Distributing cash through bank accounts

Save the Children's drought response in Swaziland

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Save the Children

Glossary of terms

ATM	Automated Teller Machine
DFID	Department for International Development (UK)
GDP	Gross Domestic Product
GNI	Gross National Income
IFAD	International Fund for Agricultural Development
KYC	Know Your Customer
MIS	Management Information Systems
MOU	Memorandum of Understanding
NGO	Non-governmental Organisation
NDMA	National Disaster Management Authority
POS	Point of Sale
SASSA	South African Social Security Agency
UK	United Kingdom
UN	United Nations
US	United States
VAC	Vulnerability Assessment Committee
WFP	World Food Programme

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Executive summary

Between the months of November 2007 and April 2008 Save the Children conducted an emergency drought response programme in Swaziland aimed at delivering a 50:50 combination of cash and food to 45 000 people in about 7 500 households. It was delivered through a fully-fledged savings account, which gave beneficiaries an ATM card that they could use to access their cash with one free withdrawel a month. The project was conducted in conjunction with Standard Bank Swaziland, which provided the accounts, and Swazi Post, which provided outlets for manual cash distribution until such time as the ATM cards were distributed, and afterwards if the beneficiaries chose not to use their cards.

Setting up the bank accounts was complex and fraught with technical hitches, some of them caused by the inexperience of the parties involved. In the end, however, the project can be judged a success. About 6 100 people identified as heads of households opened bank accounts. Everyone received their allocated food and cash on time in the allocated amounts. Although the younger beneficiaries were far more open to the concept of using a bank account and also better able to do so, most beneficiaries reported feeling empowered by receiving cash and a bank account. Furthermore, the injection of cash into the local economies did not have an impact on inflation in these areas. Instead it served to strengthen these economies because of the increased purchasing power of the beneficiaries.

The project also created the opportunity for consumer education. Formal training included role playing, with short sketches used to get the message across. This included advice about spending money wisely but also specifically targeted child-headed households and covered financial planning, budgeting, financial terminology and practices. As this training was not aligned to any bank there was the freedom to offer general financial literacy and encourage savings at the same time as providing specific information about the accounts the beneficiaries had received.

Assessment at the end of the project was that the training helped develop an understanding of banks and encouraged some beneficiaries to save some of their money. One month after the project was completed 1 200 beneficiaries still had money in their accounts, and about a quarter of the beneficiaries indicated that they intended to continue using their bank accounts.

Save the Children had not embarked on a project involving distribution of cash through bank accounts before and regarded this programme as one which would provide lessons for future projects. A number of important lessons emerged.

1. An understanding of the banking sector in general and in the country in question is crucial for humanitarian organisations wanting to deliver cash through bank accounts. Save the Children found itself to be at a disadvantage in negotiating the deal and in managing the relationship between itself and Standard Bank by virtue of its lack of experience in this arena;

2. Banking profitability in the very poor sector of the market is often marginal, especially when conventional products are used. It is important to recognise and respect the profit motive of the banking sector partner and therefore to ensure that the deal is structured in such a way as to ensure profitability for the bank. Using innovative technology such as cellphones to deliver the accounts may be one way of achieving this;

3. Projects such as these are complex and time-consuming to set up and enough time should be allocated for preparation. The time constraints of an emergency project make it difficult to set up the process and to design the banking product optimally;

4. It is important to be clear upfront about how the relationship between the partners is to be conducted, and to ensure that the lines of communication between the partners are optimal;

5. The responsibilities of each partner should be clearly specified at the outset;

6. When aid is provided in the form of cash, it takes on a political nature which food aid does not have. This has the potential to derail a cash transfer programme if not managed well;

7. If the intention is that the beneficiaries should be able to continue to use their accounts at the end of the project, is it important to design the bank account in a way that is appropriate for the beneficiaries; and

8. On a practical level, because accessing money in the account of a deceased person is difficult, consideration should be given to whether or not to select a household member who is in good health to be the account holder rather than someone who may be the senior family member but who may pass away from old age or ill health before the end of the project.

Introduction

From November 2007 to April 2008, Save the Children conducted an emergency relief project involving 45 000 people in Swaziland that delivered half the aid in food and the other half in cash transferred into bank accounts set up for the beneficiaries. Funding was provided by the UK Department for International Development (DFID). The project was conducted in conjunction with Standard Bank Swaziland and Swazi Post. Swazi Post offered two branches from which beneficiaries could withdraw their money until they received their ATM cards, and subsequently if they chose not to use the ATM machines.

The decision to deliver the food/cash-through-account combination was made in accordance with international best practice on how to work against the negative effects of a growing dependence on food aid. The intention was to give beneficiaries the ability to buy assets that would sustain them into the future and generate demand for products and services within the local economy.

On the face of it, projects of this nature could provide an innovative method of creating greater financial inclusion. Yet they are relatively new and there is still much to learn to ensure that they are successful in achieving this aim. This case study seeks to document the process followed by Save the Children as well as lessons from the project that could be applied in other contexts.

Swaziland: a brief overview

Swaziland is a small, landlocked kingdom with an area of 17 363 square kilometres, thus somewhat smaller than Wales or the state of Massachusetts in the United States. It is surrounded almost completely by South Africa, although it has a short border with Mozambique on the west. As such, its economy is substantially linked to that of South Africa and its currency, the lilangeni, is pegged on a one-to-one basis to the South African rand: E1 is equal to R1.

HIV/AIDS has had a devastating effect on the population of 1.16 million people and the economy of the country. Statistics vary, but nevertheless paint a bleak picture. World Bank organisations estimate that prevalence is as high as 42.6% – the highest in the world. United Nations (UN) figures estimate that 33.4% of the adult population carries the virus. As a consequence of HIV/AIDS, population growth has slowed to below 1% (according to UN figures) and may even be declining (according to World Bank figures).

The country had a period of substantial economic growth between 1986 and 1996 with a number of foreign companies investing in manufacturing. Average gross domestic product (GDP) growth was 5% a year over that period. This growth has since slowed. Between 2005 and 2006, GDP grew by 2.1% and it is expected to grow by only 1% a year until 2010.

Although Swaziland's per capita income of US$2 430 situates it as a middle income country, it has one of the highest Gini coefficients – the global measure of inequality in a country – in the world, 0.609. The International Fund for Agricultural Development (IFAD) reports that half the spending in the country comes from only 10% of the population, and that there is an ever-widening gap between urban and rural development. About 84% of the country's poor people live in rural areas, where per capita income is about a quarter that in urban areas, and food consumption is half. Figures sourced from the World Food Programme (WFP) say that 21% of Swazis are chronically food insecure and that 69% live on less than $1 a day.

Table 1: Swaziland statistics

Population (2006)	1.1 million
Population growth*	2.9%
Population growth**	-0.4%
GNI per capita (2006)	US$2 430
GNI (2006)	US$2.7 billion
GDP (2006)	US$2.6 billion
GDP growth (2005 – 2006)	2.1%
Anticipated GDP growth (2006 – 2010)	1%
Gross domestic savings/GDP (2006)	12%
Urban population	24%
Life expectancy	41 years
Child malnutrition (under five)	10%
Land area	17 363 sq km
Human development index	147 out of 177 countries
Consumer inflation (2006)	4.8%
Food inflation (2006)	14.6%

** Swaziland Central Bank figure*
*** World Bank figure*

GNI – Gross National Income

Sources:
World Bank Swaziland at a Glance, World Food Programme Swaziland Country Brief, Central Bank of Swaziland

Even though agriculture contributed only 11% to GDP in 2006, the Swaziland Central Bank emphasises that it forms the backbone of the economy. About 70% of the population depend on agriculture for a livelihood and most of the country's industry focuses on processing agricultural and forestry products.

Agriculture takes place on two types of land: Swazi Nation Land and Title Deed Land. The former comprises about 60% of Swaziland. It is held in trust for the nation by the king, administered by the chiefs, and mainly inhabited by small farmers who grow maize and cotton. The land is not irrigated and is therefore highly susceptible to drought. The latter is mainly owned by non-Swazi commercial sugar farmers and crops are grown under irrigation.

