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# Refugee assistance through financial inclusion

When it comes to their specific needs and demands, are refugees much different than the traditional, bottom of the pyramid (BoP) population? This question is an essential aspect of refugee assistance, as the efficiency of humanitarian support derives from its accurate response to the needs of the population it seeks to assist.

Contemporary debate on refugees sometimes tends to highlight their differences compared to other migrating and/or non-migrating populations, and could lead us to answer affirmatively. Yet, new evidences are disproving the array of myths surrounding the refugee population, and unveiling a crucial truth about them, that is, their situation is in many ways similar to that of BoP population.

More often than not, refugees are not in transition, but have settled, albeit for varying periods of times in host countries. The UNHCR estimates that 56% of all refugees have been in protracted displacement for more than 10 years; that over 60% of refugees live in local communities where they remain for several years. In addition, the average length of stay in a refugee camp is above ten years.

These statistics are crucial, not merely because they serve to deconstruct the idea that refugees are a transitory population, but also because we know that once they settle, their needs are not particularly different than those of the local communities. Depending on the length of their displacement, they need food, goods, training and social support, all of which can be better accessed through financial inclusion.

## Financial inclusion: a promising avenue for refugee assistance

While historically, non-governmental organisations have had the monopoly of refugee assistance, institutions providing financial services for BoP populations have recently started to play a role in empowering refugee populations. As Daniel Balson, a lead specialist for Eurasia and the MENA region for the Smart Campaign explains, “by offering credit, insurance, savings and other products, these providers can help refugees transition beyond reliance on economic assistance programmes, achieve independence, and contribute to their host countries” Financial access to such services has the potential to enable them to build a credit record, to deploy their skills and competencies, and to socially empower them.

The benefits of financial inclusion also extend beyond the financial realm. Many financial service providers offer non-financial services (NFS), which have proved to be crucial in empowering displaced individuals. This is especially true in the case of microfinance institutions.

For instance, Al Majmoua, a leading microfinance institution who recently started offering services to refugees in Lebanon, a country hosting over one million Syrian refugees, is offering a wide range of NFS to their clients, some of which are refugees. Some of the NFS provided by Al Majmoua include social and community development events, employment orientation services, vocational, financial and entrepreneurship training. Quite impressively, as of 2017, 40% of their NFS beneficiaries are refugees, thus demonstrating both the importance of such services and their utility for the refugee population.

Alia Fahrat, manager at Al Majmoua explains that, "vulnerable refugees are in need for NFS to help develop their life skills, gain confidence, build their skills in order to either find a job or to become an entrepreneur and ensure some income generation".

Alhough the benefits of financial inclusion for refugees are very clear, an important question remains. Is it more risky for financial service providers (FSPs) to include the refugee population? Interestingly, and despite popular assumptions, refugee populations are, under certain circumstances, not higher risk than other traditional clients.

According to Amelia Greenberg, Deputy Director of the Social Performance Task Force, "the evidence we have so far from FSPs that serve refugees is that the portfolio at risk for refugees and non-refugee clients is comparable, meaning refugee clients who have been in their host country for several years or longer and are economically active are not a higher risk population". This means that a large segment of refugees are eligible to financial services.

Yet, despite these mutual benefits, refugees remain extremely underserved by FSPs. While there are no statistics estimating the exact number of unbanked refugees, the fact that the world's unbanked population is above 2.5 million – the majority of which is the BoP population – and the experience of NGOs on the ground, reveals that a large part of the refugee population is financially excluded. A recent study conducted by the SPTF (https://sptf.info/) reveals that legal barriers, the perception of refugees as high risk clients and reputational risk constitute the three main reasons for their financial exclusion.

Illustrating the reputational risk associated with servicing the refugee population, Alia Fahrat describes the internal difficulties Al Majmoua faced when deciding to open their services to refugees. "We conducted focus groups with our existing clients to gain a better understanding of their fears and opinions with regards to including refugees in our services. We discovered very significant negativity. A majority of clients were in fear of being outpriced, and they did not think that Al Majmoua should help the competition."

## New technologies and the changing role of NGOs

In this context of general misconceptions, the fintech industry has recently stepped in to address the financial exclusion of refugees. Working with the World Food Programme innovation accelerator, Famoco, a company enabling digital transactions developed an innovative solution enabling to digitalise and secure voucher distribution to refugees in over 30 countries.

Flora Wolfer, marketing manager at Famoco explains the functioning of this new service: “it consists of personalised cards and dedicated merchant readers. The smartcard works like an e-wallet that beneficiaries can use at all local merchants for a wide variety of products”. This solution has several benefits: it allows permanently displaced populations to adapt their consumption to their preferences, and on an interpersonal level, it helps them build a sense of community while providing them with a sense of control. This last point is crucial for a population wrongly portrayed as passive.

These fintech solutions, especially mobile banking platforms, are promising, for they are much more cost-efficient than traditional forms of aid. New research and evidence suggests that cash aid, which is facilitated by digital solutions functions better than vouchers (conditional money) and in-kind donations (donation of items such as tents, food, etc). They reduce administrative costs, and contribute to the local economy. A study found for instance that for every dollar of cash assistance, two dollars were circulating in the local economy.

The arrival of these new actors in the humanitarian sector necessarily reshapes the role of NGOs. Given the efficiency of mobile banking and fintech services in reducing costs and facilitating the financial inclusion of refugees, some have argued that NGOs are becoming more and more obsolete. More moderate experts, such as Dan Maxwell, a researcher from Tufts University studying the impact of inclusive finance, rather argues that “humanitarian agencies still need to conduct needs assessments, do the targeting and registration, the monitoring and evaluation”. This feeling is shared by Flora Wolfer who states that “NGOs and local companies have a significant role to play in deploying financial services along with new financial companies. They act as an accelerator, as official reassurance”. Beyond these elements, NGOs must also ensure that these services are fairly and properly distributed to population in need. The humanitarian world gains from having a more holistic view of humanitarian assistance, where the power of new technologies are complemented by the *savoir-faire* and expertise of NGOs.

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