

Reinforcing the financial inclusion of refugees and temporary intra-continental migrants

Op-ed

"Where exile is exclusion, asylum is [or should be] based on policies and mechanisms of inclusion, hospitality and welcome". Around 2.3% of the world's population, or 184 million people, including 37 million refugees, live outside their country of nationalityⁱⁱ. Today's cross-border movements are characterized by their diversity. People migrate because of global imbalances, such as conflict and violence. Other factors, such as demographic change and climate change, will exacerbate these imbalances and increase migration factors in the years to come.

The French Development Agency (AFD) therefore needs to improve the way it operates to strengthen the financial inclusion of refugees and temporary intra-continental migrants. The aim is to contribute to their better economic and social integration in host countries. The funding of two projects implemented by the Handicap International Federation in Colombia and Mercy Corps Europe in Uganda provides an opportunity to learn from these innovative experiences through the cross-cutting capitalization mechanism supported by FISONG-2021.

WHAT IS THE FISONG-AFD "FINANCIAL INCLUSION OF MIGRANTS" PROGRAM?

The FISONG programme set up by the AFD in 2008 aims to co-finance innovative projects within the framework of partnerships established with international NGOsⁱⁱⁱ. The innovative dimension of projects can cover many aspects (technical, methodological, organizational). Funded projects may involve scaling up pre-existing innovations, or experimenting with new innovations on a localized scale, in order to find solutions to problems in terms of systems and contextual adaptation. In this way, they aim to enrich public policy processes, and to take greater account of non-governmental cooperation initiatives. In addition, and as an extension of the strategic reflections undertaken in the fields of interventions in crisis and fragile zones, as well as in support for financial

systems, the FISONG 2021 aims for the AFD to organize **feedback in** order to improve its capacity to expand its interventions in the field of financial inclusion of migrants.

The FISONG's main hypothesis is that vulnerable migrant populations, in the broadest sense of the term (i.e. "refugees, internally displaced persons or economic migrants"^{iv}), are faced with specific obstacles to accessing financial services, linked in particular to their migration journey and their destination. Innovation in the field of financial inclusion can help remove these obstacles and, more generally, improve the socio-economic integration of these vulnerable migrant populations.

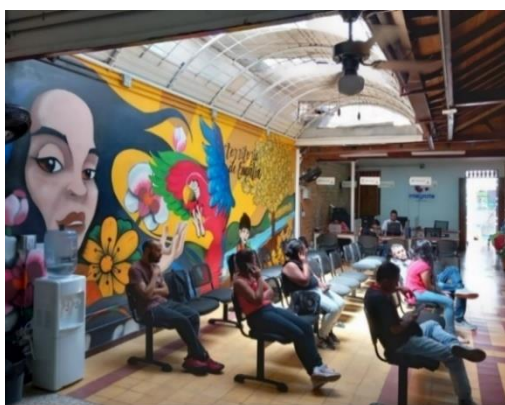


Project background and objectives

Of the 6.8 million Venezuelan refugees and migrants, almost 43% are believed to be in Colombia. Nearly 52% are women. Information tracked by the United Nations Inter-Agency Regional Coordination in Colombia (GIFMM)^v, forecasts a fast-growing Venezuelan migrant population by 2024, made up of 3.3 million "destination" migrants, around 450,000 "transit" people, nearly two million "pendular" people, moving back and forth across borders, and around one million Colombian "returnees", i.e. migrants with families of Colombian origin. For migrants at destination, needs linked to employment and income-generating activities dominate (69% and 61% respectively). In general, cash transfers are primarily for humanitarian or social aid. In the medium term, however, it is often necessary to link the financial inclusion of refugees with support for socio-economic integration. In this sense, it represents a potential for further development in the "graduation" of support paths^{vi}. In terms of access to finance, contextual analyses address, from the migrants' point of view, barriers to entry (such as access to the

"temporary protection permit" and its recognition by Colombian financial institutions) and challenges to meet basic needs: begging, dissaving, indebtedness for food consumption, sales of assets (goods) or forced (but undeclared) activities.

The project implemented by the Handicap International Federation involves leveraging the use of digital technologies and public-private partnerships to increase financial inclusion and economic opportunities for migrants in Colombia, while including strong gender and disability dimensions. This project, carried out in partnership with Fundación Capital, includes a market study, the design of information and training modules for migrant populations via two digital applications, the design of an e-wallet simulator, awareness-raising and training for local and international organizations providing financial services, and the design and implementation of an advocacy strategy with financial players and public authorities.



