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Finance for the Poor

EXPLORATORY PAPER
MECHANISMS FOR DIASPORA FINANCE

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DISCLAIMER

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EXECUTIVE SUMMARY

One of the most hopeful signs of the past six years has been the way the world has rallied behind the Sustainable Development Goals (SDGs) since they were endorsed in September 2015. However, as we enter the decade of action to deliver the SDGs, the COVID-19 crisis has set back the progress made, and it has become even more imperative that the mobilization and allocation of resources for crisis response and development is equitable.

Attracting remittance flows to low-and-middle-income countries is critical to meeting the SDGs. Signatories to the Addis Ababa Action Agenda have committed to ensuring that affordable financial services are available to migrants and their households, and to reducing costs of transferring remittances. Other initiatives to promote remittance investments include tax exemptions for migrants on imported capital for investment, matching funding and support for diaspora financial products.

Remittances are an indispensable and durable source of development finance, rising to more than US$700 billion worldwide and US$540 billion to low- and middle-income countries in 2020.[1] Even though remittances to low- and middle-income countries fell by 1.6 percent in 2020 because of the COVID-19 pandemic,[2] the relative importance of this source of external financing for these countries is expected to increase. For these countries, remittances complement official development assistance and also serve as a reliable source of income for household consumption, emergency needs and investments, and sometimes are the main source of income. Remittances help increase the disposable income of the families of migrants, which leads to increased expenditure, consumption and investment in health, education and the local economy in general. The idea of putting diaspora capital into more productive use has been further amplified by the necessity to explore new sources of financing for investment to supplement traditional domestic and external resources.

However, a poor enabling macro and microeconomic environment for investment negatively affects the ability of women and men migrants to invest their remittances in social security and livelihoods. Another challenge is to secure sufficient resources for creating enabling environment regarding policies and regulations, payment ecosystems, inclusive innovation and empowering customers. This report argues that the judicious and effective design of financial products should offer real potential to facilitate an increase in the flow of remittances to low- and middle-income countries, as part of inclusive innovation blended with enabling policies and regulations, appropriate payment ecosystems focusing on financial infrastructure, and empowered customers with emphasis on effective consumer protection and capacity building.

1 World Bank Group, *Resilience COVID-19 Crisis through a Migration Lens, Migration and Development Brief 34* (KNOMAD, World Bank Group, 2021). www.knomad.org/sites/default/files/2021-05/Migration and Development Brief 34_1.pdf.

2 Ibid.

This review explores determinants for how to improve the investments of women and men migrants in their countries of origin, ranging from putting in place favourable policy and regulatory frameworks, improved technology that reduce the cost and complexity of sending remittances, to aspects such as consumer protection and capacity building. It also examines a range of products that countries can consider for their diaspora to invest in, including micro savings products, endowment savings accounts, savings and credit cooperative societies, pension schemes, insurance policies, mortgages and collective investment schemes or mutual funds.

Enabling policies and regulations are critical to encourage women and men migrants to invest remittances in various financial products in their countries of origin. In this regard, country-specific policies should be assessed, and gaps if any, should be addressed. Relevant government ministries, departments and agencies (MDAs) should review their policies and legal standards with the goal of establishing more conducive policy and regulatory frameworks to facilitate lower remittance costs, increase cross-border remittance flows through formal channels, and expand access and usage of digital financial services. National authorities should not to over-regulate the sector, to avoid the risk of driving remittances into informal and unregulated networks.

Unregulated channels with unpredictable exchange rates are impediments, and these present risks to the women and men migrants who wish to invest in various financial products in their country of origin. Consideration should be made on the payment network that is responsible for both the sending and receiving of transactions. Any disproportionate barriers, especially in the registration and approval requirements for service providers should be removed to allow smaller players, such as non-bank financial services providers, to enter the market, so improving innovations in finance mechanisms, service provision and lowering prices for remittances. Such efforts will in turn, improve remittance flows and thus migrants' investments in financial products. Private sector actors should also be more innovative and flexible in designing appropriate policies that promote the flow of remittances.

The open digital finance ecosystem is an important theme that surrounds finance mechanisms for the diaspora. Governments and other key stakeholders should ensure that women and men migrants and beneficiaries have improved access to an increasing number of digital remittance channels. It is important to facilitate the digital rails throughout the remittance value chain so that sending and receiving remittances through digital channels is both accessible and affordable. Digitizing remittances helps to reduce the cost of remittances and improves access. Likewise, private sector actors should be more innovative and flexible in designing appropriate technologies that promote the flow of remittances.

Empowered customers are indispensable, having strengthened capacity- to identify and invest in financial products,. Women and men migrants and beneficiaries should be equipped with the knowledge and skills to use digital remittance channels and have equal access to training and education on remittance and financial products. Low levels of literacy and low skills amongst some remittance recipients present a challenge to implementing remittance digital payments.

Inclusive innovation is vital, involving the development of new business models and technologies for delivering fundamental services linked to remittances, and which consider the different needs and possibilities of women and men migrants,. Governments and private sector actors should provide comprehensive technical assistance in support of women and men migrants and their families towards migrant-centric product development. It is important to leverage digital channels to make cross-border remittances cheaper and more efficient while improving the capacity to link remittances with financial products.

The introduction of formal and regulated migrant-centric financial products in countries of origin help to form and improve social ties with communities of origin, and thus boost remittances. When considering investments, women and men migrants are usually looking for a safe place to store money while retaining its value, and with higher returns than are available in their country of residence. If they plan to eventually return home, such investments then enable them to maintain ties with their country of origin, and so can ease their reintegration into their home communities.

Last but not least, each development product requires detailed step-by-step design principles to be followed to ensure ease of implementation. Project design should therefore adequately reflect the specific policy and regulatory environment in each context.

INTRODUCTION

The number of international migrants[3] worldwide has grown from 173 million in 2000, to 220 million in 2010, and to a current estimate of 272 million people, or 3.5 percent of the world's population who now live outside their country of origin in 2020.[4] Approximately 48 percent of them are women.

In 2020, officially recorded remittance[5] flows to low- and middle-income countries (LMICs) reached US$540 billion, which is 1.6 percent below the US$548 billion recorded in 2019.[6] The decline is attributed to the COVID-19 pandemic.[7] For these countries, remittances received not only complement official development assistance, but also serve as a reliable source of income for household consumption, emergency needs and investments, and sometimes even as the main source of income.

Keeping remittances flowing is essential. To this end, the Addis Ababa Action Agenda has relevant agreements and policy recommendations that aim to increase remittance flows and migrant investments. It sets a target to reduce the global average costs of transmitting remittances across borders to below three percent by 2030.[8] It also calls for countries to ensure that no remittance corridor has a remittance cost higher than 5 percent, mindful of the need to maintain adequate service coverage especially for those most in need. The Agenda takes into account international migration, affirming the rights of women and men migrant workers, and underscores the need for countries to ensure that policy and regulatory environments support financial market stability and promote financial inclusion in a balanced manner while embracing science, technology, innovation and capacity building. The Addis Ababa Agenda fortifies the importance of public policies and finance to spur innovation, and in this regard, it underpins the broad areas discussed in this report regarding enabling policies and regulations, open digital ecosystems, inclusive innovation and empowered customers.

3 Throughout this report the focus is on international migrants managing cross-border and 'home vs host' country issues, rather than domestic migrants moving, for example from rural to urban areas.
4 UN Migration, *World Migration Report 2020* (UN Migration, Geneva, 2020) www.iom.int/wmr/interactive/.
5 Remittances are usually understood as the money or goods that migrants send back to families and friends in origin countries, are often the most direct and well-known link between migration and development. Remittances include compensation of employees and personal transfers.
6 World Bank Group, *Resilience COVID-19 Crisis through a Migration Lens, Migration and Development Brief 34.* (KNOMAD, World Bank Group, 2021). www.knomad.org/sites/default/files/2021-05/Migration%20and%20Development%20Brief%2034_1.pdf.
7 Ibid.
8 https://www.un.org/esa/ffd/ffd3/wp-content/uploads/sites/2/2015/07/DESA-Briefing-Note-Addis-Action-Agenda.pdf

FACTORS INFLUENCING MECHANISMS FOR DIASPORA FINANCE

Women and men migrants accumulate savings abroad and bring financial resources to their countries of origin. Migration and remittances can help overcome financial constraints and stimulate investments and entrepreneurship, especially in countries where access to credit is limited and formal financial markets are underdeveloped. The development potential of the increasing flow of remittances into low- and middle-income countries has generated interest among policymakers in how to boost the volume of remittances and the best ways to channel remittances into more savings and productive investments.

This section provides an overview of the main influences on the mechanisms for diaspora finance, with an emphasis on macro and microeconomic conditions in countries and communities of origin, enabling policies and regulations, open digital ecosystems focusing on financial infrastructure, empowered customers focusing on consumer protection and capacity building, and inclusive innovation in relation to financial products. Governments and private impact investors should therefore appreciate these factors, and come up with innovative ways to influence policies, practices and capacity building so as to tap in remittances for women and men migrants' financial inclusion and investments purposes.

1. Economic conditions in countries and communities of origin

Macro and microeconomic conditions in countries and communities of origin are a crucial indicator for how productively remittances can be used, as the conditions that lead to migration may also limit opportunities to save and invest remittances.

The motivations for remittances are varied, and often overlap with those behind the original decision to migrate. For example, in a survey conducted by the French Committee for International Solidarity (CFSI),[9] women and men migrants from Comoros, Mali, Morocco, Senegal and Viet Nam living in France classified their different motives for sending remittances by importance and priority as to: (i) assist their family, (ii) build houses, (iii) build community infrastructure (health services, schools, etc.), (iv) start a business, and (v) open a savings account. Yéro Baldé (2010) highlights four factors and conditions that may influence decision-making on remittances by households and women and men migrants.[10] The factors are: (i) the degree of household dependency on remittances, i.e. the more they are dependent on these funds, the less they save and invest, (ii) the nature of remittance recipients–with

9 Comité Français pour la Solidarité Internationale, *Migration et phénomènes migratoires: Flux financiers, mobilisation de l'épargne et investissement local* [*Report on Migration and migratory phenomena: Financial flows, mobilization of savings and local investment*], Paris, 2004) www.cfsi.asso.fr/sites/www.cfsi.asso.fr/files/1-migration-phenomenes-migratoires-afd.pdf.

10 Baldé, Yéro, "The impact of remittances and foreign aid on savings/investment in sub-Saharan Africa", *African Development Review*, vol 23, No. 2, pp247–262 (2011).

women being more concerned about regulating family consumption, (iii) the existence of a potential target destination for remittances, such as the purchase of goods or education, and (iv) the level of income of the recipient of remittances and the existence of credit constraints, i.e. low-value remittances may enable recipient households to meet their daily consumption needs, whereas only larger amounts allow additional uses such as savings or investment.

The economic conditions and living standards of women and men migrants and recipients influence how remittances will be used, along with their orientation towards productive or non-productive activities. A relatively good initial economic situation offers women and men migrants and their families more opportunities to use remittances for savings and investment. This in turn allows households and women and men migrants more possibilities to avoid future debt repayments, offering them more opportunities to save or invest future remittances, especially as a social safety net if and when women and men migrants return to their home countries. For the families of very poor women and men migrants, the priority is to raise money to meet their immediate living costs, rather than saving or investing. There is thus a certain threshold or level of income and development below which households and women and men migrants do not have the capacity to save and invest remittances.[11] This threshold could be basic daily household needs, including food, shelter, medicine, clothing, etc.

When migration is financed by debt, remittances will for several years be used to repay this debt and meet daily living costs, leaving little left to save and invest. In a study on migration from Pakistan, it was found that the size of loans has a negative impact on remittances to the immediate household and women and men migrants' savings, as women and men migrants entered into an informal agreement to repay their extended family's financial support for their migration costs.[12] The larger the loan, the lower will be the remittances to the family in the short term.

In the country and community of origin is in a poor macro and microeconomic condition, it is quite likely that remittances will be received by households with a high marginal propensity to consume, and therefore, they may simply not be directed in significant quantities towards savings and investments.[13] If remittances are perceived to be permanent, they may tend to stimulate additional consumption rather than investment, even in the presence of credit constraints.[14] It can therefore be argued that part of the reason why remittances have not encouraged economic growth in poor economic conditions is that they are generally not intended to serve as savings and investments, but rather as social insurance to help family members finance the purchase of life's necessities. Migration is sometimes described as an investment on the part of the migrant and his or her family, where the return on investment takes the form of higher earnings in a more-developed destination country. In this context, remittances often constitute the portion of the return on investment from migration that accrues to individuals in the migrant's country of origin.[15]

11 Ben Naceur, S. et al., "Do remittances enhance financial inclusion in LMICs and in fragile states?" (International Monetary Fund Working Paper, Institute for Capacity Development, 2020).

12 Ilahi, Nadeem, and Saqib Jafarey, "Guestworker migration, remittances and the extended family: Evidence from Pakistan", *Journal of Development Economics*, vol 58, No. 2, pp 485–512 (1999).

13 Barajas, A., R. Chami, C. Ebeke, and A. Oeking, "What's different about monetary policy transmission in remittance-dependent countries?" *Journal of Development Economics*, vol 134, pp 272–288 (September 2018).

14 Ibid.

15 Clemens, Michael, and Timothy Ogden, *Migration as a Strategy for Household Finance: A Research Agenda on Remittances, Payments, and Development* (Working Paper, Financial Access Initiative, New York, 2013).

