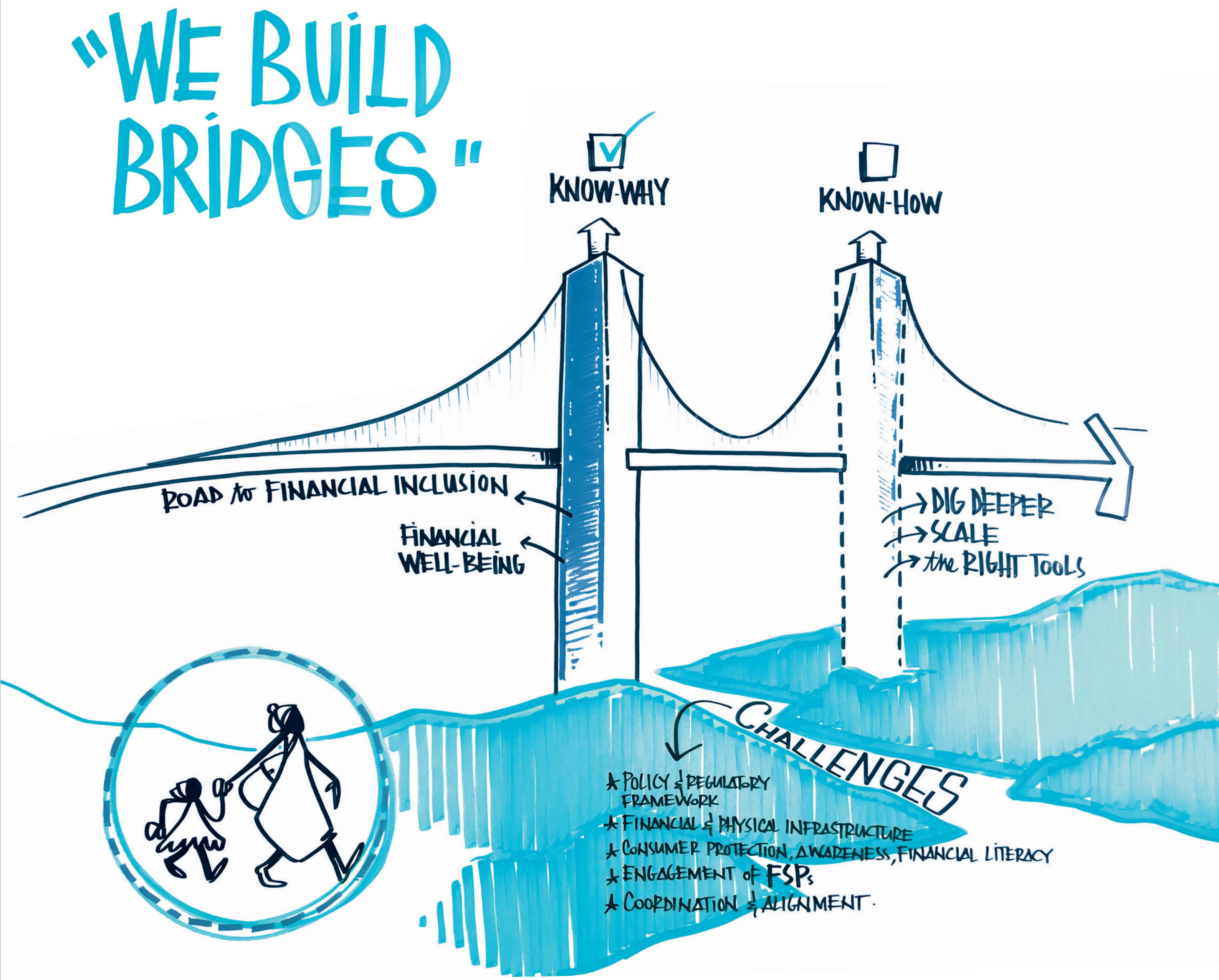

Roadmap to the Sustainable and Responsible Financial Inclusion of Forcibly Displaced Persons

BMZ Federal Ministry for Economic Cooperation and Development

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BETTER THAN CASH ALLIANCE

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Ministry of Foreign Affairs of the Netherlands

INTERNATIONAL RESCUE COMMITTEE

UNHCR The UN Refugee Agency

UKaid from the British people

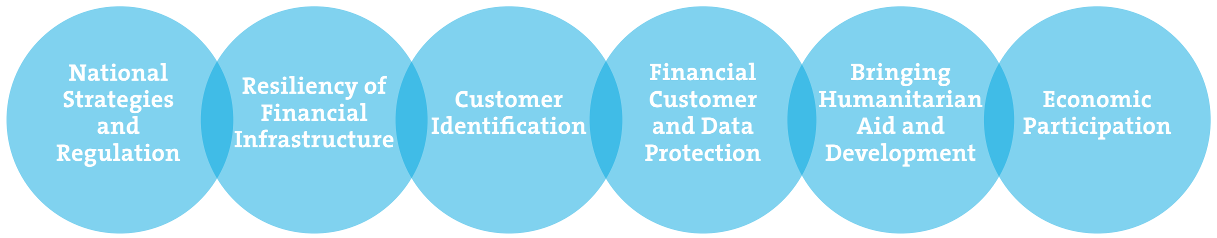
Content

I. Executive Summary

Financial services offer vital tools to forcibly displaced persons (FDPs) who are forced to leave their homes due to conflict, persecution, violence, or human rights violations. These tools, when designed appropriately and backed by robust national policies and regulation, help FDPs to safely store money, send or receive money transfers, and build up a transaction history that helps them to access services such as credit and insurance when needed. They are more necessary now than ever for helping FDPs to rebuild their livelihoods and contribute to their host communities. Why? The scope of global displacement today is unprecedented: as of 2018, the United Nations High Commissioner for Refugees (UNHCR) estimates that there are 70.8 million forcibly displaced persons (FDPs) worldwide with 13.6 million newly displaced in 2018, equivalent to an average of 37,000 people being forced to flee their homes every day in 2018.[1] The vast majority of forced displacement situations last longer than five years, and more than half of those displaced live in urban areas. Furthermore, 84% of refugees worldwide live in developing countries, where large parts of the host population face significant development challenges. Yet, large gaps in access to appropriate financial services remain for FDPs, both inside and outside of camps. Through the promotion of jobs and livelihoods for refugees, the UN Global Compact on Refugees – which was adopted by the UN General Assembly in December 2018 – calls for support to facilitate access to affordable financial products and services for host and refugee communities (Paragraph 71)[2].

This Roadmap contributes to efforts to tackle this problem by building on the 2017 ***GPFI Policy Paper*** *on Financial Inclusion of Forcibly Displaced Persons – Priorities for G20 Action* (short: *the GPFI Policy Paper*). It offers a set of key policy recommendations for each stakeholder group involved in the financial inclusion of FDPs: governments, the private sector, humanitarian and development agencies, research organisations, and the standard setting bodies (SSBs).

