

# CASH ASSISTANCE IN DRC

EVALUATION OF PROCUREMENT PROCEDURES AND  
CONSTRAINTS

MARCH 2020 ●



**Disclaimer:** The present report seeks to identify the main entry constraints in cash assistance procurement and provide recommendations to improve competition and in turn efficient delivery of cash to vulnerable beneficiaries in the Democratic Republic of Congo. This report represents the opinions of the author and is the product of professional research. It is not meant to represent the position or opinions of DFID.



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# EXECUTIVE SUMMARY

While cash assistance is ramping up in the Democratic Republic of Congo (DRC), competition for service provision from the country's private sector is limited. Open tenders generally receive very few bids, while contracting opportunities often go unseen according to financial service providers (FSPs).

This report sheds light on the constraints affecting cash assistance-related procurement for humanitarian actors and FSPs. Specifically, it examines procurement for cash assistance programmes to understand how requirements, procedures and expectations can be better aligned to encourage more competition and ensure efficient, reliable financial services for humanitarian actors and their beneficiaries in the DRC. To do so, 16 humanitarian actors and 10 FSPs were surveyed via semi-structured interviews in Kinshasa and Goma from late January to early March 2020.

The research found that many humanitarian actors modify their internal procurement procedures in favour of quicker, localised and less competitive solutions, even when the value of the contracts should require openly advertised national tenders. Most surveyed humanitarian actors have sought to establish framework contracts with one or more FSPs, as this contractual modality is flexible, tailoring to the needs of humanitarian actors, but only half advertised tenders publicly. Due to low response rates, many humanitarian actors also (and sometimes only) rely on restricted, localised procurement processes for time-bound service contracts for each cash assistance project. Some humanitarian actors additionally require FSPs to be registered or pre-identified as vendors to receive business opportunities, further diminishing access to information for small or new financial actors.

Procurement for cash assistance programming in the DRC is affected by constraints related to information management and procedural requirements set by the humanitarian community, as well as the country's immense and poorly connected territory. These constraints range from difficulties in accessing business opportunities to satisfying their stringent eligibility and selection criteria. In most cases, FSPs are not aware of business opportunities unless they are contacted directly by humanitarian actors. Generally, only FSPs with previous experience in cash assistance with the contracting entity (or other humanitarian organisations) are contacted. Even when tenders are made publicly available, the criteria for previous experience in cash assistance is very important in the scoring process, so bids submitted by newer or smaller FSPs with less experience are often disqualified. According to surveyed FSPs, humanitarian actors also fail to provide appropriate levels of feedback on the outcome of procurement processes, further disincentivising future bids.

Along the same lines, humanitarian actors lack reliable information on FSPs' geographical coverage, financial capacity and previous experience in cash assistance across the country, further creating incentives to work only with "trusted partners". Business opportunities are sent directly to FSPs, and many do not reply due to insufficient financial capacity, difficulty in estimating the deployment time and associated costs for remote areas with volatile security, or perceived conflicts of interest. When they do send bids, these FSPs are often disqualified as they may lack the necessary legal documents, references from other aid actors, pre-financing capacity or time required to fill the bid (and obtain the required legal documentation). Finally, lessons learnt from implementation are rarely shared through institutionalised channels by implementing actors. This further incentivises an aid actor to work repeatedly with the same FSP, as little information is available on other actors' experiences.

Concrete actions can be undertaken by FSPs, aid actors and donors to reverse this trend and create structural conditions for smoother collaboration, increased competition and more efficient delivery of cash assistance across the country. Firstly, establishing coordination and collaboration tools among and between the financial and humanitarian sectors can lift current information- and experience-sharing challenges. Secondly, information, awareness-raising and communication on the requirements, procedures and best practices for cash assistance-related procurement can level the playing field for the numerous members of the DRC's financial ecosystem. Thirdly, harmonising templates and implementing transparent procurement procedures, while relaxing and adapting some of the eligibility criteria to reflect the DRC's specificities, can create incentives for increased participation in business opportunities for FSPs. Finally, exploring existing collaborative procurement options already used in other countries – ranging from the inclusion of piggybacking clauses in framework contracts between aid actors and FSPs to the establishment of a full-fledged common cash system – can bridge information and collaboration gaps.

# ACRONYMS

|              |   |
|--------------|---|
| <b>CDF</b>   | Congolese Franc   |
| <b>CWG</b>   | Cash Working Group  |
| <b>CWG-N</b> | National Cash Working Group   |
| <b>DFID</b>  | United Kingdom Department for International Development                           |
| <b>DGI</b>   | Direction Générale des Impôts   |
| <b>DRC</b>   | Democratic Republic of Congo  |
| <b>ECHO</b>  | Directorate-General for European Civil Protection and Humanitarian Aid Operations |
| <b>FSP</b>   | Financial Service Provider  |
| <b>INGO</b>  | International Non-Governmental Organisation                                       |
| <b>LTA</b>   | Long Term Agreement   |
| <b>MNO</b>   | Mobile Network Operator   |
| <b>NGO</b>   | Non-Governmental Organisation   |
| <b>RCCM</b>  | Registre du Commerce et du Crédit Mobilier  |
| <b>RFP</b>   | Request for Proposal  |
| <b>RIB</b>   | Relevé d'Identité Bancaire (Banking Identification)                               |
| <b>SOP</b>   | Standard Operating Procedure  |
| <b>UK</b>    | United Kingdom  |

# CONTEXT: CASH ASSISTANCE IN THE DRC

## 2.2M

People targeted through cash assistance in 2020

*Cash assistance by humanitarian actors is ramping up in the Democratic Republic of the Congo (DRC).*

**At the fourth quarter of 2019**, the national Cash Working Group (CWG-n) estimated the number of people reached through multi-purpose cash assistance at **1.5 million that year.**

This represents a substantial increase compared to previous years, **as cash assistance only started being piloted in the DRC in 2011.**

**In 2020, the humanitarian community is targeting more than 2.2 million** people through cash assistance, with a total transfer value estimated at US\$92 million.

*Targeted provinces include Tanganyika, Kasai, Kasai Central, Ituri, North Kivu and South Kivu.*

While cash assistance volumes are increasing and the financial ecosystem is expanding to reach previously unbanked citizens in the DRC, efficient delivery of cash in remote areas remains a considerable challenge. Insecurity, poor physical infrastructure and insufficient network coverage raise the cost and risks associated with last-mile delivery of traditional financial services and newer digital payment solutions alike. Donors' and aid organisations' appetite to use financial institutions to implement cash assistance programmes is further limited by a lack of reliable and accessible information regarding the capacity and experience of private actors in remote areas.

Multiple aid actors approach commercial banks, money transfer organisations, mobile money operators, cooperatives and businesses across the country to implement cash assistance. Ranging from large United Nations specialised agencies to dozens of international and local non-governmental organisations (NGOs), many of these humanitarian actors have distinct procurement procedures. They also reach out to private partners bilaterally and on an ad-hoc basis, often through contact lists seldom shared with others (at least not through institutionalised channels such as the CWG), risking the exclusion of viable partners. High staff rotation in both the aid and financial industries, along with lack of shared financial service provider (FSP) identification process, further complicates these information challenges. Most previous open tenders received very few bids, and contracting opportunities often go unseen, according to private actors.

This not only increases tendering delays but also limits competition and participation in humanitarian bids. Resulting in part from this lack of coordination, the CWG has identified “poor performance by FSPs and high transfer costs” as one of its 6 operational challenges to tackle in 2020.<sup>1</sup>

The present report aims to understand what incentives can be put in place to encourage FSPs to provide services better aligned with humanitarian needs in the DRC. Specifically, it examines procurement for cash assistance programmes from both humanitarian and private perspectives to understand how demands, procedures and expectations can be better aligned to encourage more competition and ensure efficient, reliable financial services for humanitarian actors implementing cash assistance in the DRC.



### **ÉLAN RDC**

ÉLAN RDC is a market systems development programme funded by the UK Government and implemented by Adam Smith International (ASI). Since 2014, ÉLAN RDC has worked with the private sector to design and propagate new economic models that increase income and reduce costs for low income groups, viewing this population as valuable consumers and producers. In doing so, ÉLAN RDC aims to improve the livelihoods of 1.7 million low-income people in the DRC. Recognizing the important role that the humanitarian sector plays in the DRC, ÉLAN RDC has forged a closed partnership with humanitarian actors, both bilaterally and through the CWG-n, to support their coordination and cooperation efforts with FSPs in a bid to increase the efficiency of cash assistance.

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<sup>1</sup> <https://www.humanitarianresponse.info/fr/operations/democratic-republic-congo/cash-working-group>



# METHODOLOGY

The research was carried out between late January and early March 2020, via semi-structured interviews with officials and representatives from 16 humanitarian organizations and more than 10 FSPs in Kinshasa and Goma. The stakeholder list and interview questionnaire were finalised in coordination with the lead agency of the national CWG, the United Kingdom Government Department for International Development (DFID) in-country Humanitarian Advisor and ÉLAN RDC's Access to Finance and Markets in Crisis Leads.

Surveyed stakeholders include United Nations entities, international NGOs, commercial banks, money transfer organisations, and mobile money operators, among others. A total of 35 humanitarians with programme, procurement and finance backgrounds, and 20 FSP administrative staff and executives were interviewed.

All surveyed humanitarian organisations were asked to share tenders and/or expressions of interest, negotiated procedures, scoring grids containing exclusion, selection and award criteria, as well as any other useful documents for the study. The following documents were received:

- 7 invitations to tender or negotiate: 5 open tenders and 2 invitations to negotiate via restricted procurement procedure
- 4 Standard Operating Procedures (SOP) and internal procurement manuals
- 5 scoring and selection grids
- 2 scanned FSP contact lists for a past call for tenders (not explicitly requested), although many respondents provided the names of solicited institutions during interviews

# HUMANITARIAN PROCUREMENT PROCEDURES: CASH TRANSFERS

Procurement and tendering guidelines, requirements and procedures vary across the humanitarian spectrum in the DRC. While donors can differ in some respects (for instance, on thresholds for low vs. high value procurements, the composition of bidding committees, or the “minimum” number of bids per call),<sup>2</sup> most humanitarian organisations have harmonised their procurement procedures and exclusion, selection and award criteria to comply with as many different requirements as possible.

