



## Mission Report

Transfer Modality Scoping Mission in Southern  
Rakhine/Sittwe, Myanmar | 2-6 March 2015



**World Food  
Programme**

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## 1. Background

The WFP Strategic Plan 2008–2011 expanded the role of WFP from food aid to food assistance, introducing a more varied toolbox of responses including cash and vouchers (C&V). This expansion of available resource transfer modalities is intended to ensure that responses can be closely tailored to both the needs and the context of the people that WFP supports. WFP has been expanding its portfolio in market-based interventions in Myanmar and this report shows the findings of a desk review and field mission to identify opportunities and bottlenecks for C&V programming in Southern Rakhine and Sittwe.

Rakhine state is one of least developed states of Myanmar and is also in an area vulnerable to natural disasters such as storms and floods. The state is characterised by high population density, malnutrition, low income, poverty and poor infrastructure<sup>1</sup>. In 2012, inter-communal violence broke out and approximately 115,000 Buddhists and Muslims were displaced to camps or villages. The situation continues to remain tense and with the general election due to take place also in October/November 2015, the political considerations are key for the programming decisions for this area.

Rakhine State has a wide variety of groups and dynamics. Each and every camp and site visited during the mission had very different intra- and inter-community dynamics. As highlighted in the WFP 'Do No Harm' Assessment (2013), there are many different community dynamics including: Rohingya Muslims and Rakhine Buddhists; internally displaced persons (IDPs) and non IDPs; IDPs and host communities; registered IDPs and non-registered IDPs; those with land and those without; and isolated villages and their neighbours. This heterogeneous context consequently makes extrapolation of findings across the state an additional challenge.

As a result of these different groups and dynamics, the food security status across the state is very varied, with some communities able to access livelihoods and land, and others unable. In the 2013 Food Security and Livelihoods Assessment, 55-70 percent of households in Muslim IDP camps are considered poor and very poor, 50-75 percent in Muslim host/isolated villages, 40-60 percent in Rakhine urban IDP camps, 40 percent in Rakhine isolated villages.<sup>2</sup> Within each of these groups, there are also many differences. Key livelihoods in Rakhine are rice production, fishing and some trading. Because of the violence however many of the livelihood linkages between communities were broken and access to livelihoods and labour has reduced for both IDPs and host communities<sup>3</sup>.

WFP's current response in Rakhine State is that of general in-kind food distribution. The provision of a full daily ration including rice, pulses, oil and salt is essential for many households in covering the basic food needs and avoiding unsustainable coping strategies. This mission looks to explore whether alternative transfer modalities for this distribution would be appropriate and feasible within the context.

### a. Objective of the mission

To explore potential opportunities and bottlenecks for the introduction of cash or vouchers in relief settings in southern Rakhine/Sittwe and propose next steps.

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<sup>1</sup> Food Security & Livelihoods Assessment (2013), *ACF, DRC, Oxfam, Relief International, Save the Children, Solidarites International*, p8-9

<sup>2</sup> *Ibid*, p4

<sup>3</sup> Rapid Assessment of Non-Displaced Populations in Sittwe Township (January 2013), WFP.

## **b. Methodology**

Phase One: Desk review of secondary information and assessments to highlight previously identified bottlenecks and recommendations.

Phase Two: Field mission to include focus group discussions with affected populations and key informant interviews with main stakeholders.

Phase Three: Debrief to Country Office team and report outlining further recommendations and proposed way forward.

## **c. Partner Consultation**

In addition to the field interviews, consultation was made in Sittwe with:

- **International NGOs:** Danish Refugee Council (DRC), Myanmar Red Cross Society (MRCS), Plan International, Save the Children, Consortium of Dutch NGOs (CDN), Myanmar Heart Development Organization (MHDO)
- **UN agencies:** OCHA, UNICEF, UNHCR, UNDP
- Myanmar Rice Industry Association (three suppliers)

## **d. Mission Sites**

In order to look into a range of contexts within southern Rakhine and Sittwe, four townships were visited: Sittwe; Pauktaw; Mrauk U and Kyauktaw. A total of 11 sites were purposively selected to ensure a wide range of contexts were visited in the short mission. These were: 5 Muslim IDP camps; 2 Rakhine IDP camps; 1 mixed Muslim/Kaman IDP camp; and 3 isolated Muslim villages. In each site up to four focus group discussions were held: Camp Management Committee/Food Management Committee (CMC/FMC); traders; female beneficiaries; male beneficiaries.

With an average of eight people per beneficiary focus group, approximately 200 beneficiaries and CMC/FMC members were consulted across the contexts and almost 90 traders were reached. Observation and key informant interviews also took place at the camp/village retailer shops, with an additional three larger markets also visited to look into the supply chain and flow of goods.

