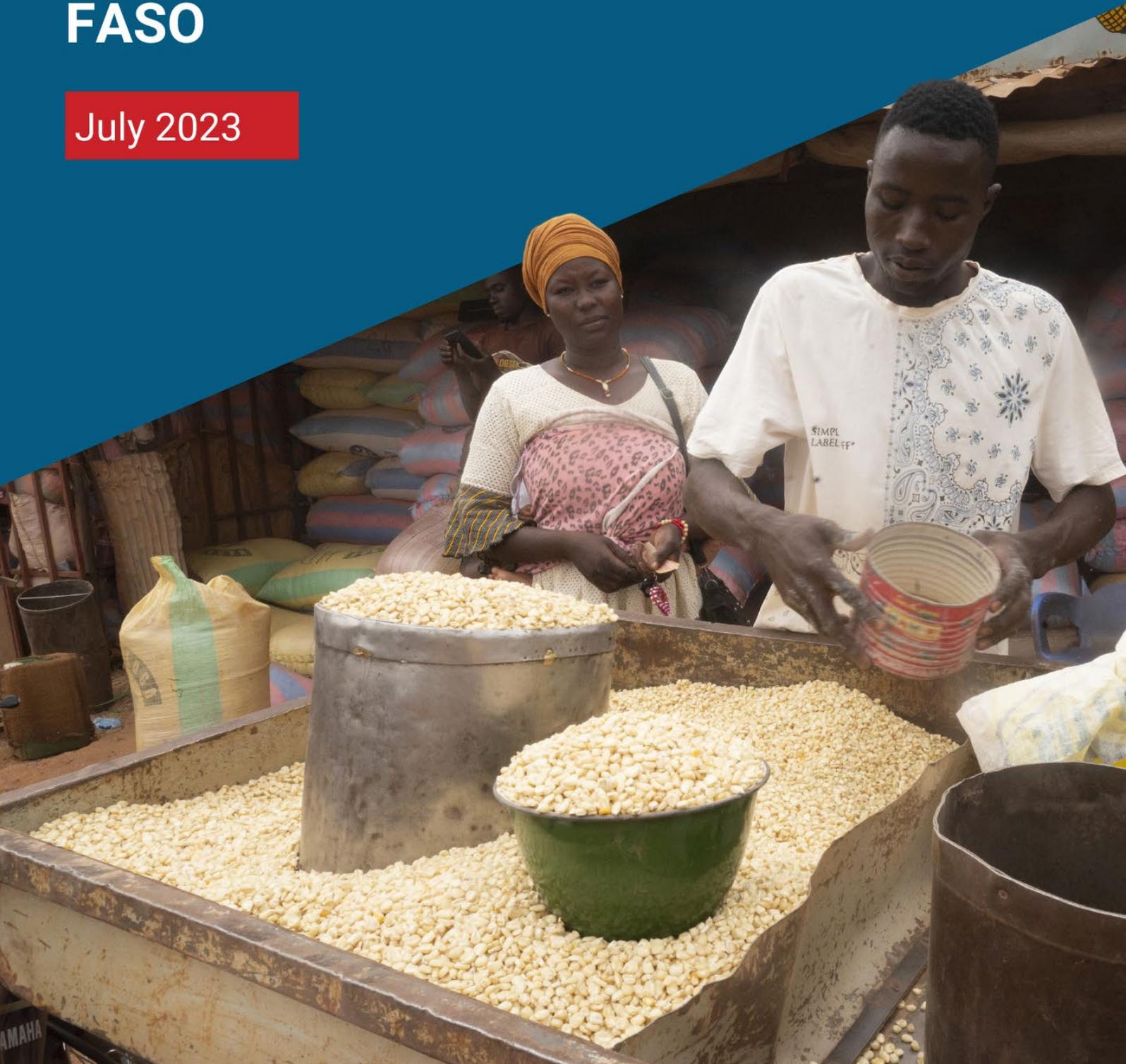


ADAPTING CASH PROGRAMMING TO INFLATION, DEPRECIATION AND ECONOMIC VOLATILITY IN BURKINA FASO

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This report is the result of invaluable contributions from numerous people working with cash transfers in **Burkina Faso** and beyond. We particularly thank the **Burkina Faso cash working group** for their commitment and valuable contributions. We are enormously grateful to **Alpha Keita (WFP)**, **Julia Michele Maciocia (OCHA)** and **Sarata Estelle Kabore (CRS)** for their advice and guidance. This study was undertaken by the Neviro team, led by **Charles Teffo**, who is also the author of this report. The CALP Network team, under the supervision of **Mirko Tommasi**, provided technical support and reviewed the report.

Cover image – Rakieta Ouédraogo is buying maize at a market. "I usually buy maize in small quantities. Since the price of maize is very high, I can't buy the whole bag," she says. Burkina Faso has been experiencing a security crisis since 2016. With more than 40% of its population living below the poverty line, the country is facing a major food crisis linked in part to the displacement of populations fleeing attacks by non-state armed men. Katharina Dirr/WFP. March 2022

INTRODUCTION

This report summarizes the key points from discussions with stakeholders in Burkina Faso to help identify the actions needed for effective implementation of cash transfers in view of economic volatility characterized by high inflation and currency depreciation. The recommendations are based on in-depth consultations with a variety of actors both within Burkina Faso and at a regional and global level. The objective of this work was to help cash working groups (CWGs) agree on actions to be implemented to develop clear, predictable processes for adapting cash transfers in line with national economic trends. The action plan proposed for moving some of the recommendations forward is set out in the Annex.

Although the work was undertaken to support the cash working group coordination role, many of the solutions identified require the engagement and action of a variety of stakeholders, in particular government authorities, humanitarian country teams, donors, non-governmental organizations and UN agencies. This report, together with other similar reports from four countries (Nigeria, South Sudan, Malawi and Zimbabwe), is intended to be used as an example for other cash working groups trying to adapt cash transfers more effectively to contexts of high inflation and depreciation.

