Delivering Essential Disbursements to Marginalized Communities

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Moving social aid beneficiaries to financial security

In the United States alone, approximately 21.3 percent of Americans (about 68 million people) use government assistance of some kind.[1] Access to safe and affordable financial services is vital, especially among families with limited wealth, who need to be able to manage expenses, invest in education, or start a business.

But 25 percent of U.S. households are either unbanked (14.1M adults and 6.4M children) or underbanked (48.9M adults and 15.4M children), with more than half of unbanked households citing not having enough money to keep in an account.[2] For those who have barely enough, or not enough, to get by every day, access to formal financial services is not an affordable reality, even when it's the first step on the road to financial security.

In the developing world, beneficiaries face the same issues of accessibility, predictability, and security. Unique regional challenges present opportunities to tailor solutions to address specific local issues, such as linking benefits to other social programs such as women's economic empowerment, health, and education.

The benefits extend not just to recipients, but to governments. The cost savings of digital payments are significant. McKinsey estimates that governments in emerging economies could save more than $100 billion annually by converting to digital payments.[3]

We have developed a suite of powerful, flexible solutions that are faster, more efficient, and more secure than cash or paper vouchers and have built deep relationships with local partners around the world to launch programs to deliver them.

Three programs in the United Kingdom, Paraguay, and Mexico are examples of some of the over 750 global programs Mastercard has embarked on in partnership with governments, private sector companies, and international development organizations to help underbanked, unbanked, unempowered, and vulnerable populations achieve financial security.

1. "Program participation and spending patterns of families receiving government means-tested assistance." *Bureau of Labor Statistics,* January 2018, https://www.bls.gov/opub/mlr/2018/article/program-participation-and-spending-patterns-of-families-receiving-means-tested-assistance.htm.
2. "FDIC National Survey of Unbanked and Underbanked Households." *Federal Deposit Insurance Corporation,* 2017, https://www.fdic.gov/householdsurvey/2017/2017execsumm.pdf.
3. "Digital Finance For All: Powering Inclusive Growth in Emerging Economies." *McKinsey Global Institute,* September 2016, https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Employment%20and%20Growth/How%20digital%20finance%20could%20boost%20growth%20in%20emerging%20economies/MGI-Digital-Finance-For-All-Executive-summary-September-2016.ashx.

"The program saves me time and money because now I don't need to take a bus from the countryside to get to the bank."

Christina Fernandez, Tekoporã program participant

Tekoporã (Paraguay)

In Paraguay, 26 percent of the population lives in poverty.[4] For families working hard to escape their grinding conditions, the access to education, healthcare, and food represents an ongoing struggle. Additionally, 40 percent of the population lives in rural areas, so as a result, distributing aid to the rural poor represents an ongoing challenge.[5]

Mastercard and Banco Nacional de Fomento, Paraguay's Ministry of Social Action, worked together to transform Paraguay's social aid disbursement cash program—fraught with security and convenience concerns—to disbursement via debit cards.

The Solution

The Tekoporã ("Living Well") program, launched in 2018, links benefits payment to the use of social services. Bi-monthly funds are delivered to low-income families with children in exchange for three conditions: school attendance, vaccination, and ID card possession. This prerequisite enhances the effectiveness of Paraguay's linked social programs. It provides at-risk children access to life-altering social assistance and increased rates of savings and security for the entire family.

The Impact

Tekoporã has driven a 13 percent increase in school attendance by children covered by the program. Research indicates that each year a child is in school increases earning potential by eight to ten percent, especially for women.[6]

The program not only helped drive higher levels of education, savings, and increases in household incomes, but it reduced the transaction costs of accessing social benefits in remote areas, expanded digital acceptance with local merchants, and reduced government costs.

Tekoporã now has a national scope with presence in the 17 departments of the country (254 cities). Tekoporã's goal is to reach 150,000 previously unbanked individuals considered vulnerable and previously never included in the formal financial sector.

Beyond the initial phase, Mastercard is already working to expand its alliance with BNF, the country's main bank, to support new social services programs and benefit even more individuals.

30,000
Beneficiaries With Cards, 2019

150,000
Target/Potential Beneficiaries

100%
Of National Departments (Regions) Covered

+13%
Annual Growth in Participating Stores/Merchants[7]

4. Poverty headcount ratio at national poverty lines, *World Bank*, https://data.worldbank.org/indicator/SI.POV.NAHC?locations=PY.
5. "The World Bank In Paraguay." *The World Bank, https://www.worldbank.org/en/country/paraguay/overview.*
6. "A crisis in learning: 9 charts from the 2018 World Development Report." *The World Bank*, September 26, 2017, https://blogs.worldbank.org/opendata/crisis-learning-9-charts-2018-world-development-report
7. Program level tracking by Mastercard and Bancard, the Program's Processing Partner.

Banco del Bienestar (Mexico)

In 2014, the Mexican government was searching for an alternative to reduce costly inefficiencies associated with its social aid disbursements, such as high transportation costs to access sources of cash, security, and fraud costs. Often, beneficiaries did not receive benefits on time, traveled long distances, and endured hours of long lines.

A particular focus for this program was an emphasis on delivering aid to families.

