

# WORKING WITH FINANCIAL SERVICE PROVIDERS TO PROVIDE EMERGENCY CASH ASSISTANCE

## Guidance for humanitarian cash assistance programs and consortia in emergency settings

LESSONS FROM THE COLLABORATION BETWEEN VENESPERANZA, LATIN AMERICA'S LARGEST CASH CONSORTIUM, AND FINANCIAL SERVICE PROVIDERS IN COLOMBIA

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## Authorship

This report was authored by Katrina Keegan, an independent researcher contracted by Mercy Corps. The research underlying this report was conducted by the author and made possible by the generous support of the US Agency for International Development (USAID). Unless expressly stated otherwise, the findings, interpretations and conclusions expressed in this report are those of the author, and do not necessarily represent the views of USAID, the VenEsperanza Consortium, Efecty, Banco de Occidente, or Davivienda.

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## Glossary of terms

BHA: USAID's Bureau for Humanitarian Assistance

CaLP: Cash Learning Partnership

FSP: Financial service provider, also known as transfer service provider (TSP)

INGO: International non-governmental organization

IRC: International Rescue Committee

KYC: Know your customer/client

MPCA: Multi-purpose cash assistance

PIN: Personal Identification Number

TPP: Temporary Protection Permit (PPT in Spanish)

TPS: Temporary Protected Status (EPT in Spanish)

USAID: United States Agency for International Development

# Introduction

## Case Study

### The VenEsperanza consortium

The VenEsperanza consortium is the largest humanitarian cash consortium in Latin America, representing four international organizations (*herein called “partner organizations”, or simply “partners”*): the International Rescue Committee, Mercy Corps, Save the Children, and World Vision. This report presents VenEsperanza as a case study to illustrate a consortium model for delivering emergency cash assistance at scale in collaboration with financial service providers (*herein called “FSPs”*).

### VenEsperanza emergency cash assistance

Between September 2019 and June 2023<sup>1</sup>, VenEsperanza has provided emergency cash assistance to 469,000 vulnerable people affected by the Venezuelan crisis including Venezuelan refugees and migrants, Colombian returnees, and host communities in 12 Colombian departments. Funded by the Bureau for Humanitarian Assistance (BHA) of the U.S. government’s Agency for International Development (USAID), VenEsperanza provides six months of unconditional food assistance via multi-purpose cash transfers to individuals determined to be eligible for the program based on a standardized survey (*herein called “participants”*). This assistance supports the most vulnerable people affected by the crisis by helping them to meet their basic needs, improve the living conditions of their families and nutrition of infants and young children, and lay the foundation for longer term integration and food security.

### Cash transfer mechanisms

VenEsperanza MPCA program engages with two distinct cash transfer mechanisms: pre-paid cards and direct payments through Efecty, both of which are described in greater detail below.

#### Pre-paid cards

##### FINANCIAL SERVICE PROVIDERS

The financial service providers involved in the card transfer mechanism are two Colombian banks: Banco de Occidente<sup>2</sup>, working with Mercy Corps and IRC, and Davivienda<sup>3</sup>, working with World Vision. These banks house the accounts associated with the Visa pre-paid cards used to transfer funds to participants.

##### DELIVERY: TRANSFERRING FUNDS TO PARTICIPANTS

Once pre-paid card participants are informed of and accept their enrollment into the program, they are invited to an event where VenEsperanza staff give an informational talk, lasting approximately 45 minutes, to explain everything participants need to know about using their Visa pre-paid card. The talk includes step-by-step simulations for ATM withdrawals and debit purchases. VenEsperanza staff provide participants with instructions and advice on how to avoid ATM charges and to protect themselves against potential risks. Participants also learn to check their card’s balance on an online portal. During the event, participants meet privately with a VenEsperanza staff member who gives the participant their card, Personal Identification

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<sup>1</sup> Implementation of phase 1 ended in September 2022. Phase 2 immediately followed and is projected to continue through December 2024.

<sup>2</sup> Banco de Occidente is one of four banks affiliated with Grupo Aval, Colombia’s largest banking group with a network of more than 1,200 branches, over 3,300 ATMs, and over 36,000 other points of service. <https://www.grupoaval.com/grupo-aval-eng> (Accessed April 19, 2023)

<sup>3</sup> Davivienda counts on a network of 669 branches and over 2,700 ATMs. [https://www.davivienda.com/wps/portal/personas/nuevo/personas/quienes\\_somos/sobre\\_nosotros](https://www.davivienda.com/wps/portal/personas/nuevo/personas/quienes_somos/sobre_nosotros) (Accessed April 19, 2023)

Number (PIN), and information about the amount of cash he/she will receive. Funds are issued once a month to the account associated with the card (there is no need for participants to have a prior account).

#### WITHDRAWAL: PARTICIPANTS ACCESS FUNDS

Pre-paid card participants have two options to access funds. Using their card and PIN, participants can purchase items directly at a store. Alternatively, they can go to an ATM or service point, ideally an affiliated one to avoid commission fees, and withdraw cash directly from the account associated with their card.

### Payments through Efecty

#### FINANCIAL SERVICE PROVIDER

The other cash transfer mechanism, employed by all four VenEsperanza partner organizations, is payments through a Colombian financial service provider called Efecty<sup>4</sup>. Adoption of the Efecty modality increased significantly following the onset of the COVID-19 pandemic.

#### DELIVERY: TRANSFERRING FUNDS TO PARTICIPANTS

Once participants are informed of and accept their enrollment into the program, they are registered for an Efecty account and provided with key information about when cash will be transferred and how to access it. VenEsperanza staff give a talk and present an instructional video, lasting five to ten minutes, to inform participants about the steps involved and to give them important tips on safety and security. Participants are also privately told the amount of cash they will receive. VenEsperanza funds are issued once a month to the Efecty account associated with their ID (there is no need for participants to have a prior account).

#### WITHDRAWAL: PARTICIPANTS ACCESS FUNDS

Participants receiving transfers through Efecty must make their way to an Efecty service point (Efecty site or franchise site) to withdraw funds. There, they are attended to by Efecty agents (*herein called attendants*) and need to present the ID associated with their account and provide their fingerprint to confirm their identity. Once confirmed, the Efecty attendant provides the participant the full amount of the transfer.

## Report overview

### Purpose

As part of VenEsperanza's research and learning agenda, this research aimed to collect, analyze, and document lessons learned and best practices related to the collaboration between humanitarian actors and FSPs delivering MPCA in emergency contexts. Using VenEsperanza as a case study, this report explores the role FSPs play in emergency cash assistance programming and generates evidence, insights, and recommendations about collaboration with FSPs for the benefit of humanitarian agencies and cash actors to help inform strategic decision-making for the next stages of cash work in Colombia and beyond.

### Report structure

This report is an account of the VenEsperanza program in Colombia and lessons learned through implementation to date. Findings are organized and presented by research theme, with each section dedicated to different phases and components of the consortium's collaboration with FSPs, including

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<sup>4</sup> Efecty is a Colombian cash transfer service operator with over 9,000 service points nationwide. <https://www.efecty.com.co/web/> (Accessed August 1, 2023)

identifying and selecting FSPs, initiating the collaboration, and standard operations. Each thematic section documents and explores lessons learned and best practices as well as recommendations. The report concludes with a summary of key takeaways.

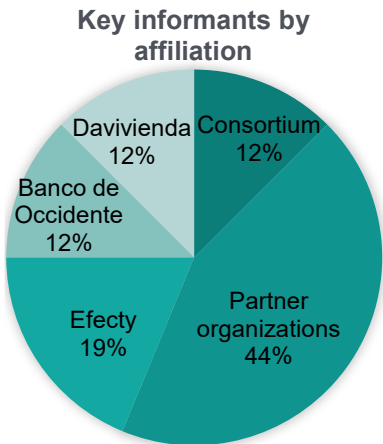
## Intended audience

This guidance is intended for (1) VenEsperanza, Efecty, Banco de Occidente, and Davivienda stakeholders, so that lessons learned may serve to inform and improve collaboration efforts and future programming and (2) external stakeholders looking to implement MPCA programming, allowing for adoption of best practices and avoidance of mistake repetition.

