

## Minutes of FSAC MFB Technical Working Group Meeting

<b>Date</b>	17.04.2022
<b>Venue</b>	Virtual
<b>Attendance</b>	WFP, FAO, CARE, NRC, SCI, OXFAM, WC, TYF, NMO, BCHR, YFCA.

### 1. Agenda

- Update of the UCT values, based on the evolution of the MFB over the last months

### 2. The following encompass the key background information leading to the current review:

- a. The current MFB transfer values were finalised late October 2021 with effective date of 1 November 2021. Based on the November 2021 guidance, a household of 7 members should receive YER 54,000/household/month and YER 93,000/household/month in the governorates controlled by Sana'a-based authorities and IRG respectively.
- b. Notably, in December 2021 the FSAC MFB Technical Working Group convened a meeting with the objective of revising the transfer values, considering the sharp rise of commodity prices triggered by the accelerated and continued depreciation of the YER in the Southern Governorates. Nevertheless, the considered view of the TWG was that uncertainty with regards to the value of YEM Rial in the South, required further situational monitoring rather reviewing the transfer values. As such, the November 2021 guidance was not revised.

### 3. Elements considered and discussed for the review

#### *a. Exchange rate*

Variability of the exchange rate was more pronounced in the Southern Governorates when compared with the North. The exchange rate USD/YER was 1:865 in early Jan 2022 reaching 1:1,204 end of March 2022 in the Southern Governorates. In Northern Governorates the rate remained stable over the same period ranging from USD: YER 1: 599 and 1:602.

Overall, it was noted that the trends in the Southern Governorates require ongoing monitoring considering the anticipated external foreign currency support to the Central bank (Aden) which will further influence the exchange evolution.

Based on the data presented, TWG members had to consider whether to apply the average quarterly exchange rate Jan-March 2022 or monthly average for the four weeks of March.

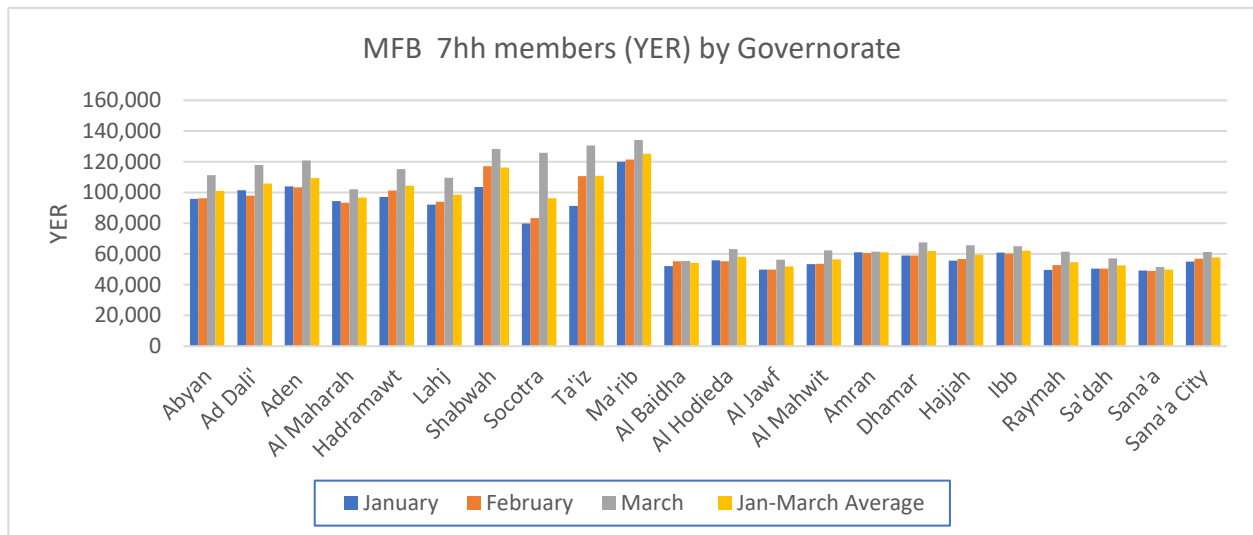
March Average	January- March 2022 Average
<ul style="list-style-type: none"> <li>• IRG: Approx. <b>1YER to US\$1,231</b></li> <li>• SBA: Approx. <b>1YER to US\$600</b></li> </ul>	<ul style="list-style-type: none"> <li>• IRG: Approx. <b>1YER to US\$1,154</b></li> <li>• SBA: Approx. <b>1YER to US\$600</b></li> </ul>

**Recommendation:** TWG members recommended to use the Jan-March average. The quarterly average was deemed to be consistent with the period for which food basket price monitoring was conducted. As well, given a volatile exchange rate, the average provides a better estimate.

**b. MFB prices**

The cost of MFB increased for all Governorates between Jan and March 2022. On average, the cost of MFB for IRG increased from YER 97,957 in Jan to YER 119,575 in March (representing 22% increase). In the Northern Governorates, MFB increased (on average) from YER 54,322 in January to YER 60,685 in March (representing 12% increase). Overall, especially in the Southern Governorates, the cost of MFB in YER has surpassed the FSAC transfer values recommended in November 2021.

Based on the data presented, TWG members had to consider whether to use only the March prices or average of Jan-March in calculating the MFB.



**Recommendation:** TWG members recommended to use the Jan-March average MFB prices.

**c. Factoring the buffer**

In calculating the MFB transfer values, a 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. Two scenarios were presented: i.e., buffer at 10% and 15%.

With 10% buffer	With 15% buffer
IRG: <b>YER 117,101</b> (h/h of 7) SBA: <b>YER 62,316</b> (h/h of 7)	IRG: <b>YER 122,424</b> (h/h of 7) SBA: <b>YER 65,148</b> (h/h of 7)

**Recommendation:** TWG members recommended to apply a buffer of 15% on top of the AOC average as that will ensure the MFB transfer values are equal or above the Governorate specific average.

**4. Overall conclusion/recommendation**

Considering the average quarterly MFB prices (Jan-March), adding a 15% buffer, quarterly average exchange rate (Jan-March) and rounding off the eventual transfer values, the **following is recommended:**

- Harmonised transfer values of the FSAC MFB for a household of 7 members in the northern governorates will be YER 65,000/household/month and YER 122,500/household/month in the southern governorates. This is equivalent to USD 109/household /month in the northern governorates and USD 106/household/month in the southern governorates. Depending on operational capacity, partners can also provide transfers that are based on the actual size of the household.

**5. Other Operational and Strategic discussions**

- Of note, the current revision was within the established framework: e.g., AOC instead of governorate specific transfers and use of the buffer. The next revision will require a review of all these approaches (i.e., whether to maintain or modify) especially as the MFB TV have become a key input for the CCT.
- Operational considerations, including inadequate funding may not allow partners to adjust and align with the revised transfer values. In such instances, partners need to liaise with FSAC to agree on the wayforward. In general, partners are encouraged to initially approach the relevant donor for top-up. In case of no additional funding, the partners will need to provide whatever transfer derived from the prevailing exchange rate- and reflect the TV in the 5Ws report.



Annex:

A presentation was shared to inform the discussion. The PPT is accessible via this link <https://fscluster.org/yemen/event/fsac-minimum-food-basket-technical-0>.