Abstract

Conflict throughout the world continues to threaten the livelihoods of millions of forcibly displaced persons (FDPs). Digital financial services (DFS) are rapidly proving to be an effective solution to improving financial inclusion and addressing the many socio-economic challenges facing this highly vulnerable group. The G20 is best positioned to assume a leadership role in coordinating efforts among multiple public and private sector stakeholders to leverage digital solutions to address the financial needs of FDPs so they can rebuild and sustain their livelihoods. This brief provides the G20 with specific recommendations for a collaborative approach to enhance digital financial inclusion (DFI) among FDPs and better inform national and global dialogues on migration policies and governance.

Challenge

According to the United Nations High Commissioner for Refugees (UNHCR, 2019), we are witnessing one of the highest levels of forced displacement by conflict and persecution on record, with more than 70 million forcibly displaced persons (FDPs) worldwide.¹ These populations face multiple socio-economic challenges, especially when it comes to accessing employment, education, health care, and housing. These marginalized members of society are further being disproportionately impacted by the current global pandemic (COVID-19), given their high potential threat of exposure to the virus and its subsequent socio-economic repercussions (CCSA, 2020; UNHCR, 2020). A key element to providing sustainable solutions to improve FDPs’ livelihoods and build long-term resilience is financial inclusion. Most FDPs, however, do not have access to essential financial services such as affordable and secure financial channels by which to save money, conduct payment transactions, send and receive money transfers, and borrow.

The large-scale number of conflicts and new crises throughout the world, along now with the recent pandemic, have made financial inclusion for FDPs a growing and urgent priority (Lyons & Kass-Hanna, 2019). There is now broad consensus among policy makers and humanitarian and development organizations about the need for specific policies and national strategies aimed at improving access to financial services for FDPs (Alliance for Financial Inclusion (AFI), 2017; El-Zoghbi, Chehade, McConaghy, & Soursourian, 2017; G20 Global Partnership for Financial Inclusion (GPFI), 2017b, 2018; Global Compact for Migration, 2018; UNHCR & Social Performance Task Force, 2016; UNHCR &

¹ Almost 70.8 million individuals were forcibly displaced worldwide in 2018, as a result of persecution, conflict, violence, or human rights violations. These populations include refugees, internally displaced persons (IDPs) and asylum seekers (UNHCR, 2019).
Appropriate financial access is critical to empowering FDPs to overcome adversities, access essential services, and contribute productively within their new locations. It also serves as an important catalyst to achieving socio-economic and sustainable livelihood outcomes for the larger host communities.

With global growth in Fintech and mobile phone users and subscribers, more efficient and less costly “digital” financial services (DFS) are increasingly being used as viable mechanisms to increase financial inclusion among vulnerable populations (Attia & Benson, 2018; G20 GPFI, 2016, 2017a; GSMA, 2017, 2019a; 2019b; ITU, 2017a, 2017b; Lyons, Kass-Hanna, & Greenlee, forthcoming; Lyons, Kass-Hanna, Liu, Greenlee, & Zeng, 2020; Manyika, Lund, Singer, White, & Berry, 2016). Yet, many areas continue to experience low penetration and adoption rates, due to the lack of technological infrastructure and other barriers related to: (1) lack of coordination and cooperation among key stakeholders, (2) lack of supportive policies, regulatory frameworks, and consumer protections, (3) inadequate physical and financial infrastructure, (4) lack of financial sector interest and engagement, and (5) substantial inequalities and heterogeneities across vulnerable groups, especially when it comes to digital skills and financial capabilities (GPFI, 2017b). There is a critical need for global coordination among policymakers, regulators, and humanitarian organizations – especially UNHCR – to promote digital platforms and payment systems that reduce financial access gaps for FDPs and help build their resilience, leading to more inclusive and sustainable development among FDPs and their host communities.

Proposal

Providing access to affordable, safe and secure digital financial services (DFS) for crisis-affected populations is a global policy priority. Only recently, though, have global discussions on financial inclusion of vulnerable populations begun to address the needs of FDPs as an explicit target group (UNHCR & Social Performance Task Force, 2016; Wilson & Krystalli, 2017). Amongst the key stakeholders have been policy makers, financial regulators, supervisory agencies, humanitarian and development agencies, private sector partners such as banks and fintech companies, civil society organizations, and leading scholars.

