

GOVERNANCE BY DESIGN

The Displacement Continuum and Sustainable Inclusion in Southeast Asia

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ABOUT THIS SERIES

Governing Displacement is a policy brief series examining displacement governance at the intersection of institutional design and development finance, with Southeast Asia as the primary analytical ground. It draws on the author's forthcoming chapter in Khemanitthathai, Banerjee, and Middleton (eds.), *Displacement in Southeast Asia under Neo-geopolitics* (Palgrave Macmillan, forthcoming). The frameworks developed — the displacement continuum as governance diagnostic, sustainable inclusion as governance response — are applicable across middle-income displacement contexts where legal reform is constrained and fiscal integration remains the operative challenge.

The Governance Paradox

Across Southeast Asia, displaced populations are too often excluded from national systems of protection despite the presence of functioning institutions and substantial administrative capacity. The paradox of Southeast Asia lies not in its politics, but rather in its capacity: Malaysia processes millions of documented migrant workers through structured permit and registration systems; Thailand's Universal Coverage Scheme and Indonesia's Program Keluarga Harapan demonstrate large-scale adaptive social protection; the Philippines' NDRRMC is among the most institutionally elaborated disaster management frameworks in the region. Yet these same systems routinely fail displaced populations.

The persistence of exclusion reflects a structural condition: displacement is treated as a categorical and exceptional issue, while governance systems are designed by sector and across time. The result is fault lines where responsibility and programming are spread across systems, statuses, and jurisdictions that do not follow people as they move. Where displaced populations fall outside institutional frameworks, it is not because systems are absent — it is because existing systems are configured to exclude them. The existing displacement

regime suffers not for want of law, but for institutional design.

Limits of Existing Explanations

Three explanations have shaped policy discourse on displacement governance: legal institutionalism, which locates protection gaps in absent or weakly implemented international frameworks; coordination failure analysis, which frames fragmentation as a collective action problem; and political exceptionalism, which attributes limited engagement to ASEAN's non-interference norms.

Each accounts for why protection remains discretionary. None explains why fragmentation persists within functioning systems, or why incremental inclusion has occurred in some contexts without corresponding legal reform. These accounts focus on norms, coordination, or political intent, and overlook the incentives embedded in governance systems themselves. Fragmentation is not accidental or transitional — it is an outcome of institutional design, not coordination failure or normative deficit.

The Displacement Continuum: A Governance Diagnostic

The displacement continuum, applied as a governance diagnostic, identifies the structural fault lines at which protection fails: the

boundaries where displaced persons cross institutional thresholds but governance architecture does not follow.

Categorical fault lines arise from eligibility systems organized around legal status — citizen, temporary worker, irregular migrant, disaster-affected person — designed to be exclusive and bounded. Displacement is defined by the breach of those boundaries; the protection gap is produced by categorical design, not incidental to it. *Temporal* fault lines arise from the mismatch between time-bounded institutional responses and the longitudinal reality of displacement: budget authority is annual, emergency declarations expire, program eligibility requires periodic re-qualification — design features that

prevent exceptional expenditures from converting into permanent obligations. *Territorial* fault lines arise from the gap between jurisdictional governance logic — organized around fixed administrative units — and displaced populations' mobility, with receiving jurisdictions absorbing costs without fiscal transfer and regional frameworks avoiding any responsibility-sharing that touches sovereignty.

What the displacement continuum contributes beyond existing political economy accounts is specificity about mechanism — the particular features of budget systems, eligibility architectures, and mandate boundaries that produce fragmentation as a predictable, self-reinforcing outcome.

THAILAND

Thailand hosts approximately 90,000 registered refugees along the Myanmar border and a far larger undocumented population, yet has not ratified the 1951 Refugee Convention. Inclusion has occurred not through legal reform but through sectoral adaptation. The Health Insurance Card Scheme incorporates displaced and migrant populations into the national health system on a cost-recovery basis — generating revenues for the public health system rather than creating fiscal obligation, and extending coverage through public health imperatives rather than protection commitments. The categorical and temporal fault lines remain. But Thailand demonstrates the central argument of this series: inclusion advances where it works through institutional incentives, not against them.

The Political Economy of Fragmentation

Fragmentation reflects institutional incentives embedded in legal membership regimes, fiscal systems, and bureaucratic mandates — each reinforcing the other.

