising the transfer value for food security and livelihoods response using cash as a modality is a live process and should be treated as a work in progress. The cluster will further review based on subsequent feedback received from the partners. It should be noted that this revision was primarily developed based on previous analysis and household data. As more data become available in the future, the food basket will be reviewed and updated periodically.

⁹ The description of the content of the food basket that was monitored by WFP is accessible at <https://snap.vam.wfp.org/index1.php>

¹⁰ Calculation, October 2016: The food basket costs UAH 668 per the WFP-monitored basket (1,900 kcal). Cluster partners aim to cover 1,575 kcal. Therefore, the equation to find the cost of 1,575 kcal if 1,900 kcal cost UAH 668 is: $CBT\ value = (1,575 * 668) / 1,900 = UAH\ 553.7$. This calculation led to the October 2016 decision to increase the CBT value to UAH 550.



the cash/voucher value was applied, using July 2017 prices as a reference. Based on calculations from WFP Vulnerability Analysis and Mapping (VAM) who closely monitors the food basket, the value was calculated to be UAH 701¹¹. It was agreed to recommend that cluster partners providing cash or voucher assistance apply this value from October 2017 onwards.

At the FSLC meeting in Kyiv on September 21, 2018, the FSLC group agreed to again revise the recommended CBT value based on the increase in food prices. Applying the same methodology as used in October 2016 and August 2017 for the cash/voucher value was applied, using June 2018 prices as a reference. Based on calculations from WFP VAM who closely monitors the food basket, the value was determined to be UAH 825 per person per month to cover 75% of the daily ration ¹².

At the FSLC SAG meeting on July 29, 2020, the need to review the food basket and the CBT value was discussed. To be in line with the similar methodology used by the WFP in 2018, the FSLC used official government data. Changes in food prices and changes in income earnings lead to changes in the minimum expenditure basket (MEB). The food basket needs to reflect the continuing changes in prices, income, and food production.

The WFP-monitored food basket included 23 main food commodities from the national food basket of Ukraine. Applying the same methodology as used in 2018, the CBT value was recalculated using October 2020 prices as a reference. The FSLC referred to the previous WFP-monitored basket to calculate the cost of 1 kcal. Knowing the value of 1 kcal, it is possible to calculate CBT by multiplying the cost of 1 kcal by 2,100 or 1,575 to get 100% or 75% of the ration. The FSLC recommends covering 75% of the ration (1,575 kcal) with CBT, especially in areas where markets are functioning, and households can cover a portion of their daily requirement.

¹¹ Transfer value calculation by WFP in August 2017: The food basket cost UAH 846 in July per the WFP-monitored basket (1,900 kcal). Therefore, the equation to find the cost of 1,575 kcal if 1,900 kcal cost UAH 846 is: $CBT\ value = (1,575 * 846) / 1,900 = UAH\ 701$ (based on July 2017 prices).