The Roadmap focuses on six interconnected clusters that have been identified based on an examination of the main barriers to the sustainable and responsible financial inclusion of FDPs:



[1] UNHCR (2019), *F igures at a Glance.*

[2] UNHCR (2018), *Global compact on refugees*

These interconnecting clusters highlight the importance of ***collaboration and cooperation*** between all stakeholders, while recognising that most effective policy and programmatic approaches will differ depending on the context. Each set of key policy recommendations carefully considers and takes into account the need for FDPs to be active economic actors who enable their own self-reliance, and contribute to the economic development of their ***host communities***. This can be supported by increasing access to financial services as well as opportunities for legal economic participation. Finally, the recommendations stress the importance of ***research, evidence and testing*** to encourage innovation, highlight the viewpoints of FDPs themselves, and identify those solutions that are most scaleable.

II. Why Financial Inclusion of Forcibly Displaced Persons Matters

The scope of global displacement today is unprecedented: as of 2018, UNHCR estimates that there are 70.8 million forcibly displaced persons (FDPs) worldwide with 13.6 million newly displaced in 2018, equivalent to an average of 37,000 people being forced to flee their homes every day in 2018.[3] The vast majority of forced displacement situations last longer than five years, and more than half of those displaced live in urban areas. Where camps are established for refugees and internally displaced persons – for example, Za'atri camp in Jordan, Dadaab camp in Kenya, and Kutupalong camp in Cox's Bazar, Bangladesh, the concentration of people, economic activity and demand for infrastructure and services often requires these camps to function as cities in their host countries. Among the many needs of those displaced are the tools to rebuild their economic livelihoods, including affordable access and use of quality, responsible formal financial services that can help them to safely store money, build up savings, send or receive money transfers, and carry out day-to-day financial transactions. If necessary and appropriate, more complex financial services can provide additional support, including credit and insurance.

In line with the UNHCR definition and the 2017 GPFI Policy Paper on FDPs, forced displacement is defined as the forced movement of people from their locality or environment due to conflict, persecution, violence, or human rights violations. FDPs include refugees, asylum seekers, and internally displaced persons (IDPs).

By offering access to such tools, financial inclusion can empower FDPs to build assets, mitigate shocks related to emergencies, illness, or injury, and make productive investments that contribute to the local economy. [4]

However, out of 45 % of adults in countries with humanitarian crises who saved money in 2013, only 7.6 % report having saved at a formal financial institution[5]. Addressing this gap to provide access to adequate formal financial services for FDPs is a policy challenge acknowledged by governments, academia and international organisations alike.[6] It may also present an opportunity for financial sector providers to tap into a new prospective customer base.

[3] UNHCR (2018), *F igures at a Glance.*

[4] El-Zoghbi, Chehade, McConaghy, and Soursoursian (2017), *The Role of F inancial Services in Humanitarian Crises.*

[5] El-Zoghbi, Chehade, McConaghy, and Soursoursian (2017), *The Role of F inancial Services in Humanitarian Crises.*

[6] These data clearly highlight the general financial inclusion gap prevalent in many Least Developed Countries and Fragile and Conflict Affected States. Enabling financial inclusion of FDPs therefore has to be part of wider plans that enable improved financial inclusion at large.

III. The Process Leading to the Roadmap

In 2017, the Global Partnership for Financial Inclusion (GPFI) under the German G20 Presidency adopted financial inclusion of FDPs as a priority and released the 2017 *GPFI Policy Paper on Financial Inclusion of Forcibly Displaced Persons – Priorities for G20 Action* (short: *the GPFI Policy Paper*).[7] The *GPFI Policy Paper* describes the potential of financial inclusion to empower FDPs to live up to their economic potential, and the common challenges of providing financial services to such a vulnerable and heterogeneous group. It identifies three key action areas:

1. Dialogue and Cooperation
2. Data and Evidence
3. Inclusive Policy Frameworks

The G20 expressed their appreciation of GPFI's work on this topic and requested the GPFI to lead the development of a Roadmap for the 'sustainable and responsible financial inclusion of FDPs'.

Building on the *GPFI Policy Paper*, this roadmap aims to contribute a set of voluntary policy recommendations and to define roles and responsibilities for implementing this action agenda to expand access to and usage of appropriate financial services for FDPs. This shall contribute to the ongoing dialogue involving governments, humanitarian and development organisations, private and financial sector actors, as well as non-governmental organisations (NGOs) and academia. Moreover, the roadmap helps to advance operationalisation of the UN Global Compact on Refugees (GCR), which was adopted in 2018. The GCR recognises the relevance of facilitating access to financial services and products for FDPs and host communities. It is essential for achieving inclusive growth for both[8].

The Roadmap brings together and advances a comprehensive set of key actions for relevant stakeholders to consider, while respecting national regulatory frameworks and the sovereign domain of national governments. It recognises that these actions are illustrative, and will need to be adapted and prioritised to suit the respective country context. The purpose is to map a vision for a way forward, and to encourage stakeholders to think about what actions they might take both in the short and long term to progress the issue of financial inclusion of FDPs.

7 GPFI (2017), GPFI Policy Paper on Financial Inclusion of Forcibly Displaced Persons – Priorities for G20 Action.
8 Global compact on refugees 2018, p. 13 f.

IV. Structure of the Roadmap Document

The Roadmap is divided into six thematic clusters:

- National Strategies and Regulation;
- Resiliency of Financial Infrastructure;
- Identification and Related International Standards on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT);
- Bridging Humanitarian Response and Development Approaches with Digitised Payments;
- Financial Consumer and Data Protection; and Economic Participation.[9]

Each thematic cluster identifies voluntary policy recommendations for each group of stakeholders, which could lead to appropriate access and usage of financial services by FDPs:

- ***Governments,*** especially financial regulators and supervisors;
- The ***private sector,*** including but not limited to, banks, non-bank financial institutions, mobile network operators, remittances providers, insurance companies, and FinTech startups;
- ***Humanitarian and development agencies***, including UN organisations, international NGOs (iNGOs), local NGOs, and donors;
- ***Research organisations***, including academic institutions and think tanks;
- And, where directly relevant, international ***standard setting bodies*** (SSBs).