CURRENT SITUATION

In 2022, Burkina Faso recorded an inflation rate of 14.3% compared to 3.7% the previous year, coupled with a drop in growth to 2.7% in 2022 compared to 6.9% in 2021. This level of inflation is considered the highest among the members of the West African Economic and Monetary Union.^{1&2} While observers cite the impact of the war in Ukraine on the cost of raw materials and logistics, Burkina Faso also has to deal with a set of internal factors affecting its economy.^{3&4}

The security situation presents problems in terms of access to several areas of the country which depend on specific supply chains and are often cut off from other areas due to attacks by armed groups. These chains are also contributing to the drop in internal agricultural production, which is already affected by climate change. In 2022, cereal production dropped by 9% compared to the previous year.⁵ In addition, population displacement caused by the security situation can contribute to disruptions in prices and speculation on local markets. In the same year, there were 1.8 million internally displaced persons compared to 50,000 in 2019.⁶ In 2023, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) revealed that 4.7 million people are in urgent need of

¹ <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=BF>

² Although the regional currency, the CFA Franc BCEAO, remains aligned with the Euro, with a value of 655.957 FCFA to 1 Euro.

³ <https://www.banquemondiale.org/fr/country/burkinafaso/overview>

⁴ <https://www.aa.com.tr/fr/afrique/le-burkina-faso-a-enregistr%C3%A9-un-taux-d-inflation-de-14-6-en-2022-gouvernement/2797963>

⁵ <https://donnees.banquemondiale.org/indicateur/AG.PRD.CREL.MT?locations=BF>

⁶ Ibid 3.

humanitarian aid in the country, i.e. one in every five people. In addition, 3.5 million people, mainly in the northern part of the country, are food-insecure (Phase 3+).⁷

In this context, inflation in food security items in Burkina Faso is particularly visible, with an increase of as much as 30% in 2022, according to the Burkina Faso National Institute of Statistics and Demography.⁸ Inflation levels can also vary depending on the location due to regionalized markets with relatively low integration. They therefore remain susceptible to potential shocks linked to different supply chains and displacement of internal populations.

