

THE FUTURE OF FINANCIAL ASSISTANCE



IARAN



CaLP

The Cash Learning
Partnership

FUTURE OF FINANCIAL ASSISTANCE: AN OUTLOOK TO 2030

TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
FOREWORD	6
INTRODUCTION.....	8
REPORT RATIONALE.....	8
RESEARCH APPROACH AND REPORT STRUCTURE	8
KEY DRIVERS INFLUENCING THE FUTURE OF FINANCIAL ASSISTANCE.....	9
SCENARIOS FOR THE FUTURE OF FINANCIAL ASSISTANCE	13
Scenario 1: Control	15
Scenario 2: Chaos.....	17
Scenario 3: Emergence.....	19
Scenario 4: Synergy	21
WHAT DO THESE SCENARIOS MEAN FOR THE HUMANITARIAN SECTOR?.....	23
CONCLUSION.....	25
KEY DRIVERS OF CHANGE	25
ROLE OF THE PRIVATE SECTOR INFOGRAPHIC.....	25
ROLE OF THE PRIVATE SECTOR.....	26
Definition.....	26
Key Insights.....	26
Controversies and Debates	27
ROLE OF GOVERNMENTS (OF CRISIS-AFFECTED STATES) INFOGRAPHIC.....	28
ROLE OF GOVERNMENTS (OF CRISIS-AFFECTED STATES).....	28
Definition.....	28
Key Insights.....	29
Key Uncertainties through 2030.....	29
Controversies and Debates	32
MOBILE TECHNOLOGY AND INTERNET ACCESS INFOGRAPHIC.....	33
MOBILE TECHNOLOGY AND INTERNET ACCESS.....	33
Definition.....	33
Key Insights.....	34
Key Uncertainties through 2030.....	34
Controversies and Debates	36
ID AND ITS DIGITIZATION INFOGRAPHIC	37

ID AND ITS DIGITIZATION	38
Definition.....	38
Key Insights.....	39
Key Uncertainties through 2030.....	40
Controversies and Debates	43
DATA AND DATA PROTECTION INFOGRAPHIC	44
DATA AND DATA PROTECTION	44
Definition.....	44
Key Insights.....	45
Key Uncertainties through 2030.....	45
Controversies and Debates	47
USE OF FINANCIAL SERVICES INFOGRAPHIC	50
USE OF FINANCIAL SERVICES	50
Definition.....	50
Key Insights.....	51
Key Uncertainties through 2030.....	51
Controversies and Debates	54
FUNDING LEVELS FOR FINANCIAL ASSISTANCE INFOGRAPHIC	56
FUNDING LEVELS FOR FINANCIAL ASSISTANCE	57
Definition.....	57
Key Insights.....	57
Key Uncertainties through 2030.....	57
Controversies and Debates	61
POPULATION MOVEMENT INFOGRAPHIC	62
POPULATION MOVEMENT	62
Definition.....	62
Key Insights.....	63
Key Uncertainties through 2030.....	63
Controversies and Debates	66
ANNEX 1: GLOSSARY AND ACRONYMS	67
ANNEX 2: FUTURE OF AID SCENARIO MATRIX	70
ANNEX 3: METHODOLOGY	71

EXECUTIVE SUMMARY

The scale-up of Cash and Voucher Assistance (CVA) is catalysing rapid change in the humanitarian sector: new operational models, changing use of technology, evolving partnerships with private sector actors, and stronger links between humanitarian assistance and other types of financial flows. These changes have implications for the future roles of humanitarian actors and for the ways they plan and deliver programmes to optimize results for people affected by crisis. This report is intended to support actors to think through how opportunities and challenges may evolve, and how they can better prepare to deliver effective assistance in future.

This report looks at humanitarian CVA within the broader landscape of financial assistance, including remittances, social transfers, and person-to-person giving, which reach people affected by crisis. Looking at CVA in isolation does not provide the full picture. It is important to understand how cash assistance can work with and alongside other financial assistance mechanisms to optimize the outcomes for users.

The future of financial assistance will be heavily shaped by the drivers of change that operate in the humanitarian ecosystem, and by changes in the broader global environment. Several specific drivers will have the most influence on how financial assistance evolves within this changing context. These are: the role of the private sector; the role of crisis-affected country governments, mobile technology and internet access, ID and its digitization, data and data protection, the use of financial services by crisis-affected people, funding levels for financial assistance, and population movement. The complexity of interactions between these drivers, which can create change in each other and the wider ecosystem, highlights how dynamic the financial assistance space will be in the near future.

The report explores what the future of financial assistance might look like in four scenarios¹ which we term 'control', 'chaos', 'emergence' and 'synergy'.



CONTROL SCENARIO

In the control scenario, crises are largely contained within national borders, with governments in control of the response. Financial assistance is tightly controlled by sovereign governments, which significantly restrict external assistance. Government-led social transfers are the primary form of financial assistance, often expanding access and ensuring sustainability, but in some cases excluding marginalized populations. The environment for financial services, internet and data is highly regulated, with governments having full oversight of ID credentials and other personal data.

Top-line implication for users of financial assistance:

Risk that assistance is not needs-based and that marginalized groups are excluded from receiving assistance.

Top-line implication for the formal international humanitarian sector:

Because international humanitarian actors' roles in directly delivering financial assistance are limited, it is critical to build strategic, demand-driven partnerships with – and provide effective support to – national civil society organizations, where possible.



CHAOS SCENARIO

In the chaos scenario transnational crises are the norm, with needs far outstripping resources. Cross-border and multi-actor approaches are required to provide financial assistance to populations on the move. The lack of resources and the deregulation/limited coordination of formal humanitarian and development assistance has reduced predictability and thus eroded user trust. Scarce external funding for financial assistance is prioritized for sudden onset humanitarian crises, reducing funding for social transfers. Governments privilege citizens over refugee populations in their delivery of financial assistance, a segregation compounded by the digital divide.

Top-line implication for users of financial assistance:

The growing gap between needs and resources means that many people in need are unable to access financial assistance. The large number of refugees and migrants incentivizes the development of financial products better tailored to populations on the move.

Top-line implication for the formal international humanitarian sector:

The challenge of providing assistance to large populations on the move requires new tools and approaches. Collective engagement with governments on financial assistance policy and regulation is key, as part of regional crisis preparedness.

¹ These four scenarios are based on analysis of how the eight most influential drivers of change may unfold in the global scenarios built for the IARAN (2016) The Future of Aid: INGOs in 2030.



EMERGENCE SCENARIO

In the emergence scenario financial assistance is primarily provided through new localized networks with specific expertise, which are not coordinated by the government or formal humanitarian actors. The private sector takes on many of the functions of formal humanitarian actors, which catalyses technological innovation but does so in the absence of common principles or standards. ID management and the collection and storage of personal data are fragmented, creating multiple vulnerabilities for users.

Top-line implication for users of financial assistance:

The entry of new actors into the financial assistance space increases the range of assistance options available to users from which to choose. Increased competition results in products and services that are better tailored to crisis-affected people.

Top-line implication for the formal international humanitarian sector: At the sub-national and transnational levels, humanitarian actors need to work under different sets of varied, highly localized norms and guidelines developed by new networks of partners.



SYNERGY SCENARIO

In the synergy scenario financial assistance is funded, designed and delivered in a collaborative manner between different types of actors, supported by enabling national and global regulations, and underpinned by common principles and standards. Entry points for supporting government-led social transfers, including in humanitarian crises, are clear. Civil society supports accountable social transfer provision and/or fills gaps in coverage. Blockchain drives coordination and interoperability, including across borders, while safeguarding privacy.

Top-line implication for users of financial assistance:

Global ID standards and the accessibility of transnational financial services facilitate access to assistance across providers and across borders.

Top-line implication for the formal international humanitarian sector: Humanitarian actors reinvent themselves. Rather than focusing on delivery, they play primarily a coordinating role, as well as an advocacy/watchdog role on adherence to standards (ideally in support of the government).

By 2030, financial assistance will be integral to what humanitarian and social assistance look like. The ways in which organizations respond to emerging opportunities and threats, adopt new technologies, and build new partnerships are likely to be highly varied. However, there are some areas that actors in the international humanitarian sector should focus on:

- ▶ **Treating CVA as part of a broader landscape of financial assistance** – International humanitarian actors need to explore how to work better with and alongside other actors and other types of financial flows.
- ▶ **Evaluating collective impact and using this to drive programming decisions** – Humanitarian actors need to ensure they are transparently capturing what works and scaling only the most effective models, while also ensuring a strong user voice in this process.
- ▶ **Taking data responsibility seriously** – Humanitarian assistance is digitizing faster than the legal and ethical frameworks governing this digitization. Humanitarian actors need to work quickly to understand what ‘doing no digital harm’ looks like.
- ▶ **Preparing to better meet the needs of people on the move** – All four scenarios entail significant increases in population movements within and across borders, including through irregular channels. Humanitarian actors need to explore how to work with other partners to adapt tools and approaches to better meet the needs of people on the move.
- ▶ **Maintaining the trust relationship** – In an increasingly politicized environment and while working more closely with non-humanitarian actors, humanitarian actors need to consider how to safeguard the trust relationship with users.
- ▶ **Putting the needs and voices of users at the centre** – More financial assistance should imply a stronger decision-making role for users, but the scenarios show that this is not necessarily the case. Humanitarian actors need to urgently explore how to increase accountability to users.

The nature of humanitarian response has changed drastically in recent decades, but humanitarian institutions and practices have not kept pace. Humanitarian response remains predominantly supply-driven, built more around the mandates and prerogatives of international aid providers than it is around the demand-signal from the people they serve. The power to decide what crisis-affected people need, and how they will receive it, remains in the hands of a fragmented aid architecture operating on an outdated business model.

This system is overdue for a change. And the continuing evolution of humanitarian challenges – driven by climate change, a cascade of seemingly unending conflicts, protracted displacement, and other hazards – will continue to strain a humanitarian architecture that is already showing its age.

Cash transfers are emerging as one of the most significant opportunities to work differently and shift power toward aid recipients. The increased use of cash as a humanitarian response tool has challenged coordination structures and sector and mandate-driven approaches – and raised new questions. How do we effectively wield cash as a tool when it transcends the existing sectors or clusters? How do we work more closely with private sector actors – the banks, mobile network operators, government-led social protection systems – with the reach, efficiency and the expertise to move money quickly and securely? Critically, how do we reshape our system and governance structures to reorient power over resources and priorities to affected populations rather than humanitarian actors?

The Future of Financial Assistance report by the Cash Learning Partnership – a network of more than 80 humanitarian organisations, private sector actors and governments – is a welcome contribution to spur thinking and debates on what changes are needed now to be fit for the future. It envisions how cash transfers, as part of a broader network of financial flows reaching people in crisis, might evolve under different scenarios, and what this means for how we should adapt and prepare today. This has implications not just for individual cash actors, but for how we reshape the humanitarian system at large to better support crisis-affected people.

As you read this report I'd urge you to think about what it means for the ways in which we work. What can your organization do differently to prepare for the coming challenges and take advantage of the emerging opportunities outlined in the different scenarios? What do we do now that we will look back on in years to come as wasteful, or as overly paternalistic? Most importantly, how can we ensure that the choices we make about how to use scarce humanitarian resources are driven first and foremost by the needs and preferences of people we serve?



Jeremy Konyndyk
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WHO WE ARE



This report is the product of a collaboration between the Cash Learning Partnership (CaLP) and the Inter-Agency Research and Analysis Network (IARAN).

CaLP is the global partnership of humanitarian actors engaged in policy, practice and research within Cash and Voucher Assistance (CVA). CaLP currently has over 80 members who collectively deliver the vast majority of CVA in humanitarian contexts worldwide. CaLP's members include UN agencies, the Red Cross and Red Crescent Movement, donors, international NGOs, local NGOs and private-sector organizations. CaLP is based on learning, knowledge sharing, networking, policy, and coordination around the appropriate and timely use of CVA in humanitarian response.

IARAN is a collaborative hub of humanitarian professionals that brings foresight analysis and strategic planning together in the humanitarian sector. Through analysis and scenario building, IARAN enables aid organizations to plan 1–15 years into the future, pre-empt change, build adaptable strategies, and ultimately save time, money and lives down the line. IARAN's vision is an equitable and connected humanitarian ecosystem that enhances contributions to the Sustainable Development Goals (SDGs). IARAN's mission is to enable strategic thinking and actions via a collaborative ecosystem to build better futures for and with people in humanitarian need.

CaLP is leading the *Future of Financial Assistance* initiative, with and on behalf of its network. It has commissioned IARAN to produce this report using its foresight methodology and building on the scenarios in IARAN's 2016 *Future of Aid* report.

The core research team included: Amy Keith (IARAN), Eilidh Kennedy (IARAN), Michel Maietta (IARAN), Isabelle Pelly (IARAN), Tyler Rundel (IARAN) and Sophie Tholstrup (CaLP).

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INTRODUCTION

The way in which humanitarian assistance will be provided in 2030 will be significantly different from how it has been provided in the past. Not only are changing needs and contexts pushing humanitarian actors to organize and deliver differently, but trends in technological development, connectivity, urbanization and education (to name just a few) are enabling increasing numbers of crisis-affected people to manage their own response by leveraging multiple sources of support. Financial assistance is central to this shift.

The scale-up of Cash and Voucher Assistance (CVA)² is catalysing rapid change in the formal international humanitarian sector. The sector is seeing the emergence of new operational models, changing use of technology, evolving partnerships with private sector actors, and stronger links between humanitarian assistance and other types of financial flows. These changes have significant implications for the future roles of humanitarian actors, and for the ways in which they plan and deliver programmes to optimize results for people in crisis. By exploring possible futures for financial assistance, this report aims to support CaLP members and others to approach strategic planning with an improved understanding of future challenges and opportunities, and – through this – to support needs-driven change across the sector.

Given that CVA is just one of a number of financial flows which people in crisis may be able to access, this report analyses CVA in the broader context of financial assistance. This term recognizes that there is a broad set of instruments which can support crisis-affected individuals or households to meet their humanitarian needs by increasing their financial access to markets and services. This assistance may be provided through a range of mechanisms, by humanitarian actors, governments or personal networks.

REPORT RATIONALE

CaLP launched the Future of Financial Assistance initiative in response to demand from its members for analysis to guide their strategic thinking on CVA. This report, as part of that initiative, is intended to help CaLP members and others understand the possibilities and challenges around the evolution of financial assistance and so support improved strategic planning and collaboration in order to improve the impact of financial assistance on crisis-affected people.

This analysis aims to provide insights that will support actors in the humanitarian sector and others to:

- ▶ Understand how future trends will provide opportunities to deliver better response through new instruments and partnerships;

- ▶ Support an evolution of roles and approaches to make the most effective use of scarce resources in addressing growing humanitarian need, and address political hurdles to achieving this;
- ▶ Use the knowledge, experience and analysis of CVA actors to ensure that broader thinking around humanitarian futures will lead to the best outcomes for crisis-affected people.

RESEARCH APPROACH AND REPORT STRUCTURE

The analysis presented in this report is based on IARAN's scenario toolkit.³ The process was adapted to look at the global system of financial assistance with an outlook to 2030. The first step of the methodology – the architecture – mapped the complex system of global financial assistance. Structural analysis was then used to narrow the comprehensive list of drivers of change down to the eight most influential: the role of the private sector; the role of crisis-affected country governments, mobile technology and internet access, ID and its digitization, data and data protection, the use of financial services by crisis-affected people, funding levels for financial assistance, and population movement. Finally, through a process of morphological analysis, hypotheses about the evolution of each driver were compiled to form a unique narrative about what the future of financial assistance could look like in each of the four scenarios from the *Future of Aid* report.⁴

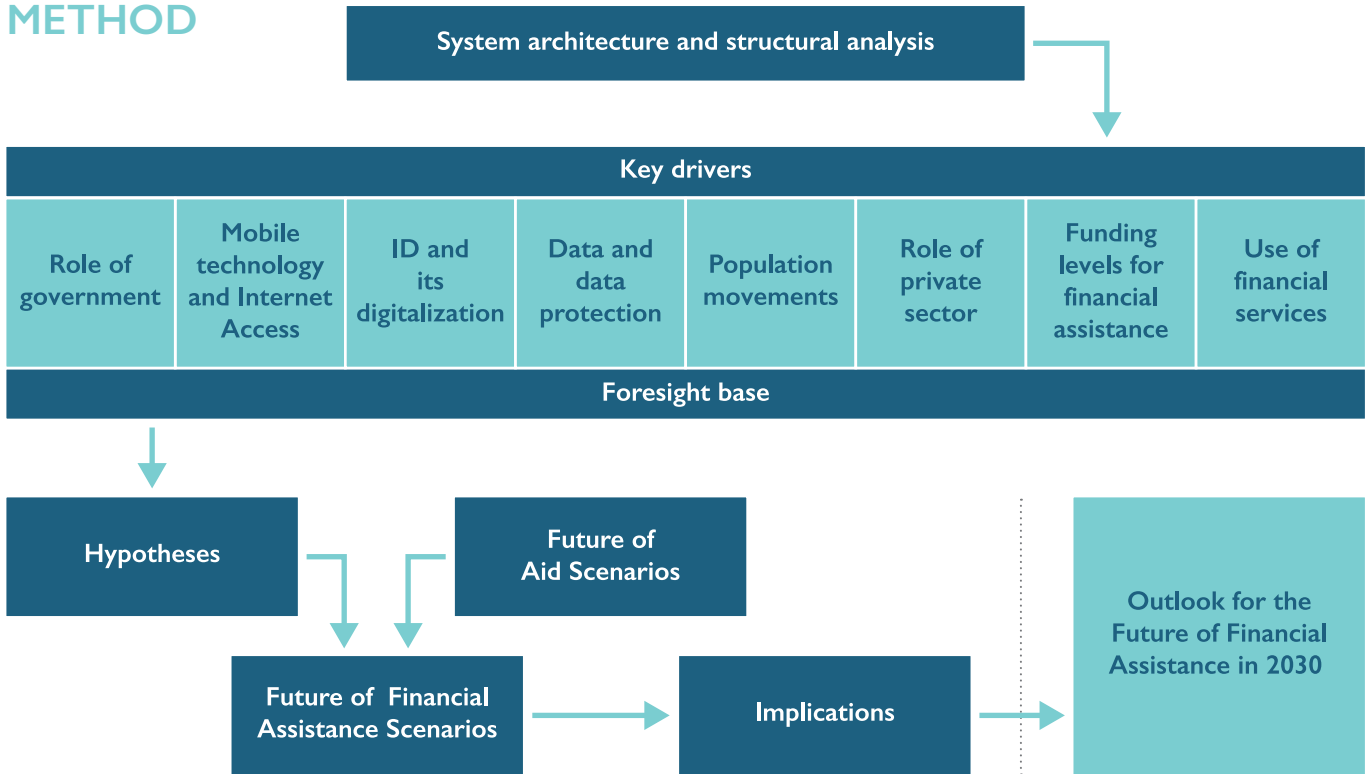
The body of this report begins with a summary of the key insights from the eight drivers, organized by four overarching themes. The report then focuses on the four scenarios that explore how financial assistance could evolve between the present day and 2030. The implications of each scenario for both the users of financial assistance and the humanitarian sector are then explored. The report concludes by summarizing the implications of the scenarios and making recommendations on critical issues for humanitarian actors to consider. A series of annexes then provide more detail about the trends, uncertainties and controversies of each of the eight drivers.

² The Cash Learning Partnership, Accenture (2018) *The State of the World's Cash Report: Cash Transfer Programming in Humanitarian Aid*, p. 3.

³ Please see Annex 3: Methodology for more information. Each stage of research was informed by literature reviews, dedicated research, interviews and workshops, and the results at each stage were validated with experts.

⁴ IARAN (2016) *The Future of Aid: INGOs in 2030*.


METHOD

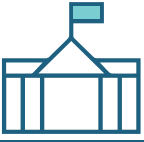


KEY DRIVERS INFLUENCING THE FUTURE OF FINANCIAL ASSISTANCE


Financial assistance is a complex system made up of many actors, including individual users, governments, private sector businesses and formal international humanitarian actors. Each actor balances a number of priorities while adapting to the environments in which they find themselves. As a result, when considering the evolution of financial assistance, broader contextual changes and trends must be kept in mind.


Our analysis has identified eight drivers that will have the most influence on how financial assistance will evolve over the next 10 years to 2030. These are:


- 


1. Role of the private sector: Private sector actors are at the heart of financial assistance; they both deliver financial assistance via their tools and platforms and support other actors throughout the system.
- 

2. Role of governments (of crisis-affected states): Governments are the largest direct providers of financial assistance, and access to and provision of financial assistance from/by other actors hinges on government regulations and action.

- 

3. Mobile technology and internet access: Access to mobile technology and the internet continue to expand connectivity globally, opening new avenues of financial assistance for those who have access.
- 

4. ID and its digitization: Legal identity verification is often a requirement to access financial assistance. This is challenging for people who cannot prove their identity and is a process which is becoming increasingly digital.
- 

5. Data and data protection: The collection of personal data, including legal identity, demographic, family, socio-economic, location and contact information is increasing, but users of financial assistance often have limited control over their information (which is highly valuable) and how it is used.
- 

6. Use of financial services: Digital financial services are increasingly used to deliver financial assistance, improving financial inclusion for connected individuals, but excluding many who are on the other side of the digital divide.

7.



Funding levels for financial assistance: Funding for financial assistance as a proportion of Official Development Assistance (ODA) will increase, as will alternative funding streams such as person-to-person (P2P) assistance.

8.



Population movement: The situation of people on the move will become increasingly difficult and providing them with financial assistance will be especially complex due to their irregular status and vulnerability to exploitation.

These eight drivers are heavily intertwined. Developments within each one impact upon the future of the others. As a result, key insights can be organized under four distinct questions:

- ▶ Who will be involved in the delivery of financial assistance?
- ▶ Who will the users be and what are their rights over their own data?
- ▶ What will the instruments of financial assistance be, and what will they rely on?
- ▶ How will financial assistance be funded in the future?

WHO WILL BE INVOLVED IN THE DELIVERY OF FINANCIAL ASSISTANCE?

Three actors dominate the delivery of financial assistance: governments, the private sector, and humanitarian actors.

Governments are the largest providers of financial assistance globally, through national social transfer programmes, which are growing in reach and expanding to include greater numbers of vulnerable people. **Cash-based social transfers are used to complement other social investments in an effort to reduce poverty and overall vulnerability.** Social assistance programmes (including their social transfer components) have been credited with success in reducing poverty and building resilience; increasingly they are being made more shock-responsive and so better able to provide support for people in times of crisis.

Government expansions of social transfer programmes and efforts to make these programmes more shock-responsive are changing the role of humanitarian actors in some countries. Where government capacities exist, humanitarian actors will increasingly work with and through national structures for the delivery of financial assistance (and humanitarian assistance generally). However, in many fragile states and disaster-prone countries, capacities for and access to social transfers are still limited: in 2018, only 18 percent of the poorest people in low-income countries were covered by

social transfers. As such, in emergencies, humanitarian actors will continue to be at the forefront of financial assistance in contexts where the government is unable or unwilling to provide it. This development means that **humanitarian actors will increasingly be transferring money in complex environments with high perceptions of risk.** The ways in which humanitarian actors may link with government systems and how reliant they are on private sector support to facilitate CVA raises important questions about humanitarian space and how humanitarian actors can ensure that financial assistance is inclusive, delivered according to humanitarian principles, and does not bring unreasonable risks to crisis-affected people or the organizations themselves.

As the regulators, governments also influence the behaviour of all financial assistance actors. Financial assistance in any given space is defined by the balance between creating an enabling environment that stimulates competition, drives innovation, and expands financial inclusion while also protecting the privacy of users, mitigating vulnerabilities created by the collection of massive amounts of data, and ensuring appropriate due diligence to prevent misuse of financial transactions. Governments seek to exert control over the structures that underpin financial assistance (such as banks, telecommunications companies and online platforms) to different degrees, meaning that the services, risks and protections for users vary substantially.

Private sector actors are involved in nearly all phases of financial assistance. They play diverse roles: from mobile phone companies and banks providing core financial services, to large online platforms such as Facebook, Google and Alibaba connecting users to a network of diverse digital services. For example, banks, mobile money companies, online platforms and money transfer companies facilitated a record \$529 billion in remittances to low- and middle-income countries in 2018, exceeding foreign direct investment in nearly every country (with the exception of China).⁵ Private sector platforms are also supporting direct P2P financial assistance to crisis-affected people and others in need. Even more technology companies will join this space as the use of cryptocurrencies increases, although how they operate will be influenced by the still evolving regulations surrounding cryptocurrencies.

The influence of private sector actors is not limited to their role as direct implementers, they also provide backend IT and data support to other actors in this space, including governments and the formal international humanitarian sector. Financial assistance could not operate without the services and platforms provided by the private sector. The many different private sector companies that drive financial and digital services innovation and market expansion will be essential to increasing access to financial assistance. However, in conditions of limited regulation, there are concerns about the potential for user exploitation and the risks of dependency on any single company or platform.

⁵ World Bank (2019) Record High Remittances Sent Globally in 2018, Press Release No: 2019/148.

The roles of each of these groups of actors will evolve as the power dynamics and modalities of financial assistance change. The future value-add of any actor will be dependent on what they bring to users and how effectively they communicate that impact.

WHO WILL THE USERS BE AND WHAT ARE THEIR RIGHTS OVER THEIR OWN DATA?

Rapid increases in mobile connectivity (90 percent of the global population lived in reach of a 3G or higher mobile network in 2018⁶) and affordability mean that crisis-affected people increasingly have access to digital financial infrastructure. **Growing connectivity and financial inclusion could provide more choices for some people to manage their own response and expand avenues for people to connect with formal and non-formal assistance providers rather than relying on ‘who shows up’.** New avenues will open for financial assistance to be accessed through different channels (humanitarian actors, people’s own personal networks, crowdfunding platforms, etc.), giving local actors more leverage to be engaged in financial assistance.

However, **access to technology is not equal: gender, age, poverty, legal status and living in underserved rural areas are key factors in the likelihood of an individual having access.** Even as technology creates opportunities to expand voices and choices, many people will be left on the other side of the digital divide. Divergence in technological access, use and literacy (including digital and data literacy) threaten to increase financial inequalities and entrench financial exclusion for populations most at risk. The divide between crisis response in well-connected urban settings and responses in poorly connected rural spaces or those targeting marginalized groups will grow, necessitating conscious efforts in order to provide people left behind the digital divide with the same range of services and support.

One of the key barriers to both financial inclusion and mobile connectivity in many countries is the need for official ID (proof of legal identity) in order to meet the due diligence requirements with which financial services providers (FSPs) and mobile network operators (MNOs) are bound to comply.⁷ This can be extremely complicated for people who have not been able to obtain official ID or who have a complex legal status, especially refugees and migrants. In some contexts, governments are exploring simplified due diligence requirements that enable additional forms of identification to be accepted as proof of legal identity. In order to access the opportunities of the digital ecosystem, people increasingly need to be able to prove their identity via digital means. Technologies such as biometrics which enable virtual identity verification are becoming more widespread. **Shifts towards ‘good digital ID’ will enable**

more people to access digital financial services and may also provide more layers of security by creating multiple avenues for individuals to prove their identity – even if documents have been lost.

Increased digitization of identity information and the volumes of personal data being collected by financial and digital services providers, governments, and humanitarian actors create new vulnerabilities with respect to data theft, misuse and surveillance. These vulnerabilities are only just beginning to be understood. These risks are especially acute for vulnerable and marginalized populations because access to their personal data increases their likelihood of being persecuted, exploited or politically or economically discriminated against. Where large amounts of individuals’ personal data are held on single or social registries, people from marginalized groups may be at risk of exclusion. Even for people who are not part of marginalized groups, the opacity around what data about them is collected, who has access to it, what it will be used for, and their rights over their own data dramatically increases the risk of their being a victim of exploitation (such as short-term, high-interest loans) or crime (such as financial scams). In many contexts, there are limited regulations protecting users and few if any alternatives to sharing their data, which is highly valuable to private sector actors and governments.⁸ Big data can provide information about personal preferences, social behaviour, movements and individual health status. Through habituation and a lack of transparency, bad practices could establish new norms of data sharing that the majority of users do not endorse. This increases the urgency to develop well-adapted regulations that consider what the rules of the digital ecosystem should be.

The increased use of financial assistance can ensure that users are more in control of their own crisis recovery. However, if the rights of users over their own identity and personal data (particularly in the digital space) are not respected, the costs of inclusion may be significant. Governments and humanitarian actors are increasingly collecting and storing personal data without sufficiently investing in the technological capacity to keep it safe.

WHAT WILL THE INSTRUMENTS OF FINANCIAL ASSISTANCE BE AND WHAT WILL THEY RELY ON?

Financial assistance is increasingly digital.⁹ As a result, access relies on the establishment of underlying communications infrastructure and services. Mobile money and internet-based digital financial services are continuing to expand (mobile money in particular has been expanding in sub-Saharan Africa and among refugees).¹⁰ As governments and humanitarian actors seek to increase the efficiency of their financial

6 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, Volume 1, 2018, p. 8.

7 These requirements are generally known as ‘Know Your Customer’ (KYC) requirements. For an example of due diligence requirements, see: European Union (EU) regulation on electronic identification and trust services or eIDAS Regulation in GSMA Personal Data (2015) Mobile Identity: A Regulatory Overview, Second Edition.

8 UN Secretary-General High Level Panel on Digital Cooperation (2018) The Age of Digital Independence, p. 10.

9 Governments and humanitarian actors are increasingly using DFS to deliver financial assistance in bulk transfers through mobile money, ATM cards and other digital transfer mechanisms. Better Than Cash Alliance (2017) Development Partners Toolkit.

10 GSMA Digital Lives of Refugees (2019).

assistance delivery, the pace of moving to digital instruments is increasing. However, the priority is often focused on the benefits accruing to actors providing financial assistance rather than on the potential benefits to users accessing it.

Financial assistance flows rely on a multitude of systems and frameworks. These include the available communications and digital infrastructure, the banking system, regulatory frameworks, ID systems and the many different mechanisms for transferring money. Digital transfers can reduce cost, increase the speed and traceability of transactions (especially with Distributed Ledger Technology (DLT)), reduce fraud, and increase convenience and dignity for users. **In most cases, non-bank digital financial service providers have shown greater interest than traditional financial institutions in digitally expanding to underserved markets.** Digital FSPs can significantly reduce the cost of services and increase availability, making them a critical entry point for many people. However, each modality of sending and receiving money has its own barriers, costs, risks and benefits. Transnational crises pose further challenges in terms of the mechanisms for delivering and accessing financial assistance across borders, given the divergent nature of regulatory environments between countries.

DLT and cryptocurrency have the potential to significantly impact financial flows, making remittances faster and cheaper, expanding financial inclusion and creating more options for P2P giving. To date, many countries remain sceptical about the use of cryptocurrency. They are uneasy about its volatility and concerned about how to regulate it with respect to anti-money laundering (AML), combating the financing of terrorism (CFT), taxation and consumer protection. In some countries, cryptocurrency use has been prohibited or suspended until concerns are addressed. In 2019, Mexico is the only government to accept cryptocurrencies, and though this is likely to change, how quickly other institutions accept cryptocurrencies may depend on the way cryptocurrency platforms address concerns and the way that regulations develop.

In many ways, **financial assistance – and especially digital financial assistance – relies upon the exchange of data for services and support.** The potential benefits are enormous, but so are the risks. Genuine informed choice, not just box ticking, is key to ensure the overall, long-term well-being of users.

HOW WILL FINANCIAL ASSISTANCE BE FUNDED IN THE FUTURE?

Funding for financial assistance is predominantly from government revenue, loans and ODA, with the percentage of each varying depending on the country. The funding of social assistance by national governments is balanced against other priorities and interests, such as willingness to put in place and enforce progressive taxation.

As a result, levels of funding for social assistance (and its social transfer components) varies, largely dictated by the national political and economic climate. **Social assistance is expanding in many countries and will likely increase further following the recent recognition by the International Monetary Fund that social spending is key to inclusive growth, stability and shock resilience.**¹¹ Social assistance is also recognized as a prominent driver for achieving the SDGs.¹² However, government funding for social assistance will continue to be uneven given competing interests when it comes to the allocation of government budgets.

Funding for financial assistance as a proportion of ODA will likely continue to rise in line with Grand Bargain commitments and mounting evidence of the effectiveness of CVA in many contexts (total humanitarian cash and voucher delivery increased by 60 percent from 2016 to 2018, with an estimated \$4.7 billion in CVA programming in 2018).¹³ However, **the potential drop off in overall government funding for humanitarian assistance could further widen the gap between needs and resources, making funding from private donors increasingly important.** Despite a significant increase in funding amounts, from \$10.6 billion in 2014 to \$13.9 billion in 2017, the gap in coverage for UN-led humanitarian response plans hovers at about 40 percent.¹⁴ Diversification of funding for the provision of financial assistance will be key, such as exploring the already enormous potential of crowdfunding and direct private giving. Interoperable financial assistance systems could be an important tool to harmonize budgeting and spending across humanitarian and development portfolios, linking humanitarian funding and programming with government social assistance to provide greater continuity of assistance. Although they are challenging to implement, such synergies could offer huge benefits with respect to impact for users and efficiencies for assistance delivery overall. **Innovative financing mechanisms, such as regional risk pooling, will also potentially open new avenues for funding financial assistance to crisis-affected people.** The combination of predictive analytics and financial assistance has the potential to catalyse a shift to anticipatory action in crises where financial infusions at the household level would help mitigate impacts.

Already substantial, P2P financial assistance will increase with the expansion of digital financial services. **Increasing volumes of remittances and crowdfunded support will likely continue as access to digital financial services grows and as migration and displacement increase the size of diaspora communities.** These flows will continue to represent a high percentage of the support accessed by people in need. Crisis-affected people may also have improved access to financial assistance from insurance and credit, as data analytics enables improved risk analysis and tailored products for thus-far underserved market segments.

11 Christine Lagarde (2019) Forging a Stronger Social Contract—the IMF's Approach to Social Spending, International Monetary Fund.

12 Nicolai and Sarwar (2017) Four actions to drive and deliver SDG progress: lessons from ODI research.

13 Development Initiatives Key Trends in Humanitarian Assistance, p. 7.

14 UN coordinated Support to People Affected by Disaster and Conflict (2019) Global Humanitarian Overview, p. 4.

SCENARIOS FOR THE FUTURE OF FINANCIAL ASSISTANCE

Based on analysis of the eight most influential drivers of change affecting the future of financial assistance, a series of scenarios have been created. These scenarios are nested within futures presented in the *Future of Aid* report.¹⁵

This outlook assesses how the spectrum of uncertainty for financial assistance might unfold in four separate futures to 2030. There is no inherent assumption that overall levels of financial assistance reaching vulnerable people are higher in one scenario than another. However, the differences in access to and quality of financial assistance across the scenarios are stark, relating to factors of inclusion and exclusion, the coordination of assistance, and the effectiveness of assistance design.

Some of these scenarios may already reflect a partial reality existent today in particular contexts in developing and developed countries. The scenarios can co-exist within a given region, or even a large country, and one scenario could evolve into another. The scenarios do not provide a linear explanation of how a particular future might come about, but rather each represent a snapshot of a potential future in 2030. These scenarios represent the future of financial assistance for populations affected by crisis and/or in situations of chronic vulnerability.

USING EXPLORATORY SCENARIOS

Exploratory scenarios are not created to predict the future. Rather, the intent is to capture as wide a range of realistic outcomes as possible, based on the evolving dynamics of the key drivers of change that will shape the system of study over the course of the outlook. Scenarios are a tool, synthesizing complex relationships between multiple drivers and actors over time. This creates several distinct images of the future that decision makers can readily engage with. By considering a range of futures (not just focusing on those considered most-likely) and how organisations will fit within them, decision makers are better able to manage the uncertainty they face and create adaptable strategies to fit the evolving environment in which they operate. Scenarios also illustrate the types of challenges and opportunities that will emerge in each potential future. Consideration of this analysis enables leaders to be more strategic in the decisions that they must take today, increasing their preparedness and effectiveness. Scenarios inspire humanitarian decision makers to take a more systematic and long-term view of their work, making them an indispensable tool for those seeking to affect lasting change.

¹⁵ Narrow Gate, Overflow, To Each Their Playing Field and (R)evolutions (summarized in Annex 1).

¹⁶ These are drawn from the authors' and contributors' analysis of the scenarios, and not on primary data collection with existing or potential users of financial assistance. However, analysis of primary research from Groundtruth Solutions' work in Kenya and Iraq has identified three main issues that users of CVA care about. These have been used as a reference point for informing users' opportunities and threats: deciding freely what to spend money on; receiving money reliably; trusting those managing transfers.

¹⁷ These considerations are the output of workshops and interviews with actors within the formal international humanitarian sector. Where relevant, they are framed with a particular actor in mind.

ASSUMPTIONS FRAMING THE SCENARIOS

To create these scenarios, several assumptions have been made to frame the future of financial assistance. The points below are held constant in each scenario and assumed to be true in every future explored in this report.

- ▶ Financial assistance is a highly effective humanitarian and social assistance intervention that can continue to meet a wide range of prevention, protection, promotion and transformation objectives.
- ▶ CVA, as a component of financial assistance, is widely recognized as one of the most significant areas of innovation in humanitarian assistance and has huge potential to meet more needs more efficiently, effectively and accountably.
- ▶ The scale-up of CVA will continue to catalyse change in the formal international humanitarian sector, with significant implications for the roles of all humanitarian actors.
- ▶ Absolute levels of funding for financial assistance will continue to increase, driven by greater influence of international financial institutions and the development of new financing mechanisms.
- ▶ Funding for CVA as a proportion of overall ODA will continue to increase.
- ▶ The extent of the gap between needs and resources for financial assistance is unclear.
- ▶ The situation for refugees and vulnerable migrants is likely to become much more difficult through 2030, with increased population movement – driven by protracted conflict and environmental change – but a more limited range of safe choices for moving across international borders.
- ▶ The synergies between different financial assistance instruments provide opportunities to bridge the humanitarian/development nexus.

By making these assumptions clear, the scenarios can focus on the areas of uncertainty highlighted in the eight most influential drivers. It is these uncertainties that shape the scenarios and make each unique.

EXPLORING THE IMPLICATIONS OF SCENARIOS

Each scenario explores the role of the following actors: users of financial assistance, formal international humanitarian actors, local civil society, national governments and private sector actors. Potential opportunities and threats for users¹⁶ and providers¹⁷ of financial assistance are summarized for each scenario.

