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Kachin Cash Assessment Report Myitkyina and Waingmaw January 2014 World Food Program

Fighting Hunger Worldwide

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Introduction

Background

The breakdown of a 17-year ceasefire between the Government of Myanmar and the KIO in June 2011 has led to the displacement of close to 100,000 people in Kachin and Northern Shan states; of which 35,000 reside in camps that are under the control of the Government. WFP and its two partners, Karuna Myanmar Social Services (KMSS) and World Vision, have been providing food assistance to this population under the form of general food distributions since being granted access by the Government in September 2011.

The resumption of peace talks in February 2013 has led to a stabilization of the number of IDPs. However, in the absence of a sustainable political settlement, the number of returns has been very limited and it is anticipated that the IDP caseload in Kachin and Northern Shan states will remain stable for at least another year.

Most of the IDPs in Government-controlled areas of Kachin state (GCA) live in camps that are located in or close to major urban centers, namely Myitkyina, Waingmaw and Bamaw. These urban centers have well-established markets that do not appear to have been significantly affected by the conflict.

In this context, WFP wanted to explore the possibility of transitioning from a food-based to a cash-based response, with the double benefit of stimulating the local economy and providing the IDPs with an enhanced feeling of choice and control over their lives. The purpose of the assessment was therefore to assess the appropriateness and feasibility of a cash-based food security response in Myitkyina and Waingmaw based on the following parameters:

- Beneficiary preferences & market access
- Market readiness
- Government's position
- Partners' capacity

Methodology

The methodology used in the assessment was adapted from the WFP Traders Survey, the EMMA toolkit and the ECB 48-hour Assessment tool and all the tools can be found in Annex 1.

The assessment team was composed of an international consultant, the WFP cash focal point based in Yangon and the programme officer of the Myitkyina office. The Kachin field coordinator for World Vision also joined the assessment in Waingmaw and the discussion with camp management committees from all the Myitkyina and Waingmaw camps. The head of the WFP Kachin Sub Office participated in meetings with key Government departments as well as internal consultations. Finally, the WFP logistics coordinator for Kachin supported the assessment with key market information such as traders' contact, prices and inflation.

The assessment team built extensively on the market information collected by WFP, in particular the commodity price monitoring of Waingmaw market 2011-2014 and the list of primary and secondary markets in Myitkyina and Waingmaw (Annex 2 and 3).

The assessment team consulted with the following actors: WFP's field team, WFP's cooperating partners namely KMSS and World Vision, the Kachin cash working group partners, camp management committees from all the Myitkyina/Waingmaw camps, members of the Kachin Rice Traders Association, members of the Rice Miller Association, wholesalers and retailers in Myitkyina and Waingmaw markets, AGD bank – Myitkyina, RRD, NATALA and the Kachin Chief Minister.

In addition, the assessment team performed direct observation of the Myitkyina and Waingmaw markets and visited seven camps where focus group discussions were held with camp management committees, and displaced men and women. The camps were selected based on the number of criteria, including presence of individual kitchens, medium population size, proximity to primary or secondary markets and active camp management committees. The seven camps visited by the team were Ta Khone COC, Shwe Zet Baptist Church and Maliyang Baptist Church in Myitkyina and Thargara Monastery, Mading village, Lisu Baptist camp and Maina RC in Waingmaw. Representatives from all the other camps were also consulted during the meeting with the camp in charge and most had held discussions in their respective camps prior to the meeting.

Limitations

This assessment built on the WFP post distribution monitoring and livelihood assessment conducted in Nov-Dec 2013, which explains why the basic food security and livelihood components that would normally be included in a market assessment are not repeated here. The assessment also utilized the market information collected by the WFP VAM officer between 2011 and 2014. However, data was only available for the Waingmaw market and not for Myitkyina.

Given the relative inexperience of the actors involved (beneficiaries, camp management committees, implementing partners) with cash-based responses, WFP had decided to adopt a staged-approach whereby cash would be piloted in a small number of camps should the assessment findings support such a transition. This is why the assessment focused on a limited number of camps selected in consultation with WFP's local team and cooperating partners. The assessment team would have benefited from the presence of both of WFP's cooperating partners but due to limited human resources; KMSS was not able to participate in the field assessment. The organization was consulted on several occasions during the course of the assessment however.

