

**Hearing Entitled "International Development: Value Added Through Private Sector Engagement"
Testimony of Walt M. Macnee, Vice Chairman, Mastercard
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Introduction

Good morning, Mr. Chairman, Ranking Member Cardin, and other Committee Members. My name is Walt Macnee, and I am the vice chairman of Mastercard. I would like to thank the Committee for the opportunity to speak today about the private sector's role in development and the potential for digital technology to improve the effectiveness of humanitarian and development programming.

Billions of people around the world cannot meet their basic human needs like food, shelter, clothing, and health. Access to capital, education, jobs, and commerce that would help them build livelihoods and resilience remains inadequate. The needs are great, and we acknowledge the necessity of development assistance.

But, the challenges stretch beyond the capabilities of governments and civil society, and, as such, there has been broad recognition that private sector capabilities and expertise can advance social progress. Philanthropy alone cannot manage the task. Key competencies in investments, technology, product development, operations, and the maintenance of profitable, sustainable business models, if applied to the humanitarian and development space, could help create more effective, scalable solutions that improve the lives of those who suffer most. Through this concept of shared value partnerships, companies can utilize their strengths to empower individuals, grow communities, stretch aid dollars, and advance business interests in a globalized world.

For Mastercard, a digital technology company in the payments space, we view our efforts as strategic investments in the long-term development of communities. Working with partner humanitarian and development organizations, we build products and services that bring dignity to the vulnerable and help

improve the way the system works – making it more efficient and transparent, and enabling more rapid response and greater scale.

Mastercard's Unique Approach

A common misconception about Mastercard is that we are a credit card company. In fact, Mastercard is a technology company in the payments industry, and our network connects buyers and sellers in 210 countries and territories across the globe in an efficient, scalable, and secure manner.

Mastercard has long been committed to improving the quality of life of the most vulnerable, delivering social impact for more than a decade. In 2006, we served as a model for other corporations in creating the Mastercard Foundation, a breakthrough public private entity. At the time of its public offering, Mastercard contributed approximately 10% of its stock, valued today at over \$12.5 billion, to found an independent non-profit organization. Each year the Mastercard Foundation spends approximately \$200 to \$300 million helping economically disadvantaged young people find opportunities to lift themselves, their families, and their communities out of poverty.

Through the Mastercard Foundation, we built a successful self-sustaining model for traditional philanthropy, yet we knew our company could do more. How could we reimagine philanthropy such that private sector assets and capabilities catalyze scale growth? In 2013, we formed the Mastercard Center for Inclusive Growth, an independent subsidiary. The Center combines expertise, data, technology, and philanthropic investments to empower a community of thinkers, leaders, and innovators to advance equitable and sustainable economic growth.

We recognize that philanthropy, while catalytic, is not sufficient to meet the large scale needs of the billions of impoverished people who lack basic necessities and access to social infrastructure that can improve their condition.

Mastercard has invested in building and expanding a public private partnerships division that measures our performance both in terms of financial as well as social impact. We leverage our industry-leading expertise in digital infrastructure, data analytics, innovation practices, and sustainable business models to build scalable solutions that address the humanitarian, health, education, employment, and commerce needs of the poor. We have developed transformational programs that deliver social benefits efficiently, reducing fraud and leakage for governments, while giving beneficiaries control over their money; we connect micro- and small- merchants to the formal economy providing them with access to digital commerce and credit in order to expand their businesses; and we work with healthcare companies to track the administration of life-saving vaccines – all help to advance social and economic development in the markets where we operate.

It must be stated that we do not and cannot operate alone. We believe that for significant, scaled impact, companies need to engage in shared value partnerships that match the capabilities and objectives of governments, civil society, and the private sector. Notably, we rely upon the knowledge of implementing organizations such as World Vision, Mercy Corps, Save the Children, and the International Rescue Committee that have unparalleled expertise in understanding beneficiary needs and delivering programs in extremely complex environments. Their inputs ensure that we build products and services that are fit for purpose. As the sector continues to face a growing gap between need and available funding, cross-sector collaboration ensures that together we have greater impact.

