



World Food Programme



UNHCR
The UN Refugee Agency

JOINT REPORT ON DUAL CURRENCY DISBURSEMENT

JUNE 2023

Based on observations and feedback from assisted families and communities, dual currency disbursement in May 2023 was much more efficient than LBP-only disbursement in the first 4 months of the year. It has also allowed refugees receiving cash assistance to access a more appropriate transfer value.

Families were able to access their assistance in a quicker, safer, and overall, more dignified manner. Significant reductions in crowding, waiting times, and tensions at redemption points also had positive impacts on the wider community. Access to dual currency redemption also benefitted retailers and minimal impact is expected on the wider Lebanese economy.

Feedback for this report was gathered from various sources¹ that all point to the significant improvements as a result of the re-introduction of dual currency disbursement.

I. Background: Increasing Operational Challenges

In the beginning of 2023, operational challenges were increasingly threatening the sustainability of delivering cash assistance in local currency. The required increase of transfer values in February and March to maintain the level of assistance in a context of high inflation and currency depreciation, led to widespread occurrences of redemption points running out of cash. As a result, crowding, waiting times, and cost to redeem increased significantly for assisted families. These challenges in turn led to more visibility, tensions, and harassment at redemption points.

The transfer value increases in February and March were not enough to offset the additional inflation caused by record-high currency depreciation and price increases in local currency between January and April 2023.² As a result, transfer values only covered 41 and 22 percent of food and non-food needs in April 2023.

Loss of purchasing power had an impact on households' capacity to meet food and other basic needs. WFP-UNHCR Basic Needs outcome monitoring conducted in March 2023 showed that 68 percent of assisted households did not have the economic capacity to meet their basic needs, up from 62 percent in June 2022.

II. Returning to Dual Currency Disbursement

Prior to October 2019, cash assistance could be redeemed in USD and LBP. Redemption was then limited to LBP as banking restrictions were put in place at the start of the economic crisis. In a phased return to the pre-crisis setup, Lebanese households enrolled in the National Poverty Targeting Programme (NPTP) have been able to redeem in USD or LBP since September 2021.³ The dual currency option is preferred by NPTP households as it allows for a more convenient redemption experience and the value of their assistance remains constant despite currency depreciation.

Following 4 months of discussions with the Government and Central Bank of Lebanon, WFP and UNHCR re-initiated dual currency disbursements of cash assistance for Syrian refugees on 24 May.

Transfer values were set at US\$ 20 per person for food (to a maximum of 5 individuals) and US\$ 25 per household for other basic needs.

On 27 May, at the request of the Prime Minister, the UN agreed to further discussions on the continuation of dual currency disbursement.

¹ Sources of information referred to in this report include field monitoring by UNHCR, WFP, and partner staff; WFP and UNHCR community feedback mechanisms, focus group discussions with beneficiaries across the country; key informant interviews with cooperating partners, the financial service provider, security forces, and local authorities including mayors and governors; an ATM redemption experience survey of 8,050 assisted households representative at ATM level; survey of retailers representing over 50 percent of shops; and detailed transaction analysis.

² Following record-high currency depreciation and inflation between January and April 2023, a relatively stable exchange rate on the informal market observed since April has not positively impacted prices at this point. The cost of essential goods monitored by WFP increased by an additional 10% between March and April as retail prices are still adjusting to past fluctuations in the exchange rate. Stabilized prices would require a prolonged period without exchange rate shocks.

³ The Strategic Task Force on Cash agreed in April 2021 to a phased approach to re-introduce dual currency disbursement for cash assistance. This started in September 2021 for WFP with beneficiaries receiving NPTP and livelihoods assistance. Prior to May 2023, UNHCR's and WFP's assistance programmes to refugees remained the last large-scale cash programmes relying on LBP disbursements only.

III. Overview of May 2023 Redemption

Within the first two weeks of the start of dual currency disbursement, 93 percent of all refugee families receiving WFP and UNHCR assistance successfully redeemed their assistance.



51%
of HHS redeemed at **ATMs**

MTO

18%
of HHS redeemed at **MTOs**

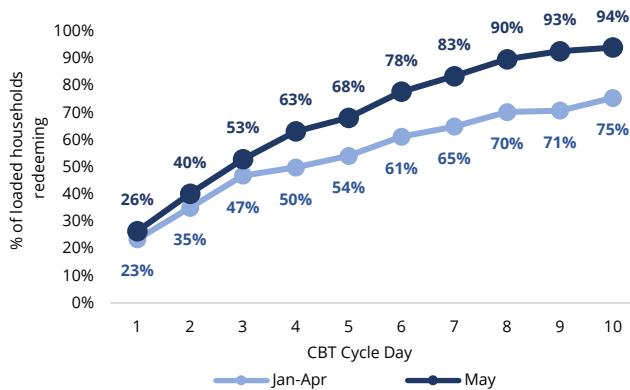


31%
of HHS redeemed at **shops**

Less than 1% redeemed at both ATMs and MTOs.

