FINANCIAL INCLUSION STRATEGY (FIS) PEER LEARNING GROUP

INTEGRATING FORCIBLY DISPLACED PERSONS (FDPs) INTO NATIONAL FINANCIAL INCLUSION STRATEGIES (NFIS)

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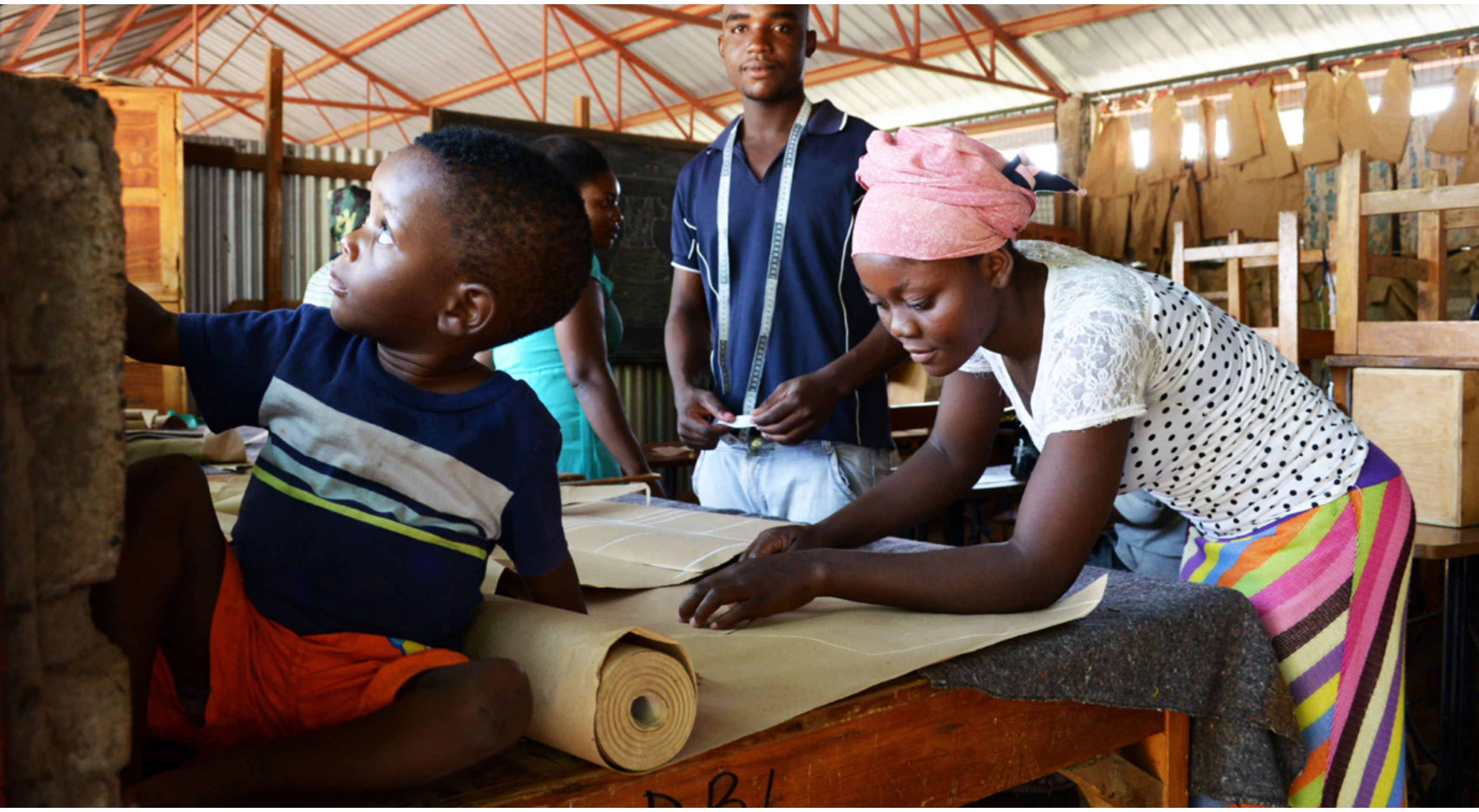

GUIDELINE NOTE

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The Guideline Note on Integrating Forcibly Displaced Persons (FDPs) into National Financial Inclusion Strategies is a product of AFI's Financial Inclusion of Forcibly Displaced Persons (FDPs) workstream, developed in consultation with the Financial Inclusion Strategy Peer Learning Group (FISPLG) and its members.

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Young family practising dressmaking in a vocational training centre in Kakuma refugee camp. Kenya. (Photo by Adriana Mahdalova/Shutterstock)

1. INTRODUCTION

1.1. WHY INTEGRATE FORCIBLY DISPLACED PERSONS (FDPs) INTO NATIONAL FINANCIAL INCLUSION STRATEGIES (NFIS)

Stateless persons, asylum seekers, refugees, returnees, internally displaced persons (IDPs) and other forcibly displaced persons (FDPs) represent an important segment of the world's population who still lack access to formal financial services.

According to the latest annual Global Trends in Forced Displacement Report, the United Nations High Commissioner for Refugees (UNHCR) reported that at the end of 2019, nearly 80 million people were living in forced displacement due to persecution, conflict, violence, and human rights violations. In addition to the imperative to address the immediate protection and humanitarian needs of FDPs, there is increasing awareness of the necessity and effort to ensure that FDPs are included in broader national financial inclusion measures. This is towards creating legal pathways for FDPs to participate in the economy and to contribute to the host community's socio-economic development.

> Accessing formal financial services can:
>
> "Enable FDPs to overcome difficult situations, apply their skills and competencies and realize their future potential. This in turn, helps them to contribute to the economic development of their host community or even country, and mitigate the inherent challenges (that) forced displacement poses to the Sustainable Development Goals (SDGs)."
>
> Alliance for Financial Inclusion (AFI) (2017), Financial Inclusion of Forcibly Displaced Person: Perspectives of Financial Regulators

For FDPs, financial inclusion provides sustainable means to safely store money, send or receive transfers such as remittances and social protection payments from government or humanitarian agencies, conduct everyday financial transactions, make non-cash or digital payments, and gain access to more complex financial services, such as credit and insurance for those starting or expanding businesses. This is particularly important for forcibly displaced women who may suffer a double disadvantage. These are key steps to increasing the self-reliance of FDPs and creating opportunities for them to contribute to the host economy. It can also indirectly benefit the economies of FDPs' countries of origin through financial activity such as remittances, possibly laying the needed groundwork for sustainable returns.

Sustainable development and inclusive economic growth can only be achieved if those who are forcibly displaced are not left behind in pursuit of broader national financial inclusion goals. It is important to note the intersectional nature of financial inclusion where age, gender, status and location can all become multipliers in the reasons for financial exclusion and must be tackled together to ensure effective and sustainable inclusion. The Global Compact on Refugees (GCR) states the importance of ensuring access to affordable financial products for women and men, in both host and displaced communities, through reducing the associated risks in banking, supporting the transfer of remittances, and enabling low-cost mobile and internet access to these financial services.[1] In order to drive the implementation of the GCR towards achieving its objectives, the UNHCR organizes the Global Refugee Forum (GRF) which meets every four years and serves as a platform for key stakeholders to share experiences, progress and best practices.

At the regional level, one notable culmination of the GCR is the Kampala Declaration on Jobs, Livelihoods, and Self-Reliance for Refugees, Returnees, and Host Communities, which was signed in March 2019 by the Intergovernmental Authority on Development (IGAD) member states[2] and builds on the 2017 Nairobi Declaration on Durable Solutions for Somali Refugees.[3] The declaration presents their commitments to achieve the objectives of the GCR for the IGAD region, where refugee self-reliance and livelihoods have been situated at the very core of devising durable solutions to forced displacement.[4] Access to formal financial services is crucial to achieving self-reliance and expanding livelihoods opportunities, which in turn enables FDPs to be active contributors to local economies.

1 United Nations. 2018. Global Compact on Refugees. Available at: https://www.unhcr.org/5c658aed4.pdf

2 Djibouti, Ethiopia, Eritrea, Kenya, Somalia, the Sudan, South Sudan and Uganda.

3 Hopkins, G. & Buffoni, L. The IGAD Kampala Declaration on jobs, livelihoods, and self-reliance: from declaration to reality. Available at: https://www.nature.com/articles/s41599-019-0370-2

4 Inter-Governmental Authority on Development (IGAD). 2019. Kampala Declaration on Jobs, Livelihoods and Self-Reliance for Refugees, Returnees and Host Communities in the IGAD Region. Available at: https://igad.int/attachments/article/2090/ENGLISH%20DECLARATION%20SIGNED.pdf

A more recent regional-level response is the Regional Refugee and Migrant Response Plan for Refugees and Migrants from Venezuela (RMRP) 2020 which is targeted towards the worsening Venezuelan crisis that has impacted the Latin American and Caribbean (LAC) region in the last few years.[5] As of October 2019, more than 4.5 million refugees and migrants from Venezuela are displaced outside their country of origin, with 3.7 million in the region alone.[6]

The business case for expanding access for FDPs to formal financial services is gradually increasing,[7] with many not only receiving cash transfers in a humanitarian "care and maintenance" model, but gradually gaining access to jobs, income streams and businesses. The large scale of economic activity and livelihoods of those living in forced displacement represents an opportunity, which can be fully harnessed only once they have access to a range of financial services and tools.

