



Increasing Formal Remittances in the SA – SADC corridor

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Background & Market Structure – Supply and Regulatory landscape

FMT and SADC Remittances

- FMT mandate to make financial markets work for the poor
- FMT supports the SADC Secretariat and other stakeholders (notably the South African Reserve Bank) on the objective to **increase the usage of affordable and convenient formal cross border remittance** products by
 - **reducing the pricing**
 - **increasing convenience and access**
 - **Speeds**
 - **Transparency**
- **Focus on the South Africa Outbound to the Rest of SADC**

SA to rest of SADC Remittances Timeline

2012

- Mukuru/InterAfrica partnership to Zim corridor via online, call centre, USSD/app or retailer

2014

- SARB introduces ADLA licences – 4 new operators enter market
- Mama money enters Zim mkt through bank but retailer added later. USSD/app enabled

2015

- FIC amends KYC. No proof of address req for payments below ZAR3,000, max of ZAR 10,000 per month
- Shoprite Lesotho launched flat fee (ZAR9.99)
- Hello Paisa launch Zim service with Mastercard Homesend

2016

- Mukuru partners with Mcel to Moz through Mkesh and Vodacom for Lesotho through Mpesa
- Hello Paisa and Mama Money commence Moz

2017

- FICA amendment allows Risk Based Approach to KYC
- Shoprite acquires exchange 4free – gets new ADLA licence and adds Zim and Moz

2018

- World Remit gets ADLA licence
- Hello Paisa offers goods ordering SA to Zim
- Hello Paisa offers service through Whatsapp
- ADLA 4 was introduced – value remittances introduced to the market

2019

- Shoprite starts operating in Eswatini
- Hello Paisa remitting goods from SA to Zimbabwe off the back of the ADLA 4 licence



Estimated Size of Market – SA to the rest of SADC

Methodology and Constraints

- Based on an estimate of the number of SADC migrants living in South Africa, and their remittance patterns
- Method has a number of limitations:
 - Stats SA/Home Affairs data on migration is poor and deteriorating
 - Only flow data on formal migrants, no stock data
 - By definition, extremely difficult to estimate undocumented migrants and informal remittance flows
 - Best data is from the Census, but we know that migrants evade census takers, so even that needs to be adjusted

The Dataset

- Financial Surveillance Data
- Dataset provided on a per country basis, 2016 through 2018, covering four balance of payments components, as follows:
 - BOP category 401 – Gifts;
 - BOP category 416 – Migrant worker remittances (excluding compensation);
 - BOP category 417 – Foreign national contract worker remittances (excluding compensation),
 - Cross border bank card transactions by individuals
- Suspect there is some “noise” in the last category – travellers withdrawing cash for own purposes
- 2011 South African Population Census
- Doesn't tell us anything on # of customers ONLY volumes and values

Estimate of Total SADC Migrants and Migrants with No Right to Work

	Census 2011 data	Total SADC immigrants	Right to enter – Right to stay & work	No right to enter – Right to stay and work	No right to work	% with no right to work
	A	B=Ax2.5	C	D	E=B-C-D	F=E/B
Angola	10 356	25 890	846	1 833	23 211	89,7%
Botswana	12 316	30 790	1 403	3 124	26 263	85,3%
Comoros		90	9		81	90,0%
DRC	25 630	76 890	1 708	60 270	14 912	19,4%
Lesotho	160 806	402 015	22 961	120 267	258 787	64,4%
Madagascar	318	795	41		754	94,8%
Malawi	86 606	216 515	1 093	6 103	209 319	96,7%
Mauritius	2 813	7 033	241	64	6 727	95,7%
Mozambique	393 231	983 078	23 886	227 374	731 818	74,4%
Namibia	40 575	101 438	96	47	101 294	99,9%
Seychelles	249	623	6		617	99,0%
eSwatini	36 377	90 943	3 571	3 664	83 707	92,0%
Tanzania	6 887	17 218	244	716	16 258	94,4%
Zambia	30 054	75 135	870	561	73 704	98,1%
Zimbabwe	672 308	1 680 770	25 515	219 757	1 435 498	85,4%
Total	1 478 526	3 709 220	82 490	643 780	2 982 950	80,4%