The G20 has played a pivotal role in fostering these discussions. While the displacement crisis primarily affects developing countries, the G20 countries play a key role as host countries to a significant number of FDPs. They also are the primary providers of humanitarian assistance and have been at the center of global migration policy and governance (GPFI, 2017b; Migration Data Portal, 2019). In 2017, FDPs’ financial inclusion became a key priority of the Global Partnership for Financial Inclusion (GPFI) under the German G20 Presidency (GPFI, 2017b). GPFI (2017b) – in a seminal policy paper – identified common challenges facing the enablement of financial inclusion for FDPs and laid out a framework that included three priority areas for G20 action and beyond: (1) dialogue and cooperation; (2) data and evidence; and (3) inclusive policy frameworks. Then, in 2018, the GPFI was tasked by the G20 Leaders with the development of a G20 Roadmap for “Sustainable and Responsible Financial Inclusion of FDPs” (GIZ, 2019; GPFI, 2018). In these efforts to prioritize financial inclusion for FDPs, very little attention has been given to the role of digital financial services (DFS), especially its increasingly pivotal role in providing and facilitating immediate humanitarian relief and support. Access to DFS are still insufficiently available to FDPs in their host communities. In this context, the G20 has an important role to play in supporting efforts by key stakeholders to address the needs of FDPs.

---

2 Digital financial services (DFS) refer to financial services and products that can be accessed and used via the Internet and a digital device – most commonly, a mobile phone – to electronically store and transfer funds, send and receive electronic payments, as well as to borrow, save, insure and invest (ITU, 2018).

3 According to UNHCR mid-2018 data, more than one third of all refugees under its mandate resided in G20 countries, with half of them located in Turkey, which hosts the world’s largest refugee population (OECD, ILO, IOM, & UNHCR, 2019).
to leverage digital solutions which address the financial needs of FDPs. The following are four specific recommendations.

**Recommendation 1: The need for global coordination and cooperation among stakeholders**

Concerted coordination among governments, the private sector, and humanitarian and development agencies, is pivotal to effectively addressing the dual challenge of expanding digital financial inclusion (DFI) while simultaneously targeting the diverse needs of the FDPs (GIZ, 2019). While support for these populations has primarily focused on providing humanitarian assistance, the magnitude of the displacement crisis calls for a broader developmental approach that promotes long-term resilience. As a key global governance body, the G20 is well positioned to provide leadership to support more active engagement to bridge humanitarian-development and public-private sector divides, as well as ease the legal and political complexities inherent to such a development priority.

As an initial step, the G20 can assist in fostering more strategic partnerships among governments and the key humanitarian and development agencies involved in enhancing financial inclusion for FDPs (e.g., UNHCR, the World Food Programme (WFP), UNICEF, UN Office for Coordination of Humanitarian Affairs (UN OCHA), UN Capital Development Fund (UNCDF), Better Than Cash Alliance, and CGAP). In the context of forced displacement, humanitarian organizations typically prioritize the short-term needs of FDPs (e.g., cash-based assistance, food vouchers), while development agencies tend to focus on the longer-term livelihood outcomes associated with resilience (e.g., employment, education, and health outcomes). As these agencies work together to enhance financial inclusion for FDPs, it is critical that their approaches and objectives be more consistently aligned, especially when coordinating efforts with governments that are working to design and implement national financial inclusion strategies and related regulatory frameworks. At the most fundamental level, their collaboration with governments should entail information-sharing on the FDPs’ socio-economic conditions at all stages of displacement to better inform the design of specific national strategies and regulatory frameworks for FDPs’ financial inclusion.

Similarly, the G20 needs to foster more private sector involvement, especially among financial institutions, mobile network operators (MNOs), remittances providers, and Fintech innovators, to leverage existing DFS or to invest in new and innovative DFS for FDPs. There has been reluctance by both established industry actors and new start-ups to target these highly complex and risky populations. Governments should work to better understand the concerns of market operators and their perceptions of FDPs’ risks (e.g. temporary displacement, political considerations, regulatory barriers, and misperceptions arising from lack of contact with FDPs). They can then formulate appropriate policies that mitigate these risks, provide regulatory guidance, and incentivize DFS providers to service the needs of FDPs.

From here, the G20 can promote greater communication and data-sharing between the humanitarian and development agencies and the financial service providers, and in particular, the DFS providers. Providing these key market players with important socio-demographic information about refugee populations can lead to a better understanding of their needs and preferences, and also to correct misperceptions these providers may have about the capacities, capabilities, and riskiness of FDPs (GPFI, 2017b). This can, in turn, result in DFS providers being able to design more informed and better adapted digital financial solutions for FDPs, by repackaging existing services or developing new ones.

**Recommendation 2: The need for more financial and digital infrastructure**

The G20 can provide leadership in building a more sustainable digital ecosystem with robust infrastructure to support inclusive finance for FDPs worldwide, which is essential to effectively being able to participate in today’s digital economy and society (Lyons & Kass-Hanna, 2020). Within the context of crises or conflict
situations, the necessary infrastructure to facilitate DFS for FDPs is often underdeveloped or even non-existent (GPFI, 2017b). This encompasses physical infrastructure such as brick-n-mortar locations and payment systems, which are still needed even when conducting digital transactions (e.g., financial service locations, ATMs, points of service (POS) devices, and agent networks). It also includes technological infrastructure related to connectivity, telecommunications, and the integration of digital technologies into financial products and services. Finally, there is the financial infrastructure involving the digital financial products and services themselves, as well as the digital financial platforms and payment systems. There are three key areas where the G20 can direct efforts to make important impacts for FDPs.

