



NEWS

# ECCAS and UNCDF Announce Agreement to Strengthen Financial Services for African Migrants and Families

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*New memorandum of understanding seeks to expand access to digital remittances, remittance-linked products to build financial resilience for low-income households in the region*

The Economic Community of Central African States (ECCAS) and the United Nations Capital Development Fund (UNCDF) today announced that they have entered into a two-year memorandum of understanding, or MOU, intended to expand affordable and convenient access to digital remittances, the term for the money transfers that migrants working abroad send back to loved ones in their countries of origin.

The eleven member states of ECCAS together account for more than 5.3 million migrants who in 2019 sent remittances valued at more than USD 2.5 billion. These funds are not only a vital source of income for the households concerned, but also constitute for the recipient countries one of the largest and most reliable inflows of foreign currency, which is welcomed by the President of the ECCAS Commission, His Excellency Gilberto da Piedade Verissimo.

One of the constraints on remittances' development is the patchwork of regulations governing their flow. Even between neighboring countries, there is limited consistency in the guidelines for who can operate a money-transfer business as well as how to operate such a business, the requirements for acceptable forms of customer identification, the monitoring of cross-border transfers based on transaction sizes, and many other relevant policies—all of which have the collective effect of limiting the penetration of formal remittance services.

ECCAS is a case in point. Nearly half the region's migrants remain within other ECCAS-region countries, yet the value of remittances within the region is less than one-third of the total in-bound flows, suggesting the opportunity and the need for greater regional harmonization. For UNCDF, which plans to expand its policy and regulatory coordination support in Africa, the ECCAS countries were an ideal starting point.

“Our goal at UNCDF is to support creation of coherent and interoperable systems, both technological systems as well as the policy systems that govern the technology,” said Preeti Sinha, Executive Secretary of UNCDF. “We want to see remittances move easily through safe, transparent, and well-regulated channels that safeguard the integrity of each nation’s financial system, while advancing the well-being of hard-working, law-abiding migrants and their families. UNCDF is grateful to ECCAS for its leadership on this issue. We look forward to working with them for the benefit of the people of the ECCAS countries and for the demonstration effect this partnership can create for other regions of the world.”

Along with harmonizing the policy and regulatory frameworks that govern remittance flows, the ECCAS/UNCDF initiative will seek to build a robust body of market research, with data regarding both the supply and demand for financial services to identify gaps and priorities. Key to the initiative will be developing an understanding for how remittances, if shifted from cash to digital channels, could be the gateway to other financial services supporting the resilience and financial health of migrant households. Towards that end, UNCDF will also convene and facilitate peer-learning exchanges between regulators in the region, as well as will bring regulators together with financial service providers and other private-sector actors so that all stakeholders may learn first-hand about each other’s constraints, priorities, goals and incentives. Major funding for the activities to be undertaken in connection with the new MOU will be provided by Sida, the Swedish International Development Agency, as part of its broad strategy of engagement with African stakeholders including the African Institute of Remittances (AIR), the African Union, and the regional economic communities towards harmonization of payment infrastructure, policies, and regulations.

“Sida congratulates ECCAS and UNCDF on reaching this milestone,” said Ulla Andrén, Sida’s Head of Regional Development Cooperation in Africa. “We see regional and international cooperation as the key not only to leveraging the full potential of remittances, but to economic development in Africa. Through our support of the Joint Labour Migration Programme for Africa, or JLMP, adopted in 2015 by African heads of states, Sweden is committed to supporting efforts to improve migration policies and governance, promote migrants’ rights, and facilitate labour mobility on the continent. Sida looks forward to seeing the efforts under this new ECCAS/ UNCDF partnership create lasting positive impact in the lives of African families.”

In light of the ongoing COVID pandemic, ECCAS and UNCDF will hold the inaugural ceremony virtually on a date to be scheduled for late spring.

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## **ABOUT ECCAS**

The Economic Community of Central African States (ECCAS) is an economic community of the African Union for promotion of regional economic cooperation in Central Africa. It aims to achieve collective autonomy, raise the standard of living of its populations, and maintain economic stability through harmonious cooperation.

## **ABOUT UNCDF**

The UN Capital Development Fund makes public and private finance work for the poor in the world’s 46 least developed countries (LDCs).

UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF’s financing models work through three channels: (1) **inclusive digital economies**, which connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) **local development finance**, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) **investment finance**, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.