

Break out Session 3: Refugee finance in the Middle East, A risky business?

Moderator:

- Fadoua Boudiba (Senior investment officer at Triodos Investment Management)

Panelists:

- Jane Giacaman (Acting director of UNRWA, and based in Jerusalem)
- Alia Farhat (NFS and HR Manager at Al Majmoua in Lebanon)
- Bdour Al-Hyari (Business Development Manager of Microfund For Women in Jordan)

Agenda items:

- Each panelist provided a brief introduction of their institutions and work done with refugees.
- Moderator posed questions to the panelist about challenges that arise in their daily work.
- Additional questions and comments were taken from the audience.
- Moderator did wrap up and panelist provided closing remarks.

Below is a summary of key questions and answers discussed during the breakout session:

1. How do the MFIs define refugees?

- MFW: Based on UNHCR ID cards and status.
- UNRWA: Every person who has fled their country due to war or other crisis, but more particularly in the context of UNRWA, Palestinian refugees and their relatives.
- Al Majmoua: in Lebanon the government is sensitive about allowing Syrians to be called refugees, because that status comes with certain benefits. Instead they are called displaced persons.

2. How do the MFIs approach refugees in the camps?

- MFW: Started by approaching people near the camp, initially due to resistance from UNHCR about entering the camp. Now they are working in the camps more as UNHCR has backed down a bit, and the crisis has eased a little.
- Al Majmoua: Communicated with UNHCR to build a referral system to find refugees who can be suitable MFI clients.

3. How did the MFI's facilitate the refugee microfinance opportunity?

- Al Majmoua affirmed that refugees are not a homogenous group, but they had to provide finance to refugees "under the radar", meaning without publicizing it, primarily due to low government support. They offer micro loans inconspicuously helping women, who often are not as visible as head of household.
 - o They provide a standard product to Lebanese and Syrians because they feel that they should treat them equally to help foster social cohesion.
 - o Initially the Syrians started with smaller amounts but now it's more equal, given that they have established a credit profile.
 - o Group lending has also been done with mixed groups to help Lebanese and Syrians find common ground and realize shared goals.

- MFW had to get buy in from their staff and did so by helping them to see and therefore believe that this demographic of borrowers could work. Management visited branches and had focus groups with employees, highlighting positive stories and showing high repayment rates, and good portfolio quality.
 - o MFW examined borrower behavior and realized that women borrow in cycles:
 - 1st to pay off loan sharks.
 - 2nd to help their kids go to school.
 - 3rd to start businesses to support themselves and their families.

4. Do the MFIs feel supported in their work?

- MFIs like MFW and Al Majmoua are doing the hard work, but also almost all the work: as financial service providers, think tanks, and policy makers on their own.
- The three organizations on the panel have a strong social mission which propels them to work with refugees, and these MFIs are trying to push for financial inclusion, but it takes a long time and a lot of effort lobbying.
- In Jordan, a law for household registrations has been created but not yet implemented, so it doesn't help with refugee identification.
- In Lebanon, The Ministry of Foreign Affairs is not enabling refugees to register because they are pushing for the return of refugees to their homelands, so it is a highly political thing to offer them financial services.

5. How does UNRWA run its operations and remain resilient?

- UNRWA has been doing business for 70 years, and the UN said it must be a self-sustaining operation.
- Poverty affects more than 50% of the population in the areas UNRWA serves.
- UNRWA followed the internally displaced people in Syria, trying to continue to provide them with services. Even though branches were demolished, one branch was continuously operating.
- They had to adjust their products, deal with staff relocations, and constantly work to ensure the safety of the employees and customers in the branch.
- The staff were also part of the communities they worked in, so they pushed UNRWA to keep operating for the sake of those communities.
- They invested in a good MIS system to be able to decentralize their operations for lending and repayment.

6. How is the cooperation with UNHCR and what are the lessons learned?

- Traditionally, UNHCR did not see access to finance as a mandate, but within the last two years that mindset has started to change, and they are putting more effort towards it, but that needs to spread throughout the culture of the organization.
- The first pilot for microfinance failed with Iraqi refugees years ago, though it was only 100 people participating. UNHCR referred any refugee for a loan, without assessing whether they were beyond needing aid, and able to support themselves.
- Going forward some UNHCR representatives obtained training on microfinance and could perform a preassessment on which refugees were best suited for loans.

7. How can the MFIs address the fear of refugees with micro loans moving back home?

- The First Microfinance Institution in Syria never stopped lending even during the crisis and repayment rates were always 100%. Syrians at home and abroad have a good reputation of repaying their loans.
- MFIs abroad can potentially connect with First Microfinance Institution Syria and work together to establish a link for clients who may be returning home, which could resolve concerns about flight risk.

8. What is needed to better facilitate financial services being provided to refugees?

- Jane Giacaman: More cooperation among MFIs, and more funding to UNRWA.
- Alia Farhat: With a proper regulatory framework, it is not a risky business, and there is a real business case beyond the social mission.
- Bdour Al-Hyari :_It is not risky, but it is a continuous learning curve, which requires quick adaptation, and adequate external support.