



## Reduce high level of risks on poor families coping to make a living in Afghan cities

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### About the Authors

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### Overview

The level of risk poor households face may determine whether they can build an asset base for sustainable livelihoods or spiral further into poverty. Risks come in many forms – from health and security threats, to cash shortage in times of emergencies. It is generally believed that managing such risks requires “loyalty to institutions and organisations that presently work and deliver livelihoods, whatever the longer-term cost.”<sup>1</sup> But what happens in a state, such as Afghanistan, where institutions and organisations are largely non-existent, non-functional or functional in the interests of the elite and powerful?

Evidence from longitudinal research conducted by the **Afghanistan Research and Evaluation Unit (AREU)** in three Afghan cities<sup>2</sup> suggests that the majority of poor urban households encounter high levels of concurrent risks. As a result, they are unable to consistently maintain or enhance their capabilities and assets, and are often forced to deplete assets to survive.

This Policy Note examines how households engage in largely reactive coping strategies that often trap them in a cycle of risks. In many cases, families are left with little to no institutional support – at times even obstructed by the very institutions tasked to look after them – to achieve livelihood security. It presents policy recommendations (see page 4) toward addressing these issues at the national and local levels.

### Risks and coping strategies come in many forms

Other papers in this series have described in detail the myriad risks facing Afghan families living in poor urban areas. These include:

- **Insecurity of tenure (land and housing):** The lack of legal land on which to build houses means that many urban residents dwell in informal areas without ownership rights to their land or homes, and face constant threat of eviction.
- **Lack of service provision and infrastructure development:** Living in informal settlements often means households are excluded from municipal services such as sewerage, water, and sanitation. In addition, it may also mean travelling long distances to access schools and clinics. Unhygienic environments, combined with lack of service delivery and facilities, lead to high risks of poor health.
- **Erratic and saturated urban labour markets:** The inability to gain regular employment puts households at risk for not having cash to spend on basic consumption and other daily needs. This can force them to rely on borrowing from social relations, especially in times of crisis or emergency.
- **Seasonality and winter-related hazards:** Aside from the real physical

<sup>1</sup> Long-term research followed 40 households each in the cities of Herat, Kabul and Jalalabad, which was complemented by short-term reconnaissance studies in Mazar-i-Sharif and Pul-i-Khumri. For more information on the methodology and objective of this research, see Beall, J. and Schütte, S., 2006, *Urban Livelihoods in Afghanistan*, Kabul: AREU.

<sup>2</sup> See the AREU web site, [www.areu.org.af](http://www.areu.org.af), for details of these papers.

risk posed by inclement weather to those residing in sub-standard houses, the availability of employment can fluctuate greatly with the seasons and leave some households without any income during the winter months.

- **Trends / life cycle events:** The payment of bride prices and need to finance such events as marriages and funerals often require households to deplete savings and incur huge debts.

It is important to acknowledge that while risks occur on this micro-level, there are also institutional structures and practices on the macro-level that are known to contribute to risks, such as inequality, class relations, exploitation, unaccountable government officials and social exclusion from community membership.<sup>3</sup> Thus any strategies to avoid risks or mitigate their effects need to address these broader societal issues.

Households generally employ two types of strategies to reduce risk:

- **Precautionary or forward-looking strategies** are aimed at proactively protecting against risks and maintaining an achieved level of livelihood security. These strategies often take the form of building up physical assets such as housing or human assets (e.g., higher levels of education or the cultivation of new skills); or investing in productive assets such as livestock, shops or wheelbarrows. Diversification of household income sources can be both precautionary and reactive, as described below. Regular employment supports the possibility to implement precautionary strategies. More generally, the implementation of successful precautionary strategies requires a prior diversification of asset portfolios.
- **Coping strategies or reactive actions** are implemented as a response to contingencies and severe shocks, usually leading to a withdrawal from the available asset portfolio (i.e. decline). Coping strategies may comprise various activities, for

instance, removing children from school and sending them out to work; sending household members away to save on food expenses; choosing to consume cheaper, possibly less healthier staple foods, or reducing the number of dependents. The majority of study households were engaged in coping strategies.

The next sections provide a few examples of the largely reactive coping strategies most commonly witnessed among the study sample.