Centro Intégrate, reception center for migrants
City of Medellín, June 2023 © Iram



Training workshop for community leaders in Medellín, City of
Medellín, June 2023 © Iram

Projects in progress

In 2022, a **study was carried out into the financial behaviour** of the migrant population^{vii} via focus groups with migrants in the three cities where the project is implemented (Bogotá, Medellín, and Barranquilla). This study and the project's initial activities (through the testimony of leaders, for example) confirm the **"financial gap"** hypothesis at the root of the project: only 38% of Venezuelan refugees and migrants have access to at least one formal financial product, compared with over 82% of Colombian households. Narrowing this gap seems essential to strengthen the socio-economic integration of Venezuelan migrant

populations. Various activities have helped kick-start activities in the field of **financial education**: participation in local events ("migrant service fairs"), meetings and workshops to raise awareness among the migrant population and prepare for the organization of train-the-trainer cycles, which kicked off in early 2023 in Bogotá and Medellín. In addition, various **financial products were tested in terms of** their accessibility to Venezuelan migrants and the possibilities of supporting their use by the target population (see box below).

Digital Finance solutions on trial



ConHéctor is a virtual assistant that uses WhatsApp to connect people in vulnerable situations with appropriate digital solutions. For several years, various intermediaries have been deploying the application in around ten countries in Latin America and Africa, focusing on entrepreneurship, personal finance, health, savings and credit (<https://fundacapital.medium.com>).



LISTA is a digital platform offering various players (organizations, development agencies, public institutions) a tool for providing access to digital content specific to their beneficiaries. Developed by Fundación Capital, over the past ten years LISTA has reached more than a million people in twelve African and Latin American countries, in six languages.

The **information and training modules** that make up the two digital solutions above were designed on the basis of the results of the study on the financial behavior of the migrant population. They are structured around five modules: a) savings ("ahorro"); b) well-insured; c) "clear accounts"; d) "healthy debts" and e) digital portfolios. There are a number of reasons for encouraging access via **digital wallets**, which can be used for online payments, deposits and savings. As part and parcel of the formal financial system, their use is regulated and therefore safer. They are competitively priced, and the online opening process is more accessible for migrants and disabled people. Also, the project team

organized a process of **meetings with strategic players in the three cities**, to strengthen their role in the deployment of project activities. The team was also involved in **GIFMM consultations** on economic integration in each territory and on financial inclusion at national level.



THE "REFINE" PROJECT IN UGANDA

ReFine

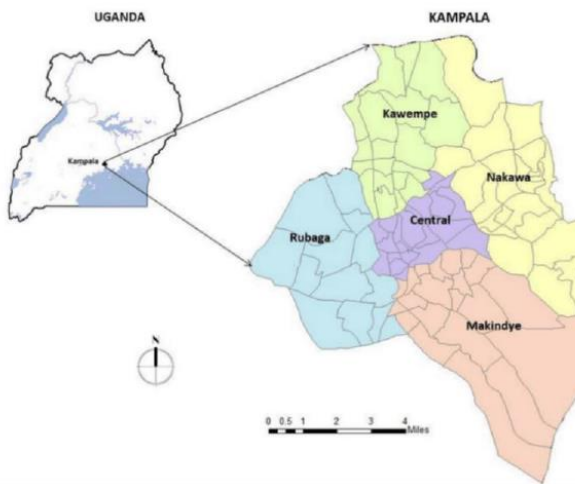
Project background and objectives

Uganda has the highest number of refugees of any African country and is one of the top three refugee-hosting countries in the world. Of this refugee population, it is estimated^{viii} that 60% come from Southern Sudan and 30% from the Democratic Republic of Congo.