Figure 1: Map of Mission Sites Visits



## 2. Findings: a. Current perceptions of WFP food basket

### ***The WFP in-kind basket is perceived positively but beneficiaries need additional commodities for a diverse food basket***

Throughout the 26 focus groups held, the current in-kind WFP food basket was perceived generally very positively by the beneficiaries, with reports that they liked the type and quality of the food. The food basket responds to their dietary preferences and this is triangulated by findings in the 2014 WFP Post-Distribution Monitoring Report (PDM) which shows a good food consumption score (FCS) overall with 1 percent of households being classed as having a poor FCS, 17 percent borderline and 82 percent adequate<sup>4</sup>. These results are also corroborated by a Rapid Household Economic Analysis, where there were no groups found who were not meeting the minimum daily food intake requirement of 2,100 kcal per day<sup>5</sup>.

However, during the mission, many reported that the basket is not diverse enough for a full meal for the household, with 8 of the 26 focus groups reported selling or exchanging some portion of the basket mainly to buy other commodities, this being reported as particularly prevalent in Mrauk U. In the 2014 WFP PDM data<sup>6</sup>, 89 percent of households said that when they sold part of their ration it was to buy other food items rather than non-food commodities. As the table below shows, beneficiaries are either buying or exchanging for varied items such as green vegetables, chilli, onion and garlic to supplement their meals. Dietary diversity is limited however, with few eating meat (only two camps mentioned the consumption of meat), one reported eggs, none reported the consumption of milk, and few mentioned fresh fish, despite the location near the river.

The table below highlights the key commodities reported as being consumed by beneficiaries in addition to the WFP food basket.

**Figure 2: Additional commodities consumed, as reported in focus group discussions**

ITEM	SITTWE	PAUKTAW	MRAUK-U	KYAUKTAW
Chilli	•	•	•	•
Dried Fish	•		•	•
Fresh Fish		•	•	•
Garlic	•		•	
Condiments	•		•	
Green Vegetables	•	•	•	
Eggplant			•	
Meat (Beef)			•	
Prawns			•	
Milk				
Rice		•	•	
Tomato			•	
Onion	•	•	•	•
Chicken				
Eggs	•			
Potatoes			•	

<sup>4</sup> WFP Post-Distribution Monitoring Report, p9

<sup>5</sup> Rapid Household Economic Analysis (2013), Oxfam & Save the Children

<sup>6</sup> Ibid, p11

In this regard, cash or vouchers would be in theory a very good way to reduce selling of the ration and increase dietary diversity. If a market-based solution would be challenging due to other factors, there could be opportunities to coordinate with partners to cover additional foods. This commodity top-up is already occurring through NGOs such as Action for Green Earth (AGE) and CDN, who have been providing onion, garlic, chilli and dried fish, for example. It was also clear through the stakeholder partner meetings that any delays in WFP food distribution result in significant selling of other non-food items (NFI) distributions. It could therefore be helpful to provide a more coordinated in-kind distribution of WASH kits, food, firewood and other NFI as this would avoid negative coping strategies of selling of the food basket.

#### **b. Beneficiary Preferences for Transfer Modality**

***All focus groups had a strong preference for in-kind and were opposed to a switch to cash. Vouchers were considered a possible option in a third of FGDs, providing that WFP could ensure supply at a good quality and price***

Across all of the ten Muslim camps and villages, there was a strong preference for in-kind distribution and all focus groups concluded that this was the preferred modality. Key issues consistently highlighted included lack of market access, protection concerns when travelling to the market, lack of supply, and high price fluctuation. Beneficiaries were particularly fearful to lose in-kind rice due to concerns that they would not be able to buy this in the market at a good price.

All Muslim camps and villages were opposed to a switch to cash due to the concerns raised above. Vouchers were more accepted, with 9 of the 26 focus group discussions raising that this could be a possible second choice, but only on the condition that WFP could guarantee supply at a fair price. Some beneficiaries expressed concerns that they would be left with 'empty' vouchers as they would not be able to access supply. The Rakhine camp had the only preference for cash recorded during the focus group discussions, which was expressed by the male beneficiary group. The CMC and women's groups, however, preferred in-kind transfers, with a mixed basket of rice & oil plus cash as second choice.

In some of the focus group discussions, concerns were raised about illegal fees paid to the FMC or CMC. This is also triangulated in the WFP 2014 PDM data where 8 percent of respondents reported paying illegal fees for the in-kind distribution, with 64 percent of these specifying that these fees were paid to the FMC directly<sup>7</sup>. These issues were raised mainly in the women's focus groups, expressing that they would have to pay even more of their cash or voucher portion to the FMC, CMC or religious elders. Anecdotally, partner stakeholders also expressed that this bribery and corruption was at all levels of the process and could increase if cash or vouchers were introduced.

One issue often expressed by both men and women were concerns on low knowledge of financial management, with one beneficiary articulating it as '*money has eyes*' and that if they had cash they would feel pressure to spend it on many things. With the WFP in-kind food, many beneficiaries expressed that they feel that this is guaranteed and is one less thing to worry about. They have their food for the family and then can look for small income generating activities for additional expenditure. There is generally a very low knowledge of financial management as WFP food has been the main bartering currency. Both positive and negative expenditure was noted when asked how they would spend the money if receiving cash with some men stating that they would buy alcohol, betel, longyi or shirts as well as men and women reporting that they would buy food, firewood and medicine.

