Providing Income Support in Afghanistan via Social Safety Nets

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Applied Policy Project
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EXECUTIVE SUMMARY

Afghanistan experiences chronically high poverty, a vulnerable labor market, low levels of educational attainment, and low resilience to shocks. The World Bank has asked us to determine the best method of providing income support to the most vulnerable Afghans. However, in light of the state’s weak institutional capacity, limited infrastructure, and insufficient funds, poverty relief presents a formidable challenge.

Public works and cash transfers are both means of providing a social safety net, a non-contributory form of income support that aims to reduce poverty among the most vulnerable. Public works deliver needed jobs and valuable infrastructure, but given the current conditions in Afghanistan, there are significant risks of graft and project inefficiencies. Project failure could exacerbate the country’s persistent governance problems. In contrast, cash transfers provide a more direct method of income support that is easier to administer and is thus less susceptible to graft and mis-targeting. Unconditional cash transfers are the easiest to implement; however, conditional cash transfers rationally incentivize positive behavior. A gradual transition from unconditional to conditional cash transfers would increase human development outcomes, such as health and education, in the long-term.

The budget constraint of approximately $100 million per year will not support a national safety net. Even if funding were sufficient, Afghanistan currently lacks the required state capacity and technological infrastructure to administer a national program. We therefore recommend a cash transfer program run within high-poverty provinces that have adequate cell phone infrastructure and access to electricity, specifically: Laghman, Sar-e-Pul, Ghor, Badakhshan, Takhar, and Zabul. Given the lack of reliable data on household income, we recommend utilizing a poverty scorecard in order to determine the target population – villages with households that are uniformly poor and have the highest probability of being below 200 percent of the poverty line, living on about $2.50 or less per day. All households in the selected poor villages would then receive income support equal to 50 percent of the poverty gap. Distributing cash payments via mobile phones and utilizing a transparent contracting process would further minimize the risk of graft and misappropriation. A rigorous evaluation of this program should be conducted based on consumption and quantifiable human development outcomes, such as literacy or infant mortality. Proven success would provide the basis for a scaled-up social safety net program with national coverage of poor households, which would cost approximately $750 million annually within the same programmatic parameters.
I. Introduction

Overview

The central problem addressed in this policy analysis is the absence of a social safety net system that could provide income support to poor households in Afghanistan, a conflict-affected state with a chronically high poverty rate. Approximately 36.5 percent, or 10.9 million Afghans, live below the poverty threshold, with wide variations observed based on location, household size, season, and gender-related issues.\(^1\) Despite GDP growth of 9.4 percent during the last decade, income inequality and the poverty gap have slightly widened in the recent years.\(^2\) The bottom share of the population remains excluded from economic growth and experiences a highly vulnerable labor market, low levels of educational attainment, and low resilience to various economic and environmental shocks. These key indicators reinforce the need for a robust social protection program that is capable of mitigating the adverse effects of poverty and vulnerability of Afghans.

The goal of this policy paper is to offer fitting policy solutions based on national survey data and past literature that advises how to effectively develop, design, and deliver income support through a social safety net program aimed at decreasing poverty and increasing resilience of the poorest Afghans. The quantitative and qualitative basis of this report draws on National Risk and Vulnerability Assessment (NRVA) survey data from 2007/2008 and 2011/2012 and an extensive literature review of both cash transfer (CTs) and public works (PWs) projects implemented in other conflict-affected states.

In an effort to address this policy issue, the World Bank has asked us to consider the merits of two social safety net instruments: public works or cash transfers. The biggest gain from these interventions would be providing income support to the poorest share of the population and helping them become more resilient to shocks. The secondary dimensions of gain vary slightly depending on the instrument used. For example, construction of roads and bridges via public works or access to communication and inclusion in the formal financial market through cash transfers using mobile technology as an implementing device. In the case of conditional cash transfers, the additional benefits expand to improved human development outcomes, such as higher school enrollment or decreased malnutrition.

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\(^1\) 2012 National Risk and Vulnerability Assessment (NRVA).
\(^2\) 2008 & 2012 NRVA.
\(^3\) 2008 & 2012 NRVA.
Public works and cash transfers differ in their design, implementation, and outcomes. Public works projects build up local infrastructure in a variety of sectors, such as transportation (roads or bridges) and education (school buildings). Hiring manual labor from the local pool of job-seekers below a certain monthly income threshold is central to the operation of these public works programs as social protection schemes. Past projects conducted in Afghanistan have shown that there are significant instances of mistargeting funds to the non-poor and also high risks of corruption due to the greater logistical complexity of enacting such programs. Due to the high levels of coordination between design, procurement, and construction phases required of both national and local public agencies as well as an established procedural dependency on private contractors and subcontractors, there are many opportunities to falsify information and siphon program funds within these social protection schemes. Risk of fund leakage is crucial in our consideration of choosing the most efficient method of social protection. If the program becomes corrupted or mistargeted, it would degrade its effectiveness in substantially reducing the poverty rate, limit the magnitude of benefits to poor households, and exacerbate social exclusion and vulnerability.

Cash transfers are therefore a more viable social protection instrument due to the simplification of steps that separate the final policy goal from the agency administering the program. Generally, cash transfers allow for greater assurance that the intended recipients actually receive the intended aid. The resulting increase in efficiency of delivery furthermore allows for greater capacity in demographic targeting. In the following sections, we analyze several policy options for cash transfer design and implementation: conditional cash transfers (CCTs) which attach a conditionality to the disbursement of cash payments, such as participation in youth vocational training or sending children to school; unconditional cash transfers (UCTs) disburse funds solely based on demographic characteristics. In terms of targeting, cash assistance should be scaled to include the advantages of both CCTs and UCTs, with the most destitute receiving unconditional cash transfers, and those in less severe states of poverty who have greater access to health and educational facilities receiving cash on a conditional basis in order to encourage investment in human development. In this analysis, we propose to
first use unconditional transfers and transition to conditional transfers once the program is scaled up in the future.

Due to the predominantly rural characteristics of our target population, the delivery method is further carefully considered. Previous successfully nationalized CTs in developing nations have mostly made use of debit cards, mobile phones, or local community organizations for cash distribution. Our cost-benefit analysis considers each as an individual social protection scheme as well as the advantages of combination schemes. Cost-benefit design is based on past successes of such programs in similar contexts and adjusted for likely implementation scenarios within Afghanistan.

In the interest of long-term program stability and increasing marginal returns, we also propose methods of evaluation and grievance redressal as measures to minimize leakage, which would increasingly maximize program yields and build trust and confidence in the government. Our final report recommendations recognize the need for ongoing financial and technical assistance from the World Bank and international partners, management of cooperation with local power brokers, and program implementation and monitoring through provincial and national government institutions within Afghanistan. Finally, we conclude with recommendations for a scalable pilot program as the foundation for a future national safety net system.

As Afghanistan progressively stabilizes, international security presence and humanitarian aid are likely to continue scaling down. One of the major undertakings of the Afghan government during this transitional period is building a strong social safety net that will provide income support to the most vulnerable and make them more resilient to shocks. The poverty rate in Afghanistan stands high at 36.5 percent. Furthermore, 8 out of 10 households experienced sometime of external shock in 2012. The job market also faces multiple challenges, as many people struggle to make ends meet with low-income, highly vulnerable jobs. Additional challenges include security and fragility, weak governance and institutional capacity, volatile political economy, crime and drugs, high migration, and low human development and social capital. However, there is

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3 2008 & 2012 NRVA
a lot of promise. Afghanistan’s economy grew at an average rate of 9.4 percent between 2003 and 2012. Since 2001, the Government of Afghanistan and various international organizations, including the World Bank, have established several social protection schemes, including conditional cash transfer programs, cash for work/food for work, social insurance, and microfinance. These programs have targeted whole communities and specific social groups at the local, regional, and national level. Unfortunately, results have been mixed and no clear consensus has emerged on what model works best in this post-conflict state. This report examines existing literature and data to provide advise for the World Bank’s economists and Afghanistan’s policymakers on how to best utilize the available funds to scale up safety net programs and build an effective social protection system.

Key Findings

**Afghanistan has a chronically high poverty rate and remains vulnerable to shocks.** Approximately 36.5 percent of Afghanistan’s total population (10.9 million people) lives below the poverty threshold. Also, 8 of 10 households in the 2012 NRVA reported experiencing some type of shock (chronic, episodic, or environmental).

**Human development outcomes are extremely low, especially for women.** As of 2014 the United Nations Human Development Index ranked Afghanistan 169 out of 187 nations, placing it in the lowest human development category. Literacy and formal educational attainment rates are extremely low – only 31 percent of people 15 and above are literate, and the mean years of schooling is 3.2 nationwide. Health indicators, such as malnutrition an infant mortality (70 of every 1000 live births) are also very dire. With regards to gender, women fare worse than men across all indicators with the exception of life expectancy.

**Low government capacity.** Afghanistan is a conflict-affected state with very weak government institutions. The country is still developing and lacks adequate human and financial resources, while the public budget is

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4 World Bank World Development Indicators, 2013: data.worldbank.org
6 Ibid.
7 2012 NRVA.
heavily reliant on foreign aid. There are also significant political barriers to implementation, which are exacerbated by the current power sharing agreement within the Afghan government between President Ashraf Ghani and Chief Executive Officer Abdullah Abdullah. The Ministry of Labor, Social Services, Martyrs and the Disabled (MoLSAMD), which would be the implementing agency, has limited capacity to successfully administer the program on its own, and needs to rely on the World Bank and other international institutions to furnish its financial resources and provide technical assistance to bolster capacity.

**Mobile technology infrastructure is substantial and should be considered as the primary delivery method for a cash transfer program.** Cellular tower coverage is present nationwide, even in the poorer Northeast provinces. Roshan is one of three leading companies and has the mobile banking technological capacity to provide services for program delivery. A 2013 USAID assessment found that 88 percent of the Afghan population lives within the cellular coverage network, and there are approximately 20 million mobile subscriptions countrywide (about two-thirds of the total population).8

**The funding required to implement a national level social protection program currently exceeds World Bank financing plans for this project.** With such a large share of individuals in poverty, the current budget constraint is insufficient to adequately provide coverage at the national level with significant results. For example, given the budget constraint of $70M (budget minus expected administrative costs) and 1.238M households in poverty, a nationally scaled project would disburse only $4.71 per household per month, which is clearly insufficient to visibly reduce the poverty rate since about $80 would be needed to close the poverty gap at 100 percent. However, the programmatic results can inform future scale-up projects and form an institutional foundation for a national safety net system.

