

# Migration & Remittances

## The Road Ahead



We imagine a world of inclusive, well-functioning digital economies that leave no one behind—including the hundreds of millions of migrants living and working outside their home countries. The road ahead to inclusive digital economies requires working holistically on the issue of remittances—how migrants send money back home and how their loved ones receive and use it. UNCDF is taking that 360-degree approach. We are working with policymakers, regulators, financial services providers, technology players, academic and training institutes, human-centered design experts, and migrants themselves. The goal is to deliver migrants safe, affordable, convenient and effective financial tools they need to create better futures.

### Steps on the road

The key to inclusive economies is digitization. Compared to cash, digital financial services are much less expensive to deliver and more convenient to use. For migrants,

digitized remittances could also be the gateway product for a full suite of other digital financial services—insurance, savings, credit, and more—delivered in tandem. But digitizing remittances is not easy.

It requires the right infrastructure, regulations, cross-border policy cooperation, product design and delivery, user access, digital and financial literacy, and empowerment.

	Success means	The challenges	Our response
<b>ACCESS</b>	Digital remittance solutions are available to migrants.	A migrant's decision about how to send money is influenced by many factors. Along with the sheer force of habit, these factors begin with the choices available in the host country and country of origin (and the migrant's awareness of those choices). They also include the ease or difficulty of doing business with formal institutions, including cost, speed, convenience, ID requirements, and government regulations or other paperwork burdens. These factors tend to reinforce the use of cash and thus limit opportunities to reduce transaction costs and safeguard financial integrity.	We're investing in efforts to improve the accessibility, user experience, and delivery of remittances through a digital ecosystem of financial services that builds migrants' digital and financial literacy towards long-term behavior change. These efforts are in coordination with technical assistance to national governments, regional economic communities, and multilateral stakeholders to review and advise on the remittance policy and regulatory frameworks.
<b>USAGE</b>	Migrants trust digital remittances and are using digital remittances regularly.	Access to digital remittance channels does not automatically guarantee usage. Even with increasing availability of digital platforms for remittances, the value proposition, for a migrant, of shifting from cash-based remittances remains weak because cash enters the equation at some point anyway. Either the migrant receives wages in cash, or the loved ones receiving the remittances need those funds as cash, or both. Without end-to-end digitization across the entire remittances value chain, the long-term incentives for any single link in that chain to digitize are substantially diminished and the full benefits of financial inclusion for migrants remains unrealized.	We are working with financial service providers to put migrants at the center of the design and roll-out of remittance services. Through a collaborative, iterative approach with the providers, we are putting the voices of migrants and their families into the entire remittance delivery process from origination to termination. We are bringing our best practices, tools, and resources to the table to ensure outreach to migrants with solutions that reduce dependence on cash and deliver end-to-end digital products whose value to migrants is compelling. The goal is to make successful roll-out, ongoing engagement, and informed usage of those products a reality.
<b>RESILIENCE</b>	Migrants' financial health and ability to withstand setbacks are strengthened.	For migrants and/or their families, limited access and usage of digital remittance channels is not enough. Remittances are a near-universal feature in the migrant experience, and the digital infrastructure and last-mile delivery channels that have been built up around remittances remain an under-tapped resource. New thinking and approaches are needed to expand access to value-added services, financial and otherwise, that can reduce migrants' vulnerabilities during times of crisis and beyond.	We're working with financial service providers so they can design and scale products that keep the physical and financial lives of migrants and families, rather than distribution structure and costs, at the center. This migrant-centric focus will increase the uptake of remittance-linked digital financial services including insurance, pensions, and credit for access to education, energy, health, water, and livelihood purposes. This will increase customer retention for providers and will support the financial health and resilience of families.



