

UNCHR-SPTF Webinar Series on Financial Inclusion of Refugees
Webinar 5: Digi#ances Project Jordan - Mobile Wallets for Refugees and low-income Jordanians
(13 December 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 the financial inclusion of refugees.

Speakers:

1. Katharina Braun, Head of the Digi#ances Project at GIZ Jordan
2. Maha Bahou, Executive Manager, Payment Systems, Domestic Banking Operations and Financial Inclusion Department of the Central Bank of Jordan

Project Overview:

Jordan is the second largest refugee host country by the standard of refugees per capita, and is the largest host of refugees measured in absolute numbers. In this context, the interests of the government and humanitarian organizations converge. Digi#ances is a four year project (2015-2019) that seeks to improve access to remittances and other financial services through digital solutions in Jordan. It is funded by the German government and implemented by GIZ, in partnership with the Central Bank of Jordan (CBJ). The target beneficiaries of this program are refugees and low-income nationals, with a specific focus on women. By 2019, the project hopes to have laid a foundation for cross-border remittances by nationals and non-nationals that currently have no access to formal financial services. The project has three levers of intervention:

1. **Increase financial literacy.** At the time of a study last year, only 2% of the Syrian refugees and only 3% of low-income Jordanians had ever heard of mobile money services. This year, a study showed awareness by 15%, which is better but still low.
2. **Develop an ecosystem for national mobile payments.** Having an ecosystem for national payments will serve as a foundation for building capacity for international payments. One particular focus area is building out agent networks and merchants.
3. **Enhance policy, exchange knowledge, and foster dialogue.** The project discusses with regulators how to design regulation that allows for careful monitoring and prevention of illicit cash flows, while not inhibiting legal remittances and other financial activities.

This work will help achieve Sustainable Development Goal 10, reduce inequalities, by reducing the costs of cross-border remittances.

Research on the target group:

GIZ used household surveys to understand its target group. This research revealed that the average monthly income of low-income Jordanians was 200-400 dinar (equal to US\$ 280-560), while the monthly income for Syrian refugees was half that. Bank account ownership in both groups was low, and the primary reasons given for this were that the target group did not need a bank account or did not have enough money to use one. In both groups, phone ownership was over 90% and Smart phone ownership was just under 50%. A behavioral difference between the groups was that among low-income Jordanians, the men tend to do the shopping and make payments, though women help planning in those areas, whereas among Syrian refugees, the

women make payments and do the shopping themselves. This is primarily because many women are heads of household in refugee populations, while their husbands live elsewhere.

Project activities:

- Pilot project in Irbid: Irbid is the second biggest city in Jordan. The Digi#ances project is providing technical assistance to the payment service provider Dinarak in Irbid to help it expand its agent network by building capacity, marketing, and branding. To date, Dinarak has 271 active agents across the country, 90 of whom are in Irbid.
- Enhance policy and regulation: A large focus of the project is facilitating dialogue among various stakeholders. GIZ supports a digital financial services (DFS) council that meets quarterly. Council members are private sector stakeholders, NGOs, UN organizations that work closely with the target group, and payment service providers (PSPs). The council discusses how regulation/oversight can be influenced so that it serves the needs of the regulator while also allowing for financial inclusion of the target group. GIZ also works directly on regulatory issues. One recent development relates to Jordan Mobile Payments, also known as “JoMoPay,” which is Jordan’s national e-payment and mobile payment platform. JoMoPay was created and is overseen by the CBJ. In 2017, CBJ amended JoMoPay instructions to include refugees and other non-nationals specifically, and it has developed consumer protection regulations applicable to JoMoPay customers. Furthermore, the CBJ and GIZ are working together to reduce the layers in the ecosystem of cross-border remittances, which will then reduce costs.
- Outreach and trainings to enhance DFS literacy: GIZ organizes events to build awareness. For example, it organized a fair in Irbid at which the five licensed payment service providers (PSPs) in Jordan each had a booth. People who attended the fair received information and could open accounts on the spot. For training, the project developed four training modules: 1) introduction to JoMoPay and digital money; 2) use cases for mobile wallets; 3) saving and budgeting using mobile wallets; 4) rights and responsibilities of customers who use DFS.

