



Setting the Stage: The Role of Financial Services in Humanitarian Crises

CGAP Photo Contest 2018

Nadine Chehade & Peter McConaghy

nchehade@worldbank.org, pmcconaghy@worldbank.org

Wednesday Feb 20, 2019

SPF Dissemination Workshop, Beirut, Lebanon



WORLD BANK GROUP



**State and
Peacebuilding
Fund**



MEMBER OF
THE WORLD BANK
GROUP

“We must return our **focus to the people** at the center of these crises, moving beyond short-term, supply-driven response efforts towards demand-driven outcomes that **reduce need and vulnerability**. To achieve that, international providers will need to set aside such artificial institutional labels as ‘development’ or ‘humanitarian’ working together over **multi-year time frames** with the Sustainable Development Goals as the common overall results and accountability framework.”

Ban Ki-moon

“Report of the United National Secretary General for the World Humanitarian Summit” (2016)

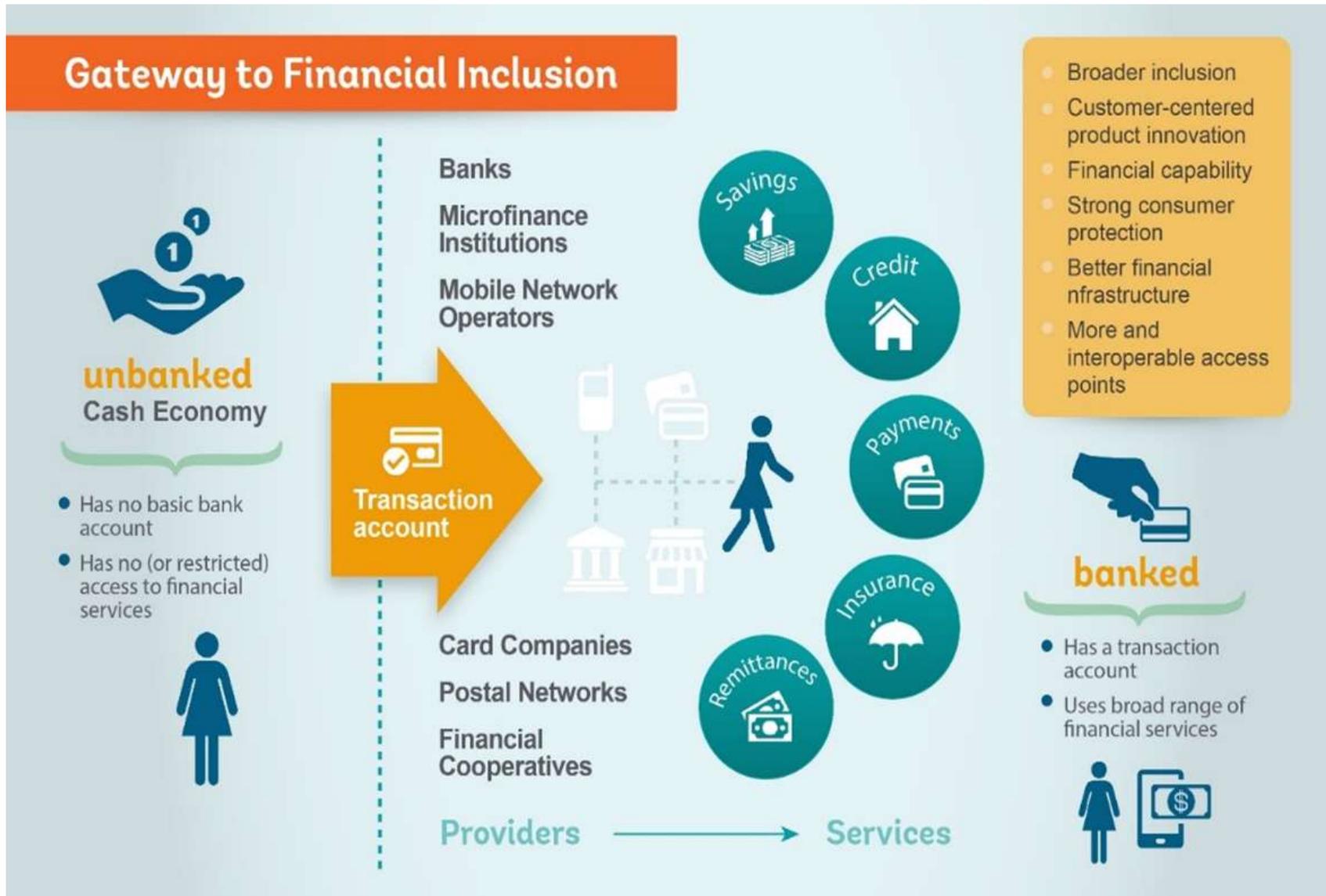
Setting up the workshop's discussions

1. Why financial inclusion?
2. What role for financial services in humanitarian crises?
3. What is digital technology unlocking?