Beyond the business case, financial policymakers and regulators increasingly recognize the role financial inclusion plays in sustainable development, inclusive economic growth and poverty reduction.[8] Financial inclusion can play a meaningful role in the response to forced displacement, enabling FDPs and their host communities to pursue shared prosperity, boost productivity and become more financially resilient. It can additionally be noted that when women are financially included their resilience increases and their children are more likely to benefit, than if only the male partner is included.

National Financial Inclusion Strategies (NFIS) are an effective policy tool for increasing access to formal financial services. NFIS ensure financial inclusion efforts are targeted, coordinated, measured and harmonized with other related national policy agendas. National strategies additionally enable the parallel pursuit of the I-SIP objectives,[15] otherwise known as the objectives of financial inclusion, financial stability, financial integrity and consumer protection. The United Nations Inter-agency Task Force on Financing for Development underlines that according to Global Findex data, countries that have developed NFIS have reduced financial exclusion more rapidly than those who have not.[16] Out of AFI's 99 member institutions, 53 have formulated an NFIS and 45 out of the 68 AFI member country commitments made under the Maya Declaration cite a focus on developing such a strategy. Besides setting-up a conducive framework for financial inclusion of FDPs, NFIS are also important for financial service providers (FSPs) that are willing to extend their products and services to this population, as they offer a government-endorsed policy for them to refer to.

Increasingly, global stakeholders are realizing the role of NFIS. The multi-stakeholder Roadmap to the Sustainable and Responsible Financial Inclusion of FDPs, calls for the integration of FDPs' needs into national strategies and regulation.

A STRONG ARGUMENT FOR FINANCIAL INCLUSION OF THE FORCIBLY DISPLACED: REMITTANCES IN MAURITANIA, AFGHANISTAN AND RWANDA

Forty-five percent of the total adult population in Rwanda have sent and/or received local and international remittances.[9] The outbound remittances from Rwanda are estimated at USD 261 million[10] and the inbound remittances into Rwanda at USD 143 million.[11] Rwanda receives remittances mainly from countries such as the Democratic Republic of Congo (DRC), Burundi and Tanzania. While data for the forcibly displaced specifically is still lacking, this suggests strong links with the refugee populations living in Rwandan camps.[12] In Afghanistan, the inbound remittances are estimated at USD 868 million and the outbound remittances at USD 235 million. 70 percent of the inbound remittances to Afghanistan are from Iran and Pakistan, which again suggests links with the displaced population, notably the forcibly returned.[13] For Mauritania, the inbound remittances are estimated at USD 60 million and the outbound remittances at USD 27 million.[14]

5 Response for Venezuelans (R4V). 2020. Regional Refugee and Migrant Response Plan for Refugees and Migrants from Venezuela (RMRP) 2020. Available at: https://data2.unhcr.org/en/documents/details/73277

6 Ibid.

7 BFA. 2018. Refugees and their money: The business case for providing financial services to refugees. Available at: https://bfaglobal.com/wp-content/uploads/2020/01/Refugees-and-Their-Money_-Assessing-the-Business-Case-for-Providing-Financial-Services-to-Refugees.pdf

8 The 2011 Maya Declaration is a commitment platform enabling AFI member institutions to make concrete financial inclusion targets, implement in-country policy changes, and regularly share progress updates as a means to contribute to a range of the United Nations Sustainable Development Goals (SDGs), but specifically focusing on SDG1 — No Poverty.

9 Access to Finance Rwanda (AFR). 2020. Rwanda FinScope 2020. Available at: https://www.statistics.gov.rw/publication/finscope-rwanda-2020

10 World Bank KNOMAD. April 20 20. COVID-19 Crisis through a Migration Lens: Migration and Development Brief 32. Available at: http://documents1.worldbank.org/curated/en/989721587512418006/pdf/COVID-19-Crisis-Through-a-Migration-Lens.pdf

11 UNHCR & UNCDF. 2017. Remittances. Available at: https://www.unhcr.org/5b3101d44.pdf

12 Ibid.

13 Ibid.

14 World Bank KNOMAD. April 2020. COVID-19 Crisis through a Migration Lens: Migration and Development Brief 32. Available at: http://documents1.worldbank.org/curated/en/989721587512418006/pdf/COVID-19-Crisis-Through-a-Migration-Lens.pdf

15 CGAP. 2018. Financial Inclusion + Stability, Integrity, and Protection (I-SIP): Policy Making for an Inclusive Financial System. Available at: https://www.cgap.org/sites/default/files/publications/Technical-Guide-ISIP-Policy-Making-Nov-2018.pdf

16 United Nations Inter-agency Task Force on Financing for Development. Achieving Financial Inclusion. Available at: https://developmentfinance.un.org/achieving-financial-inclusion

> "Deliberate efforts to integrate FDPs into national financial inclusion diagnostics and National Risk Assessments (NRAs), where appropriate, will make the economy of FDPs visible to regulators, supervisors, and policymakers, 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, help 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."
>
> Roadmap to the Sustainable and Responsible Financial Inclusion of Forcibly Displaced Persons.[17]

It is against this background that this guideline note has been developed. Its purpose is to provide practical guidance to AFI members and other financial policymakers and regulators seeking to integrate FDPs into their NFIS. The goal of this guideline note is to equip financial policymakers and regulators to apply a "forced displacement lens" within the context of their national financial inclusion priorities, so that their NFIS successfully advances the financial inclusion of FDPs and enhances their economic participation in a dignified manner.

Figure 1 provides an overview of the phases and recommended steps presented within the guideline note.

17 Alliance for Financial Inclusion, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Chrissy Martin et al. 2019. Roadmap to the Sustainable and Responsible Financial Inclusion of Forcibly Displaced Persons. Available at: https://www.afi-global.org/sites/default/files/publications/2019-12/Roadmap_FI%20of%20FDPs_122019_0.pdf

FIGURE 1. INTEGRATING FDPs INTO THE NFIS LIFECYCLE

PHASE 1 PRE-FORMULATION

- Conceptualize FDPs within the NFIS
- Conduct a diagnostics and analysis on the state of FDP financial inclusion
- Undertake stakeholder mapping, bilateral engagements, and national consultations with FDP stakeholders
- Include FDP stakeholders in institutional structures for the NFIS formulation and implementation

PHASE 2 FORMULATION

- Craft a vision, rationale and business case
- Present the current state of FDP financial inclusion and financial inclusion barriers
- Formulate NFIS pillars and policy actions
- Establish a Monitoring and Evaluation (M&E) Framework that integrates targets and indicators for FDP financial inclusion

PHASE 3 IMPLEMENTATION

- Establish a working group dedicated specifically to implementing the FDP financial inclusion policy actions of the NFIS
- Involve FDPs through civil society organizations and other key stakeholders
- Peer-to-peer learning
- Maintain flexibility to adapt to market developments and emerging policy priorities

MONITORING AND EVALUATION

1.2. UNIQUE CONSIDERATIONS FOR INTEGRATING FDPs INTO NFIS

When integrating the forcibly displaced into NFIS, there are considerations that are unique to the population that must be taken into account:

> **The political nature of forced displacement**, particularly in the context of cross-border forced displacement. This is a challenge that is very peculiar to the integration of FDPs into NFIS, and it necessitates caution, diplomacy and tact throughout the entire NFIS process to ensure that FDPs continue to be accepted by the host country and communities, in addition to the NFIS stakeholders.

> **Integrating FDPs into NFIS requires financial policymakers and regulators to establish collaborative partnerships** with "new" stakeholders with whom they may not have had any prior engagement. These include the ministries providing services to FDPs, such as the ministries of interior, social affairs, or migration; humanitarian and development partners such as the UNHCR; ministries dealing with identification; and the national Financial Intelligence Unit to address Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) concerns as they relate to FDPs. These partnerships must be established from the very beginning.

> **A majority of the time, FDPs are invisible to the financial policymaker and regulator** due to a serious lack of any reliable, robust, and appropriately disaggregated financial inclusion data on FDPs. Without such data, financial policymakers and regulators are not able to diagnose the state of FDP financial inclusion, to establish a baseline on which they could then develop FDP-specific indicators and targets within the national strategy.

> **The private sector tends to view FDPs as a non-profitable client segment**, a cause for increased compliance costs associated with AML/CFT policy and regulation, and prone to flight risk. Therefore, there must be deliberate efforts to socialize policies and regulations that promote the financial inclusion of FDPs among FSPs so that they are aware of these and can play their role in implementing the FDP components of the NFIS.

1.3. WHO IS THIS GUIDELINE NOTE FOR?

This guideline note was developed primarily for financial policymakers and regulators. However, it also aims to provide other key stakeholders involved in the formulation and implementation of FDP-inclusive NFIS, such as ministries, humanitarian and development agencies, and the private sector with insights into the policy process. It is thus aimed at those who are developing NFIS or who are currently involved in the implementation of their countries' NFIS, in order to include FDPs and their specific needs in these strategies. It is a resource for all refugee-hosting countries, as well as those that experience internal displacement, at all stages of NFIS formulation or implementation.[18] For those countries where financial inclusion strategies are already developed, the guideline note presents key recommendations on how to integrate FDPs; and for countries where NFIS are in the pre-formulation phase, this guideline provides recommendations on how to include forced displacement considerations from the very beginning.