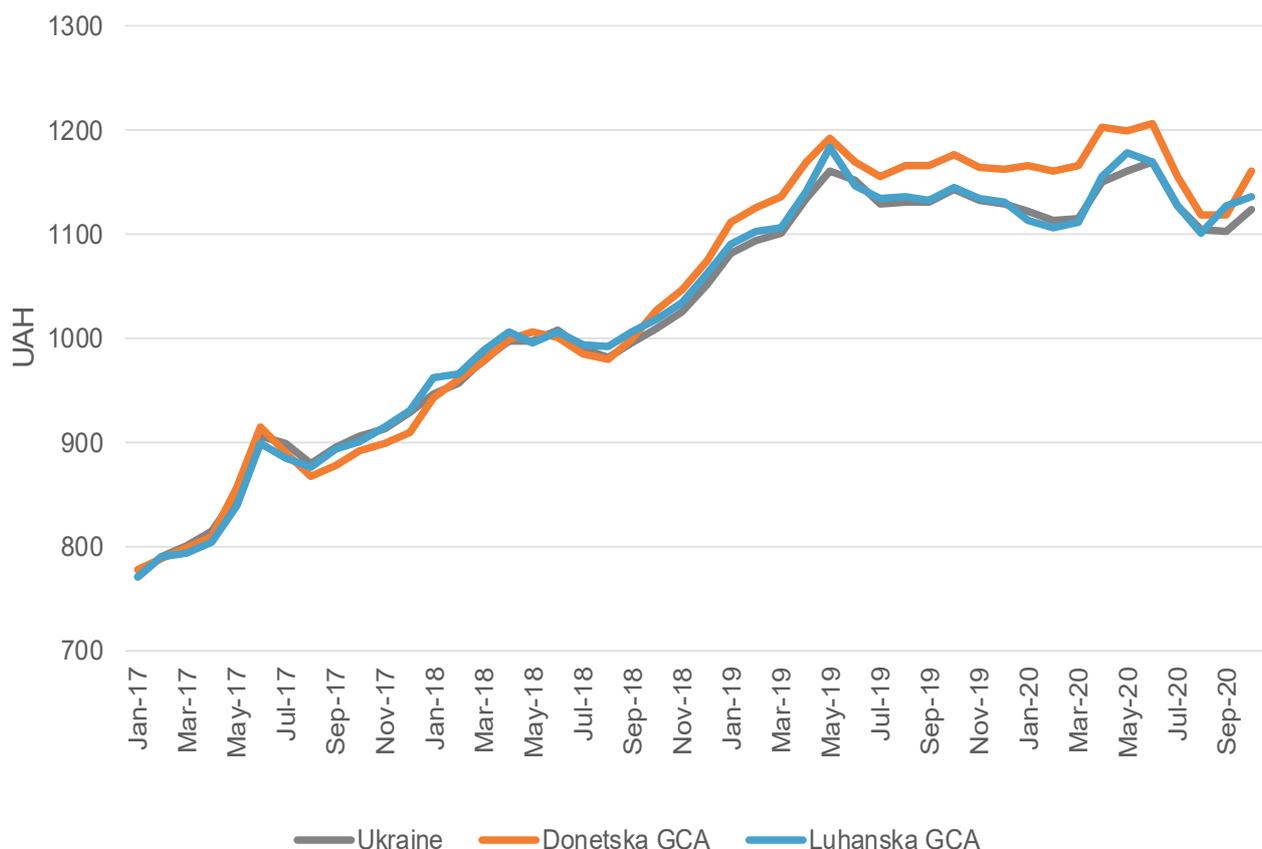
¹² Transfer value calculation by WFP in September 2018: The food basket costs UAH 996 in July per the WFP-monitored basket (1,900 kcal). Therefore, the equation to find the cost of 1,575 kcal if 1,900 kcal cost UAH 996 is: $CBT\ value = (1,575 * 996) / 1,900 = UAH\ 825$ (based on June 2018 prices).



Figure 6 shows the cost of the food basket that was monitored by WFP until 2018 and, using the same methodology, by FSLC after 2018. The actual food basket costs in Ukraine as of October 2020 increased since the last CBT value revision in September 2018. The food basket has recorded a 12.8% overall change in price for Ukraine. There has been a 13.0% change for Donetsk GCA and an 11.7% increase for Luhansk GCA compared to the last revision in September 2018.

The average monitored food basket cost during the last 12 months (November 2019–October 2020) was UAH 1,129 for Ukraine ¹³.

Figure 6
Food basket cost dynamics



Source: State Statistics Service of Ukraine

¹³ Calculation, December 2020: The food basket average cost from November 2019 to October 2020 was UAH 1,129 per the WFP-monitored basket (1,900 kcal). Therefore, the equation to find the cost of 1,575 kcal if 1,900 kcal cost UAH 1,129 is: $CBT\ value = (1,129 * 1,575) / 1,900 = UAH\ 936$.



Therefore, to cover a partial ration of 1,575 kcal (75% of the full ration), the recommended CBT value as a basis for cash-for-food and voucher-for-food assistance is UAH 936¹⁴.

The draft document passed three rounds of revision by the SAG and gFSC and was discussed at the SAG meetings on January 13 and January 18, 2021.

The FSLC recommends that cluster partners providing cash or voucher assistance apply this value starting from February 2021 onwards. However, considering that some projects are ongoing, with the CBT value set according to the previous recommendation, the partners are free to start applying the new value when feasible.

January 20, 2021

¹⁴ As of February 11, 2021 it is equal to USD 33.71.