Financial Inclusion for Forcibly Displaced Persons (FDPs)

Nadine Chehade
17th June 2020
Agenda

• Why financial inclusion for FDPs?
• What do we know?
• What is the latest?
• What can municipalities do?
Agenda

• Why financial inclusion for FDPs?

• What do we know?

• What is the latest?

• What can municipalities do?
Because forced displacement levels are on the rise

**Conflict-Related Displacement Figures: 1951-2015**

Source: UNHCR. Palestinians excluded

70.8 million as of 2018
Because longer displacement calls for longer-term solutions

Source: Devictor & Do, 2016. Duration of the situation for Palestinians and not duration of individuals’ displacement.
Because forced displacement is a developing country issue

85% of FDPs live in developing countries

57% of refugees worldwide came from three countries

2.3m South Sudan
2.7m Afghanistan
6.7m Syria

Source: UNHCR 2018. Palestinians excluded
Agenda

• Why financial inclusion for FDPs?
• What do we know?
• What is the latest?
• What can municipalities do?
Financial services do play a role in mitigating crises

- **Remittances** help cope with shocks & stimulate economic activity at community level
- **Savings** increase resilience (formal & informal)
- **Insurance** reduces vulnerability (especially disaster insurance e.g. index-based)
- **Credit** needs to be further researched
At an aggregate level: access (supply) is low…

Account penetration in selected countries with humanitarian crisis

- Low & middle income: 54%
- Countries with humanitarian crisis: 24%
- Somalia: 39%
- Congo, Dem. Rep.: 17%
- Sudan: 15%
- Cameroon: 12%
- Iraq: 11%
- Afghanistan: 10%
- Yemen, Rep.: 6%

Source: Findex
… yet demand is high, so informal services dominate

This is also partly due to under-developed financial sectors

Formal and informal savings (% of adults)

Saved using other method
Saved using a savings club or person outside the family
Saved at financial institution

Source: Findex
FDPs are not a homogenous group:
Segmentation is needed in each country
Agenda

• Why financial inclusion for FDPs?
• What do we know?
• What is the latest?
• What can municipalities do?
The move from in-kind to cash transfer is a huge opportunity

- In-kind transfers: 90%
- Cash & Voucher Assistance (cash transfer): 10%

Digital cash transfers have proven to be particularly relevant in the Covid-19 global response
To reach financial inclusion, hence resilience, several factors must be in place

1. An enabling environment for digital financial services
   - Established national payments infrastructure
   - Proportional regulatory environment

2. A business case or incentive for financial service providers to have a direct relationship with cash transfer recipients

3. Trust and digital literacy from the recipient themselves

4. Donors and governments who consider financial inclusion a priority, enabling agencies to make decisions based on financial inclusion objectives
Even before Covid-19, health issues have been a key concern.

<table>
<thead>
<tr>
<th>Most mentioned shocks</th>
<th>More Vulnerable</th>
<th>Less Vulnerable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illness &amp; Health emergencies</td>
<td>Accommodation issues</td>
<td>Damaged/broken assets</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Formal financial services</th>
<th>No access</th>
<th>Limited access</th>
<th>Social Security</th>
<th>Private insurance</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Coping mechanisms used</th>
<th>More Vulnerable</th>
<th>Less Vulnerable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>UNHCR health coverage</td>
<td>Community assistance</td>
</tr>
<tr>
<td></td>
<td>Selling assets</td>
<td>Social Security</td>
</tr>
</tbody>
</table>
At a higher level: there are numerous issues to solve

<table>
<thead>
<tr>
<th>Access</th>
<th>• Access is the largest barrier, often linked to CDD / AML-CFT issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livelihoods</td>
<td>• Credit is linked to livelihood opportunities, which in turn linked to right to work</td>
</tr>
<tr>
<td>Ecosystem</td>
<td>• Preparation is key (investment in financial inclusion ecosystem and crises mitigation efforts e.g. crisis-adapted regulation)</td>
</tr>
<tr>
<td>Incentives</td>
<td>• Incentives need to be aligned for development programs to complement humanitarian interventions (e.g. graduation as a way of sequencing interventions to promote resilience or cash transfers through an account)</td>
</tr>
<tr>
<td>Privacy</td>
<td>• FDPs prioritize privacy over price or convenience in digital / formal financial transactions</td>
</tr>
</tbody>
</table>

Financial services need to work for the host communities to also work for FDPs

CDD: Customer Due Diligence
AML-CFT: Anti-Money Laundering and Countering the Financing of Terrorism
Questions remain

1. How could digital cash transfers effectively become an entry point to broader financial services?

2. How can financial services mitigate health shocks, a primary concern?

3. What is the importance of financial services in promoting livelihoods?

4. How can emerging digital identities facilitate financial inclusion and financial history portability while protecting privacy?
Agenda

• Why financial inclusion for FDPs?
• What do we know?
• What is the latest?
• What can municipalities do?
Municipalities have a big role to play in digitization

Digitization and digital payments act as mitigation measures during pandemics

1. Accelerate infrastructure work
   - Request connectivity if need be
   - Request branches or agents of financial service providers (banks, microfinance institutions, payment service providers…)

2. Digitize services to residents
   - Trust comes with use

3. Promote the use of digital financial services by digitizing payments
   - To employees and contractors
   - To and from residents
Thank you

شكراً

Teşekkür ederim

To learn more, please visit cgap.org/displacement
Stay connected with CGAP

www.cgap.org  @CGAP  Facebook  LinkedIn