Docquier and Rapoport (2006) provide a model of remittance-sending decisions that incorporates a variety of motives, including selflessness, exchange (compensation for services rendered to the women and men migrant by recipients), insurance, loan repayment and investment, some or all of which could operate simultaneously.[16] Women and men migrants may send remittances to increase recipient consumption levels just out of generosity, and this could also be a response to shocks experienced by recipients and thus play an insurance function. Remittances may be intended for investments in education and training by recipients, and they may also have self-interested motivations such as the repayment of debts incurred by the women and men migrant's education in the country of origin, or the initial fixed costs of migration.[17] They could also be intended for women and men migrants' future investments in the country or origin, or for the monitoring or administration of investment assets. They may also be sent to secure a future inheritance from elderly relatives being supported in the home country.[18]

Knowing the macro and microeconomic conditions of the community of origin, motives of sending remittances and the nature of the remittance recipients is therefore important when designing effective and focused policies and programs that support finance mechanisms for women and men migrants and improve remittance inflows.

2. Enabling policies and regulations

Challenges are many – not least the force of long-held habits and conditions–but one of the largest involves unfavourable, inconsistent or even contradictory policies and regulations within and between countries. Remittances can have even more positive effects if they flow into an economy with good governance, a supportive macroeconomic context and a business environment that is conducive to productive investments. In such cases, remittances amplify and reinforce trends that are made possible by sound policies, leading to a virtuous economic circle. In countries where domestic policy settings are inadequate, the effects of the remittances are more likely to be wasted, as they can be sucked into a vicious economic circle of mismanagement, inefficiency and corruption.[19] Barajas et al. (2018) note that in many low- and middle-income countries, financial markets are characterized by severe asymmetric information problems, borrower opaqueness, weak policy, legal and institutional frameworks, and oligopolistic banking behaviour – all leading to a high cost of borrowing and credit rationing. In such a case, this would mean alleviating credit constraints for the household, where remittances are likely to be used by recipients to avoid using the formal financial system.[20] A poor enabling policy environment for investment and a lack of migrant-centric policies on financial products negatively affect the

16 Docquier, Frédéric, and Hillel Rapoport, "The Economics of Migrants Remittances"', in *Handbook of the Economics of Giving, Altruism and Reciprocity*, Vol 2, pp 1135–1198 (Elsevier, 2006).

17 Poirine, Bernard, "A theory of remittances as an implicit family loan arrangement", *World Development*, vol 25, No. 5, pp 589–611 (1997).
Ilahi, Nadeem, and Saqib Jafarey, "Guestworker migration, remittances and the extended family: Evidence from Pakistan", *Journal of Development Economics*, vol 58, No. 2, pp 485–512 (1999).

18 Hoddinott, John, "A model of migration and remittances applied to western Kenya", *Oxford Economic Papers*, vol 46, No. 3, pp 450–475 (1994).

19 International Organization for Migration, *Analysing the Impact of Remittances from Cambodian Migrant Workers in Thailand on Local Communities in Cambodia* (IOM, Geneva, 2010).

20 Barajas, A., R. Chami, C. Ebeke, and A. Oeking, "What's different about monetary policy transmission in remittance-dependent countries?" *Journal of Development Economics*, vol 134, pp 272–288 (September 2018).

ability of household to invest remittances and accumulate savings. This stance is supported by Ikumola (2015), that unattractive policies, laws and projects, and the mismanagement of funds in countries of origin, can sometimes act as disincentives for remittances.[21]

Policymakers widely acknowledge the positive impacts of migration and remittances on development globally, notably in relation to the 2030 Agenda for Sustainable Development.[22] Strengthening the links between policies, legal and institutional frameworks, migration, investment, financial services and development is therefore important. Migration and remittances have the potential to strengthen development processes through long-term investments that benefit women and men migrants, their households and their countries of origin. But, sending and use of remittances and savings decisions by women and men migrants depend on policies that are responsible for a favourable investment climate and inclusive financial systems that stimulate a variety of financial products for savings and investments.

Remittance services should therefore be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions.[23] Specifically, policies and regulations need to foster competition by enabling a range of providers to introduce new services and products. The policy environment has to ensure transparency, adequate consumer protection and competition, encourage new business models, innovation for digital financial services, and easy account opening processes.

Foreign exchange policies and regulations, for example, should provide procedures for handling incoming foreign exchange remittances in a manner that should not inhibit remittance services. It should be possible for women and men migrants to easily open a forex account in their country of origin remotely while outside the country. Stable and market determined exchange rates provide a favourable environment for cross-border remittances. A good foreign exchange regime provides women and men migrants with better access to the financial system through formal remittance channels, increasing savings, and leading to greater financial resilience and risk coverage for women and men migrants and their families.

Likewise, the anti-money laundering and countering terrorist financing (AML/CFT) law and regulations should provide for a proportionate, risk-based approach and flexible consumer due diligence requirements based on the value of cross-border transactions. Different channels such as electronic customer due diligence for both local and foreign nationals during the diligence process should be allowed. Legislation should clarify that compliance with AML/CTF obligations in the law does not require financial institutions to refuse or terminate business relationships with entire categories of customers that they consider may present a higher overall money laundering/terrorists financing risk.

Remittance services legislation should not be prohibitive for new entrants into the market. Having many remittance service providers in a market helps to increase competition, and the

21 Ikuomola, A.D., "Unintended consequences of remittance: Nigerian migrants and intra-household conflicts", SAGE Open (July 2015). doi:10.1177/2158244015605353.

22 United Nations, *Transforming our World: The 2030 Agenda for Sustainable Development* (United Nations, New York, 2015) https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf.

23 Bank for International Settlements and World Bank, "General principles for international remittance services", (Basel, January 2007), available at: https://www.bis.org/ cpmi/publ/d76.pdf

outcome of this is improved efficiency and thus reduced costs. Governments should undertake deliberate policy changes that aim at improving existing payment infrastructures and arrangements to support the requirements of the cross-border payments market, in order to address frictions along the remittance channels. This may include enhancing functionalities of existing systems that aim at attaining straight-through-processes (STP), aligning processes and operating hours across systems. Another measure for example, that governments can introduce is standardized and transparent licensing criteria for international mobile money transfers both inward and outward, increase mobile wallet daily and aggregate transaction limits, and enhance the process of securing approval to connect new corridors. In Ghana, for example, electronic money issuers such as mobile money services have been allowed to channel inbound remittances.[24] In countries such as Rwanda and Tanzania, regulators have gone a step further, allowing licensed electronic money providers to both receive and send international remittances.[25] The mobile money rules and procedures must allow international fund transfers directly to mobile wallets and allow for international partnership agreements to set transaction and balance limits on a case-by-case basis subject to regulatory approval.

Identification (ID) policy is also key for women and men migrants for due diligence purposes. This should allow ID databases within countries to be consolidated and harmonized, and appointing one sole organ for issuing national ID to reduce multiplicities and costs. Digital ID is paramount to increasing the adoption of formal financial services. Identifying specific policy interventions to boost implementation and usage of digital ID is critical to its role as an enabler for remittance services, as it supports effective identification and on-boarding of customers and user segments, facilitates authentication and verification of cross-border transactions, facilitates effective AML/CFT supervision of cross-border transactions, and expands the digital footprint of the underbanked to enable their access to a broader range of financial services. Access to customer due diligence information will play a significant role in lowering potential users' risk perception as well as reducing costs of compliance. Once the ID system is improved, the payment infrastructure should also be enhanced to integrate with digital identity systems. Countries can sign bilateral agreements to have collaborative due diligence information repository platforms to enable financial institutions to access customers' profiles and information, as well as to leverage the platform to conduct customer due diligence.

Another policy decision is for governments to create a liaison office that will play an information and communication role, and act as a relay between the diaspora and associations of women and men migrants, and the administrations involved in the promotion of investment within the country. The office, within ministries of foreign affairs, should have programmes for public education and awareness activities particularly to women and men migrants before and after departure. Education seminars should cover remittance topics such as pre-departure opening of a bank account or mobile wallet. An information, communication and coordination system with women and men migrants should be in place for awareness raising and capacity building on financial literacy, particularly on the importance of investing in various financial products in their home country. The liaison office can coordinate embassies and consular services so that they can be used in developing a database including names, jobs

24 GSMA, "Working Paper: Guidelines on International Remittances through Mobile Money" (2017).
25 Ibid.

and contacts. Online communication and virtual meetings can be organized allowing for long term strengthening of proximity with the diaspora, and to gain a better knowledge of their concerns and expectations. Networking with associations of women and men migrants abroad will ensure a better channelling of remittances to productive projects in their home countries.

Likewise, the development of online tools makes it possible to network diaspora skills abroad in order to mobilize them for advice, expertise and increased remittances to their home countries. It is important to have tailored approaches and guidelines for financial education, particularly for low-income migrants. The aim is to have providers who use approaches and content that are simple to understand and easy to use. It is important for the financial education content to be tailormade, to drive end user customer awareness and financial capabilities. Delivery tools should take into account the conditions and constraints of women and men migrants in the informal economy.

Box 1: Illustrative case study extracted from the IOM *"Study On Remittance Regulatory Frameworks and Accessibility Of Regular Remittance Channels Of The Colombo Process Member States"* (2019).

The Pakistan Remittance Initiative (PRI) was launched in August 2009 as a joint programme between the State Bank of Pakistan, Ministry of Overseas Pakistanis, the Human Resource Development and Ministry of Finance, with two specific objectives:

1. Facilitating and supporting the safer, cheaper, convenient and efficient flow of remittances through formal channels.

2. Creating investment opportunities in Pakistan for overseas Pakistanis.

Strategy

- Enhancement of outreach – A focus on establishing bilateral arrangements between Pakistani banks and international remittance services, to increase the number of channels for transferring money into Pakistan. PRI encouraged banks to establish arrangements and set up a rapid approval process. This increased the number of relationships from less than 80 in 2009 to over 900 in 2018.
- Enhancement of distribution channels – Improving the service of post offices and microfinance banks, and identification of remittance rich areas. In total, this added as many as 10,000 physical locations in Pakistan for receiving remittances in 10 years since 2009.
- Improvements in payment system infrastructure – Instrumental in improving payment systems such as cash over the counter and interbank settlements.
- Innovative remittance products – PRI provides advisory services to banks for introducing innovative remittance products such as cards and internet-based remittances.
- Subsidized earnings and prize incentives – In 2009, the government announced reimbursements of marketing expenses to banks for attracting remittances. This means that the Pakistani Government pays a sum of US$6.50 for every transaction over US$200 that is paid out. This is on condition that the sender is not charged a fee and that the foreign exchange margin is capped at 1 percent. The US$6.50 is paid to the paying out party in Pakistan and shared between the sending and receiving agents.

- Pre-departure briefings – Remittance briefing sessions at protectorate offices capture potential interest from overseas Pakistanis and encourage them to open bank accounts before leaving the country.
- Training programmes – Regularly held for Pakistani payout banks and agents, covering topics such as new product development, customer identification, and the value of remittance customers.

Impact and growth in value of remittances

Increasing the number of contractual partnerships between Pakistani Financial Institutions and international remittance service providers has led to more formal options for sending money to Pakistan.

Adding more than 10,000 physical locations in Pakistan within 10 years for receiving remittances has brought in new players including commercial banks, microfinance banks, exchange companies and Pakistan Post.

Reduced remittance delivery time and reduced costs, for example the average cost in Q1 2018 for sending to Pakistan was 4.8 percent (4.68 percent from UK, down from 7.32 percent in Q2 2008, 4.47 percent from United Arab Emirates down from 4.77 percent in Q2 2008, and 3.29 percent from Saudi Arabia down from 5.71 percent in Q2 2008). This has plateaued since 2016, however, when similar levels are recorded.

Home remittances to Pakistan have witnessed a phenomenal growth in recent years. According to the World Bank, remittances rose from US%5.1 billion in 2006 to US$19.6 billion in 2018 – an almost four-fold increase in 12 years. Research has shown that even considering the growth of the Pakistani diaspora over the same period, the increase in remittances surpasses the organic rate of growth. For example, only 70 percent of the overall growth of 230 percent in the volume of remittances can be explained by an increase in number of workers. A careful look at flows from individual countries shows that the increase in official remittances was most marked from the UK, where it increased from US%605 million in 2008/09 to US$1.5 billion in 2011/12. There was also a significant increase from Saudi Arabia and the United Arab Emirates, where aggressive marketing by Pakistani banks (taking advantage of the PRI's financial incentives) helped to divert remittances towards official channels.

3. Open digital payment infrastructure and network development

As remittance markets move away from cash-based payments and interlink with financial institutions and digital service providers, opportunities open for other remittance-linked financial products. Remittance recipients, most of whom are low-income, can potentially build their credit profiles using remittance transaction histories to access micro-loans and other financial services and products, at affordable rates, through digital financial services. Therefore, improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged. Financial infrastructure includes access points such as automated teller machines (ATM), points of sale, offices and branches of financial services providers, and the general payment infrastructure that exists in sending and receiving countries.

