

THE GLOBAL FOOD SECURITY CLUSTER CASH AND MARKET WORKING
GROUP (GFSC CMWG)



Adjusting CVA Transfer Values for Inflation

*Frequently Asked Questions (FAQ) for Food
Security Cluster Coordinators*

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Introduction

Since the first quarter of 2020, the global community has experienced a series of unanticipated, challenging, and interrelated shocks now commonly referred to as the 4 C's (COVID-19, conflict, climate change, and rising costs). During this time, many countries experienced substantial levels of local currency depreciation coupled with high inflation, thereby putting pressure on everyone's purchasing power. Global levels of food insecurity reached unprecedented levels, resulting in record levels of assistance needs. The donor and humanitarian community responded to this challenge by availing resources in support of various transfer modalities, including record resourcing for Cash and Voucher Assistance (CVA), at a time when operational costs soared.¹ Indeed, the COVID-19 pandemic accelerated the uptake of CVA through humanitarian channels and social assistance.²

CVA, including both sectoral CVA for food security and MPCA has long been used to meet food security needs in humanitarian responses. As CVA activities have expanded, there have been important learning curves for all actors involved, ranging from donors, to local governments, implementing partners, vendors, and the beneficiaries themselves. It is vital that all stakeholders, and particularly CVA actors³, understand how to manage the risks associated with economic volatility - including inflation, currency depreciation, among others - to ensure people's purchasing power is protected and CVA operations remain efficient through periods of economic volatility. Over the past years of increased global economic distress, different institutions have developed policies, guidelines, and documented best practices in this regard.

This resource responds to one such learning agenda relating to the technical and operational processes for Food Security Clusters (FSCs) associated with ***adjusting CVA transfer values*** for food security to help maintain purchasing power for people receiving food assistance in contexts characterized by high inflation and depreciation. As funding streams allow, such revisions are often possible and preferable to modality shifts, when both CVA and in-kind food assistance are feasible and appropriate in a given context.

The document responds directly to frequently asked questions (FAQs) posed by Food Security Cluster Coordinators ranging from data quality concerns to the timing and frequency of transfer value revisions, to how to navigate complex working relationships among cluster partners. Food Security Cluster Coordinators and their close collaborators are therefore the intended users of this resource. As this is an FAQ document with a very narrow audience, the authors do assume prior knowledge before it is consulted (see below Important Resources section).

The timing of this effort coincides with ongoing efforts by contributing agencies. For example, FAQs were identified through a FSC coordinator survey implemented by the authoring working group and coordination and collaboration with a parallel effort by the CALP Network on "Adapting cash and voucher assistance (CVA) in contexts of high inflation and depreciation in Africa."⁴ As this is an evolving area of work learning, this FAQ reflects the most recent guidelines and best practices at the time of writing (November 2023).

In addition to the narrow target audience, the FAQ deliberately addresses the process of adjusting the ideal transfer value with a focus on food security associated with a given expenditure basket, not (1) the process of revising the definition of the expenditure basket underpinning the transfer value or (2) the process of determining which percentage of the S/MEB should be transferred to beneficiaries as part of a given response (either multisectoral or food security focused). As discussed in CALP's *Good Practice Review on Cash Assistance in Contexts of High Inflation and Depreciation*, full revisions of existing MEBs are necessary only in situations where local consumption patterns have changed significantly; if they have not, FSCs and cash actors usually just need to update their estimates of the cost of the MEB and conduct related revisions of transfer values.

¹ <https://fscluster.org/publication/annual-report-2022>

² <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9299839/>

³ The term 'CVA actors' in this document includes, but is not limited to, food security actors in emergency settings using either sectoral cash, multi purpose cash or vouchers to meet food security needs.

⁴ <https://www.calpnetwork.org/research-paper/adapting-cash-and-voucher-assistance-cva-in-contexts-of-high-inflation-and-depreciation-in-africa/>

Note : This document refers to 'CVA actors' throughout, referencing all humanitarian practitioners engaged in the design and implementation of cash and voucher assistance in emergencies. This includes but is not limited to Food Security Cluster Coordinators and food security practitioners.

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Important Resources and Suggested Prior Reading

- CALP (2021) Good Practice Review on Cash Assistance in Contexts of High Inflation and Depreciation <https://www.calpnetwork.org/publication/good-practice-review-on-cash-assistance-in-contextsof-high-inflation-and-depreciation/>
- CALP (2023) Adapting Cash Programming to Inflation, Depreciation and Economic Volatility <https://www.calpnetwork.org/publication/adapting-cash-programming-to-inflation-depreciation-and-economic-volatility/>
- Catholic Relief Services (2020) MARKit: CRS Market Monitoring, Analysis and Response Kit-2nd Edition <https://www.crs.org/our-work-overseas/research-publications/markit-crs-market-monitoring-analysis-and-response-kit-2nd>
- DG ECHO (2022) Thematic Policy Document No 3: Cash Transfers https://ec.europa.eu/echo/files/policies/sectoral/thematic_policy_document_no_3_cash_transfers_en.pdf
- FEWS NET (2018) Developing Price Projections for Food Security Early Warning <https://fews.net/global/guidance-documents/april-2018>
- REACH Initiatives (2021) Introduction to the Joint Market Monitoring Initiative (JMMI) <https://www.reachresourcecentre.info/wp-content/uploads/2022/01/REACH-Global-JMMI-Toolkit-Introduction-to-the-JMMI-external-v1.pdf>
- World Food Programme (2023) WFP Cash Policy https://docs.wfp.org/api/documents/WFP-0000150584/download/?_ga=2.217640598.1205125719.1698002360-1281385266.1695998619
- World Food Programme (2022) Doing Cash in a context of economic volatility: What to do and what to keep in mind <https://www.calpnetwork.org/wp-content/uploads/ninja-forms/2/WFP-Interim-Guidance-Cash-and-economic-volatility-EXT.pdf>

The following key terms are used throughout this FAQ document :

Key Term	Definition ⁵
Hard- Currency	Hard currency refers to money issued by a nation seen as politically and economically stable. Hard currencies can sometimes be accepted as a form of payment for goods and services and even preferred over domestic currency. The typical example is US dollars (USD).
Currency Depreciation	Depreciation (appreciation) is a fall (rise) in the value of currency, typically within a floating exchange rate system.
Devaluation	Devaluation occurs when a country makes a conscious decision to lower its exchange rate in a fixed or semi-fixed exchange rate regime
Inflation	Inflation is the increase in prices of goods and services in an economy over a given unit of time. It is typically measured at a national level and as a percentage increase per year, based on the average price level of a basket of selected goods and services in an economy
Market-based programming (MBP)	Refers to any type of humanitarian or development programme, in any sector, that uses, supports or develops local markets. It involves implementing interventions to meet immediate humanitarian or longer-term recovery needs, in a way which does not undermine existing economic relationships and activities, so as to facilitate economic recovery and ensure lasting impact. The most common form of market-based programming is cash and voucher assistance (CVA), but many other types of direct and indirect interventions can be planned to support market actors or systems.



