

Minutes for Breakout Session 1: Overview of Financial services for Refugees: which organisations are doing what, and how to link towards achieving financial inclusion?

Moderated by: Ms. Resi Janssen (Cordaid)

Speakers/panellists: Ms. Lene M.P. Hansen (independent expert), Mr. Lev Plaves (Kiva), Mr. Philippe Guichandut (Grameen Credit Agricole Foundation), Mr. Nadim Karkutli (European Commission), Ms. Béatrice Delperdange (KOIS)

Description: Everything you always wanted to know: economic activities, phased financial needs, products, restrictions, initiatives, innovative solutions, impact on refugees and host communities' members.

Minute taker: Nina Verduin

Moderator opens the session.

Moderator introduces the speaker: Lene Hansen, Inclusive Finance Specialist and author of the NpM report on financing refugees that was available at the conference.

Lene Hansen:

Speaking about refugees as people who are displaced and crossed an international border because of conflict, disasters, etc.

Refugees have a different economic status. People have opinions and stereotypes about refugees, which are often based on a lack of knowledge and contact, which leads people to make assumptions. It is necessary to confront these stereotypes within and around FSPs.

Lene presented different stereotypes and the audience was asked to raise a green or red card to symbolize 'true' or 'false'.

Stereotypes:

- Most refugees are highly transient: false
 - Perceived flight risk is not proven by facts or examples
 - Most refugees stay in the first country they enter after fleeing their own country
 - They do move more within the country than most domestic people
 - Social capital can be encouraged by financial services, thereby avoiding flight risks
- The majority of refugees live in camps: false
 - Camps become economic hubs
 - Pending on the policy that runs that camp, you wouldn't be able to tell the difference between a refugee camp and a village
- Refugees have access to and know how to use technology: true
 - They have the willingness/ability to operate technology-based services, especially women
- Refugees are economically inactive: false
 - But it depends on
 - The host country
 - The ability to prove skillset
 - The match of skillsets with host country needs
 - Easier in nearby countries (e.g. because of language)
 - On average more motivated to start but also more fragile

- FSPs need to design new products to cater for refugees: false
 - FSPs should include refugees in existing products on equal terms to reduce resentment among locals
 - FSPs need better access to relevant information and data to determine potential markets they could serve
 - Regulatory challenges: need for valid and recognized proof of identity → FSPs need clear information from the government about ID and KYC, e.g. recognition of UN IDs for opening a bank account

Financial needs evolve over time. The longer a refugee is in a country, the more his/her needs become similar to the host communities with similar economic status.

Six Preparatory Steps for FSPs to expand outreach to include Refugee Clients:

1. Conduct a scoping/feasibility study
2. Generate the strategy/concept
3. Contact refugees & conduct market research
4. Segment potential clients
5. Adjust eligibility and appraisal criteria
6. Conduct a pilot test

Refugee portfolios perform at PAR with or better than “standard” portfolios.

The financing refugees “industry” needs to be better coordinated → less duplicating and more sharing (studies) and a stronger voice against governments that cause restrictions.

Panel discussion

Philippe Guichandut presents the following:

- Convinced that refugees need to be reached to include them in the mainstream economy
- Financial service providers (FSPs) often have the idea that financing refugees is risky
- Grameen Crédit Agricole Foundation supports two FSPs, one in Uganda and one in Jordan, which not only reach refugees (they make up 50% of the client portfolio) but also host communities (who make up the other 50%)
- They also provide Technical Assistance for the FSPs to open new branches, train staff, and improve the MIS.
- They have done a market study which will be published at the end of September: a study of the microfinance market for refugees to evaluate what is there and what is needed.
- Some of the main outcomes of the study are a strong need for coordination, sharing information, combining efforts and not seeing each other as competitors.

Béatrice Delperdange presents the following:

- KOIS has developed an impact bond, focusing on livelihood opportunities for refugees and vulnerable host populations
- In Jordan and Lebanon, refugees settled where the local populations are already BOP so it is important to serve both
- The goals are: conflict prevention but also helping the Syrian economy/society rebuild when they can
- 75% women and a focus on disabled persons and youth
- Funding 3 years Near East Foundation: setting up home-based businesses

Lev Plaves presents the following:

- KIVA partners with MFIs, providing them capital through crowdfunding
- Mobilize individuals to lend to refugees through the World Refugee Fund
- Crowdfunding is low-cost (low rates) and risk-tolerant (because individuals only lose small amounts in case of default)
- 7mIn in 2018 to Global East, Africa, Latin America and Asia
- Repayment rate is 97%, same as other lending and there is a lot of scale → there is a business case for financing refugees
- Refugee Fund: for every USD 25 from an individual, a corporate/NGO provides USD 25
- World Refugee Network

Nadim Karkutli presents the following:

- The Madad Fund (EUR Regional Trust Fund in Response to the Syrian Crisis) finances on-humanitarian aid for Syrian refugees and their host countries. Programs focus on issues including education, health and water. Contributions and pledges came from 22 EU Member States and Turkey, as well as contributions from EU instruments, amounting to 1.5 million euros to date.
- The fund's objectives are to contribute to the goal of No Lost Generation as well as to reduce the pressure on countries hosting refugees.
- However, regulatory issues stood in the way: regulatory environment didn't allow for the inclusion of refugees into the labour market which was the second goal of the fund, and where it went wrong
- Public donors haven't been smart about asking host countries to change things in return for financial support
- US and EU sanctions and anti-terrorist legislation which really hamper Syrians, including refugees, to access banking and other financial services.

Questions from the audience:

1. How can we change the regulatory challenges?
 - Philippe: raising the issue, talking about it, lobbying. Uganda is seen as good example but in other countries the conditions are very different and the Uganda example cannot easily be copied elsewhere.
 - Lene: go to the Financial Action Task Force and request for them to do something about it since they are seen as a reference point for governments.
 - Lev: a group/coordinated effort is needed, since KIVA is also experiencing these regulatory difficulties.
 - Nadim: it is a challenge because politicians want to avoid any political move that encourages refugees to make a living because they think that will encourage them to stay.
2. There are parties that want to finance and be on the board but do not want to be held accountable, how to deal with that?
 - Philippe: they have to accept that they are accountable, that is how it works.
3. Are there any examples of failures in the knowledge management database for refugee finance?
 - Audience member from Uganda: in Uganda people are afraid and unwilling to take risks, so there is a need for more documentation, also on failures.

- Lene: no there are no examples of FSPs failing in providing financial services to refugees. There are however lots of failures of humanitarian aid organisations that did microcredit in the past, and failed. But we need more case studies on FSPs that are front-running, to provide benchmarking data. Also, the financial industry needs to work better together with humanitarian organisations. We need to coordinate the efforts and the voice.

Summary of main next steps:

1) What are the two most important next steps to financially include refugees?

- Discuss and solve regulatory challenges (legal IDs, residency issues) during the GPF on 10-11 September 2018;

2) What do (1) public and (2) private sector need to do?

Better coordination, sharing of experience and information, don't duplicate (feasibility) studies, not seeing each other as competitors, lobby for a stronger voice to accept refugees in the market

- a. Public sector: solve legal/regulatory restrictions; better coordination with private sector.
- b. Private sector: better coordination with public sector; change in mind-set: "lending to refugees is viable!".

Everyone agrees that initiatives should include or be targeted at both refugees and their host communities.