

SEPTEMBER 1, 2022

# YEMEN MINIMUM EXPENDITURE BASKET

## OPERATIONAL GUIDANCE NOTE

CASH AND MARKETS WORKING GROUP

***This Guidance Note supersedes the previous versions of the documents regarding the Yemen SMEB and Transfer Values. The recommendations from this document are applicable from 1<sup>st</sup> September 2022 as endorsed by the Cash and Markets Working Group.***

## **1. Guidance Note Objective and Scope**

This guidance note documents the inputs and calculation of the Minimum Expenditure Basket (MEB) and Multi-Purpose Cash Assistance (MPCA) transfer value for the and North and South of Yemen. As Yemen is divided between the DFA (North) and IRG (South), with each area operating different monetary policies, market prices differ which leads to different transfer values.

The current MEB includes prices for Food, Shelter/NFI, WASH, and Services (health, communication, and transportation). The different MEB components are calculated using market price data, household expenditure data, and inputs from relevant clusters. The Yemen MEB is calculated to cover the minimum needs of an average household size of seven people.

Due to the volatile economic situation, the MEB and transfer value requires regular review. The monitoring and revision triggers are outlined below.

## **2. MEB Technical Working Group:**

The Survival Minimum Expenditure Basket (SMEB) is revised by the SMEB Technical Working Group (TWG), which is convened by and reports to the Yemen Cash and Market Working Group (CMWG). Following a revision of the Minimum Food Basket (MFB) by the Food Security and Agriculture Cluster (FSAC) in May 2022, the SMEB TWG was convened in June 2022 to initiate another round of SMEB revision. The SMEB TWG created a core technical group to lead on the revision comprised of the CMWG Chair (OCHA) and co-chair (CCY), REACH Initiatives, UNHCR, and the International Rescue Committee (IRC).

The core group firstly reviewed the use of a 'survival' MEB, and agreed to move to a full MEB, due to planned gap analysis and to align with other protracted humanitarian crises in the MENA region (the SMEB TWG becoming the MEB TWG). The core group then reviewed each component of the S/MEB and the items within each component, in consultation with relevant clusters. While there were no changes to the MEB components, some items within each component or the approach to monetization did change, and these are noted within the relevant component sections below.

The revised MEB was presented to the CMWG on 8<sup>th</sup> September 2022, with endorsement following via email.

## **3. MEB Components and Inputs:**

The inputs for each MEB component have been agreed with the Food Security and Agriculture, Shelter/NFI, Health, and WASH Clusters, with attendant agreements for input monitoring in close coordination with each Cluster.

## MEB Components, Inputs, Units, and Data Sources:

Component	Inputs	Quantity for family of 7 per month	Unit	Source	Monitoring
Food	Wheat Flour	75	kg	Average National Prices (Minimum Food Basket)	Average National Prices (Based on Average of WFP and FAO Data, published as MFB)
	Kidney Beans	10	kg		
	Vegetable Oil	8	liter		
	Sugar	2.5	kg		
	Iodized Salt	1	kg		
NFI/Shelter	Cooking fuel	1	lumpsum	JMMI	JMMI price monitoring by REACH; Shelter/NFI Cluster data for rental subsidy and shelter maintenance
	Rental Subsidy	1	lumpsum	Shelter Cluster	
	Shelter Maintenance	1	lumpsum	Shelter Cluster	
WASH	Soap	1050	gram	JMMI	JMMI price monitoring by REACH and partners.
	Washing Powder	2000	gram	JMMI	
	Sanitary Napkins	5	pack of 10	JMMI	
	Water	3150	liter	JMMI	
	Water Treatment Tablets	3	pack of 50	WASH Cluster	
Services	Transportation	1	lumpsum	IOM PDMs	
	Communication	1	lumpsum	KAP Survey (but proportional to inflation)	
	Health	1	lumpsum	Health Cluster	Based on prices provided by the Health Cluster

## Exchange Rate Volatility and Revised Buffer:

The exchange rate has proved to be increasingly volatile over the past 3 years, with the exchange rate deviating between the DFA and IRG areas in late 2020. While the IRG areas have seen greater volatility over the past 2 years, there was increased volatility in DFA areas in early 2022.

In an inflationary context such as Yemen – especially in IRG areas – it is standard practice to add a value buffer to price-based components, to account for currency devaluation and to ensure the MEB values cover actual prices. Additionally, in DFA areas, while the nominal value (current monetary value) has appreciated, the real price (accounting for inflation) has risen in USD terms. The real value of money is related to the actual value of goods in USD, which has risen gradually over the past six months. This is largely driven by wholesalers buying imported goods using USD.

