# FINANCIAL SERVICES IN HUMANITARIAN CRISIS

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Conflict, Natural Disasters, and Climate-Related Events



- 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-toperson 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 <u>Bangladesh</u> wanted "more training" to help them continue using their mobile wallets.



#### INCREASE TRANSFER FREQUENCY TO BUILD EXPERIENCE

In <u>all programs</u>, very few participants were able to independently complete mobile money transactions. Repeat transfers offer the opportunity for mastery.



### **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



### THE USE OF FINANCIAL

### PRODUCTS IN MITIGATING NATURAL DISASTER RISK

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#### **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. 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.gfdrr.osites/gfdrr/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.







#### CONFLICT AND PROTRACTED CRISIS SETTINGS

### **NE Nigeria**



### Livelihoods and Market Recovery in conflictafflicted states: Adamawa, Borno and Yobe

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

### **Syria**

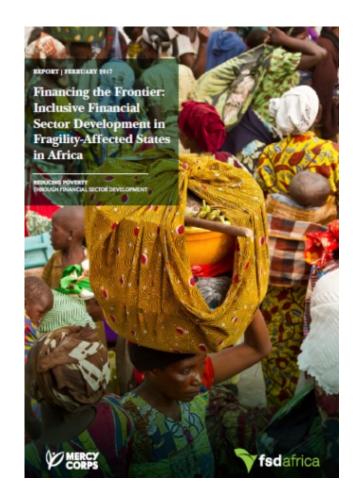


### Coping in a Complex Crisis: What enables productive economic coping among conflict-affected Syrian communities?

- 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

5. Ensure a positive business case

2. Think long-term in crisis

6. Creative partnerships

- 3. Build on what the industry knows
  (i.e. liquidity, customer preferences, push vs. pull products)
- 7. Financial users, finance providers, and the financial system may be vulnerable

- 4. Do not ignore the informal sector
- 8. Markets systems are still relevant





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### RESOURCES

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

