

Mobile Money for Resilience

Case study

Building resilience of refugees and host communities through digital financial inclusion

January 2021

Introduction

At the end of 2017, the Bill & Melinda Gates Foundation and the Central Bank of Jordan (CBJ) launched the Mobile Money for Resilience (MM4R) initiative to improve the quality of life of Jordanians and refugees impacted by the Syrian crisis. Established as a permanent committee within the CBJ, MM4R aims to build the resilience of vulnerable populations by equipping them with the financial tools to withstand and recover from economic shocks.

Three years since its launch, MM4R has demonstrated significant impact on digitization of government and humanitarian cash assistance programs, financial inclusion, and development of the Jordanian digital finance ecosystem.¹ MM4R has also strengthened the readiness of government and humanitarian systems to quickly disburse aid in crisis contexts, as demonstrated by the use of mobile money for Covid-19 response. Most importantly, by promoting the use of digital financial services (DFS) for uses cases such as social protection payments, MM4R has enabled low-income Jordanians and refugees to access assistance funds more conveniently, safely, and cost-effectively.

This case study documents how MM4R came to be, the results achieved to date, and learnings from implementation over the past three years. The purpose is to share insights that will inform MM4R activities going forward and to support similar initiatives in markets outside of Jordan. MM4R provides a model for those working to improve the effectiveness and efficiency of the humanitarian action and those seeking to improve the lives of people impacted by crises.

Context

MM4R was born out of two interrelated objectives: the drive to accelerate financial inclusion of unbanked and underserved populations through DFS and the need to improve the efficiency and effectiveness of humanitarian response programs.

- **Accelerating financial inclusion:** The Government of Jordan (GoJ) and the Central Bank of Jordan (CBJ) have been ardent promoters of financial inclusion throughout the country. In addition to monetary stability and the provision of safe, efficient national payment systems, the CBJ's mandate

¹ Cash assistance refers to the provision of unrestricted assistance in the form of money - either physical currency or e-cash - to recipients (individuals, households or communities). <https://www.calpnetwork.org/library-and-resources/glossary-of-terms/>

explicitly includes financial inclusion and financial consumer protection. With only 33 percent of adults in Jordan owning an account at a formal financial institution (as of 2017), the CBJ's mission has been to increase the level of financial inclusion in the country, as well as to reduce the gender gap in account ownership. Since 2014, the CBJ has invested significantly in building inclusive digital payment infrastructure, developing national strategies to drive financial inclusion, and creating an enabling environment for underserved households and businesses to gain access to digital accounts, investments, and other financial tools needed to grow and prosper.

- **Improving efficiency and effectiveness of humanitarian response:** At the same time, Jordan has played a central role in the global migrant crisis. The country hosts nearly 1.4 million refugees displaced by the Syrian crisis,² equivalent to the second highest share of refugees per capita in the world.³ To provide relief to affected households – both refugees and low-income Jordanians in host communities – the GOJ and humanitarian organizations have been implementing large-scale social protection programs. However, both in Jordan and globally, rising social protection needs have highlighted the limitations of government and humanitarian systems to effectively meet those needs. As a result, donors and humanitarian organizations made a commitment in 2016 to improve the efficiency and effectiveness of humanitarian response to have a greater impact on those in need.⁴

Against this backdrop, the Bill and Melinda Gates Foundation (BMGF) has been a strong advocate for incorporating longer-term goals in humanitarian assistance. Rather than reacting to crises as temporary one-off events, global actors must expect that crises will happen, be ready to respond, and promote resilience of systems and people to weather shocks and rebound quickly once impacted.



Zaatari refugee camp in Jordan
(Photo credit: Paysys Global)

In 2016, these two objectives were center stage in both the Jordanian DFS and humanitarian landscapes. As the CBJ and BMGF set-out to achieve these goals, they found a strong alignment of objectives, which provided the basis for the MM4R. Given the large volume and value of social protection programs, disbursing payments to households through formal financial institution accounts can significantly drive financial inclusion. Meanwhile, financial inclusion helps to maximize the long-term impact of social protection programs. Specifically, financial services provide vulnerable households with a set of tools to better withstand economic shocks and therefore be more resilient in the face of adversity, as further discussed below.

