

Minutes of the FSAC Minimum Food Basket Technical Working Group (MFBTWiG):

Date: 15th December 2021

Agenda:

- 1. Discuss the FSAC Minimum Food Basket considering prices increases, which, at the time, had already surpassed those, stipulated in guidance issued in October 2021.**

Background:

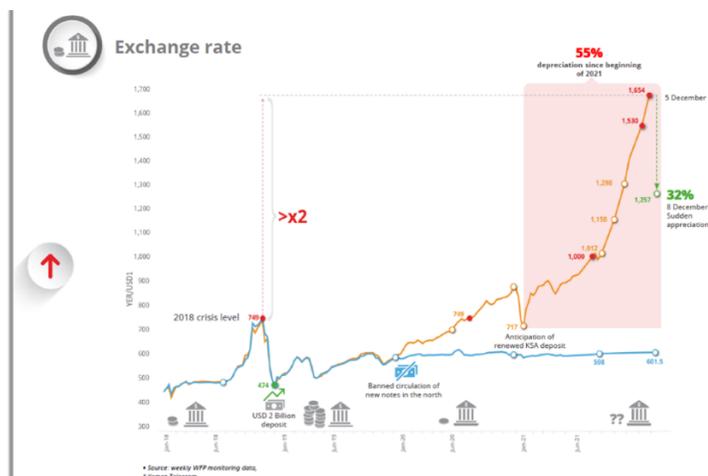
At the October 2021 meeting, the FSAC Minimum Food Basket Technical Working Group considered the prices through September 2021 and recommended updating of the transfer values. Subsequently, revised MFB transfer values prepared by the FSAC Minimum Food Basket Technical Working Group were presented and endorsed at the national cluster partners meeting held on 27th October 2021.

With regards to the harmonised transfer value for a household of 7 members, current guidance stipulates amounts of YER 54,000/household/month and YER 93,000/household/month in the governorates controlled by Sana'a-based authorities and IRG respectively. Since then prices have risen sharply in southern governorates, particularly because of the accelerated and continued depreciation of the YER. This necessitated a further review.

2. Presentation:

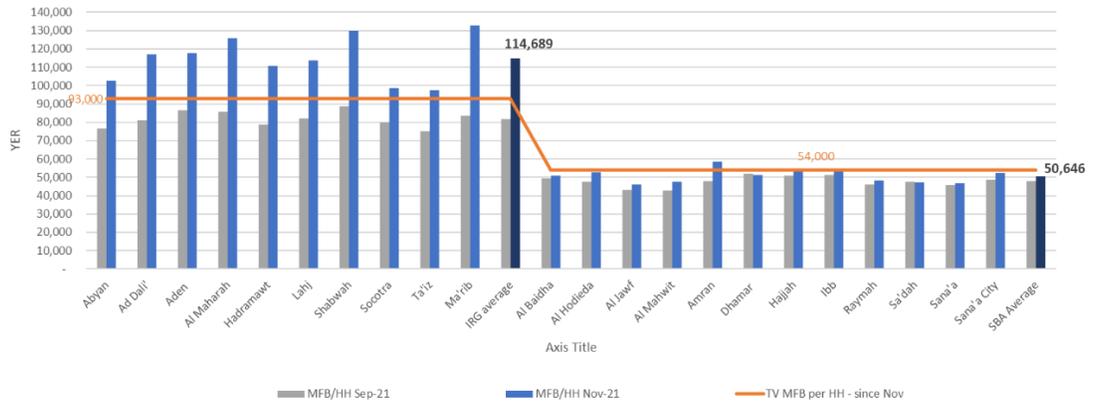
The standard analysis was presented with the following key highlights.

The changes in the exchange rate:

