

Assessing the Needs of Refugees for Financial and Non-Financial Services – Jordan

Place

Date

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1. INTRODUCTION

Background of the study

Framework:

The Swedish International Development Cooperation Agency (**Sida**) and United Nations High Commissioner for Refugees (**UNHCR**) have developed a joint program to facilitate access to credit for income generating activities and consumption for the refugee population and their host communities in Jordan and Uganda.

Grameen Crédit Agricole Foundation (**GCAF**) has been selected by the parties as partner of the initiative.

Implementation:

Microfinanza Srl has been selected by GCAF to conduct a country assessment in Jordan and Uganda

2. METHODOLOGY

Sources of information and field work

PRIMARY SOURCES: direct consultation with refugees, Financial Services Providers (FSPs), institutions, NGOs and other financial stakeholders

SECONDARY SOURCES: literary review on the specific case of Jordan, other similar researches, papers and regulation on refugees and on financial sector

- **Field work:** visit to Zaatari settlement camp (Mafraq Governorate), and Amman
- **Data collection:** 4 focus groups, 93 individual interviews, 10 existing enterprise and 2 potential enterprise interviews for a total of 117 refugees met.

Discussion with 3 FSPs at national level, regulatory bodies of the financial sector, umbrella associations, bodies responsible for implementation of refugee policies and NGOs

Sampling: direct consultations have involved a limited number of refugees, with no possibility to randomly select a representative sample. Therefore, ***findings from the direct consultations with refugees within the scope of the assessment cannot be translated onto the whole refugee population***

3. CONCEPTUAL FRAMEWORK

Refugee displacement phases and financial services needs

Phase of displacement	Indicative needs for financial services
Phase 1 - Arrival	Survival cash for food, housing, and medical services as well as repayment of debt incurred during escape.
Phase 2 – Initial displacement	Savings products, remittances, microcredit for consumption, health insurance.
Phase 3 – Stable/protracted displacement	Savings products, microcredit for consumption and business, mortgage/home improvement loans, transactional accounts for cross-border payments, remittances, health insurance.
Phase 4 - Permanence	Savings products, microcredit for consumption and business, pension plans, insurance products. If return/resettlement is the ultimate goal: savings for journey, transferrable credit history, transferable pension schemes.

Source: UNHCR and SPTF (Hansen, Lene), *Serving Refugee Populations: The Next Financial Inclusion Frontier – Guidelines for Financial Service Providers*, March 2017.

Economic spheres or dimensions

Interactions and relations within and beyond a community, especially in marginalized contexts and among vulnerable groups of people, can be considered from the point of view of three different economic 'spheres' or 'dimensions' that coexist and overlap; namely:

- (i) the **endogenous economy** at the refugee community (or group) level;
- (ii) the **assistance/handout (non-market or redistributive) economy** at the level of donors, agencies, and NGOs assisting and supporting refugees; and
- (iii) the **exogenous (market) economy** at the market level, which include interactions with actors (such as FSPs, but also suppliers, etc.)



4. CONTEXTUAL FRAMEWORK

Macroeconomic context

Jordan has a population of around 10 million people, and is classified as a 'lower middle income' country by the World Bank. Over the past years, the economy is experiencing positive but sluggish growth rates. In general, Jordan's small **economy is struggling** with absorbing the effects of the Syria crisis, suffering from rising unemployment and high government debt.

Key macroeconomic data	2013	2014	2015	2016	2017
GDP growth (annual %)*	2.8	3.1	2.4	2.0	n/a
GNI per capita, Atlas method (thousand, current US\$)*	3,790	3,870	3,890	3,920	n/a
Human Development Index (value)**	0.737	0.741	0.741	n/a	n/a
Unemployment (% of total labor force)*	12.6	11.9	13.1	15.3	14.9
Inflation, consumer price index (2010=100)*	114.1	117.4	116.4	115.5	119.3

GDP primarily derives from services (67%) and industry (29%), with agriculture contributing only with a small share (4%). The **informal economy** is estimated to represent 44% of total employment and 15% of GDP.