² The Hashemite Kingdom of Jordan Ministry of Planning and International Cooperation, "Jordan Response Plan for the Syria Crisis 2020-2022," <http://www.jrp.gov.jo/Files/JRP%202020-2022%20web.pdf>

³ United Nations High Commissioner for Refugees (UNHCR) Operational Data Portal; https://data2.unhcr.org/en/situations/syria#_ga=2.170239072.1146709770.1606909198-1561386020.1606773502

⁴ For more information on this global commitment, known as the Grand Bargain, refer to the Grand Bargain website: <https://interagencystandingcommittee.org/grand-bargain>

Financial inclusion as a foundation for resilience

Financial inclusion is key to improving the effectiveness of humanitarian response. A growing body of evidence demonstrates the benefits of financial services in humanitarian crises (see Textbox 1).⁵ Savings and insurance help households and businesses to better manage economic shocks, while remittances channel funds from friends and family with spare capital to those most in need.

In turn, households can meet food and housing needs despite reduced incomes and avoid resorting to negative coping mechanisms, such as pulling children out of school to work. Financial services also provide households and businesses with the tools to build and manage their own assets, thereby reducing reliance on social safety nets in the long run.

Technology, specifically mobile technology, has been a game changer in expanding reach to remote areas where physical infrastructure is not economically feasible for financial services providers (FSPs). Digital financial services (DFS) therefore present significant potential to widen access to formal financial services and provide a pathway to resilience.

Textbox 1: Evidence on the role of financial services in supporting recovery after crises



Remittances

When faced with a negative shock, non-users of mobile money in Kenya saw a 7 percent decline in consumption, while mobile money users were not affected due to their ability to easily receive remittances.



Savings

In the Philippines, households that used savings accounts experienced stronger recovery from Typhoon Yolanda than those who did not use savings accounts.



Remittances

In the aftermath of an earthquake in Rwanda, mobile transfers allowed people to receive remittances (in the form of airtime credit) from more people and from longer distances.

1. Jack, W. and Suri, T. (2012), "Risk sharing and transaction costs: Evidence from Kenya's mobile money revolution", Working Paper
2. Hudner, Dan, and Kurtz, Jon (2015). "Do Financial Services Build Disaster Resilience?" Santa Monica, Calif.: Mercy Corps.
3. Blumenstock, J.E., N. Eagle, M. Faichamps, "Risk Sharing and Mobile Phones: Evidence in the Aftermath of Natural Disasters," Working Paper, 2014.

⁵ For more evidence on how financial services supports recover after crises, refer to El-Zoghbi, M. et al. "The Role of Financial Services in Humanitarian Crisis." 2017. CGAP and World Bank Group.

Central Bank of Jordan as the ideal implementing partner and champion of MM4R

To assess the opportunity to improve the resilience of low-income Jordanians and refugees through financial inclusion, BMGF commissioned an assessment of the Jordanian cash assistance and DFS landscapes in late 2016. The assessment included stakeholder interviews and focus group discussions (FGDs) with refugees and Jordanians receiving aid.⁶ Findings confirmed the strong potential to promote digital financial inclusion through cash assistance programs. Specifically:



*Focus group discussion in Mafraq, Jordan
(Photo credit: Paysys Global)*

- The volume and value of cash transfers in Jordan is immense. In 2016, the amounts spent by UN agencies alone in cash and voucher assistance totaled USD 252.5 million, reaching over 723,000 individuals. Jordan's National Aid Fund (NAF), which provides vulnerable Jordanian households with financial assistance, spent an additional USD 170 million in cash assistance to over 92,000 households.
- At the time of the assessment, none of the cash assistance programs in Jordan disbursed funds into an account in the recipient's own name. Payments were disbursed through cash, checks, or pre-paid cards. This presented a large opportunity to promote the use of accounts for government and humanitarian payments, providing recipients with the opportunity to establish a direct relationship with FSPs and gain access to a wider range of financial services.
- The Jordanian mobile money industry was also still in its early stages of development but had the necessary ingredients to scale. In 2014, the CBJ established Jordan Mobile Payments (JoMoPay), an interoperable mobile payment system, which provided critical infrastructure for efficient mobile payments in Jordan. The CBJ also created an enabling environment for inclusive DFS, including regulations that allow refugees to open mobile wallets with their ID cards from the United Nations High Commissioner for Refugees (UNHCR). Mobile money providers were launching their services, but partnerships with government and humanitarian agencies were small-scale and siloed. An initiative such as MM4R to encourage a more cohesive approach to partnerships between government and humanitarian agencies and DFS providers would allow the market to deploy inclusive digital solutions at much larger scale.
- Most importantly, focus group discussions revealed that refugees and Jordanians have several pain points when accessing aid funds. These include security risks of carrying physical cash, as well as long lines and distances to ATMs. Recipients also feel the stigma of receiving aid through donor-branded cards or when standing in long lines on disbursement day. DFS enables recipients to access aid funds through their own account, providing a more discreet and dignified payment method.