This document builds on, complements, and should be utilized in conjunction with the following AFI knowledge products:

> 2016 Guideline Note: National Financial Inclusion Strategies: A Toolkit.

> 2017 Guideline Note: Integrating Gender and Women's Financial Inclusion into National Strategies.

> 2017 Special Report on the Financial Inclusion of Forcibly Displaced Person: Perspectives of Financial Regulators.

> 2017 Global Partnership for Financial Inclusion (GPFI) Policy Paper: Financial Inclusion of Forcibly Displaced Persons: Priorities for G20 Action.

> 2018 National Financial Inclusion Strategies: Current State of Practice.

> 2019 Roadmap to the Sustainable and Responsible Financial Inclusion of Forcibly Displaced Persons.

> 2020 Toolkit on Inclusive Financial Integrity (including the specific chapter on FDPs).

> 2020 Policy Model for National Financial Inclusion Strategy.

1.4. HOW IS THE GUIDELINE NOTE USED?

This guideline note is aligned with the NFIS Lifecycle as defined by AFI, following the phases of Pre-formulation, Formulation and Implementation, which have Monitoring and Evaluation (M&E) as a cross-cutting process.[19] Drawing on the direct input of AFI members and industry best practices, it is designed to provide guidance on how to integrate FDPs into NFIS, towards advancing the financial inclusion of FDPs.

18 85 percent of refugees worldwide live in developing countries, according to the UNHCR (2020) Global Trends in Forced Displacement 2019.

19 Alliance for Financial Inclusion. 2020. Policy Model for National Financial Inclusion Strategy. Available at: https://www.afi-global.org/sites/default/files/publications/2020-09/AFI_NFIS_PM_AW2_digital.pdf

It is not intended to be a detailed instructional manual on the topic. However, it can serve as a reference for clarifying concepts and their practical application within the NFIS context, and as an instrument for learning about the specific components of an NFIS and its processes into which FDPs can be integrated.

1.5. WHO IS AN FDP? DEFINING KEY TERMS

The definitions related to forced displacement are continually discussed and contested by the international community.[20] For the purpose of this guideline note, FDPs broadly refer to those "forced to leave their homes due to conflict, persecution, violence, or human rights violations."[21]

It should however be noted that there is indication of a gradually shifting global narrative about who we define as FDPs, for example to include those forcibly displaced by climate change and disasters. The UNHCR underlines that forced displacement can be driven by "the effects of climate change, natural disasters, and environmental degradation which often exacerbate competition over scarce resources. Often these various factors overlap or reinforce others."[22]

FDPs include stateless persons, asylum seekers, refugees, returnees, and IDPs. This guideline note uses the definitions of FDPs provided in UNHCR's 2019 Global Trends in Forced Displacement Report:[23]

STATELESS PERSONS

Defined under the 1954 Convention Relating to the Status of Stateless Persons[24] as those not considered as nationals by any State under the operation of its law. In other words, they do not possess the nationality of any State.

ASYLUM SEEKERS

Individuals who have sought international protection and whose claims for refugee status have not yet been determined.

REFUGEES

Individuals recognized under the 1951 Convention relating to the Status of Refugees, its 1967 Protocol, the 1969 Organization of African Unity (OAU) Convention Governing the Specific Aspects of Refugee Problems in Africa, the refugee definition contained in the 1984 Cartagena Declaration on Refugees as incorporated into national laws, those recognized in accordance with the UNHCR Statute, individuals granted complementary forms of protection, and those enjoying temporary protection. The refugee population also includes people in refugee-like situations.

RETURNEES (REFUGEES)

Former refugees who have returned to their countries of origin, either spontaneously or in an organized fashion, but are yet to be fully integrated. Such returns would ideally take place only under conditions of safety and dignity.

IDPS

Persons or groups of persons who have been forced or obliged to flee or to leave their homes or places of habitual residence, in particular as a result of, or in order to avoid the effects of armed conflict, situations of generalized violence, violations of human rights or natural or humanmade disasters, and who have not crossed an internationally recognized State border.

In some countries, such as Afghanistan, one prominent type of IDPs are returnee-IDPs. A returnee-IDP is a returnee to a country who, upon return, is unable to return to their place of origin or habitual residence due to insecurity, violence, violation of human rights and/or land disputes.

Additionally, UNHCR has a category of FDPs termed "other groups and persons of concern" which refers to persons "who do not necessarily fall directly into any of the groups above but to whom UNHCR has extended its protection and/or assistance services, based on humanitarian or other special grounds. This is a demonstration of the heterogeneity of FDPs as a population and the imperative to fully understand the complexities in identifying who they are, in order to be able to appropriately address them in national financial inclusion policies and regulations. Errors in doing so can result in unintendedly excluding them and leaving them marginalized from these policies and regulations.

20 The lived experience of those on the move do not match easily with these conceptual or policy categories, and these dominant categories may fail to adequately address the complex relationship between political, social and economic drivers of displacement, or their shifting significance to individuals over time and space. Different definitions of forced displacement lead to major discrepancies in its perceived scope and scale across contexts. Financial inclusion policymakers and regulators should be aware of these conversations, as they impact the statistics and data on FDPs, and influence country responses, policies and strategies. See World Bank, (2017). "Forcibly Displaced: Toward a Development Approach Supporting Refugees, the Internally Displaced, and Their Hosts."; and Crowley, Heaven., and Skleparis, Dimitris., (2017). "Refugees, migrants, neither, both: categorical fetishism and the politics of bounding in Europe's 'migration crisis'." Journal of Ethnic and Migration Studies. Volume 44, 2018 - Issue 1.

21 Alliance for Financial Inclusion, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Chrissy Martin et al. 2019. Roadmap to the Sustainable and Responsible Financial Inclusion of Forcibly Displaced Persons. Available at: https://www.afi-global.org/sites/default/files/publications/2019-12/Roadmap_FI%20of%20FDPs_122019_0.pdf

22 UNHCR. 2017. Climate Change, Disasters and Displacement. Available at: https://www.unhcr.org/596f25467.pdf

23 UNHCR. 2020. Global Trends in Forced Displacement 2019. Available at: https://www.unhcr.org/5ee200e37.pdf

24 UNHCR. 1954. 1954 Convention Relating to the Status of Stateless Persons. Available at: https://www.unhcr.org/en-my/protection/statelessness/3bbb25729/convention-relating-status-stateless-persons.html

2. INTEGRATING FDPs INTO THE NFIS LIFE CYCLE

2.1. PHASE I PRE-FORMULATION

> Conceptualize FDPs within the NFIS.

> Conduct a diagnostics and analysis on the state of FDP financial inclusion.

> Undertake stakeholder mapping, bilateral engagements, and national consultations with FDP stakeholders.

> Include FDP stakeholders in institutional structures for the NFIS formulation and implementation.

CONCEPTUALIZING FDPs WITHIN THE NFIS

During the pre-formulation phase, one of the first step is to establish a clear "why?". This fundamental question covers both the broader reasons behind the NFIS, as well as the reasons for specifically incorporating FDPs into the national strategy. This step culminates in a concept paper which states the unique definition of financial inclusion for the country, outlines the main features and parameters of the NFIS and demonstrates the alignment with existing, relevant policy and legislation i.e. the enabling policy environment. It can additionally present the potential target groups[25] and main pillars of the NFIS, despite no full-fledged diagnostic studies having taken place yet.

Therefore, the concept paper is an important opportunity for the lead institution to introduce FDPs into the NFIS process particularly because the document is typically used to "lay foundations for and guide NFIS formulation, and…to create buy-in and consult key stakeholders within the lead institution, as well as the external NFIS stakeholders towards ensuring a strategic and coordinated approach in the NFIS formulation and implementation phase."[26] It will enable the lead institution to create traction among the NFIS stakeholders by providing clear reasons as to why and how financial inclusion will benefit FDPs along with the wider society and economy of the host country.

Ultimately, all NFIS stakeholders must already have shared ownership of the goal to include FDPs into the national strategy after a stage of socializing the concept paper through bilateral engagements, gender-sensitive focus group discussions (FGDs), or wider multi-stakeholder consultation. This ensures a less constrained implementation phase later. Indeed, the concept paper provides the NFIS stakeholders with a vision and roadmap, and a solid inception point for the NFIS formulation.

25 Examples of NFIS target groups are women, youth, MSMEs and rural populations.

26 Alliance for Financial Inclusion. 2020. Policy Model for National Financial Inclusion Strategy. Available at: https://www.afi-global.org/sites/default/files/publications/2020-09/AFI_NFIS_PM_AW2_digital.pdf

BOX 1. MAURITANIA CASE STUDY: AN NFIS CONCEPT NOTE THAT SETS THE TONE FOR FDPs

In early 2020, Mauritania set out to develop its first NFIS based on a concept note developed by the Department of Financial Inclusion of the Banque Centrale de Mauritanie (BCM). Following a summary of the challenges to be met, the note presents the vision of the central bank, and lays out the main proposed "axes" or pillars of intervention. It lists the target populations whose access to finance should be improved, including forcibly displaced persons alongside others, often overlapping disadvantaged demographics such as women, youth, livestock herders and traders, and those living in rural areas.