Why Financial Inclusion? A Framework



Financial Inclusion: What is it and why is it important?



150+
million adults in the Arab world do not have an account*

2%
Kenyans lifted out of poverty as a result of M-PESA**

* Source: Findex Data, CGAP calculation

** Source: Suri and Jack 2016. The long-run poverty and gender impacts of mobile money. Science.

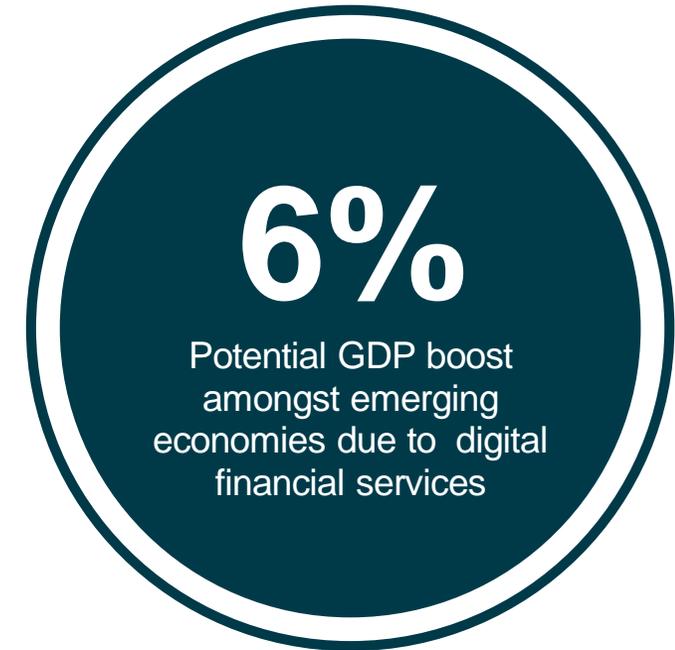
Digital financial inclusion: from policy to fundamental enablers

“Fintech can have a major social and economic impact for them and across the membership in general. All countries are trying to reap these benefits, while also mitigating the risks. We need greater international cooperation to achieve that, and to make sure the fintech revolution benefits the many and not just the few.”

Christine Lagarde, Managing Director, IMF quoted in World Bank IMF Bali Fintech Policy Paper, Oct 2018

CGAP’s Regulatory Enablers for DFS

1. Non-Bank e-money issuance
2. Use of agents
3. Risk-based customer due diligence
4. Consumer Protection



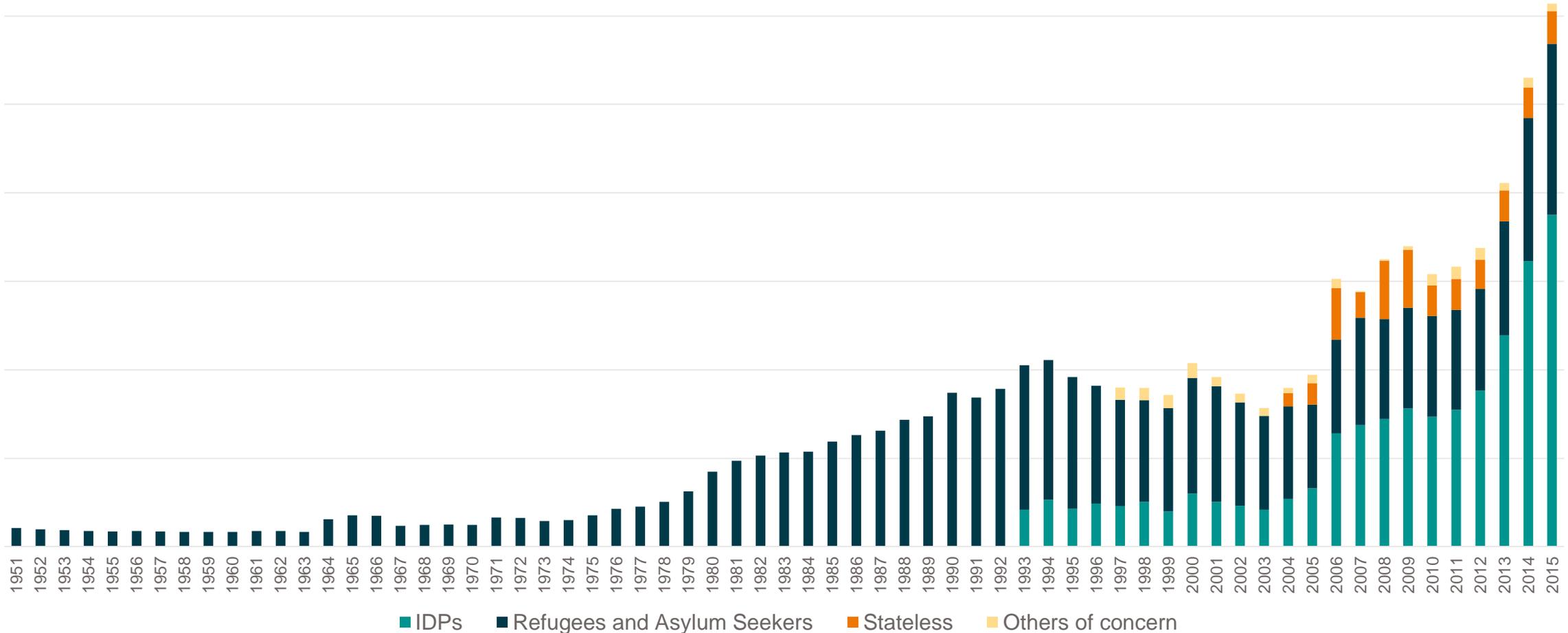
Source: Finance for All, McKinsey Global Institute, 2016