⁵ [CaLP Good Practice Review 2022](#)

FREQUENTLY ASKED QUESTIONS

This FAQ is split into four parts based on themes – questions related to data and analysis, operationalization, triggers and processes for decision making and coordination and advocacy.

1. Data and Analysis

1a. What type of monitoring and analysis should be done in contexts of inflation?

To ensure cash transfers have the most impact in any given sector (including but not limited to food security) in an efficient way in contexts of inflation, it is key to conduct periodic price, economic and market monitoring that continuously informs cash programme design and adaptive management.

- **Price monitoring** can include periodic collection and analysis of price data. This can include aggregated price data at a country-level data as headline inflation and food inflation which generally track price changes of a broad basket at a country level and more detailed price data -e.g., for specific food and non-food items and at a regional or market level. The degree of detail should be determined by needs and capacity. Price data analysis can include looking at price changes, price trends and seasonality, among others.
- **Economic monitoring** and analysis entails tracking and assessing how the macroeconomic context and outlook evolve, including exchange rate dynamics, the development of economic growth or public debt, among others.
- **Market monitoring** implies regularly updating evidence on how markets function and evolve in terms of food and non-food items' availability at a market level, market functionality, access barriers, and the resilience of supply chains, among others.

1b. What data are needed to calculate standard multi-purpose cash transfer values?

Multipurpose Cash Assistance (MPC or MPCA) is used in many emergencies and is designed to address multiple needs, including food needs with the transfer value calculated accordingly. A multi-purpose cash transfer value, as a matter of best practice, should take as its starting point the full cost of a locally developed Minimum Expenditure Basket (MEB) constructed on the household level. Gap analyses and funding considerations can then be used to modify this base figure as needed.

In order for the cost of the MEB to accurately reflect the financial burdens of affected populations, its composition should be up to date and must reflect current dynamics across the affected area, including any new household financial needs that may have arisen as a result of the crisis. The process of developing and/or revising an MEB is complex and outside the scope of this document; interested readers should consult guidance from CALP and WFP on the subject.⁶

⁶ Calculating the Minimum Expenditure Basket: [A Guide to Best Practice](#)

Price and expenditure data on each component of the MEB needs to be collected and updated regularly to enable the calculation of transfer values. Transfer values for food security within an MEB are based on an agreed food basket, designed by the Food Security Cluster. Key indicators that feed into this process generally include:

- **Commodity prices:** The price of each individual item in the food basket (as well as all other commodities listed in the MEB) should be monitored on an ongoing basis. It is preferable to regularly monitor every listed item that is bought and sold in non-specialized markets, but if this is impossible, you can develop a reduced, representative list of commodities and update the cost of the full MEB based on price changes for this smaller basket. The frequency of monitoring should be determined by levels of in-country price volatility, which dictate how quickly price data will go out of date, but monthly monitoring tends to be the default.
- **Expenditure data:** In addition to commodities, many MEBs also incorporate lump sums to cover regular household financial burdens that are more difficult to standardize or cannot be reduced to individual items: for example, healthcare, transportation, communication, etc. While it is generally not feasible to update these lump sums as often as the market prices, they should be revisited as frequently as possible by examining expenditure figures drawn from a household-level assessment.
- **Income, household production, and assistance data:** Household income and figures on household production are crucial to the process of gap analysis, by which humanitarian actors examine the resources to which an average household already has access in order to calculate the gap between income and expenditures that CVA should fill. Data on the amount of external assistance received by households is also useful but should be incorporated with caution, avoiding the assumption that this assistance is a sustainable form of income or is likely to continue into the future.

1c. Which price variables should we monitor to decide upon increases of the transfer value?

For the transfer value revision decision and magnitude to be most accurate, it should reflect the target population's changing needs. Because cash can be used for food as well as to meet other essential needs, it is important that whenever possible we monitor the price of a comprehensive basket – as a Minimum Expenditure Basket (MEB) - that reflects more closely a household's regular financial burden.

When the cost of the MEB is being monitored, it is recommended to adjust the transfer value based on those price changes, unless there are any other reasons for not doing so (e.g., donor or government requests). Whenever that is not possible and the price of a food basket is being monitored, adjusting the transfer value based on the price changes of this food basket can be a good alternative. In that case it is still very relevant to assess how other expenses might evolve for people receiving assistance, as price increases in non-food components can also affect food security by placing additional financial burdens on the household.

Whenever the cost of the MEB or another basket is not monitored or available, an alternative can be to use inflation or food inflation figures as a proxy for price increases for the people assisted. Alternatively, the prices of specific representative commodities can also be used as an indication of

more general food price trends, considering any adjustments that might be needed due to seasonality or other factors.

Institutions vary in their methods for calculating market price indicators, specifically how they aggregate individual data points to arrive at a reasonably accurate representative price estimate for a commodity in a specific location at a specific point in time. Individual organizations typically choose the mean, median, or mode. At the CWG and FSC cluster, efforts should be made to harmonize those methods, where possible and participating organizations should engage in open discussions among stakeholders to understand the local implications of diverging trends that are based on the chosen underlying method.

1d. Where can the necessary datasets be found and what are the minimum standards they must meet?

Depending on the context and the nature of the crisis, secondary market data may already be available to meet humanitarians' needs. This is most likely to be the case in protracted crises where humanitarian actors have been present for some time. To ensure consistency and avoid duplication of effort, CVA actors should calculate transfer values based on existing secondary data wherever possible and should collect new primary data only if this secondary data are inadequate.

The table below suggests some common data sources from which humanitarians can derive relevant indicators on markets, vendors, households, and communities, along with minimum standards that these data sources must meet in order to be useful in transfer value calculations for food security (as well as other sectors).