It is also important to note that the assessment did not fully consider voucher-based programming as an option due to the lack of experience of people and humanitarian agencies in a country that remains a cash-based economy. The question was raised with WFP's partners that saw the potential benefits but also the complexities of implementing a voucher-based program. Market actors such as wholesalers and retailers highlighted the difficulty to fix commodity prices, in particular rice, in a competitive and volatile market environment. IDPs were concerned about change in general, and anything new to them in particular. As a result, the assessment team decided to concentrate on other cash transfer modalities.

A detailed cost benefit analysis was not conducted within the scope of the assessment but should be undertaken to assess the cost efficiency of cash transfers vs. food distributions. The response option analysis needs to be updated based on the findings of the cost/benefit analysis.

IDP Preferences & Market Access

Market Access

The assessment team did not identify any significant issue regarding market access. All the camps assessed had small secondary markets in their immediate vicinity and were able to access primary markets in less than half an hour on foot or using trickshaws or motorcycles for a maximum cost of 1000 MMK per person for a return-trip. IDPs in those seven camps did not face particular challenges in finding transport to go to the primary markets. However, this may not be the case in all of the camps of Myitkyina and Waingmaw, in particular those located North of Myitkyina, and would need to be assessed on a camp-by-camp basis.

The IDPs interviewed were using the markets located near the camps for small purchases such as egg, vegetable and snacks but would go to the primary markets for bigger purchases, including rice, in order to get lower prices and greater choice. Most of the IDPs interviewed would therefore go to the small markets on a daily basis and to the primary markets on a weekly or monthly basis.

Aside from distance to the market and access to transport, none of the IDPs interviewed reported access issues such as discrimination or insecurity. Although the in and outs of IDPs are recorded in each camp, there did not appear to be any movement restriction in place at the time of the assessment. The local organizations providing humanitarian assistance in the camps however mentioned that traffic accidents could be one of the potential risk associated with cash transfers.

Dietary Preferences

Among the seven camps visited, four were made of Kachin populations and three were made of other ethnic groups such as Lisu or Shan. In spite of this ethnic and religious diversity, the dietary preferences reported by the IDPs were very similar across all visited camps. These included local varieties of rice known as Kacho rice and characterized by its softness and stickiness. Pulses are not widely used in the traditional Kachin diet with the exception of two types of beans in season. Instead, people reported getting their proteins from meat, fish and eggs. Preferred types of oil and the only ones available in rural areas are mustard and groundnut oil. Coming from other parts of the country, palm oil can only be found in the main markets.

The food basket provided by WFP and its partners since 2011 is composed of four commodities – rice, pulses oil and salt- that are produced in other parts of the country and purchased in Yangon before being transported to Myitkyina and Bamaw and distributed in the camps. Mostly produced in the Delta region, the rice is harder than the local variety and different to what the IDPs were used to eating prior to being displaced. Young children and older people in particular reported difficulties in eating the WFP rice.

The pulses provided are chickpeas, which are also not part of the traditional Kachin diet. Similarly, palm oil is a new type of oil for most of the IDPs who used to rely on mustard and groundnut oil. The difference between the local dietary preferences and the food ration provided by WFP is one of the reasons why cash could be seen as a positive alternative. WFP has attempted to purchase the commodities locally in order to better align its response with beneficiary preferences. Even without transportation costs however, the price of the local varieties is relatively higher and local traders are unable to successfully compete in the open tendering process through which WFP selects its suppliers.

The problem created by the difference between local dietary preferences and the food rations provided seem to have decreased over time with a significant number of IDPs reporting that they not only got used to the WFP rice but also identified some qualities to the rice such as "easy to digest", "healthy", etc. A few of the IDPs interviewed went as far as saying that they would not want to switch back to local varieties for fear of negative health impacts. A significant number of IDPs however also reported selling or exchanging at least part of the WFP rice for local varieties, with a substantial loss of value for both WFP and the IDPs in the process. .

Social Relations

In most of the assessed camps, there was a general consensus that women were in charge of managing the household's cash and going to the market. Both men and women however were seen as having a role in planning the household expenditure and allocating cash to different budget posts.

The local organizations working in the camps and members of the camp management committees were very concerned about an increase in anti-social behavior in the camps as a result of transitioning to cash, such as alcohol and drug consumption, domestic violence and theft. This concern was shared by the Government officials. Some staff from the local organizations and the camp committees felt that the social peace and stability in the camps would be disrupted by such a change in the response strategy, which would ultimately increase the burden on the local organizations. This was also very much the opinion of the Kachin state Government.

