



Payments as a Lifeline

...delivering aid funds –
controlled for spend, fraud & abuse

Financial Disaster/Pandemic Preparation and Response: “Payments as a Lifeline” (PaaL) to Speed Access to Recovery and Rebuilding Funds

A White Paper by:

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Payments as a Lifeline “PaaL” Executive Summary:

The dispersal of disaster and humanitarian aid funds suffers from “financial constipation” – delaying/preventing billions of dollars in disaster and pandemic aid funds from being delivered to those in need – quickly, safely, and controlled for spend, fraud and abuse. This failure is especially harmful to the 32.6 million underbanked¹ US households and the 1.7B² underbanked globally - who are hardest hit when their work, family and community are upended.

This is a challenge on a grand scale and growing with estimate of the US alone of almost \$100B/yr in individual aid, half of it from private non-government sources

To address this “financial constipation” – leadership from the financial services and the disaster/humanitarian aid industries need to come together to address the complexity of disaster response - just as other industries already do (e.g., power, water, grocery, transportation, insurance). Other industries prepare for disasters needs in *physical relief* (e.g., water, food, first aid) with evergreen organizations and collaboration to pre-buy and pre-position for immediate response. Relief *funds* need to have the same pre-planning, public/private partnership (PPP) collaboration and ongoing rigor –ready to deliver *funds* directly to people within 48



hours - *controlled for spend fraud and abuse.*

This is even more challenging in a pandemic. Unlike natural disasters, it is not possible to have large groups of people aggregated into one condensed space to sign up and receive aid. Thus, having an electronic platform for controlling, dispersing, and spending these funds is especially essential. For the underbanked, many of whom may have hourly service jobs and thus are likely to be unemployed in a pandemic – the need for this direct, electronic, fast access to aid funds – is critical to caring for their families and in some cases, to survival.

Payments as a Lifeline (PaaL) is a new financial services (FS) industry coalition enabling collaboration for preparation, planning and delivery of *funds* in a disaster, just as other industries do for goods.

¹ <https://www.fdic.gov/householdsurvey/>. Estimates worldwide are 3 billion people underbanked.

² https://globalindex.worldbank.org/sites/globalindex/files/chapters/2017%20Index%20full%20report_chapter2.pdf

Financial Services in a Disaster/Crisis – a \$100B/yr+ underserved payments market

The processes to get *funds* directly into the hands of people – in a secure, transparent, controlled trackable method – has barely advanced since hurricane Katrina. There are heroic responses in *physical* relief to get people safe, dry, clothed and fed. But there is painfully little readiness to deliver meaningful levels of *funds* to people – immediately and for the mid/longer term. Access to these funds is needed to fuel recovery and to a return the community to “normal” - building pride and enabling growth for the immediate and long term.

For the financial services industry, this is currently an underserved “emerging market”. In 2018 there were over \$98B in uninsured disaster³ losses. Government, and not-for-profits help to address this nearly \$100B in need. While *goods* dispersed are helpful, with *funds* people could purchase for their *own specific needs* (e.g., housing, transportation, etc) with spend in their communities’ local businesses.

Financial vs Physical Needs in Disaster Preparedness and Recovery

Mention “critical infrastructure protection” (CIP), and the conversation turns to roads, bridges, power grid, water, etc. Talk of “Disaster Preparedness” and talk turns to food, water, first aid. But people *also* need immediate access to *funds* for essential purchases in an account for in-person and online purchasing. Accessing funds can be a challenge for anyone in a disaster, but for the Underbanked⁴, it’s almost insurmountable - exponentializing the negative impact, extending recovery time – to the detriment to people, businesses and community.

During fire, hurricane, and tornado seasons, disaster physical assets are pre-purchased and pre-staged in strategic locations to accelerate support with food, water, shelter, medical supplies, etc. Year round, in sustained, repeated processes, government and commercial entities set budgets and plans to assure these disaster needs are funded and ready to deploy to the regions when they’re most likely to be impacted (e.g., fires in the West, hurricanes in the South East, earthquakes, floods, tornadoes, etc.).

³ <https://www.iii.org/fact-statistic/facts-statistics-global-catastrophes>.