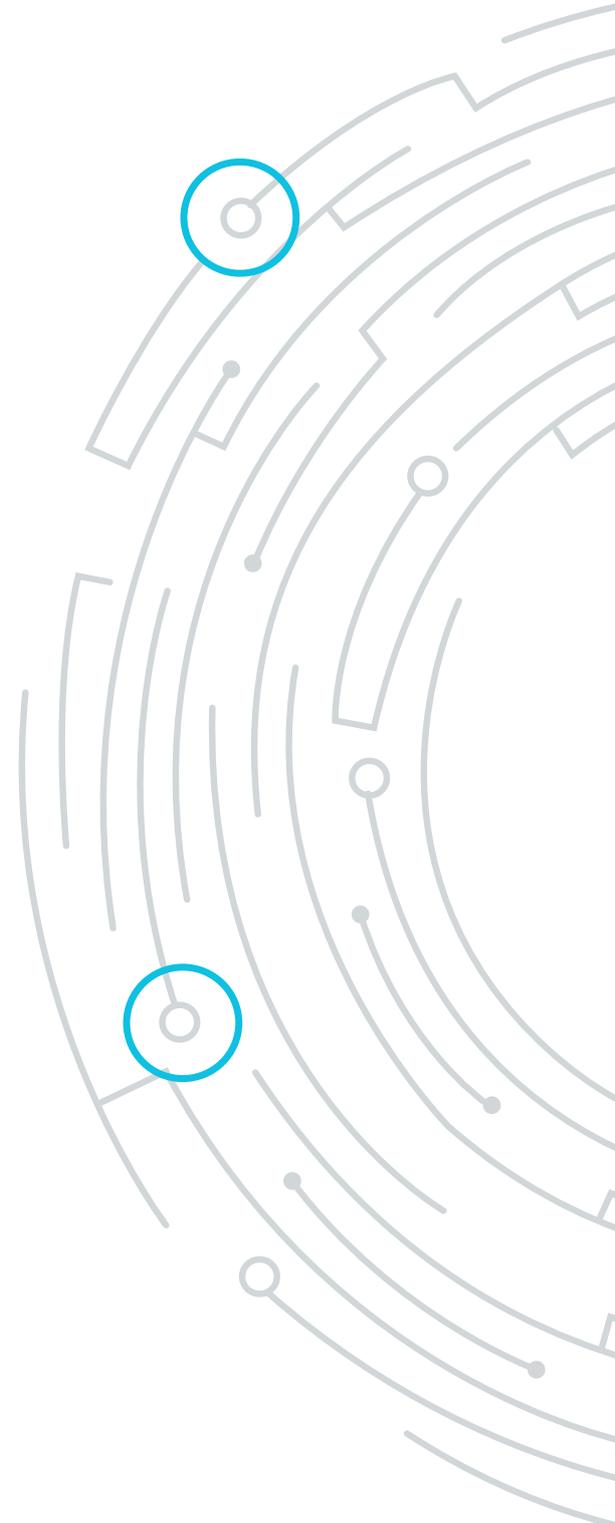
## The destination:

### Financial services that work for people on the move

The nature of work has changed dramatically in the past few decades. Globalization, climate change, and perhaps most of all, the technology revolution have all converged to create a world where fewer people stay in one place working a steady job and more people pursue multiple opportunities. For hundreds of millions of people, those opportunities involve living abroad for some portion of their working years.

Even when moving for work is the smart decision, migration can mean income volatility, uncertainty and insecurity. This is particularly true for migrants in irregular situations, migrant workers with precarious livelihoods, or those working in the informal economy. The same financial products which at home could help reduce vulnerability—liquid savings, lines of credit, insurance, pension, etc.—are seldom easy to access outside one's home country. (And for low-income people, often not there, either.) This market failure is startling, considering how common migration is, how long-standing the trend, and how many economies, in both migrant-sending and -receiving countries, depend on it. Any person arriving in a foreign country can buy a local SIM card for his or her phone, often from a vending machine in the airport, and immediately have access to voice, text, and data. But financial services, even low-basic ones, are as yet nowhere near such seamless portability.

Migrant-centric financial products should understand migrants' complex set of income streams and outbound flows—remittances above all, but the full picture of financial needs—and then deliver a full suite of safe, affordable, fast, and convenient financial services. Such services are vital to reducing low-income migrants' vulnerability in a world where increasingly fluid labor markets may fray the social contract between employer and employee. But they are also vital to ensuring that all migrants—those in irregular situations, those in the informal economy, highly skilled professionals, middle managers, service workers, laborers, and everyone else—can go where their best opportunities await and make the most of their talents once there, for the benefit of themselves, their families, and their host countries.



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