SUMMARY TABLE OF SCENARIOS

CONTROL



Government-led financial assistance with a high degree of control over other actors and eligibility criteria

- ▶ Financial assistance is **tightly controlled by sovereign governments** (who do not necessarily have sufficient resources to cover needs)
- ▶ Governments significantly **restrict external assistance** and the presence of multinational private sector companies
- ▶ **Government-led social transfers** expand access for some communities but frequently exclude persecuted or marginalized populations, as well as refugees and migrants
- ▶ The environment for **financial services, internet and data** is **highly regulated**, with governments having full **oversight of ID and other personal data**
- ▶ Assistance is coordinated through **single accounts** with very **limited user control** over personal data

CHAOS



User trust eroded by a lack of coordination and funding for a comprehensive response based on needs and standards

- ▶ Governments provide financial assistance but **needs significantly outstrip capacity**
- ▶ **Formal humanitarian and development assistance are deregulated** and unpredictable
- ▶ There is an **increased flow of remittances** (but transfers are costly)
- ▶ Transnational crises require **cross-border and multi-actor approaches** to financial assistance provision
- ▶ **Unpredictability** of assistance provision, and its frequent use to achieve exclusionary aims, **has eroded user trust**
- ▶ **Digital divide compounds divergence in access** to assistance
- ▶ Governments have **limited regulatory capacity to enable financial services**, limiting financial assistance options
- ▶ Complexity of crises leads to **multiple financial assistance delivery and ID systems**, linked to significant data protection risks

EMERGENCE



New networks of humanitarian actors drive innovation in a deregulated environment

- ▶ Financial assistance is provided through new **localized networks of specific expertise** (local government, civil society, private sector)
- ▶ The **private sector substitutes functions of formal international humanitarian actors**, catalysing technological innovation
- ▶ New funding sources grow, including **P2P giving**
- ▶ **Major gaps** result from the localized and uncoordinated provision of assistance
- ▶ **Digital divide** grows with the influence of multinational tech companies
- ▶ **No common principles or standards** govern financial services, the internet or data
- ▶ **ID management and the collection of personal data are fragmented**, creating multiple vulnerabilities for users
- ▶ **Use of blockchain** is prevalent but **interoperability is challenging**

SYNERGY



Multiple interoperable modalities for financial assistance are coordinated under an umbrella of common principles and standards

- ▶ Governments provide **social transfers and work closely with civil society** for financial assistance provision, accountability and/or to fill gaps in coverage
- ▶ **External financial assistance and private sector engagement is actively encouraged**; funding, design, and delivery are highly collaborative
- ▶ Entry points for supporting government-led social transfers, including in humanitarian crisis, are clear
- ▶ **Diverse funding sources** for financial assistance are leveraged, including taxation, remittances and P2P giving
- ▶ National and global regulation enable financial assistance, **underpinned by common principles and standards**, also applicable to the private sector
- ▶ **Common global ID standards and use of blockchain (including cryptocurrencies)** drive national and transnational interoperability



SUMMARY

Global trends and the slow pace of change within the humanitarian ecosystem makes this the most likely scenario before 2020. This scenario is characterized by the rise of nationalism, leading to a decline in the relevance of global governance institutions. The humanitarian ecosystem is challenged by the politicization of crises, particularly those in areas of chronic fragility.

Financial assistance is tightly controlled by sovereign governments who significantly restrict external assistance. Where there is capacity, government-led social transfers are the primary form of financial assistance, increasing the reliability of support and expanding access for many communities, but sometimes excluding persecuted or marginalized populations. The environment for financial services, internet and data is highly regulated, with governments having full oversight of ID credentials and other personal data.

DETAIL

In 2030, the **decline in the relevance of global governance institutions** has reduced the influence that the formal international humanitarian sector has over the coordination and delivery of financial assistance. The **rise of sovereignty**, driven in part by increasing domestic capacity to respond to crises and governments' abilities to operate without external support, means that national governments lead on the delivery of financial assistance. In many places, this expands access to assistance for the majority of people and increases its sustainability. However, where governments have insufficient resources, financial assistance is limited in its scope and scale. The politicization of humanitarian crises results in several governments restricting migration, borders and external assistance, meaning that **financial assistance is heavily controlled**.

In some cases, governments **restrict external assistance entirely**, although major sudden onset natural disasters that exceed government capacity for response can exceptionally result in a call for external support for financial assistance. In other cases, governments **allow external assistance to be channelled by traditional OECD donors within very constrained parameters or through existing social transfer programmes**. This strengthens government-led programmes, but as donors are required to use the government's registries and targeting strategies, **tough decisions must be made about humanitarian principles, data protection and coverage of affected people**. Countries receiving assistance are largely selected by donors according to foreign policy interests. Meanwhile, financial assistance in conflict areas continues to be perceived as particularly risk-prone by traditional donors and funding levels to these contexts decreases.

In some cases, there are significant restrictions on the provision of assistance to marginalized people and those who are out of favour with the government (whether through deliberate exclusion or self-exclusion by those wary of sharing their data with government institutions). **The role of local civil society is critical**, complemented in some places by franchised INGOs, although their space is also shrinking. Depending on their level of alignment with the government, **humanitarian actors provide financial assistance to otherwise excluded populations**, and can play a role in **improving the accountability** of the targeting and design of government-led financial assistance.

Regulatory environments for financial services, internet and data are heavily controlled. Regulations only enable access to and use of financial services endorsed by the government. Financial services provision is therefore primarily through national private sector firms that comply with very stringent requirements and are easy to regulate, along with multinational providers with niche technology or services who are willing to operate under government control. While this increases trust in financial assistance mechanisms in some places, the transparency and effectiveness of financial assistance is threatened by a lack of accountability, and risks of fraud and corruption are high – particularly where private sector actors are linked with government representatives. This **prevents the development of a healthy ecosystem of financial services** and restricts the environment for new technologies, including cryptocurrencies. It also limits opportunities to access financial services for populations crossing borders, creating **distinct and exclusive national systems**.

Internet access continues to expand through increased access to mobile technology, particularly smartphones, which facilitate access to government-controlled financial services. However, **access to mobile technology and the internet is not equal**, and the **digital divide threatens to leave specific groups behind**, particularly women and rural dwellers. This increases inequality of opportunities to access financial assistance. Governments exert significant control over the internet content and services accessible by their citizens and have the power to temporarily suspend these at any time, increasing the vulnerability of those dependent on digital financial transfers.

In most contexts outside of fragile states, **official ID is integrated with other ID credentials** (as in the case of the India Stack), which facilitates the coordination of financial assistance based on different types of personal data (demographic, geographic, socio-economic and/or health, etc.). **Governments have oversight of this personal data**, which enables them to control the means, methods and recipients of financial assistance, and to determine who is eligible for support. **Governments' oversight of data also further reduces their reliance on international actors for**

¹⁸ Based on the Narrow Gate scenario in IARAN's *The Future of Aid: INGOs in 2030*.

the analysis of needs and vulnerabilities and the development of social registries and targeting mechanisms, thus increasing their self-sufficiency.

Data protection and accountability are ensured by the government and not always compliant with developing international norms. Individuals have very limited ownership over their data, and the data generated through the use of financial services is routinely sold as a valuable commodity to encourage further investment. This provides resources for the government to reach out to previously underserved population groups, often selected in line with the government's populist message. It also enables technological innovation and early warning of emerging public problems. This level of national control means that **financial assistance programmes are typically coordinated in single accounts.** This provides recipients with the ability to better control and manage their money, but also makes them more vulnerable to fraud. In cases where formal international humanitarian actors and/or local civil society are able to directly provide financial assistance, they favour stand-alone databases, despite the risk of these being seized by the government.

Arguments around national sovereignty, increasingly steeped in populist politics, mean that **countries are less willing to accept and integrate refugees and migrants.** Where refugees are accepted, they are isolated in camps and have **little or no means of accessing the mechanisms which enable financial assistance** for nationals (financial services, inclusion in social registries, etc.). These discriminatory practices also affect persecuted or marginalized groups within the country who, without the ability to be anonymous when receiving assistance, often seek to remain outside the national system.

The protracted nature of crises in contexts of chronic fragility **calls for new funding instruments for financial assistance, but donor interest is lacking.**

OPPORTUNITIES AND THREATS FOR USERS

Opportunities:

- ▶ Increased predictability of assistance for those who receive it, if the government has sufficient funding for social transfer programmes
- ▶ For the majority of people, there is greater reliability and trust in the providers of financial assistance, but potentially not for marginalized groups

Threats:

- ▶ Limited access to financial assistance for persecuted groups (which could increase internal displacement), refugees and migrants
- ▶ Digital divide creates divergent levels of access to financial assistance

- ▶ Risk of exploitation of users receiving assistance from a provider other than the government
- ▶ Poor complementarity of other forms of assistance with financial assistance, reducing its effectiveness
- ▶ Limited accountability mechanisms for financial assistance, reducing its effectiveness
- ▶ Lack of individual control over the ownership and management of personal data, which could increase exposure to exclusion or persecution
- ▶ Risk of propping up populist governments with the ability to hand out cash, leading to increased persecution of vulnerable groups

IMPLICATIONS FOR THE HUMANITARIAN SECTOR

- ▶ It becomes very difficult to reach persecuted and marginalized groups, jeopardizing the humanitarian mandate
- ▶ Where the humanitarian sector supports government social transfer programmes, there is a need for 'red lines' to be drawn e.g. on inclusion/exclusion and data protection
- ▶ There is a need for innovative mechanisms, including partnerships with local civil society, to safely provide financial assistance to marginalized groups excluded from government-led systems and to provide financial assistance in hard-to-reach areas
- ▶ There are opportunities to work with local civil society to strengthen the accountability of government-led financial assistance, including through the use of digital tools which do not require physical access
- ▶ There are opportunities to improve the quality of financial assistance by becoming a provider of specific technical expertise to direct providers (i.e. governments and/or local civil society); this is also an opportunity to implement localization commitments and encourage more equal ways of working
- ▶ Where access is permitted (e.g. after a sudden onset disaster), there are options for blanket targeting to reduce friction with government-led targeting approaches
- ▶ There is a need to mitigate the risk that populist politics of donor or crisis-affected governments undermine global gains in financial assistance



SCENARIO 2: CHAOS¹⁹

SUMMARY

In this scenario, the humanitarian ecosystem exists in a future characterized by the withdrawal of global governance and a renewed emphasis on the pre-eminence of national sovereignty. Humanitarian actors face a dramatic escalation in humanitarian need as a result of intensifying transnational crises and increasing displacement.

Cross-border and multi-actor approaches are required to provide financial assistance in transnational crises. However, the deregulation and reduction in coverage of formal humanitarian and development assistance has eroded user trust in financial assistance processes. External funding for financial assistance is primarily for sudden onset humanitarian crises, reducing funding for social transfers. Overwhelmed by the increases in demand, governments may prioritize citizens and favoured groups, excluding marginalized groups.

DETAIL

In 2030, the transnational nature of complex systemic crises – where conflict, climate and political insecurity each play a role in driving vulnerability – requires **cross-border and multi-actor approaches to the design and provision of financial assistance**. In parallel, the decline in the relevance of global governance institutions means that **UN influence over the coordination, funding and delivery of financial assistance is shrinking**.

The retrenchment of global governance reduces the impact and coverage of the formal international humanitarian sector, resulting in **decreased trust from communities**. The eroding relevance of international law leads to **deregulation of formal humanitarian and development assistance**, further undermining the formal international humanitarian sector.

The continuing rise of populist and anti-immigrant politics challenges humanitarian and development funding from traditional donors. Financial assistance, although privileged over other types of assistance under right-wing economic development policies, is **vulnerable to overall anti-aid sentiment**, so progress made in its scale-up is threatened. Development programming shrinks overall, with **ODA reprioritized to crisis response** and away from politically sensitive protracted humanitarian crises in fragile states. This leads to **greater inequity in access to financial assistance** and a **reduction in funding for social transfers** from traditional donors.

The exception is **bilateral aid between states to keep refugees and migrants from crossing borders** (as the EU has done for Syrian refugees in Turkey since 2016). This type of aid increases, with the **funding often earmarked for social transfers** which must integrate refugees. The concentration of refugees in a few main hosting countries incentivizes improved opportunities for financial assistance in

these countries (e.g. a broader financial services ecosystem with lower-cost remittance services). The worsening refugee crisis leads to the emergence of new donors whose neighbours are in crisis (e.g., China pays to contain new crises in South-East Asia).

Where governments provide financial assistance, it is often **exclusionary as they try to focus support on their citizens**, not least in the eligibility for assistance. This leads to **high concentrations of need amongst marginalized groups**, refugees, and migrants, who are left to be assisted by disempowered humanitarian actors. With the formal international humanitarian sector operating under significant restrictions from national authorities, there is an **even greater need for local civil society, but it is highly fragmented and also restricted by the government**. It is therefore also unable to effectively access people in need.

Governments have **limited capacity to provide the regulatory environment** that can enable access to and use of financial services, so the **service provider options available to channel financial assistance are limited**. This unregulated environment provides some opportunities for financial services innovation, particularly for cross-border solutions. However, **internet access rates have plateaued due to lack of investment in infrastructure and services**, and mobile ownership rates have stabilized due to financial access barriers, particularly for women and people living in rural areas. Where internet is available, access is increasingly government controlled and can be suspended by the government at any time.

This context **constrains an increase in the use of financial services**, particularly among rural populations, internally displaced people, and refugees and vulnerable migrants. The digital divide further hampers the effectiveness of data-driven financial assistance. There is an **increase in remittances** from diaspora populations to relatives in their countries of origin, due to both higher levels of migration and the increasing gap between needs and the provision of financial assistance from the government or humanitarian sources. However, with limited investment in new financial services, remittances **continue to be costly for senders and/or recipients**.

The **segregation of different types of populations**, decreasing government capacity, and the increasing volume of need within complex transnational crises results in a greater reliance by humanitarian actors and governments on their own ID credential systems. These systems are **provided primarily by multinational private sector actors**. **Multiple ID systems** for determining access to different financial services and assistance proliferate, in addition to official ID. While this facilitates access to assistance for displaced populations and populations excluded by their governments, these multiple IDs and associated registries make for **uncoordinated assistance and create multiple vulnerabilities for data protection**.

¹⁹ Based on the Overflow scenario in IARAN's *The Future of Aid: INGOs in 2030*.

Governments have limited interest in data beyond the criteria used to determine who is 'in' and 'out' with respect to predetermined eligibility, so they do not make smart use of data to target and refine financial assistance programmes. **Humanitarian actors continue to generate and use data** to improve the effectiveness of financial assistance. However, given the decline in influence of the formal international humanitarian sector, this is **not based on common data protection principles or interoperable ways of working**. The result is confusion for users and data protection vulnerabilities. An additional challenge is that refugees and vulnerable migrants are increasingly unwilling to share data with the formal international humanitarian sector.

OPPORTUNITIES AND THREATS FOR USERS

Opportunities:

- ▶ Large numbers of people on the move can give IDPs, migrants, and refugees increased bargaining power in accessing assistance, as ignoring their needs becomes a risk for both host governments and governments concerned about onward migration
- ▶ Displaced people can become an attractive customer base for financial and other service providers, encouraging the development of tools and services tailored to their needs, in a marketplace which increases user choice
- ▶ Limited regulation of aid and a potentially declining role for formal international humanitarian actors means many users have more freedom in how they spend the assistance they receive, assuming they have access to functioning markets
- ▶ Increased cross-border population flows increase the opportunities for receiving remittances from friends and family members in richer countries, but given the lack of strong transnational financial infrastructure these services may be costly
- ▶ If irregular migration becomes the norm, cryptocurrencies provide opportunities for non-traceable transactions and anonymity, which is very beneficial for persecuted or vulnerable communities in some cases

Threats:

- ▶ The combination of populations on the move, the fragmented nature of financial assistance provision and a lack of transnational solutions means that coverage of needs is patchy; many people fall through the net and are left without assistance
- ▶ The lack of reliable internet and mobile access, combined with diverging regulatory environments between countries, exposes users to increased data protection risks
- ▶ Lack of coordination means that crisis-affected people often have to deal with and negotiate assistance from multiple aid providers, which is time consuming, demanding and costly

- ▶ Rising anti-refugee sentiments result in restrictions on livelihood opportunities for refugees and migrants, leading to long-term dependency on assistance in camp settings
- ▶ Exclusionary targeting policies disadvantage the most marginalized, including IDPs
- ▶ The lack of strong transnational aid infrastructure and limited resources mean aid flows are not reliable; households who rely on financial assistance risk being suddenly cut off
- ▶ Migration flows are largely irregular and migrants are wary of registering with ID systems, in particular government-associated systems, if they lack legal status
- ▶ Multiple and fragmented ID systems mean that ID is unlikely to remain valid as crisis-affected people travel from one country to another; registration processes may be burdensome and challenging, with loss of data from one country to the next

IMPLICATIONS FOR THE FORMAL INTERNATIONAL HUMANITARIAN SECTOR

- ▶ There is a need for collective engagement with governments on financial assistance policy and regulation, as part of crisis preparedness
- ▶ The challenge of providing financial assistance for people on the move (particularly across borders), and the new approaches required to operate across regulatory environments and service providers, necessitate the development of shared, secure ID systems based on common data protection standards which function across borders and are not vulnerable to (or minimize the risk of) data breaches
- ▶ There is the potential to incentivize the use of smartphones and transnational data packages as an enabler of financial inclusion and assistance, in partnership with new donors and private sector actors who see it as an opportunity to open new markets
- ▶ The politicization of technological developments in relation to particular private sector actors (e.g. Huawei in the UK) and the implications for the channels through which financial assistance may be provided can be a highly sensitive issue for formal international humanitarian actors
- ▶ Organizations struggle with the high cost of secure data protection, which challenges organizational budgets
- ▶ As regional crises become the norm, there are opportunities to develop shared regional response platforms and new partnerships with regional actors; this necessitates cross-border data-sharing agreements
- ▶ The combination of poor coordination, patchy service, and lack of perceived neutrality undermines trust in formal international humanitarian actors

- ▶ In an environment of constrained resources, financial assistance needs to be more targeted and focused; this means improving targeting approaches by developing capacities and/or partnerships for new forms of data analytics or defining narrower objectives and time frames for financial assistance in response to humanitarian needs
- ▶ Dwindling funding leads to increased competition between agencies for donor resources, which undermines collaboration and transparency in some cases

- ▶ There is an increase in funding for national and local responders as governments prefer to support responses within their borders
- ▶ Civil society organizations are subject to increased pressure from governments in some cases, compromising humanitarian principles



SCENARIO 3: EMERGENCE²⁰

SUMMARY

This scenario is characterized by a series of protracted, localized crises and a dramatic growth in large-scale involuntary migration. In this future, actors coalesce into networks, forming new institutions organized around specific thematic or geographic areas of interest, resulting in a more fractured humanitarian ecosystem.

Financial assistance is provided through new localized networks of specific expertise, which are not coordinated by the government or formal international humanitarian actors. The private sector substitutes functions of formal international humanitarian actors, which catalyses technological innovation but does so in the absence of common principles or standards. ID management and the collection of personal data are fragmented, creating multiple vulnerabilities for users.

DETAIL

In 2030, the protracted, localized and diverse nature of crises means that there are **major gaps in the coverage of financial assistance needs in areas of state fragility and chronic conflict**, which are ignored by governments and traditional donors. **New networks of diverse actors** – including local governments (cities and sub-national authorities), national and multinational private sector actors, and local civil society – are **playing significant roles in the design, funding and provision of financial assistance**. These networks are working to create highly localized solutions in areas of strategic interest. They specialize in areas such as data analysis (needs, market functionality, FSP capacity, etc.), financial transfers and digital identity provision. The solutions may be highly adapted to their context, but the priorities of these diverse actors are not necessarily aligned or connected to broader national frameworks. **Formal international humanitarian actors work alongside these networks, which are organized around sectoral interests and often heavily supported by private sector funding and interests.**

National governments do not exert much control or coordination over either formal or non-formal humanitarian actors supporting financial assistance, allowing local government institutions to work with the networks in their areas. The strategic aims of the actors involved in the networks (such as stability or the creation of new markets) are often aligned with the government and can therefore assist in scaling up financial assistance in areas not covered by the government or seeking to complement government services where they exist.

National and multinational companies have increasingly become substitutes for formal international humanitarian actors throughout the programme cycle. This produces competition and diversity, which bring opportunities for innovation. However, there are also significant risks because there are **no common principles or standards guiding these interventions**. Private foundations and international corporations increasingly act as **donors of financial assistance to people in need**, funding innovation and capacity-building. For corporations, funding often focuses on contexts which align with their business interests. **Blockchain solutions for user ID management and the use of cryptocurrencies are more prevalent**, but the lack of common interoperable standards limits their potential.

ID mechanisms are disjointed, with humanitarian and private sector actors issuing their own ID credentials alongside official ID. This lack of coordination undermines the complementarity of assistance and in some cases **creates disparity in access to financial services** (depending on Know Your Customer (KYC) requirements). Conversely, the multiplicity of mechanisms offers a greater choice to users which is usually welcomed. The increasing role of multinational technology companies in financial assistance means that they hold significant influence over personal data, through both the development of ID technology and the volume and quality of information they hold. The amount of **digital identification data**

²⁰ Based on To Each Their Playing Field in IARAN's *The Future of Aid: INGOs in 2030*.

(including biometric data) that is collected and stored as a precondition for assistance increases, increasing the **vulnerability of these populations** to political discrimination, commercial exploitation and digital criminal attack. The outsourcing by **humanitarian actors of data management to the private sector** also exposes populations to risks of additional data breaches and unintended use of data for analysing population movements. More positively, big data can also be used smartly to improve the programme design and accountability of financial assistance.

Government regulation of internet, mobile infrastructure and services is limited, which opens up opportunities for investment from the private sector. Technology companies have a greater influence over financial services than banks, so **financial services become increasingly digital**. The uneven investment in infrastructure and services exacerbates the **digital divide in contexts that are or are not of strategic or commercial interest**. For those with access to digital financial services, financial assistance is predominantly transferred digitally. However – given uneven coverage, the lack of trust in any single provider and the lack of interoperable services – users continue to predominantly make payments in paper currency.

Funding for financial assistance increasingly comes from new donor nations, multilateral institutions (e.g. the World Bank), international corporations, private foundations and private individuals, who demand ever-greater accountability for money spent and continue to raise the bar for the expected impact. As the funding for humanitarian assistance becomes more fragmented, competition for resources significantly increases. The **provision of financial assistance is highly unequal, prioritizing popular or strategically important crises and declining in ‘forgotten crises’**. In addition to remittances, P2P giving is strengthened and scaled-up, based on evidence and in response to growing disillusionment with global institutions and governments. There is an **increase in localized fundraising for financial assistance within affected countries** (especially those with growing economies and a relative increase in middle class), much of which is digitally transferred.

Some countries facilitate successful integration of refugees and migrants (including official ID, right to work, and freedom of movement) and incorporate them within national social assistance programmes. However, many other countries force refugees and migrants to settle in camps and deny them access to financial assistance. In some cases, the ways that refugees and migrants are treated is influenced by the causes of displacement, with greater willingness to accept people fleeing climate change than people fleeing conflict. **A two-tiered financial assistance paradigm develops**: on the one hand there are significant innovations in the use of data to tailor assistance to users’ needs and preferences, and on the other hand many people have very limited access to financial services, let alone financial assistance.

OPPORTUNITIES AND THREATS FOR USERS

Opportunities:

- ▶ The localized design of financial assistance provides more opportunities for users to contribute to solutions, and the greater involvement of local actors improves the accountability and sustainability of the assistance received. This increases users’ trust in the system
- ▶ The diversity of actors creates competition and innovation, which increases the quality of service provision for users
- ▶ Options and costs for receiving remittances improve through private sector competition
- ▶ The use of blockchain for data ownership and management may allow users to control use of their own data
- ▶ Cryptocurrencies facilitate anonymous financial transactions, protecting users on the move who do not want to be tracked

Threats:

- ▶ Assistance is not needs-based, with some crises and population groups receiving significantly more attention and resources than others. This creates social disparities and tensions within and between communities, undermining local power structures and trust
- ▶ The fragmentation of financial assistance means that users’ personal data is collected multiple times by multiple actors, without any accountability for how this information will be used or protected
- ▶ The management of personal data by private sector companies exposes users to commercial (mis)use of their data
- ▶ The reduction in overall trust in the multiplicity of actors, including FSPs, encourages a return to using paper currency
- ▶ Limited trust in cryptocurrencies and blockchain as a solution for data ownership and management where solutions are localized and not interoperable

IMPLICATIONS FOR THE FORMAL INTERNATIONAL HUMANITARIAN SECTOR

- ▶ In a more fragmented humanitarian ecosystem with limited funding, the number of formal international humanitarian actors channelling funding for financial assistance significantly declines
- ▶ ‘Forgotten crises’ and vulnerable communities in situations of chronic crisis – the contexts with the greatest gaps in coverage – are more challenging environments for the provision of financial assistance and require adaptation of mandates and business models; this encourages formal international humanitarian actors to address these challenges innovatively and in support of local government

- ▶ New coordination structures provide an entry point to improve financial assistance (both social transfers and CVA) through technical expertise, data analysis, and funding provision, though with risks of supporting existing or new biases in assistance
 - ▶ New coordination structures present entry points for strengthened analysis of community-based mechanisms for financial assistance, financial service options available to users, and the financial journeys of people on the move.
 - ▶ There are opportunities to build partnerships with and influence private sector actors at the national level, in recognition of the increasing relative power that they have
- ▶ At sub-national and transnational level, humanitarian actors need to work under different sets of varied, highly localized norms and guidelines developed by new networks of partners
 - ▶ The growth of P2P giving provides opportunities for INGOs to support the design (targeting, value/frequency of transfers, monitoring, etc.) of these mechanisms so that they deliver the best outcomes for crisis-affected people
 - ▶ The scale of involuntary migration and the protracted nature of crises require resilient financial solutions and the ability to switch between mechanisms, meaning humanitarian actors need to engage more with and strengthen the wider financial services ecosystem (particularly in rural areas and areas of chronic fragility)



SCENARIO 4: SYNERGY²¹

SUMMARY

Given the degree of change required from the organizations working in the humanitarian space, and the structure of their interactions, this scenario is unlikely to transpire before 2025. This scenario is defined by the establishment of a new and more diverse system of international governance, driven by self-regulation and built organically through the institutionalization of formal interactions between rising actors and networks. These supersede traditional global governance structures to form a new paradigm. The humanitarian ecosystem plays a central role in innovating and regulating humanitarian assistance. Inclusivity supports the adoption of a more systematic response to increasing transnational crises and escalating humanitarian needs.

Financial assistance is funded, designed and delivered in a collaborative manner, supported by enabling national and global regulation and underpinned by common principles and standards. Entry points for supporting government-led social transfers, including in humanitarian crises, are clear. Local civil society supports accountable social transfer provision and fills gaps in coverage. Blockchain drives coordination and interoperability, including across borders, whilst safeguarding privacy.

DETAIL

In 2030, the humanitarian ecosystem works through **new and evolved systems of global governance**, driven by self-regulation and built organically through the institutionalization of formal interactions between rising actors and networks. This shift reflects an **intensification**

of globalization led by the private sector and other non-state actors. These actors include transnationally connected local civil society organizations, who increase their relative power in the system by leveraging their collective influence.

This model facilitates the **collaborative funding, design and delivery of financial assistance**. It is supported by enabling **national and global regulations, strong partnerships and effective transnational coordination structures**. The coordination structures build on the most effective elements of the formal international humanitarian sector architecture. The transition to this model has been challenging, relying on concerted public pressure to drive major transformations in political and business leadership.

Crisis-affected country governments create **regulatory environments that enable access to and use of financial services**. The digitalization of financial services facilitates taxation and increases donor confidence, meaning that governments are increasingly able to raise the funds (internally and externally) to provide social transfers to their domestic population. This includes mechanisms to support IDPs through social transfers. Governments also **develop clear entry points for other actors to support social transfer expansion in preparation for and during humanitarian crises**. Host governments **provide financial assistance for refugees**, albeit on a selective basis, as part of an inclusive approach to integration that includes the right to work and freedom of movement.

The role of **local civil society is central to financial assistance**, grounded in the access, capacity and sustainability

²¹ Based on the (R)evolutions scenario in IARAN's *The Future of Aid: INGOs in 2030*.

of presence that these organizations provide, which is increasingly valued by other actors in the system. In support of government-led social transfers, local civil society organizations lead needs analysis and monitoring and influence programme targeting, design and delivery. A limited number of local civil society organizations **develop the capacity to directly provide financial assistance where there are gaps in government coverage**. They are supported in these efforts by **technical expertise and funding from a limited number of formal international humanitarian actors** who also maintain capacity for delivery in large humanitarian crises. Civil society organizations **improve and enforce standards on inclusion, data protection and accountability**, in which local media also play a role.

Partnerships between private sector and humanitarian actors are driven by **principles and standards, overseen by an independent ombudsman**, and financed based on humanitarian need not media attention. Nonetheless, the harmonization of respective incentives is an ongoing challenge, given the different units of analysis between humanitarian actors (affected people) and the private sector (profit) and government social protection programmes (building state institutions to support individuals in the long-term).

Common global ID standards, informed by strict data protection requirements, facilitate interoperability of data between governments, humanitarian actors and the private sector (where possible and appropriate). They also accommodate for diversity and the possibility for individuals to determine how they are identified. In fragile states with limited government capacity, a **single ID system and common targeting approaches managed by one or many humanitarian actors ensures coherence of assistance**, as well as data protection and accountability. The enforcement of these standards is overseen by an independent ombudsman (or equivalent) or by local civil society.

Commercial incentives and funding opportunities converge to support a rapid increase in internet access, through significant infrastructure investment and widespread access to smartphones. This enables **financial services to become increasingly digital**. The potential of blockchain is exploited to empower crisis-affected people with the means to safeguard and access proof of identity and other records. While this results in greater accessibility and security for many, the increasingly digitized system presents challenges for populations who do not have a high-level of digital literacy. Nevertheless, the ownership of one's own digital identity and data is increasingly seen as a human right derived from international regulatory frameworks on personal data and trust in their application.

The prevalent use of **blockchain is a major driver of interoperability**, including when people cross international borders. It enables organizations to use their own systems but **channel entitlements to a unique identifier for each user**. **Cryptocurrencies (such as Libra) allow for a payment solution to be linked to such platforms**,

providing an opportunity for end-to-end integration of the financial assistance ecosystem. The stability of 'stablecoin' cryptocurrencies makes financial assistance more resilient to market shocks and adapted to the needs of populations travelling across borders. However, the **interconnectedness of these systems also increases their vulnerability to data breaches** and protracted denial of service, including, potentially, by pariah states that have intentionally excluded themselves from these globalized systems.

Funding for financial assistance increasingly comes from new donor nations, international corporations and private individuals, increasing funding flows to local civil society and directly to individuals. Simultaneously, the **synergies between funding sources for financial assistance increase**, supported by new financing mechanisms that are adapted to different levels of risk. The types of data generated about users based on their use of financial assistance opens up greater opportunities for additional financial products (such as micro-insurance, loans and saving instruments) adapted to their needs.

Coordination between governments, the private sector and humanitarian actors enables **greater interoperability between financial services, facilitating coherent provision of financial assistance into single or interoperable accounts**. This provides users with the ability to better control and manage their money. With growing interconnectivity, **remittances and P2P giving can be better leveraged**, including as anticipatory financial assistance by encouraging transfers prior to a shock.

OPPORTUNITIES AND THREATS FOR USERS

Opportunities:

- ▶ Users become more active in a decentralized marketplace and, shaped by demand, financial assistance is more user-centric and tailored to specific needs and contexts
- ▶ Global ID standards and the accessibility of transnational financial services providers facilitate access to assistance across providers and across borders
- ▶ Private sector actors invest in solutions that address financial and digital literacy challenges, increasing connectivity and their consumer base; this increases the readiness of users to adopt new technologies such as cryptocurrencies as a reliable form of transfer
- ▶ The integration of channels for financial assistance drives financial inclusion and opens up multiple cost-effective channels for receiving assistance through P2P giving and remittances

Threats:

- ▶ In a diverse and decentralized ecosystem, deciding who to trust as a provider of financial assistance can be difficult
- ▶ The potential for exclusion as a result of the digital divide still exists and in some cases is exacerbated by the increased digitalization of financial assistance (especially as

users are expected to manage their own digital ID); this can exclude populations with low digital literacy or whose preference remains for paper currency

- ▶ In an increasingly complex financial ecosystem with use of alternative (and loosely regulated) currencies, client protection principles²² can be put at risk

IMPLICATIONS FOR THE HUMANITARIAN SECTOR

- ▶ There is an opportunity to shape a new form of financial assistance, driven by a common goal of ensuring regularity, reliability and sufficiency of assistance, irrespective of the provider or funding source; this implies significant changes in the mandates of different actors and inevitable changes to core businesses and ways of working
- ▶ Significant global leadership is required to organically establish common global ID and data protection standards and self-regulate these; these standards can become a precondition for support to governments on financial assistance and can govern interactions between formal and non-formal humanitarian actors
- ▶ There is an opportunity for greater service delivery integration with the private sector through the provision of better technology solutions designed through partnerships; these partnerships should be grounded in principles and standards for collaboration, co-developed and enforced by an independent ombudsman supported by accountability mechanisms to uphold them
- ▶ To capitalize on partnership opportunities, formal international humanitarian actors need to reinvent themselves, playing a coordinating rather than a delivery role, and an advocacy/watchdog role on adherence to standards (ideally in support of the government)
- ▶ To maximize the potential of adapting social transfers to respond to shocks, the respective added-value of formal international humanitarian actors, traditional donors, multilateral institutions, local civil society and any new actors need to be clearly defined
- ▶ The opportunities and risks of single government-led ID registries need to be fully assessed at global and country-level to determine the value of investing in coordination and harmonization of approaches or in developing complementary systems
- ▶ There is significant potential to further exploit big data, as standards and guidelines facilitate greater, safe data sharing to further leverage the potential of financial assistance, for example: analysing remittance data to better map needs and coverage; analysing debt and credit patterns to support decisions on early action; analysing outcome data to help make the case for leveraging further funding – including through new financing mechanisms

- ▶ There is a further blurring of the humanitarian/development space and with it the opportunity to demonstrate the power of joined-up funding approaches and link together a range of innovative financing mechanisms for financial assistance (including anticipatory financing, risk-insurance and contributory models at household level)

WHAT DO THESE SCENARIOS MEAN FOR THE HUMANITARIAN SECTOR?

Each scenario presents a different potential future for consideration by interested actors. The opportunities and threats for users vary considerably due to the different conditions explored in each future. However, in each scenario there is significant space for users to increase their influence from a starting point where, currently, their perspectives are rarely taken into account in decision-making. In addition, in every scenario there are both encouraging and challenging implications for humanitarian and other actors.

Financial assistance is typically more effective and sustainable as part of a complementary set of interventions and, as a result, it cannot be separated from the dynamics affecting the wider humanitarian ecosystem. Therefore, in addition to the scenario-specific implications, there are broader sector dynamics which must also be considered.

The levers of change in the humanitarian ecosystem are complex and decentralized, which makes driving change challenging. The formal international humanitarian sector, by virtue of its decentralized structure and lack of single executive authority, is highly resistant to directional, planned change. There are pros and cons to this. In one way, this is a source of significant strength, allowing innovation to flourish, context-specific models to emerge, and new partnerships to develop. Looked at differently, it also means that there is a tendency in many places towards inertia. Individual organizations are not incentivized to update their business models in ways that embrace the commitments they have made to shift more power to crisis-affected people. This opens a significant gap between the objectives of individual organizations and the aims of the ecosystem as a whole to achieve greater impact, subsidiarity and inclusion. Such dynamics will have a significant influence on the future of financial assistance, as the ways in which organizations respond to emerging opportunities and challenges are likely to be highly varied.

Given the rapid growth of CVA as a tool of humanitarian assistance and the ever-evolving landscape of opportunities and actors around financial assistance more broadly, humanitarian actors' engagement with financial assistance

22 The Smart Campaign (2019) Putting the Principles to Work: Detailed Guidance on the Client Protection Principles, Protecting and Empowering Financial Consumers.

can be a transformative entry point for tackling these inertias and catalysing positive change. In every future, to leverage the power of financial assistance, the humanitarian ecosystem must collectively consider how to overcome some specific dilemmas:

- ▶ **Emerging operational models need to be driven by improved impact, not by preferred ways of working.** Emerging collaborative operational models for the delivery of CVA are a positive development, and the impact of each on efficiency, effectiveness and accountability needs to be transparently monitored to drive system-wide learning. As well as greater collaboration between humanitarian actors, such models need to build and strengthen links with actors outside the formal international humanitarian sector, and to understand how CVA can best work with and alongside other financial assistance. The right incentive structures need to be put in place to ensure that only those models which can demonstrate that they improve delivery for end users (in line with their needs and preferences) are scaled, rather than scaling models which represent preferred ways of working of formal international humanitarian actors. Further, the sector needs to be careful that the emergence of single platforms does not unhelpfully enforce existing power dynamics or exclude or weaken relationships with actors outside the sector.
- ▶ **More financial assistance creates the potential for a transformed power relationship with crisis-affected people, but does not necessarily entail this: other supporting measures must be in place.** The formal international humanitarian sector is slow to change and operates under an incentive structure that encourages path-dependent, process-driven behaviours. This makes moves towards transferring power to users – who have little influence over the system – very challenging for any individual organization.²³ Donors have required considerable accountability on financial and legal compliance, but have not demanded similar levels of accountability on including crisis-affected people in decision-making. Financial assistance has the potential to transform this power relationship, but progress on other inclusive commitments must accompany its implementation.
- ▶ **Balance between risk mitigation and a tendency to over-regulate financial assistance must be carefully managed.** Financial assistance is disproportionately scrutinized as part of the broader desire to control how assistance dollars are spent and ensure that spending reflects donor priorities. The complexity of compliance requirements, anti-money laundering (AML) measures, and combating the financing of terrorism (CFT) legislation adds up to a very restricted operating environment in some contexts.

KEY CONSIDERATIONS FOR THE HUMANITARIAN SECTOR

This report is intended to support and stimulate organizations' thinking on how to prepare for the future

of financial assistance, so that they can take advantages of opportunities to deliver better through new partnerships, instruments and approaches. This report does not therefore offer a complete set of recommendations, but several key considerations for humanitarian actors have emerged over the course of the research:

- ▶ **Treating CVA as part of a broader landscape of financial flows.** Formal international humanitarian coordination structures struggle to fully engage governments, the private sector, local civil society and development actors. Humanitarian action is still planned and implemented in silos, making it challenging to identify opportunities for joint approaches. Partnerships between formal international humanitarian actors and other financial assistance actors are currently weak. Private sector actors argue that failure to engage them earlier in the programme design process and treat them as strategic partners means that humanitarian actors miss opportunities to ensure that financial products and services are better tailored to crisis-affected people. Concerns remain about the challenges to principled humanitarian action that are entailed by working closely with private sector actors. In addressing these and other challenges, formal international humanitarian actors need to explore how to work better with and alongside other actors and types of financial flows.
- ▶ **Putting the needs and voices of users at the centre.** The increased use of financial assistance should imply a stronger role for users, with decision-making, choice and (ideally) resources shifting from formal international humanitarian actors to the people they serve. However, the scenarios in this report (as well as current research²⁴) show that this does not necessarily follow. Users of financial assistance continue to report that they do not feel listened to and that their views do not influence humanitarian programming. There are no clear signs that this is improving over time. Formal international humanitarian actors need to urgently explore what they can do now to increase accountability, ensure programmes are designed and evaluated based on user experience, and start to shift power and resources from humanitarian actors to users.
- ▶ **Evaluating collective impact and using this to drive programming decisions.** One blind spot identified during the preparation of this report was the lack of evidence of collective impact that is currently collected and shared. In the absence of a broad understanding of what works in a given context, programming decisions are not driven by evidence about the most effective approaches. As formal international humanitarian actors test new approaches, partnerships and tools – and as contexts evolve – humanitarian actors need to ensure that they are capturing what works. Formal international humanitarian actors also need to be transparent about what works and scale up only the most effective models, ensuring a strong user voice in this process.