**Policy Problem**

**Question:** What social safety net design and implementation would be most effective in reducing poverty and building the foundation for a sustainable national-level social protection system in Afghanistan?

**Options:** Public works or cash transfers. Regarding delivery of cash benefits, various methods including mobile phone money transfer programs, debit cards, or community organizations are considered.

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8 USAID Report.
**Goals:** The primary goal of this analysis is to prescribe a set of policy recommendations that most effectively help to reduce poverty in Afghanistan, given all constraints, as well as strengthen the resilience of the most impoverished against shocks over time. Secondary goals are to increase communication capabilities, increase inclusion in the formal financial market, decrease the need for child labor to support household income, increase educational attainment and other human development indicators, and increase institutional capacity and confidence in the government. These recommendations could be used as the basis for a scaled-up national safety net in the future.

**Budget Constraint:** $101.55 million (0.5 percent of GDP), with 30 percent of funds allotted for overhead costs.

**Policy Context**

Following nearly a decade and a half of war, Afghanistan remains extremely vulnerable and ranks poorly across several key social and economic indicators. In 2014, the United Nations Human Development Index ranked it 169 out of 187 nations.\(^9\) While there are reasons for optimism, as some key indicators such as school enrollment have shown significant improvement in since 2001, human development outcomes remain very low. The main policy constraints in Afghanistan are high poverty, vulnerability to shocks, a vulnerable labor market, and low educational attainment. They are described below.

**Poverty**

Poverty is the primary indicator of interest for this policy analysis, which aligns with the World Bank’s primary goals of ending extreme poverty by 2030 and boosting shared prosperity.\(^10\) Additionally, the Afghan National Development Strategy lists poverty reduction as one of its three primary goals. Given such, the primary focus of this analysis was to deliver a sustainable safety net program that has the potential to decrease poverty and increase shock resilience of the poorest Afghans, given all time and budget constraints. As of 2012, approximately 36.5 percent of the population, or 10.9 million Afghans, live below the poverty threshold. In addition a significant number of people live just above the poverty threshold. Approximately 53 percent of the population is consuming at levels less than 120 percent of the poverty threshold, meaning one shock could

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\(^9\) United Nations World Development Index, 2014

easily push them into a situation where they would be unable to meet their basic needs.\textsuperscript{11} Comparing the raw poverty data from the 2008 and 2012 NRVAs indicates that poverty slightly increased over the time frame, both in absolute and relative numbers. The poverty figures in Table 1 show the overall poverty rate, total number of Afghans living below the poverty threshold, the poverty gap, and the Gini coefficient as a measure of inequality.

<table>
<thead>
<tr>
<th>Poverty Indicators</th>
<th>2007/08</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Rate (%)</td>
<td>36.3</td>
<td>36.5</td>
</tr>
<tr>
<td>Poverty Total (#ppl)*</td>
<td>9.8 million</td>
<td>10.9 million</td>
</tr>
<tr>
<td>Poverty Gap</td>
<td>7.9</td>
<td>8.6</td>
</tr>
<tr>
<td>Gini Coefficient</td>
<td>29.7</td>
<td>31.6</td>
</tr>
</tbody>
</table>

*the raw number increased due to population growth

Source: 2008/12 NRVA Assessment Report & WDIs

\textit{Vulnerability to Shocks}

A majority of households in Afghanistan have been exposed to some type of shock (economic, environmental, etc.) In fact, over 80 percent of Afghans reported experiencing a shock in the 2012 NRVA. Shocks can include destructive weather, crop failure, insecurity, disease, loss of gainful employment, or other adverse circumstances. The poorest households are the least resilient to shocks since they have the least resources to mitigate them. Even one small, negative shock can deepen poverty for many households. Without a social safety net system in place Afghans are extremely exposed to the negative repercussions of shocks, making it harder to deal with shocks when they occur and more difficult to build resilience against future shocks.

\textit{Labor Market}

Afghanistan has a largely rural population of 74 percent, and agriculture is the predominant economic sector.\textsuperscript{12} The majority of Afghans experience vulnerable employment given that agricultural work is seasonal and often unstable as a source of income. In fact, approximately 90 percent of jobs can be classified as vulnerable and

\textsuperscript{11} 2008 NRVA.
\textsuperscript{12} World Bank World Development Indicators, 2013: data.worldbank.org/country/afghanistan
not providing stable of sufficient income. There are also a significant number of children who are active in
the work force, with approximately 21 percent of children aged 6-17 years employed. Human capital and the
labor market are underdeveloped due to decades of conflict. While unemployment rates are seemingly low,
derunderemployment and vulnerable employment remain a persistent issue, since many jobs do not generate
enough income to live on. Urban areas have a more diverse labor market and better-paid jobs, but they are still
susceptible to vulnerability.

Education
Literacy rates in Afghanistan are dire, with only about 31 percent of adults able read and write. However, the
outcomes for the younger generations have been better. For instance, youth literacy rates among those in the
15-24 year age group is approximately 47 percent – although female literacy is nearly half that of males (32.1
percent compared to 61.9 percent). School enrollment has also increased over the past decade, particularly
for young women, who were not allowed to attend school under the Taliban rule. Steady progress is being
made despite a low baseline and limited resources, yet there needs to be more structural investment in the
education and vocational training systems considering the dire need to invest in human development,
especially of Afghan youth.

Governance
Government institutions in Afghanistan are in the process of consolidation and have very limited capacity.
The Afghan democracy is young and fragmented along ethnic and tribal lines, but it was able to experience a
peaceful democratic transition after thirteen years of Hamid Karzai’s presidency in 2014. This was the most
important political milestone since the fall of the Taliban, and its success undermines the sabotage efforts of
terrorist groups. However, the presidential election was contested, and resulted in a brokered power-sharing
agreement between Ashraf Ghani as President and Abdullah Abdullah as the Chief Executive Officer (a post

14 Ibid.
15 2012 NRVA.
16 Ibid.
similar to a prime minister). The arrangement kept the peace but stifled its operations, as the many key
government and ministry posts remain unfilled. The ministries will need many years of capacity-building and
institutional consolidation in order to operate successfully, especially since they are currently reliant on foreign
aid and technical assistance from international organizations.

Public Trust
The perception of governance quality is another important factor in government-run programs. According to
Asia Institute’s annual public opinion survey, most Afghans are satisfied with the national government at a
high rate of 75 percent. Their main sources of dissatisfaction and concern are insecurity (34 percent),
corruption (28 percent), and unemployment (26 percent). While district governments have a comparatively
lowest rating at 58 percent, most Afghans say that their provincial governments are also doing a good job, with
an overall approval of 68 percent (Table 2).

Table 2: Public Perception of Governance and Leadership (2006-2012)

<table>
<thead>
<tr>
<th>CONFIDENCE IN OFFICIALS, INSTITUTIONS, AND ORGANIZATIONS</th>
<th>2006 (%)</th>
<th>2007 (%)</th>
<th>2008 (%)</th>
<th>2009 (%)</th>
<th>2010 (%)</th>
<th>2011 (%)</th>
<th>2012 (%)</th>
<th>2013 (%)</th>
<th>2014 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEPENDENT ELECTION COMMISSION</td>
<td>-</td>
<td>-</td>
<td>57</td>
<td>67</td>
<td>54</td>
<td>59</td>
<td>60</td>
<td>-</td>
<td>66</td>
</tr>
<tr>
<td>COMMUNITY DEVELOPMENT COUNCILS</td>
<td>-</td>
<td>64</td>
<td>65</td>
<td>64</td>
<td>61</td>
<td>68</td>
<td>66</td>
<td>63</td>
<td>65</td>
</tr>
<tr>
<td>COMMUNITY SHURAS/ JIRGAS</td>
<td>-</td>
<td>72</td>
<td>69</td>
<td>67</td>
<td>66</td>
<td>70</td>
<td>68</td>
<td>65</td>
<td>69</td>
</tr>
<tr>
<td>GOVERNMENT MINISTERS</td>
<td>-</td>
<td>57</td>
<td>51</td>
<td>53</td>
<td>54</td>
<td>56</td>
<td>55</td>
<td>46</td>
<td>47</td>
</tr>
<tr>
<td>INTERNATIONAL NGOs</td>
<td>57</td>
<td>64</td>
<td>64</td>
<td>66</td>
<td>54</td>
<td>56</td>
<td>53</td>
<td>51</td>
<td>53</td>
</tr>
<tr>
<td>MEDIA SUCH AS NEWSPAPERS, RADIO, TV</td>
<td>77</td>
<td>62</td>
<td>63</td>
<td>62</td>
<td>57</td>
<td>69</td>
<td>71</td>
<td>67</td>
<td>73</td>
</tr>
<tr>
<td>NATIONAL NGOs</td>
<td>-</td>
<td>60</td>
<td>62</td>
<td>61</td>
<td>55</td>
<td>54</td>
<td>54</td>
<td>52</td>
<td>57</td>
</tr>
<tr>
<td>PARLIAMENT AS A WHOLE</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>59</td>
<td>62</td>
<td>62</td>
<td>50</td>
<td>51</td>
</tr>
<tr>
<td>PROVINCIAL COUNCILS</td>
<td>-</td>
<td>70</td>
<td>65</td>
<td>62</td>
<td>62</td>
<td>67</td>
<td>66</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>RELIGIOUS LEADERS</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>74</td>
<td>73</td>
<td>65</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>YOUR MEMBER OF PARLIAMENT</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
</tbody>
</table>

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The Economist. 2014. „Democracy, Afghan-style” (Link)
Ibid.
Despite relatively good satisfaction with the government, people tend to put more confidence in traditional and local institutions. These attitudes have varied over time, but the trends have remained similar. In 2012, Afghans put the most trust in media (71 percent) and religious leaders (73 percent), while international NGOs were the least popular, with about half of the population (53 percent) indicating confidence in them.