It acknowledges that, as in many other contexts, a key impediment to financial inclusion efforts is simply a lack of data or information, and puts a strong focus on the need to establish a financial inclusion data collection and analysis framework, including harmonized indicators to measure access to finance in a synchronized and comparative fashion. The analysis of such data will enable the stakeholders in Mauritania to tackle a number of strategic NFIS areas, such as improving financial sector supervision, expanding the range of appropriate financial inclusion products and services, strengthening financial education and consumer protection, and creating a conducive policy and regulatory environment.

Beyond presenting the broad strokes on what needs to be done, the concept note provides two crucial elements necessary for the development of detailed roadmaps: it lays out the leadership and coordination structure for the future NFIS, and an approximate timeline for key milestone activities such as the diagnostic studies, NFIS formulation, multi-stakeholder consultations, and the launch.

DIAGNOSTICS AND ANALYSIS

Diagnostic studies outline the state, trends, and challenges of financial inclusion in a given country context. Usually, they are produced based on a thorough analysis of properly disaggregated (such as by sex, age, and geographic location in order to reveal important patterns) demand-side and supply-side data collected through national surveys along with information from a gender-lensed review of policy and regulation that is relevant to financial inclusion. FDPs must be included in the diagnostic studies if they are to be properly integrated into the NFIS.

There are important differences between FDPs and the wider segments of the population whom they live amongst, which pertain not only to their legal status but also to their gender; age; geographic location; literacy levels including digital and financial literacy; and inclusion in the local labor market. All of these can impact their degree of financial inclusion, although the degree of impact is unclear if diagnostic studies on their state of financial inclusion have not yet been undertaken.

Indeed, the lack of properly disaggregated data on FDPs' access to, and aspirations pertaining to, formal financial services hamper efforts to build a strategy for their financial inclusion that is appropriate for their unique context and will have impact during implementation. Ensuring that FDPs are a part of the diagnostic studies will allow the NFIS stakeholders to understand the FDPs' financial situation, access to formal and informal finance, and special financial needs that set them apart from the other NFIS target groups.

> "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." [27]
>
> Roadmap to the Sustainable and Responsible Financial Inclusion of FDPs

Three major categories of barriers that inhibit the financial inclusion of the forcibly displaced:

> **Supply-side barriers** include risk aversion among formal FSPs and the uncertainties they have surrounding the risk of FDPs as a customer segment particularly those who view that FDPs may do onward migration, or present Money Laundering and Terrorist Financing (ML/TF) risks that can increase compliance costs. In some jurisdictions, 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, FSPs 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.[28]

27 Alliance for Financial Inclusion, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Chrissy Martin et al. 2019. Roadmap to the Sustainable and Responsible Financial Inclusion of Forcibly Displaced Persons. Available at: https://www.afi-global.org/sites/default/files/publications/2019-12/Roadmap_FI%20of%20FDPs_122019_0.pdf

28 Ibid.

FSPs may be further discouraged by other perceived prohibitive costs of offering formal financial services to and banking FDPs, such as hiring additional staff or agents who would more effectively interface with and serve FDPs. Finally, another supply-side barrier is the low number of access points and other financial inclusion-related infrastructure found in the jurisdiction hosting FDPs, for example limited mobile network coverage where FDPs reside outside of urban areas such as in camps or rural areas.

> **Demand-side barriers** include limited financial literacy, a lack of formal financial product knowledge, lack of interest in mobile money products, and fear of high cost of services; irregular income sources and lack of sufficient funds or collateral; the transient nature of their stay (whether real or perceived) and heterogenous needs; and a lack of sufficient identification documents to satisfy KYC requirements. There can also be a lack of trust in formal financial institutions and confidence in interacting with these institutions, which is further elaborated below. This is usually due to a number of factors, including but not limited to lower levels of literacy and education, infrequent or non-existent past interaction with banking agents and/or formal financial intuitions.

> **Policy, legal and regulatory barriers** refer to such policy, legal and regulatory frameworks that impede FDPs' access to formal financial services. One of the most commonly cited is a jurisdiction's KYC regime which may not be a risk-based, proportionate and tiered KYC regime with provisions for simplified KYC and CDD for confirmed, lower-risk FDPs. These barriers may be more pronounced for women FDPs in jurisdictions where there are legal gender differences in obtaining access to certain forms of identification, such as the need to rely on a male spouse or relative to acquire the identification required by AML/CFT standards.[29]

> **Socio-cultural and behavioral barriers** should be considered but such data may be difficult to collect and analyze, given they are gathered through sociocultural and behavioral studies. These include FDPs tending to have more trust in the informal system; making financial decisions in a manner that is aligned with those of family and friends due to a feeling of familiarity; and feeling uncomfortable in using formal financial services such as through entering a branch or engaging with an agent at a shop due to experiences with stigma, discrimination and xenophobia. FDPs may have additionally faced traumatic experiences in their countries or communities of origin such as violence or human rights violations including gender-based violence, that can cause mistrust in formal systems. Gender-related socio-cultural and behavioral barriers must also be taken into account, for instance forcibly displaced women can experience a lack of access to and control of mobile devices that could otherwise facilitate their financial inclusion.

Knowing which of these are the most pressing financial inclusion barriers to overcome is the main goal of the diagnostic studies. Investment in diagnostics work and its rigorous, properly disaggregated data collection and analysis[30] process ensures that the NFIS is grounded in robust evidence, and can properly inform the formulation of indicators and targets which will be integrated into the M&E framework to effectively track implementation progress.[31] It guarantees that the unique needs of FDPs are appropriately addressed and well-targeted, which is necessary in consideration of the fragile circumstances they are in within their host communities and countries.

If a country intends to include FDPs as a target group in their NFIS, the national demand-side and supply-side surveys are a good start. Financial policymakers and regulators should ensure that FDPs are part of the respondent sample of the wider national survey in the most representative manner possible, along with the other NFIS target groups. They can also consider a mini survey just for FDPs within the wider national survey. This would require collaboration with key stakeholders, such as the national statistics system (NSS), the Ministry for Interior Affairs or other ministry leading the government's support to FDPs within the jurisdiction, the UNHCR and other humanitarian agencies, and other stakeholders involved in FDP matters.

29 Alliance for Financial Inclusion. 2018. Gender Considerations in Balancing Financial Inclusion and AML/CFT. Guideline Note 31. Available at: https://www.afi-global.org/sites/default/files/publications/2018-11/AFI%20GSP_laundering_stg7.pdf

30 Such analysis should be as gender sensitive as possible.

31 See "National Financial Inclusion Strategy Monitoring and Evaluation Toolkit" (AFI, forthcoming).

An emerging stakeholder group are research organizations, such as academic institutions and think tanks, who are beginning to play a central role in providing data and evidence on FDPs' financial needs and lives to inform sound policymaking for FDP financial inclusion.[32] Policymakers and regulators can collaborate with their NSS to identify whether such research initiatives already exist for the FDP population they wish to target within their NFIS. This can avoid duplication in data collection and analysis efforts and start collaborative partnerships that can fill in capacity gaps in conducting diagnostics on the state of FDP financial inclusion, but also in data collection and analysis during the NFIS implementation later on. These research organizations may have already completed substantive research that is ready to use, such as the Finance in Displacement (FIND) program in the snapshot box below.

SNAPSHOT BOX: FINANCIAL IN DEVELOPMENT PROGRAM

Finance in Displacement, in short FIND,[33] is a research project with an aim to understand and strengthen the financial lives of refugees in Jordan, Kenya, Uganda, Ethiopia and Mexico. The project seeks to understand how refugees manage their financial and economic lives in the context of protracted displacement, their financial challenges, and strategies or resources they can use to overcome the same.

The project is a partnership between Catholic University (KU) Eichstätt-Ingolstadt, The Fletcher School of Tufts University, and International Rescue Committee (IRC) and is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) – for Jordan and Kenya, and by Open Society Foundations (OSF) in Uganda, Ethiopia and Mexico. Some initial findings can be found in the project's newsletter on its website.

All these stakeholders are extremely essential due to their close engagement with FDPs, and because they have the required forced displacement expertise for instance in consulting FDPs through methods such as FGDs, and they have the training needed to guarantee protection of FDPs throughout the process. This is especially important among FDPs who need to be protected after fleeing from their countries of origin or homes due to conflict, persecution, violence, or human rights violations and may be in danger or are suffering from trauma. These stakeholders additionally have insights on how to accurately select the FDP respondent sample.

Ensuring that FDPs are included in the national demand-side and supply-side surveys will result in data and evidence on the state of FDP's financial inclusion to inform the development of the diagnostic studies. When a nationally representative demand-side survey data is not available, the diagnostic studies can incorporate smaller, micro-level studies on particular population segments, and on the use of individual financial products and services. Diagnostic study analytical tools can include the AFI Core Set of Financial Inclusion Indicators and the AFI SME Financial Inclusion Indicators.[34]

If the country's NFIS has already been drafted or is being implemented, diagnostic studies may still be conducted to fill in data gaps regarding the financial inclusion of FDPs. The diagnostic studies could then focus specifically on and be dedicated to the FDP demographics and profile (gender, age, location e.g. camp, urban or rural area, place or country of origin, length of displacement, aspirations, remittances, type of assistance received, etc.), the forced displacement legal, policy and regulatory frameworks in the country,[35] the digital finance system (DFS) landscape, gaps in FDP financial inclusion data, as well as more general data gaps including a lack of proper data disaggregation. This version of diagnostic studies can then be added to the NFIS action plan and M&E framework should there be an opportunity to do so, or it can directly inform new, financial inclusion policy and measures for advancing FDP financial inclusion.

