



## CASE STUDY OF CASH TRANSFER TO TRADERS DURING THE PAKISTAN EARTHQUAKE OF 2005

### CONTEXT (SHOCK AND PRE-EXISTING SITUATION - POVERTY, MALNUTRITION ETC.)

A rapid livelihood assessment by Save the Children done before the earthquake revealed four distinct wealth groups in the earthquake affected areas of Pakistan; the very poor who constituted 5-15% of the population and were mostly female headed households, the poor who were the majority comprising 30 – 60%, the middle class 25 – 50% and the better off accounting for 10 – 20% of the population. Average incomes for the different wealth groups ranged from £150 – 350, £400 – 600, 600 – £1,000 and £1,000 – 2,000 respectively. All the wealth groups depended mainly on the market for their food requirements, with only 30% meeting their food needs from own production<sup>1</sup>. To raise the cash to purchase the food an estimated 60-80% of the men migrate to local urban areas and big cities to look for waged labour.

To support the market dependency, trade links were well developed and small shopkeepers were found in main villages even in mountainous areas. However, during winter months, snowfall cuts access to the high altitude villages and local labour opportunities are reduced making the households vulnerable to food insecurity. To mitigate against the winter period, able households take measure to stock food as an important condition for ensuring food security. While vulnerable families, who can't gather sufficient food stocks make use of *village traders and shopkeepers to provide them with food on credit that played a crucial role in their food security*. Therefore local traders and shopkeepers played a key role in ensuring that households were protected against vulnerability to food security

### SITUATION ANALYSIS (RESULTS OF NEEDS ASSESSMENT + MARKETS + POLICY)

The Pakistan earthquake of October 2005 caused the death of 73,331 persons. Among the dead, 50% were working-force, which seriously affected the livelihoods including food production and purchasing power (WFP, 2006)<sup>2</sup>. The sudden loss of waged labour opportunities for a population that relies heavily on a cash economy to source for their food resulted in vulnerable men and women resorting to various harmful coping strategies ranging from selling the few assets left to marrying off their daughters<sup>3</sup>.

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<sup>1</sup> **Save the Children (2005)**. *The impact of the earthquake on livelihoods in Muzaffarabad and Bagh districts*. Azad jammu & Kashmir Pakistan

<sup>2</sup> **WFP (2006)**. *Post- earthquake rapid food security assessment*. March 2006. Vulnerability and Mapping (VAM) Unit, WFP, Pakistan.

<sup>3</sup> *Confirmed through discussions with Save the Children in Muzaffarabad*

In addition, the earthquake caused a serious market disruption following the destruction of the local markets, shops, and stores. It further led to accumulation of many pending debts among local traders as most of the affected populations could not repay the shopkeepers who *provide them with food on credit*. Credit from wholesalers to traders dropped from 60% to 32% and as a consequence the traders stopped offering credit to the local population. Destruction of the local money transfer and banking systems also strained the market, with the surviving banking system becoming overstretched.

#### RESPONSE ANALYSIS (GOVT., UN, AGENCY POLICIES AND STRATEGY, RESOURCES AND CAPACITY, PRIORITIES, FUNDS AND TIMING)

Oxfam launched an emergency food security and livelihood intervention in October 2005 in Pakistan, a couple of weeks after the earthquake. Oxfam had made an early decision not to engage in food distributions since the Pakistan Oxfam team had already implemented a cash grant intervention in Shangla. During the relief phase, the response aimed at enabling 4,000 earthquake-affected populations to access winter basic food and non-food needs through provision of cash/vouchers and support to local traders. Cash grants to traders were considered an appropriate intervention in this context where communities depended strongly on the market for their food. The injection of cash into the market system was meant to encourage traders and shopkeepers to re-establish their businesses and re-initiate an economic stimulus including the much needed credit that existed before the disaster. Analysis of the response showed that recovery of the market was rapid following the injection of cash into the economy, which included the government's provision of £2,500 to each affected household.

Oxfam supported 425 traders to restart their business in 5 Union councils and analysis showed that 94% of fulfilled the selection criteria to receive the entire grant of 1,500£. The selection criteria included; a) shopkeepers whose livelihood depended essentially on their business; b) shopkeepers whose family had more than 4 children going to school, c) shopkeepers who were willingness to restart their business, widow headed households and d) those with a high number of dependants in the family. The cash was given in two instalments, a first installment of £1,000 for restarting the business, and, a second installment of £500 when proof had been showed that business was about to start. Beneficiaries were selected by groups of traders of each cluster. A contract was signed between each beneficiary and Oxfam GB.