The Roadmap and its recommendations are based on five cross-cutting considerations:

- **Coordination and collaboration:** While each stakeholder is listed separately, this does not mean that these actions can or should be taken alone. Financial inclusion of FDPs is a uniquely challenging issue that is inherently complex due to overlaps with politics, conflict, and livelihoods. To navigate such complexity and ensure positive outcomes, coordination and collaboration must happen at all levels.[10]

- **Research, evidence and testing:** Despite the concentration of FDPs in selected countries, the international community has not focused enough on embedding rigorous evaluation or research of the impacts of various financial services provisions into programme design.[11] Some geographic areas and groups of FDPs are overstudied, while others are practically ignored in research. Therefore, research and data collection are critical, but it is important to pay careful

9 Many actions overlap between thematic clusters and stakeholders. In such cases, the action is either not listed twice, or the reason why it is important to mention it again in a new section is states.
10 For instance, at a high level, consistent dialogue at the global and national level is vital for mobilising political leadership and engaging all relevant stakeholders. Another example: Creating policy frameworks that account for FDPs while safeguarding consumer and data protection and proper monitoring for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) will require input from SSBs and national regulators, the private sector, humanitarian agencies, and FDPs themselves.
11 El-Zoghbi, Chehade, McConaghy, and Soursoursian (2017), *The Role of F inancial Services in Humanitarian Crises.*

consideration to prioritising research areas and ensuring that research is designed and disseminated in ways that are accessible to the private sector and policy-makers.[12] Such research is often the only way that the preferences and insights of FDPs themselves can be identified and integrated into policy and products.[13] All stakeholders can play their own individual role in helping to actively conceptualise, fund, and participate in research that improves understanding of the demand for and usage of financial services among different segments of FDPs, develop the business case for different financial products, and improve evidence on the impact of financial services for the livelihoods of both FDPs and their host communities.

- **Appropriate contextualisation:** The most effective policy and programmatic approaches ***will differ depending on the context***, such as geographic location, political and regulatory framework conditions, an FDP's individual background and characteristics, and the duration of displacement. These differences are most stark between refugees who have crossed borders and enjoy international protection, versus those who are internally displaced (IDPs) within their own countries, and asylum seekers who moved across borders and have sought refugee status, but whose claims have not yet been determined. However, the differences within each group are nuanced, and this will impact their need for, understanding of, and use of financial services.

- **Disadvantaged groups:** The policy recommendations focus to a large degree on the financial needs of ***youth and women,*** as they tend to be more affected by situations of displacement and conflict and particularly underserved by existing products and services. The recommendations aim to also include men's needs.[14]

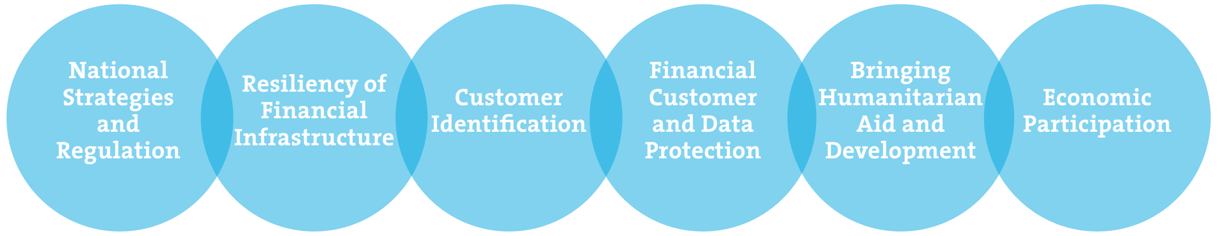
- **Easing pressures on host communities:** The actions outlined in this Roadmap carefully consider and take into account the needs of ***host communities***, and the importance of digital financial services. 80 % of FDPs are in developing countries with strong informal labour markets and non-formal financial structures. Building pathways to the formal sector will include offering access to formal financial services, providing pathways to legal rights to work, own and operate businesses, and/or move freely within the host country. Strengthening these pathways to formalisation will increase FDPs' ability to contribute to the economic development of their host communities.

[12] GPFI (2018), *Documentation – G20 GPFI High-Level Workshop on the F inancial Inclusion of Forcibly Displaced Persons.*

[13] For example, the qualitative insights provided by interviews with FDPs themselves, as documented in research at Tufts University, are invaluable and drawn upon extensively in this document: Wilson and Krystalli (2017), People on the Move, and Krystalli, Hawkins, and Wilson (2018), *'I followed the flood': A Gender Analysis of the Moral and F inancial Economies of Forced Migration.*

[14] Ibid.

V. Roadmap



National Strategies and Regulation

National strategies and regulation are key to enabling and sustaining the financial inclusion of FDPs, while safeguarding the principles of financial stability, integrity, and consumer protection. As such, they should ideally address all aspects set out in the other thematic clusters and provide an opportunity not only to reflect on the financial and economic needs of FDPs in a country, but also to take into account displacement risks and improve preparedness. National financial inclusion strategies (NFISs) are typically linked to a country's broader national development agenda and play an enabling role in achieving the Sustainable Development Goals (SDGs). NFISs are therefore vital for galvanising a whole-of-government and multi-stakeholder approach to advancing the financial inclusion of FDPs.[15] They can create and sustain momentum for financial inclusion and help enable accountability in implementation. NFISs are also an essential part of country ownership in development cooperation on financial inclusion.

Deliberate efforts to integrate FDPs into national financial inclusion diagnostics and National Risk Assessments (NRAs)[16], where appropriate, will make the economy of FDPs visible to regulators, supervisors, and policy-makers as well as to the private sector. Inclusion of FDPs in National Financial Inclusion Strategies can also help ensure that their profiles and specific needs are included in financial education initiatives, providing them with enhanced financial literacy and the confidence to use formal financial services, particularly now that Digital Financial Services are increasingly leveraged for financial inclusion. Equal acknowledgement of FDPs' languages and needs next to those of host communities helps to avoid discrimination. To support these improvements, the regulatory architecture needs to provide vision, leadership, and platforms for financial services and products to appropriately meet the special needs of FDPs and ensure that the supporting technology is robust in providing FDPs with privacy and security from the design stage.[17]

[15] These include: other relevant government agencies such as the national identification authority and national authority for refugee affairs; the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) community at national, regional, and international levels (e.g. financial intelligence units, FATF, and its regional bodies); the private sector such as financial services providers (FSPs), high-potential FinTech companies; humanitarian and development agencies such as UN agencies and iNGOs and frameworks (e.g. the Comprehensive Refugee Response Framework); local civil society organisations such as those working with FDPs that are implementing financial education programmes; among others.

[16] NRAs are able to provide a basis for the implementation of proportionate, risk-based CDD and other regulations to enhance FDPs' access to and usage of financial services and products.

[17] See also the chapter on 'Financial Consumer Protection, Financial Literacy, and Data Protection' of GPFI (2018), Digitisation and Informality: G20 Policy Guide to Harnessing Digital Financial Inclusion for Individuals and MSMEs in the Informal Economy.