The implication of the public perception is that government institutions have to compete and possibly cooperate for loyalty. The relatively new Community Development Councils (CDCs) that are established along traditional power lines are a good path to more formal governance, and are already engaged with the World Bank through the National Solidarity Program (NSP). They could be engaged in development projects on many levels, for example informing and assisting program participants. However, given the mixed record of Community Driven Development (CDD), they do not have to necessarily be involved in program design and implementation. Their role should be decided on case-by-case basis, and should conform to the needs of the project in question.
II. POLICY OPTIONS

Evaluation Criteria

Effectiveness
We will assess if the given policy tool is likely to yield desired outcomes. The main measure of effectiveness in a social safety net program is poverty reduction. If the program is working, it should reduce the poverty rate of the targeted households. Poverty and income are difficult to measure in the context of Afghanistan, so consumption is commonly used as a proxy for income and poverty. Thus, if the program is working, the household should experience greater levels of consumption, which would signify that they have more income and are less poor. This largely depends on accurate targeting of households. Ideally, the project design should include a Randomized Control Trail (RCT) element at baseline to accurately measure effectiveness by comparing groups that participated in the program to those that did not; however, the nature of the project may require the government implement a different form of program evaluation, such as Regression Discontinuity Design (RDD) and confirm equivalency between the treatment and control groups using Propensity Score Matching (PSM).21

Capacity
We will consider the overall state and non-state capabilities and how they will affect program implementation. We consider the institutional capacity of the implementing ministry (MoLSAMD) and the supporting agency (World Bank) in order to determine if the human resources and funding are sufficient to establish and run a safety net program. Ease of implementation, the level of funding, and program delivery are key areas of consideration. We will also consider capacity of technology and infrastructure needed to administer potential programs, including the availability of electricity, cell towers, and mobile banking programs.

Risk of Leakage
Corruption and graft are serious concerns in developing countries with low monitoring capacity and high incentives to embezzle funds; this is of particular concern in Afghanistan. The UN-backed Independent Joint Anti-Corruption Monitoring and Evaluation Unit asserts that the country has made significant progress in

21 See Part III for a full description of RCTs/RDDs.
reducing graft and corruption across many sectors, it acknowledges that much more work still needs to be done. Mistargeting and misappropriation are critical factors to consider, and we will evaluate which intervention has the lowest risk of corruption or loss of funds.

**Cost**
We will assess the overall cost effectiveness of each intervention. We consider not only the direct costs of monetary distribution but also things such as the startup and implementation costs of each intervention (such as mobile technology fixed and variable costs or public works material project costs). We will consider several options of disbursing the available funds, and recommend the most cost effective package.

**Human Development**
This assesses the viability of the policy tool to generate long-term changes in outcome related to human capital, such as education and health outcomes (primary school enrollment, infant mortality rates, etc.) which are significant human development indicators and are easily measurable. Youth inclusion and gender empowerment are more abstract, but important in the case of Afghanistan since nearly half of Afghans are 15 or younger and female human development indicators fare extremely poorly. These indicators should be measured at baseline to determine if they social protection program is affecting these critical outcomes. In the case of conditional cash transfers, human development can be directly affected by requiring recipients to send their children to school or get a health check-ups as a condition for receiving the cash benefit.

*In the following sections, we discuss and evaluate two policy options: public works and cash transfers.*

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Public Works

Public works are an approach that is designed to offer a double-dividend benefit of building infrastructure at the local level as well as providing short-term employment. PWs fit well especially in post-conflict countries because in addition to the aforementioned benefits, they can also help the community to rebuild social capital and even rehabilitate the torn social cohesion. For instance, such works can ease the barriers of the war-affected people and provide them with a job, making it possible for them to be involved in long-term labor market intervention at a later stage. Also, some beneficiaries use their earnings on their children’s education or economic activities that generate income. Despite the theoretically argued advantages, however, many PWs projects in conflict and corruption-ridden countries have proved difficult to implement and administer.  

PWs projects are frequently implemented in the form of Community Driven Development (CDD). CDD is decentralized and participatory development that is founded on the ground that the community knows what they need the most that the community selects proper agents based on their incentive and knowledge, that the community has the access to information, and will sufficiently monitor all activities and economic items. The success of a CDD design largely depends on whether or not these conditions are to be met by enhanced empowerment of beneficiaries. However, some studies have suggested that many CDD projects have been implemented without addressing these conditions and thus failed. Ensminger examined four CDD projects implemented in Kenya and found that misaligned incentives between the agency and the local community caused widespread corruption associated with the PW and led to inefficient development outcomes (e.g. the massive waste of project resources and the large diversions to bottom-up corruption among the project officers). Villagers did not always implement the project of their choice, the best leader was not elected on the merits of their abilities to lead the project, the information to monitor the project was not always accessible to the villagers, and enhanced empowerment generated internal and intra-village conflicts.

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24 Ensminger, 2013
Thus, the key component to success of PWs in the form of CDD is availability of information for monitoring purpose. However, mandating the release of information has no effect when there is no way of assuring the compliance by commissioning decision-making authority to remote areas. Although some of the past PWs projects are rated satisfactory in terms of outcome, e.g., *the Public Works and Capacity Building Project* in the Republic of Chad and *the Emergency Public Works and Employment Project* in Bosnia and Herzegovina, such projects were either not implemented in the form of CDD or effectively monitored through assured transparency.\(^{25}\)

The Ministry of Rural Rehabilitation and Development implemented one of the first PW projects in Afghanistan from 2002 to 2004 in cooperation with the World Bank. This later became the flagship National Solidarity Program (NSP), which has moved away from implementing public works as safety net programs, and instead focused on building community development projects and local governance (it’s now in its third phase). One of the major objectives of the initial project was to build local capacity to make it possible for the local communities to implement CDD projects, and the outcome was rated satisfactory. However, CDDs have mixed results. The outcome largely depends on whether or not each local community is capable and cohesive enough to successfully run such a project at full potential is still questionable. If not, the project can have deteriorating effects, such as increasing conflict in fragile areas since CDDs and PWs create highly visible targets that can be sabotaged by factious groups, such as the derailed KALAHI-CIDSS CDD program in the Philippines.\(^{26}\)

Afghanistan is a very divided country, composed of more than 20 diverse regions with varied characteristics and strong tribal ties, which impedes social cohesion. Considering this factor, there might be internal/intra-province/intra-village conflicts in Afghanistan fighting over such visible economic benefits. Furthermore, the goal of this project is to establish an effective social safety net, and PWs projects are often more susceptible to leakage of funds due to implementation graft and corrupt contractors who use cheaper materials but take the


full amount of designated money for construction. Therefore, for the purpose of the analysis, we exclude the option of public works and recommend cash transfers.  

Application of Criteria: Public Works

Effectiveness
Although PWs provide a double-dividend of creating jobs for poorer groups and building needed infrastructure, we estimate the effectiveness of PWs in Afghanistan to be limited. In terms of poverty reduction, utilizing consumption levels as a proxy for income and poverty, effectiveness of PWs can be measured by whether or not consumption of the households in the implementation area increase when compared to similar households in areas that did not receive PWs projects. The effect of creating jobs would be measurable through changes in consumption level, while the long-term effects of building infrastructure would be considerably more difficult to measure. Many benefits such as increased access to institutions of education, facilitation of information and access to non-agricultural jobs can be expected as a subsidiary effect of the project; however, differentiating these effects through analysis would be quite complicated and challenging. In addition, in the context of Afghanistan, the high risk of graft and mistargeting due to low institutional and administrative capacity would contribute to marring of the quality and effectiveness of poverty reduction. Therefore, the effectiveness of PWs in Afghanistan is questionable and should be limited in comparison to cash transfers.

Capacity
Implementation of PWs is heavily dependent on the capacity of the implementing agency. In the context of Afghanistan, neither the national government nor local governments have high enough capacity to effectively implement PWs. The lack of capacity that Afghanistan’s implementing agencies experience are further likely to encourage graft. National level government ministries such as the Ministry of Rural Rehabilitation and Development, the Ministry of Public Works, and the Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD), in cooperation with the WB, all had their performance in the implementation of PWs projects rated satisfactory by the WB. However, these projects focused on capacity building for local governance.

27 Interview with Levi-Sanchez, 2015.
28 Interview with Levi-Sanchez, 2015.
They were successful in providing citizens in poverty with jobs and built infrastructure, however, due to their low institutional capacity, low specificity in targeting resulted in many who were not within the targeted poorer population receiving benefits of PWs. Considering these past experiences, we conclude that the capacity of local governments in implementing PWs projects is still too questionable to serve as the basis of a reliable safety net.29

**Risk of Leakage**

Risk of leakage is estimated to be quite high in Afghanistan. In developing countries where there is high incentive and low capacity to monitor government processes, corruption and graft are likely to follow. In Afghanistan, corruption and graft is highly prevalent throughout the country. In specific, lack of access to information hampers government monitoring, raising the prevalence of graft and corruption in Afghanistan. Even if local implementing agencies were mandated to release their information, there is no way to assure compliance. Moreover, the procedure of PWs is complicated and provides many opportunities to sub-contract, which can lead to money leakage and low-quality substitution of materials and capital equipment. We therefore conclude the risk of leakage is too high for PWs projects in the context of Afghanistan.30

**Cost**

Cost of wages and running a PWs program is estimated to be higher than that of a Cash Transfer option. As mentioned above, the process of PWs is complex, often requiring sub-contracting. Therefore, the amount of money that is used purely to alleviate poverty in the target population would be significantly reduced in comparison to the capacity of a Cash Transfer program. In addition to the operating costs, PWs projects would require further expenses for consulting services, training, and materials. Finally, due to graft and mistargeting, previous PWs projects in Afghanistan led to broader district coverage than anticipated and subsequently decreased the number of labor days available to workers, meaning that the target population was not fully covered as originally planned.31

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29 Ibid; World Bank, Afghanistan, 2005.
30 Interview with Levi-Sanchez, 2015; Ensminger, 2013.
Human Development

PWs achieve human development in terms of skills and augmented income. In addition to poverty alleviation, PWs generate income that contributes to increases in human development indicators such as literacy and nutritional status. These effects result from infrastructure that facilitates access to education, information, and healthcare. In example, a road or a bridge enables people to attend schools or clinics, which is a secondary positive effect of better infrastructure in poor areas.32

Cash Transfers

Cash transfers are one of the main poverty reduction tools utilized by government and non-government organizations in developing countries around the world. In addition to being one of the fastest growing safety net tools, there is a strong body of empirical evidence suggesting the positive impact of CTs and spanning multiple regions around the globe, including Africa, Asia and Latin America. For example, one cash transfer program implemented in rural Kenya by the organization GiveDirectly saw the following impact on targeted participants in a randomized control trial:33

- 34 percent increase in earnings
- 52 percent increase in assets
- 42 percent reduction in days children go without food
- 0 percent effect on alcohol and tobacco spending

Interestingly, the study also found significant effects on recipients psychological well-being as measured via their cortisol levels; in particular there were large improvements in respondents happiness and life satisfaction accompanied by decreased levels of stress and decreased responses of depression in a follow-on questionnaire.34

Afghanistan currently does not have a comprehensive cash transfer program. Most CTs have been small and run as an emergency humanitarian relief, with no conditionality attached to it. However, the World Bank is currently piloting a cash transfer program, which includes a small conditionality component -- health and

32 Kenny, 2011.
33 https://www.givedirectly.org/
hygiene workshops for the cash recipients. Attaching cash to education or vocational would be a good idea eventually given the extremely low literacy rates and high youth population. However, schools have to be accessible to make the conditionality fair, and many poor areas of Afghanistan do not have the capacity to provide education facilities to the poorest.

