



World Food Programme



UNHCR
The UN Refugee Agency



JOINT REPORT ON DUAL CURRENCY DISBURSEMENT

JULY 2023

The re-establishment of dual currency redemption for assistance to refugees in May 2023 resulted in significant improvements in terms of ATM functionality, crowding, and waiting time. This in turn led to a substantial rise in the overall amount of assistance. In May 2023, the value of cash assistance received by Syrian refugees, specifically for food expenses, covered 76 percent of the Survival Minimum Expenditure basket (SMEB), up from 39 percent in April 2023. However, the non-food portion of the transfer value remained sufficient to cover only 19 percent of the non-food SMEB, in line with April 2023 coverage.

UNHCR and WFP resumed dual currency disbursement starting with May 2023 assistance cycle. However, the cash assistance for refugees was delayed for two weeks in June 2023 to ensure that the findings from May's cycle were conducive to pursuing the dual currency redemption. Feedback gathered from various sources confirmed that dual currency disbursement continued to prove more efficient, safer, and more dignified access to assistance for assisted families with additional positive benefits for communities and Lebanese businesses.

I. In Context: Cash Assistance in Lebanon

Vulnerable populations in Lebanon received US\$ 64.3 million in cash assistance in June 2023 to support their food and other basic needs from UNHCR, WFP, and the Government of Lebanon via WFP-implemented cash transfers.

- US\$ 22.9 million for 1 million Syrian refugees
- US\$ 8.9 million for 380,000 Lebanese through the National Poverty Targeting Programme (NPTP)
- US\$ 32.5 million for 404,000 Lebanese through the Emergency Social Safety Net (ESSN) Programme

Out of the US\$ 64 million, 64 percent was disbursed to Lebanese families through the Government's National Social Safety Nets. The assistance disbursed to Lebanese in June was significantly higher than the usual monthly assistance amounts as it includes retroactive disbursements for previous months allowing Lebanese families to receive their full entitlements from the ESSN Programme from March till June 2023.

These large-scale disbursements and operational flexibility were made possible thanks to the significant redemption and access to assistance improvements made on the refugee assistance side associated with the re-establishment of dual currency redemption.

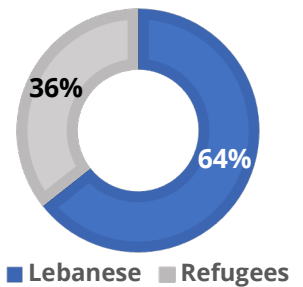
Disbursement of assistance to refugees started on 23 June and took place in parallel to disbursements to ESSN and NPTP families without any notable challenges or pressure on the cash redemption network or any significant tensions reported.



1 Million Refugees
22.9 M USD



784,000 Lebanese
41.4 M USD



II. Overview of June 2023 Redemption

Loading of cash assistance for the June cycle was staggered over 5 days compared to 7 days in May and 10 days in January – April. The last loading day and subsequent redemption periods coincided with the Eid al Adha holiday.

Despite the shortened loading period and higher traffic at ATMs due to the holiday period and cash disbursements for the NPTP and ESSN, the redemption rate remained high, and the overall redemption experience improved. Within the first two weeks of loading for the June cycle, all refugee families receiving UNHCR and WFP cash assistance had successfully redeemed their entitlements.



50%
of HHS
redeemed
at ATMs

MTO

19%
of HHS
redeemed
at MTOs

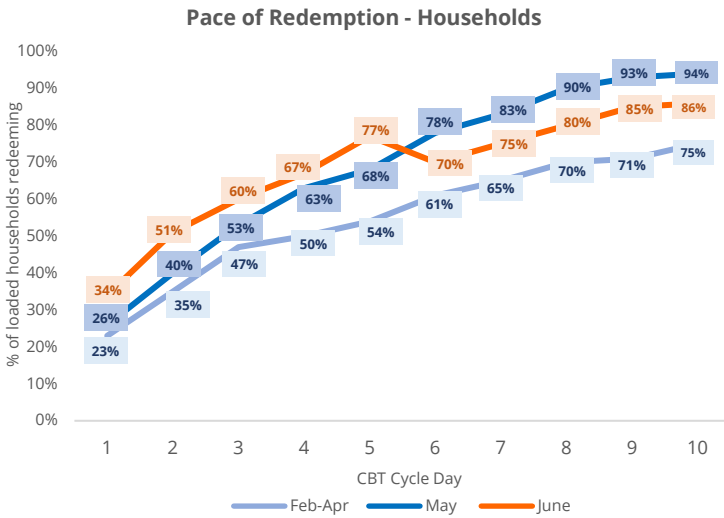


31%
of HHS
redeemed
at shops

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 3,000 assisted households representative at ATM level; survey of retailers representing over 80 percent of shops; and detailed transaction analysis.