# Methods

## Data sources and collection methods

This research draws on a combination of primary qualitative data collection (key informant interviews) and secondary data and document review. Sixteen semi-structured key informant interviews were conducted remotely and in-person with selected representatives directly involved in the collaboration. Informant samples were drawn using purposeful sampling following discussions with VenEsperanza leadership, who provided lists and contact information for targeted profiles. Ultimately, profiles included past and present members of the consortium coordination team (2), focal points from each partner organization (7), and focal points from the three FSPs (7). Of the twenty key informants invited to participate, sixteen accepted the invitation, provided informed consent, and were interviewed in English or Spanish. Interviews lasted no more than one hour and took place in February 2023.



Staff turnover was a limitation affecting this study. Notably, the priority informant targeted for Efecty, who served as VenEsperanza’s lead focal point for two years, left Efecty before data collection began and was unable to be interviewed. Efforts were made to gather insights from other Efecty stakeholders, albeit with less direct experience working with VenEsperanza partners, and thus findings potentially represent an incomplete picture of the collaboration from the perspective of Efecty.

## Data analysis and synthesis

Key informant interview audio was transcribed, coded, and analyzed by theme. Using a deductive and inductive approach to data analysis, all transcripts were sorted into categories corresponding to core components of the structure and/or operation of the collaboration, and then ‘open coded’ in Dedoose<sup>5</sup> to identify and label all segments of data within each category. Codes were grouped by conceptually equivalent themes and analyzed for response patterns and trends to develop findings. Secondary data was analyzed and triangulated with primary data to minimize bias, enhance accuracy and reliability of results, and ensure the credibility of findings, with each finding directly traceable to evidence. Finally, the interpretation of findings was supported and validated through review and feedback on draft research products.

<sup>5</sup> Dedoose Version 9.0.17 (2021). Los Angeles, CA: SocioCultural Research Consultants, LLC [www.dedoose.com](http://www.dedoose.com).

# Identifying, screening, and selecting an FSP

Identifying, screening, and selecting an FSP is an extremely important decision for any MPCA program. While an FSP's prior experience with cash assistance as well as a positive reputation within the market are considered important, informants prioritize careful consideration around the "five C's": coverage, cost, capacity, customer service/client relations, and a commitment to ethics and assurances.

## Coverage

### Geographical coverage and operational model

Coverage was the most frequently mentioned factor for consideration when evaluating an FSP. Key informants highlight the importance of FSP mapping exercises, ideally done in coordination with other actors and national cash working group, to identify common FSPs and understand whether they are known and trusted among potential participants.

Geographically mapping FSPs' distribution

networks in target areas is also key to ensuring reach and accessibility of services for the target population, including those in more remote or underserved areas. A large network of service points and distribution channels can reduce administrative complexities and logistical challenges in delivering assistance efficiently.

*"When selecting an FSP, it's important to know the maximum distance a participant may have to travel to access funds, including in the most remote locations where participants are." (Key informant, Mercy Corps)*

However, extensive coverage networks can have disadvantages that need to be considered. For instance, while vast, the operational models of some FSPs (including Efecty) rely heavily on third party operators that manage franchise points and oftentimes host multiple services in the same space, which can complicate the withdraw process for some participants. It is vital to assess company structure when evaluating FSPs and to understand the level of control and authority an FSP has over its points and what actions it can take in terms of standardization and compliance with established processes and codes of conduct.

### Considering a single FSP or multiple FSPs

Another key consideration is whether to work exclusively with one FSP or to engage multiple FSPs. Several informants see VenEsperanza's decision to partner with both banks and Efecty as advantageous, as it has allowed for greater geographical distribution and accommodation of participants' diverse needs as well as the opportunity to shift operations to better serve participants. When considering multiple FSPs, however, informants stress that potential benefits related to coverage must be weighed against administrative burden.

*"Having two options has helped us reach more participants in different situations and locations. Each option has pros and cons so it's important to analyze them separately and collectively. More can be beneficial but is also more complex. We must ask, 'how many options is too many options'? (Key informant, Mercy Corps)*

## Costs

### Seeking and securing the lowest transfer costs possible

Administrative costs are another crucial factor when comparing and ultimately selecting FSPs. Higher operational costs can affect program reach, duration, and overall cost efficiency while lower transaction fees



## LESSONS & BEST PRACTICES

*When identifying and selecting an FSP, key informants considered the "five C's" (coverage, cost, capacity, customer service/client relations, and a commitment to ethics and assurances) to be equally- if not more important- criteria than an FSP's prior experience or positive reputation.*



optimize resources and maximize the assistance provided to participants. Comparing the value for money of different service providers helps enable informed decision-making when it comes to a program's bottom line.

## **Understanding costing structures and avoiding deductions**

Through experience with VenEsperanza, informants stress the importance of understanding the entire cost structure, including administrative expenses, distribution costs (the transfer rate), commissions, and any other fees incurred or potentially incurred at all stages of the process by the program and participants.

Transparency on behalf of the FSP related to the cost breakdown of intended services enhances accountability and effective financial planning and management, ensuring that the full amount of cash assistance reaches intended recipients and the avoidance of unnecessary, and often costly, deductions.

*“It’s so important that all potential costs and charges are clear from the beginning, including not only transfer costs, but any additional charges, taxes, commissions, or fees. This will avoid any surprises later and ensure there is agreement and accountability on how charges are covered and by whom, whether it be the donor, consortium partners, or FSP. Ultimately, we want to avoid participants being charged.” (Key informant, IRC)*

## **Capacity**

### **Financial capacity, stability, and solvency**

A thorough analysis of an FSP's financial capacity, stability, and solvency is crucial for determining whether it has the ability to deliver and sustain the required level of assistance on time and where needed, as well as to potentially scale to meet program needs. Such analyses contribute to risk management, reducing the likelihood of disruptions or mismanagement of funds that could jeopardize the delivery of cash assistance to participants. Informants highlight the importance of reviewing FSPs' payment systems, timeframes, and delivery mechanisms for “stocking” points with cash to confirm FSP capacity and ensure funds are always available and accessible to all participants. Informants also consider it vital to assess potential limitations or caps on account balances, which provide insights into an FSP's ability to handle high transaction volumes.

### **Technical and technological capacity**

An FSP's financial and operational capacity is closely related to, and typically dependent on, its technical and technological capacity. Thus, key informants encourage organizations to analyze the platforms FSPs use to track transfers and pending cases and to inquire as to whether FSPs' policy allows for organizations to access FSP platforms directly, which can help facilitate efficient operations and monitoring of transfers.

*“I can’t stress enough the importance of assessing the quality of FSPs’ data registration and management platform, since dealing with that platform will be your day-to-day. With Efecty, we’ve been granted three user profiles, allowing us to directly enter their platform and review the status of participants’ transfers, without having to constantly ask Efecty for this information, which was a time-consuming operational burden before. It lets us effectively follow up with Efecty or with participants.” (Key informant, Mercy Corps)*

### **Operational capacity**

A careful review of an FSP's operational capacity should consider whether the FSP is willing and able to develop operational solutions to accommodate needs and overcome limitations affecting the population, including exploration into the FSP's full range of services and extent to which the FSP is able to support financial inclusion. For instance, migrant populations do not always have documentation that meets FSPs' Know Your Customer (KYC) requirements, used to verify a customer's identity. For VenEsperanza, flexibility on the part of FSPs combined with advocacy and support from partners allowed teams to overcome this



significant obstacle. Efecty expanded the types of identification documents it accepts, opening pathways to assistance for those with expired IDs or no ID at all. Similarly, Banco de Occidente allowed partners to create unique ID numbers linked to the partner’s account, in lieu of a participant’s identification document, allowing undocumented participants to access pre-paid cards. FSP and partner informants say these systems took time to approve within FSPs’ KYC policies and procedures but have worked well since. In both instances, FSPs made it clear that the partners and donor assumes legal accountability for products and services issued with these alternative IDs, since they don’t comply with Colombian regulations otherwise.