First, the G20 should support efforts by the private and public sectors to improve mobile and smart phone penetration to develop more mature mobile money infrastructure and platforms which boost access to DFS. Rapid development of mobile money services is essential to improve the distribution of humanitarian aid, food and housing subsidies, and other social transfers so as to help FDPs rebuild livelihood in the long run (Alliance for Financial Inclusion, 2017; Bemo, Aberra, Zimmerman, Lanzarone, & Lubinski, n.d.; El-Zoghbi, Chehade, McConaghy, & Soursourian, 2017; GPFI, 2017b; UNHCR & UNCDF, 2017). This is critical for women, youth, children, elderly and the poor, who are particularly vulnerable to financial exclusion during crises and conflicts.

Second, among FDPs, informal social networks continue to play a key role in providing funds which help to smooth consumption and finance small businesses and other entrepreneurial activities. More innovative DFS platforms are vital to enhancing access to finance and improving peer-to-peer exchanges. The G20 can further assist in supporting the development of other digital services for FDPs that provide non-financial and capacity-building services such as business management support, digital skills training, and technical and vocational education related to small business operation and digitalization. The G20 can also play an active role by establishing a “best practices framework” to facilitate the sharing of experiences and lessons learned across countries when it comes to using DFS and digital business platforms to make it easier, safer, and more cost-effective to send and receive payments and remittances, especially across informal networks.

Finally, the G20 can establish a “design unit” comprised of leading stakeholders, which would focus on developing, testing, and launching a specific set of DFS for FDPs through a design thinking methodology. This human-centered approach would develop DFS around the specific needs of FDPs (CGAP, 2014; Humanitarian Policy Group, 2018; UNDP, 2017). This includes carefully considering their behavior patterns, decision-making processes, daily trade-offs, and day-to-day transactions when creating DFS and delivery channels that help them build resilience, absorb shocks, and seize on socio-economic opportunities as they arise. The design unit would also explore more in depth how digital technologies could be used to design more secure, transparent and cost-effective financial services to enhance financial inclusion and achieve longer-term socio-economic development goals for the community at large.

**Recommendation 3: The need for regulatory frameworks and consumer protections**

The G20 can and should play a pivotal role in shaping countries’ governance systems and supporting safe regulatory frameworks for DFS that are inclusive of FDPs. To date, regulatory approaches to advance DFI have focused on balancing the goals of stimulating engagement, innovation, and competition among established and prospective DFS providers, while simultaneously ensuring customer protections and the delivery of safe, sound, and efficient services (BIS & World Bank Group, 2016).

A number of international regulatory guidelines and frameworks exist which focus on financial inclusion within the context of DFS. For example, ITU (2016) advocates for a DFS-regulatory framework that

---

4 This approach focuses first on the human element, seeking to understand people’s needs from their individual perspective (as the intended user) to come up with effective solutions to meet those needs.
encompasses six critical aspects related to: 1) prudential financial regulation and Customer Due Diligence (CDD); 2) agent network issues; 3) telecommunication network access issues; 4) interoperability issues; 5) customer data and risk-based financial services; and 6) consumer protection. Based on the analysis of the DFS-regulatory frameworks of 10 countries in Africa and Asia, CGAP identified four basic regulatory enablers specific to DFS, and proposed ways they could be implemented in other countries (Staschen & Meagher, 2018). These include: 1) nonbank e-money issuance; 2) use of agents; 3) risk-based CDD; and 4) consumer protection. These and other DFS-regulatory frameworks can serve as a foundation to shaping policies and regulations specific to FDPs’ DFI. They are still, however, insufficient to address the special conditions and legal status of these populations.

Additional regulatory concerns involving identification and risk management remain critical challenges to expanding DFS for FDPs. For instance, FDPs are often denied access to DFS because they lack the necessary identification or have been legally prohibited from accessing local financial institutions in their host countries. As DFS providers need to comply with international Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) standards, they need to conduct appropriate CDD based on customer identification and verification. Specific methods have been implemented in crises, conflicts, and natural disasters by UNHCR and other humanitarian agencies, whereby refugees were issued registration cards after being interviewed. While these alternatives are largely unacceptable for CDD purposes, exceptions have been made for basic digital financial products such as low-value money storage cards (AFI, 2017; GPFI, 2017b).

