

Evaluation Report Title: Humanitarian Assistance through Mobile Cash Transfer in Northern Afghanistan

Response to Evaluation Report (overarching narrative)

DFID welcomes the findings of the external evaluation of the Humanitarian Assistance through Mobile Cash Transfers in Northern Afghanistan pilot project, which ran from June to September 2012. The project was implemented by three non-governmental organisations – ACTED, Action Aid and Afghan Aid. The project was designed to respond to the 2011 severe drought which pushed vulnerable rural households into food insecurity in 14 provinces of Northern Afghanistan. The project tested the use of mobile phone technology to deliver cash to drought-affected farmers who had lost their crops, to help them purchase food from the market. The project focused on four districts in the provinces of Faryab, Jawzjan and Samangan.

The pilot used M-Paisa technology which allows customers of Roshan (a local mobile phone operator) to send and receive payments and manage their bank accounts on users' mobile phones. This method of mobile cash transfer has been used in other contexts, such as Kenya, but at the time of the pilot was comparatively new to Afghanistan.

The purpose of the evaluation was to examine the use of cash transfers via mobile telephones, rather than the impact of the project itself. The evaluation considered whether the technology used was appropriate, whether it could reduce the use of coping strategies and whether it worked in the challenging humanitarian context of Afghanistan. In addressing these questions, this evaluation examined the overall efficiency, effectiveness, and transparency of setting up emergency short-term, cash-based projects to disaster affected populations.

The evaluation concluded that DFID had supported 'a *promising pilot project in an extremely volatile security and worsening socio-economic environment*'. Whilst the timing of the pilot meant that the cash transfers did not address the food shortages caused by the drought, there were still food shortages that were not the result of the drought at the time of the intervention, and the cash received helped households to deal with these without having to resort to extreme coping strategies. The evaluation had planned to assess value for money through a comparison between i) mobile cash transfers, ii) USAID and WFP programmes (the latter of which is food aid) and iii) a group that received no intervention. However, the difficult security situation and the lack of household listing, makes data collection extremely challenging in Afghanistan and as a result, it was not possible to collect data from a sufficiently large sample size to match participants on key characteristics. This means that differences between groups could be due to factors other than the mobile cash transfers and as such, the evaluation cannot provide robust evidence on the value for money of the cash transfers.

The evaluation identified three main risks on transferring cash through mobile phones – i) corruption, ii) diversion, and iii) inflationary effects due to the injection of cash. A number of recommendations were made to DFID for improving the programming and operational aspects of future mobile cash transfer programmes and which are outlined along with DFID's response in the attached table.

Additional recommendations were made for implementing partners including on assessing local socio-economic and political contexts, improving beneficiary training and securing their feedback, and on putting anti-corruption procedures in place.

Key findings are summarized below:

Reliability and Suitability- The evaluation found that the M-Paisa system is a reliable option to transfer cash to the rural and urban poor in a conflict situation like Afghanistan. The system was found to be well targeted, secure, cheap and relatively efficient in a context of increased

Management Response & Recommendations Action Plan

diversion of food assistance and endemic corruption. The evaluation did raise questions on beneficiaries' ability to have access to M-Paisa agencies through which they withdraw their cash. However, travel and distance were not found to be hindrance to most beneficiaries. 86% of beneficiaries surveyed by the evaluation team said that they had either a satisfying or very satisfying experience when withdrawing from a Roshan shop.

Ability to use M-Paisa technology – Data collected on ethnicity, age, marital status, and education, confirmed that DFID beneficiaries were the most vulnerable among the rural, or urban poor, in comparison to other donors' programmes. However, the evaluation raised concerns over the capacity of such groups to understand and implement the requirements of M-Paisa. Whilst a significant proportion of beneficiaries did attend a training session on M-Paisa, 87% of those surveyed did not know how to withdraw the cash. Many relied on a village elder, friend, supporting NGO, or a Roshan member of staff to make the withdrawal. This has the potential to lead to corruption and cash diversion. A recommendation of the evaluation is therefore, to ensure that the content of training for beneficiaries is more relevant and practical.

Coping strategies - The evaluation looked at how cash-transfers changed coping strategies of beneficiaries, such as the reduction in both quantity and quality of food consumed. The evaluation found that even though the DFID project was not timely in helping households respond to the 2011 drought (given that the pilot started in June 2012), cash received through mobile bank transfers had spared them resorting to the most extreme coping strategies to deal with other food shortages.

Value for money - One of the challenges the evaluation team found on giving a definitive answer on cost-effectiveness, was the difficulty of collecting data from a sufficiently large sample size to enable them to match participants on key characteristics so as to compare cash-transfers programmes with those that deliver food. Whilst the evaluation cannot provide robust evidence on the value for money of the cash transfers, the evaluation team spoke to experts about value for money of cash transfer programmes. The perception of some of the humanitarian experts consulted was that distribution of cash transfers is less cost-efficient than distributing food aid. The main reason given was the economies of scale that can be achieved in commodity costs e.g. importing food in bulk rather than beneficiaries buying the same food at retail prices in local markets. However, as noted by the evaluation team, the DFID project was a pilot in a relatively small geographic area and it is difficult to conclude from it what the possible economies of scale might be from a nationwide mobile cash transfer programme.

The team noted that with the predictable economies of scale realised with nationwide food distribution programmes, the proportion of total costs that goes to project management and delivery would sharply decrease. But in a worsening security context, staff and transport costs would almost certainly exceed the mobile phone operator charges and other costs associated with disbursing cash transfers.