*Unconditional Cash Transfers*

Unconditional cash transfers are cash transfers with no conditions on the recipient’s actions. UCT programs have the advantage of being easier to implement than CCTs, since no mechanisms need to be in place for monitoring whether participants are actually meeting program requirements. Unconditionally is often considered preferable for malnourished populations, and many studies have shown that UCTs are just as effective as CCTs since poor people direct the supplemental income into human development, such as school fees and better food, regardless of the program directive.

*Conditional Cash Transfers*

Conditional cash transfers are designed to provide cash assistance and build human capital. The transfers are attached to a certain conditionality, such as children’s school attendance. Thus, the intervention offers a double-dividend: short-term poverty relief and long-term investment in human development. CCTs differ from other cash-based interventions in their design, implementation, and outcomes. They are more complex and vary depending on the context. The most successful CCTs have been implemented in Latin America – such as *Oportunidades* in Mexico and *Bolsa Familia* in Brazil. Some smaller interventions have been run in parts of Africa and Asia. Sometimes cash transfers use both design methods. For example, Pakistan’s *Benazir Bhutto Income Support Program* (BISP) has an unconditional and several conditional components, including vocational training for youth.

Conditional cash transfers should be tailored to different populations and administered in cooperation with other human development projects (i.e. improving primary school enrollment) to decrease administrative costs and improve outcomes. In the context of Afghanistan, children’s school attendance would be a suitable

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conditionality. The average school attendance ratio is 54% in rural areas and 78% in urban areas. In this attending population there is slight seasonal variation with attendance highest in the begging of the school year in Spring, and dropping off slightly by the end of the school year in Winter. This suggests that school attendance is more affected by cumulative dropout than of children entering the labor force. Therefore, requiring children to go to school as a conditionality in the attending population is unlikely to cause trouble in terms of family income. Moreover, incentive to deceive administrators to meet conditionality requirements is unlikely to exist due to the lesser role of financial concerns in the attending population. However, the children who were never enrolled in school are more likely to be already working in the labor force. In order to address this and make education available to an expanded attending population, the perceived gain in value from meeting conditionality requirements needs to be greater than the value of child labor.

Application of Criteria: Cash Transfers

Effectiveness
Cash transfers are likely to be more effective than public works in the context of Afghanistan. While there is a considerable body of literature on the effectiveness of both public works and cash transfers, cash transfers are likely to be more effective in providing relief to impoverished Afghans, especially considering the bureaucratic and tribal barriers to effective aid distribution which exist throughout the country.

Capacity
The Ministry of Labor and Social Services (MoLSAMD), the designated implementing agency for social programs within the Afghan government, has recently established a division to run the safety nets. However, it should be expanded in the post-pilot phase. The delivery method - mobile phones or debit cards - are both possible because the infrastructure - banks and cell towers - already exist. However, the level of capacity depends on the coverage of the poorest areas, which tend to be the most rural and remote.

36 NRVA 2011/2012
**Risk of Leakage**

A cash transfer that is delivered through a mobile phone or a debit card is traceable and thus less susceptible to leakage. They are secure since there is little cash involved, and they are administered monitored through secure Bank systems. The transferred funds are generally small, and are thus not a target for theft or sabotage. The risk can be further minimized with well-designed targeting, such as a poverty scorecard, which minimizes the leakage to non-poor households.

**Cost**

The costs of facilitating cash transfers are relatively low. A debit card costs about $1 each to produce. Other costs that should be considered include points of sale technology and personal travel costs of beneficiaries (depending on distance). Mobile phone have an average upfront cost of $10 upfront cost, plus maintenance and usage costs, which will vary, but average at about 6 cents a minute. All costs would be covered by the project budget.  

**Human Development**

There is a lot of potential for human development with cash transfers, especially if they are conditional. The cash can not only lift poor household out of poverty and make them more resilient to shocks, but also provide an incentive for the poor to invest in their human capital. The poorest groups have the worst human development indicators, including high levels of illiteracy and malnutrition.

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37 Interview with Fatima Popal, March 3rd 2015.
III. IMPLEMENTATION STRATEGY

Budget Constraint and Cost
The estimated budget constraint for this project is $101.55 million annually. This figure was calculated based on 0.5 percent of Afghanistan’s GDP, which was estimated by the World Bank to be $20.3 billion. Due to the limited government capacity in Afghanistan, the administrative costs of running this program are expected to be higher than normally observed in other countries. We have thus built a 30 percent reduction into our budget designed to cover these administrative costs as well as the fixed and variable technology costs. This leaves us with $71.085 million per year left to disburse as cash benefits to targeted beneficiaries.

Delivery Methods
Delivery of cash transfers should be conducted through mobile banking technology at the household level accompanied by debit cards where cell technology is not available. Mobile phone technology offers the greatest measure of efficiency in cash disbursal through simplification of steps of transfer between central funds and target households. This method adds further value to the cash transfer process by eliminating the travel time necessary to collect funds and by empowering households who possess this mobile phone technology to settle more of their debts and conduct more of their business electronically. Previous Cash Transfers administered by Donor organizations largely depended on the local Hawala networks. These informal networks of money-changers have been the traditional and preferred method of banking across much of Afghanistan, and have served an important function for the financially illiterate majority of the population. Recent research has shown, however, that increasing financial literacy is an important early step in increasing intergenerational financial mobility. Mobile phones have been widely used across many post-conflict countries as an affordable and easily accessed alternative to traditional banking systems. In fact there is considerable evidence showing the increased efficiency, reduced cost, and overall greater ease of implementation for mobile phone cash transfers. Below are some of mobile cash transfer programs and examples of successful use of this mobile technology in past CTs.

38 http://data.worldbank.org/indicator/NY.GDP.MKTP.CD
Mobile Cash Transfer Programs

M-Paisa (Roshan): Roshan, the leading Afghan cell phone company, runs this mobile money transfer system. Users can send and receive payments and manage their bank accounts without having a traditional bank account. This system can be used for personal payments as well as transfers of government benefits. The transfer of funds can occur through Short Message Service (SMS) and an Interactive Voice Response (IVR) system in Dari, Pashto, and English. The IVR system is a key feature in Afghanistan due to high illiteracy rates of about 70 percent of the population is illiterate. Roshan has a strong mobile network and agent centers throughout the country, which enables reliable M-Paisa coverage. In 2012, DFID used it to deliver emergency cash transfers to households in Afghanistan’s remote Northwest area.  

Mobile Money (ATCC): Afghan Besim Mobile Money Company (ABMMC) owns and operates a mobile money network in Afghanistan called “My Money.” It is an integrated mobile money network, which includes bank partners, agents, and merchant. It offers both wireless and debit card financing, and thus provides both branchless banking and hard cash withdrawals, unlike Roshan, which is only provides branchless mobile transfers at the moment. “My money” allows both wireless cash transfers to people or institutions, or cash withdrawal at banking centers or local point of sales systems (PoS) merchant stations.  

M-Hawala (Etisalat): This is a non-Afghan company that has an increasingly good coverage throughout Afghanistan, including places where ATCC and Roshan are not as established. The system allows its costumers to receive and make payments and withdraw cash, but it is not as compatible as Roshan and ATCC with government cash benefit transfers. It is also slightly more costly than Roshan. However, Etisalat is an important partner to consider as the company expands its services.

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41 http://afghan-wireless.com/e-payments/my-money/

Additional Info: Interview with Fatima Popal, WB Consutant and Former CEO of Roshan. Date: 3/16/15

Previous CTs Using Mobile Technology

**Zap Mobile:** This mobile phone transfer program was found to be more effective on multiple measures compared to manual cash delivery. Mobile phone cash recipients were seen to have greater privacy, resulting in less inter-household transfer, and spent the cash on a more diverse array of goods than those who received a manual transfer. There were higher initial costs due to providing mobile phones to cash transfer recipients, but these were greatly offset by a 30 percent reduction in the variable costs of the transfer. Zap mobile’s cash transfer program functioned entirely on the mobile platform: participants could check their account, pay bills, and make transfers all through the mobile phone. 43

**GiveDirectly:** GiveDirectly utilizes mobile phone technology to provide one-time, unconditional cash transfers to recipients in a randomized control trial in Kenya. This method of money transfer has drastically reduced the cost of getting funds to the target groups, directly influencing the structure of donor funding. The funds are not sent from donors to NGOs – the line of funding is much more direct with significant results. 44

Alternative Cash Delivery Methods

**Debit Cards:** Due to potential instability of mobile phone coverage posed by intermittent targeting of cell phone towers by insurgent groups, debit cards are proposed as a backup method of disbursing funds in the event that cell towers are disrupted during the disbursal period. Use of debit cards is not the favored method of transfer due to extended travel costs, but would provide secondary access to funds in the case of mobile phone disruption.

**Community Driven Development:** In Afghanistan the Hawala system has been relied upon as a mechanism for delivering cash-less credit. Traditionally, local councils decide on how to transfer cash to recipients. This has been seen as a means of empowering local communities, but is susceptible to corruption from local power brokers. While there are merits to community driven development, in the context of Afghanistan it is not the most efficient method of delivery. However, CDD’s can be used to disseminate information about social safety net programs.

