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PROSPECTS



► Advancing livelihoods through financial inclusion in Iraq

Report highlights

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▶ **Background and context**

This report is the result of a scoping study¹ conducted during October-December 2019 for the ILO PROSPECTS project's financial inclusion intervention, which aims to facilitate access to affordable loans through domestic banks and other financial services providers (FSPs) for vulnerable, entrepreneurial households with focus on displaced and host communities who can benefit from credit to re-start or grow their businesses in Iraq.

The study aims to:

1. **Provide insights on the market- and demand-side levers that may impact the success of expanding financial services to forcibly displaced persons (FDPs)** with particular focus in Duhok and Nineveh governorates of Iraq, and
2. **Conduct primary research and compile existing data to give FSPs a better sense of population segments** that have hitherto been largely excluded from formal financial services.

▶ **Characteristics of the financial sector**

General context:

- ▶ **Informal finance is competing with formal** financial services.
- ▶ **Aid-driven environment** with many international non-governmental organizations (I/NGOs) and organizations distorting the market – indications of relative high levels of aid dependency and entitlement, also coupled with evident low economic participation.
- ▶ On the **demand** side, the previous illiquidity of private sector banks brought about a significant distrust in the banking sector from Iraqi population.
- ▶ On the **supply** side, banks associate small and medium enterprises (SMEs) and households with very high risk due to the private sector's informality, poor financial reporting standards and lack of credit history.
- ▶ **With a general lack of SME finance culture and weak capacities within banks, those involved in lending to SMEs tend to do so at higher risk premiums and high collateral requirements**, which would crowd out safer projects. Banks usually complain about SMEs' lack of viable projects.
- ▶ **Kicked off in 2014, the One Trillion Initiative** is one vehicle adopted by the regulator to entice private sector's development and SME's access to finance. IMF Country Report No. 19/248 of July 2019 cited limited uptake on the CBI's ID1 trillion initiative to finance SMEs and the difficulty in finding bankable projects.

¹ The full report is to be published in the first half of 2021.



Governance – Over the past years, the Central Bank of Iraq (CBI) has improved its oversight and the coordination of its branch network, and prudential supervision standards have been harmonized for all banks, including in the Kurdish Region of Iraq (KRI).

- Around 70 banks are under the mandate of CBI, however despite the large number of banks, the **banking sector remains small, under-capitalized**, and has limited capacity².
- The banking sector is largely dominated by the **7 state-owned banks**, benefiting from a favored legislation as well as access to government and state-owned enterprises’ employees’ employees as clients³.

Formal Financial inclusion – Formal financial inclusion is low in Iraq. **The population displays a strong preference for cash, due in part to a general distrust in the banking sector following decades of financial sector instability**, when private deposits were lost and not compensated. **According to Findex, the percentage of Iraqis with bank accounts grew from 11% in 2014 to 23% in 2017** (see Table 1, no data exists specifically for the Kurdistan Region of Iraq), but only 19.5% for women⁴.

Table 1: Financial Inclusion Data, Iraq (Findex 2017)

Formal financial inclusion, %	22.7%
Borrowed any money in past year (+15)	63.4%
Of these, from FSPs	3.1%
Of these, from family or friends	52.1%
Saved in the past year (+15)	31%
Of these, saved with an FSP	1.6%
Of these, saved with slfa/jama’iat/non-family (2014)	16.9%
Made/received digital payment	19.1%
Mobile money account (+15)	4.2%

Digital finance – To increase the country’s formal financial inclusion, CBI is currently working on modernizing and digitizing payment systems (to make them less cash-based and safer) (Mastercard, Qi-card, etc.).

- While salary payments (for both civil servants and private sector employees) are still often made in cash, rather than through commercial banks, **the fact that 19.1% of the population received a digital transfer in 2017 is promising**⁵.

² World Bank and IFC: KRI - Reforming the Economy, op.cit.

³ International Journal of Science and Research (IJSR: Financial Inclusion and Economic Development in Iraq, Volume 6 Issue 10, October 2017.

⁴ https://www.unsgsa.org/files/3815/2511/8893/LDB_Financial_Inclusion_2018.pdf, p. 77.

