Humanitarian Assistance through Mobile Cash Transfer in Northern Afghanistan

Final Report – May 2013

SAMUEL HALL.

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Executive Summary

In response to the 2011 severe drought that pushed vulnerable rural households into food insecurity in 14 provinces of Northern Afghanistan, DFID has committed to address emergency needs in northern Afghanistan with nutrition, food security and farming inputs. As such, between June and September 2012, a pilot initiative was launched in four districts of the Northern provinces of Faryab, Jawzjan, and Samangan to test an innovative approach to help drought-affected farmers achieve food security by delivering cash using mobile phone technology.

Defined as *"direct, regular and predictable non-contributory cash payments that help poor and vulnerable households to raise and smooth incomes"*[1], cash transfers are aimed at providing immediate relief, and eventually contributing to reducing poverty and increasing resilience of poor households through a better management of risks and shocks. DFID funding provided up to 2 payments (AFA 4,000 each[2]) per household, as emergency relief over a short time period (June and August 2012). This evaluation report discusses the difference between the cash transfer scheme defined by DFID and implemented by its partners (ACTED, Action Aid, and Afghan Aid) *and* traditional social insurance cash-transfers: what can an approach of providing immediate but small numbers of payments realistically achieve in terms of income generation (development) and/or coping strategies (emergency relief)? The objectives of this study are therefore threefold:

- Do mobile phone payments represent better value for money (in terms of economy, efficiency and effectiveness) than conventional cash transfer programmes?

- What is the result of each system of financial transfers on the humanitarian needs of the target population as measured by standard humanitarian criteria?

- What are the primary considerations when deciding whether to establish mobile phone payment transfers in a humanitarian context?

A successful pilot project in an extremely volatile security and worsening socio-economic environment

Despite its failure to address people's humanitarian needs in a timely manner, the DFID pilot test (undertaken more than one year after the 2011 drought) has proven promising, to many extents: 1) beneficiaries of the DFID programme fit the criteria stipulated in the programme terms of reference, namely including "the poor among the poor", women and minorities, among others; 2) a positive impact on beneficiaries' households, who often reallocate these additional resources not only in food items but also in health, education, repayment of debts, etc. 3) a strong popular acceptance and legitimacy; 4) reliable and efficient partnering NGOs (even if further investigation is now required in Jawzjan); 5) an efficient cash transfer instrument tailored to the Afghan context (even if a more in-depth comparison

[1] C. ARNOLD, T. CONWAY, M. GREESLADE, "Cash Transfer Literature Review", DFID, UKAID, Policy Division, April 2011.
[2] Approximately GBP 50 for each remittance.

with food distribution and cash voucher programmes should be made, to better gauge the actual efficiency of mobile cash transfer initiatives); 6) a relatively cheap option.

Despite a potential case of fraud, which can be tracked easily, and the fact that a minority of beneficiaries withdraw money themselves, which is part of the overall learning curve of any mobile cash transfer project, the M-Paisa system is a reliable option to transfer cash to rural and urban poor in a conflict situation like Afghanistan. Overall, sending remittances through mobile transfers in the four surveyed districts proves reliable, targeted, secured and relatively cheap. It is not absolutely reliable – it is relatively efficient in a context of increased diversion of food assistance and endemic corruption.

The only downsides are: 1) the inadequate format and content of the training sessions; 2) the fact that beneficiaries only withdraw cash and barely use any other M-Paisa services; 3) the risk – especially on the longer-run – that middle-men bypass or divert some cash, as many illiterate people or disadvantaged minorities ask other people to withdraw cash for them; 4) a potential inflationary impact of cash injection (as observed in the Almar district) in areas where security and/or access to other markets are poor.

Inconclusive evidence on the actual and potential value for money of mobile cash transfer programmes

Considering that the key challenge of the programme was delivering support to communities in Northern provinces to meet their emergency needs in a cost-effective and timely manner, the review team considers that the project was neither timely nor cost-effective. However, it does not mean that future mobile cash transfer projects, at a larger scale, may not be (much) more cost-efficient than food assistance programmes. This is especially true in a worsening security context, where access to remote and unsafe areas has become a key parameter for evaluating the *impact* of any humanitarian or development initiative.

Timeliness of the DFID pilot project: Even if the overall design of the project can be deemed as satisfactory, the fact that most beneficiaries reported spending their cash on non-essential items leads the review team to think that the DFID initiative: 1) can play both a humanitarian/relief and development/recovery role, as cash grants clearly empower targeted households and allow them to better allocate their resources for emergency or long-term purposes; 2) failed to actually address the immediate consequences of the 2011 drought, as the project was initiated way too late, as often reiterated in the individual interviews and focus groups conducted with community representatives or NGO field officers.

Specific cost-effectiveness of the pilot project: Based on a relatively wide range of cost estimates conducted with different food assistance actors, distributing cash transfers is less cost-efficient than distributing food aid in today's Afghanistan. The main reason for this is not the actual administrative, transportation or delivery costs but economies of scale in commodity costs: in other words, importing food in bulk at wholesale prices is considerably cheaper than giving beneficiaries cash to buy the same food at retail prices on local markets. From this point of view, assessing the price differential between imported food aid and food purchased locally using cash transfers was not in the scope of this study but could easily be done by DFID Afghanistan.

General cost-effectiveness of mobile cash transfer programmes: At a larger scale, scenarios should take into account the transfers to recipient ratio ('alpha-ratio') to actually assess whether mobile cash transfer schemes are more cost-efficient than food distribution models. From this point of view, one can realistically expect from the predictable economies of scale realised with nationwide programmes that the proportion of total costs that goes to project management and delivery would sharply decrease in the case of cash – while they would probably increase in a worsening security context, as the handling costs (staffing, transport) for food would almost certainly exceed the mobile operator charges and other costs associated with disbursing cash. Last, costs also need to be expressed in relation to an economic and social range of impacts, as some outcomes are intangible, such as "dignity" or "female empowerment".

Actionable recommendations in a conducive environment for mobile cash transfer

Based on our field observations and discussions with local communities, beneficiaries, and implementing partners, the following recommendations aim to provide DFID and its partners with a set of actionable measures for improving the programming and operational aspects of future mobile cash transfer programmes.

1. Adopting mobile transfer to send remittances (among other instruments);
2. Assessing local socio-economic and political contexts;
3. Suggesting drastic options to improve the training design;
4. Measuring potential diversions and informal commissions;
5. Facilitating minorities' access to M-Paisa agencies (women, disabled, elders);
6. Empowering beneficiaries (and especially female beneficiaries);
7. Sharing information with (and getting feedback) from beneficiaries;
8. Improving the existing communications strategy with communities;
9. Developing complaint mechanism;
10. Monitoring the economic impact on beneficiary households;
11. Monitoring the economic impact on local economies;
12. Triangulating the M&E sources;
13. Collecting data on local markets as a warning system to prevent inflation;
14. Setting into place a system of conditionality;
15. Keeping M-Paisa for its better coverage and price;
16. Assessing the sunk costs and optimising the transfer schemes.

Introduction

"He was a living man. For many miles the months flowed into the years, rounding the dry days"

Dylan THOMAS, *The Visitor*

In 2011, a severe drought pushed vulnerable rural households into food insecurity in 14 provinces of Northern Afghanistan. The investigation conducted by the Food Security and Agriculture Cluster identified a mix of structural and contextual causes – like the exclusive reliance on rain-fed agriculture, a low agricultural productivity, a dry summer and the subsequent increased wheat prices – and called for an immediate and extended action to support the 3 million people affected by the drought and the risk of famine[3]. In response to that situation, DFID has committed to address emergency needs in northern Afghanistan with nutrition, food security and farming inputs. As such, between June and September 2012, a pilot initiative has been launched in four districts of the Northern provinces of Faryab, Jawzjan, and Samangan to test an innovative approach to help drought-affected farmers achieve food security by delivering cash using mobile phone technology.

Over the past few years, international actors operating in Afghanistan have increasingly considered cash transfers as an effective mechanism to respond to the plural needs of poor populations, while improving the access to remote and unsafe areas. Defined as *"direct, regular and predictable non-contributory cash payments that help poor and vulnerable households to raise and smooth incomes"*[4], cash transfers are aimed at providing immediate relief, and eventually contributing to reducing poverty and increasing resilience of poor households through a better management of risks and shocks. In the Afghan environment, the on-going Cash Learning Partnerships (CaLP) initiative, driven by NRC and Oxfam, which aims at promoting appropriate cash initiatives, creating synergies between emergency response and recovery strategies, and promoting coordination between various stakeholders (International agencies, NGOs, government, private sector), is a sign that cash is becoming increasingly considered as a response both in short- and longer-term initiatives. USAID, People-in-Need, Action Contre la Faim (ACF), Oxfam, NRC, WFP, are organizations, which have implemented cash-based assistance programmes. Following the same logic, the objective of the DFID pilot initiative is to test whether effective results may be achieved through the use of new technologies and collaborative dialogues with local communities. Evidence from South Africa, India, Kenya and Liberia has demonstrated that electronic payment systems involving smartcards or mobile phones can significantly reduce costs and leakage, while promoting financial inclusion of the poor[5]. The DFID pilot

[3] According to the Emergency Food Security Assessment (EFSA) carried out in August by the Government of Afghanistan, WFP and NGOs, a total of 2.86 million people were affected by the drought and required food assistance until June 2012.

[4] C. ARNOLD, T. CONWAY, M. GREESLADE, "Cash Transfer Literature Review", DFID, UKAID, Policy Division, April 2011.

[5] See: **1)** M.ADATO, and J.HODDINOTT, "Lessons from cash transfers in Africa and elsewhere: impacts on vulnerability, human capital development and food insecurity", IFPRI Presentation to Regional Inter-governmental Experts

project precisely aims to allow farmers who lost their crops to purchase their own food from the market. This approach follows a dual objective: 1) directly responding to the unmet humanitarian needs of affected households; 2) while indirectly revitalizing the local agricultural economy by compensating some of the loss incurred by local farmers.

However, despite all the potential benefits that vulnerable populations may get from cash transfers, and specifically from mobile cash transfers, some concerns are voiced about risks of corruption, misuse of cash for appropriate commodities and negative effects on local economies.[6] Though a few innovative initiatives have been implemented in Afghanistan, concerns over extensive development of cash-based assistance have been voiced, specifically pointing to the volatile security situation and fears of corruption impeding their development in the country. After the mitigated impact of the 2001-2002 National Rural Access Programme (NRAP), when the World Bank, Japan and the European Commission had disbursed a total of $126 million in the first phase of a widespread cash-for-work safety net, criticisms had highlighted: 1) the inadequacy of cash transfers with emergency needs; 2) a poor targeting of the most vulnerable populations; 3) the lack of reliable socio-economic data and information on most of the areas covered by the programme; 4) a weak institutional capacity that had clearly undermined the implementation of the programme; 5) an uneven geographic coverage, due to security constraints.

Finally, the objective of this independent comparative evaluation is intended to contribute to inform DFID about the overall efficiency, effectiveness, transparency, and value for money of setting up emergency short-term, cash-based projects to disaster affected populations. Further, it will contribute to DFID's humanitarian knowledge base on the suitability of mobile phone technology as a method of payment in an emergency food security context in Afghanistan.

The three evaluation questions are:

- Do mobile phone payments represent better value for money (in terms of economy, efficiency and effectiveness) than conventional cash transfer programmes?

- What was the result of each system of financial transfers on the humanitarian needs of the target population as measured by standard humanitarian criteria?

- What are the primary considerations when deciding whether to establish mobile phone payment transfers in a humanitarian context?

Meeting, Cairo, May 13-14, 2008; **2)** J.M. AGUËRO, M.R. CARTER, and I. WOOLARD, "The impact of unconditional cash transfers on nutrition: the South African Child Support Grant", UNDP International Poverty Centre Working Paper 39; 2007; **3)** S.DEVEREUX, et al., "Ethiopia's Productive Safety Net Programme (PSNP): Trends in PSNP transfers within targeted households". IDS / INDAK, 2006.

[6] P.HARVEY, "Cash and Vouchers in emergencies", Humanitarian Policy Group, London, 2005.

Picture 1: Almar district – Qaratana, September 2012

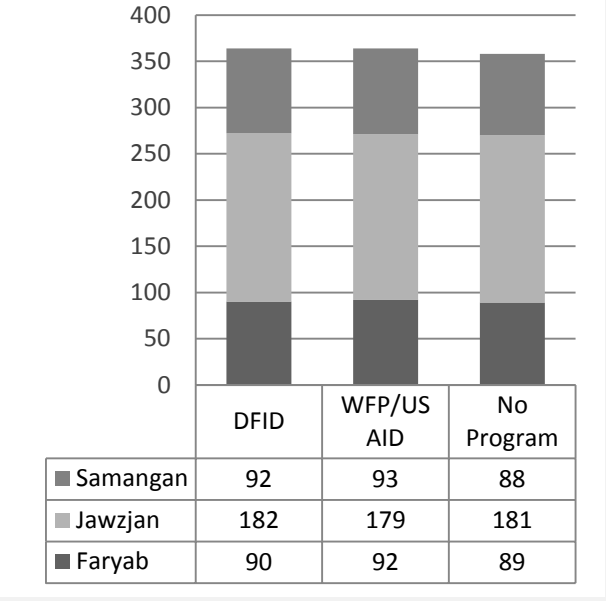
Method

The research team used three complementary tools to draw a thorough picture of the socio-economic and demographic profiles, and attitudes towards mobile usage and cash transfer initiatives, of the DFID mobile transfer program beneficiaries. The three tools include a quantitative socio-economic survey, qualitative focus group discussions, and data-mining using Roshan's transaction logs from programme beneficiaries.

Quantitative socio-economic survey

Three equal samples were selected to facilitate comparison and analysis, contribution to a rigorous research design. These include two control groups (normal households *and* beneficiaries of other international organisations – namely WFP and/or USAID assistance programmes) and a test group of DFID beneficiaries. The three groups were measured and surveyed with the same questionnaire to enable systematic comparisons. The phase 2 survey of 1091 household interviews was conducted between October 15th and October 23rd, 2012. It covered the same provinces and districts as in phase one but *none* of the respondents surveyed in phase one were surveyed in phase 2. The phase 1 survey of 1086 household interviews was conducted between June 1st and June 11th, 2012 in 3 provinces of Northern Afghanistan covering 4 rural districts in Faryab (district of Almar, with 271 interviews), Jawzjan (districts of Khwajadokoh, 272 interviews, and Mardyan, 270 interviews), and Samangan (district of Aybaq, 270 interviews).

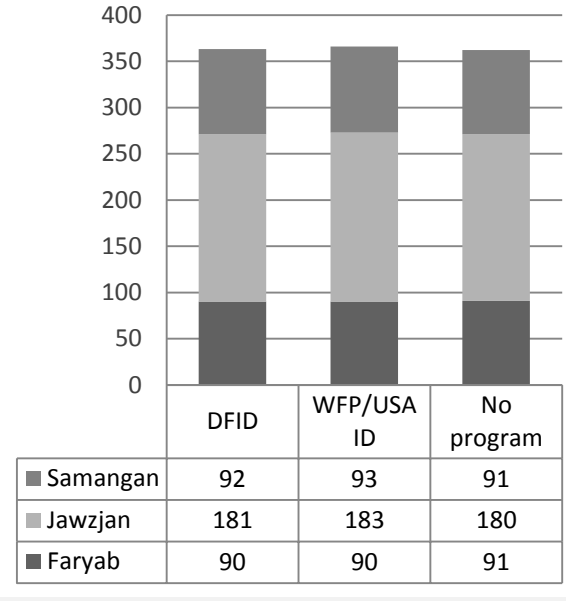
Phase 1 – June 2012



	DFID	WFP/USAID	No Program
Samangan	92	93	88
Jawzjan	182	179	181
Faryab	90	92	89

Chart 1: Respondents per province and program (phase 1)

Phase 2 – October 2012



	DFID	WFP/USAID	No program
Samangan	92	93	91
Jawzjan	181	183	180
Faryab	90	90	91

Chart 2: Respondents per province and program (phase 2)

To further allow the review team to draw representative comparisons, the two control groups were selected in villages and community clusters that do not benefit from the DFID/M-PAISA programme, to provide DFID with a rigorous estimate: 1) the socio-economic profile of each surveyed group [7]; 2) the cost-effectiveness of the different cash transfer programme (especially through a comparison between June and September – baseline vs. endline surveys).

The choice of the surveyed villages and community clusters was made after a preliminary discussion with a range of stakholders:

- DFID representatives: to identify the areas where DFID has mobile cash transfer beneficiaries,
- Local NGOs: to identify similar villages that do not benefit from any direct cash transfer, and
- WFP representatives: to identify similar villages that benefit from CFW, FFT, or CFA initiatives.

Security was also taken into consideration, especially in the province of Faryab's Almar district.

Based on past surveys conducted by *Samuel Hall* researchers in similar contexts (rural and peri-urban areas), there are no official or informal household listings that can be used in the four-surveyed districts. However, in order to include a representative sample of the three surveyed subgroups (1 test + 2 control groups), the sampling methodology has followed a cluster-then-random approach adequate for the Afghan context. This multi-stage sampling included the following steps:

- In each targeted area, the main commercial area (bazaar) was identified with the active support of DFID implementing partners, to map the existing socio-economic environments and divide the targeted area into 9 subareas;
- A quota of 10 interviews was allocated to each selected subarea to reduce the effect of homogeneity or bias in sampling;
- A starting point (typically a mosque or a school) was then chosen in each subarea. Streets were numbered from the starting point and households selected at random with, for instance, odd shops and households of streets 1-3-5-7.

Qualitative focus group discussions

The survey team hosted a series of focus groups discussions (FGDs) in the language spoken in the four surveyed areas (Dari). In order to get comparative qualitative data, 4 FGDs were held in each district, for a total of 16 FGDs parallel to baseline and endline surveys. Participants were chosen to reflect the general population, with a special emphasis on community leaders, women and youth. More specifically, focus groups with direct beneficiaries, NGOs, and Roshan partners (Dunia group – local "banks" that buy and sell credits) were also conducted. The main added value of FGDs is (1) to triangulate information received through quantitative interviews, and (2) to move beyond individual perspective to obtain wider sector-level perspectives on the specific issues of standards and certification.

Table 1: Breakdown of the focus group participants

	Number of Focus Groups	Female Focus Groups	Focus Groups with Beneficiaries
Acted	2	1	2
Action Aid	4	2	3
Afghan Aid	2	1	1
Total	*8*	*4 (50%)*	*6 (75%)*

[7] Theoretically, the 5,400 beneficiaries of the DFID/M-PAISA cash transfer initiative belong to the poorest households of the 4 rural surveyed districts ('the poor among the rural poor'). As such, the other test groups (beneficiaries of other cash transfer initiatives or non-beneficiaries) may have different socio-economic profiles, even if they are selected in the same communities and districts: they may be richer than the DFID beneficiaries.

Data-mining into Roshan's database

Thanks to an agreement between DFID and Roshan, the review team had access to the Roshan database of DFID 'participants' (customers) from the 1st of June to the 1st of November 2012, which helped develop a thorough data-mining analysis and monitor the flows of the electronic money transferred to the program participants. The first step was to collect upfront geographical and participants information. In collaboration with Roshan and DFID, Samuel Hall gathered different types of data through the Roshan database: cash-in/out activity measurement, evaluation of account dormancy, transfers to other subscribers, cash uses, etc. During the second phase of the survey, Roshan's main competitor (Etisalat) was also contacted to help draw a rapid comparison of the existing commercial offers and actual costs of each mobile operator.