44 www.givedirectly.com
**Infrastructure**

Due to the geographic concentration of cell phone coverage within Afghanistan, cell phone tower infrastructure should be incorporated into future delivery methodologies. Specifically, these measures of infrastructure should take into account frequency of attacks on cell towers and proximity to insurgent held areas. Due to data restrictions within the NRVA 2012, it is not possible to determine which specific populations within Afghanistan both meet our proposed program criteria and receive adequate cellphone coverage. In many cases, this is due to the small number of observed households in a series of provinces that meet that basic criteria. However, by breaking down the proportion of cell phone usage within provinces which comprise a significant proportion of the observations that meet our criteria, we have identified regions likely to have infrastructure well developed enough to minimize the fixed costs of a pilot program, though there are some areas with substantial cell coverage.

The province with the greatest percentage of observations matching our criteria while maintaining the highest percentage of cell phone use is Laghman Province. Located just northeast of Kabul this potential target area is both physically close to the main ministry facilitating the program (MoLSMD), and shows high levels of coverage according to the figure above. Overall, current cell tower coverage in the poorer North-East is substantial and still expanding, and thus would likely provide one of the most effective methods of cash delivery to most households. Other Provinces with good cell coverage include Sar-e-Pul, Ghor, Badakhshan, Takhar and Zabul.
Figure 1: Map of Complete Cell Tower Coverage (2014) \(^{45}\)

Targeting

Due to the projected budget constraint of $71.05 million for the cash transfer portion, we analyzed the 2011-12 NRVA data to make the following targeting recommendations for delivery of cash assistance: 1) focus on six select provinces which have a majority of the population in poverty and with little inequality in consumption; 2) eliminate select districts within those provinces that have low cellular tower coverage as well as low electricity infrastructure; 3) administer a poverty scorecard at the village level; 4) select villages with mean poverty score results below a defined point value on the scorecard and make all village households eligible to receive cash benefits. A poverty map is below, with the selected provinces (Lagman, Sar-e-Pul, Ghor, Badhakshan, Takhar, and Zabul) in dark blue. Please refer to Appendix A for full province statistics and a derailed explanation of the targeting design.

Figure 2: Poverty Map based on Consumption Levels (2012)

Target Provinces: Lagman, Sar-e-Pul*, Ghor*, Badhakshan*, Takhar, Zabul*
Target Districts(*): Prov Capital of Ghor, Dawlatyar, Lal Wa Sarjangal, Shahruk, Sar-e-Pul, Sayyad, Sozma Qala, Sangcharak, Gosfandi, Shahr-e-Buzurg, Baharak, Khash, Argo, Tarank, Wa Jaldak, Shah Joi, Qalat

46 The data used in this section is derived from the 2008 & 2012 NRVA
Given the budget constraint we chose to focus spending on provinces that experienced the highest levels of poverty and also had the lowest levels of inequality. We limited our target group to those provinces with poverty levels over 50 percent and Gini coefficients below .344, giving us the six most uniformly poor provinces in Afghanistan. This strategy will help to minimize mistargeting of cash transfers to non-poor households (although this is bound to happen at some small level). In order to accommodate mobile transfer services we further eliminated districts within these provinces lacking cell tower infrastructure and with limited access to electricity.

<table>
<thead>
<tr>
<th>Province</th>
<th>Poor Households (%)</th>
<th>Gini Coefficient</th>
<th>Elec. Access</th>
<th>Mobile Usage</th>
<th>Overcrowded Households (%)</th>
<th>Rural (%)</th>
<th>Has Debt (%)</th>
<th>Attended School (%)</th>
<th>Adult Literacy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laghman</td>
<td>56%</td>
<td>0.268</td>
<td>75%</td>
<td>79%</td>
<td>54%</td>
<td>98%</td>
<td>80%</td>
<td>48%</td>
<td>27%</td>
</tr>
<tr>
<td>Sar-e-Pul*</td>
<td>56%</td>
<td>0.271</td>
<td>83%</td>
<td>69%</td>
<td>44%</td>
<td>85%</td>
<td>72%</td>
<td>34%</td>
<td>21%</td>
</tr>
<tr>
<td>Ghor*</td>
<td>50%</td>
<td>0.28</td>
<td>92%</td>
<td>7%</td>
<td>78%</td>
<td>97%</td>
<td>85%</td>
<td>27%</td>
<td>21%</td>
</tr>
<tr>
<td>Badakhshan*</td>
<td>57%</td>
<td>0.262</td>
<td>57%</td>
<td>11%</td>
<td>36%</td>
<td>89%</td>
<td>86%</td>
<td>46%</td>
<td>33%</td>
</tr>
<tr>
<td>Takhar</td>
<td>62%</td>
<td>0.344</td>
<td>60%</td>
<td>38%</td>
<td>52%</td>
<td>88%</td>
<td>58%</td>
<td>33%</td>
<td>22%</td>
</tr>
<tr>
<td>Zabul*</td>
<td>61%</td>
<td>0.263</td>
<td>18%</td>
<td>29%</td>
<td>35%</td>
<td>95%</td>
<td>21%</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>National Avg.</td>
<td>34.1%</td>
<td>.316</td>
<td>65.5%</td>
<td>51.5%</td>
<td>50%</td>
<td>86%</td>
<td>53%</td>
<td>37%</td>
<td>26%</td>
</tr>
</tbody>
</table>

* Districts with limited cell tower infrastructure and access to electricity were removed from the target group – See Appendix ##

In order to maximize the likelihood that households receiving cash transfers are actually poor while also minimizing the costs of determining eligibility, we recommend utilizing a poverty scorecard which the World Bank developed using the 2007-08 NRVA (see Appendix A for the sample card). Although a thorough assessment of consumption, such as the metric that is used in the NRVA, is more comprehensive than a scorecard, it is logistically and financially infeasible to conduct such a survey throughout the target region. The poverty scorecard assigns point values to easily observable characteristics, allowing surveyors to quickly and cheaply assess poverty in the population. The test has a relatively high sensitivity for determining households in poverty (details contained in Appendices A).
The scorecard ranks poverty measures at the household level on a scale of 0 to 100 – a score of 0 indicating a nearly 100% likelihood of that household being in poverty. The relative scale of the scorecard serves to take into account the large variation of observable factors between households in poverty.

We reconstructed this scorecard with the 2011-12 NRVA and determined a poverty score threshold of 23 or below to be most effective for targeting truly impoverished households. Although the scorecard does have a relatively high capture rate of false positives (households above the official poverty line), 98.3% remain at 200% or below of the poverty line. At this cutoff, we predict that if every Afghan household within the selected districts were given this scorecard, 39.4% would qualify for cash transfers. At our recommended rate of 50% of poverty gap, a direct delivery method would result in total expenditures of $49,735,000 or 70% of the budgeted resources designated for cash transfers.

As a result of this test’s poor sensitivity, 45.9% of households below the poverty line would score above 23 on the poverty scorecard. If the cash transfer were done by district on a household basis, non-poor households would receive a cash transfer while impoverished households in the same villages would be incorrectly identified as ineligible. This experience could lead to loss of social cohesion and trust in the program, as well as incentivizing manipulation of conditions to score lower on the poverty scorecard.

<table>
<thead>
<tr>
<th>Poverty Line</th>
<th>Afghnis per Month</th>
<th>USD per Day</th>
<th>% Scoring ≤ 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>1,832</td>
<td>$1.27</td>
<td>77%</td>
</tr>
<tr>
<td>200%</td>
<td>3,664</td>
<td>$2.54</td>
<td>98.3%</td>
</tr>
</tbody>
</table>

For this reason, we recommend targeting households at the village level for ease of implementation and to resolve potential problems of equity in distribution. Program implementers should assess poverty scores for a randomly selected subset of households within all villages in the target region. Villages would be ranked for eligibility based on mean poverty scorecard results. Every household in those villages with the lowest average scores would be eligible for the program. The cutoff mean score of eligible villages would be determined by the total budget constraint. This cutoff score would target the maximum number of villages that could receive...
cash transfers before funding is exhausted. This method will help mitigate the relatively high instance of false negatives in the scorecard. At the national level and assuming an average village score cutoff threshold of 23, we estimate that 30.24% of households would qualify for cash transfers under this method. At our recommended transfer rate of 50% of poverty gap, we estimate the cost of providing cash transfers at the national level to be around $535,610,880. Considering overhead expenses of about 30 percent, the cost of implementing the entire program at the national level would be about $750,000,000.

**Contract Bidding**

Cash transfers should be disbursed through contracting telecommunications companies with mobile banking services in Afghanistan. The bidding process should follow World Bank standards for government procurement of services with the addition of a World Bank Panel to evaluate the transparency of the bidding process. Final disbursal of project funds should be contingent on a favorable World Bank assessment.

Contracts should be awarded by district based on the following criteria:

- Adequate cell tower coverage
- Technological sophistication of the planned service
- Estimated switching costs for the population
- Attractive pricing

Contracts should be awarded in two phases within the planned five-year disbursal period. Implementing two phases will incentivize growth of technological infrastructure, incentivize technological sophistication, allow other telecommunications companies time to prepare bids for the second phase, increase competition between providers and drive down administrative costs.

**Grievance Redressal**

We recommend including a grievance redressal mechanism to increase the accountability and transparency of delivery. Mobile phones can not only serve as a payment delivery method, but can also provide a valuable feedback mechanism through allowing beneficiaries to immediately inform the government of any issues associated with receiving payments. As explained in the Mobile Payment Methods section, Mobile money programs in Afghanistan already offer Interactive Voice Response (IVR) systems. We recommend configuring such a system specifically for CT recipients to leave voice messages to register complaints to both
MoLSAMD and the High Office of Oversight and Anti-corruption (HOOA). By ensuring that both government ministries receive and catalog complaints, HOOA will be able to monitor MoLSAMD’s handling of program operations. This will necessitate creation of special units within each ministry to monitor and address incoming concerns.

Voice messages should initially be held in an electronic database before being distributed to each ministry. During recording of the grievance voice message, simple recorded instructions should offer the reporting party the option of having their number and personal information anonymized. By offering anonymization as an option this will hopefully not only increase participation in the grievance redressal mechanism, but also protect those reporting.