Financial Services in Forced Displacement Context? An Evidence Review



Context: Forced displacement levels are high

Conflict-Related Displacement Figures: 1951-2015



Source: UNHCR. Palestinians excluded.



85% of

FDPs live in
developing
countries

HIGH-LEVEL WORKSHOP ON THE
Financial Inclusion of
Forcibly Displaced Persons



Source: UNHCR, Global Trends, 2017.
Palestinian refugees excluded.
Photo: Amanda Nero, IOM. Internally
displaced in South Sudan.



Men
and Women

are equally
represented
among FDPs

HIGH-LEVEL WORKSHOP ON THE
Financial Inclusion of
Forcibly Displaced Persons



Source: UNHCR, Global Trends, 2017.
Sex-disaggregated data is only available
for ~60% of the 68.5 million of concern.
Palestinian refugees excluded.
Photo: © UNHCR, David Azla, June 2018.
Cox Bazar, Bangladesh.



1 in 2
 FDPs is a
child
 under **18**

HIGH-LEVEL WORKSHOP ON THE
Financial Inclusion of
 Forcibly Displaced Persons



Source: UNHCR, Global Trends, 2017.
 Age-disaggregated data is only available
 for 27 million out of the 68.5 million of
 concern.

Photo: © UNHCR, Olivier Laban-Mattel,
 June 2013, Za'atari camp, Jordan.



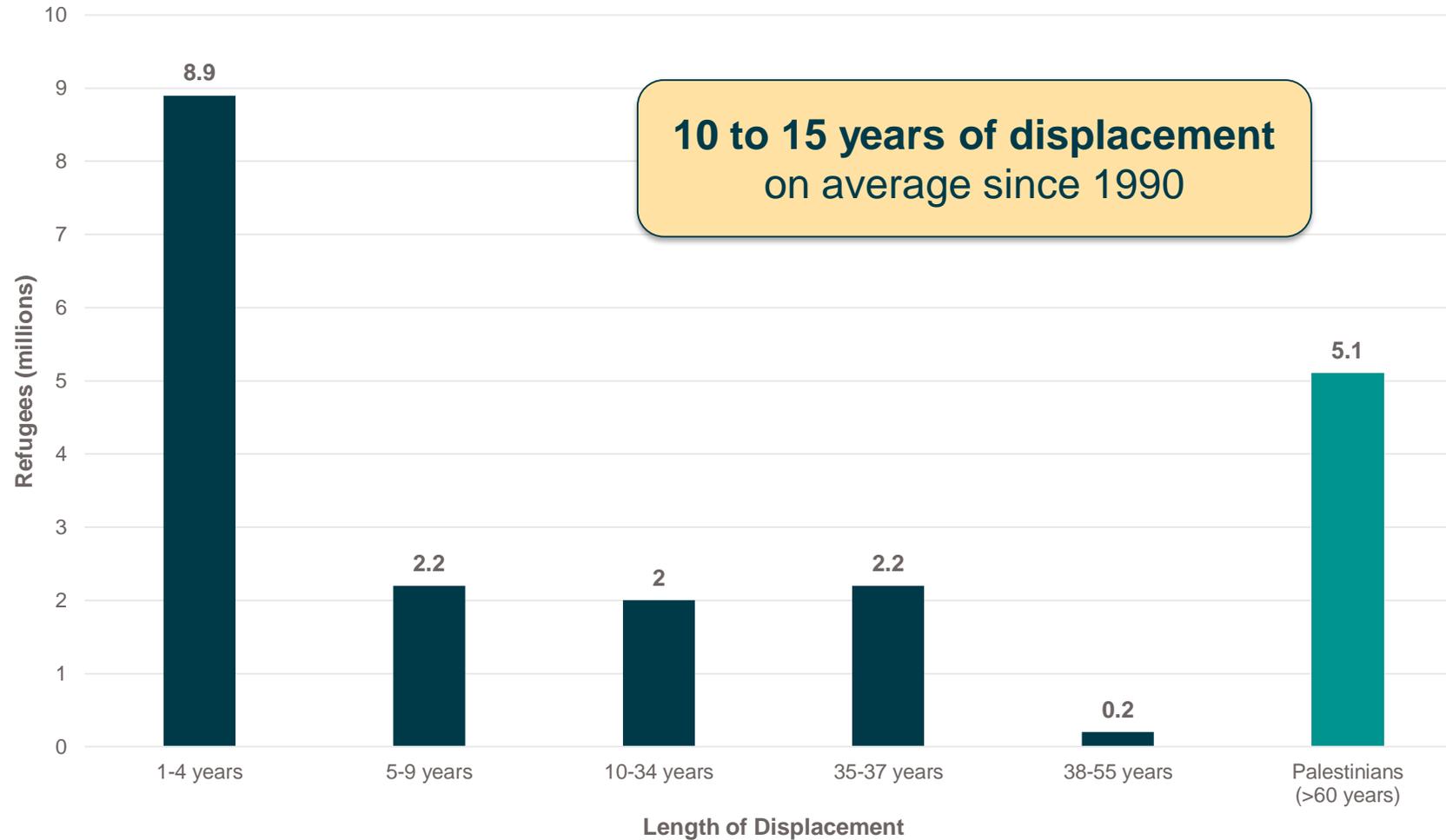
88,000 people
 will have been
 newly displaced
 by the end of
 this workshop

