

Operational Learning from the Lebanese Red Cross Cash-for- Basic-Needs Programme

Learning Paper 2 of 4: Tendering for 3rd Party Service Providers for the Delivery of Cash-Based Programming

Nicholas Nichol
July 2018

This is one of a set of four learning papers developed by the British Red Cross in collaboration with the Lebanese Red Cross following a four-year cash-programming capacity-building programme with LRC. They are a summary look at certain topics aimed at cash practitioners, which can be adapted for different contexts. The following focus areas are available:

1. Modality selection framework
2. Tendering for third-party service providers
3. Using national third-party financial service providers
4. Managing funds from Red Cross Red Crescent partners

This paper looks at some of the lessons to be learnt from the tendering process that was conducted with LRC for the contracting of a variety of financial services for the delivery of cash assistance in Lebanon. The learnings are kept as generic as possible to be relevant to cash programmes across the Movement.

Contents

Introduction.....	3
Why was the tender needed and what was the aim of the process?	3
Key Areas Identified in the Process	4
Document Design	4
International Advertising and Targeting of Suppliers	5
Bid Evaluation.....	6
Contracting	7
Conclusion.....	7

Introduction

Why was the tender needed and what was the aim of the process?

The Lebanese Red Cross (LRC) with the support of the British Red Cross (BRC) launched a three-lot international tender for cash-transfer services in Lebanon. The three lots consisted of (1) ATM cards, (2) e-vouchers and (3) Money Transfer Services.

There were two driving factors in launching this tender:

- There had been no original tender process for the initial CSC Bank contract for the provision of ATM cards for the ongoing multipurpose cash programme (see learning paper on delivering cash via 3rd party service providers)
- LRC took the decision to expand their toolbox and look at ways to transition some of their in-kind programming to e-vouchers, where appropriate.

Based on BRC advice, the 3rd lot for Money Transfer Services (MTS) was included – the intention being to equip LRC with a complete toolbox of the cash delivery mechanisms that are available and used in Lebanon. In addition, MTSs are considered to be the most appropriate delivery mechanism for small-scale emergency response and one-off emergency transfers.

The core aim of this process was to establish the required framework contracts for the above services in Lebanon. Based on existing understanding of the Lebanese market for cash transfer services – and building on a Financial Service Provider (FSP) analysis conducted by BRC and LRC in 2016 – it was known from the outset that it was likely this would involve the contracting of three separate suppliers.

It was envisaged that the contracts would be used primarily for the following scenarios:

- Lot 1: ATM cards – ongoing Syria crisis programming and future large-scale national responses.
- Lot 2: e-vouchers – as an alternative to ongoing in-kind programming, where appropriate, and for future national-level responses.
- Lot 3: Money Transfer Services – for small-scale, rapid, emergency cash transfers.

LRC has successfully completed this process and now has four, two-year, zero-commitment framework contracts in place for the above-mentioned services.

Key Areas Identified in the Process

This process was new to LRC in two ways: their first time conducting a tender for financial and other cash-programme related services, as well as their first international tender.

The decision to undertake an international tender was based on two factors:

- It was decided that the scope of the contracts should allow LRC to operate at any scale, and as such the most stringent procedures were followed.
- The provision of e-vouchers specifically required a solution which had off-line capabilities. This meant that an international company would have to be contracted, as no such services are available in Lebanon.

A variety of challenges and problems arose during the process of conducting this tender, some of which were addressed during the process and some of which the RCRCM will need to address moving forward.

Document Design

For a multi-lot, complex tender for financial services the design of the documentation is always going to present a challenge in itself and requires significant technical experience and input from logistics, finance and programmes.

Challenges and Problems

- LRC had a tender package that was designed for goods and was thus inadequate for the task; this required a significant re-write with the support of both BRC cash and logistics advisors.
- The IFRC Cash in Emergencies (CiE) toolkit guidance on FSP tendering is not fully useable by National Societies (NS) without significant support from a cash/logistics advisor, due to being complex and/or weak in parts.
- Insufficient Scope of Work (SoW) guidance is available in the CiE toolkit for two of the three types of mechanisms, and/or guidance on considerations to include when designing a SoW.

Impact

- The CiE Toolkit documents were not adequately detailed, or accompanied by sufficiently accessible guidance for a National Society. This led to significant back and forth, greatly extending the timeframe for the development and launching of the tender process.

Solutions

- During this process with technical input from BRC in Beriut and London, an adequate tender package was designed.

International Advertising and Targeting of Suppliers

Many NS will have had limited exposure to international tendering and to the platforms that are available to advertise. Additionally, in operations with a limited involvement for IFRC country or regional logisticians, NS may not have access to global supplier lists¹.

Challenges and Problems

- A lack of understanding and prior knowledge, on the part of the NS, for where and how to advertise and target international suppliers, requiring the support of both cash and logistics advisors from a PNS to ensure adequate distribution.
- A lack of a global supplier list is readily available to NSs, to assist them with targeting of international companies for the provision of cash assistance and cash data management.

Impact

- The lack of information available to National Societies on how to advertise internationally and/or specific targeting of FSP suppliers potentially limited the number of bids received. This is not quantifiable but, based on understanding of the market, it is known that LRC received a limited number of bids for Lot 2. And as such they may have missed out on additional suppliers, with similar or better services and/or similar or better pricing for the requested services.