At another extreme, Muslim IDPs in That Yae Oak in Mimbya said that although cash was not their first preference, if they received it they would like to be paid for one year in advance. In another Muslim

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<sup>7</sup> WFP 2014 PDM Report, p5

village in Mrauk U, The Ye Do, beneficiaries said that they would like to receive cash because then they could try to save as much as possible in order to start a business. There could therefore be a risk of a lower expenditure on food as a coping strategy, reducing the food consumption score if these modalities are used on a blanket basis.

### c. Beneficiary Market Access

***With movement restrictions and protection concerns, physical market access is a key challenge for any market-based intervention in Rakhine***

In addition to a lack of economic access to the market, beneficiaries also reported major challenges with physical market access. Movement restrictions are in place for those in IDP camps, with more access afforded to those in villages, although this depends on the location and proximity to Rakhine villages.

Other beneficiaries reported violence and discrimination when trying to access their nearest market. In one area in Kyauktaw for example, the CMC stated that Muslim men and women do not feel safe to make the trip as stones are thrown at them during the journey.

Women are therefore often confined to home and not encouraged to leave the camp, both for these security as well as religious reasons.

Whilst it is important to advocate for the lifting of movement restrictions, the implications of this must also be taken into account. Some of the lack of movement is also voluntary as many people expressed fear to leave due to the local community dynamics.

#### **Snapshot 1: Beneficiary Market Access in Mrauk U**

For those that are able to travel, accessing the market can be a costly exercise.

Beneficiaries from the Muslim village of **Sam Ba Lei** in Mrauk U have access to two markets: Paung Htoke and Mimbya markets.

**Mimbya** is a Rakhine trading market with cheaper prices than Paung Htoke. IDPs can request security access and travel by bike in ten minutes. They have to pay the police 10 percent of the price of the goods to bring them back and there are sometimes security concerns or access blocks when travelling.

Alternatively, beneficiaries can travel two hours by boat to **Paung Htoke**, the nearest Muslim market. This costs 2,000 MMK and they pass several military checkpoints. They are often requested to pay between 5,000 – 10,000 MMK to pass through the checkpoints. Sometimes, whilst on the journey, they are refused access and obliged to travel back on the waterway to their village without their goods.

### d. Market (Supply side)

***Whilst there exists a symbiotic trading relationship between communities, barriers to trade are layered and have a complexity of inter-linkages which undermine any normal market dynamics***

Given the length of this mission it was not possible to conduct a detailed assessment that would analyse the structure, performance and conduct of southern Rakhine and Sittwe markets. Instead, a desk review was conducted of all key previous market assessments and focused questions were developed to identify new or remaining opportunities or barriers to trade. This allowed an understanding of the supply chain and flow of goods in order to inform conclusions on transfer modality choice. In Muslim camps and villages, focus group discussions were held with Muslim traders and key informant interviews were conducted at the three larger markets visited. Observation also took place at the market stalls to triangulate supply and storage information. Rakhine traders were



consulted through focus group discussions on site and a meeting was also held with three WFP in-kind suppliers from the Myanmar Rice Industry Association.

Throughout the field work, it was clear that barriers to trade are layered and have a complexity of inter-linkages which undermine any normal market dynamics. Trade and movement restrictions are in place for Muslim traders, transporters and beneficiaries leading to unequal trading relations and power politics between each layer of the supply chain.

#### *(i) Markets: Current Supply*

For Muslim traders, trade is formally illegal in the camp, although small scale trade is ongoing in most villages. Visited camps and villages usually have very basic shops selling mainly condiments, garlic, dry fish, onions, chilies, tea/coffee mix and small snacks in very small quantities. Some visited locations counted bigger shops selling also rice, pulses, fuel, fabrics, clothes and other household items. Fresh commodities are usually bought to traders at the entrance of the camps or are purchased in surrounding Rakhine villages.

Traders as well as beneficiaries also purchase food and other goods in the surrounding markets when access is granted or by ordering through intermediaries. Transportation costs are usually high and checkpoints fees are common, which has a direct impact on the food and commodity prices at camp/village level.

The main market areas visited (Thea Chaung, Thet Kae Pyin and Kyauwtaw) are relatively well supplied with rice, vegetables, condiments and other needed items. At Sittwe township level, Sittwe town market is the main supplier to other secondary markets such as Thet Key Pyin and Thae Chaung. Fresh commodities in Sittwe market are produced in Rakhine, rice is in majority coming from Kyauktaw and Mrauk-U Townships, and other goods are mainly coming from Yangon by boat. Thae Chaung market is also supplied directly from Yangon and Thet Key Pin is also relying on Thae Chaung Market.