Refugee context



With almost **750 thousand registered refugees**, Jordan is the world's 6th largest hosting country in absolute terms and the 2nd largest in relative terms.

The **great majority** (almost 89%) **are Syrians**, who are followed by **Iraqis** (8.9%) as well as a more limited number of **Yemeni, Sudanese, and Somalis**.

Most refugees (83%) are self settled, i.e. living among the Jordanian population, primarily in urban areas. The remaining share (all Syrians) live in 3 'closed' settlements: Zaatari (11%) Azraq (5%) and Emirati Jordanian (1%).

Refugee context

The **general regulatory framework still imposes strict conditions**, limiting the opportunities for formal employment and self-employment on part of refugees in a good number of professions and sectors. This increases informal work.

- **Jordan Response Plan:** MoU between UNHCR and the Government of Jordan to establish a framework of cooperation regarding refugees.
- The 2018-2020 JRP incorporates the '**Jordan Compact**'. the JC targets the provision of 200,000 job opportunities for Syrian refugees.
- In order to support the employment of Syrian refugees within sectors/professions 'open' to foreigners a number of measures have been taken. A total of **98,792 annual work permits to Syrian refugees have been issued** (only 4.0% of which to women) as of mid April 2018.

Financial Inclusion Overview

- **The level of financial inclusion has improved in the last years.** However, except for remittances, the **formal financial inclusion of refugees is very low.**
- Within the Jordan's **National Financial Inclusion Strategy** (NFIS) for the 2018-2020 **refugees** are specifically targeted as one of the four priority segments (along with bottom 40% of households, women, and youth)

The Jordanian financial sector is composed of **27 banks** and **8 MFIs** (including 4 not-for-profit companies, 3 for-profit companies, and 1 governmental agency).

The **microfinance sector is relatively young** (first operations starting in 1994). Since then, the microfinance market has registered a remarkable growth with a total portfolio of JOD 227 million at the end of 2017.

5. KEY FINDINGS

Human Capital

- **Displacement phase** – refugees, mainly Syrians, have been in Jordan for several years and hence live in a situation of stable/protracted displacement.
- **Household size** – the average number of people living under the same roof among the sampled refugees is 5.6 (5.1 in Amman and 6.2 in Zaatari)
- **Education** – the majority have more basic educational backgrounds (almost 3/5 of respondents have only completed primary school, while nearly 1/10 are illiterate)
- **Economic independency** – Amman-based and female respondents generally record lower levels of economic/financial independency as well as education.

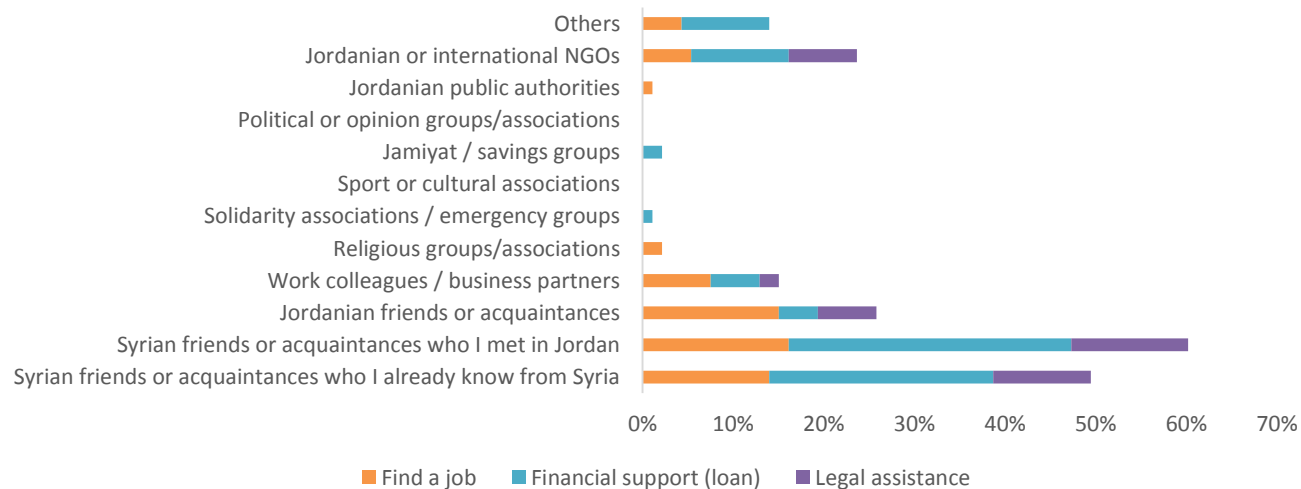
Do you depend economically/financially on anyone?

