

# Good Practice Review on Cash Assistance in Contexts of High Inflation Launch Webinar - Q&A Summary

## 1. Will the recording be shared?

Yes - the recording is available on our YouTube channel [here](#).

## 2. Thanks so much, Najat. Would be good to know what went on in the background to be able to get payments in USD. Every context is different of course, but it's good to know what the advocacy and bringing together of actors look like in practical terms.

Negotiations with financial service providers were handled by each agency, but generally all financial service providers (including money transfer companies in Lebanon) are able to disburse in USD.

## 3. Re: Lebanon, Dima. I'm looking more for the high-level advocacy that took place on the use of USD. It's not easy. We've seen that in Syria, Sudan, and of course Lebanon. Bringing actors together is not as easy as it sounds. So I was looking for lessons/practical steps from that. It took a while and a lot of time and effort of many people for Lebanon to get to this stage.

I think a cross-cutting cash task force involving all actors across agencies and organizations, and including donors was a good practice, regardless of the challenges faced. The high-level advocacy for dollarization was done by the HC/RC on behalf of the HCT and UNCT, and the World Bank, and the donor community. The harmonization of opinions and advocacy messages amongst all three was also a good practice.

## 4. Mrs. Rochdi is making important points about the relationship with Government and the dollarisation as enablers. It sounds very positive. Two questions (a) was there complete agreement among humanitarian actors or were there differing views? (b) Were there negative consequences as a result of the approach?

The HCT adopted a hybrid system including USD for direct cash assistance, and LBP at a negotiated exchange rate (at market value) for those programs where dollarization is not possible - i.e. those programs that go through government systems, most notably to finance and support ministries. Like all other big decisions and changes, it is normal to have different views.

The hybrid system is meant to account for that, and a risk and mitigation measures analysis was conducted in order to account for protection risks and concerns stemming from the dollarization switch. In the Beirut blast response, that was mostly dollarized, there were no negative consequences to mention but bear in mind that the Beirut blast response is in a particular geographic region (the capital)-so the experience cannot be generalized across the country. This is why in the imminent switch to dollarization for all cash programs in all humanitarian and development programs, we will follow a phased approach and adopt crucial lessons learned as we go.

**5. Good mention there that all CVA was paid out in USD to buffer recipients from low prevailing exchange rates. What was the accepted currency of transactions in Beirut? if the currency of expenditure is not USD, how did the use of USD as final currency of payment solve the issues of depreciation from the end-user (beneficiaries)?**

The currency of transactions in Lebanon is LBP, beneficiaries exchange their USD entitlements to LBP at market rates through the USD Banknote market.

**6. Point of clarification: was assistance delivered in USD notes to recipients? If yes, what is this 'bespoke' exchange rate negotiated with the Government and the Central Bank?**

For the Beirut blast response, assistance was delivered in USD-beneficiaries exchanged their USDs in the USD banknote market (parallel market). As mentioned above, for some programmes, disbursement will continue in LBP, hence the 'bespoke' exchange rate.

**7. To confirm, are dollars currently being used in the Lebanon response? And by that do you mean that the transfer value is calculated in dollars, or beneficiaries actually receive dollars?**

(see above) The transfer value is calculated in national currency and converted to USD at market rates. For the Beirut blast, most of the assistance packages were provided in USD. If provided in LBP, the transfer values are harmonized between LBP and USD, using market rates and NOT official exchange rates or any other exchange rates.

**8. Referring to the Lebanon case study, was it possible for the recipients of aid to make purchases using USD within local markets? What measures were put in place by humanitarian actors to prevent their dollarized activities being labeled as part of the factors influencing fluctuations of the parallel market exchange rates?**

The currency of transactions in Lebanon is LBP, beneficiaries exchange their USD entitlements to LBP at market rates through the USD Banknote market. Our joint macroeconomic analysis found that disbursing in USD is in line with macroeconomic stability, and injects much-needed FX supply in the market. Continued disbursement in LBP on the other hand, increases currency in circulation, and is inconsistent with macroeconomic stability, as increased currency in circulation, increases the demand for USD in the parallel market, contributes to a depreciating exchange rate, and ultimately increases inflationary pressures.

**9. What measures were put in place by humanitarian actors to prevent their activities being labeled as part of those participating in fluctuations of parallel market rates?**

The USD banknote market or parallel market is the only imperfect channel for dollar supply in the country, therefore it is not only tolerated, but it is also the only channel you can access dollars through (be it businesses or individuals).

**10. Having mentioned that the exchange rate you secured through political negotiation is not the official rate (floating), how have you thought about non-targeted vulnerable households who won't receive assistance, nor access this negotiated rate? Is this not contrary to what we refer to as Do No Harm principles? If the currency of expenditure is USD, won't it encourage vendors to prioritize people with USD rather than local currencies?**

The currency of transactions in Lebanon is LBP, not USD, so vendors cannot prioritize people with USD. When it comes to negotiating an exchange rate equal to market value, this applies to programs (humanitarian and development) that go through government channels, be it for capacity building, infrastructure, expenses, etc...not only for cash programs going directly to beneficiaries. Please also bear in mind that the exchange rate negotiation and/or dollar disbursement is vastly different from setting transfer values for cash programs. Transfer values are set in LBP and utilizing inflation and price monitoring data. If disbursing in USD, the transfer value is converted from LBP using the market value.

