

Q & A: How to scale up Cash Programming in South Central Somalia

Prepared by the Cash Based Response Working Group

Context: In recent months, it has become clear that many populations in Southern Somalia are under increasing and severe food access stress. The situation has been further exacerbated by the absence of large-scale food aid, as well as rising global food prices, the worsening drought and its impact on agriculture and livestock. A solution is desperately needed, yet the conflict and extreme insecurity in South Central Somalia pose both political and logistical difficulties.

There is evidence both in Somalia and other contexts that cash transfers can successfully increase access to food and other basic needs, largely because it is a flexible resource transfer. Scaling up the delivery of cash programming in Somalia's South Central regions can – paired with due diligence on the part of aid agencies – address increasing food insecurity needs.

Q & A

Risk management

Q: Is there a safe and secure cash transfer system in Somalia?

A: Yes, the *Hawala* system (a local money transfer business) is safe, secure and reliable. It is capable of transferring large sums of money from abroad to Somalia, mostly in remittances from the Diaspora. This means a large cash program would not overwhelm the *Hawala*'s current capacity. In communities where there is no *Hawala*, traders with local shops can be used. These agents pay beneficiaries and are refunded by implementing agencies after the transfer has been verified.

Q: What kind of money diversion risks are there by using the *Hawala*?

A: The *Hawalas* have been vetted by the US and European countries for compliance with anti-terrorism and money laundering laws. They have a vested interest in their core business, and rely on their ability to operate internationally. This translates to a compelling incentive for the *Hawalas* to mitigate risk by not engaging with certain groups. Unlike local transport operations, they could compromise their reputation and ultimately their international business by diverting, resources to certain groups.

There are approximately 10 major *Hawala* companies that have the scale and network coverage needed to undertake cash transfers. Contrasted with projects employing transporters with dozens of contractors and many more sub-contractors, using *Hawala* means the money passes through fewer hands. And fewer hands translate to a decreased risk of money diversion.

Also, it should be noted that regardless of how much due diligence is performed on the ground, it is impossible to eradicate all risk. Yet, according to UN Security Council Resolution 1916 Sec. 5, "...the obligations imposed on Member States in paragraph 3 of resolution 1844 (2008) shall not apply to the payment of funds, other financial assets or economic resources necessary to ensure the timely delivery of urgently needed humanitarian assistance in Somalia.¹" This protects the member states by acknowledging an acceptable level of risk in the transfer of resources to vulnerable populations in a humanitarian context.

¹ UN (2010, March 19) United Nations Security Council www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/Somalia%20SRES%201916.pdf

Q: What are the risks at distribution places?

A: Using the *Hawala* means an electronic money transfer. Given the surrounding insecurity, this invisibility leads to a reduced risk of money diversion. Further, the *Hawala* do not move money themselves. Much like remittance transfers, beneficiaries travel to sign for and collect their money when they choose, staggering the transfers and making them more inconspicuous. To the casual viewer, a beneficiary may be someone collecting a remittance. As long as a thorough check and counter verification system is in place, this style of transfer means a smaller risk than would be incurred by the direct handling of cash.

Targeting

Q: What are the targeting challenges in Somalia?

A: Clans are important social units, elderly men act as a community's gatekeeper, and there is a societal gender bias against women. Effective targeting can acknowledge and work around these cultural obstacles to establish how to reach those in need. It should be noted that good targeting is also an effective form of risk management. If the most vulnerable are targeted, money diversion is increasingly unlikely. This is because, due to moral and religious complexities as well as the obvious political incentives, Al Shabaab and other local authorities would be less inclined to tax the neediest Somalis. For example, an aid agency operating in Hiran is doing cash transfers to vulnerable households alongside a nutrition program; they have been given full freedom to operate without any request for taxation.

Q: How is gender addressed through targeting?

A: Specific targeting criteria can be established to ensure aid reaches the neediest, including women, widows, elderly, and marginalized minorities. Community-Based Targeting uses various cross-referencing methods – including the formation of local committees with women and minorities represented – to vet beneficiary lists. Other forms of targeting, including categorical targeting in which NGOs set the criteria, have also proven successful in reaching the most needy.

Q: How can effective targeting be achieved?

A: Implementing effective monitoring tools and performing regular community sensitization are key steps in a process that leads to good targeting. Communities should assist in establishing selection criteria and setting up village committees. They can also provide beneficiary names during community meetings, which can then be vetted by agency staff.

However, in the context of Somalia, there are other considerations. It is important to establish a strong partnership with credible local Somali NGOs. They should have experience in successful cash programs, as well as good relationships with the communities. These community relationships can play a role in where local partners are assigned.

Good targeting can also be achieved by stipulating that all involved partners and field staff be trained in cash delivery. This would build capacity and ensure all staff know how to navigate the Somali context and target the most needy, whether using Community-Based or Categorical Targeting.

Monitoring and Evaluation

Q: Given the limited access, how will cash transfers be monitored?

A: It is possible to perform all the traditional forms of monitoring and evaluation in South Central. Case studies; post-distribution monitoring surveys including random sampling of beneficiary receipts; issuing payment to money vendors after receiving receipts/vouchers, and videos chronicling the process particularly during distribution are all commonly used. Furthermore, a representative sample of

beneficiaries can be interviewed to confirm how the cash grants were used.

Partnering agencies can monitor through the triangulation of information from each other, and a third party agency can be contracted to do independent monitoring. However, they should use Somali professionals from Diaspora or East Africa to ensure that they have access to the areas while avoiding the same security concerns incurred by a local.

Just like with other projects, the implementing agency and its partner would agree on a clear reporting schedule. In addition, and regardless of any pre-financing, *Hawalas* provide detailed financial statements showing who has been paid. They issue payment receipts to the recipient, as well as to the agency.

Other Questions

Q: Will cash transfer programs cause inflation in the market?

A: Cash programs are unlikely to cause inflation if food commodities are available in sufficient quantities on the market. While the prices of local cereals have risen, the increase is largely due to two consecutive failed harvests and a very low level of food production. Rice imports are projected to continue increasing in coming months; it is therefore reasonable to assume that cash transfers would not result in market inflation. Furthermore, ongoing market analysis suggests good market function and cereal flow of imported rice and staple cereals from Ethiopia. While local cereal will be available by mid-August, the production will be less than 50 per cent of average. However, it will mean an increase in the region's availability.

Q: Even if people have money, will they be able to find and buy food?

A: Although an environment of conflict with weak local institutions, Somalia has some of the most dynamic and vibrant market systems in Africa. Despite poor local production, the country is a net importer and even the most rural communities have entrepreneurs and traders. As soon as demand appears, food will be provided to the consumer.

Q: But will beneficiaries spend money on khat or guns?

A: Exactly how beneficiaries spend cash grants is related to targeting. If you target the most vulnerable individuals, they will use the money to buy food and to meet their most basic needs.