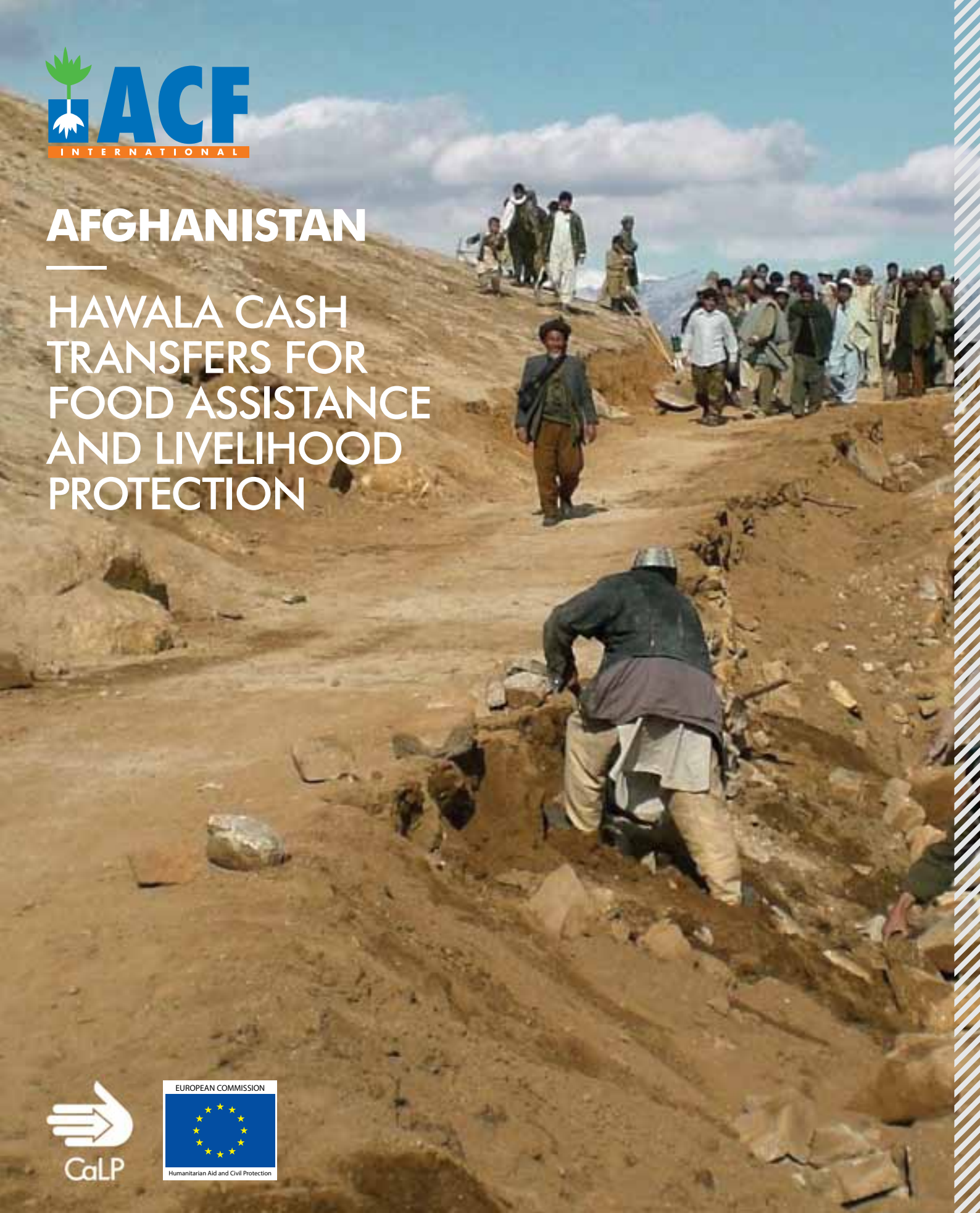


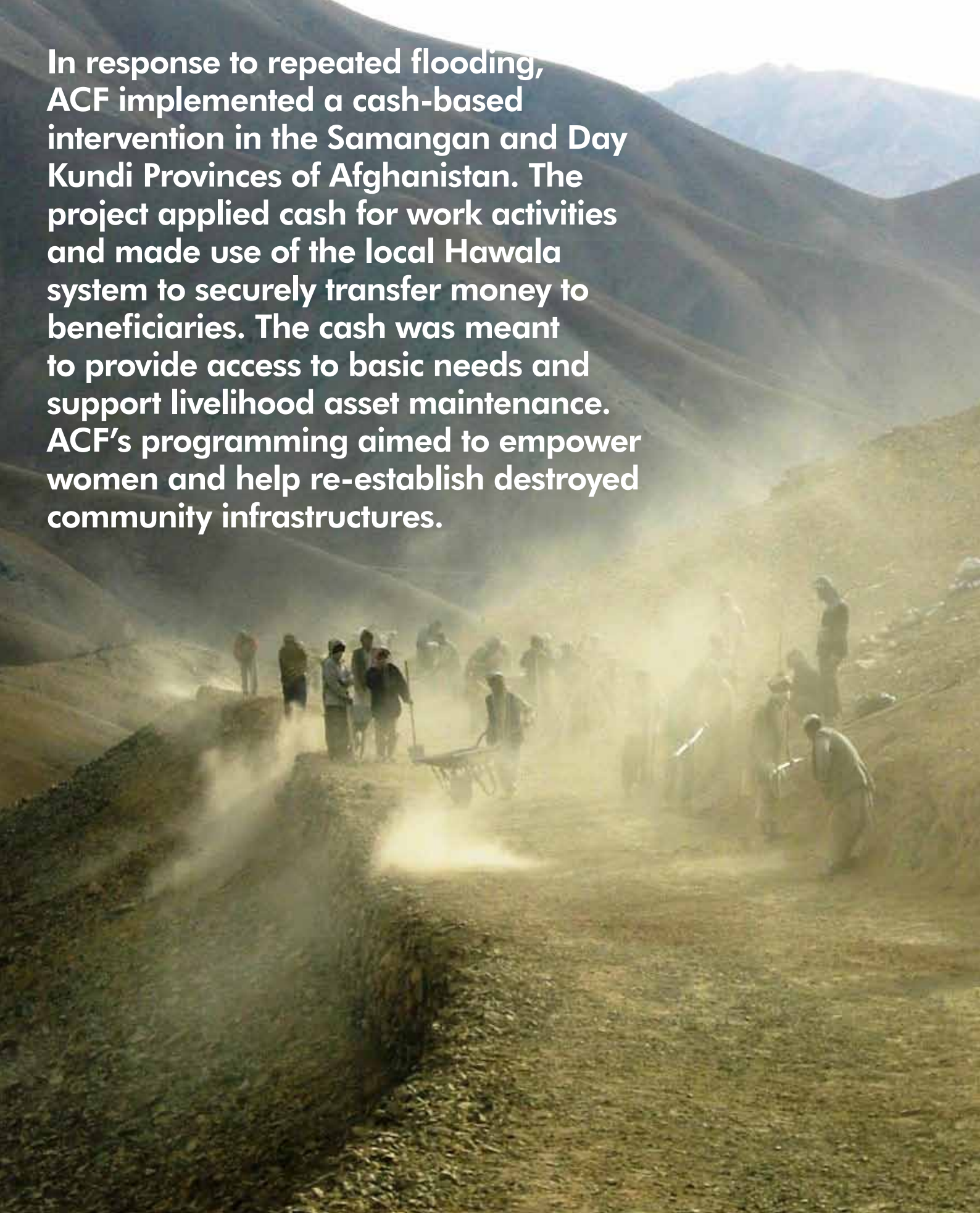


# AFGHANISTAN

## HAWALA CASH TRANSFERS FOR FOOD ASSISTANCE AND LIVELIHOOD PROTECTION



**In response to repeated flooding, ACF implemented a cash-based intervention in the Samangan and Day Kundi Provinces of Afghanistan. The project applied cash for work activities and made use of the local Hawala system to securely transfer money to beneficiaries. The cash was meant to provide access to basic needs and support livelihood asset maintenance. ACF's programming aimed to empower women and help re-establish destroyed community infrastructures.**





## Humanitarian context

### Background

Almost a third of Afghanistan's population is food insecure with another 23% vulnerable to food insecurity. The country is subject to recurrent national disasters, which exacerbates national food insecurity. ACF began working in Afghanistan in 1979 and started food security operations in 2000.

Humanitarian response in Afghanistan is complicated by the fact that acute needs related to conflict and disasters exist alongside extensive chronic vulnerabilities resulting from underdevelopment and impoverishment.

Day Kundi forms part of the mountainous region in the centre of Afghanistan and is a marginalized province with a structural food deficit due to the climatic conditions, geographical isolation and water management. There is strong dependence on agriculture (farmers form 85% of the population) and few possibilities for additional income. The chronic malnutrition rate among children aged under 5 is close to 48%.