*“It took several conversations to explain to Efecty that it wasn’t easy or in some cases even possible for the population to access or renew passports or cédulas<sup>6</sup>, the only acceptable documents at the time. Through advocacy and collaboration, they eventually accepted expired cédulas and the TPP<sup>7</sup>.” (Key informant, IRC)*

*“We have been able to accept expired cédulas, as well as the Save the Children cards<sup>8</sup>, in very particular cases and only when authorized by the client. In these cases, the accountability and responsibility of any instance of fraud is assumed by the client.” (Key informant, Efecty)*

*“We can now generate cards with a unique and random ID number, without the need for an identification document. That’s a solution for the undocumented population that we didn’t have at first. We had to evaluate and confirm we could offer that. In the end, it was possible because we know the origin and financial backing of funds from the U.S. and the client assumed legal responsibility. (Key informant, Banco de Occidente)*

## Customer service and client relations

### Quality service: both for partners (clients) and participants

Key informants consider customer service a priority criterion for FSP selection. Evaluating the quality of FSPs’ customer support services includes assessing the availability and responsiveness of customer service representatives and effectiveness of established communication channels. Informants recommend inquiring about the FSP’s average response times when addressing customer inquiries or issues and assessing their protocols for handling different types of cases. Requesting performance testimonials from former/current clients and examples of how the FSP has responded to specific cases in the past can shed light on their problem-solving abilities and track record in handling issues. Informants also consider it good practice to assess internal training and support provided to attendants as well as the FSPs’ redress mechanisms for resolving complaints and addressing ethical issues.

### KEY QUESTIONS

- *Is the FSP committed to client (including participant) experience and satisfaction (not just their bottom line)?*
- *Will the FSP be responsive to the needs of participants?*
- *What margin of error is acceptable to the FSP?*

### Ability and willingness to adapt and improve

Flexible and collaborative customer service models often translate to more effective and impactful programming by allowing for adaptations in real-time and tailoring services to meet the specific needs of participants, ultimately translating to better user experiences. Partner informants deeply valued FSPs’ ability and willingness to make operational adjustments and improvements.

<sup>6</sup> Colombia’s national identification card

<sup>7</sup> Temporary Protection Permit, or TPP (PPT in Spanish), an identification and registration document issued to Venezuelans in Colombia who meet criteria for Temporary Protection Status, or TPS (EPT in Spanish) granted by the Colombian government. Source: GIFMM, R4V (2021).

<sup>8</sup> Save the Children developed a VenEsperanza card with Efecty to serve as an ID for undocumented participants. The card features the VenEsperanza logo and a unique ID number linked to a separate registration system, and is accepted at certain (non-franchise) Efecty points.

*“A real advantage of working with Efecty is that they’ve listened to us, learned about the emergency context in which we’re operating, and have worked to reduce the time it takes for transfers to reach participants. Initially, it took half a day for cash to become available to participants after we made the payment to Efecty. But, gradually, Efecty improved this time and now it only takes an hour maximum.” (Key informant, IRC)*

*“Partners needed transaction information to do their tracking and reporting and it wasn’t easy to review that for so many cards using our platform because it isn’t designed for that, so we began preparing and sending a monthly report with all of that information to an authorized person on their side. It hasn’t been easy because of policies on information sensitivity, security, and protection but we worked hard to send that information faster and in the most safe and useful way possible.” (Key informant, Banco de Occidente)*

**Aligning values and getting to know the company and focal points**

VenEsperanza’s experience demonstrates that quality customer experience requires effort from both the FSP and the implementing organization(s). Key informants emphasized the importance of each side taking the time to understand the other’s mission and values, what is important to them, what success looks like, and what they need to achieve it. FSPs and partners should also share how they operate, what key processes look like, and who is involved. Trust and credibility are fostered when an FSP understands and adheres to a program’s principles, and vice versa. An alignment of values and mission between FSPs and partners is vital for a cohesive approach, according to informants on both sides of the collaboration. When objectives are shared, both parties work towards common goals, ensuring a unified and ethically consistent program. Furthermore, informants cautioned not to underestimate or underinvest in relationship building with FSP focal points, ideally from the very onset of the bidding process. Setting clear expectations around timely responses and solutions and arranging formal and informal meetings and Q&A sessions to get a better sense of personality fit, communication style, workload and availability, and willingness to learn are key.

*“It’s really about the relationship. There’s a lot that has to do with rules, regulations, and processes based on the contracts, but then there’s a lot that has to do with the personality and availability of focal points. Some of the biggest pain points to date come down to the customer service aspect.” (Key informant, consortium)*

**Commitment to ethics and assurances**

**Anti-fraud policies, commitments, and structures**

An FSP must also be able to swiftly investigate and respond to allegations of fraud and misconduct and effectively troubleshoot issues that arise. Informants call for careful review of FSPs’ codes of conduct, ethical policies, internal audits and controls, and anti-fraud/corruption prevention and response measures. They also recommend assessing (1) vigilance and monitoring by government entities and compliance track record with relevant laws and regulations governing the industry, (2) ethics and anti-fraud training within employee onboarding and capacity building and, (3) sanctions and disciplinary procedures for non-compliance.

**KEY QUESTIONS**

- *Does the FSP have clear, agile, and comprehensive processes in place to detect, investigate, and respond to fraud allegations?*
- *Does the FSP dedicate sufficient resources to these ends?*

**Information security standards and protections**

Key informants highlight information security as another important screening criteria, as it is crucial to ensure the safety of sensitive data, mitigate security risks, and build trust with cash actors. Drawing from lessons learned, informants advocate for review of FSPs’ information security protocols, data privacy and protection policies, encryption practices, compliance with relevant regulations, and incident response plans. It is critical to understand what data is collected by FSPs, and where and how data is stored, protected, and shared.

## RECOMMENDATIONS FOR IDENTIFYING AND SELECTING AN FSP

- Coverage is an essential first filter: Ensure FSPs have operational presence in program intervention areas and commit to understanding the company structuring.
  - Strive to understand costing structures to secure the lowest fees possible and avoid deductions.
  - Thoroughly assess an FSP's financial, operational, technical, and technological capacity to ensure compatibility with program needs.
  - Don't underestimate the importance of quality customer service nor FSP's flexibility and willingness to adapt and improve to fit participant's diverse needs and preferences. Participant needs should be greatly considered when selecting the providers.
  - In cash programming, it is vital to ensure an FSP's commitment to ethics and assurances and analyze whether FSPs have robust anti-fraud policies and information protections in place.
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## Initiating the collaboration

### Trial period

#### Piloting the collaboration

Three of the four VenEsperanza partners began with bank-issued cards. Partners leveraged their existing relationships with banks (Mercy Corps and IRC with Banco de Occidente; World Vision with Davivienda) and approached them to discuss and develop a proposal for the services needed.

Logistically and administratively, informants say it is easier to add services to an existing contract with a partnering bank, rather than open an account with a new bank. Trial periods with both banks proved fruitful.

Partners also worked to identify an e-transfer option, which became especially important during the COVID-19 pandemic. The partners identified and piloted several (up to three) FSPs, including MoviiRed and Super Giros, but trial periods illuminated various issues (i.e., insufficient coverage, administrative delays, financial insolvency, technological limitations and/or failures). Save the Children, meanwhile, successfully piloted with Efecty and became the first to enter into a formal contract with Efecty. The other partners soon followed.

