

Questions and Answers - Responses to posted questions raised in the Financial Service Provider (FSP) themed Cash Hub Webinar held on the 19th May 2021 and those posted in the registration prior to the event

Questions list:

ICRC Nigeria, Reflections on Ethiopia & ICRC Global Approach

1. How does the Financial Service Provider ensure successful delivery of payments to a large number of beneficiaries?
2. Does ICRC now recommend building in price adjustment dates? i.e. do you now have contract review periods where price/fees can be adjusted?
3. What is the delivery mechanism in Nigeria? Mobile money? Envelopes? Also what FSPs? Banks? MFI? Mobile Company?
4. Do FSPs always agree to all terms & conditions of the ICRC and what if they can/do not agree to all of them? 2) Did FSPs argue, that they follow "national law" but can agree not on ICRC terms and conditions (e.g. Swiss law, data protection, etc.)?
5. In the challenges you have mentioned FSP not being able to support CVA in all locations, in this case how you cope this challenge to reach the remote locations?
6. IFRC in Nigeria piggy backs on ICRC's agreement with 1 of the commercial Bank as an FSP. It is interesting to know that ICRC has agreements with more than 1 FSP. A challenge most times is the coverage of the FSPs in LGAs, could you please share the information of all the FSPs you use for CVA (so we can see which best to use depending on locations for intervention)?
7. More and more organizations like the UNs are going together for the tender process to identify FSP. This allow them to have a very negotiated price. For the Movement, it will be hard to rely on this process due to the data protection rule. But how about us as Movement going together for a tendering? Do we have experience on that somewhere in the world?
8. FSPs is a general term. For the tender process what differences have you found between mobile money, cash in envelopes, bank remittance FSPs etc.?
9. Do you negotiate with a bank like you would negotiate with a Microfinance Institution (MFI)?
10. Sim card in the name of the beneficiaries or ICRC/National Society (NS)?
11. What are the possibilities that can reduce the 2-3 months duration of contracting FSP? What is the ideal timelines for finalizing FSP engagement/Agreements?

Learning from Sierra Leone Red Cross FSP Procurement and Working Relationship

12. A 'beneficiary' to you is a 'customer' to the FSP. Your involvement provides the FSP with new customers at near zero cost. In fact, you are saving them the (considerable) cost of commercial customer acquisition (and retention). In IFRC/ICRC experience, how does the potential FSP partner react when you bring this (opportunity) cost factor into contract negotiations?
13. During the various presentations I realised much was not talked about on Beneficiary Identification and data management. could the team help share best practices.?

General

14. [I have experience that FSP have big coverage but no linkages between FSP Head office & Local FSP retailer \[to resolve issues\], what do you recommend we do to manage this situation?](#)
15. [How do you take into account Know Your Customer \(KYC\) requirements in the selection of the FSP?](#)
16. [What is the speed of contracting financial services and transactions after a new project begins?](#)
17. [What local contextual factors will influence the delivery of cash-based transfers?](#)

Q	Question (ed. for clarity)	Response
	ICRC Nigeria, Reflections on Ethiopia & ICRC Global Approach	Solomon Edoki Ezoke, Logistician – Cash Specialist, ICRC Nigeria & Niccolo Giancarli, Logistics Cash Transfers & Markets Specialist, ICRC Global
1	How does the Financial Service Provider ensure successful delivery of payments to a large number of beneficiaries?	<p>I think it depends on the transfer solutions considered. In fact, this is why we need to be prepared and run a tender relevant to the type of activities and population targeted. If you already know that you are going to have a large number of beneficiaries you either select more FSPs or you set the financial capacity and the coverage as the most important selection criteria. Clearly for certain transfer options it is easier than others (for example, Bank transfers).</p> <p>During the implementation phase you need to have feasible Distribution Plans which you communicate to the FSPs ahead of time so that they have the time to organize and mobilize all needed resources.</p>
2	Does ICRC now recommend building in price adjustment dates? i.e. do you now have contract review periods where price/fees can be adjusted?	<p>ICRC doesn't and would normally not consider building in price adjustment dates into Framework Agreements (FAs); usually we sign contracts with different FSPs who provide almost the same type of services and transfer solutions. In situations where some FSPs are asking for price review or adjustments during implementation, the ICRC simply would switch to other available FSPs who are very much willing and ready to support activities in line with the terms and conditions of FA. Through the engagement of different FSPs during the tender, we indirectly create competition amongst the financial service providers which gives us the flexibility to switch from one FSP to another.</p>