The assessment also highlighted several reasons why the CBJ is the ideal implementing partner and champion of MM4R – beyond its role as just a promotor of the initiative. First, the CBJ's commitment to financial inclusion exists both on paper and in practice. This is demonstrated by the CBJ's proactive measures, including the development of a National Financial Inclusion Strategy, establishment of inclusive payment

⁶ The assessment was conducted by Paysys Global, with support from Ipsos for the conducting of FGDs.

infrastructure, and the creation of a dedicated Financial Inclusion Division. Moreover, the CBJ is a highly trusted and respected institution in Jordan. As a result, its ability to influence collaboration between market actors to digitize cash assistance programs is particularly powerful.

Faced with the opportunity, the CBJ was willing to take up the MM4R torch, seeing it as a natural complement to its financial inclusion efforts. The CBJ's mission and influence, coupled with BMGF's expertise and sponsorship, provided a solid foundation for MM4R.

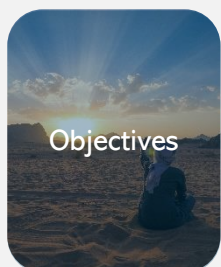
MM4R mission, objectives, and activities

With the CBJ at the helm, MM4R hosted an official launch event in early 2018. The MM4R team operates as an independent committee within the CBJ and consists entirely of CBJ staff. By design, MM4R functions are permanently embedded in the Bank's structure, reflecting its long-term commitment to MM4R's mission and objectives. Textbox 2 presents MM4R's mission, objectives, and tools for implementation.

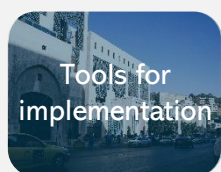
Textbox 2: MM4R mission, objectives, and tools for implementation



Improve the quality of life of refugees and host communities in Jordan and provide the tools for them to become more financially independent and resilient



1. Improve the efficiency and effectiveness of government and humanitarian cash assistance programs
2. Strengthen the Jordanian digital financial services ecosystem for greater inclusion and broad-based economic growth
3. Promote digital financial inclusion of refugees and low-income populations, providing them with the tools and resources to recover and rebuild from emergencies



1. Regulations and policy
2. Convening power and moral suasion
3. Domain (DFS) expertise and technical guidance
4. Grants

While MM4R is a natural extension of the CBJ's financial inclusion mandate, the CBJ's tools for implementation are unique given the partnership between a central bank and a funder such as BMGF.

- As a central bank, the CBJ can leverage its traditional tools to effect change, specifically regulations, policies, and moral suasion among DFS actors and government and humanitarian agencies.
- As the owner and operator of JoMoPay before spinning off the payment system to the Jordan Payments and Clearing Company (JoPACC), the CBJ also has in-depth market and technical knowledge of DFS. This has proved critical to facilitating partnerships between government / humanitarian agencies and payment system actors.

- Finally, as a partner of BMGF, the CBJ has grant funding to support pilots that expand digital financial inclusion of refugees and Jordanians. The CBJ is already actively engaged in moving the market to be more inclusive and innovative through its Fintech Regulatory Sandbox and role in financing and loan guarantee funds for start-ups and small businesses. Grants under MM4R add another tool to the CBJ's toolbox to catalyze the development of an inclusive DFS ecosystem.

“We see [MM4R] as a great enabler for us to achieve our objectives of financial inclusion and encouraging refugees and poor people to be part of the digital economy.”

Dr. Maher "Sheikh Hasan", Deputy Governor, CBJ

With these tools in hand, MM4R has worked with stakeholders across Jordan over the past three years to promote financial inclusion for low-income Jordanians, refugees, and host communities. Textbox 3 provides a snapshot of MM4R initiatives to date.

