

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

Learning Paper 3 of 4: Using a National 3rd Party
Financial Service Provider for the Delivery of Cash

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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 the challenges and lessons to be learnt from working with a national-level financial service provider. While written in the context of programming using ATM cards, this paper is applicable to any NS cash programme using an FSP for delivery.

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Introduction

The process for distribution, loading, withdrawing, troubleshooting and monitoring of ATM cards

The Lebanese Red Cross (LRC) have been using ATM cards to deliver multipurpose cash assistance since late 2014. This has been conducted in partnership with a Class A Lebanese financial institution and the project has had a stable case load of 1,500–2,200 households (HH) since December 2015. This paper addresses some of the key challenges faced when using ATM cards as the delivery mechanism for cash assistance, including: operational challenges, contract management, data protection and programme/financial monitoring.

There are a number of steps involved in preparation for the loading of cards (Figure 1 below). This paper will not explore the loading process in detail, but rather the operational challenges around the utilisation of ATM cards. However it is important to understand the complexity of working with this mechanism.

As with almost all humanitarian interventions that use ATM cards, the process within the Red Cross Red Crescent Movement is often manual. This involves relying on people to cross-check, to ensure that the cards are properly loaded, that cards and PINs are correctly distributed and any issues are efficiently resolved. As such, the importance of systems and processes cannot be under-estimated.

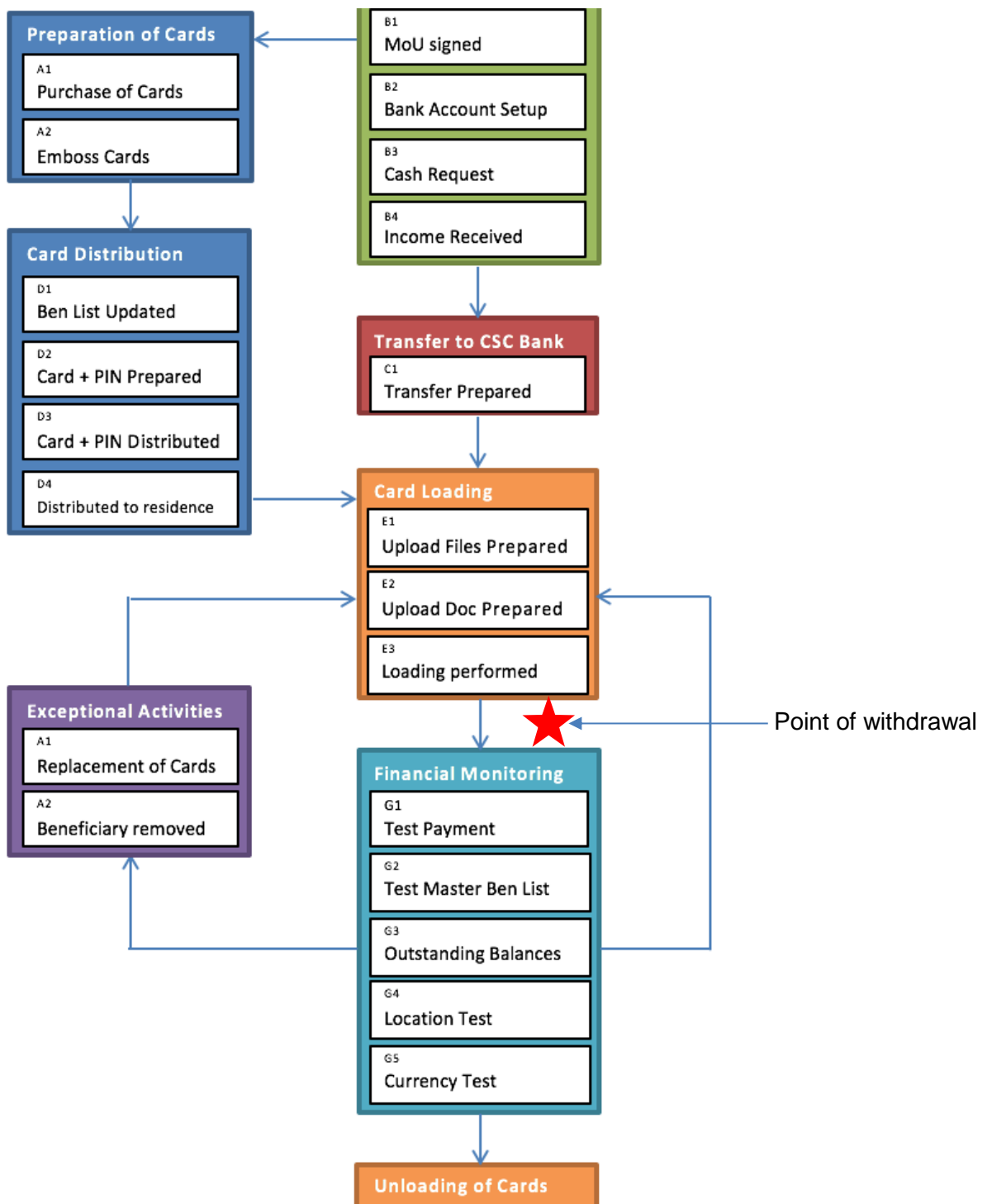


Figure 1: Extract from LRC’s standard operating procedures, showing the process for card loading.