⁴ without a transactional bank account and a bankcard/ATM

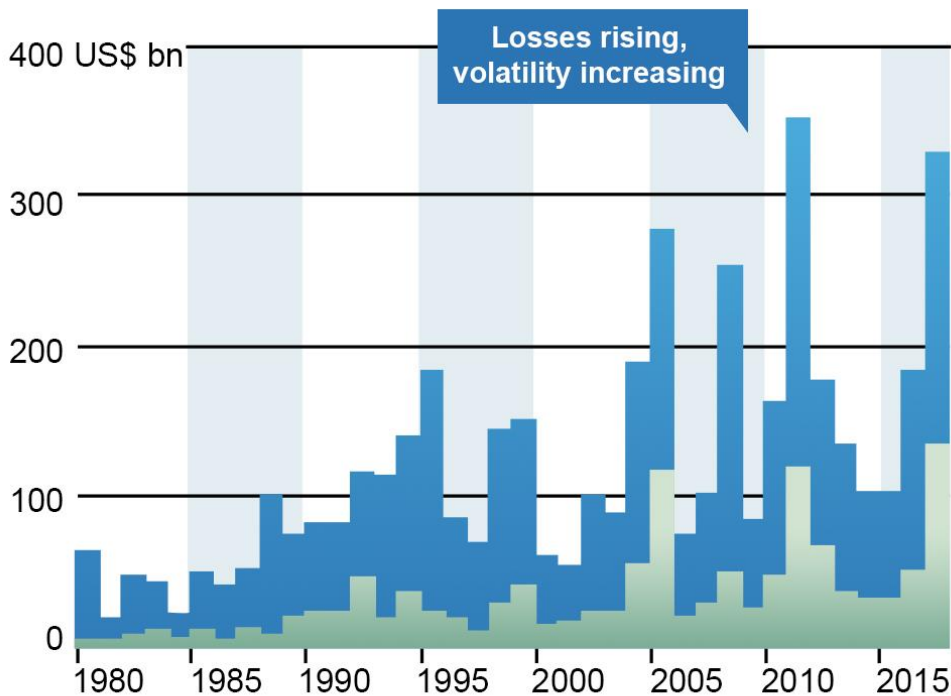
Disasters Are No “Surprise” and Are Increasing + 2020 Re-introduced Us to Pandemics

In the past 20 years⁵, there has been a range of 70 to 170 insurance designated domestic catastrophes per year, and they’re increasing. In many of these events, hundreds of people are left without identification, cash, credit/debit cards, access to insurance funds, etc. This presents a number of challenges, including personal safety and security, ability to leave the disaster site, increased insurance claims costs, delayed start on the road to home or business recovery. The *uninsured* losses are often dramatically higher than insured.

Not only do natural disasters cause stress, but because power, communications, and financial services access may have been affected, it takes considerable time, *money* and effort to even begin personal and community recovery efforts.

Overall and insured losses 1980-2017 Losses rising, volatility increasing

- Overall losses (inflation-adjusted)
- Of which insured losses (inflation-adjusted)



(Source <https://www.munichre.com>)

