THE CASH LEARNING PARTNERSHIP

WORKING WITH BANKS

A QUICK GUIDE TO NEGOTIATING WITH BANKS IN CASH TRANSFER PROGRAMMING

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WORKING WITH BANKS

When delivering money through a banking system, aid agencies will have to negotiate with banks or other service providers to implement their chosen delivery mechanism.

Working with banks may take place along two broad lines: firstly, approaching banks and negotiating a partnership, and secondly, advocating for banks to develop or improve services to meet the needs of beneficiaries. This guide is intended as a brief overview of some of the factors that may motivate or hinder banks' involvement, and of some examples of best practice when partnering with banks to transfer money.

WHAT MOTIVATES BANKS

While private sector actors are fundamentally driven by profit, the opportunity to do social good can motivate banks to engage in mutually beneficial partnerships with aid agencies. Based on this, humanitarian organisations may be able to negotiate exceptional services that meet the needs of their beneficiaries, as well as push for waiving or reducing normal operational fees.

Motivation	Detail
Good corporate citizenship	Many financial institutions have a wish to do social good. Cash transfers are a natural "way in" for banks to contribute to humanitarian efforts while meeting their core business objectives.
"Double	Even when doing work for a social good,

bottom line": social good + financial expansion	banks must maintain their "bottom line" or profitability. However they may be persuaded that there are longer-term benefits attached to the humanitarian services they will provide. This is referred to as a "double bottom line" – achieving social good on the one hand while expanding services and investing in longer-term potential markets on the other.
Enhancement of bank's reputation	Participating in humanitarian relief projects a good public image. Appeal to how this image will fit in with culturally valued characteristics such as trustworthiness, honour or charity when negotiating with banks to waive fees or reduce charges.
Revenue	Banks will normally achieve some revenue from cash transfer programmes, from transaction fees, overhead costs, contracting fees or other banking services provided.
Expansion and Marketing	The programme may expand the bank's customer base, or increase the public's exposure to new products that the bank wishes to push (e.g. mobile banking or smart cards). Expansion may also be geographic or demographic (e.g. women, elderly people).
Client relationships / retention	Engaging with an aid agency or government may lead to or strengthen a corporate relationship as well (e.g. payroll,

	potential future cash transfer programmes).
Competition	A reputation as a good corporate citizen could give the bank a competitive advantage in bidding for future clients or contracts.
Public-sector specific motivations	For public sector financial institutions (e.g. post offices), motivations can include duty, honour and pride in service-delivery.

WHAT BANKS FEAR

- **Risk:** Banks do not like risk that might affect either their operations or their reputations. Clear identifications of risk and mitigation measures will need to be agreed upon to deal with common issues including: identity fraud; technology failure; merchant fraud; theft or loss of card/SIM, among others.
- **Mismanagement:** Banks may face serious consequences if money is misappropriated or if incidences of corruption occur. Banks will need to be briefed in the rigorous processes and professional standards used by humanitarian organisations in targeting, registration, delivery and monitoring of cash transfers.
- **Banking regulations:** Banks face severe penalties for rule-breaking and cannot make exceptions. Different requirements are in place for Know Your Customer (KYC) levels – the information and identification that a bank is required to collect in order to open a bank

account for example. Aid agencies may need to advocate with governments for exceptions to stringent regulations.

NEGOTIATING WITH BANKS:

Step I: Coordination & Assessment

- **Coordination between Finance and Programme staff:** Designing, planning and implementing CTP should be a coordinated effort between technical programme and finance departments. Finance staff should be fully involved in planning and conducting negotiations and advocacy with banks. Logistics staff should also be involved to deal with distribution issues.
- **Conduct a bank assessment survey:** Conduct interviews with branch managers at local and central level to gain an understanding of banking infrastructure, including: identification criteria, transfer times, stocks of relevant materials (chequebooks, cards etc.), minimum number of transactions required to open new PoP's, and the bank's ability to process additional transactions. Include in this assessment a review of the relevant laws and regulations and how they may impact the delivery of money.
- **Inter-agency coordination:** Coordinated, multi-agency approaches are more effective when negotiating with banks or mobile phone operators. Consolidated planned cash transfer figures (from

both secured and proposed agreements) will give more bargaining power and make it more worthwhile for banks to invest in the additional resources required.

