



Financial Inclusion in Refugee Economies

An Essay

Kim Wilson, The Fletcher School, Tufts University

Roxani Krystalli, Feinstein International Center, Tufts University

February 2017



THE FLETCHER SCHOOL

TUFTS UNIVERSITY

Financial inclusion as a term and topic has become popular in humanitarian settings. A mounting global refugee crisis has brought financial access into the focus of donors and practitioners.

In this paper, we ask questions that concern both donors and practitioners: Is digital, formal finance – at the heart of most financial inclusion strategies – suited to the needs of refugees, migrants, and displaced populations?¹ Must financial inclusion approaches be tailored for maximum relevance in contexts of protracted displacement or resettlement?

This paper is an editorial essay, with insights informed by a study on the financial journeys of refugees conducted in Greece, Jordan, Turkey, and Denmark in July and August 2016². Research outputs will be disseminated in the spring and summer of 2017³, in peer-reviewed publications and grey literature. In this essay, we begin by providing a brief overview of financial inclusion and the “digital/formal” trends. We then proceed to discuss some particularities of displacement that affect refugees’ interaction with financial inclusion tools and systems. For each of these, we identify questions for the financial inclusion community to consider as it reflects on engagement with refugee populations.

Ultimately, this paper strays from formal financial inclusion frameworks, which tend to delimit financial inclusion in terms of integrating customers into an existing digital or formal (hereon “digital/formal”) financial infrastructure. We instead examine the financial tasks that refugees and displaced populations must perform in order to survive. We then explore the environments in which refugees must perform these tasks, and finally attempt to define more relevant parameters of inclusion.

The Financial Inclusion Landscape: A mismatch of supply and demand?

The term *financial inclusion* is elusive, its definition reflecting the agenda of the actor using it. For example, the Consultative Group to Reach the Poor (CGAP), an influential entity housed at the World Bank, frames financial inclusion in the context of a bank account: “An estimated 2 billion working-age adults – more than half of the world’s total adult population – do not have an account at a formal financial institution.”⁴ CGAP goes on to describe financial inclusion relative to banked and unbanked populations, the implication being that the more banked one is, the more capable one is of managing his or her financial life.

¹ In this context, the term ‘refugees’ refers to self-identification, not necessarily to the legal status these populations held at the time we interacted with them. Henceforth, we use the term ‘refugees,’ because that is the term by which people described themselves.

² This essay is based on research supported by CRS Greece, Danish Refugee Council Turkey, GIZ Jordan, the Greek Forum of Refugees, the Trampoline House in Denmark, The Hitachi Center for Technology and International Affairs, The Fletcher School of Law and Diplomacy, and the Feinstein International Center. Follow up research was done in Jordan in January 2017 related to a case study on the Bank of Jordan’s financial platform, JoMoPay.

³ Allyson Hawkins and Kim Wilson, *Striking the Match: Digital Financial Inclusion for Jordan’s Refugees, a Case Study of the Central Bank of Jordan and JoMoPay*, forthcoming.

⁴ CGAP, *What is Financial Inclusion and Why Is It Important?* CGAP.org, accessed February 2017.

More recently, the scope of financial inclusion efforts has broadened to embrace digitally enabled accounts – digital wallets, mobile money accounts, or other phone and Internet accessible services – that are not necessarily linked to a traditional bank account.⁵ The Bill & Melinda Gates Foundation, a champion of expanding access to financial services for the poor, specifically urges the promotion of digital access as the best route to financial inclusion. The foundation’s strategy is to “shift the majority of [the poor’s] cash-based financial transactions into digital form through mobile phones or another digital interface.”⁶

Both concepts of financial inclusion – formal, i.e. bank-led or state regulated, or digital, i.e. technology-enabled – are driven by suppliers and enablers of suppliers (commercial financial service providers, state banks, NGOs, think tanks, trade associations). The digital/formal push reflects corporate and organizational agendas. For example, CGAP was established in 1995 with a bent toward institutional microfinance, services extended by regulated and commercially viable financial institutions. CGAP’s promotion of formal financial services is in line with its mission. And its backing of digital financial services is in line with supplier and donor agendas:⁷ CGAP receives funds from The Bill & Melinda Gates Foundation.