According to the post-distribution data collected by Oxfam, KBC and Shalom on the existing unconditional cash transfer program, the proportion of diversion to anti-social behavior is 0.5% but the local organizations felt that this figure was misleading due to the fact that IDPs were unlikely to report such use to the organizations in question. The reluctance of local organizations on the issue of cash can be explained by the role they play in the response. Most of the camps are located within Church compounds, on land that belongs to the Baptist Church or the Catholic Church, and KBC and KMSS respectively act as camp managers in all those camps. Shalom manages other camps located in monasteries or other denominational churches. Additionally, the local organizations mentioned above have a holistic approach to camp management, which includes not only ensuring the effective running of the camp but also ensuring social peace and providing moral guidance to the IDPs. Camp coordinators (locally referred to as "camp in charge") who are generally external to the camp (non-IDP), and in some cases religious leaders, have a similar vision of their role and some mentioned their fear that cash would loosen their control over the camp, thereby undermining their ability to perform their responsibilities.

Concerns of a deteriorated social environment were not shared by the IDPs, except in one camp where increased risk of theft was mentioned as one of the potential negative impact of cash. In all the assessed camps, women were not concerned about anti-social use of cash or increase in domestic violence and did not consider cash management as an additional burden as most were already managing cash received through unconditional cash distributions or earned by men through casual labor. In most of the visited camps, IDPs are engaging in livelihood activities supported by UN and NGOs that in some cases are already yielding substantial cash dividends. A group of IDP women working on producing amber beads and jewelry for example reported making a profit of up to 20,000 MMK per week. Rather than domestic violence or anti-social use, most women felt that a source of tension for the appropriate use of cash would come from children, in particular adolescents, wanting to acquire new clothes.

The local organizations mentioned that vulnerable individuals with reduced mobility and no family would see their vulnerability exacerbated by a cash-based response. The assessment team did find a small number of cases in the visited camps but the IDPs were confident that should cash be provided, solutions would be found for these individuals whereby other families would purchase food on their behalf on a rotational basis. If the pilot project is confirmed, these individuals will have to be identified and their situation closely monitored by WFP and its partners.

Food vs. Cash

The opinions of IDPs on the issue of cash vs. food varied significantly from one camp to another. Although a majority of IDPs felt concerned about transitioning to cash, three of the camps visited expressed their willingness to try a cash-based response whilst four wished to continue receiving food. There was no clear gender divide in the opinions expressed and in some camps men were strongly in favor of cash whilst in others, they were vehemently opposed to it. Women were generally more nuanced and saw the benefits of cash whilst having concerns as to their ability to prioritize food adequately given the fact that they had to manage a number of conflicting needs and priorities with limited resources.

When asked about previous experiences with cash management, the IDPs explained that they were mostly small farmers and therefore never relied entirely on cash but always on a combination of cash and food items from their own production. It was also clear from the discussions that after two years of receiving assistance and living under the careful supervision of camp committees, the IDPs suffered from a lack of confidence in their own ability to manage their lives and provide for their families. It was a commonly held stance among staff and volunteers of the local organizations as well as non-IDP members of camp management committees that IDPs were poorly educated and unable to manage their household finances adequately.

The concerns expressed by the IDPs in relation to cash were surprisingly consistent across the board as summarized below:

- Conflicting priorities: by far the most common concern expressed by the IDPs related to their ability to adequately prioritize food in the midst of a number of conflicting priorities. The most significant expenditure post apart from food is education, in particular tuition fees and informal charges in schools. Other expenditure posts such as emergency medical care were mentioned but education was perceived as the most important conflicting need. Women especially did not feel confident that food could always be adequately prioritized against the need to invest in children's education. IDPs anticipated that the rainy season, which corresponds to the re-opening of schools and an increase in food prices, would be a particularly challenging period.

- Financial management: IDPs were concerned about their own ability to manage the cash effectively. Specifically, a recurrent concern was the risk of spending the money too quickly and running out of food supplies before the next distribution. IDPs felt that should cash be provided in lieu of food, distributions should take place on a weekly or bi-monthly basis to mitigate the risk.
- Market prices: IDPs were concerned about the possible inflation resulting from an increase in the demand of certain commodities, especially in the small markets located close to the camps.
- Corruption of camp committees: a small number of IDPs mentioned corruption of the camp management committees as one of the risk factors. The assessment team clarified that should cash distributions be implemented, they would benefit the IDPs directly.
- Value of the cash transfer: the IDPs were also concerned about the value of the transfer and whether it would enable them to purchase local food items in sufficient quantity. A common observation for instance was that the volume of the local variety of rice does not increased when cooked as much as that of WFP's rice, thus requiring bigger quantities than the 13.5 kg a month currently provided. Seasonal price variations were also commonly mentioned as a concern.
- Feeling of security: women in particular expressed the fact that having rice filled them with a feeling of security in that it acted as a guarantee that no one in the household would go hungry. Although most would eventually swap or sell some of the rice, it was perceived as one of the only household assets.