⁵ World Bank: KRI – Assessing the Impact, op.cit



- The Qi Card company was being used by the Ministry of Labour and Social Affairs (MoLSA) and the Ministry of Migration and Displacement (MoMD) to disburse pensions and safety net cash assistance, including grants to internally displaced persons (IDPs) (but not to refugees), making it reach up to seven million users. It was used to cash out in banks and Qi card agents, despite that it did not have the features of an e-wallet. Recently, the operations of this company were put on hold due to allegations of fraud against its management and it is currently under investigation by the CBI.
- Licensed as mobile money providers and regulated by the CBI, AsiaCell Hawala and Zain Cash allow customers to have a mobile money account linked to their SIM card or mobile application, and currently only reach about 5-10% of mobile phone users. They are being used by I/NGOs and some United Nations (UN) agencies for their cash transfer programs to the vulnerable population.
- All three operators operate in similar ways, which is promising for the future inter-operability of mobile money across platforms. This is currently being discussed and a plan is in place towards that end.

Insurance – The insurance sector is characterized by 3 private insurers (2011) including Anglo-Arab Insurance Brokers (AAIB) in the KRI,⁶ and 3 large, publicly owned institutions headquartered in Baghdad; the National Insurance Company, the Iraqi Insurance Company, and the Iraqi Reinsurance Company.⁷

- The **Insurance Law** adopted in 2005, requires insurance companies to be licensed by the insurance regulatory authority, Al-Diwan, and they are subject to reporting and supervision requirements, including prior approval by Al-Diwan of the opening, closing or relocating of branches; minimum capital (set by regulation), “fit and proper” requirements for the management, as well as auditing and reporting requirements.
- According to the law, and in order to protect insurance policy holders, all insurance companies must deposit an amount (determined by Al-Diwan) in a licensed Iraqi bank as a guarantee for the payment of any future claims and liabilities.
- Separate licensing requirements and procedures under a special instruction apply for insurance agents, but these must be licensed by the regulator as acting on behalf of insurance companies.⁸

High demand for effective SME finance – Only 5% of SMEs in the formal sector have received a bank loan, and only 2.7% of all firms in Iraq have financed investment projects through banks loans⁹. Access to finance is critical for SMEs to grow and expand their businesses, thus promoting job creation. However, there are several constraints to that:

- Standard bank loan terms are not appealing to SMEs: loans are relatively expensive (7 percentage points¹⁰ spread on the interest rate)¹¹, the application process is onerous, the repayment terms are too short, and the collateral requirements are hard to meet, lengthy when applied to mortgage and exceeding loan amounts.
- Bankers have limited experience in lending to SMEs and generally lack the technical skills in analysing credit risk and conducting cash-flow analysis.

6 http://cabinet.gov.krd/uploads/documents/Kurdistan_Investment_Guide_2011.pdf

7 <http://www.krso.net/files/articles/240416025432.pdf>

8 CGAP and World Bank: The Legal and Regulatory Framework, July 2015.

9 IMF: Country report 2019, op.cit.

10 IMF, Financial Inclusion of Small and Medium-Sized Enterprises in the Middle East and Central Asia, February 2019.

11 When Iraqi banks do lend out, they collect the highest interest rate spread (7 percentage points) in the MENA region, implying high funding costs for the private sector. This may reflect inefficiencies (higher operating costs), lack of competition among banks (higher mark-ups), or simply elevated risk perceptions.



Microfinance – Given that the majority of firms in Iraq, including in the KRI, are in fact micro-enterprises, typically owned by individuals or families, often informal, and with a relatively low turn-over, microfinance would seem a pertinent response to their financing needs:

- ▶ Until 2014, there were 12 microfinance institutions (MFIs) in the country, with multiple branches in both governorates, 8 of which remained operational in 2015.
- ▶ Four of the MFIs, which were based in Anbar, Nineveh (Mosul), and Salah ad Din governorates have stopped operations due to the lack of access to clients and security issues. The shutdown of these MFIs impacted an estimated 21,490 active clients with USD 22 million in credit outstanding¹².
- ▶ **As of the end of August 2019, the six MFIs reporting to the Iraqi Microfinance Network (IMRI) served 80,211 active clients across Federal Iraq and the Kurdistan Region of Iraq, 30% of whom were women, and had an overall outstanding loan portfolio of USD 165.1 million** at an average outstanding loan balance of USD 2,059¹³. Impact of COVID on the operations of these MFIs is yet to be ascertained.
- ▶ It is worth noting that all MFIs lend in USD and leave the foreign exchange risk to their clients.
- ▶ Three of the active MFIs have branches in Dohuk, Nineveh and Erbil.
- ▶ MFIs would need more streamlined regulation and supervision where they are still governed by the NGO laws under the direct supervision of the prime minister’s office.
- ▶ There has not been any new grant to the sector since September 2012, and other sources of funding are limited, as NGOs cannot raise equity nor take deposits. NGOs are not legally prohibited from borrowing, but local banks are reluctant to lend to NGOs in the absence of legally liable owners and of customary collateral. This is limiting their growth potential.
- ▶ MFIs’ access to the CBI’s One Trillion Initiative, can be a complementary avenue to the high and growing demand for micro, small and medium enterprises (MSMEs) loans from MFIs. However, in the current set up, this was not envisioned. If this option is to be discussed, the operational terms applied to MFIs will need to be reviewed/amended.