Limitations of the approach

The specificity of the Afghan context, with a worsening security situation, makes it practically impossible to develop a fully random survey – even within the subgroups of beneficiaries and non-beneficiaries. More specifically, security has been a concern in Almar district and our teams had to adapt their initial work plan, while progressively engaging with local community leaders before starting their interviews.

Likewise, as most communities do not have proper official lists of households, alternative methods were applied to ensure the quality of the data collected with non-beneficiary households – through the geographic mapping of the area, the random selection of a few primary sampling units within the area, and the random targeting of clusters of villages.

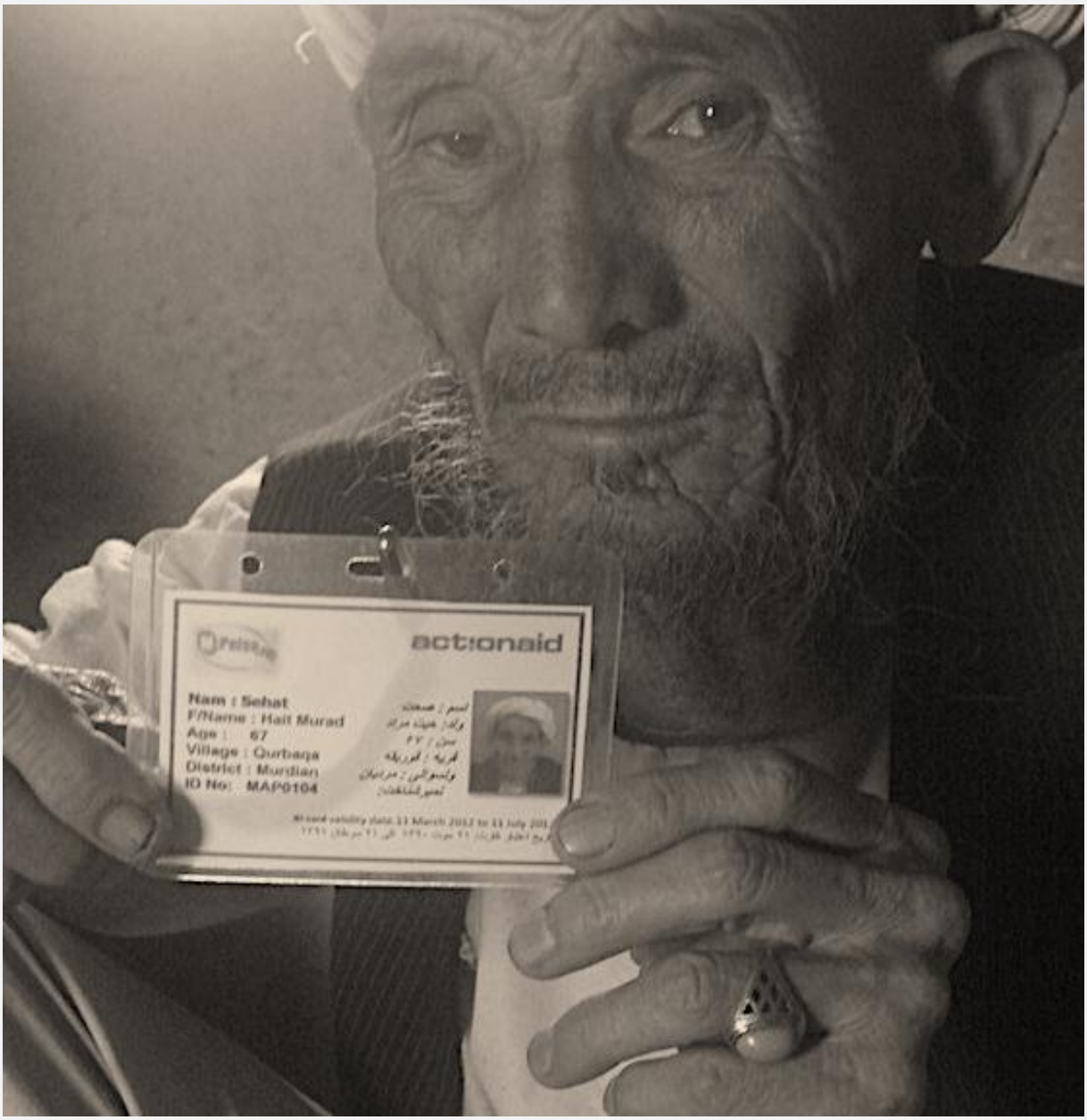
Moreover, in the Afghan context, there is often a strong acquiescence bias, as most respondents tend to provide interviewers with the "right answer". This point is crucial as, Afghan people – and especially the poor – are reluctant to criticize the support provided by governmental or international organisations. Our mix of quantitative and qualitative approaches, along with the Roshan database, aimed to mitigate that risk. In this regard, *interviewers* were asked, at the end of each interview, if they considered that both the opinions and figures given by the interviewee were truthful and reliable. Our team of field interviewers acknowledged a negligible and hence acceptable doubt (see table 2 below) with only 3.0% of "somewhat truthful" or "not truthful" opinions. Likewise, as interviewers considered that 0.6% of the respondents had given inaccurate or unreliable figures, we did not take into account doubtful answers in both the data cleaning and analysis phases[8].

Table 2: Robustness Tests

Robustness Test (perception survey for interviewers only)		
The responses to the questions regarding opinions and perceptions were:		
Truthful	2101	97.0%
Somewhat truthful	57	2.9%
Not truthful	3	0.1%
The responses to the questions regarding figures (income, consumption) were:		
Estimated computed with some precision	2147	99.4%
Arbitrary and unreliable numbers	14	0.6%

Last, the relative short time span of this two-phased survey (4 months between the two field works and only 6 weeks between the two remittances) led us to be careful in some of our conclusions, as a longer-term longitudinal approach would be required to actually measure the impact of the DFID mobile cash transfer initiative.

[8] Basically, we excluded outliers (the 2% of extreme values) and did not take into account "not truthful" and "arbitrary" answers.



Picture 2: Murdian district, Qurbaqa –, September 2012

Section I: *Assessing the DFID beneficiaries*

The objective of this section is to provide DFID with an overview of the targeted beneficiaries through a twofold comparison: 1) between phases 1 and 2; 2) between DFID beneficiaries, beneficiaries from other programmes, and non-beneficiaries (control groups). Through this dual approach, the review team aims to answer two major questions. **Targeting:** Are there significant differences between DFID beneficiaries and non-beneficiaries? **Socio-Economic Impact:** Is there any direct and immediate socio-economic impact on beneficiaries' life?

Demographic profile

Ethnicity

Asking questions about ethnicity in Afghan communities is very political, albeit not necessarily sensitive. If most people tend to first define themselves by their ethnic background and do not consider the question as offensive or intrusive, it is also true that ethnicity-related questions have systematically been excluded from national census or official surveys from the Afghan Government. One of the reasons may be that the National Parliament is theoretically representative of the ethnic composition of the country, which explains the reluctance to provide any national or even provincial official data in order to avoid any politicization.

Interviewees were clearly representative of the surveyed districts' ethnic mix: the majority of them were Uzbek (P1: 67% P2: 58%), the rest were Turkmen (P1: 16%, P2: 21%) and Tajik (P1: 12%, P2:21%). Considering that no specific or formal guideline had been given to the three partnering NGOs, this may suggest that both the beneficiary selection and the random sampling among those selected beneficiaries are representative of the overall population of the surveyed districts. Indeed, according to data collected by the United Nations Assistance Mission in Afghanistan[9], Faryab is constituted of an ethnic Uzbek majority (56.8%), while Tajiks are the second largest group (21.4%), Pashtuns coming third (14.1%), and Turkmens fourth (4.5%). The under-representation of Pashtuns in our sample is a consequence of the actual districts surveyed and the fact that the survey was not meant to provide a geographical coverage of the entire province.

Table 3: Ethnicity breakdown (consolidated phase 1 & 2)

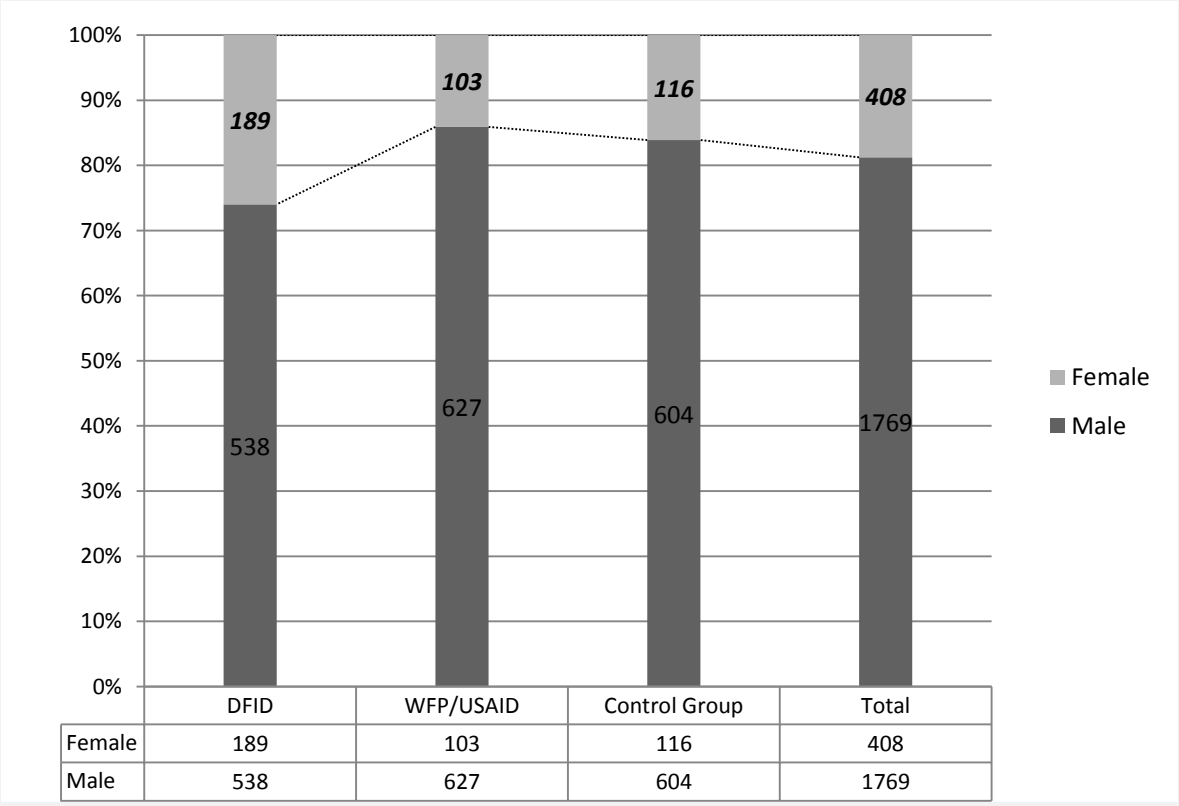
	DFID	WFP/USAID	No programme	Total	Ethnicity (%)
Uzbek	436	409	497	1342	62%
Turkmen	147	137	114	398	18%
Tajik	98	116	54	268	12%
Pashtun	34	8	47	89	5%
Hazara	1	4	0	5	0%
Other	7	50	2	59	3%
Total	723	724	714	2161	100%

[9] UNAMA, *Security and Political Situation of Faryab,* UNAMA, Maymana 2006.

Gender

Capturing the role played by female recipients, and more generally by the female members of beneficiary households is important for two reasons: first, one of the key objectives of cash-based projects is to target women, as they often have, in practice, control over resources, book-keeping activities and intrahousehold resource allocation; secondly, female-headed households are considered as more vulnerable, as the proportion of household members involved in the local labor market tends to be lower. From these points of view, both the baseline and endline surveys do confirm the positive outreach of the DFID pilot project and its capacity to specifically impact women: overall, if the vast majority of interviewees were men (P1: 83%, P2: 80%), a significant minority of DFID respondents (P1: 29%, P2: 23%) interviewed were women, while only 14% of WFP/USAID beneficiaries and 16% of other interviewees were women. This information is particularly relevant when considering that some female interviewees were not willing or allowed to answer our questions, even if they were the original DFID beneficiaries, indicating that the number of female respondents obtained was an under-representation of the actual number of female beneficiaries of the DFID programme. Finally and despite strong socio-cultural obstacles, *"this programme has empowered women in a very unique and unexpected way" (Action Aid, Field Officer)*. Last, it is worth noting that there were no significant differences between the surveyed districts or between phases 1 and 2.

Chart 3: Proportion of female interviewees (aggregate P1+P2)



	DFID	WFP/USAID	Control Group	Total
Female	189	103	116	408
Male	538	627	604	1769

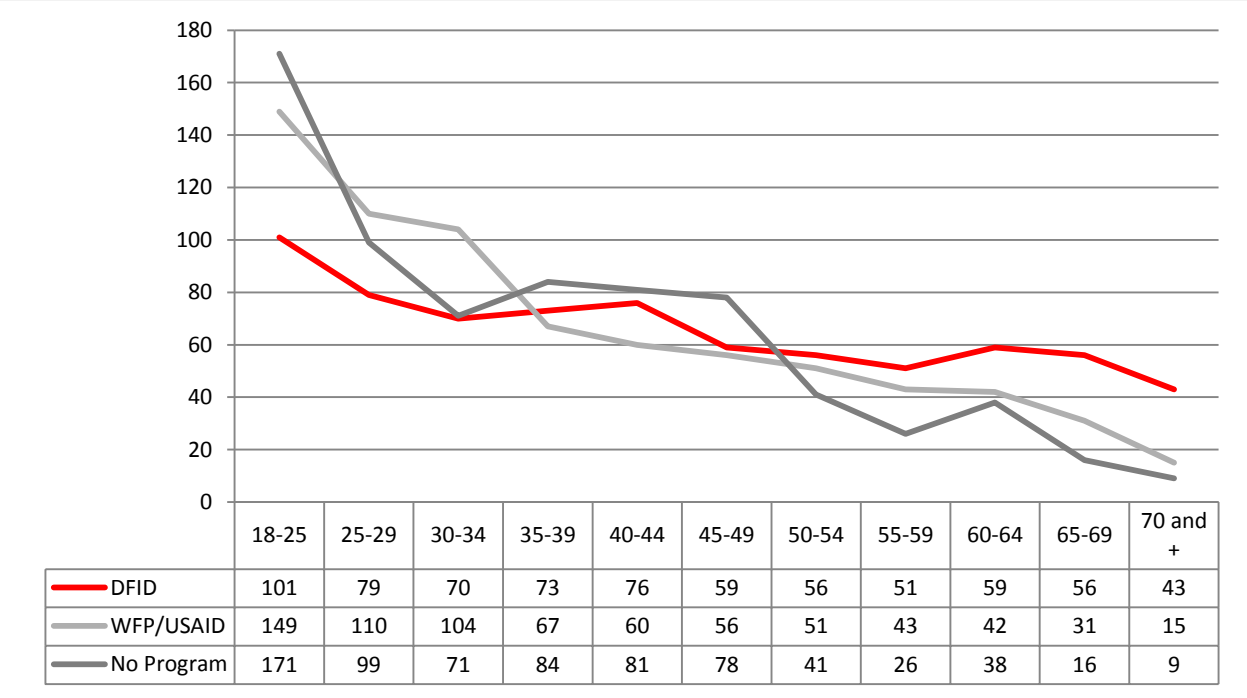
Picture 3: Picture Lalage Snow – Faryab – September 2012

> *"They gave us money and I think everyone in this village is proud and happy with that. But now the real journey starts for us. How shall we do to make this money last longer and help us more?"*
>
> *DFID Beneficiary, Female Respondent, 20, Illiterate*
> *Village: Gaza Mulaqurban (Samangan)*

Age

The average surveyed DFID beneficiary is 43 years old (P1: 42; P2: 44). DFID participants were on average clearly older than WFP/USAID beneficiaries (39) or interviewees that had not benefitted from any program (37). A probable explanation of the relative older age of DFID beneficiaries was given to the review team by an Afghan Aid field officer: *"[The fact that DFID beneficiaries are older, on average,] makes full sense, as they are the poorest people in our communities, which also means that they have often less household members who are on the active labour market: they have generally composed of minorities: children who are too young to work, women, disabled, or older people".* Following this opinion, the graph below shows that a significant proportion of DFID beneficiary households tends to be above 60 – hence less inclined to be active on the local labour market: 22% DFID beneficiaries are more than 61, while this proportion respectively falls to 12% and 9% for the two control groups. If we consider that the objective of the DFID pilot initiative is to focus on the most vulnerable households, such a significant difference inclines the review team to consider that the three implementing partners have fulfilled their mission by selecting – on average – older community members, who are socio-economically more vulnerable than younger ones.

Chart 4: Age breakdown per programme (consolidated phases 1 & 2)



	18-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70 and +
DFID	101	79	70	73	76	59	56	51	59	56	43
WFP/USAID	149	110	104	67	60	56	51	43	42	31	15
No Program	171	99	71	84	81	78	41	26	38	16	9

If we focus on the three implementing partners of the DFID pilot project (ACTED, Action Aid Afghanistan, and Afghan Aid), a quick look at the table below shows that there are no significant differences between the three NGOs, which all have stringently respected DFID's guidelines by following beneficiary selection criteria targeting the most vulnerable people.

The fact that these three organisations systematically include community development councils and leaders in an open consultation process to draw up their list of beneficiaries[10] also shows that communities are willing to cooperate with them by assessing the most vulnerable individuals (e.g. older ones) in the community.

Table 4: Age Breakdown per implementing partner (consolidated phases 1 & 2)

	18-25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70 and +
ACTED	16%	12%	9%	9%	12%	4%	7%	3%	9%	9%	8%
AAA	14%	11%	10%	11%	12%	11%	6%	8%	7%	8%	3%
Afghan Aid	13%	10%	11%	9%	6%	6%	10%	12%	10%	6%	9%
Overall	14%	11%	10%	10%	11%	8%	8%	7%	8%	8%	6%

[10] See for instance *the MPAISA Third Monthly Progress Report, 2012*, which highlights that *"The [Action Aid] list was shared with the CDCs, village elders and head of sectoral departments in the districts and other stakeholders to provide their feedback".*

Marital status

The marital status of the interviewees is an important indicator to gauge: 1) the socio-economic level of the respondents, as it is a reliable indicator of wealth and social status in a society where weddings are seen as a mandatory outwards sign of wealth; 2) correlatively, the actual representativeness of the initial beneficiary selection process; and 3) indirectly the quality of DFID's implementing partners. In all these regards, the quantitative data tends to corroborate the qualitative focus groups conducted in the field: with 18% of widows or widowers, the DFID initiative does capture poorer households and vulnerable sub-groups. By contrast, only 6% of the control group's respondents reported being in that situation (42 out of 719).