3	<p>What is the delivery mechanism in Nigeria? Mobile money? Envelopes? Also what FSPs? Banks ? MFI ? Mobile Company ?</p>	<p>Just for clarification, for ICRC internal terminology the Delivery Mechanism for CVA are 3: Cash in Envelope (distribution of cash done directly by ICRC/NS), Cash through FSP and Cash via vouchers (commodity or value).</p> <p>The transfer options used in Nigeria working with our FSPs are: Direct Account Transfer, Cash over the counter, Prepaid cards and Mobile Money. The Financial Institutions we are working with are commercial banks and Technology Service providers. The latter, as explained in the webinar, are an FSP that are in-between a standard Mobile Network Operator and a Payment Service Provider. For cash in Envelope we use it rarely and only for few specific cases (the Mechanism does not allow you to work at scale). For voucher activities we tender and contract vendors in line with our standard procurement procedures.</p>
4	<p>Do FSPs always agree to all terms & conditions of the ICRC and what if they can/do not agree to all of them? 2) Did FSPs argue, that they follow "national law" but can agree not on ICRC terms and conditions (e.g. Swiss law, data protection, etc.)?</p>	<p>FSPs do not always agree on our terms & conditions. If some disagreements are based on the existence of specific National Regulations (mainly thinking about Data Protection), ICRC acknowledges that those clauses prevail on our own terms. In this case the organization needs to decide whether the advantages of working with the FSPs are still there and if we want to sign a contract/FA nevertheless.</p> <p>Where there are cases where we do not agree on some other general terms imposed by the FSP (like the opening of a bank account or changing of our contract format) we tend to not sign with those FSPs: having invited multiple FSPs to bid we usually have enough flexibility to keep a wide range of choices.</p> <p>FSPs with some experience already of working with ICRC are normally more comfortable to accept all terms and conditions as they see that they do not represent any disadvantage or risk for them.</p>
5	<p>In the challenges you have mentioned FSP not being able to support CVA in all locations, in this case how you cope this challenge to reach the remote locations?</p>	<p>Part of the contingency plan by ICRC for this challenge is that we normally contract many FSPs in advance. We use 3 dominant transfer solutions:</p> <ul style="list-style-type: none"> ▪ Bank transfer to bank accounts ▪ Over-the-counter at the bank and where it is not possible in remote locations the banks visit the remote locations or to an agreed location where the physical cash (is disbursed) + Prepaid card.

		<ul style="list-style-type: none"> For mobile money we partner with technology service providers, and then a sms code is sent to the beneficiary and they then go to their local agent. <p>This gives us the possibility to choose among several FSPs which can deliver the service. If you contact the FSPs ahead of time you can avoid last minute delays or cancellation; in case of areas never reached by any FSPs or not included in the contract this also allows you to have enough time to discuss potential implications, costs, type of resources to mobilize etc. (i.e. new FSP agents)</p>
6	IFRC in Nigeria piggy backs on ICRC's agreement with 1 of the commercial Bank as an FSP. It is interesting to know that ICRC has agreements with more than 1 FSP. A challenge most times is the coverage of the FSPs in LGAs, could you please share the information of all the FSPs you use for CVA (so we can see which best to use depending on locations for intervention)?	ICRC and IFRC will discuss bilateral for the detail related to this question.
7	More and more organizations like the UNs are going together for the tender process to identify FSP. This allow them to have a very negotiated price. For the Movement, it will be hard to rely on this process due to the data protection rule. But how about us as Movement going together for a tendering? Do we have experience on that somewhere in the world?	In some countries indeed we tried to facilitate the signature of movement partners with FSPs already contracted by one of the Movement organisations working in the country. Unfortunately, it is not only the Data Protection issue but also some procurement procedures which do not align (thinking here of ICRC and IFRC specifically). The validity of "intra-movement clauses" proved to depend a lot on the type of services and country of operation. A high-level decision still needs to be taken to encourage any development in the regard of a joint-movement tendering approach.
8	FSPs is a general term. For the tender process what differences have you found between mobile money, cash in envelopes, bank remittance FSPs etc.?	Cash in Envelope is a completely different mechanism from Cash through FSP; I think you meant Cash Over the counter here (one of the several transfer solutions provided by a FSP). In terms of differences during the tender process it depends a lot on the context and the type of transfer solutions you're looking for. The main steps for tender for CVA (market assessment, coordination with programs, launching of tenders and communications with FSPs) are always the same, for all type of transfer solutions. Some transfer solutions can bear some additional complications due to the technology adopted or other features, in this case you just need to make