32 Alliance for Financial Inclusion, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Chrissy Martin et al. 2019. Roadmap to the Sustainable and Responsible Financial Inclusion of Forcibly Displaced Persons. Available at: https://www.afi-global.org/sites/default/files/publications/2019-12/Roadmap_FI%20of%20FDPs_122019_0.pdf

33 See "Finance in Displacement" website for detailed information: https://find.substack.com/

34 Alliance for Financial Inclusion. 2016. National Financial Inclusion Strategies: A Toolkit. Guideline Note 20. Available at: https://www.afi-global.org/sites/default/files/publications/2016-08/Guideline%20Note-20%20FIS-Toolkit.pdf

35 This may include the national uptake of the Global Compact for Refugees (GCR), the Comprehensive Refugee Response Framework (CRRF) and any national policies relating to IDPs and refugees.

BOX 2. JORDAN CASE STUDY: MAKING FDPS VISIBLE THROUGH DIAGNOSTIC STUDIES

A 2017 financial diagnostic study conducted by the Central Bank of Jordan (CBJ), showed that approximately 2.7 million refugees had the lowest levels of financial inclusion in the country. The results of this study were used by the central bank to specifically target refugees as one of the four priority segments in Jordan's NFIS for the years 2018-2020, along with the bottom 40 percent of households, women and youth. In particular, the following actions were undertaken in the diagnostic study:

> Included both formal and informal refugees in the respondent sample of the national demand-side survey, representing more than half of the 25 percent of non-Jordanians surveyed.

> Collected data on their usage of deposit, savings, credit, payment and insurance products and disaggregated their data based on sex, age, and geographical area.

> Leveraged the data to set explicit targets for their financial inclusion within the strategy.

Jordan's diagnostic studies provided disaggregated data on the financial inclusion of refugees. Key financial inclusion indicators disaggregated by displacement status allowed to set medium- and long-term benchmarks for refugees. These include the percentage of refugees aged above 15 who had borrowed from a financial institution in the past year, had an account, saved at a financial institution, or made and received digital payments. These data sources then allowed for CBJ to create specific targets over a multi-year horizon to be monitored with an eye to improving accountability, as illustrated in Figure 2 on page 18.

Like elsewhere, Jordan's policymakers faced the challenge of having limited reliable data pertaining to FDPs - the country's NFIS states that "there is no internationally comparable data on the financial inclusion of non-nationals and refugees in particular. Due to a lack of available data on the financial inclusion of refugees in peer countries, benchmarks for that segment presented below could not be calculated using the same evidence-based methodology…they are therefore rough estimations of the potential in the financial inclusion of this priority segment."[36]
The recognition of this gap, and the need to fill it, represents a best practice to be emulated.

The diagnostic studies work to clarify uncertainties on what formal financial services FDPs require, and their most appropriate delivery channels and regulatory approaches. Many financial policymakers and regulators often solely discuss financial inclusion in terms of providing cash-based financial assistance to FDPs in displacement camps through government social transfer programs or humanitarian cash transfers.[37] However, six in 10 refugees have been living in protracted displacement situations for more than 10 years, two-thirds have self-settled in urban areas and only one-third of refugees currently reside in managed camps.[38] The diagnostic studies shed light on the specific forced displacement situation within a country, allowing financial inclusion stakeholders to appropriately tailor their policies and ensure that measures are both sustainable and responsible.

FDP rights and the legal, policy, and regulatory frameworks that govern them play a decisive role when formulating the NFIS. This includes their rights to legal identity and documentation, and the relationship of documents provided to those who have been forcibly displaced with KYC and CDD requirements. Other policy responses should also be considered, including the country's uptake of the Comprehensive Refugee Response Framework (CRRF). Some jurisdictions, have specific strategies, policies and action agendas governing the integration of FDPs that the NFIS must be aligned with to ensure coherent policy actions. This necessitates strong engagement, coordination, and collaboration between financial policymakers and regulators and their government counterparts who are addressing forced displacement in the country.

NATIONAL RISK ASSESSMENT

The National Risk Assessment (NRA), where appropriate, should carefully take into account FDPs and their particular risks, but also their vulnerabilities. The resulting assessment data can be used to inform financial policymakers and regulators' efforts in formulating NFIS that are inclusive of FDPs.[39]

36 Central Bank of Jordan. 2017. The National Financial Inclusion Strategy 2018 - 2020. Available at: https://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/2018/The%20National%20Financial%20Inclusion%20Strategy%20A9.pdf

37 Alliance for Financial Inclusion. 2017. Financial Inclusion of Forcibly Displaced Persons: Perspectives of Financial Regulators. AFI Special Report. Available at: https://www.afi-global.org/sites/default/files/publications/2017-11/AFI_displaced%20persons_AW_ISBN_digital.pdf

38 UNHCR & The Social Performance Task Force (SPTF). 2016. Serving the Refugee Population: The Next Financial Inclusion Frontier. Available at: https://sptf.info/images/RefugeeWG-Serving-Refugee-Populations-Guidelines-FSPs-Lene-Hansen.pdf

39 Alliance for Financial Inclusion & Cenfri. 2020. Inclusive Financial Integrity: A Toolkit for Policymakers. Available at: https://www.afi-global.org/sites/default/files/publications/2020-07/AFI_CENFRI_toolkit_AW_digital.pdf

The NRA influences financial inclusion initiatives by shaping the policy and regulatory environment for KYC and CDD. It is an essential process for regulated financial service providers FSPs to better understand due diligence on ML/TF risks, including for FDPs.

> "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."
>
> Roadmap to the Sustainable and Responsible Financial Inclusion of FDPs

During the NRA process, policymakers and regulators should recognize that FDPs may be disproportionately disadvantaged due to the application of global AML/CFT standards which may not be commensurate to the actual level of ML/TF risks they pose to the financial system. At the same time, providing an appropriate policy and regulatory framework that was developed using a risk-based approach (RBA), means that simplified KYC and CDD can be used for FDPs where risks have indeed been confirmed as lower, and the RBA can support their financial inclusion while properly complying to international standards and decisions taken by consensus in the Financial Action Task Force (FATF) and its regional bodies.

INSTITUTIONAL STRUCTURES: ESTABLISHING AND ENABLING MULTI-STAKEHOLDER COORDINATION

RATIONALE

During the pre-formulation stage of the NFIS, there should be the formation of institutional structures for the coordination of multi-stakeholders who will work together during the national strategy's formulation and implementation. At all stages of the NFIS Life Cycle, broad engagement must be fostered to create commitment and shared ownership of the NFIS, in addition to preventing the duplication of efforts. This engagement allows for the effective coordination of a multitude of actions across a variety of financial inclusion stakeholders who may not have previously interacted with each other but must do so going forward. Establishment of clearly mandated, strong, inclusive and efficient institutional and governance arrangements will facilitate not only coordination but also collaboration across diverse ministries and departments who might not usually work hand-in hand.

When integrating FDPs into NFIS, the institutional structures need to include government agencies providing services to FDPs (e.g. ministries of interior, social affairs and migration), as well as humanitarian and development agencies working directly with FDPs, such as UNHCR country offices and other United Nations (UN) agencies such as the United Nations Capital Development Fund (UNCDF), International Organization for Migration (IOM) and the World Food Program (WFP), in addition to other international organizations and agencies, international non-government organizations (INGOs), and national and local non-government organizations (NGOs) or civil society organizations (CSOs) working with FDPs. Each jurisdiction will have its own unique composition of stakeholders for integrating FDPs into the NFIS.

STAKEHOLDER MAPPING, BILATERAL ENGAGEMENTS, AND NATIONAL CONSULTATIONS

These stakeholders can be identified through a stakeholder mapping exercise, which should then be followed by bilateral engagements to initiate collaboration and build trust; and later by their participation in wider, periodic national multi-stakeholder consultative workshops.

Early engagement with these stakeholders will ensure the complementarity of financial inclusion efforts, while also giving early indications to these stakeholders about the NFIS, including where and how they can interact with its formulation and implementation. The FDP stakeholders are involved to provide counsel, based on their knowledge and expertise. Broad stakeholder consultations will support a clear articulation of NFIS objectives and targets of financial inclusion for FDPs, in turn leading to a shared understanding of the expected outcomes.

BOX 3. TANZANIA CASE STUDY: MULTI-STAKEHOLDER ENGAGEMENT FOR FDPs

Since developing its first National Financial Inclusion Framework in 2014, Tanzania has put in place updated NFIS every two years. While developing the NFIS and bringing forward the financial inclusion of FDPs, all actors agreed that the vision for financial inclusion in Tanzania was for everyone to have access and the ability to use financial services to improve livelihoods, household resilience and create jobs. FDPs were an important group considered from the inception phase onwards.

Tanzania's national coordination mechanism for NFIS implementation is made up of three levels of committees, and Bank of Tanzania drives it as the secretariat. The coordination mechanism brings together a range of both public and private sector stakeholders. This includes the relevant ministries, regulatory authorities and government departments, the national association of financial service providers, but also involves international organizations such as UNCDF and NGOs.

The coordination mechanism also includes mobile network operators and the relevant telecommunications regulators with a noted importance placed on the role of finance technology and mobile money. There is steady coordination with the UNHCR, with UNHCR attending specific national financial inclusion stakeholder workshops, and the Bank of Tanzania attending workshops on forced displacement and the UNHCR displacement response, in efforts to coordinate between the two linked agendas.