In the late 2000s, The Bill & Melinda Gates Foundation began, in earnest, to drive the uptake of digital financial services through grant-making and advocacy. Their strategies influenced other actors, including international NGOs, central banks, bilateral institutions such as USAID, international organizations such as the UN, as well as industry associations such as the GSMA and the Alliance for Financial Inclusion. The foundation continues to firmly endorse digital/formal finance as a key means to advancing human development.⁸

As both digital and formal solutions co-evolve, members of the financial inclusion ecosystem seek out models that demonstrate quick and profitable uptake and adoption. Financial technology (fintech) companies are introducing new business models and influencing the funding behind them. Impact investors, foundations, and think tanks have embraced fintech as an enabler of financial inclusion and committed resources to endorse and promote its use.

Supply-led activities that integrate people and businesses into digital/formal, commercial, or otherwise sustainable financial services are suited to stable contexts. Such activities function best when civic and national institutions work to protect people and business interests, when populations are at relative peace, when macroeconomic trends are steady, and when states and their regulators are paid heed. In these scenarios, digital/formal financial inclusion can help people stretch and shape their incomes, curb their costs of transaction, and pay for basic needs and services.

⁵ Committee on Payments and Market Infrastructures, World Bank Group, *Payment aspects of financial inclusion*, September 2015

⁶ The Bill & Melinda Gates Foundation, *Financial Services for the Poor, Strategy Overview, Global Development Program*, July 2012

⁷ Timothy Lyman and Kate Lauer, *What Is Digital Financial Inclusion and Why Does It Matter?*, CGAP Blog, March 10, 2015

⁸ The Bill & Melinda Gates Foundation, *Ibid.*

But what about outside these stable scenarios, where civic and national institutions are fragile or broken, where populations are in conflict, economic trends in flux, and states and regulators ignored? How does digital/formal financial inclusion play out in these environments? The answer is not yet clear.

Despite this lack of clarity, humanitarian and development actors have begun to affix the features of financial inclusion intended for stable terrain onto unstable terrain.⁹ Donors and aid agencies are investigating whether digital/formal financial services might enable the transfer of humanitarian aid and credit, savings, and payment services. Pioneering agencies are asking questions: Will recipients store their own money more safely in a digital solution versus a cash solution? Will digital solutions help build credit histories that can jumpstart businesses? Will digital users be able to plug into larger digital networks, gaining access to even better financial services?

While digital/formal services have proven helpful in stable contexts, little proof suggests that these same services, as currently designed, will offer similar results in unstable contexts or if they do, do so at a commercial profit. Refugees, migrants, and returnees are a mixed population, comprised of differing ages, education levels, income and wealth levels, literacy, business acumen, and social status. This population is not a homogenous block of consumer interests – a market – but a diverse group of people living in urban neighborhoods and formal or informal camp settings. They have far-ranging experiences with cash management, digital technology, and banking. They have varied consumer interests.

For the purposes of financial inclusion, the differences between humanitarian and development settings are stark and important. In development contexts, forms of personal identity are better-established, banks are more willing to take on new customers, cooperatives are growing their memberships, mobile communication networks offer reliable coverage, ATMs and mobile money agents are flush with cash, and some users are more literate in the lingua franca of providers. In these contexts, digital/formal financial inclusion as currently framed is relevant and potentially powerful.

In humanitarian contexts, required documentation shifts from one encounter to the next, banks are indifferent to new and fleeting customer groups, cooperatives serve only local residents, mobile communication services are patchy, ATMs and mobile agents are scarce or empty of cash, and users may be illiterate in the lingua franca of financial providers. In these contexts, financial inclusion as currently framed is less relevant.

It becomes more relevant and useful to frame financial inclusion for refugees in terms of the financial tasks they must perform to survive.

