

The Cost of Cash

By Captain Henian J. Newsome

Bringing U.S. cash—bills and coins—into Afghanistan can be extremely expensive. The most noticeable cost is physically transporting cash. Cash is typically transported by a military aircraft, diverting it from its intended mission of transporting troops and supplies. The Government must pay for fuel to fly the aircraft and the labor to secure the money and take it from a Federal reserve bank to Germany, then to Kuwait, and finally into Afghanistan. Then the funds still have to make it to the front lines.

During its most recent deployment to Jalalabad, Afghanistan, C Detachment, 9th Financial Management Company (C/9th FMCO), was responsible for reducing the demand for bringing cash into the country by limiting the amount of cash used in the Nuristan, Nangarhar, Kunar, and Laghman provinces of Afghanistan.

The EagleCash Card

The C/9th FMCO's first step was to limit cash transactions by instead using the EagleCash card (ECC), also referred to as the stored-value card, to conduct both personal and official business. The ECC is a cash management tool designed to support U.S. military personnel deployed in combat zones.

The card's interface with automated kiosks and point-of-sale devices allows cardholders to access money. The kiosks are similar to automated teller machines, but they place the amount of money requested onto the ECC instead of dispensing cash to the servicemember. U.S. dollars that are spent electronically by servicemembers are converted into the local currency when the vendors bring their devices into the local finance office to be cashed out.

Electronic Payments

The C/9th FMCO's commercial vendor services (CVS) noncommissioned officer-in-charge was selected to convert all of the CVS contracts that were being paid in cash into electronic payments for more than 10 finance offices in Afghanistan.

To ensure that no payments were incorrect or delayed, all of the finance offices had to be kept informed and the contracting offices that were tied to vendor payment offices had to be included in the process. Incorporating the contracting offices with the finance standard operating procedures made the transition seamless and increased efficiency.

Local Resistance

Using electronic transactions was difficult for many locals. Corruption has led to a lack of trust in banking systems within the country. Many local residents would rather put money into a shoebox than into a financial institution. They take whatever wages they have earned and secure the funds the best way that they know how—without a bank. Understandably, introducing a new concept such as electronic payments was not well received.

Access to local banks was another barrier that influenced the resistance to the new e-commerce transactions. Many of the locals working on U.S. camps and bases were located in very remote locations. A lack of transportation to the more developed areas, where banking institutions could be found, made the transition nearly impossible, even for those who were interested in the change.

The idea of loaning money to a financial institution in order to gain interest on funds borrowed is not widely understood in Afghanistan, nor is the value of currency. Far too often, the local Afghans would rather have the value of their currency decrease in order to receive more physical cash during an exchange from U.S. dollars to afghani.

For instance, many Afghans preferred an exchange rate of 100 afghani to 1 U.S. dollar over an exchange rate of 10 afghani to 1 U.S. dollar. With the former, they would receive more physical cash even though that meant that the Afghan economy was worsening.

When payments are made accurately and quickly, Soldiers can continue their missions without worrying that their workers will not show up because they have not been paid. The C/9th FMCO began with a cash holding authority of \$10 million. At the end of the deployment, the amount was lowered to \$4 million and the disbursing agent held a little more than \$2 million on hand. The C/9th FMCO ensured that every outlet that would normally use cash was able to use the ECC or had a bank account for electronic funds transfers and paying agent services.

Captain Henian J. Newsome is assigned to the 593d Special Troops Battalion at Joint Base Lewis-McChord, Washington. He has a bachelor's degree in political science from Morgan State University and is a graduate of the Finance Officer Basic Course.