

MODULE 2.ASSESSMENT, DESIGN & PLANNING



- In this module:
 - 2.1 Assessment overview, Finance and ICT
 - 2.2 Market Assessment
 - 2.3 Cash Pipeline & Financial Flows
 - 2.4 Response Analysis
 - **2.5 Mechanism Selection**

SETTING THE SCENE: Mechanism selection can happen as part of preparedness if we put a global/regional or local Framework Agreement (FA) in place and it can also happen during an operation. The process will still be the same.

Mechanism selection is not the same as procurement. This focuses on deciding on ATM cards or remittance or banks, so the type of service or the last mile delivery of cash, it is the WHAT. As part of these we may look at some suppliers to gauge the number of them in the country/region and their coverage but we are not selecting a specific service provide, the WHO, that we will cover in detail the procurement session later in module 4

MECHANISM SELECTION FOR SUPPORT SERVICES

Objective Compare potential operational design options
: (modality and mechanisms) and their respective
implications regarding: capacity requirements;
availability; costs; flexibility; timeliness and
reliability that support services can contribute
to.



R:

A:

C:

I:

Program have beneficiary information (appropriateness, preference etc.) covered,
information that service providers can't provide

As support services we are aiming to provide relevant and comparable information
from service providers to program that contributes to the evidence-based decision
making (1) does this option meet our requirements and (2) is option A better than
option B and option C

There may be some overlap of course ...

Capacity – how many agents/offices/branches/locations; how many people can they
serve per period / value of encashment per period (and can they scale up and if so by
how much?) Other agencies as customers?

Availability – opening hours, geographical locals (the whole of the country/ area of
operation?)

Costs – fixed, variable, one-off

Flexibility – can they customise their product/service e.g. add logo's, provide specific
reports, scale up, offer innovative solutions

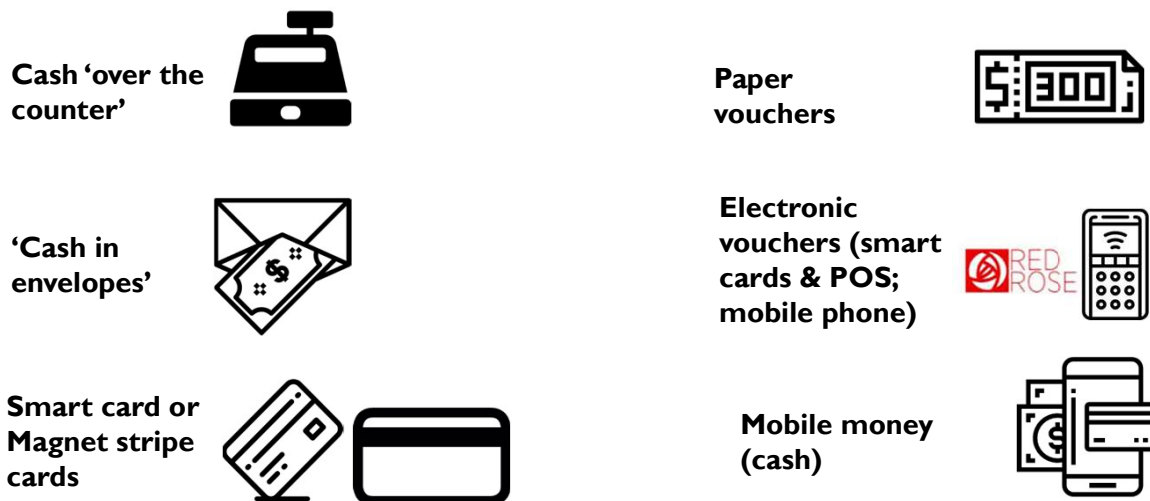
Timeliness – set up time, scale up lead time, provision of products (how long to

customise ATM cards and delivery them) timeframes for activities (loading cards, reporting etc.)

Reliability – the confidence that they can provide the product/service, not going to bankrupt or have liquidity issues, and reputational risks.

In summary is this a service provider we can work with (reliability) and can they provide the service/product we want (everything else)

Delivery (transfer) mechanisms – examples



Recap – don't go through in detail only ask if anything is unclear. Are we all happy with this.

