



Currency in Crisis

A Way Forwards for GOAL CVA
in North-West Syria



Contents

Executive Summary	4
Acknowledgements	5
Abbreviations	6
Key Terms	6
Methodology	7
Objectives and scope of currency study.....	7
Methodology overview.....	8
Primary Data.....	8
Sample Size for the Community Assessment	8
Secondary Data	9
Background	10
Overview of SYP depreciation and use of the USD in the humanitarian response	10
Common practices of North-West Syria aid agencies delivering CVA	11
GOAL's cash and voucher assistance.....	11
GOAL's commodity voucher process.....	11
GOAL's cash assistance process.....	12
FINDINGS	12
Challenges of SYP Depreciation	12
Summary of key challenges in GOAL's voucher programme related to SYP depreciation	12
Challenges for Money Traders.....	13
Challenges for community members.....	13
Challenges for vendors.....	14
Re-stocking issues	14
Commodity voucher pre-agreed price ranges	14
Usage Of Currencies	15
Reliance on foreign trade	15
Consumer purchasing.....	15
Consumer purchasing- use of TRY	16
Currency of displayed goods in markets.....	16
Vendor acceptance of foreign currencies for payment.....	17



COVID 19 cash distribution April 2020. Photo ©GOAL.

Contents

Currency vendors use for purchasing supplies	17
Process for consumers for purchasing goods using foreign currencies	18
Currency of community members household income	19
Protection, Gender and Access Issues	19
Perceived/actual risks attributed to specific currencies.....	19
Coping Strategies related to holding on to foreign currencies	20
Debts	21
Indirect costs to beneficiaries when receiving assistance in specific currencies.....	22
Access to exchange/hawala offices.....	24
Accessing USD and TRY	25
The effect of CVA delivered in a foreign currency on non-beneficiaries.....	25
Preferences	25
Preferred currency of cash assistance	25
Preferred currency for voucher values.....	26
Operational Considerations	27
Procurement of vouchers	27
USD notes availability, quality, and mitigation measures.....	27
Repeat cash transfers- USD notes availability/quality.....	29
Vendor payments.....	29
Payments through PTT.....	30
Mitigation measures for SYP vouchers	30
Coordination and local authority acceptance	31
Policy Changes with the use of the TRY	31
Key Findings	31
Recommendations for GOAL CVA	33
Appendices	35
Appendix 1: Peer agency Key Informant Interviews	35
Appendix 2: Policy shifts in relation to the use of the Turkish Lira in NW Syria.....	35
Appendix 3: References.....	36

Executive Summary

In the time since most of this study's primary data was collected in April 2020, there has been a concerted effort since June 2020 by local NW authorities to shift to TRY in Northern Aleppo and Idleb. Thus, the findings of this study are based on the context before these policy shifts occurred.

Currency depreciation and price inflation are two of the main factors that influence Cash and Voucher Assistance (CVA) programming in North-West Syria. Between August 2019-July 2020, the Syrian Pound (SYP) has dropped 161% against the US Dollar (USD). The current trend of rapid depreciation in the value of the Syrian Pound (SYP) and the continuing increase in commodity prices pose immediate risks to the efficiency of CVA programmes implemented in this region by various humanitarian organizations. With this study, GOAL intends to outline the impacts the SYP depreciation and currency choice can have on the effectiveness of aid delivery in North-West Syria, and identify strategies that can maximize the value of the assistance provided to beneficiaries as well as strengthen operational efficiency both for humanitarian organizations and market stakeholders.

While the study's primary aim is to support GOAL's programmes and facilitate informed decision making on the choice of currency in which GOAL's voucher values and repeat multi-purpose cash assistance (MPCA) will be set, it is hoped that the findings presented here will be useful for other members of the North-West Syria Cash Working Group and help support their CVA programme design.

The primary sources used in the study consist mainly of data collected through community assessments conducted in villages as well as in camp settings in Idleb and Northern Aleppo in April 2020 and through peer interviews done in April and May 2020 with other humanitarian organizations. The secondary sources the study makes use of include relevant reports published by the United Nation's International Organization for Migration (IOM) and by REACH Initiative.

In the time since most of this study's primary data was collected in April 2020, there has been a concerted effort since June 2020 by local NW authorities to shift to TRY in Northern Aleppo and Idleb¹. Thus, the findings of this study are **based on the context before these policy shifts occurred**.

¹ Please see Appendix 2 for further information.

Key Findings

The study has found that the primary concern for CVA beneficiaries have about currency choice pertains to being able to utilize the full value of the assistance provided and that this concern is more prevalent than worries beneficiaries might have about difficulties associated with exchanging foreign currencies for SYP. Further, the study demonstrates that depreciation in the value of the SYP is having a negative impact on the functionality of local markets as it weakens vendors' capacity to stock their shops, and that receiving US Dollars (USD) gives vendors better value for money in comparison to receiving SYP or Turkish Liras (TRY). The study's findings also indicate that providing humanitarian assistance in USD is unlikely to distort market dynamics in North-West Syria or to disadvantage non-beneficiaries. However, the scarcity and poor quality of USD banknotes in lower denominations is a factor that needs to be considered. Finally, the study found that at the time of community data collection (April 2020), the usage of the Turkish Lira (TRY) in Idleb and Northern Aleppo was very low in terms of purchasing goods, paying for community services, paying debts and vendors paying suppliers. The USD and SYP are used much more than the TRY in all assessed areas.

Main Recommendations

The findings of this study indicate that GOAL Syria's voucher values should continue to be indexed to the Survival Minimum Expenditure Basket (SMEB) in USD. It is also recommended that, in order to help prevent the erosion of beneficiaries' purchasing power, GOAL's vouchers should be denominated in USD and that GOAL's repeat MPCA should be provided in USD. Moreover, contracted vendors for voucher programming should be paid in dollars.

GOAL Syria should implement community-based awareness-raising activities prior to transitioning to using USD in its CVA programming and during its implementation, including enhancing currency literacy awareness of beneficiaries. Vendors that participate in GOAL's voucher redemption programme should also be closely engaged in the transition process and should be encouraged to support transparency by displaying prices of the goods that they sell in both USD and SYP.

Many thanks to those who supported the development of the community survey tools and methodologies, analysed the data and reviewed the draft report, particularly Tarik Elhummade, Aileen Wynne, Yousef Rakkad, Mustafa Al Manla, Zein Al-Abdeen Skheta, Maria Carr and Nader Makedessi from GOAL Syria.

GOAL would like to sincerely thank Ihsan RD for engaging in the community assessment data collection. Their contribution has been essential to have a multi-dimensional view of this issue from the perspectives of multiple stakeholders, across a diversity of locations in North-West Syria. In addition, sincere thanks to Big Heart, CARE Syria, IRC, People in Need, REACH initiative, Violet and Fe Kagahastian, the CashCap WoS Cash Working Group Coordinator for sharing their experiences, expertise, and data, in support of this study.

For further information or questions related to this report, please contact Ciara O' Malley, GOAL Global Cash Adviser at comalley@goal.ie who led on the development of this study.



GOAL Voucher monitoring, Idleb Governorate, Syria. Photo ©GOAL.

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Abbreviations

- CaLP- Cash and Learning Partnership
- CFM- Community Feedback Mechanism
- CVA - Cash and Voucher Assistance
- CWG- Cash Working Group
- KII- Key Informant Interviews
- MPCA- Multi-purpose Cash Assistance
- NW- North-West
- PTT- Turkish national postal operator
- SMEB- Survival Minimum Expenditure Basket
- SYP- Syrian Pound
- TRY- Turkish Lira
- USD- United States Dollar
- WoS - Whole of Syria



COVID 19 cash distribution April 2020. Photo ©GOAL.

Key Terms

Commodity Voucher: As per the Cash Learning Partnership (CaLP) Glossary² definition "Commodity vouchers are exchanged for a fixed quantity and quality of specified goods or services at participating vendors. They may also be exchanged for commodities selected by recipients from a pre-determined list. Commodity vouchers share some similarities with in-kind aid in that they restrict and specify the assistance received."

Value Voucher: "A value voucher has a denominated cash value and can be exchanged with participating vendors for goods or services of an equivalent monetary cost. Value vouchers tend to provide relatively greater flexibility and choice than commodity vouchers but are still inherently restricted as they can only be exchanged with designated vendors³."

Multi-Purpose Cash Assistance (MPCA): "Multi-Purpose Cash are transfers (either periodic or one-off) corresponding to the amount of money required to cover, fully or partially, a household's basic and/or recovery needs. The term refers to cash transfers designed to address multiple needs, with the transfer value calculated accordingly. MPC transfer values are often indexed to expenditure gaps based on a Minimum Expenditure Basket (MEB), or other monetized calculation of the amount required to cover basic needs. All MPC are unrestricted in terms of use as they can be spent as the recipient chooses."

SMEB: The Syria Survival Minimum Expenditure Basket is comprised of 18 food and non-food items including hygiene items, fuel, and phone data. It represents the essential basket of goods and services that is required for the survival of a six-person household in a month.

Indexed: When goods or services are indexed, their value changes in line with the currency or good to which it is tied or linked. In the case of currencies, when a good or service is sold to the consumer priced in one currency (such as the Syrian Pound) the price of the good or service is dependent and adjusted based on the current value of the currency which it is indexed against. In the context of NW Syria, this is the USD or the TRY.

Vendor: As per the CaLP glossary, this is a "supplier of goods and services". The term vendor can be used interchangeably with Trader and Merchant.

Hawala: In Arabic, hawala means to transfer. The hawala system is an informal channel for transferring funds from one location to another through a network of money transfer agents. The unique feature of a hawala network is that there is no contract or promissory note required between the hawala agents to guarantee a payment. Rather, the network is based on a system of trust between the hawala agents⁴.

Money Traders: In the context of North-West Syria, Money Traders are informal market system actors supplying local and foreign currency and exchange services⁵.

Financial Service Provider: This is an umbrella term for entities that provides financial services including the transfer of funds. It can include financial institutions (such as banks and microfinance institutions), hawala or mobile network operators.

² CaLP (2018).

³ ibid.

⁴ NRC (2015).

⁵ As per the definition used by REACH Initiative and the North-West Syria Cash Working Group.

Methodology

Objectives and scope of currency study

The **overall objective** of this study was to identify the most appropriate currency to use going forwards for GOAL's Cash and Vouchers Assistance (CVA) in North-West Syria (Idleb and Northern Aleppo), which would maximise the value of the assistance provided to beneficiaries while keeping a 'do no harm' approach at the core, as well as supporting operational efficiencies to GOAL and market stakeholders.

To achieve this overall objective, the following **specific objectives** were identified:

1. Ascertain the usage of foreign currencies and related emerging trends.
2. Identify potential or actual obstacles as well as benefits for community members and vendors to use certain currencies.
3. Understand the operational practicalities of delivering vouchers or repeat MPCA in different currencies.
4. Identify additional fees/costs (hidden or upfront) incurred by community members/vendors when using certain currencies.
5. Understand what (if any) coping strategies community members use with different currencies.
6. Identify if there are specific risks or heightened risks for community members related to the type of currency that they receive.
7. Understand potential reasons behind the shortage of United States Dollar (USD) notes and quality of USD notes.
8. Capture the effects of the SYP depreciation on vendors and community members as well as vendors, consumers and Money Traders' behaviours and coping strategies.
9. Understand the pricing process for goods and services in a context of rapid SYP devaluation.

Scope:

Although this study will be shared with the North-West Cash Working Group (CWG) and its members to support their decision making regarding the use of currencies for their own CVA programmes, this study is primarily intended to inform GOAL's programmes, specifically, the currency that its voucher values are set in and the currency of its planned repeat cash assistance.

Methodology overview

To have a robust approach and support triangulation, primary data collection by GOAL and Ihsan RD has been complemented with secondary data from other sources.

Primary Data

GOAL and Ihsan RD carried out a **community assessment** using household interviews and key informant interviews in April 2020. In addition, GOAL carried out a rapid assessment among a sample of its communities in November 2019 to inform the selection of a cash delivery mechanism. Although the objective of the November assessment was not to determine the currency for CVA programming, it did have several relevant findings, thus, the relevant data was included in this currency assessment. In addition to the currency assessment, three questions were also posed to **people who came to GOAL's office to utilise the Community Feedback Mechanism (CFM)**. These questions were:

1. What do people do when they receive USD in your community?
2. [For people who exchange USD to SYP only] What are the obstacles your household faces when exchanging USD to SYP?
3. Which currency do you prefer to use for purchasing most of your goods and services and Why?

