PREPAID CARD PRODUCTS FOR HUMANITARIAN PROGRAMS:
ACTORS, INSIGHTS & RECOMMENDATIONS

elan
The Electronic Cash Transfer Learning Action Network

1: INTRODUCTION

Today, over 130 million people need humanitarian support to survive. Fortunately, new tools such as prepaid cards allow us to respond to these needs with increasing flexibility and efficiency. Today's leading humanitarian agencies are increasing their use of prepaid cards in places like Jordan, the Philippines, Greece and Turkey, where payments infrastructure is relatively well-developed. In September 2016, the EU launched its largest-ever humanitarian project (with a budget of €348 million), that is expected to deliver cash assistance to one million refugees in Turkey through prepaid cards.[1]

Prepaid solutions offer flexibility, security and choice for populations in crisis. But they are subject to specific regulations and requirements that humanitarian actors often struggle to navigate. As a result, establishing partnerships between prepaid service providers and humanitarian agencies is often confusing and slow. In September 2016, the Electronic Cash Transfer Learning Action Network (ELAN) held a workshop in London with prepaid service providers and humanitarian agencies to improve understanding between the two sectors. This report summarizes key learnings from this event.
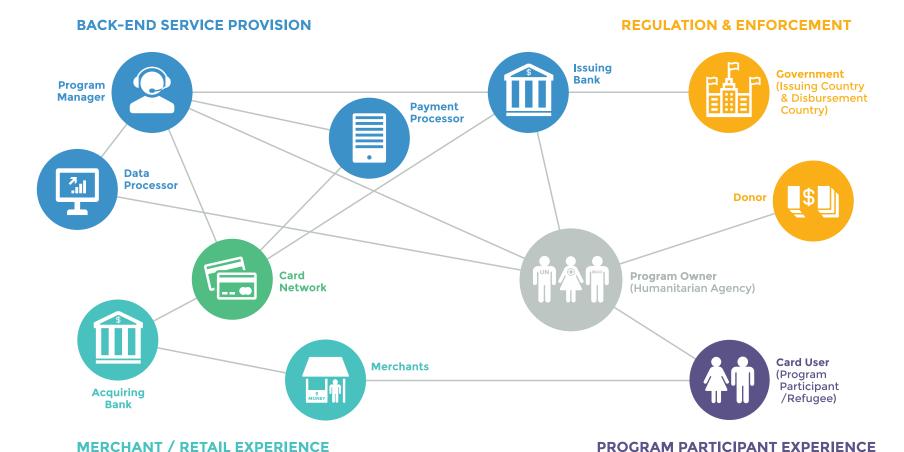
While the need to learn how to communicate better was a consistent theme, three terms caused particular confusion throughout the day due to their very different uses in humanitarian and prepaid industries:

Term	Humanitarian Sector Meaning	Prepaid Industry Meaning
Program Manager	Humanitarian agency staff member responsible for all aspects of a particular humanitarian response.	Business that oversees delivery of prepaid card services to a client, and ensures that all key actors (issuing banks, networks, etc.) are working together smoothly.
Compliance	Adherence to donor rules and regulations.	Adherence to international and national rules governing financial institutions or products.
Pilots	Used to test new approaches to aid delivery or confirm appropriateness of a standard approach for a new context.	Generally used to test integrations and products in new markets.

[1] http://europa.eu/rapid/press-release_IP-16-2971_en.htm

2: WHO ARE YOU WORKING WITH? THE COMPLICATED WEB OF PREPAID ACTORS

Prepaid card deployments normally rely on a number of actors offering distinct services and functions. The diagram below represents a possible actor map for a humanitarian prepaid program (with each function performed by a separate actor). However, this diagram can change because a single actor can take on multiple roles.