Evaluation of the programme showed that traders who didn't receive the 2 installments were unable to reopen their shops and the main reasons were; family problems, migration because of landslide or flooding and lack of customers. But on average 90% of the traders were able to reopen their shop sooner than it would have taken if they had to use their own means. Analysis of the utilisation of the cash grants revealed that it was spent on buying stock for the shop (60%), rebuilding or repairing the shop (22%) and paying debt (18%). Main constraints faced by traders were the increase in transport and labour cost. The consumers were also appreciative of small shops in their village, which they found easily accessible for women and children. Local shops were also appreciated because people saved transport cost that they would have needed for going to the main market. Consumers were satisfied with the service provided by the shops in

terms of quantity of proposed commodities, quality and prices. Traders had also started to give credit to customers.

## RATIONALE FOR CHOOSING RESPONSE

The progressive restoration of market supply chains and the reopening of transport corridors encouraged many NGOs and WFP to recommend the gradual replacement of in-kind food aid with cash. It was perceived that the injection of cash into the market system could encourage the traders and shopkeepers to re-establish their businesses and re-initiate the much-needed economic stimulus, including credit that existed before the disaster. While the vouchers system was seen as the best option to restore local market with a high supply risk since most shops had been destroyed or emptied of their goods following the disaster. The choice of exchangeable tickets/vouchers was also an explicit request by local Balakot traders whose businesses were destroyed. They argued that the “slips” as they called the vouchers would reportedly ensure them a minimum guaranteed market and boost their capacity to bring in supplies. *The cash was intended* to increase the purchasing power of the disaster-affected people in order to meet their minimum food and non-food needs as well as assist them in the recovery of their livelihoods.<sup>4</sup> *The rationale for the cash interventions was derived from Sen’s entitlement theory, which states that famines are often caused not by lack of food, but by individuals’ inability to get access to whatever food exists (Sen 1981).* Oxfam was from a very early stage against food aid because of the likely challenges involved in food distribution, which include logistics, slow distribution process, possible food losses and difficulties in purchasing culturally appropriate flour on local market, especially after seeing beneficiaries sell most of the food distributed by WFP because it did not meet their food preferences.

## PROGRAMME SUMMARY

In October 2005 Oxfam launched an emergency food security and livelihood intervention in response to the Pakistan earthquake, which devastated the North West Frontier Province (NWFP), Northern Areas and Azad Jammu Kashmir (AJK). The programme was initially set up in **Balakot tehsil** (Mansehra district, Hazara division, NWFP) and extended in May 2006 to **Bagh district** in AJK. During the relief phase (from November 2005 to April 2006), the general response aimed at enabling earthquake-affected population to access winter basic food and non-food needs through provision of cash/vouchers and cash for work activities. The intervention focused on supporting local traders with cash grants to enable them restart their business. Oxfam provided cash grants to 175 traders during the relief phase and 250 during the recovery phase in

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<sup>4</sup> *Minimum food and non-food needs’ are defined in the Sphere Project’s Minimum Standards in Disaster Response. Depending on circumstances, ‘non-food needs’ might include hygienic items, clothing, kitchen utensils, shelter materials, or health services. The term also includes livelihood assets such as seeds, tools, livestock, fishing equipment, and transport facilities.*

Balakot while a total of 62 traders in Bagh programme received the grants. Vouchers were exchangeable for commodities in selected shops in Balakot<sup>5</sup>.

The main objective of the cash/voucher project was to address winter needs of 4,000 earthquake affected households through cash/voucher transfer for basic food/non food items through three sub-objectives namely; restoration of local market systems, provision of cash or vouchers to beneficiaries, which could be used in local shops and to support local traders to restart their businesses. Oxfam's partner organization, SUNGI, which had been working in the area for over a decade was responsible for selection of beneficiaries, which was done through their network of social mobilisers present in villages. The selection criteria for traders included; a) shopkeepers whose livelihood depended essentially on their business; b) shopkeepers whose family had more than 4 children going to school, c) shopkeepers who were willing to restart their business, widow headed households and d) those with a high number of dependants in the family. Registration was by Oxfam's monitors who registered each beneficiary by filling a brief baseline information form. Oxfam's financial assistant and field monitors distributed cash hand-outs (1500 PKR) and vouchers (500PKR). Beneficiaries were able to exchange their tickets/vouchers in designated Balakot shops. In total, 425 traders were supported by Oxfam GB to restart their business in 5 Union Councils (Balakot, Garlat, Ghanool, Hungrai and Satbani) and 401 - 94% - of them fulfilled the conditions to get the entire grant of 15,000 PKR. Different types of businesses were supported: general stores (73%<sup>6</sup> of supported shops), water mills (6%), food shops (4%), tailors (4%), blacksmiths (4%), carpenters (1%) and other non food shops (8%).