	Overall	Zaatari	Amman	Women overall	Women Zaatari	Women Amman
Yes	41%	26%	53%	68%	50%	79%
No	59%	74%	47%	32%	50%	21%

Social Capital

- **Interaction between communities** – while interviewed refugees most commonly socialize with and rely on fellow refugees, a good share also regularly interacts with and seeks support from Jordanians (especially in Amman).
- **Individual vs group bonds** – interactions through structured groups and associations are more frequent in Amman, while consolidated relations in Zaatari are more individual.
- **Conflicts** – relations with Jordanians are generally positive and supportive at the micro (i.e. community) level. Potential tensions stay more at a macro (i.e. country) level.

Who do you mainly rely on for support and for which purpose here in Jordan?



Professional Capital

- *The ‘entrepreneurial drive’ of Syrians along with their skills are recognized parts of their professional capital.*
- Given the restrictive regulatory framework and the difficult economic situation, the **current level of employment and self-employment among refugees is relatively low.**

Do you have a job or an economic activity (i.e. your own business) here in Jordan? Consider the last month



Many refugees seek opportunities for self-employment towards applying their experience. Efforts to support refugees’ **business activities** could hence rely on this largely **untapped capital.**

Economic/Financial Capital (1)

Sources of income

- The **average household income** observed is JOD 177 (~USD 248) per month. Household revenues are slightly higher in Zaatari than in Amman
- The **average monthly household income differs according to the type of income stream**

	Overall	Amman	Zaatari
Salary from regular work (n=18)	249 JOD	217 JOD	285 JOD
Wage from irregular/occasional work (n=27)	99 JOD	133 JOD	73 JOD
Income from own/family business or self-employment (n=6)	78 JOD	153 JOD	41 JOD
Aid/cash assistance from organizations (n=79)	110 JOD	103 JOD	117 JOD
Remittances (n=6)	90 JOD	115 JOD	56 JOD
Other (n=5)	150 JOD	150 JOD	150 JOD

Interviewed **business activities** manage to generate relatively sizeable incomes for their owners as well as for their employees (especially for the informal business owners in Zaatari).

Economic/Financial Capital (2)

Saving Capacity and Assets

- **Almost 3/4 of interviewed households report having ongoing debts**
- The **median debt amount** observed in this assessment's sample is **JOD 195 (~USD 273)**
- **Larger sums** are to cover expenses for medical emergencies in Jordan or passage from Syria to Jordan.

	Total (n=68)	Amman (n=62)	Zaatari (n=26)
Median current debt	JOD 195	JOD 625	JOD 175
Median current debt monthly income ratio	2.0	3.2	1.2

- Nevertheless, **one-fifth of households do manage to save at least some money every month** (average JOD 28; ~USD 39); savings practices stronger in Zaatari than in Amman
- **Only a handful of respondents claim to own assets of value in Jordan.** Over the years of permanence in Jordan, most refugees have seemingly gone through a process of **'asset depletion' rather than 'asset building'**.

