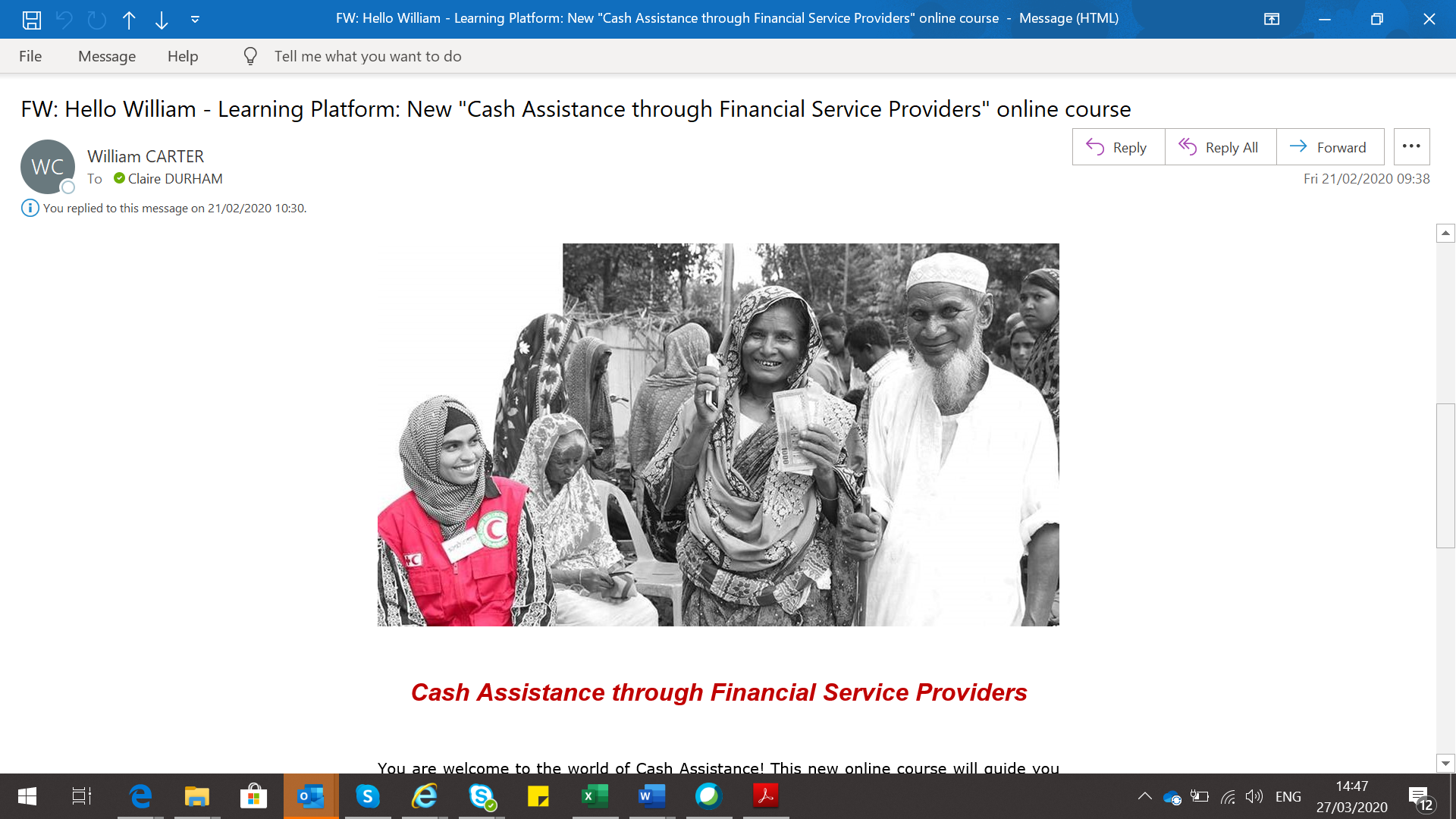


**Financial Service Provider (FSP) Framework Agreement Tip Sheet**

A framework agreement (FA) is a **long-term written agreement** established between an organization and the selected supplier for an agreed period of time. The contract is for specific goods or services at agreed prices and quality and are usually established for delivery of supplies and services which are **frequently requested** at a local, regional or global level and are concluded following a **proper tendering process.** FA are used to ensure a reliable source of supply for goods and services at a **competitive price**, in accordance with **pre-defined terms and conditions**.