Assessment type	Timeframe data collected	Number of respondents
Community assessment Household interviews	April 2020	433 beneficiaries and 400 non-beneficiaries, i.e. 833 community members in total , out of which 428 are male and 405 are female.
Community assessment Key informant interviews	April 2020	151 contracted and 372 non-contracted vendors, i.e. 523 vendors in total .
Community assessment Key Informant Interviews	April 2020	17 Local Councils .
Community assessment Key Informant Interviews	April 2020	86 Hawala/money transfer agents .
Surveys with GOAL CFM attendees	April 2020	98 in total , out of which 62 are beneficiaries of the North Syria Response Facility programme, and the remaining 36 were non-GOAL beneficiaries. 58 of the respondents were male and 40 of the respondents were female.
Key informant interviews	April and May 2020	Peer NGO's and the Whole of Syria (WoS) Cash Working Group Coordinator- 6 in total.
GOAL Rapid assessment of cash delivery mechanism for repeat MPCA	November 2019	297 beneficiaries / 51 Vendors / 20 Hawalas in Idleb

Sample Size for the Community Assessment

GOAL and Ihsan RD used a cluster sampling approach to determine geographical areas and sample size⁶ to support a cross-sectional representation of communities and markets with differing characteristics. Given that the study was primarily developed to inform GOAL's CVA, the locations were selected based on current GOAL areas

of operations or planned new areas of operation. The locations were grouped into seven clusters with different characteristics per cluster such as rural or urban, proximity to a market and border with Turkey, camp setting, host community area or refugee settlement area. The sample size was calculated using 95% confidence level, and 8 intervals for beneficiaries/non-beneficiaries, vendors, and Money Traders surveys. The respondents were selected based on purposive sampling.

⁶ Cluster sampling is a sampling method where the researcher creates multiple groups (clusters) of people from a population where they share common characteristics. Cluster sampling was used to ensure that the diversity of communities which are targeted for CVA are representative in the assessment.

Locations of April 2020 Community Assessment							
	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7
Locations:	Harim, Kafr Takharim and Ma'arrat Tamasrin	Darkosh, Janudiyeh and Qourqeena	Hafasraja and al-Baali'ah	Sheikh Yousef, Big Hir Jamus, Qalb Lozeh and Kafr Hum	Sujjo	Ekkdeh camp, Mukawamah Camp and Yazibag Camp	Al Bab

Secondary Data

Relevant secondary data was also reviewed, and the critical information was categorised. The data that was reviewed was:

- IOM Cash Feasibility Assessment, North-West Syria, 2020.
- North-West Syria Cash Working Group, Currency Crisis: impact on communities and humanitarian action advocacy note; July 2020.
- REACH: Impact of COVID-19 on markets in Northern Syria 6th-9th April 2020.
- REACH: Northwest Syria Supply Analysis- February 2020.
- REACH: Northwest Syria Market Monitoring Exercise 6th-13th April 2020.



Shopping using GOAL food vouchers, Idleb Governorate, Syria. Photo ©GOAL.

Background

Overview of SYP depreciation and use of the USD in the humanitarian response

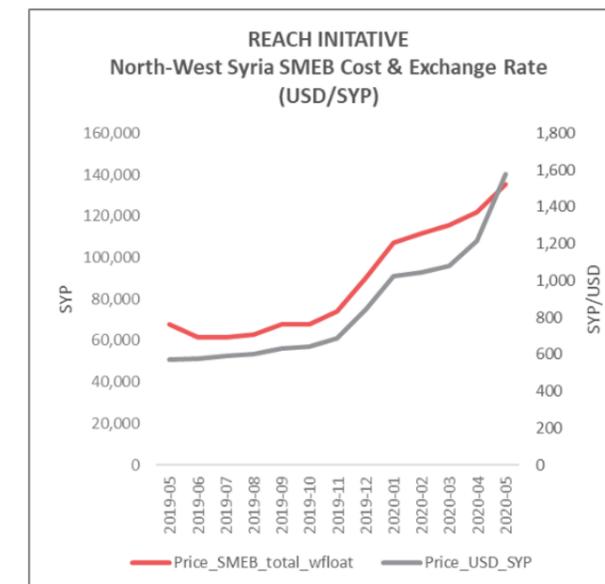
Since the onset of the conflict in Syria in 2011, the depreciation of the SYP against the USD has been a regular occurrence, causing the nominal SYP prices of goods in North-West Syria to rise. According to IOM, this inflation has been averaging at 2-3% monthly for most commodities over the last few years⁷. However, since 2019, the SYP depreciation has become much more rapid. The SYP has dropped 66% in value against the USD between October 2019 and February 2020⁸. The deepening financial crisis in Lebanon and international economic sanctions on Syria are the primary causes of the SYP depreciation¹⁰. The Syrian central bank has not created new larger SYP denominations, in line with the SYP devaluation. Therefore, relatively small-medium payments require a sizeable volume of SYP notes. North-West Syria is very dependent on foreign trade with Turkey. Many local market prices are indexed on USD, or to a lesser extent, Turkish Lira (TRY). Therefore, according to IOM, "there are less disconnections between real prices

"Across all item types, increasing prices was the most commonly reported procurement challenge for vendors, followed by stocking issues"

-REACH (February 2020); page 2.

and nominal prices, which allows for local inflationary trends to be naturally regulated¹¹."

In 2016, a currency assessment was undertaken by GOAL and IRC to determine the most appropriate currency to deliver cash/voucher transfers by examining the potential market impacts of using USD. Although the report did not focus on security, policy, programmatic, liquidity risks and inter-agency coordination, it did highlight that these essential factors should be considered, on a case by case basis. The 2016 study found that SYP was the dominant currency when it came to household income and expenditure, vendor acceptance, and supplier acceptance. Moreover, the instability of the SYP was unlikely to affect the availability and acceptance of the SYP. The report, therefore, recommended the use of SYP for beneficiaries and Vendor payments, given concerns that Vendors and non-beneficiaries who do not have access to USD may be unfairly disadvantaged, and repeat transfers in USD may "attract attention and possibly put beneficiaries at risk". It was recommended USD only for small-scale or one-off transfers, or for specific goods that are traded in USD. GOAL, in line with the findings of the 2016 study, set its cash and voucher programming in SYP. However, in 2017, INGO members of the North-West Cash Working Group agreed that once-off Multi-Purpose Cash Assistance (MPCA) should be delivered in USD due to the continuous depreciation of the SYP. Two parallel strategies emerged within GOAL's Syria operations- USD when doing one-off MPCA for basic needs and winterisation and SYP when doing regular food vouchers. Due to the instability of the SYP, the North-West Syria CWG sets the Survival Minimum Expenditure Basket (SMEB) in USD.



⁷ IOM (2020); page 39.
⁸ REACH (6th-13th April 2020).
⁹ Ibid.
¹⁰ IOM (2020); pages 39-40.
¹¹ Ibid.

The SYP depreciation has been so pronounced that the SMEB is getting increasingly more expensive in SYP. Concurrently but due to other factors the SMEB is becoming cheaper in USD. The SMEB real value has decreased from 120USD in 2019 to the current value of 86USD, as of May 2020. However, the coordinated transfer value of the full SMEB that is used by the North-West Syria CWG is set at 100USD, for coordinated monthly distribution and planning purposes. Despite the rapid depreciation of the SYP, this has not affected stakeholder acceptance or feasibility of CVA¹². Rather, it requires mitigation measures to cushion the effects of the depreciation on stakeholders, particularly on community members and market actors.

Common practices of North-West Syria aid agencies delivering CVA

The North-West Syria CWG guidelines for aid agencies who are doing emergency response one-off MPCA is to transfer the cash to beneficiaries in USD, and this seems to be the current status quo. However, the CWG has not currently set guidance in which currency to set vouchers. Most of the aid agencies that are implementing voucher programme are setting them in USD, with GOAL as one of the few exceptions which is implementing using SYP¹³.

GOAL's cash and voucher assistance

GOAL Syria delivers its food vouchers to approximately 25,000-33,000 households per month. GOAL have always set the voucher values in SYP which are based on the food basket component of the SMEB which is set in USD. GOAL pays its contracted vendors in SYP and its financial service providers in USD. Previously GOAL was paying its financial service provider in Euro but switched to USD in 2015. GOAL also delivers one-off MPCA for newly displaced IDPs to the value of 100 USD¹⁴ and seasonal for winterisation assistance¹⁵. Prior to July 2020, the Cash Working Group MPCA value was 120USD, however it has recently been revised downwards to 100USD in line with the decreasing value in USD of the SMEB. The MPCA and cash for winterisation are distributed in USD. GOAL used to distribute cash assistance in SYP until end of 2016 but then switched

to USD, in line with the CWG recommendations. GOAL is planning to deliver repeat cash assistance to food security beneficiaries to the value of 30USD per household, per month, for an average of six months, to support beneficiary's non-food needs, alongside voucher/kit support and support to bakeries for subsidised bread.

GOAL's commodity voucher process

- The food voucher values are set in SYP. The value of the vouchers is indexed to the food basket component of the SMEB which is set in USD by the CWG. The SYP value of the vouchers distributed to beneficiaries changes approximately every 2nd month per the latest exchange rate between the USD: SYP and includes a buffer rate to account for exchange rate fluctuation from the time the transfer value is set to the distribution¹⁶.
- The vouchers are valid for between 15-27 days following the distribution, depending on the stage during the distribution cycle the recipient receives their vouchers.
- The vouchers are restricted for use on food only. There is a tailored price list for each contracted vendor, based on the food commodities they sell and an agreed appropriate price range for each food commodity. These price ranges are set in accordance to cross-checking by the GOAL markets team with market price monitoring for the same type of food commodities.
- If the prices that a vendor wishes to sell the agreed commodity/commodities at to voucher beneficiaries exceeds the pre-agreed acceptable price range/s, the vendor must contact GOAL to re-negotiate the price range/s.
- GOAL allows contracted vendors for the voucher programme to submit invoices for redeemed vouchers once a week for payments.
- Vendors are paid by GOAL's financial service provider upon receipt of invoice and verification of supporting documents, including redeemed vouchers. Vendors are paid in SYP.
- Due to the pace of the SYP depreciation, GOAL provides adjusted payments for vendors to ensure they are not affected by exchange rate losses from

¹² Ibid

¹³ Out of the six key informant interviews with peer agencies operating in North-West Syria, four agencies set or used to set, their vouchers in USD, one agency sets their vouchers in either USD or SYP, depending on who their partner organisation is, and one agency does their vouchers in SYP but is also looking to re-assess that approach.

¹⁴ 100USD as from July 2020. Prior to this, the transfer value was 120USD.

¹⁵ The value of cash for winterisation needs is based on the average cost a household spends on fuel for the 40 coldest days. This tends to be approximately 120 USD, 0.5 USD per litre.

¹⁶ Based on the average exchange rate as per REACH market price monitoring.

GOAL Syria delivers its food vouchers to approximately 25,000-33,000 households per month.

the time they have submitted their invoice to GOAL to the time when they receive their payment.

- According to previous agreements, if there was inflation by 10 SYP, then GOAL would have to update the price list accordingly. However, this became impractical due to the speed and volatility of the SYP depreciation and the scale of the number of vendors who engage in GOAL's voucher programme. Thus, price lists are updated upon the request of the vendors or in advance of entering into a new or renewed agreement with a vendor.
- GOAL pays its financial service provider in USD

upon receipt of an invoice, for payments issue to its contracted vendors.

GOAL's cash assistance process

- The GOAL emergencies team distributes USD for one-off MPCA or cash for winterisation, using a financial service provider.
- The GOAL finance team pays the financial service provider upon receipt of an invoice, after distribution.
- Payment to a financial service provider is in USD.



GOAL MPCA emergency response cash transfers using USD.

