



PIN AFGHANISTAN

RAPID CASH FEASIBILITY STUDY

Maydan Wardak

July 2022

BACKGROUND

Thus, in light of planned cash distribution in Maydan Wardak, the recent floods in Saidabad and Behsood, and the latest data from the REACH-led Joint Market Monitoring Initiative (JMIMI), PIN underwent a rapid cash feasibility assessment in the province. This study aimed to ensure that cash is still the most appropriate modality of assistance to meet the targeted population's most urgent food and nutrition needs. Seemingly, rapid changes in availability and prices of basic food commodities varied over the past three months due to the war in Ukraine and its effect on wheat flour and fuel, liquidity challenges and the volatility of the exchange rates USD-AFN, as well as the decrease in tax on food items from the de-facto government end. For wheat flour specifically, the newly imposed (since mid-April 2022) export quota from Kazakhstan as a countermeasure to the supply chain disruptions further compounded its availability across the country.

KEY TAKE-AWAYS

- 1. Cash assistance remains borderline appropriate and feasible in the province just as long as the supply chain in the targeted areas will remain to some extent functional.** Although, organizations are encouraged to have preparedness and contingency plans in place should they rapidly need to switch modality to better meet households' sectoral needs.
- 2. It is pivotal to monitor market functionality, the province-level supply chain, and the purchasing power of the transfer value provided against the cost of commodities it is intended to cover.**
- 3. For distributions in Jaghato and Saidabad, close coordination with community representatives is needed prior to the implementation, in order to ensure female headed households and women and girls in the area will have access to basic commodities without surcharges or payment requests.**
- 4. In line with Grand Bargain and the latest cash policies, cash assistance should be coupled with longer-term livelihood plans and activities, in order to ensure that the results achieved will be sustainable after the end of programming, and to minimize the risk of market distribution caused by sudden and short-term cash injections.**

METHODOLOGY

In order to have a quick but still comprehensive overview of the market functionality for food commodities in Wardak, this rapid assessment was designed on a mix of secondary data review a qualitative approach. Secondary data analyzed for this study included JMIMI, World Food Program (WFP) Price Bulletins, and available resources from both the national Cash and Voucher Working Group (CVWG) and Food Security and Agriculture Cluster (FSAC). On top of that, PIN staff in Wardak conducted ten qualitative in-depth interviews with vendors across three different districts. The vendors were identified based on availability, willingness/consent to participate in this rapid study, and the products they sell (this study is focused on food commodities as it is entailed in a wider Cash for Food and Nutrition project – ECHO funded).

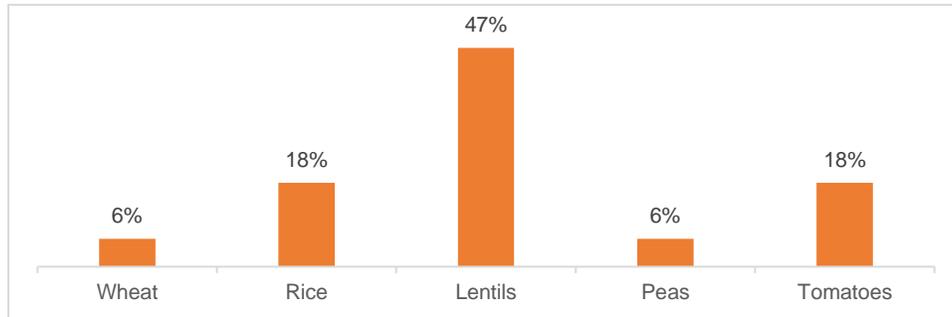
Data collection occurred on July 18th, 2022. Enumerators conducted ten in-depth interviews with small retailers in the area. The selection of small retailers, rather than bigger vendors and wholesalers, was grounded in the reality of the context, where the vast majority of households shop, and mobility restrictions. Prior to data collection, enumerators were given materials for training on qualitative data gathering, which included core components on data protection. Data hereby presented are purely **indicative**.