To quickly build or refresh your skills we have a **new online course** will guide you through the steps to procuring financial services for the cash assistance projects

This course is aimed at program staff implementing cash assistance through financial service providers (FSPs) and it is **also useful for those of you working in Logistics, Procurement and Finance**. It covers topics such as cash feasibility, setting the service requirements, **evaluating, selecting and contracting an FSP**, and supplier performance management.



|  |  |  |
| --- | --- | --- |
|  | | |
|  | [**Go to course**](https://ifrc.csod.com/ui/lms-learning-details/app/curriculum/e095751e-53d5-4e26-9f66-ee1db2c65e5d) |  |
|  | | |

**BEFORE YOU START**

Familiarize yourself with the revised IFRC Cash SOPs (2018 working draft) and 3.6 Procurement of Cash Related Services of the 2018 [IFRC Procurement Manual](https://fednet.ifrc.org/FedNet/Our%20IFRC/Procedures%20Database/Procedures/092_e_v300_Procurement%20Manual.pdf) chapter 2.3 Framework Agreement & and 3.6 Procurement of Cash Related Services as well as the [Cash in Emergencies Toolkit](http://rcmcash.org/)



**EMERGENCY APPEALS**

As per the IFRC Procurement Manual: 1.3.3 NS operating under Disaster Response Emergency Funds (page 14) please note the follow:

**(a) in a DREF operation, if NS is to carry out local procurement with DREF funding,**

**national procurement procedures15 can be followed, subject to compliance with**

**provisions stipulated in Sections 1.2, 1.3.8 and Appendix 42**

**(b) if the operation is covered by an Emergency Appeal, or if NS requests support in**

**procurement from IFRC, IFRC procurement procedures must be followed**

**If an emergency appeal is launched for a DREF-funded operation, the project manager**

**is responsible for immediately informing the relevant regional LPSCM PA in order to**

**ensure the implementation of IFRC procurement procedures.**

Even if the NS FSP FA is not being immediately used for an Emergency Appeal but might be used in the future to implement cash assistance for an appeal then IFRC **MUST** have been followed otherwise it will be necessary to check the procurement file (time consuming and costly if it needs to be translated from the local language). However, if after checking the procurement is not compliant with IFRC procurement rules then a tender for an FSP will have to be carried out.

It is therefore **STRONGLY RECOMMENDED** that you liaise with the Regional Logistics Unit (RLU) prior to and during the process to ensure compliance. The RLU can also get technical support from the Global Cash-Logistics focal point in Geneva.

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If not already in contact, it is also useful to get in touch with the IFRC regional cash delegates:

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It is important to read in the IFRC Procurement manual chapters: 2.2.3 Criteria for Supplier Pre-qualification; 2.3 on Framework Agreements and 3.6 Procurement of Cash Related Services.

Key points:

* An open tender process must be used with sealed bids being submitted by FSPs
* On open tender requires a public advertisement (templates in the Procurement Manual) and allows all potential suppliers interested in bidding to participate
* Open tenders do not have to be international tenders, they can also be local tenders
* Potential Suppliers for FAs are selected based on strict criteria, such as professionalism and knowledge of international trade, reliability, service capability, coverage, liquidity, price range, quality assurance, compliance with regulations, and their previous record.
* Contract period is 2 years with a possible 2-year extension with a maximum of 4 years in total
* FA have no legal obligation to order any minimum or maximum quantity
* FAs shall be non-exclusive, hence IFRC may establish FAs with different Suppliers for the same services.

FSP FAs are usually established for services that expected to be used frequently and usually cover several regions or even a whole country.

To ensure that we get both a service provider that has the capacity to meet our implementation requirements as well as getting the best price possible, which can often be a cheaper unit or transaction price where there are bigger volumes it is essential to estimate typical/expected yearly procurement volumes.

