



CaLP

THE CASH LEARNING PARTNERSHIP

CHEQUES

A QUICK DELIVERY GUIDE FOR CASH
TRANSFER PROGRAMMING IN
EMERGENCIES

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CHEQUES:

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QUICK DELIVERY GUIDE: CHEQUES IN EMERGENCIES

NECESSARY PRECONDITIONS

- ✓ The banking system must be reliable and be able to function through the emergency.
- ✓ Bank branches must be willing to have a large number of people cashing their cheques and must have sufficient cash and staff at the branch.
- ✓ The service provider (bank) has the capacity, staff and infrastructure to accommodate beneficiaries.
- ✓ Bank branches must be easily accessible and safe to access, particularly for vulnerable groups.
- ✓ There must be a sufficient number of bank branches so that the banks are easy to access and there is no overcrowding or travelling very long distances.
- ✓ Banks must be collaborative and willing to work together in a partnership to deliver cash to the beneficiaries. This includes being willing to provide cheque books in advance, provide extra staff for cashing cheques, providing electronic bank statements and make some modifications to make the cash delivery run smoothly.
- ✓ Beneficiaries must have official identity cards for order or crossed cheques, though not for cash cheques.
- ✓ Cheques are safe and acceptable to local authorities, communities and other stakeholders.

DESCRIPTION OF THE PAYMENT METHOD

There are three types of cheques:

- **Cash cheques** are written for a cash payment. The cheque can be cashed at a bank branch without requiring any official identification. Because cheques are not made out to an individual, these cheques are akin to cash.
- **Order cheques** are written for specific individuals. A name is written on the cheque usually along with his or her national identity card (NIC) details. They can be cashed at a bank branch along with proof of identity.
- **Crossed cheques** are written for the bank accounts for specific individuals. They require the recipient to have a bank account for the cheque to be cashed.

	Cash cheque	Order cheque	Crossed cheque
Need for identification	No	Yes	Yes
Need for bank account	No	No	Yes
Security risks	Increased security risks (akin to cash.)	Reduced security risk.	Reduced security risk.
Speed of delivery	Fastest cheque to implement. Beneficiaries do not need bank	Fast to implement. Beneficiaries do not need to have bank accounts.	Potential delays and time-consuming if beneficiaries have no pre-

<p>accounts. Names do not need to be written on the cheque.</p>	<p>Names need to be written on the cheques</p>	<p>existing bank accounts. Bank accounts would need to be set up for each beneficiary.</p>
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Features of Cheques

Elements of the Payment Process	Features of Cheques
Creation of database	A paper-based or electronic database can be used. If fast set-up is required, then a paper-based database can be used. However, this makes it more difficult to check for duplication. Data also needs to be eventually entered to the database for reconciliation.
Method of identification and authentication	No official identification is needed for cash cheques. However, official identification cards are usually needed for order cheques or crossed cheques. This also provides a basis for authentication at the PoP, and assuring that beneficiaries are not duplicated.
	There is potential to negotiate with banks for using NGO identity cards. However, this might not succeed due to legal requirements in each country and “know your customers” policies.
<hr/> <u>The actual cheques need to be authenticated</u>	

	at the banks to ensure that they are not copies.
Currency	Cash
Point of Payment (PoP)	Bank branch
Reporting and reconciliations	Easy reporting and reconciliation if an electronic database (such as Excel) is used. Records need to be kept for cheques that are lost, cancelled, unclaimed or un-cashed.
Promotion, training, communication, customer support	A brief session is required with beneficiaries to explain what the cash is for, how much is being provided, how to cash the cheque and the location of the bank branch. Another session is necessary with the bank managers & staff on the programme objectives, who the beneficiaries are, and what is expected of them.

ADVANTAGES AND DISADVANTAGES

	ADVANTAGES	DISADVANTAGES
Timing, preparedness and partnerships	Fast to get up and running in an emergency, compared to phone banking or smart cards. In-principle agreements can be made with banks as part of preparedness.	Arrangements with banks need to be made prior to starting programme.
Scale, flexibility and resilience	Can be operated on a large-scale if needed. Can continue as long	Unlike phone banking or ATM cards, cheques need to be distributed

	as banks are functioning. Payment levels can be varied as cheques are written.	for each instalment.
Costs	<p>Often a low-cost payment method, as no equipment is required and charges are often low for cheques.</p>	<p>Cheque writing and signing is labour intensive, time consuming and repetitive. Some banks are able to prepare printed cheques if beneficiary lists are provided.</p> <p>Depending on location of bank branch, there may be costs (time and money) to beneficiary in travelling to bank and waiting at bank.</p> <p>If repeated payments are required, there is the cost (time and money) of repeated distributions of cheques.</p> <p>Staff or volunteers need to be situated at the bank branches for crowd control and helping beneficiaries.</p>
Vulnerable groups	No literacy or numeracy is required for cashing a cheque.	Official forms of identification are needed for order or