⁹ Lena Hansen, *Serving Refugee Populations: The Next Financial Inclusion Frontier Guidelines for Financial Service Providers*, November, 2016

Financial Conditions in Refugee Economies: Differing from integrated, stable economies.

This paper draws its observations from interviews with refugees in Denmark, Jordan, Greece, and Turkey. Refugees hailed from Afghanistan, Syria, Iran, Iraq, and several north African countries. In many cases, they were settling semi-permanently, even if they had plans someday to return to their home country. In Greece, all interviewed were hoping to move onward to join family, treating Greece as a point of transit (even if, for many, it became a medium-term destination). In these instances, they saw their situation as impermanent. In Greece, we interviewed people in camp and non-camp settings. In Jordan, Turkey, and Denmark, we interviewed only people in non-camp settings.

Social and economic conditions in refugee economies are distinct from those in more settled and integrated economies. This is particularly true where refugees live in camps designated by gender, ethnicity, or language, and are separated from mainstream urban activity.

Below, we outline a few notable characteristics of economies comprised of large numbers of refugees and those in which refugees have been more integrated into host communities, drawing distinctions where relevant. We then identify questions that emerge from each distinction.

Difficult to obtain *licit* IDs. As governments with stable populations struggle to standardize national identification schemes, governments with populations in flux struggle with additional burdens. The result is a set of rules around identity that baffle the cleverest refugee. Lack of permanent address impedes his ability to apply for licit documentation, and lack of legal identification impedes his ability to work, transact, and survive.

Generally, national labor laws require special work permits for international migrants and refugees (and often distinguish between policies pertaining to those who hold refugee versus migrant status). Financial service institutions require additional forms of identification to satisfy the demands of customer due diligence, and banks (and even branches within banks) have differing policies regarding customer identity. This too is true for formal money transfer companies such as Western Union or MoneyGram: internal policies are subject to change. Their execution is in the hands of agents behind the counter, many ready to bend the rules for the sake of expedience or kindness. To cope, refugees might purchase forged identity documents or borrow the identities of others to subsist. In extreme instances, without these last-resort, illicit options, they face starvation.¹⁰

- **Question for consideration:** Should refugees and international migrants be asked to comply with the same ID standards as static populations who have the luxury of a permanent address as well as the time to learn – without consequence – the

¹⁰ Peter Walker, *Refugees Unable to Open UK Bank Accounts Facing Debt and Destitution*, The Guardian, January 6, 2016

idiosyncrasies of different financial providers?

Variability regarding hierarchies of social status. Shifting domestic and international policies make daily life in a refugee setting uncertain. Within officially recognized resettlement categories (often based on countries of origin), unofficial hierarchies reign equally important (e.g. refugees and humanitarian actors report that Syrians are currently being prioritized over Afghans with respect to aid).¹¹ Naturally, variations on status based on country of origin will affect financial household planning and use of financial services.

Informal hierarchies based on gender, can also affect both vulnerability to harm and access to assistance and protection. Our research shows that funds and services are often directed to women with children at the exclusion of men,¹² leaving many young males vulnerable to exploitation.

- **Questions for consideration:** Does it makes sense to implement standard, universal financial solutions when user status and resulting level of aid and assistance varies so greatly? How can we customize services (or the marketing of services) to tap into groups differentiated by language, gender, and class?

Informal and mismatched economic activities. Rapidly changing administrative and legal compliance issues, (e.g. securing space to run a business and licenses to operate them) make starting a new business difficult. Status and working permits can also make holding a steady job difficult. These constraints are compounded by a sharp disjunction between skills needed and the supply of skills. For example, in Jordan, local employers needed skilled workers in carpentry and construction, but many refugees were trained engineers and doctors.

- **Question for consideration:** Does it make sense for financial services to reflect the economic realities of people in flux? For example, credit for business start-ups available from MFIs serving mainstream customers may be a good idea in stable settings. It may also be a good idea in refugee economies. But, other kinds of credit may be useful too. For example, credit allotted to refugees to learn new skills or credit to pay fees to purchase permits may be advantageous to those looking for work.