Findings

Challenges of SYP Depreciation

Summary of key challenges in GOAL's voucher programme related to SYP depreciation

- 1. The value of voucher assistance for beneficiaries is eroded between the time the voucher value in SYP is determined, to the time of distribution, and then the time the voucher is redeemed,** there has been further depreciation. This affects beneficiaries' abilities to meet their food needs, as per the intended objective of the assistance.
- 2. The vouchers are restricted to pre-defined food commodities at pre-agreed price ranges.** However, as many commodities are either bought by vendors from suppliers in USD, or else the value of the commodities are indexed to the USD, it affects their ability to pay their suppliers and re-stock as the SYP equivalent of the food commodities is frequently going above the pre-agreed price range, thus requiring permission from GOAL to adjust. Unfortunately, due to the pace of depreciation, the volume of requests from vendors to re-adjust the commodity price ranges and the number of vendors engaged in GOAL's voucher programme, it is not always possible for GOAL to facilitate these requests in a timely manner.
- 3. Vendors are paid by GOAL in SYP.** This means that their ability to re-stock can be affected, as oftentimes, the goods they buy on credit from suppliers are set in USD. From the time they sell the goods in SYP, to receiving payment from GOAL in SYP, there is an exchange rate loss in terms of the equivalent in USD. GOAL provides **adjusted payments** so the value of vendors pending payments is not eroded due to the SYP depreciation from the time they submitted their invoice to GOAL to the time they receive their payment. Yet, there is still exchange rate losses incurred between the time of selling and the time when vendors are allowed by GOAL to submit their invoices. There always must be a minimum of one week in the shopping period before GOAL will accept invoices from vendors. Moreover, the value of their GOAL payment will continue to erode as long

as they keep it in the SYP currency which affects their re-stocking ability, unless the vendors exchange their SYP payment immediately to USD to preserve its value.

- 4. Agreeing exchange rates with the Financial Service Provider (FSP) is challenging.** Payments are made to vendors in SYP via an FSP but the FSP is reimbursed for these payments in USD. In a context of significant daily currency fluctuations, it can be difficult to agree exchange rates.

Challenges for Money Traders

The main challenges faced by Money Traders as per the findings of Ihsan RD's assessment in Idleb and Northern Aleppo are:

1. It is harder these days to get small denominations of USD notes (26% of respondents)
2. There are more counterfeit notes available (16% of respondents)
3. It takes longer to re-stock USD notes these days. (11% of respondents)
4. It is harder these days to get good quality USD notes. (10% of respondents, however there was a relatively high proportion of these responses in Groups 5 & 6 in Northern Aleppo).

According to Money Traders, getting quality notes is only an issue for USD and not for TRY. Although difficulties re-stocking TRY was mentioned as a challenge (6% of respondents), it was significantly less than those who mentioned issues re-stocking USD (11% of respondents).

Challenges for community members

According to Local Councils, the most significant effect that the rapid depreciation of the SYP has had on their communities has been that items which are sold in SYP are becoming increasingly more expensive (56% of respondents). Local Councils¹⁷ also pointed out that many people are exchanging their SYP quickly to USD before there is further loss of its value. In addition, there

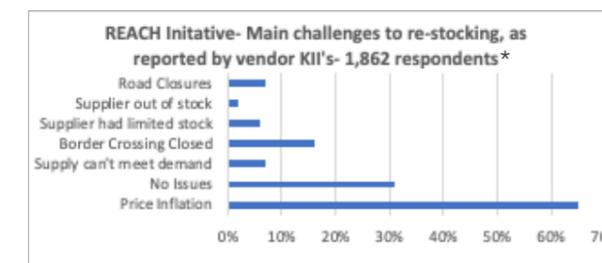
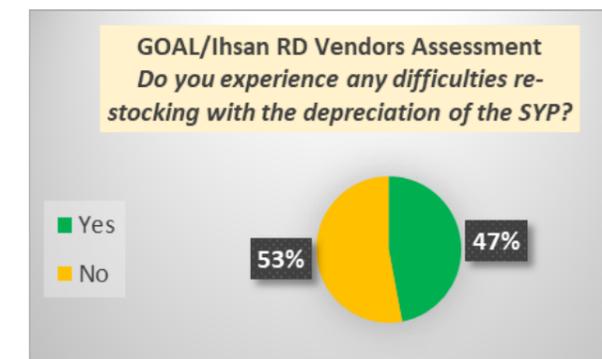
¹⁷ 29% of Local Council April 2020 assessment respondents.

is a continuous loss of purchasing power for community members as the currency of income is SYP, however the prices of goods which are purchased are indexed on the USD or, to a lesser extent, the TRY.

Challenges for vendors

Re-stocking issues

The main effect of the SYP depreciation on vendors has been difficulties with re-stocking. As there is a gap between the time the items are sold and the time when the same goods are re-stocked, during which it becomes more expensive to re-stock the same commodities from suppliers as many of the items are either priced or indexed on USD. The issue of vendor's ability to re-stock has been confirmed with findings from REACH's market assessment and monitoring reports¹⁸.



¹⁸ REACH (April 2020).

* REACH Initiative: Impact Of COVID-19 On Markets In Northern Syria 6th-9th April 2020

Due to the large-scale of GOAL's voucher programme, GOAL sets its commodity price range with vendors when engaging in a new or renewed contract with them.

Commodity voucher pre-agreed price ranges

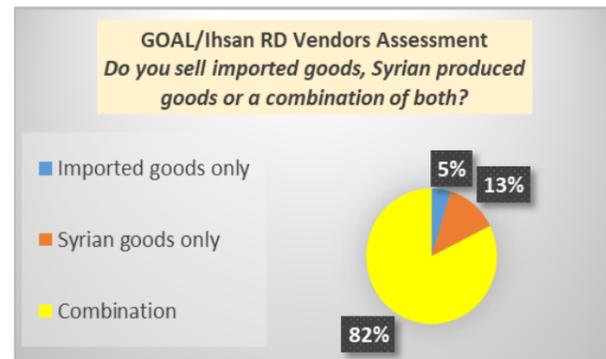
For commodity vouchers which are restricted to certain pre-agreed goods, aid agencies including GOAL have in place pre-agreed price ranges for the commodities based on market price monitoring and the usual selling prices of the contracted vendor. The range is to give enough flexibility to account for different brands and sizes of the commodity in question. However, if market monitoring finds that these vendors are selling commodities at a higher price just for voucher beneficiaries or that the voucher commodity prices are not in line with the average market prices, vendors will face penalties. Most of the peer agencies spoken to set their pre-agreed commodity ranges with vendors approximately two weeks before the voucher distribution. However, it must be noted that the scale of peer agencies voucher programmes is more limited compared to GOAL's. Due to the large-scale of GOAL's voucher programme, GOAL sets its commodity price range with vendors when engaging in a new or renewed contract with them. GOAL used to commit to revising the commodity price ranges if market monitoring finds there has been a more than 10SYP increase above the upper end of the price range. However, due to the rapid SYP depreciation, this has not been feasible for GOAL to carry this out, given that prices are changing as rapidly as multiple times in a single day and GOAL has over 400 contracted vendors in its voucher programme. As a result, GOAL adjusts commodity price ranges only when requested by the vendor while continuing to monitor market prices, or in advance of entering in a new or renewed vendor contract. This remains a significant operational issue for GOAL and its contracted vendors who require the flexibility to sell their goods in-line with inflation, so they can have the capital required to re-stock the same commodities.

Usage Of Currencies

Reliance on foreign trade

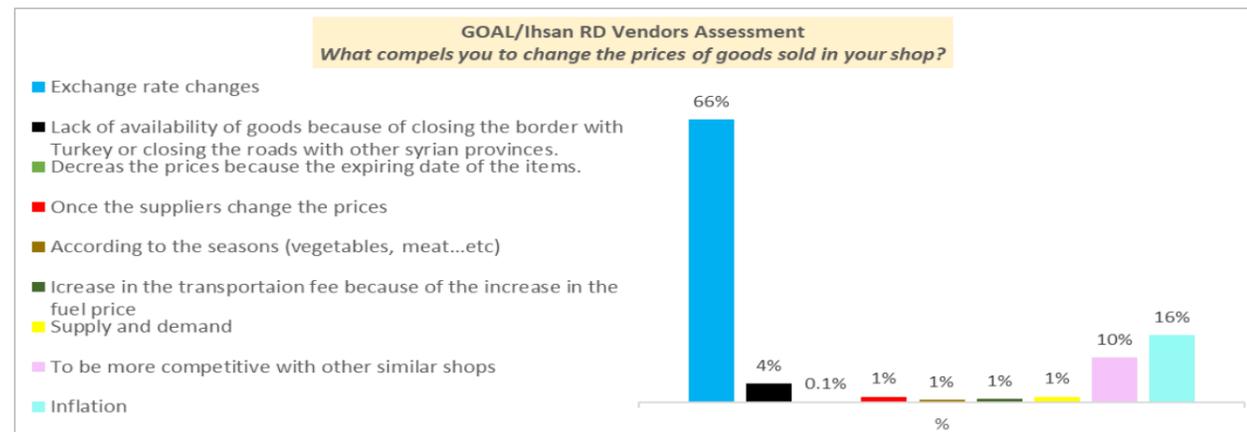
In terms of trade in North-West Syria, the region is dependent on imports, primarily with Turkey¹⁹, irrespective if it is Northern Aleppo or Idleb. According to the vendor's assessment, the number of vendors whose trade is a combination of imported goods/Syrian goods is almost the exact same in Northern Aleppo areas as the other areas, which points to well-integrated markets in North-West Syria. Goods that are imported are not limited to goods that are unavailable locally. Rather, imports are used to expand consumer choice as well as supplier choice. According to REACH, imports include a variety of basic needs commodities such as bulk foods and hygiene products²⁰.

According to most of the vendor respondents (49%), the selling of imported goods has remained mostly at the same level compared to three months ago. However, amongst those who said they were selling more imported goods (28% of respondents), the reasons given was the increased demand due to the influx of IDPs and the increased availability of imported goods, which points to the ease of trade across the Turkish borders. Even during COVID-19, with some restrictions on trade with Turkey, this has not yet significantly affected the markets in North-West Syria. Instead, the main issue affecting the North-West markets is the continued depreciation of the SYP and the inability of vendors to re-stock. This is affirmed as the core reason for those vendor respondents who stated that they had decreased trading of imported goods in the past three months²¹.



Consumer purchasing

A consistent finding from assessments with multiple stakeholders and secondary data is that purchasing of goods by community members is done primarily in SYP, even in Northern Aleppo areas²². Ninety-six percent of assessed community members reported purchasing goods in SYP and 4% reported using USD²³. According to community members and Local Councils, the payment of goods directly in USD is mainly for expensive commodities that are imported such as electronics, household appliances, alternative energy materials (e.g. solar power equipment) and communication



¹⁹ IOM (2020); pages 39-40.

²⁰ REACH (February 2020).

²¹ 23% of vendor respondents said they are selling less imported goods compared to three months ago

²² This was a finding in "GOAL Cash Delivery Mechanism Assessment", November 2019. 96% of surveyed community members in April 2020 said they purchase goods in SYP. All surveyed Local Councils except for Al Bab Local Council said that SYP is the currency that most household uses for purchasing daily household commodities. Al Bab Local Council stated that USD is used by households, however this is not consistent with the Al Bab community members responses which had a significant majority answering SYP, for both payment of household commodities and payment of community services.

²³ According to surveyed vendors, the majority answered that between 91-100% of their business income was received in SYP in the past month.