Type of data	Common sources	Minimum standards
National, market-level and vendor-level price data for essential goods and services (including key commodities)	<ul style="list-style-type: none"> ● WFP VAM Market Monitor and Economic Explorer ● REACH Joint Market Monitoring Initiative (JMMI) ● FEWS NET Price Bulletins & market data sets ● Government-run market information system 	<ul style="list-style-type: none"> ● All necessary commodities must be included (preferably all items in the MEB or a representative subset) ● Price calculations should be based on multiple data points per item per assessed area ● Prices should be collected for brands and varieties that socioeconomically vulnerable households are likely to choose (avoid both upmarket and poor-quality varieties) ● Item units must be standardized (to kg, L, pieces, etc.) and/or conversion factors must be provided to convert local non-standard units into standard ones ● Data should be collected regularly (e.g. weekly, monthly, or quarterly) to enable transfer values to be consistently updated ● Data must be sufficiently recent to reflect current dynamics ● Data must be made available to humanitarian actors on a timely basis and without restriction ● Note: Consumer price index data (CPI) are typically computed by national bureaus of statistics or ministries of finance and reflect trends for a basket of goods at either the national or sub-national level.

Household-level and community-level data (expenditures, income, household production, assistance)	<ul style="list-style-type: none"> • Multi-Sector Needs Assessment (MSNA) • Essential Needs Assessment (ENA) • Household Economy Analysis (HEA) • Harmonized post-distribution monitoring (PDM) • Key informant interviews (KIIs) or focus group discussions (FGDs) 	<ul style="list-style-type: none"> • Expenditure data should enable the calculation of all lump sums in the MEB • Quantitative data must be collected on the household level using random sampling techniques • Quantitative data must include demographic indicators to enable a reference cohort of socioeconomically vulnerable households to be identified⁷ • Qualitative KIIs and FGDs should be conducted with, and/or must center on the needs of, members of socioeconomically vulnerable households • Data should enable the identification of differences among regions and relevant population groups • Data must be sufficiently recent to reflect current dynamics • Data must be made available to humanitarian actors on a timely basis and without restriction
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1e. If no adequate secondary data are available, what can be done?

In some contexts, particularly sudden-onset crises and others where a humanitarian response may not previously have been present, CVA actors (like FSCs) may struggle to find high-quality, accessible, up-to-date secondary datasets for their transfer value calculations. Where this is the case, a number of temporary measures can be adopted depending on what other data sources, if any, are available for use.

Scenarios Based on Data Available

Scenario 1 : *Do you only have access to outdated price, income, or expenditure data?*

As a temporary strategy, older price and expenditure figures can be updated based on the country's official inflation rates or Consumer Price Index (CPI) figures calculated by a national bureau of statistics or another government body. Income figures, meanwhile, can be updated based on changes in the country's per capita Gross National Income (GNI) over time. These indicators are aggregated globally by the World Bank, the International Monetary Fund (IMF), and other actors and should always be calculated in local currency.

Limitations: Official inflation rates and the CPI are often calculated based on goods ranging from basics to luxuries and may not reflect the financial burdens faced by socioeconomically vulnerable households. Public inflation and income figures may only be available on a yearly basis or less in some crisis-affected countries and may be less current than the original dataset.⁸

⁷ The term reference cohort refers to a subset of households from a dataset that match the characteristics of the target population for CVA programming. When calculating the cost of an MEB, the reference cohort should comprise those households that are just able to meet their essential needs, which can be approximated by using analyses such as expenditure quintiles, caloric intake, the Food Consumption Score (FCS), and others. For a detailed overview of the process of selecting a reference cohort, see WFP, Minimum Expenditure Baskets Guidance Note.

⁸ E.g. <https://databank.worldbank.org/indicator/FP.CPI.TOTL.ZG/1ff4a498/Popular-Indicators> , <https://data.imf.org/?sk=4ffb52b2-3653-409a-b471-d47b46d904b5>

Scenario 2 : Do you only have access to data on a national level or from other regions outside your area of interest?

If data are available for other regions of the country but not for your areas of operation, it is possible to extrapolate from existing data to create a provisional gap analysis. Common forms of extrapolation involve using the most geographically-proximate data points to the area of interest or relying on more subjective criteria (e.g. from subject matter experts) to identify the most similar assessed community in the country for which data are available. Another option may be to impute missing values (e.g. perhaps based on the most recent 2-3 months) based on national or other subnational trends. For example, if nationally, rice and maize prices increased 25% in the last between January and March, it may be very reasonable to adjust your most recent available price points for rice and maize in your areas of interest from January by a total of 25% to arrive at estimated values for March.

Limitations: Not a viable strategy where there is strong variation among communities or regions, nor where factors such as difficult geography, conflict-related divisions, or ruptured supply chains serve to isolate a community from its neighbors. Any of these extrapolation or imputing methods require very careful documentation of how the adjustments or assumptions were made and the ability to go back and revise once any new information become available.

Scenario 3: Are you unable to calculate an MEB or perform gap analysis at all with the data you have?

If it is impossible to calculate the cost of an MEB, a provisional gap analysis can sometimes be constructed on the country level using macroeconomic indicators: for instance, by comparing the national per capita GNI to a nationally agreed poverty line, CPI, or minimum wage level. Again, these indicators are aggregated globally by the World Bank, the IMF, and other actors and should be calculated in local currency. Another alternative is to align transfer values with government-regulated figures such as minimum wages for unskilled labor, standard unemployment allowances, or other types of social protection payments, taking into account whether these transfers are designed for individuals or for full households.

Limitations: Macroeconomic analysis is rarely available on a sub-national level, making it difficult to tailor the gap analysis to local areas or populations. Poverty lines and minimum wage levels are static and are based on income, not expenditure, and thus rarely reflect changing household financial burdens; they are also set for the individual and need to be scaled to the size of an average household. The CPI is often calculated based on goods ranging from basics to luxuries and may not reflect the financial burdens faced by socioeconomically vulnerable households. Macroeconomic indicators may only be available on a yearly basis or less in some crisis-affected countries. Social protection payments may be inadequate to meet the full needs of a crisis-affected household.