Highly variable financial portfolios. Refugee individuals and families face dramatic swings in their financial portfolios – occasional or unpredictable receipts of money from relatives, incomes from erratic work, and spotty disbursements from humanitarian assistance agencies. They also face new and expensive health challenges. Hazardous camp conditions or the overcrowding of many families into single room apartments can increase the spread of diseases that are expensive to treat. Wildly fluctuating income and uncertain expenses affect budgets and financial portfolios. These needs change over time and over the course of

¹¹ For more, see Roxani Krystalli, Allyson Hawkins, and Kim Wilson, "I Followed the Flood": A gender analysis of the moral and financial economies of forced migration," *Disasters* (forthcoming).

¹² *Ibid.*

displacement. Our initial study suggests that refugees integrate themselves into their economic surroundings in different phases – survival, settlement, and success. Those in transit are seeking to survive (the first phase) and to save to move, if moving on is possible. Those settling (the second phase) search for work and more permanent housing. And those who have settled explore success (the third phase) – sending their children to good schools and starting new businesses. Each phase comes with its own financial needs and tasks.

- **Questions for consideration:** How do we best understand refugee populations as they settle over time, develop new coping strategies, begin to find work, and, in many cases, assimilate? What are the tasks they perform at different stages of settlement related to transport, health, work, or education? And how can financial services become well-suited to those tasks?

Dependence on kinship and virtual social networks for information and access to finance. Our study shows that mobile phones, most of them smart phones, are ubiquitous. Mobile phones power relationships within families – even those separated by many borders. And the same phones prove crucial to a refugee’s ability to collect funds. Kinship networks, facilitated by Facebook and WhatsApp (and Viber), offer a platform for not only social, but also financial services: sending, receiving, storing, and lending activities. They also form a communications backbone, filling gaps created by rumor and hearsay.

New neighbors in new locales, such as camps or urban communities, are also important sources of crucial intel. They point refugees to health services, food and cash distribution points, and work or shelter opportunities. For people still moving – either in hopes of returning home or venturing onward – a combination of family members, often farther along in a journey, and new neighbors in close quarters, yield tips on the best routes, smuggling prices, and the costs of procuring travel documents. Virtual and physical kinship networks power good communications and financial planning.

These networks also permit interesting savings-at-a-distance practices. Writes one Syrian in Turkey explaining that he stores funds in Syria for later access.

...if I have extra funds in Syria, I know I will need it in the future. My sister is my banker. She has been doing this for me for three years. I don’t know how much money I have there, probably between \$2000-\$2500. It’s in cash in her husband’s safe at his office in Damascus. He has a computer shop.

- **Question for consideration:** How can effective financial inclusion efforts build on existing kinship networks and social platforms such as Facebook and WhatsApp, already familiar to many refugees? While Facebook has enabled several payment services, they currently only link to bank accounts.¹³

¹³ Ana Irrera, *TransferWise Launches International Money Transfers via Facebook*, Reuters, February 21, 2015

In some cases, extreme credit and debt. To gather funds to finance their journeys, manage expenses en route, or survive in situations of protracted displacements, refugees borrow – often within the kinship networks just described. Often these transactions take place in arrangements where a set of friends and relatives in one country, for example, Syria, give money on behalf of relatives in another country, for example, Turkey. Settlement, done in physical cash or even via the hawala can take months, as borrowers find ways to stall the process. Poor mental accounting further complicates settlement.

These debts bring several sets of problems for the lender and borrower. For the lender, loans to friends and relatives are expected to come interest free. This, of course, incurs costs to the lender. He can't get a return while his money lies fallow in the hands of a borrower. The lender can't move onward with no money in hand. But more at issue is liquidity. Even after a few transactions, a lender can be tapped of all cash. He faces a quandary: be forced to borrow for his own living expenses (and his onward travel) or disappoint a friend or family member.