Based on this experience, informants consider having a trial period with an FSP to be a best practice before implementing large-scale cash assistance programming, as it allows for a “test run” of collaborative performance, efficiency, and responsiveness. The trial period ensures compliance with legal requirements and provides an opportunity to review and measure the FSP's performance on the “five C's”. Additionally, identifying potential challenges during the trial period serves to (1) inform risk mitigation strategies and/or adjustments that can be made for improved service delivery and to tailor services to meet specific needs or (2) discontinue the pursuit of the collaboration should challenges or risks be deemed insurmountable.

*“It's really important to remember that in most emergency settings, FSPs haven't worked with humanitarian programming before, unless there's been a recent crisis. So initially, it's about seeing if this type of operation works well with their business model or not. It's understandable that not all FSPs can pivot at this point in their business operations to make humanitarian aid work. But it's hard to know that until the FSP is actually working within the operation, which is why a trial period is important.” (Key informant, consortium)*

## LESSONS & BEST PRACTICES

*Having a trial period with several FSPs helped partners identify obstacles and opportunities, ultimately informing whether or not to pursue the collaboration.*

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## Contracting

### Leveraging consortium influence

VenEsperanza partners each have a separate contract and manage direct communications about their accounts with the FSP(s) with whom they work because the organizations need contracts to meet internal standards, policies, and financial structures.

Despite needing to contract FSPs at the partner level, informants consider that consortium-level engagement should have a place in FSP collaborations from the beginning and feel there were opportunities to have leveraged more influence as a consortium. For example, partner's transfer rates with Efecty range widely. Partner and consortium-level informants felt that if had they approached Efecty as a consortium rather than as individual organizations to negotiate contracts, they would have had greater collective bargaining and negotiating power and likely could have secured a lower rate from the onset of the operation.

*“We realized Efecty’s transfer rate varied by partner from .9% to 1.8%. That’s a huge difference. Had we negotiated as a consortium from the onset, we probably could’ve negotiated an even lower rate for everyone later on... I think collective bargaining is a powerful tool and an advantage of a consortium that single organizations don’t have. And it’s not just monetary, it can stimulate other changes in terms of approaches and policies. There’s no reason not to wield that power as a consortium.” (Key informant, consortium)*

Phase two of VenEsperanza was an opportunity for renewed conversations to revisit and modify contracts with respect to costs and client services. It also created room for alignment and standardization on language and conditions of contracts relating to program fundamentals and shared standards on compliance, ethics and assurances, information security and protections, data sharing, etc. Key informants say consortium-level involvement in contractual adjustments can yield positive outcomes in terms of efficiency and harmonization.

*“It is extremely important that the consortium be involved in developing basic operating agreements. Even if they happen at the partner level, we could have shared, standardized, and streamlined contracting language across partners when it came to Efecty, saving time. In the latest contract modification, we included a clause stipulating that decisions will always be based on what’s best for participants. Including this across all partners would have sent a powerful message to Efecty on where our priorities lie.” (Key informant, Save)*

### Meeting in the middle and reserving enough time

Contracts and their modifications take time, especially when they must be developed to meet the needs and requirements of two distinct entities working with different legal frameworks and operational environments, a challenge cited by partner and FSP informants alike. Informants suggest starting contracting processes as early as possible and reserving sufficient time for negotiations that allow both sides to reach a compromise.

*“We understand that contracts come from high-level, international headquarters for these organizations, but some things have been complex to change or modify. Our contractual policies and regulations within the Colombian market are one way, but those of their headquarters must be another way. It’s hard for us and we want them to understand that we work differently. We need to find common ground.” (Key informant, Efecty)*

## LESSONS & BEST PRACTICES

- *While FSP contracting at the individual partner level is often necessary, consortium-level engagement when negotiating with FSPs and standardizing contract language and conditions across partners is beneficial.*
- *Contracting is time and labor intensive.*

## LESSONS & BEST PRACTICES

### Setting and aligning expectations

#### Clarity on expectations, obligations, and standards for donor funded assistance

FSP informants explain that working with actors in the humanitarian sector, who represent a distinct client profile from their typical private-sector clients, means having to identify and navigate differences between sectors. Informants say it's important to recognize that FSPs may have little or no experience working with INGOs in the humanitarian space and thus, need time to learn and adapt.

*“For us, World Vision is very different from our typical clients, requiring a distinct relationship. Because they are an organization with U.S. funding, they have very specific requests that are completely out of the ordinary for us and often become complex for us to handle.” (Key informant, Davivienda)*

- *FSPs without prior experience working in the humanitarian sector need time and support to learn and adapt.*
- *FSPs faced a steep learning curve understanding and implementing donor funded humanitarian assistance, which caused confusion and delay in aligning expectations. Support and clarity from partners are needed at the onset.*
- *A lack of familiarity with partner and FSP regulatory bodies, expectations, and obligations caused tensions.*
- *Educating FSPs on participant profiles/ experiences & setting clear expectations for dignified treatment (i.e. via internal campaigns, capacity building) can improve assistance access and quality.*

Coming from a private sector and business perspective, FSPs also report facing a steep learning curve in terms of understanding and implementing donor funded humanitarian assistance, which caused confusion and delay in aligning expectations critical to the success of the partnership. Most partner informants feel that expectations, obligations, and minimum standards related to donor funding had been made clear to FSPs at the start of the collaboration, whereas most FSP informants feel that they didn't become clear until later. Informants feel the onset of the partnership is an important time to ensure such principles are well grounded.

*“Looking back, I think our initial exchanges left gaps. We should have invested in understanding each other and how each of us work. We paid for that later on when it became clearer that the FSPs were unfamiliar with things like donor funding and humanitarian assistance and serving vulnerable populations. I think it was a learning process for them. Over time and with experience, we've managed to mitigate and correct that oversight, but we could have provided them more support from the beginning.” (Key informant, World Vision)*

#### Clarity on roles and responsibilities towards regulatory bodies

INGO partners and FSPs must respond to regulatory bodies. Informants on both sides of the collaboration expressed a lack of familiarity with these bodies and their rules, regulations, and approach to monitoring and investigations. The lack of awareness and clarity on roles and responsibilities towards respective regulatory authorities generated frustration and tension within the collaboration. For instance, all financial institutions must comply with an annual data review conducted by government regulatory bodies and clients (partners) must provide information as part of this. Informants from one bank reported difficulties getting the partner to provide annual paperwork to comply with this review despite it being the same standardized process every year. On the other side of the collaboration, informants described challenges when it came to FSPs' interactions with the Office of the Inspector General (OIG), which monitors U.S. Government funds. FSP's described OIG questions and requests as “confusing”, “unexpected”, “rigid”, and “demanding”.

*“They (FSPs) have had to work closely with us to understand that the funds are not private, but humanitarian donors and with that comes complex and rigorous standards, especially for cash programs. I think they need*



*to work to better understand us and we need to work to invite them to meetings and spaces that allow us to better explain how we must manage these resources.” (Key informant, Mercy Corps)*

*“Since the operation is highly complex, we have to reach a middle point because they care a lot about their margins and about having everything well organized before their control entities, so they’re quite strict with that operational management.” (Key informant, Davivienda)*

Both partner and FSP informants underscore the importance of sharing and ensuring understanding of the regulatory environment within the operating context so each side can be prepared and know what to expect of the other side of the collaboration. Fostering a shared commitment to compliance requires space to learn about each other’s respective regulatory bodies and clarity about consequent expectations, including what information is needed and when, who may contact them, and what their obligations are.