		<p>sure you involve the department/colleagues with the right expertise to evaluate the offer received. Moreover, if you already know well the market and/or you are looking for a specific transfer solution you can be more detailed in your tender requirements than in those cases where you tender for the first time or for multiple transfer solutions.</p> <p>In ICRC we consider Remittance Companies a potential FSP for our activities but, so far, we have never worked with this type of institution. In Nigeria commercial banks fully cover the type of operations potentially supported by remittance companies.</p>
9	<p>Do you negotiate with a bank like you would negotiate with a Microfinance Institution (MFI)?</p>	<p>ICRC Nigeria delegation engaged only the commercial banks with strong financial capacity and Technology service providers who also facilitate mobile money services. We have never contracted any MFI for CVA activities in Nigeria since the commercial banks are operational with high network of branches and agencies across intervention areas. The process of negotiating with the commercial banks and Micro Finance Institute would be the same despite their mode of operation. For ICRC Nigeria, and ICRC in general, the tender process for engaging FSPs or vendor is defined and will be the same for both commercial banks and microfinance institutes if there will be the need to engage them in the future.</p>
10	<p>Sim card in the name of the beneficiaries or ICRC/National Society (NS)?</p>	<p>Depending on the type of transfer modality and solution, beneficiaries are required to have a conventional bank account for MEI programs and the bank accounts are part of the selection criteria. We have supported Beneficiaries to open a bank account with the contracted FSP for ICRC Micro-Economic Initiatives (MEI) programs [an area of ICRC programming]. When implementing using mobile money, Beneficiaries are also required to own a mobile phone with SIM card registered in their names. In some context the humanitarian organization also supports the beneficiaries with phones and sim card to facilitate mobile money programs. For ICRC Nigeria that was not the case as the beneficiaries were responsible for the sim card and mobile phones. Some organization may also support beneficiaries with mobile phones to facilitate mobile money payments.</p> <p>The choice of providing sim cards or phones to beneficiaries in the name of ICRC/NS can be an option where data protection issues and the need to anonymise as much as possible the aid exist (i.e. because a specific population group is targeted). In the long-term or with big number of beneficiaries this is not always a viable/sustainable approach.</p>

11	<p>What are the possibilities that can reduce the 2-3 months duration of contracting FSP? What is the ideal timelines for finalizing FSP engagement/Agreements?</p>	<p>The FSP assessment/mapping phase can take 2 weeks, but if you have been closely following the FSP market in the country, and have undertaken mapping previously, you can sometimes skip this step. We have a well formulated process that guides the timeline, you need to factor in validation from HQ, and internally within the delegation. Therefore, if you communicate as early as possible and chase up this can potentially be shortened.</p> <p>We need to give at least 2/3 weeks for the FSP to respond to the tender and this cannot be shortened (FSP need enough time to read and prepare Tender documents; if you shorten this time the risk is that you will have delays later on in the process or even need to open again the Tender as no offers were received). Note also that the FSP needs more time to study framework agreement documents especially the new ones coming into the organisation for the first time. Depending on the organisation policy and set up, sometimes we have back and forth for over a month before signing of contract. Since the tender is done every two years, early planning and preparedness can help to have framework agreements in place before the expiration of the existing one but not necessarily shorten the period which is depended on many factors that needs to be followed for proper procurement exercise with good outcomes.</p>
	<p>Learning from Sierra Leone Red Cross FSP Procurement and Working Relationship</p>	<p>Yusufu Camara, Director Of Resource Mobilization and Communication/Cash Focal Point, Sierra Leone Red Cross</p>
12	<p>A 'beneficiary' to you is a 'customer' to the FSP. Your involvement provides the FSP with new customers at near zero cost. In fact, you are saving them the (considerable) cost of commercial customer acquisition (and retention). In IFRC/ICRC experience, how does the potential FSP partner react when you bring this (opportunity) cost factor into contract negotiations?</p>	<p>Yes, this is true. The reason why SLRCS provided the FSP with a near zero cost on acquiring a customer was mainly to ensure success of the project based on two constraints, namely time as we had only 3 months to issue out the cash and also the majority (80%) of our beneficiaries (the 'customers') did not have any form of identification to meet the FSP's KYC as well as any other FSP. The FSP partner took this into consideration and also the vulnerability of the 'customer' as we presented amongst other matters (including effects of Covid-19) and gave us a 75% reduction of the service fee they normally charge.</p>