Textbox 3: Snapshot of MM4R initiatives

Driving large scale adoption of digital accounts through government payments



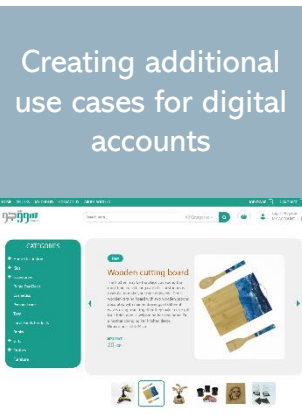
National Aid Fund: Using DFS for social protection payments

The National Aid Fund (NAF) is the Jordanian government agency that provides social payments to protect vulnerable Jordanians. With support from MM4R, NAF is gradually shifting its payments from physical cash, checks, and pre-paid cards to e-wallets and basic bank accounts. MM4R has helped NAF to successfully pilot e-wallets and bank accounts in two locations (Azraq and Jerash), train NAF staff to administer digital payments, and conduct digital financial awareness campaigns for NAF recipients. Digitization of NAF payments is central to financial inclusion in Jordan since NAF serves over 100,000 households with regular cash assistance; 85,000 households with supplementary assistance; 250,000 daily laborers with Covid-19 relief; and over one million beneficiaries with bread subsidies. As described further below, the successful pilots have demonstrated the viability of digital government payments, resulting in the scale-up of digitization efforts across other NAF programs. For example, for all new NAF programs, digital payments are the sole means by which beneficiaries can access their aid payments.

Military Consumer Establishments and Middle East Payment Services (MEPS): Using DFS for military payments

Military Consumer Establishments (MCE) is a Jordanian government agency that manages a network of shops catering to the Jordanian Armed Forces (JAF), including current personnel, their families, and retirees. In partnership with Middle East Payment Services (MEPS), MM4R is helping MCE to provide e-wallets and companion cards to JAF personnel and enable MCE shops to accept digital payments. The e-wallets can be used to access discounts at MCE locations and receive pensions, salaries, and allowances, in addition to all other e-wallet use cases (e.g., person to person transfers, bill payments, merchant payments). Between July and October 2020, MEPS and MCE have activated over 110,000 e-wallets, with a target of reaching 1 million JAF personnel. Since many army personnel come from lower-income households and do not have access to formal financial services, this initiative is providing a critical boost to digital financial inclusion.





Souq-Jo: Launching an e-commerce platform for small home producers

MM4R is funding and supporting Souq JO (<https://web.souqjo.net/>), an online marketplace for handicrafts, home goods, other products produced by home-based businesses. There is a large home-based manufacturing industry in Jordan, run primarily by women and low-income households – both Jordanians and refugees. Souq JO provides training to business owners on how to market their products online, a platform to sell their products, and access to e-wallets to receive payments for e-commerce sales. Since February 2020, Souq JO has onboarded 3,000 businesses. The initiative is important for promoting e-commerce, encouraging innovative fintech start-ups, and strengthening livelihood opportunities for home-based businesses.

Mercy Corps and Dinarak: Digitizing loans for water innovations technology

Mercy Corps is implementing a USAID-funded Water Innovations Technology (WIT) project, which provides loans to households to purchase water-saving technologies. Loans flow through community-based organizations (CBOs), which manage loan approvals, disbursements, and repayments. The original process involved payments through physical cash, but MM4R helped to digitize loan payments through e-wallets in partnership with Dinarak, a payment services provider (PSP). MM4R also supported the on-boarding of CBOs as mobile money agents. The initiative has been important for demonstrating how DFS can increase transparency and efficiency of the payment process, as well as support livelihoods development by providing small businesses such as the CBOs with an additional income stream.

Tanda: Digitizing rotating savings and credit associations

Rotating savings and credit associations (ROSCAs), or informal groups for saving and borrowing, are common across socioeconomic segments in Jordan. MM4R is funding the development of Tanda, an innovative mobile application that facilitates the formation of digital ROSCAs (<https://www.tandasmart.com/>). Tanda uses e-wallets for payments between ROSCA members. With an estimated 1.1 million adults that participate in ROSCAs in Jordan, the opportunity to promote digital payments through this initiative is vast.

Digitization of large payment streams is necessary to increase account adoption, but people must also have a place to access and spend their funds. To this end, MM4R is supporting the expansion of agent and merchant networks across Jordan. Examples of implementation partners and initiatives are described below.

Consortium of payment service providers (PSPs): Expanding merchant acceptance of e-wallets

In the wake of the Covid-19 pandemic, the CBJ launched a Challenge Fund to accelerate merchant acceptance of digital payments. A consortium of seven mobile PSPs (Zain Cash, Orange Money, Al Hulool, Dinarak, Aya, MEPS, and Gadha) submitted a joint application

Expanding DFS access points (continued)



to the Fund. Key activities have included harmonizing processes for dispute resolution, conducting joint marketing campaigns, and providing incentives to merchants to accept digital wallets using QR codes. In strengthening DFS acceptance infrastructure, the Challenge Fund initiative has also been important to minimize disruptions to payment flows in the event of another Covid-19 lockdown.