Average Formal Remittance Transaction Size by Licence Category, 2018, Rand

	Authorised dealers	ADLA category 2	ADLA category 3	ADLA category 4	Bank card transactions	Country average
ANGOLA	23 295	5 688		40 *	895	1 403
BOTSWANA	10 389	1 740	1 984	1 797	1 316	1 894
COMOROS	4 767	5 282			2 996	3 429
DRC	6 989	2 710	2 089	2 025	2 580	3 011
LESOTHO	1 048	661			1 102	979
MADAGASCAR	7 933	4 422			1 139	1 453
MALAWI	6 447	811	983	924	1 109	864
MAURITIUS	64 211	9 932			1 846	4 346
MOZAMBIQUE	3 111	1 038	1 272	1 317	802	893
NAMIBIA	31 701	1 518			975	1 170
SEYCHELLES	61 119	11 224			2 110	4 828
ESWATINI	11 010	424			1 136	1 174
TANZANIA	8 465	6 675	1 934	1 896	1 643	2 235
ZAMBIA	9 708	1 545	2 094	2 371	1 670	2 033
ZIMBABWE	953	1 014	2 105	1 382	772	1 063
Category average	1 631	937	1 364	993	1 139	1 074

3 countries average under R1000

Big regional variation

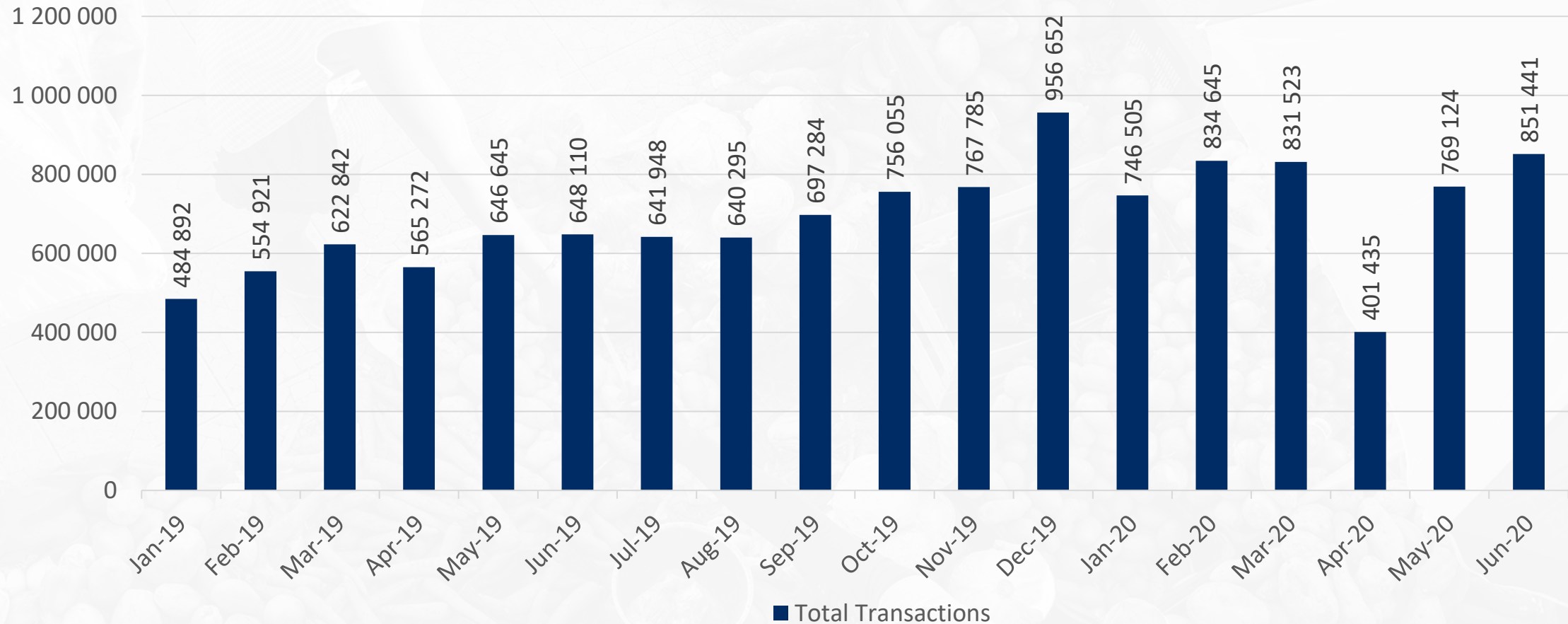
Assumption – To Size Formal and Informal Remittances Flows Estimate