BACK-END SERVICE PROVISION

REGULATION & ENFORCEMENT

Program Manager

Payment Processor

Issuing Bank

Government (Issuing Country & Disbursement Country)

Data Processor

Donor

Card Network

Program Owner (Humanitarian Agency)

Acquiring Bank

Merchants

Card User (Program Participant /Refugee)

MERCHANT / RETAIL EXPERIENCE

PROGRAM PARTICIPANT EXPERIENCE

The roles of each actor in this map are described in the table below. It's important to keep in mind that a single actor in this map can play multiple roles, or may choose to outsource specific functions to a third party, which may change the number of actors involved, or the configuration of relationships.

	Actor	Role	Examples
Program Owner	Program Owner (Program Sponsor)	› Contracts prepaid program manager › Distributes cards › Communicates with beneficiaries / card users › Implements program › Collects KYC* › Validates KYC*	International or local NGOs (Mercy Corps, Oxfam, Save the Children), or UN agencies (WFP, UNHCR)
Back-end Service Provision	Program Manager	› Holds contract and is the primary point of contact with the program owner (humanitarian agency) › Manages relationships with issuing bank, processors, card manufacturers, card networks, and other necessary service providers › Ensures issuance of funds follows local legal regulations/frameworks › Liaises with card manufacturers and procures cards › Creates and manages a transaction ledger	Moni, Prepaid Financial Services, Swift Prepaid Solutions
	Issuing Bank (Issuer)	› Issues cards to the card user (beneficiary) › Licensed as a customer deposit-holding institution and bears ultimate liability for the card program › Establishes terms of use of the card, including policies on chargebacks and unauthorized transactions › Interprets and enforces Know Your Customer (KYC) & Anti-Money Laundering (AML) requirements › BIN (bank identification number) sponsor › For commercial cards, typically provides customer service for end users. Due to data protection concerns, however, humanitarian agencies may prefer to take on this role.	Raphael's bank, IDT Finance, Pay safe
	Payment Processor	› Authorizes and clears transactions › Ensures transactions meet program-specific requirements › Creates/manages a transaction ledger	Global Processing Services (GPS), Net1, FirstData, FIS, i2c
	Data Processor (Data Manager)	› Filters, analyzes and visualizes data for program owners › Creates reports for program owners	Segovia, Moni

Table continued.

	Actor	Role	Examples
Regulation	Government	› Issues official ID › Refers beneficiaries* › Establishes and monitors KYC/AML regulations	Finland, Greece, Turkey
	Donor	› Funds program › Monitors and supports program › Ensures donor rules and regulation are followed	DFID, private individuals and foundations
Card Network	Card Networks (Card Association, Scheme)	› Settles (moves funds) from the issuing bank to the merchant's bank (the acquiring bank) once a transaction is approved. › Facilitates communication and payment between issuing banks and acquiring banks that are members of the network. › Serves as the governing body responsible for maintaining trust between member financial institutions by setting the network rules for settlements, interchange fees, qualification guidelines, and arbitrating disputes between members.	MasterCard, Visa
Program Participant Experience	Card Users	› Spend money › Track funds	Program participants / Refugees
Merchant / Retail Environment	Merchants	› Provide cash-out / goods	Small business owners
	Acquiring Banks	› Enroll and monitor merchants › Manage cash-out points	HSBC

This role may be held by another actor depending on context and program design

3: KEY INSIGHTS & WAYS FORWARD

A full day of discussion between humanitarian and prepaid service providers revealed a number of critical issues in humanitarian use of prepaid products. Key takeaways and possible ways forward are summarized below.

London – Murray/Mercy Corps

A. HUMANITARIAN PREPAID DEPLOYMENTS = A TOUGH BUSINESS CASE?

Humanitarians were somewhat surprised to learn what prepaid service providers consider an attractive business opportunity. Smaller providers said that programs with 5,000 cards or more were commercially interesting, while larger actors were looking for programs starting at 15,000 cards that would transfer at least US$10million. Prepaid service providers noted

that they would often be interested and able to serve smaller programs, but that their ability to customize services, reporting platforms, etc., would be limited.

