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This publication has been issued without formal editing by the Publications Unit.

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1. OBJECTIVE

IOM Iraq commissioned the Cash Feasibility Assessment with the main objective to evaluate to what extent the context in Iraq is conducive to CBIs, what are lessons learned from current CBIs and identify recommendations for future IOM programming.

More specifically this assessment will review assess market access and capacity to meet increased demands/ cash injections, review the political context and existing cash operational environment (including previous experiences and lessons learned with CBI), analyze risks, benefits, challenges and cost-efficiency gains of cash assistance (including beneficiary protection considerations), outline optimal cash delivery mechanisms and FSPs in view of initiating and scaling-up CBI in Iraq. The methodology of the assessment included:

- Desk review of IOM Iraq’s emergency response, IOM’s and partners’ CBI in country, donor policies and national strategies on cash and World Bank and Government related Social Protection/ Safety Nets.
- Field missions to Fallujah, Anbar and Mosul (East and West), Ninewa to meet camp management, IDP households, IOM Field Teams and observe vendors and beneficiaries’ purchase behaviour.
- Key informant interviews (KII) with: (1) IOM (2) External Stakeholders including CWG/ MPCA and NFI/ Shelter Clusters, UN agencies, INGOs, and CCI, (3) Members of beneficiary community in Fallujah and East/ West Mosul, (4) Market traders that provide NFI and Shelter materials, (5) FSPs.

Single mother receiving cash distribution says she will use the money to buy clothes for her three children. Photo: IOMIraq
CBI are arguably one of the most relevant topics of discussion in the humanitarian sector today. Globally, CBI account for over US$3 billion but represent only 10% of the humanitarian portfolio, even though they are proven to be appropriate in 80% of crises worldwide and suitable for most, if not all, emergency contexts – including challenging and insecure environments such as Iraq – either on their own or in combination with in-kind and other transfer modalities.

It is estimated that 42% of the humanitarian budget could be more effectively allocated to financial aid. CBI ‘raises the bar’ of market analysis and accountability to affected populations (AAP) by making the humanitarian industry both more cost-efficient and more people-centered. The humanitarian community still lacks knowledge of local markets, although it is central to understanding livelihoods, coping strategies of affected populations, and how they access what they need in crisis situations. Giving people in need a choice on how to spend humanitarian assistance allows them to regain some dignity and empowers them to take some control over their lives. CBI also helps humanitarian actors understand better what are the needs of crisis affected people, their surrounding environments and can strengthen existing (or help create new) national systems (such as safety nets and social protection), support local markets, increase stabilization prospects by linking humanitarian with development activities as well as better coordinate and harmonize the delivery of assistance of aid institutions.

In the last decade, CBI consistently proved that, where local markets exist, and the environment is conducive, they can help populations meet their basic needs and access services in a more dignified, empowered, accountable, cost-efficient and effective manner, while stimulating and having positive knock on effects on local economies, host communities and displaced persons’ prospects.

Globally, debates have shifted from whether cash is appropriate to how agencies can adequately and systematically scale-up, maximize and coordinate CBIs. There is widespread global support for cash-based assistance and a recognition that it can make the humanitarian sector more efficient and people-centered in line with the commitments made within the Grand Bargain agreement. While not free of challenges, organizations are working together to ensure that CBI is the preferred and default method of support of humanitarian assistance in the coming years.

Recent examples of contexts that are not conducive to CBI include besieged areas within Syria with ongoing fighting, remote areas cut off from transport networks in South Sudan (e.g. during rainy season), areas cut off from markets following the earthquake in Nepal and areas with severe movement restrictions during the Ebola crisis. This demonstrates that only some specific contexts are unsuitable for cash transfers and that, while some governments resist cash programming, this is not the case in Iraq now. Similar contexts to Iraq include Afghanistan, Yemen and Libya, where cash is being implemented at scale to meet humanitarian needs. Countless reports, panels and summits support the view that CBI (stand-alone and when provided as complementary assistance) has the largest transformative potential to increase accountability to affected populations and support national systems.

3 The Grand Bargain, an agreement between more than 30 of the biggest donors and aid providers, which aims to get more means into the hands of people in need https://www.agendaforhumanity.org/initiatives/3861

Giving people in need a choice on how to spend humanitarian assistance allows them to regain some dignity and empowers them to take control over their lives. Photo: IOM Iraq
3. IRAQ CONTEXT

Iraq is going through a critical period of transition, 2018 statistics show that, with a population of 38.7 million people and an economy largely dependent on oil, Iraq is considered an upper middle-income country. With current GDP growth at 1.9%, thanks to a recent improvement in security conditions, higher oil prices and expected higher public and private investment, there is a more favourable GDP growth outlook of 6.2% in 2019.

Unemployment rates are at 16% (youth unemployment 36%) and the public-sector accounts for nearly 42% of full-time employment with a low percentage of women (19%) participating in the labour force. Iraq imports goods mainly from Turkey, China, the United Arab Emirates and Iran, though the latter only made up about 15% or less of total imports in 2017. US sanctions on Iran and demands on Iraq to comply with them will likely have an impact on the level of imported goods in 2019.

Iraq is the third largest humanitarian crisis in terms of funding and needs after Syria and Yemen. At the end of 2018, it is reported that the country still hosts about 1.8 million internally displaced persons (IDPs) – of which 600,000 live in camps and 1.2 million live out of camps – an estimated 4.1 million returnees and over 250,000 Syrian refugees, as well as host populations - returnees - in critical need of aid.

The humanitarian response plan 2018/19 estimates that 8.7 million Iraqis (22.5 percent of the population) are unable to meet basic needs and require some form of humanitarian assistance. The fight against the Islamic State of Iraq and the Levant (ISIL) particularly affected the economy and markets and doubled poverty rates across the country (in ISIL-occupied areas this went up to 41%). The Government of Iraq (GoI) is putting in place a reconstruction package linking stabilization to a long-term vision of regional Development Initiatives (2018), Global Humanitarian Assistance Report.