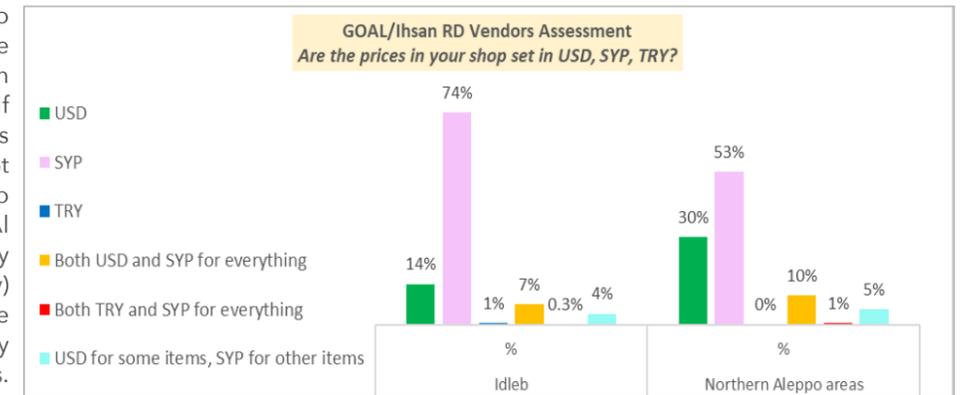
hardware (e.g. mobile phones). According to vendors who receive dollars, it only forms a small portion of their business income- mostly in the 1-10% range. Most people pay for their community services (such as public sanitation services) using SYP (90%) with only 10% of people using dollars.

Currency of displayed goods in markets

In line with the predominant currency used for purchasing goods, the prices of goods are most often displayed to consumers in SYP. This is also the case for assessed Northern Aleppo areas. At times, goods are priced in dollars. This is more common in assessed areas of Northern Aleppo than in Idleb. In terms of usage of foreign currencies, it is interesting to note, that of the assessed vendors in Northern Aleppo, prices are not commonly displayed in TRY²⁵.

Consumer purchasing- use of TRY

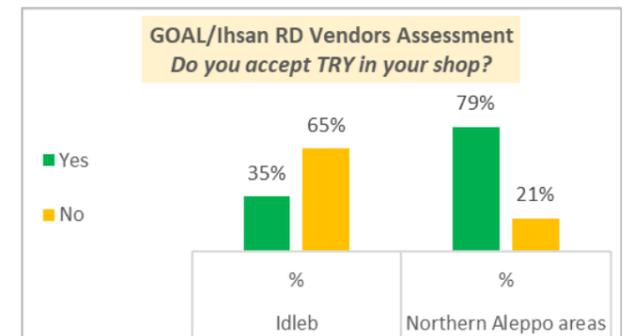
The use of TRY for purchasing and paying for community services in assessed groups is minor or non-existent when compared to the SYP. Even in Northern Aleppo areas, dollars are more predominantly used than the TRY. When asked if people purchase any goods in TRY, all locations except Al Bab and Yazibag Camp in A'zaz said no. Even in Al Bab and Yazibag a minority (23% and 15% respectively) of the respondents use TRY for purchasing daily household commodities. The only location that pays community services in TRY is in Al Bab, and this is only from 3% of community respondents. All Local Councils, including those in Northern Aleppo areas said there are no goods/services that are purchased in TRY only.



There were no significant differences in currency used for purchasing goods and services when disaggregated by sex, age, and beneficiary status. Although community member payments of goods and services occurs mostly in SYP in all areas, it is imperative to note that **many of the goods or services that are purchased are indexed on USD or TRY**. This was a consistent finding that is triangulated from peer agencies experiences, IOM²⁴ and the GOAL/Ihsan RD vendor assessments. Moreover, it has been reported that even the values of Syrian produced goods and services (such as rent) are indexed in USD, to retain their value and reduce issues relating to SYP depreciation when vendors pay their debts to wholesalers or producers

Vendor acceptance of foreign currencies for payment

Vendors in North-West Syria commonly accept foreign currencies, as affirmed by GOAL/IhsanRD community assessment data and supported by findings from REACH Initiative who found that "vendor KII's for all four item types²⁶ reported accepting foreign currencies²⁷." Ninety percent of community members assessed by GOAL and Ihsan RD said vendors accept USD as payment. The high acceptance rate of USD is affirmed by the vendor responses- 83% said they accept dollars.



²⁴ IOM (2020); page 35.

²⁵ According to GOAL/Ihsan RD vendors assessment findings, as per April 2020.

²⁶ Bulk food, fresh food, hygiene items and fuel.

²⁷ REACH (February 2020); page 2.

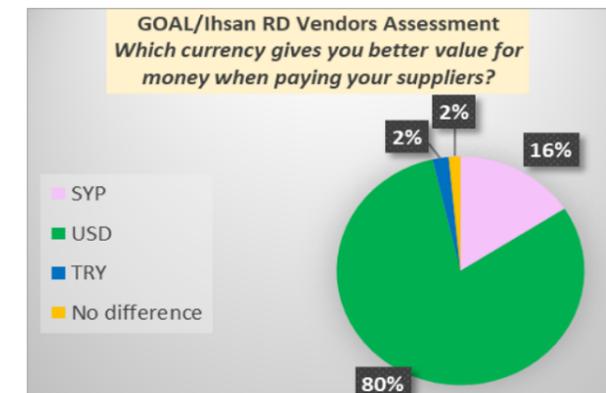


Cash transfer distribution, credit to Ihsan RD.

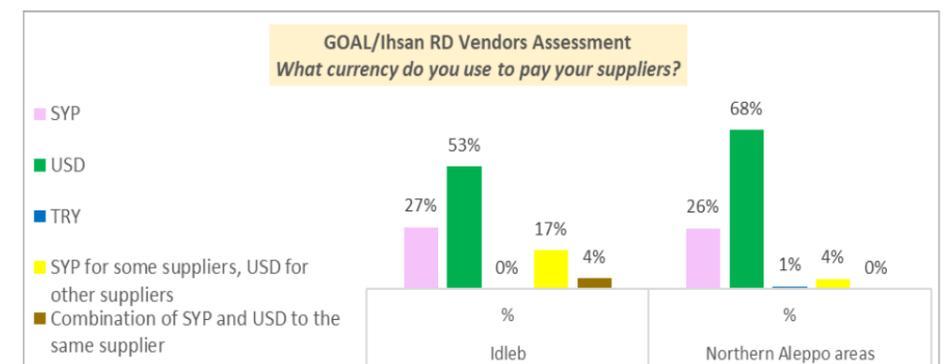
Although some vendors also accept TRY, it is less common compared to USD acceptance, except in Northern Aleppo areas, where acceptance of USD and TRY by vendors is mostly equal. According to REACH, vendor acceptance of TRY and USD is especially "...widespread in sub-districts along the Turkish border. This pattern was especially evident in Dana sub-district, where the Bab Al-Hawa border crossing connects North-West Syria to Turkey²⁸."

Currency vendors use for purchasing supplies

USD is the predominant currency used by vendors to purchase goods from their suppliers, as vendors (80% of the respondents) perceive that using **USD gives them better value for money** compared to using TRY or SYP. The use of dollars in the supply chain features strongly



in both Idlib and Northern Aleppo, however there is relatively greater use of the USD in Northern Aleppo. According to the vendors surveyed by GOAL/IhsanRD, twice as many vendors in Idlib pay their suppliers in USD compared to SYP, and twice as many suppliers' prices (41%) for Idlib vendors are set in USD for all of their goods, rather than SYP, when only 22% of suppliers set SYP prices of all of their goods. Secondary to this in Idlib, 37% of suppliers set their prices either in USD or SYP, depending on whether the goods are imported. In Northern Aleppo, 68%



Vendor Currency Usage

"Vendors also guarantee the value of their capital by exchanging it [SYP] into USD on a regular basis."

(IOM: 39/40)

of vendors pay their suppliers in dollars and 65% of vendors suppliers set the prices for all of their goods in USD. However, even this strategy seems to be changing due to the rapid SYP depreciation. While 65% of Idlib vendor respondents did not think that there has been any changes of note concerning the usage of foreign currencies in their business in the past six months, 32% of the respondents felt that **suppliers more often require payment from vendors in USD**. The situation in Northern Aleppo is much more pronounced as 60% of vendors said that more suppliers are more often requiring payments from vendors in USD. When probed, it emerged that **the increased demand from suppliers for payment in dollars is from suppliers of both Syrian produced goods as well as imported goods**. This shows that the utilisation of foreign currency in the supply chain is no longer limited to imported goods only, but also locally and nationally produced goods to guarantee their value. When vendors were asked what currency they would use to pay their suppliers if they received USD, 90% responded they would pay suppliers in USD, with only 10% saying they would exchange it to SYP and pay suppliers in SYP.

²⁸ Ibid.

TRY in the supply chain: According to assessed vendors, it is rare for suppliers' prices to be set in TRY, and when it does occur, it is only in Northern Aleppo areas, despite the reliance on Turkish trade throughout all of North-West Syria. USD is much more commonly used through the supply chain, particularly in Northern Aleppo areas. Even if vendors were to receive TRY from their customers, most Idleb based vendors would exchange to USD and pay their suppliers in USD. While there was a higher proportion in Northern Aleppo areas who said in that case, they would pay their suppliers in TRY, still, twice as many vendors said they would also exchange it to USD to pay suppliers in USD rather than TRY or SYP.

Process for consumers for purchasing goods using foreign currencies

Purchasing in USD: When someone chooses to purchase goods in dollars, the most common practice is for the goods to be displayed in SYP by the vendor, the USD cost to be calculated at the till using the vendors daily exchange rate and for change to be given in SYP²⁹. The key issues that vendors face when someone purchases goods in USD is that the vendors do not have change available in USD. Secondary to that, according to the vendor assessment, the customer does not understand the exchange rate used in the shop.

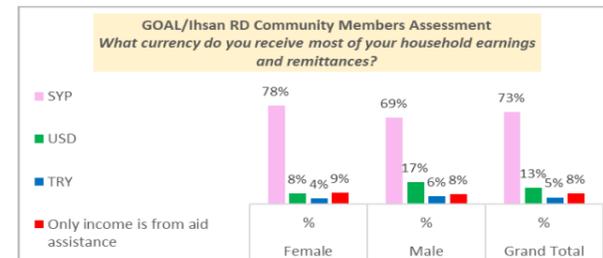


Purchasing in TRY: Purchasing goods in TRY is rarely done. When it does occur, unsurprisingly it is mostly in Northern Aleppo areas, although it must be noted that people prefer to purchase in USD rather than TRY if not using the default SYP. The practice for purchasing in TRY is the same for the use of the USD. The main issue that

vendors experience when someone tries to purchase in TRY is the unavailability of change in TRY, even in Northern Aleppo areas. Secondary to that is there are additional costs to the vendor who then must exchange the TRY to another currency to pay suppliers and other business costs.

Currency of community members household income

Community members receive most of their household



income (excluding aid assistance) in SYP, as confirmed by the community members assessment and the Local Councils. This was also a key finding of the 2016 GOAL/IRC currency assessment, so despite the SYP depreciation, this has not shifted the predominant currency of household income. There is no significant age or gender differential in terms of receiving income in SYP. However,

twice as many men compared to women are more likely to receive most of their household income in USD, showing there is a **gender disparity in terms of receiving dollars**. Evidence was not gathered for this gender disparity as it was beyond the scope of the study. Over the years, GOAL has seen a continuous decrease in the purchasing power and therefore rising food insecurity which is in line with the SYP depreciation. The gender inequality in accessing USD highlights the higher vulnerability of female headed households and women in general to food insecurity.

When currency of income is disaggregated by location, the results for Al Bab bucks the trend. In Al Bab, slightly more of the respondents reported that they receive most of their income in USD (41%) rather than SYP (35%). The rest of the respondents in Al Bab either received all their income from humanitarian assistance or else

²⁹ As affirmed by 41% of the surveyed Local Councils and the 45% of the vendors respondents.

received most of their household income in TRY, but this was a relatively small proportion. The Al Bab Local Council affirmed this. Income in USD tends to be from remittances, businesses, or salaries from international organisations such as aid agencies.

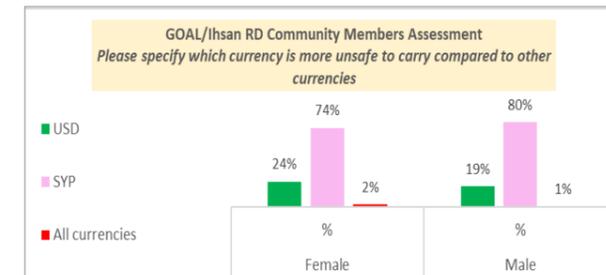
Out of the assessed community members (433 were beneficiaries, 400 were non-beneficiaries), 8% of them responded their only household income is from humanitarian assistance. Therefore, when a household receives humanitarian assistance, it forms only one part of household income. Given that half of the surveyed community members were beneficiaries (using purposive sampling), one can reasonably expect that the average proportion of household reliance on humanitarian aid assistance in a given community is much lower than 8%. Thus, **providing humanitarian assistance in a foreign currency is unlikely to distort market dynamics and negatively affect non-beneficiaries**.