Within the first five days of the start of June disbursement on 23 June, **77 percent of all refugee families receiving WFP and UNHCR assistance successfully redeemed their entitlements, compared to 54 percent for the period between February-April 2023.** The percentage of households redeeming their assistance on day 6 decreased by 8 points in June compared to May. This decline was attributed to the coinciding Eid el Adha holiday.

Due to a faster loading schedule, the redemption pace as a share of the loaded amount and households was slower in June than in May. Despite this, by the 10th day after loading in June, **86 percent of households had redeemed their assistance compared to 75 percent between February and April.**



Most families redeeming at ATMs or MTOs (96 percent) continued to withdraw their assistance in US dollars and spoke of the need to pay bills in USD. Most also continued to withdraw their US\$ 5 balances in LBP instead of keeping it for the next month, given the unavailability of smaller denomination notes (less than US\$ 10) at ATMs.

III. A Closer Look at ATM Functionality

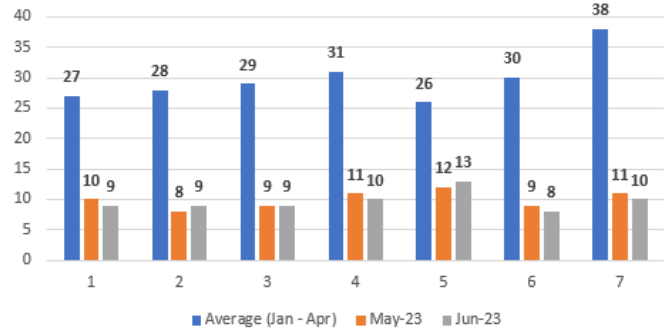
For the second month, no ATM functionality issues were reported that could be attributed to the resumption of dual currency disbursement but rather to some recurrent technical challenges due to the overall context. For example, crowds were observed for two consecutive days at a few ATM locations, because of a lack of electricity supply, leading to an interruption of service. Some liquidity challenges were also reported at MTOs but, like the ATMs, existing issues were not attributed to dual currency disbursement.

With the availability of US dollar banknotes, ATMs required less replenishment and could serve more people – both in terms of available liquidity and because the time required to complete each transaction decreased.

At the busiest seven ATMs in Zahle and Chtaura (as a representative sample), the replenishment frequency was reduced by more than 66 percent on average between pre and post dual currency implementation in 2023.

Instead of an average of 210 replenishments per month for the same sampled ATMs in the January – April period, the financial service provider only needed 70 replenishments to satisfy the demand after the re-establishment of dual currency redemption in May. In June, the same ATMs required a total of 68 replenishments.

ATM Replenishment Frequency



IV. An Improved Redemption Experience

The operational improvements witnessed in May continued in June, resulting in significant decreases in waiting time and crowding at ATMs, and high satisfaction with the redemption process for assisted families, partner staff, and many local authorities.

In a survey of 3,000 assisted families who redeemed assistance in June, people continued to report fewer issues at ATMs, an improvement compared to previous months, including in May.

Reports of crowds at ATMs and waiting time to redeem were similar to May, a significant improvement from April and previous months.

Across the country, field teams of WFP, UNHCR, and their partners corroborated these findings. The increased availability of cash in ATMs and reduced need for replenishments resulted in an average waiting time in queues to redeem at an ATM in June of two to ten minutes, compared to an average of ten minutes in May and up to one hour in February.

The overall transaction time has decreased by around 40% following the resumption of dual currency disbursement (42% for May cycle and 36% for June cycle).

KEY FIGURES	APRIL '23	MAY '23	JUNE '23
TECHNICAL ISSUES AT ATMS	18%	3.4%	1.6%
ATMS OUT OF CASH	12%	1.5%	1%
GAP BETWEEN TRANSACTIONS	7 HRS	2 HRS	2 HRS
TIME TO DISPENSE CASH	46 SEC	23 SEC	32 SEC
CROWDS AT ATMS (10+ PEOPLE)	48%	15%	15%
WAITING TIME TO SUCCESSFULLY REDEEM	41 MIN	12 MIN	13 MIN

There was a sharp decline of 50 percent in the number of claims regarding issues at the ATM to the WFP call centre in May and June 2023. The overall number of claims from refugees also stabilized in June, following a 50 percent increase in May due to the delay and uncertainty around assistance.