Even with loading happening over 8 days instead of the usual 10 days, **94 percent of households receiving cash assistance through ATMs/MTOs were able to redeem in 10 days instead of the 19 days it took in the January-April cycles.**

Pace of Redemption - Households



Most families redeeming at ATMs or MTOs (97 percent) withdrew all or a substantial part of their assistance in US dollars. Over 94 percent of households needed only one visit to the ATM to withdraw their assistance.

No ATM functionality issues were reported that could be directly attributed to the resumption of dual currency disbursement. Functionality of ATMs, particularly in locations not linked to bank branches, significantly increased as the number of people who could be served with one replenishment of USD banknotes is significantly higher.

Both currencies were available at most locations, with ATMs running out of LBP slightly faster than USD in some off-site ATMs in Bekaa. ATMs running out of US\$10 notes faster than LBP and US\$100 bills were observed at a few locations in Beirut and Mount Lebanon.

Assisted families expressed their preference to receive their entire entitlement in USD and many opted to use the manual entry option to try to withdraw their full entitlements in USD.

As US\$5 bills are not available at ATMs, most people choose to withdraw their US\$5 balances in LBP instead of keeping it for the next month.

Availability of notes of smaller denominations (US\$5 and US\$10) was also a challenge at MTOs, leading many families to exchange their USD transaction to LBP. Pre-financing and liquidity challenges at some MTOs were also noted by field monitoring and WFP and UNHCR's partners but have since been resolved. These challenges were linked to an existing issue between the MTO and its agents, not to dual currency disbursement as such.

VI. The Redemption Experience

Assisted families, field staff, the financial service provider, and local authorities reported satisfaction with the operational improvements as a result of dual currency disbursement, namely the significant decreases in the transaction and waiting time and fewer crowds.



60x

With USD notes, each ATM now has the capacity to serve 60 more times the number of people before it needs to be replenished.

Thanks to the availability of USD notes, ATMs were operational and used for redemption for at least three times the amount of time in May compared to LBP-only redemption in previous months.

The financial service provider reported that the time before an ATM needs to be replenished is now much longer with the addition of USD notes compared to only LBP notes. Partner staff also corroborated the reduced need for replenishments, particularly at the most utilized ATMs.

People reporting experiencing technical issues with the ATM (e.g., ATM out of service or out of cash) dropped from 18 percent in April to 3.4 percent in May. The number of people reporting that the ATM was out of cash at the time of their visit reduced from 12 percent in April to 1.5 percent in May.

| KEY FIGURES | APRIL '23 | MAY '23 |
|-------------------------------------|---------------|---------------|
| TECHNICAL ISSUES AT ATMS | 18% | 3.4% |
| ATMS OUT OF CASH | 12% | 1.5% |
| GAP BETWEEN TRANSACTIONS | 7 HRS | 2 HRS |
| TIME TO DISPENSE CASH | 46 SEC | 22 SEC |
| CROWDS AT ATMS (10+ PEOPLE) | 48% | 15% |
| WAITING TIME TO SUCCESSFULLY REDEEM | 41 MIN | 12 MIN |



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ATMs were observed to be operational with cash available and for longer hours, with a 70 percent reduction in ATMs observed to be out of cash by field staff during monitoring visits.

The average gap between transactions at the busiest ATMs, presumably because ATMs were out of cash or otherwise not functional, dropped from 7 to 2 hours between April and May.

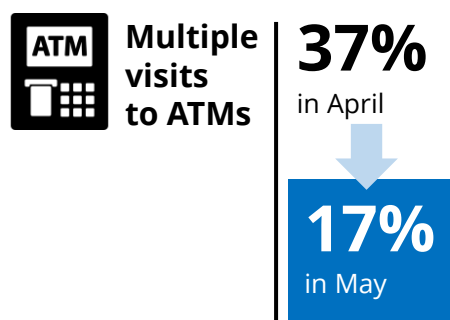
Waiting time and crowds at ATMs drastically decreased because ATMs stayed operational for longer and transactions were faster.

The financial service provider noted that ATM dispensers took 22 seconds during the dual currency redemption compared to 46 seconds when they only disbursed in LBP, having to count only 3 instead of 40 notes.

People reporting more than ten other people at the ATM at the time of their visit dropped from 48 percent in April to 15 percent in May. As a result, the average waiting time to successfully redeem at the ATM reported dropped from 41 minutes in April to 12 minutes in May.

In the Beirut area, people reported a reduction in the total time it took for them to redeem their assistance, including visiting multiple ATMs or waiting for replenishment, from between 2-4 hours in April to 5-30 minutes in May. In Zahle, people noted a reduction in waiting from 1-5 hours in previous months to 5-10 minutes while in Tripoli, the reduction in waiting time was from 3 hours to 3 minutes.