²³ Jeremy Konyndyk (2018) Rethinking the Humanitarian Business Model, Centre for Global Development.

²⁴ See, for example, Ground Truth Solutions' Humanitarian Voice Index, Participation Revolution Policy Brief: <https://humanitarianvoiceindex.org/policy-briefs/2018/12/04/participant-revolution>

- ▶ **Taking data responsibility seriously.** Systems for delivering financial assistance are digitizing faster than our legal/ethical frameworks can keep up with. Humanitarians need to step up their efforts in managing data securely and with respect to individuals' rights to privacy and protection, and collectively work on building trust and developing alternative governance models that enable data sharing for individual and collective good. We need to recognize that data literacy is a prerequisite for impactful humanitarian action in the digital age – one that requires investment and leadership attention.
- ▶ Preparing to better meet the needs of people on the move. Every scenario in this report entails a significant increase in population movements within and across borders, including through irregular channels. Estimates vary but include projections of more than 143 million additional climate migrants by 2050. Formal international humanitarian actors currently struggle to deliver financial assistance to people on the move; improving upon this is an urgent priority. Humanitarian actors need to explore how to adapt tools and approaches to better meet the needs of people on the move.
- ▶ Maintaining the trust relationship. The need to work more closely with a range of emerging actors across all scenarios means that formal international humanitarian actors' relationships with the people they serve will be modified and intermediated in a number of ways. In some of the scenarios there is much stronger government control over financial assistance, meaning

that humanitarian actors may need to make difficult trade-offs between access and neutrality. In an increasingly politicized environment and in working more closely with non-humanitarian actors, what can formal international humanitarian actors do to safeguard the trust relationship and ensure that users are treated with respect, receive quality services, and are protected? What do these scenarios mean for the humanitarian principles and their application, and how can humanitarian actors work with other actors to protect this?

CONCLUSION

Financial assistance will be central to what humanitarian aid and social assistance look like in 2030. How it unfolds could be a microcosm for the power shifts in the broader humanitarian ecosystem and global economy.

This report has comprehensively explored the future of financial assistance and how it might evolve in four different scenarios. The opportunities and threats for users and the implications at the end of each scenario show how different futures will require adaptability from all actors in order for financial assistance to be an effective mechanism for meeting the needs of vulnerable people. The complexity of the system and the drivers of change highlight how dynamic a space this will be over the next ten years. It is up to all humanitarian actors to decide how far they will go in seizing the opportunities which exist to improve the system for the benefit of crisis-affected communities.

KEY DRIVERS OF CHANGE

ROLE OF THE PRIVATE SECTOR



DEFINITION

The private sector plays a critical role in nearly all drivers of financial assistance. Above and beyond developing and providing financial services, private sector companies are service providers that enable government and humanitarian provision of financial assistance (including through their roles in data management and telecommunications). They are also funders and funding facilitators. Both national and international private sector companies play key roles, although they face different opportunities and constraints based on their relationships with government authorities in crisis-affected countries, their relationships with donor country governments and humanitarian actors, their reach/market share, and their resources and capacity.



KEY INSIGHTS

- ▶ Financial services providers (FSPs), including digital financial services (DFS) providers, are critical enablers of both financial assistance delivery and financial inclusion more broadly
- ▶ Technology companies are increasingly dominant forces with respect to financial and digital innovation and market share, and are key partners providing back-end data solutions and data analytics for governments and humanitarian actors
- ▶ The move towards digital infrastructure in assistance provision and the concurrent expansion of private sector partnerships is producing new risks and opportunities for crisis-affected people that are not fully understood, with implications for humanitarian space and humanitarian principles



CONTROVERSIES AND DEBATES

- ▶ Principled action and the private sector: Impacts on humanitarian space; risks of new technologies vs. the responsibility to protect; recipients of financial assistance as targets for commercial exploitation
- ▶ The risk of lock-in: Increased reliance on private sector actors in DFS; proprietary software preventing changes; blockages to account access

ROLE OF THE PRIVATE SECTOR

DEFINITION

The private sector plays a critical role in nearly all drivers of financial assistance, and this is explored in detail in each of the other driver files. Above and beyond developing and providing financial services, private sector companies are service providers that enable government and humanitarian provision of financial assistance (including through their roles in data management and telecommunications). They are also funders and funding facilitators. Both national and international private sector companies play key roles, although they face different opportunities and constraints based on their relationships with government authorities in crisis-affected countries, their relationships with donor county governments and humanitarian actors, their reach/ market share, and their resources and capacity.

Financial Services Providers

Private sector companies, such as banks, credit card companies and mobile network operators (MNOs), enable financial inclusion. They provide people with a wide variety of banking and other core financial services, such as bank accounts, mobile money accounts, money transfer services, credit, loans and micro-insurance. These services also enable the delivery of financial assistance and onward access to other financial services.²⁵

Private sector companies provide a wealth of online services for communication and financial transactions (e.g., shopping, money transfer, fundraising), with huge companies like Facebook, Google, Alibaba and Amazon providing a growing role in connecting different services through their platforms.²⁶ Large private sector platforms – especially as they expand into the cryptocurrency and DFS spaces – are likely to play a key role in how people access financial assistance from their own personal networks (e.g., remittances) and potentially also from humanitarian actors (e.g., via mechanisms like Libra). As a result of their scale and market dominance, a few major platform companies hold considerable influence on not just the services that people can and are encouraged to access, but also on the governance and regulation of digital spaces (e.g., around data privacy) and DFS.

Innovations in financial and digital technology are progressing rapidly, and generally ahead of the ability of government regulators to keep up. This rapid advancement is positive in terms of service expansion and availability but is also a risk with respect to rights and protections for users.

Service Providers to Governments and Humanitarian Actors

International and local private sector actors already are key contracted service providers in the delivery of humanitarian assistance, and they are set to become even more substantial service providers in the context of financial assistance and the digital technology that supports it.

Private sector financial services providers (FSPs) are contracted by humanitarian actors and governments to deliver financial assistance (e.g., to aggregate and provide e-payments via ATM cards and mobile money) and will continue to be contracted for such services. Another key group of private sector companies are those who provide back-end IT and data solutions for governments, international organizations and – increasingly – humanitarian and development agencies (e.g., Gemalto, Forgerock and Morpho/Safran). These back-end services support financial assistance through every stage of the process: from beneficiary identification through delivery. Countries as diverse as Norway, Estonia, India, Kenya and the US have relied on back-end solutions companies, as have UN agencies and major international NGOs.²⁷ Many (and perhaps most) governments and humanitarian agencies simply do not have the capacity to build, roll out and manage complex IT and data management systems on their own and nor is this an effective use of their resources. There is also a further category of private sector companies, such as credit rating agencies, who play a key role in third-party KYC due diligence services, which enable people to access financial services.²⁸

Governments and humanitarian actors are also increasingly engaging private sector entities to provide big data analytics. Huge amounts of information are collected and created in crisis and developing contexts, from databases of programme beneficiaries, to crowdsourced information about needs and impacts on social media, to mapping and satellite data, to passive data generated as people use digital technologies. Most governments and humanitarian actors do not have the in-house capacity to process and use this data.

Donors and Facilitators of Direct Giving

Private sector companies act as donors to humanitarian actors and give directly to crisis-affected people and businesses within their markets. Private sector actors also develop and host crowdsourcing platforms and other tools that are facilitating and accelerating direct P2P giving in the wake of crises.

KEY INSIGHTS

- ▶ Financial services providers (FSPs), including digital financial services (DFS) providers, are critical enablers of both financial assistance delivery and financial inclusion more broadly

25 Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets. Farnham, UK: Caribou Digital Publishing, p. 12.

26 Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, pp. 13–14.

27 Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, pp. 11–12.

28 Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, pp. 13–15. Knowledge-Based Authentication (KBA) is 'an automated set of questions based on information the agency has on the user, for example, previous addresses, year a mortgage was taken out, make and model of a car, and so on'.

- ▶ Technology companies are increasingly dominant forces with respect to financial and digital innovation and market share, and are key partners providing back-end data solutions and data analytics for governments and humanitarian actors
- ▶ The move towards digital infrastructure in assistance provision and the concurrent expansion of private sector partnerships is producing new risks and opportunities for crisis-affected people that are not fully understood, with implications for humanitarian space and humanitarian principles

CONTROVERSIES AND DEBATES

Principled Action and the Private Sector

In previous decades, the humanitarian community developed frameworks to guide interaction with military actors to help protect and uphold core humanitarian principles. In the coming decade, the humanitarian community will need to agree frameworks to protect humanitarian principles in interactions with private sector actors. As with coordination with military actors before it, collaboration with for-profit private sector actors – especially in the realm of digital technologies and financial services – could result in loss of humanitarian space.

Private sector partnerships are essential to capitalizing on new technologies to improve response efficiency and speed, as well as to improve convenience and financial inclusion for crisis-affected people. However, at present, humanitarian actors are relying on private sector digital and financial services providers in a context of minimal internal safeguards or legal regulations. In the implementation and expansion of financial assistance, humanitarian actors are working with for-profit actors to pilot and roll out new technologies in vulnerable and crisis-affected communities. Huge datasets of information about vulnerable populations are handed over to management by for-profit private actors, when – given the newness of the technologies – understanding of risks and potential consequences is still quite limited (as are humanitarian actors' capacities to minimize risks).²⁹ Humanitarian actors do not yet fully understand what protections will matter most, and failures to protect communities from risks (e.g., around data privacy and big data) may soon affect the trust relationship between humanitarian actors and the communities they aim to serve. Amongst other risks, partnerships with for-profit private sector actors on data services and mechanisms for financial

assistance may unwittingly expose crisis-affected and vulnerable people as targets for commercial exploitation.³⁰

Some initiatives to tackle these risks have begun, such as the *Principles for Digital Payments in Humanitarian Response*³¹ and the World Economic Forum's *Principles on Public-Private Cooperation in Humanitarian Payments*.³² Humanitarian actors need to develop a much stronger understanding of the risks and how to discuss them with affected communities, and engage with private sector partners around issues of humanitarian principle, due diligence, and what 'Do No Harm' means in the digital age.³³

Private sector actors have themselves called for improved partnerships with humanitarian actors on financial assistance, through the development of common goals and genuine co-design and co-implementation of humanitarian response. Private sector partners see the capacity gaps within the humanitarian sector and have knowledge to share about different ways that their expertise can help improve humanitarian response. Companies like MasterCard have expressed willingness to find solutions to concerns around issues of humanitarian principle. Private sector incentives for partnership may lie primarily in developing 'products for vulnerable people in order to build markets for the future',³⁴ but there has also been an increasing shift in recent years towards 'values' investing, which provides broader incentive as well. An Oxford University study recently found that over 80 percent of mainstream investors now consider environmental, social and governance factors in their investment decisions.³⁵

The Risk of Lock-In

Governments, humanitarian actors and private individuals all face risks of 'lock-in' as their reliance on private sector actors increases with digital services. The more and longer that an individual uses a particular platform, the greater the risk that they can become 'locked-in', as their information often cannot be easily transported to another competing service.³⁶ Likewise governments and humanitarian actors risk becoming 'locked-in' to private sector vendors who manage their IT and data systems with proprietary solutions.³⁷ There are many different layers and risks of government and organizational lock-in, for example: proprietary software preventing a change in vendor regardless of efficacy, technology solutions that prove unsuited to the context post-rollout, lack of control on intellectual property limiting even minor changes to improve processes, and blockages to account access for the provider or users.

29 E.g., WFP's partnership with Palantir has raised concerns. In 2017, WFP's SCOPE beneficiary management system failed an internal audit of its data protection practices, and Palantir has faced criticism for its role facilitating US immigration authorities' human rights abuses. See The New Humanitarian (2018) EXCLUSIVE: Audit exposes UN food agency's poor data-handling; NBC News (2018) Tech companies quietly work with ICE as border crisis persists; Privacy International (2019) Palantir and the UN's World Food Programme are partnering for a reported \$45 million.

30 Junaid Qadir, Anwaar Ali, Raihan ur Rasool, Andrej Zwitter, Arjuna Sathiseelan and Jon Crowcroft (2016) Crisis Analytics: big data-driven crisis response, *Journal of International Humanitarian Action*, 1 (12).

31 Global Innovation Exchange (n.d.) *Principles for Digital Payments in Humanitarian Response*.

32 World Economic Forum (n.d.) *Principles on Public-Private Cooperation in Humanitarian Payments*.

33 Co-Conveners' Report (2019) 3rd Grand Bargain Cash Work Stream Workshop, p. 17.

34 Co-Conveners' Report (2019) 3rd Grand Bargain Cash Work Stream Workshop, p. 19.

35 Susan McPherson (2019) Corporate Responsibility: What To Expect In 2019, *Forbes*.

36 Caribou Digital (2016) *Private-Sector Digital Identity in Emerging Markets*, pp. 13–14, 17.

37 World Bank Group and Centre for Global Development (2017) *Principles on Identification for Sustainable Development: Toward the Digital Age*, p. 5; e.g., in Lebanon, the common call centre for the LOUISE cash assistance framework relies on software that is owned by the contracted company, not by the contacting aid agency (UNICEF).

ROLE OF GOVERNMENTS (OF CRISIS-AFFECTED STATES)



DEFINITION

Governments of crisis-affected countries have a key role to play in the regulation of financial services, as well as in the facilitation and delivery of financial assistance. The role of governments in regulating financial services, including the growing realms of DFS (mobile money, DLT, cryptocurrency, etc.), is critical to the expansion of financial inclusion. Significant improvements in regulatory good practices have been shown to improve financial inclusion. Government social assistance programmes are becoming more common and more robust, and more social assistance programmes are including financial assistance components (social transfers). Many governments are also becoming more able and willing to take the lead in crisis response, as well as to govern the actions of formal international humanitarian actors.



KEY INSIGHTS

- ▶ Access to financial services and pathways for financial assistance hinge on government regulations around due diligence and who can provide what financial services, as well as government action on enabling factors like identification, digital literacy and competitive practices.
- ▶ Overall, there is a growing commitment to social assistance (including social transfer components) amongst governments globally, although spending levels and approaches differ, and some countries are seeing contractions.
- ▶ There is increasing interest in social assistance programmes that are designed to be 'shock-responsive' in order to include people affected by crises, and this may grow as an avenue for financial assistance.
- ▶ Formal international humanitarian actors will increasingly need to adapt to national systems and government-led structures for crisis response, including mechanisms for delivering financial assistance.



KEY UNCERTAINTIES

- ▶ Will governments create regulatory environments that enable financial assistance?
- ▶ Will governments exert greater control over the means, methods and recipients of financial assistance?
- ▶ Will governments directly deliver financial assistance to crisis-affected people?
- ▶ Will governments be able to raise the funding necessary to directly deliver financial assistance?



CONTROVERSIES AND DEBATES

- ▶ Shock-responsive social transfers: Feasibility and desirability; inclusion and exclusion; humanitarian principles

ROLE OF GOVERNMENTS (OF CRISIS-AFFECTED STATES)

DEFINITION

Governments of crisis-affected countries have a key role to play in the regulation of financial services, as well as in the facilitation and delivery of financial assistance. The role of governments in regulating financial services, including the growing realms of DFS (mobile money, DLT, cryptocurrency, etc.), is critical to the expansion of financial inclusion. Significant improvements in regulatory good practices have been shown to improve financial inclusion.³⁸ Financial inclusion, in turn, provides enhanced pathways for financial assistance, and has a positive impact on income, employment, health and literacy.³⁹

Government social assistance programmes are becoming more common and more robust, and more social assistance programmes are including financial assistance components (i.e., social transfers). Some social assistance programmes are also developing shock-responsive capacities to support people affected by crises. UN Resolution 46/182 of 1991 states that 'Each State has the responsibility first and foremost to take care of the victims of natural disasters and other emergencies occurring on its territory. Hence, the affected State has the primary role in the initiation, organization, coordination, and implementation of humanitarian assistance within its territory.' Many governments are becoming more able and willing to fulfil this role in leading crisis response, as well as to govern the actions of formal international humanitarian actors.

³⁸ GSMA (2017) State of the Industry Report on Mobile Money.

³⁹ Rong Chen and Raian Divanbeigi (2019) Can Regulation Promote Financial Inclusion?, World Bank Group, Development Economics Global Indicators Group.

KEY INSIGHTS

- ▶ Access to financial services and pathways for financial assistance hinge on government regulations around due diligence and who can provide what financial services, as well as government action on enabling factors like identification, digital literacy and competitive practices.
- ▶ Overall there is a growing commitment to social assistance (including social transfer components) amongst governments globally, although spending levels and approaches differ, and some countries are seeing contractions.
- ▶ There is increasing interest in social assistance programmes that are designed to be 'shock-responsive' in order to include people affected by crises, and this may grow as an avenue for financial assistance.
- ▶ Formal international humanitarian actors will increasingly need to adapt to national systems and government-led structures for crisis response, including mechanisms for delivering financial assistance.

KEY UNCERTAINTIES THROUGH 2030

Will governments create regulatory environments that enable financial assistance?

Enabling Financial Inclusion

Government regulations can serve to promote or discourage financial inclusion, which is critical to enabling financial assistance. The goal for regulation is to expand financial inclusion while also protecting users and safeguarding the stability and integrity of the financial system.⁴⁰ As of 2017, 33 countries had strategies addressing financial inclusion,⁴¹ and an even greater number are seeking to support financial inclusion by easing entry barriers for DFS providers and through efforts to improve financial literacy.⁴² For example, Kenya amended regulations to enable non-banks to directly provide international remittance services,⁴³ and Ghana adopted guidelines allowing non-bank institutions to issue e-money.⁴⁴ In 2015, India approved 'payment banks' with the aim of enhancing access to a risk-limited range of (digital) financial services for low-income populations.⁴⁵ However, people in Africa's three largest countries by population (Nigeria, Ethiopia and Egypt) have limited access to mobile money and low levels of financial inclusion due in large part to restrictive regulatory frameworks.⁴⁶

Policies and initiatives to improve access to official ID for all residents (including migrants, refugees and IDPs) help more people to meet KYC requirements and access a greater array of financial services, though this is problematic for those with a mistrust of the government. Promoting digital literacy (in particular among women) and encouraging investment in core digital infrastructure supports more people to access DFS through mobile networks and the internet.⁴⁷ Regulations that promote meaningful competition, enable the entry of new providers and prevent oligopolistic behaviour are essential to promoting lower-cost financial services.⁴⁸ Regulations also need to promote interoperability across FSPs, so that any user can transact with any other user.⁴⁹ Tax policy also has an impact: in some countries, DFS are more expensive because they are taxed at particularly high rates.⁵⁰ In addition, in the future, how countries opt to regulate data and data privacy may have an impact on the cost of moving funds digitally between accounts, both domestically and internationally.⁵¹

'Competition matters for financial inclusion, especially in developing countries, because a market open to fair competition leads to a greater variety of products and services, higher efficiencies, and lower costs'.⁵²

Know Your Customer (KYC) Requirements

Nearly all countries have regulations requiring financial institutions to verify their customers before entering into a business relationship with them, in order to mitigate risks such as money laundering, terrorist financing and tax avoidance. There are widely adopted international regulatory standards around anti-money laundering (AML) and combating the financing of terrorism (CFT), which are governed by the Financial Action Task Force (FATF). Requirements for identifying, verifying and risk-assessing customers are collectively referred to as Customer Due Diligence (CDD) or Know Your Customer (KYC) requirements. If KYC requirements and procedures are too onerous, they can deter individuals from accessing financial services and also make it unprofitable for providers to invest in making financial services more accessible to hard-to-verify customers.⁵³ Appropriate KYC regulations are thus essential for expanding financial inclusion and enabling financial assistance. In countries where KYC regulatory frameworks are unclear or have failed to keep up with technological

40 Centre for Global Development (2016) Financial Regulations for Improving Financial Inclusion.

41 GSMA (2017) State of the Industry Report on Mobile Money, p. 29.

42 Raian Divanbeigi, Rong Chen (2019) Can Regulation Promote Financial Inclusion?

43 GSMA (2017) State of the Industry Report on Mobile Money, p. 13.

44 Raian Divanbeigi and Rong Chen (2019) Can Regulation Promote Financial Inclusion?

45 Centre for Global Development (2016) Financial Regulations for Improving Financial Inclusion, p. xi.

46 GSMA (2018) State of the Industry Report on Mobile Money, p. 11.

47 GSMA (2017) State of the Industry Report on Mobile Money, p. 12.

48 Lester Henry (2019) Bridging the Urban-Rural Digital Divide and Mobilizing Technology for Poverty Eradication: Challenges and Gaps, University of the West Indies/UN DESA.

49 Centre for Global Development (2016) Financial Regulations for Improving Financial Inclusion.

50 GSMA (2017) State of the Industry Report on Mobile Money, p. 28.

51 GSMA (2017) State of the Industry Report on Mobile Money.

52 Centre for Global Development (2016) Financial Regulations for Improving Financial Inclusion, p. xii.

53 GSMA (2019) Overcoming the Know Your Customer hurdle: Innovative solutions for the mobile money sector.

developments, it can be difficult for non-bank DFS providers (such as mobile money providers) to know how the regulations apply to them. This can subsequently make it difficult for them to expand their services. 'Regulatory sandboxes', implemented in countries such as Kenya and Indonesia, are spaces that encourage exchange between DFS providers and regulators. They enable providers to experiment with different KYC approaches.⁵⁴

KYC regulations that are proportionate to the potential risks can help address key barriers and encourage financial inclusion.⁵⁵ For example, lack of official ID is a major barrier to financial inclusion because it makes KYC much more difficult. In countries with weak national ID systems or large populations of people who lack official ID (e.g., refugees and irregular migrants), this is a considerable challenge. Simplified Due Diligence (SDD) approaches enable lower KYC thresholds for accounts that are restricted in ways that make them less useful for money laundering or terrorist financing. These accounts may have limited balances, limitations on the size and frequency of transactions, restrictions on the types of transactions that can be made, geographic restrictions on transactions, etc.⁵⁶ SDD approaches may allow for a greater range of identification credentials to be accepted as proof of legal identity. This enables an individual who lacks official ID to access an account that supports their daily needs and – if relevant – the delivery of financial assistance. Around 60 countries currently allow some level of SDD and evidence suggests that it does support financial inclusion.⁵⁷

Cryptocurrency

Regulation of cryptocurrencies is a rapidly emerging policy area, given their considerable expansion since 2014. Many governments have begun informing their citizens about cryptocurrencies and warning them about volatility, lack of legal recourse in transactions and other potential risks of currencies that are not backed by a government.⁵⁸ Cryptocurrencies have the potential to make remittances faster and cheaper, expand financial inclusion and provide more options for financial assistance (including P2P giving and humanitarian CVA). However, in July 2019, following Facebook's announcement of their own cryptocurrency (Libra), the G7 – while acknowledging the potential benefits – called for strong regulation of cryptocurrencies due to concerns about 'anti-money laundering and countering the financing of terrorism, consumer and data protection, cyber resilience, fair competition and tax compliance'.⁵⁹

Several countries already include cryptocurrencies in AML, CFT and KYC regulations, and many governments are already

grappling with how to tax the use of cryptocurrencies and investments in cryptocurrencies (e.g., is it income or capital gains).⁶⁰ A recent study by the Law Library of Congress Global Legal Research Centre found that Algeria, Bolivia, Morocco, Nepal, Pakistan and Vietnam currently ban their citizens from using cryptocurrencies entirely; Qatar and Bahrain only allow their citizens to use cryptocurrencies in other countries; Bangladesh, Iran, Thailand, Lithuania, Lesotho, China and Colombia forbid financial institutions in their countries to facilitate cryptocurrency transactions. Some countries, such as Spain, are developing more crypto-friendly policies in hopes of attracting investment and technology companies. Belgium, South Africa and the United Kingdom do not yet consider the cryptocurrency market large enough to require regulation. A few countries are seeking to develop their own cryptocurrencies. Very few governments accept cryptocurrencies as a form of payment: Mexico, the Isle of Man and some sub-national local jurisdictions.⁶¹

Will governments exert greater control over humanitarian financial assistance?

Formal international humanitarian actors will increasingly need to adapt to national systems and government-led structures for crisis response, including mechanisms for delivering financial assistance. Some governments of crisis-affected states have become more reluctant to allow international humanitarian actors to operate independently within their borders. While many countries – notably fragile and conflict-affected states – will continue to require international support to respond to crises,⁶² many middle-income country (MIC) governments are increasingly able and willing to respond to crises without assistance from the formal international humanitarian sector.⁶³ As government capacities increase, tolerance of the formal international humanitarian sector's practice of setting up parallel systems is already decreasing.⁶⁴ Alongside increases in capacity, there has also been a political resurgence of sovereignty in some crisis-affected countries, inspiring further control over international humanitarian actors.

Crisis-affected country governments may limit the scope or time frame of emergency response activities. Following Typhoon Haiyan in 2013, government authorities in the Philippines felt that international humanitarian actors continued to operate parallel emergency response programmes beyond the emergency phase.⁶⁵ Governments may require international humanitarian actors to work through government systems or national partners. Following the earthquake that struck the island of Sulawesi in 2018, the government of Indonesia

54 GSMA (2019) Overcoming the Know Your Customer hurdle.

55 GSMA (2019) Overcoming the Know Your Customer hurdle.

56 GSMA (2019) Overcoming the Know Your Customer hurdle.

57 GSMA (2019) Overcoming the Know Your Customer hurdle.

58 The Law Library of Congress (2018) Regulation of Cryptocurrency Around the World, Global Legal Research Centre.

59 Leika Kihara and David Lawder (2019) G7 urges tough Libra regulation, agrees to tax digital giants, Reuters Fintech.

60 The Law Library of Congress (2018), Regulation of Cryptocurrency Around the World.

61 The Law Library of Congress (2018), Regulation of Cryptocurrency Around the World.

62 Christina Bennett (2018) Constructive deconstruction: imagining alternative humanitarian action, HPG Working Paper, Overseas Development Institute, p. 25.

63 Ben Ramalingam and John Mitchell (2014) Responding to changing needs?, ALNAP, Montreux XIII Meeting Paper, p. 8; Irwin Loy (2018) Why Indonesia's rules on foreign tsunami relief are rattling the aid sector, IRIN News, 16 October 2018 (accessed 29 October 2018).

64 Overseas Development Institute (2016) Time to Let Go: Remaking Humanitarian Action for the Modern Era, p. 38; 'Regulations for international NGOs aim to provide assistance in Central Sulawesi', Twitter post of Sutopo Purwo Nugroho, head of public relations for the Indonesian National Board for Disaster Management (BNPB).

65 United Nations Office for Coordination of Humanitarian Affairs (UN OCHA, 2014). IASC Inter-Agency Humanitarian Evaluation of the Typhoon Haiyan Response, p. 46.

directed international NGOs to work through local partners and restricted the presence of international aid workers on the ground.⁶⁶ Governments may also place restrictions on what kinds of assistance can be provided (e.g., requiring alignment with the financial value of government social assistance) or who can receive certain types of assistance (e.g., refusing to allow cash transfers or refusing to allow cash transfers for citizens/non-citizens). There is also the possibility of governments rejecting international assistance entirely. From 1984 to 2012, international humanitarian assistance (all assistance or assistance from specific sources) for major natural disasters was rejected 16 times, with rejections increasing notably after 2005.⁶⁷

Will governments directly deliver financial assistance to crisis-affected and vulnerable populations?

The World Bank has noted a 'growing commitment' to social assistance, reflected through increased national spending over time and expanded coverage of poor people across the globe.⁶⁸ Spending on social assistance as a proportion of government budgets and relative to ODA will likely increase but will differ substantially across countries (and there will also be some reversals with reductions in coverage and benefits). Approaches will also differ, from models seeking full coverage (e.g., Universal Basic Income) to highly targeted and/or temporary support models. Social transfers (which include cash transfers) already form a key aspect of social assistance programmes, accounting for more than half of all social assistance spending globally. Of the 142 countries that the World Bank tracks, 70 percent have unconditional cash transfer programmes as part of their social assistance systems.⁶⁹ The coverage of cash transfers is likely to continue increasing.

Social assistance is making significant contributions to poverty reduction and – embedded within broader social protection systems – helps to build long-term household resilience to shocks.⁷⁰ Given that poor households are more vulnerable to shocks, social assistance programmes are well placed to support people affected by sudden and slow-onset shocks such as natural disasters, pandemics, forced displacement, drought and environmental degradation. There is increasing interest in social assistance programmes that are designed to be adaptive to crises, or 'shock-responsive'. Shock-responsive social assistance can help reduce the need for poor households to resort to negative coping strategies, such as exploitative debt, selling assets, child labour and child marriage, which erode long-term resilience and well-being.⁷¹

Social assistance programmes can become shock-responsive in a number of ways. They can improve design to be better prepared to support beneficiaries in event of a shock or loosen requirements such as conditionality so

that beneficiaries experiencing a shock do not risk losing assistance. They can – if they have sufficient coverage of households within the shock-affected area – expand 'vertically', e.g., by temporarily topping-up the amount of cash transfers provided to existing beneficiaries affected by the shock in order to help support additional needs and recovery. They can expand 'horizontally', i.e., scale-out to temporarily include additional beneficiaries who have been affected by the shock but were not previously eligible for social assistance. Targeting new beneficiaries can be a challenge in horizontal expansion if there is limited information on affected people who were not previously beneficiaries of social assistance. In both vertical and horizontal approaches, it is a challenge to determine the appropriate amount and time frame of any shock-related social transfers.⁷²

Trends towards including cash transfers as a key component of social assistance programmes, combined with trends towards greater government roles in crisis response, indicate that government-led shock-responsive social assistance may become the primary avenue for financial assistance in emergency contexts. However, fragile states and many of the countries most at risk of disaster will continue to have low coverage with respect to social assistance and low implementation capacity with respect to shock response.⁷³ As of 2018, only 18 percent of the poorest people in low income countries (LICs) were covered by social assistance, and less than half of the poor in lower-middle income countries (LMICs) had access to social assistance. The potential for social assistance programmes to respond to shocks varies in disaster-prone countries. Countries such as the Philippines and Kenya, where current social assistance coverage is better balanced with the risk of shock, are more ready for their social assistance programmes to explore shock-responsive adaptations. In contrast, fragile states such as Afghanistan, DR Congo and Haiti, are not ready. Overall, at present, the countries most at risk from disaster tend to have weak social assistance systems and considerable gaps in social assistance coverage.⁷⁴

Social assistance programmes do not necessarily need to be able to expand in order to support direct government financial assistance to crisis-affected people. If there is some system in place, separate emergency transfer programmes can 'piggy-back' onto an existing social assistance system's processes, tools and/or mechanisms. For example, using the social assistance beneficiary database to get a head start on identifying emergency transfer beneficiaries, or using the social assistance programme's payment/transfer mechanism. Government emergency programmes can piggy-back onto the government's own social assistance programme. Governments may also increasingly allow (or even require) humanitarian CVA programming to piggy-back onto existing government social assistance programmes.⁷⁵

67 IARAN (2016) *The Future of Aid: INGOs in 2030*, p. 116.

68 World Bank Group (2018) *The State of Social Safety Nets*.

69 World Bank Group (2018) *The State of Social Safety Nets*.

70 World Bank Group (2018) *The State of Social Safety Nets*.

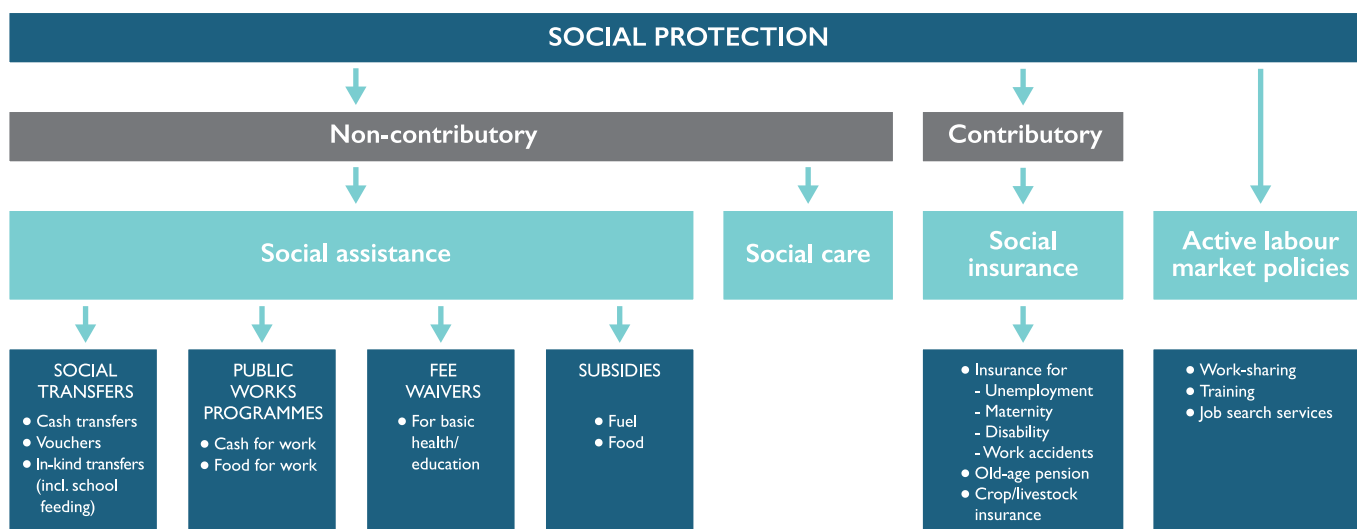
71 World Bank Group (2018) *The State of Social Safety Nets*.

72 C. O'Brien et al. (2018) *Shock-Responsive Social Protection Systems research: Synthesis report*, Oxford Policy Management, Oxford, UK; World Bank Group (2018) *The State of Social Safety Nets*.

73 World Bank Group (2018) *The State of Social Safety Nets*.

74 World Bank Group (2018) *The State of Social Safety Nets*.

75 C. O'Brien et al. (2018) *Shock-Responsive Social Protection Systems research: Synthesis report*.



Source: C. O'Brien et al. (2018) Shock-Responsive Social Protection Systems research: Synthesis report.

CONTROVERSIES AND DEBATES

Humanitarian Actors and Shock-Responsive Social Assistance

Humanitarian actors may increasingly have the opportunity or obligation to work with or through government-led shock-responsive social assistance systems. This presents the potential to streamline financial assistance, reduce gaps and overlaps, improve speed and cost-efficiencies, and strengthen social assistance systems in the longer-term. Realizing these opportunities will require humanitarian (and development) actors to work closely with government counterparts before crises occur (not only as an exit strategy): in order to develop mutual understanding of systems and potential synergies, to agree coordination and operational arrangements, and to build capacities where needed. In many contexts, humanitarian actors already seek to coordinate and align CVA with social transfers provided through government social assistance programmes, for example, by providing CVA to populations not covered by government social assistance and/or by having the same or similar transfer amount, transfer schedule or poverty targeting criteria. Humanitarian actors may also piggy-back onto government social assistance systems to support implementation of CVA, e.g., by using the social assistance database or transfer mechanism. Some humanitarian actors, such as UN agencies, may directly support and fund government social assistance systems to expand vertically or horizontally with social transfers in event of a crisis. Early and ongoing collaboration between humanitarian actors and government social assistance systems can support these systems to be more shock-responsive and improve emergency response for crisis-affected people overall.

There are also protection and accountability challenges that humanitarian actors need to consider in working with government social assistance systems. Government systems may intentionally (e.g., through direct discrimination) or unintentionally (e.g., through inaccurate data) exclude certain vulnerable and crisis-affected populations from assistance (such as refugees, migrants, IDPs, LGBTQ people, and other marginalized groups). Government systems may also have a very different approach to gathering user feedback, and more constraints in responding to feedback and grievances (e.g., in the context of long-term social protection programmes and governing structures). Users may also be more hesitant to provide candid feedback if they feel it could impact their eligibility for broader social protection support. In contexts where such concerns manifest, humanitarian actors will need to negotiate the degree to which they can collaborate with government systems while upholding humanitarian principles and standards. However, some governments may not permit use of only part of their systems (e.g., humanitarian actors may not be able to use the social assistance transfer mechanism to deliver CVA without also using the government's beneficiary database and/or targeting approach). In countries where the bulk of financial assistance for the crisis is moving through government systems, some governments and/or donors may also be unwilling or unable to allow or fund complementary (and independent) financial assistance by humanitarian actors (e.g., to excluded groups).⁷⁶

76 C. O'Brien et al. (2018) Shock-Responsive Social Protection Systems research: Synthesis report; Rebecca Holmes (2019) Grand Bargain Workshop: Linking Humanitarian Cash and Social Protection, DAI Implementing Partners.

MOBILE TECHNOLOGY AND INTERNET ACCESS



DEFINITION

As of 2018, 96 percent of the global population lived within reach of a mobile network and 3.9 billion people were using the internet – over 51 percent of the global population. This is an increase from only around 16 percent in 2005. Although growth rates are slowing, the number of internet users globally is growing at an annual rate of more than 5 percent. Access to mobile technology and the internet hinge on affordability, with respect to both the cost of services and the cost of owning or accessing an internet-enabled mobile device. The increasing availability of lower-cost smartphones is increasing the ability of more people to afford internet access. Active mobile-broadband subscriptions grew from 268 million in 2007 to 5.3 billion in 2018.



KEY INSIGHTS

- ▶ Access to and use of mobile technologies and the internet continue to increase worldwide, although the overall rate of growth has slowed compared to the period 2005–2015.
- ▶ The digital divide threatens to leave many people behind and increase financial inequalities, especially in the group of Least Developed Countries (LDCs), fragile states and underserved rural areas.
- ▶ Divergent contexts of government control and regulation of the internet will continue to dictate who can provide services, what services can be provided, and the cost of these services (both financially and with respect to risk/protection for users).



KEY UNCERTAINTIES

- ▶ Will internet and mobile phone use continue to expand, or will it plateau due to access barriers?
- ▶ Will internet access be increasingly government controlled?