### **Serving program participants**

In the case of VenEsperanza, implementing emergency cash assistance for a vulnerable population affected by a migratory crisis differed significantly from FSPs’ typical services rendered. Key informants say it took time for FSPs to learn about and understand participant profiles, the nature and dynamics of the crisis, and programmatic response. Like any other company, FSPs are made up of individuals, each with their own unique perspectives and personal connections to the crisis, which may influence thoughts or behaviors towards the program or its participants.

*“Since we are so different, it’s not something (FSPs) will understand in one sitting. They may not suddenly understand that our participants are people in need, but they do need to understand that our participants are valuable to us and we need to make that clear.” (Key informant, Save the Children)*

*“It’s frankly unrealistic and unreasonable to expect that all Efecty attendants, on a human level, automatically accept and understand the Venezuela crisis and its impact on Colombia. As humanitarians, we sometimes forget this is a process for a lot of people. We’re clear on our commitment to the right to migrate and to escape vulnerable situations but we can forget that not everyone else is.” (Key informant, consortium)*

Informants say confusion or judgments about the user profile and experience can translate to sub-optimal or even problematic treatment of participants. To counteract this, VenEsperanza and Efecty have implemented several strategies. For instance, VenEsperanza has assisted Efecty in creating internal campaign materials, aiming to raise Efecty staff’s awareness about the Venezuelan crisis, promote a dignified approach to attending participants, and spread the message that xenophobia, discrimination, nor fraud are tolerated. When the materials did not have the impact teams hoped for, Efecty incorporated these topics into internal capacity building, eventually yielding better results. VenEsperanza also collaborated with Efecty to develop a code of ethical conduct for Efecty attendants, which was disseminated throughout the franchise, developed of a three-strikes disciplinary system wherein non-compliant sites are placed on probation period or closed, and installed cameras at more problematic points to be able to investigate further. Informants feel all these actions were important but would have been more effective had they been implemented earlier.

*“We’ve helped Efecty design campaigns for attendants to talk about the Venezuela crisis, why it’s happening and why people are leaving their country, with the underlying message that they must be treated in a dignified way. That process is happening. Efecty, as a company, is understanding the crisis and population’s needs more and more, but it’s unreasonable to expect that from the beginning.” (Key informant, consortium)*

*“We feel the service at points has improved since we incorporated anti-xenophobia education into our trainings. In sites where we identify issues, we now do a refresher training, monitor the cases and follow up directly with that point every one to two weeks as necessary until cases improve.” (Key informant, Efecty)*

Drawing from these lessons learned, partner informants underscore the importance of (1) dedicating time to educate FSPs about the population, specific needs, and potential risks and limitations and (2) setting clear expectations around the respectful treatment of participants, ideally by garnering a commitment from FSPs at the highest administrative levels and strategizing ways to reinforce it throughout the entire entity. Early conversations and commitments can promote the dignified treatment of participants and the development of solutions to meet the population’s needs.

## Establishing focal points

### Advocating for a singular and centralized FSP focal point, shared among partners

When it comes to main focal points with the banks, each partner has a unique focal point, typically the individual in charge of the partner’s account. When it comes to Efecty, there is a common focal point for the four partners. Advocating for a common focal point for partner organizations of a consortium is considered a good practice by key informants as it can streamline communication, facilitate decision making and coordination, increase accountability, promote relationship building, and enhance alignment on expectations and objectives. Having a single focal point representing the FSP can also help avoid the exchange of different or even contradictory messages that can occur if multiple focal points are involved, thus avoiding the potential for diverging paths that could hinder progress.

## LESSONS & BEST PRACTICES

- *Advocating for a common FSP focal point for all partners can streamline communication, facilitate coordination and decision-making, increase accountability, promote relationship building, and enhance alignment on expectations and objectives.*
- *Identifying and coordinating with FSP focal points at the regional and local levels helped generate more targeted and contextualized interventions.*
- *The collaboration worked best when partner and consortium-level focal points were clear to FSPs.*
- *There is an opportunity for more cross-exchange of experiences and lessons learned among partner focal points.*

### Identifying and coordinating with FSP focal points at the regional and local levels

Beyond the main FSP focal point, typically the national-level account manager within the central branch, some partner informants advocated for FSP focal points at more local levels of the operation. Both Save the Children and World Vision established Efecty contacts at department and city levels and insisted on the inclusion and involvement of more localized Efecty management when they uncovered trends or cases affecting certain Efecty points within their authority. This is particularly vital in rural areas. Informants said this practice allowed teams to alert Efecty and generate targeted interventions and contextualized solutions (i.e., trainings, sanctions) more directly, resulting in a significant reduction of incidents at those points.

One downside of this practice, informants cautioned, is that working at the regional or local level can mean that some of the progress they’ve made stays at the regional/local level. Thus, when moving into a new region, and interacting with new Efecty points, informants described feeling they were starting from scratch and needed to intensify monitoring upfront to prevent and mitigate incidents. Therein lies an opportunity for improvement in raising key decisions or methods put in place at the regional level to the national level.



*“If we need to review cases or see trends at a particular point, we request regional Efecty managers attend a meeting alongside the national focal point. In our experience, involving regional staff is more effective because they have more direct access to teams and information for those points. A more localized, site-specific approach to reviewing and responding to cases led to immediate drops in incidents in that area. The problem is entering a new area. We find incidents again and need to start over. We must scale up success we’ve had at the local level and apply it across Efecty at the national level.” (Key informant, World Vision)*

### **Ensuring consortium-level and partner-level focal points are clear to FSPs**

Initially, FSPs only knew of and engaged with partner-level focal points and were unaware of consortium-level structures and dynamics. For instance, Davivienda key informants did not know World Vision formed part of a consortium and could not differentiate between VenEsperanza and other World Vision programs. Similarly, Efecty wasn’t initially aware the four partners formed part of the same consortium.

*“When we first approached Efecty as a consortium to discuss different pain points, Efecty didn’t know at that point that these entities (the partners) were related. They had no idea. They felt the urgency and pressure of how the money was managed but didn’t know why. They also had their own set of issues and points for us to work on. I think that conversation was a huge turning point in the relationship in terms of finally having a sense of understanding of where we were and what was going on.” (Key informant, consortium)*

At the partner level, focal point structures vary by organization. Some partners have a single focal point whereas others have several. Partner focal points also hold different positions within their organization (i.e. program manager/coordinator, finance manager/officer, logistics coordinator) and have different roles and levels of engagement with FSPs. World Vision’s single focal point, for instance, manages all finances on the front end as well as fraud incident monitoring and response on the back end. Save the Children, IRC, and Mercy Corps have separate areas (and focal points) in charge of these two processes, with a financial team addressing finances and program team addressing fraud. In the latter arrangement, the level of contact and communication between the two areas varies greatly between organizations, ranging from near-constant contact between the two areas in some cases to separate and almost siloed areas in others. While data limitations prevent the full picture of the FSP perspective as to which focal point arrangements work best, FSP did stress the need for partners to ensure that (1) it is clear who the focal point(s) is/are at all times, (2) the focal point(s) be accessible, and (3) roles and duties are clear in the case of multiple focal points.

*“I’m the bridge between the field and the finance area to handle certain cases, follow up, and so on. So, on our side we have two focal points in contact with the FSPs, a more programmatic one and a more financial one. And both of us are in constant contact with each other too.” (Key informant, IRC)*

Findings suggest little or no contact between partners to exchange and share experiences in terms of how they work with the FSPs. Partner and consortium informants are unaware of what FSP coordination and communication processes look like for each partner - not even in the case of Efecty, which works with all four partners. Informants feel greater collaboration and coordination amongst partner focal points could yield dividends for all parties. For instance, cross-exchange of experiences and lessons learned among partners could help harmonize key messages, promote the uptake of best practices and avoidance of mistakes, and generate new ideas and innovative approaches, translating to more effective and efficient communication with FSPs. Many informants consider that consortium-level coordination could support such initiatives.