- Have good data on formal remitting, so just needed to estimate average informal remittance behaviour
- Informal remitters are, more likely to be undocumented, to be low skill and to be low income
- 2018 base case assumption :
 - 50% of SADC migrants in South Africa remit money home, and 10% less undocumented migrants remit home than do documented migrants
 - On average undocumented migrants send R6 500 home per annum informally
 - On average documented migrants send home R12 000 annually informally
- Then adapted this base case for each country based on available literature, focus group results

Remittances from South Africa to SADC (2018)

	Migrants with propensity to remit informally	Amount remitted informally (Rm)	Migrants with propensity to remit formally	Formal remittances (Rm)	Total remittances (Rm)	% informal
Angola	24 818	R95,5	1 072	R11,0	R106,5	90%
Botswana	15 871	R64,0	14 919	R230,9	R294,9	22%
DRC	52 099	R243,3	24 791	R196,8	R440,1	55%
Lesotho	191 079	R762,4	210 936	R1 817,1	R2 579,5	30%
Malawi	83 908	R164,1	132 607	R2 353,1	R2 517,3	7%
Mozambique	746 577	R2 668,2	236 501	R1 321,7	R3 989,9	67%
Namibia	50 651	R162,1	50 787	R323,1	R485,2	33%
eSwatini	74 045	R339,4	16 897	R154,4	R493,8	69%
Tanzania	6 527	R12,8	10 690	R206,1	R218,9	6%
Zambia	29 517	R57,7	45 618	R492,4	R550,1	10%
Zimbabwe	1 342 809	R6 729,1	337 961	R3 174,9	R9 904,0	68%
Seychelles & Mauritius	1 844	R4,4	5 811	R249,1	R253,6	2%
Madagascar & Comoros	210	R0,4	675	R33,2	R33,7	1%
Total	2 619 955	R11 303,5	1 089 265	R10 563,9	R21 867,4	52%

Total Number of Transactions (SA Outbound), Jan-Jun 2019/20 (Impact of COVID)





Pricing findings

Total Cost as % of Transaction, US\$55 (2018)

	Authorised dealer	ADLA category 2	ADLA category 3	ADLA category 4	Weighted price
USD55 transaction size					
Angola					
Botswana	36.5%	10.6%	4.8%	7.0%	20.3%
Comoros					
DRC	34.7%	10.1%	5.6%	13.3%	15.4%
Lesotho	1.0%	10.0%			3.5%
Madagascar	34.4%				25.6%
Malawi	34.8%	10.4%	4.8%	9.2%	9.6%
Mauritius					
Mozambique	42.6%	10.5%	5.0%	9.6%	14.6%
Namibia	1.0%	10.0%			5.7%
Seychelles					
eSwatini	1.0%	0.0%			0.9%
Tanzania	34.9%	0.0%	6.0%	10.1%	13.2%
Zambia	36.3%	10.5%	5.1%	10.9%	14.6%
Zimbabwe	35.6%	10.6%	6.8%	7.9%	13.6%

Regional Average Cost (2018)

	USD55	USD200
Average prices		
SADC total	12,5%	7,7%
SADC total, excluding CMA	15,9%	9,5%
CMA only	3,4%	2,9%
Weighted average prices		
SADC total	11,2%	9,5%
SADC total, excluding CMA	11,9%	10,0%
CMA only	3,5%	2,9%



Opportunities and Financial Inclusion

Market Opportunities

- Impact of COVID – increase uptake of formal (how to keep those customers?)
- Widespread adoption of the Risk Based Approach
- Digitisation of the first mile (the sender) – getting SADC migrants a store of value (increase FI for SADC migrants in SA)
- Potential for mobile money and remittances in SA
- Digitisation of the last mile in the recipient countries (increase FI in recipient countries)
- Use of ADLA platforms to serve low value cross border trade
- Potential for a regional (SADC) digital financial identity
- The potential use cases of Transactions Cleared on Immediate Basis (TCIB)



Thank you

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