Prepaid service providers noted that pilots are usually almost as costly as a running a full program at scale, due to high set-up costs, including time required to negotiate partnerships and establish all program details required by humanitarian agencies. They noted that humanitarians were more insistent on pilots than other types of clients, who generally only required pilots to test conditions and products in a new market or where information is limited. Humanitarians explained that "piloting" was often necessary to test out a number of non-product related elements. Humanitarian pilots often have very little to do with the product or technology, instead testing factors such as political feasibility, user understanding and acceptance.

Way Forward: Humanitarians should consider aligning requirements and/or tenders with peer agencies to increase scale of programs, while also being realistic about the amount of customization that prepaid service providers will be able or willing to offer for smaller programs. Wherever possible, conducting joint pilots or sharing learning from pilots across humanitarian agencies can increase efficiency from the perspective of the prepaid service providers.

B. KYC: SHADES OF GRAY

KYC requirements can have significant impacts on humanitarian programs, due to ID requirements for program participants, and implications on participant registration processes. In practice, interpretation of KYC/AML requirements will affect the type of information required from each prepaid card recipient, who is able to collect that information (financial institution or humanitarian agency), if recipients need to be vetted through anti-terrorism databases and what transfer amounts trigger stricter controls and requirements. Humanitarians expressed frustration about

difficulties to understand and get clear and consistent answers on KYC/AML requirements from prepaid service providers.

Prepaid service providers, in turn, explained that national governments and issuing banks may differ in their interpretation of regional directives and legislation. As a result, two prepaid service providers managing the same program in the same location could institute different KYC requirements. To further complicate this issue, EU regulations have recently changed[2], and some humanitarian agencies have been subject to sudden changes in KYC interpretation. Several prepaid service providers noted that there are opportunities for advocacy around this issue, and a need to document and highlight unintended negative impacts of the new legislation.

Way forward: Humanitarian agencies should understand that KYC requirements will vary based on context, risk assessments from issuing banks and program design. Collaborative negotiation with program managers, issuing banks and card networks can help establish the best KYC framework for a given humanitarian program. In some cases, program managers can serve as advocates for humanitarian needs when getting compliance approval from issuing banks. This is especially true for programs that pose new challenges for the prepaid industry (e.g. card programs for unaccompanied minors). Advocacy, education and cooperation are critical to striking the right balance between compliance and operational feasibility.

In any deployment, humanitarian agencies should be clear in describing their program's scope, implementation details, target population and protection measures. They should also ask that prepaid service providers clarify in detail what KYC rules and procedures will apply to their programs. Important KYC questions are outlined in KYC tip sheet, available through the ELAN' s Data Starter Kit.

C. PROCUREMENT & CONTRACTING PROCESSES: ROOM FOR IMPROVEMENT

Both private sector representatives and humanitarians noted that procurement and contracting processes have been difficult in previous prepaid card programs. Specific challenges identified by prepaid service providers included proposal deadlines that are too short, shifting goalposts for humanitarian service delivery requirements, unclear and/or unrealistic timelines for service delivery and small volumes that make cost effectiveness difficult. Questions from prepaid service providers included: "Why can't NGOs work in a consortium to aggregate numbers to attract the private providers and reduce costs?" and "It's not always clear when the NGO is getting the funds [from a donor] – if I respond to the RFP, when will I know if the contract will actually happen?"

Way forward: Specific suggestions for improving procurement & contracting included:

> Establish or identify a centralized platform for tenders – so that providers can easily find new business opportunities.

> Develop standard Request For Proposal (RFP) templates that can be used across the humanitarian sector, to make it easier for service providers to respond to business opportunities.

> Consider hosting Expression of Interest events, or other opportunities in which providers can offer feedback and input on technical requirements and options prior to formal procurement processes.

> Establish framework agreements that can pre-establish which providers (including issuers, networks and PMs) are available to serve specific geographies.