KEY FINDINGS

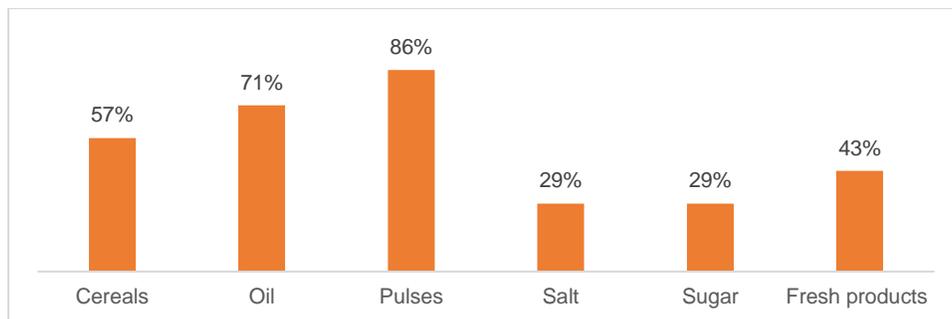
Based on recent analysis provided under the JMIMI, some items appear to have no or very limited availability in the Maydan Wardak markets, with concerning trends spotted since April 2022. As shown in **Figure 1, 2, and 3** here below, major concerns are raised regarding cereals, pulses, and fresh products, in spite of Maydan Wardak's economy being agriculture and livestock-oriented (41 and 18 percent of households reported having a source of income from these activities, respectively).

Figure 1: % of respondents reporting no availability at marketplace level of food items, by commodity¹



For what it concerns fresh products, vendors reported that the majority of fruit and vegetables produced in the province are then sold in Kabul by middle-men or larger businesses. Although the transportation is costly, this may bring them a greater net-income than attempting to sell them locally as economics levels in the capital remain better than the most rural provinces, where customers' purchasing power is limited. Indeed, in Maydan Wardak the average household income is 9,200 AFN/month, with over half of the respondents reporting experiencing a further income decrease because of the reduced employment and livelihood opportunities. This further led debt levels to skyrocket, as driven by the negative-net income ratio and food needs (40 percent of respondent households in Maydan Wardak reported accruing debt to purchase food²). Nevertheless, in Maydan Wardak specifically, the overall economic situation and poverty level force small businesses to reduce stocks out of fear of unsold balances, and consequently impairs the local supply chain. This leads and justifies the data on fresh products presented in **Figure 2**.

Figure 2: % of respondents reporting having faced difficulties in restocking commodities, by commodity³



¹ REACH Initiative (June 2022). Joint Market Monitoring Initiative (JMIMI) data.

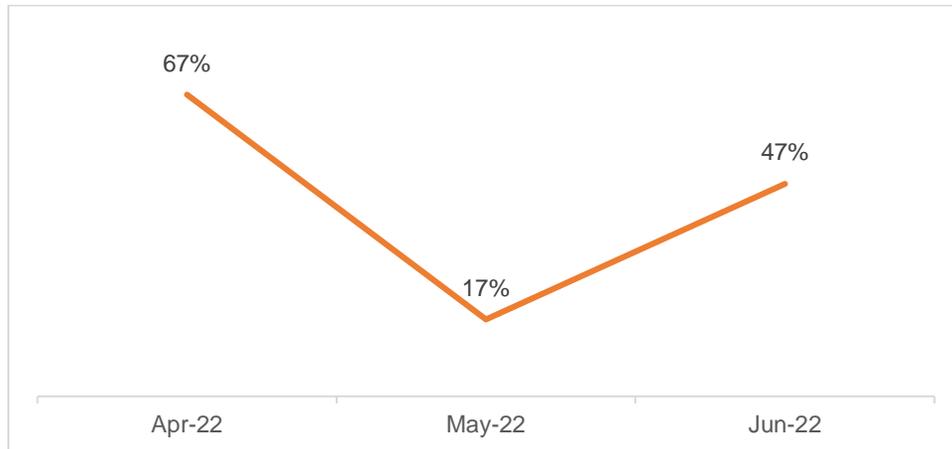
² REACH Initiative (April 2022). Mid-Year Whole of Afghanistan Assessment (WoAA)

<https://www.reachresourcecentre.info/country/afghanistan/cycle/44797/?toip-group=publications&toip=methodology-tool#cycle-44797>

³ Ibid. (**Fresh products**, presented in the chart refer to a mix of fruit and vegetables. This is not an aggregation of multiple variables, but an individual indicator.

