

UNCDF SHIFT Challenge Fund – 3rd Window:

Mekong Focus: Linking remittances as a catalyst for financial inclusion and women’s economic empowerment

Remittances are an important source of household level finances in CLMV, where the regulated remittance flows are almost triple the size of Official Development Assistance (ODA) in Cambodia, Laos PDR, Myanmar and Viet Nam. Remittances, especially for women migrants, are disproportionately favoured towards and performed through unregulated channels. This constrains the value-add of linking financial services to remittance capital to improve economic participation and empowerment for women.

Given that there are a greater number of female international remittance senders and receivers in the Mekong region, any intervention efforts to improve access to regulated remittances services will require addressing not only the differences in behaviour amongst women and men, but also gender-specific demographic constraints faced disproportionately by women. These challenges for women in the remittance process include account ownership requirements and work restrictions, which create travel difficulties for migrants sending funds and for the families of migrants receiving funds. Improving the services tailored and offered to women therefore enhances the remittance market as a gateway to other regulated financial services for women. In CLMV, regulated remittance services have been dominated by bank providers and money transfer operators due to previous regulation and limited technology. This has contributed to widespread unregulated remittance service usage because of weak penetration of bank accounts, bank branches, and lack of trust in banks by migrants, especially women in CLMV. Today, regulation and technology have improved to allow more non-bank operators, such as telecoms, pre-paid card services and mobile money providers to provide remittance services. While the regulation updates are recent, expanding the capability of non-bank providers to enter remittance services has positive impacts on improving competition and market dynamics in this space, in addition to enabling enhanced services for last-mile reach of regulated remittances to rural-based women clients, often with better security and transaction speed. This is significant as rural-based women are the main recipients of regulated and unregulated remittances in CLMV.

It is in this context that the SHIFT Challenge Fund Facility 3rd Window will focus on developing and scaling innovative remittance services and business models for recipients, particularly women, in CLMV. It aims to provide reimbursable grants as co-funding as a mechanism to incentivize improvements in the remittance service markets for migrant women senders from ASEAN countries to women recipients in CLMV. Innovations that concurrently increase adoption or usage of remittance-linked financial services in CLMV are encouraged.



As payment services in the Mekong region are evolving, the above chart reflects the expansion of remittance sending and receiving entities to include financial institutions, money transfer operators, MNO mobile money services, as well as stored value facilities (SVF) such as Card (mainly prepaid), and online payment platforms that are expanding services with a P2P international remittance offering.

Background of CLMV Remittance Market

The growing influx of international remittances to CLMV is playing a significant role in economic development in the region. By 2014, the total international remittances for these four countries contributed US\$17.2 billion to these markets, well outpacing Official Development Assistance (ODA) inflows to these countries, which sat at US\$6.8bn in 2014.¹ Remittances play an important role in the Mekong region with the regulated inbound international remittances significantly outpacing ODA flows in countries such as Viet Nam and Myanmar. At a macro-economic level, international remittance flows provide much needed foreign currency exchange, stabilize balance of payments, supplement ODA and re-allocate capital resources into more productive investments and other financial services – moving money from international to domestic, consumption to investment, and from urban to rural.

A significant share of the regulated remittances flows is sent by a combined migrant population of 8.1 million migrants from CLMV, over 62% from CLM living and working in Thailand.^{2 3} Of these migrant workers in Thailand, 49.9% are women.⁴ Malaysia and Singapore also contribute to intra-ASEAN remittance flows into CLMV countries, especially Myanmar. The Ministry of Home Affairs in Malaysia reports (2015) a Burmese worker population of over 145,000 workers, nearly double the size from 2013. Female Burmese workers are the 3rd largest group of foreign ‘domestic workers’ in Singapore sitting at nearly 30,000 migrants.⁵

CLMV Remittance providers

Regulated remittance channels: Funds are transferred through a regulated payments channel. Majority offered by banks, money transfer operators, and mobile wallet providers.