### Coping strategy sample 1:

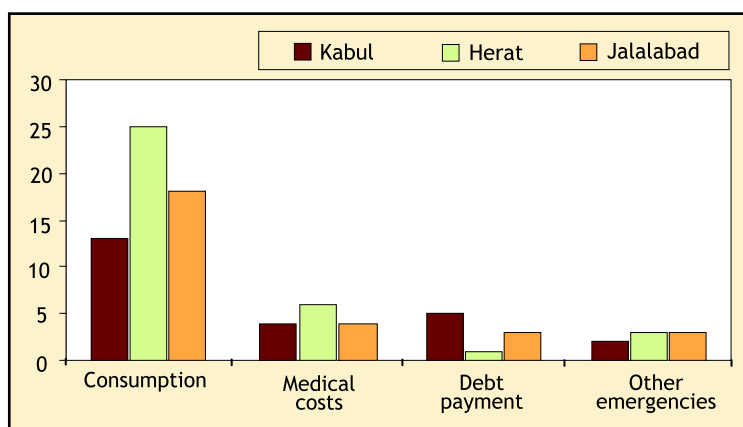
#### Accumulation of savings and sale of assets

The majority of the study households had very little in the way of cash savings to carry them through lean times. Instead, whatever savings they had often took the form of physical possessions. Ownership of valuables can serve as a significant asset to protect against risk. In fact, many households interviewed disposed of physical assets such as jewellery, livestock or housing at some point, in order to cope with income loss or emergency expenditures. As illustrated in Figure 1, the overwhelming majority of incidences of selling physical assets occurred to meet basic consumption needs, thus highlighting the inadequacy of most households' income and employment to cover the costs of daily life. Other common reasons for selling physical assets were to pay for medical costs, repay debt and handle other emergencies. Some reasons for selling off assets varied by geographic location, and included: heating costs (Kabul), paying for ceremonies (Jalalabad and Herat) and investment in assets such as housing and business equipment (donkeys, carts).

The worth of valuables possessed by the study households, however, was quite low: The median value of assets (excluding homes and land) for households in Kabul was 5,175 Afs (US\$103), while in Jalalabad and Herat the median was 4,280 Afs (US\$85) and 2,905 Afs (US\$58), respectively. As shown in Figure 2, a significant number of households had asset values of less than 2,000 Afs, if they possessed any valuables at all. These households are in more vulnerable positions than others as they are less able to rely on asset sales to cope with external threats.

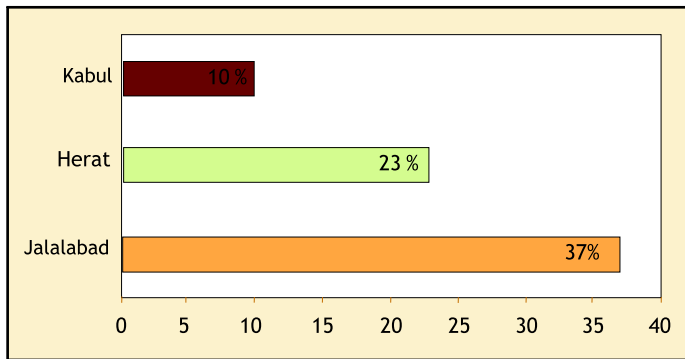
Similarly, accumulation of cash savings during peak seasons in the summer – when access to casual work is easier, self-employment activities generate higher returns and expenses for fuel decrease significantly – did not take place at impressive scales, and these funds were certainly not sufficient to carry a household through the winter. In fact, there was little evidence of

Figure 1. Incidences of selling physical assets by reason



<sup>3</sup> Wood, G., 2003 Staying Secure, Staying Poor: The "Faustian Bargain," World Development, 456.

**Figure 2.** Share of households with assets less than 2,000 Afs



lasting savings being established at all, because debts needed to be repaid whenever there is some money available, and consumption usually increases to meet available income.

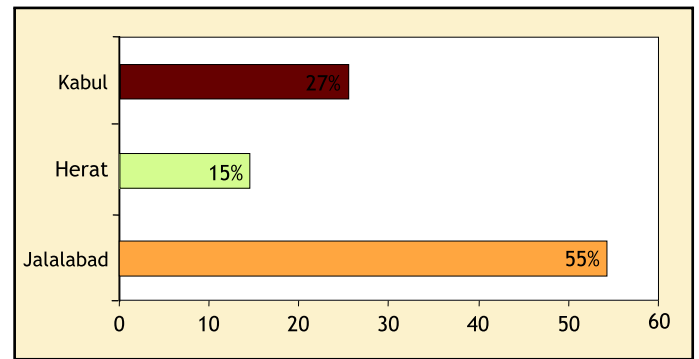
### Coping strategy sample 2: Income diversification

Livelihood diversification has long been recognised as a major strategy to reduce risk exposure. There was, however, not much incidence of households being able to diversify their income sources to an appropriate degree in the study sample, nor was there any evidence showing that the diversification of labour into many low-income activities translated into sustainable livelihood security.

The high incidence of families residing in nuclear households in the sample meant that one significant attempt to diversify income came in the form of sending children to work. However, the immediate benefits resulting from this additional labour source may come at the expense of children's education, thus limiting the opportunities to build competitive skills for better jobs in the future. This illustrates the trade offs often facing the urban poor in their search for security – they may engage in strategies which provide immediate returns, but at the cost of longer term security.