The volatility of these supply chains leads to concerns regarding the customers' capacity to obtain commodities in the longer term, as lentils, together with cereals, comprise a large component of the current food basket⁴. In the absence of pulses, for example, beneficiary households would not be able to obtain sufficient dietary diversity and nutrients intake to meet the 2,100 kcal/day requirements. The importance of providing assistance that enables households to meet the daily consumption recommended requirements is even greater in contexts where over 80 percent of the population has expressed nutrition concerns, and where children aged 0-5 years old are not being screened for malnutrition and its related effects.⁵ **Figure 3** reports how availability of lentils changed since April 2022.

Figure 3: % of respondents reporting experiencing or witnessing an interruption in the supplies of lentils, over the last three months⁶



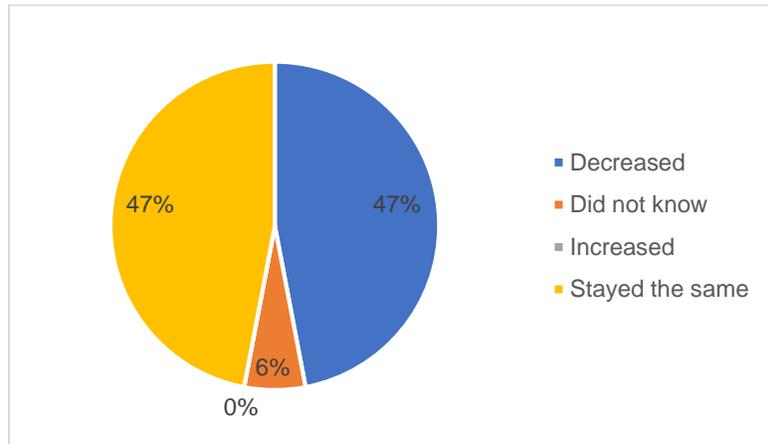
For what it concerns future programming, early warning and organizations' capacity to predict possible shortages is pivotal for the delivery of meaningful, timely, and appropriate assistance. Beside the current challenges, in fact, further concerns were raised regarding future availability of these core food commodities because of the decreased number of food suppliers and wholesalers that vendors rely on. These are presented below in **Figure 4**. While there is no clear data explaining the decreased number of suppliers, some vendors assumed that the spike in transportation costs (diesel and petrol cost increased by 41 and 25 percent, respectively, between April and June 2022, in line with the global trend of soaring energy prices) could have caused some suppliers to temporarily halt their businesses or supply businesses in the same district, rather than cross-province. Indeed, for some of the most rural districts in Maydan Wardak (e.g., Behsood, where 83 percent of food supplies are procured from different provinces), transportation of commodities is particularly challenging, both from Kabul and Wardak Centre, and such precariousness may indeed compound the outcome of humanitarian cash assistance delivery, as well as its appropriateness.

⁴ FSAC, Food Basket, February 2022 - <https://reliefweb.int/report/afghanistan/afghanistan-cash-voucher-working-group-cvwc-minimum-expenditure-basket-meb-and>. As of now, the food basket calculated for a household of seven individuals comprises 89kg of wheat flour, 21kg of rice, 9kg of lentils, 7L of vegetable oil, and 1kg of salt.

⁵ REACH Initiative (April 2022). Mid-Year Whole of Afghanistan Assessment (WoAA) <https://www.reachresourcecentre.info/country/afghanistan/cycle/44797/?toip-group=publications&toip=methodology-tool#cycle-44797> - in Maydan Wardak less than 20 percent of children has been screened in the three months prior to data collection.