The storage of food or cash in the camp was not seen as a particular issue by the IDPs, neither was security. Camp committee members however were concerned about the risk of real or reported theft from one IDP family to another.

When asked about their experience with financial services, only a small minority had ever used the services of a bank or hondi. All the IDPs interviewed felt uncomfortable with the idea of going to a bank to withdraw money and preferred direct distributions of cash in the camps. All the IDPs have national identity cards that would enable them to open bank accounts but this should not be considered as an immediate option given IDPs' mistrust and lack of familiarity with the banking system.

As mentioned above, a majority of IDPs had concerns about transitioning from food to cash but all could acknowledge some of the benefits of cash and even in the camps where a decision had been made to continue receiving food, IDPs expressed a strong desire to hear from the experiences of other camps that would agree to participate in a pilot project.

Although they all have experience receiving unconditional cash transfers from a number of local organizations at 6000 MMK per person per month, confusion still exists amongst IDPs on the objectives and conditions of these transfers. Initially labeled "cash for curry", these transfers were presented to the IDPs as being for the specific purpose of purchasing complementary food items to the basic food rations. A significant proportion of the transfers was used for other posts such as education and health, creating a feeling of guilt among some IDPs for diverting the cash from its intended purpose. The transfers have now been re-labeled as unconditional cash grants but some of the confusion persists and before a pilot can be implemented, awareness-raising sessions need to take place in the camps on the objectives and modalities of the transfers, the calculations of the transfer value and the monitoring mechanisms.

Market Readiness

Market Description

According to the information collected by the WFP, there are a total of 19 markets in the Myitkyina township and 19 markets in the Waingmaw township in addition to the central markets in both towns (list available in Annex 2). Over half of these markets are located in rural village tracts and the remaining in different wards of the two towns. Myitkyina has the largest market in Kachin state whereas Waingmaw is a medium size market. Waingmaw however is a production area for both rice and oil (mustard), meaning that stocks for both products are readily available not only from the markets but also from the oil and rice millers directly.

The main markets in Myitkyina and Waingmaw are open daily although the food stalls in Waingmaw market generally close by 11 am. The assessment team did not find significant differences in price between the two markets. As Waingmaw is a production area, the price of the locally grown rice and oil tend to be slightly cheaper than in Myitkyina but the Myitkyina market offers a broader range of varieties and prices, including rice from mass production areas of Kachin and rice from lower Burma that is normally cheaper than the rice produced in Waingmaw. In both markets, all the items that constitute the local dietary preferences are widely available throughout the year.

There are over 20 large rice wholesalers in the Myitkyina market, each selling an average of 50 to 60 bags a day to both retailers and customers directly. The wholesalers have large warehouses in and around Myitkyina and purchase rice from local traders and rice millers as well as from lower Burma. Although there are no wholesalers in Waingmaw, most people there purchase directly from the rice millers. There are approximately 80 rice millers in the Waingmaw area, including 30 large millers. In addition to the wholesalers and rice millers, there are countless rice retailers and multi-product stalls and shops in and around the markets.

Rice Commodity Flows

Local varieties of rice consumed in Kachin state come from several production areas: areas of mass production include Moe Nyin, Moe Gaung and Inn Daw/Shwebo (Upper Sagaing & Kachin). Waingmaw and Bamaw are also production areas but of limited scale. The rice variety grown in Waingmaw, know as Kacho rice, is the preferred variety of the local population but is substantially more expensive than varieties grown in mass production areas of Kachin and Upper Sagaing. The local production is in surplus of the local consumption and a significant part of the mass production, from both Kachin and Upper Sagaing, is exported to China. Local varieties produced outside of the mass production areas (Waingmaw, Bamaw) are sold locally and the surplus sent to Myitkyina and Hpakant as well as China, although the price is generally too high to satisfy the Chinese market requirements.

The Chinese market absorbs the lowest quality of local rice. If the prices are too high, the demand decreases sharply. Conversely, the demand can increase exponentially when the prices are lower than Chinese homegrown rice, which in turn affects the prices on the local Kachin markets. This year, the price of local varieties coming from mass production areas in the winter harvest season (main harvest) are unprecedently high (same level as during the lean season) because the demand from China is high. On the other hand, Chinese demand for the Kacho rice from Waingmaw is at a record low, so that most of the production will remain on the local market.