In the western Anbar region and west Mosul, both locations of high IDP density, JRAM conducted earlier in 2018 found that damage to electricity, water and communication infrastructure were greater than damage to road infrastructure, which is key to transport of commodities and supply chain. Moreover, the JRAM round that the delay at check points and security concerns overall were reported by a minority of retailers (38%) and close to half (45%) of wholesalers in western Anbar. This was not reported as a main challenge for businesses or for market access in west Mosul. The JRAMs further indicated that the vast majority of consumers (97%) reported not to face any physical barriers, including security, in accessing market places in both locations, and assessed goods were widely available in the market place with limited shortages across all assessed market places and a significantly level of confidence expressed by retailers and wholesalers in their capacity to respond to a 50% to 100% increase in demand in west Anbar. 94% of retailers and 96% of wholesalers reported being able to increase supply by 100% in response to significant rises in demand in west Mosul.

With regards to prices, JPMI findings show that expensive items include Erbil (Kirkuk), Karbala (Bayani), Abu Gharib (Baghdad), Sulaymaniyah (Sulaymaniyah) and Zakho (Dohok) and cheaper districts are S Primer (Dahuk), Khanqin (Diyala), Mosul (Nineawa) and Fallujah (Anbar). NFPI price fluctuations are reported to be greater than food. Studies which cover over 30 districts in Iraq on a monthly basis found that increased cash injections can be absorbed by local markets without posing any threat to its functioning.

7. UHCR Iraq (2018), Fact Sheet.
10. Overseas Development Institute (ODI), Kristen Smart (2017), Challenging the system: humanitarian cash transfers in Iraq.
13. Iraq’s donor community.
15. The Iraq inter-agency group all confirm in reviewed documentation that Iraq is an upper middle-income country, rich in natural resources and human potential with well-connected, integrated, recovering and resilient markets.
16. Stable prices.
17. National social protection systems.
18. Mosul. A majority of consumers (97%) reported not to face any physical barriers, including security, in accessing market places in both locations, and assessed goods were widely available in the market place with limited shortages across all assessed market places and a significantly level of confidence expressed by retailers and wholesalers in their capacity to respond to a 50% to 100% increase in demand in west Anbar. 94% of retailers and 96% of wholesalers reported being able to increase supply by 100% in response to significant rises in demand in west Mosul.

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The humanitarian response in Iraq has seen an uptake of CBI since 2014, with the formation of the Cash Working Group (CWG) in 2014, headed by UNHCR and Mercy Corps (MC), which saw the membership grow from 13 members to over 40 in two years. In 2015, a Cash Consortium of Iraq (CCI) was created assisting 3,335 households in 2015 and 12,759 households in 2016. The CWG in Iraq focuses mostly on technical aspects, coordination and harmonization of Multi-Purpose Cash Assistance (MPCA) and less on sector-based cash. The CWG provides MPDA in different geographical locations such as in Diyalah, Anbar, Najaf, Muthanna, Basrah, Misr, Thi-Qar, Qadissiya, Wasit, and Kerbala. The uptake of cash assistance in Iraq can be attributed to the creation of a separate chapter for MPDA in the 2015 and the 2016 Iraq Humanitarian Response Plans (HRP) and the placement of CWG under the Inter-Cluster Coordination Group (ICCG).

Market based interventions, including through cash and vouchers, are used extensively to meet the needs of refugees, IDPs, returnees, and host communities in Iraq since 2014, following reports of Syrian refugees selling in-kind winter items to procure much needed goods and services. According to data from OCHA’s Financial Tracking System (FTS), the cash-based response for IDPs comprises of cash transfers designed under sector-specific objectives (Protection and Food Security) and multi-purpose cash assistance, representing an estimated funding of US$ 31.1 million (2.4%) of the total 2018 humanitarian response.

4.1. SHELTER/NFI AND OTHER SECTOR-BASED CASH-BASED ASSISTANCE

While UN and INGOs participating in the Shelter/NFI Cluster implement a limited (3%) of CBI in its programmes and activities, the Cluster Coordinator reassures there is no market-based challenge to justify this. IOM Iraq’s procure unit reports that 99% of shelter and NFIs are procured in Iraq. Those internationally procured are due to specifications, not unavailability of the product per se. A commonly expressed concern by donors and humanitarian partners is what type of commodities are bought with CBI and how to ensure technical quality of purchased goods or construction work undertaken. Cash-based shelter programmes commonly use a combination of needs assessment and targeting, conditional (such as payment in instalments) or restricted cash (vouchers) along with technical support and training to address these concerns.

The commitment of the Shelter/NFI Cluster to increase CBI in its programming is evidenced in decisions taken by the Strategic Advisory Group (SAG) such as (1) incorporating socio-economic vulnerability targeting to sector-based assessments and (2) published guidance on CBIs for Shelter, NFI and Seasonal Response (meaning winter and summer seasonal assistance).
Explanations for the low uptake and use of CBIs in the Shelter/NFI cluster include limited experience with market-based programming and perceived fears with regards to product quality and availability, which have not yet been founded; particularly as agencies such as IOM procure most, if not all, of their NFI and Shelter items nationally and locally. Evidently, certain specifications, for instance, UNHCR-sized tarpaulins may not be available in the market, but other shapes and sizes are available. There has been much discussion in both the cluster and the SAG on the issue of access to markets and availability of NFI and Shelter quality products in enough quantity. Some feel that in-kind distributions are more appropriate in areas far from markets or where markets are no longer functioning, while other CBI proponents point out that creating market demand will quickly result in increased supply capacity. Global experience has shown that even in places perceived to be far from markets or where access is limited, entrepreneurs usually step in quickly to fill gaps in the market.

The Shelter/NFI Cluster has made commitments to utilize the CWG socio-economic vulnerability tool, at least some of the socio-economic vulnerability indicators in its assessments for 2019. Options considered by NFI and Shelter actors include e-vouchers, "trade fairs" in camps with limited market access and/or freedom of movement and possibly MPACAs, as it contains cash-for-rent in its Minimum Expenditure Basket (MEB).