---

[2] EU regulations used to allow for transactions up to 2,500 EUR per a 12 month period on reloadable prepaid cards without KYC screening. Under new regulations guided by the Fourth Anti-Money Laundering Directive (to be implemented in 2017), the limit for anonymous cards has declined to 1,800 EUR per 12 month period, along with a host of use restrictions, including that cards can only be used in the country of issue and cannot be used online or for ATM withdrawals. While there are some openings for simplified procedures, these new regulations may make humanitarian prepaid card deployments more difficult.

- Engage outside prepaid experts to write tender requirements and evaluate offers.

- Differentiate between "must haves" and "nice to haves" in RFPs – for example, explaining which elements of service delivery are non-negotiable due to program context or donor compliance.

- Allow at least 4-6 weeks for response to RFPs.

- Plan for a start-up period of 2-3 months for new geographies, or programs where customization is required. Note that unless card stocks are prepositioned, card procurement and customization can add several weeks to a start-up timeline.

D. MONITORING AND REPORTING

One advantage of prepaid cards over physical cash is access to data that can reveal useful information about the population being served (including consumption patterns, changing needs, movements, etc.) Some humanitarians expressed disappointment with their access to prepaid program data that they assumed would be available to analyze and use to monitor their programs.

Service providers explained that they typically try to hold the minimum amount of information (particularly personal information about card users) to minimize risks of inappropriate data access. In addition, they typically do not collect itemized purchase information (with available data typically limited to the merchant category level). In addition, detailed reporting has only recently prioritized by their "classic" public sector prepaid consumers (local governments, etc.); so systems for capturing and presenting desired data are just catching up. As a result, card use data that can be easily provided to humanitarian program owners is often limited. Prepaid service providers also cautioned that humanitarian data requests can drive up costs of service delivery, since data needs change significantly from program to program, and data is often preferred is often requested in a clean, visualized format (vs. as raw data).

Way Forward: To make the most of available data, without driving up costs, humanitarians can standardize reporting needs wherever possible, develop report structures early on with providers, ask providers for demonstrations of data analysis and consider using internal data analysts (e.g. M&E teams) to perform final analysis (rather than requiring the service provider to do this). Third party providers can also play this role, though clear and early communication about what data is available (and how it will be delivered) is critical. Service providers should, at a minimum, provide a humanitarian portal to upload and access data, and clarify if any regulatory hurdles exist related to data storage or data leaving a legal territory (that could interfere with reporting and analysis).

London – Murray/Mercy Corps

E. HUMANITARIAN PREPAID PRIORITIES

While each context and program will have unique requirements, the following product requirements were generally seen as desirable by humanitarian agencies:

> Multi-wallet functionality (for example, wallet 1 (for NGO A) can be used for food only and wallet 2 (for NGO B) is unrestricted. It is important for NGOs A and B to track funds separately.

> Flexibility with loading (e.g., switching quickly from one time use to re-loadable if more funding becomes available).

> Reporting capabilities: access to multiple data fields in a form that eases analysis [e.g., data on breakdown of transaction numbers and types (labeling fees); data on funds spent at merchants and versus withdrawn from ATMs].

> Different access levels of prepaid card operating system (e.g., roles include activator, approver, and viewer)

> Activation timing control/flexibility (meaning agencies can choose when to activate cards)

>> Currency flexibility

>> Function enabling a user to block his/her own card if lost or stolen

>> Resources for end-user education (how to use the card)

4: NEXT STEPS

To support some of the identified recommendations, the ELAN will offer the following services in the coming calendar year:

> Support development of standardized RFP templates for humanitarian programs

> Share prepaid program experiences via webinars, case studies and newsletter articles

> Share prepaid service provider profiles through the ELAN product catalog

The ELAN connects businesses and humanitarians to improve e-transfers in emergencies. The ELAN is convened by Mercy Corps with support from the MasterCard Center for Inclusive Growth. ELAN staff are available to answer questions related to this brief.