CONTROVERSIES AND DEBATES

- ▶ Is 'zero-rating' good or bad?: Free use of limited internet services and infrastructure; implications for access to financial services and financial assistance

MOBILE TECHNOLOGY AND INTERNET ACCESS

DEFINITION

The SDGs use a variety of indicators to measure access to mobile technology and the internet, including mobile telephone ownership, coverage by mobile networks, fixed-broadband subscriptions and individuals using the internet.⁷⁷ As of 2017, an estimated 76 percent of the global population owned a mobile phone.⁷⁸ As of 2018, 96 percent of the global population lived within reach of a mobile network.⁷⁹ Overall, as of 2018, 3.9 billion people were using the internet – over 51 percent of the global population. This is an increase from only 15.8 percent in 2005.⁸⁰ Although growth rates are slowing somewhat, the number of internet users globally is growing at an annual rate of more than 5 percent.⁸¹

Access to mobile technology and the internet hinge on affordability, with respect to both the cost of services and the cost of owning or accessing an internet-enabled mobile device. The increasing availability of lower-cost smartphones is increasing the ability of more people to afford internet access.⁸² Mobile-broadband services are proving cheaper⁸³ and more accessible than fixed-broadband, and increasingly becoming the primary way that many people access the internet.⁸⁴ Already, a majority of internet users in emerging markets are connected via smartphones and mobile-broadband, and this pathway to the internet is likely to be the key to bringing the next 1 billion people online.⁸⁵ Active mobile-broadband subscriptions grew from 268 million in 2007 to 5.3 billion (69.3 percent globally) in 2018.⁸⁶

77 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 10.

78 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 12.

79 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 8.

80 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 13.

81 Broadband Commission for Sustainable Development (2018) The State of Broadband.

82 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs: Achieving Universal and Affordable Internet in the Least Developed Countries, p. 68.

83 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, pp. 13–14.

84 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, pp. 11, 17–18. Access to a broadband connection (i.e., > 256 kbps), regardless if it is fixed or mobile, provides much greater access to digital technologies.

85 Centre for International Governance Innovation/Chatham House Royal Institute of International Affairs (2017) The Shifting Geopolitics of Internet Access: From Broadband and Net Neutrality to Zero-Rating, July 2017, p. 2.

86 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, pp. 9, 11.

KEY INSIGHTS

- ▶ Access to and use of mobile technologies and the internet continue to increase worldwide, although the overall rate of growth has slowed compared to the period 2005–2015.⁸⁷ This is in large part due to access reaching saturation levels in developed countries. Growth in developing countries – including in the group of Least Developed Countries (LDCs) – is ongoing, but is at a slower rate than it had been for developed countries due to challenging barriers.
- ▶ Access to mobile phones and the internet are increasingly important to accessing financial services. However, access is not equal. The digital divide threatens to leave many people behind and increase financial inequalities, especially in LDCs, fragile states and underserved rural areas.
- ▶ Divergent contexts of government control and regulation of the internet will continue to dictate who can provide services, what services can be provided, and the cost of these services (both financially and with respect to risk/protection for users). Multiple approaches to government regulation and control of the internet are currently in play, and there are risks to new entrants, new services and users, both from models of greater government control and from models of less government control/private sector dominance.

KEY UNCERTAINTIES THROUGH 2030

Will internet and mobile phone use continue to expand, or will it plateau due to access barriers?

In LDCs, only 56 percent of people own mobile phones.⁸⁸ Cost remains the greatest barrier to mobile phone ownership.⁸⁹ The availability of more lower-cost smartphone models is increasing the ability of more people to afford mobile internet access, and smartphone penetration is increasing in most counties.⁹⁰ From 2012 to 2015, the average cost of a smartphone in Africa fell from \$230 to \$160,⁹¹ and in India (currently second only to China as the largest smartphone market) many users receive subsidies to reduce the cost of a smartphone to as little as \$25–35.⁹² However, in some LDCs, import duties and taxes make even low-cost smartphone models prohibitively expensive.⁹³ In 2014, GSMA estimated that taxes accounted for 20–40 percent of the consumer cost of mobile phone ownership in developing countries.⁹⁴

Although 51 percent of the world is online as of the end of 2018, this also means that roughly half of the global population is not, and ‘the majority of these people are from the world’s most vulnerable countries, the LDCs, LLDCs and SIDS.’⁹⁵ In 2018, 45 percent of people in developing countries were using the internet (up from just under 8 percent in 2005), and 19.5 percent of people in LDCs were online (up from less than 1 percent in 2005). Comparatively across regions, Africa has seen the strongest growth in internet users during this period.⁹⁶ There are also considerable differences among LDCs: Some have rates of internet use below 2 percent, while others have rates above 40 percent. Nearly half of the overall number of people in LDCs who are not online live in Bangladesh, Ethiopia, DRC, Tanzania or Myanmar.⁹⁷ Overall, while anticipating that the gap between developed countries and developing countries/LDCs will continue to shrink,⁹⁸ at the rate of growth that was seen between 2016 and 2017, the International Telecommunications Union (ITU) estimates that ‘it will take over 15 years for the LDCs to get over half their citizens online.’⁹⁹

Many people living in LDCs still lack access to broadband connections, either because it is not affordable or not available.¹⁰⁰ Although the cost of mobile-broadband in LDCs is decreasing, it was still at 14 percent of average per capita income in 2016.¹⁰¹ Millions of people – including in developed countries – live in (often rural) areas that lack fibre or cable connections, and mobile options may be the fastest or only feasible option for internet access.¹⁰² Despite affordability and availability challenges, growth in mobile-broadband subscriptions is currently faster in developing countries than developed countries, and even stronger in LDCs.¹⁰³ However, in many counties, even where people have access to the internet via mobile-broadband, users limit use in order to control data costs.¹⁰⁴ Lack of broadband connectivity has a direct impact on people’s ability to access many applications and internet-based services,¹⁰⁵ including financial services. In LDCs, some of the most successful mobile applications – such as mobile money – have thus been those that work with basic voice and SMS services, i.e., not requiring a smartphone or internet access (which can be more expensive, as well as difficult if only narrowband speeds are available).¹⁰⁶ Even among the population with internet access, as smartphone penetration increases there may be a growing divide in the ability of people to access financial and other services – between those who have smartphones and those who have basic mobile phones or featurephones.

87 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 12.

88 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 12.

89 GSMA Intelligence (2018) The Mobile Gender Gap Report 2018, p. 3.

90 Broadband Commission for Sustainable Development (2018) The State of Broadband, p. 19; International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 74.

91 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 74.

92 Broadband Commission for Sustainable Development (2018) The State of Broadband, p. 19.

93 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, p. 68.

94 Lester Henry (2019) Bridging the Urban-Rural Digital Divide, p. 5.

95 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, p. 10.

96 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 14.

97 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, pp. 7–8.

98 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 5.

99 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs.

100 ‘Affordable’ broadband services are defined as those that cost less than 5 percent of average monthly income for a 1 GB data plan. International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, p. 7.

101 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, pp. 13–14.

102 Broadband Commission for Sustainable Development (2018) The State of Broadband, pp. 18–19.

103 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, pp. 9, 11. Developed countries already have more active mobile-broadband subscriptions than people, and the numbers of subscriptions are still growing.

104 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 98.

105 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, p. 7.

106 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, pp. 6–7.

'The offline population remains disproportionately poor, rural, elderly, and female.'¹⁰⁷

While global statistics as of 2018 indicate that 90 percent of the global population lives in reach of a 3G or higher mobile network,¹⁰⁸ figures from 2016 highlight major urban–rural divides: when 3G networks were reaching 70 percent of the overall population, they only reached 29 percent of people living in rural areas.¹⁰⁹ Poverty, age, education level, displacement status and especially gender are also all factors that impact internet use. The young, as might be expected, are more likely to be online than the elderly. It is estimated that 30 percent of LDC citizens aged 15–24 years old are online, compared to 19.5 percent across the general LDC population.¹¹⁰ ITU has found that education level is a key factor in internet use in both developed and in developing countries. Globally, refugees are 50 percent less likely than the general population to have an internet-enabled phone.¹¹¹ In most countries, men are more likely to be online than women (with the exception of Europe and the Americas).¹¹² This gender gap is greater in LDCs and in rural areas.¹¹³

'Gaps in today's digital inclusion will not be bridged by simply focusing on expanding broadband access.'¹¹⁴

Socio-economic and cultural barriers to accessing mobile technology and the internet – most of which also disproportionately impact women – include literacy levels, lack of digital literacy, safety and security concerns, perceptions that the internet is not relevant for one's life, and a lack of internet content that is locally relevant and/or in local languages.¹¹⁵ Lack of basic enabling infrastructure, notably electricity, is also a key barrier, and disproportionately impacts rural areas.¹¹⁶

Will internet access be increasingly government controlled?

Government regulation of internet access includes both the regulation of the infrastructure and service providers that make internet connectivity available and the regulation of services and content that users can access on the internet (as well as the data created by users accessing content and services). Flawed management and regulation of the infrastructure side can stifle competition, innovation and investment in improvements, exacerbating the digital

divide and access barriers (higher costs and lower quality). Flawed management of content and services can also stifle innovation and the entry of new services and options for consumers, either through excessive government control of what content and services are allowed or by private sector oligopolies that suppress competition. Flawed management on either side can also fail to protect consumers from abuse, exploitation and other criminal activity. In addition, government regulation of the internet impacts core democratic principles around privacy, surveillance, speech and association (among others).

Infrastructure Investment

It is estimated that it will cost \$450 billion to connect the next 1.5 billion people.¹¹⁷ Direct government investment will be key, alongside regulatory and legislative frameworks that encourage private sector investment in infrastructure. Investment is especially important to improve connectivity in rural and remote areas and to expand capacity to handle overall growth in internet traffic alongside growing demands for higher bandwidth.¹¹⁸ Internet infrastructure has lagged behind in LDCs, in part because the mobile technologies in use relied on SMS and voice services and did not require high-speed networks. However, the arrival of smartphones and 3G and higher networks is pushing the development of core infrastructure.¹¹⁹ Enabling infrastructure, such as electricity, requires government investment,¹²⁰ as does the resilience of core information and communications infrastructure against natural hazards. Governments will also need to find ways to control (e.g., through financing mechanisms¹²¹) for the fact that private sector operators may be inclined to focus infrastructure investments on larger urban markets rather than on improving access and availability in rural areas.¹²²

'Today, broadband networks are critical infrastructure, as important as roads, railways, and water and power networks.'¹²³

Overcoming the digital divide will require governments and internet service providers to address infrastructure, technical and financial challenges.¹²⁴ Satellite-based internet technologies, such as High Throughput Satellite (HTS) systems, have incredible potential to expand availability to broadband in remote and rural areas, as well as during disasters and other emergencies. Realizing the benefits of

107 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, p. 14.

108 International Telecommunication Union (ITU) (2018) Measuring the Information Society Report, p. 8.

109 Lester Henry (2019) Bridging the Urban-Rural Digital Divide.

110 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, pp. 7–8.

111 UNHCR (2016) Connecting Refugees.

112 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, p. 14.

113 International Telecommunication Union (ITU) (2018) ICTs, LDCs and the SDGs, p. 14; GSMA Intelligence (2018) The Mobile Gender Gap Report 2018, p. 16.

114 UN Internet Governance Forum (2018) IGF 2018 Messages.

115 GSMA Intelligence (2018) The Mobile Gender Gap Report 2018, p. 3; Lester Henry (2019) Bridging the Urban-Rural Digital Divide.

116 Lester Henry (2019) Bridging the Urban-Rural Digital Divide; UN Internet Governance Forum (2018) IGF 2018 Messages.

117 Broadband Commission for Sustainable Development (2018) The State of Broadband, p. 12.

118 Pablo Bello and Juan Jung (2015) Net Neutrality: Reflections On The Current Debate. Centre for International Governance Innovation/Chatham House Royal Institute of International Affairs, Paper Series No. 13, May 2015.

119 International Telecommunication Union (ITU) (2018). ICTs, LDCs and the SDGs, p. 60.

120 UN Internet Governance Forum (2018) IGF 2018 Messages.

121 Broadband Commission for Sustainable Development (2018) The State of Broadband, p. 12.

122 UN Internet Governance Forum (2018) IGF 2018 Messages.

123 Broadband Commission for Sustainable Development (2018) The State of Broadband, p. 12.

124 Broadband Commission for Sustainable Development (2018) The State of Broadband, p. 9.

satellite-based technologies will rely on continued innovation and development from private sector actors, as well as on government policies and regulations that enable entry of new service providers and technologies, encourage the necessary investments to meet needs in rural and remote areas, and leverage competition to attain service improvements and (much-needed) cost reductions. Any efforts to overcome the digital divide will also have to support demand growth through digital literacy and locally relevant content.¹²⁵

Regulation

'Meaningful competition' is important for expansions in internet coverage, access to affordable services and technological improvements.¹²⁶ Low levels of regulation on internet content and services in the US has resulted in considerable innovation, but has also enabled the growth of an oligopoly of huge service and content providers that may not be to the benefit of either innovation or consumers in the long-term.¹²⁷ The primary regulatory debate in the US – and one of the major debates globally – is around 'net neutrality', or regulations that ensure that all transmission of data over the infrastructure that makes up the internet is treated equally.¹²⁸ Without net neutrality, meeting ever increasing demands on bandwidth can be managed by the prioritization of certain information over other information, generally based on the ability to pay for this prioritization. This reduces competition and consumer choice, opens the door for exploitation, and may have a major impact on the ability of users to access the full range of internet services and content.¹²⁹

In Europe, regulation and control of content and services has been more aggressive than in the US. Regulations seek to protect user privacy and personal data and limit oligopolistic tendencies that negatively impact competition. Given the size and power of the European market, European regulations have been influential globally on data protection. However, some fear that these regulations may stifle innovation and the entry of 'disruptive newcomers' who can provide new and improved options for consumers (such as new platform-based business models like AirBnB and Uber). There are also concerns that such regulations would not work in smaller markets that carry less financial incentive for engagement, where companies may simply opt to not offer their content/services rather than comply with what they consider to be onerous regulations.

'Protections against surveillance are being eroded across the globe, as the technology becomes easier to apply and

people are more willing to behave in ways that make them easy to watch, such as social networking.'¹³⁰

In China, the government has put in place tight controls over internet content and services, with significant promotion of Chinese companies (over outside competitors), shutting down of domestic content that it does not approve of, and the 'Great Firewall' which dictates what content and services internet users in China can or cannot access. The government of China utilizes user data from services run by Chinese companies (including the 'Internet of Things') to undertake surveillance of and gather data on its citizens. The government has also forced non-Chinese companies to share their data on Chinese citizens. Alongside enabling authoritarian control, this wealth of data has also enabled technological innovation and early warning of emerging public problems. As internet services from Chinese companies (such as WeChat) become increasingly international, the government of China will also have increasing access to the data of users from other countries which is stored by Chinese companies in China. Given China's increasing leadership role in international bodies and its push to invest in the infrastructure (including telecommunications infrastructure) of developing countries (e.g., through the 'Belt and Road Initiative'), it is well positioned to expand its model for and influence over internet governance. Many of the remaining 49 percent of the global population who are yet to come online are in China, and many others are in Africa, where China has influence as well as financial support to offer. Many governments, even those that do not agree with China's level of control, will view internet governance and control as a sovereignty issue and may also see great value – for good or ill – in the data available from citizens' use of internet services.¹³⁰

CONTROVERSIES AND DEBATES

Is 'Zero Rating' Good or Bad?

'Zero rating' is a term used to describe the free use of the infrastructure of internet service providers for a particular service or application. For example, a mobile-broadband provider may offer customers free use of the Facebook app with no associated data charges. In removing a key cost-related barrier, zero rating improves access to the internet. However, at the same time, it only provides access to a very small part of the internet. Some argue that this provides access to key internet-based communications/messaging services and could provide an 'on-ramp' for new users to

125 Broadband Commission for Sustainable Development (2018) *The State of Broadband*, pp. 28–31.

126 International Telecommunication Union (ITU) (2018). *ICTs, LDCs and the SDGs*, p. 8. Example: 'The Caribbean ... was seen as at "late comer", in terms of the liberalization of its telecommunications sector. In many islands, the British company Cable and Wireless, or its subsidiaries, had a monopoly on both domestic and international traffic. Breaking their monopoly control was very challenging for many of these small states, but it was a necessary step towards lower telecommunications costs. It was not till the entry of Digicel in the mid-2000s that there was a significant drop in call charges and the rapid expansion of Internet usage ... This once again shows the importance of having a competitive environment for ICTs as it clearly results in cost reductions to the average user.' Lester Henry (2019) *Bridging the Urban-Rural Digital Divide*.

127 Kieron O'Hara and Wendy Hall (2018) *Four Internets: The Geopolitics of Digital Governance*. CIGI Papers, no. 206 (December 2018): 28.

128 Davide Banis (2019) *How 'Zero-Rating' Offers Threaten Net-Neutrality* In *The Developing World*, Forbes, 18 February 2019. Note: In the US, the Obama Administration put in place net neutrality regulations that the Trump Administration subsequently removed.

129 Ben Scott, Stefan Heumann, and Jan-Peter Kleinhans (2017) *Landmark EU And US Net Neutrality Decisions: How Might Pending Decisions Impact Internet Fragmentation?* In *The Shifting Geopolitics of Internet Access: From Broadband and Net Neutrality to Zero-Rating*, Centre for International Governance Innovation/Chatham House Royal Institute of International Affairs; UN Internet Governance Forum (2018) *IGF 2018 Messages*.

130 Kieron O'Hara and Wendy Hall (2018) *Four Internets: The Geopolitics of Digital Governance*. CIGI Papers, no. 206 (December 2018): 28.

understand why the internet is useful for their lives (and thus prioritize paying for full access through a data plan). It could also provide access to financial services (e.g., via Facebook and Libra). Others argue that the model is exploitative and leads poor customers to believe that the limited version of the internet they are experiencing (notably Facebook) is the internet.¹³² In addition, as zero rating deals are made at the corporate level between the internet service provider and the company providing the service/app, it is primarily

the domain of huge companies (Facebook, Twitter, etc.), furthering concerns about anti-competitive behaviour and corporate control of the internet. Some countries, such as India, have already taken steps to regulate the practice.¹³³ As humanitarian actors consider using zero rating applications to deliver financial assistance to people who lack other access to the internet, the implications of the potentially exploitative nature of the model will need to be confronted.

ID AND ITS DIGITIZATION



DEFINITION

Legal identity is almost always provided by governments. Proof of legal identity (such as ID numbers, cards, certificates, etc.) is increasingly essential for accessing rights and services from both the public and private sectors. Approximately 1.1 billion people worldwide lack proof of their legal identity. As technology advances and the world becomes more interconnected, people not only need to be able to prove their identity in the physical world, but also in the online world. Digital identity verification (digital ID) hinges on the means of authentication, such as (but not limited to) knowledge-based authentication (passwords, security questions, etc.) and biometric authentication (fingerprints, facial recognition, iris scans, etc.). As individuals interact in the online world and as personal information about them is collected and stored (with or without their understanding or consent), they develop a digital identity.



KEY INSIGHTS

- ▶ The inability of someone to prove their legal identity, and meet due diligence requirements, is a key barrier to financial inclusion and accessing financial assistance.
- ▶ 'Good digital ID' can enable more people to access both proof of their identity and the benefits of the digital ecosystem, including more pathways for financial assistance and, most importantly, their rights to privacy, portability, persistence, and control.
- ▶ There are real risks to the digitalization of identity systems: risks to human and civil rights, risks to individual privacy, risks of data breaches, and risks of cyberterrorism. The amount of digital identification data (including biometric data) collected and stored about vulnerable populations increases their vulnerability to political exclusion/discrimination, persecution, commercial exploitation, and digital criminal attack.
- ▶ Digitalization risks are heightened when the system is not understood by users, when it is not voluntary (or if there is no other option for obtaining assistance), and when there is inadequate regulation and governance. ID systems require strong rights protections (such as the ability to forego already given consent) so that users can trust the entities managing their data.
- ▶ Peoples' digital identities are being monetized by private sector actors who are moving into the humanitarian space. This commoditization is occurring without communication to users about the potential value of their personal digital information.



KEY UNCERTAINTIES

- ▶ Who will issue/provide digital ID?
- ▶ How will digital ID be governed/regulated?



CONTROVERSIES AND DEBATES

- ▶ Risks of digital ID: Accelerated commoditization; surveillance and undermining of human rights; misuse of massive amounts of personal data; systematic exclusion of vulnerable populations; targeting of civil society and activists; eroding public trust in institutions.

¹³² Helani Galpaya (2017) Zero-Rating in Emerging Economies. In *The Shifting Geopolitics of Internet Access: From Broadband and Net Neutrality to Zero-Rating*. Centre for International Governance Innovation/Chatham House Royal Institute of International Affairs.

¹³³ Davide Banis (2019) How 'Zero-Rating' Offers Threaten Net-Neutrality In *The Developing World*, Forbes, 18 February 2019.

ID AND ITS DIGITIZATION

DEFINITION

'Identity is a set of attributes that uniquely describes an individual or entity.'¹³⁴

Sustainable Development Goal 16 calls for all persons to be provided with 'legal identity' by 2030. Legal identity is almost always provided by governments. Legal identity systems are the systems for registering people and issuing them with official credentials¹³⁵ that serve as proof of their legal identity (such as ID numbers, cards, certificates, etc.).¹³⁶ Legal identity is not the same as an individual's legal status, although it is often linked to one's citizenship or nationality.¹³⁷ Legal identity systems include things like national ID or social security numbers, passports, national ID cards and birth certificates. Governments require legal identification systems to collect taxes and administer services, including planning for emergencies and targeting social transfers.¹³⁸ Proof of legal identity is often (and increasingly) essential for accessing rights and services from both the public and private sectors. Without proof of legal identity, people may be unable to access social transfers, financial services like bank accounts and credit, formal employment and work permits, justice and legal systems, visas, healthcare, education, and many other services that require identity authentication.¹³⁹ However, approximately 1.1 billion people worldwide lack proof of their legal identity.¹⁴⁰

How individuals prove their identity is changing. As technology advances and the world becomes more interconnected, people not only need to be able to prove their identity in the physical world, but also in the online world.¹⁴¹ Legal and digital identity are becoming more interlinked as there is increasing overlap between both systems, and proof of legal identity is increasingly digital. Of the approximately 6.5 billion people who have proof of their legal identity, more than half cannot use these credentials effectively in the online ecosystem.¹⁴² Thus, on top of the global challenge to ensure that everyone has proof of their legal identity, it will be an added, and considerable, challenge to ensure that billions of people are not left out in a digital identification divide.¹⁴³

'Without proof of identity, people may be denied access to rights and services – they

may be unable to open a bank account, attend school, collect benefits such as social security, seek legal protection, or otherwise engage in modern society.'¹⁴⁴

Digital identification, or 'digital ID', refers to proof of identity that can be verified remotely over digital channels.¹⁴⁵ Digital ID hinges on the means of authentication. These means include (but are not limited to) knowledge-based authentication (KBA) such as passwords and security questions, biometric authentication such as fingerprints, facial recognition and iris scans (some of which can be taken without user understanding or consent), and an expanding universe of new authentication and verification methods and technologies. Although there are a plethora of public and private sector systems in place that enable individuals to authenticate their identity in order to use online systems, best practices for well-designed, authoritative, and scalable digital ID systems (such as those that achieve user privacy) are still in development. Some estimate that 'good digital ID' could enable financial inclusion for the 1.7 billion people who are still 'unbanked'.¹⁴⁶ The ability of financial services providers to verify an individual's identity and comply with KYC regulations is essential to their ability to provide that individual with financial services, and KYC compliance is currently difficult-to-impossible in most places without official ID. Thus, without a viable alternative, this makes financial inclusion exceedingly difficult for individuals who lack official ID.¹⁴⁷ Digital ID could be an alternative. However, despite offering many potential benefits, digital ID also comes with multiple risks.¹⁴⁸

The increasing frequency and severity of security breaches is making digital verification of identity much more complicated, as individuals' official credentials and personal information on which KBA is based are compromised. The more breaches there are, the more difficult it is to find new secure ways for people to digitally verify who they are. This has led to the development of new methods, such as two-factor authentication and confirmation of bank account access, and is driving the development of new technologies such as algorithms that assess online data and behaviours.¹⁴⁹

¹³⁴ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 2; USAID (2019) Identity in a digital age: Infrastructure for inclusive development, p. 1.

¹³⁵ 'A credential is information that is used to confirm the accuracy of other available information. The assurance is based on the understanding that, prior to receiving the credentials, an individual meets specific requirements.' Credentials can, for example, provide verification of an individual's legal identity (such as a passport), or proof of a qualification (such as a diploma or driver's license), etc. In the digital realm, the most basic form of credential is a username and password combination, authenticating that the indicated unique user is the individual accessing the system. See for example: Penn State (2014) The Role of Credentials in Identity Management.

¹³⁶ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, pp. 3–4; USAID (2019) Identity in a digital age.

¹³⁷ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 3.

¹³⁸ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 4.

¹³⁹ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 3.

¹⁴⁰ USAID (2019) Identity in a digital age.

¹⁴¹ ID 2020 Alliance Manifesto.

¹⁴² McKinsey Global Institute (2019) Digital identification: A key to inclusive growth.

¹⁴³ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 5.

¹⁴⁴ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 5.

¹⁴⁵ McKinsey Global Institute (2019) Digital identification.

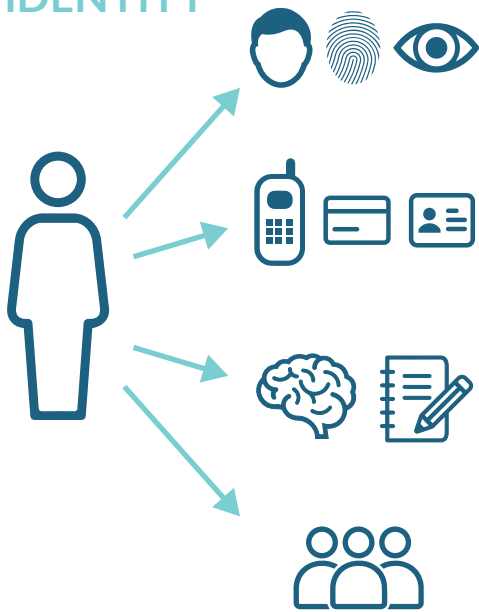
¹⁴⁶ McKinsey Global Institute (2019) Digital identification; GSMA (2019) Overcoming the Know Your Customer hurdle.

¹⁴⁷ GSMA (2019) Overcoming the Know Your Customer hurdle.

¹⁴⁸ McKinsey Global Institute (2019) Digital identification.

¹⁴⁹ Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, p. 15.

PROVING YOUR IDENTITY



“THINGS YOU ARE”

- ▶ Face
- ▶ Fingerprint
- ▶ Iris scan
- ▶ ...

- ▶ How unique is it?
- ▶ How easy is it to capture and match?
- ▶ Can scans be easily lifted and copied from somewhere?

“THINGS YOU HAVE”

- ▶ Mobile phone
- ▶ Bank card
- ▶ National ID
- ▶ ...

- ▶ Is it unique?
- ▶ Can it be kept safely?
- ▶ How easy is it to steal or duplicate?

“THINGS YOU KNOW”

- ▶ PIN
- ▶ Intimate questions
- ▶ ...

- ▶ Is the information easily guessable or discoverable?

“PEOPLE WHO KNOW YOU”

- ▶ Village chief
- ▶ Other clients
- ▶ ...

- ▶ How can they be sure who you are?
- ▶ Would they lie?
- ▶ And how do you know who they are?

Source: Digital Frontiers Institute Certificate in Digital Money.

Broadly speaking, an individual's ‘digital identity’ refers to the set of digital identifiers linked to that individual. These are created by individuals when they create accounts and interact with digital networks (e.g., mobile networks, the internet, Facebook, etc.) and are also collected about individuals as they use digital networks or as their information is shared within digital networks. Individuals’ digital identifiers can be, and are, analysed, shared and used for good, bad and neutral purposes (as defined by the data controller), generally without the individual's knowledge or informed consent. It is often the aspects of digital identity that are created about the user, and not by the user, that are most valuable from a commercial or surveillance perspective.¹⁵⁰ There are digital identity challenges on both ends of the spectrum: for the half of the world that is online, most of an individual's digital identifiers are not within the individual's control; for the half of the world that is not online, individuals largely lack a digital identity and the access to services that having such an identity provides. In the words of ID2020, ‘a large group of individuals have no digital identity and those of us that do don't enjoy our rights to privacy, security, and choice.’¹⁵¹

‘Individuals are users of identification systems, as they require proof of identity to access rights and services. They are at the centre of identification systems and have the right to know and exercise appropriate control over how their data is collected, used, stored, and shared.’¹⁵²

KEY INSIGHTS

- ▶ The inability of someone to prove their legal identity, and meet KYC requirements, is a key barrier to financial inclusion and accessing financial assistance.
- ▶ ‘Good digital ID’ can enable more people to access both proof of their identity and the benefits of the digital ecosystem (including more pathways for financial assistance), and, most importantly, their rights to privacy, portability, persistence, and control. Having multiple avenues through which one can prove one's identity adds security.
- ▶ There are real risks to the digitalization of identity systems: risks to human and civil rights, risks to individual privacy, risks of data breaches, and risks of cyberterrorism. The amount of digital identification data (including biometric data) collected and stored about vulnerable populations increases their vulnerability to political exclusion/discrimination, persecution, commercial exploitation, and digital criminal attack.
- ▶ Digitalization-related risks are heightened when the system is not understood by users, when it is not voluntary (or if there is no other option for obtaining assistance), and when there is inadequate regulation and governance.¹⁵³ ID systems require strong rights protections, such as the ability to forego already given consent, so that users can trust the entities managing their data.

¹⁵⁰ Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, p. 14.

¹⁵¹ ID 2020 Website, FAQ Page.

¹⁵² World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 6.

¹⁵³ Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence, p. 10.

- ▶ Peoples' digital identities are being monetized by private sector actors who are moving into the humanitarian space. This commoditization is occurring without communication to users about the potential value of their personal digital information.

KEY UNCERTAINTIES THROUGH 2030

Who will issue/provide digital ID?

Legal Identity & Official Credentials

Governments are the primary authorities accountable for providing people with legal identity and will likely remain so through 2030.¹⁵⁴ Government-issued legal identity and credentials are a key access point for financial inclusion, as they provide the basis for the broader identity services value chain, i.e., the government provides individuals with proof of their legal identity and this proof (e.g., national ID card) becomes the 'breeder' credential that enables the establishment of other credentials (e.g., bank account, SIM card), which subsequently enable access to further credentials and services (e.g., credit cards, mobile money).¹⁵⁵ A primary aspect of KYC requirements for even basic level financial services is verification of the customer's ID credentials. Official credentials will likely underpin most digital ID systems that are developed and employed for financial services and government-provided social transfers (although SDD approaches to KYC could expand the universe of credentials that can be used to prove legal identity). However, there are also noted weaknesses in many governments' current identification systems, which are not robust enough to prevent fake credentials, credential theft or multiple identities. Added levels of verification are therefore often required for financial services.¹⁵⁶

As technology advances, efforts to improve legal identity systems are seeing legacy paper systems transition to (often larger, more comprehensive) digital systems, as well as the increasing use of digital technologies for biometric authentication of identities (facial recognition, iris scans, digital fingerprints, etc.).¹⁵⁷ Digitization enables 'increased efficiencies, lower costs, reduced fraud and corruption, easier surveillance, [and] better data sharing within government'.¹⁵⁸ Many governments have long maintained databases of citizens and residents¹⁵⁹ and new technologies enable these databases to include a broader range of biometric data.

Theoretically, governments should provide legal identity and credentials to every person living on their territory,

regardless of citizenship.¹⁶⁰ However, this does not always happen. Even for individuals who are technically eligible for government-issued ID, there are a host of potential barriers to inclusion in legal identity systems, some of which may be minimized while others may be enhanced by digitalization. Barriers include the costs of obtaining the ID itself (fees, time off work, travel costs, etc.), cost and other obstacles to obtaining required application documents (including a lack of administrative infrastructure), fear of persecution (e.g., ethnic or religious minorities, LGBTQ people, refugees and migrants), and exclusionary social structures (e.g., women, transgender and non-binary people, linguistic minorities, and indigenous peoples).¹⁶¹ If/as more processes and services – including ID and credentialing services – move online, there may also be increasing barriers for offline populations.¹⁶²

'No one should be denied identification services or associated services because they lack ICT connectivity or technical knowledge ... off-line, as well as on-line, identification needs to be possible.'¹⁶³

Many crisis-affected people, and especially migrants and refugees, lack or are no longer in possession of official credentials to prove their identity, and it is often extremely difficult or impossible to replace government-issued credentials during conflict or while displaced. This presents a major barrier to their financial inclusion as well as to pathways for provision of financial assistance (such as mobile money). In the case of refugees, if the host government is unable or unwilling to provide ID, the responsibility falls to UNHCR (however, in certain cases UNHCR is limited by governments in its ability to provide ID to politically sensitive populations).¹⁶⁴ In some countries, such as Jordan, KYC regulations allow refugees to use their UNHCR registration credentials as proof of legal identity in order to access SIM cards, mobile money and other services. However, in many countries, regulations do not allow credentials issued by UNHCR (or other humanitarian and development actors) to be used to verify legal identity.¹⁶⁵ Crisis-affected people without UNHCR credentials, in countries that do not allow non-government-issued credentials to fulfil KYC requirements, or from countries with non-functioning government ID systems, currently have few – if any – alternative options for proving their legal identity. If/as more countries adopt SDD approaches to KYC and accept alternative credentials, more migrants, refugees, IDPs and

¹⁵⁴ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 3.

¹⁵⁵ Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, pp. 11, 17.

¹⁵⁶ Alan Gelb (2016) Balancing Financial Integrity with Financial Inclusion: The Risk-Based Approach to "Know Your Customer", Centre for Global Development, CGD Policy Paper 074.

¹⁵⁷ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 4.

¹⁵⁸ Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, p. 5.

¹⁵⁹ For example, various forms of population or resident registries that record information such as name, date of birth, residence address, sex, national ID number, etc.

¹⁶⁰ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 3.

¹⁶¹ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, pp. 8, 10.

¹⁶² World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 10.

¹⁶³ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 10.

¹⁶⁴ GMSA Association (2017) Refugees and Identity: Considerations for mobile-enabled registration and aid delivery; UNHCR registers refugees and provides them with credentials to serve as proof of their identity and status. In some cases, UNHCR-issued credentials serve as de facto identity documents alongside or in place of national ID credentials from their home country. UNHCR credentials provide a basis for accessing services and for obtaining other forms of identification. Caribou Digital (2018) Identity at the Margins: refugee identity and data management, Farnham, UK: Caribou Digital Publishing.

¹⁶⁵ GMSA Association (2017) Refugees and Identity: Considerations for mobile-enabled registration and aid delivery; GSMA (2019) Overcoming the Know Your Customer hurdle.

other crisis-affected people may be able to access financial inclusion.¹⁶⁶ UNHCR is already undertaking upgrades to its refugee registration and data management systems to be able to provide recognized digital legal identity credentials and meet more KYC requirements.¹⁶⁷

While most governments confine their purview to legal identity (albeit digitized in some cases), there are nascent steps to expand into the realm of digital ID. Estonia was the first country to issue digital ID cards through ‘e-residency’. Though this is not a substitute for legal identity, it is available to anyone, not just citizens of Estonia. It is a form of ‘supranational digital ID’¹⁶⁸ which can be used for electronic identity authentication. The potential to obtain a digital ID mechanism from a government is something that will likely increase.

The Private Sector and Digital ID

A multitude of private sector entities furnish individuals with digital ID and identity services. In many cases, this makes identity more flexible as people can create anonymous or pseudonymous identities. In other cases, it may make identity more rigid, e.g., breaking down barriers between personal and professional identities that individuals may wish or need to maintain. The growth of private sector digital ID provision has been powered by the mass collection, granular dissection and algorithmic deployment of personal data (digital identities writ large) for extremely lucrative commercial gain (e.g., micro-targeted advertising).¹⁶⁹ Private sector digital ID may also increasingly overlap with functions and roles that were traditionally filled by official credentials, such as enabling pathways for people to verify their identity for access to financial services in place of or in addition to official credentials.

There are multiple types of private sector entities engaged in the digital identity space. Firstly, there are entities that provide users with digital identification that is verified against official credentials. This category includes, for example, banks and mobile phone providers which require passports or other official credentials to open an account. These accounts often become ‘breeder credentials’ or ‘federated identities’ that enable users to register for and access other digital and financial services, because other service providers accept the original due diligence conducted by the bank or mobile provider to verify the individual’s legal identity.¹⁷⁰ These entities are thus critical gateways to financial inclusion.

The second and largest category is composed of entities that enable users to establish accounts based on minimal credentials (e.g., with a phone number or email address

and password). Huge internet companies like Facebook, Google, Alibaba and Amazon fall into this category, as do an unaccountable number of other private sector entities. Large online platforms have essentially become brokers of digital ID,¹⁷¹ and, indeed, in many emerging markets, Facebook accounts are the dominant online credential.¹⁷² These platform companies may hold undue sway over the development of identity verification technology, as well as the development of laws and regulations governing digital ID. They are likely to play a growing role in the delivery of financial assistance to crisis-affected populations going forward.

The third category includes private sector entities whose primary role is third-party identity verification and due diligence. They may play a role as service providers to humanitarian actors to manage KYC requirements. These companies verify customers’ legal identities for other businesses – and notably higher-level financial services – using a combination of official credentials, KBA and other methods.¹⁷³

‘As public and private service providers increasingly transition into the digital realm, the ability to prove who you are will be essential for participation in the digital environment.’¹⁷⁴

How will digital ID be governed/regulated?

The provisions on governance in the World Bank’s 2017 ‘Principles on Identification’ call for: safeguarding data privacy, security, and use rights through a comprehensive legal and regulatory framework; establishing clear institutional mandates and accountability; and enforcing legal trust frameworks through independent oversight and adjudication of grievances. Some governments are taking steps to better regulate digital ID and privacy. For example, India’s Supreme Court issued a judgement on the right to privacy in digital contexts.¹⁷⁵ Perhaps the most far reaching measures to date have been ECOWAS’s 2010 Data Protection Act, which obligates all member states to adopt national data protection laws,¹⁷⁶ and the European Union’s General Data Protection Regulation (GDPR), which governs data protection and privacy for all EU citizens and the entire European Economic Area (including personal data exported out of the EU). GDPR is now being used as a benchmark by some private sector companies (e.g., Red Rose) even though they are not bound by it, making its impact and influence more global.¹⁷⁷ Some private sector companies and non-profit organizations, such as the ID2020 Alliance, are also working on and advocating for the development and voluntary

¹⁶⁷ Lene M.P. Hansen (2018) Finance for Refugees: the state of play, Platform for Inclusive Finance.

¹⁶⁸ Uri Friedman (2014) The World Now Has Its First E-Resident, The Atlantic.

¹⁶⁹ Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, p. 4.