One of the surveyed humanitarian actors developed a DRC-specific Standard Operating Procedure document for procurement that reportedly “meets all donors’ minimum procedural standards for competitive tendering”. Others use their headquarters’ manuals and have developed a set of recommendations in case tendering for cash assistance does not meet their minimum requirements, despite following procurement rules and procedures.<sup>3</sup>

The table below summarises the different processes, procedures and requirements related to procurement for cash assistance programmes for the 16 humanitarian actors surveyed in this study.

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<sup>2</sup> In theory, for any type of procurement of goods or services worth more than USD 500 (USD 100 for some), at least three quotes and/or bids (four for some) are required. However, multiple exceptions exist, as detailed in sections 3.b. and 3.c. below.

<sup>3</sup> Waivers can be issued and derogations can be approved by headquarters to go ahead with selection and award even when fewer responses have been received, or when fewer than three bids make it to the selection phase (for instance, due to other bids’ ineligibility based on exclusion and selection criteria). At their discretion, humanitarian actors can (and in DRC often do) re-advertise tenders to encourage higher response rates, albeit with limited success in most surveyed cases.

# Table 1: Surveyed procurement processes for cash assistance programmes

| Heading Content   | Open Tenders   |   | Negotiated Procedure  |   |
|---|--|---|---|---|
|   | National Open Tender   | Local Open Tender   | Framework Contract  | Service Contract  |
| Advertisement time  | Theory: 21 days (according to ECHO)<br>Actual: between 7 and 30+   | Theory: 14 days(according to ECHO):<br>Actual: between 4 and 14 | Theory: 21 days (according to ECHO)<br>Actual: 21 days + re-advertisement due to low response rate    | Theory: depends on value<br>Actual: between 7 and 21 days   |
| Means of publication, advertisement and communication                           | Online Media: MediaCongo.net, BizCongo.cd, Kivu10.net, RadiosOffice notice boards,<br>Direct contact to FSPs               | Posted on office notice boards<br>Contact FSPs directly         | Contact FSPs directly (at least 3, 4 for some actors)   | Contact FSPs directly (at least 3, 4 for some actors)   |
| Need to register as vendor to receive Contract Notice?                          | No   | No, but need to see the office notice board                     | Yes (for 2/3 of cases surveyed in the study)  | No, except for 1 actor  |
| Pre-bidding communication (other than regular sourcing and market assessments)? | Expression of Interest (for 1/5 cases in the study)<br>Pre-selection (1/5)   |   | Pre-bidding meeting (1/4 actors)<br>Capacity assessment (1/3 actor)                                   | Pre-selection (for 1/4 actors)  |
| Framework or service contract?  | Framework  | Mostly service, 1 framework                                     | N/A   | N/A   |
| Business case includes location, number of beneficiaries and total amount?      | Varies from just information on provinces for some to all required information including villages (minus dates) for others | Yes, but no dates   | Yes, but no dates. Just provinces, no specific villages for aside for one case                        | Yes, but no dates. In one case, information was only available after selection (not at Contract Notice stage) |
| Evaluation criteria included?   | Yes, for all, but not the scoring grid and weight (except for 1)   | Yes, for all, but not the scoring grid and weight               | Varies from no criteria (for 1/3) to all (1/3)  | Some yes, some no   |
| Candidates invited at tender committee meeting?                                 | Yes, for 2/5 – unclear for the rest  | Yes for 1/5 – unclear for the rest                              | Unclear   | Yes for 1, but no FSP came  |
| Negotiation Process?  | Only before signature – for all except one, who also allows negotiation before specific interventions                      | Only before signature of the contract                           | Only before signature – for all except one, who also allows negotiation before specific interventions | Only before signature   |

# EXPLAINING PROCEDURAL DIFFERENCES

As evidenced in the table above, humanitarian organisations use a wide range of different procurement procedures when dealing with FSPs in the DRC. These differ (sometimes substantially) from some donors' recommendations, and different levels of proactivity, detail and commitment are expected from private sector actors responding to these opportunities, depending on the contracting entity. Due to the limited scope of the study, clear trends were not identified in procedures from multilateral organisations compared to NGOs. The two multilateral organisations interviewed differed in terms of their procedures.

We provide a brief explanation of the terms in the section below:

## Framework Contracts

Framework contracts are generally signed for a period of 1 to 2 years, with a possibility to renew. They engage the FSP to commit to delivering services in agreed locations or areas, at set cost and under specific delays for the duration of the contract. At contracting stage, locations and amounts of transfers generally remain quite general. The aid actor can refer to the contract and place an order for services as the need arises. The FSP becomes a preferred partner for a service, but the aid actor has no obligation to use the contract. Framework contracts can be signed with multiple FSPs. They are often advertised nationwide through open tenders (see below). Actors interviewed often use nationwide framework contracts for cash assistance, which requires the partner to freeze funds to ensure availability at all times should the need to use the contract arise.

## Specific service contracts

Specific service contracts are used to respond to a specific need in a set location. They create contractual obligations for all parties involved with regard to the timing, quantity and location of services procured. Due to their clearly defined scope, service contracts are often advertised locally (through office notice boards), and FSPs are contacted directly to submit bids and offers. New service contracts have to be signed for every set intervention.

## Pre-registration and pre-selection

Pre-registration requires potential FSPs to register as vendors, and only registered vendors can receive the Contract Notice. Similar to a pre-selection process, this is the standard procedure for 3 of the 16 aid actors surveyed in the study. Vendor and supplier registration exercises are generally carried out annually, often announced through public notices advertised on the same media platforms where tenders for all types of procurement are posted, resulting in considerable information clutter on websites such as MediaCongo.net or BizCongo.cd—the main ones used for tenders and job opportunities. For one humanitarian actor surveyed, FSP vendor registration is carried out based on a list provided by the Congolese Central Bank. Each FSP is then assessed based on the aid organisation's internal due diligence and compliance procedures. Only successful financial institutions are added to the list then used to circulate the Contract Notice to implement cash assistance.

Procurement staff from the aid organisation in question reported that the latest Contract Notice was sent to the "16 FSPs who were successfully registered on the platform". The 2018 annual report of the Congolese Central Bank, however, lists over 200 accredited financial actors, including 19 microfinance institutions and 77 credit and savings cooperatives <sup>5</sup>

<sup>4</sup> ECHO's "Principles and Procedures" (referenced below) appear to be the most comprehensive and will be used as a reference for this study.

<sup>5</sup> <http://www.bcc.cd/>

The nature, scope and duration of the contracts sought also influences the way humanitarian organisations present their “business case”. Specific interventions define planned distribution locations, amounts, dates, number of beneficiaries and other contractual obligations such as deployment time, maximum number of beneficiaries per FSP agent, and distribution currency. This simplifies FSP cost-benefit analyses, allowing them to anticipate with a high degree of certainty their costs and profit margins. Framework contracts, on the other hand, make this exercise for FSPs more speculative, as contractual obligations concern only some terms and conditions (for instance, deployment time, currency, transfer and deployment fees) but not the ones essential to estimate profitability (distribution volumes, locations, dates and number of beneficiaries). If the contractual obligations include pre-financing activities (this happens sometimes), framework contracts become even more problematic, as large sums of money need to be “frozen” with no assurances on if, when, and where they will be transferred.

Given the inherently unplannable nature of emergency cash programming, it is no surprise that humanitarian organisations privilege framework contracts over specific ones. This preference is further justified by the composition of the DRC’s financial landscape: at the time of writing, no comprehensive mapping of FSP geographical presence and capacity exists. Seeking framework contracts with many different providers, some of whom may have comparative advantages in certain geographical areas or distribution mechanisms, seems only reasonable to allow rapid implementation of cash assistance across the country’s vast and often barely accessible territory. The “Case Study: Minimum bidding procedures and requirements” included at the end of this report sheds light on the best practices used by one surveyed actor to sign multiple framework contracts with FSPs.

## WHY ISNT ALL PROCUREMENT FOR CASH ASSISTANCE PROGRAMMES PUBLIC?

The (apparent) trade-off between procurement process transparency on the one hand, and beneficiaries’ protection and operational security on the other is an important point of contention. Taking ECHO as an example, as per the Annex III: Principles and Procedures applicable to Procurement Contracts Awarded within the Framework of Humanitarian Aid Actions Financed by the European Union – 01/01/2014, “...[t]he principle of transparency requires that all information linked to a procurement procedure is shared or published in an open and appropriate way to enable genuine competition, and to avoid any unfair treatment between candidates or tenderers with regard to access to information’.

Put differently, all procurement should be public. Unless “...the fulfilment of the contractual obligation would harm the Partner’s mandate or the safety of its staff or beneficiaries,” in which case a derogation from Annex III can be requested. Additional “[d]erogations from Annex III may be founded on security, operational, technical or quality reasons, shortfall or unavailability of the supplies on the markets, costs or delays due to transport, [and] legislation in the country of operation.”

Numerous humanitarian actors in the DRC have understandably argued that advertising tenders that specify the distribution locations, dates, amounts and numbers of beneficiaries would expose them, cash recipients and FSPs to insecurity. Nonetheless, many other options exist to abide by the principle of transparency without disclosing information potentially harmful to partners’ mandates and beneficiaries’ safety.

<sup>6</sup> [https://www.dgecho-partners-helpdesk.eu/actions\\_implementation/procurement\\_in\\_humanitarian\\_aid/start](https://www.dgecho-partners-helpdesk.eu/actions_implementation/procurement_in_humanitarian_aid/start)

<sup>7</sup> [https://www.dgecho-partners-helpdesk.eu/actions\\_implementation/procurement\\_in\\_humanitarian\\_aid/derogations#derogations\\_in\\_urgent\\_action](https://www.dgecho-partners-helpdesk.eu/actions_implementation/procurement_in_humanitarian_aid/derogations#derogations_in_urgent_action)

## URGENT ACTIONS

An additional limitation to transparent and competitive procurement for cash programming is related to Urgent Actions.

