

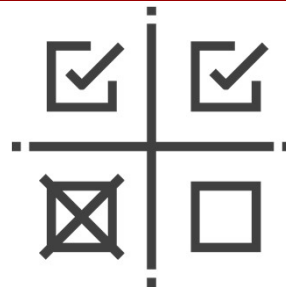
## MODULE 4. SET UP AND IMPLEMENTATION



- In this module:
  - SOPs
  - Procurement
  - **Contracting FSPs and vendors**
  - Encashment planning

## COMPONENTS OF A BID/PROPOSAL

I. TECHNICAL





Be aware that FSPs who are not familiar with us may misunderstand what we mean

by key aspects such as “beneficiary registration”. Hopefully we have provided

sufficient info and/or had a supplier meeting to inform them but ask for examples or

an explanation not just a yes/no answer

Linked to the above and the desire to have a flexible FSP solution. So we need to

weight the requirements clearly. If we ask for ATM and PoS, and we also ask for

single load and multiload cards. So how do we score FSP 1. who can do ATM + PoS

but only single load cards compared to FSP2. Who can only do ATM but can do single

and multiload cards. Who is “better”?

Beware price evaluation if we and tendering for a framework agreement or a project

that might scale up. The supplier who is most cost effective for a small scale and/or

one-off cash distribution might be the most expensive if we scale up significantly or

move to regular (e.g. monthly) cash grants.

Financial evaluation. Not sure if applicable to ICRC but IFRC has three criteria that the

evaluate FSPs on based on solvency, risk of bankruptcy and reputational

risks. Suppliers not meeting these with a high enough score do not have the

technical part of their bid evaluated and they are disregarded

Linked to the above. Not sure if applicable for ICRC, but the evaluation criteria are

much easier for traditional and formal FSPs e.g. banks to adhere to e.g. 3 years or

audit records so banks for example can easily provide this but hawalas, start up

companies, fintech etc. may struggle

Linked to the above. The risk we are trying to address is financial exposure, so we

provide an amount of money upfront and if the FSP goes bankrupt, runs off with it we

lose the funds and/or have to go down the legal route to recover it, which means

delaying/cancelling programme. Can be somewhat mitigated by limiting the value of

the tranches being transferred to FSP, at least at the beginning, until we grow in

confidence. Not sure how we include this in the ST.

FSP services are generally fundamentally different to the procurement of goods

where we typically have to stump up a wodge of cash for the service to be

administered with a hope that the quality is as required and so the risk is higher than

for goods where we generally pay 30 days after we've received the goods and had a

chance to examine them.

Other aspects such as reporting functionality, on-line portals for

managing/monitoring, and technology that help with reconciliation all might deserve

a high rating when we consider the time and resources we might need to put in to

achieve the same (e.g. 2 weeks and 10 volunteers) for an FSP with no/less good

software. Not sure we do this comparison and find a way to include the cost in the

other bids to make them comparable.

Linked with this it can be hard to get a “full cost” per unit/programme. Set up fees

are often a unit cost but sometimes are a percentage which can be hard to calculate

exactly if we don't know the full size and scale. User fees might depend on the

product and how they are used e.g. Americas prepaid card is card issue (USD5) + ATM

withdrawal (USD5 per w/d) + balance check (USD 0.75 per check) + rejection fee (USD

0.75 each time they try to w/d more money than is in the account) + PoS fee (2% of

sale value) + forex fee. So we have to assume that 34% of people with w/d full

amount at ATM having done one balance check and no rejection fee, 33% will spend

full amount at PoS, one balance check and no rejection, 33% will w/d half at ATM,

with one balance check and balance by PoS. Get's super complex if we have an upper

ceiling cap for user fees in the contract and we have wrongly predicted how people

with use the card. We can use ben comms to try and encourage people to spend in a

particular way.

User fees – in the above example these are charged to the beneficiary so we have to

estimate them and add them to the transfer value. It may be preferable to pick an

FSP that has higher user fees but that can be charged directly to the organisation (less

messy for implementation). So its not just the cost of the fees but the application of

the fees we need to consider.







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## TASK 3 – MODULE 4

### Contracts



### Instructions

- Split into groups.
- Brainstorm in your groups what CTP contract (via FSP and voucher program) should contain.
- Present your findings.
- Time: 15 min.



CTP CONTRACTS



## KEY TAKEAWAYS

- Extra caution is required to ensure open and fair procurement practices
- Segregation of duties requires separation of responsibilities in the procurement process
  - Explained here as the 'client' vs. procurement