Discussions within the Shelter/NFI SAG identified the potential impact of MPACAs on shelter needs of the affected community. Experience33 shows that IDPs receiving MPACA spend it mostly on rent. Therefore, separating out IDPs with remaining critical shelter needs from those whose shelter needs have been addressed through receiving MPACA is critical. It is in the Shelter/NFI Cluster’s interest to therefore build its CBI capacity by transitioning fully its seasonal NFI assistance as well as Sealing Off Kits (SOKs) to cash and vouchers and to pilot MPACAs in coordination with CWG and CCI. While addressing immediate life-saving needs may seem to be more effectively met through in-kind distributions, because of pre-positioned contingency plan items, moving as quickly as possible to cash-based assistance will build market capacity and support market sustainability. In-kind based responses should include strategies to quickly transition to cash.

4.2. MULTI-PURPOSE CASH ASSISTANCE (MPCA)

MPCA is the most commonly used tool for CBI in Iraq to meet basic needs of vulnerable IDPs. CWG and CCI post distribution monitoring (PDM) findings show that households receiving MPCA spend the assistance mostly on food, shelter/rent, basic NFIs, healthcare and repayment of debt. MPCA is provided as either a one-off or a maximum of three consecutive months grant to out of camp populations. The CWG observed people reverting to negative coping mechanisms once assistance is discontinued, including selling assets and reducing expenditure on food. Even though beneficiaries are referred by the CWG to MOLSA as soon as they are assessed and identified with needs, the referral system doesn’t always work as there is a 70% compatibility rate with households assessed and assisted with MPACA and MoLSA’s targeting approach. In addition, MOLSA has limited capacity and funding. The CWG and CCI hope to strengthen and mitigate this in 2019, with support of the World Bank and other donors.

Currently MPCA is provided to out-of-camp populations only. The main reason for this is that people in camps are provided with basic services free of charge. A Joint Assessment Mission (JAM) conducted by UNHCR and WFP in 2014 revealed that the limited purchasing power of refugees in Iraq and access to the wholesale markets outside the camp were stifling the growth of markets in the camps, meaning that markets would restart in and near camps if cash is provided to the camp population.

Visits to two IDP camps showed people requesting for cash assistance and reportedly being able to meet all their needs in sufficient quantity and quality in local markets nearby. However, the provision of cash in camps is an ongoing discussion and one that may arguably change in coming months as camps continue to close or reduce in size. While the CWG policy of no MPCA in camps remains, in-kind assistance continues to be provided in camps, as well as different types of sector-based conditional cash assistance (such as CSTN for food/livelihoods), restricted cash implemented by WFP (food vouchers) and unrestricted and unconditional cash assistance by UNHCR (e.g. winter cash assistance).

33 Iraq Shelter Cluster (2015), Cluster guidance on cash-based Shelter and NFI assistance.
### Table 1: CWG Minimum Expenditure Basket (MEB) June 2018

<table>
<thead>
<tr>
<th>ITEM</th>
<th>IQD</th>
<th>USD</th>
<th>% COVERAGE</th>
<th>% OF FULL BASKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>151,368</td>
<td>128</td>
<td>100</td>
<td>32%</td>
</tr>
<tr>
<td>Hygiene items (consumable)</td>
<td>16,547</td>
<td>14</td>
<td>100</td>
<td>3%</td>
</tr>
<tr>
<td>Transport/ Communication</td>
<td>70,994</td>
<td>60</td>
<td>100</td>
<td>15%</td>
</tr>
<tr>
<td>Rent</td>
<td>173,588</td>
<td>146</td>
<td>100</td>
<td>37%</td>
</tr>
<tr>
<td>Electricity</td>
<td>32,176</td>
<td>27</td>
<td>100</td>
<td>7%</td>
</tr>
<tr>
<td>Water</td>
<td>26,352</td>
<td>22</td>
<td>100</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>470,827</td>
<td>397</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

#### 4.3. CASH WORKING GROUP (CWG)

The CWG is a bit of an anomaly in Iraq as it is considered a 'semi-cluster' in the HCT, different from other countries where CWGs operate as a separate technical working group, unattached to any cluster or sector. In other countries of the Middle East, a Basic Assistance Working Group (BAWG) has been created to coordinate MPG/MPCA assistance as well as seasonal and new arrival support. In mid-2014, UNHCR and Mercy Corps formed the CWG, with the objective to coordinate, harmonize, share information, harness best practices and establish exit strategies of CBI, particularly with the increased use of MPCA.

In terms of Financial Service Providers (FSPs), the CWG uses different Hawala companies to get around the ID requirements. Accepted ID documents which most IDPs do not possess include social security cards, from the Public Distribution System (PDS) national ID ‘shehada al jinsiya’, passport, residency permit ‘iqama’, marriage certificate, among others. Humanitarian actors work with both Hawala networks/companies and mobile money from two large communication companies operating in Iraq (Zain and AsaCel). MoLSA uses the Qi-card as does the pension system in the country and Qi-cards are also used in the Ministry of Trade’s public distribution system (PDS).

Although the socio-economic vulnerability assessment tool used for MPCA captures displacement status (IDP, refugee, returnee, stayee) in its questionnaire, this doesn’t mean that humanitarian partners assist people based on this status but rather on the needs identified within this wider group. The tool also allows the CWG to refer people in need to humanitarian partners, since they have assessed many people and may not be able to assist all, particularly IDP / returnees.

CBI and MPCA support protection, safe return, basic needs, shelter for IDPs when they leave the camps. These approaches are still humanitarian in nature rather than development oriented and allow for transition and alignment with poverty reduction / development strategies. In addition, in the post-crisis phase in Iraq it is critical that humanitarian and development actors work together to strengthen the capacity of government ministries and national systems, so they are able to respond to internal displacement and future crises.

#### 5. DONOR AND GOVERNMENT OF IRAQ POSITION ON CBI

There are no observed government policies in Iraq against the use of cash assistance by agencies for humanitarian needs. For example, the CWG has reported that the ‘no cash in camps’ policy is a CWG decision with donors and other agencies rather than a government request. MoLSA and other ministries, including the MoMoD, use conditional and unconditional cash assistance to boost purchasing power, increase employment opportunities, reduce poverty and encourage other agencies to do so, according to the CWG and CCI.