The visited location in Pauktaw Township rely almost exclusively on goods and food sold in Thae Chaung market. Rakhine villages in the area have access to Sittwe market. In Mrauk U and Minbya townships, the visited location rely mainly on Minbya and Paung Toke markets directly supplied by Yangon, Mandalay by road.

#### **Snapshot 2: Thae Chaung market, Sittwe Township**

- Large trading area in Sittwe Township
- Trade in rice, vegetables and other commodities
- Goods from Sittwe or other productive areas in the region in Sittwe township
- Goods coming directly from Yangon by boat
- Muslim and Rakhine rice traders, each trader selling up to 50 bags/month.
- Wholesale price for 1 bag of 48kg rice is between 13,000 – 16,000 MMK depending on rice quality

**Thae Chaung Muslim rice trader:** Trader is not permitted to travel to Sittwe so pays 300 MMK/bag for agent transportation fee. Trader sells 3kg for 1000 MMK, making 20-30 MMK/bag profit. Trader could increase supply but this would be limited as he has no access to credit and supply is restricted.

**Thae Chaung Rakhine rice trader:** Trades with both Muslim and Rakhine traders. Travels to Sittwe town and brings stock to Thea Cheung himself making a profit of 200 MMK/bag. He often buys and sells on credit but would have limited capital to increase supply significantly.

**Figure 3: Summary of market/shop information collected through key informants**

Location	Number of shops	Main markets to purchase food and goods
<b>Kaung Doke</b> (Muslim camp)	35-40 basic shops	Free access to the village market hold twice a week Not authorised to go to Kyauktaw market
<b>Shwe Hlaing</b> (Muslim camp)	1 basic shop	Go twice a week to Kaung Doke village market Not authorised to go to Kyauktaw market
<b>That Yet Oak</b> (Muslim village)	5 basic shops	Market of Nakara Market of Paung Toke Market of Minbya (rarely - order to brokers)
<b>San Ba Le</b> (Muslim village)	10-15 basic shops 2-3 medium shops	Market of Paung Toke several times per week Market of Minbya (only for medium shops – order to brokers)
<b>Ya Thei</b> (Muslim village)	20-25 basic shops 10 medium shops	Market of Paung Toke (1 hour walking distance)
<b>Thet Kyar</b> (Rakhine camp)	1 basic shop	Market of surrounding Rakhine villages (rarely because of lack of cash) Traders bring daily fresh vegetables in front of the camp
<b>Sin Tat Maw</b> (Muslim /Kaman camp)	5-10 basic shops	Market of the Muslim village Market of the nearby Rakhine village
<b>Kyae Ni Pyin</b> (Muslim camp)	1-5 basic shops	Market of Anon Ye
<b>Pa Lin Pyin</b> (Muslim camp)	1-5 basic shops	Shop keepers visit Thae Chaung and Thet Kel Pyin market on average ones per week
<b>Ohn Taw Chay</b> (Muslim camp)	Basic shops	Market of Thae Chaung
<b>Set Yoe Kya</b> (Rakhine camp)	10-15 basic-medium shops	Market of Sittwe

It was observed that the market in Kyauktaw is quite a large market that caters to both food and non-food commodities with items of varying quality and quantities with several large-scale cereal retailers. The team had been advised by the WFP Field Monitor that the UN presence in the area was not very welcome, thus it was not possible to hold interviews with any one trader conclusively. A few traders mentioned that they had capacity to supply 100 bags of rice with only one week's notice period. For more than 100 bags, they would need a longer notice period. In all instances, they said they would be happy to deliver as long as a 30-50 percent deposit was made. Some of the traders from this market supply fresh food to the Khaung Htoke market (Muslim IDP camp) every Sunday and Wednesday.

In several of the markets visited, there was evidence of WFP in-kind food, particularly rice, although it was not confirmed if this was the commodity itself or the reuse of the bags. A more detailed analysis would need to be conducted prior to any transfer modality switch on the impact of the current WFP rice in the market compared to the market sourced from Sittwe, Mandalay, Yangon and the surrounding area to assess how the market would react if WFP stops providing in-kind.

*(ii) Markets: Challenges to an increase in supply*

*Formal trade restrictions*

There are evidently major barriers for an increase in supply to support a cash or vouchers operation on the scale that WFP would require. As trade is formally illegal in the camps, although the current levels of trade by Muslim retailers are accepted by the authorities, any major increase in trade would not be permitted. This would therefore require negotiation by WFP between national and local authorities, Rakhine traders and Muslim traders to accept to withdraw the trade and movement restrictions, which is a highly politically sensitive matter. Without this ease of restrictions, any agreement by WFP with traders would be extremely complex with low cost-efficiency since each party would need to see trade benefits over and above the normal market economics.

The trade and movement restrictions have the potential to block the supply for all actors at every stage in the supply chain. The Rakhine wholesalers could face pressure from Rakhine leaders to suspend supply; Muslim traders could face higher prices and challenges to receive this supply; the payment brokers at the security checkpoints could increase their broker fees; Muslim and Rakhine transporters would be fearful to transport the goods and could stop or increase prices; and consequently beneficiaries may not be able to access sufficient food at a reliable price. Major protection risks would undercut all of these potential situations.

