



Mastercard Center  
for Inclusive Growth

# WHAT TO KNOW: WORKING WITH HUMANITARIANS ON E-CASH PROGRAMS

## BUSINESS OPPORTUNITY

International humanitarian assistance rose to a record US\$24.5 billion in 2014. The 2015 Global Humanitarian Assistance Report indicated that over US\$200 million of this was used in cash and voucher programs. An increasing number of humanitarian actors have begun to deliver cash electronically, through mechanisms such as mobile money, mobile banking, prepaid debit cards or electronic remittance company services. The use of e-cash has the potential to increase aid transparency for all stakeholders; reduce the risks associated with moving large amounts of hard currency; and lower the cost of aid delivery.

Financial Service Providers (FSPs) are critical partners in delivering e-cash and have recognized that the humanitarian space offers viable business opportunities. Yet, FSPs also face challenges of navigating the particular needs of humanitarian response programs. For example, these programs typically require large numbers of small transactions distributed via safe and accessible delivery mechanisms to recipients who are often among the most vulnerable and underserved groups in society.

This document introduces the principles and operational realities that are common to actors in the humanitarian space. It is not intended to provide specific guidance, but rather highlight how humanitarian actors are unusual business partners for FSPs and offers ideas about how to strengthen partnerships between them.

## HUMANITARIAN PRINCIPLES AND STANDARDS

Humanitarian actors are guided by the principles of humanity, neutrality, impartiality and independence, which are rooted in International Humanitarian Law.<sup>1</sup> Technical standards for humanitarian programs are increasingly accompanied by accountability and process standards aimed at improving assistance quality and empowering affected populations.<sup>2</sup> As donors and humanitarian organizations strengthen their requirements for post-distribution monitoring and accountability mechanisms, implementing organizations may apply these expectations to their FSP partners. For FSPs who partner with humanitarian actors, this might mean, for example, additional attention to participant feedback mechanisms and customer service offerings. Many humanitarian program participants are new to formal finance and technology, so fees and data privacy and protection need to be particularly clear to help them understand and use the service.<sup>3</sup>

<sup>1</sup> See <http://www.spherehandbook.org/en/the-humanitarian-charter> for more information

<sup>2</sup> See <https://corehumanitarianstandard.org/files/files/Core%20Humanitarian%20Standard%20-%20English.pdf> and <http://www.spherehandbook.org/en/core-standard-1-people-centred-humanitarian-response/>

<sup>3</sup> <http://www.cgap.org/publications/doing-digital-finance-right>

## HUMANITARIAN PROGRAM PARTICIPANTS

Humanitarian agencies offer their services to program participants who are often among the most vulnerable groups in a society and who are rarely part of FSPs' primary target markets.

When designing e-transfer interventions, humanitarian actors have to ensure that the selected delivery mechanisms are safe, accessible to and usable by program participants, including ensuring that participants of any gender, age, disability status or education level have equitable access to their assistance. Agencies often have to balance accessibility considerations against the need to act fast in order to prevent further unnecessary suffering. For example, in Northern Iraq, Oxfam shifted a program from cash to e-vouchers in response to calls from local authorities to improve the safety of the delivery mechanism for participants and FSPs. In this case, Oxfam had to quickly select an appropriate service provider and set up an e-voucher program to minimize delays for participants.

Common barriers to using e-cash include low literacy levels, high transaction costs, and accessibility and security of services in remote areas. Subsets of program participants, such as the elderly, may not be familiar with using mobile money or entering PINs. In these instances, involving FSPs at an early stage could help identify and address many challenges. For example, programs could incorporate additional training time or materials to help program participants learn to use a new technology. Or in some cases, a product user interface may need to be tailored to particular participants' needs. As an example, in a recent humanitarian deployment, an e-voucher company introduced new functionality to their front-end interface, enabling illiterate program participants to select PIN codes that were a combination of colors or animal pictures rather than a numeric code.

As for any quality program, humanitarians and partners need to ensure that the intended participants are those who benefit from the assistance, which requires attention to security, accessibility and avoiding fraud. E-transfer programs can offer advantages in discretion since participants can cash-out at a time (and sometimes place) of their choice. In addition, in some cases, participants can spend e-cash directly at merchants avoiding the need to carry physical cash, a risk factor in many contexts. In addition, humanitarians can learn from FSPs' risk management approaches and systems, particularly when identifying program-specific risks and developing mitigation strategies. In Nigeria, for example, an e-voucher program's management platform dashboard helped a humanitarian agency identify suspicious activity and discover that entrepreneurial, tech-savvy youth had expropriated a number of smartcards from program participants.