Areas of Learning

This section is broken down into four categories: contract management, data protection, operational challenges and monitoring. Each category will look at challenges, impact, solutions and recommendations.

Contract Management

During the early phases of the project it was decided that LRC would pilot with the preferred bank (CSC S.A.L) of UNHCR. This decision was taken for simplicity and with the knowledge that working with the same financial institution as UNHCR would mean that from a technical standpoint the mechanism and process had already been tested and so would provide the best environment for the pilot to succeed. The pilot contract was extended into a full two-year renewable framework contract.

Challenges

The lack of contract management, and without clear roles and responsibilities meant that LRC failed to have proper oversight of the use of the contracted services.

This meant the following challenges:

- In supplier monitoring
- Utilising contractual clauses in the most financially efficient way

Impact

LRC found that, without a proper internal procurement process and tight contract management, they were over-paying for the service in comparison to the sector as a whole in Lebanon. This meant that the opportunity for a significant reduction in programme overheads was missed. Additionally, this lack of competitive process created unnecessary issues with back donors, who expect compliance with institutional donor rules and regulations to deliver Value for Money (VfM).

Solutions

BRC conducted a “Cash for Support Services” training with LRC in August 2017. LRC also worked with BRC on an analysis of Financial Service Providers (FSPs) for cash programming, which provided the evidence required to move to a more formal process for contracting FSPs. LRC then agreed to launch a full international tender for financial services, which was supported by the newly formed LRC procurement team. The tender process was completed in March 2018 and a new contract signed. It was agreed that the procurement team would manage the contract.

Recommendations

- Tendering for financial services is difficult, and will often be a new process for a National Society (NS). Support services need to be capacity built to ensure strong procurement and financial accountability so e.g. a wider cash-training programme to include these teams is

recommended. Please refer to Learning Paper 2 of this series for full details on the process and recommendations.

- When an NS is implementing a cash programme that involves a 3rd party service provider, it is essential that clear and defined roles and responsibilities – specifically around contract management – are agreed early in the process. This will ensure the following:
 - o Service providers fulfil their commitments under the contract.
 - o The NS understands its responsibilities under the contract.
 - o Contracts are regularly reviewed.

Data Protection

LRC was subject to a worldwide hacking of Gmail email accounts in 2015. At the time, the finance team were using personal email addresses to contact the bank providing the service for the cash programme, due to an internal problem with LRC email servers.

Challenges

This posed the following challenges:

- A breach of the finance team account meant fraudulent messages were sent requesting the transfer of funds out of the Lebanese Red Cross account.
- Whilst names of beneficiaries are not sent to the bank, the data is not fully anonymised and can be cross-referenced with other documentation held at LRC to reveal personal sensitive information.

Impact

Data breaches can have impacts both financially and reputationally for the organisation, as well as personally for the beneficiaries whose data is collected and stored. The impact of this breach was limited due to the secondary checks on the transaction requests made by the bank to ensure validity of the request, but it exposed serious flaws in the internal system.

Solutions

LRC now ensures that all communications between staff and financial institutions are only conducted via the LRC secure server email accounts. Additionally, the recent contracting of Red Rose CPS for both programming and data management will give LRC an option if they are required to be GDPR¹ compliant, as Red Rose have confirmed their platform will be compliant in mid-2018. The Disaster Management Unit (DMU) Programme Monitoring Evaluation and Reporting (PMER) team are also working on the development and implementation of a data-management policy.

¹ General Data Protection Regulations (GDPR) are a set of EU data protection regulations that came into effect in May 2018 to strictly regulate how anyone working within the EU or with EU funding collects, stores and distributes personal data.

Recommendations

Data protection systems must be considered from the beginning of the project. This must include who has access, how they access, what can be shared and when it is shared. The RCRCM must make sure this is done in line with the recent GDPR EU guidelines and ensure that data is anonymised wherever possible.

Operational

The operational challenges predominantly fall into two categories: those pertaining to beneficiary communications from LRC and those related to using a 3rd party for delivery (especially where that 3rd party is reliant on further sub-contracting to deliver the service).

Challenges

Communications:

- Beneficiaries often keep PINs and cards together.
- Beneficiaries often share their details with other people.
- Beneficiaries have been unaware of expiry dates on their cards and have found that they are unable to withdraw without understanding why (initial expiry dates were 12 months from issue).
- Lebanon is a dual-currency country where USD and Lebanese pounds (LBP) are interchangeable and are both able to be withdrawn from ATMs. Whilst the rate in cash markets is fixed, it is not fixed within the formal financial sector. Beneficiary accounts are loaded in LBP, so should cash be withdrawn in USD this can create account balances with denominations that are not able to be withdrawn², resulting in money which cannot practically be accessed by the beneficiary.