Table 5: Marital status (consolidated phase 1 & 2)

	DFID		WFP/USAID		No program		Total	
Single	60	8%	163	22%	123	17%	346	16%
Engaged	7	1%	21	3%	13	2%	41	2%
Married	525	72%	516	71%	539	75%	1580	73%
Divorced	1	0%	1	0%	2	0%	4	0%
Widow/Widower	134	18%	28	4%	42	6%	204	9%

> *"I would love to study more and get a good job, but unfortunately, there is no job available here and Universities are too far from our village. So, I am not sure I will have the money and position to find a good wife here. Even with poor families, you need to show that you can take care of their daughters and provide enough income for her to live well"*
>
> *DFID Beneficiary, Male respondent, 21*
> *Village: Fateh Abad (Almar)*

Level of education

In a recent UKAID-funded review of the relationship between human capital and growth[11], as well as in the labour economics literature[12], empirical evidence has been made of a strong interaction between education and earnings in low-income countries. Assuming that: 1) the objective of the DFID initiative is to select the 'poor among the poor' in rural Afghanistan; 2) there is a positive correlation between the level of education/skills of the respondents and their household's income, DFID beneficiaries should be relatively less educated than the respondents of the other two test groups. Our data collection tends to confirm, in all the targeted districts, that DFID beneficiaries are generally less educated than both WFP/USAID beneficiaries and 'other households'. Once again, this finding shows unambiguously that the selection process of the DFID programme has generally been effective and accurate: *"DFID has clearly selected relevant partners to conduct its pilot project: they are transparent, and accountable organisations that have proven successful over the years – thanks to their remarkable understanding of local communities and their reliable beneficiary selection processes" (AREU Researcher, Balkh).*

As shown in table 6 below, almost four-fifth of DFID beneficiaries (78%) reported being illiterate – whereas "only" 62% and 66% of WFP/USAID and control group respondents said that they were illiterate. Such high illiteracy rates may come from the rural background of interviewees, as most respondents live in remote areas; moreover, if we consider the average age of our respondents (between 37 for the control group and 43 for DFID beneficiaries), most of them have probably grown up at a time when access to education was, if not impossible, at least extremely problematic in most rural areas. Last, as control group respondents were selected in neighbouring communities, geographic remoteness or isolation is not a valid explanation to the 12-percentage point gap with DFID respondents; by contrast, we may assume that there is clear correlation between DFID beneficiaries' socio-economic condition and their lower level of education.

Table 6: Education level (consolidated phases 1 & 2)

	DFID		WFP/USAID		No program		Total	
Illiterate	568	78%	450	62%	477	66%	1495	69%
Literate (no schooling)	34	5%	60	8%	36	5%	130	6%
Primary School	60	8%	83	11%	83	12%	226	10%
Secondary School	31	4%	68	9%	69	10%	168	8%
High School	20	3%	53	7%	44	6%	117	5%
University	6	1%	5	1%	8	1%	19	1%
Other	8	1%	10	1%	3	0%	21	1%

[11] Hawkes, D and Ugur, M (2012) *Evidence on the relationship between education, skills and economic growth in low-income countries: A systematic review.* London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London.

[12] See in particular: Bils M, Klenow PJ (2000) *Does schooling cause growth?* American Economic Review 90(5): 1160–1183; Hanushek EA, Kimko DD (2000) *Schooling, labor-force quality, and the growth of nations.* American Economic Review 90(5): 1184–1208; Oketch MO (2006) *Determinants of human capital formation and economic growth of African countries*. Economics of Education Review 25(5): 554–564.

"They selected me because we have economic problems, we are 10 members in our family, I am student of school and my father is elder so he can't work, it is very good for me because by the money I receive through this program I spend it on food and school expenditure."

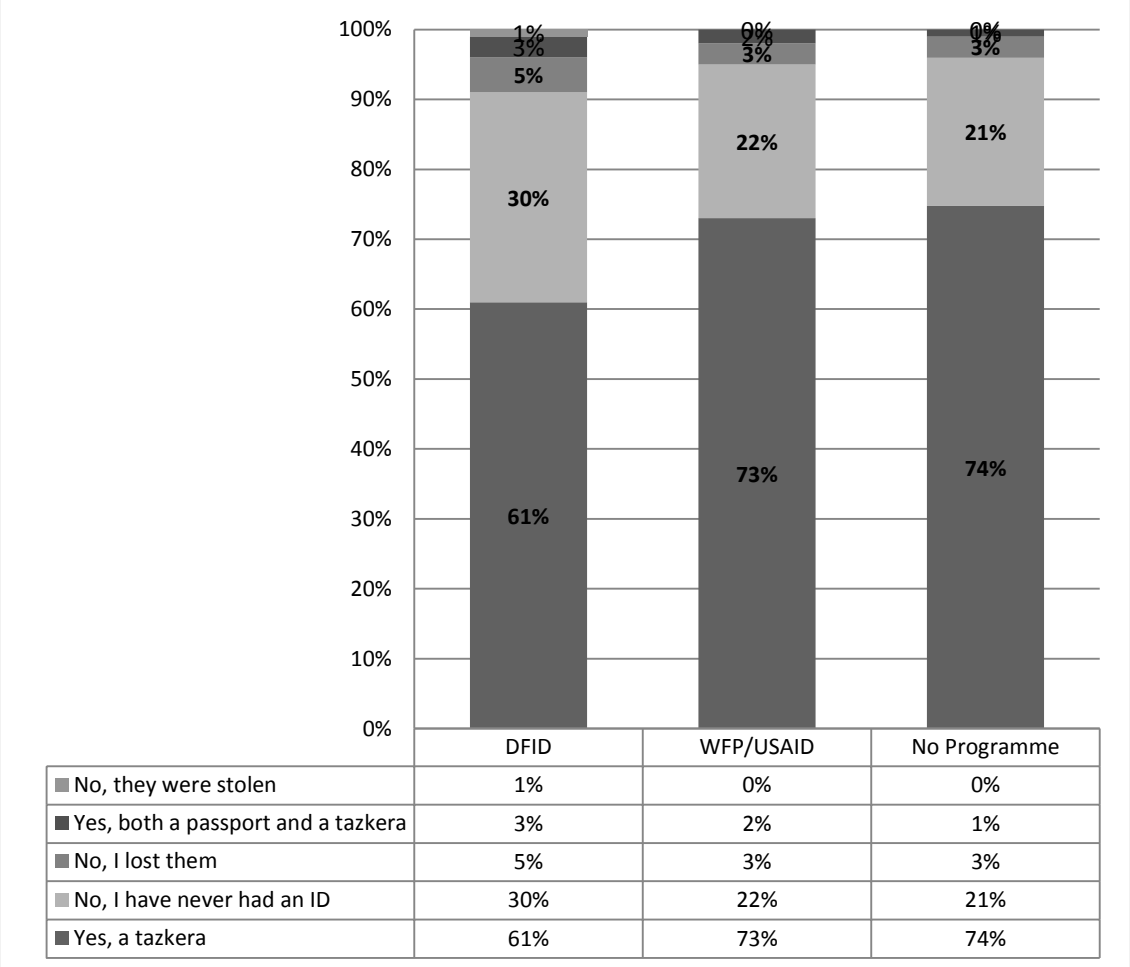
DFID Beneficiary, Male Respondent, 19, Illiterate
Village: Sir Kalan (Samangan)

Picture 4: Murdian district – September 2012

Legal documents (identity cards)

The acquisition of legal documents is a reliable indicator of the social status of respondents, as it highlights the household's relationship to local authorities as well as its capacity to exert and assert its rights: *'For those poor people, who are far from Maimana, the absence of tazkera is another major obstacle, as they cannot expect anything from civil servants and governmental authorities – which means that they will have to pay more bribes to have access to services they should not pay for' (Former ACTED M&E Officer, Faryab).* In these regards, the table below confirms that DFID beneficiaries are less likely to have any identification document (or *tazkera*): whereas there is a clear homogeneity among both WFP/USAID beneficiaries and control group households (with respectively 73% and 74% of positive answers), only 61% of DFID beneficiaries reported having identification documents, which confirms their lower social inclusion, hence their higher exposure to social discriminations.

Chart 5: Do you currently have any identification document? (Consolidated phases 1 & 2)



	DFID	WFP/USAID	No Programme
No, they were stolen	1%	0%	0%
Yes, both a passport and a tazkera	3%	2%	1%
No, I lost them	5%	3%	3%
No, I have never had an ID	30%	22%	21%
Yes, a tazkera	61%	73%	74%

Socio-economic profile

Household composition

The household composition of the three surveyed subgroups corroborates another preliminary finding (see *Marital Status*). DFID beneficiary households have 7.48 members on average, while there are respectively 8.92 (USAID/WFP) and 8.68 (others) household members in the two considered test groups. Considering that such a gap is common to the four districts, it is worth mentioning that the main difference between the surveyed subgroups comes from the proportion of male adults (18 and over) in the household composition: they account for 22% of the DFID households, 26% for the other two groups. We can thus assume that the proportion of female-headed households is more significant for DFID beneficiaries: *"One of the criteria of the NGO working with us [=Afghan Aid] was the revenue. And they also said that women should be selected in priority. Unfortunately, in our community, female-headed households are also the poorest ones, as widows cannot be bread-earners for their families. It is difficult to find good jobs for women here, even if they often help during the harvest season".* There is thus an interesting comparison to be made with WFP/USAID beneficiaries, as it seems that they have different aims and do not target the same type of vulnerable groups: in line with one of the key objectives of the project, the DFID initiative includes a significant number of female beneficiaries (and especially female-headed households and/or widows), whereas WFP/USAID's targeting is less specific: *"It is true that even if the Food-For-Training subcomponent of our programme does prioritize women, through literacy or vocational training courses, its actual outreach is still uneven and that there is no specific gender targeting, as we try to have a broader and comprehensive assistance strategy towards the most vulnerable groups" (WFP, Programme Officer, Kabul, September 2012).*

Table 7: Average household composition (consolidated phases 1 & 2)

	Male Child	Male Adult	Female Child	Female Adult	Total
DFID	2.01	1.72	1.95	1.97	7.65
WFP/USAID	2.37	2.29	2.16	2.10	8.92
No Program	2.27	2.22	2.11	2.08	8.68

Occupation

When asked to specify what the main *position* of the head of household and bread-earner was, respondents confirmed the answers of the first phase – while validating the assumption that DFID beneficiaries are more frequently jobless than any other surveyed group. DFID respondents show a significantly high unemployment rate of 14% while only 8% from the control group and a small 2% from WFP/USAID. This corroborates the assumption that DFID beneficiaries do correspond to the targeted population and that DFID implementing partners have adequately selected. Finally, the high rates of day labourers and self-employed, in all three categories, are indicative of: ***1)*** the fact that the labour markets of Almar, Murdian, and Khwaja Dokosh essentially provide jobs in the agriculture sector (either daily labourer or self-employed farmers); ***2)*** the specificity of Aybaq's semi-rural labour market, with daily labourers in the agriculture and construction sectors.

Table 8: Occupation position (consolidated phases 1 & 2)

	DFID		WFP/USAID		No program	
Day labourer	364	50%	457	63%	410	57%
Self-employed	194	27%	201	28%	195	27%
None / Unemployed	105	14%	15	2%	61	8%
Salaried worker (private sector)	22	3%	6	1%	16	2%
Salaried worker (public sector)	19	3%	23	3%	16	2%
Other	17	2%	20	3%	15	2%
Employer	3	0%	3	0%	1	0%
Unpaid family worker	2	0%	4	1%	5	1%

Key employment sectors

Considering the geographic coverage of the surveyed communities, there were no significant differences between DFID and non-DFID respondents, and no significant changes between phases 1 and 2 among DFID beneficiaries. This should not be considered as surprising, as the objective of the DFID cash transfer was only to provide emergency assistance to local farmers and not to have any specific impact on the local labour market. In these regards, a positive finding of the study is to show that the targeted labour markets do rely on the agriculture sector – and most surveyed households exclusively on the income generated through agricultural activities; it clearly validates the strategic choice made by DFID to assist local farmers, through cash transfers, as they are the economic cornerstone of the community as a whole.

However, it should also be noted that DFID beneficiaries' labour market is not a homogenous reality, as respondents had generally access to either rural, peri-urban or urban labour markets. Beneficiaries from Samangan, for instance, are mostly urban or

peri-urban (Aybaq) and thus more likely to get jobs in non-agricultural activities (and especially in the construction sector).

To better assess the key sectors of employment of the DFID beneficiaries as well as the two test groups, in today's context, it is important to understand the relatively modest weight of services. One of the main characteristics of the exceptional Afghan growth over the past ten years has been the role played by the services sector, which has increased from 38% of the Afghan GDP in 2002 to 51% in 201113. Such a dramatic increase is mainly due to the growth of the transportation subsector that has largely benefited from international inflows over the past decade.

As such, the weight of services is unsurprisingly lower in the surveyed areas, as local labour markets (even Aybaq's one) mostly offer unskilled temporary jobs in agriculture and construction: the comparison shows that only 4% of the total number of the respondents who reported having a job were principally working in the services sector, while 90% of the respondents said they were working in either the agriculture or the manufacture sector. However, such a high reliance on traditional employment sectors (like agriculture) may not be a real threat or a weakness in today's context. People depending on agriculture are less likely to be negatively impacted by the on-going reduction in development assistance funds, as they occupy basic unskilled positions in sectors that are not related to donors' development plans[14] and as agriculture and traditional income generating activities are still the main sources of revenue. In these regards, the relatively smaller proportion of DFID beneficiaries working in the agriculture sector (36% compared to 42% and 44% for the other groups) may be a concern in the future: *"There is no reason to believe that agriculture will not stay the only employment sector and exclusive safety net for rural households in the short- and long run." (World Bank Economic Analyst, January 2013).*

Table 9: Sectors of employment (Consolidated phases 1 & 2)

	DFID		WFP/USAID		No program		Total	
Agriculture/Livestock	262	36%	380	52%	319	44%	961	44%
Construction	198	27%	182	25%	222	31%	602	28%
None / Unemployed	103	14%	14	2%	61	8%	178	8%
Other	51	7%	17	2%	28	4%	96	4%
Manufacturing	42	6%	19	3%	23	3%	84	4%
Retail trade	22	3%	20	3%	18	3%	60	3%
Education	10	1%	28	4%	19	3%	57	3%
Road construction	1	0%	40	5%	7	1%	48	2%
Public Administration	15	2%	12	2%	7	1%	34	2%
Transportation	10	1%	9	1%	7	1%	26	1%
Mining / Quarrying	6	1%	4	1%	6	1%	16	1%
NGO/Intl. organisation	5	1%	3	0%	1	0%	9	0%
Wholesale Trade	0	0%	1	0%	1	0%	2	0%
Health	1	0%	0	0%	1	0%	2	0%

[13] Source: WB - Afghanistan Economic Update, October 2011

[14] Source: WB – *Transition in Afghanistan: looking beyond* (November 2011).

Employment, underemployment, and child labour

The relatively low percentage of unemployment among the survey respondents needs to be treated with caution, as:

1) Underemployment and working poverty are in fact greater challenges in a country where 60% of the employed workforce are in agriculture working in low-productivity and subsistence-type production;

2) Focus groups with DFID and non-DFID beneficiaries have confirmed that most people are employed in agriculture or construction – occupying casual, seasonal and temporary positions, with no economic safety net.

Table 10: Labour force participation rate (8 to 80) based on monthly contribution to the household

	Male Child	Male Adult	Female Child	Female Adult
DFID	2%	72%	1%	9%
WFP/USAID	1%	73%	1%	9%
No Program	1%	73%	1%	7%

Finally, a more detailed analysis of the unemployment rates among the three surveyed subgroups confirms:

- The significant gap between male and female adults when it comes to unemployment rates (with a difference of more than 60 percentage points, on average, as show in table 11);
- The ambiguous status of child labour (tables 10 and 11), as male and female children do contribute to the household general income, even if it is almost never considered or reported as "work" by their parents; nevertheless, when asked whether any child of their households had worked in the past, 15.3% of DFID beneficiary *households with children* answered positively – "only" 13.8% for WFP/USAID and 11.2% for the control group of households with children.
- Last, and not surprisingly, the absence of real impact between phases 1 and 2 of the DFID pilot initiative, as it first aims to respond to emergency situations. On the longer run, however, there may be an indirect positive impact of cash transfer on both the employment rates and the reduction of child labour (as it is very often a coping strategy for poor families when facing food shortages). From this point of view, it may be interesting for DFID to develop a longitudinal analysis of the short- and long-term impact of cash transfers on child labour and coping strategies in the future targeted areas.

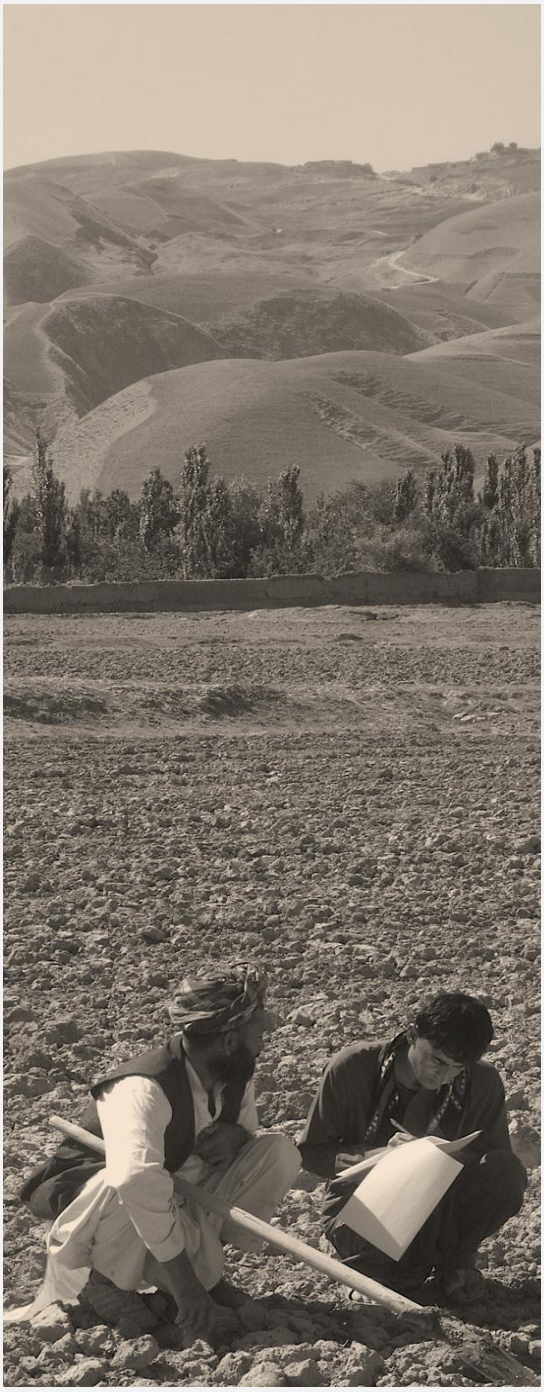
Table 11: Child's contribution to the household income (Consolidated phases 1 & 2)

	DFID		WFP/USAID		No program		Total	
Child working in the Hh	98	13.5%	95	13.0%	75	10.4%	275	12.3%
No child working in the Hh	542	74.5%	594	81.5%	597	82.9%	1726	79.6%
No child in the Hh	87	12%	40	5.5%	48	6.7%	175	8.1%
Total Respondents	727	100%	729	100%	720	100%	2,176	100%
Child working/Hh with child	***15.3%***		***13.8%***		***11.2%***		***12.3%***	

Household income

To further measure the actual economic impact of the DFID pilot project on the surveyed households and fine-tune the understanding of their socio-economic backgrounds, respondents were asked to provide an indicative estimate of their average monthly household revenue (without the cash transferred via M'Paisa). In the Afghan context, and especially among uneducated interviewees living in rural areas, such data should of course be taken cautiously; however, the subjective estimates tend to rigorously validate our initial field observations and analytical conclusions, as DFID beneficiary households earn on average AFA 1,878 (1,470 in phase 1) less than other randomly selected local households who were not benefiting from any type of assistance at the time of the interview and AFA 1,081 less than USAID/WFP beneficiary households (1,249 in phase 1).

