



Exploring mobile money transfers through private partnerships in Bangladesh

CTP case study



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Cover photo: *Tropical Cyclone Komen affected 1.5 million people in Coxis Bazar, Chittagong and Bandarban and destroyed about 30,000 homes. The Bangladesh Red Crescent distributed water, tarpaulins, ORS, cash and other emergency aid.* IFRC.

P.O. Box 303
CH-1211 Geneva 19
Switzerland
Telephone: +41 22 730 4222
Telefax: +41 22 730 4200
E-mail: secretariat@ifrc.org
Web site: www.ifrc.org

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1. Humanitarian context

Bangladesh is prone to recurrent flooding, landslides, and cyclones year after year and the Bangladesh Red Crescent Society is one of the major humanitarian organizations in country that provides relief and recovery assistance to those affected.

Cyclone Komen made landfall on 30 July, 2015 causing further downpours in the regions already affected by previous flash floods and landslides. Cox's Bazar, Chittagong, Bandarban, Noakhali, Feni and Bhola districts were significantly affected due to lives lost and damage to housing, livelihoods and infrastructures. Based on the rapid impact assessment conducted by the Humanitarian Coordination Task Team, a total of 2.6 million people were affected and more than 218,000 households were in need of emergency assistance.

As a response to Cyclone Komen, the International Federation of Red Cross and Red Crescent Societies (IFRC) launched an Emergency Appeal to support Bangladesh Red Crescent Society in delivering humanitarian assistance to 6,500 households to help address their food, water and sanitation, livelihoods and emergency shelter needs. It was anticipated that essential needs would be met through a combination of in-kind and cash transfer programmes (CTP) with 4,000 households benefiting from unconditional cash grants.

Bangladesh Red Crescent Society has been implementing CTP both in relief and recovery since 2007 and has grown progressively in experience having responded to various needs with conditional and unconditional cash transfers. Innovation and new technologies are continuously being identified and explored as ways to improve CTP which creates exciting opportunities to partner with the private sector.

Through the support of a CTP preparedness project funded by the European Commission's Humanitarian Aid and Civil Protection (ECHO)¹, a mobile money transfer (MMT) pilot contributed 100 households as part of the larger Cyclone Komen response. This gave the opportunity for Bangladesh Red Crescent Society with the support of the IFRC to explore a private partnership with a mobile finance service provider as another delivery mechanism option.

This case study focuses only on the unconditional cash transfer component of this response, but will particularly extract the lessons learned of implementing a MMT as a delivery mechanism in the context Bangladesh and the process of engaging with the private sector.

¹ <http://ec.europa.eu/echo/>

2. Programme overview

National Society	Bangladesh Red Crescent Society
Appeal code	MDRBD015
Objective(s)	To meet the immediate food and household needs of the affected population during the lean period
Duration	August 2015 – March 2016
Location	<ul style="list-style-type: none"> • Chittagong district (cash in envelopes and MMT) • Bandarban, Cox's Bazar, Feni and Noakhali districts (cash in envelopes and bank cheques)
Cost	BDT 27,011,100 (CHF 337,639)
Main sector(s)	Relief/immediate needs
Number of households	3,000 households based on funding situation with possibility to expand to 4,000 households
Household selection criteria	<ul style="list-style-type: none"> • Affected by Cyclone Komen and 2015 flood • Extent of damage to shelter, livelihoods, sanitation facilities • Vulnerability criteria (women headed, persons with disability, pregnant woman, ethnic group, geographically vulnerable , elderly people) • Low income group
Key outcome(s)	<ul style="list-style-type: none"> • Bangladesh Red Crescent Society successfully piloted mobile money transfers, a new deliver mechanism • The National Society signed an agreement with bKash (MMT service provider) to increase the delivery mechanism options • Households were able to cover part of their basic needs with the BDT 9,000 cash grant for three months

3. Programme description

Context and programme choice

Bangladesh Red Crescent Society has long implemented CTP and is actively working on a plan of action that would enable the National Society to continuously implement CTP faster and at larger scale.