The Solution

Mastercard partnered with Banco del Bienestar (formerly BANSEFI), the Mexican Government Financial Institution, to address these issues. The program offers a fully functional card that has loaded biometric information of the card holder, serves as an ID, ATM card, and, importantly, a debit or purchase card.

Benefits were linked to meeting program requirements around health and education. Most of the individuals enrolled in this social disbursement program were, for the first time, able to deposit funds, receive social benefits, save, or engage in many other financial transactions that are facilitated by electronic payments.

Since the new Mexican government took office in December 2018, they announced the expansion of their social program policy and changes in the program's execution,

The Impact

This collaborative partnership allowed Mastercard to deliver a solution that provides a safer and easier way to receive funds as well as gain access to and use funds. Since the alliance began in 2014, over 6.5 million beneficiaries have been afforded access to electronic payment methods, providing them with greater security, control, and convenience.[8]

Most of the individuals enrolled in this social disbursement program are women. Giving women more control over their finances has positive benefits for families. Direct payments into women's financial accounts provides greater confidentiality and control, making it harder for family and friends to access these funds without consent. Income in the hands of women, compared to men, is associated with larger improvements in child health and higher spending on health, housing, and nutritious food.[9]

Mastercard will continue to work in partnership with the new Federal Administration to expand the reach of social programs to over 20 Million beneficiaries.

1.7 Billion	$40	6.5 Million	4.6 Million[8]
Dollar Volume 2018	**Average monthly Disbursement**	**Million Families Supported**	**Cards Issued as of Q2 2019**

8. Program level tracking by Mastercard and Banco de Bienestar.
9. "Women Empowerment and Economic Development." Esther Duflo, *Journal of Economic Literature,* Vol 50(4), pp. 1051–1079.

London Borough of Brent (United Kingdom)

In 2012, the London Borough of Brent was looking for a solution that would enable them to better and more efficiently distribute social benefits to a broad community that faced both multi-lingual and technology access challenges.

The London Borough of Brent has one of the most multi-ethnic communities in the UK. A multilingual program was needed so all users could benefit from the program. The original system in place was also internet based, but only 50 percent of the target recipients had internet access. Furthermore, the program provider was unable to provide telephone support to clients without internet access.

Additionally, because their system of cash payments, checks, or payments to bank accounts were manual, expensive, and time-consuming to process and distribute, resources were diverted away from delivering front line care to beneficiaries.

The Solution

Mastercard partnered with the London Borough of Brent to design a prepaid card program that gave citizens more secure and convenient services with quicker access to their benefits.

Some of the benefits delivered by the program were:

- Integrated the payments solution into the existing social care and finance systems
- Set up a call center to provide customer support in 13 languages to a multi-lingual population
- Delivered a reloadable card with secondary cards issued for care givers
- Eliminated a 6-month backlog of manual payment monitoring, freeing resources for front line care
- Provided improved program management through alerts and triggers, reducing fraud

The Impact

Program adoption was high, as prepaid cards were seen as more secure and it provided an offline (non-internet) solution for payments. Citizens no longer had to generate and send in their own paperwork, they had 24-hour access to their spend history and balances through an online portal, and care-givers were paid more quickly.

The London Borough of Brent was able to operate more efficiently and realize significant cost savings. In the first eight months of operation, they realized a surplus balance of £330K the Borough is now able to monitor payments in real time and have enhanced their ability to track underspent funds, client contributions, and fraud.[10]

The London Borough of Brent became the first Cashless Council in the UK. Other council departments, seeing the benefit, also launched programs including payroll, petty cash, and guardianship accounts. The Brent Council decided to move entirely to electronic solutions—delivering more security and financial independence to beneficiaries who were previously dependent on cash, and powerful cost saving for the Council.[11]

10. Program level tracking by the London Borough of Brent.

11. "MasterCard Government Services & Solutions Case Study: London Borough of Brent." Mastercard, https://www.mastercard.co.uk/content/dam/mccom/en-gb/cashless_casestudy.pdf.

Moving from inclusion to security

Financial inclusion has emerged as a critical development challenge. It is a foundational element of the Sustainable Development Goals and is a cornerstone in solving the global challenge of uplifting people out of poverty and inequality.[12] This is why in 2015, Mastercard announced a commitment to bring 500 million people into the financial system by year-end 2020. Now on the cusp on that goal, the company has set its sights beyond. Attention has turned to re-imagining what it means to achieve inclusive growth for people, communities, and economies around the world.

For the 50 percent of Paraguayan families living in poverty, this means regular doctor's visits and better jobs for their children. For each woman in Mexico's Banco del Bienestar program, it means ensuring social aid funds are spent in support of her family and saving to start her own business, thereby changing her and her family's economic trajectory.

Impact is about each and every person these type of programs reach. Creating ecosystems that allow people to access and use tailored financial services can put them on a pathway to a more secure financial future where they can begin to save and borrow responsibly and insure against unanticipated events.

At Mastercard, we believe that while technology and globalization have had an overwhelmingly positive impact on society, the benefits of this economic and digital growth have not been equally shared by everyone. By leveraging our tools, technology, and expertise, businesses can create solutions that scale across countries and continents, moving people along these pathways towards security and prosperity. By reimagining what growth means and creating new models of social impact, we can put the digital economy to work for everyone, everywhere.

12. "Sustainable Development Goals Knowledge Platform." *United Nations,* https://sustainabledevelopment.un.org.