

Position paper on access to banks and Financial service providers

Background

In light of the recent developments of the COVID19 and the mitigation measures imposed by the Government in an attempt to control the spreading of the virus, the Cash Activities especially the Multi-Purpose Cash Assistance, came to an abrupt stop with around 99% of cash delivery planned put on hold affecting households in need of humanitarian assistances. The mitigation measures, mainly the curfew and banks closure, which is expected to be lifted shortly, drained liquidity of and rendered Financial Service Providers capacity to distribute cash to targeted households.

This is an outline of the current situation, related issues, and specific recommendations. Dispositions of advocacy messaging in cash working groups (CWG), inter-cluster coordination groups (ICCG) and the HCT at the national level are outlined here. Subsequently, the CWG would also reach out to major donors in this regard.

Impact

In broader terms, the Government in consultation with banks should devise a mechanism to allow safe cash transactions; in the absence of this, the economic cost of the shutdown would have larger effect in the long run. Cash actors are concerned about both the immediate and longer term detrimental impact on the local economy. In the short term, it is anticipated that the number of vulnerable households that are unable to meet their basic needs will increase. As there is an increase in the number of COVID cases, people/households need to supported to be able to buy basic needs including hygiene items, such as soaps and hand sanitizers to minimize their risk of contracting the virus.

The risks posed by a prolonged suspension of cash delivery will have detrimental effects on local markets ability to survive the current shock and sustain itself in the future, as it is evident that cash assistance helps local markets to recover and boost traders' capacity to restock items. In addition, in case of an extended restriction on access to financial services, small scale traders might find it challenging to restock and respond to demand in a given time and required quantity disrupting the economic/market environment.

Measures to be undertaken

1. Government to facilitate the financial transaction environment and infrastructure including the liquidity requirements at cash out points by FSPs; this is to mean banks and FSPs that are critical to humanitarian cash assistance efforts to be granted exemptions from the curfew to enable access to cash reserves (To facilitate access between banks and FSPs)
2. Exemption of movement restrictions of household beneficiaries to access cash points (To facilitate access to cash sale points by targeted households)
3. Lift movement restrictions on and approve essential financial service providers access to targeted geographical locations. (ask to facilitate access between FSPs and targeted households)
4. Humanitarian agencies and contracted service providers that are implementing life-saving and COVID-19 related activities should be exempted from movement restrictions (ask to facilitate access for humanitarian agencies)
5. Government to facilitate access to humanitarian agencies to understand the effect of the outbreak and curfew imposed on banks and FSPs operations and regulations, as well as its effect on service delivery and accessibility that is helpful enough to identify alternative cash delivery mechanisms as a contingency in light of a prolonged curfew (to facilitate discussions with authorities, banks and FSPs on alternative cash transfer mechanisms in case of prolonged curfews and movement restrictions as well as to minimize transaction of banknotes as a mitigation measure).