While each of these strategies can be used as a stopgap, it is clear from the limitations above that better primary data on prices, expenditures, and income should be collected as soon as is feasible. Because these data are of broad use to all CVA actors throughout a response, as well as to many other actors seeking an understanding of market prices and household financial burdens, data collection should ideally be coordinated and harmonized through a national cluster or Cash Working Group. FSC's should be involved in and work with CWGs to undertake this process, where they exist. All CVA actors should additionally strongly consider working together to launch a response-wide Joint Market Monitoring Initiative based on REACH methodology, a harmonized post-distribution monitoring effort, or another joint initiative that will produce fully aligned nationwide data for all actors' use. If this is not possible, consider setting up an organization-level market monitoring

project based on CRS's MARKit toolkit⁹ or a similar methodology, and/or launching a round of KIIs or FGDs with input from other response actors to investigate topics related to prices, expenditures, and income.

1f. Which currencies and exchange rates should be used for price monitoring, analysis, and program management?

Prices and inflation rates should be tracked and analyzed primarily in local currency terms to more accurately track the financial burdens faced by crisis-affected households as they interact with these same markets. In the case of border areas or multicurrency systems where multiple currencies are in use, it is best to track prices in whichever currency is most commonly used among the target population in local markets. Where relevant, it can also be useful to track parallel-market or black-market exchange rates between local and foreign currencies, as these tend to correlate more closely with market prices in contexts where the local population has limited access to the official rate.

The challenge, however, is that most CVA actors receive their donor funding in hard currencies—usually global reserve currencies such as the USD, EUR, or the GBP—and must convert it to local currency in order to meet the needs of CVA recipients. Realistically, in most contexts, there is no choice about which exchange rate to use for this conversion. Regulations often require humanitarian actors to convert currency using either the central bank's official rates or its preferential rates offered to international organizations. This rate may be financially disadvantageous for CVA actors, particularly where there is a large gap between the official exchange rate and the parallel-market or black-market exchange rates with which market prices tend to be correlated. If this is the case, there is no alternative but to budget for this gap internally.

For purposes of internal planning, in ordinary contexts where aid recipients will be spending their cash transfers in local currency, CVA actors should in turn set their transfer values in local currency, not foreign currency, to ensure that a household's complete locally adjusted needs are met via a modality that is of use to them. This implies that the amount that must be budgeted per transfer in foreign currency may fluctuate with the exchange rate over time and that currency loss is possible; again, this is unavoidable and must be planned for, given that the alternative is to ask aid recipients, not humanitarian actors, to assume the financial risk of this currency loss. In rarer situations where foreign currencies are widely used by aid recipients in everyday transactions and their distribution is permitted by local authorities, CVA actors can often set transfer values and distribute aid directly in foreign currency, eliminating this risk.

Case Study 1 : Parallel Exchange Rates in Zimbabwe

Foreign currency shortages and management of the official exchange rate have resulted in the emergence of a thriving parallel market for foreign currency. The margin between the official exchange rate and the parallel market is around 42% (as of May 2021). Prior to May 2020, the Zimbabwe dollar (ZWL) was the only legal tender and the official exchange rate was fixed at 25 ZWL for USD 1 and was mandatory for all humanitarian actors. Hence WFP beneficiaries, for example, had to exchange their USD entitlement into ZWL for purchasing at this official rate, leading to an increasing loss of actual purchasing power.

Source: CaLP Good Practice Review Country Case Study¹⁰



⁹ MARKit: CRS Market Monitoring, Analysis and Response Kit-2nd Edition 2020 | CRS

¹⁰ https://www.calpnetwork.org/wp-content/uploads/2021/10/good_practice_review_final_edited.pdf

1g. Is there any additional monitoring that should be done in contexts of inflation?

In contexts of inflation, it is important to monitor other variables that could affect inflation or indicate other economic and market challenges. In most cases where inflation is driven by developments in the country, other economic and market variables might also be affected.

In terms of economic monitoring, it could be useful to monitor:

- **Exchange rate:** tracking the exchange rate can provide very valuable insights for cash programming as it can affect the level of prices and the amount of funding available to the organization if the funding is in a currency that is not the local one. A depreciation of the local currency implies a higher availability of local currency for each USD exchanged, while at the same time it usually translates into higher local prices for imported goods and those that rely on imported inputs. Monitoring the evolution or emergence of informal parallel-market or black-market rates is also very relevant as it could flag the need to negotiate a preferential rate.
- **Financial regulation:** being aware of any relevant financial regulation or changes issued by the central bank or other regulators is crucial for adjusting programmes, conditions for providers or advocating with regulators accordingly. Relevant regulation includes bans on specific means of payment or financial procedures, introduction of fees or limits that affect people's capacity to cash out or use their money, among others.
- **Liquidity:** timely availability of banknotes and coins in areas is critical to cash transfers and for ensuring good programmatic outcomes. Monitoring data or insights related to cash availability (e.g., ATMs or agents with sufficient cash) can be very useful to consider programmatic changes or advocacy measures.
- **Other macroeconomic data:** where relevant and available, monitoring other macroeconomic indicators can be informative of economic risks and hint towards economic deterioration and a need to scale up programmes. For example, public debt, fiscal deficit, sustained international trade deficit, and broad money could point to economic vulnerabilities and risks. Heavy reliance on food imports and weak international reserves could affect food availability, lower remittances could point to increased needs, as well as higher unemployment and deteriorated wages, among others.
- **International markets:** changes in international prices for food and other commodities, such as fuel, can impact domestic prices and economies more broadly.

Market monitoring can also be useful to track how markets function and evolve. Market functionality dimensions to track can include:

- **Availability:** evaluates if food is available (and will be available in the short run) in local markets to assess whether people can meet their food needs in local markets.
- **Assortment of essential goods:** assesses the type of goods offered in markets to assure people can meet their essential needs in local markets.
- **Prices:** assesses price trends and volatility as both rising prices and excessive volatility show that the market is not functioning well.
- **Supply chain resilience:** evaluates both responsiveness and vulnerability of supply chains which can be indicative of how reliable markets can be.

- **Competition:** evaluates the number of traders in the market and the distribution of power among them; competition contributes to a well-functioning market leading usually to lower prices that aim at capturing more customers.
- **Infrastructure:** assesses the type and conditions of the physical structures, including shops, sewage system, electricity, or communication network; adequate infrastructure contributes to a well-functioning market and access.
- **Service:** looks at the service provided while shopping as well as during check-out; a good service can contribute to transparency and reliability.
- **Quality:** assesses whether market items meet minimum standards of quality and desirability, including standards for food preparation and storage, the materials and workmanship of non-food items, and the storage conditions, temperature, and hygiene of the market facilities themselves.
- **Access and protection:** evaluates if there are constraints or risks for certain groups of people or all for accessing markets – both for customers and retailers.

