

Cash transfer programming: lessons from northern Iraq

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Cash transfers can be a powerful tool in situations of conflict and forced migration. However, the need to adopt a context- and conflict-sensitive approach is of great importance.

In situations of conflict, disaster and protracted crisis, displaced persons not only face physical threats but are also confronted with the challenge of economic survival. High levels of general unemployment or legal barriers to labour market entry often restrict access to jobs and income, and the consequences of unemployment in displacement can be far-reaching, with poor nutrition, lack of access to basic services, psychological distress and social conflict just some of the possible results.

In this context, Cash Transfer Programming (CTP) has become an increasingly important tool in humanitarian response and poverty reduction. CTP encompasses cash transfers (to households or individuals) that are either unconditional or conditional upon criteria such as acquiring education, attending training, using health services or carrying out work.

Cash programming in northern Iraq

There are currently about 240,000 refugees and 900,000 internally displaced persons (IDPs) in Iraq's northernmost region, and the resulting increase in population (25% since 2012) has put further pressure on an already strained labour market. In this context, CTP was chosen as a measure to temporarily stabilise vulnerable households and enable them to meet their basic needs. As basic requirements, CTP presupposes the availability of essential goods and functioning local markets that are able to meet an increase in demand. Furthermore, recipients must be able to safely receive payments.

GIZ's cash programming in northern Iraq consists of two main components: cash-for-work and multi-purpose cash assistance (MPCA). Firstly, through cash-for-work, around 26,000 people received payments that

are conditional upon their participation in temporary employment, such as support of public service delivery, water supply, repair of roads, and social activities in schools or community centres. Secondly, in order to take into account vulnerable labour-constrained persons (notably persons with disabilities, single heads of household or senior citizens), 5,500 beneficiaries received unconditional transfers through multi-purpose cash assistance. At a household level, together the two components reached approximately 160,000 persons.¹

The benefits of cash transfers are multiple. On an individual level, the provision of readily available income through cash transfers is proven to temporarily stabilise households and increase their resilience to external shocks. Examples of additional benefits of CTP are increased dietary diversity, improved access to health services, and the reduction of negative coping mechanisms such as the continuous sale of assets or running into debt. Unconditional MPCA has proven to yield especially positive results, as the transfers can also reach the most vulnerable and at-risk households.² Furthermore, CTP enables beneficiaries to make their own decisions, using their income according to individual needs. However, two factors affecting the stabilising impact of CTP must be taken into consideration: the duration of payment or employment, and the amount of the transfer or the wage set.³

On a societal level, cash transfers and a resulting increase in purchasing power can provide a stimulus for the local economy and can revitalise markets. The rehabilitation and creation of basic social or economic infrastructure and the support of communal services – all done through cash-for-work – generated material benefits

in northern Iraq and also strengthened peace and social cohesion between displaced persons and host communities. The latter aspect is particularly important in situations of protracted displacement, where scarce resources and services often need to be used by very diverse groups with considerable ethno-religious and linguistic differences.

Notwithstanding these positive aspects, there are possible downsides and unintended consequences of cash programming in conflict situations. Targeting is one example of this; in areas with high numbers of potential beneficiaries, social frictions may develop between those included and those not included in the programme. In addition, enabling participants to freely dispose of their income means that donors to some extent give up control over the final use of funds, although post-distribution monitoring has shown that the vast majority of beneficiaries use their income responsibly.

Lessons identified

The main lessons identified with regard to cash programming in northern Iraq relate to four different aspects:

1. Combining cash programming with complementary measures

Outside conflict situations, CTP is often implemented as one component of more complex programmes. CTP on its own can, even under challenging circumstances, rapidly bring temporary relief to households and individuals, where volatile security conditions and short timeframes for implementation may initially complicate complementary measures. At a later stage of a protracted crisis, however, cash transfers should be linked to additional support measures – such as acquiring qualifications and accessing training, or enabling access to financial services such as small business grants or savings products – in order to achieve lasting effects that go beyond initial stabilisation. Such measures may be challenging but are particularly relevant in northern Iraq, since a succession of crises has seriously limited the absorptive capacities of the local labour market,



An internally displaced Arab Iraqi family in the north of the country walks through the Kurdish neighbourhood where they now live.

especially in low-wage sectors. In this context, unconditional MPCA can also support livelihood creation. GIZ's follow-up project in the region will therefore specifically focus on linking cash transfers with promotion of employment and livelihood activities in order to achieve more sustainable results.

