Supporting financial inclusion of migrants: Actors, approaches and avenues to overcome challenges

ecdpm

Introduction

1

Financial inclusion of migrants and remittance flows are interconnected. For many migrants, sending remittances is the first entry point to accessing other financial services. When financially included, migrants are able to send more remittances to their home countries in a safe, easier and more convenient manner. Public development actors (PDAs) undertake different intervention types to promote the financial inclusion of migrants and remittance flows.

What is financial inclusion?

Financial inclusion refers to the ability of individuals and businesses to have access to useful and affordable financial products and services that meet their needs in a responsible, non-discriminatory and sustainable way.

What are remittance flows?

Remittance flows refer to money or goods that migrants send to their families, relatives, and friends in their home countries.

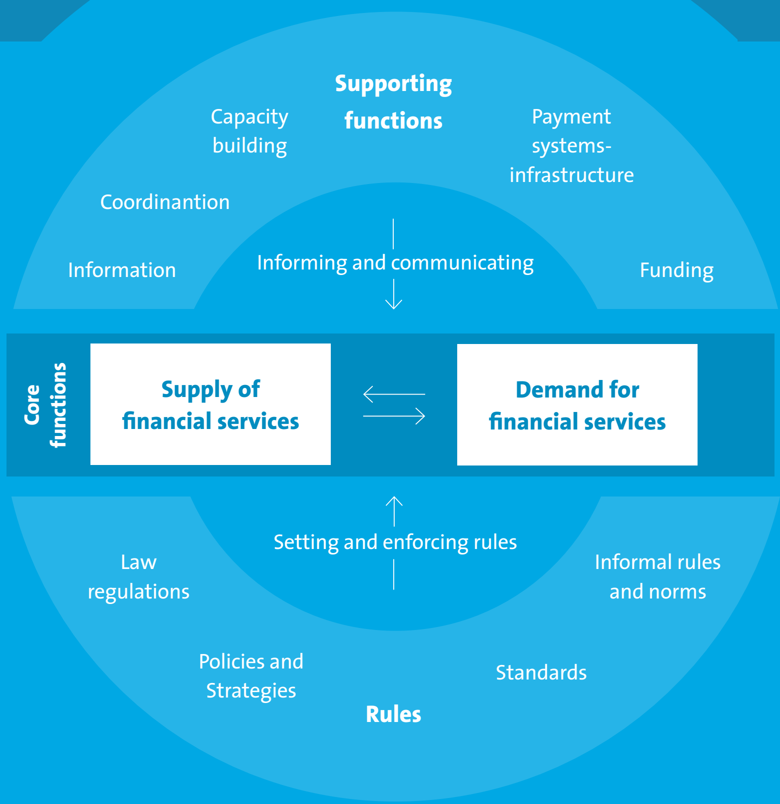
What are public development actors?

Public development actors (PDAs), as referred to here, mean any public actors that have either a primary role or are mandated to support the sustainable development of especially developing countries.

2

How can the financial inclusion of migrants be supported?

Players can adopt demand-side interventions, supply-side interventions, supporting functions and enabling rules



What are public development actors doing?

Demand-side intervention

- Providing financial literacy services to migrants *e.g. ILO, GIZ, IOM, UNCDF, EIB, SDC, and UNHCR*
- Empowering vulnerable migrants, refugees and asylum seekers economically and socially *e.g. UNHCR, USAID and IADB, EC and FMO*
- Promoting access to financial services among women migrants *e.g. IADB, EU, IFAD and SDC*
- Creating functional partnerships and synergies to support migrants to access (more) financial services *e.g. UNCDF, UNHCR, IFC and SDC*

Supply side intervention

- Ensuring that financial service providers can provide migrant-specific financial literacy services *e.g. UNHCR, UNCDF, AFI and GIZ*
- Providing migrant-targeted financial support (credit and loans) via formal financial intermediaries *e.g. UNHCR, FMO, & WB/IFC/ILO/UNICEF*
- Partnering with financial service providers to prioritise migrant women in providing financial services *e.g. UNHCR and UNCDF*
- Creating functional partnerships and synergies to support the provision of financial services and products needed by migrants *e.g. UNCDF, UNHCR, IFC/WBG*
- Reducing the costs of sending remittances *e.g. UNCDF and UNDP, IFAD, and African Union*

Supporting functions

- Informing and guiding governments on how to engage with migrants, including in economic and financial activities *e.g. IOM and MPI*
- Supporting civil society organisations and private sector to influence the prioritisation of migrant women in accessing financial services *e.g. European Commission through WEMIN, IFC, and IFAD*
- Adopting strategies that aim at reducing costs of sending remittances and attracting more migrants to use formal financial services *e.g. African Union*