A well-developed payment infrastructure provides choice to the remitter and brings competition and cost-efficiency. Good payment infrastructure and network makes formal remittance services attractive as they bring convenient access to the end-user in terms of physical proximity. Developing payout networks involves both expanding the number of physical locations to collect cash remittances, reducing the time and effort required to travel and collect funds, and developing the digital payment infrastructure, uptake, usage and downstream ecosystem.[26] Demirgüç-Kunt et al. (2011) investigated the effects of remittances on banking breadth and depth, and found that remittances are positively and significantly correlated with the number of bank branches per capita, bank accounts per capita, and the ratio of deposits to GDP.[27]

4. Empowered customers

Generally, good consumer protection policies encourage investment in financial products. Consumer protection aims at: increasing access, usage and equity in the provision of remittance services; improving transparency and disclosure in provision of remittance services; fostering a business culture underpinned by the primacy of customer's interest; promoting competitiveness and thus increased financial inclusion by women and men migrants; and sustainable growth of investment in financial products.

Policies on consumer protection should institute complaints resolution mechanisms for financial services and address grievance redress mechanisms commensurate with the nature of remittance transactions, and provide for adequate data protection, security and privacy that facilitate the efficient flow of remittances. Countries should have consumer protection frameworks that have dispute resolution mechanisms with sufficient clarity on liability and compensation where necessary. Frameworks should have provisions that effectively address matters of disclosure of end-to-end pricing with easy-to-understand terms and conditions in remittance services and investment in financial products. Disclosure should include total price, including fees at both ends, foreign exchange rates including the margins applied on them, and other costs to the user, the time it will take the funds to reach the receiver, and the locations of the access points in both sending and receiving countries. Disclosures should be at all stages: at advertisement stage, shopping stage, pre-contractual stage, contractual stage and upon request.

Women and men migrants should have the ability to cancel or transfer products or services to another provider after a reasonable notice. For example, the European Union issued a Directive on Payment Accounts in 2014[28] that requires member states to ensure that payment service providers provide a switching service for consumers who wish to transfer their payment account to another provider within the same member state. The Directive provides for parameters for such switching services, including with respect to timeliness, cost and disclosure. For example, any fees charged to the consumer by the transferring or receiving

26 IOM (2019). "Study On Remittance Regulatory Frameworks and Accessibility of Regular Remittance Channels of The Colombo Process Member States" https://publications.iom.int/system/files/pdf/study_on_remittance_regulatory_frameworks.pdf?language=es

27 Demirgüç-Kunt, A., E.L. Cordova, M. Martinez-Peria, and C. Woodruff, "Remittances and banking sector breadth and depth: evidence from Mexico", *Journal of Development Economics*, vol 95, No. 2, pp 229–241 (2011).

28 https://ec.europa.eu/info/law/payment-accounts-directive-2014-92-eu_en

payment service provider in relation to the consumer's switching request must be reasonable and in line with the actual costs of the respective payment service provider.

Financial literacy and public awareness on the available financial products is also critical to women and men migrants investing in them. Governments and relevant private sector stakeholders should have programmes for public education and awareness activities that target women and men migrants before and after departure. For example, Philippine workers going overseas may attend pre-departure orientation seminars conducted by several different government agencies.[29] This seminar programme covers not just remittance topics but also available financial products such as suitable bank accounts.[30] Education and awareness initiatives should offer information on ways in which various payment mechanisms can be easily accessed. One of the easiest ways to lower transaction costs is to encourage the entry of new legitimate operators in a given corridor, and to inform diaspora members about their ability to choose among existing remittance-transfer mechanisms. This facilitates increased competition among remittance service providers thereby improving efficiency and lowering costs.

5. Inclusive innovation

Remittance recipients also benefit from financial products that allow for the safe storage of money while also retaining its value. Traditionally, remittances and investments made by returning women and men migrants in business activities, land and construction, were identified as positive outcomes of migration for both migrant households and local and national economies.[31] Savings could also be motivated when higher returns are available in the migrant's country of origin than in the country of residence, and especially if they intend to eventually return to their country of origin. Furthermore, the return home may be facilitated through savings products, or through a direct purchase of housing or investment to ensure an income upon return, with the use of savings and investments to maintain ties that ease their reintegration into a community.

The introduction of formal and regulated migrant-centric financial products in countries of origin may help to boost the remittances from women and men migrants. Such products include bonds, equity (private equity, venture capital, mutual funds or collective investment schemes), fixed deposits accounts, savings accounts, debt instruments (mortgages, home improvement loans, business start-up loans), securitization of assets or remittances, pensions and insurance products. For immediate positive impact, introduction of these products should be coupled with migrant entrepreneurial training, and policies linking women and men migrants to financial institutions, with a focus towards increasing savings and investments and developing new technologies to reduce the cost and complexity of sending remittances.

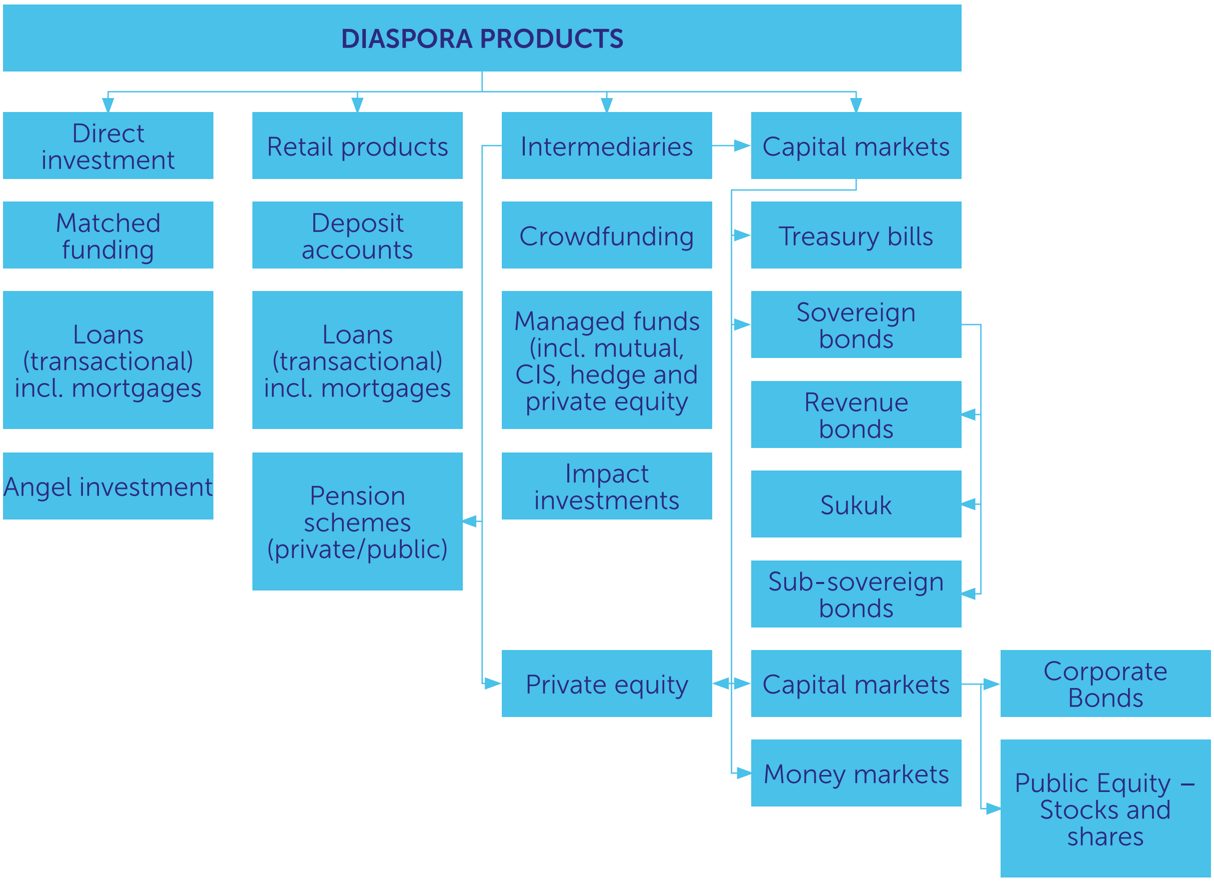
29 https://cfo.gov.ph/filipinos-leaving-the-country-with-immigrant-visa/
30 Ibid.
31 OECD, "Strengthening the links between migration, investment, financial services and development"', in *Interrelations between Public Policies, Migration and Development*, (OECD Publishing, Paris, 2017).

DIASPORA FINANCIAL PRODUCTS

For remittances to have an impact on economic growth, proper investment vehicles must be in place to enable them to be smoothly channelled into growth-enhancing activities. This section will explore diaspora financial products that women and men migrants and their families can use.

Examples of diaspora products include, but are not limited to, matched funding, loans (including mortgages), angel investments, deposit accounts, pension schemes, insurance, crowdfunding, mutual funds, collective investment schemes, private equity, sovereign bonds, treasury bills, revenue bonds, sukuks (Islamic financial certificates), sub-sovereign bonds and public equity (stocks and shares).

Figure 1: Examples of financial products suitable for diaspora remittance investments



1. Micro savings (M-savings) bonds

An M-savings bond is a hybrid between a bond and a saving product that seeks to enhance financial inclusion and economic development by offering women and men migrants and their families a safe saving and investment opportunity in their country of origin. Diaspora micro savings (M-savings) bonds are expected to be issued by governments, and by public and private institutions and companies.

The main goal of diaspora M-savings bonds is to improve financial inclusion for women and men migrants and their families, including those who are financially excluded and that have little or no access to the formal financial system. In most low- and middle-income countries there is currently no adequate, systematic, consistent, affordable, safe and convenient way for financially excluded migrants to save money and earn interest on their savings, despite their strong desire to do so. Attracting the participation of many more women and men migrants into more financial security will bring more economic activity, liquidity and vibrancy to the financial sector.

Barriers to the uptake of such products in the past has included a lack of financial literacy and suitable platforms, and the largely unaffordable minimum subscription amounts for most bonds and other similar financial instruments. Micro savings bonds aim to overcome these barriers with small subscription amounts, and thus provide a savings opportunity that is also an investment. They are designed to function across mobile networks, leveraging the attraction and convenience of mobile money to encourage the mass participation of women and men migrants and their families to enter the formal financial system.

These products also improve the connection between migrants and their country of origin through a direct financial channel. Mobilizing women and men migrant savings through such formal mechanisms reduces the use of informal remittances and the associated risks, channelling remittances into the formal economy, protecting against money laundering, increasing investment in the productive capacity of low- and middle-income countries, and thereby helping to finance much-needed projects.

Who can issue diaspora M-savings bonds?

- Microfinance institutions –proceeds from the bonds are used to finance microfinance loans in rural areas, thereby promoting financial inclusion for the diaspora and their families and relatives.
- Financial institutions – to finance mortgages for house purchases by the diaspora and their relatives, providing access to capital.
- Governments – to finance public projects, and when the level of trust in the government is raised, bonds can be issued and managed through public–private partnerships.
- Private companies – to finance specific projects, such as increasing agricultural production, processing, manufacturing, etc.
- Vocational training institutions – to further increase the earning power of women and men migrant workers recruited for jobs overseas, resulting in a virtuous circle of higher skills, leading to higher earnings, in turn resulting in higher savings.
- Local governments – with proceeds are used by regional districts, or town or municipal councils, to invest in revenue-generating activities associated with the purpose of the bonds, such as water and sewerage, roads, ports, airports, power plants, schools, health facilities, markets or other public buildings.

Expected benefits of the diaspora M-savings bonds

- The diaspora micro savings bonds initiative is expected to achieve the following.
- Increasing financial inclusion and literacy. Improved convenience and affordability increase financial inclusion by attracting more women and men migrants and their families into the financial system.
- Stimulating financial sector activity. More transactions increase liquidity in the financial sector.
- Cultivating a saving culture. The convenience, attractiveness, affordability and flexibility of a safe, new saving product boost the saving culture among women and men migrants and their families.
- Improving sources of income. Subscriptions of low-income and financially excluded migrants who currently have little or no access to the formal financial system earn income on money that would otherwise earn little or nothing in their mobile money or bank accounts. The product suits all types of women and men migrants, including low-income earners, because it allows investments of small amounts of capital.
- Stabilizing a base for government financing. Mobilizing the savings of women and men migrants that would otherwise be channelled through informal financial channels into the formal economy, increases the base for government financing so helping to finance key infrastructure and other public projects.
- Making more effective a new monetary policy tool. Subscriptions into diaspora micro savings bonds assist in bringing into the formal system money that would have otherwise been outside the formal system and, therefore, facilitates the monitoring of the balance of payments.

Scope of the diaspora M-savings bond initiative

- The overall scope includes the regulations, functions, technology, organizations and processes that together, when operationalized, form a channel for a micro saving products known as micro savings bonds (M-savings bonds). The diaspora M-savings bond environment consists of five main components where further country specific in-depth analysis should be conducted.
- Instruments issued. Diaspora M-savings bonds allow savings by a large number of women and men migrants and promote widespread financial inclusion, by attracting money that would have otherwise been channelled through informal mechanisms. This micro savings instrument will be issued by either governments or private companies, purchased by the diaspora all over the world and redeemed by retail investors, using electronic platforms or mobile phone access and mobile money. The actual form of the savings product may be a bill, a bond or other suitable instrument, or a combination of instruments that will maximize the take-up by diaspora and their families and promote remittances on a mass scale.
- Technology infrastructure. The use of electronic platforms to support the issuance, management, trading and redemption of diaspora M-savings bonds makes it possible to reduce costs and time, to market and increase efficiency for high volumes of transactions.
- Policies, laws, regulations, licensing and associated procedures. M-savings bonds will operate in a regulated environment, thereby providing investor protection and confidence. Regulation will cover product issuance, securities markets, the interface with mobile money and the telecoms infrastructure.