⁶ REACH Initiative (June 2022). Joint Market Monitoring Initiative (JMIMI) data.

Figure 4: changes in the number of food suppliers and wholesalers in the 30 days prior to data collection⁷



Indeed, data at provincial level may not suffice to identify possible priority areas for implementation, particularly considering that Maydan Wardak is such a diverse province in terms of soil, production, and accessibility. Here below were summarized key findings at district level for Behsood, Jaghato, and Saidabad specifically.

Behsood

In Behsood, vendors reported noticing a shortage of food items over the past three months, particularly for what it concerns wheat flour, oil, rice, and pulses. Based on their perception, these shortages are due to a mix of bad economic conditions, wholesalers not being able to provide enough, fuel prices, and overall issues related to transportation of the supplies. Additionally, one vendor reported extreme limited availability of fresh vegetables and fruits (with the exception of potatoes), as unable to grow them in the area, and transportation from different provinces is extremely challenging due to the long route from both Kabul and Wardak Center. This is further compounded by poor agricultural growth, recent floods, and the frequently used coping mechanism of selling livestock to repay debt and afford basic commodities, which is not sustainable. These findings are in line with both the Mid-Year Whole of Afghanistan (WoAA) and the latest JMMI data, also showing that 12 percent of vendors interviewed in Maydan Wardak accepts barter (supposedly small assets or livestock) as a form of payment. Yet, by bartering livestock the capacity to produce fresh products is further reduced, closing households in a worsening vicious cycle.

Limited availability of food commodities, disruption of the supply chain, and increased transportation costs also drove a further price spike in the past three months. Reportedly, wheat flour, oil, rice, and pulses prices increased up to 20-30 percent just in this timeframe (i.e., one bag of pulses increased from 700 to 1,080 AFN, and a 16L oil basin increased from 2,000 to 3,270 AFN).

The increased prices also affected the proportion of customers requesting or demanding to purchase commodities on credit. Yet, vendors are reportedly unable to allow credit as a form of payment, knowing that the customers will not be able to repay them for six months or more. Vendors and customers are reportedly experiencing similar levels of financial concerns, and the need to purchase commodities on credits from their suppliers and wholesalers. Similarly, suppliers are either unable or unwilling to comply with credit requests, as price volatility could affect their net-income, and they expect vendors being unable to pay them back within a six-months timeframe.

⁷ REACH Initiative (June 2022). Joint Market Monitoring Initiative (JMMI) data

Jaghato

Over Jaghato district, three in four vendors identified a shortage in the availability of basic products (i.e., wheat flour, rice, oil, and salt). They reported that the main cause of these shortages in the supply chain and wholesalers' restocking capacity lays in their transportation. Financial constraints, the increased cost of fuel, the roads conditions, and the presence of checkpoints. Additionally, customers are now purchasing by KGs and stocks, which has a negative impact on their net income.

Nevertheless, after a long-lasting price spike that lasted for the last three months, vendors reported that now prices are slowly decreasing, and are currently just 5-9 percent higher than the standard price they had in February, 2022. Reportedly, the decreasing slope is the result of opening of the borders, together with the low demand from consumers, which is driven by widespread extreme poverty. This is also spotted and confirmed by the reported proportion of customers asking to purchase commodities on credit (ranging between 70 and 80 percent).

Yet, vendors reported that, again, this compounds their capacity as well as the overall market functionality. Since the price spike in March 2022 vendors stopped allowing store credit, as customers do not have a steady income and they were able to repay the debt after six months to a year.

Since the vendors are refusing store-credit, they did not need to ask to purchase commodities on credit from suppliers and wholesalers. On the same note, it is reported that wholesalers are not willing to sell commodities on credit as the district's economics may again impair the vendors' capacity to comply with the payment requests. Some vendors reported they never even discussed this option with their suppliers. In the few cases where vendors reported being able to purchase commodities on credit, their repay policy ranges between one or two weeks. These findings are in line with the JMML data, where just a third of vendors used credit as a resource to procure commodities, and out of this third just a ninth is indebted with suppliers, where other more frequent lenders identified are family, friends, and informal systems.