The banking industry in Bangladesh has shown exponential growth in volume and innovation over the recent years. In parallel, the growth of mobile phone users and wider range of coverage by Mobile Network Operators (MNOs) reaching more than 122 million subscribers in Bangladesh have provided an additional delivery channel for reaching banking services to a larger population. Despite these advances, the uptake of such services is still lagging and shows a clear potential opportunity for financial inclusion and for use within humanitarian response.

Considering the rapid growth in Mobile Financial Services (MFS) and already the uptake of MFS by other humanitarian agencies, it was worthwhile for Bangladesh Red Crescent Society and IFRC to also explore this delivery mechanism and help influence the evolution of MFS in Bangladesh. This could potentially offer another response option and another solution in reaching the rural population which make up 67% of Bangladesh.

BRAC Bank's bKash is currently the MFS market leader holding over 50 per cent of the market share and with the most developed platform. However, we can anticipate as other banks become operational in MFS, the distribution of this market share may change. Based on the desk review and for the purpose of the pilot, bKash was selected as the MFS of choice for this pilot.

Assessment and programme design

It was decided that the Bangladesh Red Crescent Society with the support of the IFRC will support 4,000 affected households for three months during the lean period. However, the current funding situation is only enough to fully cover 3,000 households. Further fundraising efforts continue to cover the remaining 1,000 households who would then receive the BDT 9,000 in one instalment. After analyzing the market condition and the financial institutions' presence, CTP was decided to have been an appropriate response.



Since the immediate needs were urgent, it was decided to provide the first instalment of BDT 3,000 via cash in envelopes since this was within the handover limit as per the National Society's standard operating procedures (SOP). This allowed households to begin addressing their immediate needs while the National Society make preparations to distribute the remaining BDT 6,000 to be distributed via bank cheques.

The Bangladesh Red Crescent Society is also one of the National Societies participating in a CTP preparedness project to

enable themselves to deliver CTP faster and at-scale. A small-scale pilot to implement mobile money transfers was decided in order to try a new delivery mechanism. In order to respond in a parallel timeline as the bank cheques, 100 households with registered mobile numbers were selected as part of this pilot.

Cash grant value rationale

The cash grant value of BDT 3,000 was recommended from the food security cluster to cover food needs for one month. This was what Bangladesh Red Crescent Society had distributed in the first instalment as direct cash in envelopes.

A Joint Response Strategy was then published recommending continuous support for three months for a total of BDT 9,000. In order to harmonise the cash grant value, the response was adjusted to amount to BDT 9,000 by a second instalment of BDT 6,000.

Household selection

The team in the field and the National headquarter coordinated with other implementing agencies in selecting the vulnerable geographical areas. Once the geographical area was finalized, community consultation and door-to-door assessment was conducted to identify the most vulnerable families. This process took less than a week to finalize a beneficiary list and contributed a baseline data useful for appropriate response programming.

This was also the first operation that the Bangladesh Red Crescent Society's emergency response team applied the use of rapid mobile phone-based survey (RAMP)³ to identify and select the most vulnerable affected households. It was initially challenging to introduce the RAMP and to convince the local branches of its benefit, but became well received as it allowed them to be more effective, more time efficient and demonstrated transparency compared to the traditional paper based assessment. However, internet access and GPS reading was at times inconsistent and provided challenges in the field.

Beneficiary communications

Before the distributions, two way discussions took place between beneficiaries and Bangladesh Red Crescent Society to address any concerns and maximize accessibility such as determining suitable distribution points. Once determined, beneficiary cards were prepared and distributed to ensure everyone



Table 1. Cash-based programming facts

Total transfer amount per household	BDT 9,000 (CHF 113) ²	
Modality	Unconditional cash grant	
Number of payments	First instalment	Second instalment
	BDT 3,000	BDT 6,000
Delivery mechanisms	<ul style="list-style-type: none"> • Cash in envelopes 	<ul style="list-style-type: none"> • Mobile money transfer • Bank cheques
Method for setting value of the cash transfer	<ul style="list-style-type: none"> • Cash grant value of BDT 3,000 was based on the food security cluster's value of their monthly food package • The support was extended to cover for three months 	
Partners/service providers	bKash (a subsidiary of BRAC BANK)	
Service provision charges	1.85% cash out fee	
Additional charges	BDT 100 per SIM card	

² www.oanda.com

³ www.ifrc.org/ramp

were informed about the support they were to receive, the distribution venue, time and date.