Membership governance operates through legal categories that constitute the boundaries of political community. States have built their labor migration systems precisely to maintain these boundaries: bilateral recruitment agreements, employer-tied permits, and reversible documentation organized such that someone who enters on the state's terms can be returned on them. The Philippines illustrates the logic: a legal category for overseas workers triggers a comprehensive architecture of consular support, labor rights, and welfare entitlements across jurisdictions. That no equivalent exists for

displaced persons reflects a key asymmetry — unlike overseas workers, states cannot define in advance what institutional commitment to displaced persons' presence would entail. Fiscal containment is embedded in budget architecture: emergency allocations expire because converting them into baseline entitlements turns exceptional expenditures into permanent budget lines; Indonesia's social registry requires households to re-qualify even where displacement persists. Parallel structures — separate registries, bounded eligibility windows, temporary programs — allow agencies to extend coverage without incorporating displaced persons into mandate architecture or budget lines. At Marawi, temporary learning spaces rather than school enrollment was an institutional choice, not an operational constraint: formal enrollment would have required the Department of Education to

absorb a mandate expansion and budget commitment that parallel provision avoided.

Reform efforts have largely operated above this structural level — expanding legal frameworks, clarifying responsibilities, improving coordination — leaving unaddressed the fiscal architecture through which governance systems are actually sustained. Fragmentation has proved durable despite decades of normative pressure precisely because that pressure has operated above the level at which the structural constraints function. Regional frameworks have expanded normative commitments while leaving the fiscal architecture that would make those commitments operational untouched.

Sustainable Inclusion: The Governance Response

Sustainable inclusion refers to embedding displacement-related vulnerability within ordinary national institutions — health systems, education ministries, social assistance programs, civil registration, and government budgets — so that protection operates through institutional mandates rather than parallel structures. Success is measured by whether displaced populations can continuously access core public systems without humanitarian intervention or discretionary authorization.

Sustainable inclusion operates through three institutional requirements — systems integration, fiscal integration, and institutional responsibility — each needed for protection to be continuous rather than exceptional. *Systems integration* means aligning eligibility rules and service delivery pathways so displaced populations access existing systems rather than parallel humanitarian provision — Thailand's Health Insurance Card Scheme illustrates this. *Fiscal integration* means embedding displacement-related spending within national budget baselines — the Philippines' disaster risk financing system, linking support to 4Ps rather than humanitarian appeals, provides a partial

illustration, though coverage remains event-based rather than longitudinal. *Institutional responsibility* means assigning mandates through legislation and budget authority rather than discretionary coordination — Indonesia's Presidential Regulation No. 125 of 2016 anchors refugee management as a cross-sectoral function, though mandate assignment alone does not resolve fragmentation across time and administrative systems.

Where inclusion has occurred, it has emerged through three configurations. Sectoral mandate alignment — where inclusion advances an existing ministerial function without invoking protection obligations — explains Thailand's health scheme and the pre-2021 Myanmar programs framed around nutrition and elder welfare rather than displacement. Administrative illegibility pressure — where large-scale displacement generates public health, security, and fiscal risks that exclusion cannot manage — drove Indonesia's PKH extension and the Philippines' 4Ps deployment after Typhoon Haiyan, because the costs of exclusion exceeded the contained costs of inclusion through administrative directive. Conditional inclusion — extending access incrementally without structural change to membership categories, as Malaysia does for UNHCR-registered refugees at foreign patient rates — allows partial inclusion without formal status recognition. Sustainable inclusion is achieved not by overcoming institutional incentives but by identifying configurations where protection can be anchored within logics states can sustain.

Financing Architecture as the Reform Entry Point

The 2018 Global Compact on Refugees created visibility for inclusion commitments without providing fiscal operationalization: pledges to include displaced populations in national systems do not by themselves alter eligibility

architecture, budget baselines, or mandate boundaries.

In the current geopolitical context — intensifying great-power competition, eroded responsibility-sharing norms, and contracting humanitarian financing directly exposing the fragility of parallel delivery — the space for categorical legal expansion has narrowed. Financing architecture becomes the primary reform entry point.

The external financing environment reinforces fragmentation across the development finance spectrum. Lower-income states face conditionality requirements presupposing displacement is recognized as a development priority — a condition governments managing displaced populations through migration control have strong incentives to avoid. Middle-income states face a different constraint: creditworthiness frameworks that treat institutionalized displacement provision as an indeterminate and potentially expanding obligation. In Thailand and the Philippines, credit assessments incorporate social welfare expenditure trajectories as contingent fiscal liabilities — structurally disincentivizing the fiscal integration sustainable inclusion requires. This is the recurrent fiscal obligation problem, examined in depth in Brief 4. Infrastructure-induced displacement adds a further dimension: obligations defined at the project level without mechanisms linking affected populations to ongoing national systems, with safeguard frameworks unable to substitute for system-level protection — a gap that widens as regional financing diversifies toward bilateral and

blended arrangements with fewer enforceable standards.

