

Practical tool for Assessing Financial Service Providers (FSPs)

Using FSPs as partners is likely to have advantages in many situations. However, the capacity of the institutions to deal with a cash and voucher assistance and the risks of working with them need to be carefully assessed. Such an assessment requires a solid understanding of the banking system. This tool does not aim to provide detailed guidance on how to carry out such an assessment, but to indicate to programme managers the sorts of questions that must be considered.

In identifying which institutions to use, consider the bank(s) the Plan International usually work with in a particular country/region, and why.

Is the bank operational in the area in which the programme will be implemented?

If not, can it recommend a FSP to work with?

The checklist below outlines the information needed to assess the most appropriate FSP which to work.

Factors determining the choice of institution include:

- The possible risks associated with different institutions.
- The services they provide in terms of the relative cost of transfer charges and the likely effectiveness of delivery from the recipient's point of view.
- Their management capacity.

Checklist for assessing the capacity of FSPs

Issue	Information needed
General information on government policies	<ul style="list-style-type: none"> ● What are government regulations on payments and transactions? ● Has there been currency devaluation in the past five years?
Background information	<ul style="list-style-type: none"> ● Who is the owner or shareholder of the FSP (government, private or group of companies)? Can you track back ownership to an international banking network? ● Are you able to obtain annual report/financial statements for the FSP and its chain of ownership? What is the value of the FSP's assets and what funds is it managing? What is the balance of payment (level of reserves, level of bad debts)? ● Are there any plans for the FSP's owners to divest its shareholding? ● Have any other organizations used the FSP (ICRC/International Federation/United Nations/international or national non-governmental organizations)? What is their perception of performance and/or what has their experience been?
Legal provision	<ul style="list-style-type: none"> ● What financial legal status does the institution have, e.g., bank (general or specific bank) or cooperative? ● Do the banks have to follow central bank regulations? Does the government provide a guarantee to the bank's creditors?
Services provided and area coverage	<ul style="list-style-type: none"> ● What kinds of service are available for transferring cash? ● Is the service provided by the FSP accessible to recipients (distance, operating hours, identity requirements, recipients' mobility, disability, literacy) and to what extent is the service acceptable to beneficiaries (e.g., some Muslim communities or individuals may prefer to use a sharia banking system)?

	<ul style="list-style-type: none"> • What is the coverage of the institution? How many branches does the FSP have, and where are they? (Map the locations of outlets and services extended from these outlets, if possible.) • Does the FSP offer physical transport of cash to remote locations (i.e., from branch to project/distribution site)? If not, can this be negotiated? What are the fees or insurance costs for this service? • Is the FSP using real-time computerized systems? Are these computer systems networked through to rural branches? • Do local branches have counting machines? • Does the FSP have the ability to source or provide large quantities of small denomination notes? Within what timescale?
Management capacity	<ul style="list-style-type: none"> • Given current number of clients and the FSP's management capacity, how many additional clients could reasonably be added as a result of the programme? • Who is the FSP manager? What experience does he/she have of managing larger amounts of funds and creditors/debtors? To what extent are the staff experienced in working with rural/urban communities?
Credibility	<ul style="list-style-type: none"> • How has the FSP performed in the past year? Have credit or savings/deposits increased suddenly? If so, what is the interest rate? • What insurance does the FSP have? • Did a reputable international audit company audit the bank? Was an unqualified audit opinion given? If not, what was the nature of the qualification? • What risks and constraints are there in the process of transferring funds in hard currency and between bank accounts? How long does it take to transfer funds between accounts, e.g., from headquarters to branches? • Who is responsible for the FSP/bank? Is the bank guaranteed by the central bank?
Service fee	<ul style="list-style-type: none"> • What are the costs for services, such as: • Transfer of funds (may be a flat rate or a percentage of each transfer). • Opening a FSP/bank account (some banks ask for a small deposit only; others charge administration costs to open an account). • Exchange rate (where applicable).