Unregulated remittance channels: Funds are transferred outside of a regulated payments channel. Majority offered through ‘netting’ services, hand-carry, or from unregulated retailers.

| Country | Emigrant Flows | Inbound Regulated Remittances (USD mn) | Regulated Remittance Inflow (% of GDP 2014) | Net ODA (% of GDP 2014) |
|----------|----------------|--|---|-------------------------|
| Myanmar | 3,139,596 | 3,500 | 5.4% | 2.10% |
| Cambodia | 1,187,878 | 400 | 2.3% | 4.76% |
| Lao PDR | 1,294,218 | 60 | 0.5% | 4.02% |
| Viet Nam | 2,592,233 | 13,200 | 6.8% | 2.27% |

¹ UNCDF, 2017 (forthcoming). “Remittances as a Driver for Women’s Financial Inclusion in the Mekong Region”

² World Bank, 2013. “Bilateral Estimates of Migrant Stocks in 2013”

³ Cambodia-TH: 67%; Lao PDR-TH: 58%; Myanmar-TH: 60%; Viet Nam-TH: .68%

⁴ UN, 2015. International Migrant Stock 2015 by Age, Sex, and Destination.

⁵ Phan, 2016. “How many more of Myanmar’s overseas workers must die?” *ASEAN Today*.

... estimated over \$4 Billion of unregulated remittance inflows into CLMV

Findings from SHIFT's 2017 Mekong Remittance Study (forthcoming) highlight that there is an estimated over US\$4 billion of unregulated remittance inflows into CLMV.^{6 7} The reason for such high levels of unregulated remittances may be due to multiple factors, including the legal

status and work permits of migrants and the level of formality of their employment, with implications for documentation and access to regulated channels for remittances. It may also be related to the location and working conditions of the migrant workers in their host country, as their workplace and accommodation may be located away from regulated remittance service providers.⁸ Moreover, SHIFT research shows that most remittance recipients, in both rural and urban settings, preferred to cash-out their funds as CLMV is still a heavily cash-based region.⁹ This contributes to large historical usage of unregulated remittance services, as up until recently, regional banks have been the main regulated channels to provide remittances. The cross-border payments regulation in places such as Thailand and Viet Nam has only changed to allow remittances to be performed through other channels in the last three years. Thus until recently, women migrant workers, many of whom do not have bank accounts, have needed to resort to unregulated channels to send money home.

Limited bank branch and agent network coverage in CLMV, especially in rural areas, also adds to access issues and adds substantial time and travel expenses to receive money from regulated remittance agents concentrated in urban areas. This is a particular challenge facing rural-based women remittance receivers who face greater mobility constraints due to safety concerns and limited time due to household and child care responsibilities.¹⁰ Unregulated remittance networks persist, both internationally and domestically, based on personal relationships of trust built with agents, competitive rates, minimal requirements of ID and documentation, and ease of access for clients on the sending and receiving side including door-to-door services. Often these networks are the only option for rural-based women, and this places this population at greater risk and without adequate consumer protection.

Unregulated remittances for migrant workers bypass regulated financial service providers across the Mekong region, in both migrant workers' host and home countries. Unregulated mechanisms come with high risks for migrant workers' safety and security of payments arriving at intended destinations. For instance, migrant women from Lao PDR reportedly are more vulnerable than migrant men when carrying their earnings in cash home from Thailand, and so face greater levels of harassment and are often required to pay facilitating payments to officials at the border.¹¹ This may result in women migrant workers choosing to save their earnings in cash and transfer their money in cash when they return home.

⁶ UNCDF, 2017 (forthcoming). "Remittances as a Driver for Women's Financial Inclusion in the Mekong Region"

⁷ It is estimated that the remittance market in this region has the potential to double in size and contribute up to US\$4 billion to the regulated economies of the three countries combined. These numbers seem reasonable when validated by secondary data; for example, the Ministry of Labor, Immigration and Population in Myanmar suggests that remittances total around \$8 Billion annually (World Bank Oct 2015), which is much higher than the regulated market estimates of US\$3.5 billion for inbound international remittances to Myanmar in 2015 (World Bank Bilateral Remittance Matrix, 2015).