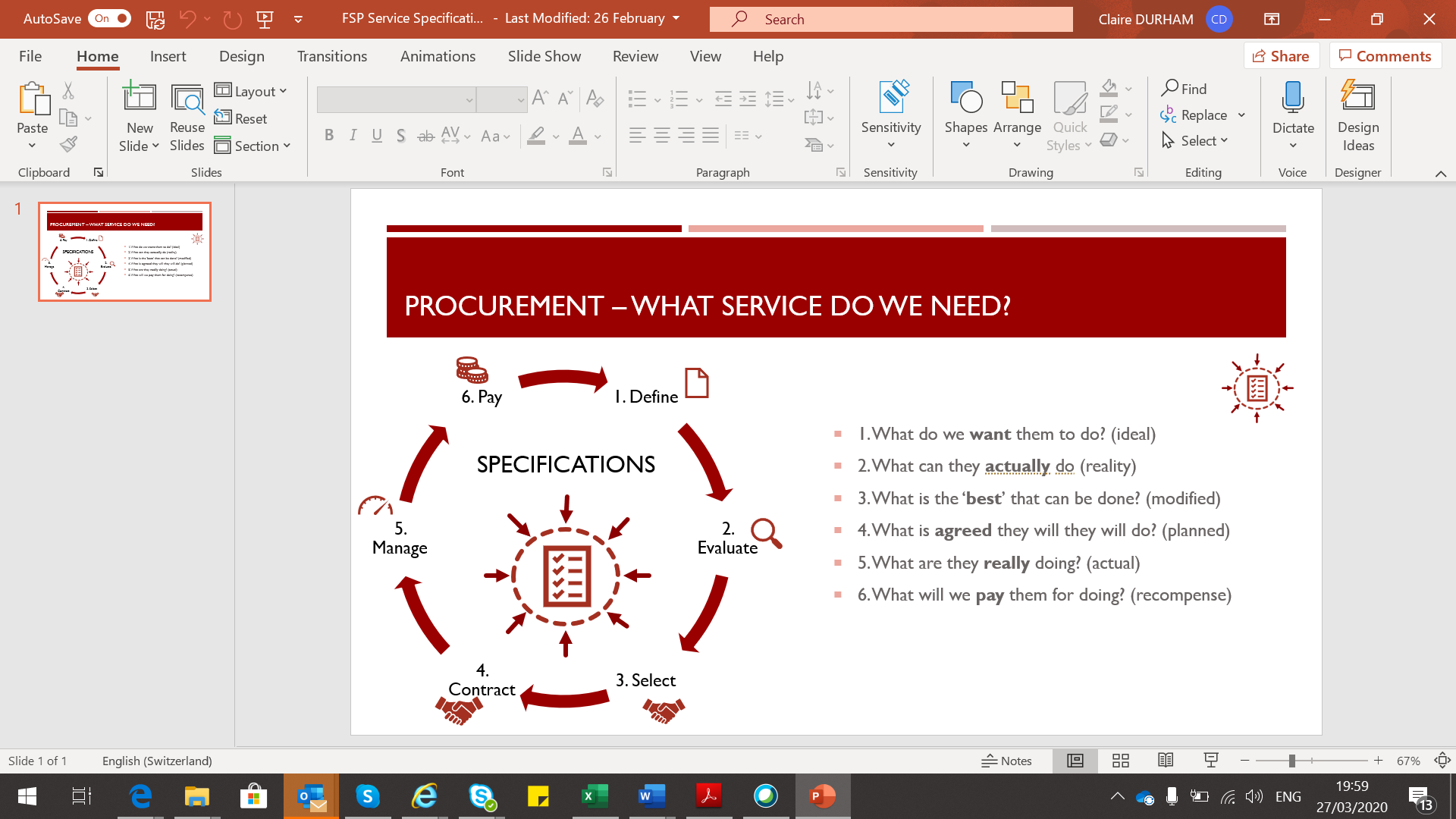
Providing information in the Scope of Work (SoW) document including

* Geographical areas
* Number of HHs per response
* Transfer value\*
* Project duration
* Number of responses a year

An NS that typically responds to two big disasters a year with 10,000 HHs each receiving 3 x 100CHF grants in monthly installments has different service requirements to another NS that has 10 responses a year but only 2000 HHs each time with a transfer value of 50CHF but 6 monthly installments and therefore might require a different FSP even though the overall contract value is the same.

\* The FA will not detail the transfer value explicitly but it will give an idea of the typical value size (an average or maybe a range) which helps the FSP give the tariff of charges for the anticipated service as well as understanding the liquidity requirements they will need.

Use previous NS responses to collate information on the above bullet points and build up the SoW. Estimated volumes should be realistic, don’t overinflate volumes to get a better price, the important point is to select and contract an appropriate FSP with the best service for the price.



**KEY TOOLS AND TEMPLATES**

**SoW document** – To give detail and context of the typical cash assistance programme and what the FSP needs to understand about us and the way we work so they can be sure their service will be a good fit

**RFP FSP Response sheet** – this document lists the specifications or requirements of the service. The headers should remain and there should be AT LEAST ONE question per header. This is a template, adapt to your context. These are the questions we are asking of the FSPs and we will evaluate their responses to understand if they meet our needs or not

**CBA technical evaluation** – we use the Comparative Bid Analysis to openly and objectively analysis and score FSPs on their ability to meet our requirements. The headers in the RFP FSP Response sheet match the sections in the CBA. We should ask the questions in the response sheet that enables us to assess the FSP. There is a financial health section (this is not about costs) but how solvent and reliable and secure an FSP is. Only FSPs who reach the minimum score will move through to the next step where the technical solution, the payment service, is evaluated. Costs are also included in here. It might be necessary to look at a typical way a recipient might use access and/or use there grant to determine what a typical cost might be. For responses that vary in size and scale it might be worth looking at a small-scale operation and the associated costs and a large scale. As FSPs that are good value for money at the large scale might be significantly more expensive for small scale operations.

**Cost Breakdown template** – used to get the FSPs to provide costs in a similar manner. Financial services costs are complex and charged in many different many different ways. It is helpful to have some standardization and consistency to be able to compare between suppliers. This is adaptable to the context.

**Standard contract template** – needs to be adapted and include specific service details and information from the SoW document and requirements sheet



There are additional requirements checklist on the Cash in Emergencies Toolkit which may be useful.

**USING THE FA**

FAs remove the need to undertake the procurement process before each response, but they still need authorisation to access and use the service. Typically, this could mean a Logistics Requisition (LR) to request the volume of service and the associated fees AND a Request for Payment to finance to transfer the funds to be transferred to the recipients.

Standard Operating Procedures (SOPs) should be drafted to reflect how and by whom the process is undertaken. Remember to ensure segregation of duty between tasks. The authorisation process might follow the same at the standard within the NS. However, for cash assistance to be delivered at speed and scale it might be possible to have a secure but reduced approval matrix as the FA is a tried and tested method with a reliable FSP.

And example of a delivery mechanism SOP is given below.