Through their national strategies and regulation, financial regulators and policy-makers can promote flexible initiatives that are both in line with FDPs' needs and with international regulatory standards. Such inclusive regulatory frameworks can maximise FDPs' potential for social and economic contributions, for example in terms of self-reliance, urban settlement, and access to labour markets. Frameworks can also address the specific data and consumer protection needs of FDPs. This is increasingly vital as new technologies, such a biometrics, are increasingly being used to scale up access to financial services for FDPs. This presents new challenges that must be addressed by regulators to ensure that these technologies can play a transformative role while still ensuring the protection of FDPs and host communities.

In order to ensure that FDPs are productive members of their host communities, governments could review relevant policies, including allowing FDPs to work, allowing for free movement, allowing settlements and – where their establishment is necessary – camps to be located in proximity to economic and urban centres, ensuring that FDPs can access official identity documents if they do not have reliable identity documents from their host country, and allow for humanitarian aid agencies to send cash assistance to regulated financial accounts registered in the beneficiaries' own name. Each of these will be explored in more detail at a later stage.

To ensure that FDPs and their heterogeneity are taken into account by national strategies and regulation, all stakeholders need to work together to formulate coherent policy actions that economically empower FDPs and enable them to live in a dignified manner.

To move forward national strategies and regulation to advance the financial inclusion of FDPs, we suggest the following recommendations:

Proposed actions for governments:

- Inform national strategies and regulations for financial inclusion and integrity with comprehensive national financial inclusion diagnostics and national risk assessments whose data, where appropriate, carefully take into account FDPs and their particular risks and vulnerabilities.
- Understand the financial needs of FDPs within the context of a National Financial Inclusion Strategy, and all stakeholders to be engaged in national coordination mechanisms.
- Encourage the design of digital onboarding policies to improve the identification and verification of new customers and ensure that local supervisory authorities consider the flexibility provided under the Financial Action Task Force's Risk-Based Approach (RBA), allowing lower levels of due diligence for customers and/or activities deemed 'lower risk', i.e. considering relaxation/exceptions to federal know your customer obligations for FDPs and vulnerable host communities.
- Enable a risk-based approach to customer due diligence for FDPs by providing an appropriate regulatory framework, and use risk-related information to support risk assessments, while respecting international standards and decisions taken by consensus in the Financial Action Task Force.
- Provide clear, specific guidance to financial service providers on how related policies, regulations, and directives should be interpreted in line with the risk-based approach to avoid legal uncertainty in providing services and products to FDPs.
- Formulate appropriate policies for FDPs with regards to the use of alternative data in order to enhance credit reporting in this area.

- Consider FDPs as a target group in the development of a more open and inclusive payments ecosystem to increase their access to digital payment systems.
- Foster the identification of new core competencies in FDP-oriented digital financial education, identify FDPs as potential target groups within national strategies for financial education and strengthen the delivery of financial education strategies and programmes.
- Align the National Financial Inclusion Strategy with global agendas such as the Global Compact on Refugees (GCR) and the Comprehensive Refugee Response Framework (CRRF)[18].
- Establish sound cross-government coordination among national actors such as the national financial intelligence unit, the national identification authority, and other relevant agencies or ministries.

Proposed actions for the private sector:

- Engage consistently with national financial regulators and policy-makers to become properly accustomed to policies and regulations that are related to the financial inclusion of FDPs.
- Financial institutions to provide proper, convenient and non-discriminatory access to financial services, with the required availability and disclosure of information.
- Share lessons learned with relevant government ministries regarding products targeted towards FDPs.

Proposed actions for humanitarian and development agencies:

- Map, collaborate with, and enhance relevant government strategies, frameworks, and coordination mechanisms when advising financial service providers on solutions for the financial inclusion of FDPs.
- Ensure that programming is integrated into the local context and, where appropriate and to the extent possible, delivered through the local private sector and/or government ministries.
- Share information on the evolving FDP context with the government, including support for national integration, repatriation, and resettlement plans, as well as protection risks and strategies, to inform national strategies and regulation for the financial inclusion of FDPs.

Proposed actions for standard setting bodies:

- Recognise FDPs as a disproportionately disadvantaged group in several jurisdictions, and that they may be seriously financially excluded due to the application of global AML/CFT standards that are not commensurate to the level of risks they pose to the financial system.
- Facilitate the examination of money laundering and terrorist financing risks linked to the exclusion of FDPs from regulated and supervised financial channels including the context of mutual evaluations.
- Work together with stakeholders to advance a common understanding of and provide guidance on how to understand risks that FDPs may pose and how national AML/CFT and financial inclusion strategies can best integrate FDPs.
- Encourage jurisdictions to provide specific guidance to FSPs on how related policies, regulations, and directives should be interpreted in line with a risk-based approach to avoid legal uncertainty in providing services and products to FDPs.

[18] UNHCR (2016), Comprehensive Refugee Response Framework (CRRF): *From the New York Declaration to a Global Compact on Refugees.*

Resiliency of Financial Infrastructure

The ***resiliency of financial infrastructure*** is a key element of maintaining financial stability and promoting economic resilience of FDPs during times of displacement. As outlined in the GPFI Policy Paper, financial infrastructure includes physical infrastructure such as bank branches, ATMs, agent networks, and the physical aspect of mobile connectivity, as well as non physical financial infrastructure such as payment systems that support the interoperable and digital transfers that FDPs are likely to rely on during and after displacement.

Physical infrastructure is critical to ensuring that humanitarian assistance delivered through cash based interventions (CBIs) or Cash Transfer Programmes (CTPs) can be transferred into accounts, quickly and through traceable, digital transfers. In order for digital payments to be relevant and useful, agents must be available, trained, and enabled with appropriate point-of-sale (POS) devices in remote areas, refugee camps, or other difficult environments where FDPs may find themselves. Mobile and electronic connectivity needs to be in place and maintained to ensure that mobile phones and POS devices used to send and receive funds digitally remain available. Interoperable and secure payment infrastructure, ideally functioning across borders and regions, can support account portability (and portability of digital identities), which is so vital for all sections of the population and for many FDPs in particular.

All stakeholders have a role to play in ensuring that financial infrastructure is prepared to serve FDPs, whether in their country of origin (which may be suffering in crisis) or in their host country (where infrastructure will need to be prepared for an influx of people).

To move forward the resiliency of financial infrastructure to advance the financial inclusion of FDPs, we suggest the following recommendations:

Proposed actions for governments:

- Help to create, and participate in partnerships with private sector and humanitarian actors as soon as a crisis hits (e.g. leveraging the payment infrastructure for existing government safety nets to distribute cash-based humanitarian assistance).
- Take into account the good practices described in the *G20 Financial Inclusion Policy Guide´s* section on interoperable payment systems.
- Use a national payment system to provide a link to the national ID system where feasible and where payment service providers do not already utilise a national ID system.
- Ensure that robust digital payment and agent banking regulations are in place to support widespread digitally-enabled financial services provision, even in rural areas and displacement camps that may be far away from urban centres.
- Promote investment in physical infrastructure through increasing e.g. mobile accessibility in rural areas.

