

Implementing CVA in Inflation Environments, Including Tackling Liquidity Challenges: Actions and Learning Outcomes

2 March 2022

Background

Afghanistan is facing unprecedented levels of poverty, with 24.4 million people in need of humanitarian assistance and currently the largest food insecurity crisis in the world.

The economic context is characterised by financial instability (cash liquidity and international restrictions); however, market functionality at the local level has remained relatively stable. Cash and Voucher Assistance (CVA) actors have been closely monitoring the devaluation of the Afghan Afghani against the USD and inflation rates, which could affect the prices of food and essential commodities.

Despite these challenges, the use of CVA was scaled up in the last quarter, both in terms of transfer value amounts and geographical coverage.¹ The Hawala System still serves as the main Financial Service Provider (FSP) for most humanitarian organisations. Bank-regulated money transfers and Mobile Money operators are offering CVA cash payment options, but cash liquidity is a challenge.

The Afghanistan Cash and Voucher Working Group (CVWG) is playing a key role, driving coordination efforts focused on the harmonization of transfer values and transfer frequencies, FSP mapping, and capacity building. During a review meeting on the 2nd of March, the CVWG in collaboration with the CALP Network and ECHO (Asia Regional Team)¹ identified the following actions which they would take forward to strengthen the use of CVA going forward:

Review the MEB Guidance

1. The CVWG members should review the MEB amount at least every 6 months with the support of market monitoring actors, such as REACH/JMMI and WFP/VAM.
2. The CVWG co-leads should produce a guidance note/SOPs on MEB monitoring (10% threshold) and exchange rates (market vs official vs UN), to support harmonization and sectorial triggers. This guidance note will focus on supporting decision-making on transfer value, modality and mechanisms.
3. Coordinate a multisectoral guidance note on factors that influence the switch from in-kind assistance to CVA and vice versa.

Better Understand the Macro and Microeconomic Context

1. Continue to conduct learning events & workshops with CALP Network and CVWGs from similar country contexts.
 2. Include economic analysis (inflation, market monitoring, devaluation) in CVWG tasks, to better understand the medium-term impact on CVA programming.
 3. Assess the income of vulnerable population groups (impact on transfer value and MEB) with the support of the hole of Afghanistan Assessment.
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Monitor Markets

1. Strengthen monitoring mechanisms of supply chain indicators (including how international trends will impact Afghanistan) to ensure the market's capacity to absorb cash distributions.

Develop a Donor Engagement Strategy

1. The CVWG co-leads, with support of the CVWG members, should develop evidence-based informational material on the CVA landscape in Afghanistan.
2. The CVWG co-leads should develop a strategy for engagement with donors to advocate for cash programming.
3. The CVWG should meet with existing and potential cash donors using the strategy developed and listen to their concerns and expectations.

Financial Service Providers (FSPs) Mapping

1. The CVWG should continue to produce FSP mapping and share new delivery mechanism proposals.
 2. The CVWG should monitor how banks will operate in the future and the potential impact on CVA.
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