Cash Strapped?
A Learning Discussion on Market-Based Programming in Liquidity Crises

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Speakers

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VAM Officer + Cash-Based Transfers
WFP
Zimbabwe
Zimbabwe: Monetary Crisis A Brief Background

1980
- Zimbabwe $ introduced at 1:1 with USD

2000
- Hyper-Inflation:
  - Inflation rose to 89.7 sextillion percent at peak
  - Depleted foreign currency reserves

2001-2008
- Cash Crisis:
  - Heavily depleted foreign currency reserves
  - Rising inflation
  - Zim $ reintroduced at 1:1 with USD

2009
- High Public deficit
- Plunged country into economic crisis

2009
- Multi-currency
- Zim $ ditched for a multicurrency economy

2016-2019
- Current Situation:
  - Weaker Zim $
  - Cash crisis continues
  - Unstable inflation/Rising cost of living
  - Large disparities between official and parallel market rates

2020
- Cash crisis continues
- Unstable inflation/Rising cost of living
- Large disparities between official and parallel market rates
Cash Based Transfers at WFP Zimbabwe

- Up to 2016 CO worked via NGOs partners
- who used their own contracts with security companies to distribute the cash –CIT NGO Partners are no longer in position to get sufficient USD in cash

- Scale up CBT in 2016/2017 – Registration of all Beneficiaries in SCOPE
- Own contracts with FSPs direct control CIT Contract, Mobile Money Contract
- SCOPE E-vouchers Piloting
- Net 1 Piloting
- WFP entered into an understanding with Govt where it was given preference for USD cash 2018/2019

Challenges
- Mobile Money rather costly -Agents frequently ran out of Cash
- Three tier pricing situation resulting in beneficiaries not getting value for money
- Some retailers that are also agents are taking advantage of the situation over charging
- E Vouchers - Agents are frequently out of Cash
- Retailers don’t want to be paid by transfer to their bank account
- Introduction of SI 142 of 2019 recognising the Zim Dollar as the only official legal tender
- Unavailability of Bond Notes at the Banks
- Value of transfer in Bond Notes varied month on month- Monthly transfer value calculations
Financial Service Provider Contracts in Place for flexibility between modalities
• Mobile Money, CIT and Remittance Based
• Use of Global Long Term Agreements - WU
• Wider options on modality selection
• Piloting

Prioritise Scope – E vouchers
• All beneficiaries to be registered in Scope
• Introduce electronic payment system thru Mpos linked to SCOPE
• Equip retailers in target areas with POS terminals for duration of programme. Constant Engagements with Retailers. Up to date payments for quick turn around. Dedicated Staff. USD payment. Big Players for Price stability

Engagement with Government
• Briefings on programmes. Updates

Engagement with Banking Sector
• Understand the operational environment – presentations with NCW on policy matters
• Remittance Based Modality - Solution for value for money through USD
Lessons Learnt

- Remittance Based Modality-
- Solution for value for money through USD
- With Covid erra Govt re introduced use of USD dollar
Fe Kagahastian
Cash & Markets Adviser
*Whole of Syria*
Northwest Syria context

- Syria under international sanctions;
- NGO-led CVA response, along with transhipment of in-kind assistance from Turkey, led by the UN;
- Mature CWG, with partners well-versed in implementing through local NGOs and remote programme management;
- **Liquidity challenge**: consistent, incremental devaluation of SYP, eventually collapsing in 2020 at the height of Covid.
NWS-CWG actions and lessons learned

Collective action

• Leveraged CWG focus on markets to advocate for uniform switch to USD in delivering CVA.

• Key outputs: high-level consultations; joint risk management strategy, one-page CWG advocacy note justifying USD delivery; harmonized MPC unit cost for budget proposals

Lessons learned

• «Coordination» is not a dirty word;

• Don’t under-estimate the advocacy role of CWGs.