*Fear and mistrust between and within communities*

Any cash or vouchers intervention would need some level of capital investment for traders to begin to stock up supplies. All Muslim traders interviewed except one said that it would not be possible to increase supply due to lack of access to capital and credit. The one trader that said he could increase supply told us after the meeting as he was fearful to mention it during the meeting as the others would want to know where he had got his capital from, highlighting the challenges within this trading system.

Whilst Rakhine traders from Sittwe would have a greater capacity to supply for a WFP cash or vouchers intervention, Muslim beneficiaries and traders reported that Rakhine retailers would not be accepted into the camps and villages. Rakhine retailers interviewed during this mission would also not be willing to enter the camps or villages due to fear of security issues (both from Muslims and Rakhine) with the exception of a couple of larger trading areas such as Thea Cheung where Muslim and Rakhine traders are in the market together. When speaking with some of the larger Rakhine rice traders, whilst they personally were willing to increase supply as they could see the benefits to trade, they insisted that they would not be able to engage in such a programme without confirmation of security and protection from local authorities and police for transportation and transactions.

Rakhine traders did however report that other commodities such as dried fish, chilli, garlic and vegetables would be easier to increase supply as this is in smaller volumes and less conspicuous. However, if this was implemented with the trade restrictions still in place, the risk of supply block would be high given that the formal restrictions would be being circumvented. This is therefore not a legitimate option at scale.

In Shwe Laing Muslim IDP camp, the CMC reported that beneficiaries were charged higher prices than Rakhine customers at the market. This points to the impact of power games on prices and the vulnerability of the supply chain to these political factors. In other contexts, the economics of supply and demand could prevail over these issues, but given the restricted access and thus limited choice of markets, it is easy for traders to take advantage.

### *Incentives for switch of transfer modality*

One very interesting dynamic is the issue that Rakhine traders are currently suppliers for the local procurement of WFP in-kind rice. Any switch therefore to market-based interventions, which would normally cause new multiplier effects to the economy, would not incentivise Rakhine traders to the same degree, and some of the larger players would likely see a reduced income from the change in modality. With vouchers, WFP would to some extent have the ability to negotiate a deal which would benefit Muslim and Rakhine traders. However, Rakhine traders expressed concerns that if cash was provided, Muslim traders could source supply from Mandalay and Yangon wholesalers, cutting out the Rakhine supply. A situation like this could cause major implications to the community dynamics between host and Muslim populations.

### *Price fluctuation*

Price fluctuations are influenced by two main factors: seasonality and high transportation costs and fees between markets.

Seasonality affects the access and the availability of food in the markets. The lean season between June and September is associated with the pre-harvest season and the rainy season, when food prices (especially rice) are high and labour opportunities are lower. Availability of casual labour opportunities in rural areas is generally low outside of the monsoon paddy rice crop cycle (November-April) and in urban areas during the rainy season (May - September).

Commodity prices at village/camp level are very high and in some places can be 100 percent higher than in the main township market. Transportation costs between markets are high and fees at security checkpoints often reach 10 percent of the goods/food value transported.

Moreover, beneficiaries/shop keepers can rarely access suppliers in the main township markets and rely on secondary markets, where prices are already higher. Transportation prices and fees are not fixed and can change at any moment, bringing IDPs in a situation of a risk dependency.

### *Role of brokers*

With no formal access to financial services, Muslim traders use a broker, who charges for transportation and payment fee. This is a trusted third party (Muslim), who generally had a previous relationship with both the Muslim and Rakhine traders prior to the conflict. On the whole, no transaction takes place directly between traders, reducing some level of control and opening up possibilities of power games and unexpected price increases in the process.

#### **Snapshot 3: Transportation fees**

**Tha Yet Oak:** Goods in the village are initially coming from Yangon or Minbya. From Minbya they go to Nakara where prices are usually 50% higher. Then transportation costs and fees at security checkpoints reach 10 percent of the goods value. Goods end up being 60 percent more expensive than if they could be purchased directly in Minbya.

**Kyae Ni Pyin:** Goods in the camp are initially coming from Sittwe and transit through Thae Chaung market. Police fees are increasing the prices between those two main markets. Products are then brought by boat to Anon Ye. The boat round trip costs 30,000 MMK/boat and police asks fees (e.g.: 500 MMK/rice bag). Goods are then transported by porters (1,500 MMK/bag) over the mountain to Kyae Ni Pyin.



### *(iii) Markets: Opportunities for future engagement*

Despite these challenges, there still remains a symbiotic relationship between communities, which can provide a foundation to build future market-based interventions on. Despite tensions and power games, traders are still trading with and relying on each other. These economic linkages could be built upon in the future with the support of the national and local leadership and community authorities.