## REGULATORY ENVIRONMENT

FSPs are subject to specific (and sometimes changing) rules and regulations that can affect programs (such as KYC, e-money issuance, and data protection regulations). For example, in the refugee response in Greece, most donors and humanitarian agencies identified pre-paid cards as the most appropriate cash delivery. In July 2016, however, the European Commission (EC) reinforced anti-money laundering rules, including strengthening transparency measures applicable to prepaid cards by lowering the value threshold for identification and widening customer verification requirements.<sup>4</sup> The full impact of the EC directive is not yet known, but it could require changes in program participant registration processes. Communication between private sector and

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<sup>4</sup> [http://europa.eu/rapid/press-release MEMO-16-2381\\_en.htm](http://europa.eu/rapid/press-release_MEMO-16-2381_en.htm)

humanitarian partners about regulations, changes, and their potential impact on programs is important for successful implementation and clear messaging to program participants.

## FUNDING ENVIRONMENT

During a recent ICT4D conference in Nairobi, a conversation with one of the global e-transfer providers highlighted the tension between the potential benefits of investing in a long-term strategic relationship—which many FSPs would prefer—and humanitarian agencies' operational reality of not being able to predict their global need for a product or a service over an extended period. Most humanitarian agencies do not know how many emergencies they will respond to in any three-month period. Many agencies also rely heavily on funding from institutional donors and foundations and have very limited flexible funding to initiate an emergency response. When funding is secured, project cycles can be as short as three months. Budget estimates are developed and submitted at very short notice and revised later, when more information about the needs of the target population, functioning of the local and neighboring markets becomes available. As a result, ongoing dialogue between a humanitarian agency and a private sector partner may be necessary to adjust proposed activities and cost information. In some instances, donors may ask agencies to name providers when funding proposals are submitted; but the decision on the awardee may come through only three or even six months later, which makes resource planning a challenge for FSPs. And, of course, a fair number of proposals may not result in a grant, contract, or use of the product. In some cases, humanitarian agencies offering competing designs for a single program may ask a provider for quotes. In other cases, humanitarians may offer similarly designed programs in different areas, representing a greater business opportunity for the providers. FSPs can ask humanitarians for more details about the status of their funding when planning their responses to RFPs.

Donors' guidance varies about eligible ratios of direct to administrative costs in programs, as does the level of detail they require in proposals, and relatedly the amount of pre-work required with private sector partners prior to submitting proposals. Companies may want to ask specifically about humanitarian partners' information expectations when getting involved in providing a bid for a proposal development process.

Some donors, such as DFID, ask partner agencies to incorporate Value for Money (VfM) considerations of economy, efficiency and effectiveness into program design.<sup>5</sup> VfM does not mean that humanitarian actors would only choose the cheapest interventions or transfer technology, but it encourages agencies to get better at understanding costs and describing their choices in these terms. As a result, humanitarian agencies will request the same breakdowns of costs from their FSP partners.

## INFRASTRUCTURE CHALLENGES

Most humanitarian work currently takes place in locations with weak or disrupted payments infrastructure or in environments where physical access to target population is limited either by insecurity or damage to physical infrastructure. Many humanitarian programs are implemented in rural locations that have limited network coverage and agent geographic coverage. Even where

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<sup>5</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/67479/DFID-approach-value-money.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67479/DFID-approach-value-money.pdf)

there are mobile money agents, their day-to-day cash disbursement capacity will depend on ready access to of nearby banks or cash networks to help them manage liquidity.<sup>6</sup>

However, discussions between humanitarians and mobile money providers have often emphasized the need to work to strengthen the payments ecosystem for humanitarian program participants to decrease liquidity challenges and to increase the value of channeling humanitarian assistance through accounts.<sup>7</sup> You may want to consider early on how you and the humanitarian agency can strengthen this infrastructure through even short-term programs.

## PROCUREMENT & AUDIT CONSIDERATIONS

In many cases, competitive procurement processes must occur fully within a project's implementation period. For instance, if a new project starts that will require a humanitarian agency to contract for an e-cash or e-voucher service and two months ago that same agency conducted a large tender process for the same service, regulations may require repetition if the process was not dated within the project period. While agencies have to follow set processes for compliance, service providers can develop some engagement fatigue. Costs may also be higher than they would have been had suppliers been able to plan for the full set of programs with a given humanitarian partner.