Protection, Gender and Access Issues

Perceived/actual risks attributed to specific currencies

Is one currency inherently riskier to receive/handle compared to another currency?

A concern that was raised by internal and external key informants was the possibility that distributing a foreign currency may increase risks to beneficiaries and staff if the foreign currency is perceived as more attractive. Local Councils, beneficiaries, non-beneficiaries,



vendors, and Money Traders were asked for their perceptions if there is a specific currency that is seen as having more associated risks compared to others. Across all stakeholders, approximately two-thirds of the respondents believe that there are **no heightened risks that can be attributed to one specific currency over another**. This was also the consistent majority finding amongst community members, even when disaggregated by sex and age groups. For the quarter of respondents who did perceive one currency as riskier than others, most of these respondents feel it is **SYP that attracts higher risks**³⁰. The primary safety/security risk attributed to carrying/handling SYP relates to theft³¹. This may be due to the sheer volume of notes one is required to handle when receiving/handling SYP as, despite the rapid inflation of SYP prices, the Syrian Central Bank has not been creating new, larger denominations. A secondary risk that was identified from community members and Money Traders respondents for handling/receiving SYP was kidnapping. This seems to be a threat that is specifically heightened for Money Traders in comparison to community members.

Are there specific groups of people who are more at risk to safety/security issues when receiving cash assistance?

According to Local Councils, the groups of people that are perceived as particularly vulnerable to security risks are older women and men, and women (of all ages).

Are vouchers more likely to be sold by beneficiaries if they are set in a specific currency?

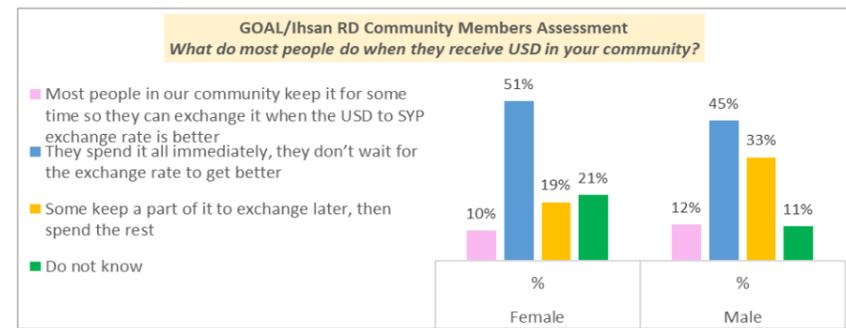
The currency of the vouchers does not affect the selling of vouchers. The most common issues that agencies who do voucher programming in North-West Syria experience are i) beneficiaries selling vouchers to other community members ii) beneficiaries selling vouchers to vendors in exchange for cash or iii) beneficiaries using restricted vouchers for disallowed commodities. Although it should be noted that these issues are still for a minority of voucher recipients overall. However, according to peer agencies experiences, these are issues that are intrinsic to vouchers as a modality, particularly for restricted vouchers.

³⁰ Money Traders who feel that it is riskier to handle a certain currency compared to others mostly felt this safety/security risk was mostly related to theft (77%), with the remaining 23% highlighting the risk of kidnapping.

³¹ Out of the assessed community members who answered that there are risks related to carrying a specific currency, 94% of these respondents answered that the risk is theft of the cash.

Coping Strategies related to holding on to foreign currencies

A concern that was raised during key informants' interviews was the potential that beneficiaries might be hoarding USD received from aid agencies, in order to wait until the exchange rate was even more favourable. While this would not be a negative coping strategy if it occurred, it would call into question aid agencies targeting and intended objectives, where cash is distributed on the understanding that beneficiaries would use it to meet immediate basic needs. However, the results show this concern about keeping USD is mostly unfounded, as almost three-quarters of Community Feedback Mechanism (CFM) respondents said people spend dollars immediately if they receive it.



This was affirmed by peer agencies and Local Councils. When people do hold on to dollars, this is mostly for a short period (up to four weeks).

For those few households who do hold on to their USD before exchanging to SYP, over half (54%) of them meets their basic needs by exchanging a portion of their USD immediately and keeping the rest for a few weeks until the exchange rate changes in their favour. Secondary to this, households either buy goods on credit and repays the debt when the exchange rate gets better, or else meets their households needs during this gap by using their savings. However, this is relatively rare with only 15% of respondents highlighting these strategies. There is no significant gender or age differential related to the strategies used by households during this period.

Debts

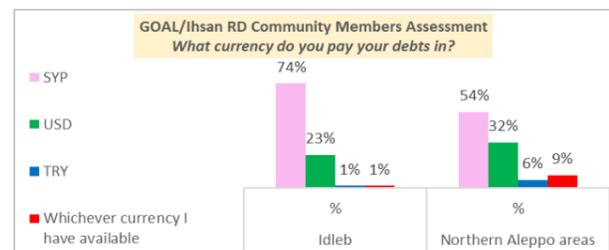
Agencies must consider the impact that the currency of humanitarian cash assistance and the SYP depreciation might have on people's ability to buy goods on credit and repay their debts to vendors, given this is a prevalent coping strategy and the functionality of markets partially depends on people's ability to repay their debts. The reliance on debts is a common coping strategy used by Syrians, that is not specific to those in North-West Syria. **66% of surveyed community members have debts**, with no significant variance when disaggregated by location, age or gender. **Vendors are the primary credit givers for those who have debt**, across all ages, genders, and locations. On average, 58% of assessed vendors allow people to purchase goods on credit.

Second to that is family and then friends who are the main sources of credit³².

According to the assessed vendors, 80% of them set the debts in SYP, and 20% set the debts in USD. None of the vendor respondents set the debts in TRY. **Most people (men and women of all ages) pay their debts in SYP, across all locations.**

Second to this is paying debts using USD. However, there is fluidity in

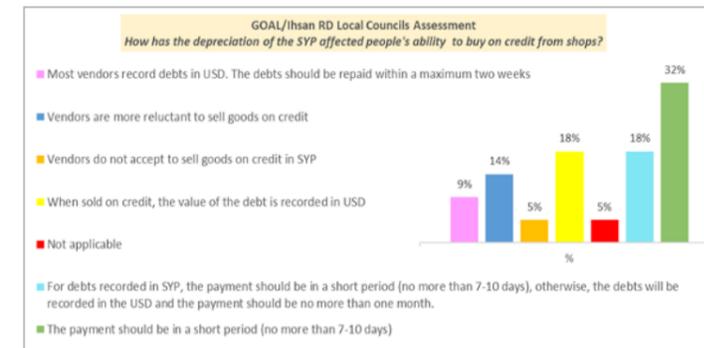
terms of accepted currency by vendors. If someone who usually pays their debts in USD or TRY does not have the foreign currency available, most (67%) affirmed that their creditors will accept SYP instead. Even in assessed Northern Aleppo Areas, people prefer to pay their debts in USD rather than TRY, if not paying in SYP. There is a gender differential when it comes to paying debts in USD. According to assessed community members, twice as many men pay their debts in USD compared to women. This is due to women having relatively less access to USD, as found when household income received in USD was assessed.



³² The locations that have the lowest rates of vendors' acceptance for customers to purchase on credit are in Al Bab and Qalb Lozeh (33%), Darkosh (38%) and Jaundiye (37%).

The primary effect that the SYP depreciation has had on people's ability to buy on credit is that they now have a shorter period to repay their debts. The time required for repayment is reduced, irrespective if the debt is set or indexed on USD or SYP. However, there is an even shorter repayment period when debts are set in SYP (often up to two weeks) compared to USD. If people do not repay their debts that are set in SYP during the repayment period, the vendor will set the outstanding debt in USD. Another common effect of the SYP depreciation on the credit markets has been that vendors are more often setting the debts in USD so that the value of the debts repayments which are often made in SYP hasn't eroded during the repayment period and Vendors have the real value capital to re-stock.

than adopting market support approaches to mitigate the underlying issue which vendors are facing and thereby support market functionality. Although cases of vendor collusion are relatively rare, it is indicative of the impact that the SYP depreciation is having on vendors and the negative impacts they face when engaging in a voucher programme where vouchers are set in SYP. However, in saying that, there is always the risk that some vendors are being opportunistic and utilising the currency situation to their advantage. If voucher values are set in dollars, this will give less opportunity to vendors to engage in opportunistic, fraudulent behaviour or the need to adopt such a coping strategy. Either way, close vendor monitoring and market price monitoring should continue to be a core voucher programmatic activity, irrespective of the currency in which vouchers are set.



Additional fees when exchanging poor quality USD notes

The issue of poor-quality USD notes in North-West Syria is well established amongst stakeholders. It is not the year of the USD notes that is the issue; instead, it is the quality of the notes. Thus, the poorer quality USD notes tend to be those that are circulated the most, i.e. the lower denominations. It has been affirmed by Money Traders (53% of respondents) that often additional fees are charged to people when they are exchanging poor quality USD notes³⁴. The amount of the fee depends on the quality of the note, but it tends to range between 1%-10%. This was stated as the 2nd biggest obstacle that men face and the 3rd biggest obstacle that women face when exchanging USD for SYP.

Indirect costs to beneficiaries when receiving assistance in specific currencies

Vendors elevating commodity prices higher than the market value when vouchers are in SYP:

A key informant shared their experience that on rare occasions, voucher³³ contracted vendors collude with one another to fix the prices of commodities higher than the market rate, to compensate for the loss of income due to currency exchange losses as a type of negative coping strategy. The conventional approach that is taken by agencies including GOAL when this occurs is to penalise the vendors, either by suspending their engagement in the voucher programme or terminating their contracts altogether. However, this has a punitive approach on market actors who are facing an ongoing environmental threat to their ability to re-stock, and thus function, rather

Money traders commission when exchanging USD to SYP

When people receive USD, most of them exchange it immediately to SYP in order to purchase goods and services³⁵. Therefore the value of their humanitarian cash transfer is slightly diminished once the recipient exchanges it, as money transfer agents incorporate their commission in the exchange rate. According to 41% of the assessed Money Traders, this commission fee tends to be 1% of the amount exchanged, although there was a wide range reported by the remaining 59% of respondents which ranged from as low as 0.4% to as high as 4% of the value exchanged. According to the Money Traders, the exchange rate commission that they charge has not been changed in the past six months due to the SYP depreciation.

³³ When vouchers values are in SYP.

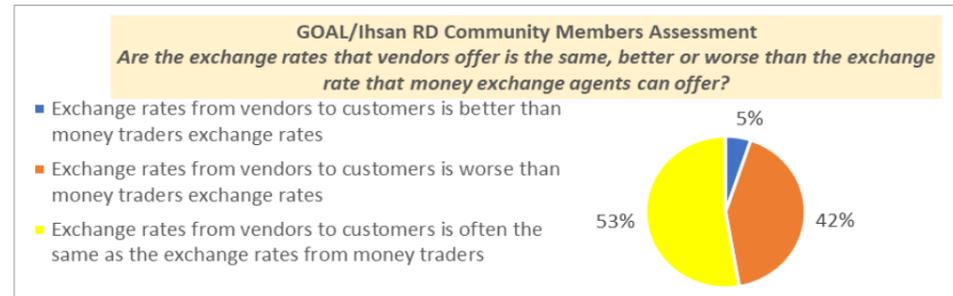
³⁴ 47% of the assessed Money Traders said they do not charge a fee for exchanging poor quality USD notes.

³⁵ As evidenced by data from community and Local Councils assessments which asked what people do when they receive USD, as well as peer agencies experience.