Given these and other unique regulatory challenges posed by FDPs, the G20 can and should encourage member and non-member states to reconsider existing international standards and allow for greater flexibility when it comes FDPs. This is especially critical for FDPs facing prolonged crises situations where the usage of DFS is particularly important to establishing livelihoods and building resilience. At the most basic level, more flexibility is needed in terms of policies and procedures for ID and collateral requirements to apply for and access specific financial services. Digital approaches to satisfying CDD requirements should also be considered such as using biometric information and big data collected via mobile phones, geolocators and satellites, credit records, and other financial records. Such innovative solutions can offer cost-effective insights about consumers’ behavior and potential risks, which facilitate satisfying the CDD/AML/CFT requirements (AFI, 2017). Finally, regulatory flexibility is also needed to reduce additional barriers to market entry for financial service providers to ensure a wider range and availability of products and services.

**Recommendation 4: The need for digital financial literacy**

Lastly, the G20 should support member and non-member states’ efforts to raise awareness about the growing need for digital financial literacy, especially for vulnerable populations such as FDPs. With the shift towards digital financial services comes the need for “digital financial literacy” (Lyons et al., 2020; OECD/INFE, 2018). Effectively using DFS requires: (1) the knowledge of how to access and use digital tools and devices, (2) an understanding of financial concepts both within and outside of a digital context, (3) the ability to conduct digital financial transactions, and (4) the ability to protect against digital scams, frauds, and other potentially costly mistakes (e.g., phishing scams, account hacking attacks, data theft, and misleading financial information/advice) (ITU, 2017a; Morgan, Huang, & Trinh, 2019).

National strategies to enhance digital financial literacy for disadvantaged populations should be inclusive of FDPs at both the design and implementation stages. Targeting FDPs, however, adds another layer of complexity, as these groups face additional challenges when accessing DFS, such as a lack of awareness about how to access and use available services and a lack of reliable and knowledgeable social networks they can turn to for advice. Language barriers also come into play. Further, these populations have inherently greater concerns related to privacy and tracking, including legal restrictions and documentation
issues. Therefore, FDPs need to be informed about the various types of DFS and related requirements, benefits, risks and costs so as to make informed product comparisons and consumer choices. FDPs must also clearly understand the rules, rights and responsibilities related to DFS usage. Training and educational programs can address the use of digital tools and DFS, while emphasizing data privacy, protection, and account security. One way of reaching a large audience of FDPs is to integrate such efforts into the distribution process of humanitarian assistance, or also through innovative digital communication initiatives such as mobile, website, and SMS-based applications. Here again, the success of such initiatives is contingent on the effective coordination among all stakeholders to share experiences and collectively design educational curricula and digital tools which aim to enhance FDP’s financial knowledge, capacities, and capabilities.

The G20 should especially support efforts to protect the most vulnerable from scams and fraud, via direct and indirect means of consumer protection. This includes identifying, among DFS providers and regulators, the “best practices” in terms of customized educational strategies (e.g., digital financial literacy curricula and programs), and appropriate communication methods (e.g., consumer disclosure statements and digital notifications). GSMA (2015) has developed the Code of Conduct for Mobile Money Providers, which requires financial service providers to educate customers on how to safely use mobile money services. Other examples include Kenya’s Safaricom M-PESA, which relies on SMS alerts, radio announcements in local dialects, and newspaper ads to update customers on fraud schemes (McKee, Kaffenberger, & Zimmerman, 2015). South Africa uses workshops and exhibitions via a website, a call center, and face-to-face presentations to inform consumers about scams and keeping their money and identity safe. In Indonesia, the Financial Services Authority relies on its website and mobile app to reach out to users on financial education matters and inform them about safety issues related to online and mobile payments (FinCoNet, 2016). CGAP also highlights best practices that improve the DFS user experience while also improving consumer self-protection – these include developing more intuitive mobile applications, offering digital menus in local languages and using interactive voice responses to give instructions to customers (McKee, Kaffenberger, & Zimmerman, 2015). All of these best practices can be adapted for FDPs given their DFS and consumer protection needs.

Conclusions

Conflict and lack of political and economic reforms throughout the world continue to threaten the livelihoods of millions of refugees and other forcibly displaced populations (FDPs). DFS, especially mobile money, are rapidly proving to be effective mechanisms in reducing barriers to financial inclusion and enabling more efficient access to financial services for these highly vulnerable populations. The G20 is best positioned to assume a leadership role in coordinating efforts among multiple public and private stakeholders to promote greater DFI among FDPs to assist them in acquiring the necessary resources to rebuild and sustain their livelihoods. A collaborative approach by all stakeholders, including governments, the private sector, humanitarian agencies, and civil society organizations, is needed to better understand the challenges facing these populations and better inform local and national policies related to digital financial services within the larger context of migration.

References