During distributions, discussions regarding the selection process, assistance received, purpose and feedback mechanisms took place along with post-distribution satisfaction surveys. In the meantime, the IFRC and Bangladesh Red Crescent Society beneficiary communication team have developed key messages which will be disseminated through community gathering and information board as well as during awareness sessions. A hotline/information desk/complaint box was also introduced.

Agreement with the MFS provider

Discussions with bKash started early and the following negotiations took several weeks to finalize. Senior management and programme staff of Bangladesh Red Crescent Society with the support of the IFRC lead the negotiations with bKash to finalize the terms and conditions of the agreement. In order to save time, bKash's standard contract was used as the starting point for negotiations while the IFRC standard contract template was used as a guidance and comparison to ensure that, at the minimum, necessary clauses were included.

The disbursement fee was negotiated to be at no-cost (0 per cent) of the funds transferred, but the cash out charge of 1.85 per cent that came out of the user-end was a non-negotiable. This was eventually accepted as this fee can be calculated in advance and added to the cash grant value to ensure households don't have to bear this cost. All clauses regarding using our logos and images for commercial use was also removed to protect the reputation of the organization.

As the negotiations took time, this activity is ideally done during peacetime to allow for better leverage and proper negotiations to take place. Further guidelines and contract templates are available on the



Red Cross Red Crescent Movement's cash in emergency toolkit⁴.

MMT registration process

The finalized registered household list was passed on to bKash to transfer the required information to the prescribed know-your-customer (KYC) form⁵. The KYC forms were filled by bKash agents with Red Crescent Youth volunteers supporting them. Once validated using National identification cards, the bKash agent provided the mobile SIM card from a mobile service network that functions well in the area to the registered household which costs BDT 100. The cost of the SIM cards was reimbursed by Bangladesh Red Crescent Society directly to the bKash agent.

Encashment process

Since households preferred to withdraw the cash grant immediately and in its entirety, bKash agents were also set up at the distribution site for households to do this. A fixed distribution date was agreed between bKash, selected households and the local branch. To ensure there was enough liquidity in the community for encashment, early negotiations with bKash were done to recruit additional agents in the community. The IFRC, Bangladesh Red Crescent Society staff and volunteers were present to ensure the right households received the cash grant and the bKash agent provided the money as per normal transactions. Moving forward, Bangladesh Red Crescent Society intend to continue implementing MMTs in the future where households can cash out independently from any bKash agent in their community.

Programme outcome

In total, BDT 9,000 were delivered to 3,000 households to support them with relief and immediate needs for three months over the lean period. Based on the post-distribution monitoring, the cash grant was used for a combination of needs such as food, shelter, investments in livelihoods, medical expenses, paying debts, education and basic household items. This highlights again the versatility of cash grant to prioritise the needs as identified by the affected household.

In general, households chose direct cash in envelopes as the preferred delivery mechanism for cash grants as this allows them to receive the cash without any delay and begin using the cash to meet their needs. Bank cheques was the second preferred mechanism

⁴ <http://rcmcash.org/>

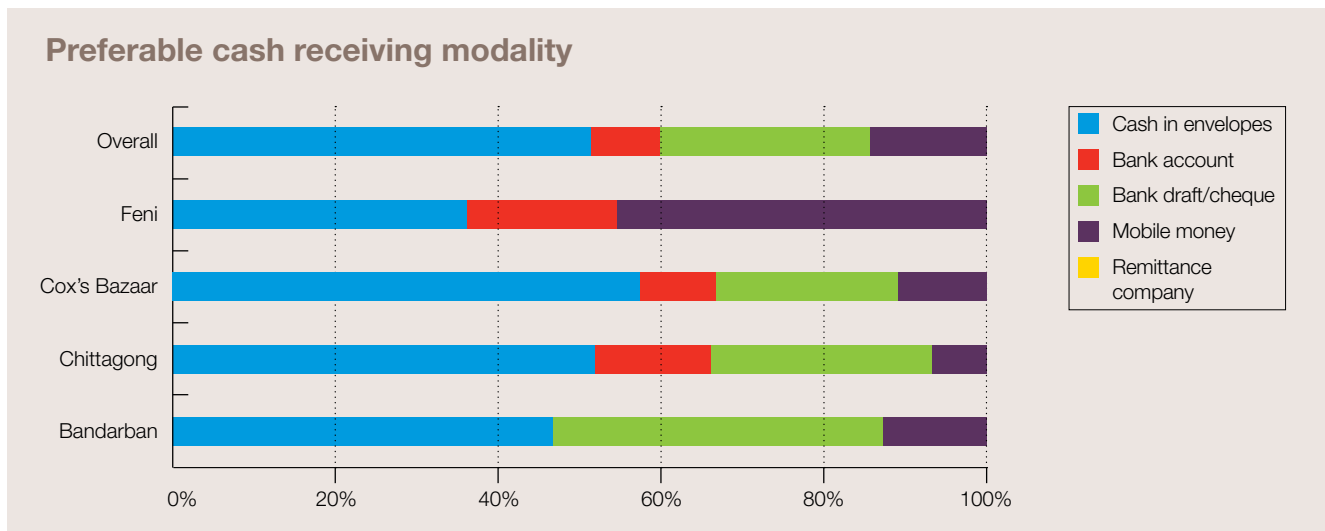
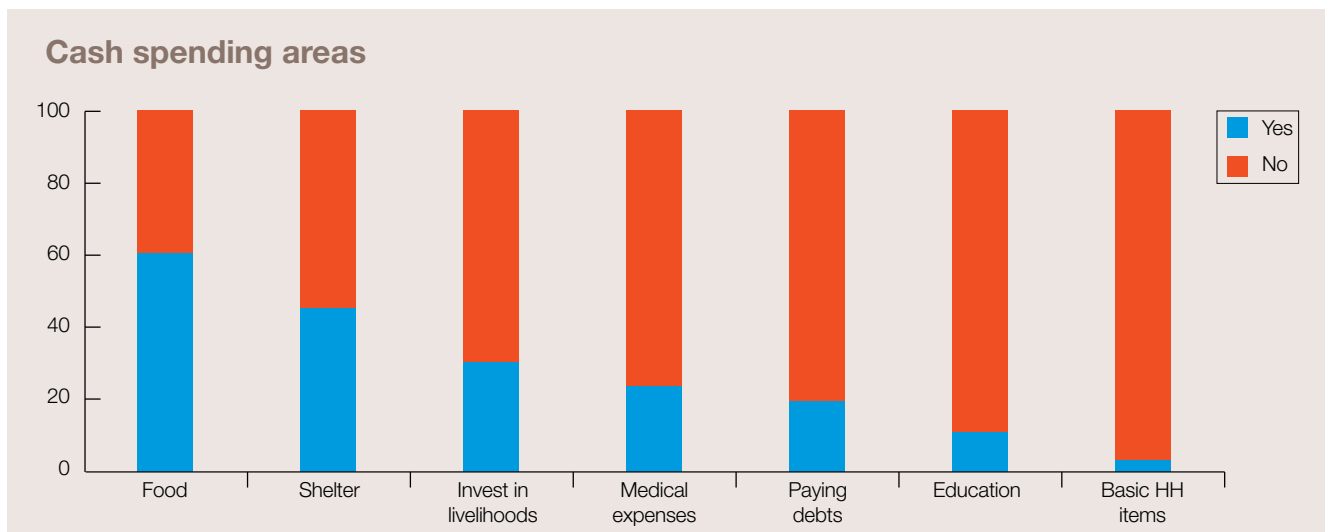
⁵ KYC is the process of identifying its clients that is typical for preventing identity theft, financial fraud, money laundering and terrorist financing.

as it gives safety and flexibility to withdraw the cash according to their needs.

Based on the reasons for bank cheques, other delivery mechanisms such as MMT and via remittance companies might potentially appeal to them with growing familiarity as none of the households owned their own bKash account before the disaster. Interestingly, all the households plans to keep their bKash

account for future use suggesting the potential for further financial engagement.

Though there were challenges with MMT, the outcome of the pilot was positive and it is planned that another 350 households will receive their cash grant through MMT in Cox's Bazaar.



4. Challenges and lessons learned

Challenges encountered:

- Higher workload of field staff to register beneficiaries
- Absence of MMT sensitization to beneficiaries by companies
- Orientation to MMT agents in the field
- bKash registration is long, security can be a problem and they are not shouldering the role
- Some beneficiaries lacked national ID which was supplemented by the authorization from local governance
- A lack of common consensus on financial and audit requirements for MMT

5. Key messages on mobile money transfer

The landscape of MFS, at the moment, is often in its early stages and continues to evolve. The fact that each follows rules and regulations specific to a national context makes it challenging to develop a standard approach in negotiating and partnering with the private sector. However, below are several key messages from this experience:

- **Private sectors are businesses.** As much as the humanitarian sector appeals to the social responsibility aspect of the private sector, we must acknowledge that they are businesses and that the volume of business the humanitarian sector currently offers is typically only a small fraction of their day-to-day business. In order to attract the private sector to partner with us, we too must offer something that is worth their while. As a humanitarian organisation, exceptions should be made for a negotiated agreement compared to what businesses normally offer. Although we should strive for no-cost, this should not be expected nor should it be the criteria to work with the private sector.
- **Our operating environments are not the same with key differences in implementation practices.** In trying to understand each other's context, extra effort needs to be made to understand that our needs are not the same. Contrary to individual registration during peacetime, our operating environment is typically in post-disaster, for bulk registration and encashment, as well as with an urgent timeline. This is an assumption that is not always clear and should be clarified from the beginning as the differences in processes affects the way we implement.
- **Our beneficiaries, their clients.** This difference in perspective may be the root cause of some sticking points in agreement negotiations. Certain requirements, for example, ensuring our cash grant recipients get the full grant value may mean that we need to consider any additional fees (e.g. cash-out fees, balance check fees) at least for the duration of our response. However, as these service fees are often pushed to the user-end who are presumably 'regular clients', they are subject to change at any time without any notice. This added responsibility and accountability we have to our cash grant recipients requires adaptations to the services that makes them different than a regular client and should be reflected in the contract agreement. A more simple way to calculate these service

fees, the ability to guarantee a certain rate for a specific duration, and/or the ability to push the fees to the implementing agent would help ensure households get the intended full cash grant and create communication materials.

- **Cashing-out must be among the MFS offered.**

Based on the Movement's experiences so far, despite the delivery mechanism and the additional offered services (e.g. electronic payments), the majority of our cash grant recipients often choose to withdraw the grant in cash and in full as this is the modality they are most familiar with. Although we hope for eventual financial inclusion and continuous engagement in financial services, we should never limit the cash-out option for our recipients. In the context of Bangladesh, mobile wallets held by mobile network operators and, therefore, not bank-led are prohibited from providing the cash-out service. This then highlights the need for us to ensure that this service is offered, as well as the need to always assess the reach and liquidity of the cash-out agents/branches.



- **National regulations and policies are constantly changing.** To protect our image and maintain our reputation, we must always consider and comply with the national regulations. As the MFS landscape is often not yet established, we must do our due diligence to ensure that we are informed of the changing regulations. In addition to our obligations to comply, these regulations influence the

way we operate and can also help guide our strategic position on who to partner with. In the example of Bangladesh, customers and agents are only allowed one MFS account with a provider. This directly influences how fast we can operate in case our cash grant recipients already have an existing account and/or if we are obliged to close the accounts at the project close date or if we plan to use MMT with the same population again in the future.

- **Identify the bottlenecks for scaling up.** When working with partners, the bottlenecks will typically be due to the additional requirements needed by each additional process. In the context of MMT, creating an MMT account requires a non-negotiable KYC form as per the national policy and potentially supplying some or all of the hardware to the households (e.g. SIM cards and/or mobile phones) which requires an additional registration. The heavy requirements for such products are justified since the products (e.g. bKash account and SIM card) are more permanent and exists beyond the duration of the assistance. Potential solutions such as modified KYC forms to help shorten the process, a compatible KYC form/format across partners (e.g. bKash and MNO) or also having pre-agreements with MNOs to stock SIM cards and mobile phones pre-disaster need to be explored.
- **Humanitarian organisations are in a strong position to negotiate.** We must never undermine the added value the humanitarian sector can have for the private sector due to our mandate and established image, as well as our link to the unbanked population. Our responsibility to “protect” our beneficiaries and to protect our reputation.

Finding the middle ground between the humanitarian and private sector will require continuous dialogue, but understanding each other's language, requirements and needs is the first step. To understand better financial services, refer to the *Financial Services Primer for Humanitarians*⁶.

⁶ [http://www.cashlearning.org/downloads/financial-services-primer-for-humanitarians-final-\(1\).pdf](http://www.cashlearning.org/downloads/financial-services-primer-for-humanitarians-final-(1).pdf)

6. Conclusion

The larger challenges with MMT is that there are justified and necessary requirements and restrictions as these services do not have an end date and have the ability to live longer than the duration of the project. Though this could promote financial inclusion, the lengthy process attached to these requirements such as know-your-customer (KYC) forms and the strict requirements of national identification cards that are often lost post-disaster delays the rapidity of the response it was intended to have. Until an expedited process for bulk registration for long-term financial inclusion, we need to assess and prioritise our primary objective to either be rapid disbursement of cash grants or financial inclusion. Perhaps the contribution the humanitarian sector have in financial inclusion at the moment is not the direct result itself through what we provide, but instead an indirect result from the exposure.

If the humanitarian and private sector are serious and genuine about sustainable financial inclusion, off-the-shelf products and services need to be adjusted to accommodate the needs of those with lower socioeconomic status. This means that an MFS designed for the general population cannot always be force-fitted for the humanitarian sector. Additional requirements such as ensuring the platforms are available in local languages, minimum balance requirements are lowered and long-term community awareness on technology and financial services are necessary to make these products and services accessible.

The potential for using technology such as MMTs and partnerships with the private sector is massive and is certainly valuable to explore. However, much work still needs to be done in order for the humanitarian and private sector to understand each other's business processes in order to offer the right product and service to reach the common goal.



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Humanity The International Red Cross and Red Crescent Movement, born of a desire to bring assistance without discrimination to the wounded on the battlefield, endeavours, in its international and national capacity, to prevent and alleviate human suffering wherever it may be found. Its purpose is to protect life and health and to ensure respect for the human being. It promotes mutual understanding, friendship, cooperation and lasting peace amongst all peoples.

Impartiality It makes no discrimination as to nationality, race, religious beliefs, class or political opinions. It endeavours to relieve the suffering of individuals, being guided solely by their needs, and to give priority to the most urgent cases of distress.

Neutrality In order to enjoy the confidence of all, the Movement may not take sides in hostilities or engage at any time in controversies of a political, racial, religious or ideological nature.

Independence The Movement is independent. The National Societies, while auxiliaries in the humanitarian services of their governments and subject to the laws of their respective countries, must always maintain their autonomy so that they may be able at all times to act in accordance with the principles of the Movement.

Voluntary service It is a voluntary relief movement not prompted in any manner by desire for gain.

Unity There can be only one Red Cross or Red Crescent Society in any one country. It must be open to all. It must carry on its humanitarian work throughout its territory.

Universality The International Red Cross and Red Crescent Movement, in which all societies have equal status and share equal responsibilities and duties in helping each other, is worldwide.

Innovation and new technologies are continuously being identified and explored as ways to improve CTP which creates exciting opportunities to partner with the private sector. This case study extracts the lessons learned of implementing a mobile money transfer as a delivery mechanism in the context Bangladesh and the process of engaging with the private sector.

**For more information on this publication,
please contact:**

Clara Setiawan
Cash Support
International Red Cross and Red Crescent Societies
Email: clara.setiawan@ifrc.org

Md. Adith Shah Durjoy
*Manager – Organizational development and acting
disaster operations coordinator*
International Red Cross and Red Crescent Societies
Email: adithshah.durjoy@ifrc.org



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