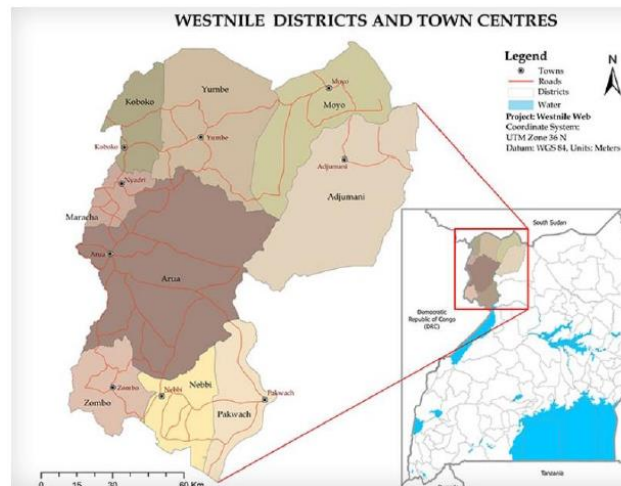
Uganda, which has almost 28 refugee camps on its territory, has a regulatory framework favorable to the recognition of refugee rights. Following on from the *Refugee Act* of 2006 and the *Comprehensive Refugee Response Framework* of 2017, Uganda Law opens up to refugees the right to work legally, to move around the country and the possibility of integrating into communities (beyond refugee camps). The operational implementation of this framework is supported by numerous civil society organizations and international

institutions that support integration efforts at local level.

The project supported by the FISONG in Uganda and implemented by Mercy Corps Europe aims to promote the financial inclusion of two thousand refugees in Uganda. It promotes capacity-building for beneficiaries by focusing on two aspects in particular: support for financial and digital education for refugees, and the design by financial service providers of products focused on their needs. At the same time, the project aims to make affordable, low-interest credit lines to encourage the growth of refugee customer portfolios within financial institutions. The project started in September 2022 and is active in two locations in the country: the West Nile region and Kampala.



Areas of operation in Kampala
ReFine



Areas of intervention in the West Nile region
ReFine

Projects in progress

The period from September 2022 to March 2023 saw the launch of collaboration with the project's various partners, foremost among them Kiva^{ix}, a crowdfunding platform and solidarity investment vehicle, and Cohere, a refugee led organization.

It also carried out the 60 Decibels MFI Index study, which analyzed the clientele of the three partner microfinance institutions (Ugafode, Finca and Vision Fund), and produced a Baseline Findings Overview for the project. This report portrays the initial state of refugees' financial inclusion, assesses partners' capacities, produces data to evaluate the impact of actions and identifies complementary needs to inform partners' action plans.

As part of this action plan, the ReFine project received support from the F3E^x in order to integrate the gender dimension. Terms of reference for a gender assessment were drawn up, and the team shared a self-assessment questionnaire with the project's partners - microfinance institutions and refugee

organizations - as a first step in the work to be carried out.

Within this same framework, technical assistance agreements with microfinance institutions are currently being drawn up. One relates to a program to train teams in the specificities of financial inclusion for refugees, and the second relates to the development strategy for products focused on the needs of refugees.

During this period, the financial education training program for beneficiaries reached 610 refugees (including 465 women) thanks to 9 training of trainers sessions in Kampala and 8 sessions in West Nile. In addition, the financial and administrative capacities of 20 refugee led organizations were developed.

Finally, through the involvement of its financial partner Kiva, the project has made nearly 1.1 million dollars (USD) available to partner microfinance institutions. Ugafode received USD 500,000 in funding, Vision Fund USD 400,000 and FINCA USD 200,000.



Meeting - Bidi Bidi
Mars 2023 © Mercy Corps



Display in Uganda, 2022
Grameen-Crédit Agricole Foundation

CROSS-CUTTING LEARNING AREAS

Five of the seven cross-cutting learning areas have been selected, after an initial scoping work to identify the contributions of each project. They are presented in this first newsletter. Subsequent newsletters will focus on the other themes, as well as on the progress of cross-cutting capitalization. The aim is to produce, by 2025, seven "**thematic papers**" that will enable us to delve deeper into the most critical themes of the two projects and draw lessons from them.

Understand financial profiles to provide the right financial services offer

Building a financial service offering suggests a sound knowledge of financial profiles, which vary widely according to socio-economic realities, conditions of departure, migration journeys, and conditions of integration into the host society. This kind of knowledge necessitates the existence of in-depth research into the understanding of migrants' financial practices, as well as an analysis of their

determinants. A variety of methods and tools are used in this respect, such as monographs in financial newspapers (*Financial Biography*^{xi}) or statistical databases^{xii}. Capitalization will look at how projects have mobilized information, analyzed the specific needs of different categories of migrants, and *ultimately* identified the difficulties and best practices to be implemented.