JoPACC and Jordan Post: Building the capacity of Jordan Post as a PSP agent

With JoPACC, MM4R is helping the Jordan Post Company upgrade its systems and capacity to serve as an agent for PSPs. Since Jordan Post has historically served as the main distribution point for NAF payments, enabling Jordan Post as an agent accelerates the shift from cash to digital. The pilot under MM4R involves 10 post office locations in Mafraq and paves the road for 171 of Jordan Post locations across the Kingdom to facilitate digital financial transactions.

Dinarak and International Rescue Committee (IRC): Building an agent network in refugee camps

In partnership with Dinarak and the IRC, MM4R is supporting the development of an agent network in refugee camps. Currently, all payments in camp settings are cash-based, which poses security risks to both payers and recipients, and results in high transaction costs associated with cash handling. With established agent networks inside refugee camps, humanitarian organizations can make payments via mobile money, thereby minimizing the risks associated with physical cash payments.

World Food Programme (WFP) and MEPS: Expanding merchant acceptance of e-wallets

MM4R is also working with the World Food Programme (WFP) and MEPS to expand merchant acceptance of mobile money across WFP's network of 200 retailers. This initiative will help to significantly expand access points for e-wallets, which allow people to spend their funds digitally rather than withdrawing and transacting in physical cash.

Results

The financial inclusion and DFS landscapes in Jordan have evolved substantially over the past three years, in large part due to the efforts of MM4R and its partners. As of October 2020, there were over 1.2 million registered mobile wallets in Jordan, 42 percent of which are active.⁷ This active rate is high considering the global average of 36 percent, which reveals not only considerable account uptake but also high usage. The number of active mobile wallets has also increased



Between 2017 and 2020, the number of active mobile wallets in Jordan has increased by 10X

⁷ An active account is an account used for at least one transaction within a 90-day period.

over 10 times since 2017, reflecting sizable market growth since MM4R was launched.

The impact on financial inclusion of refugees has also been considerable. Of the registered wallets, nearly 46,000 or 4 percent are owned by Syrian refugees. Considering that refugees represent 15 percent of Jordan's total population, there is still a large refugee population without access to formal financial services, but notable progress has been made in three years.

These developments stem from the achievements of MM4R in facilitating partnerships and promoting digital financial inclusion for Jordanians and refugees across the country. Key accomplishments of MM4R to date are further detailed below.

1. Proving the viability of digital government payments

At the outset of MM4R, the case for disbursing payments through e-wallets was not clear to NAF. Since many NAF recipients are elderly or in remote regions of the country, NAF had justified concerns that digital payments may not be a viable payment method. To evaluate the feasibility of shifting from cash to e-wallets and basic bank accounts, NAF agreed to two pilots in Azraq and Jerash – both challenging locations compared to the greater Amman area.

The pilots, started in September 2018, were successful and demonstrated that DFS benefits both recipients and NAF. By mid-2019, NAF decided to digitize most of its cash assistance programs, recognizing these important benefits of DFS.



*Recipients waiting to access NAF assistance funds outside of a post office under the former payment system (cash, checks)
(Photo credit: NAF)*

“Feedback was very positive. Now there is pressure from beneficiaries who receive payments [in cash] from the Jordan Post asking us to quickly shift to digital means to make their lives easier.”

Mr. Omar Almashaqbeh, Director General of NAF

- a. **Benefits to recipients:** Pilot evaluation reports found that mobile money significantly reduces the time and transport costs spent by recipients to access aid funds. In Azraq, beneficiaries spent an average of 26 minutes at mobile money agents compared to 53 minutes at the post office. The number of recipients who did not have to pay transport costs also increased by 9 percentage points.⁸

Recipients were also receptive to the change in payment method. After the third payment cycle, eight out of ten recipients said that they are 'Satisfied' or 'Very satisfied' with the use of e-wallets.⁹ Many recipients are also recommending mobile wallets to their friends and family, resulting in a ripple effect on financial inclusion.

- b. **Benefits to NAF:** NAF transfers large sums to recipients every month – approximately JOD 10 million (USD 14 million). The use of physical cash therefore presents significant risks of fraud, corruption, and security. DFS has helped to reduce these risks by increasing transparency and traceability of funds in the disbursement process. Additionally, NAF is now better able to monitor and reclaim uncollected funds, as well as reduce the amount of human error in its payment processes.