- Participation incentives, marketing and financial literacy. The bonds need to be promoted to existing and potential members of diaspora to maximize remittances and improve financial literacy, particularly among women and men migrants and their families.
- Financial model. The model contains the establishment and operation of the M-savings bond infrastructure, the transaction chain and recurring costs of operation.

Success factors

- Simple project design;. the project should not be overly complicated.
- Areas of investment interest should be collaboratively determined by governments and private companies, financial institutions and the diaspora communities themselves.
- Involve an understanding of demand from the diaspora, and support them with marketing and the strengthening of capacity in financial literacy.
- Diaspora M-savings bonds should be marketed widely and sustainably such that they become the portal of choice for women and men migrants seeking to make an impact and access attractive yields by investing in their country of origin.
- Overcome issues related to registering with foreign regulators that is expensive but ultimately unavoidable. Bonds feature more prominently than other methods.
- Ensure issuances are appropriately positioned and designed with care.
- Countries to leverage the clear non-financial links between women and men migrants and their home countries.
- Diaspora investors need support throughout the investment process.
- Address the knowledge gap. In most cases, those with a deep knowledge of the complexities of financial investments often lack an understanding of the multifaceted nature of diasporas and their engagement in development. On the other hand, experts, activists and even entrepreneurs working on diaspora development may not always have a thorough understanding of investment concepts and practices.

See Annex 1 for the features of typical M-savings bonds.

Case study from Kenya on M-savings products

Issued by the Kenyan Treasury and launched in 2017, M-savings (*M-Akiba* in Kiswahili) required a two-step process. First, the individual needed to register their mobile money account, and then they had to purchase the bond. The minimum purchase amount was KSh3,000 (ca. US$30), and the bond earned 10 percent interest annually, with disbursements made every six months directly into the individual's mobile money account. The purpose of floating the M-savings bond was to finance government development expenditure or budgetary support. Tenure of the bond was three years, with a target of KSh150 million (ca. US$1.5 million). The platform used was a mobile traded bond, with all activities relating to registration, trading and settlement done by dialling a mobile platform, the unstructured supplementary service data (USSD) code *889#. The maximum investment per account per day was KSh140,000 (US$1,400). The M-savings bond was guaranteed by the Government of Kenya. Coupons were paid directly to the phone automatically on the due dates, even in instances where the coupon to be paid exceeded the KSh140,000 daily limit. Interest earned on the M-savings bond is tax-free.

Lessons learned from M-savings Kenya issue 1

During the pilot in March 2017, 102,632 people registered their mobile money accounts, and the government raised its target of KSh150 million to KSh1 billion (US$10 million) ahead of schedule. When the full launch took place three months later in June 2017, a total of 303,534 people had registered, yet the government raised KSh247 million (US$2.47 million), only 24.7 percent of its target of KSh1 billion. While registration rates were successful during both the pilot and full release, only 4 percent of people (11,697) who registered went on to actually purchase bonds.

FSD Africa commissioned a consultant to study the reasons for the unexpectedly low uptake. The consultant undertook a phone survey of 500 people who had bought bonds, and 500 who had registered but who had not bought the bond. In addition, the consultant conducted qualitative research with customers who did not buy, and conducted interviews with stakeholders involved in designing and implementing the bond offering. Although investments did not meet expectations, the study found that the product was fairly successful in bringing a new broad-based investor group into the market for government papers, as 85 percent of customers had never bought a bond before, and buyers were distributed across virtually all of Kenya's 47 counties. While the research found that people liked the product (84 percent of those who bought the product would recommend it to others, and 73 percent of those who registered but did not purchase would recommend it), they discovered a range of problems with timing, communication and customer service that hindered uptake.

- Poor timing. In the two years between the soft launch and product launch, deposit regulations changed, forcing banks to increase interest rates paid on savings from 0 percent to 7 percent, thereby diminishing advantages of the bond. Furthermore, the bond launch coincided with national elections, so media advertising about the product was swamped by election coverage.
- Poor understanding of product. Those who registered but did not ultimately purchase the bond were less likely to know the interest rate, closing date or other details about the product. Understanding was also poor among those who eventually bought the product, with less than 2 percent knowing that they should call the Nairobi Securities Exchange if they needed their money.
- Confusing purchase process. While registration was simple, the second stage of the process was confusing and did not give clear instructions on how to complete the purchase. Moreover, screenshot displays were sometimes misleading or confusing, so individuals may not have realized their purchase was not complete after registration.
- Lack of prompts and reminders. Over 60 percent of individuals interviewed did not receive a single reminder message after registering, and 70 percent of those who registered but did not purchase did not know when the investment round was closing.
- Agents focused on registration. When agents visited offices, markets and groups, there was a marked uptake in registrations. However, agents did not encourage people to actually invest after registering. In addition, it was difficult for customers to obtain help from agents when they had follow-up questions after registration.

- Weak customer care practices. The only helpline available to customers, many of whom did not fully understand the product, was a landline which was difficult to access and confusing, given the mobile nature of the product. Furthermore, when fraudulent messages circulated about the product, there was no easily accessible customer service available to refute them.
- Concerns about minimum investment. Some customers felt the KSh3,000 (US$30) minimum investment would be better allocated to savings groups or trading opportunities that could provide quick returns or access to credit. However, it is not clear that a higher minimum investment would have more success, since 78 percent of those who purchased the product invested less than KSh6,000 (US$60).

Subsequently, Kenya issued additional two tranches under the M-savings bonds program and up to September 2019, the total amount raised crossed the Ksh1.0 billion mark to stand at Ksh1,045,120,100 (US$10 million).

2. Endowment savings accounts

Endowment accounts enables women and men migrants to keep their own savings separate from those of their relatives. As their income grows, they can store savings apart, ring-fenced until they return home, while receiving financial literacy training while abroad. The key here is to offer migrant workers the option to set up two separate accounts before going abroad. They can fund their personal savings account at some suggested sustainable percentage based on their income level, by instructing their employers to send part of their earnings directly to the accounts set up for this purpose, or by instructing receiving banks to allocate a sustainable percentage of their remittances to these endowment accounts on their behalf such that it represents a growing stock of long-term capital formation and a financial safety net for when they return. Financial institutions should pay these migrant savings accounts attractive returns (above current savings rates) or maintain them in hard currency, thereby maintaining value for money and creating a significant incentive to fund these endowment savings accounts. If accounts are held in foreign currencies, banks and financial institutions bear the foreign exchange risk, whereas if they are held in local currencies, the migrants bear the risk. Thus women and men migrants should be allowed to maintain endowment accounts in foreign currencies as an incentive to create and add to them.

The registration process should allow customers to register remotely through either an overseas bank branch, a correspondent bank, a partner remittance service provider or embassies, and allow them to be able to manage their investments remotely, online.

Expected benefits of diaspora endowment savings accounts

There are many benefits that will be accrued from diaspora endowment savings accounts.

- Longer-term savings products through a traditional financial institution are the most familiar type of savings and investment product, especially among groups without sophisticated financial literacy.

- The increase in deposits and savings directly increases the domestic bank's assets, allowing banks to expand lending and onward investment.
- The increase in deposits and savings also indirectly expands the market capitalization of the country and deepens the financial sector.
- Endowment savings accounts present an opportunity to capitalize if there is an interest rate discrepancy, and so further attract additional savings.
- Savings and deposit accounts are important, as they provide access to other investment vehicles in-country – often a prerequisite for the paying out of invested funds.
- Endowment accounts allow direct participation in capital markets, allowing savings to be domiciled and used for investment in the country of origin, without registering the investment with securities and exchange authorities in the country of destination, which is often a complicated and costly process.
- Attracting savings into financial institutions helps governments deepen the financial sector and attract foreign exchange (as foreign currency accounts), stabilize the balance of payments, increase the savings base of the country, and improve liquidity and the balance sheets of financial institutions.
- The relatives of migrants should be allowed to borrow against the endowment savings accounts as collateral. This approach empowers women and men migrant workers to control their own destinies via these accounts, while also giving them the opportunity to learn about and participate in broader financial inclusion. Women and men migrants value control over how recipients use the remittances that they send. For example, having some control over savings in the home country may also encourage women and men migrants to send more remittances.[32] When women and men migrants have the option of having greater control over savings accounts, they are more likely to open such accounts and accumulate more savings in them.
- This approach addresses the problem of remittance consumption and helps to direct more remittances towards productive sectors as it instils financial literacy and discipline among migrants' relatives because they are forced to use borrowed funds responsibly to repay loans.
- Remittances contribute to increased investment because additional borrowing allows the amount of new investment that can be financed due to the presence of remittances during any given period of time to exceed the remittance flows during that period, since future inflows can be used to service the accumulated debt. In other words, remittances may effectively augment household collateral.

Before designing endowment savings products, it is important to acknowledge and include that it may be costly to implement because needs are negatively affected by financial sector instability, lack of credible deposit protection schemes, foreign exchange restrictions, and currency volatility (for local currency accounts), low interest rates, limits on savings account transactions and high maintenance fees.

The benefits of the savings accounts are supported by some literatures. According to Inoue and Homori (2016), remittances are likely to improve formal financial access and inclusiveness when recipients deposit money in the financial sector and benefit from the multitude

32 Ashraf, Nava, Diego Aycinena, Claudia Martinez, and Dean Yang, 'Remittances and the Problem of Control: A Field Experiment Among Migrants from El Salvador', Working Paper (University of Michigan, Ann Arbor, 2012).

of financial services offered by formal institutions.[33] As the ratio of remittances to gross domestic product (GDP) rises, households are likely to save unused cash through formal channels. Therefore, when income flows are high enough, remittances increase recipient households' savings at formal banking institutions.[34] The increase in the maturity of saving deposits changes their nature from demand deposits to time deposits, and in turn, these allow banks to use such funds to provide financial services including loans. In other words, high remittance inflows complement formal financial services[35] and availability of formal financial infrastructures result in a virtuous circle of higher remittances inflows. This is supported by Cox-Edwards and Ureta (2003) on schooling investments in El Salvador and by Adams (2005) in Guatemala.[36] Aggarwal, Demirgüç-Kunt and Martínez Pería (2011) studied 109 countries over the period between 1975 and 2007 to test the effect of remittances on financial development, and found that remittances are positively and significantly correlated with the ratio of credit and deposits to GDP.[37] Remittances are thus more likely to promote financial development if these flows are transformed into available loanable funds for the private sector through financial intermediaries.[38] For remittances to enable savings and hence have an impact on economic growth, appropriate institutions and infrastructure must be in place to enable remittances to be channelled into savings and growth-enhancing activities.

Further, the use of deposit accounts by households can improve remittances and the vice versa is true. Anzoategui, Demirgüç-Kunt and Martínez Pería (2014) explored the relationship between remittances and financial inclusion, and found that remittances are positively and significantly correlated with the use of deposit accounts by households.[39] Aga and Martínez Pería (2014) used World Bank survey data covering 10,000 households in five sub-Saharan African counties (Burkina Faso, Kenya, Nigeria, Senegal and Uganda) and found that in the presence of remittances, the probability of opening a bank account increases.[40] Ambrosius and Cuecuecha (2016) found that remittances are positively and significantly correlated with the ownership of savings accounts and recent borrowing.[41]

33 Inoue, T., and S. Homori, "Do workers' remittances promote access to Finance? Evidence from Asia-Pacific developing countries", *Emerging Markets Finance and Trade*, vol 52, pp 765–774 (2016).

34 Ibid.

35 Ben Naceur, Sami, Ralph Chami, and Mohamed Trabelsi, *Do Remittances Enhance Financial Inclusion in LMICs and in Fragile States? IMF Working Paper* (Institute for Capacity Development, International Monetary Fund, Washington, DC, May 2020).

36 Cox-Edwards, Alejandra, and Manuelita Ureta, International migration, remittances, and schooling: evidence from El Salvador", *Journal of Development Economics*, vol 72, No. 2, pp 429-461 (2003).
Adams, Richard H. Jr., "Remittances, household expenditure and investment in Guatemala", in: *International Migration, Remittances, and the Brain Drain*, Caglar Ozden and Maurice Schiff, eds. (World Bank, Washington, DC, 2005).

37 Aggarwal, R., A. Demirgüç-Kunt, and M. Martínez-Pería, "Do remittances promote financial development?", *Journal of Development Economics*, vol 96, No. 2, pp 255–264 (2011).

38 Barajas, A., R. Chami, C. Ebeke, and A. Oeking, What's different about monetary policy transmission in remittance-dependent countries?", *Journal of Development Economics*,pp vol 134, 272–288 (September 2018).

39 Anzoategui, D., A. Demirgüç-Kunt, and M. Martínez Pería, "Remittances and financial inclusion: evidence from El Salvador", *World Development*, vol 54: 338–349 (2014).

40 Aga, G.A., and M.S. Martínez Pería, *International Remittances and Financial Inclusion in Sub-Saharan Africa', Policy Research Working Paper 6991* (World Bank, Washington, DC, July 2014).

41 Ambrosius, C., and A. Cuecuecha, "Remittances and the use of formal and informal financial services", *World Development*, vol 77, pp 80–98 (2016).

