

UNCHR-SPTF Webinar Series on Financial Inclusion of Refugees
Session 3: Study on the Financial Needs of Refugees in Turkey
(5 July 2017)

In 2017, the Social Performance Task Force (SPTF) collaborated with the United Nations High Commissioner for Refugees (UNHCR) to offer a six-part webinar series on financial inclusion of refugees.

Speakers:

1. Adrien Gizon, international consultant for Adie
2. Basak Saral, General Manager of Habitat Association

Overview of Adie work with refugees:

Adie is a financial service provider (FSP) based in France providing microfinance with a focus on vulnerable and excluded populations. In recent years, it has developed specific actions to address the needs of migrants and refugees. In addition to working to improve its outreach, understanding of needs, and provision of services, it is also exploring what other programs that work with refugees are doing, both to identify opportunities to create partnerships and to learn from them in order to improve Adie's own services.

Overview of the work of Habitat with refugees:

Habitat is running a livelihoods program to support refugees in different areas, primarily the financial education and financial inclusion of Syrian refugees in Turkey. Habitat currently runs four main programs in this area: a) vocational skills building, with a focus on high-tech skills; b) entrepreneurship support that provides technical and financial support to businesses run by refugees; c) youth empowerment program, designed to increase social cohesion and youth participation, integrating Syrian youth among Turkish youth; d) employment support program, to provide a consultancy on work permits to employers and refugee employees.

Survey implemented by Adie and Habitat:

From December 2016-January 2017, Adie and Habitat collaborated to conduct a survey of refugee entrepreneurs in Turkey. They trained a group of Syrian refugees to administer the survey, built on a Google form. It proved to be a two-way training; Adie/Habitat drafted the initial questionnaire, but the survey enumerators contributed their knowledge to improve the survey questions. To identify refugees to interview, Adie/Habitat approached grassroots organizations in different cities and used the personal connections of the survey enumerators. They surveyed 150 people total, all of working age, and 93% were Syrian. Key findings:

1. Flight risk is not as high as FSPs might fear. 74% of respondents said they would "certainly" remain in Turkey and another 17% said they might stay in Turkey. Many people in the survey were part of a couple and had children in school in Turkey.
2. The environment is not enabling for refugee entrepreneurs to run a business in Turkey. For example, the registration process is long and costly, movements of Syrians are restricted, and the law does not allow Syrians to buy property.
3. Households have diverse sources of income, which can be informal or formal business revenue, informal or formal paid work, and aid relief, remittances, and pensions. 55% of the respondents were earning at least a portion of their income in the informal sector.

4. Average monthly turnover of a refugee business is considerable, and most businesses rely on more than one provider to stock their businesses. Also, refugees tend to have a business in the same field as the one in which they worked in the home country.
5. The average initial investment needed to start a business was \$7,400, but there was huge diversity, meaning many needed less and many needed more than that. Because it is challenging to get formal financing, many relied on friends and family and their own savings to start their businesses. A logical conclusion is that if people did not have to rely solely on their own savings or those of friends and family, but instead had access to formal financial services, more refugees would start businesses.
6. Refugees have diverse financial need and activities. A quarter of survey respondents use informal remittance channels and some also use more formal remittance services. Overall, 61% of respondents were using at least one kind of money transfer service, both to send and to receive funds. The majority were not saving money in Turkey. 90% had never borrowed money in Turkey, though their attitudes toward borrowing money were pragmatic and positive.

Market assessment done by Habitat:

Habitat conducted market assessment research to understand the potential supply of financial services to refugees in Turkey. Habitat met with a number of different financial actors in Turkey. The public banks confirmed that they did not know Syrian refugee clients and knew nothing about their needs. The one meeting Habitat had with a private bank was a courtesy meeting, not a deep discussion of financial inclusion of refugees. Habitat also met with a number of international financial institutions, from which Habitat heard interest to support financial inclusion of refugees, but these international institutions could not move forward because there were no interested financial actors [in Turkey] to facilitate the process for them. In Turkey, there are only two microfinance institutions. Habitat met with them as well but they did not have the capacity to provide financial services to Syrian refugees. Given all of this, Habitat decided to provide grants to Syrian refugees to start businesses.