¹⁷⁰ Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, p. 12.

¹⁷¹ Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, p. 4.

¹⁷² Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, p. 9.

¹⁷³ Caribou Digital (2016) Private-Sector Digital Identity in Emerging Markets, pp. 13–15. Knowledge-Based Authentication (KBA) is ‘an automated set of questions based on information the agency has on the user, for example, previous addresses, year a mortgage was taken out, make and model of a car, and so on’.

¹⁷⁴ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 4.

¹⁷⁵ Report of the UN Secretary-General’s High-level Panel on Digital Cooperation (2019) The age of digital interdependence.

¹⁷⁶ Uchenna Jerome Orji (2017) Regionalizing data protection law: a discourse on the status and implementation of the ECOWAS Data Protection Act. *International Data Privacy Law*, 7(3), August 2017, pp. 179–89.

¹⁷⁷ Co-Conveners’ Report (2019) 3rd Grand Bargain Cash Work Stream Workshop.

adoption of 'good digital ID' standards.¹⁷⁸ While some standards around digital ID are emerging,¹⁷⁹ there is currently a shortage of laws and regulations to effectively govern digital ID and digitized identity information, and insufficient multilateral cooperation on the issue.¹⁸⁰ Moreover, lack of enforcement of the existing legislation lessens the impact of these protection mechanisms for everyday users.

'The right to privacy is the right to permission access to your information at a granular level on an ongoing basis. Today, we consent once to give access to our digital identifiers. While it is possible in some digital spaces to revoke consent, revocation mechanisms are often esoteric and hidden behind high barriers to entry. True privacy means that you control access to individual digital identifiers, and that you can revoke (or modify) that access easily, at any time.'

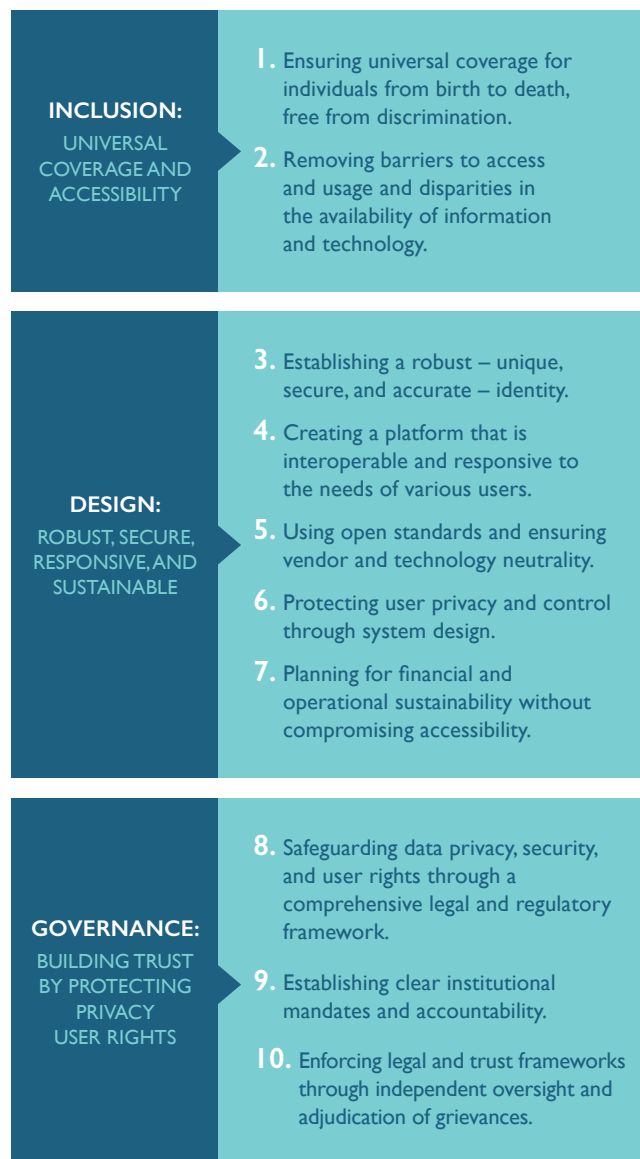
ID 2020 Alliance¹⁸¹

Ideally, digital ID – and arguably any legal identity systems – should provide a 'unique and verifiable identity for the course of an individual's life, from birth to death, with safeguards against tampering (alteration or other unauthorized changes to data or credentials), identity theft and other errors'.¹⁸² Especially for government systems, it is essential – as these systems are evolving – that digital ID be voluntary and that people be able to opt out without sacrificing social assistance or other government services.¹⁸³ Another key consideration is interoperability that enables people to prove their identity when they voluntarily or involuntarily cross international borders¹⁸⁴ (even if they lose their documents), along with alternatives that enable people who are excluded from government-based legal identity systems to prove their identity.¹⁸⁵ A comprehensive consultation process by McKinsey identified the following characteristics that should be included in the design and governance of 'good' digital ID systems:¹⁸⁶

- ▶ 'Verified to a high degree of assurance', meeting government and private sector standards for initial registration and authentication that uses a range of credentials (such as biometrics, passwords, etc.)
- ▶ 'Unique', meaning that a given individual has only one identity within the system, and identities within the system refer to only one individual

- ▶ 'Established with individual consent', meaning the individual knowingly registers for the ID and has control over what personal data is captured and how it will be used

'Identification services should provide users (individuals) with genuine choice and control over the use of their data, including the ability to selectively disclose only those attributes that are required for a particular transaction.'¹⁸⁷



Source: World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development.

¹⁷⁸ ID 2020, FAQ Page.

¹⁷⁹ See for example: ID2020, Technical Requirements v0.9.

¹⁸⁰ Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence, pp. 13–14.

¹⁸¹ ID2020, FAQ Page.

¹⁸² World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 12.

¹⁸³ Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence, p. 10.

¹⁸⁴ ID 2020, ID 2020 At a Glance.

¹⁸⁵ ID 2020, Alliance Manifesto; World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 16.

¹⁸⁶ McKinsey Global Institute (2019) Digital identification.

¹⁸⁷ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 16.

CONTROVERSIES AND DEBATES

The Risks of Digital ID

Potential benefits of digital ID systems include massively improved efficiencies in government services and social assistance, financial inclusion of currently excluded populations and protections against crimes such as human trafficking.¹⁸⁸ Potential risks of digital ID systems include accelerated commoditization of personal information, unauthorized surveillance and undermining of human rights, theft/capture and misuse of massive amounts of personal data, systematic exclusion of vulnerable populations from services and social assistance, and targeting of civil society and activists.¹⁸⁹ Without strong data protection laws and robust regulatory frameworks, digital ID and digitalized identity systems may undermine individual rights, further erode public trust in institutions, and increase risks for

vulnerable and marginalized people.¹⁹⁰ Governments are already using digital identities and digitalized identity systems to track and monitor populations and persecute minorities. In China, public surveillance using the country's biometric database of citizens is already a fact of daily life.¹⁹¹ In the US, the government has – in collaboration with private sector actors – invaded the privacy of hundreds of residents (without due process) to search digitized identity databases for facial recognition matches with undocumented immigrants, in order to enable their arrest and deportation. Private sector companies already use digital identities to aggressively target marketing, as well as buying and selling individuals' personal information at huge profits (with minimal, if any, consent or knowledge from the individual, let alone compensation to the individual).¹⁹²

AADHAAR AND THE INDIA STACK

India's Aadhaar ID system combines a unique identification number with biometric information. Any resident of India can apply for one and over 1 billion residents have already received their Aadhaar ID. The application requires two documents, one to serve as proof of legal identity and one to serve as proof of address, with a wide range of documents/credentials being accepted as these forms of proof (and an Indian passport can serve as both). Although not legally required for accessing public services, it is becoming practically necessary to access many services. The India Stack is a digital platform that enables the Aadhaar ID to be used for a wide range of digital services. Aadhaar and India Stack are used to transfer government-provided financial assistance directly to individuals' ID-linked bank accounts as well as by an increasing array of businesses and digital service providers. For example, FSPs and MNOs can use the system to perform KYC verification with biometrics. In addition, it enables an individuals' personal records to be associated with their

online identity (a 'paperless' guard against destruction or loss of documents). The system is increasingly supporting digital payments, interfacing with national banks and online wallets. The system also has a 'consent' layer to support better control of personal data. The Aadhaar programme's ability to reach any adult in the country and obtain widespread coverage is a true success. It has been credited with helping to reduce both the gender and wealth gaps in financial inclusion, by enabling access to financial services. However, there are also concerns about the Aadhaar. Given that it is based on a singular form of digital ID issued by the government, there is a real risk of exclusion as it becomes embedded into everyday life. If there is a single way to prove who you are, then there is a risk that people will not be able to prove who they are (as a result of system failures or security breaches). This is why multiple forms of official ID and accepted credentials are important.¹⁹³

¹⁸⁸ McKinsey Global Institute (2019) Digital identification.

¹⁸⁹ Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence, p. 10.

¹⁹⁰ World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 5.

¹⁹¹ Amanda Lentino (2019) This Chinese facial recognition start-up can identify a person in seconds, CNBC News.

¹⁹² Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence, p. 18.

¹⁹³ Sources: India Stack, About; Rina Chandran (2017) India's digital ID sparks debate over human right to personal data, Reuters; Asli Demirgüç-Kunt, Leora Klapper, Dorothea Singer, Saniya Ansar and Jake Hess (2018) The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank, p. 4.

DATA AND DATA PROTECTION



DEFINITION

Governments and organizations providing financial assistance gather personal data about users and potential users (legal identity, demographic, family, socio-economic, location, contact information, etc.). This data is increasingly collected via digital means (e.g., with tools such as Open Data Kit-ODK) and stored in digital, often networked, databases. New technologies are enabling even more personal data to be collected (such as biometrics) as well as enabling the information in these databases to be accessed and analysed in new ways (e.g., searches of photographs with facial recognition software). For users who are digitally connected, a wealth of 'big data' about them is also being produced. Big data can provide information about personal preferences, social behaviour, movements and individual health status.

KEY INSIGHTS

- ▶ Financial assistance is increasingly digital and data driven, with respect to identification, eligibility determination, transferring assistance, due diligence and monitoring. New technologies are enabling this data to be collected, accessed, and analysed in new ways by government, humanitarian and private sector actors.
- ▶ Governments and humanitarian actors are collecting, storing and using increasing amounts of personal data about crisis-affected and vulnerable people, including biometric, demographic and socio-economic information. However, many governments and humanitarian actors lack the technical expertise required to ensure data protection.
- ▶ There is currently a shortage of laws and regulations to effectively govern digitized personal data, and insufficient multilateral cooperation on what is a transnational digital ecosystem.
- ▶ There are increasing pressures and initiatives for governments and humanitarian actors to use single or social registries to support assistance programmes. These registries have the potential to improve analysis and programme delivery, but they also have risks for vulnerable populations who may be subject to persecution on the basis of their identity or other statuses.

KEY UNCERTAINTIES

- ▶ Who will collect, store and use crisis-affected people's personal data?
- ▶ How will data governance evolve?

CONTROVERSIES AND DEBATES

- ▶ Social registries and the risks of data aggregation: Pressure to create a digital presence in exchange for services and/or assistance
- ▶ Informed consent and protection risks: Recipient ability to understand their rights and risks, and to withdraw their consent

DATA AND DATA PROTECTION

DEFINITION

Governments and organizations providing financial assistance gather personal data about users and potential users. For example, legal identity, demographic, family, socio-economic, location, contact information, etc. These types of data are required to enable programme delivery: determining eligibility for assistance, issuing credentials (ID) for accessing assistance, transferring or distributing assistance, conducting

due diligence (anti-fraud, AML and CFT), and monitoring and reporting. This data is also used to support strategic programme design and evaluation, and to process feedback and complaints received. This data is increasingly collected via digital means (e.g., with tools such as Open Data Kit-ODK) and stored in digital, often networked, databases. New technologies are enabling even more personal data to be collected (e.g., biometrics) as well as enabling the information in these databases to be accessed and analysed in new ways (e.g., searches of photographs with facial recognition software).¹⁹⁴

¹⁹⁴ Bill Chapell (2019) ICE Uses Facial Recognition To Sift State Driver's License Records, Researchers Say, NPR.

For recipients who are digitally connected, a wealth of ‘big data’ about them is also being produced. ‘Big data’ is data that cannot be stored or organized in a traditional database, and it is created through a variety of sources. It is gathered passively as individuals use digital technologies (e.g. mobile phones), from our online activity (emails, social media posts, SMS, search activity, etc.), from sensing technologies in smartphones and other internet-enabled things, and more. It can also include data about individuals collected actively through traditional or digital means and stored digitally in public or private sector databases (e.g., census, social registries, customer databases, etc.), which may be accessible to outside parties (often in an anonymized form that removes individual identifiers but retains information such as demographics). Big data can provide information about things like personal preferences, social behaviour, movements and individual health status. ‘Big data analytics’ refers to the methods for parsing useful information from big data through advanced statistics, data mining, machine learning, geospatial analysis and other techniques.¹⁹⁵

KEY INSIGHTS

- ▶ Financial assistance is increasingly digital and data driven, with respect to identification, eligibility determination, transferring assistance, due diligence and monitoring. New technologies are enabling this data to be collected, accessed and analysed in new ways by government, humanitarian and private sector actors.
- ▶ Governments and humanitarian actors are collecting, storing and using increasing amounts of personal data about crisis-affected and vulnerable people, including biometric, demographic and socio-economic information; but many governments and humanitarian actors lack the technical expertise required to ensure data protection.
- ▶ There is currently a shortage of laws and regulations to effectively govern digitized personal data, and insufficient multilateral cooperation on what is a transnational digital ecosystem.
- ▶ There are increasing pressures and initiatives for governments and humanitarian actors to use single or social registries to support assistance programmes. These registries have the potential to improve analysis and programme delivery, but also bring risks for vulnerable populations, which may be subject to persecution on the basis of their identity or other statuses.

KEY UNCERTAINTIES THROUGH 2030

Who will collect, store, and use data crisis-affected people’s data?

Governments

Many governments collect, store and use massive amounts of personal data about their citizens and other individuals living

within their national borders. For example, census data, data in various population and license registries, and data about visas and work permits. Governments are likely to continue investing in data analytics, software (e.g., facial recognition), artificial intelligence, machine learning and other mechanisms that enable maximized use of the data they hold.

Governments generally maintain databases of individuals who are beneficiaries of social protection programmes, including social assistance. In recent years, the World Bank has encouraged developing country governments to adopt ‘social registries’ to support implementation of social protection programmes.¹⁹⁶ Social registries are designed not only to store the information as a database, but also to process the information to determine potential eligibility for benefits. These registries collect a greater array of information to support eligibility determination (i.e., targeting). They also go beyond programme-specific beneficiary registries by including information on all applicants (not only those who are eligible and ultimately receive benefits) and – as encouraged by the World Bank – by being a common or interoperable system across multiple social protection programmes.¹⁹⁷ The social registry provides a central gateway for government provision of social protection, including different types of social assistance (including social transfers), and represents a move away from individual programmes each having their own beneficiary databases.

Mechanisms and systems for collecting the vast amounts of data in social registries, maintaining data as up-to-date (and thus as a valid basis for targeting), and securing data appropriately require enormous investment of funding and expertise. It is also a significant – and some would argue unrealistic – challenge for under-resourced and under-capacitated governments to meet the necessary levels of investment and expertise (even with international support). Some countries are transitioning rapidly, in many cases with limited understanding of the risks. Without appropriate systems and protections, hosted information may be unreliable/inaccurate for targeting, breached by criminals, or used by the government for purposes of exclusion, discrimination or even persecution.

Humanitarian Actors

UN agencies and international, national and local NGOs collect, store and use large sets of personal data about the people they serve. In most cases, these are programme-specific ‘beneficiary databases’ which may be run on a variety of software platforms from Excel to custom-built solutions. The result is multiple data collection/registration processes for crisis-affected people and a multitude of different and often overlapping databases containing various amounts of crisis-affected people’s personal information. Humanitarian financial assistance programmes often require more collection, storage and use of personal data than other assistance modalities, in order to enable socio-economic data collection and analysis for targeting.¹⁹⁸ WFP, UNHCR

¹⁹⁵ Junaid Qadir et al. (2016) Crisis analytics: big data-driven crisis response.

¹⁹⁶ Social registries are information systems that gather, store and manage legal identity data, demographic data and socio-economic data from/about applicants for social transfers.

¹⁹⁷ Phillippe Leite, Tina George, Changqing Sun, Theresa Jones and Kathy Lindert (2017) Social Registries for Social Assistance and Beyond: A Guidance Note & Assessment Tool, World Bank Group, Social Protection and Labour.

¹⁹⁸ Co-Conveners’ Report (2019) 3rd Grand Bargain Cash Work Stream Workshop.

and UNICEF are the largest humanitarian CVA providers (albeit delivering through NGO and Red Cross/Red Crescent partners), with some international NGOs and Red Cross/Red Crescent entities also maintaining targeting databases.

Outside of 'beneficiary databases', UNHCR and UNRWA maintain large-scale registration databases of refugees and other persons of concern under their respective mandates. In refugee crises, UNHCR's databases have served a similar function to a single registry, providing a jumping off point for other humanitarian actors to identify refugees for benefits and services (although, due to protection concerns, UNHCR's data is highly controlled and can be difficult for other humanitarian actors to access). UNHCR is currently upgrading its system to become a central population registry (very similar to a social registry), which will move towards incorporating biometric identification, demographic information and socio-economic data about refugees and other populations of concern.¹⁹⁹ In 2018, UNHCR also entered into a partnership with the World Bank to establish a 'joint data centre on forced displacement', which will include anonymized demographic and socio-economic information about refugees, IDPs, stateless people, returnees, asylum-seekers and populations hosting displaced people.²⁰⁰ These new systems should enable better data analytics to generate new insights about needs and response.

There are concerns over the robustness of data protection and security systems of most – if not all – of these databases.²⁰¹ Guidance on data protection is available, but many humanitarian organizations and staff currently lack the technical expertise required to ensure data protection. Many also lack awareness and understanding of the risks and potential harms of personal data breaches and metadata use.²⁰²

'The humanitarian community will need to arrive at set of rules governing the use of data.'

Coordinated systems amongst humanitarian actors on data standards, use of data, what data can be accessed by who, credentials/ID, and transfer mechanisms would enable better realization of the benefits of financial assistance.²⁰³ Since each organization has its own system, this increases the security risks for users' personal data, assistance gaps/overlaps, and a more confusing system for crisis-affected people to access the financial assistance for which they are eligible. However, a single data registry and a single framework for cash transfers is a considerable challenge given how many actors are engaged in different forms of CVA, each with their own priorities, objectives and interests.²⁰⁴ In addition, there is a fundamental lack of trust between agencies, which has stymied collaboration across data management

systems. If separate registries and systems are maintained, interoperability is key, with common credential standards that allow, for example, one database to read the credentials issued by a different database, thus limiting instances of data transfer (and the risks that come with it).

Various efforts towards greater coordination and interoperability are under way. Fifteen of the largest humanitarian NGOs have formed the Collaborative Cash Delivery Network, which is working to support more effective collaboration around humanitarian financial assistance on the ground and to develop standards around data sharing and procurement of outside services that support financial assistance.²⁰⁵

In addition, OCHA, UNHCR, WFP and UNICEF released a statement of their intent for a common cash system, which commits to a common cash transfer mechanism and interoperable data systems, with the objective of moving to a common beneficiary registry and data management system.²⁰⁶

Donors are already indicating their preferences for 'interoperable, non-proprietary data registries' that enable data sharing across humanitarian actors while ensuring data security and data protection safeguards.²⁰⁷ Where governments invest in social registries, there will be increasing pressure for humanitarian actors to utilize these systems. In cases where humanitarian actors do not or cannot work through a single government registry to manage humanitarian financial assistance, they will nonetheless need to increasingly coordinate systems for financial assistance – from data management through transfer delivery – with government-provided financial assistance and amongst themselves.

Private Sector Actors

Governments and humanitarian actors will continue to contract or partner with private sector service providers on data management and analytics around financial assistance, and the private sector is poised to play a much greater role than it has to date. Private sector companies already build and manage databases and IT systems, produce 'smart' ID credentials for government social assistance programmes, and support biometric data collection and verification by governments and humanitarian actors. Governments as diverse as Norway, Estonia, India, Kenya and the US have relied on private sector solution providers, as have operational UN agencies and an unknown number of NGOs.

This presents opportunities for more robust, technologically capable and innovative systems that improve efficiency and protect user data from external security breaches. More advanced use of data has the potential to reap real benefits for development and crisis response, and partnering with

199 Lene M.P. Hansen (2018) Finance for Refugees.

200 The World Bank (2018) World Bank Group, UNHCR sign memorandum to establish joint data center on forced displacement.

201 Caribou Digital (2018) Identity at the Margins.

202 Co-Conveners' Report (2019) 3rd Grand Bargain Cash Work Stream Workshop.

203 Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence, p. 10.

204 International Rescue Committee (2016) Making Electronic Payments Work for Humanitarian Response.

205 Collaborative Cash Delivery Network.

206 OCHA, UNHCR, WFP and UNICEF (2018) Statement From The Principals Of OCHA, UNHCR, WFP And UNICEF on Cash Assistance.

207 CaLP (2019) Joint Donor Statement on Humanitarian Cash Transfers, March 2019.

the private sector is key to making this happen. However, it also presents a danger of misuse of data by the contracted private sector actors and an unhealthy concentration of data with private sector actors. This risk is likely intensified by the lack of understanding by humanitarian actors as to what private sector actors could be doing with the data, insufficient data agreement clauses and lack of transparency in partnership agreements. From a humanitarian perspective, private sector actors may also be susceptible to government requests or demands for data that humanitarian actors would go to great lengths to avoid sharing.²⁰⁸ This is of increasing concern as more governments begin to use new technologies to undertake surveillance on and track residents. In addition, the use of private sector actors for back-end data solutions and other key aspects of financial assistance creates risks that governments and humanitarian actors will be 'locked-in' to certain vendors.

How will data governance evolve?

While some standards are emerging,²⁰⁹ there is currently a shortage of laws and regulations to effectively govern digitized personal data and insufficient multilateral cooperation on the issue (e.g., the UN is not held to many of these laws or regulations).²¹⁰ Regional and national regulations differ, and many do not incentivize actors to make data privacy a priority or enable users to hold stakeholders accountable. Without strong data protection laws and robust regulatory frameworks, individual rights may be undermined, public trust in institutions may be further eroded, and risks for vulnerable and marginalized people may increase.²¹¹ Some key considerations with respect to determining the strength of data governance in a given country include: whether or not the country's constitution enshrines and protects citizens' privacy rights, the existence of laws and regulations around personal data protection and electronic information, authorities with clear mandates and capacity for enforcing data protection, the level of access and control that consumers have over their data (including data collected about them), and the way that populations with low digital literacy are supported to manage their data. With respect to financial services specifically, additional regulatory issues include how FSPs are defined (e.g., does it include MNOs or not) and what regulations are in place to govern the data they can collect, use and share about their customers (including data required to meet KYC requirements and other data).²¹² Overall, there is insufficient expertise and understanding within governments to effectively regulate digital technologies, including digital financial services.²¹³ In the meantime, in this context of minimal regulation, 'decisions taken by private companies are increasingly affecting millions of people across national borders.'²¹⁴

'We define "privacy" as being about an individual's right to decide who is allowed to see and use their personal information. We define "security" as being about protecting data, on servers and in communication via digital networks.'²¹⁵

The digital ecosystem transcends national borders, and thus international governance is essential. Crimes against citizens of one country are and will continue to be committed by citizens and businesses of other countries. Similarly, violations of human rights may be committed by a government against citizens of other countries, or against its own citizens residing in another country. The UN Secretary-General recently convened a High-Level Panel on Digital Cooperation which recommended a proactive and transparent review of how existing international human rights accords and standards apply to new and emerging digital technologies.

The High-Level Panel also noted that it has 'proved difficult so far to establish international standards or rules for the exchange of data' not only because of classic debates around minimizing trade barriers and protectionism, but also because data does not fit the model of goods that are normally regulated by international trade rules (e.g., it is not consumed, it is used repeatedly). Despite different visions for what governance of data and the digital ecosystem should look like, the Panel agreed that improved multi-stakeholder cooperation is needed between governments, the private sector and civil society to strike the appropriate balance between over-regulation and under-regulation. Prospective models explored by the Panel included: building on the current Internet Governance Forum (IGF) to open it up to all stakeholders; a horizontal 'distributed co-governance' model that builds on existing mechanisms and develops new ones to fill gaps in the architecture and provide roles for new and different actors; and a model which views digital space as an 'international commons' (similar to the law of the sea) and develops governance and norms through ongoing multi-stakeholder practice and dialogue.²¹⁶

CONTROVERSIES AND DEBATES

Social Registries and the Risks of Data Aggregation

Some technology experts and rights advocates have raised serious concerns about systems like social registries that tie together so much of an individual's personal information, especially when it is linked directly to an individual's legal identity. While pooling this data can enable more efficient

208 Privacy International (2019) Palantir and the UN's World Food Programme are partnering for a reported \$45 million.

209 See for example: ID2020, Technical Requirements v0.9.

210 Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence, pp. 13–14.

211 World Bank Group and Centre for Global Development (2017) Principles on Identification for Sustainable Development, p. 5.

212 Matthew Soursourian (2017) A Six-Ingredient Recipe for Data Protection, CGAP.

213 Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence, p. 15.

214 Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence, pp. 16–17.

215 Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence.

216 Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence.

services and new insights, there are also risks that data may be shared without the user's consent or control,²¹⁷ used for citizen surveillance, or used to discriminate in service delivery or persecute certain groups (especially in times of conflict or regime change). Large databases of personal information are also targets for theft, and if they are developed without appropriate capacity and protections in place, this becomes more likely. Inaccurate or biased data can unintentionally exclude people in need from targeting, and targeting algorithms can reinforce discrimination as they reflect the explicit or implicit biases of their creators.²¹⁸ In addition, failure of authentication mechanisms can result in people being left out of assistance. The greater the digitization and interconnectivity, the greater the impact of these risks on an individual's life.²¹⁹

Of particular concern with systems like single or social registries is potential pressure on vulnerable people to create a digital presence and trade their privacy to access essential services. Some have argued that a balance is needed *between a right to be visible and a right to be hidden*.²²⁰ A right to choose when to be hidden is particularly important for vulnerable populations who may, for example, be subject to persecution or sanction due to their statuses (e.g., refugees, undocumented immigrants, LGBTQ people, People Living with HIV, former child soldiers, etc.). Individuals have various statuses that they may not wish to be linked together, or may need to keep separate for fear of persecution.²²¹ These are risks that need to be weighed as humanitarian and development actors consider creating large-scale registries to support financial assistance or consider using government social registries to streamline financial assistance.

'It's become way too easy for government agencies and private organizations to trace each of us, from cradle to grave.'²²²

Informed Consent & Protection Risks

Informed consent should be an essential component of data and privacy protection for vulnerable and crisis-affected people receiving financial assistance, both from a protection lens and to respect principles of accountability to affected populations. However, in practice it falls short. Aid practitioners have expressed concern that as CVA employs

new technologies like biometrics, free and informed consent is not happening. A report on identification systems for refugees found that: 'refugees have little to no knowledge of the institutional processes through which their personal data is managed, including which organizations have access to their personal data', and 'refugees are rarely offered the opportunity to exercise agency with regards to data that is collected on them (e.g., they are rarely given choices about what data is collected or how it is shared), despite having the capacity to do so.'²²³ Humanitarian actors need to discuss digital and data risks with crisis-affected people in ways that build true understanding and genuine consent.²²⁴ Vulnerable and crisis-affected people need to be able to refuse or withdraw their consent without impacting their ability to receive assistance and services, and they need to know that they can do this. They also need to be informed and understand the circumstances in which their personal data may be shared with government actors by humanitarian agencies or their private sector service providers.²²⁵ Modalities for assisting people who do not want to be identified need to be developed, based on systems with which affected people are already comfortable.²²⁶

Measuring the Collective Impact of Financial Assistance

Humanitarian and development actors need to understand the collective impact of financial assistance in different contexts and ensure that evolutions in strategic planning are driven by a nuanced understanding of what works and what users experience and prefer. Systems for collective evaluation and learning, and for ensuring that learning translates into programmatic changes, need to be improved. Currently, even where user feedback is gathered, it is very rarely used to drive programming decisions. Involving users in programme design and analysis is critical, as is taking user feedback more seriously as a central component of monitoring, evaluation and learning. Understanding of the impact of financial assistance – based largely on evaluations of single programmes – is weak, and non-existent at the response-wide level. As crises become more protracted, there is an opportunity to invest in more strategic learning and evaluation efforts, such as CAMEALEON in Lebanon, where costs are shared between actors.

217 Rina Chandran (2017) India's digital ID sparks debate over human right to personal data, Reuters

218 Report of the UN Secretary-General's High-level Panel on Digital Cooperation (2019) The age of digital interdependence.

219 ID 2020, At a Glance.

220 Junaid Qadir et al. (2016) Crisis analytics: big data-driven crisis response.

221 Rina Chandran (2017) India's digital ID sparks debate over human right to personal data, Reuters.

222 ACLU (n.d.) Privacy in America: Social Security Numbers.

223 Caribou Digital (2018) Identity at the Margins.

224 Co-Conveners' Report (2019) 3rd Grand Bargain Cash Work Stream Workshop.

225 ICT Works (2019) How to Add Informed Consent to Your Responsible Data Practices.

226 Co-Conveners' Report (2019) 3rd Grand Bargain Cash Work Stream Workshop.

DISTRIBUTED LEDGER TECHNOLOGY

Distributed Ledger Technology (DLT), commonly known as 'blockchain', is a form of database that is shared across a network of computers, rather than being managed by a central authority. The need for a central authority to verify and monitor the accuracy of records is removed because records are verified by the 'validator nodes' that make up the network, and once a record is added to the database it is very difficult to change it without every validator node on the network seeing the change. How a computer becomes a validator node depends on the rules of the particular blockchain: in some it requires permission, and in others it only requires that certain technical requirements are met.

DLT has considerable potential to expand financial inclusion. By removing the need for a centralized authority, DLT has supported the development and spread of cryptocurrencies, which exist digitally without the backing of a government. Cryptocurrencies, can (unless prevented by regulation) be easily and cheaply transferred across borders through DLT and enable an expansion in people's access to remittances, P2P, micro-lending and other digital transfers of international financial assistance. The ability for donations to be tracked end-to-end, from individual donor to individual user,

and reduced transaction costs on small-scale transfers makes DLT a potential boon for catalysing direct giving.²²⁷ For humanitarian and government financial assistance, DLT presents opportunities for interoperability and harmonization. For example, if assistance providers use the same blockchain, and users are provided with unique identifiers, different financial assistance from different providers could be delivered to the user via the same system. Because DLT is by nature decentralized, it could help resolve inter-agency debates about system ownership that have stymied common approaches in the past.

DLT also has potential to improve identity management, enabling individuals to prove their legal identity (across borders, without documents) and manage their broader digital identity/personal data, with digital identity verification through the blockchain taking the place of the traditional trusted identity authorities. This could make KYC, AML and CFT more effective while also enhancing financial inclusion. If broadly accepted by authorities and private sector entities, a DLT identity system that exists outside the control of single governments could place records in the control of the individual, facilitating financial inclusion, movement and crisis/disaster recovery.

Sources: Expert interviews conducted for this study:

https://www.mercycorps.org/sites/default/files/Mercy-Corps-A-Revolution-in-Trust-Blockchain-May-2017_0.pdf.

²²⁷ Mercy Corps (n.d.) A Revolution in Trust: Distributed Ledger Technology in Relief & Development, (section 3.1).

USE OF FINANCIAL SERVICES



DEFINITION

Financial services encompass the full range of services for storing, transferring, investing, lending and managing money and insurance. These services are provided by traditional financial institutions such as banks, investment firms, microfinance institutions and insurance companies. In addition, non-bank institutions, such as mobile network operators (MNOs), have long coexisted with traditional financial institutions and complement them by providing an alternate source for financial services such as money transfer. The growth of digital financial services (DFS) – the provision of various financial services through mobile phones and/or the internet – has been driven by growth in the role of non-bank providers. The financial services providers (FSPs) most relevant to financial assistance are those that facilitate transfers to users (which may include, for example, banks, MNOs and aggregators who consolidate financial transactions for processing). Approximately 1.7 billion adults are still unbanked.

Financial inclusion refers to people's ability to access financial services, and it is increasing. Financial inclusion enables people to save, borrow, make payments and manage risk. With access to financial services, people are better able to save for emergencies, access insurance and credit to help manage risk, and capture opportunities.

KEY INSIGHTS

- ▶ Mobile money and internet-based DFS are continuing to expand.
- ▶ Governments and humanitarian actors are increasingly using DFS to deliver financial assistance, and this will continue. However, to date, the benefits to assistance providers are being prioritized over the benefits to and preferences of users.
- ▶ Financial assistance has the potential to improve financial inclusion, but to do so there needs to be a shift to designing programmes with this explicitly in mind for the particular context.
- ▶ Governments and humanitarian actors need to be able to provide financial assistance on both sides of the digital divide, for people who are not online, lack digital literacy, do not want to receive assistance digitally or live in contexts where digital infrastructure is unreliable.

KEY UNCERTAINTIES

- ▶ Will use of DFS by crisis-affected and vulnerable people increase?
- ▶ Will humanitarian financial assistance become increasingly digital?
- ▶ Will the private sector have a greater influence over digital financial assistance?

CONTROVERSIES AND DEBATES

- ▶ Working within the digital divide: Capacities and protections needed to provide financial assistance in contexts of high and low digitalization

USE OF FINANCIAL SERVICES

DEFINITION

Financial services encompass the full range of services for storing, transferring, investing, lending and managing money and insurance. These services are provided by traditional financial institutions such as banks, investment firms, microfinance institutions and insurance companies. In addition, non-bank institutions that provide financial services – such as mobile network operators (MNOs) and others offering transactional accounts – have long co-existed with traditional financial institutions, complementing their services by providing alternate sources for services such as money transfer and lending. The growth of digital financial services

(DFS), or providing various financial services through mobile phones and/or the internet, has been driven by growth in the role of non-bank providers.²²⁸ The financial services providers (FSPs) most relevant to financial assistance are those that facilitate transfers to users (which may include, for example, banks, MNOs and aggregators who consolidate financial transactions for processing).

Financial inclusion refers to people's ability to access financial services, and it is increasing. Sustainable Development Goal 8 measures financial inclusion through the proportion of adults with an account at a bank, other financial institution or mobile money provider. According to the Global Findex 2017 database, 69 percent of adults globally have an account with a financial institution (the vast majority) or a mobile money provider, an

228 The Cash Learning Partnership (2018) Glossary of terminology for cash and voucher assistance.

increase from 51 percent in 2011. However, approximately 1.7 billion adults are still ‘unbanked’. The vast majority of unbanked people live in developing countries, and half live in Bangladesh, China, India, Indonesia, Mexico, Nigeria or Pakistan. Women make up 56 percent of the unbanked. There is a persistent 7 percent gap in account ownership between men and women globally (9 percent in developing countries), which has not changed since 2011. There is also a persistent 13 percent gap within countries between the richest 60 percent and the poorest 40 percent. In addition, less educated people are generally more likely to be unbanked.²²⁹

Financial inclusion enables people to ‘save, borrow, make payments, and manage risk.’²³⁰ The emergence of DFS is credited with much of the expansion in financial inclusion.²³¹ Research indicates that financial services, including but not limited to mobile money, can help build household resilience, contribute to economic growth and reduce extreme poverty.²³² Where women have control over financial services, it can increase their bargaining power in the household and lead to other positive outcomes such as increased labour force participation.²³³ With access to financial services, people are better able to save for emergencies and access insurance and credit to help manage risk and capture opportunities.²³⁴ Even in fragile and conflict situations, financial inclusion and DFS make it easier for crisis-affected people to access financial assistance from friends and family, as well as from humanitarian actors.²³⁵

KEY INSIGHTS

- ▶ Mobile money and internet-based DFS are continuing to expand.
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- ▶ Financial assistance has the potential to improve financial inclusion, but, to do so, there needs to be a shift to designing programmes with this explicitly in mind for the particular context.
- ▶ Governments and humanitarian actors need to be able to provide financial assistance on both sides of the digital divide, for people who are not online, lack digital literacy,

do not want to receive assistance digitally or live in contexts where digital infrastructure is unreliable.

KEY UNCERTAINTIES THROUGH 2030

Will use of digital financial services by crisis-affected and vulnerable people increase?

Mobile Money

‘Mobile money’ refers to the use of mobile phones for DFS such as e-payments, e-transfers, savings and credit, in the relevant national currency.²³⁶ It supports financial inclusion because it makes financial services accessible to people who have mobile phone service, even if they do not have a bank account or a smartphone (more households in developing countries have mobile phones than have electricity or improved sanitation²³⁷). According to the Global Findex database, in LDCs, the percent of adults who are financially included rose from 24 percent in 2014 to 37 percent in 2017, and some credit mobile money is key to this growth. A ‘typical’ mobile money user moves \$188 per month, and 74 percent of outgoing transactions are ‘cash-outs’ into paper currency through agents rather than e-payments (although e-payments are increasing).²³⁸

Mobile money is continuing to expand, with a record 143 million customers added in 2018.²³⁹ GSMA reports that, with 866 million accounts in 90 countries, \$1.3 billion dollars was processed daily in mobile money in 2018. Mobile money usage is largest in sub-Saharan Africa, where 21 percent of adults have a mobile money account,²⁴⁰ and particularly large in Kenya, Rwanda, Tanzania and Uganda, where 66 percent of adults actively use mobile money.²⁴¹ In Kenya, 72 percent of people living on less than \$1.25 a day were using mobile money within three years of the launch of M-Pesa.²⁴² Mobile money is also growing in other parts of the world: 20 percent of adults in Bangladesh, Iran, Mongolia and Paraguay had mobile money accounts as of 2017.²⁴³ Mobile money is also available in fragile contexts, such as Somalia.²⁴⁴ However, proximity to a mobile money agent is a key factor in uptake and use, and rural areas in general remain underserved.²⁴⁵

As mobile phones have become an increasingly vital tool for refugees and migrants globally, with mobile connectivity being viewed by many as a basic necessity,²⁴⁶ mobile money use has also increased among refugees and other displaced people. It enables displaced people to receive financial assistance from humanitarian actors and governments (e.g., IDPs in Pakistan)

229 Asli Demirgüç-Kunt et al. (2018) The Global Findex Database 2017.

230 Asli Demirgüç-Kunt et al. (2018) The Global Findex Database 2017.

231 Centre for Global Development, Task Force Report, Financial Regulations for Improving Financial Inclusion.

232 Holle El-Zoghbi and Soursourian (2019) Emerging Evidence on Financial Inclusion, Consultative Group to Assist the Poor; Research and Analysis Papers.

