

A JOINT UNHCR-WFP PROJECT

MITIGATING RISKS OF ABUSE OF POWER IN CASH ASSISTANCE IN AFGHANISTAN

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This document outlines lessons learned from a joint UNHCR-WFP project in Afghanistan aimed at identifying and mitigating the risks of abuse of power in cash assistance. The cash transfer mechanisms discussed during the mission were cash distribution through Hawalas¹, mobile token, mobile e-vouchers and bank cheques.

Conducted in July 2019, a UNHCR-WFP mission which kickstarted the project in Afghanistan engaged a wide range of stakeholders, including financial service providers (FSPs), the Central Bank, the Afghanistan Telecommunications Regulatory Authority (ATRA), the government social protection institutions, and humanitarian organisations. The UNHCR-WFP team held consultations in Kabul with cash recipients.

The key findings and recommendations were discussed at a roundtable at the end of the mission. They include:

- Encourage competition between different cash delivery mechanisms (CDMs) and FSPs to mitigate risks of abuse of power and improve overall quality of service delivery to vulnerable populations.
- Analyse risks related to data protection and accountability, especially where multiple stakeholders are involved in cash distribution.
- Build upon Afghanistan good practice related to complaints and feedback mechanisms to improve customer service, and monitor perception of vulnerable populations after the distribution of cash assistance.
- Ensure humanitarian cash transfers facilitate financial inclusion and develop cash recipient's trust in formal financial services.
- Strengthen the ability of beneficiaries to access cash in an independent manner without humanitarian agencies' support.

¹ Hawalas are popular and informal value transfer system based not on the movement of cash, neither on computer network wire transfers between banks, but instead on the performance and honour of a huge network of money brokers (known as hawaladars).

LESSONS LEARNED

1. ENCOURAGE COMPETITION BETWEEN DIFFERENT CASH DELIVERY MECHANISMS (CDMS) AND FINANCIAL SERVICE PROVIDERS (FSPS) TO MITIGATE RISKS OF ABUSE OF POWER AND IMPROVE OVERALL QUALITY OF SERVICE DELIVERY.

- Humanitarian organisations are encouraged to establish framework agreements with more than one FSP to trigger competition. Different FSPs can be used in different geographical locations or for different types of cash assistance. While limited cases of abuse of power in cash assistance were reported, organisations with several FSPs were able to ensure that issues were taken seriously and swiftly solved. Issues mentioned by the stakeholders interviewed included: lack of respect from FSP agents, request for undue fees, provision of improper amount of assistance, and use of counterfeit money. The risk of recipients being given an incorrect amount increases for women wearing the traditional Burka, as they encountered more difficulties counting banknotes. Older persons were sometimes treated more rudely by agents, who become increasingly impatient with longer queues. By using framework agreements, an FSP contracted by an agency knows a competitor can easily step in if problems are not handled swiftly.
- Efforts to establish a common cash system, in line with the Principals' Statement of WFP, UNHCR, UNICEF and OCHA, should consider the competition aspect when opting for a single cash transfer mechanism. Single procurement might indeed increase the likelihood of abuse of power, in a specific location, if only a few agents from the same FSP are to distribute the majority of the humanitarian cash to beneficiaries. In such situations, agents are quick to understand their key role in providing assistance and might take advantage of their market dominance to the detriment of displaced persons. Special attention should be paid to the establishment of pre-emptive mitigation measures, including clauses in contracts with the FSP, training of agents, awareness raising on people's rights and monitoring. Should mobile money be the agreed delivery mechanism for the Common Cash System, interoperability between mobile money companies will play a role in increasing competition and reducing risks of abuse. The Afghanistan Telecommunications Regulatory Authority (ATRA), and the Central Bank – Da Afghanistan Bank (DAB) are working on interoperability of mobile money services (anyone can transact with anyone else with an account, regardless of their service provider), and portability of mobile numbers (allowing clients to keep their numbers while changing mobile operators).
- Humanitarian organisations should request the use of cash counting machines for all cash-in-envelope and hawala/ mobile token distributions to mitigate risks of counterfeit money and to support vulnerable persons who have difficulty counting notes, including women wearing burkas.

2. ANALYSE RISKS RELATED TO DATA PROTECTION AND ACCOUNTABILITY, ESPECIALLY WHERE MULTIPLE STAKEHOLDERS ARE INVOLVED IN CASH DISTRIBUTION.