As highlighted in the WFP 'Do No Harm' report<sup>8</sup>, transfer modalities have the opportunity to both build local capacities for peace as well as to divide communities. Functioning markets play a large role in improving people's self-reliance, connecting communities and regenerating local economies, and as a consequence livelihood opportunities can be increased across the supply chain. However, this would need to be done with a strong protection lens so as not to exacerbate external pressures on traders to drop these links<sup>9</sup> as there is a risk that if this is undertaken without an understanding of the complex dynamics, the existing trading relationships could be undermined and broken.

In many of the communities visited, although the functioning trading relationships were working within an overall context of fear and mistrust, there does remain some element of trust within the supply chain, particularly through the central role of the broker. These trading relationships endured through the conflict and there is a clear willingness to continue. For the Rakhine host community, the reduction of Muslim labour has had a large impact on the economy but in some areas these linkages have been reinstated<sup>10</sup> and additional livelihood opportunities generated.

In 9 of the 26 focus group discussions held, people would consider the idea of vouchers as a second option after in-kind if WFP could guarantee the supply of a good quality at an affordable price. In one mixed Muslim/Kaman area in Pauktaw, the local leaders were very open to the idea of working with the Rakhine traders as they believe they treated them well and charged a lower price. In other contexts like Thea Cheung, the market is relatively open and access is good. There are areas therefore within southern Rakhine and Sittwe that could be amenable to a vouchers approach in the future, but this would need to be very carefully approached and negotiated with all parties.

### *(iv) Markets: Recommendations*

In sum, whilst there are certainly some positive notes on the potential in the future to leverage and support the existing linkages between communities with a market-based intervention, this would need to be carefully negotiated and strong advocacy would need to take place with the national and local leadership for the lifting of trade and movement bans.

Without this, the high and tangible risks of supply block and complete market failure would be prohibitive at the current time. Whilst a small scale, isolated pilot could be a possibility from the point of view of the current supply and capacity to increase, the potential for supply blocks still remain.

From a supply perspective, given the high reliability of the population on the WFP food basket, it would arguably not be a responsible programming approach to currently make this switch at the scale WFP would require since many complex factors are in play above the normal supply and demand economics

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<sup>88</sup> 'Do No Harm' mission report (2013), p13

<sup>9</sup> HEA Annex 1, p3

<sup>10</sup> Food Security & Livelihoods Assessment (2013), ACF, DRC, Oxfam, Relief International, Save the Children, Solidarites International, p6

**e. Protection & Gender*****Protection issues undercut all activities and transactions in southern Rakhine and Sittwe and run throughout the findings of the mission***

With the 2012 conflict still very close to the surface, fear and mistrust remains high, culminating in a tense and potentially volatile environment. This fear is not only between Rakhine and Muslim communities, but also within each community, piercing into the dynamics that lay within these. This is a major barrier to market functionality, market access and daily life and even if formal movement and trade restrictions are lifted, the informal restrictions and power games would likely remain.

The current gender and protection issues surrounding food are quite evident through previous assessment, stakeholder partner meetings and focus group discussions and interviews during the mission. One key issue that was striking during the mission was that in all of the Muslim camps and villages visited, there was not a single female member in any CMC or FMC. Only in the Rakhine camp, there was a female representation. As highlighted in the WFP 2014 PDM, this needs to be taken beyond the socio-cultural argument<sup>11</sup>. Many other Muslim contexts, where WFP works, allow the representation of women in the FMC and although not easy, WFP can learn from other successful operations where this has been achieved, whilst monitoring closely the impacts of this.

Another potential protection concern is that food distributions tend to be given to the CMC and FMC to distribute rather than partners working with them to distribute directly to beneficiaries. It would be recommended therefore to look more closely into the protection issues around this form of delivery.

Specific gender issues around a change of modality were also raised during the focus group discussions. Whilst most groups said that decision making on expenditure was joint or male led, only one focus group said that females would take the lead over expenditure if cash or vouchers was provided<sup>12</sup>. Several groups (both men and women) also raised concerns that cash or vouchers may cause issues for intra-household relations relating to control of resources. In some groups, it was also raised that domestic violence could be a likelihood. In one Muslim village in Mrauk U, for example, the male focus group was asked if they would like to receive cash instead of in-kind food. They replied that they would not like cash because the money would run out on other things and the family would put pressure on them to buy food. When asked if they would prefer if the cash was given to their wife, all of the men agreed that if so, they would get frustrated and beat their wives. When asked why one man said: *'I work so hard to get the small amount of money that I get for the family. And if you give the cash to my wife? I will feel useless and small'*. This inversion of roles over control of resources would be problematic with cash transfers if not handled carefully and could be mitigated to some extent through the use of vouchers. Many groups expressed that they preferred in-kind as this did not rock the status quo in the household or community, they knew how to handle this and that they are guaranteed food every month to feed their household.

**f. Financial Service Providers*****Money can move around but it is not a transparent process***

Since the elections in 2012 and the lifting of sanctions and trade embargoes by the EU and US, Myanmar has been opening up to trade and money transfers with a rapid deregulation<sup>13</sup> of all sectors

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<sup>11</sup> WFP PDM Report, p14

<sup>12</sup> Respondents from a Muslim IDP camp in Kyauktaw

<sup>13</sup> In July 2013, the Central bank of Myanmar (CBM) Law was signed by the President in order to separate the central bank from the Ministry of Finance and Revenue clearly delineating its responsibilities. This was a key steps towards transforming the regulation of the financial sector and to re-assure potential inbound investors (The Report: Myanmar 2014, p 49)

of the economy. In Sittwe town, this is evident with several banks/ microfinance/remittance agents in the town itself.

This facilitation of money transfers does not, however, extend to all sectors of the economy and there are several barriers to financial access for the Muslim traders and IDPs. Firstly, without a National Registration Card, a Muslim cannot formally open a bank account. Secondly, even if they did have this card, they have restricted movement to the financial institutions in Sittwe town, requiring a security escort to travel to the town, which comes at a fee. Thirdly, even if the card and access was permitted, cultural reasons such as distrust of the financial institutions, fear of government monitoring of transactions and personal details would also prevent access to financial services<sup>14</sup>.

Whilst it was evident during the mission that many IDPs use the WFP in-kind food as their bartering currency, money does, however, move around the camps and villages through an informal broker system that is built on trust. In the WFP 2014 PDM, it was found that remittances from within Myanmar are one of the main sources of income for 9 percent of the households, showing that mechanisms are in place for cash movement<sup>15</sup>.

This movement is not a transparent process, however, and identification of the agents is a challenge. For payment of traded goods, for example, there is no direct transfer of cash between a Muslim and a Rakhine trader. Instead the Muslim trader gives money to the police security checkpoint, who gives to a Muslim broker, who gives to the Rakhine trader. No direct transfer of cash occurs between the two parties. These relationships of trust tend to have been established prior to 2012 through a trading relationship between Muslims and Rakhine communities, and these links have endured beyond conflict. One system that is prevalent in the area is that of the Hundi. A Hundi<sup>16</sup> is a financial instrument that is used for remittance transactions to transfer money from place to place and it widely used in Myanmar. It is in place in Sittwe town and also some of the larger trading areas such as in Thea Cheung, where cash is informally transferred through large traders. Hundis are also operational in the Muslim areas. The system works primarily on an IOU basis that is founded on trust, without regulation, formal accounting procedures or transparency of the transfer process. Given this limited accountability of the system, in this context, the delivery mechanism that could potentially be used would be cash in envelopes. However, in the case of Rakhine, this would not be advisable for security and protection issues on the scale that WFP would require in both rural and urban settings. If in the future greater access was realised for the formal financial services in Sittwe town, monthly trader payments for vouchers could be possible providing a transparent system was used.

Snapshot 4: Quick facts on the Hundi system

**Simple** – No need to have bank account for either sender or receiver.

**Easy access** – Good coverage for urban, rural and diaspora populations to access

**Based on a trust system** - People will only go to where others recommend

**Cost** – Cheaper than commercial banks

**Informal** – Minimal regulation and accountability

Movement of cash is therefore possible even to remote areas as there is a system in place, however, due to the risks posed by all the externalities that cannot be controlled by WFP (access restrictions, informal taxes, trade barriers and protections issues), there are limited delivery mechanism options which all carry risk for WFP at scale.

<sup>14</sup> Save the Children, p24

<sup>15</sup> WFP 2014 PDM Report

<sup>16</sup> The operation of the Hundi system has many parallels with the Hawala system also widely used in Africa, India and the Middle East.

### **g. Targeting**

#### ***A harmonised response strategy amongst stakeholders will be key to navigating the challenges ahead***

Throughout the mission, it was evident that WFP and other stakeholders are facing a challenge on the way forward. All actors agree that there needs to be an evolution of the response by the humanitarian community from the current state but without full government backing, it is unclear as to how to navigate through to the next steps. Prior to any transfer modality switch for WFP, it would be highly advisable to advocate for the resolution of the key issues first.

##### *Updating of lists*

In each of the camps (both Muslim & Rakhine), INGOs and UN agencies have largely been dependent on the lists that the government has been providing. These lists are generated through the government appointed members of the CMC and it is widely known that they are out-dated. The need for the updating of lists with new births, marriages and deaths was raised repeatedly throughout the focus group discussions and key informant interviews. Whilst this is a key first step, there are several challenges in this process, including the fear of some IDPs to be registered and known by the authorities; the population movement between camps (largely to look for better access to services); and the reported current requirement that Muslim IDPs are only permitted one child (although it was not clear during the mission to what extent or how this is enforced). This updating of lists is, nevertheless, a key step to take to avoid the impacts on dietary diversity and food consumption, caused by the coping strategies of selling pulses and oil to buy more rice when there is not sufficient food for the household.