3rd Party Delivery:

- The service provider commits to ensure full coverage across Lebanon, with beneficiaries able to withdraw from any ATM in the country. This can require the sub-contracting of services and does not always work in practice, with some ATMs rejecting beneficiary cards.
- If an ATM swallows a card it is almost impossible to retrieve it from a bank that is not the primary contracted provider (the majority are not).
- ATM liquidity cannot be guaranteed by the 3rd party contractor for ATMs they do not operate.
- Beneficiaries have faced issues accessing ATMs when banks (which are not the primary contracted provider) have placed restrictions on using their ATMs, for example, what times beneficiaries are allowed to access them.

² The cash market rate for 1USD is 1,500LBP, and whilst the LBP is tied to the USD there can be some minor fluctuation, meaning the exchange rate range is generally 1,495–1,507LBP to 1USD.

Access to FSPs:

- While Lebanon has a strong and far-reaching banking network, there are areas where beneficiaries must: either travel long distances at high expense to reach withdrawal points (which costs a significant percentage of their monthly allowance); or alternatively hand their card and PIN over to another person to withdraw on their behalf, often for a fee.

Impact

Poor beneficiary training and communications result in unnecessary stress for teams of volunteers in the field, operational staff and HQ, but most importantly for the beneficiaries who rely on these funds to meet their basic needs. It can also create security concerns for participating beneficiaries who do not fully understand how to work with the given mechanism.

Reliance on a 3rd party – which is able to sub-contract services – for the delivery of assistance in a humanitarian context can lead to significant operational issues that are beyond the control of both LRC and the 3rd party. This results in a significant additional workload for programme and support teams required to deal with these issues.

Solutions

Where possible, LRC has requested information from beneficiaries via a phone hotline, in an attempt to locate problematic ATMs and bank branches. Additionally, through the financial monitoring tools that have been established, those beneficiaries who withdraw in USD are contacted to ensure they have understood the implications of this. However, although this information is given to the beneficiaries during their induction on the use of ATM cards, this does not stop the issue from occurring.

Recommendations

- 3rd party sub-contracting issues should be mitigated by ensuring that the NS has the contracts and capacity in place to use more than one mechanism. Even where the service is not sub-contracted, these same issues are relevant and mitigation will relate back to the contract management recommendation above.
- Beneficiary training and communication plans must be developed and implemented.
- Issues regarding beneficiary behaviours when working with new delivery mechanisms, especially related to PINs, should be included in the programme risk assessment and mitigation planning.

Monitoring

Whilst some of the challenges noted here are not exclusive to ATM cards and could be applied to other delivery mechanisms, they are all relevant to cash programmes that utilise ATM cards for delivery. These challenges relate to programmatic monitoring, and

also to the financial monitoring of both the movement of funds and the analysis of transactional data received.

Challenges

- An important factor in troubleshooting ATM issues, which are identified via datasets provided by the service provider, is understanding where the issue has happened. In Lebanon, some banks have their whole network of ATMs registered to the HQ which makes it very challenging to locate ATMs that suffer from repeat issues.
- The quantity and type of data received by the Lebanese Red Cross from the contracted provider is insufficient for proper financial monitoring, for example, not being able to receive data regarding failed transactions and reasons for those failures.
- Inaccuracies in the data from the service provider, including duplicated transactions in weekly reports, create significant challenges in manual reconciliation.
- The Lebanese Red Cross has lacked the proper tools for analysis of the data received from the service provider. This relates to the above points, that LRC receive large, complex but not complete and sometimes inaccurate data sets that require a comprehensive system for analysis which they lack.
- The quality and quantity of data received from different sources (e.g. the LRC branch, the LRC finance team, the service provider etc) make for challenging reconciliation and triangulation of programme information.

Impact

The core impact of the challenges surrounding the monitoring of the 3rd party service providers result in LRC being unable to address the issues beneficiaries face in accessing cash. This can affect the external reputation of LRC.

Additionally, it limits their ability to be able to follow up on failed transactions and unspent funds, especially when they receive technical requests via the hotline about why people are unable to access their funds.

Solutions

LRC have, where possible, to communicate these challenges with the FSP and edit datasets including to try to limit the frequency of the duplicate transaction reporting.

Secondly, developing and continuing to review the tools that are used for the financial monitoring will help. For LRC, these have steadily improved and will continue to do so as the data received from the FSP is strengthened.

Recommendations

There is a need to develop a global set of basic financial monitoring and reconciliation templates that can be easily adapted to different contexts. These will serve not only as a

tool for the NS but are also a means by which to guide staff in being able to ask for the correct information from a 3rd party service provider.

This guidance needs to be given in line with the above recommendations on contract management, as it is essential that these information requirements are negotiated into the contracts so that 3rd parties can be held accountable for the data they provide. This will contribute to ensuring programme quality, as well as accurate programme monitoring and reporting.

Conclusion

Working with a 3rd party service provider for the delivery of cash assistance can be an effective and transparent way of working if it is managed properly and if national societies are given the required support in setting up those relationships and associated systems.

Key considerations need to be taken into account around setting up financial monitoring tools from the very outset that are simple enough for the NS to update and maintain as needed and should make up part of their overall data management for a cash programme.

A clear set of roles and responsibilities that include logistics and finance functions will ensure the most efficient use of a 3rd party for the delivery of cash assistance.