Proposed actions for the private sector:

Collect data on and clearly communicate to humanitarian agencies actual and projected agent network locations and liquidity, to the extent possible, to support digital cash payments to FDPs.

- Prepare in advance for the types of situations that create displacement, in order to ensure continuity of service.
- Follow global best practice principles in building and upgrading payments infrastructure.
- Cooperate within the private sector itself and with governments to encourage interoperable payments infrastructure.

Proposed actions for humanitarian and development agencies:

- Conduct baselines in areas where displacement is likely, or where FDPs are likely to arrive, including an analysis of key stakeholders, market conditions, and service providers' capacity including products and agent network availability and quality.[19]
- Use existing tools to help choose the most appropriate private sector partner for a context, given the coverage and operational capacity in target regions, and the ability to sustain operations.[20]
- Where possible, conduct simulations or tabletop exercises to test how digital cash transfer products will work in a specific context and check which FDPs will be targeted.
- Communicate with the private sector regarding the priority geographic areas. Advanced notice can help FSPs plan for sufficient agent liquidity to support the needs of cash assistance transfers.
- Integrate digital cash transfer programming (CTP) into standard operating procedures by updating staff training plans, conduct CTP assessments based on the best practices for the specific context.[21]
- Participate in conversations and efforts to promote interoperable payments infrastructure by communicating the needs, and potential profitability of FDPs as part of a wider group of vulnerable populations.

Proposed actions for research organisations:

- Develop case studies highlighting global best practices in distribution of services and the management of financial infrastructure.
- Understand the experience of FDPs and other vulnerable communities with existing infrastructure to highlight gaps and to help policy-makers and the private sector prioritise needs.
- Support the testing of innovative solutions to ongoing infrastructure challenges including agent liquidity.
- Support the private sector, government, and humanitarian organisations in mapping infrastructure capabilities before and after crisis situations.

Proposed actions for standard setting bodies:

- Advance a common understanding among governments and other stakeholders of how the risk assessment processes can best support risk mitigation and the resilience of financial infrastructure to shocks.

19 ICRC and Brussels Privacy Hub (2017), *Handbook on Data Protection in Humanitarian Action.*
20 For example, SEEP, IRC and Citi (2016), *Cash Transfer Resiliency Toolkit.*
21 CaLP (2011), *Cash Transfer Programming in Urban Emergencies – A Toolkit for Practitioners.*

Customer Identification and Related International Standards on Anti-Money Laundering/Countering the Financing of Terror (AML/CFT)

Customer identification is a key issue for the financial inclusion of FDPs. 1.1 billion people worldwide lack official proof of identity,[22] and while numbers are not available on how many of those are displaced, it is clear that FDPs often do not have official identity documents issued by their home country. Even when they do, these identity documents may not be trusted or accepted when people are on the move. The need for official proof of identity is relevant since all countries must comply with the international standards on AML/CFT established by the Financial Action Task Force (FATF), the global standard setting body for AML/CFT and proliferation financing. Under international standards, countries must establish customer due diligence requirements, which require financial institutions to undertake a number of steps when onboarding a new customer: (1) identify the customer (this involves collecting a person's identity particulars, such as the full legal name, date of birth, etc.) and verify the individual's identity against a reliable source, (2) identify the beneficial owner(s) and take reasonable steps to verify their identities, (3) understand the purpose and intended nature of the business relationship, and (4) conduct ongoing monitoring of the relationship and transactions.

As a first step to meeting customer due diligence requirements pursuant to FATF regulatory standards, financial institutions must identify the potential customer and verify that person's identity. This is challenging in the FDP context, however. The very nature of displacement means that FDPs may have either inadequate or no identification papers and documentation of residence. Even when basic documentation is available, it may be difficult to verify other information required for customer due diligence, such as an individual's date of birth and permanent address. Moreover, many FDPs come from countries that have experienced political instability, conflict and related terrorism or sanctions concerns. In these scenarios, and even when basic identification measures have been met, financial institutions may be less willing to offer certain types of banking and payment products, because of the higher level of monitoring that would be required to address higher terrorist financing risks.

The required levels of identification and verification and wider customer due diligence measures vary, depending on the financial services to be accessed. Payments products, such as pre-paid cards with limited functions (e.g. no cross-border or person-to-person transfers) and/or low values, received as humanitarian assistance from a reputable iNGO, may be lower risk and require lower levels of verification under the host country's national law. However, the current design of such limited-function payment products means that they are unlikely to lead to longer term financial services, and financial inclusion. In more protracted situations, many FDPs may require access to a broader range of safe, regulated, affordable financial services, including savings, loan and insurance facilities. FDPs' financial needs will vary greatly across individuals, social, cultural and country contexts, and as the value and functionality increase, the risks and proportionate customer due diligence requirements are generally more stringent.

[22] See the Identification for Development (ID4D) dataset http://id4d.worldbank.org/global-dataset.

At the same time, the Financial Action Task Force has recognised that as a general matter, financial inclusion supports AML/CFT objectives and law enforcement goals. AML/CFT safeguards are undermined when large groups of people do not participate in the regulated financial system, and instead use unregulated channels transactions. Financial inclusion initiatives offer affordable and accessible opportunities for using the regulated financial system to those who normally use cash or the informal economy, making it easier to identify and trace illicit financial flows and combat money laundering, terrorist financing, and other illegal financial activities.

Therefore, it is in everyone's interest to ensure that FDPs wishing to conduct legitimate transactions can establish and prove legal identity and meet the host country's customer due diligence requirements. The conversation around identification is both technical and, at the same time, it can be emotional and cultural. It is important to recognise that issuing IDs is one part of the battle: acceptance of IDs for services can often also require changes in mindsets about FDPs as a group of people, so that there is more willingness to accept that they have valid identities.[23] All stakeholders need to work together to develop methods that countries can consider adopting to provide FDPs with a legal identity that is widely accepted for accessing formal services, including the regulated financial system.

To move forward customer identification to advance the financial inclusion of FDPs, we suggest the following recommendations:

Proposed actions for governments:

- Ensure an integrated identity framework and work to establish a robust and secure digital identity infrastructure that can support the financial sector.
- Ensure access to civil registration for refugees, internally displaced persons, and asylum seekers, and provide identity documentation in coordination with humanitarian agencies, as appropriate.
- Adopt and apply the World Bank Principles on Identification for Sustainable Development in order to guide their investment and policy alignment strategies with respect to financial access programmes for FDPs.
- Foster the development of private sector led services by leveraging legal identity infrastructure that is open to all residents; monitor and integrate new developments and approaches to identity as appropriate.
- Provide guidance on how to conduct customer identification and verification for FDPs who lack traditional identity documentation and cannot reasonably meet standard identification/verification requirements.
- Encourage greater understanding of tiered customer due diligence (CDD) and of mitigating risk where FDPs can – while fully complying with CDD norms – meet only simplified customer identification requirements.
- Encourage regulatory sandboxes to test specific new ways of identifying and verifying FDPs as financial services customers and monitoring the customer relationship and transactions.