233 El-Zoghbi and Soursourian (2019) Emerging Evidence on Financial Inclusion.

234 The World Bank (2018) Gains in Financial Inclusion, Gains for a Sustainable World.

235 The World Bank (2018) Gains in Financial Inclusion, Gains for a Sustainable World.

236 The Cash Learning Partnership (2018) Glossary of terminology for cash and voucher assistance.

237 Estelle Lahaye, Thomas E. Abell and James K. Hoover (2017) Vision of the Future: Financial Inclusion 2025, Focus Note 107, Washington, D.C.: CGAP.

238 GSMA (2017) State of the Industry Report on Mobile Money.

239 GSMA (2019) State of the Industry Report on Mobile Money.

240 Kennedy Kipkemboi (2019) Innovative solutions to Know Your Customer (KYC) regulations in emerging markets, GSMA Mobile for Development.

241 GSMA (2017) State of the Industry Report on Mobile Money; GSMA (2018) State of the Industry Report on Mobile Money.

242 David Shrier, German Canale and Alex Pentland (2016) Mobile Money and Payments: Technology Trends, Massachusetts Institute of Technology, Connection Science & Engineering.

243 Asli Demirgüç-Kunt et al. (2018) The Global Findex Database 2017, p. 2.

244 Example provided by NEAR.

245 GSMA (2017) The Importance of Mobile for Refugees: A landscape of New Services and Approaches.

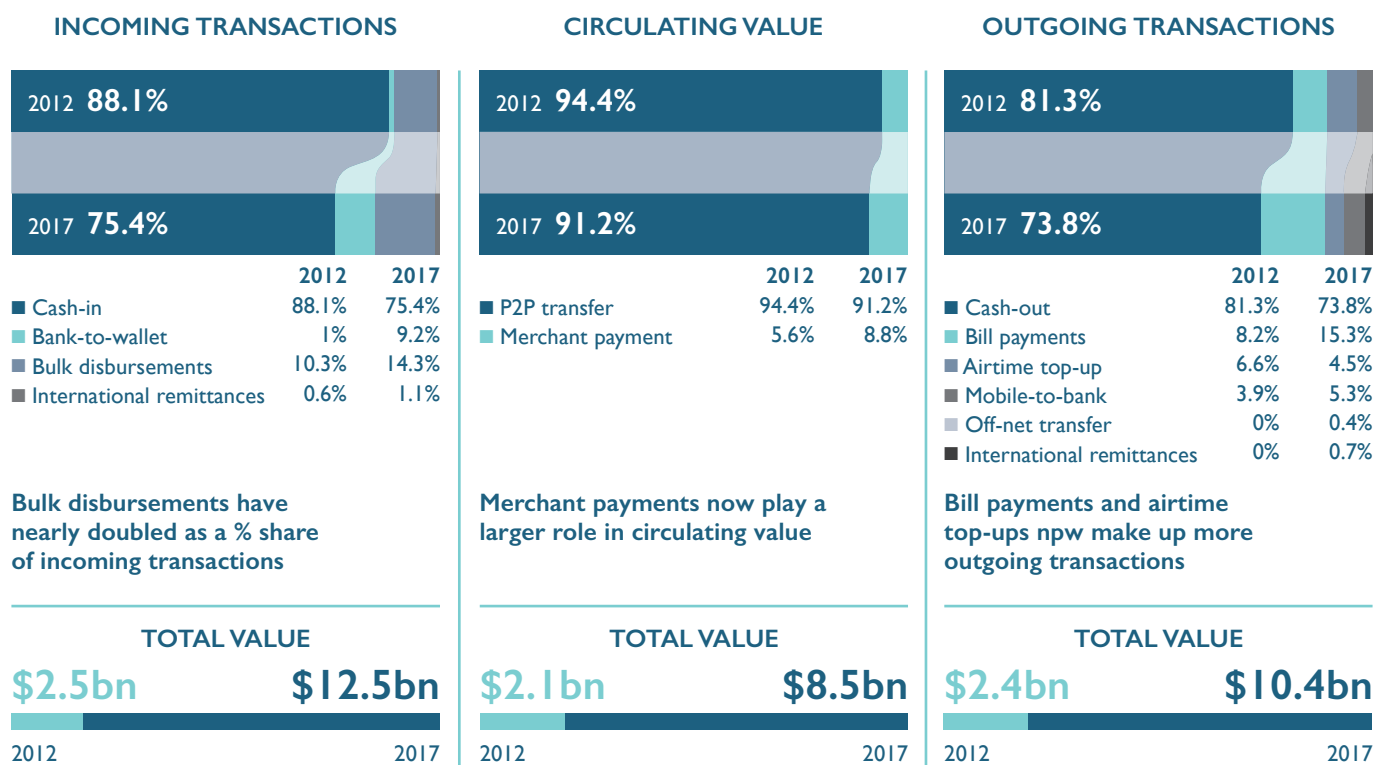
246 GSMA (2017) The Importance of Mobile for Refugees.

as well as, in a minority of cases, to receive international remittances and to make or receive local P2P payments (e.g., refugees in Rwanda).²⁴⁷ The increasingly urban contexts in which refugees and displaced people live supports increased

access to mobile money. However, as noted above, lack of official ID or ability to fulfil KYC requirements for obtaining a SIM card or mobile money account is a key barrier for many refugees and displaced people.²⁴⁸

AN OVERVIEW OF THE MOBILE MONEY ECOSYSTEM²⁴⁹

December 2012 vs. December 2017. Breakdown of transactions per average customer.



Bulk disbursements have nearly doubled as a % share of incoming transactions

Merchant payments now play a larger role in circulating value

Bill payments and airtime top-ups now make up more outgoing transactions

Internet/Smartphone-based Financial Services

Expansions in internet access through expanded access to mobile-broadband and smartphones may open access to an array of financial services beyond mobile money. Internet-based DFS can reduce costs for potential clients by reducing the cost of accessing points of service and (in a supportive digital ID and regulatory context) producing documentation. It can also reduce the costs to service providers by enabling them to reach new client bases without brick-and-mortar overheads, and (in a supportive digital ID and regulatory context) meeting KYC requirements. Expanded access to the internet may also weaken the competitive advantage of MNOs in the DFS space, opening doors for other service providers to enter markets currently dominated by mobile money.

In high-income countries (HICs), some innovative internet-based financial services products are already targeted towards lower-income clients, supporting previously excluded populations to access financial services.²⁵⁰ Digital ecosystems

can help FSPs to make better credit decisions more cost-effectively and provide more services that require less credit knowledge (such as pre-paid accounts with multiple options for savings and payments).²⁵¹ There is considerable potential for internet-based DFS to become increasingly available to vulnerable and crisis-affected people. However, crisis-affected people on the other side of the digital divide will remain left out of these opportunities.

Remittances

Annual international remittances to low- and middle-income countries reached a record high of \$529 billion in 2018, a nearly 10 percent increase over 2017. In all LICs and MICs (except China), remittances were greater than foreign direct investment in 2018.²⁵² Remittances are expected to grow further in 2019.²⁵³ Fragile and crisis-affected countries are not excluded from international remittance flows. Among countries that were experiencing humanitarian crises in both 2017 and 2018, remittances accounted for

247 GSMA (2017) The Importance of Mobile for Refugees.

248 GSMA (2017) The Importance of Mobile for Refugees.

249 GSMA (2017) State of the Industry Report on Mobile Money; GSMA (2018) State of the Industry Report on Mobile Money.

250 Such as WiseBanyan, see Suman Bhattacharyya (2017) How financial tech startups are reaching out to low-income Americans, Digiday.

251 Ignacio Mas (2015) Using Broadband to Enhance Financial Inclusion, Inter-American Development Bank, Capital Markets and Financial Institutions Division, Discussion Paper No. IDB-DP-427.

252 The World Bank (2019) Record High Remittances Sent Globally in 2018.

253 The World Bank (2019) Record High Remittances Sent Globally in 2018.

37 percent of available international financial resources, greater than the percentage of ODA in these countries (28 percent) and greater than the percentage of remittances in other developing countries (18 percent).²⁵⁴ In Somalia, for example, it is estimated that one out of four adults receives remittances from abroad.²⁵⁵ Remittances are often critical to both household income and GDP in LICs and LMICs. In 2017, personal remittances comprised 29 percent of the GDP of Haiti, 28 percent in Nepal and 27 percent in Liberia.²⁵⁶

Enabling factors for remittances²⁵⁷ include who is allowed to transfer money in and out of the country (what ID is required and what KYC, AML, and CFT requirements the sender and receiver must meet), what institutions or service providers are allowed to conduct international transfers, and what regulations govern and protect transactions (e.g., foreign exchange regulations, how is the transaction tracked, how can the transaction be reversed if necessary, etc.). One of the primary barriers to international remittances is the cost of sending them. On average, sending \$200 would incur a 7 percent charge,²⁵⁸ and higher depending on location (e.g., 12 percent surcharge to send \$200 to Africa)²⁵⁹ and service provider (e.g., average of 11 percent to send via banks).²⁶⁰ Remittances may be sent via banks, non-bank finance institutions (e.g., Western Union), mobile money or online platforms. Digital service providers – which do not need to maintain brick-and-mortar branches – may have a considerable advantage with respect to being able to offer considerably lower transfer fees.²⁶¹ Data from GSMA in 2017 indicated that, on average, it cost as little as 1.7 percent to send \$200 through mobile money (if customers keep their money digital).²⁶²

DLT and cryptocurrencies have the potential to make sending money cheaper and faster. Cryptocurrencies have high utility value with respect to international remittances because they can act as an intermediary currency: an individual can buy crypto with their local currency, transfer it to the recipient using DLT in a much shorter time frame than traditional approaches, and then the recipient can convert the crypto to their own local currency. Some companies (e.g., BitPesa) are already experimenting in this space,²⁶³ and some experts indicate that cryptocurrencies are on track to become the ‘remittance money of the future’.²⁶⁴ However, use of cryptocurrencies – for remittances or for financial assistance – has real risks. To date, most cryptocurrencies have been volatile, with their value shifting considerably in very short time frames. In addition, cryptocurrencies are not

yet widely accepted, making cash-out into paper currency more difficult for the user. And, as noted above, regulations around cryptocurrencies are still evolving, and they are illegal in some countries.

Digital remittance options will continue to improve and expand as competition drives down costs and innovation improves transparency and reliability, and these reduced costs will drive more people who send and rely on remittances to access digital finances services.

Will financial assistance become increasingly digital?

Governments and humanitarian actors are increasingly using DFS to deliver financial assistance in bulk transfers through mobile money, plastic cards, and other digital transfer mechanisms. Digital transfers can reduce costs of financial assistance delivery, improve traceability of funds, and reduce fraud, while making delivery faster and safer (more confidential) for both assistance providers and users.²⁶⁵ Digital transfers could improve convenience and dignity for users, enabling different assistance providers to transfer unrestricted funds to the same place for the same person (single mechanism), and enabling the user to access financial assistance the same as they would other finances.²⁶⁶ In addition, digital transfer mechanisms may provide an ‘on-ramp’ for financial inclusion more broadly – if this is intentionally included as part of programme design, e.g., by moving away from restricted transfers towards transfer mechanisms that facilitate access to other financial services (e.g., savings, remittances, credit), ideally with some choice or transferability of provider for users. For these reasons, and because these benefits can be delivered at scale, the move towards digital transfers for the delivery of financial assistance is likely to continue.

However, some argue that – at present – digital transfers are more valuable to governments and humanitarian actors as a tool to track funds and save on administration costs than they are to crisis-affected people, for whom they do not necessarily increase convenience or financial inclusion. Most recipients of digital financial assistance do not tend to keep the funds in digital form because they do not have accounts, instead withdrawing the funds in paper currency.²⁶⁷ One of the key challenges in using digital transfers is ensuring sufficient agent/ATM liquidity so that users can cash-out their assistance into paper currency.²⁶⁸ Users have also noted other challenges with cashing-out as well, such

254 Development Initiatives (2019) Key trends in global humanitarian assistance.

255 Overseas Development Institute (ODI) and Centre for Global Development (CGD) (2015). Doing cash differently: How cash transfers can transform humanitarian aid. Report of the High-Level Panel on Humanitarian Cash Transfers, Overseas Development Institute, p. 13.

256 UN DESA (2018) International Migration Report 2017, p. 1; IOM (2018) World Migration Report 2018, p. 56; World Bank Data, Personal remittances, received % of GDP.

257 Note: This section is discussing international remittances through official or formal pathways. International remittances are also transmitted through informal pathways such as hawala. Domestic remittances, such as from urban to rural areas within the same country, generally face fewer challenges than cross-border transfers.

258 The World Bank (2018) Record High Remittances Sent Globally in 2018.

259 Overseas Development Institute (ODI, 2016). Time to Let Go: Remaking Humanitarian Action for the Modern Era, p. 37.

260 The World Bank (2018) Record High Remittances Sent Globally in 2018.

261 David Shrier, German Canale and Alex Pentland (2016) Mobile Money and Payments: Technology Trends, Massachusetts Institute of Technology, Connection Science & Engineering.

262 GSMA (2017) State of the Industry Report on Mobile Money; GSMA (2018) State of the Industry Report on Mobile Money.

263 Mercy Corps (n.d.) A Revolution in Trust (section 3.2).

264 Sustainia, The Danish Ministry of Foreign Affairs and Coinify (2017) Hack the Future of Development Aid, pp. 7, 15.

265 Better Than Cash Alliance, Why are development partners shifting to digital payments?, Development Partners Toolkit; GSMA (2017) State of the Industry Report on Mobile Money.

266 Jamie Zimmerman and Beth Porter (2016) Done Right, Digital Finance Could Transform Humanitarian Response, Blog Series: Customer Centricity in Digital Payments to the Poor.

267 GSMA (2019) Overcoming the Know Your Customer hurdle.

268 GSMA (2017) State of the Industry Report on Mobile Money; GSMA (2018) State of the Industry Report on Mobile Money.

as fees being imposed by cash-out agents and receiving damaged bank notes.²⁶⁹ Risks of fraud and user exploitation by service providers need to be proactively mitigated,²⁷⁰ and users need to know what constitutes abuse by service providers so that they can report it. User preferences are key to making digital financial assistance effective, and what users want are 'flexible delivery mechanisms they can trust', and that are familiar and easily understandable.²⁷¹ In general, users are less concerned with the transfer mechanism itself than they are with lack of clear information about the transfer value, the duration and predictability of assistance, and the targeting/eligibility criteria.²⁷²

Digital transfers are not always the best solution. There is a risk of exclusion of vulnerable, remote and marginalized populations, and notably of those who do not have mobile phones or internet access. In addition, the country must have the necessary digital and financial infrastructure in place, as well as conducive regulatory frameworks. Where these things are not in place, users may not have reliable access to their funds,²⁷³ and these elements are not in place in many of the countries in or most at risk of crisis.²⁷⁴ In these contexts, solutions are needed for how to make services reliably available offline and at scale. Efforts are underway in many developing countries to improve the basis for digital cash transfers under government social assistance programmes, but the 'countries most likely to require humanitarian assistance and where e-payment systems are most in need to scale-up emergency cash transfers are often those countries with the lowest level of preparedness'.²⁷⁵ In addition, many crises are cross-border. These situations are currently managed by having separate transfer structures in each country, which is a considerable limitation. International transfer options for humanitarian financial assistance need to be developed in collaboration with governments, standard-setting bodies and private sector partners.

Will the private sector have a greater influence over the delivery digital financial assistance?

Direct Donor Contracting of FSPs

The number of FSPs, including traditional banks and DFS providers, serving crisis-affected people has grown noticeably since 2015, both in partnership with humanitarian actors and independently. More banks – with examples in the EU, Africa and Asia – are serving refugee clients. More options are being developed to facilitate interoperability and easier international remittances.²⁷⁶ Private sector FSPs will continue to be key partners for governments providing social transfers. In countries where humanitarian actors are providing financial assistance, they will also continue to rely on private sector FSPs to facilitate transfers. At present, there is fierce competition among humanitarian actors to develop systems

and private sector partnerships for financial assistance, and no common or agreed approach among humanitarian actors. Some humanitarian experts fear that this – in combination with existing donor questions about the effectiveness of traditional aid mechanisms – will result in donors exploring alternative models, such as directly contracting private sector actors to deliver financial assistance to crisis-affected people. Donors preferring a single-entity approach to streamlining administration and costs for the delivery/transfer of financial assistance may find private sector contractors an attractive option. However, questions over who would do the targeting for such programming remain. From a delivery perspective, as with in-kind support, private sector FSPs already play a key role and may also be considered as better equipped to manage potential commercial, political or geophysical disruptions to delivery.²⁷⁷

CONTROVERSIES AND DEBATES

Working within the Digital Divide

Humanitarian actors need to continue working on both sides of the digital divide. Financial assistance programmes will face the ongoing challenge of needing products that are equally workable for people who are online and people who are offline, people with minimal digital literacy, people who do not want to receive assistance digitally, and people in contexts where digital mechanisms may be subject to infrastructure failure or shut-downs by authorities. This need for offline and online functionality, and for meeting users where they are, produces challenges to scale, innovation and cost-effectiveness. In addition, humanitarian actors will also need to consider significant challenges regarding data protection. Some humanitarian actors are already seeing some data protection challenges and others express concern that improved access to DFS will come at a cost to privacy, with poor people being offered cheap services in exchange for access to their data for commercial purposes. While concern for data privacy is considered by some to be a 'Northern' concern, crisis-affected people in different parts of the world have expressed concerns about sharing their personal data and the risk of surveillance or persecution as a result of data sharing. Users also have valid concerns about potentially being excluded from humanitarian assistance if they are receiving P2P assistance or remittances through the same digital mechanism. It is important for humanitarian actors who are utilizing DFS for assistance delivery to play a proactive role in expanding access to financial services and digital literacy in ways that minimize risks and ensure that there are options which do not require users to surrender data privacy.

269 Ground Truth Solutions, Improving user journeys for humanitarian cash transfers.

270 Ground Truth Solutions, Improving user journeys for humanitarian cash transfers.

271 Jamie Zimmerman and Beth Porter (2016) Done Right, Digital Finance Could Transform Humanitarian Response.

272 Ground Truth Solutions (2018) Improving user journeys for humanitarian cash transfers; Co-Conveners' Report (2019) 3rd Grand Bargain Cash Work Stream Workshop.

273 Jamie Zimmerman and Beth Porter (2016) Done Right, Digital Finance Could Transform Humanitarian Response.

274 International Rescue Committee (2016) Making Electronic Payments Work for Humanitarian Response.

275 International Rescue Committee (2016) Making Electronic Payments Work for Humanitarian Response.

276 Lene Hansen (2018) Finance for Refugees.

277 UNOCHA (2017) The Business Case: A study of private sector engagement in humanitarian action, p. 32.

LIBRA

In June 2019, Facebook launched the creation of Libra, a global ‘stablecoin’ cryptocurrency that is envisioned to be accessible by anyone who has a smartphone and internet access. It is intended to provide a fast and reliable digital means to send money and make payments anywhere in the world, through Facebook, WhatsApp and a broad network of other platforms and services.

Libra is designed to address the volatility and security concerns that have plagued other cryptocurrencies. It is built on a blockchain that was designed to be more secure and will (until a better solution is found) require permission for an entity/computer to become a validator node. The value of Libra is backed by a reserve of diversified safe investments (e.g., government securities and bank deposits) to guard against volatility, and it will have a fluctuating exchange rate with fiat currencies (fluctuating as the values of the underlying assets fluctuate). Libra, its blockchain and its reserve are governed by the ‘Libra Association’, a non-profit based in Geneva. The founding members of the Libra Association (who are the initial set of validator nodes) include for-profit businesses who have invested at least \$10 million in ‘Libra investment tokens’, as well as non-profit organizations and academic institutions who did not have to contribute and do not hold investment tokens. These investment tokens provide the basis for the over \$1 billion reserve. The revenue from the investment of the reserve will support the operation of the Libra Association and the growth of the Libra ecosystem (including social impact grants), and the rest will be used to pay dividends to holders of Libra investment tokens. If Libra is successful, some experts estimate that the return on investment for token holders could be huge. Facebook has an initial leading role in the Libra Association, with the stated intention of having an equal role with other members once the network launches.

A key constraint of cryptocurrencies to date has been the ‘cash-out’ problem, i.e., once you transfer cryptocurrency to someone, how do they convert it to fiat currency or otherwise use it to make purchases? Libra has made its blockchain code open source to encourage the development of products and services where Libra can be used directly. The vision is that many companies (e.g., Visa, MasterCard, ATM network managers, retailers, etc.) will set up accounts (‘wallets’) for Libra transactions and develop exchanges where Libra can be cashed-out for fiat currencies. Over time, exchanging money between Libra and fiat currencies should become increasingly easy – or unnecessary as Libra-based digital transactions become more common – even in developing contexts.

The Libra website states that ‘moving money around the world should be as easy and cheap as sending a text message’, and this is much of its appeal with respect to

financial assistance. If the cash-out problem is solved, and especially given Facebook’s 2.4 billion monthly users, Libra could enable a global P2P network and well as a faster and more cost-efficient conduit for humanitarian financial assistance. Libra wallets created to provide crisis-affected people with financial assistance would also enable financial inclusion through the Libra ecosystem. In countries where the fiat currency is no longer functioning properly, Libra could provide a stable option for people who do not have access to US dollars or other alternatives.

Perhaps the most difficult cryptocurrency hurdle, and one which Libra has not yet resolved, is the issue of legality. Regulation around cryptocurrencies is emerging and rapidly evolving, and they are illegal in a few countries. Governments will determine whether or not Libra can be used in their countries, and under what regulations Libra wallets and exchanges will be required to operate. For Facebook’s billions of users to be able to make transactions with Libra, they will need to be identified in compliance with KYC, AML and CFT regulations, a considerable challenge given that identification systems and regulations differ across countries. The Libra Association has stated its intention to work on a standard for ‘decentralized and portable digital identity’ to promote financial inclusion, but this will take time. There are also further legal questions. In the US, lawmakers have already raised concerns about Libra on data privacy grounds, and it is unclear where liability or responsibility would rest if the Libra system were to fall victim to fraud or attack. The more money that users have in Libra, the greater this risk.

Some experts have expressed concern that widespread adoption of Libra (and exchange of national currencies for Libra) could destabilize national currencies in emerging economies and threaten the ability of governments to manage monetary policy. Daily expenses and cost of living could be ‘re-pegged’ to the Libra instead of the national currency. This could have broader destabilizing impacts in these countries, and some experts have proposed temporary bans on Libra and other cryptocurrencies until the implications are clearer. In the words of Facebook co-founder Chris Hughes, ‘What Libra backers are calling “decentralization” is in truth a shift of power from developing world central banks toward multinational corporations and the US Federal Reserve and the European Central Bank.’

While enhancing financial inclusion for many, Libra could also make the digital divide more extreme for people who do not have access to smartphones and/or internet access, or who are unable to meet Libra’s identity verification. There may be further concerns in fragile and crisis-affected countries regarding the failure of cash-out options if the government shuts down internet or social media access,

LIBRA (continued)

in the case of mobile or internet infrastructure failures, in countries with strong foreign exchange restrictions, or if the national currency has ceased to function properly. For those who can access Libra, encouraging its use in early stages – such as through financial assistance – could result in extremely poor households having to absorb the exchange rate risk of converting Libra to fiat currency.

A major concern with Libra relates to the monolithic role of Facebook in the digital ecosystem and the company's history of disregarding user data privacy rights in the interest of profit. Facebook has created a subsidiary, 'Calibra', to maintain separation between Libra and its social media operations. However, there remain serious concerns about data privacy and the sheer volume and quality of information to which Facebook will potentially

have access to across its social media and financial operations. There are also concerns that Facebook and the Libra Association would hold undue sway not only over the development of technology around things like identity verification, but also over the writing of regulations to govern digital identity, data security and cryptocurrencies. Considering that for many people in crisis-affected countries Facebook 'is the internet', these users could be particularly vulnerable to vendor-lock and commercial exploitation. Utilizing the digital ecosystem to expand financial inclusion is broadly considered to be a net positive, but there are concerns about this inclusion being spearheaded by a company that has been responsible for multiple privacy rights violations and whose ethical standards remain under question.²⁷⁸

FUNDING LEVELS FOR FINANCIAL ASSISTANCE



DEFINITION

Funding for government-provided financial assistance (such as social transfers) in LICs and MICs comes from government revenue (e.g., taxes), supported by multilateral and bilateral ODA (in the form of grants, technical assistance and concessional loans), and other non-concessional borrowing. In countries facing humanitarian crises (which host over a third of the world's extreme poor), government revenue only accounts for 58 percent of total available financial resources, and the largest sources of international financial resources are remittances (37 percent) and ODA (28 percent). International humanitarian assistance, in the form of grants and donations from ODA and private sources, is the primary source of funding for humanitarian Cash and Voucher Assistance (CVA).



KEY INSIGHTS

- ▶ Funding for financial assistance as a proportion of ODA will continue to increase, but potential fall-offs in the proportion of overall humanitarian needs covered by government funding will make diversification of funding sources essential and private funding increasingly important.
- ▶ Social spending has been identified by international financial institutions as key to inclusive growth, stability and shock resilience. This is a potential game-changer with respect to maintaining and increasing government spending on social assistance (and social transfers).
- ▶ Ensuring adequate funding for shock resilience and response in a context of increasing risk will require synergies between humanitarian funding, development funding and government resources. Financial assistance can facilitate these synergies.
- ▶ P2P financial assistance will increase with the expansion of DFS, but experts do not agree on how large direct giving will be as a proportion of international humanitarian assistance.



KEY UNCERTAINTIES

- ▶ What will funding look like for humanitarian CVA?
- ▶ What will funding look like for government-provided social transfers?
- ▶ Will there be greater synergies between different financial assistance instruments?
- ▶ What will the role of direct giving be in financial assistance?



CONTROVERSIES AND DEBATES

- ▶ Financial assistance and anticipatory action: Significant potential for greater value for money with financial assistance through early action funding instruments
- ▶ Potential impact of scandal on funding: Risks of security breaches, terrorism and wide-scale fraud

²⁷⁸ Sources: Libra, White Paper; CALP groups discussions; Kari Paul (2019) Libra: Facebook launches cryptocurrency in bid to shake up global finance, the Guardian; Kirk Phillips (2019) Billion-Dollar Returns: The Upside of Facebook's Libra Cryptocurrency, Coindesk; Enrique Dans (2019) Facebook's Cryptocurrency: Great Idea, Wrong Company, Forbes.

FUNDING LEVELS FOR FINANCIAL ASSISTANCE

DEFINITION

Funding for government-provided financial assistance (such as social transfers that are part of social assistance programmes) in LICs and MICs comes from government revenue (such as taxes), supported by multilateral and bilateral ODA²⁷⁹ (in the form of grants, technical assistance and concessional loans²⁸⁰), and other non-concessional borrowing.²⁸¹ In general, fragile countries and LDCs rely on ODA for financial resources much more than other developing countries.²⁸² In countries facing humanitarian crises (which are home to over a third of the world's extreme poor), government revenue only accounts for 58 percent of total available financial resources, and the largest sources of international financial resources are remittances (37 percent) and ODA (28 percent). Although ODA was overall stable between 2017 and 2018 (if donor country costs for hosting refugees are removed), bilateral ODA to LDCs fell by 3 percent and humanitarian assistance fell by 8 percent.²⁸³ In other developing countries, the financial situation is more tenable. On average, government revenue accounts for 75 percent of available financial resources, and the largest source of international resources is long-term commercial debt (36 percent), followed by foreign direct investment (21 percent) and remittances (18 percent), with ODA (3.9 percent) playing a lesser role.²⁸⁴

International humanitarian assistance, in the form of grants and donations, is the primary source of funding for humanitarian Cash and Voucher Assistance (CVA).²⁸⁵ A group of around 20 governments and EU institutions provide the majority of international humanitarian assistance (\$19.8 billion in 2017). Private foundations, corporations and individuals have generally been increasing in their share of international humanitarian assistance, providing \$6.5 billion in 2017. Individual giving is the largest private source of international humanitarian assistance (68 percent). International humanitarian assistance – including both humanitarian ODA and private donors – has overall grown by 30 percent in the past five years. However, its consistency falls short of the needs and the rate of growth has slowed in recent years (growing by only 1 percent from 2017 to 2018²⁸⁶) as traditional governmental donors face both pressure on their humanitarian budgets and questions about the efficacy of aid investment. This is increasing the pressure to meet ever growing needs with proportionally fewer resources.

KEY INSIGHTS

- ▶ Funding for financial assistance as a proportion of ODA will continue to increase (in part because it enables cost-efficiencies in a context where the gap between needs and resources is growing), but potential fall-offs in the proportion of overall humanitarian needs covered by government funding will make diversification of funding sources essential and private funding increasingly important.
- ▶ Social spending has been identified by international financial institutions as key to inclusive growth, stability and shock resilience. This is a potential game-changer with respect to maintaining and increasing government spending on social assistance (and social transfers).
- ▶ Ensuring adequate funding for shock resilience and response in a context of increasing risks will require synergies between humanitarian funding, development funding and government resources. Humanitarian donors are already calling for greater harmonization among humanitarian assistance and with government social assistance. Financial assistance can facilitate these synergies.
- ▶ P2P financial assistance will increase with the expansion of DFS, but experts do not agree on how large direct giving will be as a proportion of international humanitarian assistance.

KEY UNCERTAINTIES THROUGH 2030

What will funding look like for humanitarian financial assistance?

The proportion of international humanitarian assistance being delivered through financial assistance (i.e., CVA) is growing. An estimated \$2.8 billion was allocated to CVA in 2016 (a 40 percent increase over 2015), accounting for approximately 10 percent of overall international humanitarian assistance.²⁸⁷ By 2018, the volume of CVA reached \$4.7 billion (including programming costs).²⁸⁸ WFP and UNHCR continue to dominate as the largest recipients of funding for CVA.²⁸⁹ CVA will likely continue its current trend as an increasing share of international humanitarian assistance. CVA is viewed as a mechanism that can enable considerable cost-efficiencies, and as the gap between humanitarian needs and humanitarian resources continues to grow, pressure for cost-efficiency will continue to increase.²⁹⁰

279 Official Development Assistance (ODA) includes bilateral government-to-government aid, multilateral aid that flows from donor governments to or through the UN, World Bank or other multilateral development organizations, and government aid that flows to or through humanitarian/development NGOs and other civil society organizations, specifically for the support of development and well-being in developing countries.

280 Loans with below-market interest rates (as low as 0 percent in some cases) and long grace periods, for example as provided by World Bank IDA and IBRD.

281 OECD, Official development assistance; OECD (2018) Aid for Civil Society Organizations, Statistics based on DAC Members' reporting to the Creditor Reporting System database (CRS), 2015–2016, The Development Assistance Committee.

282 Development initiatives (2018) Understanding ODA in the mix of all international resources.

283 OECD (2019) Official Development Assistance: Aid for Civil Society Organizations. Development aid drops in 2018, especially to neediest countries. Statistics based on DAC Members' reporting to the Creditor Reporting System database (CRS), 2015–2016, The Development Assistance Committee.

284 Development initiatives (2018) Understanding ODA in the mix of all international resources.

285 Most international humanitarian assistance goes to UN agencies, followed by International NGOs and the Red Cross/Red Crescent Movement. In 2018, only 2.6 percent of international humanitarian assistance went directly to national governments.

286 Development Initiatives (2019) Key trends in global humanitarian assistance.

287 The Cash Learning Partnership, Accenture (2018) The State of the World's Cash Report.

288 Development Initiatives (2019) Key trends in global humanitarian assistance.

289 The Cash Learning Partnership, Accenture (2018) The State of the World's Cash Report.

290 CALP (2019) Future of Financial Assistance workshop, Amman.

Expansion of CVA has in part been hindered by debates about how CVA should be coordinated, managed and implemented. The fact that cash is fungible presents opportunities for harmonization, economies of scale and other cost-efficiencies. However, it also challenges aspects of the existing formal international humanitarian architecture, mandate/mission/funding-specific outcomes and the longer-term financial interests of individual humanitarian actors. Most traditional humanitarian donors (including the UK Department for International Development (DFID), the European Community Humanitarian Aid Office (ECHO), and the US Agency for International Development (USAID)) are supportive and interested in increasing CVA.²⁹¹ They have also expressed concerns about fragmentation and lack of coordination around implementation of CVA.²⁹² At the same time, there has been a lack of coherence and coordination across donors around funding approaches for CVA. Some donors are more hesitant about CVA, and unrestricted or multi-purpose cash transfers in particular, because it provides less control and visibility, and limits the ability to measure and track sector-specific results.²⁹³

In February 2019, a group of major humanitarian donors (Australia, Canada, Denmark, EU/ECHO, Germany, Norway, Sweden, Switzerland, the UK and the US) agreed a *Common Donor Approach for Humanitarian Cash Programming*, which calls for a 'common programming approach to reduce fragmentation, with streamlined systems created to avoid duplication and parallel ways of working'. It specifically calls for harmonization on 'needs assessments, targeting, calculation of transfer values, reporting, and single, shared or interoperable registries' and for 'safeguarding data protection and beneficiary ownership of their own data'. In addition, the statement calls for more attention to the dignity and preferences of users, and for improving effectiveness and efficiency based on what delivers best for users. It also elevates consideration of multi-purpose cash transfers alongside more traditional assistance modalities.²⁹⁴ This common approach may fuel an acceleration in funding and new funding mechanisms for CVA.

'Donors will advocate that cash is routinely considered, alongside other types of assistance, that it is prioritized over vouchers wherever appropriate and that specifically multipurpose cash assistance is considered from the outset.'²⁹⁵

While CVA will likely increase its share of international humanitarian funding, the financial resources on which

international humanitarian assistance relies are changing. Donor governments in countries with growing nationalist power may reduce their ODA budgets or reallocate funding along more political lines (as is already being seen in the US with the de-funding of UNRWA). This will result in even greater resource shortages, in particular to respond to crises that are left out or 'forgotten'. A fall-off in the proportion of government funding for international humanitarian assistance will make private funding increasingly important,²⁹⁶ and major private foundations, such as the Gates Foundation, have already entered the financial assistance space.²⁹⁷ With individual giving being the largest private source of funding, convincing wealthy donors and the general public of the benefits of CVA will also become increasingly important. This will require breaking through entrenched preferences for in-kind modalities, as well as misconceptions that fuel distrust that poor people will use financial resources wisely.

What will funding look like for government-provided financial assistance?

Government Spending

Social assistance programmes expanded in Latin America and the Caribbean over the past decade and they are currently expanding in sub-Saharan Africa and Asia.²⁹⁸ However, there are also contractions. Since 2010, many countries have cut social assistance by narrowing targeting, reducing benefits or cutting services.²⁹⁹ According to the World Bank, there is little relationship between country income level and spending on social assistance: HICs spend 1.9 percent, UMICs spend 1.6 percent, LMICs spend 1.4 percent and LICs spend 1.5 percent (inclusive of government revenue and international funding). Spending on social assistance is more closely dependent on policy preferences than economic context.³⁰⁰ Most countries have the capacity to fund social assistance, but it may require, for example, reallocating public expenditures away from other preferences (such as military spending), increasing taxes or making them more progressive, addressing tax avoidance, or tackling illicit financial flows.³⁰¹ Government ability to identify the necessary revenue sources is largely about political will and coalition-building within government.

As spending on social assistance is related to policy preferences, so are the mechanisms for delivery of social assistance. Cash transfers (as a component of social transfers) account for more than 50 percent of all social assistance spending globally. On average, various cash transfer mechanisms make up 76 percent of social assistance spending in Europe and Central Asia (the largest share globally) and 40 percent in the Middle East and North Africa. Latin America and the Caribbean, sub-Saharan Africa, and East Asia and

291 International Rescue Committee (2016) Making Electronic Payments Work for Humanitarian Response.

292 Co-Conveners' Report (2019) 3rd Grand Bargain Cash Work Stream Workshop.

293 Mayada El-Zoghbi, Nadine Chehad, Peter McConaghy and Matthew Soursourian (2017) The Role of Financial Services in Humanitarian Crises, Access to Finance Forum, Reports by CGAP and Its Partners, No. 12, p. 22.

294 The Cash Learning Partnership (2019) Common Donor Approach for Humanitarian Cash Programming.

295 The Cash Learning Partnership (2019) Common Donor Approach for Humanitarian Cash Programming.

296 Development Initiatives (2019) Key trends in global humanitarian assistance; Global Humanitarian Assistance (2018) Global Humanitarian Assistance Report 2018.

297 Bill and Melinda Gates Foundation, Financial Services for the Poor, Strategy Overview.

298 World Bank Group (2018) The State of Social Safety Nets.

299 Isabel Ortiz (2018) Financing Universal Social Protection to Promote Inclusive Development and Reduce Inequality, Side event IMF/WBG Spring Meetings Washington DC, April 2018, International Labour Office.

300 World Bank Group (2018) The State of Social Safety Nets.

301 International Labour Organization, Universal Social Protection, Financing Universal Social Protection

the Pacific prefer conditional cash transfers. On average, countries in Latin America and the Caribbean and in sub-Saharan Africa spend 21 percent and 18 percent, respectively, of social assistance budgets on conditional cash transfers. Countries in East Asia and the Pacific spend, on average, 12 percent of GDP on conditional cash transfers.³⁰²

International Funding

The International Monetary Fund (IMF) recently launched a new approach to social spending, identifying it as key to inclusive growth, stability and shock resilience, and assessing it as a 'macrocritical' element (i.e., something that shapes the long-term health of the overall economy). This is a significant shift in the IMF's approach, and a potential game-changer with respect to funding for social assistance. The IMF has already been providing technical assistance for nearly ten years to countries to help them raise more domestic revenue. The new approach and strategy will mean guidelines for macro-economists to protect funding for social spending, including social assistance, even for countries that are in financial trouble.³⁰³ This shift will see more government revenue and international financing going into social assistance, with international financial institutions like the IMF and World Bank playing an increasingly important role. Some experts predict that international funding for social assistance will increase at a faster rate than humanitarian response funding. This may also open up opportunities/create pressure for humanitarian assistance to be delivered through government social assistance systems.

'Social spending must therefore take its rightful place at the centre of macroeconomic policy discussions.'

– Christine Lagarde³⁰⁴

Some major development donors, and particularly the World Bank, have already been supporting developing countries to build and implement social protection systems and social assistance programmes (including social transfers). Funding and technical assistance go hand-in-hand with recipient governments taking greater ownership. Donor funding can get programmes off the ground and, once rolled out, some (although not all) governments realize the political and economic benefits of these programmes and move towards funding them with government revenue.³⁰⁵

Will there be greater synergies between different financial assistance instruments?

Complex crises are becoming increasingly protracted, a situation that will be exacerbated by climate change and

environmental degradation. There will be larger and more unpredictable weather-related disasters, which will impact communities and entire economies. Population movements and urbanization will intensify. In this context of increasing needs and vulnerabilities, many humanitarian actors, development actors and governments are seeking better ways to prepare and respond to shocks. Ensuring adequate funding for shock resilience, crisis prevention, early action, response and recovery – at individual, household and community levels – will require synergies between international humanitarian funding, development funding, government resources, and alternative institutional and individual investments and capital flows.³⁰⁶ This will in turn require greater coordination and convergence around assistance delivery, as well as the breaking down of silos.