HIGH-LEVEL WORKSHOP ON THE
Financial Inclusion of
 Forcibly Displaced Persons



Source: UNHCR, Global Trends, 2017.
 Photo: © UNHCR, April 2015, Asylum
 seekers in Italy.

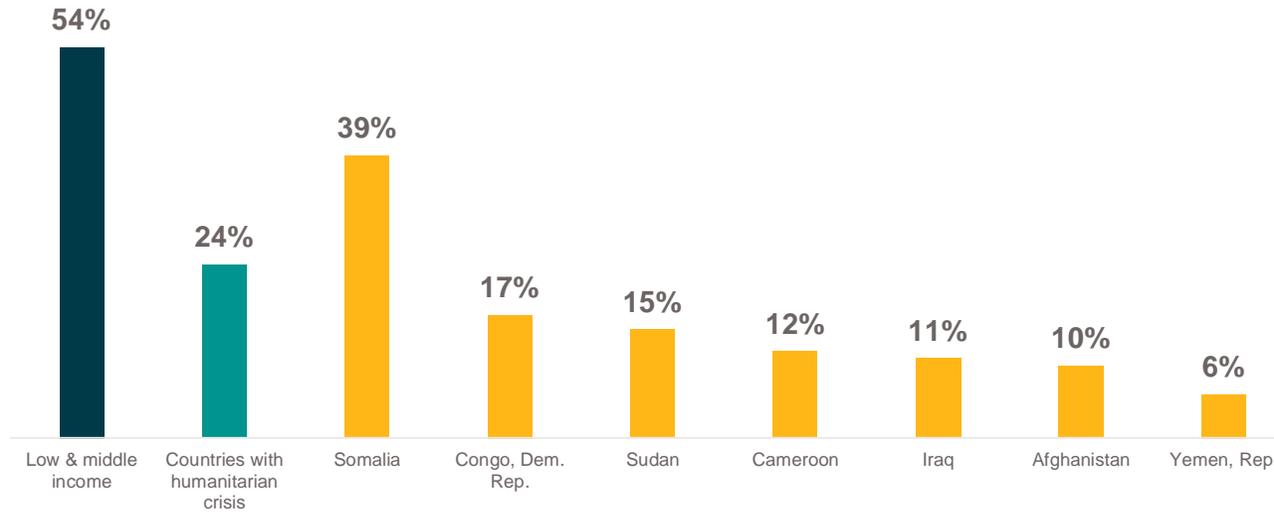
Longer displacement requires longer-term solutions



Source: Devictor & Do, 2016. Duration of the situation for Palestinians and not duration of individuals' displacement.

