### 21st May 2021 Cash Hub Webinar Summary Points

**Topic:** Working with Financial Service Providers

<table>
<thead>
<tr>
<th>Speaker</th>
<th>Summary Takeaways</th>
</tr>
</thead>
</table>
| **Lucie Hamblett**, Global Surge Logistics, British Red Cross | **Introduction to Working with Financial Service Providers**  
- And at the heart of a successful cash programme is the relationship between the cash team and the financial services provider (FSP).  
- FSP is often the face of the cash programme to the receiving community.  

**Procedures for Contracting**  
- One of the biggest challenges for a cash programme are the procedures required to correctly contract an FSP.  
- Sometimes, there seems to be a conflict between compliance and the agility of the cash response. This may result in trying to protect the reputation of the organisation and adhere to donor requirements at the expense of providing timely support to people in need.  
- Procedures which are compliant may mean that a time consuming  
- A tender and validation process is required for a contract which is often small in financial value.  
- there may be differences in approach to tendering for FSPs between NS, PNS, the Federation and the ICRC. At times, this can cause confusion between Movement partners as to the best way to contract an FSP, if they have different definitions of what makes a compliant FSP.  
- Even if a successful FSP contract is in place, there may be uncertainty as to the procedures if the contract needs to be renewed or it needs to be adapted  

**FSP Management**  
- the FSP will need to be managed and monitored throughout the life of the cash programme to ensure that they are doing the distributions to the correct standard. This involves:  
  - ensuring that the distribution is organised in full and on time with post-distribution reconciliation  
  - that the FSP is aware of its responsibility to the targeted community as the “front face” of the cash programme  
  - and that it is compliant with the management of data concerning recipients of the cash distribution.

- FSPs are usually managed at country level to allow a local Movement response. However, the local Movement presence may not always have the capacity to deal with the complex tender process and management of the FSP?  

**FSPs – how do they perceive us?**  
- The mapping process at the start of a cash programme should indicate if there are suitable FSPs in the local market  
- This process should ensure that the FSP is familiar with cash programmes and how they should be managed with the affected community.
• If they are not familiar, then the cash programme may need to ensure that the FSP receives training in cash distributions.
• However, even with successful mapping there is no guarantee that the FSP will want to respond to a tender. This may be because:
  - There are other humanitarian organisations trying to contract FSPs in the same market
  - The tender process is too complicated
  - There is not enough of a financial incentive for the FSP to respond to the request to tender
  - Other factors influencing their decisions.
• In some situations, these points may mean that the tender process does not receive enough responses suitable FSPs.

Points to consider when working with FSPs
• Make sure the scope of works/terms of reference is feasible:
  - the cash mechanism is one that a local FSP can facilitate
  - There are local FSPs that cover the geographical area of the affected community
  - Cash programme timetable takes into account the contracting and management of the FSP
• Try to anticipate the need for an FSP before the emergency. Establishing a preliminary relationship with an FSP with a compliant contract, will put the cash programme in a stronger position to respond quickly to community needs.
• Try to progress from a service contract to a framework agreement. A service contract [a contract that might be specific to allow the delivery of an individual programme] is a good start if a National Society(NS) has no cash experience. But once the NS has knowledge of how to manage cash programmes and the capacity of local FSPs, then moving to a framework agreement [one that sets up a longer-term arrangement that could be used on many projects] could be a natural transition. The renewal of the framework agreement can be used to make adjustments to the contract to reflect changes to the cash programme and requirements for the FSP.
• Are two FSPs better than one? Consider contracting more than one FSP to give contingency and extend the geographical coverage.
• Tenders – if not enough FSPs respond to the request to tender, try to find out the reasons. This may help to solve any problems and attract more interest from FSPs in future tenders.

Thinking about the future
• Develop a Movement-wide approach to compliant procedures for contracting FSPs, this is a work in progress.
• Consider master agreements with FSPs at a regional or global level, however, we know from experience, this has had mixed results in the past.
• Consider using the bank accounts/social protection accounts of cash recipients for money transfers – potentially this is already happening with some national societies.
Cash Specialist, ICRC Nigeria

- Even if the FSP makes the process of transferring cash to recipients relatively easy, often the process of contracting and engaging the FSP is problematic.
- ICRC like others relies heavily on FSPs to deliver Cash and Voucher (CVA) to recipients.
- In Nigeria ICRC has two main categories of FSPs:
  - Commercial banks
  - Financial technology providers (such as Mobile money) this helps specifically in the last mile distribution in the hinterland or the remote areas of Nigeria.
- FSPs are important because:
  - The facilitate the payments on our behalf
  - They manage the financial transfer risk
  - Provide infrastructure to support CVA implementation.
  - They support recipient financial inclusion
- In terms of criteria for selection of FSPs, we consider:
  - Price
  - Geographical Coverage
  - Financial Capacity
  - Experience & HR Capacity
  - Type of Technology available
  - Etc.
- Financial capacity is very important to ICRC Nigeria because recently we have started contracting FSPs to deliver our CVA as a form of risk transfer, since they deliver and then we reimburse. The FSPs by virtue of their portfolio are best able to manage this risk.
- When ICRC started CVA in Nigeria, the FSPs did not have very much CVA delivery experience or understanding, but through working with ICRC and other humanitarian organisations over time they now are significant experience, and we can list experience as part of the selection criteria.

