

TOWARDS A GLOBAL COMPACT ON REFUGEES: FINANCIAL INCLUSION

Contribution by Mercy Corps to Thematic Discussions Two and Three OCTOBER 2017

Mercy Corps appreciates this opportunity to contribute to Thematic Discussions Two and Three on the Global Compact on Refugees. Mercy Corps is a global humanitarian organisation empowering people to recover from crisis, build better lives and transform their communities for good. In this written contribution, we discuss ways in which the international community can promote financial inclusion¹ to improve the economic outcomes of refugees.

I. Measures to be taken at the onset of a large movement of refugees

a. How can we ensure better preparedness for and rapid responses to large movements of refugees?

Mercy Corps' experience and research suggest that preparatory steps can be taken to improve financial inclusion among displaced populations. In advance of crises, or as long-term crises continue, host states, in cooperation with UNHCR and other UN entities, international organisations and other partners, should:

- Build partnerships between funders, aid groups, financial service providers, regulatory and institutional players, and supporting businesses in advance of crises.
- Coordinate regionally about reducing the costs for remittances and improving opportunities to share information cross-border about credit histories, in light of increasing cross-border movement.
- Develop crisis-adaptable regulations, such as adjusted identification document requirements and client risk assessments, and expedite reforms that would enable refugees to use mobile money.
- Improve the resiliency of the national payments infrastructure, including by investing in broadband connectivity.
- Explore how multilateral development banks can help bridge the divide between humanitarian aid and development.
- Provide sufficient incentives for refugee and host community market operators to invest in new or expanded services and support them in preparing for crises so they can maintain business continuity.
- Structure innovative financing such as low-cost liquidity funds and loan guarantee structures for financial service providers in middle-income countries hosting large percentages of displaced people.

b. How can we support States to receive large numbers of refugees in a safe and dignified manner?

As refugee families flee their homes and arrive in a new location, their first few months are focused on meeting immediate, basic needs. Refugees may have high levels of debt and low levels of trust, and they may be facing the collapse of their social networks. At the onset of a mass movement of people, refugee-hosting countries, in cooperation with UNHCR, international organisations and other partners, should:

¹ Financial inclusion means that formal financial services—such as deposit and savings accounts, payment services, loans, and insurance—are readily available to consumers and that they are actively and effectively using these services to meet their specific needs.

- Provide immediate cash transfers, delivered digitally where possible.
- Facilitate tiered or simplified customer due diligence procedures to account for any lack of adequate identification documents. This allows refugees to open bank or mobile money accounts where they can safely receive cash transfers and remittances.

II. Meeting needs and supporting communities

a. How can we enhance economic inclusion and promote livelihood opportunities for all refugees in a way that benefits host countries and communities?

Mercy Corps views financial inclusion as a necessary foundation for food security, energy access, youth employment, gender inclusion, and economic and market recovery. Financial services play a critical role in the resilience of displaced populations. Affordable access to a range of financial services – such as electronic transfers and payments that enable people to store and move money more safely – helps refugees cope with shocks, adapt to changing circumstances, reduce exposure to risk, build social capital and stimulate economic activity.

As explained above, at the onset of displacement, the international community should ensure that refugees have immediate access to cash transfers, digitally where possible. Refugee-hosting countries and their partners should also facilitate simplified customer due diligence procedures to allow refugees to open bank or money mobile accounts. This way, refugees can safely receive cash transfers and remittances.

As refugee families settle into the first year of displacement, their needs pivot to obtaining longer-term housing, acquiring language skills, enrolling in school, finding work and starting businesses. Host states, in cooperation with UNHCR, international organisations and other partners, should:

- Offer financial products such as savings, electronic payments, credit and insurance, and remittances in a manner that helps refugees build or maintain their assets and minimise negative coping mechanisms.
- Provide innovative products such as asset financing and peer-to-peer digital lending to address specific challenges like restarting their livelihoods.
- Promote financial education about debt, credit, and host country financial systems and welfare provisions.

As displacement continues and becomes protracted, refugee families focus on finding means to sustainably support themselves and improve their standard of living. Host states, in cooperation with UNHCR, international organisations and other partners, should:

- Promote diversified income sources for refugees, such as trusted remittance channels, steady work, and access to value chains and markets.
- Provide financial products to reduce refugee vulnerability such as savings accounts, micro/consumer credit, home improvement loans, business loans, transaction accounts and health insurance.

CONTACT

Chelsea Purvis
Policy & Advocacy Advisor
cpurvis@mercycorps.org