The increase in revenue from phase 1 to phase 2 (+12.6%% to + 18.9%) is due to the end of the harvest season. During the summer (between phase 1 – June- and phase 2 – October) overall revenue grows along with the economy: *"The first weeks of summer is the harvesting season and thus the most important season for us. Not only for our sales and our activity, but also for our families: here, we sell caraway and wheat and we now make the largest part of our annual profit; also, we put some wheat aside for our family, as winters are harsh here" (Farmer, 39, Aybaq, Samangan).*



Picture 5: Almar district – September 2012

Table 12: Average monthly contribution to the household (AFA)

	Male Adult	Female Adult	Male Child	Female Child	Total	Diff Phase 1
DFID	6,105	230	177	8	6,521	+16.6%
WFP/USAID	7,342	164	82	14	7,602	+12.6%
No program	8,073	228	97	1	8,399	+18.9%

Standard of housing (perception)

When asked how they rated the standard of the housing they lived in at the time of the interview, it is interesting to note that, whatever their revenues are, respondents tend to provide almost similar answers, with DFID beneficiaries rating their housing conditions as 'poor' or 'very poor' at 73% (71% for USAID/WFP beneficiaries and 72% for other households). Interestingly, when comparing the same question with phase 1, DFID beneficiaries have on average decreased their perception of SOH (+12 points of poor or very poor) more than other groups (+7.1 points for WFP/USAID group and +7.6 points from the control group) despite having received funds from DFID. Additional focus groups conducted in November 2012 revealed that people had taken into account the seasonality factor to appraise the quality of their standard of housing. In other words, it is likely that the significantly higher degradation of DFID beneficiaries' perception of their housing can be explained by the fact that they suffer more from harsh winters and summers due to the lower quality of their housing.

Chart 6: Standard of housing (perception - phase 2 only)

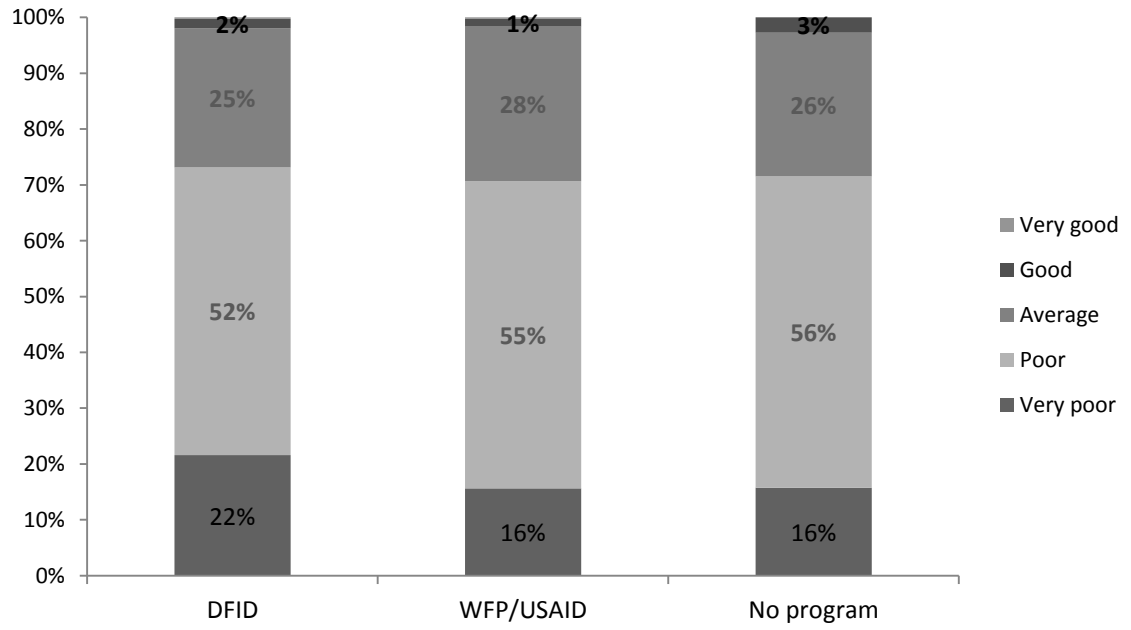


Table 13: Standard of housing – Comparison with phase 1

	DFID		WFP/USAID		No program	
Poor/Very Poor	73%	12.7	71%	7.1	72%	7.6
Average	25%	-4.7	28%	1.2	26%	0.0

Standard of living (perception)

Paradoxically, when asked if they considered that their economic situation was better or worse than the year before, we observe an opposite trend between phases 1 and 2. DFID respondents consider that their economic situation has improved (+11 percentage points) compared to other groups (-1 for WFP/USAID and -4 for the control group). Qualitative interviews conducted with both implementing partners and beneficiaries directly correlate this subjective assessment to the DFID pilot project:

- *"In general, we are extra-careful with beneficiaries' feedback, as they tend to paint a bleak picture of their lives. So, such high and clear satisfaction rates are good news. Our discussions with local community leaders suggest that the economic situation of most of our beneficiaries has improved since June" (Field Officer, Action Aid, Murdian).*

- *"In our district, it has been a very bad year and farmers have suffered a lot, because of bad weather conditions. But when things get worse for everyone, it is even worse for the poorest and needy families. The [DFID project] was extremely positive: it helped people who needed it but also improved their situation compared with previous years" (Community Leader, Almar province).*

- *"The cash we received with the Roshan phones has really improved our lives and we needed it. I don't know how we would have found the food otherwise" (Farmer, 51, Khwajadokoh).*

Chart 7: How do you consider the current economic situation of your household (phase 2)?

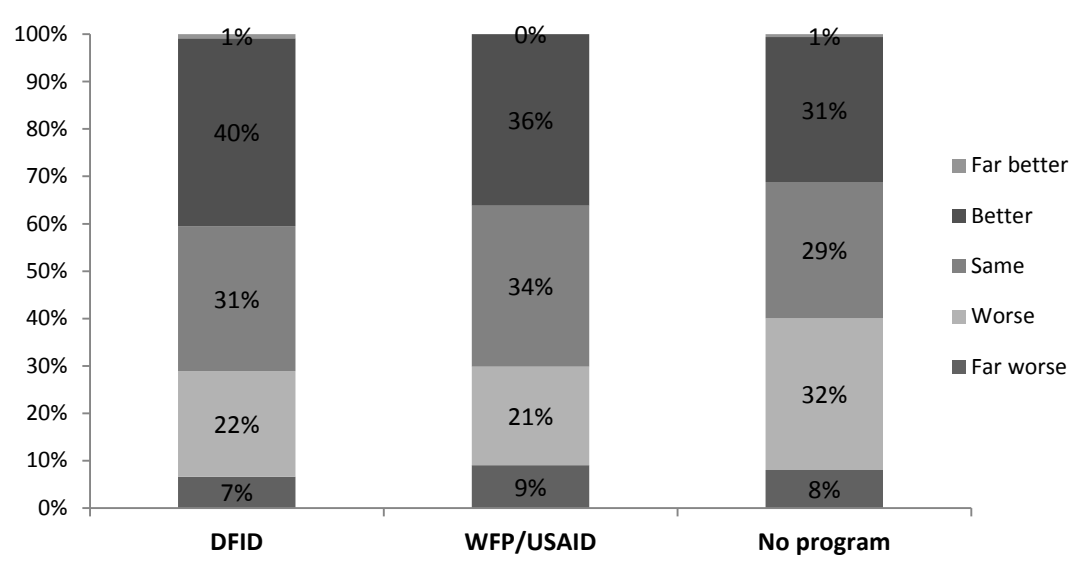


Table 14: Comparison with phase 1

	DFID		WFP/USAID		No program	
Worse	29%	-11	30%	-10	40%	0
Same	31%	-	34%	+11	29%	+4
Better	40%	+11	36%	-1	31%	-4

Basic needs and major obstacles

Table 15 shows that DFID beneficiaries rank water and food as their basic needs and main challenges faced, along with un- and under-employment. The point of specificity is the basic access to water and food, significantly higher than in any of the surveyed control groups: +17 and +12 percentage points with WFP/USAID and other respondents for water; and +7 and +10, respectively, for food. The difficulty of meeting such basic needs confirms, once again, that DFID has selected the "most needy" households, and hence the right beneficiaries for its programme.

Table 15: Currently, what are the 3 greatest problems your household faces? (Phases 1 and 2)

	DFID	WFP/USAID	No Program
Access to water	84%	72%	67%
Unemployment / underemployment	71%	70%	66%
Access to food	42%	35%	32%
Access to electricity	33%	37%	46%
Access to health services	18%	19%	19%
Access to land	12%	17%	16%
Lack of savings	9%	10%	13%
Sanitation facilities	9%	13%	8%
Access to housing / shelter	8%	3%	4%
Insecurity	6%	4%	5%
Lack of road infrastructures	3%	4%	6%
Lack of education certificate	4%	5%	3%
Limited access to credit/loans	2%	1%	1%
Lack of marketable skills	3%	1%	1%
Lack of identity papers	1%	0%	2%

> *"I am cooperating with the projects that are conducting by the governmental and private organization. Our main problems are potable water and water for agriculture, and also here is lack of street, clinic and school in our village, there is clinic that is half hour far from here and school is about one hour far from here."*
>
> *DFID Beneficiary, Male Respondent, 40, Literate (Almar, Faryab)*

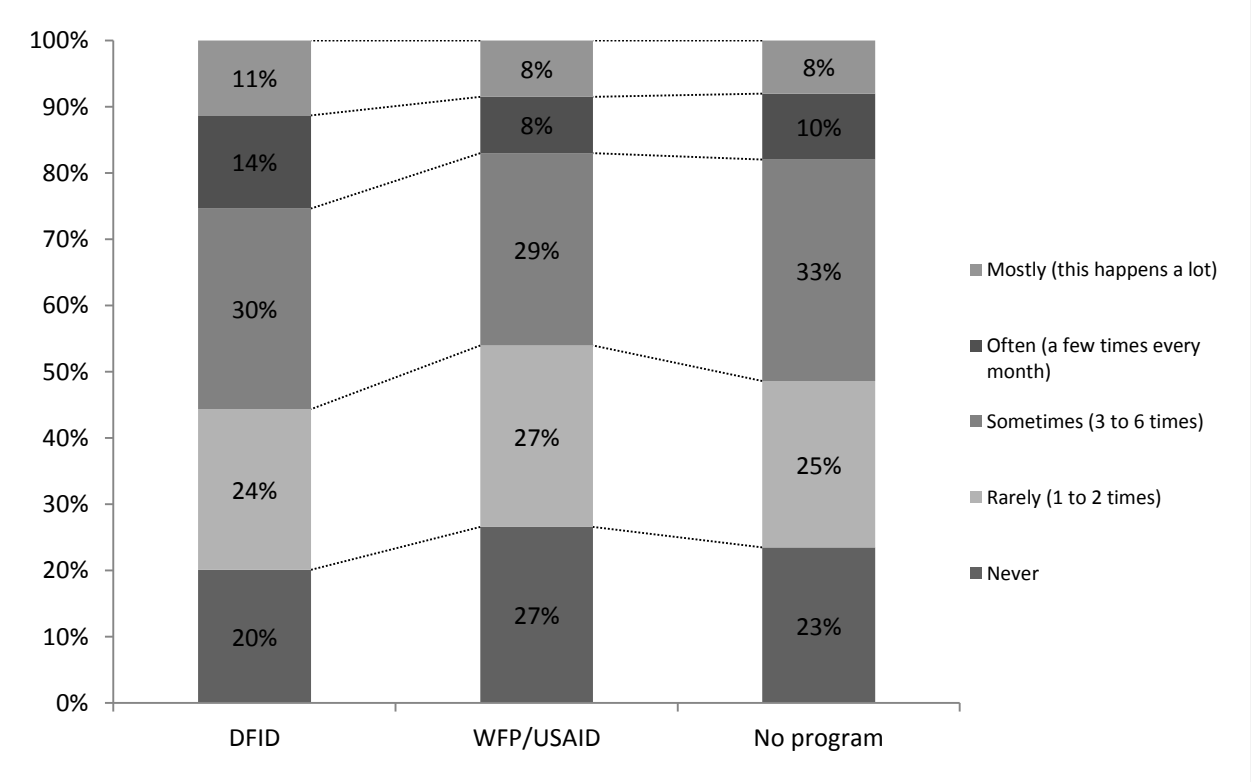
Food shortage and coping strategies

The key question that this sub-section attempts to answer is the extent to which DFID cash-transfers changed coping strategies for programme beneficiaries (e.g. avoiding having to sell livestock or reducing food diversity). In other words did the cash-transfers arrive on time and were they were they fit for the needs of the targeted population? Seasonality plays an important role in food security in Afghanistan. Temperatures vary dramatically across seasons, with hot summers and frigid winters. In many cases, households are forced to rely only on food supply stored before the winter. The table below highlights the fact that DFID beneficiary households tend to be more exposed to food shortages, as 55% of the respondents reported having punctual, recurrent or systematic *"problems satisfying their food needs"* in phase 2. It is worth highlighting two important points:

1) Respondents from the three surveyed groups tend to report significantly fewer food shortages (-23 percentage points between phase 1 and phase 2 for DFID beneficiaries), which may have to do with an interview bias, as, in phase 1 (June 2012), respondents from the three groups had just dealt with one of the coldest and harshest winters of the decade;

2) The gap between DFID beneficiaries and non-DFID respondents has clearly decreased, (16 percentage points in phase 1 and 7 percentage points in phase 2).

Chart 11: How often in the last year did your household have problems satisfying its food needs?



> *"Mostly we eat bread and potato, we cannot eat meat – even once a month – and my daily income is 250 Afghanis, and it is not enough for my family because we are 12 members in our family."*
>
> *DFID Beneficiary, Male Respondent, 33, Illiterate*
> *Village: Sir Kalan (Samangan)*

If we now focus on the coping strategies used by DFID beneficiary households to mitigate the impact of seasonality and food shortages, food depletion appears to be the first mitigation measure – in terms of quality (75% of the respondents for phases 1 and 2) and quantity (68%). This is in line with past surveys looking at multi-indicator variables of poverty in Afghanistan[15]. There are three main lessons to be learned from the two phases:

- Overall, the three target groups have less resorted to the most extreme coping strategies, which suggests that coping strategies are actually strongly correlated to seasonality (decrease between 8 to 22 points for the reduction of food quality, between 2 to 19 for the reduction of food quantity);

- Out of the three surveyed groups, DFID beneficiaries are relatively more likely to reduce both the quantity and quality (diversity) of their food as their main coping strategies – with much higher rates than other surveyed groups between phases 1 and 2 (respectively – 22 and – 19 percentage points for DFID beneficiaries, to be compared with – 8 and – 5 for WFP/USAID beneficiaries or – 10 and – 2 for control group respondents).

Our focus groups validated key assumptions: 1) seasonality is the main explanatory factor influencing households' coping strategies; 2) the DFID pilot initiative is a determining factor in the differences between the 3 groups: the cash received by DFID beneficiary households has spared them from the most extreme coping strategies.

Box 1: Dietary diversity in Afghanistan

The reduction of food quality is of course a major concern, as dietary diversity is strictly correlated to nutrition. As suggested by Souza and Joliffe, in their analysis of the 2007-8 food price crisis in Afghanistan: *"if policymakers focus exclusively on changes in caloric intake, they may miss an important component of the big picture: while poorer households do not cut back on calories very much, it is likely that they reduce dietary quality"* [16]. Assistance programmes often underscore the importance of micronutrient interventions such as fortification of staples and vitamin distributions during periods of high food prices. The key findings of their analysis suggest that households at the bottom of the caloric intake distribution make very small reductions in caloric intake due to the price increases. In other words, poorer households live near subsistence levels and are forced to make adjustments to the quality of their diets in order to maintain energy levels; poorer households with a reduced dietary diversity make the largest reduction in dietary quality – about one and a half times larger than that of households with larger food diversity. It corroborated one of the most fundamental assumptions of the Action Aid, Acted and Afghan Aid

[15] This data on the decrease of food quality *and* quantity among poor populations is corroborated in reports from the NRVA 2007/08, as well as IDP surveys led in urban areas – The World Bank / UNHCR 2011 study on IDPs in urban settings – or in both urban and rural areas as depicted in Samuel Hall 2012 research study on IDP protection for NRC.

[16] Anna D'Souza and Dean Joliffe, "Food Security and Wheat Prices in Afghanistan: A Distribution-Sensitive Analysis of Household-Level Impacts"

representatives we met: humanitarian interventions should also focus – if not prioritize – food diversity over food quantity. In practice, one recommendation for both DFID and its implementing partners might be to develop a specific training curriculum – aimed to make beneficiaries realize why food quality and diversity are as important as (and in the Afghan context, probably *more* important than) food quantity.

Table 16: Has your household had to rely on the following coping strategies? Comparison with phase 1

	DFID (P1)	DFID (P2)	DFID (trend)	WFP/USAID	No program
Reduce the quality/diversity	86%	64%	-22	-8	-10
Reduce the quantity	77%	58%	-19	-5	-2
Borrow food from relatives	55%	52%	-3	-10	-4
Restrict consumption by adults	36%	28%	-8	-2	-5
Entire day(s) without eating	27%	34%	+7	-5	-6
Purchase food on credit	27%	32%	+5	-6	-17
Send children to work/earn money	1%	7%	+6	+8	+6
Consume seed stock for next year	1%	1%	0	+1	+1
Harvest immature crops	0%	1%	+0.5	0	0

Health and nutrition

The main findings of the evaluation, when it comes to health issue, are twofold: ***1)*** there are no striking differences between DFID beneficiaries and the two surveyed control groups; ***2)*** the significant differences observed between phases 1 and 2 are most likely due to a seasonality factor (that has affected the 3 subgroups) rather than a direct impact from the DFID pilot initiative; ***3)*** As such, to better measure the impact of the DFID initiative on beneficiaries' health, through a targeted resource reallocation, it is recommended to keep monitoring the beneficiary households over a longer period of time.

Overall, 69% of the respondents have had at least one family member sick or injured over the past 3 months, with no significant differences between the different groups. As highlighted in the table below, DFID beneficiaries do not seem to particularly suffer from their i) remoteness or ii) economic constraints, as there is a dense network of medical facilities, local doctors, and healthcare clinics in most rural and urban districts. The significant improvement between phases 1 and 2 (-11.8 points) may be due to the fact that people are less likely to be sick in summer months.