Local authorities across the country, including mayors and governors, and field partners also reported less crowding as a key benefit from the dual currency redemption.



Focus group participants reported spending less on transport to redeem as they only needed one trip to the ATM or MTO to redeem. From the ATM experience survey, people reporting visiting multiple ATMs to redeem assistance dropped from 36 to 17 percent between April and May.

Assisted families expressed their satisfaction with the redemption set-up but expressed concerns about the delay in assistance in May and uncertainty about future assistance.

The WFP call centre saw a 50 percent increase in calls received from refugees between April and May. Most requests for information pertained to the status and future of their assistance.



VI. Safe and dignified access to assistance and reduced tensions around redemption points

Some partners and local authorities had highlighted that the re-introduction of dual currency could risk more social tensions and protection risks for refugees. Assisted families, field staff, local authorities, security forces, and the financial service provider have all reported reduced or no tensions at redemption points because of faster and smoother redemption processes.

The safety and security of people redeeming at ATMs have improved because of less crowding.



The number of assisted families reporting facing protection risks reduced from 12 percent in February to 2 percent in May. The number of people reporting paying a commission also reduced from 3 percent in February to 0.1 percent in May.

Participants in focus group discussions across the country also reported fewer safety and security issues such as verbal abuse and other forms of harassment in May as they were no longer waiting in crowds and for a long time at the bank.

As a result of less crowding, people reporting dignified access to the ATMs increased from 74 percent in February (85 percent in April) to 94 percent in May.

The elderly and women (and their children) felt safer when redeeming their assistance because of fewer crowds at redemption points.

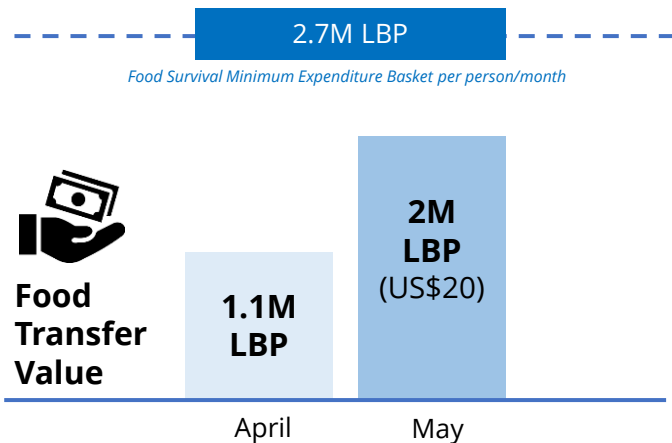
The financial service provider also confirmed that their branches in Bekaa, Saida, and Tripoli reported drastically reduced tensions and no crowding issues.



VI. Overall increase in assisted families' purchasing power

The new transfer values represented a significant increase for most assisted families, a positive step supported also by partners and some local authorities.

Families receiving assistance to meet their food needs saw a 78 percent increase in the value they received in May compared to April. Families receiving only assistance to meet their non-food basic needs highlighted that the value of their assistance slightly reduced in May compared to previous months given the informal exchange rate in May.



Assisted families were able to pay rent, buy a wider variety of food items, and reported better retail experiences as items are already priced in USD in supermarkets, shops and markets, and pharmacies. The ability to pay in dollars circumvents the different LBP exchange rates set by shops.

In addition, families relayed that prior to the dual currency option, they were exchanging their LBP to meet expenses denominated in USD, previously mostly rent but now extended to most of their expenditures including food, energy, and medicine. Having access to USD now removes any potential loss of value of assistance through fluctuating exchange rates.

Despite this increase, transfer values are still not enough for families to meet their food and other basic needs. Some assisted families have already reported an increase in rent prices.

VI. Improved operational efficiency for WFP-contracted local businesses

Dual currency redemption has led to improved price transparency, operational efficiency, and retailer satisfaction for WFP's food e-card programme.

All shops visited by field teams had prices clearly displayed in USD with the rate visible on the counter, providing price transparency to assisted families, which has historically been an issue with LBP-only redemption.

Retailers also reported that pricing in USD allows them to price more accurately without needing to make frequent changes due to the exchange rate.

All of the retailers surveyed were satisfied with the dual currency set-up and said that the change to dual currency increased sales and has significantly improved their ability to operate their business and provide better service to assisted families.

VI. Minimal impact on the economy

Returning to dual currency disbursement follows a trend in the wider Lebanese context of increased use of US dollars in the economy. Humanitarian cash assistance is a small fraction of the total trade in both official and informal markets. Given that many goods and services are already priced in dollars, the impact of dual currency disbursement is expected to be limited and unlikely to trigger additional inflation. In addition, as importers no longer rely on letters of credit to access hard currency for subsidized imports and because of the increased circulation of USD and a smaller LBP market, the impact of dual currency disbursement on these factors is also minimal.

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