For the borrower, loans from friends or relatives, oblige him. He may be seen as a nuisance to family members. And those family members may be right. Many borrowers use the inability to transport cash – inclement weather, travel risk, illiquid ATMs – as a stalling tactic for repaying family. A quote from a Syrian refugee in Turkey highlights the difficulty:

“A colleague in our office lent money to many people, just small amounts. He lent amounts he could afford to lose, but he realized it had added up. For \$200, people need time to get the money together. They say they will pay you next week and then they do not. These people weren't his great friends to start with. People forget what they borrowed and that they borrowed. 50 TRY is small. When you remind someone that they borrowed that they act like you are ridiculous.”

- **Questions for consideration:** Would P2P mobile applications help lenders settle more quickly? Could these same apps reduce burdens of mental accounting and offer clear explanations to would-be borrowers of a lender's own tenuous financial portfolio?

Frequent physical relocation. Refugees face frequent relocation. By nature of circumstance and definition, they are often relocated by authorities and resettlement agencies, from a squatter camp to an official camp, or an official camp to a town shelter. Refugees often self-relocate, within a country or a city, or to different countries. Relocation forces reliance on new and unfamiliar financial access points. To help, kinship networks are tapped, accelerating information sharing among members. New neighbors help as well, teaching one another how to change out different sim cards, how to find banks with liquid ATMs, and the particulars of using new aid-issued debit cards. When refugees shift their location, they may face a disruption

of services and information about new services.

- **Questions for consideration:** Under what circumstances is system-specific training (e.g. use debit or store cards) effective when access points will change frequently and not all card or debit systems are interoperable? How can financial inclusion efforts leverage and/or amplify the power of local knowledge transmitted by neighbors?

Familiarity with *hawala* networks. Refugees hail from countries where daily practices include sending and receiving money at the counters of local traders – generically called the *hawala*. Many of these traders are money agents and legally registered. Smaller ones typically are not registered. Some *hawaldars* – traders who operate the *hawala* – offer customized services that shunt refugee deposits directly to smugglers as payment for services already rendered. For refugees, this “guarantee system” allows them to deposit funds with the *hawaldar* at the beginning of a journey. When a refugee has safely reached his negotiated waypoint he signals the *hawaldar* to release funds to the smuggler for the leg of the journey just completed. Such transactions can take place across many journey waypoints until a negotiated interim or final destination is reached.

- **Questions for consideration:** How can effective financial inclusion efforts build on the familiarity and trust of the *hawala* networks? How can formal services become as customized and as effective as these informal practices?

Bank use based on pre-displacement bank use. Whether or not a refugee opens and uses a bank account – of his own volition, and not at the behest of a well-meaning aid worker – partly depends on whether or not that refugee had previously opened and used a bank account in his country of origin. Subjects reported that bank use in their countries of origin depended on literacy, level of income, and whether they were receiving salaries remitted to their bank accounts. Gender dimensions influenced access to banking as well, with banks in their countries of origin typically serving a more male clientele. This means women, unless salaried, are not accustomed to using bank accounts.

Refugees who have experienced the benefits of banking in their home country are more likely to use a bank account in their new environment. Those who didn’t, won’t.

- **Questions for consideration:** Is it wise to expend funds and effort in compelling refugees who previously did not use banks to use banks? Aside from immediate withdrawal of cash, what services (accounts, cards, mobile wallets) or assurances (guarantees, insurance) could a formal banking product offer a refugee? Is it reasonable to assume that the value proposition of these services is powerful enough to persuade a previously “unbanked” refugee to join the formal institution?