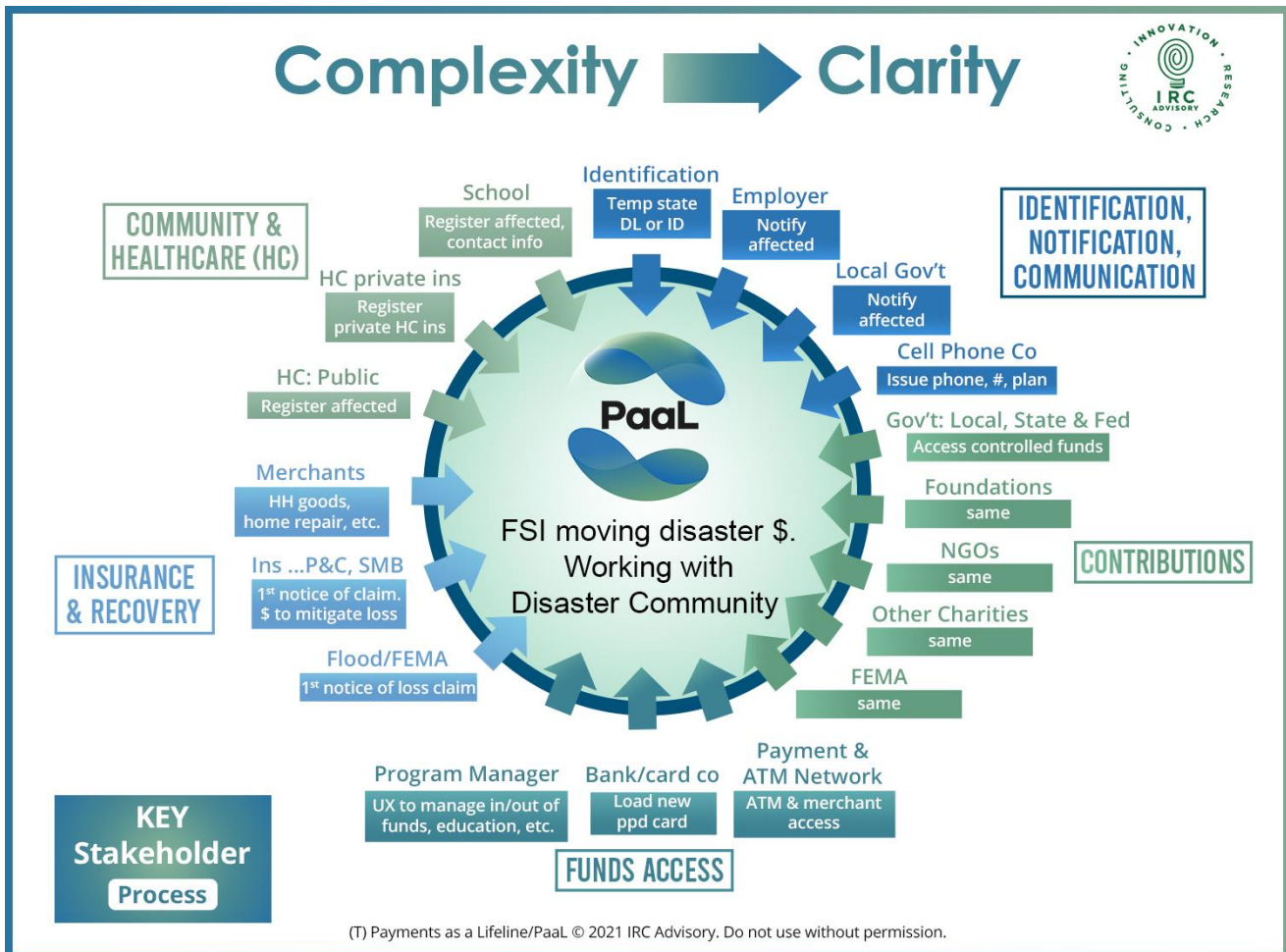
⁵ <https://www.munichre.com/topics-online/en/climate-change-and-natural-disasters/natural-disasters/the-natural-disasters-of-2018-in-figures.html>. Dark lines are uninsured losses, lighter are insured losses.

Consumers and Small Businesses: The Circle of Recovery. Clarity from Complexity.

Consumers and small businesses need access to funds to enable them to leave the danger zone, protect their families and employees, and access key infrastructure to start the recovery of their homes and businesses. We can empower them with access to the funds and tools to secure necessities quickly, safely, with minimized fraud, and a built-in accounting/control system. *By adding FS to existing*

disaster public private partnerships (PPP), we can leverage existing financial networks/tools – to be prepared and pre-positioned to provide people access to funds within 48 hours of the disaster event.

Viewing peoples' disaster needs for identification, communication, and financial services, can be captured in a 'circle of recovery'⁶.



⁶ "Circle of response and recovery". Payments as a Lifeline (PaaL). ©2021 IRC Advisory. Kirsten Trusko

In Katrina, many refused to leave the disaster zone to wait for their benefit checks in the mail. The Underbanked had little/no bank accounts to cash checks nor debit/credit cards to fund evacuation. In the years since Katrina, payments systems technology has advanced dramatically, but it's use for disasters and pandemic is still profoundly underleveraged.