[23] Compare GPFI (2018), *Documentation – G20 GPFI High-Level Workshop on the F inancial Inclusion of Forcibly Displaced Persons.*

- Include potentially acceptable alternative forms of identification documents, data, or information that financial institutions may use to conduct customer due diligence for FDPs.
- Facilitate responsible innovation that identifies and addresses associated AML/CFT risks, as well as fraud, security, data protection and consumer protection risks, among other things by actively engaging with private sector services.
- Work with donors to create a consistent humanitarian beneficiary identification and registration template that host governments could potentially leverage to provide proof of legal identity for FDPs.

Proposed actions for the private sector:

- Leverage the potential of digital and identity technologies and new, technology-based financial products and services (FinTech), including digital onboarding, where appropriate.
- Work through local banking and other trade associations to:
  1. improve financial services providers' awareness of potentially acceptable identity evidence (documentation) for conducting customer due diligence for FDPs;
  2. identify local scenarios where the application of standard simplified customer due diligence is proving problematic;
  3. identify the local money laundering or terrorist financing risks associated with FDPs; and
  4. identify gaps where the financial access needs of FDPs are not being met.

Proposed actions for humanitarian and development agencies:

- Coordinate with the private sector and governments, where appropriate, to provide beneficiary identification and registration data gathered during humanitarian responses to support the process of issuing to FDPs identity products that are consistent with overall protection concerns and national AML/CFT legal requirements .
- Improve and safeguard privacy and security of personal data and the respective new and existing ID systems to take adequate account of the significance of the issue in the context of crises and human rights violations.
- Establish early dialogue with host country regulators and the financial sector on the envisaged financial access needs of FDPs (i.e. setting out the nature, scale and types of service required) and assess whether current services will be equipped to meet these needs.
- Seek to work proactively with local regulators and the financial sector to raise awareness of the available forms of identity verification for FDPs and explore with them whether the available proof of identity could be considered acceptable for customer onboarding procedures.

Proposed actions for research organisations:

- Build the evidence base on how the promotion and use of secure biometric identification can be incorporated into financial inclusion strategies at the national level.
- Understand insights from FDPs on how they view data protection and privacy opportunities and challenges presented by different identification technologies.
- Track the development of the use of digital transaction data, advanced analytics and artificial intelligence for transaction monitoring and suspicious transaction reporting solutions, and identify examples that demonstrate how they could be utilised to improve AML/CFT compliance in the FDP context, in line with privacy and consumer protection laws.
- Initiate dialogue across financial service providers, governments and humanitarian organisations on how law and policy can be adapted to enable the development of responsible, safe and effective FinTech and banking channels, including appropriate customer due diligence compliance tools and strategies for FDPs.

Proposed actions for standard setting bodies:

- Provide guidance on the use of digital identity products and services and risk-based levels of assurance, including how digital identities, supported by new technologies and alternative data sources, could help support the financial inclusion of FDPs while at the same time complying with AML/CFT standards.

Financial Consumer and Data Protection, Financial Literacy

Financial consumer and data protection, including financial literacy, have been widely acknowledged as development priorities and as supportive elements of comprehensive financial inclusion strategies. These are core principles in both the Barcelona and World Economic Forum Principles and are outlined in detail in the *G20/OECD High Level Principles on Financial Consumer Protection*, as they are critical considerations when developing inclusive policy frameworks. The extent to which consumers turn to regulated financial services and use them to their benefit is determined by both the fair and transparent treatment of financial consumers, and consumers' level of knowledge, skills and attitudes, including trust in financial services.

These aspects are particularly important for FDPs, since they are, by nature of being displaced, more likely to be exposed to risks and may have even deeper privacy concerns than the average citizen. For example, those fleeing political persecution will have privacy concerns in terms of being tracked through geolocation or having their personal information provided to the wrong actor. They may also face additional hurdles to access formal financial services than average citizens, since they may lack local knowledge and/or language to find information on the types of financial services available and how to use these services, and not have access to social and support networks that can provide guidance. Significantly, they are less likely to be able to provide truly informed consent.[24] To help build confidence and trust in formal financial services, FDPs must be able to clearly understand rules, rights and recourse. The focus should be on ensuring that policies are sensitive to the needs of all FDPs, irrespective of characteristics such as gender, age or disability. Minors may be unable to hold certain financial products, and may not be allowed to sign contracts or enter into formal agreements. Yet, if as a result of displacement, they are responsible for their own wellbeing and potentially of others as well, it is important to find ways for them to access appropriate financial services. Financial education strategies and programmes are relevant for this purpose.

A comprehensive approach by all stakeholders is needed to develop and implement tailored consumer and data protection practices and frameworks that promote inclusiveness and empower FDPs as an integral part of the financial services consumer market.

To move forward financial and consumer data protection to advance the financial inclusion of FDPs, we suggest the following voluntary recommendations:

[24] As defined by the ICRC and Brussels Privacy Hub, 'true informed consent must be: unambiguous, obtained at the time of collection or as soon as it reasonably practicable thereafter, based on sufficient understanding of the consequences of the data collection and processing. In addition, it must be clear that the participant can refuse or withdraw consent without detriment.' (ICRC and Brussels Privacy Hub (2017), *Handbook on Data Protection in Humanitarian Action*).

Proposed actions for governments:

- Implement financial consumer protection frameworks based on the *G20/OECD High Level Principles on Financial Consumer Protection* and the *G20 Financial Inclusion Policy Guide* where appropriate, and where necessary, tailor specific components that reflect issues of specific relevance to FDPs and prevent any form of discrimination.
- Balance needs to maintain standards for customer due diligence, ensure financial integrity and monitor against AML/CFT while taking specific measures to financially include FDPs – such as allowing for a risk-based approach as mentioned in previous sections.[25]
- Include FDPs as an explicit target group in the development and implementation of national strategies for financial education, including digital literacy promotion.
- Ensure data privacy regimes support cross-border supervisory and regulatory cooperation arrangements.
- Work with the private sector, and potentially with humanitarian and development agencies, to consider how to reach young FDPs and offer incentives to financial service providers that address the needs of FDPs.

Proposed actions for humanitarian and development agencies:

- Conduct their own internal information audit to understand their data on FDP (and other) participants and whether they consented to share these data; establish data protection, technology, and privacy policies; and conduct thorough staff and partner training to disseminate these policies and procedures.
- Integrate the financial education of FDPs into programmes related to the distribution of assistance or financial inclusion of FDPs.
- Encourage informed choices by FDPs by helping them to compare and choose from multiple financial products.