**11. To my knowledge the Sayrafa platform exchange rate was only at 12,000 to 1 USD while it can come up to 24,000 in the black market, better than the official at 1,500 but still far from reality, how flexible can that system be with such a fluctuating exchange rate?**

Sayrafa platform rates are dictated by the Central bank, and not by market supply and demand dynamics. The market rate has remained consistently higher than the Sayrafa platform rate. In the hybrid system agreement, we are negotiating with authorities for a transparent mechanism to set the market exchange rate on a weekly basis. This agreement has not yet been reached.

**12. Regarding Lebanon, how is the HCT looking at addressing the issue of scarcity of small USD bills to be able to make the disbursements to beneficiaries. Also, how will the high fluctuation (sometimes the USD value dropping as observed earlier in September) be managed in setting the value of the USD transfer?**

The transfer value is still calculated in LBP and is informed by price monitoring data and inflation data. It is then converted to USD. This was the practice in the Beirut blast response. Availability of small USD bills can be mitigated by diversifying financial service providers, and planning ahead (most money transfer companies will secure the bills you will need if planning is done ahead of time).

**13. Hello, thank you for the presentation on Lebanon. Great challenges to overcome and learn from. If I got this right, you mentioned that we dollarized humanitarian assistance and are working with banks/ministers on the exchange rate, while working on ensuring that adequate support is provided for social protection programmes. How was this done? Maybe an increase of the value of assistance in local currency to close the gap with the exchange rate?**

Please note that we are in the process of implementing the hybrid system that Ms. Najat Rochdi referred to. The Beirut blast response was almost all dollarized (around 70% of cash programs rolled out were in USD). For all other cash programs in the country, we are currently about to implement the hybrid system: switching to USD for cash programs, and negotiating an exchange rate equal to market value for non-dollarizable programs that most notably go through government systems. The HC/RC is also launching a strategic task force to ensure the harmonization and coordination across humanitarian and development communities and programs in this imminent switch.

**14. Did dollarization of humanitarian aid create tension with the non-recipients and how did you go about addressing this?**

In the Beirut Blast response, we did not note any notable tensions to report. Quite the contrary, beneficiaries have expressed their satisfaction in receiving entitlements in USD. Please bear in mind the context in Lebanon, it remains a dual currency system, bearing in mind the severity of the shortage of USD in the country.

**15. Regarding dollarisation, there were tensions even before regarding cash assistance targeting refugees, as documented in [this report](#) for instance.**

Absolutely. Humanitarian actors are very mindful of this reality, and this is why the dollarization switch will follow a phased approach and will involve well-crafted mitigation measures. Assistance to Syrian refugees has not yet been dollarized, and the pre-condition for the switch (in phase 2) is the onset of the ESSN program (in USD) targeting Lebanese populations.

**16. I believe the cash assistance which is provided to poor people (beneficiaries) is not increasing inflation, because that cash assistance is very low. So my question is how to assist the poor people and reduce inflation during cash support. Thanks.**

That is not the case in Lebanon: cash assistance is substantive, and the analysis found that continued disbursement in LBP contributes to the inflation depreciation spiral owing to the dynamics between currency in circulation, depreciation of the exchange rate, and inflation.

**17. I would not present the cash task force as a success in Lebanon, the different types of assistance delivered are still not clear, actors deliver in LBP and others in USD as they wish, some baskets were reviewed following the money depreciation but others not (e.g: ECA)...**

I fully agree that there is room for improvement and much more work on cash harmonization across all response plans. What was a success was the launch of a cross-cutting cash task force, that mapped out all cash assistance programs across all sectors for the Beirut Blast, and issued guidance on the currency of disbursement, ensuring the harmonization of transfer values regardless of the currency of disbursement. There is still substantial work to harmonize and streamline guidance and currencies of disbursement across all other response plans moving forward.

**18. It is important to note, in the Lebanon context, that although there was a move to dollarization at the UN level - for LNGO and INGOs it was/is more complex to transition to dollars both in terms of the protection risks but also in terms of approvals from Government ministries, who would not approve the use of dollar in the blast response.**

Agreed. I think we have room for improvement in terms of better coordination and harmonization, and a very first step is the centralized negotiation with the Government of Lebanon on behalf of the whole humanitarian and development community so that NGOs are not left to negotiate decisions with ministries on their own moving forward.

**19. Interested to hear more about the pros and cons of 'dollarizing' the transfer in Yemen. Either transferring USD or YER based on the day's market rate. Today the loss in purchasing power is mitigated by almost quarterly reviews of TV but inflation/depreciation are unfortunately faster than TV updates.**

Thanks for the question, Emily. Here is [the link](#) to the document analyzing the feasibility of using the hard currency in Yemen.

**20. Is it possible to talk about what it means for budgets to have a UN rate (for reporting) in contexts where there are market exchange rates that are often more beneficial than UN rate?**

The UN agencies have a specific UN Exchange rate which is not usually reflective of the actual prevailing exchange rates in the country. For the context of Yemen, there are two different exchange rates (North and South). The UN agencies are addressing the exchange rate issue in their CVA programming through various approaches including the creation of two funding pots in a system for North and South, and aligning the exchange rates with the market exchange rates.