2. Operationalization

2a. Is it recommended to use local vs. hard currency (e.g. USD or EUR) for transfers in contexts of inflation and/or depreciation?

Ideally, cash assistance should be delivered to beneficiaries in the local currency of the country in which a response takes place. However, in cases of very high inflation it may become necessary to consider distributing assistance in more stable hard currency in order to mitigate the effects of rapid price fluctuations, particularly in cases where inflation is driven by the depreciation of the local currency.

While hard currencies such as USD can offer significant stability of transfer values to recipients and implementers of cash and voucher assistance in contexts of high inflation, their use should only be considered when officially permitted in the country of response. Ultimately the decision on whether or not cash assistance can be distributed in foreign currency rests with the local government. This approach has been used in countries such as Zimbabwe¹¹ and Lebanon¹² to address issues of rapid inflation resulting from currency crises. In some contexts, such as in Lebanon, humanitarian actors have previously advocated to distribute cash transfers in hard currencies. However, this is a subject that should be approached with caution as wide scale adoption of hard currencies, sometimes called 'dollarisation', can contribute to further decline of local currencies and/or fuel tension in cases where other members of the communities continue to earn in local currencies¹³.

CVA actors could explore other ways of mitigating the consequences of depreciation of local currencies, such as budgeting in hard currencies and distributing the equivalent value in local currencies based on the official exchange rate at the time of disbursement coupled with joint advocacy for preferential exchange rates where possible.

¹¹ See country report: [CALP Network. \(2023\). Adapting CVA programming to inflation, depreciation and economic volatility](#)

¹² See press release: United Nations Lebanon. (2023, May 23). UN statement on the return to disbursement of cash assistance in dual currency [[Press release](#)]

¹³ See ALNAP's State of the Humanitarian System (Page 128): Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP). (2022). [The state of the humanitarian system 2022](#).

2b. Scenario and contingency planning: How to incorporate predictive analyses for prices and exchange rates into decision-making around response preparedness and contingency planning?

Given the complexity of the economic and political contexts Food Security Clusters operate in, it is not possible to forecast the cost of the goods and services with perfect accuracy. With that said, price forecasts and analysis can indicate a possible need to revise the transfer value in the near future. Scenario analyses based on anticipated shocks and their direct and indirect effects on markets can serve as inputs for contingency planning and as advocacy tools in conversations with donors. Recent guidance from CALP recommends that specific forecasting procedures should be established within joint market monitoring exercises¹⁴. The following provides some background, best practices, and key resources as local FSCs consider scenario-based contingency planning.

- Scenario and contingency planning

Scenario building is a methodology commonly used by planners, policy-makers, and researchers of various disciplines for contingency planning about likely future events. Donors also increasingly allow for contingency planning in budgeting and proposals. Scenario building offers a structured way for organizations to think about the future through “if-then” statements. It relies on analysis of the current situation and recent trends, the creation of informed assumptions about the future, a comparison of their possible effects, and the likely responses of various actors.¹⁵ Contingency planning (“having a plan B” colloquially) refers to planning for outcomes or situations that are outside of an organization’s core expected trajectory or response plan. Preparing for alternative scenarios through contingency planning can help reduce programming risks and allow for quicker and more efficient responses to contexts of economic distress.¹⁶

For emergency assistance planning, scenarios help to ensure that shocks (such as currency depreciation, currency devaluation, currency controls, or subsidy removals) are not automatically assumed to result in needs to adjustments to response planning, resource transfer levels, or modalities, but rather are considered as part of the context in which such adjustments might be made. Scenario planning is typically not a one-off exercise, but rather one that should be reviewed and updated as part of regular monitoring and adaptive management activities.

- Underlying assumptions

The power of the scenario building process is typically only as strong as the assumptions underpinning the scenarios and benefits from being relatively narrow in scope. This means that typically organizations focus on one most likely scenario which underpins their proposal design, budgets, and staffing plans and one or two alternative scenarios to account for shocks or extreme events of varying degrees. Limiting the number of scenarios can be useful from an operational perspective, as each scenario and contingency plan established relies on extensive analysis and many underlying assumptions about the nature of the shock in question, the possible pathways of

¹⁴ [CASH ASSISTANCE IN CONTEXTS OF HIGH INFLATION AND DEPRECIATION: Challenges, Dilemmas and Way Forward \(calpnetwork.org\)](https://calpnetwork.org)

¹⁵ <https://fews.net/about/projections>

¹⁶ <https://www.calpnetwork.org/wp-content/uploads/ninja-forms/2/WFP-Interim-Guidance-Cash-and-economic-volatility-EXT.pdf>

impacts, and reactions of stakeholders. However, it can also be useful to do a more comprehensive mapping of the range of possible scenarios, identifying the impact if these were to materialize and possible preparedness or mitigation measures that could be applied, this can also include scenarios where the status quo is maintained. FSC's can perhaps incorporate such scenario planning into workplans, involving multiple partners to reduce the level of effort required.

When developing scenarios and associated contingency plans, it is important to differentiate between what might be considered expected (i.e., typical, normal, or average) versus a shock. For food prices in particular, price increases are not necessarily a "shock". For example, large seasonal price fluctuations are predictable on an annual basis for rainfed agricultural crops in many contexts. However large price fluctuations due to the devaluation of the local currency would be considered a shock.

Quantitative, qualitative, and mixed methods approaches are valid when establishing the assumptions underpinning a given scenario. However, the best practice is for those involved in establishing assumptions to be context or subject matter experts (SME, e.g. think tank, government, World Bank, and IMF analysts) and clearly document their underlying evidence, methods, and data sources. An example is FEWS NET's method for developing market and price projections¹⁷. Similarly, ACAPS provides guidelines for collaborative scenario planning.¹⁸ Among other things, this ensures that scenario building is not overwhelming, but rather focuses on a few events/shocks that have a probability of occurring in the short to medium term.