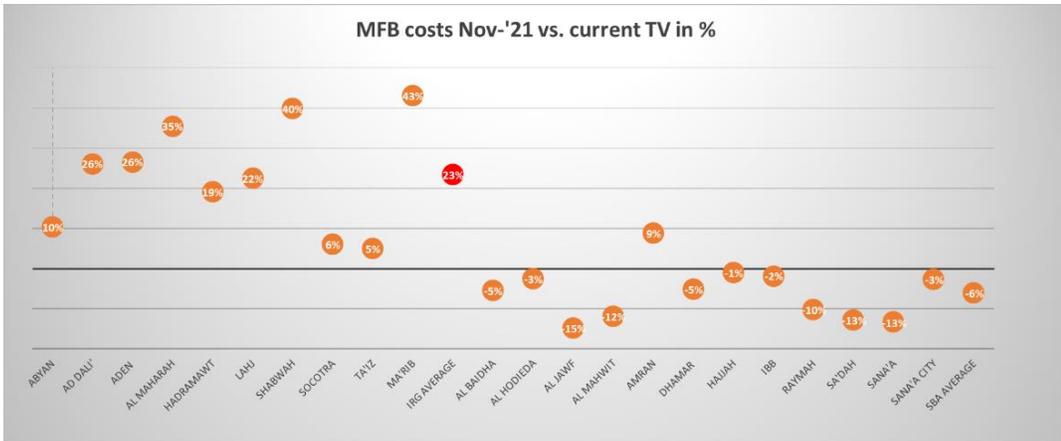


The price trends

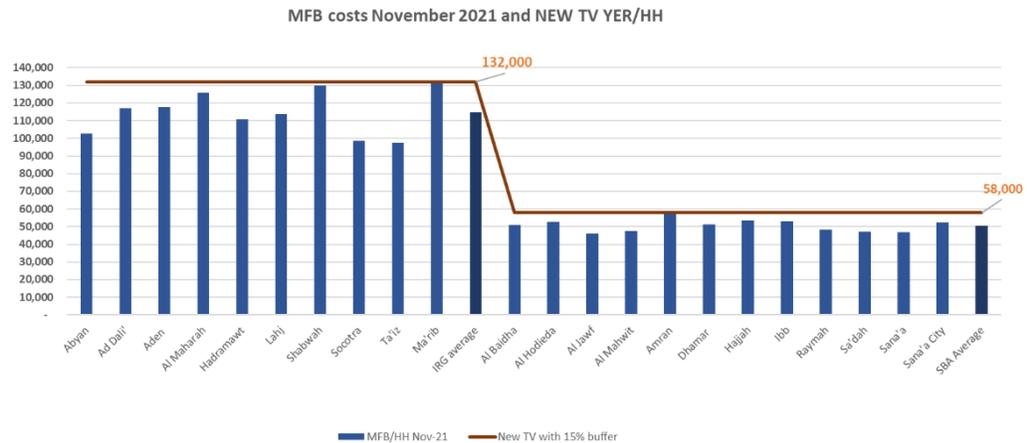
MFB costs per HH(7) per month, September & November 2021 vs current TV



MFB costs Nov-'21 vs. current TV in %



The recommended/updated transfer values



Proposed new TV in USD

North

- TV: YER58,000
- Exchange rate: USD/YER 601 (Nov)
- TV:
 - USD97/hh/month (Nov data)
 - Increase by 7.3% compared to Sep (97 vs. 90 USD)

South

- TV: YER132,000
- Exchange rate: USD/YER 1,496 (Nov)
- TV:
 - USD88/hh/month (Nov data)
 - Increase by 5.2% compared to Sep (88 vs. 84 USD)

While transfer values are usually based on a detailed analysis of the food commodities price data pegged on averages of the WFP and FAO market data, for this instance, data from FAO was incomplete (i.e., does not cover all Governorates). As such, for some Governorates only WFP price data was available for the analysis.

3. Discussion/Feedback from TWG members:

a. Whether to revise the current MFB transfer values

Several issues were noted and discussed with regards to revising MFB transfer values.

- Beneficiaries in Governorates where prices are higher when compared with the current MFB transfer values will not be able to meet their food needs. This effectively translates into a ration cut.
- Partners need credible estimates when preparing budgets for 2022.
- For ongoing projects (budgeted as per current guidance) any upward adjustment will depend on availability of additional resources. It was noted that inability of partners to align with MFB transfer values whenever an updated guidance is issued creates friction among beneficiaries i.e., when this translates into use of different transfer values in the same operational district.
- The recent appreciation of the YEM rial in the South is causing uncertainty with regards to its trajectory in the coming period. Notably, despite the appreciation of the YEM rial in the South, prices remain high.

Overall, despite the urgency of a TV revision presented by WFP, partners recommended, that (mainly due to uncertainty with regards to the value of YEM rial in the South) there is need to monitor the situation in the coming weeks prior to any revision of the MFB transfer values.

b. 15 percent buffer

In calculating the MFB transfer values, a 15 percent buffer is included as top-up of the regional average prices to buffer households' access to commodities, should the costs of the MFB fluctuate and further increase. In the current scenario partners noted that the 15 percent buffer was causing inflated values for some Governorates. As such, TWG members considered the possibility of reducing the buffer and the following issues were noted:

- Decreasing the buffer may necessitate more frequent revision of the MFB transfer values.
- Reducing the buffer will have a differential impact among the Governorates i.e., for some it may cause a recommended MFB transfer values equivalent to or below the actual prices.

Overall, it was recommended to revisit this issue when the TWG convene in January 2022.

c. Intra-regional differences between governorates

It was noted that there are intra-regional differences in terms of prices. Conceivably, there will be differences within districts in the same Governorate. It was recommended that prior to implementing Governorate specific transfer values, there is need to:

- Ensure requisite price data is available
- Review and established whether there are structural factors impeding achievement of equilibrium. This exercise entails also reviewing the long-term trends.

Thus, the recommendation is to proceed with transfer values by area of control.

It was also noted that there is need for further review of the price data for Marib.

d. Transfer value pegged on average household size Versus differentiated transfer value based on actual size of household members

The TWG confirmed the need to provide for a two-pronged approach: transfer depending on h/h size or calculation based on average of 7 household members. Such a twin approach will continue even though it is recognised that the differentiated transfer depending on size of households may not fully consider economies of scale.

e. Frequency of updates

Given the significant prices changes in a short period of time, it was noted that there is need for timely review of the guidance, which may happen more frequently than on quarterly basis.

f. Implication of non-conditional transfer.

This item was postponed for discussion at the next livelihood working group meeting.