In 2018, a donor alignment paper was created by DFID, ECHO and USAID/OFDA calling for increased use of MPCA and greater harmonization both among humanitarian agencies and between humanitarian agencies and government ministries. As donors, there is a commitment to coordinate better among themselves in order to support and harness collaboration rather than instil competition among actors. This donor alignment paper on MPCA states that Iraq provides good conditions for the use of cash as a humanitarian response modality due to its existing and cash-based social transfer systems, functional markets and available financial service providers. Under the Grand Bargain adopted at the World Humanitarian Summit in Istanbul in 2016, aid organisations and donors have committed to ensuring that effective coordination, delivery and monitoring and evaluation mechanisms are in place for cash assistance, where cash is deemed feasible, relevant and appropriate, which seems to be the case for Iraq, as supported by sources and evidenced by this assessment.

5.1. IRAQ POVERTY REDUCTION AND GOVERNMENT CASH BASED SAFETY NETS EXPERIENCE

Prior to the crisis, Iraq had established a social safety net through the public distribution system (PDS) supplying food rations to all Iraqis and providing more than one third of Iraqis’ calorie consumption. With the reduction of government revenue, lack of access in remaining ISL-controlled areas and the dynamics of populations on the move, the PDS system was disrupted and cannot be relied upon by households to meet basic food needs. As PDS is not targeting specific vulnerable groups in Iraq, implementing MPCA on socio-economic vulnerability criteria has been challenging, since it goes against the culture of PDS and general safety nets for all in the country.

Since 2014, steps have been taken to establish a framework through which development and humanitarian actors can improve coordination of CBI interventions. Referral of vulnerable households from MoLSA and CWG databases requires the establishment of a system that builds on: (i) mapping of existing services of both MoLSA and humanitarian actors, (ii) training of social workers and (iii) an effective case management program. To facilitate the process, the World Bank is planning to support MoLSA with referrals between MoLSA and humanitarian actors in the mapping of services. This will also build the capacity of MoLSA to refer beneficiaries listed in its database, and requires developing an adequate communication plan within MoLSA, including training of social workers, as well as communities.

Integration of beneficiary data across different programmes managed by MoLSA, and between humanitarian and public assistance will ensure that benefits are targeting the right people at the right time, improving the efficiency and effectiveness of social assistance. Connecting information on vulnerable households assisted by the humanitarian community with public programmes managed by the Government will ensure effective continuation of assistance for the most vulnerable. In the long term, these activities will provide the foundation to help the GoI develop an integrated social protection system. This involves developing the full suite of tools and services, including a social registry, a case management system, a monitoring system, a grievance and redress and a graduation mechanism.

34 Traditional system of transferring money whereby money is paid to an agent who then instructs an associate in the area to pay the final recipient.
35 According to Overseas Development Institute (ODI), Kirstin Smart (March 2017), page 10, Challenging the system: humanitarian cash transfers in Iraq: ‘The MOFM initially used cash transfers to respond to displacement through the provision of relocation IQD transfer (around $830 at the 2014 exchange rate). The aim of the programme was to provide displaced households with a one-off transfer following registration with the MOFM. In order to register, individuals had to produce documents including PDS cards giving their area of origin. The cash transfers were then completed either through cash-in-hand at host sites or via the Qi Card. The programme faced significant financial challenges in 2015 and came to a halt in 2016. Humanitarian agencies also raised concerns regarding bias in registration and around the transparency of the disbursement process.’
Table 2: Overview of Government of Iraq’s Ministries implementing CBI in Iraq

<table>
<thead>
<tr>
<th>#</th>
<th>MINISTRY</th>
<th>TITLE</th>
<th>OBJECTIVE / SECTOR</th>
<th>TARGETING METHODOLOGY</th>
<th>TRANSFER MODALITY</th>
<th>DELIVERY MECHANISM</th>
<th>FSP</th>
<th>BENEFICIARIES</th>
<th>DONOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MoLSA</td>
<td>Social Safety Net (SSN)39</td>
<td>Basic Needs</td>
<td>PMT</td>
<td>Unconditional/Unrestricted Cash</td>
<td>Electronic Cash</td>
<td>Qi Card</td>
<td>1.2 million</td>
<td>World Bank</td>
</tr>
<tr>
<td>2</td>
<td>MoLSA</td>
<td>Job Seeker Support</td>
<td>Livelihoods/Employment</td>
<td>PMT, Registration</td>
<td>Unconditional and Unrestricted Cash</td>
<td>Electronic Cash</td>
<td>Qi Card</td>
<td>TBC</td>
<td>World Bank</td>
</tr>
<tr>
<td>3</td>
<td>MoT</td>
<td>Food Assistance</td>
<td>Food Security</td>
<td>PMT, Food security</td>
<td>Unconditional and Restricted Cash</td>
<td>Public Distribution Systems (PDS)</td>
<td>Voucher (TBC)</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td>4</td>
<td>MoMD</td>
<td>Assistance Displaced Pensions39</td>
<td>Basic Needs</td>
<td>Registration to the Community Resource Centres (CRCs)</td>
<td>Unconditional and Unrestricted Cash</td>
<td>Electronic Cash</td>
<td>Qi Card</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td>5</td>
<td>MoLSA</td>
<td>Pensions39</td>
<td>Pensions</td>
<td>TBC</td>
<td>Unconditional and Unrestricted Cash</td>
<td>Electronic Cash</td>
<td>Qi Card</td>
<td>TBC</td>
<td>TBC</td>
</tr>
</tbody>
</table>

6. MARKET ACCESS, CAPACITY AND PRICES

In 2017 and 2018, REACH with the support of 11 CWG partners gathered and analysed data from retailers, wholesalers and consumers in West Anbar, Mosul and other districts in Iraq. The vast majority of consumers (97%) reported not facing any physical barriers, including security, in accessing market places across the country. WFP, UNHCR, CWG and CCI cash actors, who were interviewed for this assessment, did not mention challenges with accessing markets and no documents highlighted this as a challenge, including IOM PSDM reports. Humanitarian partners report that challenges of access are limited to a few elderly and disabled community members. Across the board women seem able to access markets according to observations in IDP camps, markets and CWG/CCI data, particularly in comparison to the period of ISIL occupation. Markets have been the first responders to the crisis in Iraq and vendors are responsive to supply and demand. The market system is logically more responsive to unrestricted cash than to vouchers which require contractual agreements with vendors. Vendors are initially wary of voucher programmes. After discussion, they are more amenable but still require predictability (of clients and expected purchases/income) if a contract is to be signed. The experience of IOM is positive but challenging with (1) assessing vendors, (2) contracting vendors, (3) ensuring vendor predictability, (4) timely payments to vendors and (5) beneficiary database to ensure tracking.

