



FINANCIAL SERVICES IN HUMANITARIAN CRISIS

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Populations

A world map with a dark blue background. The United States is highlighted in a dark grey color. Other regions highlighted in a lighter grey color include parts of Europe (United Kingdom, France, Germany, Italy, Spain, Greece, Turkey, and the Balkans), India, China, and several countries in Africa (including Egypt, Sudan, Ethiopia, Kenya, Tanzania, Uganda, Rwanda, Burundi, DRC, and Mozambique).

MERCY CORPS

*Conflict, Natural Disasters, and
Climate-Related Events*

FINDINGS IN RECENT CRISIS

A woman wearing a brown headscarf and a red dress is walking across a dry, sandy landscape. She is carrying a large bundle of sticks or branches on her back. In the background, there are several tents, some of which are white and have the UNHCR logo on them. The sky is overcast and grey.

- *Can Electronic Transfers Promote Financial Inclusion in Emergencies? Case studies in Bangladesh, Ethiopia, and Zimbabwe*
- *Use of Financial Products in Mitigating Natural Disaster Risk: Indonesia*

PATHWAYS FROM E-TRANSFERS TO FINANCIAL INCLUSION

- Limited changes in financial behaviors; high need to use cash received for immediate consumption
- Highest use case was Ethiopia – program designed for continued usage of mobile money and support offered to obtain national IDs
- Mobile money can add value but not always preferred over existing, more accessible informal financial services
- Gender constraints to access cash-out agents
- Highest use for remittances and cash transfers



HOW TO DESIGN AN E-TRANSFER PROGRAM FOR LASTING IMPACT

The digital delivery of humanitarian assistance can create opportunities to link recipients to additional financial services. ELAN-led research in Bangladesh, Ethiopia, and Zimbabwe uncovered four recommendations to promote uptake of new financial services:



ASSESS DEMAND FOR MOBILE MONEY SERVICES

A 208% increase in person-to-person transfers in [Zimbabwe](#) demonstrated a clear demand for mobile money transfer services; in other countries, however, many users preferred informal options (such as livestock or savings groups) to mobile money.



SUPPORT MOBILE PHONE PURCHASE IF OWNERSHIP RATES ARE LOW

Phone ownership increased to 99% (from 10%) after program participants in [Ethiopia](#) were able to purchase subsidized phones with their transfer.



PROVIDE ONE-ON-ONE TRAINING AND OPPORTUNITY TO PRACTICE

Over 80% of respondents in [Bangladesh](#) wanted "more training" to help them continue using their mobile wallets.



INCREASE TRANSFER FREQUENCY TO BUILD EXPERIENCE

In [all programs](#), very few participants were able to independently complete mobile money transactions. Repeat transfers offer the opportunity for mastery.



FINANCIAL PRODUCTS TO MITIGATE NATURAL DISASTER RISK: INDONESIA

Key Findings

- › Most common: Earthquakes, flooding, and volcanos
- › Financial services support household recovery; do not replace immediate relief after disaster
- › Limited demand for commitment savings; High-demand for flexible, unrestricted savings
- › Limited overall demand for insurance; demand by business that expected higher frequency of disaster and high loss of income
- › Need for financial products to help businesses mitigate losses post-disaster



Photo Credit: Mercy Corps

THE USE OF FINANCIAL PRODUCTS IN MITIGATING NATURAL DISASTER RISK

MAY 2017

RESEARCH PURPOSE

Globally, the frequency of natural disasters has steadily increased in recent decades, particularly the devastating storms and floods that many associate with climate change. Asia and the Pacific have borne the brunt of this alarming trend: natural disasters are now four times more likely to affect people in the region than those in Africa, and 25 times more likely than those in Europe. Natural disasters caused around \$45 billion worth of damage in Asia and the Pacific in 2015 alone, affecting more than 59 million people, and financial losses from natural disasters continue to increase, with low-income populations feeling the greatest impact. A comprehensive disaster risk financing and insurance strategy can increase the resilience of vulnerable communities against the financial impact of disasters.¹ However, while there is a growing body of literature on the importance of financial

¹ World Bank 2014, "Financial Protection Against Natural Disasters", available at: <https://www.gdon.org/sites/gdon/files/publication/Financial%20Protection%20Against%20Natural%20Disasters.pdf>

Major Findings

- › Financial services are more readily used by households to support recovery, but currently do not compensate for relief immediately after disasters.
- › Existing access to financial services may not translate to use of savings and financial services for disaster risk mitigation.
- › Expected losses from disaster are more pronounced for business income than wages, and for households with lower job and asset security.





UPCOMING RESEARCH IN CONFLICT AND PROTRACTED CRISIS SETTINGS

CONFLICT AND PROTRACTED CRISIS SETTINGS

NE Nigeria



Livelihoods and Market Recovery in conflict-afflicted states: Adamawa, Borno and Yobe

- Opportunities for agricultural-based market system activities for host communities, IDPs, and returnees
- Constraints to market systems from delivering solutions to crises
- Leverage points that facilitate market recovery, including financial services for host communities, IDPs and returnees

Syria



Coping in a Complex Crisis: What enables productive economic coping among conflict-affected Syrian communities?

- Positive economic and market factors: Roles of markets, financial services, remittances
- Social networks: As they relate to markets and access to resources, assets, and finance
- Humanitarian assistance: Cash versus other types of aid

Challenges in Conflict Settings

- Limited or damaged infrastructure (i.e. transportation, mobile networks)
- Conflict does not follow clean patterns (protracted and reoccurring vs. post conflict)
- Higher rates of poverty – esp. if repeated cycles of violence
- Market distortion from short-term humanitarian aid
- Financial sector shallow with less capital
- Different financial needs at different stages of displacement for refugees and IDPs
- Lower levels of risk tolerance and trust leads to lower levels of investment



Opportunities in Financial Services in Conflict

Foundations

Adapted
Regulatory
Approaches

**Identification
Solutions**

Market Segments

**Refugees and
forcibly
displaced
populations**

Islamic Finance

Financial Products and Instruments

Inclusive
Insurance

**Liquidity and
Partial Credit
Guarantees**

Diaspora
Investment
Platforms

Financial Delivery Channels

Impact Investing
(including
blended finance
models)

**Payments and
Remittances
Infrastructure**

Recommendations

1. Invest in contextual understanding
2. Think long-term in crisis
3. Build on what the industry knows
(i.e. liquidity, customer preferences, push vs. pull products)
4. Do not ignore the informal sector
5. Ensure a positive business case
6. Creative partnerships
7. Financial users, finance providers, and the financial system may be vulnerable
8. Markets systems are still relevant



**MERCY
CORPS**

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RESOURCES

- **Webinar Recording and Presentations:**
 - <https://www.microfinancegateway.org/gateway-webinar/financial-services-and-humanitarian-crisis>
- **CGAP Blog Series:**
 - <http://www.cgap.org/blog/series/financial-services-humanitarian-crises>
- **CGAP-WBG Forum Publication:**
 - <http://www.cgap.org/publications/role-financial-services-humanitarian-crises>