Table 17: Sickness over the last 3 months

	Aggregate	Evolution
DFID	65%	-11.5
WFP/USAID	71%	-13.5
No Program	70%	-10.3
Total	69%	-11.8

However, having to deal with serious health issues, some respondents said that they had not used any type of health provider as *"it was often too expensive for poor families" (Female community leader, Aybaq, Samangan province).*

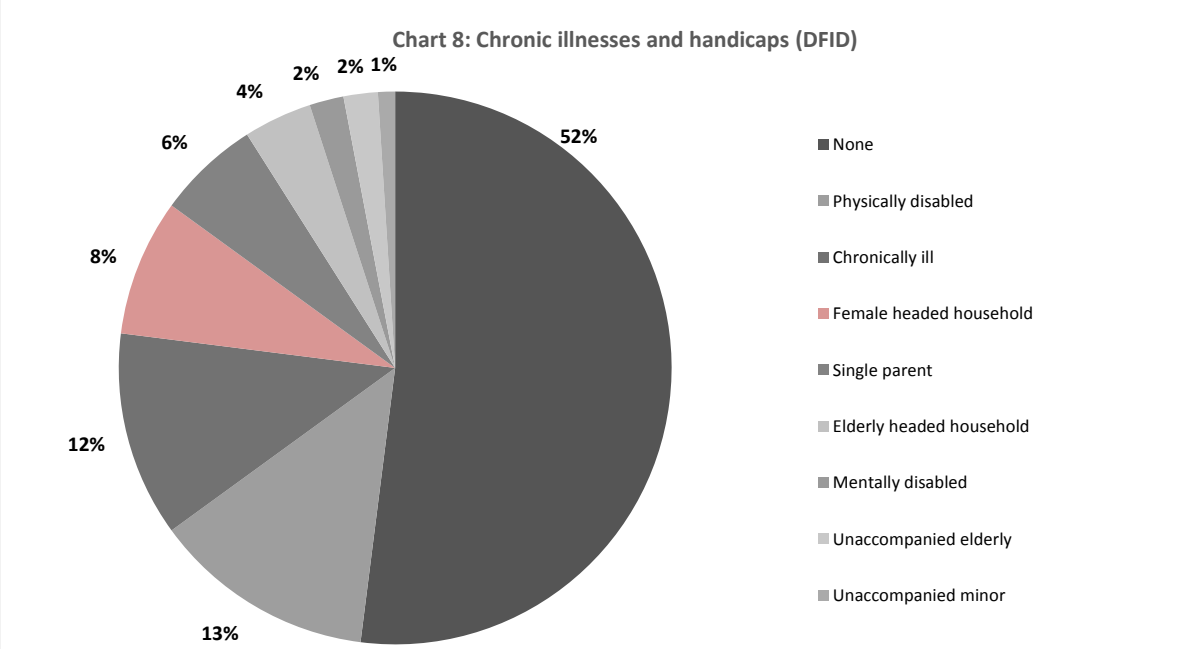
As shown in other surveys led by Samuel Hall researchers in Faryab[17], the issue is less one of access to health service providers as the *quality* of the service provided. Indeed, data collected in quantitative and qualitative interviews show that, even among vulnerable sub-groups of the population such as internally displaced persons, the use of health service providers is common, but the level of satisfaction remains low. Private doctors, which one needs to compensate, are often preferred to clinic and mobile clinic.

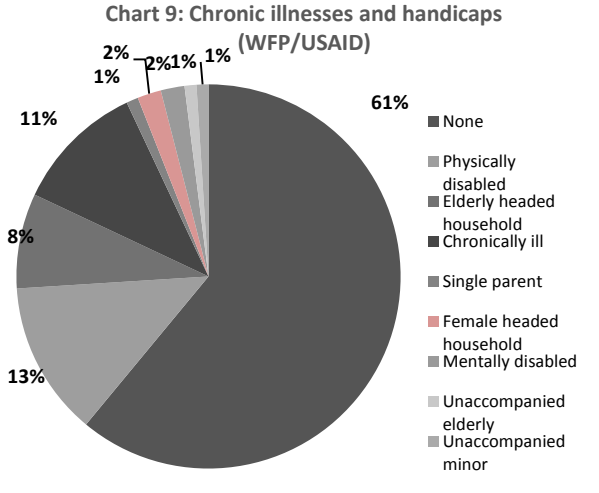
To further corroborate the initial findings on the socio-economic profile of DFID beneficiaries, both DFID respondents and the control groups were asked whether any household member was suffering from chronic illness, handicap, or social disadvantage. As highlighted in the three pie charts below, there are two main findings to bear in mind:

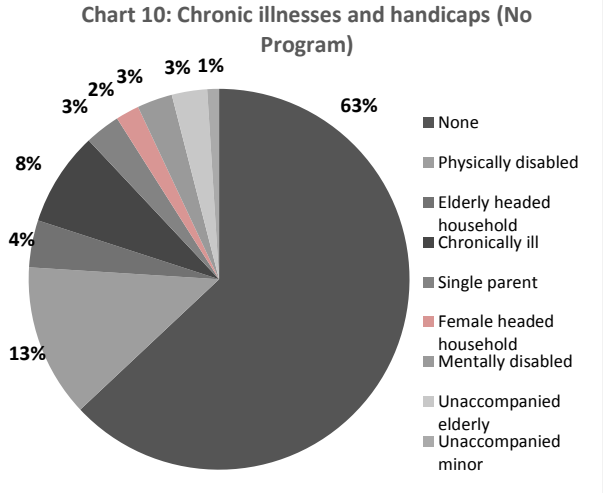
- Over the two phases, 48% of the DFID beneficiaries reported having household members with chronic illnesses or handicaps (39% of WFP/USAID beneficiaries and 37% of other interviewed households), which corroborates the idea that the targeting of beneficiaries was adequately done;

[17] Samuel Hall (2012), *Research Study on IDP Protection in Afghanistan,* for the Norwegian Refugee Council (NRC) and IDMC.

- DFID beneficiary households tend be significantly more female-headed (8%) than control-group households (both at 2%), which suggests that the surveyed DFID pilot initiatives did succeed in targeting female beneficiaries: *"We explained community leaders that our targeting group was not only vulnerable households but also women. But, in many areas, targeting the most vulnerable amounts to targeting women – and especially widows" (Afghan Aid, Field Officer, Samangan).*







Picture 6: Khwajadokoh district – September 2012

Section II: *Assessing the delivery of cash through mobile phones*

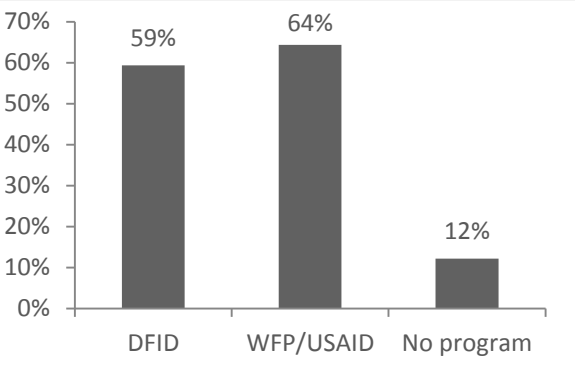
Assistance programmes

As noticed by many analysts[18], the geographic focus of most donors and NGOs is very often aligned with political priorities and agendas. In this regard, in September 2011, when a collective of NGOs alerted the international community of the potential impact of the summer drought in 14 Northern provinces (with almost three million people facing severe food shortages), it was argued that Northern and North-Eastern provinces had been relatively neglected by international and national actors – in comparison with Southern and Eastern areas, where most combats with insurgents have taken place. It was thus interesting to assess if DFID beneficiaries had already benefitted from any other form of humanitarian or development aid.

When asked if they had ever received assistance from national or international programs, a significant majority of DFID respondents (59%) answered positively, whereas only 12% of the randomly selected households said that they had benefitted from assistance programs. As highlighted in previous sanctions, it does not mean that the selection criteria of the three partnering NGOs were irrelevant; rather, it means that DFID beneficiary households are *"among the poorest members of their respective communities – hence, are more likely to benefit from several assistance channels" (Action Aid, Provincial Officer)."*

[18] US Senate Committee on Foreign Relations, *"Evaluating US Foreign Assistance to Afghanistan"*, 112th Congress, 1st Session, June 8, 2011. Available at: http://www.gpoaccess.gov/congress/index.html. The USAID map of projects is an exact replication of the security incidents map and most USAID funds are being allocated in areas according to their level of insecurity (80% in the South and East); DFID is spending around 20% of its funds in Helmand only, while the French are spending 40% of their total civilian aid in Tagab and Surobi districts (equivalent to 1% of the territory).

Chart 12: Have you ever received assistance from NGOs or other assistance programmes?



Finally, respondents were asked to specify the type of assistance they had benefited from. Not surprisingly, a large majority of DFID beneficiary households mentioned cash transfer (71%) in both phases. It suggests that DFID beneficiaries, who are among the most vulnerable people in their communities, have generally not benefited from any other type of assistance (aside from WFP cash for work and general food distribution subprogrammes) – which thus means that they are not only poor but also disadvantaged.

Table 18: which type of assistance did you receive?

Assistance	DFID	WFP/USAID	No Program
Cash transfer	71%	0%	5%
Cash for work	16%	25%	30%
Emergency	10%	11%	45%
Food distribution	9%	72%	14%
Food for asset	6%	3%	14%
Cash for asset	1%	0%	0%
Counseling	1%	0%	0%
Shelter	1%	0%	0%
Education	1%	0%	0%
Training	0%	2%	5%
Job placement	0%	0%	0%
Startup	0%	0%	0%
Health	0%	0%	0%

Mobile ownership

According to the quantitative survey, for phases 1 and 2, 99% of the DFID participants had a cell-phone at the time of the interview (including the cellphone provided by the implementing NGO), 58% for USAID/WFP beneficiaries and 69% for other households; likewise, a large share of DFID participants had 2 SIM cards or more. On average DFID beneficiaries have 1.52 SIM card per household, whereas the 1086 respondents had 1.25 SIM cards per household on average (phases 1 and 2). As DFID beneficiaries were asked to include the SIM card that had been given to them during the training, it suggests that the use of cellphones is correlated to the socio-economic level of the respondents: without the additional M'Paisa SIM card, the average number of SIM cards falls to 0.52, which is clearly behind the usual urban or rural standards (even if there is a significant increase between phases 1 and 2, from 0.4 to 0.6 SIM card on average). To further corroborate this point, it is also worth noting that DFID participants were spending on average 177 AFA/month in buying scratch cards while other respondents spend 209 AFA. The figures for phase 2 were not taken into account as the holy month of Ramadan naturally introduces a strong bias, with an exponential increase of phone calls.

Table 19: Do you have a cell phone?

	DFID	WFP/USAID	No Program
Yes	99%	63%	69%
No	1%	42%	31%
Respondents	364	364	358

Registration with M-Paisa

Almost all DFID beneficiaries (98% for phase 1 and 99% for phase 2) claimed being registered with M-Paisa. For other groups, almost no interviewee indicated to be registered. For the rest of the analysis that covers M-Paisa we will consider only DFID interviewees. The vast majority (83%) of the beneficiaries were registered through the DFID programme. It is interesting to notice that 7% of the interviewees in phase 2 claimed being registered directly via a M-Paisa reseller, while only 0.2% used that method during phase 1. It may indicate that some interviewees confuse DFID implementing partners with M-Paisa resellers – or maybe that they sneaked in the program after seeing the practical benefits of phase 1.

Table 20: Are you registered with mPaisa

	DFID	WFP/USAID	No program
Positive	98%	0%	1%
Phase 1	-1.37	0.27	0.55

Table 21: How did you register with M-Paisa?

		Phase 2 / Phase 1
Through the DFID program	83%	+6.73
Through a MPAISA reseller	7%	+6.80
A friend registered me	0%	-1.69
Other	10%	-11.84

M-Paisa Awareness

In the first phase of the survey, the M-Paisa awareness was non-existent among USAID/WFP or 'other households', while, by contrast and not surprisingly, 9 DFID participants (out of 364) only had not heard about M-Paisa. The training conducted by the partnering NGOs and the multiple ad-hoc sessions held between beneficiaries and members of local communities seemed to have progressively raised the awareness, if not the actual technological understanding, of the targeted households – and more generally, of their community: *"After the initial training provided by ACTED, which was extremely clear, we did not want to forget what they had taught us, so we decided to practice a lot and NGOs were also extremely dedicated and responsive to help us improve our knowledge of the M-Paisa system" (Male beneficiary, Almar, Faryab).*

More interestingly the second phase shows that not only are all DFID beneficiaries aware of the M-Paisa system, even if a significant albeit decreasing proportion still does not know exactly what it is, but an increasing percentage of non-beneficiaries from the other two control groups also know the M-Paisa technology: *"Our community does not have M-Paisa but more and more people are interested in it. I am not sure they would be ready to transfer money with it yet, but they would surely be happy to receive some money, as they have heard positive things about it from other villages" (Village elder in Samangan).* Such a positive and relatively unexpected side-effect of the DFID pilot initiative is directly positive for Roshan and may be used by DFID to further increase its bargaining power in future commercial negotiations.

Table 22: Do you know what M-Paisa Is?

	DFID 1	DFID 2	Other 1*	Other2*
Right Answer	29%	57%	0	8%
Wrong Answer	68%	42%	0	19%
I don't know	3%	1%	100%	73%

** "Other" include both USAID/WFP beneficiaries and respondents from the control groups.*

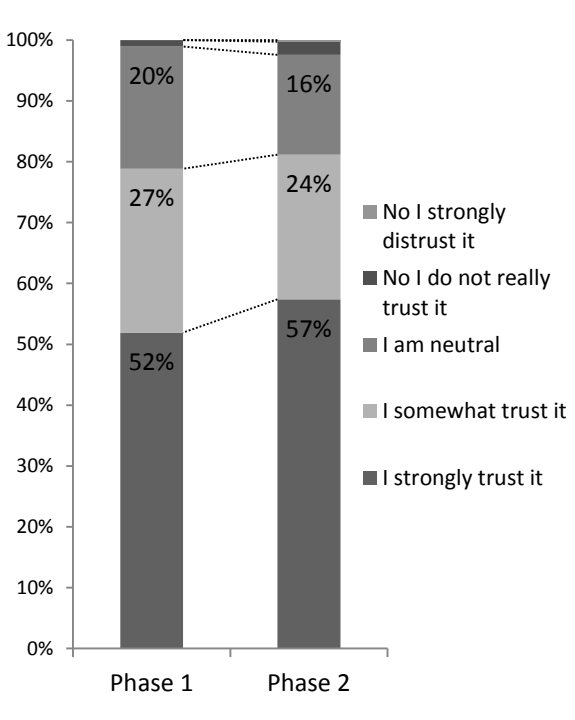
M-Paisa buy-in

As highlighted in the first phase and validated in the second, the most positive impact of the training provided by partnering NGOs has probably been on people's trust in the M-Paisa system: in the first quantitative survey, only 5 respondents had expressed some distrust or concerns about it, and only 9 in the second survey. It is worth noting that none of the 14 opinions were motivated by cultural, traditional or religious arguments. By contrast, two hypotheses formulated after the first phase were confirmed after the second one:

1) If focus group participants unanimously showed their interest and trust in the system, they also expressed some concern on *other people's capacity* to use it: *"This summer, a lot of trainees were not able to withdraw their money because they are scared by such an innovative technology. It is an educational obstacle, poor people do not have the capacity and I am the only one who went to school in my family." (Female beneficiary, 18, Literate, Murdian district).*

2) When focus group participants were asked to give the main improvement allowed by the M-Paisa technology, they almost systematically said that it could strongly mitigate the risk of corruption by providing people with a real control over their money: *"We don't want any other assistance because we directly receive money and no one can take our money, if they distribute food, the governor or powerful people would not distribute the assistance completely" (Male beneficiary, 63, Illiterate, Mohajer, Khwaja Dokoh, Jawzjan).*

Chart 13: M-Paisa buy-in among beneficiaries



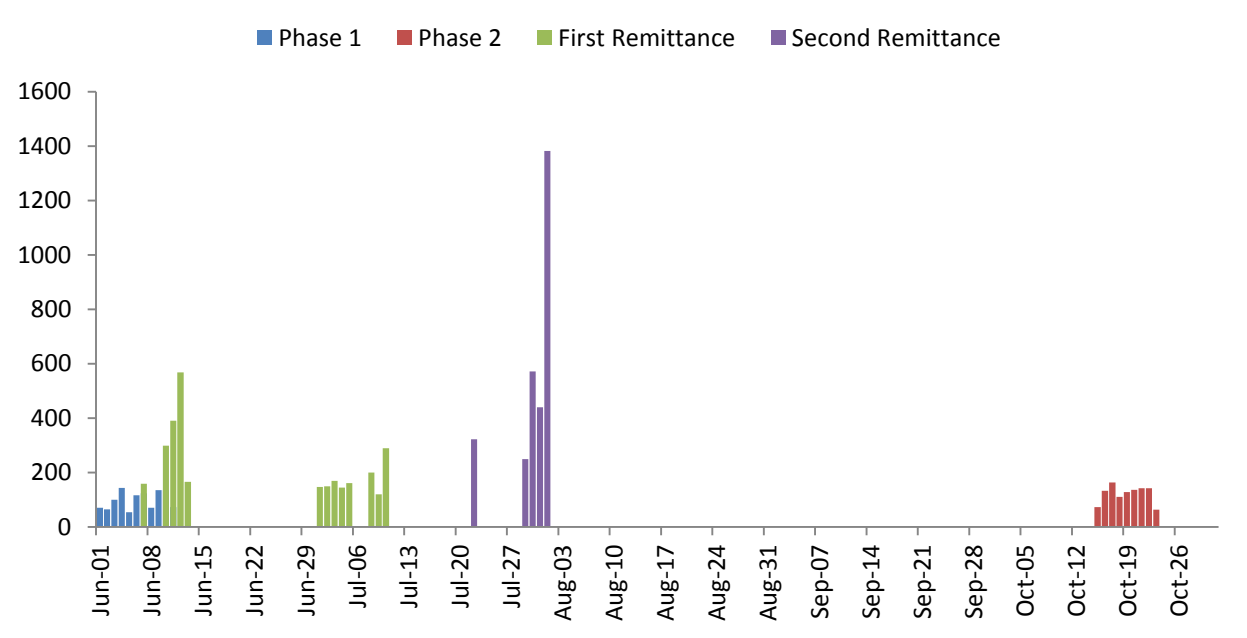
The qualitative information collected therefore supports DFID's initiative: people themselves underline the human factor behind M-PAISA as being a "deal maker or breaker": on the one hand they identify the lack of capacity *(not only illiteracy but also defensive attitude towards new technologies)* as an obstacle, on the other the power over human corruption as a real opportunity. Therefore, trainings could be made more specifically about addressing the gap in capacity and fulfilling the anti-corruption potential. Straight-to-the point training curricula can be designed to use the findings from this research as the backbone of more efficient training lessons, building on the direct feedback from beneficiaries, notably on the human component and impact of M-Paisa. By using their language, and addressing their concerns, the curriculum can be more effective and ensure a stronger and more sustainable buy-in from beneficiaries and their communities. If they are shown how the training and the M-PAISA program can build the capacity to use new technologies while decreasing the potential for corruption, beneficiaries themselves may more easily become spokespersons in their communities, gain in confidence and feel that they are bringing something to their communities, a feeling often not enjoyed by vulnerable populations. The perceived effectiveness of M-PAISA in limiting opportunities for corruption would thus still be reinforced, through individual and collective awareness-raising community dialogues.