⁸ Jain, 2015. [Remittances: A Tool for Women's Economic Empowerment](#). Georgetown Institute for Women, Peace and Security.

⁹ UNCDF, 2017 (forthcoming). "Remittances as a Driver for Women's Financial Inclusion in the Mekong Region"

¹⁰ UNCDF Gender Strategy Validation Workshop, Myanmar, November 2016 and Lao PDR, December 2016.

¹¹ UNCDF Gender Strategy Validation Workshop, Lao PDR, December 2016.

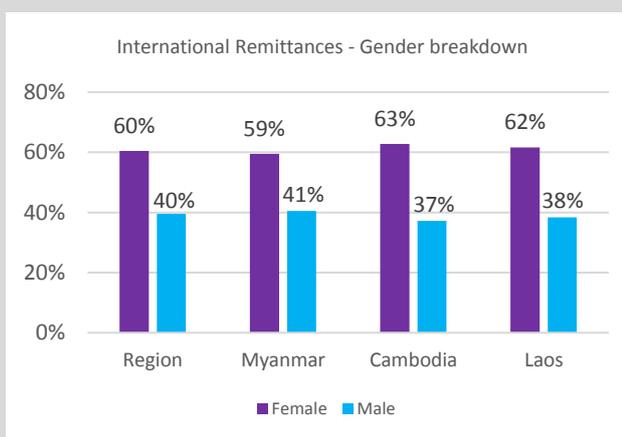
The global trend of digitization as a mechanism for increasing regulated remittance providers and access results payment services with greater convenience, less cost and fewer risks. Mobile wallets are used to enhance the speed and security of remittance activity, while linking the usage of other financial services. Harnessing regulated international remittance flows can increase the real disposable income of the recipient’s families, smoothen consumption, and improve women’s economic participation and empowerment.

Implications of Gender Demographic Profiles of Senders and Receivers of Remittances in the Mekong Region

Women constitute approximately 51% of the population in CLMV. These 84 million women represent a significant and indispensable economic force for the region’s development, yet they face socio-economic challenges to their economic participation and empowerment with implications for how they access and use financial services. SHIFT has identified remittances as one avenue towards improved financial inclusion for women in the region because there are a greater number of female international remittance senders and receivers in the Mekong region than males.

The typical profile of an international remittance sender in Thailand is a young, female migrant worker who lives in the urban areas with an average monthly income of US\$250,¹² and who remits on average US\$177 per month.^{13 14}

On the receiving side, 8% of the population of CLM receive international remittances. Of these recipients, 60% are women, as shown in the graph to the right. In addition, interviews performed by SHIFT highlight that women prefer using unregulated channels to perform remittances.



The gender of remittance senders and receivers has implications for the frequency and size of remittances and the proportion of income sent. For instance, research from other regions suggests that women remit smaller amounts more frequently, and remit a larger proportion of their income over a longer period than males.^{15 16} Women migrants in CLMV are known to have lower wages comparable to men in the same sectors by 14% as an average across sectors, yet they remit a slightly greater proportion of their earnings back home versus men.¹⁷ Since regulated remittance fees are often set at a fixed price, averaging \$5.30 per international transaction, a women migrant worker in

¹² USD \$286 for men

¹³ USD \$186 for men and USD \$166 for women

¹⁴ ILO, 2017 (Forthcoming). Labour Migration in ASEAN: Assessing the Socio-economic Costs and Outcomes for Migrant Workers

¹⁵ IOM, undated. [Gender, Migration and Remittances](#).

¹⁶ UN-INSTRAW & UNDP, 2010. Migration, Remittances and Gender-Responsive Local Development.