##### *Vulnerability targeting*

The issue of targeting is a highly charged and politically sensitive topic which has paralysed INGO and UN agency attempts at updating lists, running household surveys and assessing household vulnerability. The government has not been forthcoming when it comes to the updating and maintaining updated beneficiary (IDP) lists for the people in the camps and because of their status as refugees, the majority of these same beneficiaries (Muslim IDPs) are also afraid of being registered because of the perceived threat of persecution by the government<sup>17</sup>.

The highly political issue of vulnerability targeting (between different IDP camps and between IDP and host populations), is therefore a key challenge to consider before a modality switch could be implemented. A greater understanding of food security in the different populations is required, but these discussions have the capacity to rock an already fragile status quo, particularly in an election year. Given the frequent weekly protests outside the UN offices in Sittwe, this topic is highly charged. Livelihoods funding is not currently forthcoming from donors due to the classification of the situation as a humanitarian rather than development context, but a longer term strategy may be a more appropriate vision with a harmonised response strategy amongst key actors.

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<sup>17</sup> Under the Rakhine State Action Plan, a government initiative introduced in September 2014, Muslim IDPs can only secure citizenship if they register themselves as Bengali, a term that implies they are illegal immigrants from Bangladesh.



### 3. Conclusions and Recommendations

1. The **updating of lists**, such as inclusion of new-borns and newly married, is a priority from a food security perspective. Old lists lead to challenges of insufficient food for the household and can reduce dietary diversity and food consumption as a result of the stretching of limited resources.
2. The issue of **vulnerability targeting** (within current distribution locations and surrounding host communities) is a key challenge which would be better to be considered before a modality switch could be implemented.
3. Explore a more **harmonized response strategy** across UN and INGOs with clear advocacy to Government at national and local levels.
4. **Cash is not recommended in the context** at the scale that WFP would require due to key issues such as the lack of beneficiary market access; the fragile supply chain vulnerable to power games; trade and movement restrictions; lack of access to financial services; protection issues; cost-efficiency; corruption. The possibility of complete market failure is very high.
5. **Vouchers are not currently recommended** due to the same reasons as cash, particularly lack of trader access to capital or credit; lack of trader movement; low trader capacity.
6. **If trade and movement restrictions were lifted** in the future, a follow-up C&V assessment with a strong supply chain and protection angle would be recommended. This assessment could particularly explore opportunities for a potential mixed in-kind & voucher basket.
7. **There is a symbiotic relationship between trading communities, which could be built on in the future** to be conducted with a strong protection lens in order not to undermine the existing dynamics. The current trading and movement restrictions would be prohibitive, however, at this time.
8. **Conditional transfers** could be considered in the future but only subject to strong vulnerability targeting and the trade and movement restrictions being lifted. This could be particularly relevant for agricultural areas, where beneficiaries have their own land and food insecurity is more seasonal.
9. It was highlighted in most UN and INGO discussions that it would best that no major changes in assistance occur prior, during or immediately after the **elections period**.
10. A more **holistic approach** could be advocated for with more distribution coordination to avoid negative coping strategies of selling of in-kind.
11. **The current context may be too fragile and varied for a pilot approach**. It is clear that some areas have more potential for a pilot such as Thae Chaung, which is well linked with the markets. However any pilot could cause major tensions between communities and would be unlikely to lead to replicable findings given that each camp and village visited had very different inter/intra community dynamics.
12. There is a need to **increase the number of women in the FMCs**, whilst taking into account the challenges and protection issues. Lessons can be learnt from similar contexts, where WFP is currently working.

#### 4. Recommended Next Steps

1. Work with key stakeholders to advocate for the updating of current beneficiary lists.
2. Continue discussions with UN, INGO and other stakeholders on creating a more harmonized response strategy for the Rakhine operations.
3. Use this harmonized approach to continue the discussion on the possibility of an assessment based on vulnerability criteria in the future, when and in locations where this could possible.
4. Continue with these key actors to advocate for the lifting of movement and trade restrictions, where possible.
5. If the movement and trade situation changes in the future, plan for a more detailed C&V assessment with a focus on supply chain and protection. If this occurs, it would be recommended to look at options of a mixed basket with in-kind (such as rice plus oil) plus voucher.
6. Use examples of other country contexts to advocate for an increase in females in the FMCs, where possible.
7. Until the above steps are undertaken and successful, it would be recommended to continue with an in-kind distribution due to the major bottlenecks currently occurring in this context.

#### 5. Secondary References

- 'Do No Harm' mission report (2013), WFP
- Food Security & Livelihoods Assessment (2013), Action Contre La Faim (ACF), CF, DRC, Oxfam, Relief International, Save the Children, Solidarites International
- Post-Distribution Monitoring Report (2014), WFP
- Rapid Assessment of Non-Displaced Populations in Sittwe Township (January 2013), WFP
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#### For more information contact:

WFP Regional Bureau for Asia  
Nichola Peach  
Cash and Voucher Programme Officer  
[nichola.peach@wfp.org](mailto:nichola.peach@wfp.org)  
WFP Myanmar Country Office  
Nuria Branders  
VAM Consultant  
[nuria.branders@wfp.org](mailto:nuria.branders@wfp.org)