Opposite to what was witnessed in Bahsood, major concerns need to be raised around gender sensitivity for CVA implementation in Jaghato. No vendor reported that women are allowed in the market if unaccompanied. This implies having alternatives for female headed households in the province, as for them cash is no longer an appropriate modality.

Saidabad

In spite of the increased transportation costs, in Saidabad there is no reported shortage of food items. The availability and stocks levels are low, but adequate to meet customers' demand. Financial constraints in the area indeed impair the customers' capacity to purchase food commodities, and the stock levels adapted to it. As the majority of customers are unable to purchase full packages (e.g., one bag of wheat flour, box of pasta, etc.), vendors started opening some of the boxes to sell half of them and allow customers to have sufficient food based on their limited financial capacity.

This alternative approach used by some of the vendors in Saidabad resulted in having a lower proportion of customers requesting them to purchase commodities on credit (reportedly approx. 60 percent, compared to up to 80 percent in Jaghato). However, the lower volume of requests did not improve their ability or willingness to provide commodities on credit.

For what it concerns the gender analysis on market functionality and accessibility, in Saidabad, according to customary culture, men are generally doing the shopping in markets. However, if there is an urgent need, women are allowed in markets with their Mahrams.

CASH FEASIBILITY IMPLICATIONS

Taking all of this into account, **it is possible to estimate that cash remains borderline appropriate and feasible in the province just as long as the supply chain in the targeted areas will remain to some extent functional.** Thus, the following steps are needed, prior to implementing any cash distribution activity in the area:

- Continue monitoring the purchasing power of the Food Security and Agriculture Cluster (FSAC) endorsed transfer value (set at 80 USD until end of July 2022, and amended to 111 USD as of August 2022) against the cost of all basic commodities.
- A closer and more regular monitoring of unavailability of food commodities once the harvest has concluded will be crucial for early identification of supply chain disruptions. This is core for market functionality, cash feasibility, and overall access is needed in Maydan Wardak. PIN intends to expand their JMMI coverage in these areas to ensure access to sufficient data on a monthly basis.
- Where blanket assistance is not possible, households with children aged 0-5, female headed households, households living in extreme poverty, and households with no access to livestock, kitchen gardens or Farmer Field School gardens should be prioritized in the area.
- Extensive nutrition advocacy sessions are needed in addition to the distribution of cash for food, in order to ensure households will know how to prioritize the food-related expenditures and minimize malnutrition-related risks.
- Children aged 0-5 in the area should be referred to nutrition services to be screened, and if found in severe or moderate malnutrition it is necessary to have ready in place a child-nutrition implementation, either internally or through external referrals.
- **For distributions in Jaghato and Saidabad, close coordination with community representatives is needed prior to the implementation, in order to ensure female headed households and women and girls in the area will have access to basic commodities without surcharges or payment requests.** Should this not be granted, it is necessary to shift to a mixed modality, with cash for male headed households, and in-kind for female headed ones.
- **All cash or in-kind distributions should have in place mitigation measures to ensure they will not be market suppressive,** particularly in the remote districts where the market functionality seems extremely fragile.
- **Livelihood-oriented and Market-based activities should take into account both the market systems** (e.g., customers' environment and purchasing capacity, debt and credit requests, etc.) **as well as movement and access limitations for women** in some of the districts.
- For what it concerns cash delivery mechanisms and financial service providers (FSPs), **Hawalas are reported functional, accountable, and transparent in all assessed districts.**

Further and continuous investigation and discussions with both beneficiaries and community leaders are needed to best adapt the proposed modality and ensure beneficiaries will receive appropriate assistance, based on their sex and district of residence. These aspects are to be included in all future Monitoring and Evaluation (M&E) activities for cash programming in the province.

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