**Tendering process**

- FSP mapping/assessment phase is key and we normally hold a pre-tender meeting involving finance, admin, logistics (heavily involved in the assessment) and the programme team. We meet with the FSPs before they are invited to tender. At this meeting we explain the programme, the modalities and mechanisms, where we are working and what exactly we expect from them.
- As part of the FSP launch we have a meeting with the FSPs to explain what we are expecting in the tender (how to use the pricing template etc.). This has proved very effective in getting FSPs engaged in providing responsive tenders.
- It normally takes 3-4 months to complete the tender process.

**Challenges**

- Sometimes FSPs can not hold the price offered in the tender until they sign the agreement
- Sometimes they want to vary the price part way through the programme
- Sometimes they can not deliver in all geographical locations mentioned in the Terms of Reference.
<table>
<thead>
<tr>
<th><strong>Summary Points</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The Use of Cash &amp; Markets in the Red Cross Red Crescent Movement</td>
</tr>
</tbody>
</table>

- Some FSPs demand that ICRC opens a bank account with them (when they are a bank) which we can not do.

**Capacity building for FSPs**
- We hold regular meetings with the FSPs to educate them on our interventions, about the ICRC, and working with beneficiaries.
- We hold planning meetings with the FSPs and assign a focal points.
- We provide mappings for the FSPs to show locations, services and infrastructure available (e.g. is the area accessibly by 4WDs).
- Provide the necessary reporting and invoicing templates
- We orient them on beneficiary engagement and management, we coach them on this.
- We define the communication flow so it is clear how the interaction during implementation will work.
- Comparing the experience between ICRC Nigeria and ICRC Ethiopia:
  - The FSPs in Nigeria are more experienced with ICRC than in Ethiopia, were it is still emerging. There are also more FSPs.
  - The tender process in Nigeria takes 3-4 months vs. 5-6 in Ethiopia.
  - The FSP regulatory environment in Ethiopia is very strict in comparison to Nigeria.

**Niccolo Giancarli, Logistics Cash Transfers & Markets Specialist, ICRC Global**

- Key to the ICRC FSP procurement and management global approach is preparation, coordination, and contextualisation.

**Preparation**
- The better we can map the market the better it will be to determine was is feasible to put in the tender and the easier the tender process will be.
- Evaluate your resources and set-up a feasible plan.
- It is important to give clear and comprehensive documentation from the request to tender onwards.

**Coordination**
- Strong internal and external coordination is needed.
- Logistics and the Programme team must be clear on the programmatic objectives
- You must coordinate with the FSPs, invite them to tender and explain requirements.
- Once FSPs are contracted the communication and coordination with them must continue which includes capacity building to get better and better implementation with time. This is especially important with new FSP arrangements, or inexperienced FSPs.

**Contextualisation**
- You must contextualise your request for tender documents for your programme and the local conditions and reality. Make sure you procure services that will meet your needs.
- Analyse the reality of the financial market and make your request for tender reflect this.
- Anticipate changes and challenges and opportunities that may arise on your programme.
FSP procurement is not rocket science, it can take time and there can be a number of steps. Undertaking it in preparedness is crucial and keep the collaborative and innovative approach, from the 100s of financial service options out there see it as an opportunity to collaborate with FSPs for the delivery of your CVA, and recognise that FSPs exist in a financial and technology market that is constantly evolving.