Receiving M-Paisa remittances

Between June and October 2012 DFID has issued 8,514 cash transfer of 4,000 AFA. In total, 5,538 unique M-Paisa accounts have benefitted from the DFID cash transfer program.

- 47% of them received only one remittance;
- 53% received the remittance twice during the pilot period, which is in line with the initial expectation.

Chart 14: A two-phase data collection



On the above chart we can see that the baseline survey (phase 1) took place before the first remittances were sent out. M-Paisa records were hence not linked to interviews because many interviewers did not have their M-Paisa SIM set up at the time of the survey. The endline survey (phase 2) was conducted three months after all the remittances were sent out to participants. During phase 2 we asked each DFID interviewee to provide its M-Paisa Msisdn in order to link interviews with transactions registered in Roshan database.

Consequently during phase 2, all the DFID beneficiaries interviewed should have a record of their remittances in the Roshan transactions database. However, out of the 358 interviewees who provided their M-Paisa Msisdn, 59 had no record of the DFID remittance in Roshan database: basically, there was no record of any remittance paid into that account. This could be due a data-entry mistake by Roshan but could also be an indication of fraud[19] – as this issue is recurrent and almost specific to a single district (Jawzjan), there is an urgent need to further investigate this problem by randomly monitoring beneficiaries and systematically collecting their Msisdn.

[19] A systematic monitoring of the 358 questionnaires from the data collection to the data entry was done after the fieldwork to make sure that *Samuel Hall* had not made any mistake.

Withdrawal patterns

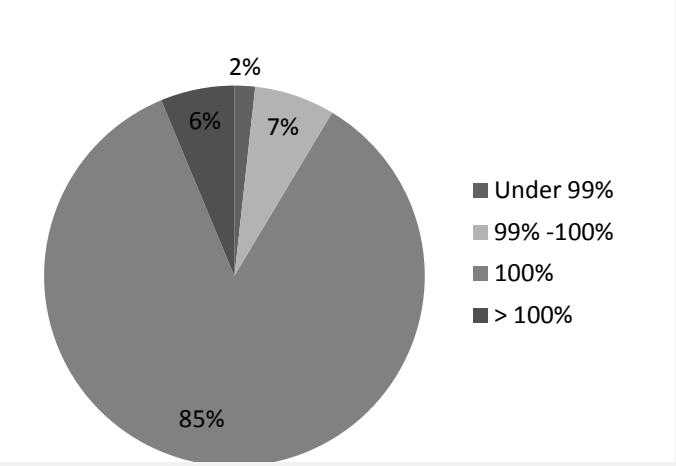
Once beneficiaries receive their remittance on their M-Paisa account, they need to transform the electronic money into cash. To that aim, beneficiaries need to go to a M-Paisa agent and conduct a withdrawal transaction.

The chart on the right indicates that 85% of the 5,492 registered beneficiaries withdrew from an m-Paisa agent 100% of the remittance they have received.

7% of the beneficiaries have withdrawn between 99% (included) and 100% (excluded) of their remittances.

- Almost all DFID beneficiaries (92%) have entirely emptied their electronic account, doing 1 withdrawal (95% of the cases) or 2 (5% of the cases) withdrawal operations per remittance. For all those beneficiaries, Roshan only recorded two types of operations: receiving the remittance and withdrawing the remittance.

Chart 15: Withdrawn amount in percentage of the remittance (all 5,492 beneficiaries)



- 2% only (96 beneficiaries) have withdrawn less than 99% of the remittances (=3,960 AFA for a remittance of 4,000 AFA).

- For the remaining 6% who withdrew more than they received as a remittance from DFID, they had other incoming transfers (that were not formally identified).

> *"The Afghan Aid beneficiaries never use any other feature. Those people are poor and they just take the cash and leave. They are not here to buy music or play games with crazy applications. Roshan should understand that. In the end, [Roshan] will make money anyway!"*
>
> *Roshan shopkeeper, Aymaq, Samangan province, September 2012*

Withdrawal experience

The main finding is that 87% of the surveyed respondents did not know how to withdraw money through M-Paisa. It clearly ties a large majority of the DFID beneficiaries to a minority of middlemen who know how to withdraw money and can potentially get a commission or divert some of the transferred cash. If we now focus on the comparison of the two phases highlight two main quantitative findings:

- More beneficiaries said that they knew how to withdraw cash and reported having experienced cash withdrawal in phase 2 (9%, compared with 1.5% in phase 1).

- By contrast, significantly fewer interviewees indicated that they knew how to withdraw cash in theory only (from 18.5% in phase 1 to 4% in phase 2).

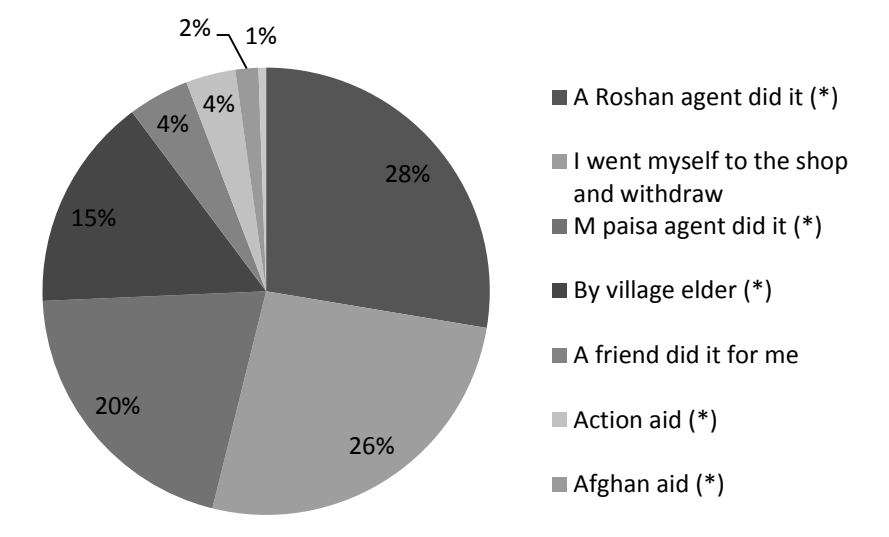
Table 23: Do you know how to withdraw money?

		Phase 2 / Phase 1
Yes and I have already done it	9%	+7.5
Yes but I have never done it	4%	-14.5
No, I don't know	87%	+7.0

These figures lead to two conclusions: **1)** overall, as 87% of the beneficiaries said that they did not know how to withdraw (–7 percentage points compared with phase 1), we can assume that either the trainings were not adapted to local audiences or refreshers would be needed; **2)** likewise, considering that 92% of the beneficiaries have actually withdrawn cash and that 87% of them did not know how to do it in practice, it suggests that a small number of individuals are tasked to withdraw the cash for the rest of the beneficiaries.

When asked, only 26% of participant say they went to the m-Paisa shop and withdraw it. However, the "other" answers indicates "a Roshan or M-Paisa agent" did it, indicating they gave the phone to agent to operate the withdrawal. Other interviewees outsourced the withdrawal operation to a third party, mainly a village elder (15%), a friend (4%), or one of the supporting NGO (Action aid 4%, Afghan aid 2%, ACTED 1%). In Samangan, for instance, cases of Roshan resellers withdrawing cash for beneficiaries living in remote areas were reported in the second phase of the survey. If there was apparently no cash diversion, such practices are obviously in contradiction with the initial objective of the DFID project (while potentially leading to corruption and cash diversion).

Chart 16: How did you proceed for the withdrawal?



Informal commission scheme

For interviewees who gave their mobile to a tier, 86% of them said there had been no commission for the tier. 9% acknowledged a commission, and 5% did not know.

On average, the beneficiary claims perceiving 97.7% of its intended remittance (based on declaration from interviewees). While this number has to be considered with a pinch of salt (most interviewees are not at ease with numbers and have no interest in complaining about a system that has provided them with some actual assistance), it is a fair indication that interviewees consider that there is no diversion or corruption in the existing system: *"We generally receive the totality of our remittances, but most of us do not understand how the system works and how you can withdraw money; moreover, female beneficiaries are not allowed to travel long distances and older beneficiaries or disabled people cannot travel anymore. That is why we use friends or relatives to withdraw this cash. Sometimes they ask for small commissions to pay for the gas or the service. But I have not heard any negative thing about it" (Male beneficiary, 32, Khwajadokoh district).*

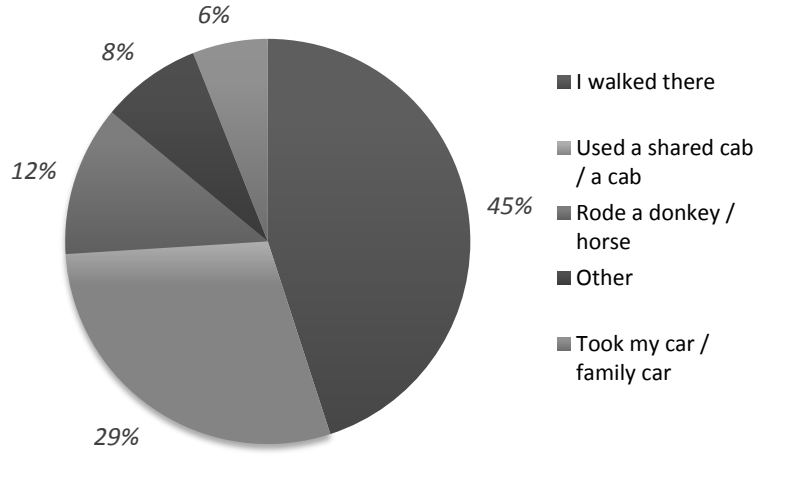
Table 24: AFA 4,000 remittance average breakdown for the beneficiary

Gross Remittance	AFA	4,000.00	100%
Travel costs	AFA	48.78	1.21%
Tier commission	AFA	20.41	0.51%
Roshan commission	AFA	20.00	0.50%
Net remittance	AFA	3,910.81	97.78%

Barriers to withdrawal I: travelling?

Travel and distance are not considered as obstacles by most beneficiaries: 44% of the beneficiaries who withdrew cash "walked there" (especially in Aybaq, as several Roshan shops can easily be found in the direct neighbourhood of most beneficiary communities); 29% used or shared a cab and 12% a horse or a donkey. Howerver, it should also be noted that the only focus group participants who mentioned travel as a constraint were female beneficiaries, as they are generally not allowed to leave their village to get some cash in the nearest urban centre (with a Roshan shop).

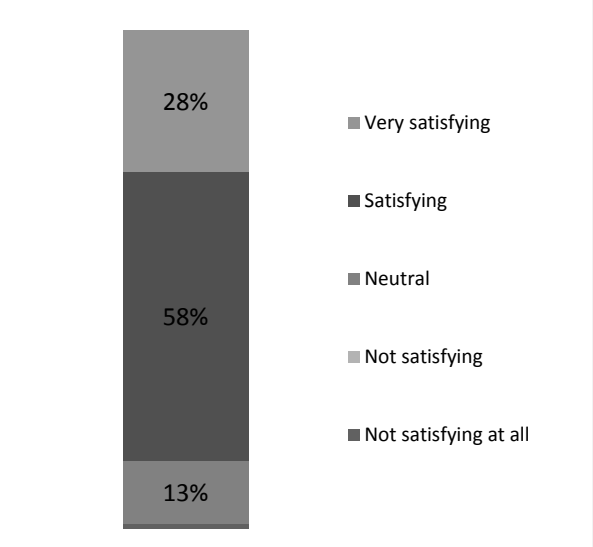
Chart 17: How did you go to the Roshan shop?



Barriers to withdrawal II: accessing the Roshan shops?

The second phase of the survey confirmed DFID beneficiaries' overwhelmingly positive experience of Roshan shops: 86% of the interviewees who reported having withdrawn money at Roshan shops said that their experience at the Roshan shop was either satisfying or very satisfying: *"As the Roshan shopkeeper is used to dealing with the M-Paisa technique, he sometimes explains me new aspects of the technology that I ignored. So everyone is happy, even if the shop is really too far from my home. In the end, he makes good money and I learn new things while getting money as well!" (Male beneficiary, 27, Murdian district).*

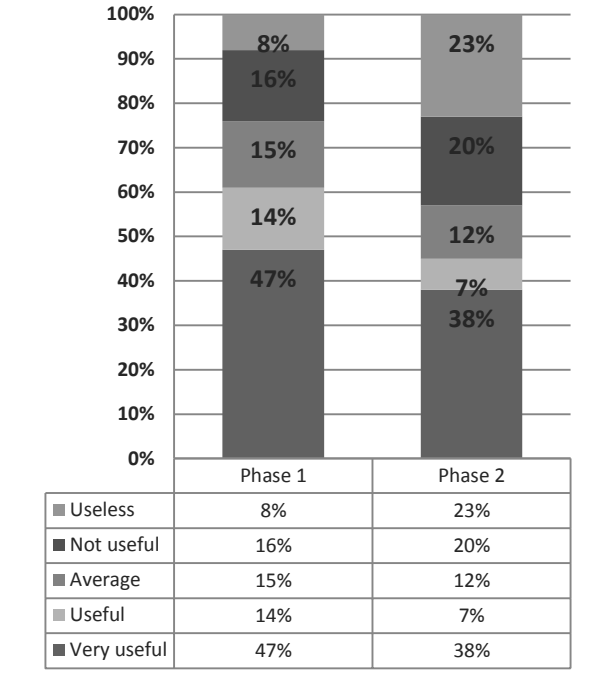
Chart 18: How would you rate your experience at the m-paisa shop?



Barriers to withdrawal III: understanding the M-Paisa technology?

A significant share of DFID beneficiaries received training on M-Paisa, explaining the wide awareness of M-Paisa among the DFID interviewees: in phase 1, 45% of the interviewees reporting having attended training and in phase 2, this total drop to 37%. In phase 1, while most participants assessed the training as "useful" or "very useful", there seems to be a strong acquiescence bias and beneficiaries might have provided the 'right' answer to thank partnering NGOs as well as DFID for their cash transfer programme. By contrast, focus group discussions highlighted that illiteracy stood as a strong barrier on understanding of basic information regarding the use of M-Paisa and that interactive voice response (IVR) was still not optimised for M-PAISA beneficiaries. In phase 2, the initial optimism has clearly made way to a relative skepticism – as 43% considered of the respondents who had attended the first training session thought that it had been either "not useful" or "useful" (to be compared with 24% only in phase 1).

Chart 19: M-Paisa training: satisfaction rate



	Phase 1	Phase 2
Useless	8%	23%
Not useful	16%	20%
Average	15%	12%
Useful	14%	7%
Very useful	47%	38%

Finally, and as suggested in the mid-term repot, to fill in these gaps, training content should be improved to tackle illiteracy barrier by relying more heavily on graphical illustrations as a training tool. In addition, we strongly recommend that the training includes practical transaction training, to learn "by doing". During the training all participants should have their M-Paisa SIM activated with part of the remittance on their credit. A M-Paisa dealer should also attend the training so participants can actually conduct real money withdrawal operations.

> *"We received training, but I didn't learn it because I am illiterate, the quality of the training was good but I couldn't learn."*
>
> *DFID Beneficiary, Male Respondent, 26, Illiterate, Khwaja Dokoh, Jawzjan*

Using M-Paisa's money

When asked how they would use the money transferred through M-Paisa, individual respondents provided a relatively wide range of answers, showing that non-food items are not necessarily prioritized: clothes and furniture (49%-51%), debt reimbursement (36%-32%), health (32%-19%), education (12%-15%), and fuel (8%-5%) were the most frequently cited answers with food (39%-48%). Providing that beneficiaries do spend the money on such essential items, it would mean that the cash transfer initiative could lead to longer-term improvements and sustainable socio-economic outcomes – rather quick humanitarian impacts. Such a key assumption should of course be cautiously developed and fine-tuned in the light of a more comprehensive assessment of the household expenses, benefit sharing strategies[20], and resource allocations.

At this stage, however, we can assume that:

- Seasonality plays an essential role on beneficiaries' cash allocation decisions: health or fuel expenses generally tend to decrease during summer (respectively: – 13 and – 3 percentage points over the surveyed period).
- *"Assuming that people use their cash […] on food and non-food items does not imply that the initiative does not play a humanitarian role; what it means is that the grant helps people allocate their resource the way they want, on essential basic items. However it clearly raises questions on the timeliness of the initiative"* (ACTED Field Officer, Faryab, Almar district).

Table 25: How will you spend the money?

	Phase 1	Phase 2
Items for house (clothes, furniture)	49%	51%
Food items	39%	48%
Debt/Loan Reimbursement	36%	32%
Health	32%	19%
Education	12%	15%
Fuel, Power	8%	5%
Purchasing livestock	4%	5%
Rent	1%	2%

[20] See SANDRI (2012): "Not always in the official reports, sharing and re-distribution of cash among members of the communities, was found to be a quite common practice. Although it might be argued that sharing and re-distribution can lead to the dilution of the assistance provided, it can also allow the survival of important traditional forms of community "safety net" mechanisms. Therefore there is a need to understand and analyse why communities re-distribute, and along which lines the money is re-distributed. Understanding informal "safety net" and community coping mechanisms is critical in setting realistic and context-specific targeting and in deciding the level of assistance. Acknowledge and understand re-distribution and sharing of assistance to enable realistic and context specific targeting methodologies and level of assistance". *Review of the ECHO Response to the Drought in Northern Afghanistan through Cash Transfer: Lessons Learned,* for ECHO, ACTED, Intersos, Oxfam, Novib, People in Need and Save the Children, June 2012.

Roshan's coverage and pricing (benchmark with Etisalat)

Roshan, an MNO started in 2003, has a much wider coverage than Etisalat, started in 2007, especially in Rural areas. However, Etisalat's coverage is known to grow quickly and is expected to have an equivalent coverage as Roshan in the next years. Both have a corporate system of salary disbursement.

If we first focus on their respective coverages, Roshan has the largest network in the country. However, Roshan's market share is relatively low among control group participants, meaning that people in the targeted areas do not use naturally Roshan: *"Roshan is perceived as a more expensive operator and while Roshan is the market leader with the widest coverage, it lags behind among the poorest segments of the population who prefers other operators, like MTN and AWCC, especially in the poorest rural areas of Northern Afghanistan" (Telecommunications Expert, ex-Roshan and Etisalat, Kabul).*

Finally, and should DFID be willing to further develop its electronic cash transfer strategy with Roshan, it will probably need to develop a basic M-Paisa registration program among participants. Alternatively, as other mobile network operators (MNOs) are likely to develop their own mobile banking solutions, DFID may also be able to use beneficiaries' own SIM cards.