*“Urgent Actions are those which meet immediate and unforeseeable humanitarian requirements generated by sudden natural or man-made disasters. Actions which have to start immediately and where delays in awarding procurement contracts would put the respect of the principles of humanitarian aid at risk can be considered as Urgent. [...] In the framework of Urgent Actions, Contracting Authorities may place their orders, whatever the Estimated value of the contract, on the basis of a Single Bid Negotiated Procedure.” – Annex III, ECHO*

Emergency cash assistance programmes implemented in the DRC always qualify as urgent, according to the definition above: they respond to “man-made disasters”, which include war and deliberate attacks. This theoretically allows all humanitarian organisations responding to emergencies in the country to use single-source exceptions for cash assistance procurement.

As table 1 above demonstrates via the business case row (and section 6. of the report further elaborates), tenders to establish framework agreements with one or multiple FSPs need not (and simply cannot) specify sensitive information. Framework contracts are issued for 12 to 24 months (sometimes with a possibility of extension) to cover multiple provinces (often divided in lots) making it impossible to predict the exact location or distribution date. Derogations from Annex III on grounds of staff and beneficiary safety or the Urgent Action clause should not apply when the goal of the procurement process is establishing framework contracts across the entire country— all such tendering should be open.

# PERCEIVED CONSTRAINTS

Throughout the interview process, several constraints regarding the procurement process for cash assistance programmes were listed by both private and humanitarian actors.

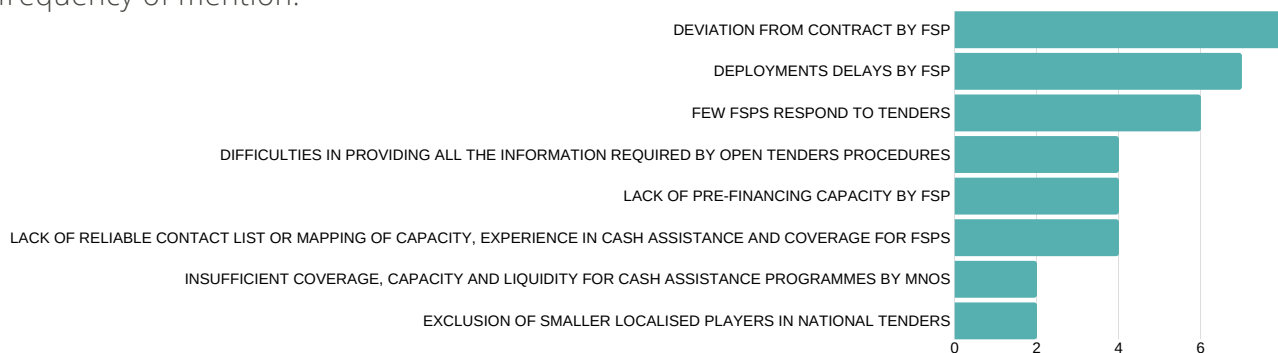
***“I worked on the offer for weeks, then the tender was cancelled, before being published again with new requirements and requested documents. They did not answer or explain what I did wrong...I sent 5 or 6 different offers with unbeatable prices and never heard back. I do not look forward to working with humanitarians”*** – FSP Executive

***“Our only FSP is over-solicited. This causes delays and sometimes they refuse to intervene in some areas, or raise the price compared to what was established in the contract...We tried adding a clause on delays and related penalties in the contract, but the FSP refused to sign it”*** – Emergency Programme staff from two organisations

## HUMANITARIAN ACTORS: PERCEIVED CONSTRAINTS AND ANALYSIS

Humanitarian organisations surveyed identified numerous issues affecting and subsequently reshaping their procurement efforts. From the unavailability of reliable data on FSP capacity across the country to negative implementation experiences demotivating future use of certain providers, these have affected both the efficiency of cash assistance programmes and the relationships with past and potential FSPs.

The graph below highlights the main constraints reported by the 16 aid actors interviewed, ranked by frequency of mention.



Graph 1: Tendering constraints perceived by humanitarian actors (out of 16 actors interviewed)

The table below summarises the main constraints reported by aid actors during the interviews, along with the mitigation strategies that were used to attempt limiting the impact of these obstacles, as well as the risks and limitations associated with the adaptation and mitigation strategies employed. The table covers all types of procurement and contracting modalities. It is divided into 3 main subcategories of constraints relating to:

- (i) information (which affects what type of procurement is chosen)
- (ii) the procurement process itself
- (iii) cash assistance programme implementation

Each listed constraint in each sub-category is ranked from most to least mentioned during interviews.

<sup>8</sup> Whilst not a part of the procurement process, this section has been added as it feeds back into the choice of procurement processes used.

## Constraint category

### Information shortcomings

(affecting the type of procurement chosen)

### Procurement process constraints

(specifically, for open tenders)

| Constraint   | Mitigation measures used so far  | Risks and limitations of used mitigation measures  |
|--|--|--|
| <b>Lack of reliable contact list or mapping of capacity, experience in cash assistance and coverage for FSPs<sup>9</sup></b><br>(mentioned by 4/16 actors) | At the intervention planning stage <ul style="list-style-type: none"> <li>assessments and consultation with other humanitarian actors having worked in the area</li> </ul>   | <ul style="list-style-type: none"> <li>Consultations often reveal an (apparent) lack of choice in the area. This leads to using:               <ul style="list-style-type: none"> <li>Negotiated procedures (instead of open tenders)</li> <li>Single Bid Negotiated Procedures, if only one FSP is thought to have the capacity and experience to intervene.</li> </ul> </li> <li>Limits transparency</li> <li>Limits competition</li> <li>Increases aggregate contracting time is lengthened (as the process needs to be repeated for each intervention)</li> <li>Creates dependence on a single FSP, allowing it to modify terms and conditions knowing,</li> </ul> |
| <b>Few FSPs respond to tenders,</b> and even when some do, few of their bids/offers are eligible<br>(mentioned by 6/16 actors)                             | <ul style="list-style-type: none"> <li>contact known FSPs directly to encourage more responses</li> <li>re-advertise tenders when not enough responses are received</li> <li>turn to negotiated procedures as last resort</li> </ul>   | Procurement ends up taking longer due to tender re-advertisement, and often only one FSP is contracted (again, creating dependency).   |
| <b>Lack of previous experience with cash assistance</b> of available FSPs<br>(mentioned by 4/16 actors)  | <ul style="list-style-type: none"> <li>Ask for references for similar work with other humanitarian actors</li> <li>Ask proof of experience in payment programmes for numerous beneficiaries</li> <li>Consult with other humanitarian actors to see if the FSP has already been used for Cash assistance</li> </ul> | The current selection framework is not conducive to new actors entering the humanitarian market: <ul style="list-style-type: none"> <li>Experience in cash assistance (preferably with the contracting actor) is a very important scoring criterion for most surveyed aid actors preventing entry of new actors.</li> <li>Experience in large payment programmes for non-humanitarian actors is not considered as important.</li> </ul>  |
| <b>Lack of pre-financing capacity</b> by FSP prevents contracting<br>(mentioned by 4/16, not required by all actors or for all FSPs)                       | <ul style="list-style-type: none"> <li>Risk analysis to evaluate if FSP is trustworthy enough to receive funds in advance (never happens for small players)</li> <li>FSP not contracted</li> </ul>   | <ul style="list-style-type: none"> <li>Smaller FSPs with local knowledge and capacity are overlooked and excluded</li> <li>Some FSPs cannot afford to “freeze” the amounts included in framework contracts with no assurance of if, when and where the cash will be distributed<sup>10</sup></li> <li>Large commercial banks are often the only FSPs with large pre-financing capacity, and paradoxically humanitarian organisations are more inclined to transfer the funds ahead of interventions, thanks to their established reputation</li> </ul>   |

<sup>9</sup> Humanitarian organizations carry out market studies, assessments and risks analyses to determine the availability and gauge the capacity of financial service providers in planned intervention areas before advertising tenders. However, except for the interactive mapping available on the website of the CWG-n (most surveyed humanitarian actors were unaware of this tool's existence), humanitarians lack an institutionalised information-sharing process to know which provider has worked where, with whom and with what results. Instead, they rely on ad-hoc requests to CWGs (whose co-leads rotate frequently) and humanitarian actors operating in the same geographic zone to gather information. While this can be effective in sourcing established and experienced FSPs in any intervention zone, it seems hardly efficient to establish a comprehensive picture of the options available. Some new players – like microfinance institutions or cooperatives – might have recently joined the financial service landscape, while others could have recently opened new agencies or developed new agent networks to carry out activities in remote, previously uncovered areas, like paying salaries for military personnel, government employees or health workers. The financial ecosystem of the DRC is evolving quickly, reaching further areas with new solutions (or new partnerships between established players). Assessing its reach and capacity through field visits, word of mouth, ad-hoc consultations with humanitarian staff prone to frequent travel and rotation – and using restricted procurement procedures sent only to FSPs previously used by humanitarian organisations – will predictably not result in greater choice of FSPs.

<sup>10</sup> For reference, national regulation forbids Mobile Money operators from operating on credit in the DRC (electronic cash in circulation must always match physical cash in the operator's bank account), and money transfer organisations' core business is not adapted to large pre-financing requests. These two types of actors, along with small cooperatives and businesses with less cash-flow, are there excluded by pre-financing provisions. According to one such FSP interviewed, if private and humanitarian actors could meet half-way, perhaps transferring half of the funds before the distribution, and the other half (plus fees) conditional on successful completion, this would level the playing field.