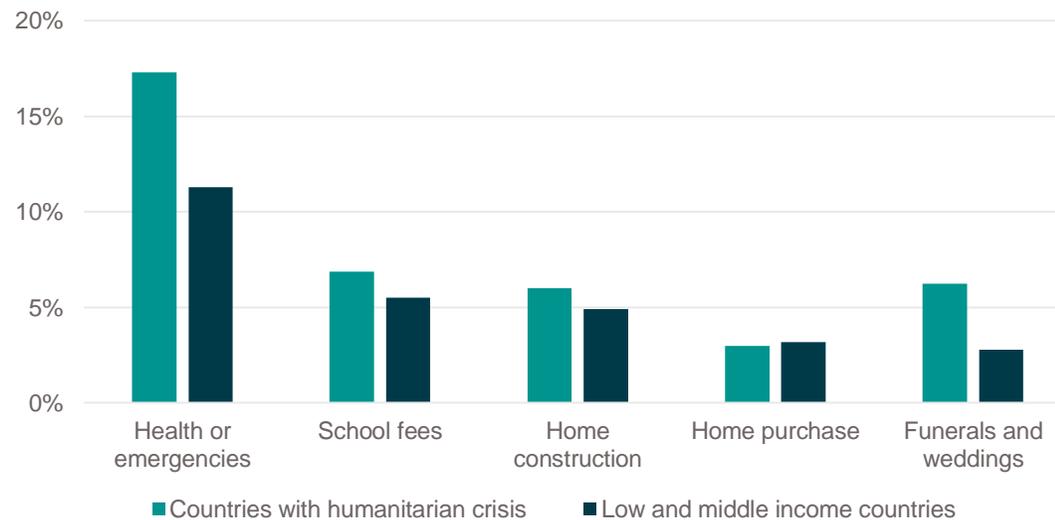
Financial access in crisis-affected countries