Protracted or recurrent crisis response is not dissimilar to many aspects of social protection in addressing chronic poverty and vulnerability (which can be life-threatening regardless of the cause).³⁰⁷ As crises have become increasingly protracted, humanitarian actors have been appealing to donors to shift from annual to multi-year funding arrangements in part to enable humanitarian assistance programmes to plan for and provide more consistent support to affected people. Actors supporting social assistance, on the other hand, are seeking ways to make longer-term programmes more responsive to shocks which can reverse poverty reduction gains.³⁰⁸

There are already synergies. While social assistance is usually delivered by governments, this is not always the case. Indeed, some fragile and conflict-affected countries have particularly high levels of social assistance spending, precisely because of humanitarian assistance programmes. For example, according to the World Bank, South Sudan spends a well above average 10 percent of GDP on social assistance, but these programmes – which include in-kind transfers such as food distributions and supplementary feeding – are entirely donor funded and implemented by humanitarian actors.³⁰⁹ On the other side, governments play a key role in crisis response, and have social transfer programmes, such as food distributions in response to recurrent seasonal crises, that strongly resemble humanitarian response (and may be indistinguishable from the perspective of transfer recipients). Some government-led social assistance programmes in countries with recurrent shocks, such as Ethiopia's Productive Safety Net Program and Kenya's Hunger Safety Net Program, have already included shock-responsive elements.³¹⁰

And in many crisis contexts, international development work is ongoing alongside international humanitarian response.³¹¹ Financial assistance is conducive to supporting greater

302 World Bank Group (2018) The State of Social Safety Nets.

303 Christine Lagarde (2019) Forging a Stronger Social Contract – the IMF's Approach to Social Spending; Larry Elliott (2019) Nations must protect spending on the vulnerable, says IMF chief, the Guardian.

304 Forging a Stronger Social Contract.

305 FAO and UNICEF (2016) From Evidence to Action: The Story of Cash Transfers and Impact Evaluation in Sub-Saharan Africa. New York: Oxford University Press.

306 Bennett, Christina (2018) Constructive deconstruction; C. O'Brien et al. (2018) Shock-Responsive Social Protection Systems research: Synthesis report.

307 C. O'Brien et al. (2018) Shock-Responsive Social Protection Systems research: Synthesis report.

308 C. O'Brien et al. (2018) Shock-Responsive Social Protection Systems research: Synthesis report.

309 World Bank Group (2018) The State of Social Safety Nets.

310 International Rescue Committee (2016) Making Electronic Payments Work for Humanitarian Response.

311 C. O'Brien et al. (2018) Shock-Responsive Social Protection Systems research: Synthesis report.

synergy: 'When resources are transferred to households to enable them to meet basic needs, the instruments used for humanitarian assistance are often similar to those used in the social protection sector.'³¹²

'We will ensure that where possible cash programmes link to existing social protection interventions or build the blocks of future longer-term assistance from the outset (where appropriate and feasible in the context). This can improve outcomes, reduce social tensions and save resources over time.'³¹³

Humanitarian donors will increasingly expect and demand synergies. The February 2019 *Common Donor Approach for Humanitarian Cash Programming* stated that donors 'expect to see cash programmes use, link to, or align with local and national mechanisms such as social protection systems, where possible and appropriate'. The statement specifically discussed complementarity between humanitarian CVA funding and long-term development funding for social assistance, drawing learning from shock-responsive social protection systems into humanitarian CVA in contexts where national social assistance systems are not yet developed, and furthering donor policy development around linkages between humanitarian CVA and social protection.³¹⁴ Humanitarian financial assistance may in future work increasingly through government social assistance systems (where they exist and where context allows), or be complementary to (and potentially interoperable with) social assistance systems by supporting households that the government cannot or will not cover. However, outside of discrete examples and initiatives, systemic discussion on linkages between humanitarian CVA and government-provided social assistance are still in early stages, and visions of what successful synergies would look like are still not clear or agreed.³¹⁵

These systems are not easy to harmonize. They have different purposes, different restrictions and requirements, and dramatically different funding windows. They speak different languages and have different governance, management and decision-making structures. Key stakeholders also have different roles, relationships, power and incentives, which vary within humanitarian, development and government structures. The capacity of the government, as well as the government's role as an actor in the crisis (notably in conflict situations), has a considerable impact on the potential for synergy. For example, humanitarian actors may not be able to safely share data with some governments (e.g., refugee data with the country of origin or a hostile host government) or may have concerns that government collected/managed

data is inaccurate or biased. Another challenge is one of timing. Humanitarian financial assistance is generally limited and time-bound, whereas government social assistance may be longer term. If provided through harmonized structures, it may be politically difficult to remove some people from assistance while others continue to receive. In addition, a considerable portion of much government social assistance is still provided by means other than cash transfers.

In addition, synergies will require greater coherence on investments that enable coordinated financial assistance, such as infrastructure that supports digital transfers and financial inclusion. While initiatives to expand last-mile connectivity and capacity for digital transfers are under way in several countries, donor investments to date have been focused more on countries that are less prone to or affected by crises.³¹⁶

What will the role of direct giving be in financial assistance?

Crowdfunding and person-to-person (P2P) giving platforms, such as Give Directly, are already substantial. In June 2018, more than half a million people contributed a total of more than \$20 million through Facebook's crowdfunding tool to a local organization supporting migrants and asylum seekers on the US southern border.³¹⁷ These types of platforms will continue to innovate and grow as competition drives down costs and improves transparency on the flow of funds. They will grow even further if regulatory barriers are removed to make international transfers easier and cheaper. This will mean more people using these private sector platforms to provide financial assistance directly to crisis-affected people and local organizations. The KIVA platform is already being used by small-scale FSPs to crowdfund loan capital for displaced people in Lebanon, Jordan, Colombia, Rwanda and Mexico.³¹⁸ Crowdfunding is expected to grow to a \$300 billion industry by 2025, and the World Bank estimates that \$96 billion of this could go to developing countries.³¹⁹

Growing diaspora populations will help drive this trend. Mobile technology and internet access have enabled migrant and refugee diaspora populations from Asia, Africa, and Latin America and the Caribbean to remain much more connected with their countries of origin. This can be seen in the significant role that remittances place as an international financial resource in developing countries. These same tools also enable emergency support in times of crisis. For example, in the aftermath of the Kathmandu earthquake, Nepalese living abroad used various crowdfunding platforms and social media to raise money for their communities and local organizations back home.³²⁰ Similarly, the Somali diaspora has long been engaged in response and reconstruction from drought and armed conflict.³²¹ As DFS proliferate, it will

312 C. O'Brien et al. (2018) Shock-Responsive Social Protection Systems research: Synthesis report

313 CaLP (2019) Joint Donor Statement on Humanitarian Cash Transfers.

314 The Cash Learning Partnership (2019) Common Donor Approach for Humanitarian Cash Programming.

315 Co-Conveners' Report (2019) 3rd Grand Bargain Cash Work Stream Workshop.

316 International Rescue Committee (2016) Making Electronic Payments Work for Humanitarian Response.

317 Jessica Gynn (2018) Facebook fundraiser to help immigrant children tops \$20 million with global donations. USA Today, 24 June 2018 (accessed 18 October 2018).

318 Lene Hansen (2018) Finance for Refugees.

319 Sustania, The Danish Ministry of Foreign Affairs and Coinify (2017) Hack the Future of Development Aid, p. 19; Development Initiatives (2017) Global Humanitarian Assistance Report 2017, p. 53.

320 Dina Fine Maron (2013) How Social Media is Changing Disaster Response. Scientific American, 7 June 2013 (accessed 18 October 2018).

321 Danish Refugee Council (2015) Diaspora actors can improve emergency effectiveness. ReliefWeb, 29 January 2015 (accessed 18 October 2018).

become increasingly easy for these transnational communities to mobilize and send financial assistance in times of crisis. There is considerable opportunity for humanitarian actors to better understand the relationship between remittances and crisis response in order to support better targeting of financial assistance.

Experts interviewed for this study agree that P2P financial assistance will increase, both domestically (e.g., using mobile money to send funds to crisis-affected people in another part of the same country) and internationally (e.g., from diaspora populations and direct giving platforms). However, they do not agree on how large P2P giving will be as a proportion of international humanitarian financial assistance. While individual giving represents the largest portion of private sector humanitarian fundraising and it may be able to take advantage of P2P mechanisms, individuals in rich countries may continue to prefer to channel funds through organizations that they know and trust.

CONTROVERSIES AND DEBATES

Financial Assistance and Anticipatory Action

At present, the humanitarian system is ex-post financed. First there is a shock, then needs are identified, then funding comes. The system is late by design, because putting the funding mechanism in motion requires first for the shock to have occurred. The combination of predictive analytics and financial assistance has the potential to catalyse a revolutionary shift to anticipatory action in crises where financial inflows to households can help mitigate impacts. Anticipatory action has been tested at small scale and is now being piloted at larger scale with the UN Central Emergency Response Fund (CERF) and the Crisis Response

window. Increased data availability, predictive analytics and machine learning will enable better understanding and early identification of ‘triggers’ (e.g., the Famine Early Action Mechanism), as well as better predictions of impact. With DFS, financial assistance could be transferred directly to people as soon as certain early warning triggers are reached, enabling them to take immediate preventative or early response action.³²² However, the investment required to have the data and analysis base to enable targeting (e.g., household-level demographic and vulnerability data) is significant. Financial anticipatory action models may prove most feasible in contexts that support synergies between humanitarian financial assistance and government social assistance databases and (ideally digital) delivery mechanisms.³²³

Potential Impact of Scandal on Funding

It has taken time for humanitarian donors to become comfortable with the concept of financial assistance. CVA is often highlighted as having higher monitoring and evaluation burdens than other assistance modalities. A serious security breach or scandal – such as a breach of beneficiary data security, funding ending up in the hands of terrorists, or wide-scale fraud – risks loss of donor confidence and could represent a significant setback for the funding of financial assistance. Agencies involved would also face reputational risks, loss of public confidence and potential legal liabilities. These risks also hold for private sector P2P and crowdsourcing platforms, as well as government social assistance programmes. Many humanitarian, government and private sector programmes are not yet set up to manage the levels of risk they face, and safeguarding mechanisms are still being created to guard against negligence, breaches and misuse.³²⁴

INNOVATIVE FINANCING MECHANISMS

There are a variety of financing mechanisms which may increasingly support access to financial assistance in anticipation or the aftermath of crises. Sovereign insurance, regional risk pooling and risk transfer mechanisms (such as Africa Risk Capacity) seek to support governments in preparing for and responding to natural disasters and extreme weather events, especially as they are becoming more extreme and unpredictable with climate change. Development banks and others are still developing and testing models for how these mechanisms can best function, but they prove to may be a future source of funds for shock-responsive social assistance. Expanding on work around early action on famine, the World Bank is also developing new predictive analytical products and financing mechanisms for counties affected by conflict, fragility and violence, including refugee crises.

At the household level, new micro-insurance products – enabled by new approaches such as co-financing of premiums by government or humanitarian actors – are being developed for people who are usually left out of insurance markets. Improved data availability and analytic capacity are also supporting insurance provision to more people by making risk assessments more accurate, and thus increasing incentives to provide appropriate and affordable insurance products to as-yet untapped markets. In addition to insurance, there are also advancements in small-scale credit in developing countries, catalysed by the expansion in DFS. Digital payment records are being used to make decisions about the creditworthiness of small businesses and individuals who do not have a credit history or traditional loan collateral.³²⁵

322 START Network (2017) Start Network's vision for the future of humanitarian action.

323 Isabelle Pelly (2018) Cash, forecast-based financing and early action – a powerful trinity, German Red Cross.

324 Ben Parker (2018) Audit exposes UN food agency's poor data-handling, The New Humanitarian; Lisa Cornish (2017) New Security concerns raised for RedRose digital Payment systems, Devex.

325 Centre for Global Development (2016) Financial Regulations for Improving Financial Inclusion.

POPULATION MOVEMENT



DEFINITION

The UN Department of Economic and Social Affairs (DESA) defines an international migrant as ‘a person who is living in a country other than his or her country of birth’. This includes, but is not limited to, students, people who moved for work or better economic opportunities, people who moved to join family, people who moved because environmental conditions are no longer tenable and people seeking international protection. Refugees and asylum-seekers are people who are fleeing conflict, persecution or generalized violence and have sought international protection in another country; they have special status under international law. Internally Displaced People (IDPs) are people who have been forced to flee their homes but have not crossed an international border. There is currently no international legal definition or protected legal status for ‘environmental refugees’, although climate change, natural disasters and environmental degradation will force an increasing number of people to migrate internally and across international borders in coming decades. Forced displacement will remain a key driver of internal and international migration patterns for the foreseeable future. Conflict/violence is one of the primary drivers of movement, and there are more forcibly displaced people today than ever before.



KEY INSIGHTS

- ▶ Financial assistance options for refugees and irregular migrants are especially complex given complicated legal statuses and a lack of official ID, making financial inclusion difficult.
- ▶ The situation for refugees and vulnerable migrants is likely to become much more difficult through 2030, with increased drivers to move – such as protracted conflict and environmental change – but a more limited range of safe choices for moving across international borders.
- ▶ The limitations that many refugees and irregular migrants face in accessing their right to work, and their vulnerability to work-based exploitation, increases their need for financial assistance.



KEY UNCERTAINTIES

- ▶ Will countries be willing to accept refugees and migrants and respect their rights?
- ▶ Will refugees and migrants have access to financial assistance?



CONTROVERSIES AND DEBATES

- ▶ Environmental refugees: More than 143 million people leaving their homes by 2050; implications for protection and access to financial assistance

POPULATION MOVEMENT

DEFINITION

The UN Department of Economic and Social Affairs (DESA) defines an international migrant as ‘a person who is living in a country other than his or her country of birth’.³²⁶ This includes, but is not limited to, students, people who moved for work or better economic opportunities, people who moved to join family, people who moved because environmental conditions are no longer tenable and people seeking international protection. Refugees and asylum-seekers are people who are fleeing conflict, persecution or generalized violence and have sought international protection in another country;³²⁷ they have special status under international law.³²⁸ There is currently no international

legal definition or protected legal status for ‘environmental refugees’, although climate change, natural disasters and environmental degradation will force an increasing number of people to migrate internally and across international borders in coming decades.³²⁹ Internally Displaced People (IDPs) are people who have been forced to flee their homes, generally to find safety from conflict or disaster, but have not crossed an international border.³³⁰ Many IDPs are displaced multiple times and may eventually become refugees, asylum-seekers or irregular migrants. Forced displacement will remain a key driver of internal and international migration patterns for the foreseeable future. Conflict/violence is one of the primary drivers of movement, and there are more forcibly displaced people today than ever before.³³¹

³²⁶ UN DESA (2018) International Migration Report 2017, p. 3.

³²⁷ UN Refugees and Migrants Definitions; UNHCR Asylum-Seekers Definition. Asylum-seekers are individuals whose request for protection has not yet been processed.

³²⁸ Whether or not an individual is granted refugee status in the country of asylum depends on the laws of the country of asylum as well as on the political relationship between the country of origin and the country of asylum. For example, Syrian refugees in Lebanon and Palestine refugees in Lebanon have different legal statuses.

³²⁹ Kanta Kumari Rigaud et al. (2018) Groundswell: Preparing for Internal Climate Migration. Washington, DC: The World Bank, pp. 17, 24; IOM, Migration, Environment and Climate Change (MECC) Division.

³³⁰ UNHCR What is a Refugee?

³³¹ UNHCR (2018) Global Trends: Forced Displacement in 2017, p. 2; Kanta Kumari Rigaud et al. (2018) Groundswell, p. 21.

POPULATION SNAPSHOT³³²

PEOPLE ON THE MOVE	2000	2017	PROJECTION TO 2050
Total International Migrants	173 million	258 million	405 million
Total Forcibly Displaced	19 million	68.5 million	700 million
▶ IDPs	6 million	40 million	
▶ Refugees	12.1 million	25.4 million	
▶ Asylum-seekers	947,000	3.1 million	

Note: International migration numbers and projections have considerable uncertainty due to the impact of major economic and political events and difficulties in obtaining comprehensive data. Refugee figures include refugees registered with the UN High Commissioner for Refugees (UNHCR) or the UN Relief and Works Agency for Palestine (UNRWA). There are no comprehensive, publicly available figures on the number of individuals who are in need of international protection but remain unregistered or have obtained temporary protected status. In addition, there is no reliable global data on numbers of 'irregular' migrants.

International migrants have a wide variety of different legal and immigration statuses. It is extremely difficult to gather data on irregular migration (i.e., movement across international borders that is outside of regulatory norms). The information that is available indicates that irregular migration is affecting every region of the world and that it exposes people to serious risks and exploitation, both in transit and in the destination country.³³³ Thousands of people continue to take dangerous and often life-threatening journeys.³³⁴ In addition, given the considerable economic, political and social barriers to international migration,³³⁵ it is much more difficult for poorer people to migrate via regular pathways.³³⁶ This may also mean that poorer families are less likely to benefit from financial assistance aspects of migration, such as remittances and P2P giving.

Although South–North migration receives more political and media attention, there is a greater amount of South–South international migration.³³⁷ Approximately half of all migrants remain in the same region as their country of origin.³³⁸ Regardless of status, most international migrants work, and international migrants are disproportionately people of working age (74 percent are between the ages of 20 and 64).³³⁹ Economic inequality continues to be a driver of migration, and 64 percent of international migrants are living in HICs.³⁴⁰ However, most refugees are hosted in neighbouring MICs and LICs, including LDCs, where they often have limited right to work and inadequate access to basic services.³⁴¹

KEY INSIGHTS

- ▶ Financial assistance options for refugees and irregular migrants are especially complex given complicated legal statuses and a lack of official ID, making financial inclusion difficult.
- ▶ The situation for refugees and vulnerable international migrants is likely to become much more difficult through 2030, with increased drivers to move – such as protracted conflict and environmental change – but a more limited range of safe choices for moving across international borders.
- ▶ The limitations that many refugees and irregular migrants face in accessing their right to work, and their vulnerability to work-based exploitation, increases their need for financial assistance.

KEY UNCERTAINTIES THROUGH 2030

Will countries be willing to accept refugees/migrants and respect their rights?

Over the past decade, OECD countries have adopted policy options aimed at preventing or deterring immigration: adopting regressive policies to deter regular migrants and punish irregular migrants,³⁴² building walls and policing seas to prevent irregular migration,³⁴³ making bilateral aid and/or trade agreements conditional on transit countries stemming

332 UNHCR (2018) Global Trends; IOM (2018) World Migration Report 2018, p. 2; UN DESA (2018) International Migration Report 2017, p. 3. UN DESA estimates the number and disaggregation of international migrants based on national statistics from population censuses, population registers and representative surveys.

333 IOM (2018) World Migration Report 2018, pp. 20, 24–6. According to IOM, irregular migration involves 'movement that takes place outside the regulatory norms of the sending, transit and receiving country'.

334 UNHCR (2018) Global Trends; Alice Thomas and Mark Yarnell (2018) Ensuring that the global compacts on refugees and migration deliver, Refugees International.

335 Kanta Kumari Rigaud et al. (2018) Groundswell, pp. 19–21.

336 Overseas Development Institute (2017). Migration and the 2030 Agenda for Sustainable Development, p. 3.

337 Kanta Kumari Rigaud et al. (2018) Groundswell, p. 19.

338 UN DESA (2018) International Migration Report 2017.

339 UN DESA (2017) The International Migration Report 2017 (Highlights).

340 UN DESA (2017) The International Migration Report 2017 (Highlights).

341 UNHCR (2018) Global Trends, p. 21; Roger Zetter and Héloïse Ruaudel (2016) Refugees' Right to Work and Access to Labor Markets – An Assessment.

342 Alice Thomas and Mark Yarnell (2018) Ensuring that the global compacts on refugees and migration deliver.

343 The Guardian, Letters (2018) Facts about our ecological crisis are incontrovertible. We must take action.

migration flows,³⁴⁴ and reducing third-country resettlement opportunities for refugees (46 percent fewer refugees were resettled in 2017 than 2016).³⁴⁵ Irrespective of whether these efforts have reduced immigration, they have certainly made migration and refugee flight more dangerous³⁴⁶ and pushed more people into irregular migration.

Right-wing nationalist groups have become more mainstream in many countries, often espousing anti-immigrant discourse. Nationalistic tendencies within governments are impacting effective multilateral management and governance of population movements (among many other transnational issues). Two global compacts were adopted by the UN General Assembly in December 2018, aimed at addressing the growing challenge of international population movements and upholding the human rights of people on the move: the *Global Compact on Refugees* (GCR) and the *Global Compact for Safe, Orderly and Regular Migration* (GCM). These agreements are considerable achievements in the current context, but they are both non-binding. Neither agreement established new legal pathways for people to cross international borders, and both particularly emphasize efforts to help ensure that people are not induced to move. It is notable that 41 UN member states opted not to endorse the GCM, including major destination and transit countries such as the US, Australia, Italy and Libya.³⁴⁷ The GCM does address a long-standing gap by including ‘migrants compelled to leave their countries of origin, due to sudden onset natural disasters and other precarious situations’. However, the compact does not create any new legal status or specific pathways for environmental refugees, which will be a growing challenge in coming decades.³⁴⁸ Neither the GCM nor the GCR addresses the problem of large-scale ‘mixed-movements’, wherein refugees and people who are not eligible for international protection are part of the same migration flow.³⁴⁹

It is important to highlight that while anti-immigrant sentiment is often loud, it does not necessarily represent the majority. A study in the 18 countries that host 51 percent of international migrants found that a clear majority of people ‘view immigrants as a strength rather than a burden’. Public opinion about immigrants has become more positive in the US, UK, France and Spain than it was in the past. However, in the European countries arguably most impacted by the huge flow of asylum-seekers in 2015 – Greece, Italy and Germany – the share of people with positive views about immigrants has dropped significantly since 2014.³⁵⁰

Refugees, asylum-seekers and irregular migrants will work – either formally or informally. They must work in order to survive. Under international law, refugees have a right to work and a right to freedom of movement. However, these rights are not always respected by hosting countries,³⁵¹ which increases risks of exploitative working conditions and increases the need for financial assistance. Most refugee hosting countries restrict refugees’ right to work to some extent. In some countries, refugees can legally work but face considerable barriers to obtaining work permits or are restricted to working in certain jobs. In other countries, refugees are legally prohibited from working (or even prevented from obtaining legal status at all). Many refugees and asylum-seekers end up ‘stuck’ in middle- and lower-income countries that are unable or unwilling to ensure their full access to rights, let alone integration.³⁵² The GCR, although non-binding on states, seeks to address these concerns through commitments around improving funding and technical support to hosting countries, with initiatives to enhance ‘refugee self-reliance’ through work and education opportunities.³⁵³ Notably, the GCR includes a commitment to adopt ‘development-oriented approaches’ at the beginning of refugee crises (most of which last more than five years), in order to support shifting refugee response from a ‘care and maintenance’ model towards more resilience-focused models.³⁵⁴ Some high-income refugee-hosting countries, such as Germany and the US, have long provided refugees the right to work, and expected them to work and become self-reliant. There is some evidence of movement towards refugee ‘self-reliance’ policies in some middle- and lower-income host countries that enable greater access to the right to work (e.g., Jordan, Turkey and Ethiopia).³⁵⁵

Will refugees/migrants have access to financial assistance?

Financial Inclusion of Refugees/Migrants

The ability of refugees and vulnerable migrants to access financial assistance is closely linked to their specific legal status, their ability to prove their identity (in the physical world and in the online world) and their degree of financial inclusion. As discussed in the ‘ID and Its Digitization’ section above, being able to prove one’s legal identity is key to accessing first-rung financial inclusion such as bank accounts and mobile phones/SIM cards, and ID is often required for formal money transfer services like Western Union. This makes ID increasingly important for refugees and migrants to access financial assistance through their own

344 Maegan Vazquez (2018). Trump threatens Honduras’ foreign aid over migrant caravan, CNN, 3 April 2018 (accessed 18 October 2018)

345 Alice Thomas and Mark Yarnell (2018) Ensuring that the global compacts on refugees and migration deliver.

346 The Guardian, Letters (2018) Facts about our ecological crisis are incontrovertible. We must take action; Alice Thomas and Mark Yarnell (2018) Ensuring that the global compacts on refugees and migration deliver.

347 Nayla Rush (2018) A Historic Victory for the UN: Global Compacts on Migration and Refugees Adopted This Week, Centre for Immigration Studies. The US, Czech Republic, Hungary, Israel and Poland voted against. Australia, Algeria, Austria, Bulgaria, Chile, Italy, Latvia, Libya, Liechtenstein, Romania, Singapore and Switzerland abstained. Afghanistan, Antigua and Barbuda, Belize, Benin, Botswana, Brunei Darussalam, Democratic People’s Republic of Korea, Dominican Republic, Guinea, Kiribati, Kyrgyzstan, Micronesia, Panama, Paraguay, Sao Tome and Principe, Seychelles, Slovenia, Somalia, Timor-Leste, Tonga, Trinidad and Tobago, Turkmenistan, Ukraine and Vanuatu did not vote.

348 UN Global Compact for Migration (2018) Global Compact for Safe, Orderly and Regular Migration; Alice Thomas and Mark Yarnell (2018) Ensuring that the global compacts on refugees and migration deliver.

349 Migration Hub, What is Mixed Migration?; IOM (2018) World Migration Report 2018, p. 13; Alice Thomas and Mark Yarnell (2018) Ensuring that the global compacts on refugees and migration deliver.

350 Ana Gonzalez-Barrera and Phillip Connor (n.d.) Around the World, More Say Immigrants Are a Strength Than a Burden, Pew Research Centre, Global Attitudes and Trends.

351 International Justice Resource Centre, Asylum and the Rights of Refugees.

352 Amnesty International (2018) Amnesty International Report 2017/18: The State of The World’s Human Rights.

353 UNHCR (2018) Ten questions and answers about the Global Compact on Refugees.

354 Alice Thomas and Mark Yarnell (2018) Ensuring that the global compacts on refugees and migration deliver.

355 Roger Zetter and Héloïse Ruauudé (2018) Refugees’ right to work and access to labour markets: constraints, challenges and ways forward. Forced Migration Review, No. 58.

personal networks during their journey and in their new location (e.g., remittances and P2P giving).³⁵⁶ However, many displaced people (including IDPs) lack or have lost their official credentials, and are unable to obtain replacements in displacement. In addition, many refugees and irregular migrants lack legal status in their new country of residence, which can have the effect of barring them from financial inclusion entirely. In many high-income destination countries (e.g., Europe, North America), not only financial inclusion, but digital financial inclusion is increasingly essential to access a wide variety of public and private sector services. The GCR calls on countries hosting refugees to support access to financial services by enabling access to mobile phones and the internet.³⁵⁷ UNHCR has also been working with FSPs to help them become more familiar with the challenges faced by refugees, making a business case for serving refugees and developing guidelines for FSPs³⁵⁸ interested in doing so.

Financial inclusion of refugees and migrants who follow regular pathways may be more straightforward, as their legal status often (although not always) gives them access to official credentials (such as visas and work permits). For example, in 2014, the EU took an important step to support financial inclusion for refugees and asylum-seekers, with a law³⁵⁹ requiring banks to offer basic accounts to anyone who is legally resident in the EU.³⁶⁰ Proof of identity is required, but if a refugee lacks an ID card or passport, they can use their residence permit or a certificate of suspension of deportation.³⁶¹ However, migrants and asylum-seekers who use irregular pathways (and refugees in countries that do not fully recognize their status) face considerable challenges. There is currently a lack of formal private sector financial services that provide viable options for displaced people to prove their identity:³⁶² the systems are not set up to include people who lack the necessary official credentials. This is complicated by regulations intended to prevent crime, corruption and terrorism that require financial institutions to perform robust KYC, AML and CFT due diligence, and which may be more onerous for individuals from certain 'high-risk' countries.³⁶³ New digital technologies can provide a variety of means for people to prove their identity without official credentials, even across borders. However, this will not resolve barriers for populations with limited or no legal status for whom visibility to the government is a risk.

Financial Assistance from Host Governments

Some host governments already provide social transfers to refugees and asylum-seekers. In Europe and North America, refugees are generally provided with some level of social assistance in the early stages of their settlement, either by

the central government or sub-national governments.³⁶⁴ For example, in Denmark, refugees are provided with social welfare benefits along with integration programmes and language training. In Germany, municipalities receive block grants from the federal government to support the cost of housing and social benefits for refugees. In the US, refugees arriving through UNHCR resettlement are provided with one-time financial support to finance their first 30–90 days. Asylum-seekers and irregular migrants may not have access to government support unless or until they are recognized as a refugee. The GCM includes non-binding commitments to provide access to basic services for migrants and establishing mechanisms for the portability of social security entitlements and earned benefits.³⁶⁵

In countries where refugees cannot access government social assistance, UNHCR is increasingly seeking to work through government systems to provide humanitarian financial assistance or to align humanitarian financial assistance with government systems. Alignment may include, for example, matching the transfer value, using the same or similar targeting approach, or using a similar delivery mechanism. The approach taken depends on the context and the government, i.e., if the government is willing to include refugees in their system but lacks funding or capacity to do so, or if the government is unwilling to include refugees in their system.³⁶⁶

The Emergency Social Safety Net (ESSN) programme in Turkey illustrates one of the models of collaboration and complementarity in financial assistance for refugees. While the Government of Turkey provides assistance to refugees who live in camps, and education and health services to refugees who live outside of camps, the ESSN provides an ATM card and a fixed monthly cash transfer for out-of-camp refugees who meet the targeting criteria. The programme was designed in consultation with the Government of Turkey and is implemented by WFP, the Turkish Red Crescent, the Ministry of Family and Social Policy, and Halkbank. It is funded by the EU as part of a wider programme to support Turkey in hosting Syrian refugees. Evidence indicates that the programme has enabled refugees to meet basic needs. The ESSN is an example of a humanitarian financial assistance programme 'piggy-backing' on and aligning with a government social assistance system. The government system is responsible for screening refugees for ESSN assistance in accordance with criteria that align with the national social assistance programme, and the transfer amount for refugees is calibrated with the value of national social assistance. However, the ESSN remains otherwise separate from the government social assistance system. The ESSN also includes capacity-building for national partners

356 Kim Wilson, Roxani Krystalli (2017) *The Financial Journey of Refugees*, Henry J. Leir Institute for Human Security, Series 2, Number 1.

357 Lene Hansen (2018) *Finance for Refugees*.

358 UNHCR, Social Performance Task Force (2017) *Serving Refugee Populations: The next financial Inclusion Frontier*, Guidelines for Financial Service Providers.

359 Official Journal of the European Union (2014) Directive 2014/92/EU Of The European Parliament And Of The Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features.

360 Micol Pistelli (2017) *Removing Barriers to Expand Access to Finance for Refugees*, FinDev Gateway; UNHCR.

361 Benjamin Bathke (2019) *Opening and Maintaining a bank account as a refugee in Germany: What you need to know*, Info Migrants.

362 Informal systems, such as hawala, do exist.

363 Zsolt Darvas (2017) *The challenge of fostering financial inclusion of refugees*, Bruegel.

364 OECD (2017) *Migration Policy Debates*, OECD, No. 13, January 2017.

365 UN Global Compact for Migration (2018) *Global Compact for Safe, Orderly and Regular Migration*.

366 UNHCR, *Aligning Humanitarian Cash Assistance With National Social Safety Nets in Refugee Settings*.

in managing financial assistance. One of the challenges of the programme are arrangements for future/long-term ownership of it. In addition, the programme only applies to registered refugees, and the application process, which works through government systems, has resulted in many vulnerable refugees being left out.³⁶⁷

It is also important to note that internal displacement can also affect an individual's ability to access government social assistance, either by making the individual or household ineligible as a result of the move, or due to systems that do not work properly to follow up with and deliver assistance to IDPs.

Financial Assistance from Humanitarian Actors

Providing financial assistance through CVA is not new in displacement crises. However, status plays a role in determining the type of assistance that displaced people can obtain. Humanitarian actors often have specific mandates and humanitarian funding is often given for specific purposes. This means that, in the same crisis-affected country, refugees from different countries of origin, IDPs, vulnerable migrants, asylum-seekers and other displaced people, may all be eligible for different assistance (or not eligible for any assistance), even if they otherwise have the same demographic and socio-economic profiles.

Humanitarian actors have been actively piloting and scaling up new financial assistance approaches in displacement crises, as digitalization has made them more cost-effective and secure. Refugees are provided with humanitarian financial assistance in a broad number of countries, such as Lebanon, Jordan, Kenya, Uganda, Yemen, Nepal, Ethiopia, Nigeria, Niger, the Philippines and Greece. Multiple financial assistance programmes often run concurrently, and refugee households may receive different transfers via different mechanisms from different humanitarian actors during the same period of time. Purposes, targeting, modalities, and delivery mechanisms have historically differed: for example, paper winter fuel vouchers for refugees living above a certain altitude, electronic food vouchers provided through a card for refugees at risk of food insecurity, and unrestricted multi-purpose cash provided through an ATM card or mobile money for refugees below a certain socio-economic threshold. More recently, humanitarian actors have experimented with mass distributions of financial assistance and harmonization across programmes.

CONTROVERSIES AND DEBATES

Environmental Refugees

The World Bank estimates that, as a result of the interrelated impacts of climate change, 143 million people could be forced to leave their homes by 2050 in just the three most affected regions of the world.³⁶⁸ In 2017, 18 million people were newly displaced as a result of weather events (compared to fewer than 1 million by other natural hazard events). LICs and MICs account for the majority of disaster-related displacement (97 percent between 2008 and 2013), with Small Island Developing States (SIDS) showing among the highest levels, proportionate to population.³⁶⁹ In rapid onset natural disasters, people tend to be displaced for a relatively short period of time,³⁷⁰ but the slower moving impacts of climate change and environmental degradation will push millions to leave their homes permanently. The majority of this migration is expected to be internal as people move to less affected and more resilient areas of their countries where livelihoods are more feasible. However, there will also be significant movements across borders. Although the issue of environmental refugees is increasingly acknowledged, there is no legal framework or protected status for people fleeing these impacts. As it currently stands, huge numbers of environmental refugees will join the tide of irregular migrants. The GCM seeks to address some issues that are likely to impact environmental refugees, e.g., through commitments around ensuring that all migrants have proof of legal identity and adequate documentation.³⁷¹ However, approaches to these commitments will vary greatly by country, and it remains to be seen how these commitments will be implemented for migrants who have moved through irregular means and do not qualify for international protection under current frameworks.

367 World Food Programme (2016–2018) Evaluation of the DG ECHO funded Emergency Social Safety Net (ESSN) in Turkey, Volume I.

368 Kanta Kumari Rigaud et al. (2018) Groundswell, p. xix. 143 million just from sub-Saharan Africa, South Asia and Latin America.

369 Kanta Kumari Rigaud et al. (2018) Groundswell, pp. 6, 21.

370 Kanta Kumari Rigaud et al. (2018) Groundswell, p. 21.

371 UN Global Compact for Migration (2018) Global Compact for Safe, Orderly and Regular Migration.

ANNEX I: GLOSSARY AND ACRONYMS

Anti-money laundering (AML)

Blockchain: A novel and fast-evolving approach to recording and sharing data across multiple data stores (or ledgers). This technology allows for transactions and data to be recorded, shared and synchronized across a distributed network of different network participants. Also called 'Distributed Ledger Technology'.³⁷²

Combating the financing of terrorism (CFT)

Digital financial services (DFS): The broad range of financial services accessed and delivered through digital channels, including payments, credit, savings, remittances and insurance. DFS includes mobile financial services.³⁷³

Direct giving: Money transferred between individuals without an intermediary (this is money given, not money loaned). Also called 'person-to-person (P2P) giving'.

Cash and Voucher Assistance (CVA): 'CVA refers to all programmes where cash transfers or vouchers for goods or services are directly provided to recipients. In the context of humanitarian assistance, the term is used to refer to the provision of cash transfers or vouchers given to individuals, household, or community recipients; not to governments or other state actors. This excludes remittances and microfinance in humanitarian interventions (although microfinance and money transfer institutions may be used for the actual delivery of cash).'³⁷⁴

Cash transfers: 'The provision of assistance in the form of money – either physical currency or e-cash – to recipients (individuals, households or communities). Cash transfers are by definition unrestricted in terms of use and distinct from restricted modalities including vouchers and in-kind assistance.'³⁷⁵

Cryptocurrencies: Digital money in electronic payment systems that generally do not require government backing or the involvement of an intermediary, such as a bank. Instead, users of the system validate payments using certain protocols.³⁷⁶

Digital identity: The digital version of a person's physical identity. A collection of individual attributes that describe an entity and determine the transactions in which that entity can participate.³⁷⁷

Digital transfers: Sending money using a digital platform, including 'e-transfers' and 'e-payments', which include mobile money and transfers to ATM/debit cards.

Distributed ledger technology (DLT): A novel and fast-evolving approach to recording and sharing data across multiple data stores (or ledgers). This technology allows for transactions and data to be recorded, shared and synchronized across a distributed network of different network participants. Also called 'blockchain'.³⁷⁸

Financial assistance: All financial flows which reach vulnerable and crisis-affected people at individual or household level. This assistance may be provided through a range of mechanisms, including institutions (state or non-state) or directly from other individuals.

Financial inclusion: 'Financial inclusion means that a full suite of financial services is provided, with quality, to all who can use them, by a range of providers, to financially capable clients.'³⁷⁹

Financial Services Provider (FSP)

372 International Bank for Reconstruction and Development/the World Bank (2017) Distributed Ledger Technology (DLT) and Blockchain, FinTech Note No. 1, p. iv.

373 Alliance for Financial Inclusion, (2016) Digital Financial Services Basic Terminology, August 2016, Guideline Note No. 19, p. 3

374 The Cash Learning Partnership (2018) Glossary of terminology for cash and voucher assistance, p. 6.

375 The Cash Learning Partnership (2018) Glossary of terminology for cash and voucher assistance, p. 6.

376 Congressional Research Service (2018) Cryptocurrency: The Economics of Money and Selected Policy Issues, p. 1.

377 World Economic Forum Financial Services Community & Deloitte (2016) A Blueprint for Digital Identity, The role of financial institutions in building digital identity, p. 41

378 International Bank for Reconstruction and Development/the World Bank (2017) Distributed Ledger Technology (DLT) and Blockchain, FinTech Note No. 1, p. iv.