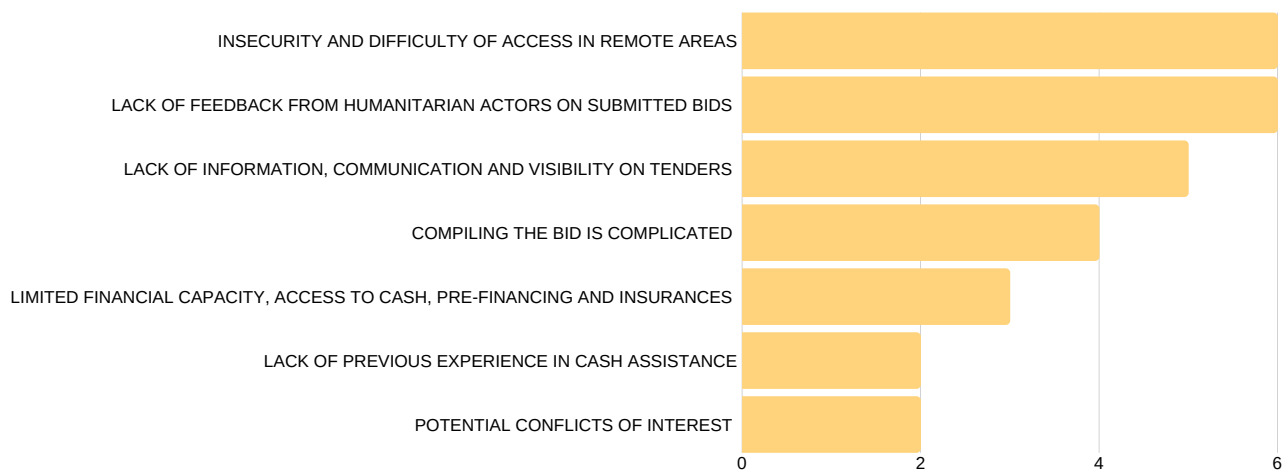


|   | Constraint  | Mitigation measures used so far   | Risks and limitations of used mitigation measures   |
|---|---|---|---|
| <b>Procurement process constraints</b><br>(specifically, for open tenders)          | Open tenders often <b>require offers to cover entire lots or national territory</b> , excluding smaller players with localized capacity<br>(mentioned by 2/16 actors)   | <ul style="list-style-type: none"> <li>Negotiated procedures used for specific areas or interventions to allow smaller FSPs to participate</li> <li>Some actors split contracts into lots, specifying that FSPs can make offer on just one of them (for open tenders)</li> </ul>  | <ul style="list-style-type: none"> <li>Local tenders and negotiated procedures establishing service contracts limit the intervention in terms of time, budget and coverage—even if an FSP had the capacity to intervene in other areas, new contracts would have to be signed</li> <li>Lots in open tenders often cover entire provinces, which are still too big for some small FSPs</li> </ul>  |
|   | According to humanitarian procurement staff, FSPs experience <b>difficulties in providing all the information required by open tender procedures</b> . In particular: <ul style="list-style-type: none"> <li>Prices, stamps, signatures (mentioned by 2/16)</li> <li>Legal documents (RCCM and tax) for small players (2/16)</li> </ul> | <ul style="list-style-type: none"> <li>Derogations are often issued to re-advertise tenders and allow more time to complete ineligible bids</li> <li>Some (very few) actors review exclusion and selection criteria with tenderers during bid opening. If an offer is incomplete, it is decided jointly with the participants to allow or reject it. This allow to avoid automatic exclusion of incomplete tenders, often affecting smaller players.</li> </ul> | <ul style="list-style-type: none"> <li>The open tender procurement process ends up taking longer because of re-advertisement</li> <li>Increased investment required by procurement staff to explain criteria and review additional documents provided</li> <li>Some documents are impossible to obtain in the required timeframe for FSPs in remote areas (this issue would also deserve further political economy analysis)</li> <li>Most actors do not use these mitigation measures, unless a minimum number of offers is required</li> </ul>  |
| <b>Implementation obstacles</b><br>(affecting future types of procurement utilised) | <b>Deviation from contract by FSP:</b><br>The FSP raises fees during implementation (due to a change in security or when the intervention area is not specified in the contract) or refuses to work, violating contractual obligations<br>(mentioned by 8/16 for two FSPs)  | <ul style="list-style-type: none"> <li>Ad-hoc negotiation to convince FSP to work</li> <li>Change of FSP (when available) or distribution mechanism (electronic cash if feasible)</li> <li>Change of assistance modality (to vouchers or in-kind)</li> <li>Contract termination or litigation threat</li> <li>Negotiated procedures for service contracts</li> </ul>  | Aid actors must accept new conditions (if single FSP) or change FSP when feasible. This sometimes means changing distribution mechanism or modality, creating delays (new contracting), distorting markets (through vouchers or in-kind), and raising the cost of interventions.  |
|   | <b>Deployment delays by FSPs</b><br>despite contractual obligations<br><br>(mentioned by 7/16)  | <ul style="list-style-type: none"> <li>Discussion and negotiation with FSP to adjust and plan future distributions better</li> <li>Additional annexes and clauses with penalty</li> <li>Use of second FSP choice (when applicable – very rare)</li> </ul>   | FSPs can set new terms and timelines in violation with the contract and refuse to sign new clauses or annexes, knowing it is the humanitarian actor's only choice (i.e., dependency)  |
|   | <b>Insufficient coverage, capacity and/or liquidity for cash assistance programmes by MNOs</b> , especially in emergency situations, damaging their reputation for future procurement opportunities<br><br><i>(explicitly mentioned by 2/16, but most humanitarian organisations have raised this concern)</i>                          | <ul style="list-style-type: none"> <li>Awareness-raising and training for Mobile Money operator staff and agents on humanitarian principles</li> <li>Regular communication with representatives from these FSPs to assess their capacity and in turn justify launching procurement procedures specifically for Mobile Money cash assistance.</li> </ul>   | <ul style="list-style-type: none"> <li>Mobile Money agents are sub-contracted by the Operator, which does not fully control their actions and behaviour – as such, field agents who process cash-outs for beneficiaries of cash assistance programmes can use asymmetric information to impose additional fees and abuse of their power. This reflects poorly on the contracted FSP, lowering its chances of obtaining positive references.</li> <li>While making separate tenders for Mobile Money Operators (MNOs) can help humanitarians in signing multiple framework contracts with them, it might decrease MNO's incentives to respond to general cash tenders that are not targeted to them</li> </ul> |

# PRIVATE SECTOR: PERCEIVED CONSTRAINTS AND ANALYSIS

Private actors interviewed for this study were also asked about the constraints they face or perceive in collaborating with humanitarian organisations to deliver cash assistance.

The graph below highlights the main constraints reported by the 10 FSPs interviewed, ranked by frequency of mention.



Graph 2: Tendering constraints perceived by private actors (out of 10 actors interviewed)

The table below summarising the main obstacles they reported, related mitigation strategies and consequences, and aid actors' responses:

| Overall Constraint  | Constraint explained   | Mitigation measures used by FSPs so far  | Response from humanitarian actors  |
|---|--|--|--|
| <p><b>Lack of feedback from humanitarian actors</b> regarding the outcome of the procurement procedure<br/><i>(mentioned by 6/10 surveyed FSPs), and potential conflicts of interest (2/10)</i></p> | <ul style="list-style-type: none"> <li>FSPs claim they rarely get an explanation on final selection</li> <li>2 FSPs strongly suspect conflicts of interest whether open tenders or negotiated procedures</li> </ul>  | <ul style="list-style-type: none"> <li>Some FSPs have requested further clarification on the procurement decision but rarely get a response</li> </ul>   | <ul style="list-style-type: none"> <li>All surveyed humanitarian actors contest this claim</li> <li>Tender documents received specify that all candidates shall be notified regardless of the outcome of the procedure</li> <li>One actor voluntarily exhibited proof by sending a scanned copy of a letter sent to a candidate to inform they were not selected and explaining related reasons.<sup>11</sup></li> </ul> |
| <p><b>Insecurity and difficulty of access in remote areas</b><br/><i>(mentioned as a major obstacle by all surveyed humanitarian organisations and 6/10 FSPs)</i></p>                               | <p>Framework contract with FSPs set terms such as deployment time and related fees for 12 to 24 months. However, security and access in remote locations targeted by cash assistance is volatile:</p> <ul style="list-style-type: none"> <li>Security risks might increase, raising costs for FSPs to operate there</li> <li>Accessibility of a location may be affected by external factors (rains, etc.)</li> <li>FSP may have capacity to deploy in a territory but the specific location targeted by aid actor is beyond easy reach</li> </ul> | <p><b>Framework contract:</b> If security conditions and accessibility of targeted areas change, FSPs:</p> <ul style="list-style-type: none"> <li>Have raised intervention costs to cover their increased risk</li> <li>Refused to deliver</li> </ul> <p><b>Specific service contract:</b></p> <ul style="list-style-type: none"> <li>No bidding</li> <li>Increased fees in bid</li> </ul> | <ul style="list-style-type: none"> <li>Accept new terms and conditions</li> <li>Threaten contract termination or litigation (no reported instances of this being done by surveyed actors)</li> <li>Launch a new, localised negotiated procurement process (done by a surveyed actor).</li> <li>Change assistance modality to vouchers or in-kind (a few instances of this were mentioned by surveyed)</li> </ul>         |

<sup>11</sup> Proof of these communications was not requested in framework of this study, so the extent to which all surveyed actors comply with these communication and transparency requirements remains unknown and beyond scope.

| Overall Constraint  | Constraint explained  | Mitigation measures used by FSPs so far   | Response from humanitarian actors  |
|---|---|---|--|
| <p><b>Lack of information, communication and visibility on tenders</b><br/>(mentioned by 5/10 FSPs)</p> | <ul style="list-style-type: none"> <li>All surveyed FSPs receiving invitations to tenders say they heard about it through direct contact</li> <li>3 heard of it through informal channels (word of mouth or ad-hoc meetings with humanitarian staff), often after deadline for submission</li> <li>3 stated having randomly seen some tender opportunities on media platforms but do not check those frequently.</li> </ul>   | <ul style="list-style-type: none"> <li>Network actively with humanitarian staff</li> <li>Wait to receive invitations</li> <li>Spontaneous repositioning: <ul style="list-style-type: none"> <li>- Presentation of available solutions during CWG meetings and to humanitarian staff</li> <li>- Distribution of company profile to known aid organisation</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>All but one surveyed humanitarian organisations regularly use direct contact to inform potential FSPs of opportunities related to cash assistance programmes.</li> </ul> <p><i>Note: The aid actor who received the most responses to tenders however claims having only advertised via radios and websites, with no direct contact <sup>12</sup></i></p>   |
| <p><b>Compiling the bid is complicated,</b> and allocated time is too short<br/>(mentioned by 4/10)</p> | <ul style="list-style-type: none"> <li>The forms are long and demanding</li> <li>Perceived lack of feedback from humanitarian actors deters actors from investing the time to bid repeatedly</li> <li>FSPs are sometime given less than a week to respond to bids</li> <li>Contract Notices for local tenders and negotiated procedures are generally delivered to FSPs local offices who then has to coordinate with headquarters who prepares the bid</li> <li>Several humanitarian actors use standard procedures set by headquarters, which are poorly adapted to the DRC's specificities</li> <li>Some actors require FSPs to confirm their ability to intervene in a large number of specific localities; offers where information on costs and deployment time are not provided for all locations are rejected</li> <li>It is difficult for FSPs to commit to transferring money at a given time or at fixed transfer costs over when security and access is volatile</li> </ul> | <ul style="list-style-type: none"> <li>FSPs use rare feedback from previous bids to align response to expectations from aid actors</li> </ul>   | <ul style="list-style-type: none"> <li>At least 4 humanitarian actors reported that based on the evaluation of offers, it was clear that some FSPs did not fully understand the tender package and related requirements</li> <li>Incomplete bids are often rejected. However, several aid actors organise bid opening committees with tenders to collectively decide whether to reject incomplete bids or give them a chance to provide missing infor</li> </ul> |