The humanitarian response has already brought in several measures to adapt programmes, including cash transfers whose number and coverage have increased substantially in recent years. These measures notably include a revision to the minimum expenditure basket (MEB) and the recommended value of transfers by sector and by region – a revision that has already been applied in 2022. In addition, adjustments have already been made to the targets and objectives of these programmes in partnership with the main donors. However, inflation and the initial adaptation measures mentioned above bring up: (1) several issues in terms of coordination between different actors,⁹ and (2) opportunities for programme adjustments to respond to the crisis more effectively. These aspects are explored in this report.

⁷ https://reliefweb.int/report/burkina-faso/burkina-faso-apercu-de-la-situation-humanitaire-au-28-fevrier-2023?_gl=1*1lepg3r*_ga*MTUwNzYyODgxLjE2ODA3ODkzMjk.*_ga_E60ZNX2F68*MTY4Mzg4Njg2OC4xMC4xLjE2ODM4ODcxNTAuNjAuMC4w

⁸ <https://tradingeconomics.com/burkina-faso/food-inflation>

⁹ Public authorities, implementation partners, financial service-providers, traders, etc.

PROGRAMME RESPONSES FROM IMPLEMENTATION PARTNERS AND DIFFICULTIES ENCOUNTERED

INFLATION HAS DRIVEN IMPLEMENTATION PARTNERS TO JOINTLY ADJUST THE VALUE OF TRANSFERS AND THE IMPLEMENTATION METHODS OF THEIR PROGRAMMES

The main adjustments made by most implementation partners include three types of key measures: (a) adjustment of the value of transfers; (b) adjustment of their project targets; and (c) awareness-raising with various actors on the ground.

- The defined minimum expenditure basket (MEB) and recommended transfer value have been reviewed regularly, with a notable increase in 2022.¹⁰ This review process is carried out by the MEB Task Force, a working group that brings together state services, UN agencies and NGOs active on this issue. Regionalization of the recommended values was proposed in 2022 with a view to adapting to local price variations.¹¹
- Adjusting the targets set for each project¹² in coordination with donors is the second main adjustment variable proposed by implementation partners. An appreciable difference is worth noting on this point between organizations funded in US dollars in 2022 and other implementation partners. Where organizations funded in US dollars were able to benefit from the appreciation in the dollar to revise their service user objectives upwards, organizations receiving grants in other currencies often had to revise their service user numbers downwards to support the identified households with higher sums in local currency.
- Finally, essential awareness-raising work was undertaken on the ground both with households receiving aid and with traders in local markets. With service user households, the cash transfers were often accompanied by activities to increase awareness of financial management in an inflation context. Early-stage negotiations were initiated with traders to establish lists of companies that undertook to limit the price rise for households in a vulnerable position.

¹⁰ The recommended cash transfer value moved from 61,090 FCFA (i.e. 53.7% of the MEB) in 2021 to 76,632 FCFA (i.e. 58.3% of the MEB) in 2022.

¹¹ Cash support for displaced populations has also been restructured over three months, with an initial monthly instalment of 84,000 FCFA followed by two monthly payments of 54,000 FCFA.

¹² The number of target service users was the main adjustment variable.

ADJUSTMENTS TO ACTIVITIES HAVE, TO DATE, GIVEN RISE TO MULTIPLE ISSUES REQUIRING A COLLECTIVE RESPONSE

Disparity in transfer values and price disparities

- Disparity in transfer values: changes in cash transfer values raise the issue of coordination between the various implementation partners. Organizations use different methods of calculating transfer values, such as: (1) relying on the MEB Task Force recommendations; (2) using the recommended value and adjusting it depending on the number of people within the service user household; and (3) determining the value of transfers independently. These different calculation methods can lead to significant disparities in the amounts of aid transferred in the same geographical area,¹³ or even in the same municipality.¹⁴

It is also worth noting that the cash transfer value recommended by the MEB Task Force is also greater than the minimum wage and national social security schemes.