Informal finance – As indicated earlier, formal financial inclusion is low in Iraq. The population displays a strong preference for cash, due in part to a general distrust in the banking sector after decades of financial sector instability, when private deposits were lost and not compensated.

- ▶ **Traditional money traders (hawaladars)** are the most commonly used financial services providers in the country, offering a widely available **cheap** and **traditionally trusted** network to move money (either **payments, donations or loans**) between individuals, and sometimes also for **lending**.
- ▶ The largest hawaladar firms in Iraq and the KRI are licensed by the CBI and have global networks of associates, operating both physical and mobile transfers, which indicate that they manage a large part of remittances to and among Iraqis, and likely also among foreign-born residents.
- ▶ **Local merchants** are also involved in informal finance. Shop owners and traders who do not provide credit to customers receive less day-to-day custom than those who do.

¹² World Bank: KRI: Assessing the Impact, op.cit.

¹³ Data made available from Iraq Microfinance Network to an ILO study on financial inclusion in Iraq, December 2019.



▶ Constraints faced by FDPs and host community to access the formal financial sector

Over-indebtedness – For many households, the income generated from work is not sufficient to cover their basic needs. As a result, debt is endemic and accumulated over years. This is induced by a large part of deferred expenses (purchases on credit) and debt to relatives and family members. The continuing reliance on debt by a majority of households and MSMEs, would suggest a risk of chronic over-indebtedness in households with low economic participation level, low and/or irregular incomes, and a high accumulated debt burden, including among MSMEs.

- ▶ **Nearly all borrowing is informal and free of collateral and interest**, provided by family members, friends, or local merchants, and likely extending to the rest of the economy.
- ▶ **Informal debt is relationship-dependent**, and access to informal borrowing is contingent on pre-existing social, kinship and business ties with and among informal lenders.

Limited access to formal finance is mostly due to the following:

- ▶ Widespread and easy **availability of informal finance**.
- ▶ **Dominance of cash** outside of the formal financial sector.
- ▶ **Cash-based** purchases on credit.
- ▶ Not much used, nor in demand formal financial services, due to a **significant mistrust** and their perceived irrelevance by lower-income households and small businesses.
- ▶ **Limited financial literacy** amongst lower-income households and small business owners.
- ▶ **MSMEs and vulnerable households' limited awareness** on possible formal credit options and other financial services.
- ▶ **Limited marketing and information shared** on available financial services by FSPs.

▶ Characteristics of the target group – Forcibly displaced persons and host community

Forcibly Displaced Persons in Nineveh and Dohuk governorates (see Table 2):

- ▶ In **Dohuk** Governorate, the large majority of the FDP population is composed of internally displaced people, mostly coming from Nineveh governorate and its surroundings.
- ▶ **Nineveh** governorate is one of the poorest in Iraq, with 10% of the population hosting 20% of the lower-income households in Iraq¹⁴. The majority of the FDP population in this governorate is made of Iraqi returnees, the majority of which from Nineveh originally.

¹⁴ <http://documents.worldbank.org/curated/en/889801468189231974/pdf/97644-WP-P148989-Box391477B-PUBLIC-Iraq-Poverty-Map-6-23-15-web.pdf>