Exchange rates used by vendors when people purchase in a foreign currency

Although most people purchase goods in SYP, it is important to understand if the exchange rates the Vendors use are perceived by people to be better, worse

same as the exchange rates used by Money Traders. There is no significant differential according to age or gender. This implies that vendors do not appear to be using their exchange rate to 'cheat' particular groups of people, such as women or older people. Secondary to this, people perceive vendors to use exchange rates that are worse than Money Traders exchange rates, thus implying a higher cost when using foreign currency (in the form of cash or vouchers) when purchasing commodities. It is most likely for this reason why people exchange their USD cash to SYP before purchasing, despite the additional



or the same as the exchange rates that Money Traders use as this will inform whether there are potentially higher costs for beneficiaries who receive USD (or TRY) and wish to purchase using this foreign currency. Likewise, we need to understand if beneficiaries who receive vouchers valued in dollars are at risks of higher transaction costs or being cheated by vendors if the commodities are displayed in SYP and calculated in USD at the till using the vendors daily exchange rate. According to assessed community members, the majority (53%) perceive the exchange rates used by vendors to be the

time it takes to go to the Money Traders.

Obstacles faced by women and men when exchanging SYP to USD

According to women and men who attended the GOAL CFM centres and responded to the community members assessment, most women, as well as men, do not face any obstacles when exchanging SYP for USD. When women and men do face³⁶ obstacles, the main obstacles they face, disaggregated by gender are:

	Female CFM Attendees	Female respondents- Community Members Assessment
1	No obstacles	No obstacles
2	Must pay for transportation to go the Money Trader	Unclear how the exchange rate is set
3	It takes more time to go to the Money Trader	Must pay additional fees to the Money Trader to exchange poor quality USD notes for SYP
4	Must get someone to accompany me to go to the Money Trader	It takes more time to go to the Money Trader
5	Must get someone to look after my children when I go to the Money Trader (joint 5th)	Must get someone to look after my children when I go to the Money Trader
6	Must ask a neighbour/relative/friend to go to the Money Trader to exchange USD for SYP on my behalf (joint 5th)	Must get someone to accompany me to go to the money trader

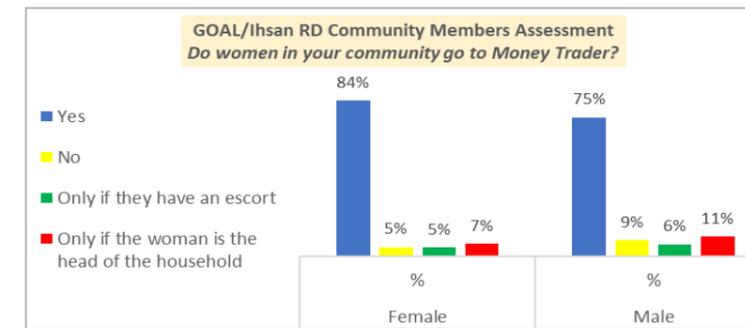
³⁶ In order of majority portion of responses.

	Male CFM Attendees	Male respondents- Community Members Assessment
1	No obstacles	No obstacles
2	Must pay for transportation to go the Money Trader	Must pay additional fees to the Money Trader to exchange poor quality USD notes for SYP
3	It takes more time to go to the Money Trader	Unclear how the exchange rate is set
4	I must get someone to accompany me to the Money Trader	It takes more time to go to the Money Trader

Access to exchange/hawala offices

Gender: Most women can freely access exchange/hawala offices, even if they are not the head of their household or do not have a male relative accompanying

transferring or exchanging cash because there are Hawalas/Money Traders in most villages; therefore, they are easily accessible. There have not yet been restrictions on movement-related to COVID-19 in North-West Syria, or any confirmed COVID-19 cases (as of July 2020).

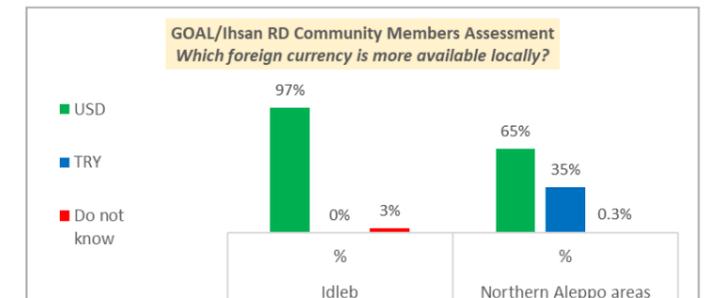


Accessing USD and TRY

Most people who receive USD or TRY receive it from remittances, income from a business they operate, salaries or humanitarian assistance³⁸. There are variances in the majority answers when disaggregated by location in the proportion of the population who receives their USD from the aforementioned sources. In terms of accessing foreign currency, most access USD rather than TRY, even in Northern Aleppo areas. This is due to greater acceptance of

them. For those women who do not go to exchange/hawala offices, it is due to cultural norms. A participant in a North-West CWG meeting³⁷ raised a concern that women were receiving unfair treatment at exchange/hawala offices in terms of less favourable exchange rates. However, according to GOAL's and Ihsan RD's community members assessment, this concern is unfounded. 96% of female respondents and 95% of male respondents believe that men and women are treated equally by Money Traders.

USD as a preferred foreign currency compared to the TRY as well as relatively higher availability. There is also gender disparity when it comes to accessing USD, as twice as many men than women report accessing USD.



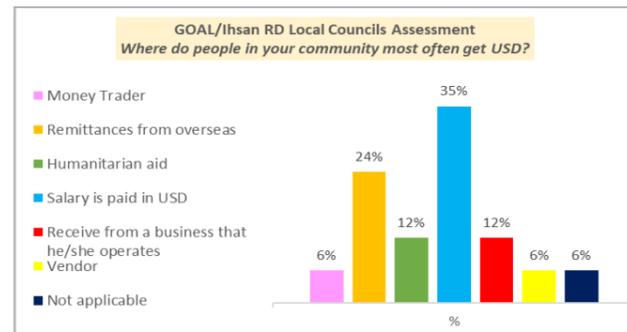
Physical access: According to GOAL's November 2019 cash delivery mechanism rapid assessment, most villages have Money Traders present, especially in large towns. 86% of community members say there is no problem/no barrier with

³⁷ 11th of March 2020 North-West Cash Working Group meeting.

³⁸ As affirmed by assessed Local Councils and Community Members, in no particular order.

The effect of CVA delivered in a foreign currency on non-beneficiaries

A common concern with distributing USD is that by doing so, aid agencies could potentially affect non-recipients in terms of creating inequalities with market access and distortion of community power dynamics. Although it is a noteworthy risk, has not emerged as an issue from non-beneficiaries themselves. It has not come out as a concern from the peer agencies complaints and feedback mechanisms, GOAL's own CFM, or from non-beneficiary surveys. This is likely due to humanitarian assistance forming only a portion of household income and that according to key informants, USD was a pre-existing part of the economic market environment prior to aid agencies distributing USD, therefore aid agency USD distributions did not cause a new status quo in this regard. Moreover, one peer agency raised the point that the USD that is distributed by aid agencies is most likely a "drop in the ocean" in comparison to informal remittances which community members are receiving in USD.



Preferences

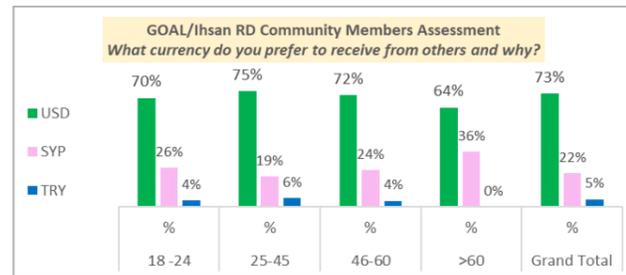
Preferred currency of cash assistance

When there is a choice, there is a **strong preference from community members to receive money in USD**, whether in Northern Aleppo areas or Idleb. This is also a consistent preference across genders and age groups³⁹. This is due to the rapid depreciation of the SYP, the relative stability of the USD and ability of USD to

³⁹ GOAL (2019).

⁴⁰ IOM (2020); page 25.

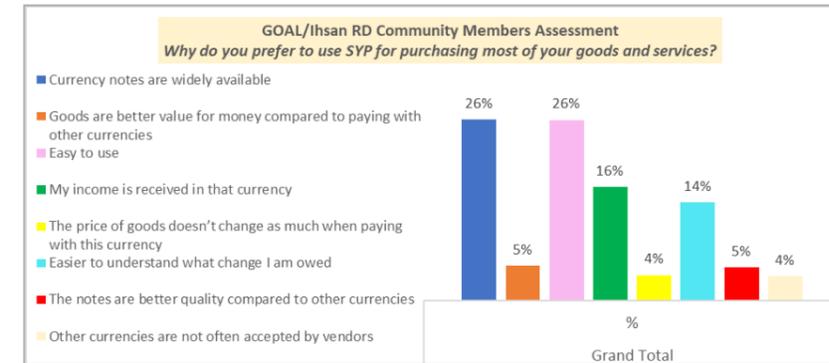
⁴¹ The two Local Councils that did not prefer for cash distributions to be in USD were Ekkdeh camp that responded TRY for cash distributions, and Qalb Lozeh LC that replied SYP for cash distributions.



guarantee purchasing power. For the few who answered they would like to receive money in SYP, this was primarily due to 'ease to use'. Concern about the continuous depreciation of the SYP and its loss of value is of such a high concern to community members, that according to IOM "...when inflation is high, there is an increase in the proportion of people preferring in-kind assistance if cash assistance were to be provided in local currency⁴⁰." **Local Councils in most areas are also very supportive of humanitarian cash assistance being delivered in the form of USD to beneficiaries**, with 88% of surveyed Local Councils stating their preference for USD rather than SYP or TRY⁴¹. Local Councils also prefer the use of the USD for the same reasons put forward by the community members.

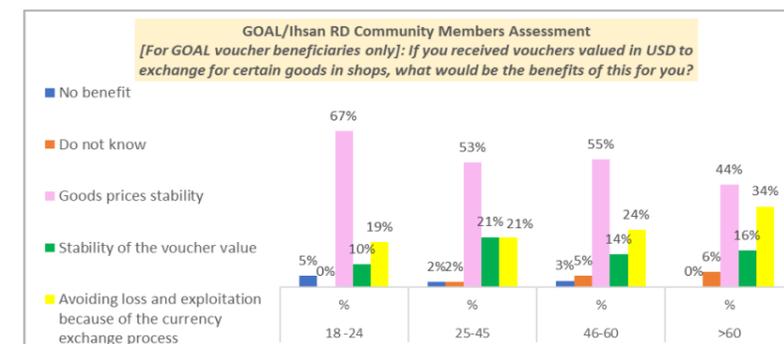
Approximately **two-thirds of vendors would also prefer people to be purchasing goods in their shops in USD** as they say the value is more stable and they do not have to do a currency conversion since the prices of goods are indexed on USD. Although this is vendor's preference, **findings show that most recipients of USD are likely to exchange most or all of it straight away to SYP**. The majority (62%) of community members who attended GOAL's CFM centres stated that they prefer to use SYP for purchasing goods/services, 23% prefer USD, 12% have no preference and only 2% prefer TRY. There was no gender or beneficiary/non-beneficiary status differential. Across all assessed locations, people prefer to purchase in SYP even if they have received aid assistance in USD, as SYP notes are widely available, they find the SYP easy to use and it is easy to understand what change they are owed.

Interestingly, for those that said they prefer purchasing in USD, the reasons given was similar to SYP: notes are widely available and the currency is easy to use. The third reason was that they see it better value to purchase goods in USD than other currencies.



Preferred currency for voucher values

A significant proportion of **voucher recipients prefer for their vouchers to be valued in USD**. This is a consistent preference across all age groups and genders. According to peer agency key informants, beneficiaries prefer having their vouchers set in USD, as they are aware of the depreciation of the SYP and that this is eroding the value of their humanitarian assistance. According to the Cash Working Group WoS Coordinator, an important question we must ask ourselves is "what would be the beneficiary experience of receiving a voucher in USD, rather than SYP". While it would undoubtedly be easier for the beneficiary to use the voucher if it is set in SYP, **according to assessed community members, retaining the value of the vouchers is a higher priority for them than ease of use of the vouchers**. This is consistent for men and women as well as older people. Ninety-one percent of assessed community members did not identify any issues if they received vouchers with values in USD. Local Councils also prefer for voucher values to be in USD rather than SYP or TRY⁴² and 93% of GOAL contracted vendors said they would accept vouchers that have USD values; therefore **acceptance from local authorities and vendors should not be an issue if GOAL shifts its vouchers from SYP to USD**.