We believe, however, that long-term, sustainable private sector engagement in the humanitarian and development space requires shared value partnerships that go beyond appealing to a company's desire to "do the right thing," rather they should also encourage companies to benefit. Mastercard benefits from promoting citizen welfare, domestic security, and economic growth in the countries where we work. As we earn the trust of local authorities and local populations become more familiar with our brand, we build

markets of the future with relevant solutions that solve everyday needs. And, we believe, genuinely, that engaging in humanitarian and development work is not only the right thing to do, it also infuses our culture with an intellectual vibrancy and dynamism that drives greater internal productivity and enables us to attract top talent.

Mastercard's Role in the Humanitarian and Development Space

Turning to today's topic, over the past five years, Mastercard has helped our NGO partners respond to crises in some of the world's most challenging environments. To date, we have facilitated the transfer of aid to over two and a half million vulnerable people worldwide, and at last year's United Nations General Assembly, we pledged to expand our suite of humanitarian and development solutions to reach an additional two million aid recipients. We view humanitarian and development programs as an onramp to financial inclusion, providing vulnerable populations with tools and skills that then allow them to build vibrant communities. In 2015, Mastercard made a bold commitment to universal financial access, targeting 500 million people and 40 million micro-merchants currently excluded from the financial mainstream. To date, we have made the financial system accessible to over 300 million people worldwide through over 500 programs in more than 50 countries.

Examples of Mastercard's Public Private Partnership Achievements

Allow me to briefly describe the four solutions that we offer along with some of the results that we have experienced.

2KUZE. Launched in January 2017, 2KUZE is a digital platform that connects smallholder farmers, agents, buyers, and banks in East Africa. 2KUZE, which in Swahili means "Let's grow together," enables farmers to buy, sell and receive payments for agricultural goods via their feature phones. The platform brings the benefits and security of mobile commerce and payments to farmers in Kenya, Uganda, and Tanzania. It

was developed at the Mastercard Labs for Financial Inclusion in Nairobi, established in 2015 as a landmark partnership combining the philanthropic capital of the Bill and Melinda Gates Foundation and the business acumen of Mastercard. The Lab innovates practical and cost-effective financial tools that expand access and help build stable futures for more than 100 million people globally.

In the initial pilot, 2KUZE launched in partnership with Cafédirect Producers Foundation, a non-profit organization working with 300,000 smallholder farmers globally. We are excited about the results we are seeing in the early stages, specifically throughout the continent of Africa, where we are seeing thousands of farmers adopting our solution. Our solution empowers these farmers to sell their produce by working with farmer-friendly agents to ensure that they reach the right buyers and secure the best price.

Mastercard Aid. The Mastercard Aid Network is a flexible, digital aid solution that works without constant connectivity and eliminates the need to partner with a financial institution. Mastercard Aid programs are modeled on improving the outdated practice of delivering aid via paper vouchers. In these programs, Mastercard provides a local NGO with card terminals and chip cards that function as digital vouchers and can be loaded with “points” instead of a currency. The NGO staff on the ground distributes the cards to aid recipients and also selects local merchants to participate in the programs. It provides these merchants with a terminal consisting of a card reader and Android device. Aid recipients use the digital vouchers at participating merchants to redeem points for basic supplies. The NGO is able to track card usage through reports, and then pays the merchants for points redeemed during a given period. In less than two years, we have provided digital vouchers to four leading international organizations and two consortiums, collectively targeting 120,000 households, in countries as diverse as Nepal, Mozambique and the Philippines.

In conflict-ridden Yemen, we partnered with Save the Children, which was charged with managing a food security program. Expatriate staff had to be evacuated due to the security situation, but they were able

to manage the program remotely. As of May 2017, Save the Children has distributed aid to over 6,000 households.

Mastercard Prepaid. To respond to the refugee crisis in Southern Europe, we launched programs in partnership with Mercy Corps to distribute Mastercard-branded prepaid cards to eligible refugees traveling through Serbia and Greece. These cards, preloaded with funds, are capable of being used at any Mastercard accepting merchant.

