



Unlocking Public and Private
Finance for the Poor

EXPECTATIONS BY REMITTANCE SERVICE PROVIDERS OF POLICYMAKERS AND REGULATORS

BRIEFING SUMMARY

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Governments could provide much-needed relief to remittance service providers (RSPs) and migrant workers by focusing on a number of key interventions. Amid the COVID-19 pandemic and the resulting economic and health crisis, the call to action to governments across the globe is loud. These include declaring remittances as essential services, facilitating and promoting the use of digital remittance channels, and supporting RSPs and migrants through financial incentives as a way to keep the transaction costs for customers at a minimum.

Recognizing remittances as essential services will allow agents to continue operating, and avoid a shift to informal remittance channels. As a result of lockdowns and social distancing measures, many RSPs have been forced to close or to operate with reduced business hours. This has not only led to financial losses for RSPs, but has also disrupted critical remittance flows from migrants to their families back home. Enabling RSPs to continue operating as essential businesses during this coronavirus pandemic would be crucial for keeping remittances flowing, and circumventing the shift to informal remittance channels, many of which may come at higher costs. Given the health risks, however, hygiene and social distancing measures must be in place at agent outlets to ensure that safety is not compromised in this time of crisis.

Simplified customer due diligence for lower-risk accounts, remote account opening, and access to appropriate

identity documents are critical enablers for digital remittances. To encourage the use of digital remittance channels, a number of critical access issues must be addressed first. To open a digital account such as a mobile wallet, regulations in many countries require physical ID checks and customer signatures. In times of social distancing and lockdowns, these in-person interactions present health and safety risks for customers and agents alike. Introducing risk-based due diligence measures, such as allowing electronic signatures for low-value transaction accounts, or applying the 'know your customer' (KYC) verifications that are conducted during SIM card registration to open a mobile money account, would not only reduce compliance costs for providers, but also facilitate uptake efforts by migrants. Importantly, migrants must be granted access to appropriate identity documents. In fact, the implementation of inclusive digital identification systems would greatly ease the uptake and use of digital



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financial services for entire populations. By linking national ID and payment systems, customer due diligence procedures could be streamlined, and access to the underserved widened.

In addition to facilitating access, governments could play a catalytic role in driving use of digital payment channels, for example by promoting digital wage payments for migrant workers. The majority of wage payments to migrant workers are currently disbursed in cash. Governments could become more vocal in advocating the digitization of wage payments, which would circumvent precarious in-person transactions and result in time and cost savings by remitting through digital means. Another use-case is that of digitizing the payout of cash assistance payments and including migrants in emergency response programmes. Governments could also be instrumental in pushing the remittances industry to expand its digital offerings, for example by connecting services to mobile payment channels, or encouraging mobile payment providers to open their APIs (application programming interfaces). This would open the door for innovative financial products tailored to the last mile, such as micro-loans and micro-insurance products, which could help migrants in this time of crisis.

Digital financial literacy efforts are crucial for uptake and use of digital remittance channels, and for advancing financial inclusion. Even if digital payment channels are available, many people do

not know how to access and use them. Recognizing the importance of awareness raising and financial literacy efforts, governments could partner with industry players to run joint outreach campaigns. These campaigns must be coupled with financial inclusion efforts; migrant workers ought to be encouraged to open transaction accounts, not only to facilitate remittances, but also to gain access to other financial services such as savings and bill payments. Given current social distancing and mobility constraints, these outreach initiatives should make use of digital communication channels, such as radio, TV, social media, SMS text messages, or recorded voice messages. Once lockdowns are lifted, these efforts could continue through in-person engagements.

As the remittances industry suffers from declining business volumes, governments could consider including RSPs in the fiscal support measures extended to the financial sector. As a result of falling customer visits and declining remittance volumes, many RSPs are struggling to continue operations and to sustain business costs. To combat this decline, governments could provide concessional lines of credit to RSPs, and consider temporary tax breaks or waivers on their operating expenses and fees. While such incentives could provide temporary relief to RSPs, they would need to trickle down to the benefit of the end-user, for example in the form of reduced or waived remittance fees for customers. Temporary increases in transaction and withdrawal limits could also appeal to customers.

In conclusion, innovative and scalable solutions are needed to keep the remittances lifeline flowing. The economic and health impacts of the COVID-19 pandemic across the globe are unprecedented. With remittance flows on the decline, the impact on the remittances industry, migrants and local economies will be severe. Some interventions could provide immediate relief, whereas others require more time and investment to develop. It is evident, however, that innovative ideas and approaches are desperately needed to keep the remittances lifeline flowing.

For more information, please contact:

Dr. Robin Gravesteijn
Lead, Data and Research
Migration and Remittances
robin.gravesteijn@uncdf.org

Sabine Mensah
Regional Digital Hub Manager
West and Central Africa
sabine.mensah@uncdf.org

Amil Aneja
Lead Specialist
Migration and Remittances
amil.aneja@uncdf.org