INVOLVE THE FORCIBLY DISPLACED

Along with early engagement with key displacement organizations such as UNHCR, there are opportunities and benefits deriving from engaging with forcibly displaced persons themselves or having FDPs have a seat at the table. For instance, the global CRRF included refugees themselves, so instead of external stakeholders making decisions for them through groups such as The Network for Refugee Voices, refugees themselves were active participants in the policymaking process.[40]

SNAPSHOT BOX: THE NETWORK FOR REFUGEE VOICES

The Network for Refugee Voices is a refugee-led initiative that work to include refugees themselves in policies relating displacement. They stand for inclusive, sustainable and effective refugee policy from the outset, shifting refugees from victims to be assisted to active agents of change. The network took part in developing the CRRF.

The involvement of FDPs in coordination mechanisms, for instance, through early consultations, allows for an understanding of certain dynamics of FDP financial inclusion, which may not yet be well-understood by national NFIS stakeholders. This includes FDPs' displacement journey, aspirations, and financial needs which may differ from those of other population groups for instance in terms of a transnational focus (desires for return or onward migration), culturally appropriate solutions, or informal banking systems that are already in place. The inclusion of FDP voices can thus ensure that the policies are grounded in the everyday experience of the FDPs as a target group. Consultations can thus include local CSOs that work with FDPs or forced displacement associations and groups such as the aforementioned Network for Refugee Voices.

There is variation in the forms of institutional structures to coordinate NFIS formulation and implementation.[41] It is often led by the institution mandated to drive financial inclusion in the country, and the formulation and implementation of the NFIS. The coordinating body is normally a dedicated unit within the central bank, an independent structure or a public-private partnership.[42] The financial inclusion coordination lead plays an important role in ensuring that FDPs continue to be on the agenda of the national NFIS stakeholders. This is especially true when traction and buy-in has to be created among stakeholders that do not yet perceive FDPs as a priority target group for the NFIS.

It can be challenging to set-up a coordination forum that brings together a broadly representative group of government, private sector, humanitarian and development actors and other whole-of-society stakeholders. Success will be demonstrated by an ability to form a representative, yet still efficient, coordination structure and mechanism that will galvanize the stakeholders so that they collectively agree on outcomes and actions. The financial inclusion secretariat typically plays this role in leading the day-to-day activities of such a coordination structure. In order to ensure gender-sensitivity, it is recommended that the secretariat consists of a gender-diverse membership. Gender diversity in the NFIS leadership as well as the coordination structure and mechanism can contribute to gender sensitivity of the financial inclusion policymaking process.[43]

COLLABORATION WITH "NEW" STAKEHOLDERS

Digital solutions and Finance Technology (FinTech) have been recognized as accelerators of FDP financial inclusion.[44] Mobile money is a prominent example of the inroads, both already realized and potential, that new technological tools have had amongst FDPs. This means another key area of coordination is with the telecommunication sector, including the relevant telecommunication regulators, communications ministries and private mobile and FinTech actors. An example to emulate here is Zambia, where the Bank of Zambia granted approval to mobile money service providers to provide services to refugees using their refugee ID or registration documents for identification.

40 Rother, S. & Steinhilper, E. 2019. Tokens or Stakeholders in Global Migration Governance? The Role of Affected Communities and Civil Society in the Global Compacts on Migration and Refugees. IOM International Migration, Volume 57, Issue 6, December 2019. Available at: https://onlinelibrary.wiley.com/doi/full/10.1111/imig.12646

41 Alliance for Financial Inclusion. 2017. National Coordination and Leadership Structure. Survey Report. Available at: https://www.afi-global.org/sites/default/files/publications/2017-07/AFI_FIS_leadership%20survey_AW_digital.pdf

42 Alliance for Financial Inclusion. 2019. Effective Stakeholder Coordination for National Financial Inclusion Strategy Implementation. Guideline Note 35. Available at: https://www.afi-global.org/sites/default/files/publications/2020-03/English_Effective_Stakeholder_Coordination_for_National_Financial_Inclusion_Strategy_Implementation.pdf

43 Alliance for Financial Inclusion. 2017. Integrating Gender and Women's Financial Inclusion into National Strategies. Guideline Note 27. Available at: https://www.afi-global.org/sites/default/files/publications/2017-03/GuidelineNote-27%20FIS%20Gender%20and%20FI.pdf

44 Lyons, A. & Kass-Hanna, J. June 2020. Rebuilding the Livelihoods of Forcibly Displaced Populations Using Digital Financial Inclusion. T20 Policy Brief. Available at: https://www.g20-insights.org/wp-content/uploads/2020/06/T20SaudiArabia_TF6_DFI-and-livelihoods-of-FDPs_Policy-Brief-2_Lyons_KassHanna-06.10.2020_FINAL_GS-Version.pdf

This was complemented by facilitating access to SIM cards and phones. Research shows that in some contexts, women are less likely to own and/or use a mobile phone so there is an opportunity for providers to undertake sensitization with male community members so that forcibly displaced women are able to use mobile phones to access formal financial services.

International humanitarian stakeholders include UN agencies. There is potential to embed financial inclusion into the growing cash and voucher assistance programs as well as wider programming on forced displacement,[45] and vice-versa, to bridge the work of humanitarian and development actors, and financial inclusion stakeholders.[46]

2.2. PHASE II FORMULATION

> Craft a vision, rationale and business case.

> Present the current state of FDP financial inclusion and financial inclusion barriers.

> Formulate NFIS pillars and policy actions.

> Establish an M&E framework that integrates targets and indicators for FDP financial inclusion.

45 Alliance for Financial Inclusion, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Chrissy Martin et al. 2019. Roadmap to the Sustainable and Responsible Financial Inclusion of Forcibly Displaced Persons. Available at: https://www.afi-global.org/sites/default/files/publications/2019-12/Roadmap_FI%20of%20FDPs_122019_0.pdf

46 Examples include the growing mobile money transfers for refugees and IDPs in many countries around the globe.

The formulation phase builds on the pre-formulation deliverables and the most important result of this work is the NFIS itself, presented as a coherent and comprehensive document or set of documents identifying relevant financial inclusion policy areas, and coordinating NFIS stakeholders regarding their respective actions that are aimed at achieving the established financial inclusion goal(s).[47] As stated in the AFI NFIS Policy Model, the following are the key deliverables of the formulation phase:

1. Charting the main prioritized financial inclusion policy actions.
2. Identifying the distinct financial inclusion target market segments, including their size and scope.
3. The strategic framework, the vision, the goals, financial inclusion priorities and the key focus areas.
4. The implementation plan with measurable financial inclusion indicators, targets and communication plan.
5. The M&E framework.
6. The official launch of the NFIS.

VISION, RATIONALE AND A BUSINESS CASE

The NFIS typically begins by providing a rationale for and demonstration of the importance of both financial inclusion as a policy agenda, and of the national strategy itself. NFIS are usually designed to align with and contribute to national development goals, as well as economic and financial sector priorities. They are also typically linked to broader development agendas, including the Sustainable Development Goals (SDGs) which would have cascaded down to inform the national development agenda, goals, and targets. As government-endorsed policies, NFIS are a particularly important reference for all implementation stakeholders including the ministries who would then create conducive policy and regulatory environments, as well as FSPs who would be more confident and willing to extend their products and services to FDPs.

Integrating FDPs into the vision and rationale is a key step in addressing FDP financial inclusion in the NFIS. The NFIS presents an opportunity for financial policymakers and regulators to "promote flexible initiatives that are both in line with FDPs' needs and with international regulatory standards."[48] Jordan's NFIS 2018 – 2022 explicitly mentions refugees in the vision and the rationale sections of the strategy. When crafting these sections, the case should be made that including FDPs as a target group within the NFIS is beneficial not just to them but to the broader host population. This is exemplified in the Jordan NFIS which states clearly that "greater access to and usage of financial services by refugees will impact socio-economic inequalities in host communities by enhancing their self-reliance and enabling them to contribute to economic activity."[49]

Presenting this within the national strategy will enhance the implementation stakeholders' commitment to financially including FDPs so that they are not left behind in the pursuit of full financial inclusion and inclusive economic growth.

These should then be concretized through clearly stating the business case for the financial inclusion of FDPs. In general, FDPs would represent a new prospective customer base for FSPs. Each country's FSP ecosystem and business case for FDPs will differ, but there appears to be widespread misunderstanding about FDPs as a client segment, including the perceived risks in serving them. Building the business case within the NFIS will contribute to correcting these misconceptions and understanding the potential for FSPs to further engage with FDPs. The data that has been collected and analyzed for the financial inclusion diagnostic studies should be leveraged to build this business case.

BOX 4. RWANDA CASE STUDY: MAKING THE BUSINESS CASE FOR REFUGEES' FINANCIAL INCLUSION

Refugees in Rwanda can access formal and informal employment, and already make extensive use of informal savings groups,[50] which might indicate an unmet need of formal financial services. There have been sustained efforts to demystify refugees as a market segment, including organized refugee camp visits for financial and refugee stakeholders in order to develop, prototype and test financial products tailored for refugees in camps, as well as research and market studies.[51] BFA developed a dynamic business case tool in 2018 to enable FSPs to observe the different costs, pricing and customer behavior characteristics that impact the profitability of offering an array of financial products to refugees.[52]

Using these FDP segments, BFA estimated that extending financial services to the refugee population of Rwanda would expand the market for financial services by approximately 44,000 individuals. Many refugees have used financial services before and want to use them again, perhaps even more urgently than Rwandan nationals. The dynamic business case model suggests that the refugee population has as much potential to generate profit for FSPs.