A delivery mechanisms or transfer mechanism is the "last mile" delivery or transfer of the cash grant into the hands of the recipient either in terms of physical cash, electronic or digital cash or a paper or electronic voucher.

With the exception of cash in envelopes being delivered directly by ICRC/IFRC/NS the other forms of transfer or delivery, including cash 'over the counter' will require a service provider, including paper vouchers which will require a printing service and vendors to exchange the vouchers for goods, services, cash or a combination. In Haiti vouchers were mainly exchanged for goods but a small amount of cash could also be provided (USD10)

For electronic delivery or transfer this will require a service **provider** + a transfer **solution (software and hardware)**. We need to ensure that both parts are included in the program design and implementation. **M-Pesa** is a mobile phone based money transfer which allows users to deposit, withdraw, transfer money and pay for goods and services with a mobile phone (this is the

transfer solution) and it is provided by **Vodaphone for Safaricom and Vodaphone** the largest mobile network operators in Kenya and Tanzania (this is the **service provider**). It may also be necessary to provide hardware e.g. Vodaphone SIM cards and/or handsets depending on what the community assessment reveals in terms of people's current access.

There are also "open-loop" and "closed-loop" solutions. Open-loop uses existing infrastructure that we do not have to set up e.g. ATMs and Point of Sale (PoS) for magnetic stripe/prepaid/debit cards so we contract the service of a provider (e.g. Visa-SWIFT, MasterCard etc.) who will provide the cards and an on-line portal to be able to allocate/activate/load/unload/ suspend cards and produce reports. However the accessing of funds will be done through the existing infrastructure of machines and shops. We might be able to add to the infrastructure by adding a mobile ATM system to our requirements. This way we can service areas that might not otherwise have access.

Closed loop like RedRose means we also put in the hardware and software – smart card readers into shops. Only people in our program and who go to the participating shops will be able to use their smart cards. Usually we have to buy all the equipment (card readers + receipt printers) and ship/customs clear it if not purchased locally. We can do this ourselves or often the supplier can do this for as part of the contract. Normally we "loan" these items to vendors participating in our voucher program and we make this part of our contract with them. When the program ends they must return the equipment in good order and condition or they will be charged for it. This allows us to reuse the equipment in the same program but in another shop and/or geographical area. Or we can store it and reuse in another program in the future.

service **provider** + a transfer **solution (software and hardware) + equipment**

Vodaphone + M-Pesa + SIM/Handsets

RedRose + RedRose voucher smart cards + on-line portal + card readers/printers



Video: Redrose one system 4 mins

Mechanisms – what exists

2 - Transfer solution / technology	1 – Institution / service provider						
	ICRC IFRC NS	Bank	Mobile company	Post office	Micro- credit institution	Remit- tance company	Other
“Direct cash” (C)	✓	✓		✓	✓	✓	
Paper voucher	✓				✓		
Smart card or magnet stripe card		✓		✓			
Smart cards and POS (e-voucher)		✓					✓
Over-the-counter		✓	✓	✓	✓	✓	
Mobile (phone) transfer		✓	✓				

Direct cash is not linked to a form of account (bank account, mobile phone account) whereas over the counter is. Direct cash doesn't require any registration with a product or service only with ICRC/IFRC/NS as enrolled in the program and it doesn't provide any financial inclusion.

Usually other we can provide the service directly or we require a third party (often a commercial company) to provide the service on our behalf.

Other might be a tech company or a FinTech company

Even traditional service providers are offering multiple mechanisms – Western Union offering traditional remittance and mobile money. So if we are looking for mobile money we might not just approach mobile network operators.

MECHANISM SELECTION FOR SUPPORT SERVICES

ACTIVITIES

- Comparative Analysis of Contracting Options
 - Capacity & availability
 - Flexibility
 - Reliability
 - Monitoring & Reporting
 - Costs
- Risk Identification

PREPAREDNESS

- Framework agreement for multiple mechanism's
- Trained staff on mechanism selection
- Appropriate tools to help the decision making process



Comparing the functionality against requirements (capacity requirements; availability, flexibility; and reliability) as well as costs and financial inclusion

Tools – FSP mapping toolkit is work in progress (on the cash-logs road map for development).