- Price disparity: Several organizations have noted inflationary trends as mentioned above. They may be the result of the influx of displaced people, the expectation of cash transfers and the influx of aid, or indeed the disruption in local supply chains. These very localized differences make determining a suitable transfer value enormously complex.

All these disparities have consequences in terms of tensions and access.

Implementing partners underline the risk caused by these disparities in terms of tensions between different groups: host and displaced populations; service users and traders; service users of different organizations; recipients of international aid and national social safety net programme participants.

The main concern raised by national authorities in relation to the increase and disparity in amounts distributed, seems to be linked to the increase in the gap between transfer amounts and minimum wages.¹⁵ In addition to this challenge, the government feels it cannot trace increasing cash transfers in some conflict areas. Some of these reasons have recently led the governor of the Sahel region to order a prohibition on cash transfers in October 2022, presenting a major access problem for international aid.¹⁶ This prohibition was then extended to the East region¹⁷ and the Centre North region in March 2023 while this document was being drafted.

¹³ Interviews carried out as part of the study.

¹⁴ World Bank 2022, *Capitalisation de la réponse soudure 2022 au Burkina Faso* [Capitalisation of the response to the lean season 2022 in Burkina Faso].

¹⁵ Specifically, a transfer value greater than the minimum wage but also greater than the public sector pay and the pay of some members of the armed forces. The current minimum wage is 34,664 FCFA, i.e. 45.2% of the recommended payment and 26.4% of the MEB. Cash Working Group publications state that “the SMIG [minimum wage] is a political process and it has not been updated since 2006 in Burkina Faso. Discussions are under way to increase the SMIG to 60,000 FCFA”. (*One Pager: Panier de Dépenses Minimum (MEB) du Burkina Faso* [Minimum Expenditure Basket (MEB) of Burkina Faso], August 2022).

¹⁶ Letter from the governor of the Sahel region to the UN agencies, NGOs and programmes active in the Sahel region dated 28 November 2022, requesting a halt to all cash distribution arrangements.

¹⁷ A few days before publication of this report, the governor of the East region lifted the prohibition for his region.

Growing need for monitoring and evaluation

Changes in prices and transfer amounts have given rise to new needs in terms of programme monitoring and evaluation at three different levels.

- At the local market level, although there is a mechanism for monitoring prices applied at the main markets by WFP, REACH and public authorities, the implementation partners who were consulted highlight: (1) a lack of coordination between the various data collection efforts; and (2) a need for more holistic coverage of some localized markets with specific characteristics and potentially unusual levels of inflation.
- In terms of analysis of intervention results, Post Distribution Monitoring (PDM) data are collected by the various implementation partners. However, they are not necessarily standardized or used to communicate regarding the positive results of interventions.
- At a macro level, there is currently no large-scale longitudinal research capable of statistically measuring the impact of aid and the contribution made by aid schemes to achieving major public policy objectives, and capable of responding to the issues raised by inflation.

ADAPTATION OPPORTUNITIES AND RECOMMENDATIONS

The consultation with the Cash Working Group identified three main types of opportunities:

1. An adjustment to the procedures for revising the MEB, transfer calculation methods and payment methods for cash assistance;
2. Strengthening of monitoring and evaluation mechanisms for assistance in the form of cash transfers; and
3. A change of direction towards other aid mechanisms on a case-by-case basis.