Different level of technical expertise and collaboration required across forecasting approaches

Approach	Data requirement	Level of rigor	Technical expertise required
Qualitative	None/limited, current market data	Low	Context and subject matter expert
Technical forecast only	At least 24 months of historical time series data	Low, simple forecast based on seasonality (e.g. decomposition) and recent trends (e.g. Holt Winters)	Excel or PowerBI programming support
Scenario-based forecasts	At least 24 months of historical time series data Quantitative and qualitative data about the local market context	High Incorporates technical forecasting with extensive knowledge of the local context.	Context and subject matter experts & Excel or PowerBI programming support

Another best practice is to ensure a level of harmonization with other processes guiding food security resource allocation in a given country/geography. For example, acute IPC (Integrated Phase

¹⁷ <https://fews.net/global/guidance-documents/april-2018>

¹⁸ https://www.acaps.org/fileadmin/Technical_notes/202202_acaps_technical_brief_scenario_building_methodology.pdf

Classification) or Cadre Harmonisé (CH) analyses consider factors that influence food availability and access, such as food price levels, household liquidity constraints, and consumer subsidies on first necessity goods and services (e.g. imported staple foods, fuel, and fertilizers)¹⁹. FSCs should be aware of those assumptions (around food prices for example), as appropriate challenge them during IPC workshops, and make reference to them and any updates available through monitoring exercises.

- **Informing contingency planning with market monitoring efforts**

Forecasting, scenario planning, and contingency planning should not be viewed as one-off exercises. Rather, these should be accompanied by monitoring data. This allows analysts to regularly assess and update their assumptions, scenarios, and contingency plans, and provide updates, as necessary, to donors and other stakeholders.

- **Communication with donors and other stakeholders around preparedness and scenario contingency planning**

It is critical to keep partners and donors informed once alternative assumptions and scenarios are developed involving or resulting from economic volatility²⁰. This integrated and open reporting with donors is another justification for ensuring the evidence base used is clearly documented and data/analyses are easy to access and review. Those details can be important when communicating concerns about evolving trends or possible scenarios to other organizations, local governments, and donors.

3. Triggers and processes for decision making

3a. What are the guidelines when highly localized market trends result in a prevailing cost of the MEB that varies widely from other national or subnational trends (e.g. provincial)?

In such contexts, it is recommended to approach the situation with a local lens. Often MEBs are calculated at the national level, advantaging some areas and disadvantaging others. While the national cost of the MEB may closely track costs in some areas, it is good practice to cross-check the regional/local differences. Recognizing that a one-size-fits-all approach may not be appropriate is the first step. For example, conducting a thorough assessment of the localized market trends and prevailing costs of essential items within the specific area may help in understanding the unique economic factors at play and the reasons behind the geographic cost disparities.

In some contexts, the cost of MEB may vary significantly within the same country at subnational levels. Market monitoring information can help humanitarian actors determine the extent of variations and differences between one subnational level to another. In the case of significant variations, CVA implementers can agree to assist recipients in different parts of the country with different transfer values in line with the variations the prevailing local market trends. This would mean that rather than providing one single recommendation on transfer values at the national level, separate transfer values

¹⁹ <https://www.ipcinfo.org/>

²⁰ <https://www.calpnetwork.org/wp-content/uploads/ninja-forms/2/WFP-Interim-Guidance-Cash-and-economic-volatility-EXT.pdf>

are recommended by geographical area (or other categorization that may become necessary) based on local prevailing costs.

Collaborating with all stakeholders involved is pivotal in such contexts, starting with donors, the coordination bodies, local communities, and other CVA actors operating in the area. In order to advocate for adaptations and flexibility of the transfer values it is important to conduct regular assessments and re-assessments, to periodically monitor whether disparities persist due to inflation/price spikes.

Additionally, the rationale behind the decisions or suggestions to adjust transfer values should be documented and thorough records kept of the market assessments and adjustments made. This will ensure accountability and provide a basis for future decisions. It is also important to clearly communicate with people receiving assistance the rationale for any differences in transfer values to prevent any community tension or social cohesion implications.

3b. With what frequency should transfer values be increased?

In contexts of inflation, it's more important to consider how much we allow prices to go up before making a change, rather than thinking about how often to adjust the transfer value. For example, if prices were to go up in a particular context by 15% in either two months or a one-year period, it would have the same impact on people's ability to buy things, regardless of time period. So, instead of setting specific times for updates, it is better to use thresholds or triggers related to price increases.

How often we can check price increases against the threshold will be determined by the frequency of monitoring (see question on frequency of monitoring for more detail on this). When setting a threshold or trigger, it is important to look at the cumulative price increase since the moment the transfer value was last modified (or first set in case it was never modified). This will allow us to capture the full impact of prices on purchasing power as opposed to just capturing what happened over a given number of months.

For purposes of clarity and predictability of recommendations on transfer values, Food Security Clusters should work with CWGs to determine timelines during which decisions to update or retain transfer values will be communicated (e.g. on a quarterly basis). This approach would enable users to keep track of the recommendations and plan around them. These timelines should, however, not prevent ad hoc announcements of revisions to transfer values should the thresholds set be significantly surpassed and revisions become necessary in the intervening period.

Some considerations:

- The frequency with which it is possible to increase the transfer value will also be impacted by the capacity of the organization, coordination aspects and processes that are involved in the adjustment.
- When it is not clear whether the price increase might persist or not over time (e.g., due to seasonality or other reasons), it can be useful to wait for some weeks or months depending on the magnitude of the increase and only if it persists consider the transfer value revision.
- In some cases, a top up might be more suited or convenient than a transfer value revision. This could make it easier for coordination purposes, and in case at a later stage the value needs to go back to what it was, having a top up for some time can make it clearer so as to have part of the transfer that continues over time as opposed to increasing and then decreasing the entitlement.

- It could be useful to consider donor funding cycles if updates are planned, to ensure new transfer values are released in time for organizations to write budgets and proposals.

3c. Should FSCs set thresholds for increasing the transfer value? If so, which one/s?

Having automatic alerts or warnings whenever a threshold is hit can help ensure you can act quickly when prices increase so that people's purchasing power is preserved.

It is encouraged to set thresholds that are relevant and feasible for the context based on capacity to monitor prices, to update transfer values, and any other considerations including alignment across CVA actors. Having lower thresholds is better to ensure people's purchasing power is preserved. However due to the processes and time required to make adjustments, it is also not sustainable to have thresholds that are so low that will require making adjustments all the time. Hyperinflationary contexts, for example, might require specific approaches to ensure the purchasing power is preserved, including more than simply setting a threshold that might be reached in a matter of days. In more standard contexts WFP recommends that thresholds are not higher than 20% as this already implies a significant loss of purchasing power.