Challenges:

The Central Bank of Jordan considers challenges related to access, usage, and quality of services. For access, the CBJ incorporated into its regulations simplified Know Your Client (KYC) requirements, including allowing verification of refugee identity through the UNHCR asylum certificate. An additional access challenge is minimal awareness of JoMoPay as a platform. When the CBJ conducted financial diary research in the camps to understand refugees’ needs, it found that most of them had not heard of JoMoPay, and also that they believed that these services were not for them. The CBJ has raised the cap for the amount of funds that customers are able to hold in their mobile wallets, and established regulation so that the central bank guarantees the security of the funds.

Regarding usage, a major obstacle is that the agent network is still limited. GIZ work with Dinarak has led to a relatively large number of agents in Irbid, but elsewhere the agent network is insufficient. In particular, it has not been possible to establish agents within the refugee camps because the businesses there are almost entirely informal, plus the government has forbidden Internet access within the camps in order to minimize the risk of terrorist activity. 80% of refugees in Jordan live outside of the refugee camps, but still the CBJ would like to facilitate

financial access to all refugees. In the cities, with formally registered shops and merchants and agents, CBJ has simplified the requirements so that it is possible to build more agents into the network. An additional problem related to agents is that many are poorly trained, if they are trained at all. And finally, the CBJ is invested in quality control, because it knows that good quality is fundamental to use, and soon P2P, bill payments (e.g., utility bills), and all types of services will be linked to the mobile applications.

Other challenges exist. The media can present a negative and risky image of refugees that foments xenophobia and the conviction that that refugees are competing with the host community for scarce resources. Most refugees are fearful about what the government will do with the data it sees on mobile wallet transactions. For example, will the government conclude that the person has a high enough volume of funds that s/he should no longer receive humanitarian aid? Yet another challenge is that providers generally do not yet see the potential for a large amount of profitability in serving this target group. The CBJ is working on strategies to make the environment one in which providers can earn a profit serving this group.

Results:

There are almost 140,000 mobile wallets open today among all PSPs and 787 active agents. Of the open accounts, about 2900 are held by Syrian refugees. Within Dinarak accounts, about a quarter are active, meaning at least one transaction per month, while among the other PSPs, 43% are active. About one third of Dinarak account holders are women. The CBJ is trying to create more services linked to the mobile wallet in order to encourage increased usage of e-wallets in the coming years.

Key lessons learned:

This is the middle of the project, but there are some lessons learned already.

- GIZ had hypothesized that sending or receiving remittances was a pain point for the target group and digitizing remittances would help. Experience shows this is not the case. Digitizing remittances alone will not be enough to stimulate broad financial inclusion.
- All PSPs currently rely on applications, meaning Smart phones are required to use mobile money. GIZ is considering how to facilitate access to mobile wallets by feature phones.
- There are many misperceptions among the target groups about why they cannot use mobile money. For example, the perception is that mobile money is for the rich, even though in reality the fees are relatively low and there is no minimum capital required, as there would be by a bank. To combat misperceptions, the sector needs to provide consolidated information and be sure all of the expectations it sets are realistic.
- Not all refugees' concerns can be addressed. In particular, the Central Bank has to monitor money flows to make sure it is aware of illegal flows, but refugees do not want this to happen because they fear it will result in revoking of their humanitarian aid.
- Refugees conduct all of the same transactions as nationals (e.g., phone and utility bills to pay, rent to pay, money to send to relatives) but PSPs have a perception that refugees will not transact much and will not be a profitable client group.

Next steps:

- GIZ has designed a roadmap for digital literacy and awareness. GIZ is working with many different stakeholders to implement the roadmap.

