

Partnership Snapshot: Global IME

Reducing Financial Pressure Led by COVID-19 on Migrants from Malaysia Corridor

UKaid Skills for Employment (सीप) Programme's partnership with Global IME Bank (GIBL), IME, Remit Aid and Aadhyanta is designed to bridge a dedicated funding/credit line enabled through investments by global social impact investors seeking modest yields and impact data, targeted towards migrants and their households whose incomes continue to be affected by the COVID-19 pandemic.

The onset and continued growth of the COVID-19 pandemic has severely disrupted income stability of Nepali migrants as many migrant households are now teetering towards financial collapse amidst the global lockdown efforts. While some migrants have been able to hold their assets and bring their last earnings home, many return with empty pockets, spending what little they had, to make it back home. In this context, innovative solutions that can be rapidly deployed and sustained to limit the severity of this system collapse, are needed more than ever.

The multipartite partnership among UKaid सीप with GIBL, IME, Remit Aid and Aadhyanta aims to prevent migrant workers and their families from returning to poverty by ensuring continuity of cash flows and enhancing financial security and safety of migrant workers. This partnership offers a unique solution by connecting global social impact investors to migrant workers thereby supporting the flow of much-needed remittances back home and offering financial stability and predictability in the post-COVID-19 environment. Funds will be raised from the global capital markets with the issuance of Remittances Advance Bond (RAB) and disbursed to the families through a digital platform which both the migrant and their households have signed onto. Migrants can apply for the emergency loan as a safety against future disruptions or as a temporary buffer against pandemic related supply-demand disruptions. These initiatives contribute to multiple Sustainable Development Goals: Goal 8 on Decent Work and Economic Growth, Goal 10 on Reduced Inequalities; and Goal 5 on Gender Equality.

Innovation being a key component of this partnership, Artificial Intelligence (AI) backed credit scoring algorithm will be embedded in the Application Programming Interface (API) to help diagnose financial health assessments of potential borrowers for new tailored financial product offerings—making the platform unique and the first-of-its-kind in Nepal. Tapping into the global liquidity directly via issuance of Social Impact Bonds for on-lending to migrant workers and their families on concessional terms, this partnership will expedite social impact investment inflows into the country, paving the way for an increased number of similar capital flows to other priority development programmes.

KEY FACTS:

Duration: Nov 2021 - Nov 2022

Geographic Coverage: Madhesh Province and Lumbini Province, Malaysia and Saudi Arabia Corridors

Intended Impacts:

- 5,600 remittance loans up to GBP 147 per month
- 1,960 (35%) women, 1,680 (30%) DAGs, and 3,360 (60%) youth targets.

Summary of Key Activities:

- Remit Aid's Special Purpose Vehicle (SPV) serves as an issuer of medium-term note (MTN) to the impact investors and an interface with the Development Finance Corporation (DFC) secures partial guarantees in all phases of this programme. With the confirmation of investor commitments, receipt of proceeds is forwarded to the Remit Aid for creating the Sinking Fund Credit profile and starting the disbursements into onboarded migrants.
- Nepal Rastra Bank provides the required partnership approval for local currency and foreign exchange orderly disbursement flows in and out of Nepal.
- Artificial Intelligence (AI) backed credit scoring algorithms will be set up by Remit-Aid in collaboration with its technological partner Tiaxa to help diagnose financial health assessments of potential borrowers for new tailored financial product offerings. This credit analytics will include historical data provided by IME Remit and Global IME Bank Ltd (GIBL) to generate a list of qualified borrowers to create a basis through which proceeds will be lent to Global IME for on-lending to families of migrant workers.
- Application Programming Interface (API), to be set up by Global IME Bank, will embed the credit algorithm in the existing system of Global IME Bank for conducting the credit scoring process and disbursing loans to the qualified migrant/s households.
- Conduct awareness and promotion activities in Nepal, Saudi Arabia and Malaysia to onboard migrants into the credit analysis interface with the identification of target beneficiaries and mapping their relationship with migrant households through various verification processes and physical agreements. Aadhyanta, currently functioning as Remit-Aid Nepal representative, will oversee the local implementation of the programme. Provide affordable loan against remittance for migrants and their households affected by the COVID-19 pandemic at a nominal interest rate of 8%. The remittance loan will cover GBP 147 monthly disbursements for 12 to 24 months with micro repayment period spread over 5 years.
- Organize product orientation training sessions across the identified/targeted areas to ensure the messages are reached and understood by the target audience in Nepal as well as the target destination country. Outreach, and financial literacy campaigns, and social media promotions will be conducted at labour camps to ensure scalability.
- Liaise with provincial and/or local government and other relevant stakeholders to expand the outreach of the proposed services in Madhesh Province and Lumbini Province.