Case Study 2 : Setting Triggers/Thresholds in Afghanistan

In 2022, CVA actors implementing Cash for Food projects in Afghanistan expressed concern over rising food prices in local markets and HHs' reduced purchase power, which also led to a deterioration of the Food Consumption Scores. An agreement was reached to expedite changes in food basket costs and potential revisions. Triggers were set for food basket value adjustments in response to changes in market prices and their sustained duration. Triggers are aimed at reducing the reaction time to price changes, and advocate for donor flexibility in emergency food assistance. The Food Security and Agriculture Cluster (FSAC) and- Cash and Voucher Working Group (CVWG) monitor price changes regularly, using available data. Two trigger thresholds were established :



- *Threshold 1: A change in food basket cost => $\pm 10\%$ (± 1 percentage point) and $< 20\%$ sustained for a period of eight consecutive weeks.*
- *Threshold 2: A change in food basket cost => $\pm 20\%$ (± 2 percentage points) sustained for a period of four consecutive weeks.*

When either of these specific thresholds are met, evaluations are triggered to determine adjustments to the transfer value, which is then discussed for endorsement at a general FSAC meeting. The entire review process, including stakeholder engagement and communication, should not exceed six working days. These guidelines apply to gradual market price changes but not sudden shocks or events outside this scope.

Source : Afghanistan Food Security and Agriculture Cluster -August 2022

In any case it is important to determine what happens once the threshold is hit. For example, it could be that it triggers a discussion in the organization or within the Cash Working Group in collaboration with other clusters (including the Food Security Cluster) to consider a revision of the

transfer value. Where possible it is recommended to have written procedures outlining the key steps and responsible parties involved. This will reduce the time needed to implement the transfer value revision.

3d. Should the frequency of the transfers themselves change in contexts of high inflation and/or depreciation?

The frequency of transfers do not necessarily need to change in contexts of high inflation and/or depreciation. For example, if transfers are set in hard currency and the cost of the MEB (or food MEB) has not changed in hard currency terms, there may be no need to increase the frequency of transfers to ensure beneficiaries maintain their purchasing power. Furthermore, increasing the frequency of transfers may pose possible security risks for recipients of CVA should the amount cause them to feel unsafe. It is recommended to engage with the local communities and beneficiaries themselves, and also to cross-check the cost-effectiveness of possible scenarios (e.g., smaller amounts disbursed more frequently or larger amounts disbursed less frequently) with the selected financial service providers operating in the targeted areas. Additional considerations related to the choice of the frequency are outlined in WFP's transfer value guidance²¹.

3e. In which contexts should we switch to in-kind or engage in other types of MBP to address market failures?

In contexts of high inflation and depreciation in-kind food assistance (or other forms of in kind assistance) does not necessarily offer better value for money than other modalities. Decisions to switch modalities due to price fluctuations should thus be evidence-based and consider the best course of action for people in crisis and recipient preferences. Ideally a comparative analysis of the cost of delivering assistance in-kind vs the cost of CVA could help support and inform decision making, along with other considerations like risks or secondary impacts of alternative modalities. There are cases when switching to in-kind assistance may be the best course of action. For example, in the event the affected populations are unable to access food items in sufficient quality or quantity due to market failures or cash is no longer feasible due to operational reasons. Many organizations have developed decision trees that could guide cash implementers on the proper course of action when determining the most appropriate modality for response. ALNAP also provides 'a novel decision model that combines the needs from beneficiaries, market dynamics and supply chain costs to select the response modality with highest effectiveness during emergencies.'²²

Market based programming includes a range of activities undertaken to ensure that humanitarian and development aid is delivered in a way that it uses, supports or develops local markets.²³ This includes cash and voucher assistance as well as direct and indirect interventions to support market actors or systems to facilitate market functionality.²⁴ Depending on the context, these interventions can and should ideally co-exist with CVA although they may continue and become even more relevant in the event CVA is no longer feasible due to market failure. As a matter of fact, market-

²¹WFP. 2022. Transfer Value Guidance.

²²https://covid19.alnap.org/system/files/content/resource/files/main/10-1108_IHLSCM-07-2020-0060.pdf

²³[This framework provides an overview of types of market-based assistance](#)

²⁴**Market-based programming (MBP)** refers to any type of humanitarian or development programme, in any sector, that uses, supports or develops local markets. It involves implementing interventions to meet immediate humanitarian or longer-term recovery needs, in a way which does not undermine existing economic relationships and activities, so as to facilitate economic recovery and ensure lasting impact. The most common form of market-based programming is cash and voucher assistance (CVA), but many other types of direct and indirect interventions can be planned to support market actors or systems. ([CALP glossary](#))

based programming can apply to any form of assistance including in-kind assistance. For in-kind assistance, this means implementing it in such a way that it does not cause market distortions.

3f. Should household resources vs needs be considered as a factor while determining/ recommending transfer values?

Yes, considering available household-level resources is pivotal to determine a recommended transfer value (i.e., please see “gap analysis”).²⁵ In volatile contexts, including but not limited to sudden inflation/price spikes, considering affected household resources and purchasing power is fundamental. For example, there is typically a lagged response between price spikes and casual labor wage adjustments. During the intervening period, purchasing power may decline among market-dependent households who rely on labor markets for an important share of their income.

For project proposals or project start-up: Coordination bodies and/or humanitarian actors themselves should gather necessary information to update existing needs assessment to estimate any changes among the population and continue market monitoring activities for updates on both prices and the availability of key goods and services. This evidence base may also serve to demonstrate how the situation on the ground is changing, and to support advocacy around establishing processes and mechanisms to reassess and adjust transfer values as new information become available.

For ongoing projects: Humanitarian actors are recommended to implement robust monitoring and evaluation of their activities and the operational context to track the impact of assistance prior to and during the economic shock, to ensure that assistance reaches the intended beneficiaries, and that resource transfers (whether CVA or in-kind) continue to allow beneficiaries to meet their most urgent and basic needs. These monitoring data and evidence can further be used to advocate with donors for flexibility and adaptability of the transfer value and/or top-ups, if needed.