In Katrina response, as part of a Big Four consulting firm donating millions in pro-

bono work – we saw heart breaking stories. Having already helped a large global NGO to convert their system from checks to the then new technology of prepaid cards. This same help was offered to a major disaster agency, was declined, and the news covered stories of the fraud and abuse of these uncontrolled funds, including riots in the streets as people battled fraudsters for their funds, and an estimated 16%⁷ of disaster funds went to fraud and abuse.

Disasters Affect the Local Economy, Especially Small Businesses and Tourism

Financial disaster recovery is critical not just to consumers, but also to businesses of all sizes, especially small businesses. It's essential to have advance plans to bring residents home, and re-open local businesses as quickly as possible to serve locals and attract essential tourism.

By putting controlled aid *funds* into the hands of people in need, they can spend these dollars in their own communities' businesses and fuel the rebuild and come back of local businesses.

“Direct damage...is only a part of the economic significance. The secondary, and potentially more severe, impact ...is on *economic* development...the largest disasters slow regional economic growth for decades”³

“There is a very close link between tourism and natural disasters ...The massive affect a natural disaster can have on tourism has a negative multiplier effect...spreading through the economy”⁴

⁷ <https://www.gao.gov/products/GAO-06-844T>

Future View – Financial Preparedness for Disaster - Payments as a Lifeline (PaaL)

Flash forward 14 years from Katrina to Harvey. Little progress in financial disaster preparedness, but payment technology has advanced dramatically, with much more secure, robust, controlled, accessible solutions. We can now use existing systems, repurposed to serve charities and government, with platforms to deliver funds matched to their mission (e.g., a hotel foundation for shelter, a childrens' charity for rides to school). Payment platforms now can provide deep data analytics (anonymized) of spend (e.g., where, how, when, etc). These platforms can also be used in partnerships with retailers seeking to support the recovery, generate sales, and used with government to block gouging. This requires partnering with the FS value chain in national and/or local/regional PPP relief efforts.

What is Payments as a Lifeline (PaaL)

PaaL is a coalition of top companies representing the payments value chain – serving as an interface of the FS industry into existing PPP disaster preparation, response and recovery efforts. The payments technology is accessed easily as a card, wearable, or smart phone app. The focus is on processes and best practices; a code of ethics; exceptions to current banking or network rules; system interface requirements of multiple players in different local/regional/national efforts (e.g., federal/state/local government, regulators, NGO's, foundations, charities, anti-money laundering and anti-fraud agencies, insurance, etc.).

PaaL interfaces with existing disaster PPPs for a nationally collaborated, local/regional/national financial disaster response - ready to deliver funds into people's hands within 48 hours of a disaster. PaaL develops the tools, rules, best practices, connectivity to existing PPP disaster efforts, thousands of charities and foundations, and government entities. PaaL drives coordination and program management, requirements, piloting, pre-planning, joint PPP disaster exercises, and ultimately the coordination\ of the financial services side of response and rebuild efforts – short, mid and long term.

Benefits for all: People & Communities, Foundations/Charities, Government and the Financial Services Industry

- For those in financial services, this is a large new “emerging market” currently painfully underserved, with a large percent of the spend at retail sites fueling faster stronger local community rebuild.
- For government and not-for-profits, this is a platform to support the delivery of funds to the target populations. Funds controlled for spend, fraud, and abuse, with accounting of every dime spend – and reducing criminals entering communities to gain access to these funds.
- For communities and government seeking to assure a well-prepared response and recovery plan, this adds a capability to deliver funds to help rebuild homes, businesses, and community – quickly/securely with fully automatic accounting.
- For consumers, families and small businesses, PaaL provides a true lifeline receipt of funds – from not-for-profits and government organizations – fast, secure, and providing a dignity and control to enable them to buy for their specific needs.

For all, PaaL is driving an organized, collaborated central effort across the financial services industry, charities/foundations, government, and PPPs. A collaboration to deliver a multiplier effect – in delivering *funds* to people to rebuild lives and communities after a disaster. Funds for spend in their local businesses and funds controlled for spend, fraud, and abuse – to the benefit of all.