Case studies on endowment savings products

a) Sri Lanka's endowment savings accounts[42]

Sri Lanka has an estimated two million women and men migrant workers who work in key centres around the world, with a high concentration in the Middle East, Italy, Canada and the UK. These migrant workers and the Sri Lankan diaspora remit a total of US$7 billion annually, or 8.75 percent of Sri Lanka's GDP. The majority of these migrant workers are low-skilled housemaids who remit on average US$100–300 per month through bank branches and transfer houses. Most transfers are cash-to-cash delivery, although a growing number are captured through bank accounts, currently estimated at 20 percent of all remittances. Women and men migrant workers set up bank accounts at departure through the Sri Lanka Bureau of Foreign Employment who, working closely with international recruiting agencies, plays the role of a migrant worker clearing house prior to their departure. The average migrant worker stays abroad for 3 to 5 years. The Bureau of Foreign Employment is focusing on increasing the number of skilled labourers to be hired abroad. This policy initiative is also intended to impact positively on the savings of women and men migrant workers, as they earn higher wages, with implications for future remittance growth.

Several programmes exist to fund bottom-of-the-pyramid households using remittances as collateral, as in the case of housing loans and small and medium-sized enterprise (SME) loans. Microfinance institutions have extensive remittance delivery networks in remote areas and are increasingly playing the role of money transfer distribution agents for banks, including the facilitation of hand-to-hand delivery of cash at local branches.

b) Philippines Pag-IBIG overseas savings programme[43]

The Pag-IBIG Overseas Program (POP) is a voluntary savings programme which aims to provide Filipino overseas contract workers, immigrants and naturalized citizens with the opportunity to save for the future. Any Filipino or former Filipino citizen who works overseas is eligible to become a POP member by completing a member's data form and paying the required monthly membership contributions. Membership is portable, even if members change their employer or country of employment. Members may remit or deposit either in US dollars or the corresponding Philippine peso equivalent, based on the prevailing exchange rate as of the payment date.

The POP is guaranteed by the Government of the Republic of the Philippines. It offers tax-free interest earnings at a fixed interest rate of 7.5 percent per annum for peso savings and 3 percent per annum for US dollar savings.

- Members may withdraw their savings for the following reasons.
- Membership maturity of 5 or 10 years.
- Separation from work due to ill health.

42 Guichard, Eric V., *Remittances for Development Program: The Democratic Socialist Republic of Sri Lanka Feasibility Study Report* (June 2016).
43 OFW Guide, *OFW Benefit: Pag-IBIG Overseas Program* (18 November 2005) http://www.ofwguide.com/article_item-327/OFW-Benefit--Pag-IBIG-Overseas-Program.html.

- Total disability or insanity.
- Death.

POP has various ways for workers to apply, making it possible for many women and men migrants to join. Members can file their membership application, withdraw savings, remit or pay their monthly savings through the POP office, POP overseas offices, accredited overseas marketing representatives, Metro Manila and provincial offices, or accredited collecting banks and remittance companies. Documents required for the withdrawal of savings are the original copy of a POP passbook, an application for provident benefit, and a special power of attorney if applicable.

c) Turkey's Super Foreign Exchange Accounts[44]

This is a deposit account for migrants offered by the Central Bank of Turkey, introduced in 1994. It offers more attractive interest rates than foreign currency deposit accounts with a credit letter. The fees charged for transferring deposited amounts to Super Foreign Exchange (FX) accounts by banking institutions in Turkey and abroad are paid by the account holder, and interest rates vary according to the terms of the deposits. The accounts can be denominated in Euros, US dollars, British pounds or Swiss francs. They require a minimum deposit of the equivalent of US$1,000 for at least two years and pay an annual interest rate of 0.25 percent for all currencies. Eligible individuals can open accounts at any of the bank's branches in Turkey or at partner banks in France, Germany, the Netherlands, UK, or USA.

Due to the attractiveness of Super FX Accounts, particularly for 2–3 year deposits, the Central Bank remains a major player in the transmission of migrants' savings towards Turkey but is also not necessarily viewed as a competitor by other Turkish banks engaged in the remittances business. The Central Bank of Turkey has a longer-term focus that targets the savings of deposits above one year with very attractive rates, in contrast to short-term, transaction-targeted approaches adopted by commercial banks.

d) India's NRI deposit accounts[45]

Non-resident Indians (NRIs) have the option of holding their savings in India in foreign currency- or rupee-denominated accounts. The Foreign Currency (Non-Resident) Account (Banks) scheme can be denominated in British pounds, US dollars, Japanese yen, euros, Canadian dollars or Australian dollars. The accounts are available for fixed terms of not less than one year and not more than five years. The accounts can also be used to obtain loans in India and abroad, both in domestic and foreign currencies. Loans made in India to the account holder must be used for personal purposes or for carrying out business activities; for direct investment in India on a non-repatriation basis by way of contributing to the capital of Indian companies; or for acquiring real estate in India for personal residential use. However, loans cannot be used for on-lending, for carrying out agricultural or plantation activities, or for investment in real estate businesses.

44 Agunias, D.R., and K. Newland, *Developing a Road Map for Engaging Diasporas in Development: A Handbook for Policymakers and Practitioners in Home and Host Countries* (International Organization for Migration, Geneva, 2012) https://www.migrationpolicy.org/sites/default/files/publications/thediasporahandbook.pdf.
45 Ibid.

3. Savings and credit cooperative societies

The savings and credit cooperative society (SACCOS) model provides an important example of extending savings, loan and investment practices in-country to the diaspora. SACCOSs are user-owned financial intermediaries with members who have equal voting rights and who typically share a 'common bond' based on geographic area, employer, community or other affiliation. This model provides a reliable and organized way to invest, access affordable credit, carry out projects, build businesses, or meet personal and family needs. Usually SACCOSs are regulated, and are easy to form, register and license. Members of the diaspora in a certain host country can organize themselves, establish a SACCOS in their country of origin and start to save through remittances.

SACCOSs operate according to the identity, values and principles of a cooperative, including honesty, openness, social responsibility and caring for others. They are democratic, unique, member-driven self-help organizations, owned, governed and managed by their members, who share a common goal. SACCOS membership is open to all who belong to the group, regardless of race, religion, colour, creed, gender or job status. These members agree to save their money together in the SACCOS and to make loans to each other at reasonable rates of interest. Interest is charged on loans, to cover the interest cost on savings and the cost of administration. The members are the owners, and they decide how their money will be used for the benefit of each other. SACCOSs make it possible for poor migrants to access reasonably priced credit with favourable terms and conditions, namely interest rates on savings, interest rates on loans, loan periods, repayment schedules and loan sizes. Most low- and medium-income groups who have no security to offer can access credit through this model. Cooperatives empower women and men migrants to fully raise their productive potential, and SACCOSs also cultivate a savings culture, as loans taken depend on the savings made.

In deciding on this product, it is important to consider the facts that SACCOSs may be costly to implement because they rely heavily on trust, and a 'common bond'. SACCOSs operate according to the identity, values and principles of a cooperative, including honesty, openness, social responsibility and caring for others, thus, there is a higher probability of poor management and the influence of criminality. In addition, SACCOSs have limited resources that may lead to small loans and smaller investments. Furthermore, disputes may cause members to be financially stranded if a SACCOS goes bankrupt.

Case studies from Kenya and Philippines on diaspora SACCOSs

- Kenyan diaspora SACCOSs.[46] Licensed by the SACCO Societies Regulatory Authority (SASRA) in Kenya, there are 17 Kenyan diaspora SACCOSs across the world, in Australia, Canada, Qatar, South Africa, the UAE, USA and UK. Among them is the Kenya UK Savings and Credit Society (KENUKS) that was established in 2011. Another one is Kenya North America Diaspora Women SACCOS (K-NADS) was registered by the Ministry of Cooperatives in 2016, now having more than 1,000 members across all 50 states of the USA and the number of members is growing. K-NADS has e-SACCOS services offered as an online system for convenience, with 24/7 accessibility, choice and resources to manage accounts, finances and investment decisions in Kenya.

46 See https://www.knadsacco.com/about-us/

- La Caixa. This Spanish savings and loans cooperative offers repatriation, accident and health insurance products, covered by its subsidiary SegurCaixa, for immigrants through its branch network. The product allows the bank to cross-sell credit cards, mortgage loans, savings, pension products and other insurance products to women and men migrants.

- Atikha's catalytic programme to leverage Filipino migrant worker savings for investment in agri-based cooperatives.[47] Atikha is a Filipino non-governmental organization based in two of the country's provinces, with 15 years of experience working on migration issues and the development and mobilization of diaspora resources for local development, to help migrant families and other nationals remain in the country. Between 2010 and 2012, the International Fund for Agricultural Development (IFAD) co-financed an intervention model implemented by Atikha that allowed emigrant Filipino workers in Italy to invest collectively in their home provinces through a cooperative group set up in 1979, the Soro-Soro Ibaba Development Cooperative (SIDC). This was a pilot programme that demonstrated how women and men migrants and their families could achieve financial goals and successfully invest back home by combining specific activities such as financial literacy programmes, followed by financial products and investment avenues.

- Initially, remittance recipients and their families attended financial education seminars and were motivated to save. Second, women and men migrants were given opportunities to invest in SIDC, which in turn pooled migrant and family resources to invest in a sustainable poultry cooperative. As a result, 1,100 overseas migrants and families invested US$250,000 through SIDC, and in parallel, around 600 people in rural areas received business and skills training. To date, the SIDC credit cooperative is providing more than US$1.3 million in loans serving 600 beneficiaries with average loans of US$2,200. This investment vehicle has proved to be sustainable, enabling migrants to continue investing in the poultry cooperative, given that the cooperative is already profitable and has its own market which is necessary to relieve migrant distrust, while it also needs additional capital to cover further outlets and it does not require complex governance to continue its activities.

- To be allowed to invest in SIDC, applicants must be a member of the cooperative for women and men migrants and their family members (for €25 a share) and make a minimum contribution of €1,800 over one year (€150 per month). For an investment frozen for five years, the annual return is 6 percent, plus an additional dividend depending on annual performance. Shares and capital may be transferred at the negotiated cost of €1 for amounts between €150 and €200. Atikha has had a catalysing role among migrants, their families and local people by bringing support from NGOs, local authorities and the private sector, and by providing an array of financial education, entrepreneurship training and support services to remittance-receiving families.

47 See https://www.atikha.org/.

4. Pension schemes

Diaspora pension schemes are beneficial, as they enable governments to directly raise diaspora finance through an established channel. The Universal Declaration of Human Rights (1948) states that "Everyone, as a member of society, has the right to social security."[48] The COVID-19 pandemic has emphasized the role and need for social protection for women and men migrants. COVID-19 has had a significant detrimental effect on migrant health and mortality, due to the precarious condition of urban immigrants, congested living conditions and prevailing health conditions that make them vulnerable to the illness.[49] Long-term pension systems play a critical role in reducing vulnerability, poverty and inequality, and supporting inclusive growth. International Labour Organization (ILO) Social Protection Floors Recommendation (2012) stipulates that pension helps to "prevent and reduce poverty, inequality, social exclusion and social insecurity, to promote equal opportunity and gender and racial equality, and to support the transition from informal to formal employment". Achieving this will require a mix of adequate public and private pensions.

Adequate pension system is also beneficial to governments. For instance, a well-performing pension system with ample assets available for investments, adequate financial instruments for investment, and supportive governance, regulation and supervision, can mobilize finance into government securities and directly fund infrastructure development.

Private pension schemes

Private pension schemes is another type of product with growth potential for financial institutions. Women and men migrants who are self-employed, in low-paid or part-time jobs or not in the labour market at all, usually lack a private pension. Pension schemes thus have an opportunity to acquire this market segment which represents a strong source of funds that are modest in quantity for each individual, but which total a considerable amount. Pension schemes should first stimulate migrant demand for pension schemes and then propose retirement-focused asset-building savings that are able to meet migrants' financial constraints. This is because the two main reasons why migrants do not have private pension schemes are: (i) a lack of knowledge as they do not know about pension scheme opportunities or think these products are not suited to them, and (ii) a lack of disposable income as migrants may be less able to sacrifice current income for future income.[50]

Financial education and accessible, transparent information are important tools to help migrants become aware of the importance of pension schemes and how they work. It is important that they understand how personal pension contributions will translate into an income in old age, and that they know how to calculate the amount needed to contribute to a pension in order to secure an adequate income after retirement.

48 Universal Declaration of Human Rights and Article 9, 11 and 12 of the International Covenant on Economic, Social and Cultural Rights (1966). Another instruments that articulates the right to social security is the International Convention on the Protection of the Rights of All.

49 World Bank Group, *Resilience COVID-19 Crisis through a Migration Lens, Migration and Development Brief 34* (KNOMAD, World Bank Group, 2021). www.knomad.org/sites/default/files/2021-05/Migration and Development Brief 34_1.pdf.

50 Anderloni, L., and D. Vandone, Migrants and Financial Services (DEAS, University of Milan, Italy, 2016).

It is important for pension schemes to establish partnerships with migrants' associations, because of their role as privileged channels of access to migrant communities, to help supply these products at scale. Pension schemes should provide pension plans which involve periodic payments of modest sums by women and men migrants. Moreover, since migrants tend to be more vulnerable to fluctuations in their income, these products should include the possibility of withdrawing money paid in, or of closing the relationship, but without losing the capital already invested. Pension schemes should thus provide products that are sufficiently portable and flexible to accommodate an insecure pattern of work that also involves frequent job changes and periods of unemployment, that are easy to understand, and that are low-cost but will provide a guaranteed income after retirement.