Chart 20: Roshan national coverage (November 2012)

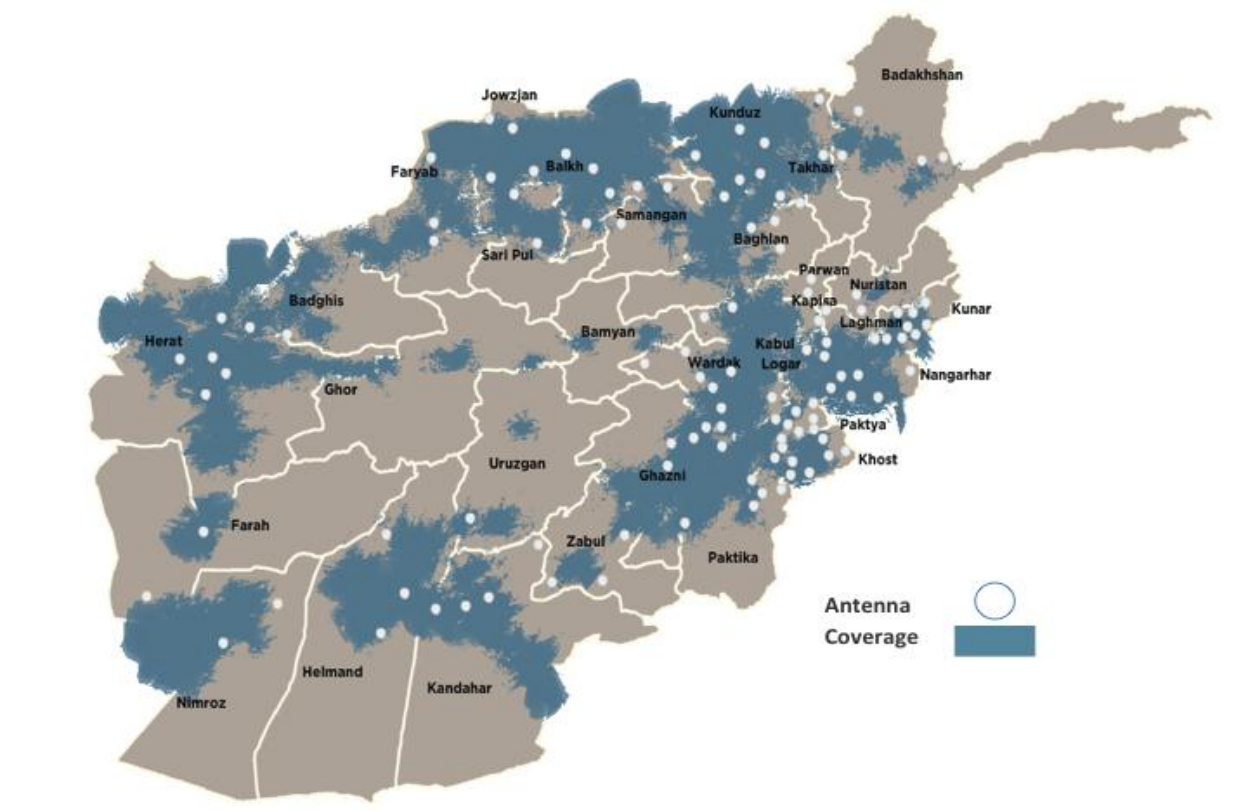
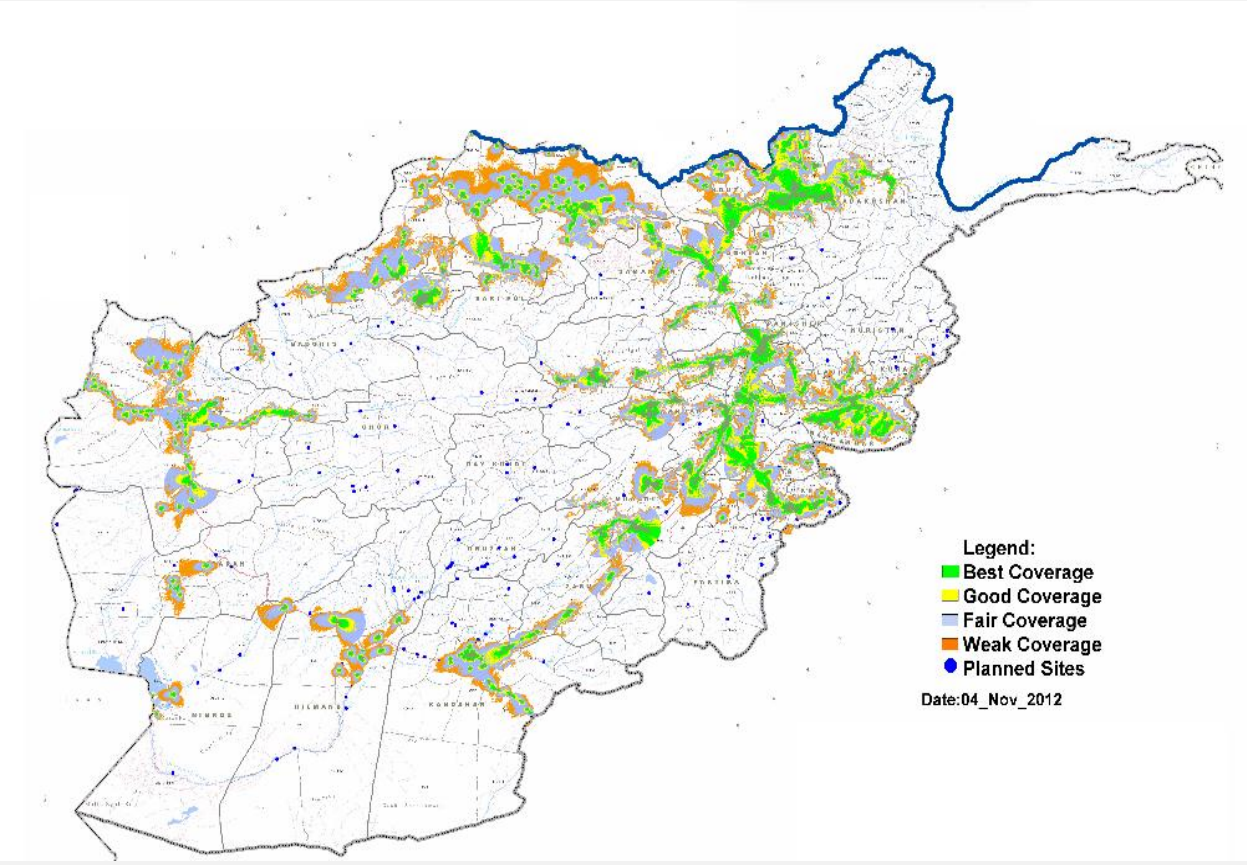


Chart 21: Etisalat national coverage



Finally, based on the information provided by both Roshan and Etisalat and a triangulated estimate of Roshan's and Etisalat's respective costs, the review team came to the conclusion that Roshan was still cheaper than Etisalat. However, this estimate is based on the information provided in late 2012, when Etisalat was still developing its commercial offer. However, providing that Etisalat develops a larger rural coverage and a range of commercial offers more specifically tailored to cash transfer programmes in emergencies, DFID may take advantage of more competitive offers (prices and services) in the future.

Chart 26: Benchmark Roshan / Etisalat (all figures in AFA)

Pricing per mobile operator	Commission for DFID	Total cost for DFID	Withdrawal commission	Net remittance for the beneficiary	Yearly cost for monthly 4,000 for 5k participants
M-Paisa Roshan	20	4,020	20	3,980	241.2M (incl 1.2M Roshan fee)
M-Hawala Etisalat	51	4,051	20	3,980	243.1M (incl 3.06M Etisalat fee)

Value for money of a mobile cash transfer programme in Afghanistan in 2014

Considering that the key challenge of the programme was delivering support to communities in Northern provinces to meet their emergency needs in a cost-effective and timely manner, the review team considers that the project was neither timely nor cost-effective. However, it does not mean that future mobile cash transfer projects, at a larger scale, may not be (much) more cost-efficient than food assistance programmes. This is especially true in a worsening security context, where access to remote and unsafe areas has become a key parameter for evaluating the *impact* of any humanitarian or development initiative.

Timeliness of the DFID pilot project: Even if the overall design of the project can be deemed as satisfactory, the fact that most beneficiaries reported spending their cash on non-essential items leads the review team to think that the DFID initiative: 1) can play both a humanitarian/relief and development/recovery role, as cash grants clearly empower targeted households and allow them to better allocate their resources for emergency or long-term purposes; 2) failed to actually address the immediate consequences of the 2011 drought, as the project was initiated way too late, as often reiterated in the individual interviews and focus groups conducted with community representatives or NGO field officers, and; 3), it was relatively modest (2 remittances of 4,000 AFA over a six month time span), which does not allow any definitive conclusion in terms of long-term impact.

Specific cost-effectiveness of the pilot project: Based on a relatively wide range of cost estimates conducted with different food assistance actors, distributing cash transfers is less cost-efficient than distributing food aid in today's Afghanistan. The main reason for this is not the actual administrative, transportation or delivery costs but economies of scale in commodity costs: in other words, importing food in bulk at wholesale prices is considerably cheaper than giving beneficiaries cash to buy the same food at retail prices on local markets. From this point of view, assessing the price differential between imported food aid and food purchased locally using cash transfers was not in the scope of this study but could easily be done by DFID Afghanistan.

General cost-effectiveness of mobile cash transfer programmes: At a larger scale, scenarios should take into account the transfers to recipient ratio ('alpha-ratio') to actually assess whether mobile cash transfer schemes are more cost-efficient than food distribution models. From this point of view, one can realistically expect from the predictable economies of scale realised with nationwide programmes that the proportion of total costs that goes to project management and delivery would sharply decrease in the case of cash – while they would probably increase in a worsening security context, as the handling costs (staffing, transport) for food would almost certainly exceed the mobile operator charges and other costs associated with disbursing cash. Last, costs also need to be expressed in relation to an economic and social range of impacts, as some outcomes are intangible, such as "dignity" or "women empowerment".

Analysing the inflationary effect

Local bazaars, especially in rural districts (Almar, Khwajadokoh, and Murdian) are often poorly integrated in secondary markets and urban centres and constrained by the geographic and climatic characteristics of the country; likewise, the worsening security context (whether insurgents or predatory gangs) has become a major obstacle to the development of commercial trade in many rural areas. Any cash transfer, by definition, will impact on markets and local economies, especially if they are isolated or constrained. When deciding whether to provide cash assistance, the impact of cash on local economies thus needs to be assessed in the pilot phase: How effectively will markets be able to respond to an injection of cash? In other words, will people be able to buy what they need locally at affordable and relatively fair prices? Will people be able to buy the goods they need? By contrast, is there likely to be an inflationary impact from a cash injection?

To assess whether the use of cash had either multiplier or inflationary effects on local economies, the review team surveyed a basic basket of commodity prices in the four surveyed districts. The rationale behind this longitudinal (6 to 8 months) observation was to understand people's livelihoods and how local economies and markets work. If the timeline of the assessment and the objectives of the pilot phase did not allow us to identify any positive multiplier effect, by contrast inflationary effects are theoretically easier to assess.

By cross-referencing different agricultural and livestock prices (wheat, potatoes, and a three-year old male sheep from the dominant variety) in a single index, the review team not only explored the effect of broader socio-economic patterns on the local markets, but also sought to identify exceptional price increases or localised inflationary phenomena.

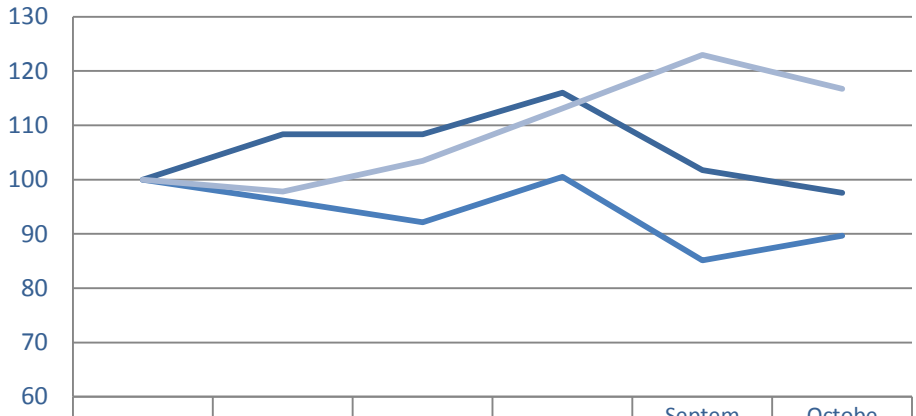
In order to create an index, one must convert each of the factors into a comparable unit of measurement - for the sake of ease, we have chosen a simple numerical scale with a baseline value of 100. We shall refer to this as the 'index value'. Market prices of wheat, potatoes, and sheep were assessed every month in 3 communities per district; the price of each item was based on the average price collected in 4 different shops. A total of 12 different prices per item were thus assessed in every surveyed district to determine the average monthly price of each item; overall, 144 prices were collected every month over a period of six months (and eight months in the case of Almar, as shown in the graph below).

Last, to fine-tune our analyses and differentiate seasonal evolutions, exceptional or abnormal price trends, from actual inflationary phenomena, focus group discussions with local traders, livestock owners, and farmers were organised on a regular basis.

> *"Prices can go up when WFP brings its wheat bags or when international NGOs distribute vouchers or cash. I am sure it can. But our markets are more robust and connected than you think and they can satisfy all types of demand at a reasonable price."*
>
> *Livestock trader, 35, Aybaq, Samangan*

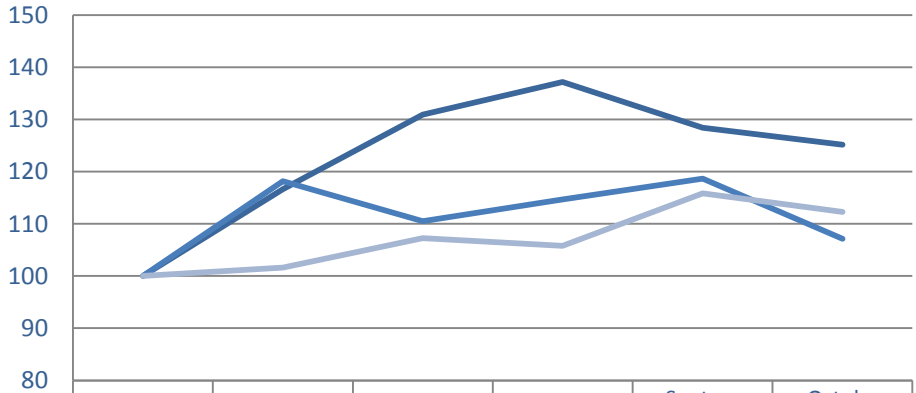
In **Aybaq, Khwajadokoh, and Murdian,** our analysis found no clear evidence of inflationary impact. In both cases, the price evolutions seem logical: the strong price increase of sheep in September can be explained by religious motives (Eid), while the general and specific price dynamics of wheat and potatoes are mainly related to seasonality.

Chart 22: Market prices in Aybaq (Index 100 - May to October 2012)



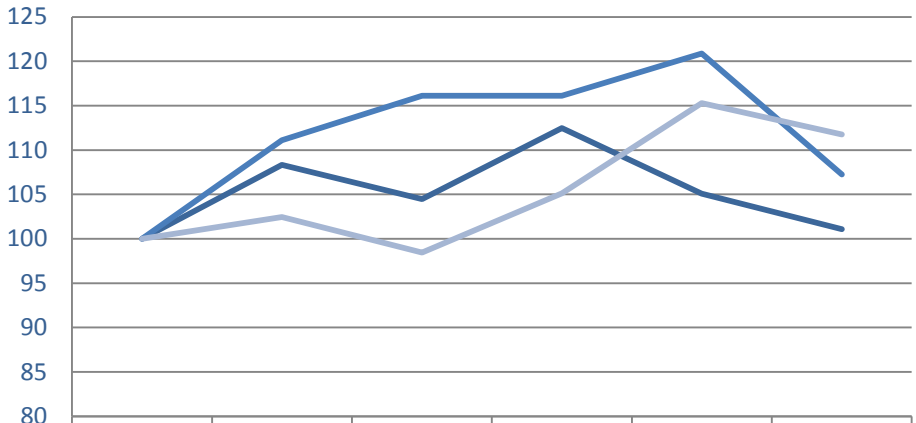
	May	June	July	August	September	October
Wheat (7 kg)	100	108	108	116	102	98
Potato (7 kg)	100	96	92	100	85	90
Sheep (male - 3 year - local)	100	98	103	113	123	117

Chart 23: Market Prices in Murdian (index 100 - May to October 2012)



	May	June	July	August	September	October
Wheat (7 kg)	100	117	131	137	128	125
Potato (7 kg)	100	118	110	115	119	107
Sheep (male - 3 year - local)	100	102	107	106	116	112

Chart 24: Market Prices in Khwajadokoh (index 100 - May to October 2012)



	May	June	July	August	September	October
Wheat (7 kg)	100	108	104	112	105	101
Potato (7 kg)	100	111	116	116	121	107
Sheep (male - 3 year - local)	100	102	98	105	115	112

In **Almar**, the market prices seemed less predictable. Wheat and potato price peaks were observed between July and September (up to 40% or 50% increases for wheat and up to 35% for potatoes); by contrast, sheep prices seem more clearly related to seasonality.

To further investigate such exceptional price increases, the review team decided to: 1) develop a benchmark assessment of wheat prices with the neighbouring district of Qaysar over a 8-month period between May and December 2012; 2) organise additional focus groups with local traders to test the validity of our assumptions.

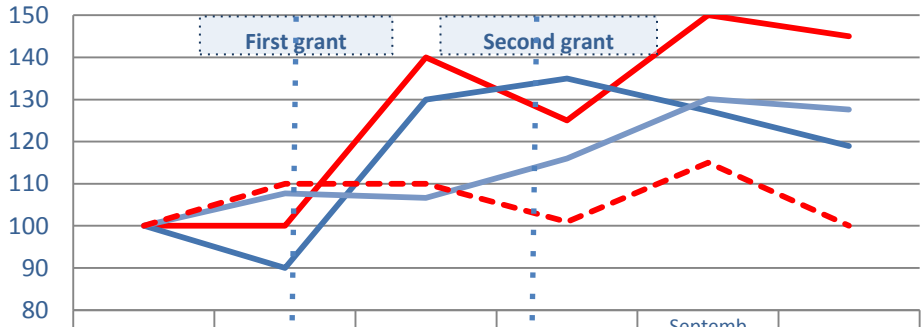
Based on our longitudinal price comparison with Qaysar, there is an exceptional price dynamics in Almar (+40 to +45 index points), which is not judged to be related to the local and usual market conditions. Moreover, the peaks in prices seen on the markets of Almar district correspond to the two periods of cash disbursement. Taken together with the qualitative interviews in the local markets of the district, it is therefore plausible that there is an inflationary impact of the cash transfer in Almar. This impact appears to intervene after disbursement, and price indexes seen at Almar reach the level of the neighbouring district two months after the last phase of the cash transfer.

If we now try to analyse the difference between Almar and the other three districts, we may assume that two major variables determine the inflationary phenomenon. First, the level of security at Almar has continuously worsened, which further weakens local trade and isolates the local markets. Second, the access to the local market of Almar district is more complex than in the other three districts surveyed by the research team, as access to market and infrastructures are lacking. Hence, both contextual and structural reasons explain what our quantitative and qualitative data have otherwise underlined – an inflationary impact following the cash injection on the local market.