<sup>12</sup> This paradox might be explained by this specific actor's use of (i) proactive and iterated feedback and communication with tenderers, and (ii) "inclusive" selection and award criteria adapted to the DRC's specificities. Interview transcripts reveal that a possible reason why this actor consistently receives above-average response rates for open tenders is that procurement staff is very proactive in providing feedback to all tenderers at several stages of the procurement process (with multiple tender committee meetings to explain requirements and allow additional time to receive missing documents and information). Moreover, the actor reported: "[our] selection criteria are less stringent than others', for instance, when it comes to ascertaining the provenance of the cash available to small localised FSPs to pre-finance activities [...] As long as their upper management does not appear on relevant international blacklists and they fulfil standard eligibility criteria, we are able to select them". Finally, this actor's positive reputation among FSPs for being transparent and for contracting multiple providers through each tender may also positively affect response rates and FSPs' willingness to pre-finance activities: "the same business that accepted to pre-finance our activities responded to another humanitarian organisation's tender by stating it could not pre-finance theirs."

| Overall Constraint   | Constraint explained   | Mitigation measures used by FSPs so far                 | Response from humanitarian actors  |
|--|--|---|--|
| <p><b>Limited financial capacity, access to cash, pre-financing and insurances</b><br/><i>(mentioned by 3/10 FSPs)</i></p>                       | <ul style="list-style-type: none"> <li>• Pre-financing requirements to sign framework contracts can discourage FSPs to respond to tender</li> <li>• Contracting entities often request proof of insurance and financial capacity to match the value of transfers planned in the tender</li> <li>• 2 FSPs also stated that the DRC's insurance market is nascent; in the event of a loss of cash due to ambushes or attacks, the FSP would have to bear the cost regardless of contracting an insurance provider</li> </ul> | <ul style="list-style-type: none"> <li>• N/A</li> </ul> | <ul style="list-style-type: none"> <li>• Some humanitarian actors choose which FSPs they can transfer the funds to ahead of interventions on a case-by-case basis (with a general tendency to only transfer funds before intervening to large, institutional FSPs such as commercial banks or Mobile Money Operators)</li> <li>• Even for humanitarian actors who do not explicitly require FSPs to pre-finance activities, their capacity to do so, along with their overall financial capacity and insu</li> </ul> |
| <p><b>Lack of previous experience in cash assistance or with humanitarian actors makes the bid ineligible</b><br/><i>(mentioned by 2/10)</i></p> | <ul style="list-style-type: none"> <li>• FSPs note that only those with previous experience with the contracting entity, or at best previous experience in implementing cash assistance programmes with other humanitarian actors are retained</li> <li>• This is verified in tender documents where such experience weighs heavily in final bid scores</li> </ul>   | <ul style="list-style-type: none"> <li>• N/A</li> </ul> | <ul style="list-style-type: none"> <li>• Other bulk payment experience (e.g. payment of civil servants) is often accepted as an alternative to cash assistance experience but scores lower than direct cash assistance experien</li> </ul>   |

# KEY FINDINGS

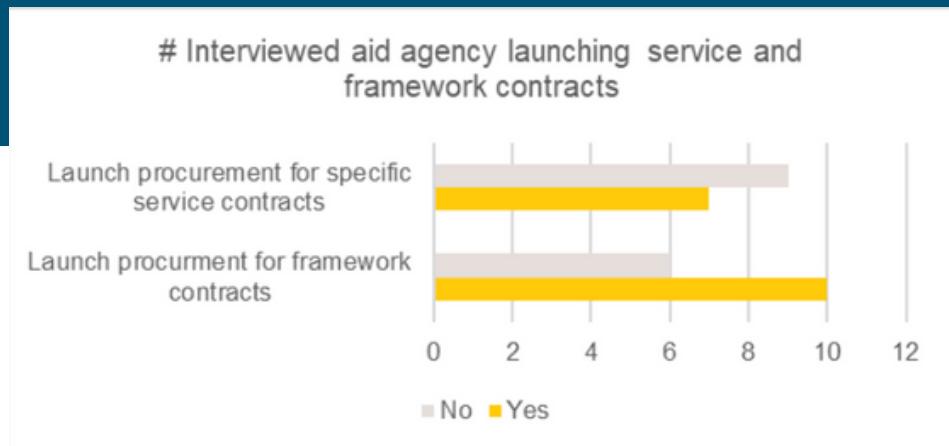
Surveyed stakeholders' constraints can be explained by examining the procurement modalities used by humanitarian actors to implement cash assistance. Each type of procurement procedure has strengths and weaknesses that affect FSPs' perceptions and opportunities, ultimately influencing their responses to potential business opportunities. This section analyses key findings on the matter.

## 01 Response rates and contracts per procurement modality

The key variables in cash assistance-related procurement are: (i) the type of contract sought, (ii) the transparency of the process and (iii) the geographical scope of the envisioned partnership with FSPs. Below, a short analysis of the number of responses received in function of the first two variables, the third not being directly linked to procurement modalities.

### Framework vs. specific service contracts

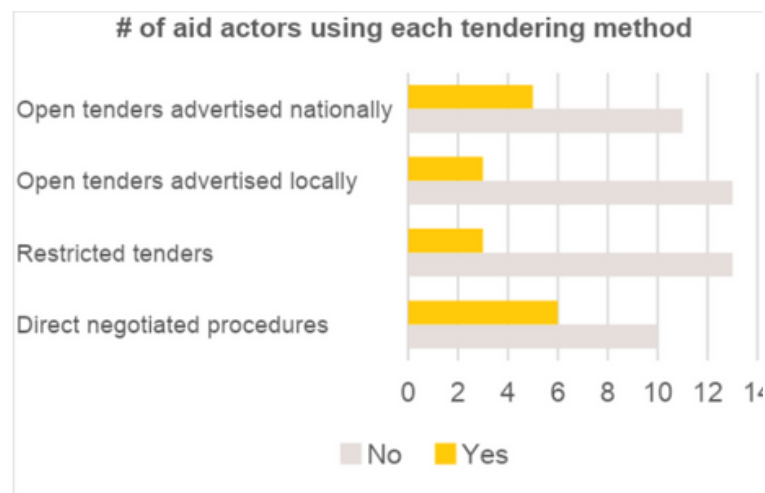
Not all surveyed actors have sought to establish framework contracts with one or multiple FSPs. 10 out of 16 reported launching procurement for framework contracts (and only 5 of these did so through an open tender advertised nationally), while 7 solicited FSPs for specific service contracts related to punctual interventions. At least one actor used both contracting modalities, seeking to sign framework contracts with Mobile Money Operators while using regular service contracts to deliver physical cash through commercial banks, money transfer organisations, cooperatives and businesses. Out of the 10 humanitarian actors who solicited framework contracts, only 5 have signed them with more than 1 FSP (a 6th actor is in the process of signing 2 framework contracts). Only 2 have framework contracts with 3 or more FSPs. The actor with most FSPs on framework contracts has 7: a commercial bank, 2 Mobile Money Operators and 4 smaller, localised FSPs.



## Open tenders vs. negotiated procedures

**Only 5 of the 16 humanitarian organisations surveyed have used open tenders advertising the Contract Notice at the national level.**

All 5 used local websites (Bizcongo.cd, MediaCongo.net and Kivu10.net) and advertised the tenders on their and other humanitarian organisations' office notice boards in different regions to solicit framework contracts. 4 of these contacted potential tenderers directly to inform them of the opportunity, and 2 out of 5 also used the radio to advertise the tender. Only 2 of the 5 kept the tender open for at least 21 calendar days (the minimum time limit for receipt of tenders required by ECHO following the publication of the Contract Notice). One set the tender deadline to 7 days after publishing the Contract Notice, receiving only 1 bid; after re-opening the tender for another 4 days, another tenderer sent a bid (which was ineligible), and only one framework contract could be signed. Another targeted only Mobile Money Operators, receiving 4 bids, only one of which was eligible



### **Another 3 humanitarian actors have used “open” tenders, but advertised**

**Contract Notices at local level only**, via area office notice boards and direct contact to potential tenderers (referred to as “local open tenders”). One of these targeted only Mobile Money Operators, hoping to sign a service contract with one of them (with whom this humanitarian organisation had previously signed a contract through a negotiated procedure); instead, another Mobile Money Operator sent the only bid (ineligible because of lack of coverage in the targeted area), forcing the tender to be re-advertised.

**3 actors used closed tenders** (also known as negotiated or restricted procedure) with a national scope to establish framework contracts, sent directly to pre-identified FSPs (for 2 of these 3 actors, only the FSPs that were already registered in their supplier list/portal were able to receive the Contract Notice). All 3 allowed 21 days between sending the Contract Notice and the deadline. One additional actor regularly uses closed tenders with a very specific (subnational) geographical scope to establish framework contracts with local actors or with national actors to intervene in those specific areas.

**6 actors signed service contracts with FSPs for specific, localized and time-bound interventions via negotiated procedure procurement;**<sup>13</sup> generally allowing between 7 and 14 days for candidates to send offers.