Guidelines are also necessary for non-public schemes, as these will provide the framework within which private companies operate. Private schemes should however, be regulated by a government authority since they form part of the financial sector. Eligibility for the diaspora should be supported by regulations to support cross-border pension arrangements, including anti-money laundering guidance, tax arrangements, exchange rates, and bilateral agreements where appropriate.

Public pension schemes

Pension schemes can also be offered to the women and men migrants through national public pension schemes. This may be a more interesting product for migrant investment where the host country does not have a well-developed pension scheme or offer eligibility to expatriate workers or undocumented migrants. Such a scheme within the national scheme could be managed by a private company, which might add credibility, but administrative fees would need to be low enough to invite interest. To make pension schemes attractive to the diaspora, it is important to consider streamlining the process with respect to remittance costs, payment channels and online account access and management. Consideration is also needed on how to open a remote account, particularly on the type of identification required.

Public pension schemes may be costly to implement however, because they require some stability of income, trust, and good performance which may be lacking. Furthermore, women and men migrants eligibility has always been an issue, and this requires awareness-raising and marketing among the broader diaspora populations. Bilateral agreements for cross-border pensions and tax treaties may be also be required. Moreover, these products would benefit from the likelihood of the diaspora retiring in their home countries, all factors that must be taken into account when deciding a suitable product.

Case studies of pension schemes

i. Mexico**.** As part of a wider program to encourage voluntary savings into pension in Mexico for all citizens, the pension regulator CONSAR has actively worked to develop multiple different channels for contributions, including for migrant workers[51]. People in Mexico can use the 'AforeMovil' App through to run their pension account (provided by an institution known as an AFORE). This facility is now available for Mexicans living in 10 countries – to make contributions to their own or other people's accounts, including those living in the US and Canada, a number of countries in Latin America and some in Europe including Spain, the UK, Germany and Holland. The pension regulator CONSAR has also developed other channels, including working with the remittance service uLINK so that people can use it to make contributions directly into their pension account – rather than needing to remit to their domestic bank account and then separately having to make the transfer.[52]

ii. LAPFUND in Kenya. LAPFUND is a defined contribution scheme operating as a parastatal under the National Treasury, regulated by the Retirement Benefits Authority. The diaspora retirement and savings plan is a voluntary savings and retirement scheme, specially designed for discerning Kenyan diaspora. These are individual pension plan agreements between a willing member and LAPFUND. The aim of this product is to ensure inclusivity of the diaspora market and to offer Kenyan diaspora an avenue for diversification of their investment portfolio. It allows contributors to secure their future and save towards a particular goal. Contributors earn interest above market rates and inflation, secure in the knowledge that their contributions are safe due to the prudent nature of the investments undertaken. For a migrant to join, they must complete a LAPFUND Admission Form Diaspora (LAPF/D1) and possess a Kenyan identity card or passport. Both registration and contributions can be done online.

    Features of this scheme include the following.

    - Recommended minimum monthly contribution of US$100, with payments monthly, quarterly, bi-annually or annually.
    - Interest declared annually is calculated on a monthly pro-rated basis.
    - Increased benefits of saving for a longer period due to the compounding nature of declared interest.
    - Quarterly statements issued via email or as requested, and real-time statements can also be accessed online.
    - Pension benefits are paid through bank transfers within five working days of claiming.
    - Members can benefit from regularly offered financial training sessions.

51 For details on Mexico (in Spanish) providing documentation on how Mexicans living abroad can make transfers into their private pension account (AFORE) as well as in relation to health and housing see https://www.gob.mx/consar/articulos/catalogo-de-tramites-para-mexicanos-en-el-exterior.

52 For details of the service to pay directly into the retirement account using the remittance service uLINK see (in Spanish) https://www.gob.mx/cms/uploads/attachment/file/645455/Ahorro_Voluntario_a_trave_s_de_uLink.pdf.

- Survivors benefit, as on the death of a member, the nominated beneficiaries receive full payments of the member's total benefit equivalent to the total fund value in his or her account, consisting of member contributions and interest accrued over the period of membership.
- Pension-backed mortgage, where members can use up to 60 percent of their accumulated benefit as collateral to secure a mortgage to buy a home while at the same time saving for a secure retirement.
- Members can access services online, including statements, biodata and make enquiries and complaints.
- Ease of communicating directly by email.
- Interest earned is subject to Kenyan taxation rules and regulations.

iii. Nigeria diaspora pensions. Nigeria reformed its pension scheme in 2014. The new scheme is contributory, fully funded, privately managed, with third-party custody of funds and assets, and is based on individual accounts. In 2008, the Nigerian government, as part of its Pension Reform Act (2004) released guidelines for cross-border arrangements under this Act, being a standard set of rules and procedures for the contributory pension scheme established in Nigeria for foreign nationals and Nigerians resident abroad to participate. They were created to encourage the participation of Nigerians abroad in the contributory pension scheme and assist them to save in Nigeria towards their old age and subsequent return.

iv. Ghana diaspora pension scheme. In Ghana, employers pay 13 percent of the basic salary of employees into a pension scheme, and employees must also pay 5.5 percent of their salary. Some goes to the Social Security and National Insurance Trust,[53] and the remaining 5 percent is managed privately by fund managers. Voluntary contributions target the informal sector. The diaspora and self-employed workers can voluntarily contribute up to 16.5 percent of their salary. In 2017, a diaspora pension scheme was launched in Ghana and two trustees applied for licences to operationalize it, whereby voluntary contributions from any part of the world can be invested in Ghana. Instruments invested in can be dollar-indexed. But this is where the risk is, as the pension pot is converted into the local currency, the Cedi. To be able to contribute for the minimum 15 years, participants in such pension schemes in Ghana must be less than 45 years old at the outset.

v. Colombia. The Colombian Pension Administration (*Colpensiones*) is a state industrial and commercial company organized as a special financial entity under the Ministry of Labour. Colombians abroad may make their contributions to the public pension system online with a credit card, from their country of residence.[54]

53 The Social Security and National Insurance Trust is a statutory public trust charged under the National Pensions Act, 2008 Act 766 with the administration of Ghana's basic national social security scheme. Its mandate is to cater for the first tier of the three-tier national pension scheme.
54 See https://www.colpensiones.gov.co/Publicaciones/nuestra_entidad_colpensiones/quienes_somos.

5. Insurance

Diaspora insurance is the coverage of risks that affects their income-earning power, such as the loss of a job, or life, or in the case of critical illness. Swiss Re (2019) estimates that the market for remittance-linked insurance is worth US$1 billion annually.[55] Insurers in the country of origin implement insurance products that generally benefit both the migrants and their families. In these policies, the premium is often paid by the migrant either through digital channels or as a lump sum at the point of sale in the destination country.

For the women and men migrants and their families, the limited availability of social security in origin countries can necessitate that remittances are used as a risk mitigation measure to counter the impact of increasing out-of-pocket health expenditures, and vulnerability to natural disasters and other financial shocks. Impact studies, conducted in geographies as diverse as Philippines and Mexico, indicate that international remittances play an important role in the coping mechanisms of migrant families in the country of origin.[56,57] The migrant families are less reliant on debt financing to manage their financial emergencies.[58] Studies have shown that in Mexico, every 100 pesos of additional remittances increase household health care spending by 6 pesos, which is three times more than the effect of income from other sources.[59] Work looking at the behaviour of migrants from different Latin American countries living in the US showed relatively high levels of transfers for savings (22–56 percent) depending on the home country of the migrant, as well as transfers to help relatives. Regular transfers to older relatives are clearly functioning as a form of insurance provision – but always with the risk to the future income of the older person if something should happen to the wage earning ability of the migrant worker.[60]

Endowment insurance policies

Examples of insurance policies include endowment policies (pension insurance). These are life insurance contracts designed to pay a lump sum after a specific term (on 'maturity') or on death. They can be recommended for women and men migrants. Endowments can be cashed in early (or surrendered), and the holder then receives the surrender value which is determined by the insurance company depending on how long the policy has been running and how much has been paid into it. Insurance provides many benefits and can be used as a low-risk way to save. Policyholders can choose how much to pay each month and for how long, usually for 10, 15 or 20 years. For example, a member of the diaspora could buy a US$10,000 life insurance policy with a 10-year term, for a premium of as little as US$2 per month.

The following endowment policies can be distinguished.

55 Swiss Re, 'Economic Insight' 13/2019, Zurich, 2019.
56 Amuedo-Dorantes, Catalina, and Susan Pozo, 'Remittances as insurance: Evidence from Mexican immigrants (2006)', Northeast Universities Development Consortium Conference, 2007.
57 Yang, D., and H. Choi, 'Are remittances insurance? Evidence from rainfall shocks in the Philippines' (University of Michigan, Ann Arbor, USA, 2007).
58 Kasim Munyegera, Gombe and Tomoya Matsumoto, 'Mobile Money, Remittances, and Household Welfare: Panel Evidence from Rural Uganda' (World Development, 2016).
59 Amuedo-Dorantes, Catalina, and Susan Pozo, 'Remittances and Income Smoothing', American Economic Review 2011, 101(3): 582–587.
60 Martin, Xavier; Sobol, Danielle; Magnoni, Barbara; Burgess, Elizabeth Remittances from the US to Latin America and the Caribbean: Following the Money Journey (Interamerican Development Bank, 2019).

- Traditional with-profits endowments. An amount (the 'sum assured) 'is guaranteed to be paid out , and this can increase on the basis of investment performance through the addition of periodic bonuses, annual or otherwise. Regular bonuses are guaranteed at maturity, and a further non-guaranteed bonus may be paid at the end, known as a terminal bonus. During adverse investment conditions, there is a market value readjustment to protect investors who remain in the fund, from others who chose to withdraw their funds, using notional values that are in excess of the value of underlying assets at a time when stock markets are low. If this condition applies, the value of an early surrender would be reduced according to the policies adopted by the fund managers at that time.
- Unit-linked endowment. Investments where the premium is invested in units of a unitized insurance fund. Units are encashed to cover the cost of the life assurance. Policyholders can often choose which funds their premiums are invested in and in what proportions. Unit prices are published regularly, and the encashment value of the policy is the current value of the units.
- Full endowments. A with-profits endowment where the basic sum assured is equal to the death benefit at the start of policy, and assuming growth, the final pay-out would be much higher than the sum assured.
- Low-cost endowment. A medley of an endowment where an estimated future growth rate will meet a target amount, and a decreasing life insurance element to ensure that the target amount will be paid out as a minimum if death occurs (or a critical illness is diagnosed, if included).
- Traded endowments. Such policies, or second-hand endowment policies, are conventional (sometimes referred to as traditional) with-profits endowments that have been sold to a new owner part way through their term. When a policy is sold, all beneficial rights on the policy are transferred to the new owner. The new owner takes on responsibility for future premium payments and collects the maturity value when the policy matures, or the death benefit when the original life assured person dies. Policyholders who sell their policies no longer benefit from the life cover and should consider whether to take out alternative cover.

Other insurance policies

There are other insurance policies that can be beneficial to women and men migrants and their families, such as the insurance covers for accident, illness, death in the family and natural disasters. The insured can be the migrants' relatives in the country of origin but premiums are paid by the migrants. This is beneficial because migrants are often regarded as the equivalent of an 'informal insurance policy' when adversity strikes their families back home. So instead of sending money back home in each and every adversity that strike the family, which can often be too costly and difficult to access for many low-income migrants, it is less burdensome to have insurance policies against these risks and the migrant pays affordable regular premium. For low income migrants, microinsurance can be suitably designed. Microinsurance accommodates low-income people–those living on between approximately US$1 and US$4 per day.

Development principles for insurance policies

The process for developing insurance policies includes idea generation, product feasibility, underwriting guidelines, product planning, design, pricing, reinsurance, regulatory filings and planning marketing campaigns. In this process, the following principles should be observed.

- Effective participation of the regulator and financial institutions in the product development process. A detailed survey has to be conducted to assess the migrants' perception of insurance before its introduction. It is envisaged that such as a survey would include an assessment of the migrants' level of familiarity or understanding of insurance, and information that can be used to develop strategies for staff and migrants education on insurance. To do this, insurers need to have a better understanding of how insurance works, and what it can and cannot accomplish.
- Customer satisfaction. To attract more customers, there should be constant customer satisfaction measurement among the women and men migrants. Customer dissatisfaction with an insurance product can cause desertion, which in turn could lead to a reduction in the volume of premiums remitted.
- Premium collection. The method has an impact on clients' perception of an insurance product. Various remittance channels, such as mobile money, should be properly assessed and used.
- Staff and client education. Training for staff involved in the selling and servicing of the insurance product is very important, particularly in providing consistent product information and standardizing responses to frequently asked questions.
- Marketing insurance as a product, with success lying in marketing it as a product.
- Pilot-testing: essential for insurance products.

Issues with this type of product that still need to be addressed to maximize uptake among the women and men migrants include the improvement of literacy levels.

Case studies on private migrant insurance policies

- Thailand Dreamlopments is a private social enterprise in Thailand, that implements a voluntary comprehensive health insurance policy for migrants (including undocumented/illegal migrants) along the Thai–Myanmar border. Between 2017 and 2020, the product covered more than 22,000 migrants.[61]

- KCB in Kenya is a bank that has insurance cover products for the diaspora. KCB Diaspora coverage includes emergency medical, personal accident, inbound travel, and death and funeral cover. Requirements for applicants include that the person must reside abroad, must have a valid Kenyan passport or identity card, must provide one recent colour passport photo, have a Kenya Revenue Authority PIN certificate, a notarized proof of address (e.g. utility bill, driving licence etc.), and a duly signed Foreign Account Tax Compliance Act (FATCA) form for US citizens resident in the USA.