	No exclusion for vulnerable groups who are less likely to be literate or numerate.	crossed cheques, therefore may exclude certain vulnerable groups such as children, women and the elderly. Certain groups (women, elderly, and chronically ill) may not be sufficiently mobile to go to the bank unassisted.
Urban versus rural	Likely to be easy for urban beneficiaries to access, as it is more likely to be nearby branches.	More difficult for rural beneficiaries to access if there are no nearby branches. Depending on distance to the branch or cost / time to travel there, it can make this inaccessible.

QUICK TIPS

- Conduct a quick assessment of the banks to understand their capacity to scale up. E.g., How many customers do they typically serve each day? Are they able to cope with the quantities of cash being considered? How does the public perceive banks? Are there any other organisations working with the banks?
- Ensure that relationship with the bank is maintained, and that you understand the motivations that the bank has. Several tips on how to work with the bank:
 - Agree on how many customers they are willing to serve each day (e.g., 300 beneficiaries each day) and stay within that limit.

- Make sure that cheque books are available a few days in advance so that the cheques can be written.
 - Stagger the distributions over several days and hours.
 - Provide staff or volunteers at the bank to help with communication and crowd control.
 - Provide waiting areas for beneficiaries and set aside special waiting areas for women and elderly people.
 - If possible, arrange extra points for cashing cheques, particularly at a point nearer to the beneficiaries.
 - If possible, arrange for a space for cheques to be provided to beneficiaries at the branch. This cuts down on lag time between receiving the cheque and cashing it. It also minimises the number of uncashed cheques.
 - Agree on how the bank will report on the payments that are made (preferably using a spreadsheet for easy reconciliation).
 - Work closely with finance team to ensure smooth implementation, policy and accountability.
- If official identification is needed, make special arrangements for those who do not have identification such as beneficiaries appointing an authorised trusted relative or friend. Alternatively, make arrangements for bank to accept NGO ID cards.

- Provide special instructions to the bank to only accept cheques from the actual beneficiary and of the specified grant size (e.g., only cheques worth \$50) to minimise risk of fraud or theft of cheques. Agree on what verification is needed for beneficiaries at the PoP.
- To minimise the risk of fraud, two signatories should be required for each cheque. If a large number of cheques are to be signed, ensure that the cheque signing is feasible.
- Ensure that there is appropriate reconciliation of the cheques, including cheques prepared versus distributed (unclaimed cheques) and cheques that are distributed versus cashed (un-cashed cheques). Determine reasons why there are unclaimed and un-cashed cheques.

EXAMPLES OF THIS PAYMENT METHOD BEING USED

- Mercy Corps used pre-printed crossed cheques for payment in the Pakistan flood response in 2010. The partner bank pre-printed the cheques, reducing the need for Mercy Corps staff to write them.
- Oxfam GB used hand-written order cheques for payment of over 25,000 beneficiary households in the Pakistan flood response. The partner bank was Muslim Commercial Bank, and special arrangements were made for receiving a large number of beneficiaries in the first phase of the response. Where beneficiaries had no NICs, they authorised a relative or trusted friend to receive the cheque on their behalf.

- IFRC used cheques to support shelter and livelihoods needs in the Caribbean after hurricanes and tropical storms devastated the region in 2008.

ALTERNATIVES TO THIS PAYMENT METHOD

- Direct cash can be used as an alternative to cash cheques.
- Following an initial first phase of using cheques, a relationship can be developed with the bank to provide ATM cards linked to bank accounts.

RESOURCES AND FURTHER READING

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

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

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

The CaLP is the Cash Learning Partnership of Oxfam GB, Save the Children, the British Red Cross, Action Against Hunger / ACF International and the Norwegian Refugee Council.



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NB: This is a living document and we are always eager to hear your ideas, comments and feedback on how we could make it better.

For more information, or to provide feedback, please contact: info@cashlearning.org.

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