*“I have no idea how the other partners communicate or manage their relationship with Efecty or how they conduct their investigation process. We could probably learn a lot from each other.” (Key informant, Save)*

## Setting up fraud mitigation and management

### Establishing definitions and thresholds

Key informants explained that the private and humanitarian sectors often have different levels of acceptance when it comes to fraud and other issues, such as those stemming from customer service or treatment of participants. Without a collective framework for what constitutes these

issues, each entity may operate under different criteria, which can result in differential detection of potential cases across entities and risk failure to detect certain cases if definitions are not comprehensive or if thresholds are too high. Whereas private sector businesses may have a margin of error they're willing to accept because it won't affect their bottom line, the humanitarian sector has a responsibility to guarantee that every participant can access the full extent of their funds and receive dignified treatment.

*“At Efecty, our general policy is to solicit a photocopy of a client’s ID for transactions. As a franchise, many Efecty points are managed by third parties, who might also run other businesses. Let’s say a service point is located within a store... maybe the attendant charges the client for a photocopy as part of the services for their store. There are attendants who look to profit off Efecty clients in ways they shouldn’t and it’s hard for us to control because of the thousands of points we manage. For us, this isn’t really fraud and it represents a tiny fraction of all transactions but we recognize it shouldn’t be happening, so we now have structures in place to review claims and take corrective measures, such as training or sanctions.” (Key informant, Efecty)*

*“Efecty, as private business, defines fraud differently than we do in some circumstances. We don’t tolerate any margin of error that affects our participants. That’s a fundamental difference in the way we work, and we should have done more at the onset to understand and bridge that gap. We had to explain that while it may be an acceptable margin for them, it’s not for our program. They immediately stopped and they listened. It was a turning point in terms of understanding each other” (Key informant, consortium)*

Key informants recommend establishing clear definitions and coherent criteria for fraud and other problems early on, agreed-upon and applied uniformly by all parties. They feel this is most effective when all parties openly discuss what they consider (un)acceptable and reach agreement about what counts as evidence to investigate and respond to allegations. In cash programming, most informants advocated for low fraud thresholds or no threshold at all (that is, that all suspected cases must be reported and investigated).

### Cultivating a commitment to detection

VenEsperanza had a dedicated ethics and assurances manager at the consortium level, who served as the bridge between the FSPs, consortium, and partners and who worked to detect issues and propose and implement solutions aimed at preventing, mitigating, and responding to fraud cases. The person holding this part-time position came from the private sector, which was seen as an advantage by key informants, allowing for effective communication and negotiation with FSPs. Informants feel it would have been helpful to have this position filled from the very beginning to better anticipate and mitigate risks alongside the FSPs. Beyond a dedicated ethics manager, key informants consider it vital to develop a culture wherein all are encouraged to be on the lookout for potential fraud. Equally important is setting clear expectations and contractual conditions about the investigatory process from the onset of the collaboration to ensure all parties are aware of their roles and responsibilities when it comes to fraud detection, and the steps to follow once a (potential) case is detected.

## LESSONS & BEST PRACTICES

*Without a collective framework for what constitutes fraud and other issues, each entity may operate under different criteria, which can result in differential detection of potential cases and/or risk failure to detect certain cases. Clear and comprehensive fraud definitions/thresholds are needed.*

## RECOMMENDATIONS FOR INITIATING THE COLLABORATION

- Invest in a trial period to pilot the collaboration and FSP performance across the “five C’s”.
- Leverage consortium influence: engage in collective bargaining with FSPs.
- Streamline and harmonize contracting language/conditions across partners when appropriate.
- Contracting, including any adjustments or revisions, takes time. Start early.
- Establish a respectful, transparent working relationship and set clear expectations with FSPs.
- Don’t assume FSPs are familiar with the humanitarian architecture, donor expectations and requirements, or obligations towards regulatory bodies. It is important to accompany them in this process and equally important to learn their expectations and understand how they work.
- All parties involved should have clear and few focal points.
- Enforce expectations when it comes to customer service and ensure that participants are treated with dignity and respect. Identify, mitigate, manage, and address discriminatory treatment.
- Establish and assess anti-fraud and anti-corruption protections and safeguards systematically.

## Standard Operations

### Relationship development

#### Checking in and reassessing expectations

The administrative, legal, financial, cultural, and structural differences that exist between FSPs and humanitarian actors can make it especially difficult to set and manage expectations. To guarantee the success of the collaboration over time, informants

urge for an ongoing process wherein teams regularly revisit and reassess expectations over time to ensure they still serve the relationship. Setting periodic meetings aimed specifically at reviewing expectations is a helpful practice as it allows parties to ensure they are on the same page and to adjust as needed.

#### Investing in ongoing relationship development

Informants on both sides of the collaboration accentuated the value of investing in continuously learning. Holding in-person meetings and joining each other’s learning events, functions, and celebrations has strengthened the relationship in the eyes of informants. VenEsperanza also has plans to organize field visits for FSP collaborators to meet participants and see the program in action. Informants defined a strong working relationship as one wherein both sides are able to ask for support; from requesting a change in focal points that aren’t working out, to requesting specific trainings or materials.

*“We meet in-person as much as possible and attend each other’s functions to build the relationship. They show their commitment to us and to the cause of migrants and refugees, and we show our commitment to getting to know them as a company. I recommend not underestimating the value of genuine relationship building to get through hard points, not making assumptions, and being careful to understand expectations, especially in the early stages, but also throughout the relationship.” (Key informant, consortium)*

### Working relationships based on empathy and communication

#### An equitable and reciprocal collaboration

Differing perspectives among partners about the FSP’s role and responsibilities and about how to manage the partnership translated to varying levels of satisfaction when describing the quality of the relationship.

## LESSONS & BEST PRACTICES

- Expectations should be revisited and adjusted overtime to accommodate the needs and roles of FSPs and partners.
- Ongoing relationship building between partners and FSPs is a good investment.

Findings suggest that partners with better working relationships with the FSPs are those who actively take time to see the FSP's perspective, invest in learning how the FSP operates, and are committed to developing and maintaining an equitable and reciprocal partnership. In contrast, partners who describe a more unilateral view of the relationship, one where FSPs were expected to learn about and serve the partners, tended to express more frustrations and obstacles within the relationship.

The two quotes below, responding to a question on how the day-to-day collaboration between partners and FSPs could be improved, serve to illustrate differences between partner informants. While one placed the onus on the FSP to improve, another recognizes opportunities for improvement on both sides.

*“To improve, (the FSPs) need a better understanding of our programs, our purposes, and the population we serve... I think they also need to better understand our rigor when it comes to quality standards for resource management and fraud so they can adjust and adapt theirs to resemble ours... I believe (the FSPs) need to learn a lot more about our humanitarian culture and stop seeing themselves only as an operator of financial resources but as part of a humanitarian assistance operation. (Key informant, partner organization)*

*“I think there is room for improvement on both sides. I recognize that (the FSPs) have come a long way in understanding the needs of participants and improving their services -we have less and less complaints and allegations over time- but I think there is still work to do there and a big part of that must come from our side. Thinking back, we could have done more to listen and explain expectations on both sides when it comes to participant attention and provide more support to FSPs to achieve this. Moving forward, we must continue to listen and learn from each other and brainstorm solutions together.” (Key informant, partner organization)*

*“Approaching the collaboration at the consortium level has helped us look at the overall operation and realize we need to be empathetic: listen to their side, express our side, and meet in the middle. I think we have a lot to learn as a sector and need to be more open and willing. We can be arrogant. At times, the FSPs are more willing than we are. We must be flexible and cooperative too.” (Key informant, consortium)*

### **Facilitating frequent communication and regular information flows**

Findings suggest that more frequent communication correlates with better flow of information and shorter response times. Partner informants with more frequent contact, including regularly scheduled exchanges with FSPs, reported fewer issues when it comes to communication, higher satisfaction with exchanges and responses, and better relationships with FSP focal points overall. The same was true for bank informants<sup>9</sup> speaking about partner focal points. Constant communication between FSPs and partners can help with planning and facilitate the rapid identification and resolution of issues, such as the one described here:

*“Once, we needed to close out a single card, so we sent a request to the bank to cancel that card; let's say the card ended in number 53. Suddenly, we had a lot of participants calling us saying that they couldn't access their funds and we realized that somehow all of the cards that ended in 53 had been cancelled, not just the one specific card. It was an unexpected error, but we were able to catch it and fix it quickly because of our existing relationships and communication channels with our focal point.” (Key informant, IRC).*

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<sup>9</sup> This finding was unfortunately unable to be triangulated with Efecty because the main focal point changed before this study took place.