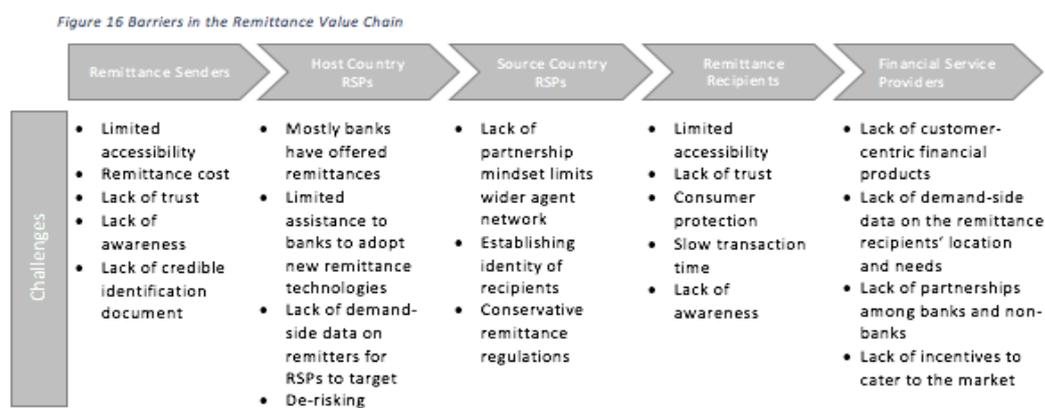
¹⁷ Women remit 66% of their salary and men remit 65% of their salary.

CLMV will end up paying a higher percentage fee on remittances than men due to the lower amounts sent by women (3.2% of remitted funds versus 2.8% for men); thus sending international remittances can be more expensive for women.¹⁸

Moreover, there can be gender differences in the impact of receiving remittances. Evidence suggests that women are more likely to have control of how the remittance is used if they are the direct recipient, with positive implications for their household decision-making power, economic empowerment and economic participation.¹⁹ In CLMV, remittances for both women and men are reported to be spent on household expenses, consumer products, children’s education, paying debts and savings. Interestingly, migrants from Viet Nam reported the highest use of remittances towards savings, largest amounts saved, and the lowest financial problems upon return.²⁰ This is likely a result of Vietnamese migrants also reporting the greatest amount bank account opening while working abroad. While women migrant workers face similar income growth to men from migration, in CLM more migrant women workers report that, upon returning home, their household decision-making authority has improved in areas such as healthcare, education, business or employment and purchases.²¹ This means that in Cambodia, Lao PDR, and Myanmar, more women compared to men reported that they felt migration improved their financial decision making. This is significant as women are the dominant international remittance participants in the region, and they are self-reporting that migration and remittances are leading to positive gains for women migrants and their economic participation, through increased bank accounts and savings maintained, and through economic empowerment as a result of improved household financial decision making.^{22,23}

Barriers and Opportunities to Remittance Access and Growth

The SHIFT 2017 Mekong Remittance Study provides insights into the barriers and opportunities for improving regulated remittances, which have been identified by remittance service providers along the remittance value chain for the Mekong region.



¹⁸ ILO, 2017 (Forthcoming). Labour Migration in ASEAN: Assessing the Socio-economic Costs and Outcomes for Migrant Workers

¹⁹ UN-INSTRAW & UNDP, 2010. Migration, Remittances and Gender-Responsive Local Development.

²⁰ ILO, 2017 (Forthcoming). Labour Migration in ASEAN: Assessing the Socio-economic Costs and Outcomes for Migrant Workers

²¹ ibid

²² Orzoco, 2006. [Commission on the Status of Women Fiftieth session New York, 27 February – 10 March 2006. High Level Panel on Gender and Remittances - Gender remittances: Preliminary notes about senders and recipients in Latin America and the Caribbean.](#)

²³ IOM, undated. [Gender, Migration and Remittances.](#)

As technology and mobile access continue to drive change in the financial services landscape, many of the identified barriers can be surmounted. These challenges include; ID and documentation requirements, which can disproportionately affect women; understanding the customer profile and needs; the development of a well-functioning financial services ecosystem in the rural areas, where 75% of female recipients reside; and building a profitable, scalable and sustainable business model for remittances.