Inflationary effect – A survey (6-8 months in duration) of the market prices on the surveyed districts suggests that isolated and unsafe areas are more likely to suffer from inflationary impact. In one district, peaks in prices seen in the local markets corresponded to the two periods of cash disbursement through M-Paisa, with prices reaching the level of the neighbouring district two months after the last phase of the cash transfer. In the three remaining districts, price increases were explained by religious motives (Eid) and seasonality, rather than cash transfers.

Management Response & Recommendations Action Plan

Evaluation Report Title: Humanitarian Assistance through Mobile Cash Transfer in Northern Afghanistan
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Recommendations	Accepted or Rejected	If “Accepted”, Action plan for Implementation or if “Rejected”, Reason for Rejection
<p>1. Adopt mobile transfer to send remittances among other instruments (this refers to remittances for humanitarian relief rather than overseas remittances):</p> <p>The evaluation 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.</p> <p>The evaluation recommends that DFID continue to stimulate the process, while partners need to make efforts in co-ordinating systematically also at field level. Whenever possible, synergies and complementarities among agencies and projects should be supported to increase the impact of the intervention.</p>	Accepted	<p>As the programme was completed in September 2012, the recommendation cannot be applied to it. However, the view expressed in the recommendation is consistent with DFID’s position on cash transfers, which is that they “should be routinely considered as a feasible response option, but (DFID) should not advocate for its preferential use vis-a-vis in-kind humanitarian assistance. When deciding on response options, it is important that all modalities of humanitarian assistance be reviewed and compared. DFID can then support partners to respond to identified needs in the most appropriate way.¹”</p> <p>The evaluation will contribute to further building DFID’s evidence base on cash transfers. It identifies the need to further co-ordinate and harmonise cash support interventions in humanitarian responses. This recommendation confirms prior findings that cash support programmes in emergency and recovery settings sometimes tend to be fragmented, and disparate.</p> <p>Action DFID Afghanistan’s Humanitarian Adviser to:</p> <ul style="list-style-type: none"> • share the evaluation report with DFID’s Conflict, Humanitarian and Security Department (CHASE) and the DFID Humanitarian Cadre, to help inform future DFID programme design at country level alongside other research work; • share the evaluation report with ACTED, Action Aid and Afghan Aid and request that it be published on the website of the Agency Coordination Body for Afghan Relief and Development (ACBAR) .
<p>2. Measure potential diversions and informal commissions:</p>	Accepted	<p>As the programme was completed in September 2012, the recommendation cannot be applied to it.</p>

¹ CHASE Technical Data Sheet – Cash [transfer](#) programming, Undated.

Management Response & Recommendations Action Plan

<p>The evaluation identified that most participants used a third party to withdraw the money, by either giving them the SIM or transferring the money.</p> <p>The evaluation recommends that 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.</p>		<p>However, the finding usefully points to the project's potential benefit for indirect and non-beneficiaries, an area where the evidence so far is relatively limited.</p> <p>This recommendation also points to the potential weaknesses of mobile cash transfers, and adds to the existing body of evidence on the risk of diversions away from their intended beneficiaries.</p> <p>Action</p> <ul style="list-style-type: none"> DFID Afghanistan's Humanitarian Adviser to share the evaluation report with DFID's Conflict, Humanitarian and Security Department (CHASE) and the DFID Humanitarian Cadre to help ensure that: i) the design of new mobile phone transfer programmes incorporate sufficient and appropriate training for beneficiaries; and ii) beneficiaries' ability to use mobile phone technology and to receive the intended level of cash is addressed in monitoring and evaluation frameworks.
<p>3. Keep M-Paisa for its better coverage and price:</p> <p>The evaluation recommends that should Etisalat (a second mobile telephone provider in Afghanistan) reduce its commission and/or increases 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).</p>	<p>Partially accepted</p>	<p>The recommendation is specific to the Afghan operating environment and to the local market for mobile communications.</p> <p>It will come into play in the course of early market engagement, in the event that a similar programme is planned for Afghanistan in the future. Past co-operation with M-Paisa will be used to leverage the most competitive rates from this or another local provider.</p> <p>Action</p> <ul style="list-style-type: none"> This recommendation will be considered in the event that DFID implements a second mobile cash-transfer programme in Afghanistan.

Management Response & Recommendations Action Plan

<p>4. Assess the sunk costs and optimise the transfer schemes:</p> <p>Empirical research has demonstrated the positive impact on poor and vulnerable households of cash transfer schemes in countries like Mexico, Brazil and South Africa. However, there has been much less research into the most effective mechanisms of payment of these schemes.</p> <p>The evaluation recommends that DFID should give careful consideration of the existing options that 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).</p>	<p>Partially accepted</p>	<p>This recommendation is partially accepted, as it opens up an interesting avenue for further study. However, the assessment proposed would likely reveal that sunk costs for the programme were relatively limited when compared to benefits, and probably no higher than for an equivalent in-kind intervention.</p> <p>What benefits the payment mechanism <i>per se</i> –as opposed to the payments made- can bring at the micro and macro levels are worth investigating. In the case of the evaluated programme, it is uncertain whether another mechanism for payment might have been used.</p> <p>Action</p> <ul style="list-style-type: none"> • DFIDA’s Evaluation Adviser to share this recommendation with the DFID Evaluation Cadre to help ensure that the areas identified for further investigation, be considered for inclusion in the evaluation Terms of Reference of any future mobile cash transfer programmes in countries where DFID may plan to conduct a similar intervention.
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