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**

<table>
<thead>
<tr>
<th>Phase of displacement</th>
<th>Indicative needs for financial services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1 - Arrival</td>
<td>Survival cash for food, housing, and medical services as well as repayment of debt incurred during escape.</td>
</tr>
<tr>
<td>Phase 2 – Initial displacement</td>
<td>Savings products, remittances, microcredit for consumption, health insurance.</td>
</tr>
<tr>
<td>Phase 3 – Stable/protracted displacement</td>
<td>Savings products, microcredit for consumption and business, mortgage/home improvement loans, transactional accounts for cross-border payments, remittances, health insurance.</td>
</tr>
<tr>
<td>Phase 4 - Permanence</td>
<td>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.</td>
</tr>
</tbody>
</table>

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.)
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**

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

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?*

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Zaatari</th>
<th>Amman</th>
<th>Women overall</th>
<th>Women Zaatari</th>
<th>Women Amman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>41%</td>
<td>26%</td>
<td>53%</td>
<td>68%</td>
<td>50%</td>
<td>79%</td>
</tr>
<tr>
<td>No</td>
<td>59%</td>
<td>74%</td>
<td>47%</td>
<td>32%</td>
<td>50%</td>
<td>21%</td>
</tr>
</tbody>
</table>
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?*

![Diagram showing the reliance on different groups for support purposes in Jordan.](image-url)
**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**.
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**

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

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).
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.

<table>
<thead>
<tr>
<th></th>
<th>Total (n=68)</th>
<th>Amman (n=62)</th>
<th>Zaatari (n=26)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median current debt</td>
<td>JOD 195</td>
<td>JOD 625</td>
<td>JOD 175</td>
</tr>
<tr>
<td>Median current debt monthly income ratio</td>
<td>2.0</td>
<td>3.2</td>
<td>1.2</td>
</tr>
</tbody>
</table>

• 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**

<table>
<thead>
<tr>
<th>BARRIERS</th>
<th>PROS</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Lack of capital and accompaniment services</td>
<td>- Strong entrepreneurial spirit and skills</td>
</tr>
<tr>
<td>- Restrictive regulations</td>
<td>- Despite limitations, informal enterprises and HBBs currently represent valuable livelihoods opportunities</td>
</tr>
<tr>
<td>- Availability of transportation</td>
<td></td>
</tr>
<tr>
<td>- Women’s employment hindered by cultural biases and/or family duties</td>
<td></td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family/relatives</td>
<td>51%</td>
</tr>
<tr>
<td>Friends/acquaintances/neighbors</td>
<td>64%</td>
</tr>
<tr>
<td>Store (buying on credit)</td>
<td>26%</td>
</tr>
<tr>
<td>Employer</td>
<td>8%</td>
</tr>
<tr>
<td>Other financial institution</td>
<td>1%</td>
</tr>
<tr>
<td>Jamiyat / savings group</td>
<td>1%</td>
</tr>
<tr>
<td>Bank</td>
<td>1%</td>
</tr>
<tr>
<td>Solidarity associations / emergency…</td>
<td>0%</td>
</tr>
<tr>
<td>Private lender</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
</tbody>
</table>

• 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. The 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).

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**TRUST BUILDING**

**STRENGTHENING FINANCIAL CAPABILITIES AND ASSETS**

**ACCESS TO FINANCIAL SERVICES**
Overall Proposed Strategy – Scheme

1. Refugees who need to be accompanied in order to strengthen their social / economic capital and projects

2. Savings groups

3. Refugees credit-ready

Coordinating Agency

Agencies, CSCs, NGOs

Community leaders, CBOs

FSPs

Funding & TA to the Coordinating Agency

Funding & TA to the FSPs
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*