Habitat support of Syrian refugee start-up businesses:

In a collaborative livelihoods project with UNHCR, Habitat will be providing 80-100 grants of up to \$4000 over the course of 2017 to Syrian refugees in Turkey to start businesses. To disburse the grants, Habitat uses pre-paid cards issued by the postal bank. Cash will be disbursed in stages, not in a lump sum. Once the businesses are created, they will become Turkish legal entities. This model addresses the risk of banks saying they do not understand Syrian refugee customers, because banks would view each business not as Syrian but as a Turkish legal entity established by a foreign investor. Another benefit will be that grantees will develop financial records and histories in Turkey. Habitat plans to provide financial education support to facilitate this and will provide ongoing oversight and guidance around business record keeping. 2018 will be a development stage for the businesses, and Habitat hopes to combine its grants with other financial instruments including loans. It is seeking to interest banks and/or public SME mechanisms existing in Turkey to fund the businesses as well. Adie and Habitat hope that this project will showcase what good clients refugee entrepreneurs can be. The environment in Turkey is not currently in favor of lending to refugees, but this project should serve as an example that yes, there is demand, and no, these people are not going to run away. So far, formal FSPs have adopted a very careful position regarding serving refugees, but if this project shows the viability of these clients, doors may open in the future.

Lessons learned:

- It is helpful to create relationships with refugees and build some trust before you attempt to create focus groups and do research that way.

Questions and Answers:

- *Q: What is the project doing to address the issue of helping professionals (e.g., lawyers, doctors) transfer those professional abilities into employment into their host countries? A:* Habitat's main target group is composed of refugees with professional backgrounds or entrepreneurial experience. Most of the professionals who used to work in formal employment and had good salaries and benefits in their native countries are unable to continue that in Turkey. Habitat wants to provide entrepreneurial skills to these people so they can combine their sectoral skills with entrepreneurial skills to build their businesses. Habitat does do some advocacy to promote hiring skilled refugees by the formal workplace, but its primary strategy is through promoting entrepreneurship.
- *Q: Do you take any legal risks by making grants to businesses that are currently unregistered businesses in Turkey? A:* Habitat differentiated its grants into four categories. Two of them focus on business registration and formalization. Habitat also targets formalization of already existing informal businesses, and will be providing grants for informal businesses so that they do go to the Union of Chambers and register. This could be seen as a risk, but Habitat does not release all of a grant at once. It provides funding installments as it sees progress in the business plan.
- *Q: Can you provide more information about your interaction with the two Turkish microfinance providers? Why did they not have the capacity to serve refugees, and what can be done to increase that capacity? A:* The two MFIs work exclusively with a group lending methodology, which is very suitable to their own target population, which is mostly women running informal income-generating activities. Habitat's target population requires instead individual business funding. A big flow of refugees causes tension to rise in the country, and many members of the public would have a hostile reaction if you encourage refugees to run businesses informally and avoid paying taxes. The MFIs would have to change completely their appraisal methodology, their lending mechanism, and therefore their staff training. They are not used to lending to men or to refugees. They also view lending to refugees as risky. Additionally, one of the MFIs had a very limited number of branches, so reaching the refugees would have been difficult.
- *Q: Are any similar studies being planned in countries in the European Union? A:* Adie does not know of any planned in the E.U., but there are some cash mechanisms for refugees in Greece, financed by the European Commission for Humanitarian Aid (ECHO). Adie is contacted often by organizations interested in working with refugees.
- *Q: Has Habitat already designed the content of the follow-up services it will be providing in 2018? A:* We have not designed our services for 2018. We are in touch with IFC, SIDA, the World Bank, and other institutions, to see how we can support the financial capacities of refugee entrepreneurs, but these are very preliminary discussions. First of all, we are working with Adie to execute the grants in 2017, and to understand better the needs and capacities of refugee entrepreneurs. By the end of the year, we will have designed the support we will offer in 2018.

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