61 Pudpong, Nareerut et al., 'Assessment of a Voluntary Non-Profit Health Insurance Scheme for Migrants along the Thai–Myanmar Border: A Case Study of the Migrant Fund in Thailand', International Journal of Environmental Research and Public Health, 2019, 16, 2581; doi:10.3390/ijerph16142581.

- Destiny Finance Ltd T/A Diaspora Insurance is a global consultancy firm with headquarters in Birmingham, UK, and Sandton, South Africa, specialized in the design, marketing and distribution of insurance products and risk management solutions targeted at expatriates and diasporas living and working in Australia, Canada, the European Union, UK and USA. Its global risk management solutions enable diasporas not only to cover themselves, but also their families in their countries of origin. In most cases they holistically transfer risk from developing countries to global financial markets. In the UK, Destiny Finance Ltd T/A Diaspora Insurance is regulated and authorized by the Financial Conduct Authority (FCA, registration number 795897). In South Africa, Destiny Finance (Pty) Ltd T/A Diaspora Insurance Consultancy is regulated and authorized by the Financial Sector Conduct Authority (FSCA, registration number 48996).

- There are many US insurance companies (e.g. visitorinsurance.com) that offer foreigner insurance (mostly health insurance) products to students and spouses or children of temporary workers with guest visas (J-1 or J-2), providing coverage for under 12 months at a time.

- AXA the global insurer has implemented a host of migrant-focused and often remittance-linked insurance products. AXA started with paid voluntary migrant insurance, but it is increasingly adopting the strategy of providing loyalty-based free (or freemium) insurance, in partnership with financial technology companies (fintechs) and money transfer operators (MTOs). Some examples of its migrant and remittance-linked insurance products are as follows:

  - In 2018, AXA, in partnership with a Malaysia-based fintech, launched Merchantrade, accident and hospitalization cover for migrants living in Malaysia.
  - In 2019, AXA partnered with Rise (a fintech) and Democrance (an insurance technology company—insurtech), both based in the UAE, to deliver life and disability insurance cover through which foreign domestic workers from Philippines are provided free of cost accident and total permanent disability (TPD) cover (for 1 month) while opening salary account at Rise. The migrant workers have the option to pay premiums and receive additional benefits, such as for medical expenses, repatriation, partial disability and the inclusion of family members in Philippines in the cover.
  - In February 2020, AXA partnered with Hello Paisa (an international money transfer operator) and Democrance (an insurtech) to provide free accident and total permanent disability cover (Hello Protect) to migrants from the Middle East, Asia and Africa who send remittances digitally through Hello Paisa.
  - In June 2020, AXA started another remittance-linked insurance pilot in partnership with Western Union in France, whereby migrants from 10 African countries[62] sending money through Western Union are offered free accident and total permanent disability cover.

- Knights of Columbus is an international Catholic organization, runs one of the largest migrant insurance programmes across the globe. Through the fraternal network, member migrants from Mexico can access very low-cost life and accident insurance and old-age pension products in the United States and insure their spouses or dependents in Mexico.

62 The countries of origin are Benin, Cameroon, Congo, Côte d'Ivoire, Guinea, Madagascar, Mali, Morocco, Senegal and Togo. See https://www.westernunion.com/blog/western-union-partners-with-axa-to-offer-insurance-services/.

Case studies on public migrant insurance

- Philippines. Migrants (Overseas Filipino Workers) from Philippines, hired through recruitment agencies and registered with the Department of Labor and Employment (DOLE), receive mandatory life, accident, disability, repatriation and subsistence insurance, for which the recruitment agency or the overseas employer pays the premium.

- Bangladesh. In 2019 the Government of Bangladesh mandated that all migrants seeking work through recruitment agencies buy mandatory life, personal accident and disability insurance. The risk carrier (insurer) in this case is based in Bangladesh.

- Pakistan. The Government of Pakistan has facilitated a group life and disability insurance product between the Bureau of Emigration of Overseas Employment and the State Life Insurance Corporation. The premium is paid by the migrant registered with the Bureau for coverage of up to two years.

- India. The Government of India mandates a *Prabasi Bharatiya Bima Yojana* (PBBY) for all semi-skilled and unskilled migrants, which covers repatriation benefits in case of premature, termination of job or sickness, death or disability leading to termination of employment or death, health insurance for in-patient hospitalization in the destination country, family hospitalization benefit to the spouse and children of the migrant living in India and maternity benefits to the families of the migrant.

- Sri Lanka. The Sri Lanka Bureau of Foreign Employment (SLBFE) mandates that all outgoing migrants are insured for death, partial or total permanent disability, repatriation benefits due to harassment, accident or critical illness, the cost of returning to Sri Lanka due to unforeseen loss of employment and medical treatment if returning due to illness or occupational injury. The insurance is paid for by the SLBFE welfare board, which takes a minimum fee of LKR3,200 (USD16). The Insurance service is dealt with by Sri Lanka Insurance Corporation a state-owned insurance company. Proposals have been developed for a new Migrant Employees' Pension Scheme that would leverage some of the existing migrant-focused processes.[63]

- Russia. In Russia, local companies employing migrants (including MSMEs) for a period of over six months must contribute to their pension insurance and occupational accidents and hazards insurance at a predefined rate.[64]

- Mexico. Mexico's national health insurance scheme covers Mexicans working abroad (on a voluntary basis for informal sector workers). As part of the system, Mexicans working abroad can register their family members in Mexico for the national health insurance scheme by signing up at Mexican Consulates in the United States. Their family members are then covered for health benefits, as are the migrant workers when they return home.

63 See presentation by Professor Karunaratne at https://www.researchgate.net/project/Labour-Market-Migration-and-Remittances.
64 Federal Law No. 167-FZ of the Russian Federation.

6. Mortgages

Financial institutions can be assisted to design credit schemes that allow women and men migrants to purchase or construct residential houses in their country of origin by saving with the financial institution, some of the value in advance in a foreign currency for a certain period of time. The migrants receive financial literacy and awareness programmes before they invest. A typical model would start with savings, and after a while, the financial institution offers and books a loan to the account holder based on the history of their savings for the past two years, but the loan proceeds are disbursed directly to a developer who delivers a house to the account holder who will continue to make loan repayments. Such programmes should include the raising of awareness on building up the funds needed to meet the expenses connected with starting a mortgage, as well as financial education, and asset-building programmes which must involve saving plans and restrictions on withdrawing deposits, thus 'teaching' migrants how to save, with positive effects on the subsequent meeting of deadlines in the mortgage repayment plan.

To attract this demand, financial institutions must act on a number of fronts, such as through clear and transparent products, relationship-building in the target community, financial education, flexible lending criteria, flexible debt-to-income ratios, full finance and flexible loan payment plans, and maintaining relationships with borrowers after loans are closed. The creation of a credit history facilitates the evaluation of migrant creditworthiness, or more generally improves their credit-risk profiles, thus lowering the cost of payment services. To overcome the problem of a lack of credit history, financial institutions may add flexible lending criteria to their underwriting models. A common practice is to use non-conventional sources of information to enable the creditworthiness of migrants who apply for mortgages to be evaluated. Such sources which indicate a potential borrower's ability to make significant payments, include remittance history, utility payments, and the regularity of making housing and rental payments. Providing flexibility in debt-to-income ratios takes into account the specific circumstances of the borrower, such as recognizing, for example, that documented income does not usually provide the full picture of a migrant family's finances. Financial institutions can provide finance for 100 percent of a property's value, since migrants often have difficulty accumulating the down payment not covered by the mortgage finance, i.e. the loan-to-value ratio should be 100 percent, and loans should be made in local currency so that the creditor assumes the currency risk as a further incentive for migrants to apply.

Benefits of the diaspora mortgage

Diaspora mortgages should be made affordable by offering specific borrowing and repayment plans suitable for women and men migrants. These would then enable governments to support direct investment into their country through loans and mortgages offered to the migrants, while the financial deepening increases the loan portfolio of financial institutions and thus the income they earn through interest repayments. The mortgage products should not necessarily be conventional. They could also be housing microfinance, i.e. models and projects for housing improvements to increase affordability and accommodate low-income migrants.

Women and men migrants need to save money to make a down payment, which encourages migrant mortgage-holders to continue to make repayments even in the face of an economic downturn. Successful programmes such as the Philippines Pag-IBIG Overseas Program, have incorporated a strong savings component into their mortgage programmes that allows migrants to access financial products that they would otherwise not be accessible to them.

It is important to consider that mortgages need to have a standalone regulatory regime for loan management and marketing. Furthermore, mortgage contracts require commitment to pay back a lot of money within a long time period, including fees, charges and add-ons such as mortgage and valuation fees. If someone cannot keep up with repayments, they could end up losing their home.

Case studies on diaspora mortgage products

- The Pag-IBIG Overseas Program.[65] This is a voluntary savings programme that aims to provide Filipinos abroad with the opportunity to save and obtain a housing loan of up to 2 million pesos (US$40,000). The loan is financed using reserves of Pag-IBIG, the largest government pension fund. To be eligible for a home loan, applicants must be active contributors to the fund for two years. Loan entitlement is dependent on the amount of monthly contributions to the fund. The following provides some examples

Monthly membership contribution	Loan ceiling
US$20	up to PHP1 million (US$20,000)
US$40	PHP1 million to PHP1.5 million (US$20-30,000)
US$50	PHP1.5 million to PHP2 million (US$30-40,000)

- The fund also offers a lump sum option, whereby new members can obtain the loan immediately by paying the one-off total of a two-year contribution. A maximum of three qualified Pag-IBIG members may be joined into a single loan which is secured by the same collateral, provided that they are related within the first civil degree of consanguinity or affinity.

- The programme is open to all Filipinos abroad, including those naturalized in other countries and those eligible to apply for dual citizenship. In addition, there is a focus on small and low-income borrowers, given that the programme offers preferential repayment terms and interest rates for smaller loans. For example, a home loan of 300,000 pesos or less will incur a 6 percent annual interest rate and is payable over 30 years – about half the interest rate and 10 years longer than the terms commonly offered by private sector lenders. The loan-to-collateral ratio, i.e. the ratio of the loan amount to the appraised value of the collateral, does not exceed the following rates.

65 OFW Guide, *OFW Benefit: Pag-IBIG Overseas Program* (18 November 2005) http://www.ofwguide.com/article_item-327/OFW-Benefit--Pag-IBIG-Overseas-Program.html.

Loan amount	With buyback guarantee	Without buyback guarantee
Up to PHP150,000	100%	100%
PHP150,000 to PHP225,000	100%	100%
PHP225,000 to PHP500,000	100%	90%
PHP500,000 to PHP1 million	90%	80%
PHP1 million to PHP2 million	90%	70%

- Mortgage loans can be used for the construction or completion of a residential unit on an applicant's own lot, purchase of a lot and construction of a residential unit thereon, purchase of a residential house and lot, townhouse or condominium unit, purchase of a fully developed residential lot not exceeding 1,000 square metres, major repairs, expansion or renovation of an existing residential building, townhouse or condominium, or refinancing of an existing loan with an institution acceptable to Pag-IBIG Fund, provided the account is current and has been updated during the past 24 months.

- Colombia Nos Une.[66] This is a housing programme for emigrants who are interested in buying a home in Colombia but that requires financing. The initiative runs the programme *mi casa con remesas* ('my house with remittances') together with the National Bank of Colombia and the Inter-American Development Bank.

- *Tu Vivienda en México*[67] This is a collaborative effort between the Mexican government, through the National Housing Commission (*Comisión Nacional de Vivienda—CONAVI*), the Institute of Mexicans Abroad (*Instituto de los Mexicanos en el Exterior—IME*) and private mortgage suppliers and housing developers to promote the acquisition of housing in Mexico among the Mexican population abroad. The support is provided through a loan for migrants, financed by BBVA, called 'your option in Mexico'. Credit is in Mexican pesos, to acquire a house with a minimum value of US$180,000. The credit and guarantee are in Mexico, financing is up to 90 percent, and repayments are over are 20, 15, 10 or 5 years.

- *10.000 Logements*. The Ministry of Housing and Urban Development in Burkina Faso began this ('10,000 Homes') project in 2006 as a housing programme fully funded by the government, with the goal of providing people with decent housing at reduced cost. The programme is said to be popular among overseas nationals of Burkina Faso who express a strong desire to benefit from public housing. The project, however, is said to have completed only 25 percent of its objectives to date.