The successful pilots have proved the feasibility of inclusive, digital government payments in Jordan and have directly resulted in the scale-up of the digitization efforts to other NAF programs. Mr. Omar Almashaqbeh, Director General of NAF, noted that NAF is now facing pressure from recipients who are still receiving payments in cash to shift all payments through digital means. Additionally, elderly recipients of NAF payments – the segment which NAF was initially concerned would face challenges with digital payments – have noted that mobile wallets have made it much easier for them to access their funds since they do not have to stand in crowded lines outside of the post office.

Other government agencies, such as the MCE, have also recognized the value of DFS and are also making the shift. Col. Ahmed Bani Hamad, IT Chief Manager of MCE, indicated that “the sky is the limit” when it comes to digitization of military payments, citing a push to add military use cases for the e-wallets, such as accessing military discounts at various vendors and salary payments to factory workers that supply the MCE.

“It is an amazing experience...it is much more comfortable receiving the money from NAF through the wallet. At any time, I can go to a Dinarak agent in our area and withdraw my money. Because I am an old woman, it is hard to go to crowded places, so this wallet makes my life easier.”

Ms. Bandar Kahlaf Al-Hmood, recipient of NAF payments

“Digitization makes life better. It’s better to have all my money on my card and e-wallet than to have cash. You don’t have to have a bank account for financial transactions as it is connected to a wallet. You don’t have visit any bank.”

Col. Ahmed Bani Hamad, IT Chief Manager, MCE

⁸ “End-line Beneficiary Survey Report: The National Aid Fund’s Mobile Money Pilot in Al-Azraq District,” May 2019, conducted by WFP in coordination with the World Bank and NAF

⁹ Ibid

2. Building the foundation for government and humanitarian actors to respond quickly and effectively to crises with digital payments

Another important outcome of MM4R is the establishment of systems and partnerships that have strengthened the government's readiness to quickly disburse cash assistance as crises arise. When the Covid-19 pandemic hit, NAF already had partnerships with PSPs and staff were already trained in the use of e-wallets. MM4R also advised the government on the effective use of e-wallets for crisis payments and salaries during the social and economic lockdown imposed due to Covid-19. As a result, NAF used e-wallets for the disbursement of Covid-19 cash assistance, totaling JOD 83 million (USD 117 million) to 250,000 daily laborers. DFS enabled NAF to provide aid funds quickly, effectively, and without the need to physically line up at a post office to withdraw cash – which is particularly important in the time of Covid-19.

During the pandemic, registration of new e-wallets and basic bank accounts has surged because of the use of DFS for Covid-19 assistance and the desire of consumers to reduce cash handling. The CBJ also facilitated account opening by allowing digital onboarding and remote wallet opening. Because the foundation for DFS was already in place, accounts could be quickly opened and used for government payments at a massive scale once the CBJ relaxed in-person KYC requirements.

“Community-based organizations were hired as agents [for loan repayments]. During Covid-19, the government was using e-wallets to transfer aid to daily workers. CBOs had an advantage because they were already agents and could transfer money.”

Ms. Lamia Dabbas, Access to Finance and Partnerships Team Leader, Mercy Corps

3. Demonstrating the value of DFS across various use cases and contexts

With the objective of building a more robust DFS ecosystem, MM4R has proven the relevance of mobile money and bank accounts not only for government and humanitarian payments, but also a diverse set of other use cases. For instance, the partnership with Dinarak and Mercy Corps has demonstrated that mobile money has a large impact on transparency and fraud reduction in the loan payment process. Since digitization enabled Mercy Corps to monitor all payment transactions of the CBOs, loan repayment rates were nearly perfect – 98 percent compared to 40 percent in other experiences.¹⁰ Additionally, 81 percent of households used e-wallets for the first time because of WIT loans, highlighting an impact on digital financial inclusion.¹¹ Mercy Corps is now seeking to replicate the successes of this initiative in other contexts, such as agriculture payments.



A female head of household uses the Dinarak e-wallet to make her monthly loan repayment (Photo credit: Mercy Corps)

In partnership with Dinarak and IRC, MM4R is also helping to address the challenge of making payments in a camp setting. To help implement their humanitarian programs in Zaatari and Al Azraq camps, IRC engages volunteers from the refugee community inside the camps in exchange for an incentive stipend. The current

¹⁰ “Assessment of the effectiveness, learning, and impact of WIT’s revolving loans,” developed under the USAID-funded Water Innovation Technologies Project implemented by Mercy Corps, April 2020.