- Humanitarian agencies should ensure their data protection policies and codes of conduct are reflected in contracts with FSPs and are respected by all the stakeholders engaged in cash assistance. Mobile network operators work with independent distributors in charge of providing liquidity to their agents. These third parties are sometimes also the ones carrying out the cash distributions and collecting data, in the absence of a direct contractual relationship with the humanitarian agencies. Hawalas, which are often operating in remote areas where security is an issue, are storing beneficiaries' data both electronically and on paper. Humanitarian agencies should explain clearly to FSPs why data protection of beneficiaries of humanitarian cash assistance are be more sensitive than for their standard clients, and contractually oblige commercial and distribution structures to respect the highest standards.

- Humanitarian codes of conduct are not well understood. Translating their principles into simple jargon-free training material for the FSPs may be a way to increase their interpretation. FSPs typically sign humanitarian codes of conduct at Kabul level as part of their contract with humanitarian agencies, however, despite the direct contractual relationship with their agents (unlike in some other countries), this is not sufficient for ensuring appropriate behaviour by agents when serving vulnerable persons in remote locations. A cheat sheet illustrating what the code of conduct means with concrete examples of proper versus improper behaviour could help, along with other tools developed by the project at global level such as this [short animation for agents](#).

3. BUILD UPON AFGHANISTAN GOOD PRACTICE RELATED TO COMPLAINTS AND FEEDBACK MECHANISMS TO IMPROVE CUSTOMER SERVICE, AND MONITOR PERCEPTION OF VULNERABLE POPULATIONS AFTER THE DISTRIBUTION OF CASH ASSISTANCE.

- Feedback and complaints related to cash transfers in Afghanistan can be logged through an impressive variety of ways. While many cash recipients prefer direct interactions with their humanitarian focal points or the FSP field agents, they can also call the helplines of either the financial service provider or the humanitarian agency. Operational partners, FSPs, humanitarian agencies and even the national regulator ATRA offer toll-free numbers accessible in several languages.
- Awaaz, Afghanistan's first countrywide humanitarian call centre, offers a single point of contact to register feedback and complaints about the support provided, including for cash assistance. Agencies should contribute to Awaaz's outreach efforts by promoting Awaaz's number along with their own hotlines at each cash distribution. FSPs involved in humanitarian cash distributions should be required to display Awaaz number along with their own helpdesk contacts. Awaaz should present statistics on complaints related to cash assistance received through its dashboard during meetings of the interagency Cash and Voucher Working Group (CVWG), which can then be compiled along with the ones received through agencies and FSP hotlines. Altogether, it would inform which changes and developments are required to better respond to recurring issues. Awaaz's function as complaints and feedback mechanism for the Common Cash System will be key, and its capacity should therefore be supported. Its referral systems could be strengthened to enable a direct connection from callers to external hotlines in the future, in order to streamline processes (for example, by avoiding callers having to repeat their complaints several times, especially with regards to sensitive issues).
- Ensure that questions related to cash recipients' perceptions of their interactions with FSPs are captured in the post-distribution monitoring (PDM) questionnaire agreed upon by members of the CVWG. This includes questions related to whether they feel treated as real financial clients and could capture potential risks of abuse of power as well. The results of the PDM may be shared with FSPs in order to adjust their customer service accordingly.

4. ENSURE HUMANITARIAN CASH TRANSFERS FACILITATE FINANCIAL INCLUSION AND DEVELOP CASH RECIPIENT'S TRUST IN FORMAL FINANCIAL SERVICES.

- An overall mistrust in the formal banking system exists: cash recipients prefer cash in hand and have more experience with Hawalas than with banks or mobile money. Humanitarian cash assistance is an opportunity to build the trust in formal financial services and support the DAB's national financial inclusion strategy. In case of recurring payments and where cash recipients have not previously been exposed to the formal financial system, they should receive coaching and capacity-building tools to gradually enable them to manage their own bank account or mobile money account.



- ➔ DAB should use the same risk-based approach to financial customer due diligence for cashing cheques as it does for mobile token. DAB allows the use of UN-issued IDs to meet know-your customer requirements for mobile tokens². The same regulation for cashing out cheques could increase the use of formal financial services in urban and peri-urban areas where banks are present, in cases where beneficiaries do not have a Tazkira (national ID). Such process would reduce reliance on cash-in-envelopes or other less traceable CDMs.

