



DOCUMENTATION - GPI/AFI HIGH-LEVEL FORUM ON FINANCIAL INCLUSION OF FORCIBLY DISPLACED PERSONS

26 APRIL 2017, BERLIN

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BACKGROUND

Forced displacement, in its various forms and whether due to conflict or natural causes, is a critical and rapidly evolving development issue. For forcibly displaced persons (FDPs), access to affordable, secure and quickly usable financial services is vital to both cope with difficult situations in the immediate aftermath of a crisis, as well as to meet their broader financial needs in the longer term. Financial inclusion can therefore enable FDPs to realise their potential and thus to be able to contribute to the economic development of the host community or country. However, access to adequate financial services is often unavailable or inadequate for FDPs, and within that group especially for women.

Financial inclusion of FDPs is a long-term policy challenge that concerns G20 countries and many emerging and developing economies. Under the German G20 Presidency, this highly relevant issue was set as one of four priorities of the G20 Global Partnership for Financial Inclusion (GPFI) aiming at improving FDPs' access to a broad range of adequate financial services. A cornerstone of this G20 initiative was the High-Level Forum on Financial Inclusion of Forcibly Displaced Persons (FDPs), hosted by the German G20 Presidency of the Global Partnership for Financial Inclusion (GPFI) and the Alliance for Financial Inclusion (AFI) in Berlin on 26 April 2017.

The forum was the first of its kind and convened more than 70 participants from more than 20 countries, comprising representatives of a diverse range of stakeholders. Financial regulators, supervisors and policymakers from G20 and non-G20 countries, humanitarian and development agencies, private sector partners including both established industry players and new fintech innovators, and academics thus came together to discuss common challenges and potential solutions around financially including FDPs. A draft GPFI Policy Paper "Financial Inclusion of Forcibly Displaced Persons: Priorities for G20 Action" and a draft AFI Special Report "Financial Inclusion of Forcibly Displaced Persons: Perspectives of Financial Regulators" were prepared in the run-up to the Forum and served as a basis for the forum's discussions. The key outcomes of the discussions were grouped under three headings or prioritized action areas for further work (see below) and will be reflected in the papers to be finalized. The Chatham House Rule was applied throughout the forum to ensure an open and productive dialogue on this politically complex and sensitive issue.

PRIORITIZED ACTION AREAS FOR FURTHER WORK

1. **DIALOGUE AND COOPERATION:** improving cooperation and coordination through dialogue and strategic partnerships within and across sectors
2. **DATA AND EVIDENCE:** strengthening the case for financial inclusion of FDPs by closing the knowledge gap through data generation and targeted research
3. **SMART FRAMEWORK CONDITIONS:** embedding FDP-inclusive policies and practices in existing financial inclusion efforts, esp. as regards the regulatory environment, infrastructure and digital financial inclusion

SESSION 1: RECENT DEVELOPMENTS IN THE FINANCIAL INCLUSION OF FDPs - BRIDGING THE HUMANITARIAN RESPONSE AND DEVELOPMENT WORLDS

Moderator: **Francesca Brown** (UK DFID) - Panelists: **Nadine Chehade** (CGAP); **Amelia Greenberg** (Social Performance Task Force); **Niels V.S. Harild** (Solutions Alliance); **Micol Pistelli** (UNHCR)

The first session set the scene for the forum by providing context on recent developments in the financial inclusion of FDPs, showing that it is not just a humanitarian issue, but also a sustainable development one. Panellists included financial inclusion experts from humanitarian and development agencies who showcased their work in the area. They stressed that development gains would be more easily achieved if the financial inclusion of FDPs was addressed, and that progress towards the Sustainable Development Goals (SDGs) could be reversed if FDPs are not economically empowered.

Panellists from the humanitarian sector noted that in many countries facing the forced displacement crisis refugees require access to financial services and that financial regulators and policymakers play a significant role in enabling it. Since the issue is a long-term one, humanitarian agencies now urgently call for “development solutions” to financially include FDPs, citing the policy leadership and political will of regulators as vehicles to promote such solutions. Panellists stressed that regulatory issues could not be ignored in this case. While this is true, FDPs are not often not specifically taken into account in regulatory frameworks or national financial inclusion strategies. Perceptions of FDPs as ‘high risk’ were also highlighted as deterring financial service providers in some cases.

Moving forward, it was agreed that there should be more research and analysis at both micro (i.e. demand-side research) and macroeconomic levels to build an evidence base to effectively address the financial inclusion of FDPs. The need for continued high-level dialogue and peer-to-peer learning were also highlighted as actions to take forwards from the forum.

