

UNCHR-SPTF Webinar Series on Financial Inclusion of Refugees
Session 1: SBFIC Project on Financial Inclusion of Syrian Refugees in Armenia
(29 March 2017)

In 2017, the Social Performance Task Force (SPTF) is collaborating with the United Nations High Commissioner for Refugees (UNHCR) to offer a six-part webinar series on the financial inclusion of refugees. The webinars will share insights from practitioners, researchers, and other stakeholders.

Speakers:

1. Ilonka Ruehle, head of the Division of Eastern Europe, Caucasus and Iran at Sparkassenstiftung für internationale Kooperation (in English, Savings Banks Foundation for International Cooperation, or SBFIC)
2. Anja Deinzer, Regional Director for the Caucasus Region at SBFIC

Project Overview:

GIZ approached SBFIC to be an implementing partner in the project “Economic Integration of Syrian Refugees in Armenia.” The project launched in January 2016 and will conclude in the third quarter of 2017. Funding comes via GIZ from the German Ministry for Economic Cooperation’s special fund to support refugees. The purpose of this project is to enable Syrian refugees to take an active part in the Armenian economy and earn their own livelihood. Currently, approximately 13,000 Syrian refugees live in Armenia. SBFIC has two main work areas: a) training refugees on the financial sector in Armenia and on entrepreneurship, and b) improving access to financial services for refugees.

Legal Status of Syrian Refugees in Armenia:

There are four different types of legal status for Syrian refugees in Armenia:

- Become an Armenian citizen / full access: It is possible, at the border, for a Christian Syrian of Armenian ethnicity to exchange his/her Syrian passport for an Armenian passport. Refugees choosing this option gain full access to financial services in Armenia.
- Retain a Syrian passport / some access: Refugees with Syrian passports receive the same access to financial services that is available to all foreigners. All may open a savings account. But, only some financial service providers (FSPs) will offer a current account, and no FSPs will offer credit.
- Do not have a passport but obtain a refugee ID / some access: Refugees with a refugee ID may open a current account and a deposit account, but may not receive loans.
- Have neither a passport nor a refugee ID / no access: Without any identification papers, no one, including refugees, may open any form of bank account in Armenia.

Primary Information Gaps:

Refugees lack critical knowledge about their rights to financial services. Many do not know they can get an official refugee ID. Even those with IDs often do not know that this gives them the right to certain financial services. Instead, refugees tend to use informal channels to get financial services from other refugees. FSPs lack information as well. They do not know that refugees with refugee IDs do have rights, under the existing regulation, to financial services. Additionally, FSPs assume refugees have a high flight risk and therefore do not see the business case for serving refugees. Finally, FSPs and regulators may not be aware that requirements about collateral and/or local

guarantors essentially exclude refugees from gaining access to loans, because refugees typically do not have collateral or the possibility of finding a local guarantor.

Regulatory Framework:

The regulator in Armenia was not willing to change its regulatory framework in response to the influx of Syrian refugees. So, SBFIC's work did not involve advocating for changes to regulation. SBFIC worked to clarify the existing regulatory framework and to raise awareness and understanding of it.

Project Activities:

The project has four main elements:

1. Establish the legal ground to serve the target group. SBFIC started a structured communication process via roundtable meetings that involved all pertinent stakeholders (i.e., relevant ministries, regulators, and FSPs). These conversations clarified the rules and built a shared understanding of what kind of financial services were legally available to refugees.
2. Connect the financial sector with the target group. SBFIC worked with FSPs to help them understand that Syrian refugees represented both a potentially new target client group and a potential new source of employees.
3. Train and build capacity within the target group. This had two aspects: a) training on basic knowledge of the Armenian financial sector and available financial services; b) training on entrepreneurship for refugees planning to stay in Armenia for the medium or long term. Based on need, the training in entrepreneurship has evolved to include some coaching for entrepreneurs once they launch their businesses. In order to reach scale, SBFIC used a multiplier approach, selecting and training trainers, who ideally came from the target group, and these trainers trained others. All training curricula were interactive and practical.
4. Enable access to credit finance. SBFIC harmonized rules and regulations to a small revolving credit fund, financed by the UNHCR and administered by the Armenian Ministry of Economic Development. This helped refugees to take advantage of the fund, and did so in such a way as not to disturb the existing environment, which allows equal access to nationals and refugees.

Project Results (so far):

SBFIC has worked with the regulator to harmonize and clarify the process for financial access in Armenia and to raise awareness of the opportunities for financial inclusion, particularly with regards to communicating the rights of those holding refugee IDs. 1500 refugees have been trained on the financial sector in Armenia. 650 refugees have been trained on entrepreneurship. 120 refugees have received credit from the revolving credit fund to finance businesses start-ups.

Key Lessons Learned:

- Share information / increase understanding of this client group among regulators and FSPs
- Convene members from all pertinent government bodies to have one shared dialogue
- Do not offer services only for refugees, as this creates resentment. Instead, improve financial access for all.
- Facilitate connection of refugees to FSPs. This likely will not happen without deliberate effort.
- Involve members of the target group in training activities.

Questions and Answers:

- Q: *Are any FSPs in Armenia offering credit to refugees that did not become Armenian citizens?* A: No.
- Q: *How does the revolving credit fund work?* A: The funds come from UNHCR and the Armenian government. A government body, Small and Medium Enterprise Development National Center (SMEDNC), is the fund manager, and the credit committee for this fund does include a member of the UNHCR. SMEDNC is working with an FSP, VPB, but in this case the FSP is just a technical provider to facilitate disbursement of funds to the entrepreneur and collection of repayments, to send back to SMEDNC.
- Q: *What specifically did SBFIC work on with the regulator to harmonize and streamline?* A: The FSPs simply did not understand what the rules were for people who were not Armenian citizens. SBFIC spent time convincing the regulators in Armenia that they needed to explain in plainer language to FSPs what the FSPs were allowed to do for clients with refugee IDs or foreign citizenship.
- Q: *Did you have any conversations with the regulator about changing its rules prohibiting lending to refugees who do not become Armenian citizens?* A: No. Foreign citizens and people lacking ID papers may not have access to credit.
- Q: *What is next with this project?* A: To work on the coaching with the new entrepreneurs, to mentor them as they are launching their microenterprises. Beyond this project, SBFIC is interested in working in the Caucasus region with both refugees and internally displaced persons (IDPs) to expand financial inclusion. In the Ukraine, for example, there is a significant IDP population. And in general, SBFIC has various projects to support inclusive finance everywhere.

SPTF and UNHCR welcome your input. To ask questions or share feedback, please contact info@sptf.info.