MINIMUM EXPENDITURE BASKET (MEB) REVISION PROCEDURES, TRANSFER VALUE CALCULATION METHODS AND COLLECTIVE WORKING WITH OTHER ACTORS IN THE SECTOR

Proposing a systematic, transparent, inclusive MEB revision procedure adapted to sector-specific and local characteristics

As inflation has increased rapidly in recent months, the working group could undertake a more frequent update of the affected components of the MEB. Adjustments could be considered on a sector basis rather than an overall basis, depending on how the MEB is structured. The revision of the MEB could be automatically initiated once a given threshold for inflation or loss of purchasing

power has been reached¹⁸. This could be included in regular planning to anticipate potential economic disruptions or public policy turmoil¹⁹. In fact, the MEB should be regularly updated.

Although it is recognized that the existing MEB Task Force makes it possible to engage with different types of actors active in cash transfers (government agencies, UN agencies and NGOs), it has been noted that the standard revision process could be more transparent by being clearly described in a concept note, as well as being more inclusive in terms of participation.

Beyond the MEB revision process, standardization of transfer calculation methods and methods for calculating transfer values per household could be considered. Existing calculation methods vary at present. It would be worthwhile to standardize them to make practices more sensitive to risks of conflict and tensions.

Strengthening cooperation with other key actors

Coordination and standardization of practices should also extend to other actors involved in responding to inflation.

- With the public authorities, there is an opportunity to improve coordination with existing social registries to avoid duplication and to improve the quality of the registry. This coordination could also be strengthened between humanitarian bodies.
- With financial service providers, the working group could support collective negotiations to ensure standardized, reduced service costs. Mapping of financial actors is already updated regularly within the working group and provides a first step towards this kind of collective negotiation.

MONITORING, EVALUATION AND COMMUNICATION REGARDING RESULTS

Monitoring and evaluation activities for cash support programmes present enhancement opportunities on three different levels.

Strengthening the monitoring system for prices on the markets

There is an opportunity to strengthen existing monitoring of prices on the markets, implemented by REACH, WFP and the government. This would involve indexing the markets monitored by the actors via the clusters to: (1) ensure broader monitoring of all small local markets where service users obtain supplies, and (2) avoid duplication in the monitoring. This indexing would be the first step in a light monitoring system for prices with rapid analysis of changes in availability and prices (monthly). This price monitoring platform could ideally monitor unit, wholesale and semi-wholesale prices. Such a platform would make it possible to carry out multiple actions at different levels, such as:

¹⁸ A 20–25% reduction in purchasing power is usually used as the reference in recommendations made in the five countries covered by this study: Zimbabwe, South Sudan, Malawi, Nigeria and Burkina Faso.

¹⁹ In situations where revision of the MEB takes a certain amount of time, it is also recommended that priority continues to be given to approaches that use cash transfers rather than in-kind distributions. An approach using top-ups or lumpsums is often a better interim approach.

- At the level of direct service users, community facilitators could direct households towards the most inexpensive shops.
- At the level of traders, programmes to strengthen competences around the importance of standardizing prices.
- At the level of public authorities, implementation partners could engage with the relevant administrative authorities regarding abnormal price increases.
- At a macroeconomic level, results analysis could include predictive analyses based on a variety of scenarios.

A first step to be taken at CWG level would require ensuring the financial and human feasibility of such a measure with the organizations involved, as well as defining an appropriate action plan.

Coordinating the analysis of data already collected during Post Distribution Monitoring (PDM)

The PDM undertaken at present vary depending on the actors involved. Although a degree of flexibility is needed for each organization depending on its programmes, it would be worthwhile to consider standardizing a key group of questions/indicators monitored by all actors, including from one sector to another. This standardized monitoring could include questions on price changes and potential “abnormal” variations, as well as changes in households’ food rations and food priorities. A first step that could be undertaken directly by the CWG would be to carry out this standardization of key indicators. Secondly, once this data is collected it could also be centralized and used jointly for the advocacy needs of the various sectors if the sector-based information management systems for aid coordination allow this.