SESSION 2: WHAT WORKS? FINANCIAL INCLUSION OF FDPs AND THE ROLE OF FINANCIAL REGULATORS - CASES AND FINDINGS FROM THE AFI SPECIAL REPORT

Moderator: **Peter Bonin** (GIZ) - Presenter: **Dr. Justine Walker** (AFI Consultant) - Panelists: **Asmaa Bennani** (Bank Al-Maghrib); **Silke Deppmeyer** (BaFin); **Flora Rutabanzibwa** (Bank of Tanzania)

Session 2 focused on the role financial regulators can play in advancing the financial inclusion of FDPs and discussed the key challenges regulators active in this area face in different country contexts. The presentation of findings from the AFI Special Report set the context for the discussion by highlighting the common issues identified in interviews with multiple financial regulators. These included (i) the lack of, or inadequate, ID documents of FDPs, (ii) risk management issues related to Anti-Money Laundering/Combating the Financing of Terrorism (AML/CTF) efforts and (iii) knowledge gaps with regard to the financial needs of FDPs. Subsequently, the panelists provided insights into how these challenges apply to their specific country contexts and presented the measures they are taking or planning to take in order to address these issues.

Panelists stressed the importance of strengthening policy dialogue on this topic and highlighted the critical role regulators can play in influencing national policy towards FDPs. It was suggested to leverage National Financial Inclusion Frameworks for this purpose, as they offer a coordination mechanism at the highest level. Furthermore, the interrelation of FDPs and host communities emerged from the discussion as a key issue in developing proportionate regulatory frameworks. In this context, the need to balance AML/CFT regulations with the need for financial inclusion of FDPs was highlighted as disproportionate regulations and/or over-compliance could contribute to higher

financial exclusion of FDPs. Panelists considered that a potential solution would be for National Risk Assessment exercises, which lead to the development of AML-CFT frameworks, to specifically address the financial inclusion of FDPs through engagement with appropriate stakeholder groups. At the same time, it was acknowledged that besides the need for tiered Know Your Customer (KYC) requirements and Customer Due Diligence (CDD), security concerns must also be taken into account, for example where FDPs are coming from a jurisdiction classified as high risk for terrorist financing. For this reason, standard-setting bodies (SSBs) such as the Financial Action Task Force (FATF) and other actors dealing with security aspects should be included in the discussions. Finally, the importance of taking consumer protection issues into account was emphasized, specifically in the context of digital financial services.

Panelists further provided an overview of measures that are in planning or already being undertaken by regulators in different countries. These included, inter alia,

- the planned adoption of a settlement model for long-term refugees to enable a resident status and advocating for a biometric national ID to include FDPs in the labor market and financial sector,
- a reduction of remittances costs by removing “exclusivity” in the agent sector, or
- the obligation for all banks to provide a basic transactional bank account for all consumers that allows them to perform essential operations, without a requirement for them to be residents, and with flexibility exercised in determining the documents required for identification and verification, for example an official “proof of arrival” document.

SESSION 3: INNOVATIONS AND NEW BUSINESS MODELS FOR THE FINANCIAL INCLUSION OF FDPs

Moderator: **Leon Isaacs (DMA)** - Panelists: **Mireya Almazan (GSMA)**; **Bernino Lind (MONI Limited)**; **Paul Musser (MasterCard)**; **Balázs Némethi (Taqanu)**

Private sector actors are key innovators and enablers in advancing the financial inclusion agenda, including for FDPs, by striving to offer more sophisticated, yet practical financial products and services. Included in this trend are mobile solutions for cost and time efficient payment services, new approaches using biometric information, alternative data and blockchain technology for eased identification and lower remittances costs.

In this session, panellists from the private sector provided insights into how they had implemented activities to improve access to adequate financial services for FDPs. In addition, the potential of FinTech to complement efforts by regulators and policymakers to address this issue was noted. The FinTech sector can be a collaborator in tackling key challenges of financially including FDPs, such as through the use of biometric authentication to overcome identification barriers. A panellist reiterated that identity was one of the main barriers in the case of financially including refugees, who do not usually have formal identification or meet standard KYC requirements. As such, it was agreed that exploring biometric authentication and de-centralised identification solutions together with relevant government agencies could be important ways forward.

Recognising the protracted nature of most crises and that FDPs can be attractive consumers over time, there was an emphasis from the private sector participants on developing viable business models to serve FDPs. Moreover, there clearly was a strong willingness among private sector actors on the panel and in the audience to dialogue and collaborate with regulators and policymakers to advance the financial inclusion of FDPs.

SESSION 4: WAYS FORWARD

Moderator: **Andreas Proksch** (GIZ) - Presenter: **Jamie Zimmerman** (BFA) - Panelists: **Matt Homer** (USAID); **Radha Rajkotia** (IRC); **Kimberley Wilson** (Tufts University)

In this interactive session, participants and speakers gathered key action areas and recommendations aimed at shaping a collective way forward. The primary objective of the session was to present and discuss findings of the draft GPI Policy Paper on Financial Inclusion of FDPs and to agree on a realistic way forward for the GPI (and beyond). To this end, participants discussed the importance of bridging the divide between the development and humanitarian worlds and how this could be achieved in practice.