Markets are highly accessible. Only certain locations prove temporarily challenging with regards to access to markets, for example in Diyala Governorate, some parts of Mosul and hard-to-reach areas near the Syrian border. Some IDP camps have restrictions on movements, for example as observed in Fallujah and reported in Kilo 18, in Anbar Governorate. It was not certain when and for how long these restrictions would be in place. Cash in camps is still not implemented but could be considered as increasingly camps close, ‘decongest’ and consolidate in 2019. Even in camps with limited mobility, for instance, in Fallujah, families, particularly women, are demanding cash assistance and report not having challenges accessing markets, that prices are stable and that they find all the commodities they need to meet their basic needs and more.

6.1. VENDOR AND MARKET SUPPLY, CAPACITY AND WILLINGNESS

Widespread military operations to take back territory from ISIL in Mosul in Ninewa and the town of Ana in western Anbar have caused large-scale displacement, damaged key infrastructure and disrupted supply chains. To determine the effects of the conflict and ISIL occupation on consumer markets, infrastructure, security and suppliers across the country, REACH in partnership with the CWG, conducts a JRAM in 20 districts on a monthly basis. REACH and the CWG assess the response capacity of traders to determine if cash and market-based programming is appropriate as a response modality from humanitarian partners. In response to the damage in infrastructure, there has been a marked shift in the location of wholesalers since mid-2014 (before the arrival of ISIL). Many who used to purchase their goods in west Mosul, Shifaia and Mosul al Qadima, now purchase their goods from wholesalers in east Mosul, especially in Gogal. Regarding security issues, checkpoints were reported as a problem only by a minority of retailers (38%) and close to half (45%) of wholesalers. Findings were reported between retailers and wholesalers regarding the impact of the crisis on the supply chain: 71% of retailers reported that the number of their wholesalers decreased since the crisis, whereas 64% of wholesalers reported an increase in the number of their retailers. It is not easy to understand markets in Iraq as one system as each region, import goods from nearby countries, as outlined below:

- The northern region (Erbil, Dohuk, Sulaymaniyah and northern part of Mosul) imports items from Turkey, Syria, UAE;
- The southern region (Basra, Missan, Thiqar) imports items mostly from Iran;
- The central region (Baghdad, Diyala and Ninevah) imports items from Iran and Turkey.

Findings in market assessments highlight that retailers and wholesalers report high levels of confidence in their ability to increase supply, with 94% of retailers and 96% of wholesalers saying being able to increase supply by 100% in response to...
6.1.1. PRICE STABILITY

Data from the JPMI shows that, despite the cessation of armed conflict and several towns’ relative isolation from large population centers, prices in November 2018 were found to be only 7% higher than the average price across north and central Iraq for November 2017. The JPMI aims to harmonize price-related data collection among cash actors in Iraq, producing monthly factsheets and standardized datasets to inform cash programming. The JPMI is currently undergoing its 12th round of monthly data collection. By tracking prices of food and non-food items (NFIs) on a regular basis, the JPMI enables monitoring of prices and availability of the most commonly sold commodities. The JPMI seeks to ensure that price data is robust and specific to each district selected for data collection. The JPMI is a collaborative effort of the CWG, which consists of 12 partner agencies – ACF, DRC, IRC, Mercy Corps, NRC, Oxfam GB, REACH Iraq, TDH, Tearfund, Triangle GH, WFP, and World Vision. To ensure triangulation of prices, partner enumerators are instructed to gather a minimum of three prices for each item in each assessed market. All partners use the same methodology and collect price data via a standardized mobile-based Kobo tool.

Since the first round of the monthly JPMI (October 2017), prices have remained largely consistent, with an average monthly price change of -0.2%. Overall prices have fallen by a marginal amount in all but three assessed months. For food prices, two assessed districts of Baghdad – Karak and Abu Ghraib – were the most expensive,.recording an average price across months. Following Baghdad, Erbil was another expensive district that consistently had among the highest food prices. In terms of the lower prices for food, this changed over time, but districts that consistently had the lowest prices were identified in assessed areas of Nineveh governorate – Shikhan, Akre, Mosul and Hamdaniya – as well as Suleimani district in Dohuk governorate.

For NFIs, the findings are much less consistent. Districts that were frequently the most expensive were Erbil, Karak, Abu Ghraib, Sulaymaniyah, and Zakho. Districts that commonly had the lowest prices for NFIs were Suleimani, Kanaan, Mosul and Fallujah. But this changed over time. This inconsistency reflects a much larger variation in the price of NFIs compared to food products. NFI monthly price fluctuations have been greater than food in all but one assessed month and variation among the prices for individual items is consistently high. Relevant units in IOM Iraq (Procurement, NFI Shelter and CBA) reported that prices for NFIs were stable, particularly for items related to winter and summer SOKs.

7. DELIVERY MECHANISMS AND FINANCIAL SERVICE PROVIDERS

Financial Service Providers (FSPs) are notably the biggest challenge in Iraq with regard to CBI. Where they exist, they are very outdated and unable to keep up with the pace of international banking systems. However, existing FSPs are able to scale-up CBI and create economies of scale and cost-savings once programmes are implemented and predictability ensured. This was reported by all cash actors on the ground, including WFP, UNHCR and CWG/CCI, particularly about mobile banking. Although Iraq’s financial infrastructure offers a range of delivery mechanisms and financial service providers, including mobile money, money transfer companies, distribution services via the banking sector and cash in hand, cash actors highlighted the limited availability of an electronic transfer (e-transfer) mechanism, both in terms of the management of information and the actual delivery of cash, as a key challenge in using cash assistance at scale. Uncertainty over the capacity of e-transfer systems to deliver in a timely manner across widespread geographic areas, with real-time information management and delivery platforms, that cover people who lack IDs, led many cash actors to rely on informal money transfer companies, such as the Hawala network.