379 The Cash Learning Partnership (2018) The State of the World's Cash Report, p. 18.

Formal international humanitarian sector: The United Nations (UN), international non-governmental organizations (INGOs), the International Committee of the Red Cross (ICRC) and International Federation of Red Cross and Red Crescent Societies (IFRC), traditional donor governments (such as those in the OECD-Development Assistance Committee) and the power structure which connects these actors.³⁸⁰ The notation of 'formal' and the segregation of these actors from others within the humanitarian ecosystem should not be interpreted as suggesting that these actors are either superior operators or more valuable actors. The notation serves to amalgamate the actors operating in the humanitarian space who have the most power in the system and the most influence over system-wide decisions such as setting standards and policies.

Humanitarian ecosystem: All actors who participate in and contribute to humanitarian action. This is a broad categorization that encompasses competing power structures and actors with diverse roles and understandings of what it is to be a humanitarian.³⁸¹

Internally displaced persons (IDPs): Individuals who have been forced to flee but have not crossed an international border to find safety. IDPs stay within their own country and remain under the protection of its government, even if that government is the reason for their displacement.³⁸²

International migrant: A person who is living in a country other than his or her country of birth.³⁸³

Know Your Customer (KYC): The steps taken by a financial institution to establish the identity of the customer, understand the nature of the customer's activities and assess the customer money-laundering risks to establish the necessary level of monitoring.

Least developed countries (LDC): 'A group of countries determined to be facing severe impediments to sustainable development. The determination is based on GNI per capita, health and education indicators, and vulnerability to economic and environmental shocks.'³⁸⁴

Legal identity: A composite condition obtained through birth or civil registration which gives the person an identity and variables of unique personal identifiers, such as biometrics combined with a unique identity number.³⁸⁵

Local actors: Civil society organizations engaged in relief and recovery in their own country (such as local NGOs, national NGOs and National Red Cross/Red Crescent Societies), local and national level government authorities of an affected country that are engaged in relief and recovery, and private sector (for-profit) entities engaged in relief and recovery in their own country.³⁸⁶

Mobile money: Mobile money is the provision of financial services through a mobile device. This broad definition encompasses a range of services, including payments (such as P2P transfers), finance (such as insurance products) and banking (such as account balance inquiries). In practice, a variety of means can be used, such as sending text messages to transfer value or accessing bank account details via mobile internet access.³⁸⁷

Mobile network operator (MNO)

Non-formal actors: Actors who have been operating on the periphery of the formal international humanitarian sector but are gaining in influence and importance, including national governments in areas of humanitarian operations, military actors, private sector actors, affected communities, local NGOs and new donors. These actors are not new to the humanitarian ecosystem, but the shifting power dynamics are making them increasingly relevant, challenging the dominance of the formal international humanitarian sector.³⁸⁸

Official Development Assistance (ODA)

People affected by crisis: The totality of women, men, girls and boys with different needs, vulnerabilities and capacities who are affected by disasters, conflict or other crises at a specific location. For the purposes of this report, this includes people directly affected and indirectly affected, as well as members of communities who are hosting displaced affected people.³⁸⁹

380 IARAN (2016) The Future of Aid: INGOs in 2030, p. 6.

381 IARAN (2016) The Future of Aid: INGOs in 2030, p. 6.

382 UNHCR, Internally Displaced People.

383 UN DESA (2018) International Migration Report 2017.

384 UN DESA (2018) Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures Third Edition.

385 Mia Harbitz and Bettina Boekle-Giuffrida (2009) Democratic Governance, Citizenship, and Legal Identity, Linking Theoretical Discussion and Operational Reality, p. 5.

386 IARAN (2018) Voices to Choices Report, p. 5.

387 Kevin Donovan (2012) Mobile Money for Financial Inclusion, Chapter 4, GSMA Mobile Money Tracker, p. 61.

388 IARAN (2016) The Future of Aid: INGOs in 2030, p. 6.

389 IARAN (2018) Voices to Choices Report, p. 5.

Person-to-person (P2P) giving: Money transferred between individuals without an intermediary (this is money given, not money loaned). Also called 'direct giving'.

Refugee: Someone who has been forced to flee his or her country because of persecution, war or violence. A refugee has a well-founded fear of persecution for reasons of race, religion, nationality, political opinion or membership in a particular social group.³⁹⁰

Remittances: Remittances are understood as cross-border, private, voluntary monetary and non-monetary (social or in-kind) transfers made by migrants and diaspora, individually or collectively, to people or to communities not necessarily in their home country.³⁹¹

Shock responsive social protection: A social protection system that can respond flexibly in the event of an emergency.³⁹²

Social assistance: A component of non-contributory social protection made up of social assistance, public works programmes, fee waivers and subsidies.³⁹³

Social protection: '[T]he set of public actions that address both the absolute deprivation and vulnerabilities of the poorest, and the need of the currently non-poor for security in the face of shocks and lifecycle events.'³⁹⁴

Social transfers: Cash, voucher and in-kind transfers from governments or organizations to support poor and vulnerable communities. They can be conditional or unconditional.³⁹⁵

Social registry: An information system that supports outreach, intake, registration and determination of potential eligibility for one or more social programmes. Social registries provide a 'gateway' for people to register and be considered for potential inclusion in one or more social programmes based on an assessment of their needs and conditions.³⁹⁶

Users: People affected by crisis who are receiving financial assistance. This assistance can be from a variety of sources and through a multitude of different channels.³⁹⁷ Users of financial assistance are a diverse group of individuals, from those displaced by crises to local business owners and civil society workers.

Vouchers: 'A paper, token or e-voucher that can be exchanged for a set quantity or value of goods or services, denominated either as a cash value (e.g., \$15), predetermined commodities (e.g., 5kg of maize), specific services (e.g., milling of 5kg of maize), or a combination of value and commodities. Vouchers are restricted by default, although the degree of restriction will vary based on the programme design and type of voucher. They are redeemable with preselected vendors or in "fairs" created by the implementing agency. The terms vouchers, stamps, or coupons might be used interchangeably.'³⁹⁸

390 unrefugees.org

391 European Parliament, Policy Department, DG for External Policies (2014) The Impact Of Remittances on Developing Countries, p. 15.

392 International Policy Centre for Inclusive Growth, United Nations Development Programme (2017) Conceptualising shock-responsive social protection.

393 Oxford Policy Management (2017) Shock-Responsive Social Protection Systems Research: Literature review (2nd Edition), p. 7.

394 Oxford Policy Management (2017) Shock-Responsive Social Protection Systems Research, p. 6.

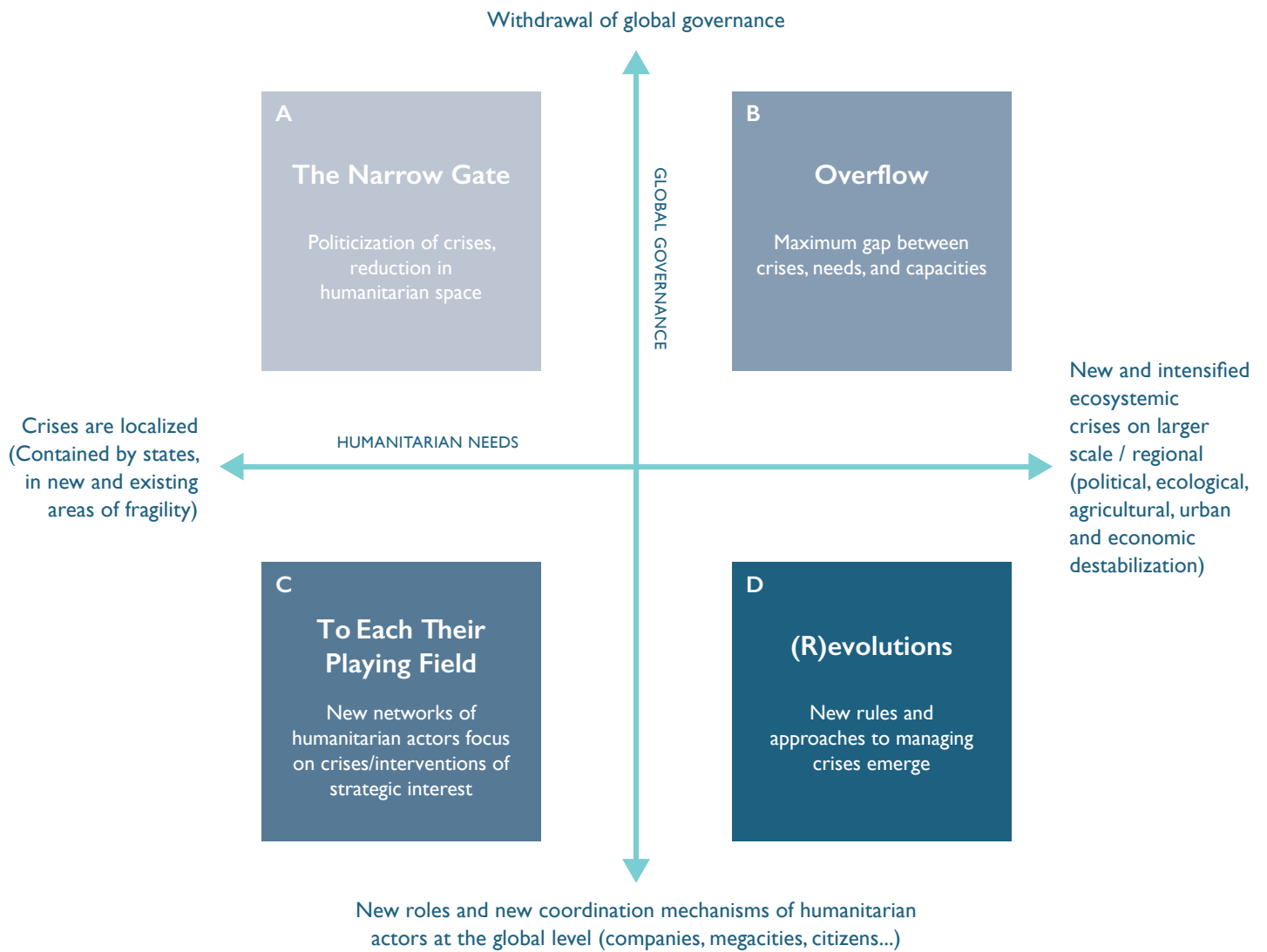
395 Oxford Policy Management (2017) Shock-Responsive Social Protection Systems Research, p. 7.

396 Phillippe Leite, Tina George, Changqing Sun, Theresa Jones and Kathy Lindert (2017) Social Registries for Social Assistance and Beyond: A Guidance Note & Assessment Tool, Discussion Paper No. 1704, p. iv.

397 Users is a term often employed in humanitarian supply chains where the end user is the recipient or consumer of aid.

398 The Cash Learning Partnership (2018) Glossary of terminology for cash and voucher assistance, p. 17.

ANNEX 2: FUTURE OF AID SCENARIO MATRIX



‘These scenarios outline four possible futures that represent different ways in which the system of global governance and the type of humanitarian crises could evolve. They are not intended to be definitive, but they are designed to represent a spectrum of possible futures in 2030. These scenarios provide visions of what future humanitarian action could look like and what dynamics, challenges, and opportunities actors in the humanitarian ecosystem will need to prepare for and adapt to.’³⁹⁹

For more information please see [The Future of Aid: INGOs in 2030](#).

³⁹⁹ IARAN (2016) The Future of Aid: INGOs in 2030, p. 13.

ANNEX 3: METHODOLOGY

The analysis presented in this report is based on IARAN's scenario toolkit. The process was specific to financial assistance globally with an outlook from 2019 through 2030. The analysis draws upon the four scenarios presented in IARAN's 2016 Future of Aid report on how the humanitarian ecosystem could evolve over this time period. Within these possible contexts, new scenarios have been developed on the role of financial assistance in each, based on an independent analysis as outlined below.

Scenario Analysis:

- 1. System Architecture** – A schematic representation of the factors central to the issue. Used to compile the factors to include in the analysis while mitigating cognitive bias.
- 2. Structural Analysis** – A network analysis of the directed influence of the drivers on one another. Used to classify factors by their level of influence and dependence and to identify the drivers most central to the system.
- 3. Morphological Analysis** – A tool for developing scenarios based on combinations of potential outcomes for the most influential drivers in the system.⁴⁰⁰
- 4. Scenarios** – Narrative descriptions of probable futures that result from the analytical process. Used as the basis for developing strategic options for different contingencies.

I. ARCHITECTURE

The architecture is a conceptual representation of the system being studied. It is used to identify the drivers of change to be included in the analysis. The drivers of change affecting financial assistance were identified through a desk review by IARAN analysts, a survey of 62 financial assistance practitioners, two workshop sessions, and 11 expert interviews. The drivers were classified by their scale (international, national or local) and by a modified PESTLE framework (political, economic, social, technological, legal and environmental) to mitigate cognitive bias by identifying areas requiring additional examination. The process led to the identification of 29 drivers that serve as the basic elements of the subsequent analysis.

FIGURE I. THE ARCHITECTURE, SHOWING THE INCLUDED DRIVERS BY SCALE AND PESTEL APPROACH (continued)

	POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL	LEGAL
C o m m u n i t y	<ul style="list-style-type: none"> ▶ Connectivity of people in need ▶ Digital identity & beneficiary data ▶ Population movements ▶ Role of traditional donors ▶ Role of new donors ▶ Role of governments ▶ Role of UN ▶ Role of INGOs ▶ Role of private sector ▶ Role of local NGOs/CSOs 	<ul style="list-style-type: none"> ▶ Access to financial services ▶ Use of financial services ▶ Remittances ▶ Physical cash ▶ Peer to peer giving ▶ Cash assistance ▶ Other forms of financial assistance ▶ Livelihood opportunities ▶ Credit ▶ Insurance ▶ Role of private sector 	<ul style="list-style-type: none"> ▶ Remittances ▶ Connectivity of people in need ▶ Population movements 	<ul style="list-style-type: none"> ▶ Mobile technology ▶ New tech ▶ Data ▶ Access to financial services ▶ Internet access ▶ Connectivity of people in need ▶ Digital identity & beneficiary data 	<ul style="list-style-type: none"> ▶ Livelihood opportunities ▶ Regulation ▶ Connectivity of people in need ▶ Digital identity & beneficiary data ▶ Role of governments

400 For this report, the combinations are determined by the most appropriate to the Future of Aid scenarios. Please see: IARAN (2016) The Future of Aid: INGOs in 2030.

FIGURE I. THE ARCHITECTURE, SHOWING THE INCLUDED DRIVERS BY SCALE AND PESTEL APPROACH (continued)

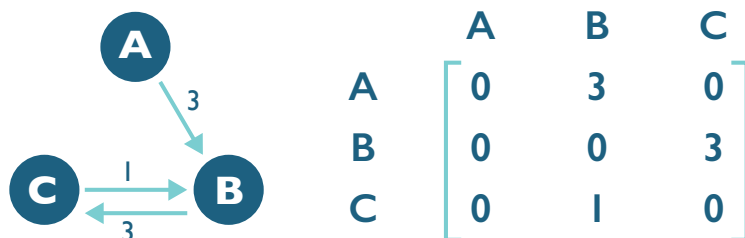
	POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGICAL	LEGAL
National	<ul style="list-style-type: none"> ▶ Livelihood opportunities ▶ Connectivity of people in need ▶ Digital identity & beneficiary data ▶ Population movements ▶ Humanitarian architecture ▶ Role of traditional donors ▶ Role of new donors ▶ Role of governments ▶ Role of UN ▶ Role of INGOs ▶ Role of private sector ▶ Role of local NGOs/CSOs 	<ul style="list-style-type: none"> ▶ Access to financial services ▶ Use of financial services ▶ Remittances ▶ Physical cash ▶ Peer to peer giving ▶ Cash assistance ▶ Other forms of financial assistance ▶ Livelihood opportunities ▶ Credit ▶ Insurance ▶ Social safety nets ▶ Universal basic income ▶ Role of private sector 	<ul style="list-style-type: none"> ▶ Remittances ▶ Peer to peer giving ▶ Connectivity of people in need ▶ Population movements 	<ul style="list-style-type: none"> ▶ Mobile technology ▶ New tech ▶ Data 	<ul style="list-style-type: none"> ▶ Access to financial services ▶ Use of financial services ▶ Livelihood opportunities ▶ Regulation ▶ Connectivity of people in need ▶ Digital identity & beneficiary data ▶ Role of governments
Global	<ul style="list-style-type: none"> ▶ Connectivity of people in need ▶ Digital identity & beneficiary data ▶ Humanitarian architecture ▶ Role of traditional donors ▶ Role of new donors ▶ Role of governments ▶ Role of U.N. ▶ Role of INGOs ▶ Role of private sector 	<ul style="list-style-type: none"> ▶ Money transfers ▶ Physical cash ▶ Peer to peer giving ▶ Cash assistance ▶ Other forms of financial assistance ▶ Livelihood opportunities ▶ Credit ▶ Insurance ▶ New funding mechanisms ▶ Funding levels for financial assistance ▶ Role of private sector 	<ul style="list-style-type: none"> ▶ Remittances ▶ Peer to peer giving ▶ Connectivity of people in need ▶ Population movements 	<ul style="list-style-type: none"> ▶ Mobile technology ▶ New tech ▶ Data 	<ul style="list-style-type: none"> ▶ Connectivity of people in need ▶ Digital identity & beneficiary data

2. STRUCTURAL ANALYSIS

Structural Analysis is a tool for providing a framework for the system of drivers. It is based on a MICMAC, a network analysis technique that represents a directed graph of the network of interactions between factors. The factors are entered into an adjacency matrix where they are listed along both the x- and y- axes. The degree of influence each factor has on every other is then ranked (from 0 to 3). The resulting table of values is then used to classify each factor based on its net influence (the sum of its influence on all other factors) and dependence (the sum of all other factors' influence on it).

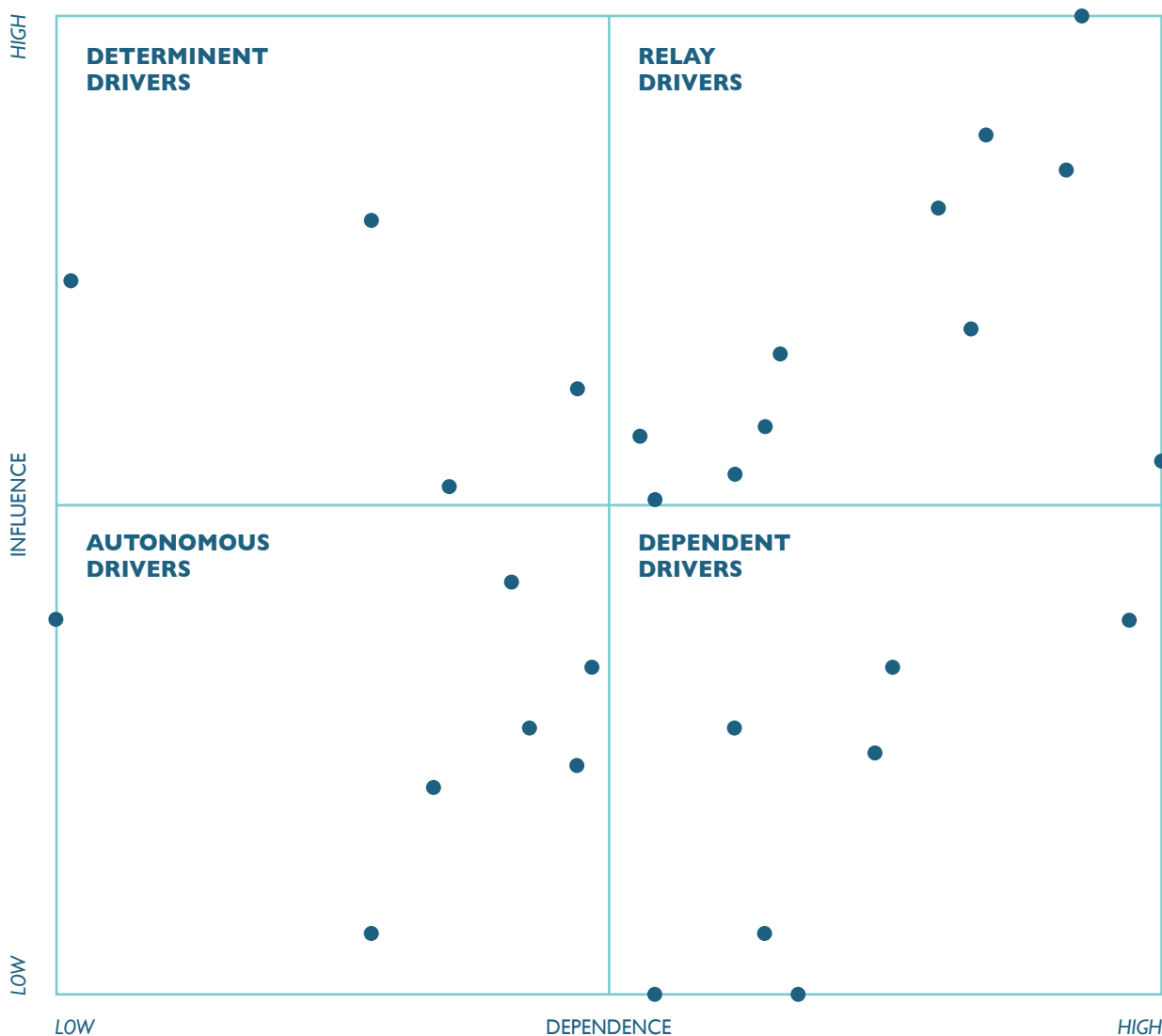
In the example below, A influences B to a value of 3, B to C for a value of 3, and C to B for a value of 1. The directed graph can then be written as an adjacency matrix with the factors in the first column influencing the factors in the top row. The sum of influence each factor has on the others is then determined by summing the rows, where A=3, B=3 and C=1. The dependence is the sum of the influence every other factor has on each, calculated as the sum of the columns, where A=0, B=4 and C=3.

FIGURE 2A (LEFT). EXAMPLE OF A DIRECTED GRAPH; FIGURE 2B (RIGHT). EXAMPLE OF AN ADJACENCY MATRIX



The influence and dependence scores of the factors are then graphed to create a 'map' of the system. The location of the factors on the graph can be indicative of the stability of the system. If they are concentrated in the upper-left, lower-left and lower-right quadrants, the system is likely to be stable. If they are distributed along the axis from the lower left to upper right, then the system is more likely unstable. This is because of the characteristics of the factors that fall into these different quadrants.

FIGURE 3. GRAPH OF THE INFLUENCE AND DEPENDENCE OF THE DRIVERS AS DETERMINED BY THE STRUCTURAL ANALYSIS



The current system of factors shaping financial assistance is dynamic. **The low level of stability means that it is more susceptible to change. Its structure will likely evolve over the coming years.** However, some of the more influential drivers could act as inertias to limit future change. The concentration of drivers in the Relay quadrant promotes this dynamic structure. These drivers also represent the best leverage points for actors seeking to affect specific changes in the system.

Determinant Factors, located in the upper-left quadrant. These are inputs to the system, as they have a high level of influence over and a low level of dependence on the other factors. These factors are often entry points to the system and their direction will shape the rest of the system. As such they are crucial elements in determining its structure. Often, they can take the form of environmental variables that shape the system but are not in turn influenced by it. They have a strong impact on the other factors but are not influenced much in return. These factors are important to watch for as they will have a considerable direct and indirect impact on the issue. However, these are also harder to change and less suitable targets for programming.

- ▶ Mobile technology
- ▶ Internet access
- ▶ Funding levels for financial assistance
- ▶ New tech

Relay Factors, located in the upper-right quadrant. These are at the centre of the system, as they have a high degree of influence and dependence on the other factors. As a result, actions on them are transmitted throughout the system. They therefore represent leverage points to influence the system as a whole. These are recommended as targets for intervention because they are susceptible to change, and doing so will in turn have a cascading effect through the system.

- ▶ Role of governments
- ▶ Role of private sector
- ▶ Digital identity & beneficiary data
- ▶ Use of financial services
- ▶ Data
- ▶ Population movements
- ▶ Access to financial services
- ▶ Connectivity of people in need
- ▶ Cash assistance
- ▶ Role of UN
- ▶ Social safety nets

Dependent Factors, located in the lower-right. They are outputs of the system, as they have a high level of dependence and a low level of influence. As such, they are sensitive to changes in the system. These often represent operational issues for actors. However, addressing them is unlikely to bring about systemic change, which is better achieved by targeting factors with higher levels of influence.

- ▶ Role of traditional donors
- ▶ Universal basic income
- ▶ Remittances/money transfers
- ▶ Humanitarian architecture
- ▶ Role of new donors
- ▶ Peer to peer giving
- ▶ Physical cash

Autonomous Factors, located in the lower-left. These are largely outside the system, as they have low influence and low dependence. Acting on them will have little influence on the rest of the factors and the system as a whole. Important issues can still be located here, but they are issues that need to be addressed independently rather than through systemic changes.

- ▶ Livelihood opportunities
- ▶ Role of INGOs
- ▶ New funding mechanisms
- ▶ Other forms of financial assistance
- ▶ Credit
- ▶ Role of local NGOs/CSOs
- ▶ Insurance (at household level)

The eight key drivers that were selected for the report are those that are of the highest influence.

3. MORPHOLOGICAL ANALYSIS

The morphological analysis is a means of exploring an array of possible futures and reducing them to a limited number of plausible paths. For each of the eight most influential drivers identified in the previous step, a number of hypotheses were developed about how it could unfold in the future. These were written out in a matrix, with the drivers in the first column and their different hypotheses in the following ones.

The scenarios for this report are nested within broader scenarios for the future of the humanitarian ecosystem, as presented in the Future of Aid report.⁴⁰¹ To achieve this, the different hypotheses for each driver were assigned to the four Future of Aid scenarios as best fit the dynamics explored within, creating a new scenario with a more nuanced focus on the future of financial assistance. In the morphological analysis, hypotheses can be used once, multiple times or not include at all. Additionally, each scenario can have more than one hypothesis for each driver assigned to it. For each scenario, the assigned hypotheses were checked to ensure that they were logically consistent, and any potential contradictions were removed. The resulting combinations of hypotheses then formed the outlines of the new financial assistance-specific scenarios.

FIGURE 4. HYPOTHESES, POSSIBLE OUTCOMES FOR THE MOST INFLUENTIAL DRIVERS BY 2030

1. Role of governments

- 1.1. Host governments create a regulatory environment that enables financial access and use.
- 1.2. Host governments are increasingly able to raise the funds (internally or externally) to provide for financial assistance to their domestic population, including IDPs.
- 1.3. Host governments will exert greater control over the means, methods and recipients of financial assistance, in particular through greater use of data.
- 1.4. Host governments will become greater providers of social safety nets.
- 1.5. Host governments are unwilling to facilitate or directly deliver financial assistance.

2. Role of private sector

- 2.1. International corporations will increasingly act as donors of financial assistance to people in need.
- 2.2. National/regional financial assistance providers will increasingly act as delivery agents in financial assistance to people in need.
- 2.3. Private sector actors (international or local?) will become even greater service providers to traditional humanitarian actors, contracted to perform specific functions.
- 2.4. Private sector actors (international or local?) will increasingly become substitutes for traditional humanitarian actors performing functions across the programme cycle.
- 2.5. The private sector and traditional humanitarian actors will predominantly partner through global partnerships.
- 2.6. Partnerships between the private sector and traditional humanitarian actors will be driven by principles, overseen by an independent ombudsman (or equivalent).

3. Digital identity and beneficiary data

- 3.1. Government issued ID will integrate with private sector IDs. Data protection and accountability are ensured by the government.
- 3.2. Government issued ID will be supplemented by multiple additional private sector IDs. Multiple registries create vulnerabilities for data protection.
- 3.3. Humanitarian agency issued ID (single ID system) will integrate with private sector. Data protection and accountability are ensured by humanitarian network.
- 3.4. Humanitarian agency issued ID (single ID system) will be supplemented by multiple additional private sector IDs. Multiple registries create vulnerabilities for data protection.
- 3.5. Humanitarian agency issued ID (multiple ID systems) will be supplemented by multiple additional private sector IDs. Multiple registries create vulnerabilities for data protection.
- 3.6. Government and humanitarian agency issued ID (multiple ID systems) will be supplemented by multiple additional private sector IDs. Multiple registries create vulnerabilities for data protection.
- 3.7. The provision and management of digital ID is governed by global principles, overseen by an independent ombudsman (or equivalent).

4. Mobile technology/Internet access

- 4.1. Internet access will continue to expand through increased access to mobile technology, particularly smartphones.
- 4.2. Internet access rates (including mobile) will plateau due to poverty (financial accessibility of smartphones and service plans), lack of infrastructure (mobile coverage, service providers, etc.) and the urban/rural divide.
- 4.3. Internet access will be increasingly government-controlled.

5. Use of financial services

- 5.1. Financial services will become increasingly digital.
- 5.2. Tech companies will have a greater influence over financial services than banks.
- 5.3. Access to financial services will increase, but use will remain low among vulnerable people.
- 5.4. Financial assistance programmes will become more coordinated into single accounts, which enable control and management of money.
- 5.5. Financial assistance will be transferred digitally, but recipients will continue to predominantly make cash payments.
- 5.6. Financial assistance will be transferred digitally, and recipients will predominantly make digital payments.

6. Data

- 6.1. Humanitarian actors themselves will generate and use data to improve the effectiveness of financial assistance.
- 6.2. Humanitarian actors will hire third party providers to generate data to improve the effectiveness of financial assistance.
- 6.3. The private sector will generate and use data to provide financial assistance in place of humanitarian actors.
- 6.4. Governments will use data to provide financial assistance and reduce the need for humanitarian actors.
- 6.5. The digital divide will hamper the effectiveness of data-driven responses in fragile contexts and/or rural contexts.

7. Population movement

- 7.1. Countries unwilling to accept migrants, leading to the majority of displaced persons settling in camps.
- 7.2. Anti-immigrant politics in host countries.
- 7.3. Successful integration into host countries and provided with ID, right to work, freedom of movement.

8. Funding levels for financial assistance

- 8.1. Funding will increase to 'popular' or strategically important crises and decline to forgotten crises.
- 8.2. Funding will increasingly be bilateral between states based on foreign policy interests rather than need, resulting in funding gaps for some crises.
- 8.3. Funding for financial assistance as a proportion of overall ODA will continue to increase.
- 8.4. Funding for financial assistance will increasingly come from new donor nations, multilateral institutions (e.g. World Bank) and private individuals.
- 8.5. Funding for financial assistance will increasingly focus on humanitarian response.
- 8.6. Funding for financial assistance will increasingly focus on social safety nets.
- 8.7. The synergies between funding for humanitarian cash and voucher assistance and social safety nets will increase.

FIGURE 5. MORPHOLOGY ANALYSIS RESULTS, COMBINATIONS OF THE HYPOTHESES THAT BEST MATCH THE FUTURE OF AID SCENARIOS AND THAT ARE LOGICALLY CONSISTENT

I. Narrow Gate

I.1. Role of governments

- I.1.1.** Governments create a regulatory environment that enables financial access and use.
- I.1.2.** Governments will exert greater control over the means, methods and recipients of financial assistance, in particular through greater use of data.
- I.1.3.** Governments will become greater providers of social safety nets.

I.2. Role of private sector

- I.2.1.** National/regional financial assistance providers will increasingly act as delivery agents in financial assistance to people in need.

I.3. Digital identity and beneficiary data

- I.3.1.** Government issued ID will be supplemented by multiple additional private sector IDs. Multiple registries create vulnerabilities for data protection.

I.4. Mobile technology/Internet access

- I.4.1.** Internet access will continue to expand through increased access to mobile technology, particularly smartphones.
- I.4.2.** Internet access will be increasingly government-controlled.

I.5. Use of financial services

- I.5.1.** Financial assistance programmes will become more coordinated into single accounts, which enable control and management of money.

I.6. Data

- I.6.1.** Governments will use data to provide financial assistance and reduce the need for humanitarian actors.

I.7. Population movement

- I.7.1.** Countries unwilling to accept migrants, leading to the majority of displaced persons settling in camps.

I.8. Funding levels for financial assistance

- I.8.1.** Funding will increasingly be bilateral between states, based on foreign policy interests rather than need, resulting in funding gaps for some crises.
- I.8.2.** Funding for financial assistance will increasingly focus on social safety nets.

2. Overflow

2.1. Role of governments

- 2.1.1.** Host governments will exert greater control over the means, methods and recipients of financial assistance, in particular through greater use of data.

2.2. Role of private sector

- 2.2.1.** Private sector actors (international or local?) will become even greater service providers to traditional humanitarian actors, contracted to perform specific functions.

2.3. Digital identity and beneficiary data

- 2.3.1.** Government and humanitarian agency issued ID (multiple ID systems) will be supplemented by multiple additional private sector IDs. Multiple registries create vulnerabilities for data protection.

2.4. Mobile technology/Internet access

- 2.4.1.** Internet access rates (including mobile) will plateau due to poverty (financial accessibility of smartphones and service plans), lack of infrastructure (mobile coverage, service providers, etc.) and the urban/rural divide.
- 2.4.2.** Internet access will be increasingly government controlled.

2.5. Use of financial services

2.5.1. Access to financial services will increase, but use will remain low among vulnerable people.

2.6. Data

2.6.1. Humanitarian actors themselves will generate and use data to improve the effectiveness of financial assistance.

2.6.2. The digital divide will hamper the effectiveness of data-driven responses in fragile contexts and/or rural contexts.

2.7. Population movement

2.7.1. Anti-immigrant politics in host countries.

2.8. Funding levels for financial assistance

2.8.1. Funding for financial assistance will increasingly focus on humanitarian response.

3. To Each Their Playing Field

3.1. Role of governments

3.1.1. Host governments are unwilling to facilitate or directly deliver financial assistance.

3.2. Role of private sector

3.2.1. International corporations will increasingly act as donors of financial assistance to people in need.

3.2.2. Private sector actors (international or local?) will increasingly become substitutes to traditional humanitarian actors performing functions across the programme cycle.

3.3. Digital identity and beneficiary data

3.3.1. Humanitarian agency issued ID (multiple ID systems) will be supplemented by multiple additional private sector IDs. Multiple registries create vulnerabilities for data protection.

3.4. Mobile technology/Internet access

3.4.1. Internet access rates (including mobile) will plateau due to poverty (financial accessibility of smartphones and service plans), lack of infrastructure (mobile coverage, service providers, etc.) and the urban/rural divide.

3.5. Use of financial services

3.5.1. Financial services will become increasingly digital.

3.5.2. Tech companies will have a greater influence over financial services than banks.

3.5.3. Access to financial services will increase, but use will remain low among vulnerable people.

3.5.4. Financial assistance will be transferred digitally, but recipients will continue to predominantly make cash payments.

3.6. Data

3.6.1. Humanitarian actors themselves will generate and use data to improve the effectiveness of financial assistance.

3.6.2. The digital divide will hamper the effectiveness of data-driven responses in fragile contexts and/or rural contexts.

3.7. Population movement

3.7.1. Countries unwilling to accept migrants, leading to the majority of displaced persons settling in camps.

3.7.2. Successful integration into host countries and provided with ID, right to work, freedom of movement.

3.8. Funding levels for financial assistance

3.8.1. Funding for financial assistance will increasingly come from new donor nations, multilateral institutions (e.g. World Bank), and private individuals.

3.8.2. Funding will increase to 'popular' or strategically important crises and decline to forgotten crises.

4. (R)evolutions

4.1. Role of governments

4.1.1. Host governments create a regulatory environment that enables financial access and use.

4.1.2. Host governments are increasingly able to raise the funds (internally or externally) to provide for financial assistance to their domestic population, including IDPs

- 4.2. Role of private sector
 - 4.2.1. International corporations will increasingly act as donors of financial assistance to people in need.
 - 4.2.2. The private sector and traditional humanitarian actors will predominantly partner through global partnerships.
 - 4.2.3. Partnerships between the private sector and traditional humanitarian actors will be driven by principles, overseen by an independent ombudsman (or equivalent).
- 4.3. Digital identity and beneficiary data
 - 4.3.1. Humanitarian agency issued ID (single ID system) will integrate with private sector. Data protection and accountability are ensured by humanitarian network.
 - 4.3.2. The provision and management of digital ID is governed by global principles, overseen by an independent ombudsman (or equivalent).
- 4.4. Mobile technology/Internet access
 - 4.4.1. Internet access will continue to expand through increased access to mobile technology, particularly smartphones.
- 4.5. Use of financial services
 - 4.5.1. Financial services will become increasingly digital.
 - 4.5.2. Financial assistance programmes will become more coordinated into single accounts, which enable control and management of money.
 - 4.5.3. Financial assistance will be transferred digitally, and recipients will predominantly make digital payments.
- 4.6. Data
 - 4.6.1. Humanitarian actors will hire third party providers to generate data to improve the effectiveness of financial assistance.
- 4.7. Population movement
 - 4.7.1. Successful integration into host countries and provided with ID, right to work, freedom of movement.
- 4.8. Funding levels for financial assistance
 - 4.8.1. Funding for financial assistance will increasingly come from new donor nations, multilateral institutions (e.g. World Bank) and private individuals.
 - 4.8.2. The synergies between funding for humanitarian cash and voucher assistance and social safety nets will increase.

4. SCENARIOS

The outputs of the preceding analysis are the four new scenarios on the future of financial assistance, presented in the body of the report. They are intended to provide insight into the evolving nature of the situation and to assist decision-makers in planning to respond. They are designed to be distinct from each other. The intent is to capture as wide a range of realistic outcomes as possible, based on potential outcomes of the leading drivers shaping the issue. They are specifically not predictions of the future and probabilities are intentionally not assigned to them. This is because doing so encourages decision-makers to then focus on only the most likely outcome and not plan for other probable contingencies. A strategic plan that accounts for a range of likely outcomes is more robust against future uncertainty.



This report is the product of a collaboration between the Cash Learning Partnership (CaLP) and the Inter-Agency Research and Analysis Network (IARAN).

CaLP is the global partnership of humanitarian actors engaged in policy, practice and research within Cash and Voucher Assistance (CVA). CaLP currently has over 80 members who collectively deliver the vast majority of CVA in humanitarian contexts worldwide. CaLP's members include UN agencies, the Red Cross and Red Crescent Movement, donors, international NGOs, local NGOs and private-sector organizations. CaLP is based on learning, knowledge sharing, networking, policy, and coordination around the appropriate and timely use of CVA in humanitarian response.

IARAN is a collaborative hub of humanitarian professionals that brings foresight analysis and strategic planning together in the humanitarian sector. Through analysis and scenario building, IARAN enables aid organizations to plan 1–15 years into the future, pre-empt change, build adaptable strategies, and ultimately save time, money and lives down the line. IARAN's vision is an equitable and connected humanitarian ecosystem that enhances contributions to the Sustainable Development Goals (SDGs). IARAN's mission is to enable strategic thinking and actions via a collaborative ecosystem to build better futures for and with people in humanitarian need.

CaLP is leading the *Future of Financial Assistance* initiative, with and on behalf of its network. It has commissioned IARAN to produce this report using its foresight methodology and building on the scenarios in IARAN's 2016 *Future of Aid* report.

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