To mitigate the persistent risk of rapid fluctuations in the exchange rate on different MEB components, and ensure purchasing power until the next revision, a percentage value buffer will be added to specific components. The aim of the value buffer will be predicated on containing the inflationary pressures as well as general volatility and the differences between the North and South. For the North areas a buffer of 10% will be applied and in South areas a buffer of 15% will be applied across all components and items. These numbers are based on general estimates of the current economic conditions and not on exact calculations. The general buffer for both areas will be assessed in each subsequent MEB revision.

## MEB Components, Data Inputs, and Costs:

### Food:

The data for the food component is gathered from WFP and FAO price monitoring and provided as a guidance in the form of the MFB. The MFB is typically revised and published on a quarterly basis, but can be revised on an ad hoc basis, depending on the price fluctuations of food commodities. The August 2022 MFB can be found [here](#).

The commodities within the basket and the prices of the commodities are set and updated by FSAC. The MEB will align to the MFB and rely on FSAC expertise to set the food component and amount. The cost of the food component of the MEB for the North and South is the MFB value for household of seven members.

#### *Food Component Table:*

The FSAC cluster has already factored in a buffer of 15% in North and South on top of regional average prices to account for significant differences between governorates. The price includes all aspects listed in the table with the buffer.

Sector	Item	Quantity for family of 7 per month	Unit	North Unit Price (YER)	Buffer	Total (YER)
Food	Wheat Flour	75	kg	(Price is full basket)	Buffer already added by FSAC	70,500
	Kidney Beans	10	kg			
	Vegetable Oil	8	liter			
	Sugar	2.5	kg			
	Iodized Salt	1	kg			
Sector	Item	Quantity for family of 7 per month	Unit	South Unit Price (YER)	Buffer	Total (YER)
Food	Wheat Flour	75	kg	(Price is full basket)	Buffer already added by FSAC	126,500
	Kidney Beans	10	kg			
	Vegetable Oil	8	liter			
	Sugar	2.5	kg			
	Iodized Salt	1	kg			

### WASH:

The inputs for the WASH component are recommended by the WASH Cluster. The prices for the WASH input are estimated from the Joint Market Monitoring Initiative (JMMI), using the prices of the median WASH SMEB in North and South collected in August 2022. The WASH cluster further recommended adding water treatment products, and provided the product units and local market prices of these products.

The products included in the WASH basket have been set by the WASH cluster and almost all of them are monitored within the JMMI, the only item that is not monitored in the JMMI was the water treatment tablets, which clean 20 liters of water per tabulate. This means that 4 water packages of 50 support the total monthly allotment of water required for a household of 7.

*WASH Component Table:*

Prices for the basket will be taken from the entire basket that is monitored by the JMMI, at a median of median level building from the District à Governorate à Economic Divide (DFA/IRG). The total is the median average value of all JMMI WASH basket district medians, across the entire economic region. The total of the WASH component is the sum of the JMMI basket and the value of water treatment tablets provided by the WASH Cluster, plus the value buffer.

Sector	Item	Quantity for family of 7 per month	Unit	North Unit Price (YER)	Buffer	Total (YER)
WASH	Soap	1050	gram	14,561 (Price is full basket)	10%	16,017
	Washing Powder	2000	gram			
	Sanitary Napkins	5	pk of 10			
	Water	3150	Liter			
	Water Treatment Tablets	4	pk of 50	287.5	10%	1,265
Sector	Item	Quantity for family of 7 per month	Unit	South Unit Price (YER)	Buffer	Total (YER)
WASH	Soap	1050	gram	28,763 (Price is full basket)	15%	33,077
	Washing Powder	2000	gram			
	Sanitary Napkins	5	pk of 10			
	Water	3150	Liter			
	Water Treatment Tablets	4	pk of 50	539	15%	2,479

**Health:**

To revise the health component, the Health Cluster was consulted on the costs of a variety of basic services and over-the-counter (OTC) medicines. As the list initially provided by the Cluster exceeded the total value of the previous SMEB, the MEB TWG decided to cover a reduced health inputs list. The inputs for the health component agreed with the Cluster are a list of common, over-the-counter medicines (the full table with costs is in Annex D below), with the prices summed as a lumpsum amount. The value of the lumpsum would cover approximately 65% of one day inpatient stay.

As the costs of the OTC medicines may fluctuate, the Health Cluster will be consulted during each MEB review, and OTC medicines will be added to both the JMMI and included in future household expenditure monitoring, via the Yemen Expenditure Household Assessment.