**Monitoring & Evaluation**

We recommend evaluating this program using a Regression Discontinuity Design (RDD). The threshold for the RDD would be the mean poverty scorecard cutoff for eligible villages. This will naturally define two comparable populations. In order to ensure equivalency between the treatment and control groups, Propensity Score Matching (PSM) should be utilized. Those villages with average scores just below the cutoff would receive transfers, while a comparable set of villages with mean scores just above the threshold would not. Example variables for comparison include consumption habits, indebtedness, literacy, child labor participation rates, and children’s school attendance. Households should be surveyed immediately before beginning the program for baseline comparison, and annually retested over the course of the five-year program period.

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47 See Part III for a full description of RCTs/RDDs.
Policy Implementation

We have developed five policy options (three targeting, two funding) that provide various distributions and target differing sets of the Afghan population. They range from full-scale national implementation to small, focused targeting in select provinces in order to maximize effect at the household level. Smaller target populations would also allow for more effective program evaluation and is feasible to conduct a RDD evaluation in order to more accurately determine program effectiveness before scaling a social protection program nationally. We discuss the identified options below.

Targeting Option 1

Target at the village level within select districts (as identified in Targeting portion of Section III). This policy option strikes the most effective balance between insufficient government capacity and funding constraints. We recommend this option as a pilot program for a future nationalized CT program. A sample of households within villages would be selected and given a poverty scorecard. Villages would be ranked in ascending score order. The cutoff score would be based on the mean score at which funding to cover all households in selected villages would be exhausted. We believe limiting the social protection program to a select number of villages in specific provinces to be the most equitable and executable method of targeting.

Targeting Option 2

Target all impoverished Afghans. This policy option would establish a national social safety net, providing financial payments to all Afghans currently living below the poverty line. While this is a goal of the World Bank and the Afghan Government, we assess that it is not currently feasible to implement in the near-term. There is insufficient government capacity to develop and implement this option effectively, and the financial cash benefit at the household level is not significant enough to affect our primary and secondary outcomes. Assuming an overall population of 1.238 million Afghan households living below the poverty line (derived from an extrapolation of the NRVA data in which concluded that Afghanistan has an overall population of 3.6 millions households and a poverty rate of 34 percent at the district level) the government would be able to provide each household with a monthly cash disbursement of $4.78 per household per month. This is
dramatically less than the $82 per month it would take to lift the average household out of poverty in Afghanistan. Given these limitations, we conclude this is not currently a viable option in Afghanistan.

**Targeting Option 3**

**Target nobody – do not implement a social protection program in Afghanistan.** Given the extreme levels of poverty in Afghanistan we do not feel like this is a viable option. While there are indications that certain indicators are improving within the country and on a positive trajectory, the combination of poverty, vulnerable labor and shock susceptibility requires some outside intervention in addition to what has been undertaken thus far. And given the limits to government capacity, meaningful financial support for the most impoverished Afghans is unlikely to happen absent foreign aid and investment.

**Funding Option 1**

**Target 100 percent of poverty gap.** This funding option would deliver a monthly cash transfer equal to the average amount of money required to lift a poor household out of poverty on average at the national level. This would require a monthly payment of $82 per household per month. Given the budget constraint we would only be able to give funds to 77,241 households, a smaller figure than we would like to reach with this cash transfer. Additionally, the budget required to provide $82 to every poor household at the national level would exceed $1 billion – over ten times the current budget.

**Funding Option 2**

**Target 50 percent of poverty gap.** This funding option would deliver a monthly cash transfer equal to half of the poverty gap, and would equal $41 per household per month. Given the budget constraint this funding target is more likely to have a greater effect across a much greater swath of villages in Afghanistan, as we would be able to deliver a payment of $41 per month to 144,482 households. Also, given this target the budget required to scale to a national program is approximately $600 million – more substantial than currently envisioned but not as infeasible as funding option 1. We feel that this figure provides a significant amount of money capable of effecting the desired primary and secondary outcomes that we have established while taking into consideration the political and fiscal constraints in the near- and long-term.
Institutional Implementation Roadmap

**World Bank**
- provides funds and technical assistance to **MoLSAMD**

**Mobile phone companies**
- roll out mobile cash transfers to targeted households in selected provinces

**MoLSAMD**
- coordinates with **provincial governments** to create capacity-building partnerships

**Community organizations**
- help disseminate information

**WB**
- conducts regular project performance reviews

**Automated grievance redressal**
- system monitors performance and beneficiary satisfaction
IV. RECOMMENDATIONS

As a result of this policy analysis, we have concluded the following: cash transfers are the best available method of poverty reduction, mobile money transfer services are the most effective and transparent method of delivering cash to target beneficiaries, and a poverty scorecard is the most accurate way of finding the beneficiary households within designated districts. We thus recommend implementing a small-scale cash transfer program in six select provinces that have an overall poverty rate of 50 percent or higher, relatively low inequality on the Gini scale, and access to electricity and cellphone towers. The following six provinces meet all these criteria: Laghman, Takhar, as well as select districts in Sar-e-Pul, Ghor, Badakhshan, and Zabul. These provinces were selected out of all of Afghanistan’s provinces as the most viable places to run a cash transfer (CT) program based on statistical analysis of poverty and inequality derived from the 2011/12 NRVA.

Below is a detailed list of our final recommendations that outline the groundwork for a government-run CT program model, which can be scaled to a national level in the medium to long-term timeframe.

**Key Policy Recommendations**

**Utilize cash transfers rather than public works** as a safety net instrument since it is a more direct and less complex method of providing income support to the poor. CTs can be implemented and monitored more easily, thus reducing the chance of graft and leakage while increasing overall program effectiveness.

**Implement a pilot cash transfer program** that targets households at the village level according to average scores on the World Bank’s Poverty Scorecard, administered to sample households within villages. Villages would be ranked in ascending score order, with lowest scoring villages receiving transfers first. The cutoff score would be based on the mean score at which funding to cover all households in selected villages is exhausted.

Given the high poverty levels and low literacy rates, **attach partial conditionality to cash transfers for randomly selected households in the target group in future scale-up programs.** We advise to limit the

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48 **Target Districts:** Prov Capital of Ghor, Dawlatyar, Lal Wa Sarjangal, Shahrak, Sar-e-Pul, Sayyad, Sozma Qala, Sangcharak, Gosfand, Shahr-e-Buzurg, Baharak, Khash, Argo, Tarank, Wa Jaldak, Shah Joi, Qalat
target group to families with school-age children, and make the cash conditional on school attendance, which is especially low for girls.

**Utilize mobile money transfer services as the primary disbursement method for the cash transfers.**

Given the considerable development in technological infrastructure and programs currently in place in Afghanistan, this implementation method will further help to reduce graft and leakage by making the path of disbursement to target more direct. We recommend using known and established programs – such as Roshan’s M-Paisa mobile cash transfer system – as the delivery method, selected on a competitive basis.

**Implement two-phase bidding process open to all telecommunication companies on a district-by-district basis.** MoLSAMD should hold an open bidding process using World Bank guidelines to award program contracts at the district level. A World Bank appointed panel of experts should monitor and submit a favorable transparency report before funds are disbursed. Providers should be required to renew or submit new contract bids at the end of the first phase, allowing for entry of new firms and increasing competition between providers.

**Develop feedback and grievance redressal systems.** There should be a robust feedback and redressal system built in to this cash transfer program. The impact of achieving such a monitoring process will not only help with overall program effectiveness and accountability but also could help develop target trust and confidence in Afghan government institutions. The implementation of mobile technology as the primary delivery method for this cash transfer will create an efficient and timely feedback process, allowing disbursement issues to be quickly addressed.

**Conduct a robust evaluation.** We recommend conducting a RDD as an econometric method of evaluation to test the effectiveness of the cash transfer. Measurable outcomes for households in villages with mean poverty scorecard results immediately above and below the threshold poverty score should be compared. The RDD would not be as accurate as an RCT in comparing control and treatment villages, though some of this can be mitigated using PSM methods. It also would not have the negative ethical implications associated with the RCT random selection process. We recommend evaluating the comparative households across consumption habits, indebtedness, literacy, child labor participation rates, and children’s school attendance - before, during, and after program implementation.
Limitations
There are several limitations that restrict our policy recommendations, which we have recognized in this report. The most significant one is the lack of funds. The current $100 million budget constraint would only cover a small fraction of poor households – less than one-seventh of the needed funds if the proposed program was scaled to a national level. A second key limitation is low government capacity to administer the program, which will need to be bolstered by technical assistance from international partners, like the World Bank. Insufficient technology and the high levels of poverty and illiteracy further restrict the program’s level of impact, and their improvement should be a priority when coordinating development initiatives between sectors.

There are also trade-offs in our recommended program implementation. The proposed method would only meet 50 percent of the poverty gap, but thus would ensure coverage of twice the amount of households as payments covering 100 percent of the gap. Concentrating resources by targeting homogenously poor villages reduces leakage to non-poor households, but it excludes poor households in non-poor villages. Based on our analysis, this is the best albeit imperfect solution to the daunting task of poverty reduction with limited resources. These limitations are important to recognize, but the proposed action plan would likely maximize the effectiveness of poverty reduction despite multiple challenges to policy implementation.

Conclusion
Although several barriers exist regarding the establishment of a viable social protection system in Afghanistan, the recommendations based on our policy analysis represent a detailed set of plans designed to minimize these challenges. We aim to mitigate possible corruption and low governance capacity by making use of certain quantitative techniques and proposing viable technological methods. We hope that the ideas presented in this report are useful to World Bank and the Government of Afghanistan as a guide to developing a social safety net program, which can effectively reduce poverty and boost resilience by providing income support to targeted households.
V. APPENDICES

Appendix A: Methodology

This report employs several policy analysis tools. The investigation is based on comprehensive, national-level quantitative and qualitative survey data, including the National Risk and Vulnerability Assessment (NRVA) cross-sectional data covering 2007-08 and 2011-12. The research team has considered program-specific evaluative data, macroeconomic trend indicators, nationwide Afghan public opinion surveys, and geographic mapping data. We examined past social safety net programs to determine how to effectively design, administer, and scale up these programs in order to obtain maximum results and build a strong social protection system. The technical tools of analysis are STATA and ArcGIS.