Wholesalers in Myitkyina also import rice from lower Burma, as these varieties are more popular with the migrant population coming from other parts of the country. They purchase the rice from Mandalay, Yangon or Bago depending on the price. The rice is transported by train and the supply flow has therefore been adversely affected by the conflict in certain months where train services were temporarily suspended. As the rice is only brought in to satisfy the dietary preferences of a targeted clientele (migrant population), this did not result in a rice shortage but a sudden increase in demand for local varieties caused a slight increase in prices on these particular months.

Rice Price and Regulatory Framework

According to all the market actors interviewed and to the Government, rice prices are set in a competitive manner and wholesalers, retailers, traders and rice millers have access to market information from Yangon, Mandalay and Bago through radio, newspapers and mobile phones. Some farmers also have access to market information directly whilst most continue to rely on local brokers. The local prices vary according to Yangon prices. For instance, if the price of medium quality rice is 18,000 per bag in Yangon, the traders add 4000 MMK per bag for transportation costs and 2000 MMK per bag to account for the fact that the local rice is relatively heavier, with a final price for the local medium quality rice of 24,000 MMK per bag. Although prices are likely to be very similar from one shop to another as the traders use the same information to make their calculations, there is no attempt to collectively fix prices and the market is totally competitive.

Seasonal price fluctuation follow a predictable pattern with the price at its lowest during the winter harvest (November, December) then increasing gradually to reach a peak during the lean season (July, August) and finally stabilizing during the summer harvest (May, June). General inflation trends follow the same pattern as in the rest of the country. The only two phenomena that have affected local prices in ways that differ from the rest of the country are i) intensified conflict leading to temporary suspension of train services, ii) change (positive or negative) in the demand from China.

According to all the traders interviewed, there is no Government mechanism to control rice prices. The Government used to enquire about prices (state Government and BSSI) but since 2011 and the announcement of the free rice trade policy, this is no longer the case. The only regulatory instrument used by the Government in the event of uncontrolled inflation is to limit exports to China.

Flow and Price Variations of other Commodities

Fat
The two preferred sources of fat for the local population are mustard and groundnut oil. The production of mustard oil comes mostly from the Waingmaw area and mustard oil is available in the local markets as well as directly from the oil millers (5 to 6 large millers). The production surplus is sold in Myitkyina where oil was available in the market without a significant price difference compared to Waingmaw. Mustard oil is available round the year without significant seasonal price variations. Groundnut oil is produced in other areas of Kachin state and available in both Myitkyina and Waingmaw markets in two forms: pure groundnut oil which is relatively expensive at 4200 MMK per viss and mixed groundnut/palm oil coming from Mandalay at 3500 MMK per vis. Groundnut oil is also available round the year without significant seasonal price fluctuations.

Proteins
The main sources of protein are meat and eggs. Chicken eggs are imported from China whilst duck eggs are locally produced, both type of eggs are available year-round. Egg prices have been relatively stable in the past three years with no substantial seasonal fluctuations or inflation, although the price of chicken eggs depends on the cost of transportation and has therefore been negatively affected by the conflict. The local population consumes beef, pork and chicken. The price of all three types of meat has been relatively stable over the past three years, with an inflation rate consistent with the national annual average.

Salt
Salt comes from other parts of the country (Delta region through Mandalay or Yangon) and prices have been relatively stable although fluctuations are noticeable at times when the conflict was intensified and the transportation more challenging.

Expected Impact of Cash on Markets

All the market actors interviewed were confident that cash injections to the IDPs would have no negative consequences on the local market and did not constitute an inflationary risk. The main reasons they advanced were that the local production is in surplus of the local consumption and the population of IDPs is small in comparison to the overall population of Myitkyina and Waingmaw. In fact, all the traders welcomed the idea of providing the IDPs with cash as a positive stimulation for the local markets. Most were aware of the fact that IDPs are trading part of the rice they are currently provided with for local varieties.