Working to improve the selection table (ST) / Comparative Bid Analysis (CBA) to help us better able to evaluate the functionality of this often complex services

Risks:

- 3rd Party Data management
- Know Your Customer (KYC)
- Country wide financial infrastructure?
- Sufficient trained staff for distribution, loading, reconciling, monitoring
- Enough vendors for voucher encashment

FINANCIAL INCLUSION

- What is financial inclusion?

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way

(World Bank)

- Why is it important?

CaLP: Financial inclusion means that a full suite of financial services is provided, with quality, to all who can use them, by a range of providers, to financially capable clients.

Often thought of as providing access to our targeted populations and engaging them in formal financial products and services that they will continue to use even once the program has closed meaning that they are better equipped and potentially more resilient than before.

If we are trying to create for sustainable change and leaving people in a better position than before the disaster or crisis. It may allow them to access or be eligible for other services such as social safety nets. It allows people to have a means to save or have access to credit which can make them less vulnerable and less likely to use negative coping strategies in the next disaster/crisis. It might be part of the program objectives.

FEASIBILITY VS PROCUREMENT

- FEASIBILITY
 - Following FSP Mapping
 - Light touch mechanism functionality
 - Enables operational design decision making
 - Non-contractual
 - Deciding if a delivery mechanism type is possible (long list)
 - Narrowing down to appropriate delivery mechanism types
- PROCUREMENT
 - In-depth
 - Contractual
 - Relates to a specific service provider and product/service

We will get into more details on procurement and contracting FSPs and vendors in Module 4 set up and implementation but this is often a two step approach and we repeat many of the same steps but more in-depth, building on what we have learnt and in a formal manner e.g. following procurement rules.

Remember it is a two step process with similar questions but the depth is different. Feasibility is MACRO and WHAT – it looks at what we might use to do what we set out to do in the program objectives. Procurement is the MICRO and the WHO – it's more narrow and focussed on selecting a specific supplier(s)

TASK 1: MECHANISM SELECTION



Using the CiE toolkit template assess the two mechanisms (ATM cards & mobile money) in your group

TIME: 20 min

FEEDBACK: 20 min

It might be useful to show in screen the M3_1_6_1 decision making matrix and talk the participants through it (you will email them the tool too). The weighting has already been put in the tool (program made the decision on this).

Use a flip chart to list the feedback create a matrix with the 4 groups along the top and the 3 delivery mechanism down the side and capture the scoring per group and per delivery mechanism.

Note: this is a subjective process because all groups have the same information but they often reach different conclusions, so the analysis was slightly different. Discuss any big differences to see how they approached it

GROUPS

Group 1	Group 2	Group 3	Group 4
Aqeel Ahmed	Ashfaquul Islam	Aye Pwint Nyein	Cindy Le Ky Huon
Dushyanthi David	Farid Ahmed	Isaac Chin	Joy Simion
Khin Thet San	Naw Julia	Konlaphit Yutthaphatsak	Lorena Beatriz Stephen Marquez
Nicolas Riant	Mercy de Leon	Nang Htoi Aung	Kiran Shankar
Naw Shwe Shwe Han	Md Aminul Haque	Niramol Vatcharavisit	Nu Nu Aung
Shekhar Das Gupta	Stephane Huot-Marchant	Tahira Afshan	Thet Htar Sint

KEY TAKEAWAYS

- Delivery Mechanism = service **provider** + a transfer **solution** (software and hardware) + **equipment**
- **Comparative Analysis of Contracting Options** - Comparing the functionality against requirements (capacity requirements; availability, flexibility; and reliability) as well as costs and financial inclusion
- **Operational Design Options Analysis**: the mechanisms and service provider information is for **selection of the mechanism** type and not the specific service provider we would contract to deliver this.



Selection of the modality and mechanism is often referred to the Operational Design Options Analysis. It consolidates input from all Support Services functions.

Comparative Analysis of Contracting Options - Comparing the functionality against requirements (capacity requirements; availability, flexibility; and reliability) as well as costs, financial inclusions

SLI.DO

- Head to Sli.do
- #