

How Financial Regulators can Empower Forcibly Displaced People to Thrive

By Mariam Zahari, Alliance for Financial Inclusion.

On March 14, e-MFP was pleased to launch the European Microfinance Award (EMA) 2024, which is on 'Advancing Financial Inclusion for Refugees and Forcibly Displaced People'. This is the 15th edition of the Award, which was launched in 2005 by the Luxembourg Ministry of Foreign and European Affairs, Defence, Development Cooperation and Foreign Trade, and which is jointly organised by the Ministry, e-MFP, and the Inclusive Finance Network Luxembourg (InFiNe), in cooperation with the European Investment Bank.

In the ninth in e-MFP's annual series of guest blogs on this topic, Mariam Zahari from the Alliance for Financial Inclusion (AFI) describes four ways that central banks and financial regulators can – and must – play a vital role in advancing the sustainable financial inclusion of Forcibly Displaced People (FDPs).

Central banks and financial regulators have a critical role to play in advancing the financial inclusion of FDPs in a sustainable way. By ensuring their access to and usage of quality, affordable formal financial services, financial regulators can enhance the financial health of FDPs, empower them to live a dignified life, and enable their contribution to host economies.



As the leaders of countries' national financial inclusion policy agendas, central banks are perfectly positioned to promote a holistic, whole-of-government approach to addressing the barriers to FDPs' long term financial inclusion. Central banks' ability to convene government ministries, local and international humanitarian and development agencies, and the private sector, helps them drive these stakeholders' mandates towards the development and implementation of evidence-based financial inclusion policies for FDPs.

Based on AFI members' experience from over the years, here's how financial policymakers and regulators can sustainably advance FDP financial inclusion:

1. Drive multi-sector coordination

Central banks can deliver the multi-stakeholder collaboration necessary for developing and implementing policies and regulations that sustainably advance FDP financial inclusion. They can convene multi-stakeholders that have never coordinated before – to better understand each other's roles and mandates, to openly exchange knowledge on the barriers to FDP financial inclusion, to jointly identify opportunities and solutions, to establish a common goal for FDP financial inclusion, and to agree on a plan of action or roadmap that they can implement together. One way of doing this is through multistakeholder workshops. An AFI member, the National Bank of Rwanda, has been hosting national multi-stakeholder workshops that bring together the Ministry for Emergency Management (MINEMA), UNCDF, UNHCR, financial institutions, and other key stakeholders to better understand the country's refugee population, develop FDP-centered policies, and design financial products tailored to FDP needs.

2. Collect sex- and age-disaggregated data

A serious lack of FDP financial inclusion data globally prevents the development of evidence-based policies and regulations. FDPs are a heterogenous group of people from a wide range of countries and communities, so policies and regulations must take this into account to ensure FDPs actually use formal financial services after gaining access. Without accurate data there's no way of understanding the state of FDP financial inclusion in any given country, of setting realistic targets to boost it, or of monitoring and evaluating policy impact over time.

A number of AFI members have completed diagnostic studies by leading the collection of sex- and age-disaggregated data on FDPs through demand-side and supply-side financial inclusion surveys. This is a good starting point for the policy process. There can also be more appreciation and measures for forcibly displaced women and youth, who are particularly disadvantaged. Importantly, data helps build a business case for FDP financial inclusion among stakeholders, especially for the private sector.



3. Develop FDP-sensitive financial inclusion policies and regulations

Sex- and age-disaggregated data allows financial policymakers and regulators to design informed financial inclusion policies and regulations that address FDPs' unique needs. This, in turn, mandates key implementers with advancing FDP financial inclusion alongside the country's other target groups. Solid data makes it easier to include FDPs in, for example, national financial inclusion strategies (NFISs) - an effective policy tool to progress a country's financial inclusion, financial stability, financial integrity, and consumer protection goals in parallel.

FDPs should also be explicitly addressed in:

- national payment and fintech strategies
- national strategies for financial literacy or education
- consumer protection regulatory frameworks
- anti-money laundering, countering the financing of terrorism, and countering proliferation financing (AML/CFT/CPF) policies and regulations

Working closely with their financial intelligence units, the Reserve Bank of Malawi, the Central Bank of Eswatini and the Eswatini Ministry of Finance have all used money laundering/terrorism financing/proliferation financing (ML/TF/PF) risk assessment data to include FDPs in their national AML/CFT/CPF policies and to help simplify complex Know-Your-Customer and Customer Due Diligence procedures for FDPs.

4. Prepare for climate change impacts

Climate change exacerbates social tensions, disorder and violence, and induces forced displacement. In a world increasingly confronted by climate change impacts, central banks have a responsibility to ensure that FDPs are properly considered in national inclusive green finance frameworks and disaster risk reduction related policies so that they are not forgotten during, or after crises. There's also an urgent need for multi-lateral cooperation and shared solutions, given the high potential for cross-border displacement due to climate change.

AFI members including the Bank of Tanzania and the Reserve Bank of Malawi are collaborating with relevant government offices and ministries to address climate-induced displacement. Specifically, they have developed roadmaps to improve the financial inclusion of climate-induced internally displaced persons (IDPs) and to build the climate resilience of existing FDPs and FDP-led MSMEs.

Many AFI members in countries facing forced displacement have taken concrete steps to ensure that FDPs are not forgotten in their national financial inclusion policies and regulations. Encouragingly, this has resulted in better digital financial services and consumer protection for FDPs, regular inclusion of FDPs in national financial inclusion surveys, and a deeper understanding and empathy for FDPs by different stakeholders.

About the Author:



Mariam Jemila Zahari is a Policy Specialist at the Alliance for Financial Inclusion (AFI), a network of more than 80 central banks and ministries of finance, and other financial regulatory institutions from low- and middle-income countries who are advancing financial inclusion within their jurisdictions.

She is in charge of AFI's workstream on the financial inclusion of forcibly displaced persons (FDPs), where she works with central banks and ministries of finance on their policies and strategies to financially include stateless persons, refugees, returnees, internally displaced persons and other FDPs. She also oversees AFI's engagement with the global

Standard Setting Bodies (SSBs), and AFI's workstream on Inclusive Financial Integrity which is concerned with the proportionate application of global AML/CFT/CPF standards to advance financial inclusion.

Before joining AFI, Mariam worked in the humanitarian sector, managing disaster response and risk reduction country projects in Myanmar, Nepal, and the Philippines and driving global advocacy efforts on disaster risk reduction for the Asia-Pacific region. She holds a Bachelor of Arts Degree in Politics/International Studies and French from the University of Melbourne.

Photos: AFI