*Health Component Table:*

Sector	Item	Quantity for family of 7 per month	Unit	North Unit Price (YER)	Buffer	Total
Services	Health	1	lumpsum	10,870	10%	11,957
Sector	Item	Quantity for family of 7 per month	Unit	South Unit Price (YER)	Buffer	Total
Services	Health	1	lumpsum	20,410	15%	22,451

**Shelter/NFI:**

The Shelter/NFI cluster was consulted on a revised S/NFI component, and the MEB TWG agreed to remove clothing and lighting as these are not recurring shelter costs, and separate rent and shelter maintenance. The Shelter/NFI Cluster provided more up-to-date rental market data, and amortized shelter maintenance values. The shelter maintenance input was also retained (based on KAP survey data from 2019), with an updated cost buffer. The cooking fuel price is taken from JMMI data collected in August 2022, by calculating price for North and South using the medians-of-medians method.

*Shelter/NFI Component Table:*

Sector	Item	Quantity for family of 7 per month	Unit	North Unit Price (YER)	Buffer	Total (YER)
NFI/Shelter	Cooking Fuel	1	cylinder	6,988	10%	7,690
	Rental Subsidy	1	lumpsum	20,625	10%	22,690
	Shelter Maintenance	1	lumpsum	7,200	10%	7,920
Sector	Item	Quantity for family of 7 per month	Unit	South Unit Price (YER)	Buffer	Total (YER)
NFI/Shelter	Cooking Fuel	1	cylinder	9,275	15%	10,666
	Rental Subsidy	1	lumpsum	40,000	15%	46,000
	Shelter Maintenance	1	lumpsum	13,500	15%	15,525

**Other Services:**

The transportation component was updated using IOM post-distribution monitoring (PDM) data, which asked households how much they spent on travelling to and from MPCA distributions, and what mode of transport they used. The final value is the median of district level median average transportation costs. The communications component was retained, with an updated cost buffer.

*Services Component Table:*

Sector	Item	Quantity for family of 7 per month	Unit	North Unit Price (YER)	Buffer	Total (YER)
Services	Transportation	1	lumpsum	IOM PDM data	10%	1,650
	Communication	1	lumpsum	KAP Survey	10%	6,958
Sector	Item	Quantity for family of 7 per month	Unit	South Unit Price (YER)	Buffer	Total (YER)
Services	Transportation	1	lumpsum	IOM PDM data	15%	2,300
	Communication	1	lumpsum	KAP Survey	15%	7,935

#### 4. Minimum Expenditure Basket in DFA and IRG Areas:

##### a. North MEB

Sector	Item	North Unit Price (YER)	Buffer	Total (YER)
Food	FSAC MFB	(price is full basket)	FSAC buffer	70,500
WASH	WASH Basket	14,561	10%	16,017
	Water Treatment Tablets	287,50	10%	1,265
	Total:			17,282
NFI/Shelter	Cooking Fuel	6,988	10%	7,960
	Rental Subsidy	20,625	10%	22,960
	Shelter Maintenance	7,200	10%	7,920
	Total:			38,296
Services	Transportation	1,500	10%	1,650
	Communication	6,325	10%	6,960
	Health	10,870	10%	11,960
	Total:			20,565
Grand Total:				146,640
Rounded Total:				147,000

##### b. South MEB

Sector	Item	South Unit Price (YER)	Buffer	Total (YER)
Food	FSAC MFB	(Price is full basket)	FSAC Buffer	126,500
WASH	WASH Basket	28,763	15%	30,077
	Water Treatment Tablets	539	15%	2,479
	Total:			32,556
NFI/Shelter	Cooking Fuel	9,275	15%	10,700
	Rental Subsidy	40,000	15%	46,000
	Shelter Maintenance	13,500	15%	15,525
	Total:			72,225
Services	Transportation	2,000	15%	2,300
	Communication	6,900	15%	7,935
	Health	20,410	15%	22,450
	Total:			32,685
Grand Total:				263,966
Rounded Total:				265,000

## 5. Transfer Value and Gap Analysis

To derive a transfer value for MPCA programming, the MEB TWG undertook gap analysis using household income data gathered during needs and vulnerability assessments. In total, the MEB TWG obtained monthly income band data from over 162,000 IDP, host, and returnee households in DFA and IRG areas, from CCY, UNHCR, and SDF household assessments. While there were differences in the structure of the income bands, these could be reconciled<sup>1</sup>. However, without continuous self-reported income data, the TWG could not estimate district-, governorate-, or political authority-level medians, nor plot income distributions. Most households (66%) reported earning no income in the previous month, with almost all remaining households (28%) earning less than YER 50,000 per month. Without a reliable median, the safest assumption is that most households with income have between YER 10,000 and YER 30,000 at their disposal per month, likely clustering around the band midpoint, or YER 25,000. The MEB TWG proposed to deduct this amount from both North and South MEBs to arrive at the MPCA transfer value for North and South. While imperfect, this income estimate is a starting point to be update with more robust income data at the next MEB revision, following the pilot household expenditure survey. The MEB and transfer values are shown in the table below with indicative USD values using exchange rates of YER 556 / \$1 in the North and YER 1,044/\$1 in the South.