In addition to sending children to work, some households relied on female members to engage in paid work to supplement their income. Many of these work opportunities were home-based and provided low returns and therefore had little effect to mitigate circumstances of poverty. The participation of women in the workforce varied by geographical area, with Herat having more female members working than other cities, and Jalalabad having the fewest working women. In fact, as shown in Figure 3, Jalalabad households had the least diversified income sources, thus rendering them most vulnerable and unable to cope with risks. Women and children's participation also varied month to month in many instances, illustrating how their labour power is used more in response to events as opposed to a precautionary strategy.

**Figure 3.** Share of households relying on a single income source



Seasonal city-to-city migration, reliance on credit from neighbourhood relations, splitting up or merging households, and marrying daughters off early for the bride price were other coping strategies employed by the study households to either diversify their income sources or cope with lack of income. None of these resulted in significant returns to the household and often they created more debt and conflict within the household, as discussed below.

### Coping mechanisms that threaten family and social relations

Coping strategies commonly employed by poor urban households may, at times, lead to a number of adverse consequences. A typical outcome is the depletion of physical assets that leaves families vulnerable to future shocks. When this happens, many resort to borrowing. In the household sample, for instance 71 percent borrowed on credit from family and 39 percent from neighbours. Heavy reliance on social relations may cause a breakdown in familial and community relations.

The strains imposed by all too frequent shocks to household incomes also pose a significant challenge to intra-household relations. Among the study households, several conflicts were reported between members who disagreed on risk-coping strategies. For example, conflicts between spouses occurred in a few families regarding the early marriage of daughters in order to obtain bride price. There were also incidences of domestic violence in a smaller number of study households.

From a livelihoods perspective, these issues have implications; conflict and non-pooling of resources within a specific household may put the livelihoods, health and well being of individual members at risk. Evidence suggests that economic poverty and continuous unemployment may work as triggers in some households and could lead to disturbed intra-household relations and physical violence.

# RECOMMENDATIONS

The asset base of many vulnerable urban households is not sufficiently diversified to lift them out of poverty in any lasting way. Many families—either those dependent on paid labour or those relying on the goodwill and support of neighbours—have scant resources and this puts pressure on their coping mechanisms. Consequently, they tend to rely on ad hoc responses, ending up buffeted by external changes, instead of being able to steer through them with minimal negative impact. In this light, the following macro-level policy initiatives are proposed to donors and policymakers:

## 1. Stimulate broad-based labour intensive growth to address income inadequacy and inability to save.

- Evaluate Afghanistan's professed free-market approach and consider strategic interventions in support of key industries providing employment intensive growth.
- Ensure that quality of work opportunities is valued as much as the quantity of jobs created. A focus on job quality can be achieved by prioritising investment in industries characterized by higher skilled and paid work.
- Facilitate the participation of women in the urban labour force under improved conditions, where they have real choices about place of work and their contribution is valued and compensated appropriately. At the same time, reduce the burden of household chores to give women adequate time for paid work.
- Use the ANDS process to design and implement nationwide urban poverty reduction programmes to improve the quality of life of the urban poor at a scale approaching the reality of the problem. The programmes should recognise the inter-linkages between the myriad problems underlying urban poverty and take an integrated versus sectoral approach, linking job creation, skills building and urban service provision with initiatives to improve urban governance.

## 2. Develop risk mitigating social protection programmes, supporting a shift away from reliance on the coping capacity and resourcefulness of the urban poor themselves.

- Develop and finance national social protection programmes to support the most vulnerable (families without able-bodied male workers, families dependent on disabled members for income, etc.) and invest in programmes supporting asset diversification for the poor; to assist them out of poverty.
- Provide donor support for urban poverty reduction programmes going beyond physical upgrading and technical service provision to address social insecurities.

- Build the political will and capacity of national and city level actors (both government and non-government) to improve their abilities to address social protection issues at the required scale in the urban sector.

To minimize the local-level risks faced by poor urban households, the following strategies are proposed:

## 3. Ensure universal coverage with basic services (water, drainage and sanitation, electricity, access roads).

- Improve communication and coordination between government and non-government agencies involved in service provision, to share learning and distribute responsibilities.
- Encourage technical creativity in devising ways to deliver services to some harder-to-reach areas, while ensuring that the work of disparate agencies links up at the city level.
- Recognise the employment creation potential of service delivery and involvement of poor urban residents (women and men) as small scale entrepreneurs.

## 4. Create improved means for poor urban households to access relevant financial services, including savings, credit and insurance products.

- Improve access to appropriate financial services and complement this with skills development among poor urban households. Create incentives to encourage them to open or expand businesses that would augment their income and, in the medium term, reduce dependence on borrowing for daily needs and emergencies.
- Review insurance models that can be adapted to fit the Afghan context. Poor households would benefit from joining community-run groups that provide payout insurance to offset expenses from accidents, unexpected family crises and other shocks.

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