Having an identity to access financial services

In both countries, whether we're talking about the Temporary Protection Permit for Venezuelans in Colombia or the ID *Refugee Card* in Uganda, financial institutions working with migrants face numerous difficulties in recognizing their civil status and digital identity. For example, differences in the number of digits in identity documents, or in the legalization of Venezuelan refugees' status, prevent Colombian financial institutions from registering them, as they block access to their financial services.

Faced with these difficulties, the NGOs involved in the FISONG are being mobilized in a variety of ways, which the cross-cutting capitalization will explore in greater depth. Discussions can be held directly with financial institutions to adapt registration rules to this type of public. A

dialogue can be established between different organizations - public authorities, migrant associations, NGOs, UN agencies - around a single identity recognition mechanism. As in Uganda, such a mechanism could be linked to the possession and use of a cell phone (SIM card) and based on the procedures implemented by the various United Nations agencies and programs (UNHCR, IOM, ILO, UNDP, etc.). Biometric solutions are being tested, and our partners, notably in Colombia, are committed to promoting a more institutional dialogue with financial regulators and professional and banking associations. There is also a risk, noted in Colombia, of "financial disinclusion" when documents previously registered by financial entities are no longer recognized to give certain migrants access to services.

Digital finance as a solution for cross-border migrants?

In the migrant context, cell phones and the Internet are a particularly appropriate means of accessing digital financial services. More specifically, they enable adapted, non-discriminatory solutions for the recognition of personal identity, and innovations in the combination of services, notably through "digital wallets" that meet a range of financial needs for migrant populations (online

payments, migratory transfers, savings, etc.). However, the loan offer, which is essential for the socio-economic integration of migrants (business loans for income-generating activities), still seems limited due to a lack of data on financial behavior.

The development of these various services is accompanied by growing concern about the

protection of personal data, particularly for vulnerable groups such as migrant populations (the "open finance" challenge). In addition, there is a growing risk of fraud (through phishing or digital identity theft, which in Uganda in 2021 forced *the Uganda*

Communications Commission to temporarily suspend the use of SIM cards for refugees), which needs to be better addressed in the political dialogue around the regulatory framework, as well as in financial education tools.

Financial inclusion versus socio-economic integration

As the FISONG's NGO partners have pointed out, when migrants remain in a situation of economic exclusion, the possibilities and prospects for financial inclusion are limited: "*There's no need to open an account if you don't have any money to put into it!*" Behind financial inclusion lies the challenge of broadening prospects for socio-economic integration and reducing the economic vulnerability of migrant and refugee populations. Within the migration journeys, many forms of usurious debt (such as "*gota a gota*" in Colombia) increase the risk of violence against migrant populations.

Certain activities, such as agriculture for 41% of refugees in Uganda^{xiii}, are risky to finance. We will therefore be looking in greater depth at how our partners support the expansion of socio-economic opportunities for project leaders, and how they support dialogue at public policy level to take better account of the constraints encountered by this specific group of people in accessing economic activities (e.g. land in Uganda, the job market in Colombia), as well as the social protection from which they can benefit in various ways (social safety nets, access to food, health coverage, etc.).

Financial inclusion and migrants, a gender approach

Initial experience has shown that gender-specific constraints need to be taken into account at every stage of women's migration journeys: insecurity during their journey and in the process of accessing documents, difficulties in accessing financial services and digital tools, economic integration limited by their day-to-day responsibilities and domestic burdens. At the same time, the financial inclusion of migrant women plays a transformative role in gender relations. Welcoming families is facilitated by the contacts established and the solidarity expressed between migrant women, who exchange information and services (childcare, etc.) to improve integration conditions for new arrivals. The question of the forms taken by financial inclusion is a determining factor in gender relations and in the risk of violence against women in

connection with the use of funds made available. Support in this area is therefore instrumental in preventing these risks ("do no harm" and avoid inappropriate forms of indebtedness) and reinforcing the favorable conditions for women's socio-economic integration.

Both projects benefit from enhanced support in terms of gender expertise backed by the AFD and, in connection with the previous learning areas, it will be particularly interesting to draw lessons from the support provided in mastering digital tools, leading meetings or building self-esteem, which help to strengthen *the "empowerment"* of women, particularly community leaders who are mobilized as project mediators.