Families reporting Issues at ATMs



V. Safe and Dignified Access to Assistance

Reduced crowding and waiting times in May and June resulted in quicker, safer, and more dignified withdrawal experiences. Satisfaction with the operational improvements of dual currency redemption was expressed by all assisted families interviewed in focus group discussions across the country. They noted increased safety measures, successful withdrawals on the first attempt, the absence of card brokers, and a reduction in verbal harassment. Participants did not encounter any security issues during the process of redemption.

Women, in particular, noted that they had feared withdrawing large amounts of cash and needed someone to accompany them for safety, but dual currency redemption contributed to a more positive and secure environment for cash withdrawals.

"After the implementation of the dual currency system, I now feel a greater sense of safety while withdrawing assistance from ATMs. Now I receive a single banknote, there is no need to count multiple notes in front of everyone as I had to do before."
Female participant in a focus group discussion

Most interviewed people reported waiting only around five minutes to withdraw their assistance, compared to a full morning previously. With more cash available, they only need to make one trip to an ATM to successfully withdraw cash compared to up to 10 trips previously, also saving on transportation costs – up to four times, as reported by some.

"My confidence and security have significantly increased when withdrawing assistance from ATMs. I no longer lose money while exchanging from Lebanese Pound to USD for rent payments."
Female participant in a focus group discussion

Some assisted families reported an increase in discriminatory statements after the introduction of dual currency redemption, particularly on social media, but did not face any serious incidents in their daily life as a result. Rather, much of the tensions already existed within and between communities, with the common misconception that Syrians had always had access to USD and are better covered than the Lebanese, while the Lebanese allegedly do not receive assistance.

The ATM experience survey covering over 3,000 Syrian refugee households confirmed the results of the focus group discussions. The number of assisted families reporting facing protection risks further reduced in June to 1.3 percent from 2 percent in May and 12 percent in February. Similarly, the number of people reporting paying a commission also reduced from 3 percent in February to 0.1 percent in May and 0.03 percent in June. People reporting dignified access to the ATMs was 95 percent in June, in line with May values and up from 85 percent in April and 74 percent in February.

In interviews with governors, mayors, and heads of municipalities, the local authorities also acknowledged the benefits of dual currency redemption in reducing crowding and visibility and improving operational efficiency. At the same time, many raised concerns about the impact on inflation, the socioeconomic situation of Lebanese communities, and potential outflows to Syria, noting that most assisted Syrian families are in fact not covering their basic needs with the cash provided, making it unlikely that they will be able to save any money, and the additional pressure on the rent which significantly increased since early 2023, limiting some gains from the increased purchasing power linked with the dual currency implementation since May 2023.

Several mentioned that they were aware of the support for Lebanese through the national safety nets and of the misconception that more assistance is provided to Syrians than to Lebanese and suggested that this is better communicated throughout communities.

VI. Transfer Value & Effect on Purchasing Power

Considering the value of assistance and the value of food, goods, and services purchased on credit in March 2023, the median per capita expenditure of Syrian refugee households was US\$ 37 which represented approximately 75 percent of the Standard Minimum Expenditure Basket (SMEB). To be able to afford the SMEB without incurring further debts, Syrian refugee households required, in March 2023, US\$ 34 per person per month. In March, about 40 percent of this amount was covered by assistance for households receiving a full package or food ecard while for those receiving cash assistance under other modalities, the assistance only covered 18 percent of the gap.

While more recent expenditure data are currently being collected, it is estimated that the amount of assistance received would cover between 53 and 58 percent of the gap for households receiving a full package or food ecard while it would only cover 15 percent of the required amount among households receiving assistance under other modalities.

Assisted families noted that the increased transfer values for food provided greater purchasing power and ability to access a greater variety of food including chicken, oil, and sugar, and to pay for other essential needs such as rent and health expenses. Yet others highlighted that the initial gains in purchasing power were met by increases in rent that did not allow them to increase their food expenditures.

In focus group discussions with assisted families, 70 percent of participants preferred receiving assistance in US dollars, primarily to facilitate rent payments, as the majority of these families pay their rent and purchase food in USD.

"The value of the assistance won't diminish due to fluctuating exchange rates. I can now afford to purchase a greater variety of items for my family."
Male participant from a focus group discussion

Concerns were raised during these discussions and from feedback gathered by field staff about rising rent prices following dual currency redemption. Most families reported experiencing rental increases and payment in USD prior to May but reported a recent increase in June. Several participants reported an increase in rent by US\$ 25.