Future aspirations, challenges, opportunities (1)

➤ **'FLIGHT RISK':** *the majority of respondents do not have any plans to move from Jordan:* 17% believe to have now settled - and would like to stay - in Jordan, while 45% do not have nowhere else to go (remaining respondents do not have the money or travel is not safe).

➤ **BUSINESS APPETITE:** strong propensity of Syrian refugees to *gain their own economic independency*. The *entrepreneurial spirit* is slightly stronger in Zaatari (31% of respondents have a strong plan to develop their own business) than in Amman (24%), which is plausibly a reflection of the greater possibility of doing informal business within a settlement.

Future aspirations, challenges, opportunities (2)

Self employment of Syrian Refugees

BARRIERS

- Lack of capital and accompaniment services
- Restrictive regulations
- Availability of transportation
- Women's employment hindered by cultural biases and/or family duties

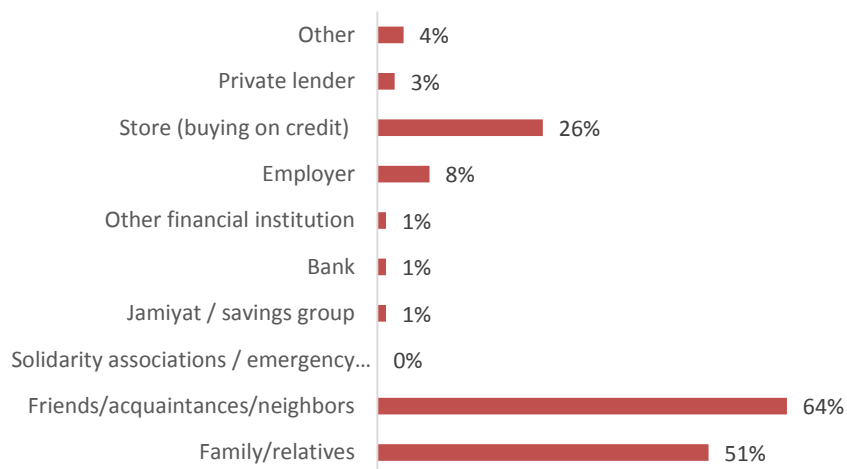
PROS

- Strong entrepreneurial spirit and skills
- Despite limitations, informal enterprises and HBBs currently represent valuable livelihoods opportunities

Access to financial and non financial services (1)

- Despite the common use of **savings groups** in Syria (especially women), this practice is not widespread in Jordan.

Do you have a job or an economic activity (i.e. your own business) here in Jordan? Consider the last month



- General **trust towards financial institutions** on part of refugees
- Orientation towards **business loans** rather than credit for consumption purposes
- Consulted enterprises also desire products for **making and receiving payments** and **storing liquidity**

Access to financial and non financial services (2)

- Digital Financial Services **especially mobile wallets**, could play a role in the financial inclusion of refugees but need to be accompanied by financial awareness and literacy

NON FINANCIAL SERVICES

- ✓ The same refugees consider **accompaniment as key to access financial services**.
- ✓ The **landscape of the provision of non-financial services to refugees is fragmented** in terms of providers, continuity, and contents of services, which reduces the potential for creating synergies and outreach.
- ✓ It would be appropriate to **combine vocational training, cash-for-work (and grants for business start-ups), and financial education** and make them work in a complementary way hence compensating for mutual deficiencies.

6. SUMMARY CONCLUSIONS (1)

- Refugees' **level of financial inclusion is low** due to limited accessibility of financial services, lack of financial capabilities and fragmented offer of non-financial services.
- **Syrians** confirm their reputation of having a **strong entrepreneurial spirit and 'appetite for business'**.
- There is an **interesting demand for financial services on part of refugees**, which – if properly accompanied – can provide a **potential market for FSPs**.
- Most consulted **refugees are willing to work, but employment opportunities are limited** mainly due to the economic situation and the restrictive regulations.
- There is a **good level of interaction between Jordanians and refugees**. Sources of conflicts are more likely to be triggered by macro levers.