There are many opportunities today, especially driven by new technologies, that lower operational costs, provide entry for new players, incentivise new partnerships, and afford greater reach to rural communities. The evolution of the regulatory and technology infrastructure in CLMV can also support greater financial services development aimed at access and usage for financially excluded and underserved low-income consumers, micro-entrepreneurs and small and medium enterprises, especially women and rural communities. For example, the expansion of regulations for mobile money, agent banking and cross-border e-payments has been implemented in Thailand, Viet Nam and Myanmar, and these updates change the historical reliance on visiting banks to perform remittances. Another regulation is tiered-KYC requirements, whereby documentation requirements have been relaxed for low-value remittances. This relieves a major hurdle in using regulated remittance services for low income migrants, many of whom are women. There needs to be more information sharing on updates in regulation so that remittances can be offered to customers by a greater diversity of providers. Availability of a greater diversity of remittance products, services including financial literacy or pricing apps, and agent-based remittances will promote efficiency of remittance usage at the first and last mile for end-users in CLMV. Greater availability of services also has the impact of improving market competition and therefore improvement of remittance and other financial services tailored to the needs of clients.

Objectives of the UNCDF SHIFT Challenge Fund – 3rd Window:

The UNCDF SHIFT Challenge Fund – 3rd Window aims to identify and fund innovative women-focused business models that foster, particularly amongst women, regulated international remittances into CLMV, and concurrently increases adoption or usage of remittance-linked financial services in CLMV.

The Challenge Fund shares risk by offering co-funding to the private sector to foster new or scalable women-inclusive business models that financial market actors would not ordinarily be prepared to pursue because the return on investment in short term would be difficult to assess, or because it would be perceived as too risky. The SHIFT Challenge Fund aims to support projects for which social returns are assured, but financial returns may not yet have been proven.

Financial service providers, money transfer operators, mobile network operators, and FinTech companies are welcome to submit a proposal to develop or scale up a sustainable remittance business model within their own operations that:

- ❖ Targets international remittances to CLMV recipients in particular low-income female migrant workers.
- ❖ Links international remittances to the adoption or expanded usage of financial services by women remittance recipients in Cambodia, Lao PDR, Myanmar and Viet Nam.

Preferred proposals will:

- Lead to increased access for women and usage of regulated remittance services through commercially sustainable models.
- Support collaboration between various market players such as partnerships between a Fintech and bank, or telecom and bank, etc.
- The remittance-linked financial services may include access to savings, payments, credit or insurance, or a combination of services that also enhance the end-use of remittances received by women.
- Shift cash-based transactions to digital financial services by utilising mobile, internet, and other delivery channels.²⁴
- Develop products that leverage on research and customer data to drive a customer-centric product offering tailored to gender specific requirements or needs, and potentially location, age and language requirements.
- Support the expansion of women-focused delivery networks in CLMV to address last-mile access to remittances and other financial services.
- Leverage women's unions or community associations within their business models.
- Create greater awareness of the choice and relevance of available financial services targeted at migrant workers and their families, considering differential needs based on different demographic segments.

Eligible applicants

This UNCDF SHIFT 3rd Window will apply the following eligibility criteria:

- Each proposal must include an institution licensed to perform remittance services.
- The lead applicant should be a registered entity demonstrating capacities and experience in international remittances, and/or remittance-linked domestic financial services.
- The lead applicant should have a minimum of 3 years of operations and statutory account(s).
- The project idea must be implementable in 2017 – 2019, with a project duration of a minimum 12 months and not exceeding 30 months.
- The applicant must contribute at least 50% of project costs, depending on the innovation and risk level.
- The proposal should be a new venture, or to scale an existing model (not to subsidize current operations).
- Collaboration is encouraged, including private sector organisations, civil society organisations, business member organisations and associations.
- Applicants may be registered in CLMV or another country, provided that the project is carried out with remittance receivers in CLMV and appropriate licenses have been obtained for operating in the relevant jurisdictions.
- Individuals cannot apply.