Maize production has been declining steadily since 2000. Up until then, the country routinely harvested more than 100 000 tons of maize. Subsequently, because of erratic weather, outdated agricultural practices and the dramatic impact of HIV/AIDS, the average crop has dropped to 70 000 tons.

Dependence on food aid is high, with 40% of people in the entire country relying on food aid for 70% of their food. Poverty is widespread in the Lowveld, which covers most of the eastern part of the country and is the hottest area and most vulnerable to drought. These areas in particular have been receiving food aid regularly for at least the last 15 years and very few households there can feed themselves in any one year. The collapse of the cotton industry in Swaziland in 2002 affected households across the wealth spectrum and reduced labour opportunities in the area.

By contrast, the Highveld, which occupies some of the highest parts of the escarpment and borders South Africa, has been less affected by drought and disaster. It has the highest rainfall per year in the country, and the timber industry has historically offered full-time and seasonal work to many households, although wages are low. It has not had to receive food aid for many years. The aid delivered in this project was certainly the first such assistance the area had received since at least 1990.

Two government structures within Swaziland are responsible for co-ordinating different types of aid. The Ministry of Health and Social Welfare looks after the distribution of financial grants (see Table 2) on behalf of the king. The Ministry of Regional Development and Youth Affairs, through the National Disaster Management Authority (NDMA), co-ordinates and oversees aid and disaster relief. It works with the WFP, while the aid organisations operating in the country, such as Save the Children, distribute this aid.

Table 2: Department of Health and Social Welfare grants in Swaziland

Type	Number of recipients	Amount
Elderly	50 000 (everyone over 60)	E500 per quarter
Public assistance	14 000	E500 per quarter
World War 2 Veterans	200	E500 a month
World War 2 Widows	800	E500 a month
NGO child care	Varies	E200 a month

The Ministry of Health and Social Welfare pays its grants through the Tinkhundla (community centre) and uses cheques for the ex-servicemen, widows and the public assistance grant. It uses cash for the elderly grant, but will now introduce bank accounts for those who are able to go to a bank. The Department will structure the process so that the elderly can use any bank.

In accordance with a regional initiative to monitor and assess community vulnerability, Swaziland has a Vulnerability Assessment Committee (VAC) which monitors livelihoods and predicts the need for emergency assistance on an annual basis in the regions of Swaziland. It is on the basis of the assessment of this committee that this project was established.

Swaziland's banking system

There are four commercial banks in Swaziland and one building society: First National Bank, Nedbank, Standard Bank, Swazi Bank and Swaziland Building Society. As at March 2008, total deposits in these institutions was E5.5 billion, according to data supplied to the Central Bank of Swaziland.

Standard Bank is the biggest retail bank in the country, both in number of customers and its balance sheet. It also has the most ATMs across the country, with part of its strategy being to increase its ATM distribution into more parts of Swaziland. At the time of the project it had 29 ATMs.

Banks in Swaziland have traditionally targeted corporate clients and upper-income earners, and a FinScope™ study in 2003 ranked financial inclusion in this country as lower than in Lesotho, Namibia and Botswana. The study estimated that as much as 48% of the population of Swaziland did not use formal financial products. According to the study, about 37% of Swazis had current accounts, and only 17% had savings accounts. An estimated 18% had ATM cards. In rural areas, use of financial services was lower than average, with 54% not making use of formal financial products and services, 31% having current accounts, 15% having savings accounts and only 11% having ATM cards (see Table 3).

Table 3: Financial inclusion in Swaziland

	Overall	Urban	Rural
Financially included	52%	67%	46%
Current account holders	37%	53%	31%
Savings account holders	21%	39%	15%
ATM cards	18%	40%	11%

Source: FinScope™ www.finscopeafrica.com

Project origins

In recent years Swaziland has been hit by a series of debilitating droughts. In 2004 and 2005 more than a quarter of the population required emergency food aid because of serious drought. There was a respite in 2006, but in the growing season of 2006/07 Swaziland experienced one of its worst droughts in 15 years. There was large-scale crop failure and maize production amounted to only 46 000 tons. It was the lowest annual harvest in 15 years and affected even the normally-productive Highveld region. Not only did this affect farmers' income, it had a knock-on effect on farm workers, who had less opportunity to work and earn money because there was less to harvest. Subsistence farmers were not able to grow sufficient maize to tide them over to the next harvest.

On top of this there were huge forest fires in the Highveld that destroyed thousands of hectares of plantations, as well as homes, crops and livestock. The prime minister declared the veld fires a national emergency on 1 August 2007.

The VAC estimated that as many as 345 000 people throughout the country would be unable to meet their food needs and protect their livelihoods in the months until the next harvest, which would be in April and May of 2008. As a consequence they would need emergency assistance to tide them over until the harvest. For the first time in a number of years, this aid would also be required in the Highveld region.

The particular project in which Save the Children was involved aimed to assist 7 500 households (around 45 000 people) in the Lowveld (Lubombo region) and the Timber Highlands (Shiselweni region). These were the regions that the Swazi VAC had identified as the most vulnerable following the drought and forest fires. Four constituencies were involved: two in Lubombo (Siphofaneni and Sithobela) and two in Shiselweni (Gege and Masiyesini).

The conventional approach to such disasters in Swaziland had always been to distribute food aid. However Save the Children Swaziland was concerned that, although food aid was having undoubted benefit, dependence on food aid was having certain pernicious effects on the communities. Increased reliance on food aid is accompanied by reduced incentive to take the risk of planting crops that might not yield a decent harvest, especially in the Lowveld, where the organisation has been distributing food aid since the early 1990s. At the same time, small wholesalers and retailers in the area have not been able to grow their businesses: not only because people do not have money to buy food, but also because so much of the food that is coming into the area is supplied for free.

Internationally, cash transfers have been shown to be beneficial in areas where the beneficiaries choose to receive cash instead of food and where there is a viable cash-based economy. Save the Children UK, which provides advisory and practical support to its counterpart in Swaziland, has had some experience in distributing cash grants: in response to the Pakistan earthquake in 2005, the Asian tsunami in 2005, and food insecurity in countries such as Kenya, Ethiopia and Somalia. Save the Children Swaziland therefore approached Save the Children UK for assistance in putting together a programme in which half of the aid would be provided in the form of a basic food ration and half in the form of cash.

Swaziland has a number of characteristics which make it suitable for such an intervention. It has generally good infrastructure and communications, both of which facilitate trade even in remote areas. It is a small country, which means that every community has access to retail outlets that are relatively close. Furthermore, Swazis tend to purchase considerably more food than they grow and there is a viable cash-based economy. As a consequence, Save the Children UK decided to explore the feasibility of cash transfers.

Swaziland: location of key towns and cities involved in the project

The Save the Children project

In July 2007, Save the Children UK sent a food security specialist to Swaziland to conduct an initial assessment of the need for an intervention and the best way of delivering the cash to the recipients. While in Swaziland she learned that Standard Bank and Swazi Post were in discussions with the Ministry of Health and Social Welfare about joint delivery of state pensions through bank accounts. The bank was to provide the accounts and Swazi Post the distribution facilities. It appeared that the deal was all but a reality and that the two organisations would go live with the project in the near future.

This prompted Save the Children to consider delivering the cash through a bank account instead of by physical means. Although the organisation had not used bank accounts in this way before, it believed that there would be a number of benefits in doing so this time. Not least of these was that a range of unbanked people would be given bank accounts which they could continue using at the end of the project, therefore reaping extended benefits when the project was over.

More than this, the imminence and certainty of the deal between Standard Bank, Swazi Post and the government prompted Save the Children to decide up-front to work with these two organisations on the project if they were willing. This was for two main reasons. Save the Children wanted to create continuity by working with others who would carry on serving the community at the end of the project. In addition, it realised that because this was an emergency intervention, the preparation process would have to move swiftly. As a consequence, it would be important to work with organisations that already had the infrastructure in place, and commitment to serving this segment of the market, when rolling out the bank accounts.

Save the Children Swaziland

Save the Children Swaziland is part of the Save the Children Alliance: a network of 27 autonomous organisations around the world with operations in more than 120 countries. Its purpose, as the name indicates, is to help children in need. Although alliance members operate autonomously, they collaborate on projects and some of the larger members, such as Save the Children UK and Save the Children US, have support and advisory relationships with some smaller alliance members in other parts of the world.

Save the Children Swaziland has its head office is in the capital, Mbabane, and it operates in the Lubombo, Manzini, Siphofaneni and Shiselweni regions of Swaziland. The organisation has three main areas of activity: child protection advocacy, HIV/AIDS response, and emergency response. Its emergency response activities entail working with the government, the World Food Programme and non-government organisations to distribute food aid to families in need.

It has a long-standing relationship with Save the Children UK, which provides some funding for operational processes as well as advisory support.

Before the project went ahead, however, Save the Children thought it necessary to analyse whether distributing cash would fuel inflation in the area. The organisation therefore conducted a feasibility study to benchmark the situation as it was before the project began and to determine whether it should go ahead. The study revealed that there was a willingness to increase trade in the two areas in which the project would operate, and that there was elasticity of supply in the local and national markets. It concluded that cash transfers were an appropriate and viable response to the crisis and that they would have limited or no impact on commodity inflation.

Having decided that the project should go ahead, Save the Children asked Standard Bank Swaziland and Swazi Post if they would be willing to participate in the project and both agreed. Hogan Thring, corporate accounts manager at Standard Bank Swaziland, explains that the bank did not expect to make a significant profit from the venture, either from the fee charged to Save the Children, or from holding the cash short-term prior to transferring the money. This was because the number of accounts to be opened and the amounts of money to be transferred were relatively small. Instead, he says it saw the project as an opportunity to fulfil its aim of being socially relevant. The Post Office looked on the project as an opportunity to get involved in a new business and to use its facilities to extend a greater number of services to the Swazi people.

Save the Children UK submitted a proposal for this project to DFID asking for a sum of £1.34 million to fund the grants and their distribution. Matthew Wingate, emergency advisor at Save the Children UK, remarks that there was a meeting of minds between the two organisations and that everyone involved saw the opportunity for the project to have an impact beyond Swaziland by virtue of the lessons that would come from it. DFID too was interested in breaking the cycle of dependence on food aid and saw the project as an opportunity to realise this aim.

As it turned out, Standard Bank and Swazi Post did not get the tender to distribute state pensions. The Swazi government decided that it would do the distribution itself. This only became clear after the project had started, and the emergency response project therefore went ahead as initially planned, with a partnership between Save the Children, Standard Bank Swaziland and Swazi Post.

Save the Children also consulted with key stakeholders to understand their views on the concept of cash transfers. Government ministries and departments involved were the Ministry of Regional Development and Youth Affairs, the NDMA, the Ministry of Economic Planning and Development, the Central Statistics Unit, the National Maize Cooperation and Swazi VAC. All were enthusiatic about the project.

Advantages of cash transfers

Choice:	Cash gives households a greater degree of choice and permits them to spend money according to their own priorities.
Cost-effectiveness:	Cash is likely to be cheaper and faster to distribute than alternatives such as restocking, seed distribution, and food distribution.
Dignity:	Offering cash maintains people's dignity, by giving them choice. Delivery mechanisms do not treat them as passive recipients of relief.
Economic recovery:	Injections of cash have potential benefits for local markets and trade.
Flexibility:	Cash can be spent on both food and non-food items and is easily invested in livelihood security.
Empowerment:	Cash can improve the status of women and marginalised groups.

Project outline

The project was to run for six months, from November 2007 to April 2008, the time of the next harvest. It aimed to provide aid through regular food distribution and cash grants, which were to be transferred from Save the Children funds into bank accounts specifically set up for the beneficiaries. Alex Rees, food security and livelihood advisor at Save the Children UK, says that although, according to international best practice, cash transfers are the most appropriate mechanism for delivering aid in societies like Swaziland, there were three reasons why the organisation opted for a combination of food and cash in Swaziland:

- It was concerned that offering only cash would be too radical a move for local stakeholders;
- There was uncertainty about how the beneficiaries would respond to cash only, because cash transfers had not been tried in emergency situations in Swaziland before; and
- The organisation did not want to alienate the WFP or the NDMA by setting up an alternate structure that delivered cash only.

The cash grants were to consist of two components: a one-off lump sum at the beginning of the project intended for use in activities such as buying seed and fertiliser, hiring tractors and repairing irrigation systems, which would help recipients sustain household livelihoods in the longer term; and monthly grants. The monthly grants were calculated to be able to purchase exactly the same amount of food per person as was physically distributed to each household. The size of the grant was dependent on the number of people in the household. The maximum amount given was for a household of eight and the minimum for a household of two. Included in each grant was an amount to pay for transport to the cash collection point (food distribution points were far closer to where the people lived, and they therefore did not have to incur transport costs to collect the food) as well as an amount per household for non-food items.

Thus, a household of six people received a grant of E225 a month, of which E20 was for non-food items, E25 was for transport and E180 was for food (E30 per person). A household of one or two received E105: E60 for food and E20 and E25 for non-food items and transport respectively.

Table 4: Key facts about the project

Number of beneficiaries	45 000
Number of households	7 500
Number of bank accounts opened	6 100
Number of ID documents processed	4 000
Number of chiefdoms	4
Minimum grant	E105
Maximum grant	E225

In the end, the number of people actually opening bank accounts was lower than the 7 500 initially anticipated (6 100 beneficiaries). Save the Children ascribes this to the fact that some of the intended recipients did not want to have ID cards and therefore chose to receive food aid only. This meant that there was money assigned to the project that had not been spent. Save the Children therefore decided to disburse a final lump sum amount at the end of the project. Thus, the final payout in April 2008 consisted of the monthly sum as well as the lump sum.

Save the Children initially thought of having agreements with both Standard Bank and Swazi Post, but later decided that it would be better to have an agreement with Standard Bank only and that Standard Bank should enter into a separate agreement with Swazi Post to distribute the cash. Thring was the key contact person for the bank during the negotiation and the life of the project. Matthew Wingate, emergency advisor at Save the Children UK, headed up the negotiation process for Save the Children and then passed management of the project over to Rosie Jackson. Save the Children had previously contracted Jackson, a food security programme manager, to manage a wide range of emergency projects and prior to this project, she had been working on one in Zimbabwe for the organisation.

Wingate notes that Save the Children's lack of experience in using bank accounts for cash transfers did not help the organisation during the negotiation process. Added to this was the fact that the project was an emergency humanitarian programme that had to get off the ground quickly and would run for only a short time. He believes that Save the Children did not have sufficient understanding of private sector motivations for getting involved in a project such as this. Neither did it have sufficient understanding of how banks operate, nor of Standard Bank Swaziland and its position relative to the rest of the Standard Bank group within the region.

If Save the Children had had this understanding, he believes, it might have negotiated a better deal for itself financially and been able to ensure that Standard Bank's responsibilities and the nature of the bank account that it would provide were agreed far sooner. As it was, because of the urgency of getting the project started, the three organisations proceeded with the programme before the final agreement was signed. Indeed, full agreement on the nature and characteristics of the bank account was only reached at the beginning of February – mid-way through the project.

Save the Children agreed to pay Standard Bank E20 for each transfer that it made and the bank account that was eventually agreed is a variation on Puresave, a savings product that Standard Bank Swaziland developed specifically for low income earners. In its original form, this account has no monthly service fee and a minimum balance of E50. It allows for one free withdrawal from a branch per month. Subsequent withdrawals cost E35 each. No ATM card is issued with this account. The key differences in the account negotiated for the Save the Children recipients were that there would be no minimum balance requirement and that account holders would get an ATM card with which they could make one free withdrawal a month. As this account is designed to encourage savings, subsequent withdrawals, or withdrawals from a branch, would cost E35.

Although Standard Bank has a transactional account aimed at the lower end of the market, it saw the savings account as the most suitable and cost-effective option for beneficiaries. It was anticipated that within the six-month project, it was unlikely that beneficiaries would make more than one withdrawal a month. Thring adds that, as the project was only to run for six months, and because there were only two months to prepare, it did not seem feasible to develop a completely new product.

Standard Bank agreed to report to Save the Children on disbursing the cash transfers and tracking the financial transactions. In terms of the Swazi Post's agreement with Standard Bank, the Post Office was to ensure that the money was transferred to the two post offices each day and provide the staff to process the transactions. Standard Bank agreed to pay Swazi Post for each transaction that it processed. Neither Standard Bank nor the Swazi Post wished to disclose exactly how much the bank paid the Post Office. However, Swazi Post indicates that it was sufficient to cover the organisation's costs.

The idea was that all of the accounts would be established before the initial lump sum was paid to the beneficiaries, but that until the ATM cards had been distributed, cash withdrawals would take place at Swazi Post using an interim, off-line system. Two post offices were identified as suitable: Nhlangano in the Highveld and Siphofaneni in the Lowveld. These two venues were thought appropriate because of their central location for the recipients, and also because they offered space for the beneficiaries to queue without disrupting other activities in the area.

After the ATM cards had been distributed, recipients would choose whether they wanted to withdraw from an ATM or from the post office. They would be able to withdraw from any Standard Bank ATM, or from either one of these two post offices. Standard Bank would provide the two post offices with online point of sale (POS) machines so that funds could be withdrawn electronically. Recipients could come at any time of the month to withdraw their cash, but it was assumed that most would want to come at the time that the money was transferred into their accounts because they were in such need of the funds. Swazi Post and Standard Bank were to supply extra staff for the post offices to handle the large number of people who would turn up to withdraw their money.

Beneficiary targeting

In mid-September, work began in earnest on the project. Because of its scale, Save the Children UK contracted Jackson to manage the project and David Tooke to manage the finances. In seeking someone to do this, the organisation specifically wanted someone who had experience in working with banks, which Tooke had. Save the Children Swaziland provided the rest of the staff, sourcing temporary employees where necessary. Jackson had been involved in a project that involved cash distribution in Kashmir, although not using bank accounts.

Save the Children followed the guidelines of the food security consortium and the WFP in targeting beneficiaries and worked through the Inner Councils of each of the chiefdoms and the relief committees established by these councils. They did this because they wanted to ensure that the process of choosing aid recipients was transparent and fair in the eyes of the community. These relief committee members divided their communities into three groups according to level of poverty. In the Lubombo region those in the poorest and the middle group were identified as needing to receive aid, and in the Highveld, only those in the poorest category. According to the Swaziland VAC, this choice is representative of the vulnerability levels in the population, with the middle group in Lubombo being more vulnerable than that in the Highveld.

Bank accounts were opened in the name of the head of the household, but women were prioritised to receive the bank accounts rather than men, based on the previous evidence that women would be more responsible in using the funds. This approach raised a few eyebrows, as many expected men to be the account holders. Nevertheless, there was general acceptance of this approach in the community. There were 150 child-headed households (fairly loosely described as households headed by a family member under the age of 18) in the group. As Swazi legislation requires that people have to be 18 before they can open a bank account, only four child-headed households had bank accounts. The rest received the cash through direct distribution in envelopes.

According to a baseline survey conducted for the project, just under 90% of the beneficiaries were unemployed and half were older than 50. At the time the survey was conducted, the diets of the households had already changed to cope with not having enough food, and more than 43% had gone for entire days without eating: some choosing to eat every second day, for example.

Project roll-out

Over the six-month period in which the aid was distributed, all of those identified as being in need of aid received both the food and the cash aid on time (aside from the first lump sum distribution, which will be explained later) and in the right amounts. Time will yet tell the extent to which the beneficiaries were more permanently introduced to the banking system, but despite a number of problems along the way, by the end of the project many people were using ATM cards to withdraw their grants and many were even leaving a little in their account.

Bank accounts: Save the Children took on the responsibility for getting the ID cards and completing all the necessary paperwork to open the bank accounts for the beneficiaries. This was a somewhat unexpected turn of events for Save the Children, as it had understood from the agreement that Standard Bank would perform this task. In hindsight, Save the Children believes that doing the work benefited the project and the beneficiaries, mainly because of its experience in working with the community. For its part, Standard Bank saw itself as applying the same strategy it uses with large employers wishing to open up accounts for their employees. The most effective way to fast-track the process, in the bank's experience, is for the employers to use their existing communication channels with employees to prepare all the necessary paperwork.

Save the Children used its field workers to ensure that all recipients had the necessary documentation and completed forms to open the accounts. Standard Bank then verified each application for Know Your Customer (KYC) requirements. To facilitate the account opening process, the bank had negotiated with the Central Bank of Swaziland that certain KYC requirements be relaxed for these accounts. This meant that instead of having to produce a utility bill as proof of residence, the beneficiaries could get a letter from their chief certifying that they lived in his chiefdom. They also had to have ID cards.

Although the government had encouraged all of its citizens to get ID cards in 2004, many people still did not have one. In fact, less than one third of the Save the Children recipients had ID cards. So, Save the Children had to organise ID cards for more than 4 000 people before the project could start. This, coupled with the need to do all the paperwork to open the accounts made the start-up process far more time-consuming and complex than Save the Children had anticipated. "We took on a heavy, heavy administrative burden" says Jackson. "We had 25 people working in the field collecting data and six inputting data here at the office."

The Ministry of Justice helped facilitate the process. The normal turnaround time for issuing an ID is between two and three weeks. This time, the ministry did it all in just one weekend. Nevertheless, as a result of the time taken to set all of this up, the project was two weeks late in delivering the initial lump sum and only managed to do so in early November. Furthermore, as the project evolved, more people came forward to apply for IDs and to receive the cash grant. This meant that new bank accounts were still being opened in January. (Up until they opened an account, the beneficiaries received a full food ration. After that, they received half food, half cash.)

When it came to installing POS machines in the two post offices and distributing ATM cards to the beneficiaries, there were a number of challenges. Firstly Standard Bank only delivered the POS machines to the two post offices in January, after the January transfer. Part of the delay, says Thring, was because the bank realised that the POS machines would not be able to process the transactions quickly enough, and would therefore slow the distribution process down rather than speed it up. As a consequence, the bank had to upgrade the system.

Secondly, Save the Children had hoped that by the January transfer all beneficiaries with bank accounts would have their ATM cards and be able to use them if they chose to. However, these were only ready for distribution during the January transfer and given to the beneficiaries when they came to collect their cash. At this stage, about 80% of the beneficiaries received their bank cards, but none of them could actually use their cards because, for security reasons, they had to make a special trip to Big Bend to get their PIN numbers. In theory, then, these beneficiaries could have used their ATM cards at the next transfer, in February.

Unfortunately, during the bulk printing of the ATM PIN numbers, Standard Bank had a system failure and most of the PIN numbers were lost. Because Swaziland regulations require that new cards have to be created to generate new PIN numbers, Standard Bank had to organise for new cards to be printed for all the Save the Children beneficiaries. The bank managed to reprint all the cards in 13 days, but the cards could still not be distributed in time for the beneficiaries to use them in February. Instead, they were able to use their ATM cards in March and April – the fifth and sixth months of the six-month project.

During the first distribution of ATM cards, Standard Bank had sent two staff members to each of the cash distribution points. They worked with Save the Children employees to give out the cards, which took a very long time, given the number of people that had to be processed. Many recipients had to come back the next day to collect their cards and some did not even get their cards during the cash distribution period.

For the second distribution of ATM cards, after the cards had been reprinted, Standard Bank agreed to distribute the cards and the PIN numbers at the Tinkhundla (community centres in each chiefdom). The bank provided three people to perform this function. They handed out 500 cards a day and managed to complete the job in 12 days. Save the Children staff were on hand to advise people that they could continue to collect their money from the post office or use an ATM in the future.

As a consequence of these delays, the cash withdrawal process, involving about 1 000 people a day at each post office, was entirely manual for the first four months and managed through an offline system set up on a personal computer in each post office. It was facilitated by Swazi Post employees (deployed to the two post offices from other post offices in Swaziland) and Save the Children field workers. The field workers collected recipients' ID cards in batches and took them to Swazi Post employees who looked up how much each person had been allocated and filled in the withdrawal slips accordingly. Recipients were then called to sign or put their fingerprint on the withdrawal slip and they then joined the queue into the post office to withdraw their money. In the post office, the counter attendant had to input all of the recipients details before giving them their money. At the end of the day, the post office had to reconcile the cash.

Because this process was so time-consuming, in the first few months beneficiaries had to queue for an average of 3.5 hours, in the blazing sun with temperatures of up to 42 degrees Celsius. In response, Save the Children provided tents and water points to make the wait less arduous.

Once the ATM cards and POS machines were in place, the system at the post offices was streamlined substantially and the average waiting time reduced to 1.2 hours. Firstly, the numbers in the queues diminished, as many of the beneficiaries chose to collect their funds from the ATMs. Standard Bank was somewhat unprepared for the number of beneficiaries who chose to use the ATM cards, having anticipated that most people would opt to continue using the post office. As a consequence, it underestimated the amount of cash that its ATMs would need, and ran out of cash at its Siphofaneni ATM on the first couple of days that beneficiaries could use their cards.

Secondly, the ATM cards and POS machines made the withdrawal process at the post offices less cumbersome. Now individual beneficiaries could go forward and show their ID card to a Swazi Post official who wrote down how much they had in their account on a slip of paper, based on a printout provided by the bank. (This was necessary because the POS machines did not have the ability to access account balances, so beneficiaries had to be informed beforehand how much had been deposited into their accounts.) The beneficiary then joined the queue into the post office, where the post office official swiped their ATM card, gave them the money and printed a slip for them to sign or fingerprint on their way out.

Although Standard Bank sent through reports detailing payments made to the beneficiaries, Tooke found the information inadequate for the reconciliation that he wanted to conduct, which was to balance the funds allocated with those distributed and withdrawn. He therefore did this reconciliation himself. At the end of the project, the cash was fully reconciled, aside from a sum of E10 000 that is still outstanding.

Response to the accounts: The response to receiving cash was generally very positive. Most beneficiaries appreciated the flexibility that it gave them to buy other essentials. Others were scared of cash, saying that it is easier to misuse cash than food. Some pointed out that if they received cash their friends and family pressured them into spending it on less critical things like funerals. This was not an option when receiving food only. Still others remarked that the money received from Save the Children did not buy the same amount of food as was distributed to them each month. Jackson says that this is a perception only, as the amount given was calculated specifically to allow for the same amount to be purchased.

The response to receiving a bank account was also very positive. "You must not underestimate how good it makes people feel to have a bank account," observes Jackson. Most of the beneficiaries had not had bank accounts before and Save the Children's research shows an overwhelmingly positive response to receiving an account. One beneficiary noted that it is "a privilege to have a bank account". "They thought that bank accounts were for 'those people in town'," says Hhlobsile Motsa who conducted focus group research into the project. "The gogos [old ladies] were celebrating when they got their bank cards, saying, 'Now we are also civilised!'"

Although some beneficiaries were initially sceptical about using ATMs, many were persuaded in their favour by the successful experiences of those who opted to use them immediately. They remarked on the convenience and speed of the ATMs and appreciated the fact that there was always someone on hand (even if only a security guard) who would help them to use the machine.

Many people continued to collect their money from the post offices, indicating that it was a wise decision to offer beneficiaries the option of withdrawing their cash from a post office as well. Younger people took to using their ATM cards more enthusiastically than older people, for example. Motsa remarks that some old people could not remember their PINs and therefore sent their grandchildren to get the money from the ATM for them. But then the grandchildren stole some of the money. Some were also scared that the bank would take their money and had the idea that to have a bank account they needed collateral.

Training: Because most beneficiaries' interaction with the banking system had been peripheral until the start of this project, training formed a significant focus for Save the Children. In conjunction with Standard Bank, the organisation developed a flyer explaining how to use ATMs, and distributed these to the beneficiaries when they got their first ATM cards in January. Jackson and Tooke thought that these flyers were inadequate, however, and felt that the input from Standard Bank could have been better.

Formal training, the product of a brainstorming session by Save the Children staff and field officers, followed in February and March. They decided that role plays would be the most effective means of getting their message across and devised short sketches representing those who spend their money wisely and those who do not: the 'wasteful spender' who spent her money on fancy clothes and dancing with the boys at night clubs; the 'gogo' who didn't understand the programme at all and just wanted her money; and the sensible couple, who made decisions together for the benefit of their children. Each part was designed to depict the financial position of the beneficiaries from the February transfer until October 2008, when the households might find themselves in a similar situation as at the start of the programme the year before.

Save the Children also developed residential training courses for the child-headed households which focussed on financial planning and budgeting, financial terminology and practices, as well as setting priorities for spending. These interventions were conducted over two days at appropriate venues.

The organisation ran the adult training sessions in February and March on food distribution days at the food distribution points. It did not exclude those who had opted to receive food only from the training. The role plays were acted out by volunteers from the community. Jackson says that they "had a lot of fun together, laughing about the fact that we don't know what the bank is all about".

She reckons that one of the big achievements of this project is that the training has developed an understanding of banks within the community. She was not expecting that beneficiaries would be able to save much of their grant money because the amount allocated to each family was calculated to cover exactly their food and household needs for the month. Nevertheless Tooke observes that the training appears to have encouraged beneficiaries to save some of their money. He noticed, subsequent to the training, that beneficiaries were leaving money in their accounts, instead of withdrawing it all when it became available. At the end of the project, about 1 200 recipients had more than E5 in their account (E5 is counted as a nil balance, because the minimum one can withdraw from an ATM is E10). About 500 beneficiaries had more than E400 in their accounts and a Save the Children survey of these people indicated that they had left this money there intentionally, and some beneficiaries had added to the grants with income they had generated themselves. Needless to say, Jackson is very pleased with this outcome.

Although it was agreed at the onset of the programme that Save the Children would conduct the training because of its strong relationship with the rural communities and beneficiaries, Jackson had initially hoped that Standard Bank would be more involved in developing and providing this training. Yet she now notes that this had benefits for Save the Children, in that it was not bound to offer bank-specific training. Instead, it had greater freedom to offer general investments and savings training, while at the same time including information specific to the account that the beneficiaries had received.

In the two weeks after the final cash transfer Save the Children conducted a final round of community training about the bank account. Relief committee members were invited to the residential training, which was conducted outside of the operating areas. The idea is that the first port of call for beneficiaries in solving the problems they have with their bank accounts should be the bank itself. Then, if the problems are not solved there, they should go to the relief committee and finally to Save the Children Swaziland if the relief committee is unable to help. Flyers explaining the nature of the account and how to use it were also made up, translated into SiSwati and sent to each beneficiary. In this way, Save the Children hopes to ensure that any continued activity on the account is positive for the beneficiaries.

Use of grants: Research conducted by Save the Children indicates that, while there was some abuse of the cash grants ("No system is perfect," remarks Jackson), for the most part the money was spent as Save the Children had intended: on food, clothing, school fees and assets such as seed, farming implements and livestock. When asked if beneficiaries were spending money at his store, a liquor retailer operating opposite the Siphofaneni post office remarked, "They go next door" (to the supermarket).

There appears to have been a distinct split in the way in which the initial lump sums were used in the Highveld and the Lowveld. In the Highveld, because the beneficiaries have traditionally had more resources and have not become dependent on aid, more people invested the money as initially intended. In the Lowveld, where the people are generally poorer and have become used to receiving food aid, most of the beneficiaries used the funds to buy food. Still, some beneficiaries in the Lowveld reported renting a tractor to plough their fields or using the funds to repair an irrigation system.

One group of ladies used the funds they were receiving to start up a savings club that had gone dormant. Another lady bought 100 chicks with the initial lump sum. By the end of the project she had 500 chicks: assets which would continue to multiply and which she could take to the market to sell. A number of children bought pens and sweets to sell at school.

Jackson tells the story of how she approached a man in the queue at Siphofaneni who looked too smartly dressed to be one of the beneficiaries. As she got closer she noticed that he had tears in his eyes. He told her that he was embarrassed to have to be receiving this aid. He had been a policeman, but then he had fallen on hard times. Now he was so grateful that some of the aid was in the form of cash. Food aid only would have retained his dependence on aid. Cash gave him alternatives that would help him to lift himself up again.

Economic impact: Because of concerns about the inflationary impact of the cash transfer, Save the Children monitored prices in the two areas where aid was being distributed on a monthly basis and compared these against prices in town. The evidence showed that there were no demand-driven price increases. The price of products such as rice and cooking oil had increased, but this was ascribed to exchange rate fluctuations. The research showed that retailers and wholesalers in the area were aware that their customers were extremely price sensitive and that prices were therefore highly inelastic. As a consequence, they knew that they could not put up their prices simply because demand was increasing as their customers would not be able to afford this increase.

In terms of trade, there was strong evidence that retailers and wholesalers in the areas benefited from the increased cash in the system. Traders started setting up informal market stalls selling both food and non-food items at the two post offices on the days of the transfers. Others increased the amount of stock they bought specifically to sell on those days. Wholesalers also noted increased trade on cash transfer days, as beneficiaries (as well as stallholders) came to buy supplies in bulk.

Future bank account use: For the life of the project, the corporate banking division of Standard Bank Swaziland took responsibility for the accounts. Standard Bank regarded Save the Children as its client, and the accounts it had opened for the beneficiaries as a service to that client. With the termination of the project, the accounts have now been handed over to the retail division of the bank and the relationship will be between the bank and the individual account holders.

A survey conducted by Save the Children in May 2008, after the close of the project, showed that 73% of those in Shiselweni intended to continue using their accounts but only 17% in Lubombo. Jackson predicted at the beginning of the project that the accounts would be of the most benefit to those who had been able to provide for themselves until relatively recently, but whose livelihoods had since been eroded. This was proved correct. Of the two areas, Shiselweni is the better off economically and this is the first time in many years that it has had to receive aid. Jackson hopes that the cash aid will have given those who have fallen on hard times the jump start that they need to find ways to make a living again.

Focus group research indicated that some of those who want to keep the account active conduct petty trading in products such as fruit and vegetables and therefore will continue to receive some form of income. They want to use the account to help them to save money, saying that it is difficult to save money when they keep it at home. The beneficiaries seemed unaware that second and subsequent withdrawals from their account would incur a cost of E35, however.

Jackson believes that if the bank accounts had been ready to use with the January transfer, the success in encouraging people to use the bank account into the future would have been greater. As it is, she reckons that the project would have had to run for another two months for beneficiaries to be genuinely comfortable with using their accounts.

At the beginning of the project, Standard Bank had in mind that the modified conditions on the accounts would apply for the duration of the project. If the beneficiaries wanted to continue using their accounts, they would have to do so under the conditions of a conventional Puresave account. Towards the end of the project, however, Save the Children managed to negotiate with the bank to maintain the modified conditions for the next 12 months. Moreover, it has negotiated that the beneficiaries will be able to choose between making their one free withdrawal at a branch or at an ATM. It is questionable, however, whether many of the beneficiaries, 12 months on, will have accumulated enough money in their accounts to be able to maintain the E50 minimum balance.

Tooke notes that for some beneficiaries a transactional bank account may be more appropriate and that there is the potential for them to switch to Transact Plus. This is a transactional account that Standard Bank developed for the lower end of the market. This account has no minimum balance, but a monthly charge of E11. Each ATM withdrawal costs E5.50, but there is no cash deposit fee on deposits of under E500. Thereafter a fee of 1.05% applies. It does not have a facility for debit orders, but it does allow for stop orders.

Lessons

"Given the short time that we had to put this together, to be able to effect the payments as scheduled without fraud or forgery was a huge achievement," says John Ngomezulu, CEO of Swazi Post. The other partners agree. The successes of this project relate to the fact that the food and cash aid were delivered timeously to those who needed it in the two areas concerned, and that but for a relatively small sum of money (E10 000) the grant amount balances: what was intended to reach the beneficiaries actually did so. The difficulties of this project relate to the establishment of viable bank accounts that the beneficiaries might use into the future.

Success factors

Save the Children's relationship with the community contributed to the successes of this project. It is clear that the organisation is respected within the communities in which it operates, that the people trust the organisation and that it works in such a way as to gain the acceptance of the community leaders. The community leadership played a vital role in communicating with the beneficiaries about when payments were to be made, when training was to be provided and what to do when there were unexpected changes to the programme. It was therefore essential for Save the Children to have their support for this programme.

Table 5: Key success factors

1. Save the Children's relationship with the community
2. Relatively sophisticated banking infrastructure
3. Standard Bank's widespread ATM distribution
4. Government assistance in relaxing KYC requirements and processing ID applications
5. Senior Swazi Post staff allocated who were dedicated to the task

It was also important that Swaziland has a relatively sophisticated banking infrastructure in place. Moreover, Standard Bank had an existing product targeting the very poor which it was prepared to modify for this project, and it has a large ATM network. With the number of people withdrawing money on a single day, an ATM network that reached into the communities was essential. The queues would simply have clogged up the branches and made it impossible to do other work. Standard Bank has the greatest spread of ATMs throughout the country, and it was the only bank to have fully-fledged ATMs in very close vicinity to both of the post offices where payments took place. This made it easy for beneficiaries to use the ATMs, because they could get transport there from their homes.

Swazi Post staff played an important role too in the successes on this project. They also had to sit in the baking sun all day as they processed withdrawals for thousands of people. With the process being entirely manual until the fifth month, Swazi Post staff had a huge task. Their accuracy and attention to detail contributed in a large part to ensuring that the accounts balanced at the end of the day. If they had filled in withdrawal slips or payment amounts incorrectly in the beginning, then the amounts paid to the beneficiaries would have been incorrect.

Moreover, despite the concerns expressed by the director of the Ministry of Health and Social Welfare, other government departments were prepared to play their part in ensuring that this project worked. The willingness of the government to adjust the KYC requirements and to process the ID applications so quickly was critical to getting the project off the ground.

Lessons learnt

This project was a new experience for all of its partners. Save the Children had been involved in cash transfers before, but it had never used bank accounts as the delivery mechanism. Standard Bank Swaziland, although it had tendered for the pensions transfer scheme with Swazi Post, had never actively implemented anything like this before. Neither had it ever targeted people who were as poor as the Save the Children beneficiaries. Swazi Post had distributed cash for pension payouts before, but had not done so through bank accounts. As a consequence, all of the partners have learned a lot from the process (see Table 6).

Table 6: Key learning points from each of the partners

Save the children	Standard Bank	Swazi Post
Understand banks and the banking environment in the country	Try to find as cheap a way as possible to structure the account	More time needed for preparation
Employ adequately trained staff in-country	It is crucial to get the support and involvement of the government	Ensure that the responsibilities of each partner are defined upfront, so as to avoid duplication.
Provide adequate financial training to recipients	More people used the ATMs than anticipated	Put your most skilled staff into the field on payment days

Banking sector understanding: Probably the single most important lesson for Save the Children is that, in negotiating the best deal for itself and for project beneficiaries, it is important for the humanitarian organisation to have a deep understanding of how banks work: their cost structures and processes. Importantly, this should specifically include an understanding of the banking sector in the country in which the project is being delivered.

Save the Children is not sure whether it could have negotiated to pay less than E20 per transfer to Standard Bank. Wingate believes that although they used an advisor who had been based in Swaziland doing development projects for some time, a greater understanding of banks' revenue models in the region could well have enabled Save the Children to get a better deal. Jackson notes that she is no expert in banking in general and more specifically that she was at a disadvantage in dealing with Standard Bank in Swaziland because the banking sector there is different from that in her home country, England.

Tooke adds that careful upfront analysis of the regulatory and infrastructure considerations is needed to ascertain whether it is technically possible to do cash transfers via bank accounts, and if so what the best implementation strategy should be. "You need someone who knows the banking infrastructure in the country to look at the options," he says.

Private sector profitability: A project such as this puts together players with very different motivations. Their DNA is wired differently. Humanitarian organisations exist to relieve people's suffering. Public sector organisation such as Swazi Post exist to provide a sustainable service to the public. The real difference lies in the private sector *raison d'être* – to make money for shareholders. This means that it is critical for the partners to respect these differing motives and to work together to help each partner to realise their aims.

The jury is still out as to whether private sector organisations can use existing business processes and products to deliver financial services to the very poor on a profitable basis, especially if no funding is being provided from an outside source. Thus, in this instance, providing accounts to the beneficiaries was potentially profitable for Standard Bank when Save the Children paid E20 for each transfer. The potential for continued profit on the accounts that remained active at the end of the project is unclear.

This has two implications: on one level it means that banks have to consider carefully their appetite for being involved in projects such as these; on the other it means that traditional bank accounts may not be the most appropriate in contexts such as these. Thus, the private partner should not enter into such ventures simply with short term social responsibility in mind, because it is unlikely then to put in the effort required to ensure the best possible outcome. It is more likely to watch the bottom line and try to contain costs as much as possible. This could be to the detriment of the programme.

In addition, because the cost structures on conventional accounts may not be sustainable in this market, it is important to think innovatively about how best to deliver bank accounts to this sector. Towards the end of this project, a number of IFAD representatives came to Swaziland to investigate the possibility of extending a range of banking products on a large scale to people in the rural areas of the country. In the course of this investigation, the representatives spoke to all the banks and to Swazi Post. This highlighted the potential financial benefits of cash transfers and of serving the very poor – "We have a large proportion of the population unbanked – there is a huge market out there," says Thring – but he believes that the products would have to make use of new technology, such as cellphones, that are cheaper than conventional methods.

For their part, humanitarian organisations should try to work with the private sector organisation in a way that is responsible to their donors but also allows the bank to realise a financial benefit from the project. For its part, in respecting the profit motive of the private sector partner, the donor would be contributing to the sustainability of the project.

Save the Children noted that it found it difficult to provide and convince Standard Bank of a commercial motivation for being involved in the project. It ascribed this difficulty to its lack of experience in dealing with the banking sector and in delivering cash using bank accounts. Perhaps it was also because there simply is little profit to be made in this sector of the market, and especially if using a conventional account. These problems may be compounded in Swaziland, which has a small population, an even smaller potentially bankable population, and therefore little possibility for one bank to generate the kinds of account volumes that create economies of scale.

Standard Bank Swaziland's lack of practical experience in this kind of programme and in this sector of the market may have exacerbated the situation. Thring notes that this was a pilot project for the bank. He says that the bank found this project costly to implement and its financial benefits were not substantial because of the unexpected costs of reprinting and redistributing ATM cards and improving POS machines. However, what it has learned has put it a step ahead of other banks in Swaziland. "We know what the issues are and it's a good platform for the future," he says.

Emergency project constraints: All partners agree that the above difficulties were compounded by this being an emergency project and therefore needing to get established very quickly. The legislative and administrative requirements of setting up bank accounts for large numbers of unbanked, impoverished people are huge. This process takes a lot of time: a commodity which is in short supply in an emergency project.

Thring observes that if Standard Bank were to do something similar in the future, he would insist on thorough preparation. "One of the problems on this project was that there was only two months to get it up and running," he says. "We were really rushed for time. We were tackling problems all the time."

Ngomezulu believes that the post office wasted resources and time because everything had to take place so quickly. He points out that the manual system for delivering cash, with its attendant requirements for Swazi Post resources, continued for far longer than anticipated. "I would have preferred a pilot of the project. Instead we learned on the job, which is tricky, because you expose yourself to problems," he says.

Another effect of the short-term nature of the project and the need to set everything up quickly was on the nature of the product that could be offered and the deal that Save the Children could negotiate. The time constraints in the setup phase, as well as the short duration of the project and the relatively small number of people being targeted, meant that there was little time to develop a brand new product and that the bank could not benefit from economies of scale. The appendix gives details of the Allpay offering to the South African Social Security Agency (SASSA) on the Sekulula account – a long-term project targeting millions of pensioners. If the pensioner payments in Swaziland begin to be made through bank accounts on a large scale, banks should look at developing a similar product.

The need for trained staff: Another area of learning from this project is that because of the large number of people who had to be processed, and because of the strict administrative requirements for establishing bank accounts, it is important to have properly trained staff to ensure that the process works as smoothly as possible.

"The volume of work was so unexpected. We calculated that we used 60 000 pieces of paper in the setup, six boxes of staples, six printer toners and 450 lever arch files," says Jackson. "I love to take on a challenge, but this was an entirely new challenge." Part of the challenge for her was that many of the temporary staff employed to process the account applications did not have basic office skills and therefore needed to be coached along the way.

Moreover, because of the team's inexperience, a lot of the initial work had to be completely redone – forms filled in again, papers refiled. This wasted time and placed an added burden on the project managers to simultaneously train the staff and ensure the correct attention to detail. Jackson emphasises, "You need a whole army of administrative people involved right from the beginning. You need to put in place a very good administrative control system for registration, otherwise you lose weeks trying to get it right."

Tooke suggests that such projects need an excellent database manager as well as a database template which employees can populate with the relevant information for opening accounts. He adds that staff should be trained thoroughly before they start registering account holders and says that data entry clerks should be paid on a performance basis, not on an hourly or flat rate. He believes that this would encourage greater speed and better accuracy. He acknowledges that putting these controls in place may be impractical in some environments and increase the cost of cash distribution, but says that they will make it more effective.

Relationship management: Save the Children was rather surprised to discover that, for the life of the project, Standard Bank had regarded its primary relationship as being with the organisation itself, and not with the beneficiaries. The team had been working consistently to strengthen the link between the bank and the beneficiaries and wondering why the bank was not responding. Wingate believes that these issues should have been clarified at the outset and that this would have made the relationship easier to manage.

Assigning responsibilities: In a number of instances, Save the Children took on responsibilities that it was expecting to be the domain (or at least the shared domain) of the bank, such as opening the accounts and providing training. In hindsight, the organisation believes that this benefited the project. It has long-established relationships with, and a commitment to, the communities in which it works that the bank did not have. All of these were critical to the success of the project and the interests of the beneficiaries being served. As a consequence, future projects might consider assuming responsibility for such tasks, and others that require this expertise, from the outset. A spin-off of this might be that the humanitarian organisation is able to negotiate a better rate with the bank.

Whatever the decision, roles and responsibilities should be made clear upfront. They should also be assigned realistically and therefore given to the party most likely to perform them with the requisite skill and dedication.

Politicisation of cash: Another issue that came to the fore in the course of this project is the political nature of such an intervention. This does not relate to the establishment of bank accounts, but to the fact that cash was being distributed. Even though Save the Children was careful to engage with a range of stakeholders about the project before it was launched, a senior official in the Ministry of Health and Social Welfare insists that he "know[s] nothing about it". "I appreciate that the project was initiated, but why did they sideline us? A scheme like this should have come to us," he declares. He maintains that for such a project a memorandum of understanding (MOU) should have been established between the ministry of health and DFID and says that no MOU is in place.

This official is clear that he has no problem with the aid that is being distributed. He says it is a good idea. But he adds that if the aid being distributed were food only, there would be no problem as far as the ministry of health is concerned. It is because cash is involved that the issue is sensitive. The King of Swaziland, through the Ministry of Health and Social Welfare, distributes cash grants to a range of individuals. The cash grant that Save the Children distributed was seen to be potentially in competition with the grants given by the government. The fact that the Save the Children grants may also have been perceived to have been larger than the grants given by the government also made the issue sensitive.

The director of Save the Children in Swaziland, Dumisani Mnisi, believes that the organisation went through all the right channels in setting up this project. He points out that the emergency response was co-ordinated under the ambit of the Ministry of Regional Development, which was fully involved and supportive of the project.

Whatever the case, the lesson is instructive. Cash is different to food. It carries with it entirely different associations and overtones and is often a new approach. It would be wise to take this into consideration in any intervention involving cash.

Product design: If beneficiaries are going to make use of the bank account, particularly after the project is over, then the product has to be designed to meet their needs. While understanding the time constraints under which this project was operating, questions could still be raised about whether a pure savings account which penalises more than one withdrawal a month and has a relatively high minimum balance is the most appropriate for the Save the Children beneficiaries in the long run. Standard Bank notes that, in hindsight, perhaps its Transact Plus account would have been a better option. (Table 7 gives details of what the Transact Plus account and some other accounts offer low income earners in Swaziland.)

While it may not be unreasonable to allow only one free withdrawal a month from a savings account, E35 is a lot of money in anyone's terms to pay for subsequent withdrawals. The size of the fee is designed to discourage people from accessing their funds, which is good if the intention is to encourage people to save, and if that is the desire of the account holder. However, with these beneficiaries living so close to the breadline, the E35 fee could penalise them significantly if they want to withdraw funds in an emergency, potentially wiping out a lot of what they have managed to save.

Table 7: Comparative bank account benefits and costs

Feature	Standard Bank Swaziland Puresave	Save the Children Beneficiary Account	Standard Bank Swaziland Transactor Plus	Nedbank Swaziland Ngeyahko Ned Account	Swazi Bank Umlamuli Account
Type of account	Savings	Savings	Transaction	Transaction	Transaction
Monthly fee	None	None (R20 SCF transfer fee)	E11	E10	None
Minimum balance	E50	None	None	E10	None
ATM Card	No	Yes	Yes	Yes	Yes
ATM withdrawals	No	Yes	Yes	Yes	Yes
Withdrawal cost	1 free, then E35	1 free, then E35	E5.50	E4.50	As per all other Swazi Bank accounts
Deposit cost	Free	Free	None under E500 1.05% of deposit above E500	Salary deposit: free Other deposits: E10 – E20	Half that charged on a normal account

In facilitating continued use of the account, although Save the Children has managed to negotiate that the modified account conditions remain for the next year, it is not clear what will happen after that. If the conditions do not continue indefinitely, then the account holders will have to be notified. If this does not happen effectively, and even if it does, there is still a danger for the bank that changing the account conditions will confirm in the beneficiaries' minds that banks are not to be trusted. Moreover, because the conventional Puresave account does not allow for ATM cards to be used, the danger for account holders is that suddenly their cards will no longer work and that they will find they can't withdraw their funds as usual and that they will have to make the new step of interacting with the branches.

This raises the question of whether, if the intention is for beneficiaries to continue to use the accounts when the project is over, it is not best to work with an existing account and not to modify it at all. An alternative is to negotiate that whatever is agreed for the accounts opened for the project will apply in perpetuity. There are simply too many potential complications if this is not the case.

One factor which may tell in favour of continued use of these accounts is that Standard Bank has the largest distribution of ATMs in the country and has embarked on a concerted drive to increase its number of ATMs. As such, accessibility of ATMs should not be a deterrent for the beneficiaries. At the very least, the beneficiaries will have to travel no further than the two post offices where they could withdraw money while the project was running, because there are Standard Bank ATMs near these post offices.

Targeting of account holders: Save the Children went to considerable effort to ensure that the correct households were targeted to receive aid. However, targeting the head of the household to receive the bank account may not necessarily have been the best strategy. In a number of instances the heads of households were very old or ill. This had two consequences: one for the likelihood that they would survive until the end of the project; the other for the likelihood that they would be willing and able to use an ATM machine.

Some account holders died during the course of the project and, while it was relatively simple to open a new bank account for a survivor, doing so nevertheless complicated the process. Furthermore, getting access to any balance that is in the account of a deceased person is difficult, thus some households may not have been able to get the full amount that was due to them. Experience on the project shows that the younger beneficiaries were far more open to the concept of using a bank account and also better able to do so.

The issue of targeting account holders is probably a vexed one, though. One could suggest that future similar projects target younger household members to be the ones who open the bank accounts. This would be for two reasons: they would probably be more likely to use the accounts that have taken so much effort to set up; and they might be less likely to die before the end of the project. But, given that so many of the deaths in the community were linked to HIV/AIDS, and that the pandemic has spread across all age groups, there is no guarantee that the latter would indeed be the case. In addition, younger people may be less responsible, and the intention must be to get the funds to the most responsible household member. Finally, such a move may not be acceptable to the community, as it may create difficulties about hierarchy and authority in the household. Even in this project, some of the older account holders noted that when they gave their cards to younger family members to withdraw the cash, these family members then stole some of the money from them.

Jackson believes that a potential solution may be to invest more time in explaining the requirements for bank account holders at the beginning of the programme. She expects this would encourage people in good health to obtain the bank account, regardless of their age.

Lessons for donors: Save the Children remarks on the flexibility of DFID in recognising that this was an innovative project and also in working quickly to approve the proposal, given that it was an emergency response project. Wingate notes that on projects such as these, where there is little precedent to follow, it is important for donors to be flexible and responsive to design considerations, because it is in supporting innovation that better ways of delivering aid are developed.

Conclusion

It is too early to say to what extent this project has successfully introduced significant numbers of unbanked people into the banking system. At least in theory many of the beneficiaries would like to continue using their bank accounts. Whether they will do so depends not only on their having funds to deposit with the bank, but also on their experiences in their future interactions with the bank.

For other organisations wishing to conduct similar programmes, this programme shows that projects such as these can be implemented with cash reaching targeted beneficiaries, and it provides some useful lessons on how to do so.

People interviewed

Barbara Bembe
Regional Manager, Swazi Post

Martin Dlamini
Retail Banking Manager, Standard Bank Swaziland

Sean Hughes
Humanitarian Advisor for Southern Africa, UK Department for International Development

Rosie Jackson
Emergency Project Manager, Save the Children

Erik Maziya
Director, Department of Health and Social Welfare

Dumisani Mnisi
Director, Save the Children Swaziland

Hlobsile Motsa
Monitoring and Evaluation Researcher, Save the Children Swaziland

John Ngomezulu
CEO, Swazi Post

Hogan Thring
Corporate Banking Manager, Standard Bank Swaziland

David Tooke
Project Financial Manager, Save the Children

Matthew Wingate
Emergency Advisor, Save the Children UK

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Appendix

Sekulula Debit Card

The Sekulula Debit Card, developed by Allpay Consolidated Investments (Pty) Ltd, which is a division of Absa Bank, is a basic transaction bank account targeted specifically at the needs of social grant recipients in South Africa. It was implemented to reduce South African Social Security Agency (SASSA) costs of delivering social security grants, and at the same time, to provide the beneficiary with choice and convenience and an affordable product.

In September 2007, Allpay was charging SASSA a sum of R13.81 (exclusive of VAT) per account, which covered a package of services.

The following are among the benefits that the Sekulula account brings to SASSA:

- Reduced cost – when Sekulula was launched in 2004, SASSA was paying upwards of R20 per transfer;
- Established controls, fraud detection and prevention practices;
- Continued access to AllPay's integrated, web-based management information system (MIS);
- Consolidated reconciliation of cash and Sekulula transactions;
- Applications and card issuing at agreed convenient remote locations; and
- Management of dormant accounts.

The MIS makes the following information available (not an exhaustive list):

- New beneficiary history;
- Partial versus full amount withdrawals;
- Monthly Sekulula debit transactions per week;
- Open Sekulula account totals;
- Closed Sekulula account totals;
- Sekulula beneficiary age distribution;
- Sekulula beneficiary grant distribution;
- Sekulula beneficiary grant history;
- ATM transaction summary reflecting type of transactions and at which ATMs the transactions are performed;
- Sekulula transaction types and amounts; and
- Sekulula transaction summary per ATM per site per day.

Among the benefits to the beneficiaries are the following:

- Beneficiaries are able to withdraw cash at any ATM, both inside and outside of South Africa;
- No account opening fee;
- No minimum balance;
- Two free ATM and/or POS transactions;
- R1 000 free funeral cover;
- Free cellphone banking monthly subscription; and
- Free legal assistance.

Information provided by: Charmaine Webb, Allpay Manager: Product and Service Development

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FinMark Trust was established in March 2002 with initial funding from the UK's Department for International Development. Its mission is summarised in its slogan, "Making financial markets work for the poor". In practice this means promoting and supporting institutional and organisational development to increase access to financial services by the unbanked and underbanked of Africa.

www.finmarktrust.org.za

Save the Children

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www.savethechildren.org.uk

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