6. SUMMARY CONCLUSIONS (2)

- **Poor attention has been paid to date by Jordanian MFIs** to the challenge of financial inclusion for refugees in the country.
- **Aid/cash disbursements and international cooperation efforts** are perhaps the primary (but not sufficient) sources of formal financial and non-financial services for refugees. They could play a **key role** in assisting FSPs in reaching out to, training, and accompanying potential refugee clients.
- The so called **'flight risk'** of potential refugee clients results low.
- Even if demand is greater in urban areas, **Zaatari and other settlement contexts appear as less risky environments** within which FSPs can initially approach the refugee market.
- **Mobile wallet accounts** can provide a flexible and accessible alternative to bank accounts; however, some challenges remain in terms of (i) market infrastructure and (ii) consumer awareness and trust.

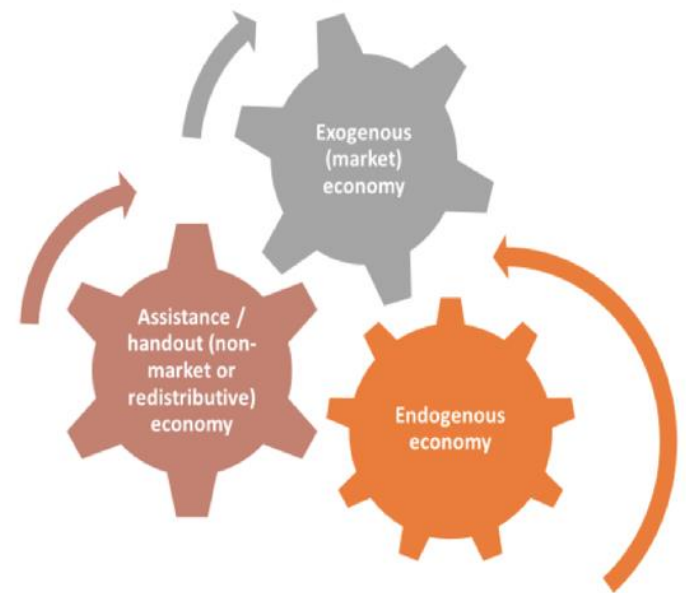
7. RECOMMENDATIONS

General considerations

A sound financial inclusion approach should, as a first step, support the connection with the different actors and programs involved within the three economic spheres/dimensions of the *financial inclusion 'value chain' of refugees*;



Not all refugees may be *'credit-ready'*. While those who are should be given immediate attention by the FSPs, those who are not should be supported through the building of **savings**



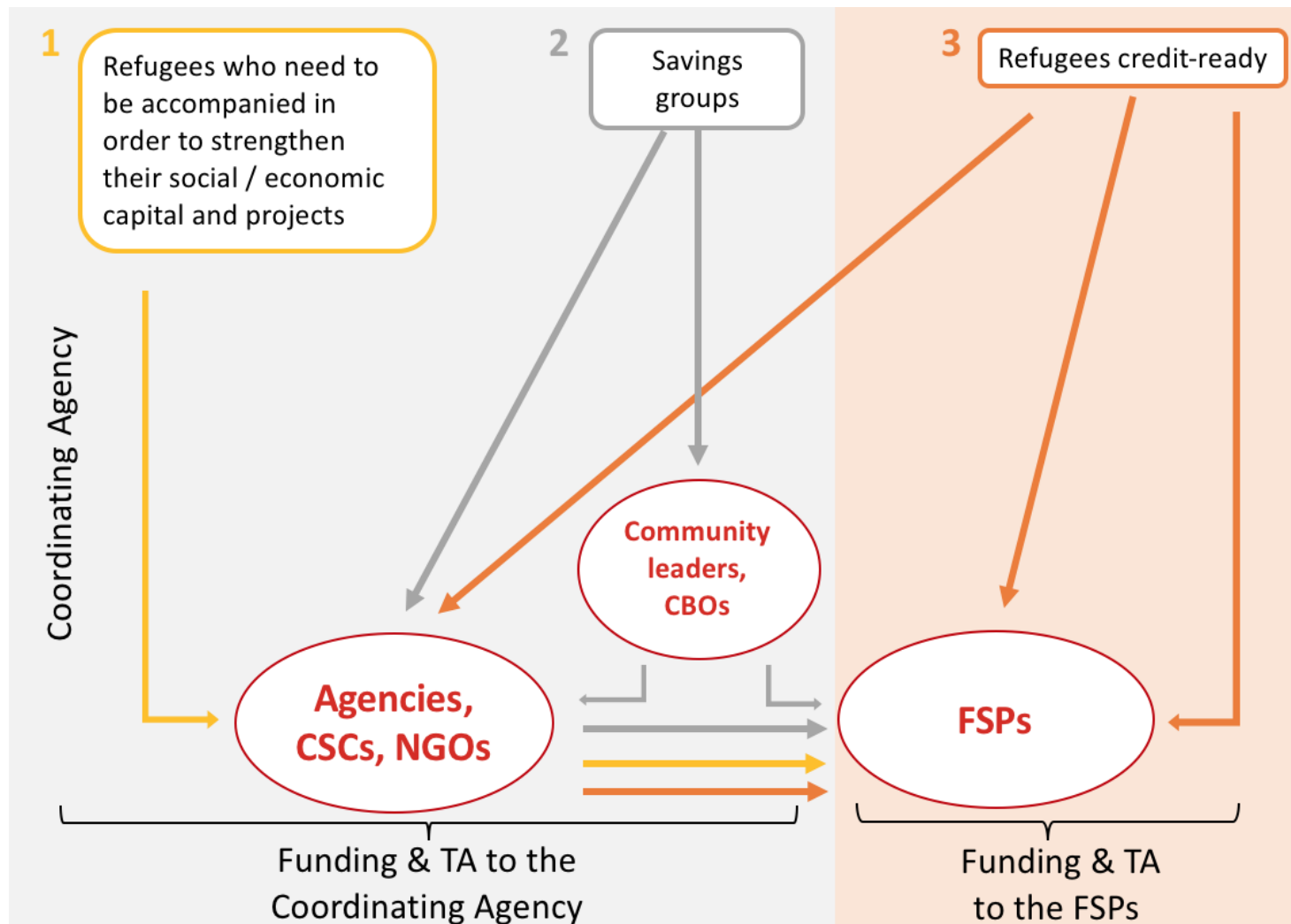
Coordination across the three spheres *is crucial for the creation of a holistic approach* oriented towards meeting the complex set of livelihoods needs of refugees

Overall Proposed Strategy – Steps

1. Provision of an **asset building program** that may take the form of a compulsory savings plan (possibly piloted as a cash based intervention)
2. Activation of **financial education or business support programs** facilitated by a platform linking initiatives of NGOs, CSCs, and other community-based initiatives.
3. Support of informal **social intermediaries** such as savings groups and community leaders to bridge refugees with FSPs.
4. **Access to credit.** Beneficiaries deemed eligible to promote **business activities** would be ‘accompanied’ to FSPs adhering to the program and hence bringing information on their social capital, training attended, personal financial assets (i.e. compulsory savings and/or, possibly, seed capital component).



Overall Proposed Strategy – Scheme



Overall Proposed Strategy

Recommendations to FSPs for credit-ready refugee clients

- ✓ Review **eligibility criteria** of clients
- ✓ Focus on **adapting existing product** features, methodologies, and processes **rather than creating exclusive 'refugee' financial products**
- ✓ Ensuring a solid **link between financial and non-financial services**
- ✓ Adapt adequate **payment collection processes**, especially for refugees within settlements with limited access beyond settlement borders
- ✓ **Leverage kinship relationships among refugees** to be effectively expressed as an economic/financial value by acting as **mutual guarantee**
- ✓ Seek out **collaborations with social intermediaries within refugee settlements/communities**



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