A TECHNICAL AND SCIENTIFIC WATCH FOR CAPITALIZATION

Cross-cutting capitalization monitoring tools

There is a great deal of research and experience on the financial inclusion of refugees and migrants as a means to achieve socio-economic integration in the two countries involved, as well as internationally. It is therefore important, as part of the cross-cutting capitalization process, to provide partners in both projects with the scientific and technical knowledge produced on the topic.

In order to structure the scientific and technical watch supporting the FISONG, two methods have been tested and are mobilized as external knowledge inputs to the partners in the two projects. At the scientific level, a query on a search engine of the University of Paris 1 Panthéon Sorbonne with the keywords "*Financial inclusion*", "*migrants*", "*refugees*" is carried out every quarter. Classified by relevance, the resources are analyzed and a dozen or so references and summaries of articles and research are extracted. For the technical watch, a weekly alert via *Google Scholar* is triggered on the same three keywords in French, Spanish and English, and including the country mentions Uganda and Colombia. Documents come from technical work in the two countries or from institutional publications on an international scale.

A selection of these, at the rate of around ten research papers per semester, is made available to the FISONG members via the shared platform set up at the start of the project. Future newsletters will present some of the most remarkable resources.

The cross-cutting capitalization of the FISONG-AFD projects "Financial inclusion of migrants", supervised by the "Financial Systems" Division of the Agence française de développement (www.afd.fr), is led by a team from the Institut de Recherches et d'Applications des Méthodes de développement (www.iram-fr.org) comprising François Doligez, Yousef Makrouf, Agnès Lambert and Liora Stührenberg. At project level, Marcela Carvajal, head of the Humanity and Inclusion project in Colombia (www.hi.org), Daniela Pradilla of Fondation Capital in Colombia (www.fundacioncapital.org) and, in Uganda, David Darkwa, head of the Mercy Corps project (www.mercycorps.org). For further information, l.stuhenberg@iram-fr.org



ⁱ "Documenting, representing and thinking about exiles", Ségolène Débarre, Alice Franck & Patrick Simon, Dossier #1257, Revue de l'Université Paris 1 Panthéon-Sorbonne, <https://1257.pantheonsorbonne.fr>.

ⁱⁱ World Bank, 2023, *World Development Report: Migrants, Refugees and Society*, abridged, World Bank, Washington DC, <https://openknowledge.worldbank.org>.

ⁱⁱⁱ <https://www.afd.fr/fr/financements-projets-ong>. The FISONG instrument gave rise to an evaluation in 2020 (Ex-post AFD n°85, December 2020) as well as a complementary study on coherence conducted by the Pluricité group and published in September 2021 (both available at www.afd.fr).

^{iv} To make the Newsletter easier to read, when reference is made to people in terms of their status (migrant, refugee, displaced person) or profession (farmer), the term is applied regardless of the gender of the person in question. Gender is only specified where necessary.

^v <https://www.r4v.info/es>. R4V, *Plan de respuesta para refugiados y migrantes (RMRP)*, Enero 2023-diciembre 2024.

^{vi} de Montesquiou A. & Sheldon T., 2014, *From Extreme Poverty to Sustainable Livelihoods, a Technical Guide to the Graduation Approach*, CGAP-Ford Foundation.

^{vii} Cerrando Brechas, 2022, *Estudio de mercado para identificar necesidades y brechas relativas a la inclusión económica y financiera de la población migrante venezolana en Bogotá, Medellín y Baranquilla*, 91 p. & annex 2 of the HI activity report: "*Synthèse de l'étude sur le comportement financier de la population migrante*".

^{viii} *Rebuilding livelihoods in displacement, Endline Report, BFA Global, March 2022, page 10.*

^{ix} <https://www.kiva.org>.

^x <https://f3e.asso.fr>.

^{xi} Rutherford S., 2002, *How the Poor Manage Their Money*, Gret-Karthala or the work of the NYU Financial Access Initiative, *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*, Princeton University Press, 2009.

^{xii} Laufer H., 2023, *Exploring new markets with segmented customer data*, Findev Blog, October 3, 2023.

^{xiii} BFA Global, 2022, *Rebuilding livelihoods in displacement, Endline Report.*