NIGERIA FOOD SECURITY SECTOR

Guidance Note on Change of Transfer Modality (COVID-19) - August 2020

Background

The World Health Organization declared COVID-19 a global pandemic on 11 March 2020. The number of cases rapidly increased in several affected countries, hence the need for immediate targeted action.

Nigeria confirmed its first case on 27th February 2020. By the 24 August 2020, the total confirmed cases within Nigeria had risen to 52,227 of which about 12,280 still active cases.

As a result of the containment measures such as border closures, restrictions on inter-state movements and lockdowns in some states among other measures, market operations were affected leading to increase in prices of food and non-food commodities. The food prices and annual inflation have continued to increase from March 2020 up to date (August). In July, Nigeria's annual inflation rate rose for a tenth straight month to 12.6% in June of 2020 from 12.4% in the prior month (WFP Monthly Market Monitoring Borno and Yobe, July 2020). According to FEWSNET August 2020, Macroeconomic conditions have deteriorated sharply, following the drop in international oil demand, which led to a decline in revenue; the subsequent depreciation of the NGN has pushed up staple food prices. As a result of higher food prices, in combination with reduced access to income given movement restrictions, poor households are facing increased difficulty accessing food.

The Food Security Sector guidance indicates that partners can change the Transfer Values if the transfer value has changed by -/+15 as compared to the prevailing Minimum Expenditure Basket (MEB) calculation, as indicated by the various price monitoring in the local markets. By the end of July 2020, no partner had reported reaching this point of change of transfer value as a result of change in market prices. However, in August, partners had noticed changes in the MEB which were over the +15% over the respective transfer values which were necessary and enough to trigger the change to trigger change in the transfer value.

As part of the Risk Mitigation Measures and Contingency Planning, partners anticipated scenario where the increases in prices would be extreme to a point that the increase in prices could not be sustained within a change in Transfer Value due to the significant percentages in increase and/or relatively high frequency in the changes. This would necessitate a change in Modality of transfer. Therefore, the questions that were to be answered were:

1. What are the indicators for a partner to change modality of transfer?
2. What is the threshold of change of each of the indicators that would to lead to a change in modality?
3. What are the mitigation measures in place for each of the above indicators?

With the facilitation of the Global Food Security Cluster and inputs from Nigeria, Regional and Global Cash Working Group colleagues, a learning experience call was organized for participants from different countries, to share practical experiences on the above three questions that would in turn guide not only the situation in Nigeria, but also other countries that may be in the same scenario especially given the current COVID-19 situation.

The feedback from the learning experience call indicated that Nigeria was significantly far from the situation in some of the countries which experienced a change in modality in the recent past, either before or during COVID-19 pandemic. For instance, in Zimbabwe and Venezuala, the annual inflation was at 900% and 9,500% respectively, as compared to Nigeria which was about 12%. Food availability in some parts of rural Zimbabwe was at below 20%. Both Venezuela and Zimbabwe economies are 'dollarized', as compared to the Naira which has only slightly weakened against the dollar as compared to Zimbabwe and Venezuela as examples. In some parts of rural Zimbabwe, food was available, however, liquidity was not.

Firstly, **no shift in modality (so far) among the partners operation in Borno, Adamawa and Yobe states based on price rises so far.** Although, since May, oil prices have slightly increased, the continued low level of oil exports and relatively lower prices per barrel has led to reduced government earnings of foreign currency and, subsequently, a depreciation of the NGN on the parallel and official markets. This has, in turn, put upward pressure on the price of imported foods and local substitutes. Across major markets, prices of staple foods increased from near average levels to 30 to 100 percent above last year and the five-year average. The high food prices and decreasing incomes are reducing poor households' purchasing power, especially for those of highest concern in conflict-affected areas where prices were already higher relative to other parts of the country and among poor urban households (FEWSNET, August 2020).

In summary, the situation in Nigeria and specifically Borno, Adamawa and Yobe states has not reached the extreme cases mentioned above to necessitate a change in modality as done by some partners in the above-mentioned countries.

The summary guidance below is as a result of the various consultations with the different global actors as mentioned above, in addition to initial inputs from the Nigeria Food Security Sector Taskforce Members. The guidance is also not necessarily comprehensive and has to be applied to each context (situation) at a time.

Below are some of the key indicators identified for deciding when the current transfer modality/mechanism is no longer feasible:

S/No	Indicators	Threshold	Mitigation Measures	Would another CVA option still be feasible? (e.g. value vouchers, or in some cases then commodity vouchers).
1	Large-scale closure of needed mobile agents, banks, ATMs, cash agents, and/or shops.			

2	Complete and sustained lack of liquidity in redemption networks (or early warning signs).			
3	Sudden and consistent changes in currency valuation and exchange rates.			
4	Complete collapse of local markets (i.e. contracted and non-contracted retailers cannot re-stock key commodities). Or affected populations cannot access markets (even if stocked) due to complete road/transport restrictions.			
5	Inflationary pressures on market prices and services can no longer be accommodated within transfer value adjustments.			

Approach

In summary, when looking into changing modality, we should be thinking more generally about appropriateness, feasibility, objectives and cost among others key indicators, and not only focusing on only price.

Below are some examples of the guidance questions regarding a change of modality

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?

Please see here the **DETAILED DECISION TREE** that will provide guidance leading to selecting or change of modality as necessary.

Please see also the **RISK MATRIX** updated April 2020 by the Cash Working Group Nigeria for your guidance.

Additional Guidance specifically regarding the inflation due to the COVID-19 pandemic:

Primarily, if the concern is inflation, commodity vouchers are a good option to continue using market channels without the inflationary effects impacting the households. The households would continue to receive their month to month kilo calories while the variable costs are managed by the implementing partner in coordination with the vendors. This would also require a review of the

key considerations for CVA feasibility, around markets, risks, cost-effectiveness/efficiency, etc, around what might have changed.

Conclusion.

There is no specific indicator or threshold that determines a change of modality. All contexts (situations) must be analyzed case by case with a combination of both qualitive and quantitative analysis to arrive to a conclusion, as per the CVA feasibility assessments with the support of the decision tree.

Annex

WFP CBT Programme Adjustment Guidance in Response to COVID-19