Many humanitarians are cautious about record keeping due to strenuous audit requirements. Grant agreements often require documentation for a project to be retained for up to seven years after the project end date. Compared with other bulk payment clients, humanitarian partners may require more detailed or automated reporting to mitigate the risk of disallowed expenses and meet audit requirements.

Some donors also have strict logical framework and program monitoring requirements, which lead humanitarian actors to ask for end-to-end traceability of e-transfers to monitor how assistance is used. For example, ELAN's recent mobile money workshops found that humanitarian actors' requests for reports confirming that mobile money transfers have reached intended program participants, required modifications to existing technology platforms and were not a standard offering.<sup>8</sup> These end-to-end traceability requirements coupled with the need for e-transfer solutions that are accessible and familiar to program participants could see more partnerships between FSPs, such as in an Oxfam program in Nigeria where a global e-transfer provider and a local MNO work together to provide end-to-end traceability and monitoring of assistance.

## COORDINATION

While there are natural advantages to humanitarian agencies implementing similar cash programs and coordinating on geographic targeting to maximize efficiency, coordination has been a challenge in many emergency responses to date. There are gradually increasing examples of NGO consortia coordinating on program design, including using the same program participant targeting criteria and transfer amounts and monitoring frameworks. Private sector partners may want to be prepared for either highly standardized cash responses or a greater level of variety between programs depending on onset speed, government and coordination leadership, and other factors. In general, national or

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<sup>6</sup> Krishnan, Vaidehi. Partnering for Success: <http://www.cashlearning.org/downloads/partnering-for-success-in-e-cashfinal-elan.pdf>

<sup>7</sup> ELAN Mobile Money Workshop Report : <http://www.cashlearning.org/downloads/mobile-money-workshop-full-reportfinal-1.pdf>

<sup>8</sup> Ibid.

response-specific cash working groups are a good place to learn more about the humanitarian response overall or to offer information about your products and services for humanitarian programs.

## CONCLUSIONS

Humanitarian programs offer a business opportunity for FSPs, but humanitarian agencies often look to FSPs to help address the operational challenges associated with weak financial and physical infrastructure and access constraints rather, which means that these programs rarely represent easy options for expanding subscriber bases or immediate, consistent revenue. Humanitarian agencies are also subject to greater compliance requirements that can pose challenges for FSP systems.

Despite the many challenges, the digital payment ecosystem continues to grow and adapt, often through a combination of innovative uses of technology, good understanding of local contexts and willingness to develop new partnerships. For example in many remote areas in India, mobile network coverage is quite poor. Multiple service providers are present throughout the country but in these areas, network coverage is present intermittently for various service providers. Hence, most people use SIM cards from different service providers throughout the day, depending on the network signal at that moment. Taking a cue from this adaptation, point of sale (POS) devices were designed to have multiple SIM card slots and can shift to strongest network available at the time of a transaction to enable electronic payments.

In this example, seemingly insurmountable challenges can be overcome once they are understood, so the emphasis on open dialogue and collaborative solution design between humanitarians and FSPs with in-depth locally-relevant knowledge is critical for success. The best relationships between humanitarian agencies and FSPs are based on clear and regular communications, including frank dialogue on operational constraints and joint problem solving.

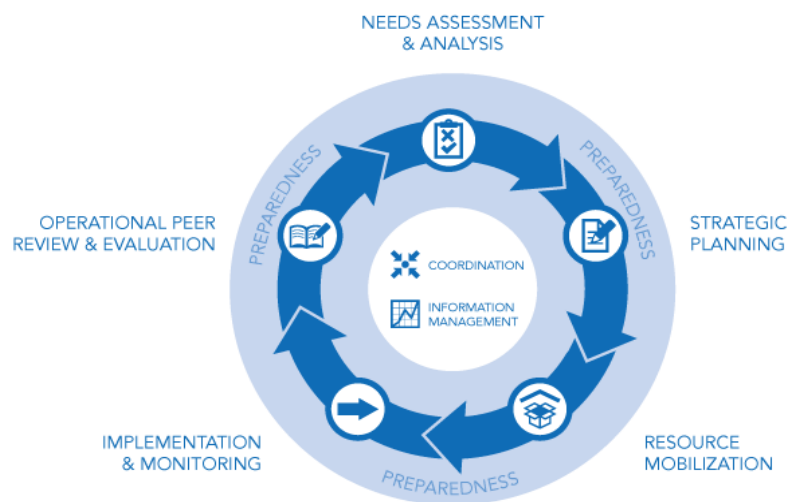


Figure: Humanitarian Program Cycle (source: OCHA)

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