Account penetration in selected countries with humanitarian crisis



Access is low

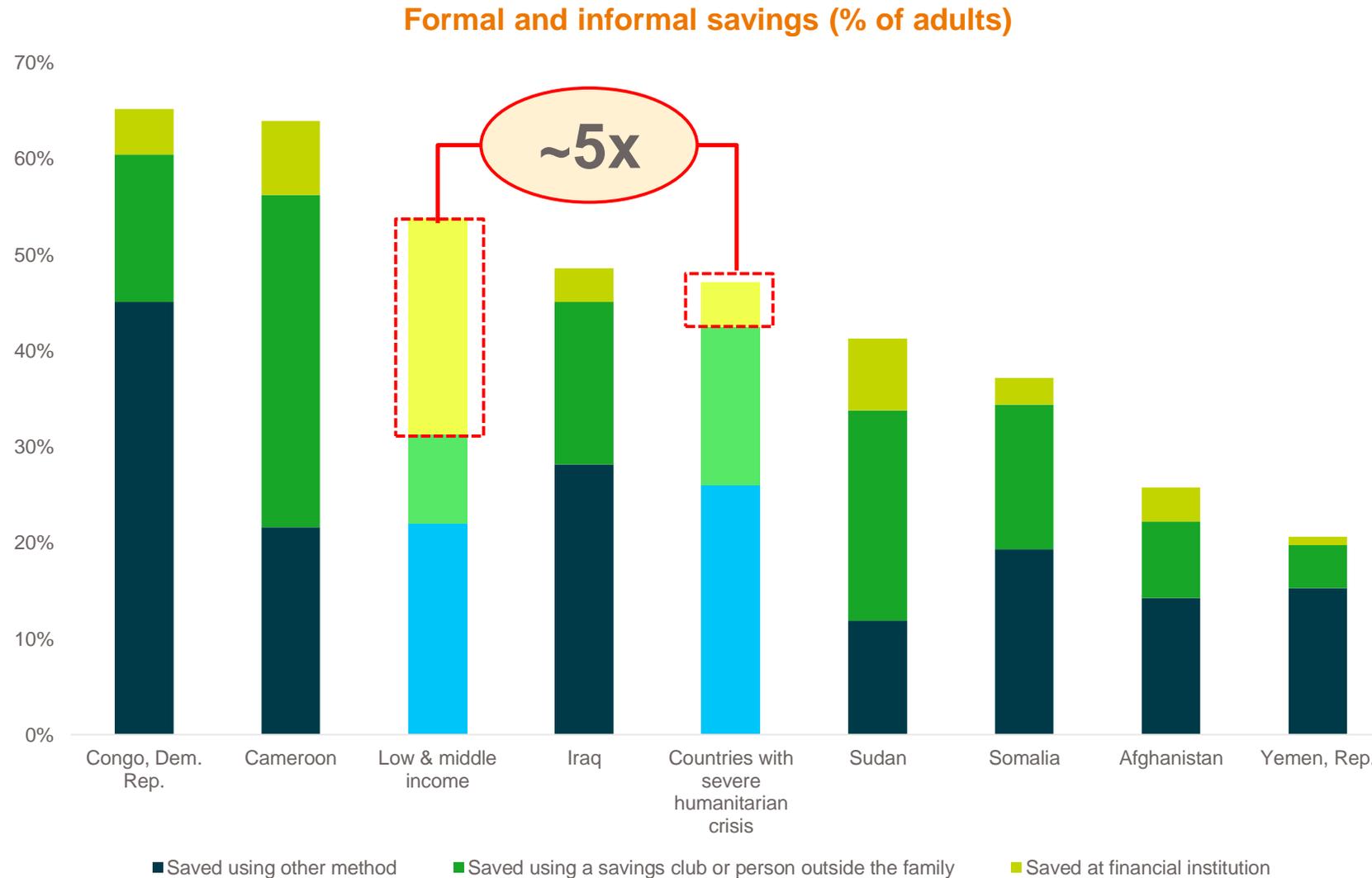
Reasons for loans reported by borrowers



Yet demand is high

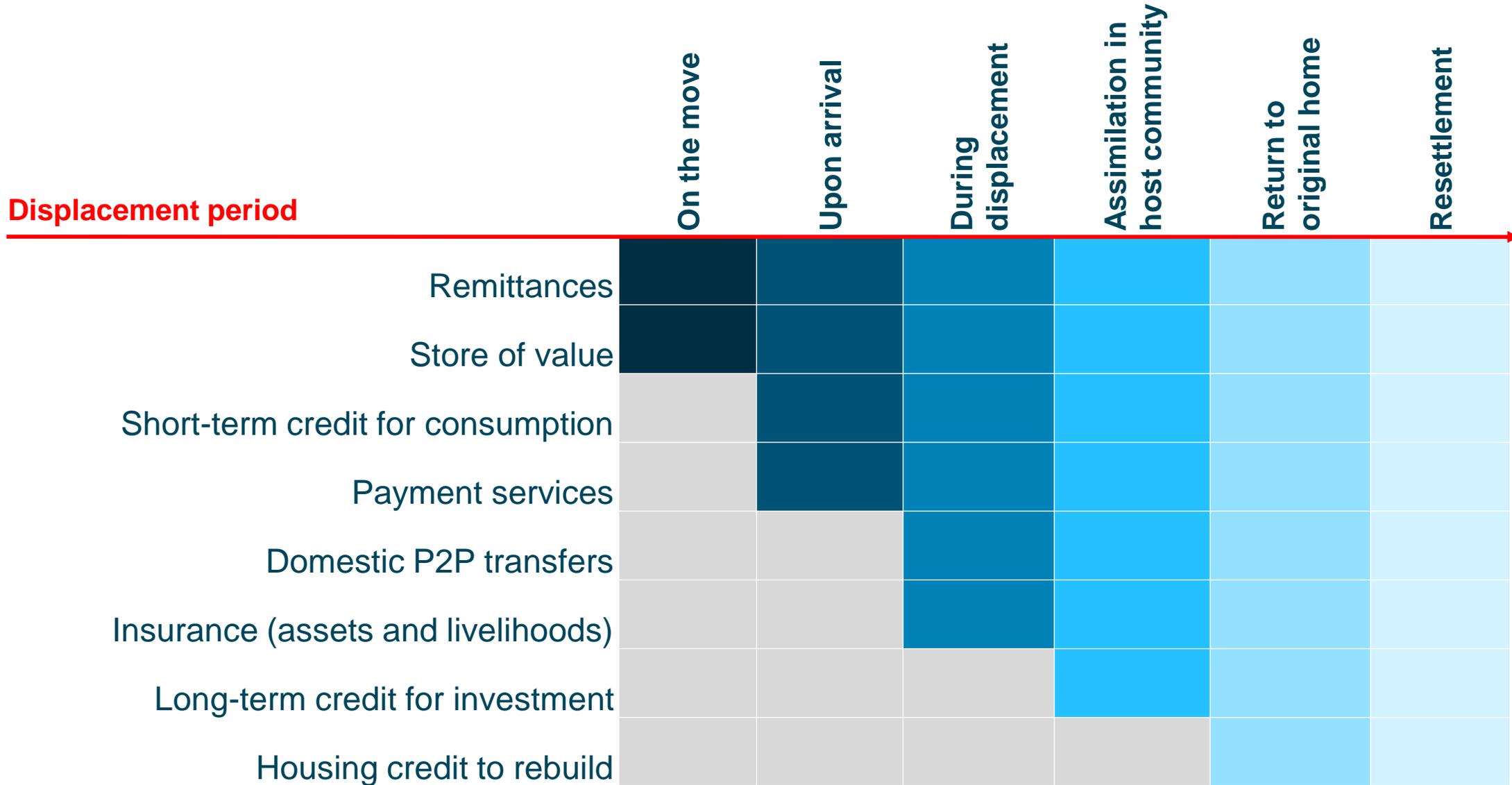
Informal services are the most in use

In part due to under-developed financial sectors, but not only



What are the demand and needs for financial services?