Carrying out joint longitudinal research to demonstrate the actual impact of cash support

Advocacy could be strengthened significantly by implementing large-scale longitudinal impact analysis. However, this type of study should be put in place after a systematic analysis of advocacy needs and missing information with the existing monitoring and PDM systems.

ADJUSTMENTS TOWARDS DIFFERENT AID MECHANISMS

The difficulty of implementing cash transfers in some regions experiencing inflation has led some actors to turn to different mechanisms for providing aid to households in a vulnerable position. Several recommendations have been identified for each of these mechanisms.

- Moving to aid in the form of vouchers presents difficulties in terms of selecting traders, negotiating prices and increasing the awareness of various actors in the system. There are options available for responding to these issues. Organising fairs that bring together traders in a single location controlled by the implementation partner has made it possible to overcome the concerns of local public authorities in the Sahel region.
- Moving to in-kind aid presents problems in terms of access for service users, as well as logistical and operational costs. To deal with these issues, the recommendation is to rely on local traders with collective purchases based on prices negotiated at the start of the project. Price monitoring is an important tool for facilitating this negotiation. The negotiation could

take place with sector representatives (Chamber of Commerce, unions of traders) to contribute to creating a network of allied resources within that sector of the economy so that appropriate solutions could be found jointly. The recommendations would therefore include: (1) thorough indexing of potential partner networks, (2) indexing good price negotiation practices with economies of scale, and (3) organising collective purchases.

- Moving to cash for work approaches combined with training and the provision of inputs and equipment is one option chosen by some implementation partners, to respond to the concerns of public authorities regarding distribution mechanisms for cash transfers. This could hold a certain interest in terms of ensuring that local public authorities are on board with an approach that is often perceived as more resilient. There are multiple issues to be taken into consideration here:
 - Ensuring a link and coordination with existing social protection mechanisms;
 - Designing the work at a micro scale or household level. The current security situation in Burkina Faso does not lend itself to proposing labour-intensive approaches like in other countries in the region;
 - Providing for synergies with existing development programmes on the ground to contribute to an effective humanitarian development nexus.

METHODOLOGY

The researchers used a participatory approach to ensure that the perspectives and points of view of all key actors were taken into consideration. Preparatory data collection was conducted mainly through interviews with key actors in the sector. Fourteen (14) people, including the coordinators of the Cash Working Group, donors, international NGOs, the food security sector and UN agencies were interviewed. The researchers did not interview direct service users.

A half-day workshop was arranged in coordination with the Cash Working Group, with a total of 62 participants. The purpose of the workshop was to discuss challenges associated with implementing cash transfers in a context of high economic volatility, and discuss the current response options, mitigation measures and a joint action plan to address the identified challenges.

ANNEX: ACTION PLAN

The preliminary interviews and discussions during the workshop held on 6 March 2023 with members of the Cash Working Group identified the recommendations below in order of priority.

GROUP 1

These received the most votes (more than six). The working group prioritized actions relating to the process of revising the MEB and transfer values. They include:

- Defining a standard procedure for rapid joint revision of the value of transfers.
- Including a concept note clearly detailing the revision process for the value of transfers.
- Establishing a system for more frequent, inclusive MEB review.

GROUP 2

These received more than three but less than six votes. The recommendations include:

- Standardization of calculation methods for the value of transfers at a household level between the various implementation partners.
- The set of actions to improve the price monitoring system for local markets and actions that may result from this.

GROUP 3

These recommendations received less than three votes. They include:

- Recommendations relating to supervision, as a supplement to the strengthening of price monitoring, i.e.: (1) actions relating to coordination of the performance and use of PDMs; and (2) the preparation of longitudinal impact studies involving multiple actors.
- Strengthening cooperation with other actors, in particular public authorities, to improve coordination with existing social registries.
- Initiating collective negotiations with financial service providers to ensure standardised, reduced service costs.
- The measures identified to facilitate the move to different aid mechanisms other than cash transfers.