

## CVA Best Practices in the Context of High Inflation

### Background

The civil war that began in 2013 sent the country into an uncontrollable and escalating economic as well as food insecurity crises. The signing of a peace agreement brought relative stability, but inflation rate has remained very high. South Sudan's economic crisis has been driven by the rapidly depreciating value of the South Sudanese Pound (SSP), shortages of hard currency, and the significant dependence on imports. Food insecurity remains alarmingly high in South Sudan with increased & protracted displacement, economic decline and inflation, high food price hikes exacerbated by the impact of poor market functionality due the protracted conflict as well as the political uncertainty in most of the supply routes in the country.

The South Sudan Joint Market Monitoring Initiative (JMMI) 2022 report stated market functionality have been affected by the depreciation of the local currency, with most traders not being able to restock commodities, resulting in acute shortages and high prices.

As DCA South Sudan we strategized to lessen the effect of inflation on our right holders using hard currency for the cash assistance, utilization of the market information to inform the amount of cash to be distributed and the market support initiatives. This helped them to better withstand ongoing inflation and the deteriorating situation on the ground.

### Use of hard currency for our cash distributions and vouchers for goat distribution

There was a wide gap between the exchange rates i.e., the official Bank of South Sudan rate and the market rate. The official exchange rate had remained stable, but the market rate had continued to rise significantly. As the prices of goods and services were pegged to the unofficial daily parallel market exchange rate, the market was to a large extent informally and indirectly dollarized.

In the project, high rate of inflation, was assumed as one of the risks to be experienced and provision of the cash assistance in hard currency (USD) was planned as a mitigation measure to cushion the beneficiaries from the unstable markets. The project is doing the cash transfer in hard currency (USD) which

gives the beneficiaries a better chance of exchanging the money when they need so that it will have the right value at the right time.



*Photo: Men excitedly showing their cash after receiving in Dengjok payam – Nile Hope*  
Most of the locations which DCA is operating in, there are close to the borders

and some of the traders in these locations do not accept SSP and hence the reason for using hard currency. It allows the beneficiaries to have the originally designed purchasing power, protects the erosion of the value of received support. The findings from the Post Distribution

Surveys on type of currency preference shows, the beneficiaries prefer the USD from the SSP. A PDM conducted in May 2022 shows the majority 85.5% of the cash beneficiaries cited US Dollar as their preferred currency.

### Local market analysis

DCA and partners undertook a comprehensive market assessment that assist to understand local market conditions, including the availability and cost of goods. This information was the used to determine the most effective means of providing assistance. This involved working with local partners to gather market data and inform programme design.

### Increased use of market information to estimate cash amount transfer during ERM

The year-on-year rate of inflation of South Sudan is showing an increasing trend and the local currency experienced a devaluation which directly impacted the market prices. Consequently, the cost of the median Multi-Sectoral Survival Minimum Expenditure Basket (MSSMEB) has also shown an increasing trend. Whilst the prices have increased in SSP, the same cannot be said of the in USD as there has been a slight increase. Thus, pegging the MSSDMED in USD has helped to cushion the rights holders from the inflation driven by the depreciation of the local currency.

The value of the cash assistance per household for the ERM triggered last year was calculated based on an average monthly food basket for the target areas. This includes the food security/nutrition sector, following the Sphere standards/NutVal and an average number of 6 HH members to consume a total per month of; 5 l vegetable oil, 9 kg of pulses, 90 kg of cereals and an additional 10 % for dairy products and vegetables. In addition, the multi-sector basket essential non-food items and serves as the basis for cash transfer value calculation. The PDM conducted has also confirmed the satisfaction of the beneficiaries on the amount of cash distributed. Findings from the May 2022 PDM revealed most, 42.7% of respondents were completely satisfied with the amount of cash received, 29.3% were somewhat satisfied, 25% were not so much satisfied, and 2.8% were not at all satisfied. Generally, 97.2% of the cash recipients were satisfied with the amount received with varying degrees of satisfaction.

### Combining market support and CVA activities

The project is using combined approach of multi-purpose cash transfers, CfW and the provision of productive assets while supporting the local markets is aimed at increasing the resilience of targeted

households while at the same time meeting the most immediate basic needs and saving lives in areas where hyperinflation continues to erode household's purchasing power.



*A shop owner Participated in market assessment*

The beneficiaries will be able to meet immediate food and other basic needs. The project is also delivering infrastructural market support to the traders. Supporting the local market actors (businesses) to restock and be able to transport their goods helped local economy and ensure that the rights holders have access to wide range of goods and services as affordable prices. The market support activities indirectly supporting the project beneficiaries to withstand the high inflation in the locations.

### Regular Programme Reviews

Regularly programme reviews helped to identify areas for improvement and ensure that the assistance is meeting the needs of beneficiaries. This can involve gathering feedback from beneficiaries, monitoring market prices, and post distribution monitoring.

### Effective communication

Clear and effective communication with beneficiaries and other stakeholders is crucial in ensuring that the programme is understood and implemented effectively. This involved providing training and support to beneficiaries on how to use the biometric payment systems and working with local partners to spread awareness of the programme.