This was the first program in the region to use an international cashless payment mechanism to help the tens of thousands of people seeking haven in Europe cover their basic needs. According to figures from Mercy Corps, over 90 percent of cardholders said in November 2016 that their safety had either improved or remained stable. Mercy Corps is now responsible for roughly 25 percent of all cash programming among the refugee response in Greece and its islands, currently digitally distributing over \$650,000 a month. Since December 2015, a total of 16,828 beneficiaries received a share of \$3.1 million on the Greek mainland and islands. These funds not only provide refugees with the dignity of choice but they significantly reduce logistical and other expenses associated with more traditional methods of aid. Mastercard card solutions have been deployed in humanitarian and development efforts in other countries such as Turkey, Lebanon, Jordan, Rwanda, and Kenya.

Mastercard Send. Our Mastercard Send technology facilitates the disbursement of funds from a government or NGO to a variety of account types—payment cards, mobile money, bank accounts, and cash-out agents—from anywhere in the world. This enables organizations to more efficiently distribute funds in local markets. For our very first deployment in a humanitarian context, we partnered with the American Red Cross and the Indonesian Red Cross (locally known as Palang Merah Indonesia) on a pilot in a region outside of Jakarta, Indonesia. The project targeted a drought-affected population in the spring and summer of 2016 with messaging to encourage the purchase of water and other critical items to meet

daily needs. The local Indonesian Red Cross organized the distribution and registration of SIM cards and mobile money wallets and also carried out monitoring and evaluation of the program.

Mastercard provided a connection to local mobile money operator Indosat to facilitate the transfer of funds from the American Red Cross in the United States to over 700 beneficiary households in Indonesia. Funds reached nearly every targeted beneficiary: 99.7 percent of households received cash grants, and 100 percent of transactions reached the correct beneficiary accounts within 24 hours. Though only a pilot, the program was well received with 98.1 percent of recipients saying that the distributed funds helped them to fulfill their household needs and 79.2 percent saying that they would like to receive aid via mobile wallet again.

Overall Benefits. In general, these types of programs increase efficiencies and reduce expenses associated with humanitarian and development programming in various ways.

- *Cost reduction* – Reusable, reloadable cards decrease waste associated with producing multiple cards or vouchers and lower costs associated with manual, paper-based processes.
- *Remote program management* – Programs managed from a central location permit government or NGO staff to view results or distribute aid remotely. Partners can track aid usage, which reduces fraud and enables the use of aid for intended purposes.
- *Standardized data reporting* – Central program management allows government or NGO staff to leverage data to provide insights into the workings of a program. Analysis of such data leads to better decision-making on the use of funds and the needs of the targeted population.

- *Stronger risk management* – Merchants participating in programs cannot take advantage of governments and NGOs by creating fraudulent tokens and claiming excess reimbursements, and our partners can turn off access if they observe suspicious patterns in redeeming points.
- *Better compliance* – Digital assistance enables greater adherence to cross-border regulations by ensuring that aid is delivered to the right beneficiary. Transfers become visible, trackable, and accountable.
- *Value for time* – Beneficiaries have access to smarter, faster, and simpler transactions that allow for them to focus on their day to day lives.
- *Scalable results* – Our technology allows for scale in aid delivery. We have reached an estimated 2.5 million people through programs in: Lebanon, Jordan, Turkey, Yemen, Nepal, the Philippines, Indonesia, Mozambique, Niger, Ethiopia, Nigeria, Kenya, and Somalia.

Conclusion

The private sector and public sector can each serve as a force for good independently; however, when the public and private sectors work together, they unlock the potential to achieve even more.

Looking forward, I encourage the U.S. Government to consider new ways to drive efficiency, speed, security, and transparency in development and humanitarian programming. Promoting a digital means of aid distribution is a significant step in the right direction for all the reasons I mentioned earlier.

From our perspective, you have Mastercard's commitment – we will continue to leverage our technology, data, and know-how in an effort to solve many of the world's most pressing problems. It is the right thing to do, and it is also good for business. By integrating purpose into our work at Mastercard, we are able to attract top talent, grow our base of customers, and create brand affinity with consumers, merchants, and

governments all around the globe. In a larger sense, and as a responsible company, we remain compelled to act, as the needs around the world are far too great for the public sector to tackle alone.

I appreciate the opportunity to share our experiences with the Committee today and I welcome any questions that you may have.