International financial institutions are uniquely positioned to extend governance leverage beyond individual projects — yet their operational model remains anchored in project appraisal and compliance rather than governance system design. A further constraint is political: disaster and climate displacement is the one frame through which IFI financing flows without requiring states to formalize a protection-seeking caseload, leaving conflict and persecution displacement without a comparable entry point. The implication is a mandate shift: from managing displacement as a project-level risk to investing in the fiscal, administrative, and regulatory conditions that make integration viable and durable across all displacement types.

Conclusion

The fault lines in Southeast Asian displacement governance are outcomes of institutional design. Sustainable inclusion specifies the governance response — and the configurations through which it materializes: sectoral mandate alignment, administrative illegibility pressure, and conditional inclusion. In a geopolitical context that forecloses categorical legal expansion, where the Global Compact requires fiscal operationalization it does not itself provide, and where humanitarian financing can no longer substitute for integration, financing architecture is the primary instrument through which durable protection becomes operationally viable.

KEY MESSAGES

Displacement governance in Southeast Asia fails not because states lack capacity, but because fragmentation is the predictable outcome of institutional design — serving fiscal containment, membership governance, and mandate protection simultaneously. Treating this as a coordination problem or a normative deficit produces interventions that address symptoms rather than structure.

The most important protection gaps arise not at the point of legal recognition but at the categorical, temporal, and territorial fault lines where institutional responsibility dissolves — precisely where governance systems are designed to stop following people.

The displacement continuum provides a governance diagnostic for locating these fault lines. Sustainable inclusion provides the framework for redesigning systems to bridge them — not by overcoming institutional incentives but by working through them, anchoring protection within fiscal and administrative logics states can sustain.

For development actors and international financial institutions, this is a mandate shift: displacement is not a project externality to be safeguarded but a governance condition to be embedded. The fiscal, administrative, and regulatory conditions that make inclusion durable require governance design expertise — and a reform entry point located in financing architecture, not coordination improvement or legal reform.

Priority Actions

For international financial institutions and development banks: Integrate the displacement continuum as a diagnostic instrument within country systems analysis — mapping categorical, temporal, and territorial fault lines before designing displacement-related operations. Treat fiscal embedding as a governance investment rather than a safeguarding requirement, operationalized through Program-for-Results modalities that link disbursement to eligibility architecture reform rather than parallel project delivery.

For development actors and humanitarian donors: Audit existing country strategies for whether displacement-related vulnerability is

treated as a project externality or a governance condition. Link pledge-based commitments to fiscal integration investments — contingency budget windows, social registry interoperability, mandate-based service delivery — rather than parallel humanitarian mechanisms.

For government counterparts engaged in social protection, disaster finance, or labor system reform: Identify reform entry points that align displacement inclusion with existing institutional incentives. Shock-responsive financing mechanisms with pre-agreed displacement triggers — already operational in disaster contexts across the region — offer the most transferable near-term model for extending fiscal embedding beyond climate and disaster shocks.

About the Author

Samuel Cheung is a Senior Adviser at UNHCR. He served most recently as Chief of Protection from Violence and Displacement at UNHCR headquarters and, prior to that, as Global Protection Cluster Coordinator, leading protection operations across more than thirty humanitarian crises worldwide. Before joining UNHCR, he advised Asian sovereigns on bond programs and structured finance at Allen & Overy LLP in Hong Kong. He holds a JD from Georgetown University and a BA in Public Policy from Duke University. The argument advanced in this series — that displacement governance is fundamentally a fiscal and institutional design problem — reflects that convergence. Views are the author's own.

WHAT FOLLOWS IN THIS SERIES

Brief 2 examines the infrastructure finance gap — how displacement-affected communities are excluded from investment appraisal and what a governance design alternative requires. **Brief 3** argues that social protection architecture must follow people across all displacement types, not only climate and disaster shocks. **Brief 4** develops the fiscal architecture argument — the recurrent fiscal obligation problem and its implications for sovereign credit assessment. **Brief 5** applies the displacement-as-sovereign-risk analysis to ESG frameworks and sustainable finance instruments.