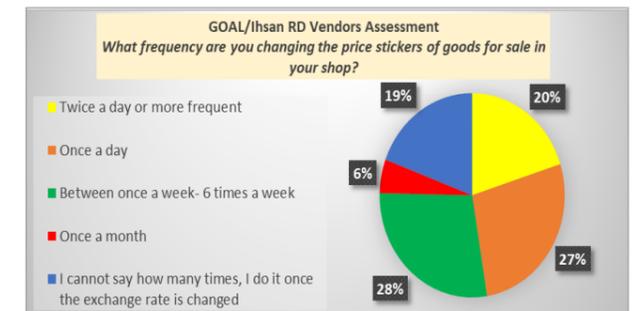
⁴² Ninety-four percent of Local Council respondents stated their preference for vouchers values to be in USD. Only 6% of Local Council respondents prefer voucher values to be in TRY.

Operational Considerations

Procurement of vouchers

From peer agency Key Informant Interviews (KIIs), one of the respondents mentioned that an operational issue they face is the time-lag from establishing the vouchers transfer value and ordering the vouchers, to the distribution of

the vouchers and redemption of them by the beneficiary. According to this agency, paper vouchers often must be ordered 4-6 weeks in advance of the distribution. Therefore, by the time the SYP vouchers are delivered, distributed, and redeemed, there can be significant

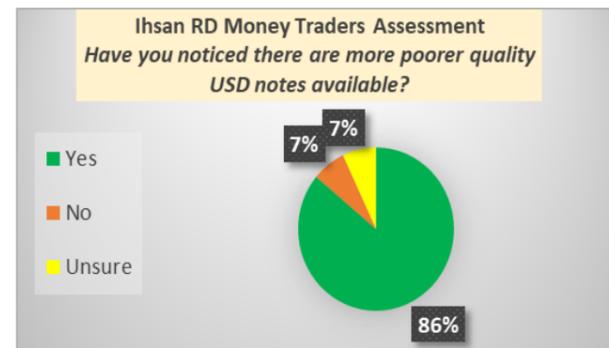


fluctuations during this period, which means the value of the voucher has eroded for the recipient. According to vendors, Local Councils and community members, most goods display prices are changing at a minimum six times a week up to twice a day or even more frequent. An alternative approach that some aid agencies such as GOAL are pursuing is to bulk procure vouchers including an excess buffer amount, however, there is the risk of

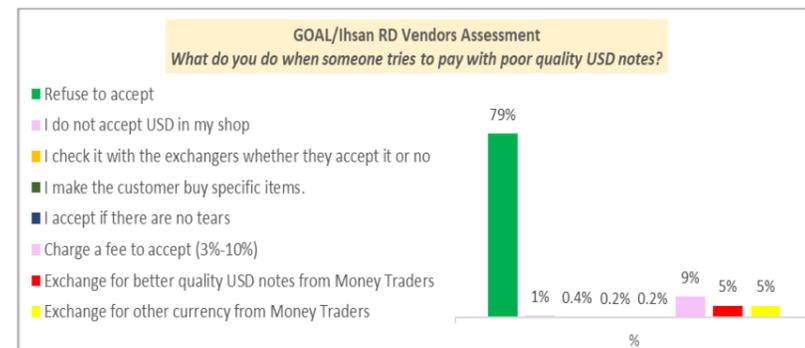
these stockpiled vouchers going to waste if they are not used, and their design is time-sensitive, i.e. a specific colour or serial number for individual rounds.

USD notes availability, quality, and mitigation measures

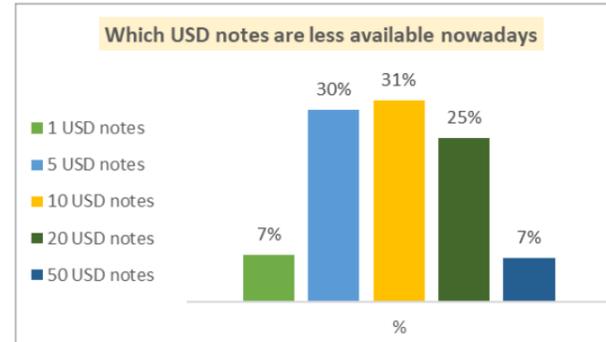
The main operational issue that humanitarian agencies who use USD for their CVA are facing is the lack of availability of certain USD denominations and the poor quality of certain USD denominations. The constant circulation of certain denominations and poor handling is the main reason given by Money Traders, Local Councils and vendors for **poor quality notes** which is compounded by Syria's inability to circulate new USD notes in the economy. The consequences of beneficiaries receiving poor quality USD notes can be that they are unable to use them for purchasing goods/services, unable to exchange them with the Money Trader or else they are charged a fee in return for their acceptance.



The **limited availability of USD notes**, particularly 1USD, 5USD, 10USD and 20USD notes were highlighted by peer agency key informants and affirmed by Money Traders, vendors, and Local Councils. Additionally, these are also the notes that are found to be of relatively poor quality due to their frequent circulation.



According to REACH data, there are significant variances between areas. For example, in some areas, 100% of the surveyed informal exchange vendors reported limited availability of 1USD notes. But in other areas, 0% of the informal exchange vendors reported any difficulties in obtaining 1USD notes. The main reason for limited availability according to REACH data was "increasing prices⁴³".



The lack of availability of smaller USD denominations emerged as the main concern for vendors across all areas if community members started purchasing more often using USD. However, as highlighted on page 28, beneficiaries receiving cash assistance in USD will likely exchange their USD to SYP rather than buying goods directly using the dollars. According to IOM, the availability of foreign currencies in North-West Syria is likely to be reliant on transactions of Hawala agents who use "...cash couriers cross-border to settle some of their accounts, eventually bringing in physical USD currency into North-West Syria⁴⁴." Thankfully, the movement restrictions across the border with Turkey due to COVID-19 has not yet emerged as a factor for limited USD notes availability at the time of data collection in April 2020. The availability of USD notes depends on the scale of the distribution, the liquidity of the Hawala, and the notice period given to the Hawala.

All the peer agencies interviewed stated that at times, **they distribute a small portion of their cash assistance in SYP if they are facing difficulties securing certain USD denominations.** According to their experiences,

⁴³ According to 63% of the informal exchange vendors surveyed by REACH North-West Syria Supply Analysis. REACH Initiative carried out a survey in February 2020 with 188 informal exchange vendors in 30 sub-districts in North-West Syria regarding limited stock of USD.
⁴⁴ IOM (2020); pages 39-40.

operationally this is straightforward, although one agency raised that getting three quotations for USD: SYP exchange rates can slightly delay the process. Another measure that some are adopting when there is a shortage of certain USD denominations is to **group households together to receive their cash assistance, and then it is up to households to split the cash afterwards.** Although operationally, this is an effective solution, programmatically, this can create protection issues amongst community members. To effectively reduce the potential protection risk, households would need to self-select in advance who they will 'group with' to receive the cash transfers. Then the groups would need to ensure they are together at the distribution, which also may be logistically challenging. It also would not be suitable for newly displaced households who may not yet have established strong relationships and trust with their fellow displaced neighbours or the host community neighbours. A thorough understanding of community power dynamics and strong community relations is required. According to this agency, complaints were received after the distribution from the community members related to issues with sharing the cash, therefore the preference is to opt for the approach of having a small portion in SYP.

Repeat cash transfers - USD notes availability/quality

According to the peer key informant interviews, all agencies that are doing repeat cash transfers in USD did not feel that there was an exacerbation of USD notes lack of availability compared to one-off transfers⁴⁵. From their experience, the dominant factors that affect USD availability for distributions are a) notice given to the hawala to secure the notes, b) the transfer value per household (as that determines what denominations are required) and c) the scale of the cash distribution.

Vendor payments

Two issues have been identified with paying vendors in SYP. The first is the sheer volume of SYP notes that is required for vendor payments and the associated risks this can pose. Given that when stakeholders including vendors attributed increased risk related to handling/carrying a specific currency, this was mostly attributed to SYP, thus one must consider the potential risks that come with paying vendors in SYP. One of the peer agencies who do their vouchers in SYP and pays their vendors in USD mentioned that one payment to a vendor can be "millions in SYP, which means a huge number of notes."



⁴⁵ Humanitarian agencies that are operating in NW Syria that deliver repeat cash assistance tend to have their cash assistance up to 3 months.

A second issue with paying vendors in SYP is the difficulty they face in re-stocking due to the depreciation of the value of their payments from the time they sold their items, the time they are paid and the time they can re-order from their supplier. Vendors can submit their invoices to GOAL for payment of vouchers they have received once a week, during the redemption period. However, vendors want to shorten the period in which they can submit their invoices, given that adjusted payments will only be made based on the exchange rate from the day the invoice is given to GOAL, thus there must be at least one week lapsed between the time their goods are sold to the time of submitting their invoice. However, with over 400 contracted vendors and growing, this would be too resource-intensive for GOAL's finance to facilitate vendors requests.

Finally, an issue that is often occurring is when both SYP and USD is used in the voucher process. While vouchers are currently set in SYP and vendors are paid in SYP, the financial service providers are paid in USD for the SYP payments to vendors. Therefore, the negotiation of exchange rates in the programme cycle is unavoidable unless all stakeholders to be paid in the programme cycle are paid in the same currency.

Payments through PTT

One of the issues identified from the peer agency key informant interviews regarding the use of PTT for USD cash distributions is that PTT will only allow agencies to withdraw either completely in TRY, or else partially in TRY and USD. When it is a combination of TRY and USD, it appears that the ratios are dependent on the agency's agreement with PTT, and this ratio is often not consistent. As a result, some agencies must then exchange the withdrawn TRY into USD, so they can distribute in USD to beneficiaries. This means that there are considerable exchange rate losses, as they incur fees both with the initial transfer to PTT and then the second exchange of the TRY to USD inside Syria.

Mitigation measures for SYP vouchers

A variety of mitigation measures are employed by GOAL and other peer humanitarian agencies for vouchers with values set in SYP to mitigate the effects the SYP depreciation is having on recipients and operations. The most common mitigation measures are:

- **Top-up vouchers.** Extra vouchers are pre-positioned. If the transfer value that was initially set for the vouchers to be distributed were no

longer the equivalent of the USD SMEB value, the aid agency would activate the required extra top-up vouchers and incorporate them into their distribution. Or else, the aid agency would distribute them later to beneficiaries if the issue later emerged. However, operationally this was challenging for them, as there was a separate process for the authorisation and tracking and payments of these top-up vouchers, which increases the workload of the team and makes it resource-intensive to administer. Moreover, one NGO found that because the issue of SYP depreciation was so prevalent, they were increasingly reliant on the use of the top up vouchers, rather than using them for occasional, emergency use. Moreover, there is the risk that in the strive to support responsive, adaptive voucher programming by procuring extra paper vouchers, too many vouchers will be obtained. If the vouchers are printed in a manner that makes them time-bound, for example, certain unique serial codes or colours for specified rounds, they will go to waste if they are not needed.

- **Buffer rate for transfer value.** On average, GOAL sets its transfer value of the vouchers for two months at a time. This means that the transfer value is set a minimum of 1 week in advance of a distribution, a maximum of seven weeks in advance of a distribution. GOAL adds a buffer value to account for exchange rate fluctuations from the time the transfer value is set, to the time of voucher distributions and spending. However, the exchange rate used as the basis for establishing the voucher values can be up to two months old. Given the rapid SYP depreciation, there is a risk that the buffer value that is set as far as two months in advance will not be sufficient to cover exchange rate fluctuations by the time the beneficiaries receive and redeem the vouchers.
- **Adjusted payments to vendors.** GOAL does **adjusted payments** using the exchange rate from the date the vendors invoice is submitted to GOAL to minimise the impact of exchange rate losses on vendors in case of delays in processing Vendors' payments. However, there is still exchange rate losses incurred between the time of selling and the time when Vendors are allowed by GOAL to submit their invoices. There also must be a minimum of one week in the shopping period before GOAL will accept invoices from vendors. Vendors, when needs to re-supply, will pay more for the same commodities due to payment of the depreciation.

