

The Cash Consortium of Yemen (CCY): Statement on likely impacts of COVID-19 on Humanitarian Cash Transfers in Yemen

Summary

The COVID-19 pandemic has now spread to the Middle East. Countries across the region are imposing measures to prevent further spread of the virus. Currently there are no confirmed cases in Yemen, but it is highly likely that COVID-19 will eventually reach the country. Organizations are shifting funding and activities to respond to the COVID-19 emergency, focusing on the two pillars of supporting health/hygiene and reducing the impact upon the most vulnerable households' ability to meet their basic needs. Cash Transfers are a key modality in the response, however, the impacts of COVID-19 in the global economy and in Yemen's neighbors are already starting to be felt, impacting upon the markets and financial systems humanitarian actors rely on to undertake Cash Transfers and raising a real risk that aid delivery may be interrupted at the time it is needed most.

The Cash Consortium of Yemen (CCY) is a collaboration between DRC, NRC, ACTED and IOM. It has identified several growing risks related to COVID-19 and actions that should be taken now. We will need the collective efforts of humanitarian and development actors, and donors as well as authorities to respond to them.

Expected impacts of COVID-19 on Humanitarian Cash in Yemen

Remittance supply interrupted: It is estimated that at least 20% of the Yemeni economy is based on remittances from abroad, during 2018, at least \$3.4 billion US dollar in remittances flowed into the hands of Yemenis struggling to survive inside the country.¹ As Saudi Arabia and other Gulf states are a key source of remittances, the standstill in these countries of economic activity due to COVID-19 is expected to result in a significant reduction in remittances flows to Yemen. This will likely have a direct impact upon the most vulnerable households, removing a critical support system.

Yemeni Rial is likely to see a reduction in its value: Remittances are a key source of liquidity in the economy and represent an important source of hard currency foreign exchange. As such, a reduction in supply will likely put pressure upon the exchange rate. Additionally, the recent collapse in world oil prices may reduce the ability of KSA and other GCC countries to support the Yemeni central bank. It is therefore highly likely that in the coming months there will be an ongoing reduction of the value of the Yemeni Rial with a corresponding increase in the cost of essential imported goods. In light of these changes, there will be a need for the frequent reviews by actors of the exchange rates used for budgets for cash-based interventions to ensure that people of concern are still able to access their basic needs during the crisis period.

Remittance system used for humanitarian cash transfers likely under pressure: While humanitarian agencies contract with the formal banking system, these banks then use the preexisting remittance system to provide the infrastructure and liquidity to enable humanitarian cash transfers. In Iraq, multiple Hawala agents cannot fulfil demand due to the reduction in cross border remittances and general disruption to the banking system. To avoid or mitigate this in Yemen, the Cash and Market Working Group (CMWG) must monitor the Hawala system and put measures in place to support liquidity in such a vital system to the economy.

¹ ACAPs Drivers and Impact of Yemeni Riyal's Volatility 2020

Impact on Critical Market Systems: COVID-19 is already having an impact on the prices and supply chains for key commodities such as food items, hygiene products (such as soap and hand sanitizers). The increase in demand was not forecasted and with the average lead time for imports to Yemen being three months, the ability of the domestic market to respond is limited. In market monitoring undertaken by CCY members, there have been increases in prices and scarcity in some markets, which is likely taking place across the country. The fact that we are seeing these impacts before widespread COVID-19 containment measures are in place, is a strong indicator that there are underlying weaknesses in the market system. A lot will depend on what lockdown measures are put in place, but there is a real risk of significant market disruption and a need to monitor the situation closely as it develops.

In response: There is a need for humanitarian and development actors and donors to start acting now to strengthen the systems to monitor, support and coordinate market-based interventions and cash transfers in Yemen to ensure that this critical humanitarian infrastructure can continue to be used.