Table 2. Overview of Iraqi IDP population

Overview of Iraqi IDP populations, December 2019 or latest available

	Iraq overall	Nineveh Govt (Dec 19)	Dohuk Govt (Dec 19)
Total est. population	38,433,600	3 729 998	1 292 535
Total Iraqi FDPs:	6 011 082	2 101 122	320 364
1. Of whom returnees	4 596 450	1 766 334 (47%)	780
Returnee HHs	766 075 (6/HH)	277 938 (6.4/HH)	130 (6/HH)
Returnee adults, 18-59 yrs	2 298 225 (50%)	900,830 (51%)	390 (50%)
Of whom female	1 195 077 (52%)	441,584 (49%)	203 (52%)
2. Of whom IDPs	1 414 632	334 788 (9%)	319 584 (25%)
Of whom from Nineveh:	837 762 (59%)	329 700 (98%)	318 666 (99%)
Of whom encamped	359 028 (25%)	119 232 (36%)	151 908 (48%)
Of whom 18-59 years	168 743 (47%)	55 785 (41%)	74 435 (49%)
Of whom female	86 059 (51%)	29 795 (53%)	37 962 (51%)
Encamped IDP HHs	59 838 (6/HH)	19 872 (6/HH)	25 318 (6/HH)
Of whom self-settled	1 085 472 (75%)	215 556 (64%)	167 676 (52%)
Of whom 18-59 yrs	510 172 (47%)	101 311 (47%)	78 808 (47%)
Of whom female	249 985 (49%)	49 643 (49%)	38 616 (49%)
Self-settled IDP HHs	180 912 (6/HH)	35 926 (6/HH)	27 946 (6/HH)

Refugees and Foreign-born residents – With much focus on IDPs and returnees in Iraq, it is important to remember that the country is also host to a sizeable population of foreign-born residents (FBRs) among which a majority of refugees. UNDESA has estimated a total foreign-born resident population of only 368,100 people in Iraq by mid-2019,¹⁵ 62% of whom were of working age, and 42% of whom were women.¹⁶ The majority of this population (79%) are refugees from Syria,¹⁷ but the FBR population is more diversified and the numbers are likely under-estimated.

Socio-demographic profiles of forcibly displaced people:

- The majority of Syrian, Iranian and Turkish refugees and 85% of all IDPs in the KRI are Kurds (either Sunni or Yezidi), and nearly all internally displaced households in Dohuk are originally from Nineveh.
- The socio-economic profiles of households who live outside of camps in the KRI are relatively similar, and stable for the majority. Between 2017 and 2018, only 3% of self-settled IDPs in Dohuk and 1.5% among IDP households in Nineveh moved between districts, while 4.5% of all self-settled IDPs in Iraq moved out of the country¹⁸.
- Recently, the government started to encourage voluntary returns and IDP camp closures. A significant challenge remains slow reconstruction in liberated areas, creating harsh living arrangements for potential returnees. UNHCR/IOM indicates a 10% proportion of returnees living under severe or poor conditions at the end of 2020. Until December 2020, the IOM's displacement tracking matrix indicated some 1,224,108 individuals who remained displaced within 18 governorates, while 18 IDP camps remained open and total of 4,831,566 individuals had returned home.

¹⁵ World Bank and IFC: KRI - Reforming the Economy, op.cit.

¹⁶ International Journal of Science and Research (IJSR: Financial Inclusion and Economic Development in Iraq, Volume 6 Issue 10, October 2017.

¹⁷ https://www.unsgsa.org/files/3815/2511/8893/LDB_Financial_Inclusion_2018.pdf, p. 77.

¹⁸ World Bank: KRI – Assessing the Impact, op.cit



Differentiators among population subsegments are useful characteristics to look for among FDPs to discern population sub-segments and identify criteria supporting FSPs better assess and identify financial demand, behavior and likely success of some FDP clients over others. The following ones, displayed in Table 3, are the most useful for FSPs in the KRI:

Table 3. Inventory of appropriate differentiators for FSPs

Characteristic	Appropriate differentiator?	Details
Nationality/ Ethnicity	No	Households of different ethnic sub-segments have similar socio-economic profiles. Though ethnicity may inform on economic fragility, language and social capital, It is important for FSPs not to take this characteristic as a meaningful differentiator to avoid segmenting by stereotypes.
Geographic location	Yes	For both FDPs and hosts, it correlates significantly with debt repayment rates. For FDPs, it is especially correlated with protracted displacement and legal residency outside of camps.
Economic participation	No	Economic participation rates do not differ markedly among the target sub-segments living outside of camps, which all display large gender gaps.
Income generated	Yes	Income and the regularity of income differs with people's tendency to work in the formal or the informal sector, as well as inside or outside of camps.
Income sources	Yes	The informal sector has expanded for refugees and IDPs in camps of the KRI (though less in Nineveh). Around 35% work in the informal sector (and it is highest among returnees). ¹⁹ .50% of hosts, 25% of returnees and IDPs work in the public sector ²⁰ .
Level of debt	Yes	As over-indebtedness is a constraint affecting many, this should be taken into consideration by FSPs to identify the likeliness of success of clients (debt repayment rate).
Human and social capital	Yes	This includes education, experience, skills and acumen, as well as community networks and wasta. Education is associated with productivity, better job prospects, higher income and better welfare in families, but high educational attainment does not necessarily correlate with entrepreneurial acumen and is thus less important as an indicator of prospective successful finance for self-employed individuals.
Business-owners	Yes	21-25% of hosts and returnees run businesses. 15% of refugee households run businesses ²¹ . It could be interesting to differentiate them, due to their likely different needs, as well as their potential interest in converting their informal credit with formal financing products.
Foreign investors	Yes	Credit provided as part of government lines of credit/grants, with guarantees, or otherwise underwritten by the government, used to be typically restricted to Iraqi citizens. However, the second amendment to the Investment Law opens up for access also by foreigners to such credit sources.