## **LESSONS & BEST PRACTICES**

- *A commitment to and investment in empathetic relationship building is essential for an effective relationship.*
  - *Frequent communication between focal points correlates with better working relationships and flow of information/speed of responses.*
-

*“Our biweekly meetings with FSPs are very helpful. Even if there isn’t much to discuss in terms of incidents or cases, it still helps check in with focal points to revisit plans and strategies” (Key informant, World Vision)*

Efecty informants feel consortium level meetings, wherein multiple or all partners are involved, help consolidate workflows for higher-level matters affecting several partners or the consortium as a whole.

*“We’re always available to meet with each partner to address their needs and reach a point where they’re satisfied with solutions. Meeting types and frequency look different for each partner. But whether it’s twice a month or every few months, there’s still continuous communication with each partner to meet. It’s important to always have clear communication channels managed by the consortium too because it allows us to mitigate issues on a larger scale, so decisions don’t sit with one partner alone.” (Key informant, Efecty)*

FSP informants, from the banks especially, are strong advocates of periodic in-person meetings to foster relationships and troubleshoot issues. The COVID-19 pandemic put a halt to this practice for nearly two years, but in-person meetings have reportedly become a priority again in recent months.

*“We really want face-to-face meetings again because it’s more productive than back-and-forth emails or calls, sometimes with different people. When we go to a client’s office and sit down together, we talk through issues all at once and coordinate actions so we’re on the same page.” (Key informant, Banco de Occidente)*

Consortium, partner and FSP informants report that WhatsApp and other less formal channels have been beneficial for quick exchanges such as asking simple questions, sharing brief updates, or brainstorming about non-critical issues in real time. Such channels, informants say, can also be useful when it comes to time-sensitive matters, as more formal and official communication channels might be slower.

*“Our focal point and main contact at the bank created an exclusive WhatsApp line for us about six months ago, where we can comment on any type of concern or updates that we have, and it’s been great because it’s faster than when we only had contact over the phone or via email before”. (Key informant, IRC)*

### **Focal point maintenance**

Findings suggest that staff turnover has been a challenge on both sides of the collaboration. Efecty’s focal point, for instance, has changed three times over the course of the program, which partner informants saw as a constraint in the collaboration. Partners focal points also shifted at times, and it hasn’t always been clear to FSPs who the main focal point for a given partner is; a challenge cited by FSP informants. In both cases, turnover was associated with a loss in programmatic “memory”, a shift in the relationship, and/or feeling like “starting from scratch”. To ensure a smooth transition of focal points amid staff turnover, partners and FSPs should consider holding formal and informal meetings and Q&A sessions with new focal points as early as possible to get to know each other’s personalities and work styles, establish clear onboarding and cross-training procedures, and implement additional feedback mechanisms and check-ins, all of which can help maintain open communication and minimize disruptions within the collaboration.

### **Flexibility and compromise on response times**

FSP informants request greater patience and understanding on the part of partners, who they said often expect rapid responses to requests and queries. From the FSPs’ perspective, this can be overwhelming and frustrating because FSP response times are often determined and limited by administrative standards and processes, sometimes outside their immediate control. Bank informants, in particular, recognize that their internal and external procedures can be time-consuming. For instance, Banco de Occidente works through a



third party and often has systematic platform updates, which can slow down response times. Davivienda also spoke to slow-moving administrative procedures and said the misalignment between expectations and reality when it comes to response times has been an ongoing point of contention and frustration on both sides of the relationship. Davivienda informants reported experiencing a lot of pressure from partner focal points, who at one point even threatened to end services, which they felt only undermined the relationship.

*“As with any financial institution, the technology we use is in a continuous process of improvement. Two weeks ago, we implemented a system update for prepaid cards and alerted clients that they wouldn’t be able to make transfers for two days. We understand it’s a major inconvenience but it’s something the bank must do and we try to clearly communicate updates like that. We give high priority to this program. We know the updates aren’t easy and we ask for patience and understanding.” (Key informant, Banco de Occidente)*

*“Due to our business model, controls and regulations can cause delays. As a bank, we have obligations and standards within the Chamber of Commerce, and sometimes responding to a request means working with our governing and regulating bodies, which can take a long time....It’s administratively complex for us to meet their rigorous expectations, especially when requests are new for us.” (Key informant, Davivienda)*

Early on in the collaboration, FSPs sometimes struggled to plan for program implementation and required more information from partners to prepare effectively. For example, FSP Efecty required advance notice of transfers to participants in a given location, allowing them to ensure funds are available where and when they are needed. Similarly, Banco de Occidente needed estimates on the number of pre-paid cards required per month to prepare their supply chain. Drawing on lessons learned from these experiences, informants underscore the importance of discussing standard operating procedures and timelines on both sides of the partnership and working together to optimize processes.

*“We have to know how many cards are needed, and when and where they’re needed so that we can plan the supply chain for the cards. Knowing how important it is for this population to receive their cards and funds on time, we need advance notice and accurate estimates.” (Key informant, Banco de Occidente)*

## Ongoing fraud monitoring, mitigation and management

### Ongoing monitoring and detection of issues

Rigorous monitoring and detection processes are vital in allowing partners and FSPs to carry out effective investigations, respond to incidents, and ultimately develop anti-fraud protections and safeguards. Informants insist that robust participant attention systems (i.e., confidential feedback hotlines, suggestion boxes, etc.) be in place so participants can communicate with and report to program teams should they encounter an issue. Save the Children, IRC, and World Vision have also conducted “secret shopper” exercises, wherein members of partner staff pose as participants, to assess customer service at Efecty points or observe participant experiences at an ATM. Key informants consider this a best practice in identifying obstacles participants may face at the moment of withdrawal of their cash transfers.

## LESSONS & BEST PRACTICES

- *“Secret” shopper exercises at service points are helpful in detecting issues that participants may encounter.*
- *More information is better. Sufficiently detailed data on operations or incidents enables effective and timely responses.*
- *A culture of “pro-reporting” helps to identify and explore trends.*
- *Involving FSPs in the creation of informative materials, such as videos or other visuals is a helpful practice.*

*“We’ve conducted exercises wherein our staff go to an Efecty point and pretend to be a program participant, going through all the motions just as a participant would, to see if they run into any problems withdrawing their funds and to assess the customer service and overall treatment by the attendant. We’ve also gone with members of the Efecty team to visit points directly so they can see what the program looks like firsthand and identify any positive and negative aspects themselves, and then with us.” (Key informant, World Vision)*

### **Detailed data sharing and a culture of reporting**

Early on, the consortium and partners didn’t always share enough information to allow FSPs to effectively understand, investigate, or address issues that arose. Efecty informants, for instance, felt limited at first by what they saw as partners sending too little information or data that was too vague. Over time, they say, partners improved and now send more detailed information to Efecty, allowing for more efficient responses.