<sup>13</sup> Some of those actors also used open and local tenders

## Summary

It is important to note that advertisement time and response rate do not seem positively correlated based on present study results. The humanitarian actor who received most bids (16) and was able to establish framework contracts with most FSPs (7) used an open tender procedure with 14 days for tenders to bid. In contrast, another actor who used an open tender with 20 days to respond only received 2 bids, and finally a 3rd bid was sent after tendering was extended for 10 more days.

Both actors used websites, office notice boards and radios to advertise the contract notice, and surprisingly, the actor who received 16 bids reported not having contacted potential tenderers directly, and not including a “business case” in the tender. Only information regarding targeted provinces was provided (each of these provinces was assigned a lot, and one province was divided into two lots). The size of the planned envelope was only communicated to selected FSPs before contracting.

It is worth noting here that one actor mentioned that public posting (on office notice boards and websites) is just a procedural requirement imposed by humanitarian actors’ headquarters and donors, and which does not affect response rates. It is up to the discretion of humanitarian organisations using negotiated procedures and local tenders to decide which FSPs to contact for any given opportunity. The private sector’s claim that communication for such opportunities is not open and transparent is therefore substantiated by the study’s empirical evidence. Such communication practices do not technically violate procurement rules given the urgency of action and sensitivity of information. We note however that the actor with the highest response rate reported not having contacted FSPs directly to inform them of the opportunity.

While on average open tenders receive more bids than negotiated procedure procurements (roughly 3 times more according to statistics gathered via interviews), this is not always true. More importantly, receiving more bids does not imply being able to sign more framework contracts: one actor received 9 bids through an open tender, but only 3 of those were eligible and only 2 were selected for a framework contract. Another actor was able to sign 3 framework contracts following a localized negotiated procurement procedure that targeted those same 3 FSPs, who all submitted eligible bids.

## 02 Strengths and limitations of framework contracts

From a private sector perspective, framework contracts ensure a privileged and efficient working relationship with the contracting humanitarian agency (diminishing the time and legal requirements to implement specific cash distributions) but create no obligation regarding minimum quantities of services provided. As such, a framework contract could theoretically never be used. It does, however, contractually engage the FSP to provide services at a specified price, within a specified timeframe and in a set intervention zone upon request from the contracting humanitarian organisation and for the whole duration of the contract. The implementation of specific activities in the framework contract are subject to the FSP accepting the “order form” issued to “action” the framework contract for an intervention. Furthermore, cash pledged through framework contracts means it has to be “frozen” with no assurances of it ever being transferred. This in turn can negatively affect these FSPs’ core business and investment opportunities. Procurement for framework contracts can yield signatures between the same humanitarian actors and multiple FSPs. Because framework contracts are longer, they generally involve higher budgets for humanitarian actors compared to regular service contracts, meaning potentially easier and quicker access to large volumes of transfers for contracted FSPs. Since they can be issued in anticipation of a need for monetary assistance, these tenders would therefore be less subject to the urgency of the need. This would make it (theoretically) possible to publish open, transparent calls for tender accessible to all for a fixed minimum period via media platforms, ensuring transparent competition for all eligible private actors.

<sup>14</sup> The “Case Study: Minimum bidding procedures and requirements” included at the end of the report sheds light on the best practices used by one surveyed actor to sign multiple framework contracts with FSPs.



## Added value of framework contracts for cash assistance: flexibility and piggybacking

Establishing framework contracts (also called Long Term Agreements—LTAs) reduces the time and long-term costs associated with contracting FSPs for specific interventions. Generally signed for 1 or 2 years (with a possibility of extension for an additional year for some humanitarian actors), framework contracts specify essential terms and conditions governing the contractual relationship. Said terms and conditions could include performance indicators (e.g., deployment and reporting timelines), prices (e.g., deployment, transfer or withdrawal fees), requirements (e.g., minimum number of FSP staff per 1,000 beneficiaries), and quantities or locations envisaged. Remaining elements of the contractual relationship (such as the exact location, date and quantity) are defined punctually – for each distribution in the case of cash assistance programmes – through a specific contract (also called “order form” and serving a function similar to a purchase order’s in regular contracts). As such, framework contracts create no obligation for humanitarian actors to award specific contracts—a framework contract may be signed but never used.

This is particularly interesting for cash programmes: humanitarian actors can sign framework contracts with many different FSPs (provided these submitted tenders that meet the minimum eligibility and selection criteria), and subsequently choose the one with most capacity and best value for money for each intervention. Framework contracts also allow quickly cascading to a backup FSP should the preferred one be unavailable for a specific contract or unwilling to perform on agreed terms. Moreover, by reopening competition between contracted FSPs at any given time during the duration of the framework contract, humanitarian actors can benefit from favourable developments (related to new technologies or CDF depreciation, for instance) and reduce dependence on FSPs, as these will compete to provide best value for money following said developments.

Framework contracts and related tenders may also contain “piggybacking” clauses, which can allow (conditional on the FSP’s acceptance) other humanitarian actors to use the same terms and conditions included in the framework contract signed between an aid actor and the FSP. Piggybacking may also allow humanitarian actors to use the tenders received by another contracting entity to award their own framework contracts with eligible FSPs. In both cases, this can significantly reduce procurement timelines and efforts required from both aid actors and FSPs, as tender advertisement and selection of preferred FSPs do not need to take place.

Private sector and humanitarian respondents alike commented that this contractual modality is appealing for its flexible and fast execution capacity, and potentially large volumes of business for contracted FSPs that would perform well, at prices below their competition. However, it can also be challenging for FSPs to specify what the deployment timeline and related price will be for a future cash distribution in specific remote areas where infrastructure and security conditions can change abruptly (as is often the case in the DRC).

# RECOMMENDATIONS

We have seen throughout the report that FSPs and humanitarian actors face and perceive multiple constraints related to procurement processes for cash assistance. Some are structural – like the lack of (eligible) responses to solicitations or the DRC's volatile security situation – while many others are procedural (communication between parties, tender length or stringent criteria, to name a few). All these constraints are interlinked. Certain actions, assumptions and requirements from humanitarian actors, FSPs and donors can either amplify or reduce procedural constraints. If addressed correctly, these constraints can promote mutually-beneficially working relationships between FSPs and humanitarian actors, lifting structural challenges over time.

The section below summarises the main structural constraints that affect FSPs and humanitarian actors and provides recommendations to all actors involved in funding and executing cash assistance programmes to lift procurement constraints. While national regulators (and in particular the Congolese Central Bank) also have an important role to play in creating conditions conducive to better relationships between humanitarian actors and FSPs in emergency responses (for example by temporarily lending money to FSPs to expedite access to cash in remote areas), they are beyond the scope of this study, and therefore not included below.

## CONSTRAINT #1: Poor access to information on FSPs

There is little to no available information on FSP coverage, capacity and previous experience with humanitarian organisations and cash assistance.

This lack of information often justifies aid actors' deviation from national tenders towards localised or restricted negotiated procedures, which may in turn perpetuate information scarcity, as potentially capable FSPs are not notified of the procurement process.

### Collective Recommendation

- Set up standardised contact lists of relevant personnel for cash assistance interventions within each FSP
- Create a nation-wide mapping (or several provincial mappings) of FSP coverage (agencies, agents and networks), capacity, experience, to be compiled by FSPs and humanitarian organisations based on past cash assistance programmes
- Establish tools to communicate and share lessons learnt on the quality of service provision (for humanitarian actors) and information-sharing (for FSPs) related to past cash assistance programming

**NB:** This tool should be dynamic and easily updatable by all parties; access to information shall be restricted by category of actor (private or humanitarian) to preserve the confidentiality of strategic information from FSPs and ensure the safety of humanitarian actors, their staff and beneficiaries.

## Recommended actions for humanitarian actors

- Maintain an up-to-date list of the reference staff for cash assistance within each FSP, the list could be managed by the CWG-n
- Ensure timely reporting of past and ongoing cash assistance programmes in the 4W (targeted intervention zones, number of beneficiaries, value/frequency of transfers and contracted FSPs)
- Set up a process for experience sharing between aid actors on services provided by FSPs
- Report planned national-level cash assistance programmes to anticipate general areas targeted and avoid soliciting single FSPs beyond their capacity
- Create a coordination group between humanitarian actors and FSPs to guide investment decisions in specific areas and products

## Recommended actions for FSPs

- Identify focal points within each FSP to manage relations with humanitarian actors, share their contact with CWGs and ensure the designation of new focal points in case of rotation
- Provide and regularly update a mapping of agencies, agents and remote areas previously reached, along with indications on the price, time and conditions (such as episodic security assessments) required to reach new areas

## Recommended actions for donors

- Require funded organisations to share with CWGs: information relating to planned (to be kept internal) and ongoing cash assistance programmes (targeted intervention zones, number of beneficiaries, value/frequency of transfers and contracted FSPs)
- Require funded organisations to share with CWGs: information relating to past interventions and related satisfaction with service provision.
- Support the creation of a system aggregating information from the 4W mapping and the FSP experience sharing tool. The overlap of the tools will help estimate humanitarian needs in terms of cash distributions per geographic zone and track the response capacity of FSPs already contracted in those areas (fees and deployment time). This can be achieved through or with the support of CWGs.

# CONSTRAINT #2: Low response rate to tenders

## **Calls for tenders and invitations to negotiate receive few responses.**

Surveyed FSPs reported difficulties and delays in accessing and receiving information on procurement processes launched to implement cash assistance programmes. Consequently, humanitarian organisations received fewer offers than desired considering the DRC's diverse financial landscape.

### **Collective Recommendation**

- Clarify differences between different contracting modalities (e.g., framework and service contracts) and related procurement.
- Make all tenders for framework contracts public and easily accessible, advertising them through existing online media platforms – such as MediaCongo.net, Bizcongo.cd or each organisations' website – as well as radios (in the short term), and through a dedicated tendering platform in the longer term.<sup>15</sup>
- Include provisions in tenders and negotiated procedures to facilitate collaborative procurement<sup>16</sup> particularly in relation to:
  - *Piggybacking*, to allow aid actors to use contractual terms and conditions set by other humanitarian actors in new framework contracts or use FSP bids received by other organisations to sign new framework contracts with those FSPs.
  - *Procuring from other aid actors* (through existing contracts containing a service provision clause), essentially allowing a humanitarian organisation with a framework contract to carry out cash assistance on behalf of another aid actor
  - *Establishing joint contracts*, either through a lead humanitarian organisation carrying out procurement for others, or by establishing a joint procurement team.
  - Using specific *humanitarian actors' tendering with collaborative touchpoints*, such as (i) a collaborative clause included in the tender to identify key business terms and conditions upon which other aid actors may be able to obtain services on existing framework contracts, (ii) a service provision clause and (iii) collaborative risk assessment processes, allowing aid actors to share information related to individual FSP risk assessments and carry out joint assessments.

<sup>15</sup> This recommendation is aligned with the ELAN (Electronic Learning Cash Transfer Network)'s recommendation to “post tenders to a single central location to help private sector companies identify business opportunities and increase tender response rates”: <http://www.cashlearning.org/downloads/elan-recommendations-for-e-transfer-procurement-vfinal.pdf>

<sup>16</sup> As per UNHCR's “Guidance for Collaborative Procurement for Humanitarian Cash Transfers”, collaborative procurement is generally carried out by UN agencies, and successful examples from other countries are provided in the Guidance document, accessible at: <https://www.unhcr.org/5e317a587.pdf>. Collaborative procurement has not yet been used in the DRC, and the replicability of these arrangements for the wider humanitarian community should be explored further by aid actors and donors.

## Recommended actions for humanitarian actors

- Compile and maintain a contact list of FSP humanitarian focal points, or their staff with knowledge of cash assistance programming. This will help limit delays in circulation of and response to tenders.
- Organise a yearly learning event with FSPs presenting the overall business case across the country, explaining requirements for cash assistance programmes in the DRC and different contracting modalities used. This could be done in conjunction with the launch of annual Humanitarian Response Plans.
- Establish a relationship of trust with FSPs via regular communication and rounds of feedback. This should be done with all tenderers and candidates to have as many eligible bids and offers as possible.
- Make all tenders for framework contracts public, using online media platforms and radios (and not only direct contact).
- Physically deliver tenders and invitations to negotiate to FSPs and businesses only present in remote areas, and follow-up as feasible.
- Explore the collaborative procurement options listed in the recommendation above to facilitate group negotiation and submit proposals to donors regarding different feasible strategies.
- Scope out other humanitarian actors with framework contracts that include piggybacking clauses.
- Involve the Congolese Banking association in advertising, circulating and soliciting responses to tenders.

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## Recommended actions for FSPs

- Approach humanitarian organisations and CWGs with informed and well-researched presentations on available services and capacity across the country, explaining how they can respond to their needs, including to implement cash assistance.
- Designate (a) focal point(s) for relations with aid actors to be included in all related communication. Update the CWG-n should that focal point change.
- Share ideas with aid actors and donors on potential common procurement frameworks. Lessons can be learnt from government staff payments programmes ongoing in the DRC and involving multiple FSPs chosen based on their capacity in different geographical areas.

## Recommended actions for donors

- Align or create simplified standard procurement templates and geographical lots valid for all humanitarian actors' minimum exclusion, selection and award criteria.
- Allow launching procurement processes through different procedures (open/restricted, national/local) for the same interventions to ensure a maximum of responses from large and small eligible FSPs.
- Allow launching procurement for all financial operations, and not specifically limited to cash assistance to ensure more responses.
- Provide guidance on requirements and conditions for multiple aid actors to engage in collaborative procurement options listed in the recommendation above.

# CONSTRAINT #3: Low eligibility and compliance of FSP bids

**Few offers made by FSPs are eligible, making it hard to diversify providers and sign multiple framework contracts.** Interviews reveal that some FSPs made disqualifying mistakes in their offers, despite being assessed positively in terms of capacity and previous experience through market and field assessments carried out by humanitarian actors prior to interventions.

## Collective Recommendation

- Improve tender clarity and process, allowing all parties to understand fully and participate in decision-making through open tender committee meetings (when feasible).
- Align or create simplified standard procurement templates and geographical lots valid for all humanitarian actors' minimum criteria.
- Clarify the importance of previous experience in cash assistance, pre-financing, financial capacity and insurance coverage as criteria for FSP selection and possible solutions for FSPs lacking one or more of those criteria.

## Recommended actions for humanitarian actors

- Provide clear evaluation grid and scoring criteria with the call for tenders
- Accept offers to establish framework contracts from FSPs on a rolling basis and regularly updated FSPs on emerging needs through transparent tools accessible to designated FSP focal points managing relations with aid actors
- Split tenders covering large areas in geographical lots and accept offers even when they do not cover the entire national territory or defined lot.
- Ensure timely and transparent communication and feedback on all steps of the procurement process to all candidates and tenderers to establish a culture of trust and collaboration with FSPs.
- Organise tender committee meetings with FSPs for the opening of tenders to collectively and transparently decide whether to accept a bid should it be incomplete instead of automatic exclusion
- Explore alternatives to pre-financing requirements, for instance, via co-financing schemes where applicable.

## Recommended actions for FSPs

- Prepare base folder including all frequently required administrative documents to speed up response process to avoid exclusions due to a lack of – or delays in obtaining – required legal and compliance documents<sup>18</sup>
- Use past contracts for payment of staff (including government), cash transfers for offices in remote areas, or just any bulk payments to showcase experience in payment methods and targeted areas.
- Proactively ask for feedback on past procurement processes and report cases where communication does not respect established channels and requirements through communication and lessons learnt tools and platforms.

## Recommended actions for donors

Relax selection and award criteria related to previous FSP experience with the contracting humanitarian actor or cash assistance programmes in particular, to include experience with large private or public payment programmes (staff, teachers, officials and army) as valid and equally worthy for selection and award, to allow expanding the supplier base.

# CONSTRAINT #4: Security challenges and remoteness

**Volatile security in targeted intervention areas diminishes FSPs' incentives to respond to tenders** (especially for framework contracts), delays implementation and modifies terms and conditions for distributions.

### Collective Recommendation

Include clauses in framework contracts allowing the reopening of negotiation (on specific terms and conditions agreed upon by all parties) following security developments affecting FSPs' capacity to deliver on contractual terms.

### Recommended actions for humanitarian actors:

Sign framework contracts with as many FSPs that meet minimum eligibility criteria to have as many options as possible for each intervention and area. Rank FSPs contracted for the same lot(s) from most to least suitable lot to allow rapid cascading to backup options should the preferred FSP be unavailable.

### Recommended action for FSPs:

Request the inclusion of contract clauses allowing the reopening of negotiation (on specific terms and conditions agreed upon by all parties) following security or access developments affecting FSPs' capacity to deliver on contractual terms

<sup>18</sup> Refer to the "Case Study: Minimum bidding procedures and requirements" included at the end of the report for a detailed guide on required documents and criteria to be eligible to deliver cash assistance programmes

## Recommended action for donors:

Allow the inclusion of said clause in standard procurement documents for cash programmes.

# CONCLUSION

- 01** Procurement for cash assistance programming in the DRC is affected by several constraints related to information management and procedural requirements set by the humanitarian community, as well as the country's immense and poorly connected territory. Numerous constraints emerged, affecting the willingness and ability of private sector actors to respond to the business opportunities that cash assistance programmes represent. These range from difficulties in accessing information related to business opportunities to satisfying their stringent eligibility requirements and criteria.
- 02** These constraints pushed several humanitarian actors to modify their internal procurement procedures in favour of quicker, localised, and less competitive solutions. Targeted negotiated procedures and intervention-bound service contracts for the provision of cash assistance became the rule rather than the exception. Limited experience, poor access to cash and difficult deployment capacity of most FSPs in remote areas further reduced incentives to share information among FSPs and with humanitarian actors.
- 03** Concrete actions can be undertaken by FSPs, aid actors and donors to invert this trend and create structural conditions for smoother collaboration, increased competition, and more efficient delivery of cash assistance across the country. Firstly, establishing coordination and collaboration tools among and between the financial and humanitarian sectors can lift current information- and experience-sharing challenges. Secondly, better information, awareness-raising and communication on the requirements, procedures and best practices for cash assistance-related procurement can level the playing field for the numerous members of the DRC's financial ecosystem. Thirdly, harmonising templates and implementing transparent procurement procedures, while relaxing and adapting some of the eligibility criteria to reflect the DRC's specificities, can create incentives for increased participation in business opportunities for FSPs.
- 04** Finally, exploring existing collaborative procurement options already used in other countries – ranging from the inclusion of piggybacking clauses in framework contracts between aid actors and FSPs to the establishment of a full-fledged common cash system – can bridge information and collaboration gaps. The DRC's financial, humanitarian and donor communities have big opportunities to seize and important economies of scale to achieve.

Humanitarian coordination structures and interest in them from various private and donor entities are growing. They are now equipped to drive these efforts forward and catalyse the expansion of the financial ecosystem, to the benefit of vulnerable populations and private actors in the DRC.



# CASE STUDY: MINIMUM BIDDING PROCEDURES AND REQUIREMENTS

Offers sent by FSPs in response to tenders and requests for proposals (RFP) originating from negotiated procedure procurement need to be accepted, retained and awarded a contract for cash programming to be implemented. This process yields very different results for each humanitarian actor, as evidenced in the previous section. A full analysis of these documents and criteria is beyond the scope (and desired length) of this study. This section only serves as preliminary guidance for prospective tenderers and candidates.

Below is a summary of common documents and requirements used by humanitarian actors, based on a past open tender advertised by the humanitarian organisation that received most responses (16) and was able to sign the most framework contracts (7).

01

## Eligibility criteria

*To propose services in response to a call for tenders or invitation to negotiate, any FSP must fulfil the following criteria:*

- When submitting the offer, not be insolvent or subject to receivership, bankruptcy or liquidation
- Be currently operational (commercial activities must not have been suspended)
- Not be subject to any judicial proceeding for reasons linked to the first point above
- Fulfil obligations relating to the payment of social security contributions and taxes
- Not be subject to any conflict of interest (including any sub-contractors)

02

## Required documents *for the contracting entity to accept the bid/offer:*

### FSP profile and previous experience

which includes

A table detailing previous experiences or past contracts executed in the previous 5 years similar to the services required in the tender, including:

- Project name and type of service provided
- Total contract value
- Contract duration, start and end date
- Contracting entity and location

Proofs of mentioned experience in the form of contracts, completion certificates, etc.

Name, title, signature, date and stamp of the designated FSP representative

**Description of service and budget for each geographical lot (1 per lot),**  
which includes

Name, title, signature, date and stamp of the designated FSP representative

A narrative description of planned service provision and how it responds to the need of the contracting entity

A reference to the number of the geographical lot for which the description and information provided through the following table is valid

A budget table showing:  
a. On each row: the description of the service required, the unit, quantity, price (before tax) and total  
b. As many additional components as necessary to reflect conditions such as:

- Minimum intervention threshold
- Maximum intervention threshold
- Any variation in pricing depending on transfer brackets
- Calculation method for the USD/CDF exchange rate

c. Total, tax percentage (if applicable), and grand total

**Declaration of ethical standards**  
(standard for all goods, services and construction contracts)

Covering issues such as anti-corruption, Rule of Law, employee policy and environmental conditions, which must also include the name, title, signature, date and stamp of the designated FSP representative

**Bidding Form**  
Which includes

- FSP name
- Focal point(s) and employees for the designated project and related contact information (at the national headquarters and relevant agencies across the country)
- Registration number at the RCCM (“Registre du Commerce et Crédit Mobilier” in French, the equivalent of the Trade and Personal Property Credit Register)
- Registration number at the DGI (“Direction Générale des Impôts” in French, the Tax Directorate)
- Tax Declaration Certificate
- Legal status
- Name and date of birth of the owner(s) and Managing Director(s) of the company
- Bank details (RIB: Relevé d’Identité Bancaire in French, also Bank Account Identity)
- References (generally at least 3) for similar contracts signed (preferably with humanitarian organisations), including the name of the contracting entity, a focal point, phone number, Email and contract details (type, envelope, duration, etc.) – a separate, detailed form template is also provided for this.
- Payment and pre-financing conditions, specifying FPS capacity and conditions to:
  - ..... Pre-finance the amount to be distributed (the contracting entity prefers this)
  - ..... Receive payment, knowing that this is done via cheque or bank transfer, and can take up to 30 days after receiving the invoice

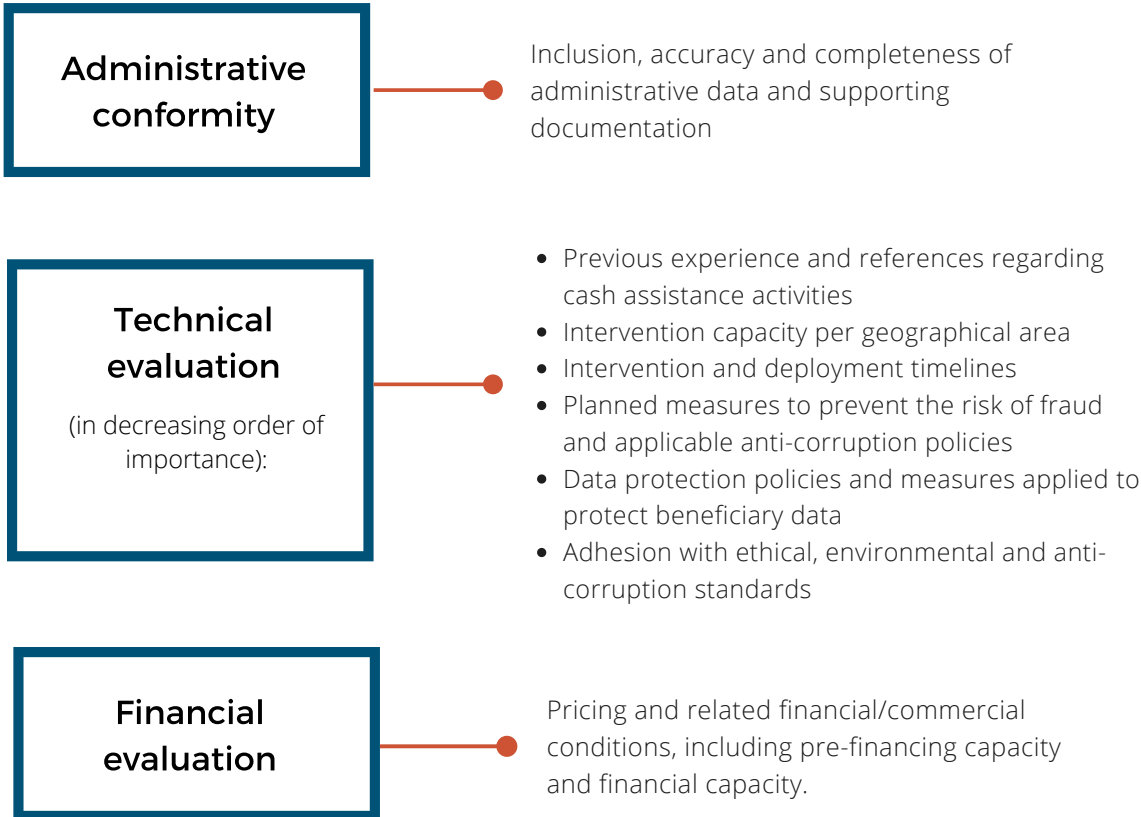
<sup>19</sup> Some humanitarian actors additionally request copies of their identification documents.

- Required contractual documents to launch specific interventions, knowing that the contracting organisation’s minimum requirements are:
  - ..... An order form (or purchase order—serves as the specific contract to complement the framework contract), signed by both parties
  - ..... Daily distribution minutes/reports for reconciliation, signed by both parties
- Intervention and deployment timelines, detailing any pertinent steps to be undertaken following the signature of the framework contract, between initial contact, order form signature and deployment on the ground
- Planned measures to prevent the risk of fraud and applicable anti-corruption policies
- Data protection policies and measures applied to protect beneficiary data
- Geographic capacity and intervention zone, specifying if any specific “no-go zones” exist in the geographical lots included in the terms of reference, or if specific conditions are required before confirming an intervention in any given area
- Declaration of acceptance of humanitarian principles of neutrality, impartiality, accountability and protection of beneficiaries, which implies the absence armed personnel, police and military uniforms on intervention sites
- Validity period for the offer
- Confirmation of FSP conformity with established criteria, checklist of included documents and forms
- Confirmation of understanding that the contracting entity is not required to select the cheapest offer or to accept all offers received and that it can verify information provided in this form (including via third parties if deemed necessary)
- Name, title, signature and stamp, phone number, company name, signature date and address of the designated FSP representatives

20

03

**Selection criteria** *once the eligibility of different offers is confirmed, bids are examined and scored against the following criteria:*



20 While this is thought to be a recurrent issue for cash assistance programmes in the DRC, weapons and uniforms are rarely if ever seen on distribution sites. They are however required by many FSPs to transport the cash, but as long as they are not visible during distributions, they do not pose a specific problem for humanitarian organisations.

In this case, all tenderers were invited to the bid opening ceremony, and the tender committee – composed of 6 staff from the humanitarian organisation, with profiles spanning across programme management, finance, support and logistics – reviewed each offer against the established and advertised exclusion and selection criteria. Some were disqualified due to their inability to include relevant references for past cash assistance programmes. Other tenderers who made mistakes and omissions in their offers, but still conformed with minimum eligibility criteria, were pre-selected and given additional time to provide corrections and clarifications. Two additional tender committee meetings took place to clarify issues related to their pre-financing ability, financial capacity and use of armed personnel.

Finally, framework contracts are awarded to one or multiple FSPs, who are notified via email. Once contracts are signed, all tenderers are notified of the outcome of the procedure, and non-selected FSPs can request further information to facilitate learning and improvement. In this case, FSPs were attributed to the geographical lot in which their comparative advantages are strongest. As a result, each lot now has a list of preferred FSPs, ranked in decreasing order of preference. The one with best value for money and technical criteria is listed as the first choice, and should that FSP be unavailable or unable to sign the order form to execute the specific intervention, the FSP listed as second best choice for that same lot is contacted to implement the intervention.

This setup is particularly convenient to reduce humanitarian organisations' dependence on a single FSP, potentially avoiding situations where the only FSP contracted is not able to execute the work or raises fees to carry out interventions in some areas. As the statistics above imply and the section below further elaborates, the latter scenario is very likely in the DRC: only 5 of the 16 surveyed humanitarian actors have framework contracts with more than a single FSP, and many of those who have two or more generally have Mobile Money operators as backups for physical cash providers. In many rural intervention areas, network connectivity, Mobile Money agent networks and mobile phone possession rates are too low to implement Mobile Money cash assistance, let alone for emergency responses.

This procedure may appear lengthy and time-consuming for humanitarian actors and FSPs alike. However, evidence from interviews suggests that even for rapid negotiated procurement procedures with a single pre-identified FSP, 2 weeks or more can pass between contacting the FSP with a request for proposals and contract signature. It took this specific humanitarian actor a little over 2 months to establish 7 framework contracts valid 12 months (and renewable subject to good performance). Additionally, tendering for new framework contracts can be initiated prior to the expiry of previous ones, meaning that humanitarian actors successful at reproducing this procurement procedure could always have a selection of FSPs on call.

Other surveyed humanitarian actors who advertised open tenders for cash assistance activities did not receive as many responses and eligible bids. Many require additional eligibility criteria, such as an Accreditation Act from the Congolese Central Bank (“Acte d’agrément de la Banque Centrale” in French) for both the national head office and sub-national subsidiaries; whether this document can be easily obtained for smaller FSPs such as local cooperatives remains unclear, and the issue could deserve further political economy analysis. Some actors also used longer and more detailed calls for tenders, which were more prescriptive in terms of information sought and templates to be used by FSPs (e.g capacity questions on of every targeted village in a geographical lot generally defined as a province). While this can make comparing different offers simpler and awarding contracts more transparent, it may also overburden tenderers with less capacity to provide such detailed information.