Key steps to be taken

Strengthen Technical Cash Coordination system: The current structure of the CMWG was not designed to provide full time analysis and support to the humanitarian system. In the past, the CMWG was supported by deployment of experts from CashCap and CaLP to provide dedicated resourcing, undertaking analysis and technical coordination of efforts working closely with the ICCG and HCT. As we are moving into a new emergency situation, the CMWG should be resourced to play this role again, recognising that Yemen is the fourth largest humanitarian emergency by size but lacks any dedicated capacity compared to other responses such as Uganda that has two dedicated coordinators and IM.

Rapid review of the Survival Minimum Expenditure Basket (SMEB) and recommended Cash Transfer amounts: There is a need for the CMWG to provide rapid and clear guidance on how the SMEB and recommended transfer value will be updated for the COVID-19 response. The current SMEB needs to be reviewed to ensure its price calculations are up to date and that it is still suitable for use in the current response. This may involve adjusting the SMEB basket for WASH items since the needs for this sector in relation to the COVID-19 response will be above the basic survival needs. It is crucially important that the SMEB has broad legitimacy as that is essential for a well harmonised and coordinated response that enables people of concern to meet their basic needs. This guidance should include guidance on targeting and the frequency and duration of the expected response, and needs to be taken rapidly.

Increasing market monitoring and preparing for remote market monitoring: Once the SMEB is updated, the markets will need to be closely monitored to adjust the SMEB as COVID-19 impacts upon the market systems. There is likely going to be a need for real-time information on market prices to inform programming, and ensure that cash remains an appropriate response modality in the COVID-19 response. We also need to build on the experience of the Cash Consortium of Iraq (CCI), which due to the rapid imposition movement restrictions were unable to collect the data and put the system in place to enable remote price monitoring. In particular, the Joint Market Monitoring Initiative (JMIMI)² which provides critical market information needs to be adapted so it can start undertaking remote market monitoring. Additionally, there is likely a need to increase the frequency of data collection and analysis from monthly to potentially weekly monitoring. It may also need to include other key commodities based on needs from the different clusters.

Establish systems and forums now to enable the sharing of market data: There is a need to put in place systems and resources now to enable transparency and information sharing on the functionality of key supply chains. The current CMWG needs to be supported to undertake a full-

² <https://www.reach-initiative.org/where-we-work/yemen/>

time role being proactive in collecting and making available market assessments, and price monitoring on essential items. In particular, sharing regularly VAM and FAO reports, and data collected by the logistic cluster concerning the prepositioning of key commodities in an event of a complete lockdown.

Undertake an updated mapping and analysis of Financial Service Providers: There is a need for actors to work together to undertake constant mapping and analysis of risk in the FSP system and identify any measures or advocacy that may be needed.

Humanitarian actors to review SOPs to make them COVID-19 ready: There is likely a need to prepare SOPs for identifying, targeting and reaching people of concern when COVID-19 becomes a reality in Yemen. These discussions will need to be coordinated, with sharing of lessons learnt and involving the donors as this will likely have impacts upon compliance. Donors will also need to adjust compliance issues, especially with regards to proof of payment mechanisms, stopping such measures as taking of biometric data and fingerprints and replacing these with other mechanisms that do not need close contact with people of concern.

Supporting Authorities: Authorities in all areas of the country should be supported to enable them to review Know Your Customer (KYC) compliance issues to enable remote cash transfers to people of concern through FSPs.

Supporting Private sector actors: Support should be given to Yemeni Financial Service providers to develop more remote cash delivery options so that cash can be easily distributed to people of concern without the need to get gatherings at cash distribution points.

Promotion of Market Sensitive Programming: During the COVID-19 response, there will be a need for all stakeholders to undertake market sensitive programming especially where options should be explored to work with local traders to support them by supplying key commodities such as soap, instead of just implementing in kind assistance for all items without consideration of how this might affect the local markets.

In Conclusion

There is a need for all actors in the system to recognise that the existing status quo has changed, and will likely continue to rapidly change. As such before COVID-19 directly impacts Yemen, there is a need to put in place the systems and resources required to ensure that the humanitarian community is able to monitor the situation, adapt their programmes, and ensure that Cash Transfers remain a safe and appropriate response option.