Government's Position

The assessment team met with the Relief and Resettlement Department (RRD). Although concerned about the capacity of IDPs to prioritize food adequately over other needs, the RRD representative acknowledged the positive impact of cash on local markets and on IDPs' choices of foods. He mentioned that the Government already provides some assistance in cash but that their rate is fixed for the entire country and does not account for inflation (300 MMK per adult per day and 150 MMK for under 12 for rice). He recommended that WFP consider inflation. He did not foresee any particular security concerns associated with cash distributions but suggested high levels of monitoring to prevent any risk of corruption. According to him, the number of IDPs (15,000) is not significant enough to distort market prices but he recommended consulting with market traders to ascertain the market's absorption capacity. Consequently, the RRD representative supported the idea of a pilot project but highlighted that there might be some concerns from the Kachin state Government. The director of RRD mentioned that World Vision had held similar consultations a few months before the assessment took place and that the reaction of the Kachin state Government had not been positive.

The assessment team also met with NATALA, WFP's counterpart for the ongoing response. The NATALA representative was well informed about WFP's work and believed that he understood the rationale for proposing cash-based alternatives, which to him were linked to the complexities of food distributions, IDP number fluctuations, high logistics costs and donor pressure. The assessment team clarified that the rationale was mostly to increase IDP's dignity and choice as well as to stimulate the local economy. The NATALA representative nonetheless expressed concerns about a deterioration of the security situation in the camps and increased social problems that could adversely affect the overall political situation. He also believed that transitioning to cash would negatively affect the image of WFP. He was particularly worried that any challenge raised by the cash distributions would be shared with the media by the camp management committees or the local organizations and that the state Government would be held to account. He therefore recommended that WFP continue with food distributions, using local procurement to ensure that food rations were more aligned with local dietary preferences.

The assessment team finally met with the Kachin Chief Minister in the presence of the Minister of Security and Home Affairs and the state Secretary. The Chief minister was not in favor of a change of WFP's response strategy that would involve the use of cash, mostly on security grounds. Concrete examples given by the Chief Minister included gambling and alcohol and drug consumption but a more general willingness to maintain status quo and avoid instability in the state was also mentioned repeatedly. The Chief Minister also highlighted possible difficulties for the Government to perform a mediation role should any problem arise. One example given was the inflationary risk: the Government felt that if prices went up in the local markets, the host population would have a natural tendency to blame it on the IDPs and the Government could do little to dismiss those claims. Finally, the Chief Minister mentioned the risk of corruption associated with cash distributions. Aware that the presence of IDPs was not currently benefiting the local markets, the Chief Minister strongly encouraged WFP to consider local procurement options but asserted the need to continue providing food rations.

Partners' Capacity

As mentioned above, KMSS had concerns over the possible negative impacts of transitioning to cash in the camps and suggested that WFP continue with food distributions or alternatively, switch to a mixed model with rice distributed in-kind and complemented by cash transfers for all other commodities. Additionally, KMSS felt that they did not have the capacity (human resources and financial systems) to implement cash distributions at the expected scale. KMSS however wished to be kept informed of the learning outcomes of the pilot project. If the pilot were successful, they would consider becoming a cash transfer partner at a later stage. However the Director highlighted that this would require adequate accompaniment of the KMSS team by WFP beyond a one-off training course.

Unlike KMSS, World Vision's office in Kachin state has no prior experience with cash programming but the field coordinator was confident that the organization's experience in other parts of the country and globally would enable them to participate in a pilot project. At the country office level, three key staff members have recently participated in a CaLP 2 training course and World Vision is about to initiate a cash for work program in the Dry Zone in partnership with WFP. Additionally, a cash expert visited the Kachin office in May 2013 and shared positive experiences from other countries with the team and other stakeholders involved in the food security response, including RRD. According to the field coordinator, there is a lot of reluctance in the camps because people are afraid of change but in his opinion, introducing cash would have positive results on IDPs' feelings of self-esteem and reinforce the unity among the camp committees. World Vision's partnership with WFP currently covers the camps located in Waingmaw town and the pilot may involve providing cash to camps situated in Myitkyina. World Vision needs to consult internally to determine the caseload that they could manage and whether they could expand their geographical coverage to Myitkyina. Capacity-building for program and finance staff would also be required but technical resources are available within the organization.

Consultation meetings were also held with other partners such as Oxfam, KBC and Shalom as these organizations are providing unconditional cash transfers to the IDPs in Myitkyina and Waingmaw. As mentioned above, these organizations had concerns about cash distributions, mostly on account of the risk of increased social problems in the camps. Should the pilot project be implemented, these organizations felt that WFP should calculate the transfer value on the basis of the four commodities of a basic food ration, thereby allowing them to continue to provide supplementary unconditional cash grants. The organizations agreed to coordinate on a camp-by-camp basis to streamline cash distributions and standardize procedures and accountability mechanisms to the extent possible.