A missing trust in mobile wallets and digital accounts. Many refugees very much appreciated UN- and NGO-granted cash assistance, but feared the unknown consequences of using digital

systems involving aid. Aid is usually dispersed via deposit to a master account “owned” by the NGO. More recently, some experiments are taking place where aid is directly deposited into a mobile wallet or on a reloadable prepaid card, “owned” by the refugee.¹⁴ Some agencies envision added benefits for refugees interested in using their wallets and cards for purposes other than receiving aid. Some wallets allow users to top up value with their own funds or to store funds and retrieve as needed. But, refugees interviewed were not inclined to use these services for anything other than fully withdrawing their cash once available. They feared their digital financial movements could be traced. They were also unsure of the degree that donors, digital providers, or other intermediaries could detect their income streams and purchases. They had trouble discerning which transactions a donor might deem “good” and which “bad”. They worried that certain transactions (topping up a wallet, using cards in POS-ready stores) might incur disapproval from cash assistance providers. A remittance noticed by an aid agency might indicate the refugee no longer needed aid. The purchase of anything but the most healthful items at the market might suggest irresponsible consumption. Closely monitored activities, in the eyes of refugees, could lead to donor disapproval, aid disqualification, and the end to much needed cash assistance.

- **Questions for consideration:** How can suppliers assure refugee users of e-cash assistance that their purchases will not be traced at a granular level? How can governments and aid agencies that supply reloadable cards convince users that if they top up their accounts with remittances or earnings, their aid will not be cut off? (Note: the authors are skeptical that convincing arguments can be mustered to counter the fears.)

Taken together, the financial conditions of refugee economies have raised questions for financial inclusion actors and begged for a consideration of the contexts in which refugees conduct their financial lives.

Financial Tasks of Refugees: The same – but different.

In this section, we examine the financial tasks of refugees and how they might differ from financial tasks of a stationary, non-refugee population.

The Routines of Stationary Financial Lives. Citizens of a country, however poor, possess local knowledge about how to best deploy strategies to amass and disburse their money. They likely have some command (or know someone with that command) of the written and spoken language visible on signage. They can comprehend ATM displays, keypads, and POS devices. They enjoy basic familiarity with their homeland’s currency.

They channel funds toward regularly occurring expenses and, when possible, save for emergencies. They have years, even decades, to understand local financial services, both

¹⁴ Scharwatt and Nautiyal, *The Long Road to Interoperability*, GSMA, December 2016

formal and informal. They have time to shop for the best mobile service and a fixed group of neighbors to guide them. They understand the terms of the local coop, the operating hours of the nearby bank, and the rates to expect from the Western Union. If their families migrate for work, they often travel back and forth to the same destinations along well-known routes. The financial pathways to distant family members become known and predictable. For example, migrants in Bangladesh routinely move north and west for seasonal work across the border to India. Those with means relocate to the UAE or the Philippines.¹⁵ Norms around collecting, saving, borrowing, and sending money to family become well-understood. The money agent appears at certain hours; the rates of the friendly doorstep lender never change. The financial tasks that citizens perform are learned over long stretches of time, in languages they understand. Patterns can be discerned, predicted, and managed across decades.

Financial Tasks on the Move – transacting as a refugee. Migrating and settling populations need to perform the same tasks – saving, borrowing, insuring, paying – as settled populations. However, they perform these tasks in circumstances that exaggerate their difficulty, and thus alter the task. For example, trying to perform functions in languages different from a native language adds uncertainty and risk to basic, familiar transactions. In Greece, Farsi and Arabic speakers must familiarize themselves with a different alphabet, number system, and script before performing even the most basic financial task at an ATM.

Circumstances demand certain tasks unique to refugees. These include sending and receiving funds to or from different towns. In some locations, formal services like Western Union or banks exist; in others, only local money traders can offer assistance. In each instance, the user must come to understand specific requirements of ID, the stated requirements, and the ways in which rules can be bent. Posted signs may say that the equivalent of a driver's license or a labor card is required. Reality suggests the friendly man on duty in the afternoons requires that the remitter only send a photo of the receiver via WhatsApp.

Other tasks include borrowing money without a social guarantor of any kind, starting businesses in new territory with new customers, placating family members routinely asking for money, amassing funds for onward travel, and releasing payments to smugglers guiding family members towards them. Managing frequent changes in and out of hard and soft currencies with fluctuating exchange rates (exchange is based not only on official rates, but varies by conflict zone, as in Syria) is a particularly daunting task. Explains a refugee in Jordan:

“There are problems with currencies as well. In Jordan, they're still using the old Syrian currency (hard cash) but in Syria there is a newly printed currency from Russia and they can't use the old currency anymore (this could be a problem if family in Jordan was taking old currency and physically sending it to family in Syria – useless once it gets there).”