Still, others reported experiencing regular rental increases every six months resulting from the increased acceleration of cash dollarization of the economy in recent months, with businesses setting prices and denominating most of their contracts and salaries in US dollars and not because of dual currency redemption.

Since April 2023, the average value of rent for residential shelters increased from US\$ 75 to US\$ 85 while the cost of rent for non-permanent and non-residential shelters has remained stable at around US\$ 15-17 and US\$ 32-35 per month. If considering the last 12 months, average rent values increased by 30 percent for non-permanent shelters, 41 percent for non-residential shelters, and 111 percent for residential shelters.

However, the transfer values are still not enough to meet families' food and other basic needs, particularly for families who only receive the non-food transfer amount. Due to gains in the informal exchange rate, these families received slightly less in assistance in May and June compared to April. As a result, families continued to report their inability to meet basic needs including rent, medicine, and food, leading to exacerbated living conditions and increased protection risks such as eviction.

Refugee families not receiving UNHCR or WFP assistance also reported that rent prices are increasing for them, and they are expected to pay for their basic needs in USD.

VII. Retailer Experience

WFP surveyed 306 retailers across the country at the end of June, representing 85 percent of contracted retailers, to understand the impact of dual currency disbursement on their ability to do business and provide quality services for the food e-card programme.

Over 90 percent of surveyed retailers reported improvements in their ability to maintain an adequate stock of products, place orders with suppliers, and maintain price visibility and stability since the re-introduction of dual currency redemption. All surveyed retailers also reported increased ease of doing business with the bank, such as accessing cash liquidity and faster withdrawals. In additional benefits for retailers, 64 percent of respondents reported receiving additional discounts or improved terms from suppliers because of the retailers' increased ability to pay in hard currency.

These improvements and increased operational efficiency also benefit assisted families redeeming at contracted retailers. Most retailers (91 percent) also reported that dual currency redemption has not led to any tensions or security concerns between assisted families and the local community.

VIII. Minimal impact on the Economy

As previously reported, the impact of dual currency redemption made available for refugee families on the economy is expected to be minimal as the Lebanese economy has already undergone significant dollarization.

According to the World Bank's Fall 2022 Economic Monitor Report, Lebanon is projected to maintain a high level of dollarization, even in the event of a potential economic recovery or macroeconomic stability. The report also highlighted that the establishment of appropriate capital markets remains unattainable, which will require first macroeconomic stability in the short term and appropriate growth conditions in the long term, conditions that remain unachievable in the current political and economic context.

Additionally, in its most recent economic monitor for the Spring of 2023, the World Bank estimated the overall volume of dollars in circulation within the economy at around US\$ 9.9 billion, almost half the size of the entire economy as estimated in 2022. This was up from around 14 percent of the size of the economy back in 2020 when the US dollars cash economy was estimated to stand at USD 4.5 billion.

The largest portion contributing to this cash economy in 2022, 46 percent, was estimated to come from net remittances, followed by 22 percent from US dollars injected by BDL to stabilize the exchange rate on the parallel market. Tourist spending accounted for 12 percent, while 8 percent came from cash withdrawals from deposits and another 8 percent from dollars already in circulation. **Humanitarian assistance made up only 4 percent of the overall volume.**

The share of UNHCR and WFP cash assistance disbursed in May and June 2023 for refugees (assuming 100 percent was withdrawn in USD) was less than 1 percent of the total USD transactions recorded on the Sayrafa platform. Taking into consideration overall cash assistance – including transfers made through the NPTP and ESSN – the overall share of cash assistance disbursed in Lebanon still only constituted 1.1 percent of Sayrafa USD transactions in the economy in May and 2.7 percent in June. It is important to highlight, that not all exchange transactions are fully captured by the Sayrafa platform, as many other means for the circulation of US dollars in the economy exist currently.

	MAY 2023	JUNE 2023
Sayrafa USD Transactions	\$2,678,000,000	\$2,417,000,000
UNHCR & WFP Assistance	\$22,500,000	\$22,900,000
UNHCR & WFP Share	0.84%	0.95%
Overall Cash Assistance *	\$29,000,000	\$64,300,000
Overall Share	1.1%	2.7%

**including safety net assistance through the ESSN and NPTP*

Although cash assistance to refugees constitutes a relatively minor portion of Lebanon's overall economy, it still has a positive impact on the economy. The cash assistance provided by UNHCR and WFP benefits the local economy by stimulating increased spending on locally produced goods. This, in turn, leads to a more equitable distribution of revenue and provides livelihood opportunities for lower-income Lebanese individuals.

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