#### OBJECTIVES OF CASH TRANSFER TO TRADERS

The main objectives of the cash/voucher transfer to traders was to address winter needs of 4,000 earthquake affected households meet their basic food/non food items through the restoration of local markets/shops while provision of cash/vouchers to beneficiaries was to be used in local shops as a way of contributing to the restoration of the food security and livelihood of earthquake-affected population.

#### PRACTICAL ISSUES

Some of the practical challenges included; inadequate financial institutions to handle the cash and high staff turnover, which let to staff being overstretched.

#### MONITORING SYSTEM

A clear methodology was established to select traders but there was no indication that it was applied during implementation. The livelihood teams however did develop an efficient system for

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<sup>5</sup> The choice of exchangeable tickets/vouchers was an explicit request of local Balakot traders whose businesses have been destroyed. Tickets will ensure them a minimum guaranteed market and boost their capacity to bring in supply.

<sup>6</sup> These proportions were calculated on a basis of 225 beneficiary traders. Data on 225 traders only could be found at the time of the evaluation.

selecting, paying, and monitoring traders that worked efficiently with no delays in payments, and the activity progressed as planned. Although there was no baseline information collected on markets and prices before/after, there were no complaints on prices of items exchanged against vouchers. The first monitoring was organised 10 days after the allocation of the grants by physically checking the purchased stock and verifying invoices. A second monitoring occurred 2 months after the distribution and a third at the end of the programme. Quantity, quality and diversity of commodities provided by the shops were regularly monitored.

Unfortunately, the impact of the cash grants on local trade in general and on the food security and livelihoods of affected communities could not be assessed due to the lack of baseline data. This might be attributed to the absence of clear objectives and indicators for the traders' cash grant activity in the project log frame due to poor project design.

#### PERCEIVED IMPACTS AND BENEFITS OF CTP (INCLUDING NEGATIVE BENEFITS)

- The cash/voucher intervention allowed shopkeepers to restart their business and led to a quick recovery of markets.
- The rehabilitation of local shops contributed to improved availability of food commodities in the villages and prices in the local shops were said to be the same as in the main markets
- Traders resumed giving credit to consumers, and in that sense it could be assumed that vulnerable households had realised improved access to food and essential items
- The cash and vouchers achieved the project purpose of enabling targeted households to cover basic winter needs. One of the key reasons behind this positive response was probably the timing of the grant coming a few weeks after the major shock.
- Market bias in favour of voucher traders was reported by traders who were unable to join in the system, but this was attributed to poor sensitization carried out by the partner staff.
- Extremely positive response from traders participating in the programme included capacity to negotiate supply with their wholesalers early on after emergency.
- Apart from the support to access supplies, traders were also appreciative of the capacity to re-create their clientele.
- At the time of programme set up, the teams did not manage to identify “wooden stall” traders and thus did not impact at that level.
- Most of the people interviewed were satisfied with the service provided by the shops in term of quantity of proposed commodities, quality and prices.

#### LESSONS LEARNED

- The project did not require any logistics support and, once the financial procedure well established, only limited additional work from the finance department was needed.
- Distribution should start earlier in the morning and stop early to ensure safe same-day return for all beneficiaries.
- Sample verification of the selected beneficiaries should be done a couple of weeks or days of implementation to minimise on errors of exclusion and inclusion.
- Sign off authorisations for the cash/vouchers was a limiting factor to a more efficient programme implementation due to restriction on specific signatories and amount levels.
- For security reasons constant turn over of drivers for cash transfer was considered a risk, recommendation is to have two trusted, well-known drivers with strong ties to the programme team and good understanding of the programme to minimise such a risk.
- There is need to have a person in charge of re-explaining contents of the envelope as well as voucher system to beneficiaries and the risk of being expelled in case of fraudulent prices or unacceptable attitude towards beneficiaries by traders.
- There was need to tailor support to the different type of sellers, from wooden cart sellers to medium scale traders.
- Importance of using the right word, in this case, the word voucher never picked up while the words token / tickets and even slips (traders) immediately triggered interest and comprehension.
- The lack of accessibility of markets by women needs to be taken into account in the design and implementation of any cash/voucher programmes targeting vulnerable women.