Enabling rules

- Promoting evidence-based migration policies and programmes at the regional, country and local levels while protecting human and labour rights of migrants and developing institutional capacity *e.g. AIDB and IOM*
- Supporting integration and inclusion of migrants in national development plans and ensuring that they are mainstreamed and covered by development programmes of host countries *e.g. European Commission*
- Advocating for friendly Know Your Customer (KYC) rules and regulations through policy dialogues with policymakers

Recommendations for public development actors

Regulatory issues	**Challenge 1a** Poor safety and security of digital financial transactions have created distrust among migrants in using formal financial services.	**Recommendation 1a** Champion digital regulatory systems that can protect the consumer rights of migrants who are engaged in mobile money and internet banking and their transactions.
	Challenge 1b Policy incoherences by government institutions undermine the efforts of PDAs, e.g., taxes on mobile money.	**Recommendation 1b** Support governments in migrant-sending and migrant-receiving countries to adopt financial inclusion friendly rules and regulations, e.g., subsidising rather than taxing digital financial transactions.
Gender gaps	**Challenge 2** Women are more likely to be financially excluded, e.g., due to their engagement in informal jobs. They also send lower remittance amounts many times, making them incur higher transaction costs overall.	**Recommendation 2** Adopt more gender-specific interventions that address the unique financial inclusion needs of women migrants and refugees, e.g., programmes that provide financial literacy to women or target lower-income migrant earners who are usually women.
High remittance costs	**Challenge 3** The costs of sending remittances remain way above the 3.0 per cent SDG target and much higher in the Global South.	**Recommendation 3** Continue to advocate for and directly implement more policies that reduce remittance costs, especially in sub-Saharan Africa.
Missing data	**Challenge 4** It is said that if it cannot be measured, it cannot be improved, but currently, there is no database to show the extent to which migrants are either financially included or excluded.	**Recommendation 4a** Develop a migrant specific database to help demonstrate the gaps in the financial inclusion of migrants.
		Recommendation 4b Evaluate the implemented projects to understand their impact, what has been done and what needs to be done.
Unfriendly KYC	**Challenge 5** Undocumented migrants, refugees, and asylum seekers remain financially excluded as they do not meet the KYC requirements required by most financial institutions.	**Recommendation 5a** Promote legal access to identification documents to help countries achieve SDG target 16.9 (providing legal identity for all, including free birth registrations by 2030).
		Recommendation 5b Influence financial institutions to lower the high standards of KYC to allow more migrants, refugees and asylum seekers to access financial services.

Stereotypes and discriminations	**Challenge 6** Migrants, refugees and asylum seekers also remain financially discriminated against in some countries and sometimes by financial service providers.	**Recommendation 6** Adopt measures and influence the adoption of policies that promote financial inclusion for all in a non-discriminatory way and remove underlying stereotypes and prejudices against migrants through awareness programmes.
Limited partnerships among PDAs	**Challenge 7** Limited partnerships in the development community have led to duplication of interventions of public development actors, where different donors are carrying out fragmented interventions in the same region.	**Recommendation 7a** Embrace action-oriented partnerships and synergies, especially on projects of common interest and utilise different expertise from other organisations to optimise impact. **Recommendation 7b** Improve partnerships with the private sector, which constitutes direct service providers of financial services and products to migrants.
Limited funded	**Challenge 8** PDAs have limited funding to invest in comprehensive financial inclusion programmes.	**Recommendation 8** Leverage additional finance from development actors, public and private sector players, including via blended finance approaches.
One-time interventions	**Challenge 9a** PDAs provide one-time interventions that may help existing but not the regular migrants inflowing into their countries of operations. **Challenge 9b** PDAs interventions sometimes only focus on increasing remittances, yet migrants have other economic needs and potentials.	**Recommendation 9a** Financial inclusion interventions should be continuous to target the regular inflows of migrants. **Recommendation 9b** Build capacity of financial institutions to provide migrant and refugee-tailored financial services even after the PDAs have left. **Recommendation 9c** Go beyond the remittances lens to address the investment needs of migrants, including the use of diaspora bonds to invest in their countries of origin.
Limited Interoperability	**Challenge 10** Sending remittances from traditional banks to digital technologies or vice versa is still a challenge in some countries.	**Recommendation 10** Improve interoperability among financial and digital systems, especially within and between developing countries.