¹¹ Ibid.



Entrance to Zaatari refugee camp
(Photo credit: Paysys Global)

payment method for the stipend is high risk since volunteers are paid in physical cash, which can be easily lost or stolen. MM4R is funding the development of an agent network in the camps to help shift the incentive payments to mobile money. The program is challenging given the onerous security clearances that Dinarak must obtain to operate within the camps, as well as the need for agents to be registered Jordanian entities. However, in October 2020, the initiative achieved the milestone of activating agents in Al Azraq. Although the activity is still early in implementation, it is playing a central role in testing how to roll-out mobile money in camps, with implications for other humanitarian agencies' camp-based operations.

4. Strengthening the dialogue around the importance of financial inclusion objectives in humanitarian assistance programs

Findings from the 2016 assessment highlighted a clear divide between humanitarian programs with short-term objectives and development programs with longer-term objectives. Traditionally, humanitarian response is shaped by the urgency of responding to the crisis. Meeting immediate needs for food and shelter typically trumps other objectives such as financial inclusion. MM4R has helped to challenge this perspective by advocating for the embedding of financial inclusion goals in humanitarian programs from the outset.

Although the humanitarian-development divide still exists, there has been a noticeable shift in the way that governments and humanitarian agencies in Jordan approach their cash assistance programs.¹² Particularly given the protracted nature of the refugee crisis and the sudden onset of the global health pandemic, there is now a more intentional focus on financial inclusion as a means to enhance readiness and resilience against further shocks.

5. Accelerating innovation by supporting fintech start-ups with inclusive, new ideas to pilot their solutions

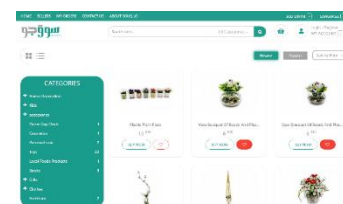
The CBJ is actively promoting the development of a more robust digital economy by supporting innovating start-ups through its regulatory sandbox and Innovative Startups and SMEs Fund (ISSF). Through MM4R, the CBJ is further supporting fintech start-ups that have a concerted focus on refugees and low-income Jordanians. Two key examples are its support of Souq JO (e-commerce platform for home-based businesses) and Tanda (digital ROSCA platform).



Advertisements for Tanda's digital ROSCA platform

¹² Both WFP and UNCHR, two of the largest providers of humanitarian aid, cite digital financial inclusion and resilience as a priority in Jordan and are involved in initiatives to test the e-wallet modality.

CBI's support of these initiatives sends a message to market actors on the importance of inclusive and innovative business models. As new players enter the digital space, MM4R has created significant awareness in the market not only of the social benefits of financial inclusion, but also of the business case that exists if providers are able to serve this large, untapped segment. While a mass market approach is needed for sustainability of business operations, an inclusive approach will contribute to the development of a deep and robust digital economy that benefits all.



Snapshot of the Souq JO e-commerce site

6. Raising digital financial capability and alleviating pain points of Jordanians and refugees

Finally, and most importantly, MM4R has accomplished significant results in improving convenience and lowering transaction costs for recipients of cash assistance, as well as building digital financial capability in the market. As highlighted by the NAF pilot evaluations, recipients spent on average 30 minutes less by accessing funds at mobile money agents versus post office branches. In FGDs conducted for the pilot evaluation in Azraq, the majority of respondents also reported that agent locations were less crowded and the process of accessing funds was faster than the process at post offices.

Although recipients face a learning curve in using e-wallets, pilots across various initiatives have showed greater ease of use after a few payment cycles. Dinarak noted that in the first month of disbursing payments for daily workers impacted by Covid-19, its call center received 1.4 million minutes' worth of phone calls in one month with questions on how to use the wallets. Over time, the volume of calls has reduced dramatically to 100,000 minutes a month. NAF also indicated that at the outset of its pilots, up to 10 percent of recipients had problems using their e-wallets to access funds, but the percentage is now less than 2 percent. These data suggest significant improvements in digital financial capability in Jordan, which serve not only to facilitate social protection payments, but also to expand usage of a broader range of financial services.

“Before NAF [shifted to e-wallets], not everyone knew what a wallet was. Today there is no one in Jordan who doesn't know what a wallet is.”