¹⁵ Interview with Bangladeshi key informant, January 10, 2017.

Implications: Financial inclusion or bust?

To be effective, offers in refugee financial inclusion should include a suite of tools adjusted for the special circumstances and unique tasks we have described. Taken together, these tools – services, products, language interfaces, training options – should enable refugees and migrants to:

Expand and protect the value of economic activities that sustain daily living. Good tools will allow refugees to turn erratic remittances, patchy livelihood incomes, and sporadic aid into small and large lump sums that can meet myriad daily needs – from purchasing food to paying for medical visits. Paying debts to friends, family, and professional contacts would be particularly important use of a lump sum. Debt was a crippling worry to numerous subjects, many unaccustomed to borrowing prior to flight. Financial management and resulting lump sums can also enable the winterizations of tents and apartments, the purchase of documents (or clothing) essential for gaining employment, money needed to start a new business, and deposits to landlords. Journey insurance might also be part of a portfolio of financial tools to enable safe transit.

Preserve important family and social relationships. Lending to and borrowing from kinship networks relies on mental bookkeeping, and thus is prone to error, misunderstanding, and resentment. Fintechs might seek to increase transparency and reduce confusion. Good tools will help refugees reap funds from social and kinship networks. Equally, they will help prevent both borrower over-indebtedness and lender over-extension among members of these networks. Good tools will take into account and improve upon tracking kinship credit.

Support recurrent needs to gather and accumulate money for onward journeys. Many refugees struggle not only to manage their daily lives, but also to save and plan for onward journeys to countries still welcoming them. Some store funds in a temporary place of residence with the goal of using those funds to reach another more permanent destination; for example, families from Afghanistan earn and store money in Iran to join family members in their country of destination, Germany. Others earn and store money in a country of destination, e.g. Germany, so that they can fund family members to journey towards them. Good tools might help settling or moving populations to collect and send funds to family and friends farther back in their journeys, as well as to save for their own onward travel.

Accommodate transboundary travel. While cash can be carried and exchanged for local currency, conversion rates can make exchange expensive. This proved a profound pain point for travelers: as refugees crossed a border, they moved out of one currency into another, each border crossing bringing stinging amounts of confusion, frustration, and costs. The more borders crossed the greater the cost. Moreover, cash was always subject to bribes, theft, and loss at conversion points. Good tools will allow refugees to amass, store, move, and access funds, even limited amounts, across borders.

Take into consideration widespread familiarity with the *hawala* or similar systems. The popularity of the *hawala*, both registered and unregistered, is extensive in parts of Asia and North Africa, with more and more locations surfacing in Europe and the US. Traders who relocate to these destinations begin to accommodate their countrymen with goods from their homeland. Such trade begins to enable financial services to individuals. *Hawala*-like services have also spread to Latin America.¹⁶ For refugees lacking proper identification, *hawalas* are familiar and trusted service channels, requiring little in terms of legal ID. Often the name of the receiver and a code transmitted by the sender suffices as verification. Good tools might consider familiar systems and work to either capitalize on existing systems or mimic key features.

Find ways to ensure that refugees trust and understand the implications of traceable digital transactions. If suppliers and regulators wish refugees to use e-cash assistance and digital distribution mechanisms to onboard clients into an ecosystem of broader financial services, they must convince users that there will be no penalty for use. Customers must be assured that using digital options to transact will not lead to unintended consequences, the blocking of cash assistance being their biggest fear.