²⁴ Digital Financial Services defined as 'Financial services delivered primarily over telecom and internet digital infrastructure with a low use of traditional and brick-and-mortar branches'

Financing instruments

SHIFT's primary financial instrument is co-funding as grants. Grant amounts will range from US\$100,000 to US\$300,000. In the future, loans and guarantees may be provided to successful applicants. SHIFT requires successful applicants to contribute at least 50% matching funds towards the project, thereby demonstrating the grantee's commitment to the project.

Marketing plan

For SHIFT, marketing messages need to clearly state that traditional financial inclusion approaches are not sufficient to significantly increase financial outreach; that innovation is critical to trigger the necessary advances; and that SHIFT is a funding mechanism to facilitate this innovation. Strong marketing is critical to the success of the Challenge Fund windows and of the SHIFT fund as a whole.

The SHIFT programme requires diverse partners to foster new market approaches and business models. It is therefore necessary to communicate further than the financial sector itself. To expand the outreach of the communication campaign, we will reach out to stakeholders who are involved in remittances, payments networks or associations in this region. These can include financial and non-financial institutions, such as mobile network operators, money transfer operators and also development finance institutions who do research on remittances. Regulatory stakeholders such as monetary authorities and central banks will be informed regarding the opportunity of this Window. Many of the stakeholders involved in the Mekong Remittance study will be contacted to further promote this Window.

Pre-launch marketing will last approximately 9 weeks from March until May 2017 and include activities in CLMV in addition to ASEAN countries for this Window. A combination of communication tools will be used to reach out to specific organisations and to a large range of private sector actors.

- A Window dedicated leaflet will be designed, describing the window thematic focus, applicant eligibility criteria, the type of proposals sought and what SHIFT has to offer. The leaflets will be distributed broadly at regional events, national events and to aggregators.
- An infographic video/presentation will be designed and circulated to potential applicants.
- A press release will be published in two national daily news sources (business/financial section) in each of the 4 countries within one month before the launch.
- A UNCDF consultant will spend several days in each CLMV country to meet with financial institutions and private sector organisations and develop a pipeline of interested applicants. Interviews will be held with interested applicants. Preliminary discussions have been conducted in Viet Nam, Myanmar, Cambodia, Lao PDR and Thailand already.
- Social media: regular tweets will be released every couple of days.
- National launching events will be organised in each country one week before the opening date for proposal submission.
- An information/orientation workshop will be organised in each country within the first week of the Window opening. It will allow participants to receive detailed information on the Fund's process and expectations. This is an avenue of also extending our marketing outreach in-country.

Timeline

The official launch date is set for the 7th of April, with an application closing date of 9th of June.

| | Jan | | | | Feb | | | | Mar | | | | Apr | | | | May | | | | Jun | | | | Jul | | | | Aug | | | | Sept | | | | Oct | | | | | | | | | |
|---|-----|---|----|----|-----|---|----|----|-----|---|----|----|-----|---|----|----|-----|---|---|----|-----|----|---|----|-----|----|---|----|-----|----|----|---|------|----|----|---|-----|----|----|---|----|----|----|--|--|--|
| | 2 | 9 | 16 | 23 | 30 | 6 | 13 | 20 | 27 | 6 | 13 | 20 | 27 | 3 | 10 | 17 | 24 | 1 | 8 | 15 | 22 | 29 | 5 | 12 | 19 | 26 | 3 | 10 | 17 | 24 | 31 | 7 | 14 | 21 | 28 | 4 | 11 | 18 | 25 | 4 | 11 | 18 | 25 | | | |
| SHIFT board meeting | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Resource Mobilization and Marketing Campaign | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Remittance Launch Event | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| EOI Preparation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Information workshop | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Investment Committee (IC) Review & Shortlisting | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Orientation workshop for proposals | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Proposal Preparation Period | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Due Diligence | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Marking, IC, SHIFT Board decision | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contracting | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |