

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

Executive Summary

Introduction. 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*. The two agencies selected the Grameen Crédit Agricole Foundation (GCAF) as a partner for the initiative and, as a first step, commissioned a country assessment in Jordan and Uganda in order to assess refugees' demand for and access to financial and non-financial services as well as the challenges and opportunities they face. This report presents the findings from the demand assessment in Jordan.

Methodology. The assessment is primarily based on original data collection through direct consultations with refugees as well as financial service providers (FSPs) and other relevant stakeholders. In particular, it involved *interviews and focus group discussions with a total of 117 refugees* (48% women and including 108 Syrians, 4 Iraqis, 3 Yemeni, and 2 Sudanese) in the capital Amman (49%) and the Zaatari 'camp' or settlement in the Mafraq governorate (51%) as well as interviews with 13 stakeholder entities. The assessment also relies on the review of secondary sources. Since direct consultations only involved a limited number of refugees, the data and information collected are not meant to provide statistically significant results. Furthermore, due to the lack of comprehensive socio-economic data for the whole refugee population, it was not possible to randomly select a representative sample. In fact, *consulted refugees include an overrepresentation of assisted, and hence more vulnerable, individuals and households*. Consequently, *findings from the direct consultations with refugees within the scope of the assessment cannot be translated onto the whole refugee population*.

Contextual Framework. With a total of more than *750,000 registered refugees* (50% female), Jordan (population around 10 million) is one of the world's largest hosting countries. The *great majority are Syrians*, but also include Iraqis as well as a more limited number of Yemeni, Sudanese, and Somalis. *Around half* (47%) of the refugee population *are of working age* and *most* (83%) *are self-settled*, i.e. living among the Jordanian population primarily in urban areas (the remaining share, all Syrians, live in one of three closed settlements).

Jordan's small *economy is generally struggling* with absorbing the effects of the Syria crisis, suffering from rising unemployment and high government debt. The country's strategic response to the refugee crisis caused by the Syria conflict is outlined in the Jordan Response Plan, which has adopted a resilience-based approach and seeks to bridge the gap between addressing more immediate emergency assistance needs and longer-term institutional and systemic weaknesses. The plan incorporates the country's endorsement of the so called 'Jordan Compact'; an agreement between Jordan and the donor community which, among other efforts, targets the provision of 200,000 job opportunities for Syrian refugees. While some enabling steps have been taken (including the issuing of almost 100,000 work permits, primarily in the 'open' sectors of agriculture, construction and manufacturing), the *general regulatory framework still imposes fairly strict conditions*, limiting the opportunities for formal employment and self-employment on part of refugees

(particularly non-Syrians) in a good number of professions and sectors (refugees are for example not allowed to engage in home-based businesses outside the settlements). **Working refugees are consequently commonly engaged in informal activities.**

In recent years, Jordan records a **general improvement in the level of financial inclusion**, with around one-third of adults having an account with a financial institution in 2017. Formal financial access has generally improved also for the lower income population as well as women, **but**, except for remittances, the **formal financial inclusion of refugees is very low** (7.5% account ownership). Jordan's microfinance sector is relatively young and small, but has grown quite remarkably in recent years. However, so far only **one microfinance institution**, namely the Microfund for Women, **is actively and successfully targeting the refugee population through the provision of credit**. Furthermore, **refugees are specifically targeted by the National Financial Inclusion Strategy (NFIS)** for the 2018-2020 period, which focuses on mobile money accounts as the primary 'point of entry' for refugees (mobile money wallet services have recently been launched in the country and digital financial services are generally promoted by the strategy as one of three core industry pillars for financial inclusion). Finally, **refugees can open a mobile wallet account with a Ministry of Interior (Moi) service card** (which they can easily obtain with the biometric UNHCR registration), **but**, like all foreigners, **need a passport to open an account with a financial institution**.

Key Findings - Human Capital. The majority of refugees, mainly Syrians, have been in Jordan for several years and hence live in a **situation of stable/protracted displacement**. Interviewed refugees, almost all (96%) of working age, live in medium sized households and with an average of 5 dependents. Most refugees have a **relatively modest educational background**. While a small share (12%) of interviewees has completed post-secondary levels of education and would qualify for more skilled professions and employment, the majority have either completed only primary school (57%) or no school at all (10%). Female and Amman-based respondents generally record lower levels of economic/financial independency as well as education.

Key Findings - Social Capital. While interviewed refugees most commonly socialize with and rely on fellow refugees, one-quarter also regularly interacts with and seeks support from Jordanians (especially in Amman). Interactions through structured groups and associations are more frequent in Amman, while consolidated relations in Zaatari are more individual. **Social bonds are generally important for the livelihood strategies of most refugee households**, both within and beyond settlements. Concrete support from international and Jordanian agencies and non-governmental organizations (NGOs) is also relevant for some respondents (particularly in Zaatari). Within such a context, **agencies/NGOs** (as well as aid disbursements) **can function as a powerful bridge between refugees and formal financial actors/channels** and hence play a key role in paving the way for initiatives targeting the formal financial inclusion of refugees.

Relations with Jordanians are generally positive and supportive at the micro (i.e. community) level, with consulted refugees and relevant stakeholders not pointing to any particular tensions between refugees (especially Syrians) and the host communities. **However, since the economy is currently struggling** to absorb the effects of the Syria crisis in general, **potential sources of conflict can be perceived at the macro (i.e. country) level**. The creation of employment and self-employment opportunities for refugees could for example cause tensions with unemployed or underemployed Jordanians. In general, therefore, it is **important for any assistance or development intervention to consider both refugees and low-income host communities**.

Key Findings - Professional Capital. Given the **relatively restrictive regulatory framework** (especially outside settlements), refugees are faced with limited opportunities for formal (or accepted) engagement. In addition, the **Jordanian economy is generally struggling** with low growth rates and high unemployment. **Current employment and self-employment levels among refugees are consequently relatively low**. In fact,

three-fifths of the interviewed refugees currently do not have any kind of job or own business activity. Job participation is **particularly low among women** (with 82% of the female interviewees not working). Job opportunities for the interviewed refugees are seemingly greater in Zaatari (where 50% of respondents report to be working either formally or informally) than in Amman (30%), possibly thanks the facilitation of work permits and cash-for-work (through a dedicated employment office) and the acceptance of informal as well as home-based businesses within the Zaatari settlement. **On the other hand, at the national level, 117,000 Syrians were estimated to have been engaged – mostly informally or irregularly – in some form of professional activity in 2016.**

Those who work among interviewed refugees are primarily engaged either formally (through work permits) or informally in the open sectors of agriculture and construction as well as other services (including food and beverages), but also informally (especially in Zaatari) in trade and artisanry. These were also the primary areas of engagement in the countries of origin. Although only a small share currently run their own business, **many refugees recognize the potential of and seek opportunities for self-employment** towards applying their experience and earning a living (especially after years of protracted displacement). In fact, the 'entrepreneurial drive' of Syrians along with their skills are recognized parts of their professional capital. Efforts to support business activities on part of refugees could hence rely on, but also contribute to further develop and benefit from, this currently largely untapped capital.

Key Findings - Economic/Financial Capital. Given the limited opportunities for employment and self-employment, some refugee households depend on **cash or money-for-food assistance** from humanitarian agencies and NGOs. While the refugees interviewed within the scope of the assessment include an overrepresentation of assisted and hence more vulnerable households, a good - albeit minority - share of refugees rely on assistance also at the national level, with 37% receiving either cash assistance (23% of self-settled refugees) or money-for-food assistance (100% of refugees living within settlements). Nevertheless, **with two-fifths of the interviewed individuals working, respondent households also benefit from occupational incomes**, with salaries from regular work generally representing a stronger income stream than earnings from irregular/occasional work or self-employment. On the other hand, **interviewed business activities manage to generate relatively sizeable incomes for their owners as well as for their employees.**

On the whole, however, an **average household income of JOD 177 (~USD 248) per month** entails a monthly per capita income of only JOD 32 (~USD 45), which is **well below the Jordanian poverty line** of JOD 68 (~USD 95), and just above the national abject poverty line of JOD 28 (~USD 39) per capita per month. Years of protracted displacement – especially on part of Syrians - have clearly had a devastating impact on the lives of the refugees. In fact, at the national level, 86% of Syrian refugee individuals and two-thirds of Syrian refugee households (or family units) were estimated to live below the national poverty line in 2015. With expenditures commonly surpassing incomes (at least on a weekly or monthly basis), **many refugees regularly resort to borrowing** (with three-quarters of interviewees reporting ongoing debts, more so in Amman than in Zaatari). **Current debt levels are reasonable for most interviewed indebted households**- with a median debt of JOD 195 (~USD 273) and debt over monthly income ratio of 2.0 – but a small share find themselves in a situation of significant over-indebtedness (mostly because of having borrowed larger sums to cover expenses for medical emergencies in Jordan or passage from Syria). **Despite limited levels of income, one-fifth of interviewed refugees manage to regularly save at least some money.** This points to a proactive approach towards setting up individual financial strategies.