*“At first, we didn’t report allegations of xenophobia or discrimination to Efecty. So, when we told them, ‘This is a huge issue’, they were surprised and confused and reasonably said, ‘Well, we don’t have data on that, so what are you talking about?’ I think we’re all better if we share more information and report accurately and comprehensively. Using data only for our own internal purposes is a missed opportunity to resolve issues that will then continue to happen. We’ve achieved a significant reduction in allegations related to Efecty attendant behavior because sharing data allowed for strategy development.” (Key informant, consortium)*

*“Sometimes when they (partners) bring us incidents, they’re specific cases affecting a specific point. When they send us information that is too vague or general, it’s difficult to analyze. In contrast, when they send us specific details of the situation and link it to a precise point, then we can actually review and act on it. Our network is large and we have thousands of service points so we need as much detail as possible to be able to conduct our analysis, identify the root of the problem, and take corrective action.” (Key informant, Efecty)*

Key informants across the consortium, partners and FSPs agree that more information is better and that it is critical that all parties know what to share, when to share it, how to share it. Drawing from their experience, FSP informants stress that more detail is not only better but required for them to effectively respond.

*“Now, when investigating an incident, we share detailed information via Efecty’s corporate client email and hotline. We send a clear description of the situation, the point(s) where it occurred, the amounts charged and any alleged extra charges, and the participant ID numbers affected. Then, in our regular meetings with Efecty, we review the evidence and establish a work plan to correct issues.” (Key informant, World Vision)*

Consortium level key informants found that some partners report more than others and consider that more proactive and transparent reporting is better, as it can illuminate issues that might otherwise be missed. It also facilitates earlier detection, allowing for swift action and greater mitigation of similar cases in the future.

*“Save the Children has zero tolerance for fraud and we report everything, and I mean everything. Even the slightest suspicion, even if we can’t verify it, we report it. The benefit is that we catch incidents that help us develop effective mitigation strategies. A drawback is that it “inflates” our numbers compared to other partners in terms of fraud allegations and pending cases and requires a lot of data processing and analysis. But it’s worth it to us if it means a better response for our participants.” (Key informant, Save the Children)*

*“The partners aren’t consistent in what they report. Save, for example, is very open and proactive about fraud detection. That’s been really helpful for us. Without them, I don’t think we would ever have understood fully what was going on and wouldn’t have been able to come up with solutions.” (Key informant, consortium)*



Developing both formal channels, to report and investigate fraud allegations, and less formal channels meant to quickly flag and explore suspected trends or patterns, was seen as good practice by informants. As was the development of a harmonized reporting template, which helped streamline and simplify reporting and investigation processes among partners at the consortium level.

*“A lesson learned at the consortium level is to standardize reporting among partners. We recently developed a reporting template. Before, partners all reported different things in different ways which made it difficult to consolidate information and respond to cases quickly.” (Key informant, consortium)*

*“A culture of ‘pro-reporting’ is important and there’s room to streamline reporting. Processes are long and require so much back-and-forth that they limit our ability to respond quickly. We’re trying to have a separate and more informal channel that doesn’t involve personal data, to report tendencies and patterns of fraud, allowing us to explore problematic trends and develop solutions more broadly.” (Key informant, consortium)*

### **Informing and empowering participants**

Informing and empowering participants to ensure they know how to access funds and avoid risks is considered an essential protection strategy. Informants call for a variety of communication channels (in-person talks, phone calls, text messages, written materials, websites and social media, etc.) to ensure access to accurate and up-to-date information reaches participants with diverse preferences and capacities. Informants report that communication and messaging strategies have undergone reiterations over time and have become more comprehensive as VenEsperanza has identified and learned of new risks or obstacles. Informants associate these improvements, at least in part, with reduced adverse incidents over time.

*“We inform participants more and more about anti-fraud awareness and protection. We teach them to count and check the money they receive, we emphasize that assistance is free and they shouldn’t pay any additional fees, we insist they report any abnormality or suspicion to us.” (Key informant, Save the Children)*

Efecty assisted VenEsperanza in creating [an educational video](#) at an Efecty site, demonstrating the steps involved in withdrawing cash and informing them of risks and protections. This exercise was considered a beneficial practice for informants on both sides of the collaboration.

*“To my knowledge, it’s Efecty’s first time doing a video like this. It’s a good practice because it addresses the needs of (participants) so they’re clear on what to do. Knowing this population is vulnerable, it’s important there’s no confusion when they collect their funds. Making the video challenged and helped us too, to put ourselves in their shoes and think about how to do a better job. We as a company strive to ensure the end user has good service, without any difficulties, and I think the video helps.” (Key informant, Efecty)*

## **RECOMMENDATIONS FOR STANDARD OPERATIONS**

- *Regularly revisit and reassess expectations over time.*
- *Don’t underestimate or underinvest in ongoing relationship building. Be empathetic and flexible with FSPs, especially when it comes to understanding needs and limitations.*
- *Develop regular and frequent communication practices, founded on empathy and transparency.*
- *Commit to the ongoing collaborative development and improvement of detection and mitigation of fraud and other issues. Consider implementing secret shopper exercises.*
- *When it comes to information and data sharing, ensure all parties know what to share, when and how to share it, and what level of detail is required.*

- *Inform and empower participants: Follow up and reinforce key messages through as many channels as possible, ensuring access to accurate and up-to-date information to a range of participants with diverse preferences and capacities. Commit to repeating and reinforcing messages often. Consider involving FSPs in the creation of informative materials.*
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## Conclusions

The relationship between implementing INGOs and FSPs is a critical component of the success of any cash program and FSPs can play a transformational role cash assistance. VenEsperanza's experience has illuminated several important lessons learned and best practices for FSP collaborations in Colombia and beyond.

**Identifying and choosing an FSP is a very important decision and should involve careful consideration around the 5 C's:** Coverage, Cost, Capacity (financial, technical and technological, and operational), Customer service/Client relations, and a Commitment to ethics and assurances. After initial screening of potential FSPs, **holding a trial period is a key step, serving as a "test run" that should ultimately inform whether or not to pursue the collaboration with an FSP.**

The initiation of the collaboration with FSPs is a pivotal juncture, as it sets the stage and lays the foundational groundwork essential for a successful and enduring partnership. Key activities at this stage include contracting, setting and aligning expectations, and establishing focal points and communication practices. INGO partners should strive to **establish a working relationship with FSPs from the onset, founded on a reciprocal and equitable vision for the partnership and a commitment to empathy and understanding.** Findings from this research signal opportunities for INGO partners to expand their vision for FSP's, not only as service providers that need to learn about the humanitarian sector, but as **equitable partners from whom the humanitarian sector needs to invest in, including learning about how FSPs work and what they need.** As operations continue, it is important for partners to revisit and reassess expectations to ensure they are still serving the collaboration, to invest in ongoing relationship development, and to facilitate frequent communication and regular information flows with FSPs.

**Program participants deserve to access their funds fully and freely, without fraudulent or discriminatory mistreatment** and both INGOs and FSPs must be committed to this end. **Fraud is a reality in cash work.** Accepting the fact that fraud (and other problems, such as issues stemming from customer service or treatment of participants) is going to happen is an important first step in developing robust mitigation and management structures. **When it comes to fraud, INGOs and FSPs must work together to define it, design ways to detect it, establish what counts as acceptable evidence, and develop and/or fortify protocols and procedures for investigation and response.** Typically, the more information collected and shared within and between partners and FSPs, the better, as it can illuminate issues that that might otherwise be missed and facilitates earlier detection, allowing for more effective response and prevention. Informing and empowering participants to ensure they know how to access funds and avoid risks is also essential and the findings suggest benefits in involving FSPs in these processes.

Through **synergistic collaboration, collective action, and strong commitments** to each other and to participants, INGO and FSP partnerships can achieve effective and impactful humanitarian cash assistance within emergency settings.

## CONTACT

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### About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.



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