| Yusufu Camara, Director Of Resource Mobilization and Communication/Cash Focal Point, Sierra Leone Red Cross |
| Learning from Sierra Leone Red Cross FSP Procurement |
| Our FSP procurement started with the training of our staff involved in Finance, logistics, administration and programmes related to CVA (including FSP procurement). |

| Our Requirements of an FSP |
| Considering our requirements for FSPs: |
| Primary considerations: |
| a) coverage that encompasses the presence of agents and FSP outlets at least in each of district’s headquarters and larger communities, presence of mobile network in all or greater parts of the program communities. |
| b) Options available to reach illiterate, disabled and the aged outside immediate FSP coverage. |
| c) Liquidity capacity |
| d) Turnaround time – days or weeks needed to reach specific number of clients. |
| e) Insurance |
| f) Legal (Know Your Customer) requirements flexibility – e.g. most of our recipients did not have National Identifications cards, this is normally needed for registration of mobile money. |

| Secondary considerations: |
| a) Transfer fees |
| b) Cash out fees |
| c) Cash modalities |
| d) FSPs experience |

| Timeframe |
| The tender document was prepared in a week (procurement team was part of the initial CVA capacity building trainings and the SOP informed the tender document). |
| Request for quotation period lasted for 21 days |
| RFQ was sent to about seven FSPs and only three sent in responses in two weeks, and two of the responses were commercial banks. |
| Negotiation and award process took another 2 weeks (we had to request further information and we met with the CEO and operations focal point as part of the negotiation). |

<p>| Tender Evaluation |
| There were notable differences in the responses: |
| a) One of the banks was charging 5% transfer fees and CVA modality proposed was direct cash delivery in envelopes to clients. |</p>
<table>
<thead>
<tr>
<th>Summary Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Use of Cash &amp; Markets in the Red Cross Red Crescent Movement</td>
</tr>
</tbody>
</table>

- Another bank wanted to be an intermediary wherein funds would flow through them to the mobile companies with various charges.

**Negotiation**
- Some of the clauses in the Cash SOP were seen to be very tough for them (9 main clauses) e.g. OMFSL review affected 9 main clauses in the DRAFT MOU such as 2.4, 2.5, 2.7, 2.8, 2.14, 2.17, 2.18, 2.19 and 2.25. Considering 2:

2.1 *The OMFSL shall provide SLRCS with facilitation services for SIM cards’ swapping that shall be done on the spot in districts and within 48 hours maximum.* [The FSP could also not do this because they had their own compliance team at head office that needed to follow a specific process, again this was acceptable to SLRCS]

2.4 *Immediately after signing the Framework service agreement, the OMFSL shall provide, in the case of mobile transfers, SIM cards (with serial numbering) with identical 3 to 4 digit digital suites exclusive to the project for each beneficiary.* [The FSP said they could not do this because they were providing services to many organisations and individuals, but they would ensure that any sims provided were registered to SLRCS, which was acceptable to us]

**What did we do after Contract Award**
- We negotiated access to the FSP platform so that our Finance Director could generate the reporting on the reconciliation each day rather than having to wait till the end of the month like other FSP customers.
- One of the things that made it easier for us was that – the representative of OMFSL and the SLRCS cash focal point were both senior members of the Senior Management Team in both organisations and could make certain decisions due to their authority levels.
- Only one person (Cash Focal point) was allowed to lead all communications with the FSP
- Open and frequent communication through emails copying in the CEOs and SMT
- Engaging on phone and WhatsApp for urgent issues or as a follow-up tool.

**How did we monitor the FSP and resolve complaints**
- Addressed by clear communication on the issues and stating deadlines.

**How did you keep a strong working relationship**
- Use of encouraging words in every engagement with the FSP counterpart and you start appreciating their team’s efforts in the process even when you have serious concerns.
- Also, ensure that the FSP focal point engages his/her team on every incident report or queries in the process.
### Summary Points

#### The Use of Cash & Markets in the Red Cross Red Crescent Movement

- **FSP** is aware that **CVA** is a way of also supporting the private sector to grow and expand.

#### Future Plans

- As a learning process, we intend to use the same FSP and modalities in our cash programs and at the same time searching for additional features to ease process such as biometric registration of clients.
- Use of vouchers in some of the remote and hard to reach communities is something we would like to consider.
- Also, we would like to streamline CVA and the use of FSP into our accountability culture and practices such as the use of mobile money to pay for participants transport refunds, fuel, accommodation, and other forms of transactions.

#### Key points for any NS listening:

- FSP assessment process at the beginning is crucial
- Coordination and clear communication is critical
- The data protection needs must not be neglected when working with an FSP.
- If using mobile technology, you may find some vulnerable clients either don’t have phones or don’t know how to use them including how to use mobile money, you must provide additional support for some (including training) or find other transfer mechanisms

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### Christina Mangunda, Programme Manager, British Red Cross, Sierra Leone

#### Additions on SLRCS sharing

- By establishing such a strong working relationship and trust with the FSP, the Finance Director was able to gain access to the FSP platform directly which helped SLRCS ensure that the funds transferred to the FSP had been transferred to recipients of the programme in a timely way.
- For Sierra Leone we don’t have a very large FSP market and FSPs can be very flexible and adapt to your needs if they feel the business is good enough for them.

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Prepared by David Dalgado based on what was said in the Webinar and what was shared in preparation.