In Samangan, issues such as, remoteness, decreasing productivity, rising food prices and increasing levels of water stress are major constraints for the vulnerable population resulting in a lack of human, physical and financial capacity to carry out proper food production (in quantity and in quality) to cover their basic needs. In addition to the limited food access and availability for the poor households, the low level of education is leading to a poor

utilization of the food through bad hygiene and nutrition practices increasing the risk of malnutrition and illness.

In May 2010, Samangan and Day Kundi provinces experienced substantial, repeated flooding. The resulting crop loss worsened local food security and the floodwaters were devastating to community infrastructures. The population lost its ability to meet basic needs, and could neither recover from previous shocks nor cope with additional shocks. ACF chose to include cash transfers as an aspect of their response programming. Cash transferred through the traditional Hawala system was meant to protect livelihoods and increase the ability of beneficiaries to access basic needs, including locally available foods.

### Assessment

Assessments and discussions with stakeholders indicated that almost 50% of annual household food needs are met through food purchases. Imports from Kabul and Kadamah and staple foods found at local shops form the base of food consumption in Samangan and Day Kundi. Reliance on purchased foodstuffs increases in the lean periods when locally produced stocks are depleted. Due to limited accessibility to the area, delivering in-kind aid would have been much more expensive and time consuming, and it may not have reached the areas in need before winter.



## Program overview and rationale

In 2010-11, two types of programs involving cash transfers have been implemented by ACF in Afghanistan:

1 In **Samangan Province**, a cash for work (CFW) component was implemented to help meet the objective of preventing deterioration of food and nutrition security through social transfers and livelihood protection. This project also involved nutrition and hygiene promotion, as well as support to the set up of kitchen gardens. Dare-i-Sufi Payin District was targeted with two rounds of cash for work, the first in Fall 2010 and the second in Spring 2011. Only one round of CFW was implemented in Dare-i-Sufi Bala District, in Spring 2011.

2 In **Samangan and Day Kundi Provinces**, unconditional cash grants were distributed three times to assist families with meeting their food needs over the winter and before the harvest. Cash grants were a component of a longer term Project for Linking Relief, Rehabilitation and Development (LRRD) and contributed to the objective of preventing the degradation of the state of nutrition and food security in these two provinces. This response also had food for work and direct food aid components. Cash was distributed once in Fall 2010 and twice in Spring 2011.

## Implementation

### Beneficiary selection and targeting

For the CFW component, 2,000 households were targeted for one or two rounds. The unconditional cash grant component targeted additional 4,000 households for four months. Specific targeting criteria differed depending on the component and overall program objectives, but the selection process used the same two-step methodology. A first geographical targeting was implemented to allow the identification of the most vulnerable valleys and locations, mainly based on vulnerability to shocks and/or areas affected by 2010 floods, as well as remoteness. The second step supported the selection at household level for the cash components, and focused on assets ownership.

To support the targeting process, ACF selected a “cash committee”, or shura, to represent selected villages. The shura helped to select which families in their villages were most affected and should participate in the CBI.



### Setting the value

Grants were relatively small (6,000 Afghanis = approximately 12USD) and calculated based on the cost of the ACF standard food basket rather than on households' normal expenditure on food during the time of distributions, which was considered as a weak point of the program to be improved. Defining the grant amount according to specific program's objectives as well as local market price according to the season should be a standard practice when implementing a CBI.

### Payment method and costs

In Afghanistan, except in a few large cities, there are not many options to distribute cash to populations. Banks offices are located mainly in regional capitals, and while Roshan telephone provider does have a system of MPesa, where cash can be transferred by phone, the geographical coverage is limited. ACF teams carrying and transporting large amount of money "by hand" in remote rural areas was not an option either as security conditions were too volatile.

ACF chose to use the Hawala system as the cash transfer mechanism. Rooted in Islamic law, the Hawala system uses social and religious trust as the basis for a negotiated debit and credit scheme that does not require the actual movement of funds. It enables families to transfer their remittances to their villages. It is also used by NGOs and UN agencies in country, not only for CBI but also to transfer funds to their sub-offices. The commission is determined based on the amount and the area to which the money is being sent (for instance, areas with more security risks will have higher commissions).