- GIZ is working with CGAP to analyze the remittance corridor from Germany to Jordan, meaning Syrians and Jordanians living in Germany. How do they remit back to Jordan?
- The CBJ is currently working on regulation for digital cross-border remittances.
- GIZ will pilot digitization of cash assistance to refugees specifically. CBJ sees a huge opportunity to increase inclusion by digitizing humanitarian aid and cash-for-work programs.
- The CBJ is working to make microcredit available to refugees.
- CBJ recently signed with MasterCard to have debit cards linked to refugees' mobile wallets, and CBJ sees a positive psychological response by refugees when they have their own internationally recognized and enabled card.
- CBJ is working with a program that is piloting using bloc chain technology for e-vouchers for food. The food program will coordinate with the mobile payments platform to open mobile wallets for receiving the food vouchers from the World Food Program, and these accounts would be able to do all types of mobile wallet transactions.

Questions and Answers:

- Q: *Did the survey explore bank account ownership in the refugees' country of origin? Do we know whether this population has always been excluded, or whether they had accounts in their home countries?* A: Many refugees in Jordan never had a bank account in Syria.
- Q: *Is there a report available for public consumption on the financial diaries of refugees research?* A: The report will be published in early 2018 on the CBJ website. On Youtube, there is already a video to show how CBJ visited the camps and what refugees expressed as the problems they face in the camps. But this video is not comprehensive.
- Q: *How many local businesses now accept mobile payments, to avoid the need for people to cash out immediately?* A: GIZ does not have the exact number but it is quite low. Katharina would estimate fewer than 500 merchants. But, this will change with the MasterCard that Maha mentioned, which is linked to the mobile wallet. People with this card can pay at any POS device in the country or internationally, and use it at an ATM. CBJ is working on integrating the ATM network with CBJ's mobile payment platform.
- Q: *Experience from many projects shows us that it is difficult to disseminate information effectively. Do you have any tips on what to do or not to do to disseminate your message?* A: GIZ has not had a project evaluation yet. But, GIZ hears from focus groups and research that the target group trusts information that comes from trusted sources, meaning friends and families and the NGOs (e.g., UNHCR, WFP, UNICEF) with which target clients interact regularly. The NGO trusted agencies are part of the financial literacy roadmap implementation team.
- Q: *Have you recruited refugees themselves as agents?* A: GIZ has had this on its mind since the beginning but so far there are none. GIZ did pilot a project where it recruited female Jordanians and refugees not as agents, but as brand ambassadors. They could sign up agents and could do KYC but would not be involved in the cash-in and cash-out procedures. The pilot has not been going well. The recruits lost interest quickly.
- Q: *What are your thoughts on engaging FSPs in this process?* A: GIZ has considered very heavily including the PSPs and MFIs in the trainings. It sees a benefit but also a risk to the literacy aspect of the training, because the private sector players would likely use the training as an opportunity to market their own products. So, thus far, all GIZ trainings

are conducted only through not-for-profit organizations, such as NGOs and faith groups and community-based organizations. But, GIZ does train PSPs and MFIs using training-of-trainers materials, so they can market their products in a more responsible way. GIZ does not count trainings led by PSPs and MFIs as part of GIZ's trainings, because GIZ's trainings have to be neutral.

- *Additional comment from Maha:* CBJ integrated the systems of the MFIs who have been good partners with CBJ with JoMoPay. Now Jordanians who are eligible for loans from MFIs can receive the loan amount into their mobile wallet and repay digitally. This has been piloted successfully with two MFIs, one of which is Microfund for Women (MfW). The CBJ encouraged MfW to lend to self-employed Syrian women. MfW has a relatively small number of Syrian customers who receive loans into their mobile wallets and repay using the mobile wallet. The CBJ wants to see the impact on clients – this is research to be done. So far, the pilot is working well.