2. Use of context- and conflict-sensitive selection criteria for targeting

In northern Iraq, GIZ included unconditional MPCA in its project so as to take account of persons who are unable to participate in cash-for-work. However, vulnerability assessments at the household level showed that only a very small number of households are completely labour-constrained (the original criterion for inclusion in MPCA). Rather, the issue is under-employment, which does not allow them to cover all their basic needs. Consequently, the project brought households with limited access to labour into the eligible beneficiary group if they met the socio-economic selection criteria.

Another challenge during the implementation of MPCA was the fact that a 'poverty pocket' approach⁴ was needed as the project budget was not sufficient to reach out to all potentially eligible households in northern Iraq. The poverty pocket approach



meant that households outside the poverty pockets which met the selection criteria and households which were only slightly better off could not be integrated into the project. This situation was further challenged due to the fact that host communities were increasingly affected by unemployment and underemployment due to the mounting economic crisis and were no longer receiving welfare assistance from the government, as budget cuts have rendered social security systems largely

dysfunctional. This fact on top considerably increased the number of potentially eligible host community households for MPCA support during the implementation period.

The follow-up project has been modified in order to avoid any tensions in the community. MPCA will be integrated into a livelihood component that aims to strengthen the long-term resilience of IDPs, refugees and host communities. In this context, MPCA will guarantee that the selected households can meet their basic needs, while complementary measures (such as training or the creation of microenterprises) are established.

3. Equal consideration of displaced persons and host communities

From the outset temporary employment and MPCA were made available not only to refugees or IDPs but also to local inhabitants who met the same criteria of vulnerability. The integration of host communities is especially important in conflict regions, where general income levels tend to be low and the (perceived) exclusion of certain groups might contribute to increasing competition over resources or even recourse to violence. Displaced persons are in direct competition with the local population over a decreasing number of jobs in the low-wage sector. It was therefore crucial that

GIZ did not promote tensions by opening up conditional or unconditional cash transfers only for refugees and IDPs.

4. Payment mechanisms

Payments can be made in cash or by vouchers, bank transfers or mobile payments. Again, a context- and conflict-sensitive approach is necessary to ensure the safe access of beneficiaries to payments and to avoid exposing project staff to risks. If there is no functioning banking system or digital infrastructure, and given that establishing new structures usually requires long time frames and additional resources, it is often necessary and even sometimes preferable to use existing payment mechanisms.

Northern Iraq has a poorly developed financial sector. There is a preference for cash transactions, and the use of digital services – such as payment via mobile devices – is also not common at the moment. An alternative that has proven to be very effective is *hawala*, a traditional network of money transfer agents.⁵ While the inner workings of such local systems need to be carefully analysed in order to rule out harmful effects, they may provide the best and only means to transfer cash in conflict zones when time frames are short.

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1. The average household size in northern Iraq is five persons.
2. It is worth pointing out that MPCA is not limited to use only with those who are labour constrained. In this particular project it was designed to complement a cash-for-work intervention but it is equally applicable for use with households who do have labour capacity, and it has been used for this purpose by other agencies in northern Iraq and globally.
3. In northern Iraq, beneficiaries of cash-for-work receive US\$21-50 per day for 40 days, depending on their level of skills and assumed responsibilities. Beneficiaries of MPCA receive three consecutive payments of \$360 per month.
4. A 'poverty pocket' approach is where the poorest districts within a region are selected for project implementation – and in turn only the poorest households are selected as beneficiaries.
5. The *hawala* system is widespread in the Middle East and in Asia. It is a network of money transfer agents and is by nature non-contractual and is based on an established bond of trust between different agents in the *hawala* network.