One notable caveat: the primary objective of this study was not to assess this impact. Therefore, a longer term and more comprehensive analysis of the market dynamics

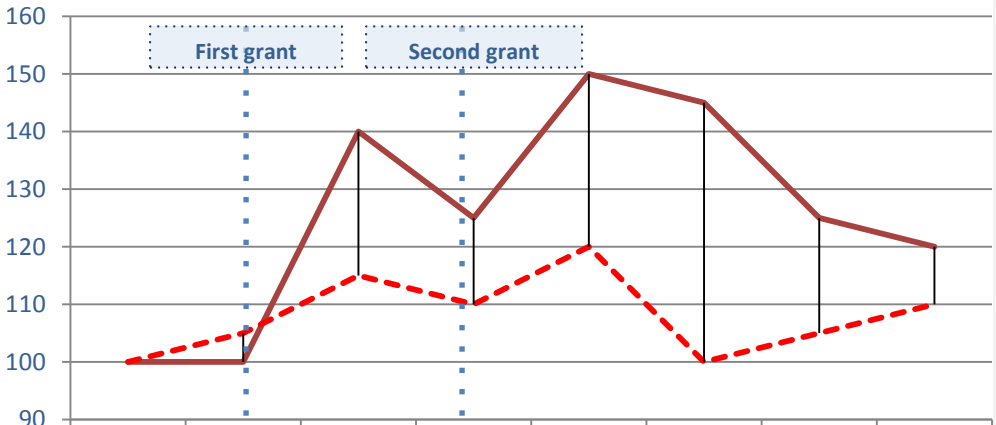
has to be planned ahead of future cash transfers, and similarly, as a monitoring mechanism during the cash intervention process. In these regards, if the qualitative information and quantitative data collected in Almar and Qaysar do not fully allow us to understand the interaction between the different local markets, there may be a possible re-balancing of prices in Almar to neighbouring markets, and such an economic backlash must be carefully assessed and controlled to avoid destabilizing an already fragile socio-economic and political network.

Chart 25: Market Prices in Almar and Qaysar (Index 100 - May to October 2012)



	May	June	July	August	September	October
Wheat (7 kg)	100	100	140	125	150	145
Potato (7 kg)	100	90	130	135	127	119
Sheep (male - 3 year - local)	100	108	107	116	130	128
Wheat (7 kg - Qeysar)	100	110	110	101	115	100

Chart 26: Wheat prices in Almar and Qaysar(May-December 2012 / index 100)



	May	June	July	August	September	October	November	December
Wheat (7 kg)	100	100	140	125	150	145	125	120
Wheat (7 kg - Qeysar)	100	105	115	110	120	100	105	110

Picture 7: Beneficiary in Murdian – September 2012

Section III: *Lessons learned and recommendations*

Even if the DFID mobile cash transfer pilot project cannot realistically be considered as a timely humanitarian answer to the 2011 drought, the project has proven successful to many extents: 1) beneficiaries of the DFID programme fit the criteria stipulated in the programme terms of reference, namely including "the poor among the poor", women and minorities, among others; 2) a positive impact on beneficiaries' households, who often reallocate these additional resources not only in food items but also in health, education, repayment of debts, etc. 3) a strong popular acceptance and legitimacy; 4) reliable and efficient partnering NGOs (even if further investigation is now required in Jawzjan); 5) an efficient cash transfer instrument tailored the Afghan context (even if a more in-depth comparison with food distribution and cash voucher programmes should be made, to better gauge the actual efficiency of mobile cash transfer initiatives); 6) a relatively cheap option (Roshan vs Etisalat).

Despite the potential case of fraud, which can be tracked easily, and the fact that a minority of beneficiaries withdraw money themselves, which is part of the overall learning curve of any mobile cash transfer project, M-Paisa system is a reliable option to transfer cash to rural and urban poor in a conflict situation like Afghanistan. Overall, sending remittances through mobile transfers in the four surveyed districts, proves reliable, targeted, secured and relatively cheap. It is not absolutely reliable – it is relatively efficient in a context of increased diversion of food assistance and endemic corruption.

The only downsides are: 1) the fact that the project could not address people's concerns in a timely manner; 2) the inadequate format and content of the training sessions; 3) the fact that beneficiaries only withdraw cash and barely use any other M-Paisa services; 4) the risk – especially on the longer-run – that middle-men bypass or divert some cash, as many illiterate people or disadvantaged minorities ask other people to withdraw cash for them; 5) a potential inflationary impact of cash injection (as observed in the Almar district) in areas where security and/or access to other markets are poor.

The present section provides DFID with the key findings and lessons learned of the two-phase study conducted in Northern Afghanistan, while identifying a set of fifteen actionable recommendations aiming at improving the future development of DFID cash based initiatives.

Who are the mobile cash transfer beneficiaries?

The key findings outlined below review specific elements of the socio-economic and demographic profiles of DFID beneficiaries, and will underline key lessons learned through this first phase assessment.

Gender: Almost one third of the DFID respondents were women ***(P1: 29%, P2: 23%)***. It confirms the achievements of one of the key gender components of the programme, even if in practice the difficult access to M-Paisa agencies remains an important obstacle to the further empowerment of female beneficiaries within their households and their communities.

Demographics: Data collected on ethnicity, age, marital status, education, and documentation, confirm that beneficiaries are the most vulnerable among the rural or urban poor, in comparison with USAID or WFP beneficiaries, as a comparative reference used in this survey. The overall profiles of the DFID beneficiaries encompass the following key profiles: 1) widows

and female-headed households ***(DFID: 18%; WFP/USAID: 4%; other: 6%)***, 2) older households with a higher average age ***(DFID: 43; WFP/USAID: 39; and other: 37)*** and 3) less educated with an almost systematic count of illiterate respondents ***(DFID: 78%; other control groups: 63%)***. While it clearly shows that the selection process of Afghan Aid, Action Aid and ACTED is reliable and accurate, it raises some concerns: 1) questioning the capacity of such minority groups to understand and implement practically the requirements of the M-Paisa programme, 2) questioning their ability to have access to M-PAISA agencies, and 3) raising the question of their higher vulnerability to corrupt or predatory actors in their communities. By this we mean that if beneficiaries are indeed the most socially vulnerable, they are also more likely to be under greater pressure from those holding powerful positions in their community.

Socio-economic profiles: The analysis of household composition – number of household members and economically active members – and of household economic indicators – occupation, key employment sectors, underemployment and child labour, as well as household income – corroborate the fact that the socially vulnerable beneficiaries also fulfil key poverty indicators: ***14% of unemployment, massive underemployment, basic jobs as daily labourers in the agriculture or construction sectors, 15.3% of children working for the household***. This means that they are doubly vulnerably: first from a social standpoint, and second from an economic standpoint.

Health and Nutrition: As seen in other studies, food quality ***(coping strategy for 64% of DFID beneficiaries)*** *and* quantity ***(58%)*** are often compromised in a systematic coping strategy found in our sample as in other samples of vulnerable populations surveyed in Afghanistan. What stands out in this research, is the issue of food depletion, by which households reduce the amount of money spent on food needs and food diversity. This study shows that DFID beneficiaries tend to systematically, and in priority, deplete food consumption, as they have no other viable coping strategy or option to resist shocks. It also validates the selection process: it further proves that the selection of beneficiaries was rightfully targeted, as these are specifically those households that should be assisted through a cash transfer programme.

What is the impact of the DFID cash transfer pilot project?

Short-term impact: The DFID pilot project did have a positive impact on the surveyed households, in all the targeted districts. If we compare the coping strategies of the different groups, while taking into account the seasonality factor: DFID beneficiaries tend to resort much less on food depletion ***(-22 percentage points between phases 1 and 2)*** and reduction of food diversity ***(-19 percentage points between phases 1 and 2).***

Longer-term impact: If the main objective of the mobile cash transfer programme is to respond to humanitarian crises and emergency situations, it is worth mentioning that it may also have the potential to generate sustainable social and economic development: if an average ***44%*** of the surveyed beneficiaries reported spending the cash on food, ***50%*** said that they would spend it on items for their house, ***34%*** on loan repayment, ***25%*** on health, and ***14%*** on education.

Training: A significant proportion of the participants did follow a training session on MPaisa. However, illiteracy, travel cost, and poor overall understanding of the system, are strong barriers to the adoption of the M-Paisa system. Some participants were empowered with the withdrawal of other unable beneficiaries, most of the time not taking a commission. However, only a handful of

beneficiaries ***(9%)*** know how to use the system. The vast majority of beneficiaries rely on a third party to obtain the cash. Someone from the village, NGO aid workers or M-Paisa agents.

Withdrawal: Somehow, the remittance reaches almost fully ***(97.7% of the total)*** the end beneficiaries – extra costs are extremely limited – according to surveyed beneficiaries, confirmed by Roshan transactions logs which clearly show that all the remittances transferred through M-Paisa are quickly and totally withdrawn in cash.

Inflationary impact: A longitudinal survey of the market prices in the surveyed districts suggests that isolated and unsafe areas are more likely to suffer from an inflationary impact. A comparison of the wheat prices in 6 bazaars of the neighbouring districts of Almar and Qaysar highlighted a ***30 to 45 point difference*** (index 100) between the two markets after the two phases of cash disbursement.

Roshan: Today, Roshan is still the cheapest option ***(-0.8%)***. Considering the relatively good services provided by Roshan, with the support of DFID implementing partners, there is no reason to immediately shift from one mobile operator to another at this stage. However, DFID bargaining power has increased, with Etisalat's arrival on the market of mobile cash transfer.

Implementing partners: The evaluation of the three partnering NGOs was not in the scope of this study. Based on the field observations, focus groups, and data collected with DFID beneficiaries, however, it clearly seems that Acted, Action Aid, and Afghan Aid do have the technical capacity to successfully implement cash transfer programmes[21].

[21] With one important *caveat*, however, as the case of Jawzjan requires further investigation, as detailed in (page 37).

What could be DFID's strategy towards mobile cash transfer?

Based on our field observations and discussions with local communities, beneficiaries, and implementing partners, the main risks of transferring cash are: 1) corruption; 2) diversion; 3) inflationary effects due to the injection of cash. The following recommendations aims to provide DFID and its partners with a set of actionable measures for improving the programming and operational aspects of future mobile cash transfer programmes.

1. **Adopting mobile transfer to send remittances (among other instruments):** The DFID pilot project has proven extremely successful and the remaining issues could probably be addressed easily. As such, the review team considers that the pilot project validates the assumption that the role of cash-based responses should be thoroughly reconsidered in both emergency *and* recovery situations – in a country where only a few experiences have been conducted until now. *"It is important to recognise that cash-based responses are not a panacea, nor are they universally appropriate. They are one element of the humanitarian toolbox – a complement to in-kind assistance, not a replacement for it. Cash-based responses have their own risks; cash transfers may trigger inflation in local markets, are just as likely to be poorly implemented and managed, and suffer from problems of exclusion, poor targeting and corruption, just like any other type of project"* [22] . DFID should continue to stimulate the process while partners need to make efforts in co-ordinating systematically also at field level. Whenever

[22] HARVEY, P. (2007) *Cash-based responses in emergencies,* Humanitarian Policy Group Report 24, Overseas Development Institute.

possible, synergies and complementarities among agencies and projects should be supported to increase the impact of the intervention.

2. **Assessing local socio-economic and political contexts:** Implementing partners should be better used to understand the socio-economic profile of the targeted districts and communities, which may lead to a more nuanced adjustment of the cash grant (e.g. 4,000 AFA does not have the same value in Summer and Winter; the purchasing power in Almar and Aymaq may differ; inflation may become massive over the next few years in Afghanistan; etc.). If the amount of the DFID cash grant was chosen based on the average food basket estimations in the surveyed districts in 2010/11, the definition of this amount has to be adjusted to local realities and a set of key socio-economic variables.

3. **Suggesting drastic options to improve the training design:** Training content should be improved to tackle illiteracy barrier by showing, for instance, more graphical illustrations. We would also recommend that the training sessions include transaction training. During the training all participants should have their M-Paisa SIM activated with part of the remittance on their credit. A M-Paisa dealer should also attend the training so participants can actually conduct real money withdrawal operations. Refreshing sessions should also be included for participants already enrolled in the programme. On the longer-run the efficiency of the training can also be measured through the lens of the types of transactions: are beneficiaries still reluctant to use other M-Paisa functionalities? Do they understand the benefit they can get from them? Last but not least, we recommend that the content of the trainings echo the findings in this research from focus group discussions regarding the human elements of M-PAISA: both the limited capacity or ability to use this system, acknowledged by the participants themselves, and the potential to limit corruption. If these two elements are targeted more clearly in the trainings, the buy-in and use of the different services of M-PAISA might increase. This last point might also ensure higher community buy-in, strengthen the social position of vulnerable households within their communities hence becoming a source of social and cultural empowerment.

4. **Measuring potential diversions and informal commissions:** M-Paisa can be a strong means to empower indirect- or non-beneficiaries, as many illiterate or elder beneficiaries ask their relatives to withdraw money for them. However, as most participants use a third party to withdraw the money, by either giving the SIM or transferring the money, DFID and its partners should systematically monitor whether beneficiaries conduct the withdrawal operation themselves and if they receive the full remittance: if the most vulnerable do not feel able to withdraw money themselves, it clearly leaves the system open to middle-men and corruption.

5. **Facilitating minorities' access to M-Paisa agencies:** Focus groups with women and elders have shown that some minorities (women, elders, disabled) suffer from accessibility issues, as it is very often impossible for them to travel to the next M-Paisa agencies to withdraw their cash. A recurrent suggestion has been to decentralize and increase the number of M-Paisa agencies (at the district and community levels).

6. **Empowering (female) beneficiaries:** Focus training on the few people who are more

likely to withdraw the cash for the rest of the community and under the close supervision of the other beneficiaries and the implementing NGO. They will be put in charge of centralizing locally the remittances of all beneficiaries unable to use M-Paisa. Technical training for every participant is not effective. Similarly, mobile phone and M-Paisa accounts should be limited to these people, in order to reduce the registration cost and the mobile handset as well as the electronic transfer of the remittance, which has a cost. Women could be more empowered through this scheme. They may become "bankers and cashiers" and centralize feedbacks from participants; likewise, men could travel to the shop and bring back the money. Such a necessary and pragmatic approach would have to be carefully monitored as it may also create undesirable power-structures within communities and exclude vulnerable groups (women, disabled, etc.).

7. **Sharing information with (and getting feedback) from beneficiaries:** Clearly inform beneficiaries of their rights through sessions that would lay out: 1) how beneficiaries are selected; 2) how much they should receive with what frequency; 3) when they should receive the forecasted disbursements (with expected dates); 4) who they should contact to complain about the programme.

8. **Improving the existing communications strategy with communities:** Communicate widely and transparently project's purpose and criteria and establish dialogue and complaint mechanisms accessible and clear to all communities' members. In a worsening security environment, with a likely increase of corruption and economic predatory attitudes, communities need to take the full ownership of the project and must be fully associated to its success, so that they can be fully associated to the implementation and the monitoring of the project: *"Communication and transparency with communities are crucial to ensure that the project targets those who are most in need and therefore will achieve its objective"*[23].

9. **Developing complaint mechanism:** Implementing NGOs should explain clearly the nature, purpose and process of complaint mechanisms to communities (including information such as who to appeal to, how complaints should be dealt with and how complainants should be treated). The filed complaints need to be documented and analysed in order to track individual cases and to monitor whether particular groups (families, ethnicities, social profiles) are systematically excluded or favoured.

10. **Monitoring the economic impact on beneficiary households:** Regularly assess the socio-economic impact (short- and long-term) of the project through a longitudinal monitoring of a panel of beneficiaries and non-beneficiaries.

11. **Monitoring the economic impact on local economies:** On a monthly basis, assess the market prices of a basket of food and non-food items in communities that have a representative number of beneficiaries (as well as neighbouring communities).

12. **Triangulating the M&E sources:** Trust but verify, through a multi-facetted M&E approach (external independent evaluation, internal monitoring from partnering NGOs, community-based evaluation, and last but not least, by systematically cross-checking

[23] SANDRI, M. (2012), *Review of the ECHO Response to the Drought in Northern Afghanistan through Cash Transfer: Lessons Learned,* for ECHO, ACTED, Intersos, Oxfam, Novib, People in Need and Save the Children, June 2012.

with the Roshan database), and never take remoteness or security as excuses not to *evaluate* the work done by an implementing partner (from the selection or training of beneficiaries by NGOs to the technical services provided by the mobile operator).

13. **Collecting data on local markets as a warning system to prevent inflation:** In the same vein, it is important to keep collecting longitudinal economic and market data on local communities – including beneficiaries *and* used as control groups – to track any multiplier or inflationary. This system could be used as a warning system that would be corroborated by focus group discussions and field visits from the implementing partner. Avoiding inflation is theoretically beyond the reach of a partner (DFID or its implementing NGOs); however, a better understanding of local economic risks may help DFID adjust the parameters of its offer: cash and/or food, food and/or non-food items, volume of assistance, seasonality, etc.

14. **Setting into place a system of conditionality:** Should any evidence of diversion or corruption be found in a community, the cash transfer programme should immediately be suspended so that a proper investigation can be made. Communities should obviously be informed of this conditionality system, so that everyone gets an incentive not to divert the programme from its main objectives. However, DFID and its partners (Roshan and the implementing NGOs) should set up a rapid anti-corruption assessment, so that the most vulnerable are not too penalised by the sanction. From this point of view, it is worth noting that the use of mobile phones can greatly help evaluation and anti-corruption teams identify the perpetrators of the fraud.

15. **Keeping M-Paisa for its better coverage and price:** Should Etisalat reduce its commission and/or increase its services, the programme should carefully compare the network coverage of the different competitors in the targeted district, before shifting from one operator to another. As DFID's bargaining power will increase with the volume of the transactions and the arrival of a new entrant, the selected operator will have to be much more cooperative (not only on technical aspects but also during the monitoring and evaluation phases, for instance).

16. **Assessing the sunk costs and optimising the transfer schemes:** Empirical research has demonstrated the positive impact on poor and vulnerable households of cash transfer schemes in countries like Mexico, Brazil and South Africa.[24] Key aspects of the cash transfer schemes, such as their affordability to the state and the means of targeting of beneficiaries, are well known. However, there has been much less research into the most effective mechanisms of payment of these schemes: *'This reflects a common view that the payment mechanism is easy to design and implement, at least compared with other components, hence is regarded an after-thought'*. [25] In these regards, careful consideration of the existing options may transform the payment mechanisms from being a sunk cost component of the DFID initiative into a potential source of benefits at micro level (for beneficiaries) and at macro levels (both for the surrounding communities, and even the financial system and growth overall).

[24] See for example, useful summaries in the DFID Social Protection Briefing Note Series Nos 2-3, available at http://www.dfid.gov.uk/pubs/

[25] *Scoping Report on the Payment of Social Transfers Through the Financial System*, Report of Bankable Frontier Associates for DFID UK, July 2006. P.7.

> *"Programmes like [the DFID cash transfer initiative] are useful to our community. But international NGOs must understand that things are changing in this area. What is true of today may not be true of tomorrow. Security has changed, prices have changed, corruption has increased […] NGOs should be able to assess the actual situation and adapt themselves to the reality the people of this village have to deal with. It is not simple and they should collaborate with us."*
>
> *Elder, Male Respondent, 40, Literate, Almar, Faryab*

Picture 8: Interviews in Khwajadokoh district, Jawzjan – September 2012

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