Mr. Imad Aloyoun, CEO of Dinarak

“I didn't have a mobile wallet before [joining SouqJo]. I learned to use the digital payment method with little challenges. There are many benefits because it facilitates the sales process and collecting money. I advise everyone to use one because it saves me time and effort in payment bills and receiving payments.”

Ms. Amani Al-Kelani, seller of crocheted toys on SouqJo

“[Before mobile wallets], it was a very difficult and very tiring procedure. I used to go to the post office to receive my money and sometimes we go and we find that the money didn't arrive yet, so we had to come back again, which was a waste of time and money.”

Kefah Mahmod Herz-Allah, recipient of NAF payments

“I use [the mobile wallet] to transfer to other wallets, pay my bills, and make purchases at MCE shops to get discounts. Paying bills...is easy, fast, and saves me time and cost. I encouraged my two sisters and brother to use the wallet and they all opened wallets.”

Mr. Ammar Ahmad, member of the Jordanian Armed Forces

Learnings

In addition to these results, several insights have emerged from implementation of MM4R over the past three years.

1. MM4R's unique and unconventional approach has helped the CBJ to understand the constraints to financial inclusion more clearly and better implement its traditional central bank mandate

It is not typical for a central bank to issue grants to achieve a policy objective. Nonetheless, implementation of MM4R has helped the CBJ to better execute on its core mandates of promoting a safe and sound payment system and financial inclusion. Specifically, by bringing the CBJ closer to the market, MM4R has enabled the central bank to understand ground-level constraints to development of DFS and financial inclusion. As a result, the CBJ has been able to modify and enhance regulations, advocate for policy changes within the government, and refine its risk-based approach to directly address these constraints.

For example, through MM4R's work with the consortium of PSPs and Souq JO, the CBJ experienced firsthand the challenges that regulations pose to merchant acquisition. In the case of Souq JO, the e-commerce platform faced hurdles in on-boarding home-based businesses because most home producers are not registered entities. However, the regulations only allow licensed businesses to open merchant e-wallets. Seeing this challenge up close, the CBJ advocated for relaxed requirements with other departments in the CBJ given the low-level of money laundering and terrorist financing risks posed by these small producers. In December 2020, an announcement was published giving small merchants and home-based businesses a grace period of three months to become licensed, while also requiring companies acquiring the merchants to continually assess and monitor the risks posed by their clients. This is a key example of how the CBJ has been able to strike a better balance between inclusion and integrity of the financial system because of its close engagement with the market.



2. Market influence, authority, and credibility are critical characteristics of an implementing partner

Key to MM4R's success has been the CBJ's authority, credibility, and influence among market actors. CBJ is a trusted institution in Jordan with a true commitment to financial inclusion and deep technical knowledge of DFS. This commitment extends not only to financial inclusion of Jordanians, but also to refugees. The GoJ and the CBJ understand that the refugee crisis will have lasting impacts on the country and the best way to address the challenges is to promote the productivity and financial independence of all



people living in Jordan. This perspective at the highest levels of government is the foundation for an enabling environment for digital inclusion throughout the Kingdom.

Additionally, the CBJ's expertise has enabled it to facilitate partnerships between FSPs and government / humanitarian agencies. Through its own example, the CBJ is able to influence the market's thinking around the importance of financial inclusion goals.

3. Development of an inclusive, digital ecosystem requires time and patience

Over the past three years, MM4R and its partners have made significant progress in building an inclusive digital ecosystem in Jordan. The provider landscape has matured and new business models have emerged to provide targeted products and services to host Jordanian communities and refugees. The CBJ has helped to catalyze this development and proved that the MM4R model achieves results.

Nonetheless, more work needs to be done. While account adoption has increased dramatically since 2017, agent liquidity remains a challenge, limited coverage of agents still constrains reach in remote areas, and underdeveloped merchant networks limit use cases for e-wallets. Capacity building and adequate resources at the provider level also remain a challenge. Additionally, more incentives are needed to encourage use of e-wallets for more than just cashing-out.

Strengthening the digital economy in a way that is robust and broad-based will take additional time and resources. However, the CBJ and market actors demonstrate genuine commitment to taking on the challenge. For example, the industry is currently working together to develop merchant payments using interoperable QR codes, which will make it easier for customers to pay for goods and services and increase usage of e-wallets. Building on the strong foundation laid to date, the CBJ and the Jordanian market are poised to scale-up the accomplishments of MM4R and continue making strides towards greater financial inclusion and resilience in Jordan.