WFPs restricted cash transfer programme, the largest in Iraq, is run through a combination of its SCOPe information management platform and the Hawala network, which is responsible for the physical distribution of cash. The fact that, as of December 2016, WFP was reaching 550,000 IDPs across Iraq with a monthly cash transfer illustrates the scope and coverage of the hawala system. A UNHCR internal review of FSPs64 indicates that the financial landscape in Iraq consists of a range of public, private, and state-owned commercial banks as well as financial companies (formal and informal), development finance companies, foreign exchange bureaux, and International Smart Card local Iraqui smart card. However, non-formal financial institutions, which are commonly referred to as Hawala, are widely used for financial transaction.

7.1. BANKS65

Iraq remains one of the most “under-banked” countries in the Middle East North Africa (MENA) region and by some estimates over 80% of Iraqis do not have a bank account. The banking sector in Iraq consists of 55 banks (end of 2013). This includes 7 state-owned banks (which own 479 branches, 8 of which are located abroad), as well as 48 private banks, which are divided into 23 commercial banks, 8 Islamic banks, and 17 foreign banks. In total, they own 515 branches, 4 of which are located abroad. According to the World Bank, there is low banking density, wherein the ratio of commercial banks to people is 4 banks per 100,000 people, compared to the banking density standard of 1 bank per 10,000 people. ATM machines are also highly limited; World Bank data indicate that there are only three ATM machines for every 100,000 inhabitants66. The MENA region has on average 32-times more ATM machines per inhabitant. Most ATM machines are not connected to the national switch and, as such, customers of one bank cannot access their funds from ATMs of another bank. The National Development Plan of Iraq 2018-2022 includes the need for improving the banking sector and services. The Central Bank of Iraq has full regulatory and supervisory control over Iraq’s financial sector and is responsible for issuing regulation and supervising; licensing financial institutions; setting monetary policy and providing oversight over the payment settlement system (national switch). There are two important developments on the horizon that could significantly improve access: (1) the implementation of the National Switch and (2) the establishment of the Iraq Interoperable Mobile Payment System (IMPS). An important factor that has resulted in the low usage of banks has been a general mistrust of the banking system. This problem is further exacerbated by the lack of any deposit insurance institutions to guarantee customers deposits back in the event of a bank failure.

41 IOM Iraq. Cash for NFI during winter pilot implemented for 200 displaced households in Mosul (November 2018)
43 UNHCR. CWG. Review of Existing Financial Infrastructure and Payment Mechanism Options for UNHCR Iraq.
44 UNHCR, CBI. Review of Existing Financial Infrastructure and Payment Mechanism Options for UNHCR Iraq.
45 International Monetary Fund. Financial Access Survey (2017). Automated teller machines (ATMs) (per 100,000 adults)
46 With the help of the USAID’s Iraq Financial Development Project.
Mobile phone is a ubiquitous channel for banking. Many studies show a strong correlation between the tele-density and economic growth of the country. Mobile phones are very popular in Iraq with 78% penetration in central and southern Iraq and 90% in the Kurdistan Region of Iraq (KRI). However, mobile phones are solely being used as a communication tool and no cellular network provides mobile money or mobile banking services.

Table 3: Mobile Companies and Network Coverage in Iraq

<table>
<thead>
<tr>
<th>TYPE OF NETWORK</th>
<th>FIXED BROADBAND</th>
<th>FIXED TELEPHONY</th>
<th>MOBILE PHONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribers in Iraq (Million)</td>
<td>0.3</td>
<td>1.9</td>
<td>27.3</td>
</tr>
<tr>
<td>Mobile Operator</td>
<td>Zain</td>
<td>Asia Cell</td>
<td>Korek</td>
</tr>
<tr>
<td>Number of Subscribers (Million)</td>
<td>13.5</td>
<td>9.0</td>
<td>4.8</td>
</tr>
</tbody>
</table>

7.2. MOBILE BANKING

Mobile phone is a ubiquitous channel for banking. Many studies show a strong correlation between the tele-density and economic growth of the country. Mobile phones are very popular in Iraq with 78% penetration in central and southern Iraq and 90% in the Kurdistan Region of Iraq (KRI). However, mobile phones are solely being used as a communication tool and no cellular network provides mobile money or mobile banking services.

7.3. INTERNATIONAL SMART CARD (ISC) – QI CARD

The Qi card, in use since 2008, is a global smart card used for issuing Biometric ID cards for citizens in Iraq. The Qi Card is an Iraqi debit card and is the national credit card of Iraq. Iraq’s two biggest state-owned banks, Rafidain Bank and Rasheed Bank, together with the Iraqi Electronic Payment System (IEPS) have established a company/consortium called International Smart Card (ISC), which has developed a national credit card called ‘Qi Card’. Currently there are more than 2.8 million smart card holders in Iraq. They are mainly beneficiaries of the government’s safety net program and receiving monthly cash allowance and pensions from MOLSA.

Smart Card International has a wide network of partners who are eligible to operate the Point of Sale (POS) machines in addition to all bank ATMs across the country (Qi) can be used at ATMs. Qi card is similar to other credit/smart cards recognized worldwide with the essential difference that the smart card deals with balances without direct contact with the server to facilitate business in regions where there are no good telecommunication networks. Qi card is the FSP used by most if not all government ministries for payments of salaries of staff. As was observed during the assessment, Qi card was present in all locations visited in Anbar and Mosul and near IDP camps, as well as around all market places visited.

ISC is a limited liability company partly owned by the government, registered with the Iraqi Central Bank. It uses a technology for fund transfers via secure Smart Cards operating in real-time. It provides offline fully integrated payments, switching and settlement solution suitable for multiple applications and services for un-banked and under-banked populations of Iraq. ISC is the only company in the country which has a large coverage reaching most under-developed/unbanked areas using the latest technology of the plastic card containing a computer chip and enabling a holder to withdraw cash requiring encrypted data (biometric) of the card holder. This data can be read by special devices at point of sales verified with the biometric data (finger print or iris) of the card holder. The largest coverage of Iraq by the ISC has been achieved through bilateral partnership agreements between the ISC and a number of governmental and private banks, financial institutions, PoS and the Post Office of Iraq (see Table 13).