47 Alliance for Financial Inclusion. 2020. Policy Model for National Financial Inclusion Strategy. Available at: https://www.afi-global.org/sites/default/files/publications/2020-09/AFI_NFIS_PM_AW2_digital.pdf

48 World Bank. 2018. Developing and Operationalizing a National Financial Inclusion Strategy: Toolkit. Available at: https://openknowledge.worldbank.org/bitstream/handle/10986/29953/NFIS%20Toolkit.pdf?sequence=5&isAllowed=y

49 Central Bank of Jordan. 2017. The National Financial Inclusion Strategy 2018 – 2020. Available at: https://www.cbj.gov.jo/EchoBusv3.0/SystemAssets/PDFs/2018/The%20National%20Financial%20Inclusion%20Strategy%20A9.pdf

50 See "Gender Savings Groups" Guideline Note (AFI, 2020) for more detailed information.

51 Bankable Frontiers Associates (BFA). 2018. Refugees and Their Money - Understanding the Enablers of the Camp Economy in Rwanda. Available at: https://www.fsdafrica.org/wp-content/uploads/2019/08/Compressed.pdf

Increasing the financial inclusion of FDPs can empower FDPs to build assets and self-reliance, enhance FDP and community resilience to mitigate against shocks related to emergencies, illness, or injury, support access to labor markets, and increase productive investments that contribute to the local economy.[53] All these factors are particularly pertinent to forcibly displaced women as they may be disproportionately excluded and less resilient to economic shocks.[54] It is important for the NFIS to be able to show this, so that national financial inclusion stakeholders have the collective drive to implement initiatives that can advance financial inclusion for the forcibly displaced.

These can be followed by an illustration of the current state of financial inclusion in the country, which is informed by the diagnostic studies conducted in Phase I. Therefore, FDPs need to be mentioned here along with the other target groups of the NFIS. It acts as a starting point and baseline on FDP financial inclusion for the NFIS and complements the NFIS vision. The financial inclusion barriers of the country would also be listed and elaborated here.

FDP RELATED POLICY PRIORITIES

When crafting the NFIS pillars and policy priorities in accordance with the current state of financial inclusion and financial inclusion barriers, FDPs must be included in the text wherever they are relevant. In these sections, there can be the presentation of specific policy priorities that are instrumental in achieving FDP financial inclusion, as stipulated by the NFIS goals.

There are encouraging examples of financial policymakers and regulators, including innovative policy solutions in their financial inclusion measures that target FDPs.[55] Central banks are developing tiered-KYC frameworks with lowered identity thresholds and caps on balances, while still maintaining robust adherence to AML/CTF requirements, using the flexibility under the FATF's RBA.

BOX 5. AFGHANISTAN CASE STUDY: A TIERED KYC FRAMEWORK

The central bank of Afghanistan, Da Afghanistan Bank (DAB) is working on various tiered-KYC initiatives. One such initiative that has already had success is differentiated identity requirements for FDPs and refugees returning to Afghanistan.

DAB issued a circular and the Afghan government made further agreements in 2016 and 2017 to facilitate mobile wallet opening and SIM cards for FDPs that have UNHCR or IOM return documents which are the UNHCR Voluntary Return Form or IOM return certificate respectively, but no other valid form of identification.

BOX 6. MAURITANIA CASE STUDY: BIOMETRIC REGISTRATION DATABASE AND ISSUANCE OF ID CARDS

Malian refugees registered in Mbera, the largest refugee camp in Mauritania are recognized as prima facie refugees. A prima facie approach refers to the recognition by a country or UNHCR of "refugee status on the basis of readily apparent, objective circumstances in the country of origin or, in the case of stateless asylum seekers, their country of former habitual residence" and it acknowledges that these circumstances present a clear risk of harm that brings those fleeing them within the applicable refugee definition.[56]

In Mauritania, the authorities register refugees in the national biometric database. Furthermore, the country has started issuing birth certificates to refugee children born in the country and ID cards to all Malian refugees in Mbera camp. In 2019, in coordination with the government, UNHCR launched a registration program for Malian refugees residing in urban areas. Refugees need this national ID in order to be able to access bank services.

The numbers are still modest, but the experiences of Mauritania are relevant to the efforts of peer countries facing similar challenges in the financial inclusion of FDPs.

50 See "Gender Savings Groups" Guideline Note (AFI, 2020) for more detailed information.

51 Bankable Frontiers Associates (BFA). 2018. Refugees and Their Money - Understanding the Enablers of the Camp Economy in Rwanda. Available at: https://www.fsdafrica.org/wp-content/uploads/2019/08/Compressed.pdf

52 Bankable Frontier Associates (BFA). 2018. Refugees and their money: The business case for providing financial services to refugees. Available at: https://bfaglobal.com/wp-content/uploads/2020/01/Refugees-and-Their-Money_-Assessing-the-Business-Case-for-Providing-Financial-Services-to-Refugees.pdf

53 El-Zoghbi, M., Chehade, N., McConaghy, P., & Soursourian, M. 2017. The Role of Financial Services in Humanitarian Crises. Available at: https://www.cgap.org/sites/default/files/Forum-The-Role-of-Financial-Services-in-Humanitarian-Crises_1.pdf

54 UN WOMEN. 2020. Gender Alert on COVID-19 Afghanistan: Issue VIII Gendered Impact of COVID-19 on IDPs. Available at: https://asiapacific.unwomen.org/-/media/field%20office%20eseasia/docs/publications/2020/06/issue%208%20gender%20alerat-100620.pdf?la=en&vs=1450

55 Alliance for Financial Inclusion & Cenfri. 2020. Inclusive Financial Integrity: A Toolkit for Policymakers. Available at: https://www.afi-global.org/sites/default/files/publications/2020-07/AFI_CENFRI_toolkit_AW_digital.pdf

56 UNHCR. 2015. Guideline on International Protection No. 11. Available at: https://reliefweb.int/sites/reliefweb.int/files/resources/558a62299.pdf

M&E FRAMEWORK

Within the NFIS context, M&E systems and processes transform national financial inclusion objectives into measurable targets and indicators that are subsequently used to track implementation progress, particularly across vulnerable and disproportionately excluded groups. M&E will enable the NFIS stakeholders to determine whether the NFIS is delivering what it set out to accomplish and if it is being implemented as it was envisioned, including whether the intended policy outcomes are being achieved within the established timelines.[57] Typically, evaluations can either be categorized into a mid-term evaluation and an end-term evaluation.

Mid-term evaluations are conducted at the mid-term point of the NFIS implementation and are intended to assess progress towards meeting objectives and outcomes set forth in the NFIS. They should identify any significant discrepancies between planned results and actual achievements, examine areas of improvement and provide early lessons that emerge from the implementation of NFIS initiatives or actions. These can in turn inform a review or refresh of the NFIS, whereby objectives, outcomes, and the implementation plan may be adjusted to better suit current circumstances.

On the other hand, end-term evaluations, are undertaken at the end of the NFIS implementation. These evaluations more thoroughly assess the actual NFIS implementation "performance against indicators defined at the output and outcome level and to examine whether these outputs and outcomes were achieved as a result of NFIS initiatives or actions."[58] End-term evaluations will inform "decisions regarding continuing, replicating, scaling up or terminating a particular NFIS measure or policy" in a succeeding NFIS.[59]

While the M&E of policy outcomes for FDPs is challenging for various reasons, this process should be included in NFIS data frameworks during pre-formulation and used in the NFIS formulation, implementation and M&E phases. An effective and well-resourced M&E system for the NFIS[60] should be put in-place and operationalized before implementation, and presented in the NFIS document. Explicit targets and indicators for FDPs should be included in the M&E framework, alongside those of the other NFIS target groups.

There must be sufficient coordination with FDP stakeholders to ensure the periodic collection of properly disaggregated data for tracking FDP financial inclusion progress during NFIS implementation. This could be conducted mid-way through NFIS implementation to determine if progress is on track. If targets are not being met within a stipulated timeframe, financial policymakers and regulators should consider reviewing or refreshing the NFIS and its measures to ensure better performance.

In this regard, Jordan's NFIS for 2018-2020 stands out for having several benchmark indicators on the financial inclusion of FDPs, as illustrated in Figure 2.

57 See "Gender Savings Groups" Guideline Note (AFI, 2020) for more detailed information.

58 Ibid.

59 Ibid.

60 See "National Financial Inclusion Strategy Monitoring and Evaluation Toolkit" (AFI, forthcoming).

FIGURE 2. JORDAN NFIS 2018 – 2020 KEY FINANCIAL INCLUSION INDICATORS FOR FDPs.

Key Financial Inclusion Indicator Medium- and Long-Term Benchmarks for Forcibly Displaced Persons.

NB: The table contrasts the most recent value for Jordan's integrated Monitoring, Review and Verification (MRV) framework, and the compound annual growth rate (CAGR) required to achieve the benchmarks next to the total growth rates for 2020 and 2027.