Coordination and local authority acceptance

It was explored in interviews with peer agencies if GOAL distributing vouchers with values in SYP creates any coordination issues with other aid agencies who are distributing vouchers in USD. According to respondents, **this does not create coordination issues** since areas of operations are divided up amongst aid agencies, so within areas, there is consistency amongst the communities. According to the peer key informant interviews, it was raised that **distributing cash transfers in TRY** could **compromise stakeholder perception of the aid agency political neutrality**, particularly given that the TRY is not commonly used by community member. Thus, there is the risk this could damage GOAL's community acceptance. Almost all assessed Local Councils (in Northern Aleppo areas and Idlib) were supportive of humanitarian cash assistance being provided in USD and vouchers assistance values being set in USD⁴⁶. When Local Councils were asked what GOAL and other NGO's can do to protect CVA beneficiaries from vendors who give unfair prices, the most common response from local councils was to switch the vouchers in SYP to vouchers in USD.



“the negotiation of exchange rates in the programme cycle is unavoidable unless all stakeholders to be paid in the programme cycle are paid in the same currency”

Policy Changes with the use of the TRY

In the time since most of this study's primary data was collected in April 2020, there has been a concerted effort since June 2020 by local NW authorities to shift to TRY in Northern Aleppo and Idlib. According to the NW Cash Working Group, more vendors are now pricing transportation, fuel, bread, telecommunications, and other basic commodities in TRY⁴⁷. Some Local Councils are encouraging people to shift their savings into Turkish Lira and Idlib University circulated a memorandum regarding the determination of its fees in TRY. Please see Appendix 2 for further information. In addition, according to the NW Cash Working Group, some Money Traders have begun exchanging SYP for TRY and at times, are refusing to sell USD. It is unclear whether this organised policy shift to TRY will, over time, create a de-facto Turkish Lira zone, or if this shift will dissipate if the SYP stabilises or if communities refuse to shift their usual practices of using the SYP and secondary to that, the USD. Thus, the findings of this study are based on the context before these policy shifts to encourage usage of the TRY.

⁴⁶ 88% of surveyed Local Councils prefer for cash assistance to be provided in USD, and 93% of surveyed Local Councils prefer for voucher values to be in USD.

⁴⁷ North-West Cash Working Group "Currency Crisis: impact on communities and humanitarian action advocacy note"; 2020.

Key Findings

1. Retaining the value of assistance (both cash and vouchers) is the most significant concern to people across all genders and age groups. This trumps other concerns/obstacles such as ease of use, additional time, and costs (direct and indirect) required to exchange money. For this reason, community members and Local Councils strong preference is for humanitarian assistance to be delivered in USD rather than SYP or TRY.
2. Despite the SYP continuously depreciating and at times, rapidly losing its value, the SYP is still the currency primarily used for wages.
3. The prices of goods in the assessed areas in Idleb and Northern Aleppo are mostly displayed in SYP and purchasing goods as well as payment of community services in all assessed areas is primarily done in SYP rather than USD or TRY.
4. TRY is not commonly used in Northern Aleppo areas in terms of purchasing goods or paying for community services. While commodity prices are either indexed on TRY or USD in these areas, Vendors prefer to pay their suppliers in USD. The SYP is the most used currency by household, followed by dollars. Debts to vendors are more often indexed on USD rather than TRY in assessed Northern Aleppo areas, and payment of debts in these areas are in SYP or secondary to that, USD.
5. The main issue concerning market functionality is vendor's ability to re-stock due to the SYP depreciation. This is not just an issue in relation to imports, but increasingly the value of Syrian produced goods and services (such as rent) are indexed to the USD in order to mitigate the challenges related to the fluctuation of their value. Whilst CVA programming is still an appropriate modality to serve some of the humanitarian needs in North-West Syria, GOAL should adopt a market support lens to their entire CVA programme cycle to support market forces to meet the needs of communities.
6. A slight majority of surveyed community members (53%) perceive the exchange rates vendors use to determine the prices of goods as the same as exchange rates used by Money Traders. However, a significant portion (42%) of respondents perceive vendor exchange rates as worse than Money Traders. There is the risk that the vendors might take advantage of the situation and cheat recipients on the exchange rate used if people are purchasing goods/services directly using a foreign currency since the prices of goods are mostly displayed in SYP. Vigilance should be paid to the exchange rates vendors are using to ensure they are in line with the market rates.
7. Providing humanitarian assistance in dollars is unlikely to distort market dynamics and negatively affect non-beneficiaries. Disadvantaging non-beneficiaries by distributing USD as humanitarian assistance or setting voucher values in USD has not emerged as a common complaint shared to aid agencies to date, nor has it emerged as an area of concern from non-beneficiary community member respondents. Moreover, very few households in targeted areas solely rely on humanitarian assistance as their only form of income. Rather, it forms only one part of household income. In addition, remittances in USD is one of the main ways in which people access foreign currency. While the scale of informal remittances is unknown, it is generally accepted that it is far greater than the scale of humanitarian assistance.
8. Concerns related to potential hoarding of humanitarian assistance in dollars by beneficiaries is unfounded. Most community members exchange their USD immediately for SYP and purchase in SYP. When people do hold on to USD, it is a portion of it and tends to be for a relatively short time (up to 4 weeks).
9. Generally, there are no increased safety/security risks that are attributed to a specific currency. However, where there are concerns, this pertains to SYP. This is due to the volume of notes that is required to carry/handle and the associated visibility that comes with this.
10. Distributing humanitarian assistance in TRY could compromise stakeholder perception of the aid organisations political neutrality, particularly given that the TRY is not commonly used by community members.
11. For the most part, women can freely access exchange offices and most community members (96% women, 95% men) believes there is no

- difference in terms of the exchange rates that women get from Money Traders compared to men.
12. There is a gender differential in terms of accessing dollars. Women have relatively less access to USD, thus fewer women pay their debts in USD compared with men. Distributing dollars to households including female-headed households may enhance women's access to USD.
 13. Although rare, few vendors are colluding with one another to push their prices above the market average to compensate for currency losses and support their ability to re-stock.
 14. The currency of the voucher values does not affect their potential misuse (such as selling). Rather, the issue of misuse relates to vouchers as a modality, particularly commodity vouchers.
 15. USD is the predominant currency used by vendors to purchase goods from their suppliers, as Vendors (80%) perceive that using USD gives them better value for money compared to using TRY or SYP. If vendors were to receive TRY, they are likely to exchange it for USD and pay their suppliers in USD.
 16. Shortage of lower USD denominations is experienced across the board, but the extent of the shortage and the notes which are affected varies from location to location. This issue is not exacerbated by repeat cash transfers. The influencing factors are a) notice given to the hawala to secure the notes, b) the transfer value per household (as that determines what denominations are required) and c) the scale of the cash distribution.
 17. Poor quality USD notes are particularly an issue for lower denominations due to their frequent circulation. A slight majority of Money Traders charge additional fees when people try to exchange poor quality notes (53%) and vendors will often refuse to accept poor quality USD notes.



Recommendations for GOAL CVA

- GOAL's voucher values and repeat cash assistance should be in USD to guarantee recipients purchasing power and they should be continued to be indexed to the SMEB in USD. The situation should be re-assessed if significant currency shifts occurs. Retaining the value of the cash and vouchers has emerged as a clear priority for all age groups and genders of community members.
- Vendors should be paid in USD. This will streamline operational efficiencies by keeping the currency consistent throughout the voucher programme, and most importantly, it is the most effective markets support approach that GOAL can take to support vendor's ability to re-stock.
- When regular voucher assistance is being provided at scale to the same communities, vouchers should be value vouchers rather than commodity vouchers. Shifting to value vouchers would support operational efficiency by removing the need for aid agencies to negotiate fixed commodity price lists with vendors in a context of rapidly fluctuating prices. However, it should be cautioned that this approach is only recommended when there are enough vendors contracted to ensure there is competition, so market forces will naturally regulate prices and competition will reduce the risk of vendors cheating voucher recipients. If commodity price lists are set in USD, this would mitigate the need to switch to value vouchers from a currency perspective, although the issue of restricted choice and flexibility for beneficiaries would remain.
- Community awareness raising with beneficiaries, Local Councils, and vendors should be undertaken to explain to people why the vouchers will be set in USD and when this change will take effect. This should be carried out in advance of the distribution and during the distribution, and community feedback mechanism staff are briefed on this change.
- There must be investment in building currency literacy in communities, to ensure that beneficiaries are not taken advantage of by vendors or others that may have more experience in using multiple currencies.
- GOAL's market team should work with contracted vendors for voucher programming on a pricing transition process which may start with commodities priced and displaced in both currencies (USD and SYP) as well as displaying the exchange rate, to support transparency. This should be monitored by GOAL and Partners.
- Ensure all voucher assistance in each community is transitioned to USD values at the same time, rather than phasing it within the same communities, as this will cause confusion, and potentially community tensions.
- At cash distributions, GOAL should display the exchange rate of USD: SYP for that day and give the option to people to exchange their USD for SYP at the distribution site, if they wish.
- Distribution teams should check the quality of the USD notes before the distributions and inform beneficiaries during the distribution to check their notes before they leave the distribution site. This should be reflected in the financial service provider contract.
- If specific USD notes are unavailable, then a small portion of it should be distributed in SYP. Ensure the exchange rate that is used for the SYP component is displayed at the distribution site, so people understand if they have received their full assistance and to support currency awareness of recipients. However, transferring a portion in SYP should not become the norm to protect the purchasing power of recipients' humanitarian assistance. Every effort should be made to provide Hawalas agents with sufficient notice to get the appropriate dollar notes in place for the distribution.
- For repeat MPCA (30USD per Household per month), teams may consider distributing two months of assistance per round, as it may be more operationally feasible to secure a 50USD note and a 10USD note (or 10USD in SYP), then trying to secure 1, 5, 10 and 20 USD denominations to make up the total transfer. Given that it is quite a limited portion of the SMEB, it is not envisaged that combining rounds would pose additional liquidity issues, market inflation risks and safety/security risks to beneficiaries and distribution teams.

Appendices

Appendix 1: Peer agency Key Informant Interviews

Organisation
Big Heart
CARE
Cashcap- Whole of Syria Cash Coordinator
Ihsan RD
International Rescue Committee
People in Need

Appendix 2: Policy shifts in relation to the use of the Turkish Lira in NW Syria

The below are a set of announcements and policy shifts in June 2020 relating to the usage of the TRY in Idlib and Northern Aleppo, as gathered by IhsanRD.

Name of the issuer	Type of document	Date of issue	Description of document
Local Council of Azaz	Memorandum	07/06/2020	An invitation to all Merchants and sellers, factory owners and shop owners to shift from the Syrian pound to the Turkish lira.
Local Council of Maree	Memorandum	07/06/2020	An invitation to all Merchants and sellers, factory owners and shop owners and farmers to shift from SYP to TRY.
Craftsmen & Industrialists Association in Jarablus	Memorandum	17/06/2020	Announcement of the price determination for bread subsidized by AFAD in TRY.
Idlib University	Memorandum	22/06/2020	Announcing the determination of the fees in TRY.
Gold Sellers Association in Azaz	Memorandum	03/12/2019	Announcing the determination of the gold price in TRY and determining the difference between buying and selling to be 7 TL.
Local Council of Ariha	Memorandum	22/06/2020	Announcing the determination of the price of water tanks in TRY.
Syrian Salvation Government	Memorandum	14/06/2020	Announcing the decision to set the price of bread in TRY and to be committed by all bakeries in the area.
Sham News Network	Announcement	24/06/2020	An announcement by SSG to fix and set the prices for the main food items in TRY.
Local Council of Ras El Ein	Announcement	16/06/2020	A general invitation to transfer the saved money to the Turkish lira.
Local Councils of Al Bab, Qabasin and Bazagha	Announcement	04/06/2020	A general invitation and advocacy to transfer the saved money to the Turkish lira.
Local Councils of Al Bab, Qabasin and Bazagha	Announcement	11/06/2020	Announcing the decision to set the price of bread in TRY and to be committed by all bakeries in the area.

Appendix 3: References

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Headquarters Contact:

GOAL Global

Carnegie House, Library Rd.
Dun Laoghaire,
Co. Dublin

 +353 (0)1 2809779

 info@goal.ie