Proposed actions for research organisations:

- Support the development of effective measures to protect FDPs and their data as well as creating awareness by advisory services, evaluations and the dissemination of findings as well as promising and effective approaches.
- Test and disseminate proven and cost-effective strategies (e.g. behavioural nudging) to increase financial education.

[25] This has to be done in a way that is fully compliant with customer due diligence norms.

[26] In particular, the validity of consent may vary depending on the specific circumstances, e.g. the characteristics and location of the data subject, environmental and other factors, the data subject's position in relations to others and the social, cultural and religious norms of FDPs or the communities to which they belong.

Bridging Humanitarian Response and Development Approaches

When humanitarian assistance is transferred in the form of cash to individuals, rather than through vouchers or goods in-kind,[27] it has the potential to provide pathways for FDPs to access formal financial services during recovery, if and when such services are needed. By receiving assistance funds into a local, regulated financial account, recipients can later use that same account to access savings, credit, remittances, and insurance, all while building a robust transaction history. This account might also allow for assistance payments to be disbursed at local merchants, providing one avenue for FDPs to actively support the host community economy. While such aid distribution products are not appropriate in every response situation, when they are, they could be a key entry point for building access to, understanding of, and usage of financial services by FDPs who need them.

With the collaborative intervention of humanitarian and development organisations in cooperation with local governments and financial service providers, these measures can be approached comprehensively and in accordance with the objectives of the Comprehensive Refugee Response Framework (CCRF) – to ease pressure on host countries, to enhance refugee self-reliance, to expand access to third country solutions, and to support conditions in countries of origin for return in safety and dignity. Financial inclusion will be one of the broader efforts to link humanitarian recovery, resiliency, and economic development from the beginning. All stakeholders should analyse and consider effective ways to address non-legal barriers to financial inclusion, e.g. language barriers, lack of support networks and social norms or negative cultural perceptions, to appropriately meet the unique needs of FDPs.

In 2016, the dialogue resulting from the *Barcelona Principles for Digital Payments in Humanitarian Response* and the Principles on *Public-Private Cooperation in Humanitarian Response* attracted representatives from multiple sectors to discuss how to use digital payments most effectively to build pathways to economic, social, and financial inclusion. The resulting principles highlighted avenues for overcoming many barriers to distributing cash assistance through local financial products. One barrier that clearly remains – in particular in new, sudden onset crises – is the lack of time and resources that UN agencies, iNGOs, and local NGOs have to prepare for this type of assistance distribution in advance of a crisis. The humanitarian imperative remains, as always, to administer assistance as fast as possible: therefore, stakeholders must work together to ensure that preparedness measures are taken well in advance to facilitate assistance being sent via digital payments when appropriate, without slowing down the response. When assistance is sent directly to individuals into regulated financial accounts opened in their own name (including mobile wallets and bank accounts), aid organisations can harness opportunities to leverage these accounts for development interventions. For instance, for IDPs, and depending on the legal framework, refugees, these accounts can also be linked to government safety nets (where available and appropriate). For refugees who may be displaced long term from their country, these accounts can be used to provide access to the formal financial services that they need to build economic opportunities.

[27] Each context will demand a different mechanism for the distribution of aid. Also, if a conflict has resulted in a geographic area where there is no market in which to buy goods, cash will not be the appropriate modality.

In order to actively meet humanitarian needs while creating opportunities for recovery and resilience, all stakeholders must work together to build pathways from assistance payments to sustainable financial inclusion. Using technology to build an interoperable payments infrastructure and to incentivise both consumers and merchants to use and make digital payments as stated in the *G20 Financial Inclusion Policy Guide* will be helpful. The recommendations of the *G20 Financial Inclusion Policy Guide* are meant to provide guidance on making the payments landscape more inclusive and open, allowing for the connection of different payment streams including humanitarian assistance, social protection, and financial payments.

Strengthening the financial inclusion of FDPs requires that programmes that aim to support improved financial inclusion at large be sensitive to the different forms of marginalisation in the specific context, and to the presence of FDPs, as well as future risks of forced displacement within and to the country. Inclusive approaches to financial inclusion that benefit local populations, host communities and FDPs are more likely to make a positive contribution towards social cohesion, whilst addressing root problems that keep large sections of host populations and FDPs in informal labour with no access to financial services.

To move forward digital payments in humanitarian assistance and development aid to advance the financial inclusion of FDPs, we suggest the following recommendations:

Proposed actions for governments:

- Embed financial inclusion as an objective while designing humanitarian cash responses.
- Ensure an enabling regulatory framework, which provides risk-based, tiered customer due diligence requirements, and the clear definition and separation of roles between the key players.
- Leverage existing government-led crisis response mechanisms, including government to person payments and social safety nets, to disburse humanitarian cash transfers.
- Clarify the due diligence process for humanitarian organisations to conduct bulk cash transfers.
- Support the rollout of an interoperable payments infrastructure in accordance with the *G20 Financial Inclusion Policy Guide*.

Proposed actions for the private sector:

- Work with humanitarian and development agencies to build trust in the processes and capacity for large-value humanitarian cash transfers, including pre-positioning mutually acceptable agreements to enable deployment immediately after a crisis hits.
- Engage with regulators to implement crisis-adaptable operational processes for conducting customer due diligence and account opening, taking into consideration the specific data privacy and protection issues related to FDPs.
- Participate in efforts to promote interoperability, which will make it easier for FDPs to transfer money between different financial services.[28]

[28] For more on the development of interoperable payment systems to enable fast payments, refer to GPFI (2018), Digitisation and Informality: G20 Policy Guide to Harnessing Digital Financial Inclusion for Individuals and MSMEs in the Informal Economy.

Proposed actions for humanitarian and development agencies:

- Consider embedding financial inclusion as an objective while designing humanitarian cash transfers.
- Avoid providing services for FDPs at no or below-market cost if they can be provided appropriately by the local private sector.
- Ensure resiliency and recovery strategies are built into crisis preparedness plans in partnership with governments.
- Ensure that FDPs are considered at all stages when designing initiatives to strengthen financial inclusion of poor and marginalised groups.
- Reflect financial inclusion in interventions, notably development cooperation, fostering economic participation and social protection.
- Participate in multi-donor and multi-year appeals to take a broader view of the response to resilience continuum.
- Consider how financial accounts for the distribution of assistance can continue to work for individuals if they move to a different agency/partner or across borders.
- Extend financial and operational support to assist in expanding the digital payments ecosystem in hard-to-reach locations.
- Increase investment and ensure integration of financial education, training, and sensitisation of FDPs in high-risk areas on the use of digital channels to access payments and financial services, building trust and confidence in cash programming.
- Collaborate with private sector partners to inform the development of financial products that can meet the needs of FDPs, including the consideration of financial service providers for cash payment transfers.
- Ensure that the financial inclusion of FDPs is included in the implementation of and follow up to the Global Compact on Refugees and other international and regional activities linked to cross-border and internal displacement.