In addition to cash express shops, 320 bank branches (government bank branches) and 52 private bank branches across country are providing cash disbursement facility to Qi card users.

Table 4: ISC/ Qi Card Presence and Coverage

<table>
<thead>
<tr>
<th>GOVERNORATE</th>
<th>QI CARD USERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baghdad</td>
<td>49,443</td>
</tr>
<tr>
<td>Anbar</td>
<td>971</td>
</tr>
<tr>
<td>Basrah</td>
<td>12,133</td>
</tr>
<tr>
<td>Diwaniya</td>
<td>673</td>
</tr>
<tr>
<td>Muthanna</td>
<td>659</td>
</tr>
<tr>
<td>Najaf</td>
<td>6,119</td>
</tr>
<tr>
<td>Babylon</td>
<td>10,110</td>
</tr>
<tr>
<td>Diyala</td>
<td>10,129</td>
</tr>
<tr>
<td>Thi-Qar</td>
<td>8,140</td>
</tr>
<tr>
<td>Salah al-Din</td>
<td>1,549</td>
</tr>
<tr>
<td>Kerbala</td>
<td>769</td>
</tr>
<tr>
<td>Kirkuk</td>
<td>638</td>
</tr>
<tr>
<td>Missan</td>
<td>568</td>
</tr>
<tr>
<td>Nineva</td>
<td>10,114</td>
</tr>
<tr>
<td>Wasit</td>
<td>979</td>
</tr>
<tr>
<td>Total</td>
<td>81,694</td>
</tr>
</tbody>
</table>

47 Number of phone connection per 100 individuals in a certain area.

7.4. HAWALA SYSTEM

Informal funds transfer (IFT) systems are used frequently for transferring funds, both domestically and internationally. The hawala system is one of the IT systems that exist under different names in various regions of the world. It is important, however, to distinguish the hawala system from the term hawala, which means “transfer” or “wire” in Arabic banking jargon.

The hawala system refers to an informal channel for transferring funds from one location to another through service providers—known as hawaladars. Hawala is an alternative or parallel remittance system. It exists and operates outside of, or parallel to traditional banking or financial channels. The components of hawala that distinguish it from other remittance systems are trust and the extensive use of connections, such as family relationships or regional affiliations. Transfers of money take place based on communications between members of a network of hawaladars, or hawala dealers.

The Hawala system is cheap and easy and widely used in Iraq for money transfer. No credible information is available on the number of hawala dealers currently operating in Iraq. However, Hawala dealers are present in all big markets and charge between 2-4 USD per transaction for money transfer within Iraq.
The National Development Plan 2018-2022 recognizes that delivering cash through multiple FSPs is a worthwhile investment. FSPs include Qi-Card to ensure harmonization with the Social Protection Floor and national Hawalas to ensure harmonization with CWG and mobile banking (either AsiaCell or Zain), CCI, CWG members and UNHCR mostly use the latter two FSPs but no one uses Qi-Card.

Table 5: FSP Review (combination of IOM and UNHCR’s inputs as well as WFP, DFID, CWG, CCI)

<table>
<thead>
<tr>
<th>FSP</th>
<th>FSP TYPE</th>
<th>DELIVERY TYPE</th>
<th>COVERAGE</th>
<th>BENEFICIARY REQUIREMENTS</th>
<th>CURRENCY AVAILABLE</th>
<th>TRANSFER FEES</th>
<th>CASH OUT FEES</th>
<th>AGENT FEES</th>
<th>TOTAL COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qi Card</td>
<td>Smart Card</td>
<td>Contracted Agents, ATM</td>
<td>All governorates</td>
<td>ID</td>
<td>IQD and USD</td>
<td>CBA to fill in</td>
<td>TBC</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td>Zain cash</td>
<td>Mobile Money</td>
<td>Contracted Agents</td>
<td>15 Govt</td>
<td>ID</td>
<td>IQD</td>
<td>Disbursement fee: 1.25% all Iraq 2.75% Mosul (invoiced to IOM)</td>
<td>0%</td>
<td>Cash-out of merchants from ZainCash agents: 0.6% (from merchant) deducted from wallet balance</td>
<td>7.85% Min - 9.35% Max</td>
</tr>
<tr>
<td>Asia Hawala</td>
<td>Mobile Money</td>
<td>Contracted Agents</td>
<td>All</td>
<td>ID</td>
<td>IQD</td>
<td>Rate goes between 0.5% to 0.9% for any disbursed</td>
<td>0.5 - 0.9%</td>
<td>6.5% Min - 6.9% Max</td>
<td></td>
</tr>
<tr>
<td>Star &amp; Orbit</td>
<td>Direct Cash</td>
<td>Direct Cash delivery to Vendors</td>
<td>All</td>
<td>N/A</td>
<td>USD/IQD</td>
<td>2.5% - 3% depending on governorate</td>
<td>0%</td>
<td>2.5% - 3%</td>
<td></td>
</tr>
<tr>
<td>Zozik</td>
<td>Direct Cash</td>
<td>Direct Cash delivery</td>
<td>All</td>
<td>N/A</td>
<td>USD/IQD</td>
<td>Several options ranging from 2.3%</td>
<td>0%</td>
<td>0%</td>
<td>2%- 3%</td>
</tr>
</tbody>
</table>

Families living outside of camps do not always get the same structured support as those living inside do. Cash-based assistance meets their specific needs. Photo: IOM Iraq
8. CHALLENGES AND RISKS RELATED TO CBI

The Cash Feasibility Assessment identified the following key challenges and risks:

Challenges to implementing CBI and MPCA in Iraq include:

- Limited number of effective financial service providers (FSPs) capable of delivering cash,
- Providing cash assistance in camps to IDP population due to CWG policy on no MPCA in camps, donor anti-terrorism policies and difficulties in providing targeted assistance for the most vulnerable households,
- Market access in a few hard-to-reach locations of the country (especially Diyala Governorate and areas close to the Syrian border),
- Some traps do not have IDs which makes enrolment difficult,
- Difficulties of identifying terrorist agents and affiliates among beneficiaries in line with donor anti-terrorism policies,
- Low absorption rates of MPCA referrals to national Social Safety Net (SSN)
- Differences between the targeting system and approach of humanitarian MPCA vs SSN, reducing the effective 'handover' of caseloads supported by humanitarian actors to MoLSA,
- Three-month MPCA assistance has limited impact on people's lives in protracted displacement,
- Difficulty to limit use of cash for purchases on products made in Iran, particularly important for organizations receiving funds from the US, which puts these restrictions in agreements.