Step 2: Preparing for negotiations

- **Fees & Charges**: Gain a clear understanding of all the fees and charges involved so there are no surprises. In many cases aid organisations have successfully negotiated with banks to waive or significantly reduce normal charges such as transaction fees, monthly account fees, and inter-bank charges. Coordination groups can set common parameters for acceptable levels of fees as well as timeframes and standards for service delivery to avoid providers "shopping" for the best deal among aid organisations.
- **Products & Services**: Before beginning negotiations, gain a clear understanding of the bank's existing services that are normally offered. Start by looking at whether an existing product can be used, then consider modifying an existing product to meet requirements, and only consider new products or unique arrangements as a last resort. Banks may be eager to force agencies to use newer products, but the population are less likely to be familiar or comfortable with these mechanisms.

Step 3: Negotiating

- **Begin negotiating at the top:** Always begin negotiations with high-level bank officials who have real decision making ability. Banks may have to arrange additional funds at point-of-payments and planning for the additional availability of funds (liquidity) is essential. They may also have to solve operational issues or invest in new resources / technology to provide the best solution.

- **Clearly define the relationship:** Banks may want to broaden their relationship by acquiring a share of an agency's normal banking operations. If no prior banking relationship exists, it's important to stress on baby steps when discussing future partnerships. Often organisational policies would not allow for new bank accounts for internal control reasons. Also, while it's good to be prepared with figures, be wary of committing to minimum deposit or transaction amounts. Focusing on flat-rates or percentage based charges is recommended.

- **Clear partnership agreements / contracts:** Clearly define the roles, responsibilities, risk mitigation and problem-solving mechanisms and communication protocols within the partnership. Set clear levels and timeframes for **service delivery** (replacing lost cards, setting up new ATMs etc.), **grievance procedures** and **customer support**. Also discuss how banks will deal with people who may have difficulty accessing services and how problems will be resolved if something goes wrong.

- **Shared payments infrastructure:** Encourage arrangements between banks so that cards / cheques can be used at other banks' branches or ATM's – this is particularly important in countries that do not have extensive payments infrastructure, but may be subject to additional charges. The ability to make payments through non-bank organisations e.g. money transfer services, mobile phone agents or micro-finance institutions can also increase access.

Step 4: Implementation and other issues to consider

- **Pilot phase:** Before considering a scale-up, pilot the arrangement so both the bank and the agencies can identify any problems and ensure a smooth delivery.
- **Identification**: In places where identity requirements may restrict beneficiaries' access to the banking system, family or community nominees can collect payments on behalf of beneficiaries.
- **Public information, training, and customer support:** When beneficiaries are not familiar with the payments technology, the bank may need to provide clearer-than-usual instructions on how to use the payments method as well as be available to provide customer service if something goes wrong.
- **Crowd control and waiting areas:** If banks are concerned with managing crowds, suggest setting up staggered collection times and establish a way (e.g. via local partner or by trusted mobile phone) of notifying people when they can collect their money. Also offer to supply extra staff and volunteers at each branch or set up collection points in a separate area so as not to detract from regular clients. Also consider whether there is a need to establish separate waiting areas for women and the elderly, or to provide water, shade or sanitation services.
- **Simplify payments technology:** Many new products such as prepaid cards or electronic "wallets" on a

mobile phone, are simpler and have less strict identification requirements than traditional bank accounts. Depending on the country regulations, these may be more accessible for vulnerable people who might not meet the criteria for opening standard accounts.

- **Maintain a day-to-day relationship:** Ensure that senior Finance or Programme staff maintain a daily relationship with branch managers, and work to develop a good relationship and a sense of mutual ownership over the programme. This will facilitate problem-solving and ensure fast response times. Respect that banks are private sector entities and show flexibility to work around the needs and constraints of their regular business.

RESOURCES AND FURTHER READING:

CaLP (2010) *Delivering Money: Cash Transfer Mechanisms in Emergencies*

Harvey, P. and Bailey, S (2011) *Good Practice Review 11: Cash Transfer Programming in Emergencies*, (ODI/CaLP).

Sphere Project (2011) *Humanitarian Charter and Minimum Standards in Humanitarian Response*