<p>13</p>	<p>During the various presentations I realised much was not talked about on Beneficiary Identification and data management. could the team help share best practices.?</p>	<p>As shared in the Webinar in the Cash Hub Webinar in February: For the SGBV survivors targeting was done through the engagement with key stakeholders such as Ministry of Social Welfare, and the Family Support Unit of the Sierra Leone Police, which is directly responsible for supporting SGBV survivors. Another key institution supporting SGBV survivors, namely Rainbo initiative was also engaged and a MoU was signed that clearly articulated how data sharing and data protection would be ensured. The NS did not directly engage with SGBV survivors but used the coded information provided to identify and select the most vulnerable survivors who were eligible for the cash support after which, the stakeholders mentioned above were the ones that distributed the sim cards to the beneficiaries. At cash out points no one could tell which category the beneficiary was as the agents were not only serving Red Cross beneficiaries but anyone who wanted to cash out their money.</p> <p>Data management – Data that was received for COVID –19 and SGBV survivors in code form from the respective ministries who had collaborated with key partners by the Community Engagement and Accountability (CEA Manager) who was the NS focal person. Best practice for SLRCS is that they had good relations with line ministries thus were able to obtain the information they required and verify despite the number of challenges with going back and forth. Signing of an MOU with Rainbo initiative who were able to carry out the due diligence for the NS as they are the main partner for the government on SGBV survivor case management eliminated bias and possible fake beneficiaries but also assisted in keeping the survivors anonymous.</p> <p>PMEAL Coordinator was able to design a database of the different beneficiaries which is detailed for vulnerable households but coded for both COVID-19 and SGBV survivors that is encrypted and a core group of 3 people have access.</p> <p>Beneficiary Identification – Vulnerability and Targeting framework was developed which was used. It was shared during community meetings in the respective communities using CEA approach and all people from community leaders endorsed the criterion as transparent and inclusive which eliminated dispute/conflict on beneficiaries selected.</p>

	General	
14	I have experience that FSP have big coverage but no linkages between FSP Head office & Local FSP retailer [to resolve issues], what do you recommend we do to manage this situation?	Lucie Hamblett , Global Surge Logistics, British Red Cross If the FSP has been contracted to provide coverage in these areas, then surely it is the responsibility of the FSP to provide a solution to ensure that branches and the HQ are connected. If they are not able to do it and cannot complete the cash distributions, then I would assume that they are potentially in breach of contract. For the renewal process, you can emphasise in the request to tender document, the information chain required for a successful cash distribution which must be followed by the FSP.
15	How do you take into account Know Your Customer (KYC) requirements in the selection of the FSP?	Lucie Hamblett , Global Surge Logistics, British Red Cross and David Dalgado , Cash and Markets Advisor, British Red Cross Good question. As part of the FSP mapping process, you should assess the capacity of local FSPs to manage data according to the data protection and data management laws and financial regulations and telecommunication regulations (if mobile money FSPs for example) of that country. Understanding KYC requirements will be very important when designing your programme. Therefore, the national financial regulations and also any donor requirements will need to be reflected upon early in the programme. FSPs should generally be very aware of what needs to be done with respect to KYC requirements, but it may be possible to find creative solutions to overcome obstacles of assisting populations that may lack foundational or functional civil documentation, such as registering sim cards for example in the National Society name and collecting back or cancelling the sim at the end of the programme. There may also be thresholds of transfer value where a lower level of KYC is allowed. Therefore, if you need to understand a FSPs flexibility and appetite to innovate with respect to KYC you could (as part of the tender process) can ask a specific question in relation to overcoming KYC obstacles?
16	What is the speed of contracting financial services and transactions after a new project begins?	Lucie Hamblett , Global Surge Logistics, British Red Cross For a complete tender process, we normally recommend that this can take 12 weeks, from the development of the project terms of reference to the contract signatures with the chosen FSP. This is why we recommend it is done as part of preparedness.

17	What local contextual factors will influence the delivery of cash-based transfers?	<p>David Dalgado, Cash and Markets Advisor, British Red Cross</p> <p>This is a very broad question. Assuming it relates to Financial Service Providers, this could relate to:</p> <ul style="list-style-type: none">- The National Society (NS) having appropriate FSP(s) contracted in advance of the need to deliver Cash and Voucher Assistance (CVA)- FSP coverage, access and capacity- The NS having appropriate working practices established with the FSPs to allow the FSP to deliver quickly (e.g. reconciliation processes etc.). <p>Amongst many other reasons.</p>