Table 6: Risks identified and risk mitigation measures to CBI in Iraq

<table>
<thead>
<tr>
<th>RISKS</th>
<th>PROBABILITY</th>
<th>IMPACT</th>
<th>MITIGATION MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending on not-intended items when providing sector-based unconditional/unrestricted cash</td>
<td>Medium/ High</td>
<td>Low</td>
<td>Restrict the Cash, Post-Distribution Monitoring (PDM) agree on % acceptance</td>
</tr>
<tr>
<td>Cash mismanagement by either FSP or UN/NGO staff</td>
<td>Low</td>
<td>High</td>
<td>SOPs, MEAL unit to ensure Post-Distribution Monitoring, Feedback Mechanism</td>
</tr>
<tr>
<td>Beneficiaries are requested for something in exchange of cash</td>
<td>Low</td>
<td>High</td>
<td>Protection Monitoring, Feedback Mechanism</td>
</tr>
<tr>
<td>Security of and safety of UN/NGO staff</td>
<td>Low</td>
<td>High</td>
<td>Outsourcing to FSP, SOPs, Security Support, PDMs</td>
</tr>
<tr>
<td>Security of and safety of beneficiaries</td>
<td>Low/ Medium</td>
<td>High</td>
<td>Protection Monitoring/ Assessment, MEAL process monitoring and feedback mechanisms</td>
</tr>
<tr>
<td>Protection concerns (ISGBV, intra-HH)</td>
<td>Low/ Medium</td>
<td>High</td>
<td>Protection Monitoring/ Assessment, Feedback Mechanism (such as call centres/ hotlines)</td>
</tr>
<tr>
<td>Cash supporting terrorist networks</td>
<td>Medium</td>
<td>High</td>
<td>Outsourcing terrorist list screening to FSP, Feedback Mechanism (such as call centres/ hotlines), security, liaison with CWG actors, frank discussions with HCT and donors to harness solutions</td>
</tr>
<tr>
<td>Purchase of items from Iran</td>
<td>Low to Medium</td>
<td>Low/ Medium</td>
<td>Restrict cash (but even then, risks remain!), discuss with donor how they expect UN/NGO to monitor this, liaise with CWG actors, frank discussions with donors on indicators/ approach. Seek other donor support with reduced political requirements for CBI agreements</td>
</tr>
<tr>
<td>Impact on inflation (market not able to meet demand)</td>
<td>Low</td>
<td>High</td>
<td>Prices stable, Joint Price Monitoring Initiative (PMI), REACH, CWG, CCI</td>
</tr>
</tbody>
</table>

9. CASH ASSISTANCE AND RISKS RELATED TO COUNTER-TERRORISM MEASURES

CCI and CWG have identified as a challenge the monitoring of beneficiaries of cash assistance with perceived ISIL affiliation, as there is a requirement from some donors to screen beneficiaries who are suspected of terrorism activities. Following discussions with the CCI lead, the CWG coordinator, as well as reviewing global experience on this, including Cash, Learning Partnerships (CaLPs) recent review of cash and risks in Yemen and Mali and other locations, it was highlighted that it is important to: (1) separate risks perceived versus real; (2) identify risks specific to cash from different assistance modalities, (3) ensure that monitoring indicators and proposed solutions related to minimizing or ensuring that assistance is not provided to assist terrorist networks are discussed and agreed at inter-agency coordination meetings with donors. These discussions will demand a careful analysis between reducing risk and compromising on humanitarian neutrality and impartiality. Across the world, for instance, in Afghanistan, Somalia, Gaza and the West Bank, organizations struggle with ensuring compliance with counterterrorism requirements as well as humanitarian neutrality and impartiality. It is critical to engage in a frank dialogue with donors, seeking guidance about how to mitigate counter-terrorism demands while providing life-saving assistance in areas of risk.

Humanitarian actors should discuss this issue in the broader humanitarian community – including at the level of the HCT and IASC. This dialogue could serve to engage and educate donors to inform them about the challenges posed by counter-terrorism laws and policies to principled humanitarian action. OCHA and NRC commissioned a study in 2013 on humanitarian action and counter-terrorism which made the following recommendations:

- Donors should be more responsive to requests from humanitarian organizations for guidance on the content, scope, and application of counter-terrorism measures in specific contexts;
- Donors and intergovernmental bodies should take steps to ensure that counter-terrorism measures do not undermine the valuable role played by national and local humanitarian actors;
- Counter-terrorism laws and measures adopted by States and intergovernmental organizations should include exceptions for humanitarian action which is undertaken at a level intended to meet the humanitarian needs of the person concerned;
- Counter-terrorism laws and related measures adopted by governments and relevant intergovernmental bodies should exclude ancillary transactions and other arrangements necessary for humanitarian access, recognizing that humanitarian actors operate in areas under control of groups designated as terrorist;
- Humanitarian organizations should work together to more effectively demonstrate and strengthen the implementation of the different policies, procedures, and systems used to minimize aid diversion to armed actors, including those designated as terrorist, and better communicate how they weigh such efforts against program criticality and humanitarian need;
- Donors and intergovernmental bodies should avoid promulgating on-the-ground policies that inhibit engagement and negotiation with armed groups, including those designated as terrorist, that control territory or access to the civilian population.

49 Due to not straightforward due to lack of capacity and disagreements around targeting approaches.
50 As well as targeting between MPCA and government Social Protection floor not fully matching and harmonized.
51 Probability is low to med because Iranian imports amount to only 15% of total imports into Iraq.
53 PMP 001, Darin E. Fardounzhi McCarthy (August 2018), A humanitarian sector in debt: Counter-terrorism, bank de-risking and financial access for NGOs in the West Bank and Gaza.
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Families receiving CBI have a broad spectrum of different needs that are difficult to assess on a large scale and in a timely manner. Photo: IOM Iraq