Refugees' current economic/financial capital is limited not only by the regulatory constraints (and struggling economy) curbing their possibilities to engage in employment and self-employment, but also by the lack of a complementary set of financial services. Such services should go beyond the mere provision of credit by integrating also savings, insurance, etc. The provision of a multitude of services would more

effectively seek to promote the improvement of the economic/financial conditions of refugee households.

Key Findings - Future Aspirations, Challenges and Opportunities. *Only a small portion* (9%) of interviewed refugees **has concrete plans to resettle abroad** (i.e. they have started the official resettlement process, mostly towards joining family members or other relatives abroad). **Requested and actual resettlements are rare also at the national level.** **Future aspirations** on part of interviewed refugees (including women) **are mostly related to gaining economic independency** either by finding a job (32%) or, more commonly, especially in Zaatari, setting up their own business (46%). Some of those with a plan to start (or develop) their own business activity has already taken some measures to achieve their goals; mainly undergone training and borrowed some money, but also accumulated savings. A good number (42%) also **need additional credit in order to achieve their goals.** In fact, **the lack of capital is emphasized as the primary challenge** refugees face when seeking to engage in employment or business activities. The restrictive regulatory framework and lack of (or expensive) transportation are also signaled as important obstacles. Women's job participation is also hampered by cultural biases and/or the need to care of children or other family members.

Notwithstanding these challenges, consulted refugees manifest a remarkable spirit of entrepreneurship and 'appetite' for business. Entrepreneurially oriented refugees identify potential business opportunities in a range of areas, with women generally preferring activities that they can do from home. With formal livelihoods engagement limited to the open sectors of agriculture, construction, manufacturing and some services, informal and home-based enterprises (despite their limitations in terms of growth and the risks of non-compliance beyond settlement borders) currently represent the most likely opportunities for refugees to invest their human, social, professional, and economic/financial capital.

Key Findings - Access to Financial and Non-Financial Services. Despite the common use of savings groups in Syria (especially on part of women), this practice has not (yet) been replicated in Jordan. The majority (79%) of interviewed refugees have resorted to borrowing at least once since arriving in Jordan. With **very limited access to formal financial services** in Jordan (as well as in Syria), **most rely on informal sources of credit** by borrowing primarily from family and relatives (51%) and/or friends and neighbors (64%). One-quarter also resort to store credit. While reliance on informal financial services can be considered as sufficient by some refugees, the **intense informal financial practices point to a situation of actual need.** Furthermore, individual bonds represent the backbone of refugees' financial networks and peer-to-peer practices play a role in consolidating and shaping social connections within communities (which is the core of many informal, and semi-formal, economies worldwide).

However, **credit amounts available through informal sources are commonly not sufficient.** Refugee respondents are **mostly geared towards business loans**, ranging from JOD 300 (~USD 420) to JOD 4,000 (~USD 5,600). Amounts needed (or requested) are generally higher than the average sized microfinance loan in Jordan. In fact, there is a **general preference for individual loans**, with a limited interest in - or indeed knowledge of - group loans. While the concept of fair pricing is not always clear, most respondents are **willing (as well as used) to pay interest.** Interviewed enterprises are also interested in payments services as well as storage of some earnings. Furthermore, financing of green energy products could provide a first and targeted step for the provision of credit within settlements. Finally, digital financial services (and especially **mobile money wallets** as indeed targeted by the NFIS) could play a role in the financial inclusion of refugees in Jordan **if accompanied by efforts to raise financial awareness and literacy.** In fact, the parallel provision of non-financial services – primarily financial education and business management support – is considered crucial for an effective and sustainable financial inclusion. In particular, financial education should target the strengthening of financial capabilities – intended as capacity to set strategies for facing financial needs – of a person.

Limited access to formal financial services on part of refugees is generally caused not only by actual regulatory barriers (such as the lack of a national ID) and restricted outreach on part of FSPs due to concerns over flight risk and/or absence of collateral assets, but also by **poor financial capabilities** on part of potential clients as well as **fragmented offer of accompanying non-financial services**. Non-financial services are crucial for the general promotion of increasing awareness, trust, and capabilities of demand. However, financial education is rarely integrated into general microfinance initiatives. Furthermore, even if there are exceptions, some non-financial services offered to refugees by international and national NGOs focus more on vocational training (sometimes coupled with provision of small start-up grants or cash-for-work) and tend to consider financial literacy and business orientation as an ancillary ‘soft skill’.