Districts and Provinces

There highlighted areas are the six provinces that we recommended targeting:
Selected Districts within Designated Provinces

Selected Districts in Badakhshan

Selected Districts in Ghor

Selected Districts in Zabul

Selected Districts in Sar-e-Pul
According to the Asia Institute *Survey of the Afghan People*, most Northeast provinces, which tend to be poorer, report their satisfaction with the provincial government at above 71 percent. Badhakshan is one of the three provinces that exhibits the highest approval (81-90 percent). People in Lagman also exhibit high government trust (71-80 percent).⁴⁹ This trend is encouraging since greater government trust implies greater government capacity in people’s perception, which may help with the implementation of government initiatives with more success. However, central parts of the country are mixed, with poorer provinces, including Ghor, Thakar, and Sar-e-Pul, reporting a relatively lower rate of satisfaction than their neighbors (60-70 percent).⁵⁰ Several provinces in the Northwest and a couple in the Southeast, including Zabul, have a rather low perception of government, rating their satisfaction at 48-60 percent, which is comparatively the lowest level of satisfaction.⁵¹ It may be more difficult to run a program there, but if successful, it could boost people’s trust in the government.

**Note:** We use 2012 Asia Institute survey data to match the NRVA period.

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⁵⁰ Ibid.
⁵¹ Ibid.
Scorecard Design

The “Simple Poverty Scorecard for Afghanistan” was developed by Microfinance Risk Management, LLC as an easy to administer test estimating a household’s likelihood for being in poverty. The test is meant to substitute a more time-intensive cataloguing of a household’s monthly consumption, by focusing on measures that are correlated with consumption above the poverty line. All the listed measures are associated with higher per capita consumption:

- # of children living in the home
- Head of household and spouse are literate
- Only a single family is living in a permanent home
- House has more than four rooms
- Household has a specific space for a restroom (open pit, covered latrine)
- Household has a non-animal or scavenged source of fuel
- Household owns a gas-powered stove
- Household owns a sewing machine
- Household owns a motorcycle and/or car
- Household owns or has access to irrigated land

We tested the predictive strength of each measure in the poverty scorecard in terms of a household’s probability for being in poverty. All but two of these observable characteristics had statistically significant associations with poverty at the 99% level. Only a spouse’s literacy and whether the household owned their own home failed to have a significant correlation with poverty. We believe this validates our use of the scorecard in the 2011-12 data as a means of determining potential targets for a social safety net cash transfer.
<table>
<thead>
<tr>
<th>Entity</th>
<th>Name</th>
<th>ID</th>
<th>Date (DD/MM/YY)</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member:</td>
<td></td>
<td></td>
<td>Joined: Today</td>
<td></td>
</tr>
<tr>
<td>Field agent:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service point:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Simple poverty scorecard for Afghanistan**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. How many household members are 35-years-old or younger?</td>
<td>A. Seven or more</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>B. Five or six</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>C. Four</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>D. Three</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>E. Two</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>F. One</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>G. None</td>
<td>29</td>
</tr>
</tbody>
</table>

| 2. Can both the male head/spouse and the female head/spouse read and write? | A. No male head/spouse | 0 |
| | B. No female head/spouse | 5 |
| | C. No | 5 |
| | D. Yes | 11 |

| 3. What type of dwelling best describes where the household lives? | A. Temporary shelter/shack, part of a shared house, separate apartment, or other shared apartment, tent, or other | 0 |
| | B. Single-family house | 3 |

| 4. How many rooms (both exclusively yours and shared) does your household occupy (exclude corridors and balconies)? | A. One to four | 0 |
| | B. Five or more | 4 |

| 5. Which main toilet facility does the household use? | A. None (open field, bush) or sodal, decent (area inside or outside compound but not pit), or other | 0 |
| | B. Open pit | 5 |
| | C. Traditional covered latrine | 6 |
| | D. Improved latrine, or flush latrine | 11 |

| 6. In the past 30 days, what has been the household’s main source of cooking fuel? | A. Animal dung, scavenged material/trash, bales, or other (palm leaves, branches, or other) | 0 |
| | B. Crop residues, firewood, charcoal/coal, kerosene or oil, gas, or electricity | 4 |

| 7. How many stoves/gas cylinders does the household own? | A. None | 0 |
| | B. One | 1 |
| | C. Two or more | 9 |

| 8. Does the household own any sewing machines? | A. No | 0 |
| | B. Yes | 3 |

| 9. Does the household own any motorcycles or cars? | A. No | 0 |
| | B. Motorcycle only | 12 |
| | C. Car (regardless of motorcycle) | 22 |

| 10. Did anyone in the household own or have access to any irrigated land in the most recent summer cultivation season, excluding a garden plot? | A. No | 0 |
| | B. Yes | 4 |

Proxy Means Test

Proxy means test (PMT) is a targeting method being instituted in a growing number of countries, especially in contexts characterized by informal economies, such as Afghanistan. It has been found to be accurate for targeting the income poor internationally and in the region for large-scale programs in difficult environments. PMT also has the benefit of building a database of the poor in the country which can then be used for pro-poor targeting of other interventions including crisis response programming. The PMT method generates a score for each household based on fairly easy to observe characteristics of the household such as the location and quality of the dwelling, ownership of items such as a motorcycle, literacy, and demographic structure of the household.. The indicators used in calculating this score and their weights are derived from statistical analysis (usually regression analysis). In general, when programs are targeting the poor, the indicators are selected based on their observed correlation with a welfare indicator, estimated using survey data.

The indicators (about 10-15) are collected for each household through a questionnaire or form (sometimes called "poverty scorecard") and the information is usually partially verified by either through a visit to the home by a program representative or having the applicant bring written verification of part of the information to the program office. Usually a survey firm is contracted to collect household level data of all applicants. The survey questionnaire will be developed using the NRVA data to derive to a set of 15-20 proxy indicators. The survey firm is also responsible for data entry. CDCs can play an important role in encouraging poor families to apply to the program, and the FPs will support the information campaign.

52 This section is from the World Bank’s Afghanistan Social Safety Net and Pensions Project.
Regression Results

Table A.1

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>In poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 or 6 children</td>
<td>-0.124***</td>
</tr>
<tr>
<td></td>
<td>(0.0103)</td>
</tr>
<tr>
<td>4 children</td>
<td>-0.191***</td>
</tr>
<tr>
<td></td>
<td>(0.0114)</td>
</tr>
<tr>
<td>3 children</td>
<td>-0.271***</td>
</tr>
<tr>
<td></td>
<td>(0.0116)</td>
</tr>
<tr>
<td>2 children</td>
<td>-0.349***</td>
</tr>
<tr>
<td></td>
<td>(0.0125)</td>
</tr>
<tr>
<td>1 child</td>
<td>-0.445***</td>
</tr>
<tr>
<td></td>
<td>(0.0141)</td>
</tr>
<tr>
<td>0 children</td>
<td>-0.516***</td>
</tr>
<tr>
<td></td>
<td>(0.0163)</td>
</tr>
<tr>
<td>Head of Household Literate</td>
<td>-0.0516***</td>
</tr>
<tr>
<td></td>
<td>(0.0070)</td>
</tr>
<tr>
<td>Spouse Literacy</td>
<td>-0.0138</td>
</tr>
<tr>
<td></td>
<td>(0.0136)</td>
</tr>
<tr>
<td>Open Pit (Toilet)</td>
<td>-0.0288***</td>
</tr>
<tr>
<td></td>
<td>(0.0109)</td>
</tr>
<tr>
<td>Covered Latrine</td>
<td>-0.0393***</td>
</tr>
<tr>
<td></td>
<td>(0.00950)</td>
</tr>
<tr>
<td>Flush Latrine</td>
<td>-0.0873***</td>
</tr>
<tr>
<td></td>
<td>(0.0177)</td>
</tr>
<tr>
<td>Only dung or twigs for fuel</td>
<td>0.139***</td>
</tr>
<tr>
<td></td>
<td>(0.00697)</td>
</tr>
<tr>
<td>Five or more rooms</td>
<td>-0.133***</td>
</tr>
<tr>
<td></td>
<td>(0.0109)</td>
</tr>
<tr>
<td>Single family home</td>
<td>0.00295</td>
</tr>
<tr>
<td></td>
<td>(0.00747)</td>
</tr>
<tr>
<td># of Stoves</td>
<td>-0.0318***</td>
</tr>
<tr>
<td></td>
<td>(0.00733)</td>
</tr>
<tr>
<td>Owns a Sewing Machine</td>
<td>-0.0476***</td>
</tr>
<tr>
<td></td>
<td>(0.00696)</td>
</tr>
<tr>
<td>Owns a Motorcycle</td>
<td>-0.151***</td>
</tr>
<tr>
<td></td>
<td>(0.00766)</td>
</tr>
<tr>
<td>Owns a Car</td>
<td>-0.233***</td>
</tr>
<tr>
<td></td>
<td>(0.0113)</td>
</tr>
<tr>
<td>Irrigated Land Access</td>
<td>-0.0625***</td>
</tr>
<tr>
<td></td>
<td>(0.00656)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.677***</td>
</tr>
<tr>
<td></td>
<td>(0.0142)</td>
</tr>
<tr>
<td>Observations</td>
<td>18,803</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.174</td>
</tr>
</tbody>
</table>

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1
This chart describes per capita consumption per month for all households in the survey. There are 19,598 households w/ consumption data (out of 20,828 surveyed).

\[
\begin{array}{|c|c|}
\hline
\text{Percentiles} & \text{Smallest} \\
\hline
1\% & 676.6247 \\
5\% & 895.2063 \\
10\% & 1047.674 \\
25\% & 1393.424 \\
50\% & 1919.769 \\
75\% & 2711.257 \\
90\% & 3825.117 \\
95\% & 4872.146 \\
99\% & 8098.241 \\
\hline
\end{array}
\]

The poor variable represents the percentage of households below the poverty line. It is based on whether per capita monthly consumption falls below a certain threshold, which varies regionally.

\[
\begin{array}{|c|c|}
\hline
\text{Percentiles} & \text{Smallest} \\
\hline
1\% & 0 \\
5\% & 0 \\
10\% & 0 \\
25\% & 0 \\
50\% & 0 \\
75\% & 1 \\
90\% & 1 \\
95\% & 1 \\
99\% & 1 \\
\hline
\end{array}
\]

The poor variable represents the percentage of households below the poverty line. It is based on whether per capita monthly consumption falls below a certain threshold, which varies regionally.
Our target population is limited to households that have access to school. 8% of children in the survey listed that they cannot attend school.