66 See http://www.colombianosune.com/.
67 See https://www.gob.mx/ime/acciones-y-programas/tu-vivienda-en-mexico

- *Sociedad Hipotecara Federal (SHF).*[68] This is a government financial institution with a mandate to foster the development of primary and secondary mortgage markets, and manages Mexico's mortgage programme. Unlike the Philippines' Pag-IBIG, SHF is a wholesale mortgage bank and guarantor. It does not lend directly to the public, but provides long-term funding to financial intermediaries and hedges the inherent interest rate risk. The programme taps into demand unmet by US and Canadian financial institutions, which are reluctant to take Mexican real estate as collateral, or by Mexican lenders that do not have a system to offer services in the USA and Canada. The loan programme is a private–public partnership between SHF, the Inter-American Development Bank (a regional lending institution), BANSEFI, IME and four private non-bank financial intermediaries – *Sociedades Financieras de Objeto Limitado (SOFOLES), Su Casita, Hipotecaria Nacional, Crédito Inmobiliario-Terras and Hipotecario Crédito y Casa*. Under the partnership, SHF assumes the 'full faith and credit' of the federal government on risks taken since 2013. In other words, SHF offers an unconditional commitment to pay interest and principal on debt in case of default, while the Inter-American Development Bank provides part of the financing needed and critical technical support. Intermediaries operate like any other mortgage lender. The loan application is started and processed in the USA, funded in pesos and serviced in Mexico. Once approved, a remittance provider's relatives can start looking for a house in Mexico. When a house is found, the intermediary sends an appraiser to the location to verify the price before lending money to the applicant. The Mexican emigrant can then pay off the mortgage, in US dollars, at the intermediaries' US branches.

7. Collective investment schemes

Collective investment schemes (CISs) for women and men migrant can be in the form of an open-ended investment company, a unit trust scheme, or other such arrangements with respect to property of any description, including money. The aim of these is to enable persons taking part in the arrangements (whether by becoming owners of the property or any part of it, or otherwise) to participate in or receive profits or income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income. Governments and the private sector may lead in the formation of regulated CISs that pool money from migrants. Women and men migrants can thus buy units in the CIS, and the CIS in turn, invests the money in securities such as stocks, bonds or short-term debt.

To make such schemes attractive, online portals should be used for marketing and pooling funds into a range of different investment products. Their use of technology and online presence means they can bring the issuer closer to the diaspora, reducing the costs involved in channelling everything through financial institutions. As the use of technology develops (the internet, smart phones and digital cross-border payments), there is an opportunity for these portals to play an important role in providing affordable access to new investment opportunities overseas, and to a wider segment of the migrants. The use of portals provides more control and oversight to the government and increases transparency, especially regarding who

68 See http://doc.shf.gob.mx/English/AboutSHF/Description/Paginas/default.aspx.

is investing and where they are located. Given that platforms can accommodate a number and range of investment vehicles, it can bring costs down for the issuer, especially regarding marketing and regulatory barriers and costs. Depending on the type of CIS, investors may be required to meet certain criteria to be accredited or prequalified in the local jurisdiction.

Characteristics of a typical open-ended collective investment scheme (CIS)

Objectives	An open-ended fixed-income fund invests in low-risk assets such as Treasury bonds, listed corporate bonds and money market investments. The scheme aims to provide capital appreciation for long-term investors, and to periodically distribute income, subject to the availability of a surplus.
Investment policy	Fixed-income securities of at least 90 percent, with the remaining 10 percent in liquid assets to facilitate redemption transactions.
Plans	The scheme may offer investment options under three plans: reinvestment, monthly income distribution, or semi-annual income distribution.
Eligible investors	Migrants and their families.
Issue price	US$10 per unit. Units will be sold at US$10 per unit during the initial sale period.
Entry and exit loads	The scheme will not charge an entry nor exit load. Women and men migrants shall, therefore, buy and sell units at net asset value per unit.
Minimum initial investment	US$20 for reinvestment option, US$3,000 for monthly income distribution, and US$1,500 for semi-annual income distribution.
Minimum subsequent investment	US$10 for all three plans.
Maximum investment amount	There is no limit on the maximum amount to be invested by a single investor.
Holding basis	Single or joint, as chosen by individual investors.
How to invest	Completing an online application form and depositing funds in the account of the CIS. After completing account opening and KYC procedures, investors can invest more using an app that can be downloaded from the App or Play Store. Detailed procedures must be provided in the offer documents.
Payment terms	In full on application for a specified number of units.
Additional investment	Investors may make additional investments after a cooling-off period, subject to the minimum amount of US$10.
Liquidity/ repurchase	Subsequent to the initial offer and cooling-off period, the fund will be open on business days for repurchase of units. The repurchase price will be based on net asset value of the scheme without exit load.
Transparency	The net asset value will be declared online on every working day, beginning no later than 10 business days from the initial sale closure date.
Tax benefits	To incentivize investment, income distributed by the CIS should be exempt from income tax. There is no tax deduction at source on repurchase, irrespective of the repurchase amount.
Valuation of units	The net asset value of the CIS will be determined by the manager every working day at the close of business.
Income distribution	Subject to the availability of income and the choice of each investor, income will be distributed monthly, or twice a year, or reinvested each month at the applicable net asset value.

To ensure credibility and instil confidence with women and men migrants, the collective investment scheme must be authorized by a regulatory authority such as the capital markets authority. In countries where such an authority is not available, the central bank department responsible for the supervision of the financial sector may act as the regulator, since this is a financial market product. Any such authorization may be granted by the regulator subject to such terms and conditions as is necessary or desirable for the protection of investors and their investments. Regulations may highlight the criteria for and conditions of any authorization; the establishment and operation of a CIS; the promotion, marketing and distribution of shares, units or other securities representing the rights or interests of participants in a CIS; the administration of a CIS; and the provisions by any corporate or individual in respect of trustee, custodial and related services or other services for or in connection with a CIS.

Some considerations have to be made in deciding on collective investment schemes in order to maximize uptake. Fees taken by a crowdfunding site and administration, fund management, site registration, compliance and marketing may involve huge costs. There is the need to consider where the site is registered, i.e. in the country of origin or in the host country, and the implications of this in terms of marketing overseas. Furthermore, these products better suit the middle-income bracket, as they require investors to be accredited or prequalified in their local jurisdiction, meaning that they have to meet certain criteria (e.g. high net worth standards, and an understanding of the risks involved).

CONCLUSIONS

Throughout this report, we speak about 'diaspora finance' because this is the language that resonates with most people when talking about finance mechanisms for women and men migrants. Therefore, our criteria to engage on this subject matter will be narrow and circumscribed to the following products.

- Products that require the least marketing, including financial awareness, education and literacy to understand the product.
- Products that can be offered through existing remittance value chains, rather than creating new ones, especially in countries where financial markets and infrastructure are not mature.
- Products that mobilize migrant savings.

These will always be the main objective of our efforts and reflection in all subsequent publications on finance mechanisms for the diaspora.

For each product, a detailed country-specific technical implementation plan is required, covering the capacity-building needed, particularly in regard to improving the financial literacy of the diaspora. Specific project-level activities and engagements are required to achieve the intended objective of increasing access to and usage of migrant-centric, gender-responsive and remittance-linked products through sustainable business models, aimed at reducing the vulnerabilities of migrants and their families, and leading to improved financial resilience. Country-specific policies and legal and regulatory frameworks should also be assessed, and any gaps should be filled, since robust regulation of products helps to instil customer confidence – in this case, among the diaspora. As such, each product requires a detailed and step-by-step design for easier implementation. Project designs should also adequately reflect the respective country's policies and regulatory environment. Scalability of migrant-centric products and integrating the business priorities of the value chain stakeholders is also key.

Working with the country level policymakers, regulators and global policy think tanks is also critical to address issues facing migrant-centric products across countries, in addition to advocating for resolution of any AML/CTF concerns over enhanced remittances into products.

It is also important to assist digital financial services providers such as FinTechs in the migrant products domain to design and deploy streamlined process flows for smooth operationalization and delivery of migrant-centric, technology-enabled gender responsive, scalable and sustainable products. This involves linking design and development work with product providers so that there is twin strategy of FinTech enabling improved business models while providing a disruptive challenge with new approaches. All processes should be informed by the analysis of customer needs and transaction data.

Last but not least, empowering customers and consumer protection are essential. These aim at increasing access, usage and equity in the provision of remittance services; improving transparency and disclosure in provision of remittance services; fostering a business culture underpinned by the supremacy of customer interest; promoting competitiveness and thus increased financial inclusion by women and men migrants; and the sustainable growth of investment in the financial products.

ANNEX 1. FEATURES OF A TYPICAL GOVERNMENT-ISSUED M-SAVINGS BOND

Governance:	M-savings bonds may be governed by bond market development committees under the ministry responsible for finance and the central bank in respect of issuance of government bonds.
Instrument type:	M-savings bonds take the form of government bonds.
Government borrowing cost:	M-savings bonds are designed to be issued at same interest rates applicable to treasury bonds with equivalent maturity.
Infrastructure capital costs:	Each stakeholder providing infrastructure for M-savings bonds bears its own costs for specific development and operation.
Explicit transaction costs and revenue model:	Commercial rates charged by mobile network operators may be relatively expensive for low-income investors. Therefore, the ministry responsible for finance negotiates a specific business contract with mobile network operators under an arrangement.
Implicit transaction costs – secondary market:	To balance investor protection with the creation of an incentive for secondary market trading, there will be a relatively narrow bid–offer spread
Taxation of M-savings transactions:	The existing tax regime on government bonds applies.
Issuer organizations:	M-savings bonds are issued by the ministry responsible for finance as the primary issuer of government bonds, with the central bank as an agent for the primary market, and stock exchange for secondary trading.
Retail user device interface:	To access the m-savings bond platform, investors use feature phones, smart phones or other mobile devices using unstructured supplementary service data (ussd) codes.
Know Your Customer (KYC) requirements:	To comply with know you customer (KYC) and anti-money laundering requirements, the M-savings bond platform uses existing KYC and anti-money laundering data already collected by mobile network operators for mobile wallets for the M-savings systems.
Central Securities Depository registry:	Central bank Central Depository System (CDS) is the primary registry of M-savings bonds, while the stock exchange Central Securities Depository (CSD) facilitates secondary market trading as per existing practice for government securities. The central bank CDS is synchronized in real time with the stock exchange CSD.

Funds transfer:	The transfer of funds in M-savings bond transactions is carried out by retail investors, the central bank and stock exchange via mobile money wallets or commercial bank accounts. The mobile money transfer limits have to be reviewed with a view to accommodating M-savings bond transactions.
Investor application process:	M-savings bond investors apply directly to the central bank using mobile devices and payment via mobile money wallets.
Securities allocation process:	M-savings bonds are allocated on a first in, first out basis, using a price set in the primary auction market.
Intermediation:	There is direct market access for M-savings bond retail investors via their mobile device and straight-through processing for application, allotment, end-of-term redemptions and all associated securities and funds movements and reporting. Early redemption is not allowed because the exit window is provided at stock exchange.
Liquidity provider:	To promote participation and confidence in the M-savings bonds, there is a need for a liquidity provider for trading in the secondary market. The ministry responsible for finance or central bank may to assume the role of liquidity provider.
Role of communications	Communication between mobile network operators and the central bank and stock exchange in respect of M-savings bond payment transactions is done through an aggregator.
Call centre support for M-savings investors:	Mobile network operators use their existing call centres to answer M-savings bond queries. Internal escalation procedures currently applicable to similar arrangements such as electricity vending will also be used for M-savings bonds.
M-savings platform approach:	The M-savings platform leverages current components/modules such as mobile network operators' systems; the central bank Central Depository of Securities; the Real Time Gross Settlement System (RTGS); the stock exchange automated trading system and central securities depository; the national identification authority; and the government mobile platform and government electronic payment gateway with appropriate enhancements. The components are integrated to form the M-savings bonds infrastructure.
Systems integration approach:	An aggregator
Legal instruments for government to borrow, legal authority on behalf of government, and legal requirement for purposes of taking up debt:	The issuance of the M-savings bonds takes place within the framework of the national debt strategy; therefore, the bonds are issued as part of the domestic lending programme.
Legal ownership of M-savings bonds:	The legal framework in respect of ownership of government securities should be clearly established in the laws.

Central bank's role in redeeming or repurchasing M-savings bonds:	Redemption of M-savings bonds follows the current procedures in place for government securities.
Listing of M-savings bonds on stock exchange:	M-savings bonds are listed as per the existing stock exchange listing procedures in place.
Governing rules and procedures:	The following governing rules and procedures may be used in the issuance of M-savings bonds. • Offering documents/prospectuses are prepared to reflect the agreed/approved features of M-savings bonds at the time of issue. • Non-competitive bidding procedures are followed as part of the approved bond issuance strategy. • The settlements period is the same as for other government securities. • M-savings bonds bear coupons as per current practice on government bonds. • The minimum bid amount should lowest possible to allow ordinary retail investors to buy the M-savings bonds. • The maximum bid amount should be set, in line with the current requirements for non-competitive bidding for treasury bonds. • With the mobile platform, individuals should be able to open a Central Depository of Securities account at the central bank.
Participation incentives and marketing:	For economies of scale and increasing financial inclusion, participation in M-savings bonds should be open to all diaspora and citizens with mobile money accounts. Participation by intermediaries and institutions is allowed provided it follows the criteria set within the M-savings framework.
Management of marketing to potential retail investors:	The central bank provides overall coordination of the marketing efforts for M-savings bonds in liaison with other parties (namely the ministry responsible for finance, the stock exchange, mobile network operators, the aggregators) during the establishment and implementation phases.

Unlocking Public and Private Finance for the Poor

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The UNCDF Strategy 'Leaving no one behind in the digital era' is based on over a decade of experience in digital finance in Africa, Asia, and the Pacific. UNCDF recognizes that reaching the full potential of digital financial inclusion in support of the Sustainable Development Goals (SDGs) aligns with the vision of promoting digital economies that leave no one behind. The vision of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the SDGs. UNCDF will apply a market development approach and continuously seek to address underlying market dysfunctions

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