Segmentation and research is needed on a case-by-case basis



Financial services do play a role in mitigating crises

1

Remittances help cope with shocks
& stimulate economic activity at community level

2

Savings increase resilience
(formal & informal)

3

Insurance reduces vulnerability
(especially disaster insurance e.g. index-based)

Credit needs to be further researched

Recommendations for supporting crises through financial services

- 1 **Invest** in robust, resilient & reliable payment systems (access points, liquidity, connectivity)
- 2 **Allow digital** financial services & mobile wallets (incl. crisis-adapted regulation)
- 3 **Incentivize** private sector & humanitarian organizations to roll-out sustainable FS
- 4 **Develop innovative financing mechanisms**
- 5 **Research** demand, products with high potential, role of FS in livelihoods

What is Digital Technology Unlocking? A Look at Cash and Financial Inclusion



The move to cash transfers is a huge opportunity to build resilience

Humanitarian and government agencies are able to effectively and efficiently implement CTPs

The payments and ID infrastructure is developed to allow inclusive, digital payment mechanisms to disburse CTPs

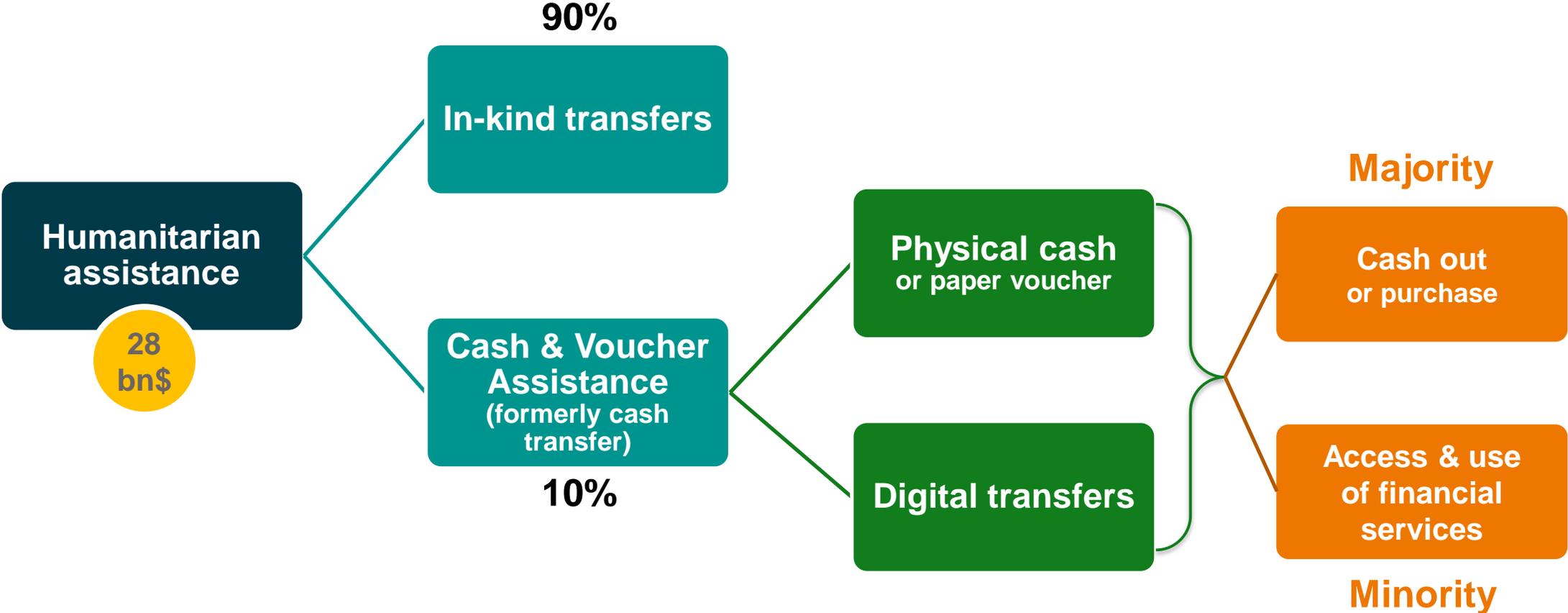
Households obtain a transaction account through a local, regulated FSP and are able to build a financial identity

Households are more economically empowered and resilient

This chain remains largely theoretical:

- ❖ Dominance of cash out
- ❖ Regulatory, market, and infrastructure barriers
- ❖ Programming objectives

Much more experimentation is needed to link CT to financial inclusion



In Summary...



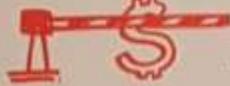
18 RESPONDENTS
 AFI - CGAP - CNYF, SW - DEVG - DFID/DF - BCIW - PSDA - GIZ - IHD
 IRC - KFW - KNAMAD - MERCY CORP - ODI - OFCD - SDF - UNHCR - UNHCR

80 INITIATIVES REPORTED
 27 PUBLICATIONS RELEASED
 50/50 PROJECTS AND PUBLICATIONS
 20 ONGOING PROJECTS

Micro

FINANCIAL SERVICES PROVIDERS

- Supply Gap
- Attitude (perceived), reputation risk of higher risk, lower return
- Last mile issue: the financial services and mobile money, connectivity
- Private sector remains functional during crisis (in active conflict, more informal transactions)
- Higher transaction cost in conflict countries and higher cost of doing business
- Formal finance stops during conflict and resumes at slow pace (short term credit money)
- Need to crowd in private sector in refugee settlements



HUMANITARIAN ORGANIZATIONS

- Cash transfers
 - Require precise re-engineering of CBL
 - Require link to link from projects to justify infrastructure investment
 - Foster adoption by moving away from closed loop
- Local presence is crucial
- Opportunities: cash transfer, untapped opportunities, VSLAs, financial literacy + link to PSP, address CBV through VSLAs
- Need ambitious targets for cash transfers
- Financial services have an answer, need to take up beyond CBV

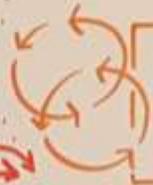


FORCIBLY DISPLACED PERSONS

- Lack of trust
- There is a need for credit (often for medical costs and/or emergencies)
- There is a capacity to save even without digital work
- High mobility
- More risk averse invest less
- Lower experience in formal financial services
- High mobile money usage
- Insurance can contribute to preventing displacement by mitigating the effects of a shock with monetary compensation
- Insurance can mitigate risk that displaced people face when they try to build new livelihoods
- Field staff do promote and raise awareness
- Need to cater to host communities as well as refugees

Meso

ECOSYSTEMS



- Possible market disresion by humanitarian aid
- Possible dependance one on one sector or community
- Lack of infrastructure in post emergency for DEX

COORDINATION & PARTNERSHIPS



- Lack of dialogue & coordination at national level
- Long and complex
- More coordination in CBI approaches, especially digitization
- Collaboration between international organizations, host countries, NGOs, and IDs

KNOWLEDGE MANAGEMENT



- Lack of data/segmentation
- More needed on financial history portability
- More needed on facilitating remittances
- Need a business case for financial services providers / refugees settlements are market too

Macro

POLICY



- ID (IDENTIFICATION) IS AN ISSUE
- UNCERTAIN POLICY ENVIRONMENTS
- POLITICAL AND UNPREDICTABLE
- KEEP IN MIND FRAGILE CONTEXT
- NEED TO MANAGE DATA PRIVACY AND PROTECTION
- NEED GUIDANCE FROM SCRS ON PROPORTIONATE REGULATION
- RELY ON TECH BUT STUDY TRADE OFFS
- LEVERAGE UNHCR IDS

POLITICS

MAPPING OF PROJECTS and PUBLICATIONS

FINANCIAL INCLUSION OF FORCIBLY DISPLACED PERSONS



High-Level Lessons Learned

Role of FS	<ul style="list-style-type: none">• Mostly for saving, remittances, and insurance• Credit - linked to livelihood opportunities
FI and Crisis mitigation	<ul style="list-style-type: none">• Preparation is key: investment in financial inclusion ecosystem and crises mitigation efforts
Access	<ul style="list-style-type: none">• Largest barrier is access – often linked to CDD• Solutions are technical AND political (lesson n°1)
Incentives to align	<ul style="list-style-type: none">• Development programs needs to complement humanitarian interventions• Graduation is one way of sequencing existing interventions to promote longer term resilience
Segments	<ul style="list-style-type: none">• FDPs are not one homogenous group• IDPs represent 2/3 of 68.5m conflict-related FDPs
Privacy	<ul style="list-style-type: none">• FDPs prioritize privacy over price or convenience in digital / formal financial transactions

Financial services need to first **work for the host** communities to work for FDPs

Pending questions

A woman wearing a headscarf and a striped dress is working in a salt field. She is using a long-handled tool to gather salt. In the background, other workers are visible, and the sky is overcast.

1

Can digital cash transfers be an entry point to broader financial services?

2

What are the actual demand and needs for forcibly displaced populations?

3

What is the importance of financial services in promoting livelihoods?

4

How can emerging digital identities facilitate financial inclusion and portability?

Thank you

شكراً

Merci

To learn more, please visit
www.cgap.org

<http://www.worldbank.org/en/topic/fragilityconflictviolence/brief/forced-displacement>