The session identified the G20 Global Partnership for Financial Inclusion (GPI), supported by its Temporary Steering Committee (TSC) on the financial inclusion of FDPs in particular, as an important platform to promote peer learning and facilitate the international dialogue on the topic. In this regard, it was suggested to turn the TSC into a GPI Taskforce to anchor the subject within the GPI more permanently. Furthermore, the importance and potential of the AFI network to raise awareness and support its members in capacity building through instruments such as the AFI peer-learning mechanism was stressed. Moreover, the SSBs and particularly the Financial Action Task Force (FATF) were mentioned as key partners to engage in matters concerning tiered KYC and simplified CDD.

It was further suggested to start to implement and test innovative solutions in multi-country pilots in order to find out which instruments fit best to enhance access to financial services for FDPs in various country contexts. At the same time, the need to create inclusive programs instead of stigmatized ones was emphasized. A further key issue emerging from the discussions was the urgency of enhancing preparedness by investing in infrastructure for digital financial services and of targeting high-risk areas. All suggestions were collected and documented on flipcharts depicting the bridge connecting the development and humanitarian realms, which were then taken into the GPI Forum and Plenary for further discussion during the subsequent week.

To summarize the discussions with an emphasis on highlighting priority areas of action for the GPI and drawing on the challenges and overarching areas for action emerging from the previous sessions, the suggestions, questions and challenges were allocated within three categories:

- **Dialogue and Cooperation:** Leveraging political will by fostering dialogue within and across sectors,
- **Data and Evidence:** Building the case by closing the evidence gap, and
- **Smart Framework Conditions:** Getting ahead of crises by investing in principled infrastructure, regulations, policies and processes.

DISCUSSION HIGHLIGHTS AND RECOMMENDATIONS

Several key messages and critical elements were continuously highlighted during the discussion sessions to advance the financial inclusion of FDPs, leading to a number of key recommendations emanating from the Forum and addressing the broad range of actors present:

- **Bridging the Humanitarian-Development Divide:** The financial inclusion of FDPs holds great potential to bridge the humanitarian and development world by enabling efficient emergency transfers and providing financial tools fostering resilience and opening-up socio-economic perspectives of FDPs.
- **Context Dependence:** Solutions need to be context-specific since the circumstances of forced displacement and the financial needs of the forcibly displaced will vary from country to country and need to be contextually analysed in each case. Financial inclusion approaches need to take into account the needs of host communities.
- **Potential of Digital Solutions:** Digital technologies hold strong potential to address some of the main barriers preventing FDPs' access to adequate financial services - e.g. innovations in biometric identification, mobile banking and e-wallets. It must, however, be complemented by an enabling regulatory environment that is also risk-aware.
- **Dialogue and Cooperation:** Consistent high-level dialogue both at the global level and at national level is crucial in mobilising policy leadership and political will to ensure the engagement of all relevant stakeholders in addressing the issue. Global dialogues need to involve both developed and developing countries that are recipients of FDPs to encourage peer-to-peer learning and constructive exchange.
- **Role of Financial Regulators, Supervisors and Policymakers:** They have a very important role to play especially in respect of creating an enabling environment for innovation, tiered KYC and simplified due diligence on the basis of risk assessment, increasing financial literacy, but also in their convening role and often leadership of national financial strategy processes.
- **Engagement with Global Standard Setting Bodies:** Collaboration with global standard setters such as FATF and FATF-style regional bodies (FSRBs) holds great promise towards designing and implementing NRAs that take FDPs into account.
- **Data and Evidence:** Data generation is key to understanding the financial services needs of FDPs.

NEXT STEPS

- All relevant stakeholders are asked to **jointly work on the prioritized action areas** (see above) and to **continue the multi-stakeholder dialogue**, including through a session on the Financial Inclusion of FDPs at the **AFI 2017 Global Policy Forum**, September 14-15 in Sharm El Sheikh, Egypt.
 - A workshop on “**Digital Financial Services for Humanitarian Response: An Action Agenda to Advance a Principled Approach to Digital Payments**” has been organized and hosted by BMGF, BMZ, DFID, and USAID 6-8 June 2017,
 - The organization of, or participation in a **thematic conference or side-event at a relevant conference** will be considered for the second half of 2017.
 - The **GPI and the Temporary Steering Committee** will continue to **stimulate further debate and support the translation of the results and findings into action**, inter alia:
 - working collaboratively with relevant United Nations Organizations, standard-setting bodies, other interested international organizations and stakeholders, **to develop proposals for an international action plan** to enable responsible and sustainable financial inclusion of FDPs globally,
 - engaging with FATF and other relevant global standard setting bodies to **initiate collaboration towards designing and implementing NRAs** that take FDPs into account,
 - **finalizing the GPI Policy Paper** on the basis of the identified and highlighted action areas (as endorsed at the GPI Plenary on 04 May 2017),
 - **facilitating peer-to-peer learning** in relevant areas, including between non-G20 and G20 countries who are currently addressing the issue,
 - integrating the needs of FDPs in the **future work of GPI Subgroups**, and
 - working towards the inclusion of specific measures to address FDP policy imperatives in the upcoming **UN Compact on Refugees**.
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