Summary and Recommendations

Making Electronic Payments Work for Humanitarian Response // Untapped Humanitarian Demand: A Business Case for Expanding Digital Financial Services

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Executive Summary

The dialogue leading up to the World Humanitarian Summit has cast a spotlight on humanitarian cash transfers as a means to improve efficiency in the humanitarian system and improve outcomes for crisis- affected people. The U.N. Secretary-General Ban Ki-moon has called for cash-based programming to be the default method of support for affected populations[1], and various high-level panels[2] have called for broad scale-up of cash transfers in humanitarian programming. But is it actually possible to safely distribute cash to the millions of people displaced from their homes or impacted by disaster across the world each year?

To realize a global scale-up in cash transfers, countries facing crises must have the necessary infrastructure and financial services in place to make payments safely and efficiently. Electronic payment (e-payment) mechanisms, including mobile money and card-based solutions such as prepaid debit cards, offer efficient and scalable means to deliver cash, improve transparency, and mitigate fraud. Their scale-up would contribute to greater financial inclusion, particularly of women who represent over half of the 2.5 billion adults in the developing world considered 'financially excluded'[3]. E-payment tools are increasingly common, but not present in all countries, especially those with weak digital and financial infrastructure or regulatory environments.

To begin addressing this impediment to delivering cash at scale in emergencies, the IRC commissioned two linked research projects to understand how better to prepare for scaled-up humanitarian cash transfers.

The first report, *Making Electronic Payments Work for Humanitarian Response*, investigates the current state of readiness of e-payment systems to deliver emergency cash transfers. The paper explores the extent to which existing resilience and digital finance efforts prepare e-payment systems to meet the specific needs of humanitarian agencies when disasters strike.

In doing so, the IRC proposes a framework to comprehensively analyze e-payment preparedness at the country level, and evaluated six countries to identify their level of readiness and the activities needed to strengthen e-payment responsiveness to shocks.

The second report, *Untapped Humanitarian Demand: A Business Case for Expanding Digital Financial Services*, uses a return on investment (ROI) model to estimate whether or not a business case exists for expanded coverage of digital financial services in crisis- prone areas. By modeling the potential ROI for DFS providers from meeting aggregate humanitarian demand, this paper aims to motivate greater investment in digital financial services in areas vulnerable to emergencies, incentivize humanitarian-private sector cooperation prior to crises, and encourage development and humanitarian actors to coordinate their respective DFS-related initiatives.

Key findings

When considered together, the findings from these reports provide incentives and motivation to address the gaps in the current state of e-payment preparedness in disaster-prone countries.

> **Incredible progress has been made** in bringing last mile voice and data connectivity to low-income countries and making accessible financial services to more people than ever before. There is a strong body of experience from which to draw learning on what works to expand e-payment systems.

> **Those countries where emergencies are the most likely, are often the least well prepared** to scale- up e-payments due to poor infrastructure and regulatory systems.

> **There is a range of e-payment readiness** across disaster-affected countries, but even strong e-payment systems require preparedness efforts to effectively respond in crises.

> **There is a business case to expand e-payment services in crisis-prone areas.** Doing so can provide a positive return, extend banking services to the most vulnerable, and improve response capacity.

> **There is a wide scope for innovative partnerships** between humanitarian, development, private sector and national governments to better prepare e-payment systems to meet the needs of humanitarian actors.

[1] U.N. General Assembly. (2016). Report of the Secretary-General for the World Humanitarian Summit, "One humanity: shared responsibility," February 2nd 2016, A/70/709.
[2] Report to the U.N. Secretary-General from the High-level Panel on Humanitarian Financing. (2016). "Too important to fail: addressing the humanitarian financing gap." January 17, 2016, New York; and ODI-CGD (2015), 'Doing Cash Differently', Report of the High Level Panel on Humanitarian Cash Transfers.
[3] Cherie Blair Foundation for Women, Mobile Technology Programme. (2015).

Recommendations For Humanitarian, Government and Private Sector Actors

1. **Humanitarian actors, including governments, donors and implementing organizations, should strengthen e-payment systems as a core part of emergency preparedness.** Expanding e-payments to populations at risk of crises builds more resilient, financially-included communities and lays the foundation for rapid humanitarian cash transfers.

2. **Donors and private sector actors should invest in expanding e-payment services in countries at risk of crises.** Resilience and digital finance initiatives should have explicit humanitarian objectives to strengthen e-payment readiness to meet emergency needs.

3. **Private sector actors should systematically consider the potential demand for e-payment services from humanitarian response when making decisions on where and how to invest in digital financial services.** The scale of humanitarian needs to be met by cash transfers represents an untapped opportunity for e-payment service providers to improve humanitarian aid delivery.

4. **Humanitarian and private sector actors should explore partnerships to change the incentive structure and economics of expanding services.** Partnering to leverage each other's expertise in payment processing, customer or merchant acquisition, or financial education can be mutually beneficial and improve speed and scale of response.

5. **Donors should continue to support national governments to establish regulatory frameworks and digitize their social protection programs.** Regulation governing payments will spur new investments in financial services, and digitized government to person (G2P) payments such as safety nets create a significant demand for stronger e-payments systems with greater coverage of populations in need.