It should be noted that on a broader response level, resourcing also can be brought up humanitarian actors as a factor to consider when establishing recommended transfer values (in terms of how much funding agencies might have to fund CVA for food security for a given response, for example). Resourcing in this sense is not dealt with in the above FAQ response. Organizational resourcing should not influence recommended transfer values set by FSCs. Rather, recommended transfer values should be based on the actual food gap.

²⁵ Gap analysis is the process of calculating the gap (i.e., unmet needs) in household and/or individual needs relative to total needs (e.g., the value of a Minimum Expenditure Basket). For example: gap = value of total needs – value of needs met (by own economic capacity + by other assistance). Gap analysis is used to inform transfer value(s) which, ideally, covers remaining needs once household economic capacity and other assistance received have been accounted for, although other contextual and design factors may influence transfer values in practice. <https://www.calpnetwork.org/>

4. Coordination and Advocacy

4a. Who is ultimately responsible for making decisions about changes to TVs in the face of inflation?

Cash Working Groups (CWGs) at the country level are responsible for coordinating and leading discussions on setting recommended transfer values based on evidence and should advocate with the government for recommended transfer values if needed (depending on the context the government may be more or less involved in determining and approving the amounts to be transferred than in others).²⁶ This coordination involves working with the different clusters and sectoral groups (including the food security clusters) on the monetizable needs to be included in the calculations and ensuring monitoring platforms are in place to track the market values of essential goods and services over time. While CWGs generally have the responsibility to set transfer values for multi-purpose cash assistance, cluster and sectoral groups (including food security clusters) are responsible for setting recommended transfer values relating to sector specific responses in coordination with CWGs and based on market information compiled and managed at the CWG level.

Humanitarian responses are inherently needs-based and humanitarian actors use minimum expenditure baskets and derived transfer values as tools to define the amount needed to meet recipients monetizable needs. While coordination and information sharing through working groups and clusters are a priority, transfer value setting by a specific organization involved in a specific response is ultimately a programmatic decision and the person/entity responsible for making decisions about the transfer values to be disbursed (including adaptations necessary in the face of inflation) varies across organizations and contexts.

Clusters/sectors should establish clear and formal agreements with CWG on the sharing of responsibilities and accountability systems in multisectoral and sectorial cash responses. In contexts of high inflation and currency depreciation frequent updating of transfer values is often needed in order to maintain the recipients purchasing power. Having in place a clear, predictable and documented process on how the CWGs and clusters/sectors should navigate changes to transfer values in line with inflationary and other currency impacts (including triggers for activating the process) agreed upon by all stakeholders can help facilitate smoother coordination, decision-making, and action.²⁷

4b. How to ensure donor and government buy-in and support? How can government and donors be supported so they (1) understand the issues at play and (2) have the information and resources they require to make budgetary adjustments, as necessary?

One way to enhance donor and government buy-in and support is to ensure that their respective representatives understand the rationale behind and if possible, co-own the decisions taken by cash

²⁶ Global Cash Advisory Group. (2023). Cash Working Group Terms of Reference [[Terms of Reference](#)]. Inter-Agency Standing Committee.

²⁷ See CALP's learning brief for more information on setting clear and predictable processes: CALP Network. (2023). Cash Assistance in Contexts of High Inflation and Depreciation: Challenges, Dilemmas and Way Forward: [[Learning brief](#)].

implementers. In the case of budgetary adjustments needed to maintain the purchasing of CVA recipients in contexts of high inflation and depreciation could be achieved by:

- a) Ensuring government involvement and/or participation in discussions to design collective measures to adapt cash and voucher assistance to inflation and/or depreciation from the outset. This could be achieved through consultation, invitation to participate in cash coordination mechanisms, and/or encouraging data contributions. Engaging these and other stakeholders during these processes allows for negotiation and consensus building which is likely to create ownership of the decision reached. Early communication of potential need for contingencies around inflation may lead, for example, to donors allowing for budgeting of an 'inflation buffer' or contingency amount in proposals.
- b) Ensuring a common basic understanding of the processes and concepts applied could go a long way in creating buy-in and support. When designing minimum expenditure baskets and methodologies to determine transfer values, it is important to ensure that the rationale of the approaches taken is clearly documented and that concerns raised during stakeholder consultation are addressed. Credibility could be gained by citing internationally agreed standards as well as available evidence such as recipients' feedback to support decisions made.

Donors and governments often have different concerns from those of cash implementers. For example, government officials are often concerned about the political and budgetary consequences of decisions taken in relation to the number of people supported, poverty line, wage rates, other assistance provided via safety net programmes, and so on. In some cases, there might be a need to balance technical perspectives with pragmatic approaches to build consensus. However, while pragmatism in policy and advocacy is valuable, it is important that any accommodations are grounded in people's real needs and living situations, as the thresholds set will have important consequences on people's lives.²⁸

Finally, there may be opportunities to reduce friction between CVA implementers and local governments in specific instances where humanitarian organization resources and budgeting are in hard currency and they are able to increase transfer values equivalence in local currency terms due to depreciation. In such cases and where government funding is in local currency terms and more constrained, CVA implementers can consider coordinating with government counterparts to top up government payments to support beneficiary purchasing power.

²⁸ For more comprehensive reading on this subject please see: CALP Network (2022). Calculating the minimum expenditure basket: A guide to best practice (Page 17). <https://www.calpnetwork.org/publication/calculating-the-minimum-expenditure-basket-a-guide-to-best-practice/>

Case Study 3 : Harmonized Market Price Data Collection in Nigeria

The Famine Early Warning System Network (FEWS NET), a USAID initiative, develops market analyses, price bulletins, emergency alerts and food security forecasts for humanitarian relief stakeholders around the world. To develop such products, FEWS NET relies on a number of data sources, most significantly government data. In Nigeria, however, the national government did not have an adequate system in place for market data collection and analysis, while FEWS NET's own data collection capacity was



limited to a relatively small geographic region. To help fill this gap, FEWS NET, with support from USAID and WFP, developed a harmonized methodology for market data collection and a guidance sheet. Both were shared with USAID's in-country partners, who were encouraged to adopt the methodology and share data with FEWS NET on a monthly basis for aggregation. The tools were also shared with non-USAID partners via the cash and food security working groups. This dataset also enables FEWS NET to recognize larger-scale patterns and trends, such as market-related changes in the conflict-affected Northeast and data was made available to humanitarian agencies operating in Nigeria also.

Source : ['Taking Market Analysis Beyond Theory'](#): International Rescue Committee'-2017