¹⁹ IOM and KRISO: Demographic Survey, op.cit.

²⁰ REACH: IDP Camp Directory, February 2019

²¹ https://reliefweb.int/sites/reliefweb.int/files/resources/reach_irq_factsheet_mcna_returnee_sept2018_0.pdf

<https://data2.unhcr.org/en/documents/download/65023>

<https://data2.unhcr.org/en/documents/download/69906>

<https://reliefweb.int/sites/reliefweb.int/files/resources/IOM%20Iraq%20Access%20to%20Durable%20Solutions%20Among%20IDPs%20in%20Iraq-%20Experiences%20Applying%20to%20Compensation.pdf>

<https://data2.unhcr.org/en/documents/download/72938>; <http://iraqdtm.iom.int/LocationAssessment.aspx>



Legal status and Know-Your-Customer (KYC) regulations:

- **The majority of Iraqi IDPs and returnees have personal identity documentation to prove their status and access public services and support.** IDPs have reported very low rates of documentation loss. By October 2019, only 6% of non-displaced Iraqi households, 8% of self-settled IDP and returnee households, and 10% of encamped IDP households reported missing documentation²², without which they are unable to exercise basic civil rights.
- **Residency permits** – Nearly all refugee households in the KRI (97%) stated that they were registered with UNHCR in 2018, and 85% reported that all their household members were registered. Only 7% were not holding KRI residency permits²³. Similar to UNHCR registration, camp residents are more likely to be in possession of residency permits than those living outside of camps.

FSPs requirements for FDPs to access services:

- **Forcibly displaced persons without an officially recognized identity cannot access formal financial services in Iraq.** For FSPs, a valid ID and residency documentation as well as a proof of enterprise ownership or a proof of rental (for business-related loans) are required for customers applying for credit in line with the KYC regulations (see Table 4).
- **Authorities and banks accept a wide range of documents as ID documentation**, including social security cards, Public Distribution System (or Qi) cards, the national ID (shehada al jinsiya), passport, residency permit (iqama) and/or marriage certificates. Nonetheless, refugees often explain their use of hawala companies and mobile operators (Zain and AsiaCell) with the need to circumvent such ID requirements.
- **Following the country’s legislation, as long as customers have some form of verifiable ID, they should not be excluded as FSP customers for reasons of not meeting KYC requirements.** For refugees and asylum seekers, it will be necessary for FSPs to accept the UNHCR biometric registration certificate as sufficient KYC for new customers, as it is currently done by registered hawaladars distributing humanitarian cash transfers.
- **While most households own a property that could be used as collateral for formal credit, a much lower proportion have formal documentation to prove their ownership.** It will be a challenge for FSPs to accept and utilize these informal contracts and registrations as collateral for credit.

Table 4. Justification documents required by FSPs

Justification document	Appropriate?	Details
ID-related documents	Yes	Most sub-segments have personal identity documentation for KYC purposes.
Proof of address/ Residency permit	Yes	FSPs require a valid ID and residency permit for customers applying for credit in line with the KYC regulations. However, residency permits remain difficult and expensive for refugees, asylum seekers, IDPs and returnees to obtain or renew.

Savings capacity:

- In 2017, the overall savings rate (savings as a percentage of available income) across the small sample of all sub-segments in Nineveh did not exceed 10%. However, 35% of encamped IDPs and 23% of encamped refugees reported being able to save around 10% of their income²⁴.

²² <https://reliefweb.int/report/iraq/support-unhcr-inauguration-first-national-identification-document-centre-Niveveh>

²³ WFP and UNHCR: Joint Vulnerability Assessment, June 2018.