Finally the head of sub-office for WFP Kachin highlighted that capacity-building of all staff on cash transfer programming should be provided prior to the launching of a pilot project in order for the team to be in a position to effectively support the partners.

Financial Services

The assessment team met with the manager of the Myitkyina branch of AGD bank to discuss the possibility of using their services for cash transfers to the IDPs. According to the manager, none of the banks, both private and public, located in Myitkyina have access to a secure vehicle that would enable them to distribute cash outside of the banks' premises. However, AGD's bank has had an ATM for 9 months and KBZ is in the process of installing one with cash withdrawal options 24/7. Additionally, cash can be withdrawn directly by account holders during opening hours.

AGD bank is relatively new in Myitkyina and currently manages 1000 accounts whereas KBZ has a much broader clientele. AGD bank is welcoming of any partnership with

NGOs and the UN and would guarantee rapid services to all their new clients. The few IDPs that have saving accounts confirmed that KBZ customers have to go through long queues before being served due to the bank's substantial caseload and limited management capacity.

There are two financial products that could be appropriate for a cash transfer program according to the AGD bank manager, which are ATM accounts and saving accounts. Requiring an initial deposit of 1000 MMK, ATM accounts can be open free of charge and come with a debit card. The debit card can be used free of charge in the AGD's ATM and a commission of 100 MMK will be charged for every 100,000 withdrawal at other banks or other AGD branches. The ATM account however does not allow account holders to withdraw cash from the bank. Since its installation, the ATM has been out of order regularly, due to connectivity problems. Although the technical problems are usually temporary, they cannot be minimized. ATM account holders are provided with a PIN number generated by the bank that they can later change for their own PIN. The loss of the debit card or three wrong PIN trials will result in a new card being issued at the cost of 3000 MMK and with a 2 weeks waiting period. ATM accounts do not offer any interest. Saving accounts on the other hand offer an 8% annual interest rate. Requiring an initial deposit of 10,000 MMK, they can also be open free of charge. Saving account holders do not receive any debit card and can only withdraw cash from the bank directly. Bank withdrawals are normally limited to once a week but the bank can accommodate 2 or 3 withdrawals a week if necessary.

As mentioned above, the discussions with the IDPs revealed their reluctance to use bank services mostly due to lack of familiarity and general mistrust. Some of the bank options could be beneficial to the IDPs to support business ventures and increase their financial skills. However, the IDPs displayed a high fear of change and cash would in itself constitute a significant change and introducing bank services at this stage may create unnecessary distress among the IDP population. If displacement continues and cash becomes an accepted response modality, bank services may be considered.

Recommended Response and Way Forward

Response Options Analysis

As mentioned above, food distributions of local products are not a viable option as Kachin traders are unable to compete due to the relatively high price of the local rice varieties compared to rice from other parts of the country. Voucher-based programming was also eliminated as a potential option due to the lack of experience of beneficiaries and partners and the reluctance of local traders to fix prices. This left the assessment team with three possible response options, including the current modality, for which the advantages and disadvantages are analyzed below.

Response Option	Advantages	Disadvantages
Mixed model: rice + cash	Preferred by the local organizations More in line with local dietary preferences	Undermines the learning value of the pilot (factors of success or failure are harder to isolate when the response is mixed) Does not reduce the loss of value

		from rice swapping or selling May result in IDPs de-prioritizing food on the grounds that rice is secured Does not alleviate the logistics burden on WFP
Unconditional Cash transfers equivalent to food rations	Enables learning in a controlled environment In line with dietary preferences Increases the self-confidence of IDPs and financial management skills	Not supported by Government, the local organizations and most of the camp management committees Risk of diversion and deterioration of the food security situation
Current option: food distributions	Preferred by the Government	Not in line with local dietary preferences High logistical burden on WFP

The assessment team considered all three options and felt that piloting unconditional cash transfers equivalent to the basic food rations in camps were it is welcome by the IDPs was the most suitable option provided that the Government's support can be obtained and that a detailed cost/benefit analysis also supports the transition.

Risk Analysis

The risk analysis only applies to the proposed response option, namely unconditional cash transfers equivalent to food rations. Should another response option be selected, the risk analysis would have to be updated accordingly.