REFUGEES	MRV	CAGR	2020		2027	
Borrowed from a financial institution in the past year, refugees (% age 15+)	1.4	**9%**	1.8	**31%**	3.4	**146%**
Account, refugees (% age 15+)	7.0	**9%**	9.2	**31%**	17.2	**146%**
Saved at a financial institution, refugees (% age 15+)	2.3	**9%**	3.0	**31%**	5.7	**146%**
Made or received digital payments, refugees (% age 15+)	8.4	**9%**	11.0	**31%**	20.7	**146%**

2.3. PHASE III IMPLEMENTATION

> Establish a working group dedicated specifically to implementing the FDP financial inclusion policy actions of the NFIS.

> Involve FDPs through CSOs and other key stakeholders.

> Peer-to-peer learning.

> Maintain flexibility to adapt to market developments and emerging policy priorities.

INTEGRATING FDP STAKEHOLDERS INTO NFIS IMPLEMENTATION INSTITUTIONAL STRUCTURES

Continuing coordination after the NFIS launch and operationalizing NFIS institutional structures ensures effective collaboration and impactful policy action during the implementation phase. The institutional structures established in the Pre-Formulation Phase, including the high-level NFIS Council, an NFIS Implementation Committee, an NFIS Secretariat, and different working groups, should have clear mandates, include relevant and effective individuals and be built on trust and solid partnerships.[61] After the NFIS launch, there should be an additional implementation unit to function as a focal point for stakeholders to coordinate implementation efforts. It should be integrated with the NFIS institutional structures formed during the formulation phase.[62]

While the implementation unit drives the coordination of the NFIS implementation, it should be noted this phase is largely undertaken by the NFIS stakeholders who lead financial inclusion initiatives, such as the private sector, and in the case of FDPs, humanitarian and development agencies. Accordingly, the implementation unit needs to establish links of communication with the reporting entities to ensure timely and accurate collection of properly disaggregated data to track progress.[63] Communication is key. The implementation unit must have the capacity to communicate with and maintain NFIS stakeholders' commitment to the NFIS and its implementation.

WORKING GROUPS

The technical working groups are a useful mechanism to sustain communication, engagement, and coordination with the NFIS stakeholders. A dedicated technical working group for FDPs ensures FDP considerations are consistently worked into broader financial inclusion policy actions and bridges different stakeholders working on both financial inclusion and forced displacement. The technical working group can contain a gender focal point to ensure the unique needs of forcibly displaced women are taken into consideration. In one notable example, the CBJ's DFS Council invites FDP stakeholders to coordination meetings to include their perspectives in important discussions.

61 World Bank. 2018. Developing and Operationalizing a National Financial Inclusion Strategy: Toolkit. Available at: https://openknowledge.worldbank.org/bitstream/handle/10986/29953/NFIS%20Toolkit.pdf?sequence=5&isAllowed=y

62 Alliance for Financial Inclusion. 2020. Policy Model for National Financial Inclusion Strategy. Available at: https://www.afi-global.org/sites/default/files/publications/2020-09/AFI_NFIS_PM_AW2_digital.pdf

63 Ibid.

INVOLVING THE FORCIBLY DISPLACED

The continued conversation with FDPs themselves is crucial here given the fast-changing circumstances for this unique, heterogenous population segment. Indeed treating FDPs as consumers or customers to be served like other NFIS target groups, rather than beneficiaries, will improve the understanding and perceptions of their peculiar financial needs and potential. This in turn creates an environment where financial products and services can be designed and tailored to meet those continuously evolving needs. Consulting with FDPs, for instance through local CSOs and women's groups dedicated to the displacement response, or even more creatively, through businesses and associations that already serve them, such as businesses in high displacement areas or run by FDPs, or savings and loans groups, will keep the implementation of the NFIS accountable and responsive to the dynamic trends in FDP financial inclusion.

PEER-TO-PEER LEARNING

Implementing FDP-targeted NFIS policy actions can be strengthened through knowledge and expertise gained from peer-to-peer learning among financial policymakers and regulators, particularly from different jurisdictions and regions. If done during the NFIS implementation, this form of engagement enables them to exchange knowledge and expertise in various policy areas and initiatives, which can help to inform their respective implementation efforts that are undertaken for FDPs. The knowledge and expertise gained, can then be transferred to NFIS stakeholders who are responsible for implementing initiatives to financially include FDPs, including the private sector and humanitarian and development agencies.

Examples include cross-country learning on central issues such as creating political will around the financial inclusion of FDPs, which comes with sensitivities in certain country contexts; leveraging new technologies such as digital ID and financial literacy programs that are delivered through digital applications to increase access and usage; and protecting and empowering FDPs as consumers of DFS, including by ensuring the protection and privacy of their data.

This is increasingly important as new technologies, such as biometrics and digital or e-money are being used to accelerate access to formal financial services among FDPs. These new technologies bring unfamiliar challenges that financial policymakers and regulators must address to ensure that the technologies can play a transformative role in the financial inclusion of FDPs, while ensuring both the protection of FDPs and that of their hosts, which has been demonstrated in certain jurisdictions during the COVID-19 pandemic.[64] This means balancing the risks with the many opportunities on offer, which is where peer-to-peer learning can play an important role on disseminating best practices on deploying emerging technologies for inclusion such as those previously highlighted in the Phase II - Formulation section.

ONGOING M&E

The M&E systems and processes that were devised before implementation assesses progress, identifies challenges or blockages towards their achievement, and informs corrective policy and regulatory responses. Evidence-informed responses occur both during ongoing implementation, as well as informing future NFIS. With the proper data collection mechanisms and infrastructure in-place, the M&E system should include key figures for FDPs, including tracking major financial inclusion metrics. This then allows the NFIS implementers to evaluate the impact of their actions and make meaningful adjustments in their strategies and programming.

ADAPTABILITY DURING NFIS IMPLEMENTATION

The NFIS should be a living document. In addition to the M&E taking place throughout the NFIS Life Cycle, the lead institution should also remember to maintain flexibility in adapting NFIS components towards reflecting market developments and emerging policy priorities. For example, even if FDPs are not yet explicitly included in a country's current NFIS, policy priorities can be adapted to incorporate FDP financial inclusion considerations in future iterations. These should ideally be informed by gender-sensitive diagnostic studies to ensure that they are evidence-based and properly targeted. For example while refugees were not explicitly targeted in Rwanda's NFIS, their 2020 FinScope underlines the need to expand the national financial inclusion agenda to financially include vulnerable groups other than women and youth, such as refugees and develop roadmaps and specific interventions towards that end.[65]

64 International Rescue Committee. 2020. COVID-19 and Refugees' Economic Opportunities, Financial Services and Digital Inclusion. Available at: https://eu.rescue.org/sites/default/files/2020-11/Improving%20Financial%20Health-R3.pdf

65 Access to Finance Rwanda (AFR). 2020. Rwanda FinScope 2020. Available at: https://www.statistics.gov.rw/publication/finscope-rwanda-2020

CONCLUSION

Integrating FDPs into NFIS is the foundation of enhancing FDP's access and usage to quality formal financial services. It can contribute to inclusive economic growth that benefits both FDPs and their host communities. FDPs are not a homogenous group, given they are nearly 80 million worldwide and represent stateless persons, asylum seekers, refugees, IDPs who are women and men, youth and elderly, differently abled and abled, living in urban areas and rural areas, or in remote camps. Each of them has a different lived experience of forced displacement. While these experiences differ across countries and contexts, this guideline note has illustrated that there are certain commonalities in integrating FDPs into NFIS throughout the phases of pre-formulation, formulation, and implementation.

At all stages of integrating FDPs into NFIS, cross-cutting issues stand out. Effective coordination between financial inclusion and forced displacement stakeholders is absolutely necessary to ensure the impactful formulation and implementation of an NFIS that intends to advance the financial inclusion of FDPs. Here, consultations with FDPs themselves through local CSOs and women's groups dedicated to the displacement response, or even through businesses and associations that already serve them will guarantee that their experiences and voices will enhance their own financial inclusion. There is additionally a pronounced need for appropriately disaggregated data on the financial inclusion of FDPs, to diagnose their state of financial inclusion, drive NFIS implementation, and track its progress towards achieving its goals.

Peer-to-peer learning on how to properly shape the policy and regulatory environment to financially include FDPs will continue to be important. It is helpful to foster cross-country learning on central issues such as creating political will around the financial inclusion of FDPs which comes with sensitivities in certain country contexts; leveraging new technologies such as digital ID and financial literacy programs that are delivered through digital applications to increase access and usage; and protecting and empowering FDPs as consumers of DFS, including through ensuring the protection and privacy of their data.

The financial inclusion of FDPs can only be achieved if considerations that are unique to the population are taken into account. If there is success in doing so, we can look forward to inclusive economic growth and sustainable development that truly leaves no one behind.

ACRONYMS

AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
CDD	Customer Due Diligence
CRRF	Comprehensive Refugee Response Framework
FATF	Financial Action Task Force
FDPs	Forcibly Displaced Persons
FSPs	Formal Financial Service Providers
GCR	Global Compact on Refugees
IDPs	Internally Displaced Persons
KYC	Know Your Customer
ML/TF	Money Laundering and Terrorist Financing
M&E	Monitoring and Evaluation
NFIS	National Financial Inclusion Strategy
NRA	National Risk Assessment
RBA	Risk-Based Approach
SDGs	Sustainable Development Goals
UNHCR	United Nations High Commissioner for Refugees

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