²⁴ Oxfam: Saving Behaviours and Financial Services in Northern Iraq, September 2018.



► Scope of the demand for financial services among FDPs and host communities

The ‘best guess’ size of the client segment as relevant for ILO’s partners in Dohuk and Nineveh governorates is detailed in the forthcoming report. With an **estimated total market of 207,455 households** across all sub-segments in Dohuk and Nineveh who might demand and benefit from access to formal finance (see Table 5), there appears to be sufficient market scope to warrant the effort of additional, local market research and adjustments to the operational parameters necessary to enable formal FSPs to extend services to these new market segments.

Table 5. Tentative scope of demand for financial services among FDP and host communities

Tentative scope of demand							
	Hosts	IDPs			Refugees/FBR		Total/ave
	Non-displaced	Returnees	Self-settled	Encamped	Self-settled	Encamped	
% of total HH population	72%	0.05%	10%	9%	3%	6%	100%
Dohuk (Total 280k)	44%	47%	6%	3%	0.02%	0%	100%
Nineveh (Total 622k)							
% HHs intending to stay	95%	90%	75%	95%	95%	95%	90%
% HHs w/ legal ID/residency	94%	92%	92%	90%	85%	93%	91%
% HHs econ. Active (male)							
Dohuk	70%	89%	77%	53%	90%	73%	75%
Nineveh				75%			75%
				41%			41%
% HHs earning > IQD 500k/m	64%	42%	35%	24%	60%	30%	42%
Deduct for debt/no interest	30%	20%	20%	15%	30%	25%	23%
Adjusted demand est. %	34%	22%	15%	9%	30%	10%	20%
Adjusted est. demand, # HHs	134 130	55 760	9 555	3 600	2 890	1 520	207 455
Dohuk	66 777	172	4 335	2 300	2 890	1 520	77 995
Nineveh	67 355	55 588	5 220	1 300			129 460

Potential demand for MSME finance:

- A small share of SMEs, including informal lenders, may be interested in additional credit, and in **replacing or restructuring their informal credit with formal financing products**, if better informed about outreach, products, terms and conditions.
- MSME-owners **who cannot access sufficient credit informally**, either because their social network is disrupted, or because they need more credit than informal lenders are willing to provide, might also be interested.



► Recommendations

For a more conducive environment for financial inclusion efforts:

- **Conduct and publish a competitiveness study on the available financial services in Iraq.**
- **Promote dialogue with the Central Bank of Iraq** on better integration of financial inclusion strategy and better integration of financial services including Microfinance industry.
- Support the development of **stronger banking regulations and supervision.**
- Clarity from authorities should be sought **and clear guidelines disseminated on the core enablers for private sector development.**
- Work on enhancing the financial literacy amongst population through enacting a **national financial literacy strategy.**

For FSPs to understand the new market and deal with competition:

- **Formal FSPs need to carefully segment and appraise prospective clients** not only by economic participation, but also by income generated, and total existing debt levels, see above table of recommended criteria.
- **Support FSPs to improve the marketing of their financial services,** and to disseminate more information on access to formal finance.

For FSPs to improve their management and operations:

- Allocate resources (budget, time and human resources from within the target group) to strategize, conduct market/segment research, communicate internally with staff and externally with clients and partners, and monitor performance.
- **Provide capacity building and/or restructuring** of some banks in order to avoid exposing the government to undue contingent liabilities.
- Recognize the very high level of mistrust of formal financial services providers in general and banks in particular and **carefully craft a marketing approach** ensuring that FSPs transmit an easily understood message about their services and benefits, that FDPs can relate to. Linking to a national financial literacy strategy, FSPs could engage in such efforts to enhance the general populations' financial knowledge and awareness.
- Adjust selection criteria and operational processes to be more inclusive
- As many bank customers lost their savings or were blocked from accessing their deposits in past years, an **independent, effective and well monitored deposit guarantee entity** would be a welcomed step.
- For ILO's partner banks, it will be imperative to distinguish themselves as private sector FSPs that **apply principles of sustainability and hence charge fees for their services,** different from the grant-based humanitarian services.
- **MFIs/banks partnership for a more effective disbursement of the CBI's Trillion Initiative** – as the MSMEs market is quite large, and the demand for MSME loans from MFIs is high and growing, private banks can explore partnerships with MFIs to disburse the One Trillion Initiative funds and CBI could play a role in this regard.



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