In the frame of ACF cash transfer programmes, distributions were made to groups of villages. The Hawalador, or broker, delivered money to the local shura in the presence of ACF staff. The shura counted the money and presented it to ACF for verification. After the verification process, the cash was distributed systematically through beneficiary cards (which were received two days prior to

distribution). Hawaladors charged a small commission to ACF based on the value of the cash transfers and where the money was being sent. They remained unknown to the beneficiaries, which was extremely important to their safety.

The system proved to be efficient, effective and transparent. It reached those that have been selected without causing any conflict in the communities. It helped reduce security risks as ACF staff did not directly handle cash. Also, using the community's traditional system provided transparency and strengthened the local trust in ACF.



## Program impact

The full impact of the CBI is difficult to understand due to a lack of information on spending patterns both before and during the projects. ACF did not have record of the normal household expenditure for the seasons during which they implemented their response programs, so the overall impact of the grant on households and on the market cannot be measured. ACF was able to observe that the small size of the grants did not cause price fluctuations, and that the commodities beneficiaries sought to purchase were available in the needed quantities. Beneficiaries in Day Kundi reported that the money allowed them to repay their debts, which may have improved their social standing within their communities. Grants gave households the financial flexibility to send their children to school instead of helping families clean up after the floods.

Expenditure patterns and planned coping mechanisms differed depending on the gender of the recipient. Men tended to use cash for repaying debts while women spent the money on food and their children's needs. As most beneficiaries were men, it can be inferred that the majority of the money was spent on debt relief. Accordingly, when questioned about what they would have done without the cash, men replied that they would have increased their debt and women would have sold assets such as livestock. If still faced with financial needs, households would have decreased their expenditures by cutting

back on the type and quality of grain they purchased, or they would have relocated to a more prosperous area.

The remote location of ACF staff working on the project in Day Kundi complicated the implementation. While the team in Samangan was closer to the implementation sites and had worked in the area before, the team in Day Kundi was new to the area and was based much further away. The distance complicated sensitization and made ACF's work less transparent to the community.

The perceived negative impact of the CBI relates to local expectations of aid. Especially in Samangan where beneficiaries are accustomed to receiving aid from ACF, there are concerns that the local population may be less resourceful in coping with future shocks. The evaluation done on the cash transfer aspects of this response expresses apprehensions that people affected by an emergency will expect ACF to provide cash in the face of an emergency.<sup>1</sup>

## Lessons learned and recommendations

To increase preparedness to respond to future emergencies with a CBI (when appropriate), aid agencies should:

- Seek to expand on programming that challenges local hesitations about CBI. While CFW served a purpose for the communities in this response, it may not always be the best programming option even if it is the most acceptable to the local population.
- Reinforce analysis of household incomes and expenditure patterns, market functioning, as well as communities' consultation, prior to designing interventions, choosing modalities and setting the amount of grants. While this may be seen as cumbersome in emergency response, there is an opportunity to reinforce this analysis in preparedness stage, especially in areas prone to recurrent disasters along with chronic vulnerability
- Be particularly sensitive to the impact that the CBI can and will have on gender equality and dynamics. The desired impact should be considerate of existing gender dynamics in the targeted area.
- Develop an exit strategy that is functional for the local context in targeted areas, especially where the goal is to build resilience and not just respond to annual hunger gaps.

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To improve future CBI planning and implementation, aid agencies should:

- Assess existing cash transfer mechanisms available in operating areas to define the best suitable option, taking into consideration access to populations, effectiveness and efficiency, security and cost. In complex environments such as Somalia and Afghanistan, using Hawala system may provide a safe, efficient and economic way to transfer money to inaccessible areas where no banks or other forms of cash transfer systems are in place.
  - Take the opportunity to explore different methods of CBI, in terms of both program type and length. Particularly look at how cash can be used as a mitigation strategy or build resilience of communities in DRM model.
  - Examine the local operational system to understand how different modalities can be beneficial to different groups of people, and focus data collection on understanding the full impact of cash on the selected community.
  - Develop clear organizational goals around women's empowerment and desired impact on gender relations, and gauge the challenges that the agency will face with incorporating gender sensitivity into its programs.
- Put an emphasis on community sensitization and acceptance, to support programming in volatile security areas.
  - Build resilience to emergencies as part of an exit strategy, and find ways to incorporate short-term emergency responses into longer-term programming that can be sustained by the community to reduce dependence on humanitarian aid.

## Contact details and further reading

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For more detailed information, please refer to the evaluation of the cash aspects of this response, Grootenhuis, F and Hutton, J (2012) "Learning from Cash in Afghanistan: ACF CaLP Mid-Term Evaluation".