Proposed actions for research organisations:

- Improve efforts to broaden the evidence base on the potential impact of different cash transfer mechanisms on financial inclusion.
- Highlight the experience of FDPs who are navigating different financial options (both formal and informal) as well as humanitarian assistance and development aid programmes when trying to rebuild their livelihoods.
- Provide data analysis support to providers of formal financial services to enhance the business case for serving FDPs.
- Disseminate evidence, insights and practical recommendations to guide donor, humanitarian, regulatory and private sector policies, practices, and investments to fully exploit the potential of humanitarian cash transfers and remittances for the financial inclusion of FDPs.

Economic Participation

Economic participation is a key element of any comprehensive approach to promoting self reliance and sustainable livelihoods for FDPs. It is both a pressing challenge in the field of forced displacement and, especially in countries with significant unemployment or underemployment, a sensitive one. Recognising this, within the context of this Roadmap, it is important to outline how the provision of financial services can empower FDPs to engage in income-generating activities, thereby supporting their own livelihood and contributing to the economy of the host community. For this, it is essential to understand the socio-economic profile and legal pathways of FDPs (including the right to work, opportunities to learn specific job skills, right to own land, and/or right to own an enterprise, and the ability to participate in the financial system) also in comparison to their host communities and others in the country, to ensure that efforts for financial inclusion are provided in an integrated manner to FDPs and others. FDPs who want to be entrepreneurs or whose only economic prospects are to start their own business may require access to capital (mostly loans) in order to launch and grow small enterprises.[29] Capital that supports such FDP-owned enterprises will allow them to effectively deploy their skills and competencies to improve their community and rebuild their livelihoods.

FDPs are likely to be active in their local economy, whether formally or informally. In certain cases, FDPs are highly qualified professionals or were successful business owners before they were displaced. They can be both suitable employees, employers, and a profitable customer segment for the private sector, where permitted. Negative cultural perceptions or assumptions about this heterogeneous group of people keep qualified candidates from accessing otherwise suitable opportunities. Such perceptions and assumptions need to be overcome to ensure appropriate economic participation. While some tools – such as digitisation – can support the running of informal businesses, access to formal financial services may more often be restricted to formal businesses with proper documentation. Where economic participation of FDPs and provision of financial services to FDPs is permitted, stakeholders should participate in approaches that can stimulate inclusive and sustainable economic development and encourage formalisation. For this, stronger collaboration between financial inclusion stakeholders and those promoting economic participation is essential.

To move forward economic participation to advance the financial inclusion of FDPs, we suggest the following recommendations:

[29] This section will focus here on FDP-owned enterprises, although wage employment is a critical option for FDPs if it is logistically and legally available to them.

Proposed actions for governments:

- Gain the insight needed to create a conducive policy framework that provides legal pathways for FDPs to participate in the economy and to be productively integrated in the host community's socio-economic development.
- Consider recognising FDP-owned enterprises as explicit target groups in both broader national policy frameworks promoting inclusive and sustainable economic development and financial inclusion.
- Facilitate financing to FDPs by making possible the use of alternative data for credit reporting and enable responsible cross-border data exchanges through regional cooperation to improve the consistency and comparability of data.
- Allow for regulatory sandboxes or other innovation windows for companies such as innovation hubs.

Proposed actions for the private sector:

- Provide qualified FDPs with decent job opportunities (possibly including on-the-job training), where possible and permitted, mobilising partners such as employers and workers organisation. This may require working to overcome social or cultural perceptions.
- Invest in analysis, knowledge and understanding of the capital needs of FDP-owned enterprises.
- Ensure that determination of risk relies on national risk assessments rather than social/cultural assumptions to prevent possible negative perceptions of the target group.
- Collaborate with regulator and relevant intelligence agencies to identify, verify, and create risk profiles of FDP-owned enterprises in order to lower the compliance cost and burden of customer due diligence for these small businesses.
- Develop appropriate financing and business models to serve FDP-owned enterprises and businesses that employ or source services from FDPs.
- Consider (as one approach) the use of alternative data to enhance credit reporting, following the recommendations of the *G20 Financial Inclusion Policy Guide* in order to prevent the lack of financing.

Proposed actions for humanitarian and development agencies:

- Ensure that FDPs are integrated in other national or local initiatives that strive to strengthen economic participation of poor and marginalised groups.
- Support market research, in order to assist all stakeholders in better understanding the economic activities and financing needs of FDPs relative to host communities, work with the private sector to ensure adaption and adjustment to products, and help improve the visibility of FDP-owned enterprises vis-à-vis financial service providers.
- Support FDP-owned enterprises in the shift from informality to formality, where appropriate.
- Support the offer of non-financial business development services to FDP entrepreneurs and FDP-owned enterprises, including advisory and consultancy services for businesses and start-ups, potentially collaborating with intermediary organisations, e.g. trade organisations to complement and match with financial services offered by financial service providers.
- Provide financing through apex institutions or appropriately-priced credit guarantee schemes to local financial service providers that provide financial services to FDP-owned enterprises.
- Develop partnerships to development interventions that do not impair local markets or FDPs' use of sustainable financial services offered through the local private sector.
- Ensure that efforts to promote the financial inclusions of FDPs closely coordinate with wider economic development and livelihoods initiatives, with a view to ensuring that FDPs are integrated into holistic approaches that facilitate self-reliance.

Proposed actions for research organisations:

- Support market research and the dissemination of promising business cases of financial service providers serving FDP-owned enterprises.
- Conduct research on the impact of access to finance for FDP entrepreneurs and FDP-owned enterprises in order to close the existing knowledge gap.
- Conduct research on the best policies and approaches to ensure that economic participation of FDPs supports both FDPs and host communities.
- Conduct further research of the contribution to and impact of FDPs on host labour markets as well as on broader impact at the micro and macro-economic levels.
- Coordinate with all stakeholders to avoid duplicate studies, share evidence widely, and implement lean research processes where possible and appropriate to reduce the burden of research participation on FDPs.

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List of Abbreviations

AML/CFT	Anti-Money Laundering / Countering the Financing of Terrorism
CDD	Customer Due Diligence
CTP	Cash Transfer Programming
FATF	Financial Action Task Force
FDP	Forcibly Displaced Person
FSP	Financial Service Provider
GPFI	Global Partnership for Financial Inclusion
IDP	Internally Displaced Persons
iNGO	International Non-Governmental Organisation
NFIS	National Financial Inclusion Strategy
NGO	Non-Governmental Organisation
NRA	National Risk Assessment
POS	Point-of-Sale
RBA	Risk-Based Approach
SSB	Standard-Setting Body
UNHCR	United Nations High Commissioner for Refugees

Full List of Resources

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