Solutions

- Support needs to be given to NSs regarding the process of advertising internationally for FSP/Payment Service Provider (PSP) services.
- This should include circulation via the CaLP D-groups², an informal email network of cash practitioners from both the humanitarian and private sectors, a consideration not widely known among logistics teams either at a national or global level.
- Ensure NS access to international advertising portals for tender advertisements. This should be included on the checklists for tendering process and proper dissemination by logistics delegates.
- With the support of the BRC cash delegate a number of suppliers were personally targeted but without up-to-date contract information it is unclear if those suppliers chose not to bid or if the invitations went to the incorrect person.
- BRC supported in advertising on MyTenders³ but did not manage to advertise on IAPG⁴.

¹ This is based on the assumption that the IFRC maintain a global supplier list for financial and payment services.

² The CaLP D-Groups is an international mailing list that is subscribed to by cash practitioners, donors and service providers and provides a platform for both discussion and requests for support, including calls for tender of cash services.

³ An online platform for advertising tenders.

⁴ Inter Agency Procurement Group (IAPG) is a platform for procurement practitioners and suppliers which also has a service for advertising tenders for the humanitarian sector.

Bid Evaluation

The evaluation of 3 technical financial services bids is a complex process and requires a level of understanding of the services that are being tendered for.

Challenges and Problems

- Working with the NS to understand that the most effective method for dealing with a technical tender like this was to separate the three lots at bid stage and individually evaluate and award them.
- Assembling a committee and embedding understanding of the evaluation requires technical knowledge. For example, understanding the reason behind excluding a local supplier bidding for Lot 2 (e-vouchers), because their solution was for restricted ATM cards using POS (point of sale) rather than a smart card voucher system⁵.
- Identifying and prioritising benchmarks, as well as defining the tender scoring system, is a challenge that can only be undertaken once the service being tendered for is understood. For example: is local procurement important? How can a financial evaluation be conducted when the actual use cases (context, scale etc.) are unknown?
- For Lot 2, the scale of the project was unknown during the tender document development but was known by the time of the evaluation. This posed a specific problem in that the theoretical programme and actual planned programme produced very different financial evaluation results. Namely, can the evaluation take into consideration new information which was not included in the tendering documents? If so, what is the guidance on justifying this?

Impact

- Over-reliance on the programme team's technical knowledge to provide guidance on scoring limited the effectiveness of the committee to properly evaluate the received bids.
- The question of whether or not to include the actual programme requirements, including number of families to be targeted and with what cash value and frequency (once known) led to confusion/debate, as this had a significant impact on the financial evaluation of some suppliers. Overall, the winning bid was not affected, but this led to a significant delay in the process.

Solutions

- Initially, the suppliers for Lot 2 were all invited to deliver an online demonstration of their platforms so that LRC were able to have a greater understanding of what they were reading in the technical evaluations.

⁵ Lot 2 of the tender was for a Closed Loop E-voucher. This is a system that is able to operate independently of external infrastructure such as mobile or banking networks. As such the use of an ATM card that only operates at POS terminals is still reliant on both a mobile and banking network and therefore had to be excluded.

- Conducting the Cash For Support Services training contributed to LRC having a knowledgeable committee made up of support services staff who understood cash.

Contracting

With the complexity of fees, data protection clauses, liabilities and other legal frameworks that are applicable, the contract of FSPs presents a different type of challenge to NSs. The situation can also involve legal understandings that are not common.

Challenges and Problems

- The CiE FSP contracting templates provide sufficient legal context but limited specific information regarding SoWs, which are both programme and country specific. This links to the document development challenge mentioned above.
- Given that the services being contracted were unfamiliar, LRC decided to request templates from the selected suppliers. However this has the potential to expose a NS to contractual clauses that they wouldn't normally agree to and/or leave them without sufficient protections, due to the contracts being drafted in different countries, using different legal language.

Impact

- In this instance, LRC has a sufficient and functioning legal department able to avoid this issue, but that is not the case for many NSs.

Solutions

- When advising any NS during the contracting of an FSP, information must be sought on the functionality of their legal department. If it does not have the capacity to lead such requests, a lawyer or other legal entity must check the contracts to ensure they are compliant with local legal requirements relating to financial, data protection needs and other localised issues.

Conclusion

The Red Cross and Red Crescent Movement requires significantly improved technical capacity with regards to logistics and cash programming. The support required by National Societies to undertake such tasks is not currently available. Logisticians who fully understand the technical requirements of a cash programme, as well as the tendering/contracting processes, are essential to avoid the above challenges.

As such the following items are recommended:

- Support needs to be given to NSs regarding the process of advertising internationally for FSP/Payment Service Provider (PSP) services.
- This should include circulation via the CaLP D-groups⁶, an informal email network of cash practitioners from both the humanitarian and private sectors, a consideration not widely known among logistics teams either at a national or global level.
- A training pathway should be developed to strengthen RCRC Movement finance and logistics capacities regarding cash programming and the requirements for tendering.
- Development and dissemination of broader, improved guidance on tender document design, bid evaluation and FSP contracting. This should be readily available to NS for a variety of mechanisms. The Movement has utilised a large number of mechanisms across the world and as such are in a position to provide greater tailored guidance on this point.
- Guidance to encompass possible scenarios such as changes in programme scale during the tender process and how to make justifiable decisions regarding the inclusion of new information.

⁶ The CaLP D-Groups is an international mailing list that is subscribed to by cash practitioners, donors and service providers and provides a platform for both discussion and requests for support, including calls for tender of cash services.