This chart describes the ratio of children in each household that cannot attend school. There are a fair number of households that send some kids to school and not others. They list the reason for this as being: school is too far. But many of these households have children attending school of the same age. A lot of these kids who are not being sent to school are girls. This chart shows that of the 3,478 children who do not attend school because it is apparently too far, but who have siblings attending school, the majority are girls.

We define our target population as being at the bottom 10% of per capita monthly consuming households, assuming that the household has access to school. Based on the above exploration, I am only removing households from the target group that have 100% of their children not attending school because it is too far.
That creates the following chart. 8.6% of total households in the sample meet those criteria (which is higher than the amount listed in the rough draft). It is higher than the draft list because we defined the target population at the individual level. That was incorrect because the consumption variable is calculated at the household level.

This table shows that 159 households were invalidated from being in the target population from having no access to schools:

```
. tab no_schl_rto if no_schl_rto==1 & pexadj_t<=1047.674

<table>
<thead>
<tr>
<th>no_schl_rto</th>
<th>Freq.</th>
<th>Percent</th>
<th>Cum.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>159</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>159</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>
```
This next table describes the amount of money the average per capita monthly consumption of our target population:

```
. summ pexadj_t if target==1, d

           (mean) pexadj_t
Percentiles       Smallest
 1%        416.9535    149.1158
 5%         597.7679    260.3199
 10%       680.1761    263.3544     Obs        1800
 25%       784.5308    298.0961   Sum of Wgt.    1800
 50%       895.5       Largest     Std. Dev.    141.3468
 75%       979.3046    1047.21    Variance    19978.91
 90%       1022.771    1047.398   Skewness    -1.132948
 95%       1034.573    1047.401   Kurtosis    4.478645
 99%       1045.383    1047.562
```

The last part, the poverty line. This chart shows average monthly per capita consumption if you are not a poor household. The important part of this chart is the minimum value. It shows us that the minimum amount a household consumed while still being considered out of poverty was 1350.165 Afghanis.

```
. summ pexadj_t if poor==0, d

           (mean) pexadj_t
Percentiles       Smallest
 1%       1441.714     1350.165
 5%       1546.466     1350.857
 10%      1650.208     1359.77     Obs        12859
 25%      1913.578     1361.574   Sum of Wgt.    12859
 50%      2389.72      Largest     Std. Dev.    1639.444
 75%      3223.885     26804.06    Variance    2687776
 90%      4460.834     31248.06    Skewness    5.235694
 95%      5608.458     37929.2    Kurtosis    65.52445
 99%      9218.88      38416.01
```

This chart shows us what the maximum amount a household can consume while still being considered in poverty (2714.015 Afghanis).
The complicated part now is, figuring out what the national poverty line should be. The easiest part would be to reduce all these values down to the average poverty lines at the provincial level. The first thing I did was determine the poverty line at the district level (which are located within provinces and are the closest to the market level where poverty lines are actually determined). Then I collapsed the dataset to the provincial level, averaging the poverty lines across by province. This chart describes the average poverty lines across provinces. The median is 1888.73 Afghanis while the mean is 1958.361. I would recommend the median as our national average, the higher city consumption values are pulling the mean up. That means our approximation of the national poverty line for the purposes of figuring costs is 1888.73 Afghanis (about $32.93).
Application of Scorecard

Below are tables showing the differences in observed values between our targeted population of a score ≤ 23 within the target districts and the general population of Afghanistan. The first table focuses on educational level, literacy rates, number of dependents, access to school and mean consumption levels.

<table>
<thead>
<tr>
<th>Population</th>
<th>Years of Education</th>
<th>%Literate</th>
<th>Number of Dependents</th>
<th>No School</th>
<th>Consumption (Mean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>5.91</td>
<td>15%</td>
<td>5.2</td>
<td>19%</td>
<td>$0.89/Day</td>
</tr>
<tr>
<td>General</td>
<td>7.94</td>
<td>26%</td>
<td>4.3</td>
<td>11.2%</td>
<td>$1.59/Day</td>
</tr>
<tr>
<td>Difference</td>
<td>-2.03</td>
<td>-11%</td>
<td>.9</td>
<td>7.8%</td>
<td>$0.70/Day</td>
</tr>
</tbody>
</table>

The next table outlines the differences between the two groups in relation to vulnerability and responses to economic shocks.

<table>
<thead>
<tr>
<th>Population</th>
<th>Recovered from Previous Shock</th>
<th>Reduced Food Consumption from Shock</th>
<th>Reduced Spending from Shock</th>
<th>Took a Loan Due to Shock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target</td>
<td>25%</td>
<td>23%</td>
<td>67.4%</td>
<td>40.6%</td>
</tr>
<tr>
<td>General</td>
<td>29%</td>
<td>14.1%</td>
<td>53.5%</td>
<td>31.6%</td>
</tr>
<tr>
<td>Difference</td>
<td>-4%</td>
<td>8.9%</td>
<td>10.9%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Specificity and Sensitivity
To assess the scorecard level we wished to use we ran specificity and sensitivity tests on scorecard scores at the national level. In particular, we looked for a score that would be more highly sensitive to the 100% level of poverty than the 200% level. This choice followed from a focus on capturing as many poor households as possible; we therefore emphasized the rate of true positive results as the most important measure of success.

We discovered at the score level of 23 there was a significant drop in sensitivity to the 200% poverty level at a rate faster than the predictably continuous drops observed across all other measures (84.4% to 46.4% before rising again to 58% as the scores fell). We then tested the score of 23 at the district level.

At the district level the score of 23 yielded a very high percentage (77%) of true positives while ensuring 98.3% of positive results remained under the 200% of poverty line limit.
Appendix B: Background Information

Brief Literature Review on Social Protection and Conflict-Affected States

Social Protection plays a pivotal role in managing and preventing conflict. SP is uniquely positioned to serve as a bridge between short-term humanitarian aid and long-term system institutionalization (Christopolos 2004, WDR 2011, Andrews et al 2012). SP interventions provide individuals and communities in conflict-affected states with basic rehabilitative support (cash, work, and reconstruction) and help rebuild the torn social cohesion (destroyed livelihoods, excluded groups, ex-combatants) through various initiatives. Evidence suggests that most community-driven development, public works, and cash transfer programs are effective tools to mitigate multiple shocks caused by conflict, but should be used in accordance with the given context, sometimes complementarily. There is some debate in the literature about what works best in a conflict setting. Overall, CDDs have some mixed reviews – they actively engage conflict-affected communities in useful restructuring or relief tasks and may help repair social cohesion, but may also create easy targets for corruption or sabotage (Kuehnast et al 2006, Crost et al 2006). Some experts find conditional cash transfers to be particularly effective and potentially sustainable tool against recurring violence and chronic vulnerability (Hoffman 2005, Holmes 2010, Kenny 2011, Crost et al 2013). Public works offer a double-dividend benefit of repairing destroyed infrastructure and providing vulnerable people, including violence-prone youth, with jobs, albeit short-term (Iyer and Santos 2012, McLean-Hilker and Fraser 2009, Nayar et al 2012, Von Kaltenborn-Stachau 2013). However, many programs face administrative and implementation issues, especially targeting and coverage, and need some restructuring to function at their full potential (Vodopivec et al 2006, Carpenter et al 2012, WBI 2012). Building stronger social protection systems and institutions will increase their capacity to mitigate the immediate challenges in post-conflict countries, and also bolster fragile states’ resilience against conflict, thus allowing them to prosper with unfettered sustainability.
**Ongoing World Bank Social Protection Project**

The World Bank is currently running the Afghanistan Pensions and Safety Nets Project. It began in 2010, and the Bank had originally committed $7.5 million for it. It was recently extended, restructured, and refinanced to add an additional $12.5 million – totaling $20 million, disbursed over 6 years (2010-2016). The safety net component is slotted for $8.3 million (The other funds are committed for pensions and project management). However, this amount does not restrict the policy advice presented in this paper since its purpose is to guide future interventions, not limited to this ongoing project. Keeping in mind that the safety net programs in Afghanistan are in a nascent stage and currently in a preparatory pilot phase it is likely that, if successful, they will be scaled up to form sustainable safety net system in the future.

**Client Profile**

The World Bank is an international organization that provides loans, grants and technical expertise to emerging economy client countries. It is composed of 5 institutions: International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and International Centre for Settlement of Investment Disputes (ICSID). Currently, the Bank has 188 member shareholders and funds 12,196 projects in 173 countries with a yearly budget of over 40 billion. It's headquartered in Washington, D.C., with 120 country offices and 10,000 employees around the world. The Bank’s primary mission is poverty reduction through sustainable and inclusive growth. Social Protection & Labor is one of 14 Global Practices of the World Bank that help reach it. Social protection programs include social assistance (such as cash transfers and public works) and social insurance (such as pensions and unemployment). The central goal of these programs is to reduce poverty and vulnerability by uplifting poor people through investment in human capital (education, training, health, etc.). The Bank almost tripled its social protection and labor lending in the last few years, to an annual average of $4.2 billion. The Bank’s a strategic objective is to help countries move from fragmented initiatives to harmonized systems in order to deepen the impact of social protection and labor programs.

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Afghanistan Country Profile

Afghanistan has been the focus of shifting influence by various international stakeholders throughout its modern history. Although the country achieved full independence from Britain in 1919, it subsequently drew closer to the Soviet Union during the Cold War period. The huge amount of economic assistance Afghanistan received from the Soviet Union consequently set the stage for Soviet military intervention. Following the withdrawal of Soviet troops, Afghanistan saw the rise of the Taliban and Al-Qaeda. Their commitment to world-wide terrorism resulted in the September 11th attacks, and subsequently, the US-led military intervention, which began October 7th, 2001. Since then, Afghanistan has been receiving significant amounts of aid from various development partners. Building from the flow of aid, Afghanistan’s economy has recovered greatly since the fall of the Taliban in 2001, with the average economic growth rate between 2003 and 2012 reaching 9.4 percent. However, the recovery slowed down remarkably in 2013 with a growth rate of 1.9 percent. Furthermore, 48.4 percent of the population is under the age of 15, indicating a very high ratio of dependents, which places a significant burden on the economy.55 Despite significant improvements, Afghanistan remains one of the poorest countries in the world with an economy still broadly characterized by poverty and vulnerability.

55 World Bank World Development Indicators, 2013: data.worldbank.org/country/afghanistan
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