	North		South	
	MEB	Transfer Value	MEB	Transfer Value
Yemeni Rial	147,000	122,000	265,000	240,000
USD (Indicative)	265	220	254	230

## 6. Monitoring and Revision

### a. FSAC and Quarterly MEB Revisions:

The MEB TWG will be convened on a quarterly basis to review the North and South MEB and transfer value. These revisions are now aligned with FSAC revisions of the MFB, which is necessary due to the MFB being the largest single component of the MEB. The MEB TWG will also convene should an ad hoc revision to the MFB occur.

### b. Exchange Rate Revision Triggers:

The volatility in the exchange rates – especially in the South – are a persistence risk to cash programming in Yemen, and these fluctuations directly affect changes in local market prices. The MEB TWG will be convened on a quarterly basis to review the MEB and transfer value. Using the established exchange rate monitoring, the CMWG will convene the MEB TWG to discuss a full MEB revision if there is a deviation in either exchange rate greater than 25%. This will lead to a TWG-led review of price data gathered as part of the market monitoring for the MFB and in the JMMI, and consultations with relevant Clusters. The MEB TWG will either recommend a full revision or maintain the current MEB and maintain monitoring. Given there is strong correlation in the South between the total value of the JMMI and fluctuations in the exchange rate, exchange rate monitoring can be seen as a proxy for price monitoring.

<sup>1</sup> For example, CCY income band data starts at 0 to 50,000 YER, whereas UNHCR and SDF income band data starts at 0 to 25,000 YER, followed by 25,001 to 50,000 YER – when calculating the income band distributions, these two bands could be grouped.

## 7. Annex: A – Yemen Expenditure of Households Assessment

### a. Expenditure Model / Data collection:

To better inform the expenditure patterns of beneficiaries throughout Yemen a pilot expenditure study will be undertaken by REACH across areas of intervention throughout the country. This will be conducted using the Yemen Expenditure of Households Assessment (YEHA). The primary objective of the YEHA is to quickly address information needs to the CMWG through a mixed-methods approach. A quantitative survey will be implemented to understand the estimated values of MEB components, and the expenditure gap as perceived by the beneficiaries. The MEB components that could be better informed using the YEHA are Shelter/NFI, Health, Transportation, and Communication, to complimenting the price-based components. The lessons learnt from the exercise can be utilized for scaling up the exercise to compromise a larger geographical coverage, more CMWG members, and a diverse socio-economic population.

### b. Schedule:

The expenditure model would be piloted in October-November 2022, with the full analysis of the expenditure data completed by January 2023.

## 8. Annex: C – USD Unit Cost Recommendations

The MEB TWG recommends that implementing agencies budget USD 220 *per transfer* in the North and USD 230 *per transfer* in the South. For budgets that cover North and South areas, an average of USD 225 *per transfer* is recommended as a unit cost. These unit cost recommendations will be provided with each MEB revision.

## 9. Annex: D – Health Cluster Medicines List

Medicine	Cost (USD)	Cost (N)	Cost (S)
Amoxicillin 500mg [21 pack]	\$1.80	YER 1,001	YER 1,879
Macrolide group (Zithromax Tab 500mg [3 tab pack]	\$2.70	YER 1,501	YER 2,819
Cephalosporine group(Ceftriaxone Inj 1gm mg(6 Injections)-for acute severe infections	\$1.27	YER 706	YER 1,326
Ibuprofen tablet (400mg [20 pack]/Syrup for children	\$1.20	YER 667	YER 1,253
Ibuprofen Syrup for children (bottle)	\$1.35	YER 751	YER 1,409
Paracetamol (Tablet) 500 mg (10 Pack)	\$2.00	YER 1,112	YER 2,088
Paracetamol, Oral Susp.125 Mg/MI	\$1.13	YER 628	YER 1,180
Captopril/Lisinopril Tablet- 25 /10mg (10 pack)	\$3.60	YER 2,002	YER 3,758
Glucophage 500 mg (20 pack)	\$0.90	YER 500	YER 940
Glibenclamide combined with metformin (Tablet) 5/500 mg (Pack)	\$3.60	YER 2,002	YER 3,758
<b>Total</b>	<b>\$19.55</b>	<b>YER 10,870</b>	<b>YER 20,410</b>
<b>Total with buffer</b>		<b>YER 11,957</b>	<b>YER 22,451</b>