• Engage donors on risk management proactively
George Bete
Inter-Agency Cash and Voucher Working Group Coordinator
Afghanistan
Background & context to the current FSP landscape in Afghanistan

- Liquidity issues originating from bottlenecks in the international movements of funds,
- Agencies facing difficulties to pay local staff and suppliers and run programmes – situation has added significantly to their costs,
- Limited withdrawals of Afghani from the formal banks - and nearly zero for USD
- CVA actors willing to continue and scale-up cash responses,
- Hawala networks commonly used alongside other FSPs such as the Western Union - operational + implementation (e.g., CVA)
Current State of FSPs versus Humanitarian operations

- **Short Term Measure** - Hawala networks have become popular for humanitarian responses.
- **Most FSPs** have numerous contracts with several agencies, managing high caseloads and extensive needs.
- **High FSP transaction fees** - affecting some fixed humanitarian CVA budgets,

- **Digital Finance** still growing - mobile money not reliable
- **Hawalas currently** resilient
- **FSPs offering new products** – e.g. banks, mobile money
What are the current concerns surrounding “money transfer” in Afghanistan?

The ability of humanitarian organisations to arrange straight-line direct bank-to-bank transfers to Afghan via the global correspondent bank network - affected,

CVA Actors- scaling up responses: FSPs raising commission/transaction fees.

Coordination amongst humanitarian Actors vis-a-vis FSP operations not strong,

Concerns surrounding informal money transfer companies – e.g. reputational risks of working with Hawalas

CVA partners competing to grab the little cash available through the FSPs,
Questions coming out of the current Situation

• Will FSPs be able to manage the pressure on their liquidity?
• How are local Hawalas managing liquidity? Is there an external hand?
• Are we not going to see FSPs prioritising the distributions of certain aid agencies negating the others?
• How can we harmonise transaction fees?
• In the long term- Can we digitalise CVA in Afghanistan?
• Legality of Hawala operations - How are these regulated at the moment? International community – e.g donor perceptions – vis-à-vis unregulated hawalas? Due-diligence?
What are we doing to address the situation now?

- Formulate the task force which will bring the hawalas together and discuss the challenges and negotiate — beginning on commission before and now,

- Do a financial service providers mapping,

- Develop Guidance documents to share with FSPs,

- Collective Bargaining - Joint agreement and procurement of Hawala services

- Increase information sharing on the use of hawala, their networks and capacity

- Minimum guidance on conducting due diligence on hawala + SOPs
Isabelle Pelly
Global Thematic Expert on Cash & Basic Needs
ECHOB
THE DONOR PERSPECTIVE

- Why is this an important issue for donors?
- What is the GPR and how was it developed?
- How can the Good Practice Review support analysis and programme adaptation in such contexts?
- The role of donors in liquidity crisis
THE GPR & LIQUIDITY CHALLENGES

**STEP 1: CONTEXTUAL ANALYSIS**
- Analyse inflation trends and understand the broad economic environment
- Understand the regulatory environment
- Understand how people are coping
- Design programmes from the outset to anticipate inflation/depreciation

**STEP 2: PREPARATORY ACTIONS**
- Agree on triggers based on which cost of the MEB will be reviewed, and/or which will trigger a modality shift
- Monitor the MEB
- Monitor exchange rates

**STEP 3: PROGRAMMATIC ANALYSIS**
- Analyse what is happening to prices, and the relationship to depreciation

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**SITUATION ANALYSIS**

**RESPONSE ANALYSIS**

**RESPONSE OPTIONS**
(standalone or complementary)

- **ADVOCACY, POLICY AND INFLUENCING**
- **INCREASE PURCHASING POWER IN THE LOCAL CURRENCY**
  - Increase transfer value
  - Group assistance into fewer transfers
- **SHIFT FROM CASH ASSISTANCE TO VALUE OR COMMODITY VOUCHERS**
- **TRANSFER ASSISTANCE IN HARD CURRENCY**
- **SHIFT TO IN-KIND ASSISTANCE (FULLY OR PARTIALLY)**
- Negotiate with FSPs
  - Consider digital currencies

**INFLATION / DEPRECIATION**

- **PURCHASING POWER**
- **PRICES**
- **PREFERENCES**
- **PROTECTION RISKS / “DO NO HARM”**
- **FEASIBILITY**
- **VALUE FOR MONEY**
THANK YOU!

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