Allow for shifting proof of identity. Refugees need different kinds of identification for different purposes. Some require enough information to receive a money transfer or to obtain a work permit, and others to receive cash assistance. For those receiving humanitarian assistance, some must prove place of origin, age, or number of children. Refugees feel vulnerable delivering massive quantities of information to anyone who asks, unsure of the consequences of full disclosure. By providing too much information, refugees fear dire consequences like deportation or a termination of government or local aid. They also fear becoming targets of hostile forces hacking their digital information. Some are fleeing acts of individual persecution and do not want to be traced or located. Good tools will incorporate new advances in security and database technologies to allow for flexibility, privacy, and a controlled “reveal”. For example, self-sovereign identities might be worth considering. Building on distributed ledger technology, self-sovereign identities allow a user to take full control over his identity – exactly which pieces are released and which stay private – as well as absolute sovereignty: no one can read, use, change, or remove that identity without the user's explicit consent.¹⁷

¹⁶ Joel Rubin, *Drug Cartel Money-Laundering Indictment is First Major Effort Against hawala Tactics*, Los Angeles Times, October 2, 2015

¹⁷ PRNewswire, *Sovrin Foundation Launches First Dedicated Self-Sovereign Identity Network*, September 29, 2016

Conclusion: A case for refugee financial inclusion – or not.

In summary, financial inclusion proffered through digital/formal financial services may be of high value to refugees: credit, savings, insurance, guarantees and down payments can all play a role in stabilizing circumstances, shaping businesses, and yielding more successful livelihoods.

However, refugee populations often contain a mix of literacy levels, educational degrees, professional and vocational skills, and languages. Refugees do not constitute a homogenous market block. They include many sub-segments and, as in any market, can be divided by demographics and by preferences and behaviors. They may possess like interests based on their circumstance, but once they settle, find work, and send their children to school, some of those differences begin to fade. While contexts and characteristics vary, individual refugees can be grouped by the financial tasks they must perform to settle, survive and move on. Thoughtfully executed financial inclusion in refugee contexts would take into account these tasks and the environments in which they occur. The results could facilitate transboundary journeys as well as refugee settlement, stability, and success in new neighborhoods.

Financially including refugees and migrants may well be worth the effort from a social policy perspective, particularly if the host country or city is open to economic integration. From an operational perspective, some microfinance efforts have enjoyed early commercial success. In these instances, organizations such as Al Majmoua, based in Lebanon, offer Syrian women training and group credit, with the aim of sustaining operations through interest and fees. Jordanian MFIs do the same. It is possible – and certainly desirable – that as refugees settle and mix with co-workers, neighbors, and other parents, they will enlarge existing market segments. Refugees, together with their more settled neighbors, might make attractive markets for local and national services of all kinds.

What is not clear is whether refugees who have not fully settled, who are still moving, relocating, and attempting to obtain legitimate IDs, constitute a viable market for any profit-minded supplier. Certainly, pay-as-you go services for water, lighting, and education – or digital wallets for easy transfer and receipt of funds – would be welcome. But these services, if their purpose is to be profitable, may not be viable in still-transient refugee economies.

In fact, in refugee economies, there may be no business case for many kinds of financial services. In these instances, policymakers must decide which efforts to prioritize for subsidy. Aid agencies and foundations will need to do the same. For those who do decide that financial inclusion is important for refugees, reframing objectives might be their very first step. Financial inclusion cannot be digital for digital's sake; commercial for commercial's sake; or formal for formal's sake.

Refugee financial inclusion must include or address existing practices and behaviors, including informal ones. It must find ways to deal with shifting or elastic identities, outcomes which may affect banking policies. Governments must find ways to appease financial standard-setting

bodies, as well as other powerful governments with the capacity to blacklist. And all must speak to the persistent, grinding fear that if refugees do access traceable financial services (banking, remittance services, digital wallets), their aid will be jeopardized or cut altogether.

If all this can happen, is financial inclusion a good idea? Maybe, maybe not. Costs, true demand for services, and the nature of the service on offer will dictate whether a particular kind of inclusion is a good idea. Its worthiness of subsidy will matter, too. In the meantime, providing food, shelter and streams of physical cash, or e-cash that can quickly become physical, might be very good ideas, indeed.