



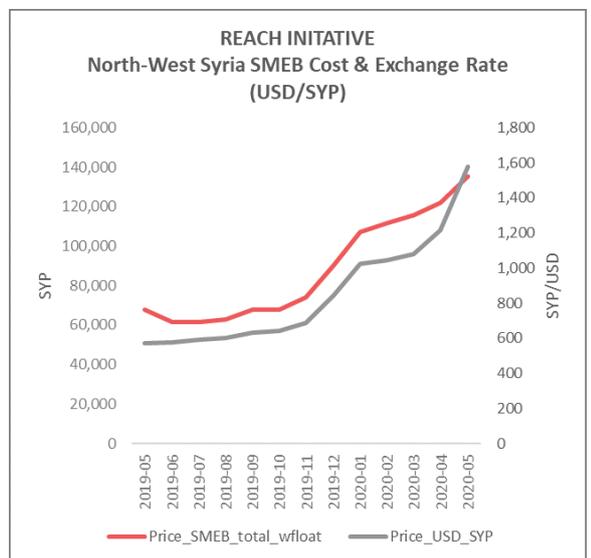
Currency in Crisis: Ways Forward for GOAL Cash and Voucher Assistance in North-West Syria

July 2020

Executive Summary

Rationale and Scope

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 and July 2020, the Syrian Pound (SYP) has dropped 161% against the US Dollar (USD), and 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 SYP depreciation and currency choice in CVA programming can have on the effectiveness of aid delivery in North-West Syria, and identify strategies that can maximize the value of the assistance provided 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 in community assessments conducted in villages as well as in camp settings in Idlib and Northern Aleppo in April 2020 and through peer interviews done in April and May 2020 with other humanitarian organizations. Secondary sources include relevant recent reports by the IOM and by the REACH Initiative.

Key Findings

The study has found that the primary concern 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 cash assistance and voucher values in USD is unlikely to distort market dynamics in North-West Syria or to negatively affect non-beneficiaries. However, the scarcity and poor quality of USD banknotes in lower denominations is a factor that needs to be taken into account.

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, until the trend towards rapid depreciation in the value of the SYP is reversed. Moreover, vendors contracted 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 implementation, including by enhancing beneficiaries' currency literacy. Vendors that participate in GOAL's voucher 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.

Purpose of the Study

The overall objective of this study is to identify the most appropriate currency to use for GOAL's cash and vouchers assistance in Idlib and Northern Aleppo, with a view to maximising the value of the assistance provided to beneficiaries and supporting operational efficiencies for GOAL and market stakeholders while keeping a 'do no harm' approach at the core. To reach this overall objective, the following specific objectives were identified:

- 1.** Understand the usage of foreign currencies and related emerging trends in Idlib and Northern Aleppo.
- 2.** Identify potential or actual obstacles as well as benefits for community members and vendors when using certain currencies.
- 3.** Understand the operational practicalities of delivering voucher or repeat multi-purpose cash assistance in certain currencies.
- 4.** Identify additional fees or costs, either hidden or upfront, incurred by community members and/or vendors when using certain currencies.
- 5.** Identify if there are specific risks or heightened threats for community members related to the type of currency that they receive.
- 6.** Understand the reasons behind the low quantity and quality of USD banknotes that are in circulation in Idlib and Northern Aleppo.
- 7.** Understand the pricing process for goods and services in a context of rapid SYP devaluation.
- 8.** Capture the effects of SYP depreciation on vendors and community members, and on vendors', consumers' and money traders' behaviours and coping strategies.

Methodology

The study combines primary data that has been collected by GOAL and Ihsan Relief and Development (Ihsan RD) with secondary data from other sources¹ in order to have a robust approach and support triangulation.

GOAL and Ihsan RD carried out a **community assessment** through household and key informant interviews in April 2020. **833 community members** (433 beneficiaries, 400 non-beneficiaries), of which 428 were men and 405 were women, and 523 vendors, 17 local councils and 86 money transfer agents were interviewed. The **locations assessed** were: Harim, Kafr Takharim, 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, and Mukawamah Camp and Yazibag Camp. Relevant secondary data was also reviewed, and the critical information found in the secondary data was categorised.

In addition, views were gathered in April 2020 from **98 people who visited GOAL's Community Feedback Centres** - 58 of these respondents were men and 40 were women. **Peer key informant interviews** with five peer agencies operating in North-West Syria and with the Whole of Syria Cash Working Group Coordinator were also carried out.

Findings from a rapid assessment GOAL had carried out in Idlib in November 2019 with 297 beneficiaries, 51 vendors and 20 money traders to inform the selection of a cash assistance delivery mechanism were also included in the study. Although the objective of this assessment was not to determine the currency for cash and voucher programming, it did have several relevant findings, and thus data from the November 2019 assessment was included in the present currency study.



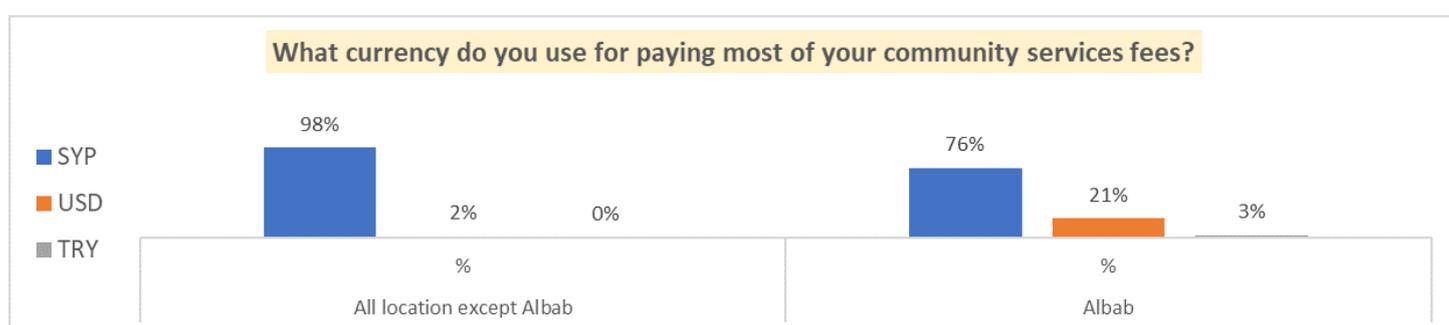
¹ Secondary data was drawn from various REACH Initiative 2020 reports and the IOM 2020 Cash Feasibility Study.

Key Findings

1. Retaining the value of the aid provided, whether delivered through vouchers or cash, is the most significant concern to the surveyed populations across all genders and age groups. This trumps other concerns or obstacles such as ease of use and additional time or costs necessitated by having to exchange currencies. For this reason, community members and local councils have a strong preference for humanitarian assistance to be delivered in USD rather than in SYP or TRY.

2. SYP is still the currency primarily used for wages, despite the continuous, and at times rapid, depreciation of its value.

3. The prices of goods are displayed mostly in SYP in the assessed areas in Idlib and Northern Aleppo, and purchasing goods as well as payment of community services in all assessed areas are done primarily in SYP rather than in USD or TRY.



4. TRY is not commonly used in areas assessed in Northern Aleppo for purchasing goods or in paying for community services. While commodity prices are indexed either on TRY or USD in these areas, vendors prefer to pay their suppliers in USD as they see the dollar giving them better value for money. The Syrian Pound is the currency most frequently used 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 made in SYP and, less commonly, in USD.

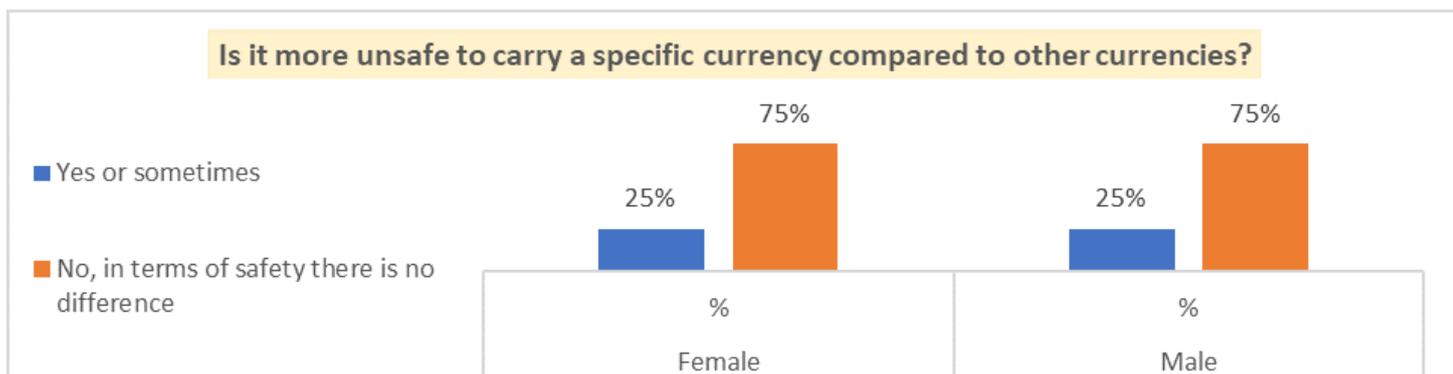
5. There is a gender differential in terms of accessing dollars. Women have relatively less access to USD, and thus fewer women pay their debts in USD as compared with men. Distributing dollars to households, including female-headed households, may enhance women's access to USD.

6. For the most part, women can freely access exchange offices and most community members (96% women, 95% men) believe **there is no difference between the exchange rates that women and men get from money traders.**

7. Providing humanitarian assistance in dollars is unlikely to distort market dynamics and negatively affect non-beneficiaries. Disadvantages to non-beneficiaries borne by USD-based cash or voucher distributions has not emerged as a common complaint to agencies to date, nor has it emerged as an area of concern from community member respondents that are not beneficiaries. Moreover, very few households in targeted areas solely rely on humanitarian assistance as their only form of income. Rather, assistance 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 are unfounded. Most community members exchange their USD immediately for SYP and make their purchases in SYP. When people do hold on to USD, they save only a portion of the assistance they received, for a relatively short time (up to 4 weeks).

9. Generally, there are no increased safety or security risks that are attributed to using a specific currency. However, where there are concerns, this pertains to using SYP. This is due to the volume of notes that using SYP necessitates handling or carrying and the increased visibility associated with this.



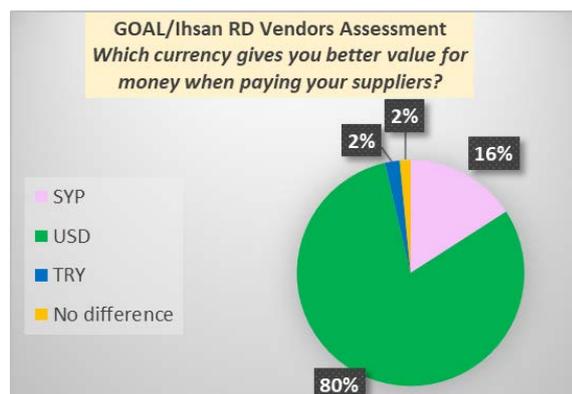
10. Distributing humanitarian assistance in TRY could impact stakeholders' perception of the aid organisation's political neutrality, particularly given that TRY is not commonly used by community members.

11. The main issue concerning market functionality pertains to the impact caused by SYP's depreciation on vendors' ability to re-stock. This issue does not only relate to imports - increasingly, the price of Syrian-produced goods and services, such as rent, are being indexed to the USD in order to mitigate against consequences of the fluctuation in their value. CVA is still feasible and appropriate in North-West Syria - however, GOAL should adopt a market-support lens across its CVA programme cycle to help market actors to meet the needs of communities.

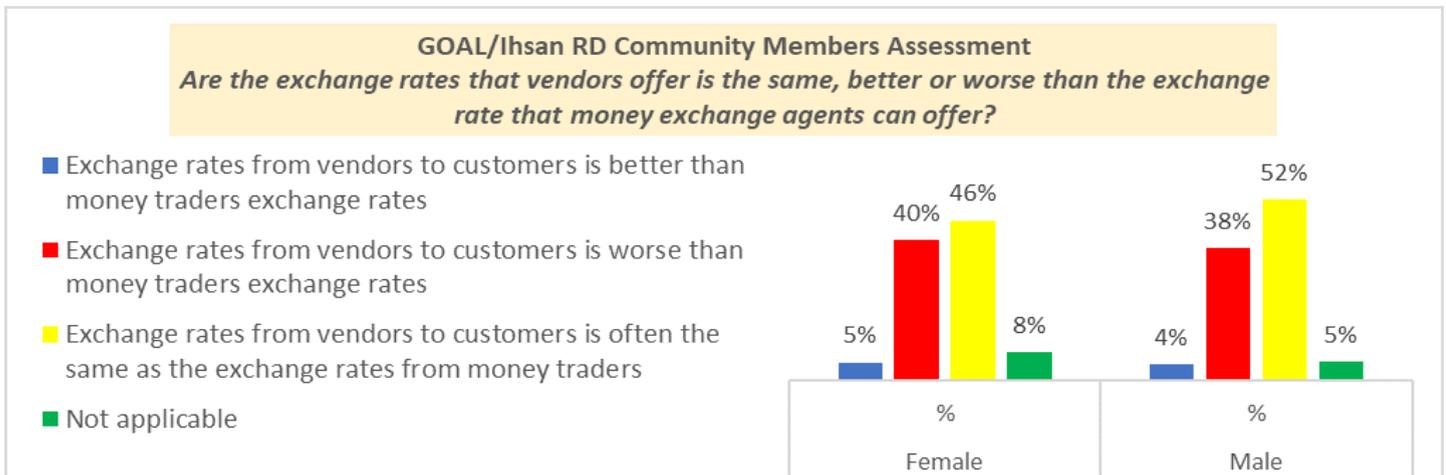
12. Although rare, few vendors are colluding with one another to push their prices above the market average and compensate for losses associated with depreciation in order to strengthen their capacity to re-stock.

13. The currency in which voucher values are set does not affect their potential misuse, such as selling. Rather, the issue of misuse relates to vouchers as a modality, and pertains particularly to commodity vouchers.

14. USD is the predominant currency used by vendors to purchase goods from their suppliers, as most 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 would likely exchange it for USD and pay their suppliers in dollars.

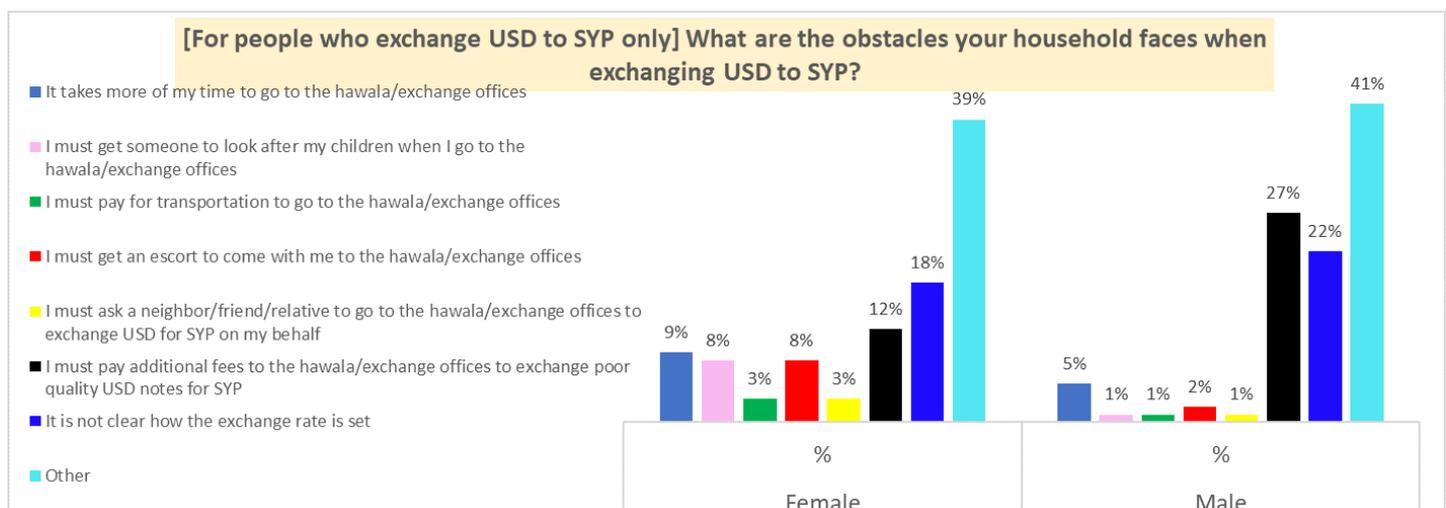


15. A slight majority of surveyed community members (53%) perceive the exchange rates vendors use to determine the prices of goods as being the same as exchange rates used by money traders. However, a significant portion (42%) of respondents perceive vendor exchange rates as worse than money traders' exchange rates. There is the risk that vendors may take advantage of the situation and cheat recipients on the exchange rate used if people are purchasing goods or services using directly a foreign currency, since prices are mostly displayed in SYP. Close attention should be paid to the exchange rates vendors are using to ensure these are in line with market rates.



16. Shortage of lower USD denominations is experienced across the board, but the extent of the shortage and the notes which are affected vary from location to location. This issue is not exacerbated by repeat cash transfers. The influencing factors are: a) notice given to the money trader to secure the notes; b) the transfer value per household (as this determines what denominations are required), and; c) the scale of the cash distribution.

17. Poor quality USD notes are an issue, particularly in lower denominations as these are circulated frequently. Over half of money traders charge additional fees when people want to exchange poor quality notes (53%) and vendors will often refuse to accept poor quality USD notes.



Recommendations for GOAL CVA

1. GOAL's voucher values and repeat cash assistance should be set or conducted in USD in order to guarantee recipients' purchasing power, and voucher and cash values should continue to be indexed to the SMEB in USD. This approach should be implemented until the SYP ceases to depreciate rapidly, as retaining the value of the assistance provided has emerged as a clear priority for all age groups and genders of community members.

2. Vendors should be paid in USD. This will strengthen operational efficiency by keeping the currency consistent throughout the voucher programme, and, importantly, is the most effective market-support approach that GOAL can adopt to support vendors' ability to re-stock.

3. When regular voucher assistance is being provided at scale to the same communities, value vouchers should be used instead of commodity vouchers². 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 the number of contracted vendors are sufficient to ensure there is competition, so that market forces will naturally regulate prices and competition will reduce the risk. Investment in building currency literacy in communities is key to assuring that beneficiaries are not taken advantage of by vendors or others that may have more experience in using multiple currencies.



² As per the CaLP Glossary 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. 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 vendors."

4. Community awareness raising should be undertaken with beneficiaries, local councils, and vendors to explain why voucher values will be set in USD and when this change will take effect. This should be carried out in advance of and during distributions, and community feedback mechanism staff should be briefed on this change.

5. GOAL's market team should work with vendors contracted for voucher programming on a pricing transition process, and encourage vendors to display commodity prices in both USD and SYP and display the USD:SYP exchange rate they are using, to support transparency. The process should be monitored by GOAL and its partners.

6. GOAL should ensure voucher assistance is transitioned to USD at the same time in each supported community, as phasing the transition within the same communities would cause confusion and, potentially, lead to tensions between communities.

7. At cash distributions, GOAL should display the USD:SYP exchange rate for the day of distribution, and give beneficiaries the opportunity to exchange their USD for SYP at the distribution site if they wish to do.

8. 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.

9. If specific USD notes are unavailable, a small portion of the assistance package should be distributed in SYP. The exchange rate that is used for the SYP component of the assistance package should be displayed at the distribution site so that people understand that they have received their full entitlement and to support currency awareness of recipients. However, transferring a portion of the assistance in SYP should not become the norm. Every effort should be made to provide money traders with sufficient notice to have the appropriate USD notes in place for the distribution.

10. For repeat MPCA programming (30 dollars per household per month), teams may consider distributing two months of assistance per round as operationally it may be more feasible to secure a 50 dollar note and a 10 dollar note (or 10 dollars in SYP) than securing 1, 5, 10 and 20 USD banknotes to make up the total transfer. Given that the assistance provided makes up a quite limited portion of the SMEB, it is not envisaged that combining rounds would pose additional liquidity issues, market inflation risks, or threats to beneficiaries' or distribution teams' safety and security.

This study was developed by GOAL, with support from Ihsan Relief and Development.

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

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