² Transfers which are initiated by registered mobile money users to unregistered users are typically referred to as off-network voucher, coupon, or token. In this case, the e-money will need to be cashed out at an agent of the sender's agent network by providing a token number.

- Transfers through Hawalas represent a third of the cash transfer volume. Yet, Hawalas have been categorized as high-risk financial institutions by DAB. They are used in emergencies because of the rapidity of their transfers and their presence in hard-to-reach areas. Financial development actors could support the formalisation of Hawalas by helping them comply with the requirements set by DAB (e.g. set up network management information systems, improve transparency of operational capital, etc.)
- Finally, mobile money companies should be able to register new users much faster if mobile money is to be considered for emergency response too. The network of mobile money agents should be strengthened in rural areas in particular. Mobile money companies are trying to piggy back on institutional payments (humanitarian cash transfers and government payment of salaries and pensions which constitute 98% of all mobile money payments) to reach the mass market and increase the number of fixed agents in areas of recurring distributions. ATRA has also been investing in over a thousand towers to increase network coverage across the country. Humanitarian assistance should to the extent possible continue to support the digital ecosystem by, for instance, equipping selected retailers with point of sales devices for e-money.

5. STRENGTHEN THE ABILITY OF BENEFICIARIES TO ACCESS CASH IN AN INDEPENDENT MANNER WITHOUT HUMANITARIAN AGENCIES' SUPPORT.

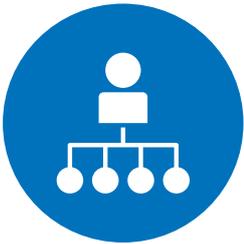
- The bulk of the cash transfers in Afghanistan are one-off cash distributions. While humanitarian staff presence along with FSP agents at many cash distributions contributes to mitigating most risks of abuse of power in cash assistance, it also drives up costs. Humanitarian cash in Afghanistan could become more efficient if recipients would access their cash entitlements in a more independent manner, through mobile money or bank cheques for instance.
- FSPs should ensure the cash-out process is explained to beneficiaries using non-technical language in a very simple manner. Standard customer training should be adapted into specific training packages targeting people who are not tech-savvy and with minimum literacy level. Some cash recipients highlighted they prefer to withdraw the cash accompanied by their older child or a neighbour. Recipients should therefore be offered the opportunity to attend the training with someone of their choice who will support them when withdrawing the cash, if they so wish. It is also important to check people's level of understanding following the training provided by the FSP. The CVWG could contribute to developing a training package along with mobile money services and banks, adapted from globally available resources.
- A given cash recipient may be assisted through a hawala dealer once, then through a mobile token another time or even by cheque at another stage. Exposure to such a multiplicity of CDMs does not allow recipients to familiarise themselves with any of them, nor does it foster financial inclusion. Humanitarian agencies should seek to streamline the cash recipient's user journey by ensuring past financial experience is capitalised upon. To the extent possible, cash provision should be tailored to recipients using a CDM/FSP they are already familiar with or that is already planned to be used for another cash assistance programme. It is by being given the opportunity to carry out more financial transactions with the same financial instrument that clients build their formal financial capabilities and their awareness of their rights.

CONCLUSION

In spite of security concerns, Afghanistan has many of the ingredients necessary to provide cash assistance with the highest standards. Moving from cash distributions to more independent access and management of cash resources by beneficiaries requires increased collaboration between humanitarian agencies, FSPs, Da Afghanistan Bank and other regulators, financial development actors, such as the World Bank as well as accountability specialists like AWAAZ. To capitalize on the momentum created at the 29th July roundtable in Kabul, regular joint discussions with these actors would ensure cash delivery processes are compliant and well-functioning, potential risks are identified, mitigation measures are in place and opportunities towards financial inclusion explored.



WHAT IS NEXT



1.

WFP and UNHCR will deploy an expert in Afghanistan who will support the implementation of an action plan designed by WFP and UNHCR teams based on these recommendations. Other stakeholders who participated to the joint mission and the roundtable are encouraged to integrate these recommendations into their own action plans.



2.

These lessons will contribute to the development of global guidance and a toolkit for FSPs, humanitarian stakeholders and regulators. The toolkit will be disseminated at global level to ensure risks of abuse of power are systematically mitigated in ongoing and future cash assistance.



MORE INFORMATION

For more information, please visit the project website: <https://bit.ly/31lsume> or write to the joint UNHCR-WFP project Coordinator Astrid de Valon astrid.devalon@wfp.org