Risk	Description	Mitigation strategies
Money used for other purposes than food leading to food insecurity	Some of the transfer is likely to be used for other HH expenditure such as education. That could affect the food security status of some of the HH	Post distribution monitoring Awareness sessions and guidance to IDPs on basic nutrition
Poor financial management	Expenditure patterns create a gap where the HH has no access to food	Awareness sessions and guidance to IDPs on basic HH finance management Post distribution monitoring Weekly or bi-monthly cash distributions
Anti-social use	Increase in drug or alcohol consumption and gambling	Post distribution monitoring Monitoring FGD with IDP women and camp management committees
Social problems in the camps	Theft (real or reported), domestic violence	Post distribution monitoring Monitoring FGD with IDP women and camp management committees
Corruption	Corruption of distribution staff, camp management committees, IDPs or market actors	Regular monitoring through FGD and observation at distribution sites Post distribution monitoring Cash control protocols, including presence of finance staff during

		distributions
Reputational problems for WFP	Although the likelihood of causing serious social problems or disruption to stability in the camps, the resentment of the local organizations and the Government towards cash means that any issue associated to cash distributions, even minor, would be blamed on WFP, possibly using the media	Transparency Regular consultation with local organizations Regular and open learning events Regular informal and official reporting to the Government
Inflation	Although inflation caused by the cash injection is highly unlikely, it is possible that the host community could blame the IDPs for any price increase in the market even if it is in fact unrelated	Transparency Regular consultations with host communities and market actors

Possible Transfer Value

The assessment team collected prices of the local varieties of the four commodities in the reference market, Myitkyina central market, from a diverse sample of retailers. The reference price for rice is the low quality Kacho rice, the reference price for pulses is an average of the two types of beans consumed by the local population and the reference price for oil is mustard oil. The unit price used in the calculation is the price during winter harvest time, i.e. the lowest price for rice and oil. However, the seasonal variability of accounted for as a rate of 8% is added to the food basket. The seasonal variability rate has been calculated based on price monitoring data from Waingmaw collected by the VAM assistant between 2011 and 2014 and triangulated with local traders. The inflation rate is the national annual average inflation rate, which according to the data available is consistent with inflation patterns in Myitkyina and Waingmaw. The equivalent of the food basket is calculated per person and therefore needs to be multiplied by the number of members in the household.

Food preparation costs such as firewood and cooking utensils are not included in the transfer value as they are provided under the CCCM sector interventions. Transportation costs however are included with an average of two return trips to the main markets every month per person.

Possible transfer value per month (direct equivalent of WFP food rations):

	Item	Quantity (kg)	Unit cost (kg)	Total cost
Basic food rations equivalent per person	Rice (Low quality Kacho rice)	13.5	650	8775
	Pulses (local beans)	1.5	2570	3855
	Cooking oil (mustard oil)	0.9	2590	2331
	Salt	0.25	240	60
	Transportation	2	1000	2000

	costs (to and from Market)			
	Seasonal variations	8%	1015	1015
	Inflation (national annual average)	4.3%	620	620
			Total per person	19,000 MMK (rounded up)

It is important to note that the transfer value included here is a direct translation of the WFP food basket (4 commodities) based on the cost of local varieties. However and as mentioned above, local dietary preferences are not fully aligned with the food basket presented above. For instance, IDPs interviewed stated that the preferred sources of protein are meat and eggs as opposed to pulses. A cost of diet analysis, looking at the nutritional value of different food basket options and associated costs, would provide better foundations on which to calculate the transfer value.

Recommended Transfer modalities

As mentioned above, direct cash distributions should be preferred to withdrawals from banks, at least in the short to medium term. Cash should be handed directly to the household rather than through the mediation of the camp management committees, and preferably to women. Depending on the partner's capacity, weekly or bi-monthly distributions would be preferable to monthly distributions.

Way forward

Below are the key steps that need to be taken to follow up on the assessment:

- Discussion with Government counterparts to see how risks and obstacles can be managed
- Internal discussion within World Vision: as the only potential partner for WFP for cash distribution, World Vision needs to assess its capacity needs and the caseload that the organization is willing to take on, as well as the geographical coverage
- A detailed cost benefit analysis should be conducted to assess the overall efficiency of cash vs. food distributions
- The transfer value should also be reviewed based on a more thorough cost of diet analysis
- The transfer modalities should be consolidated by WFP and World Vision, following which detailed information needs to be shared with IDPs in the camps that expressed interest in the pilot through mass meetings. Only when IDPs fully understand their entitlements should their willingness to participate in the pilot be taken as final confirmation
- Capacity-building on cash programming should be provided to WFP staff and World Vision staff in Kachin
- If the pilot project is confirmed and successful, partnership options with financial service providers, including private banks, should be explored in more details