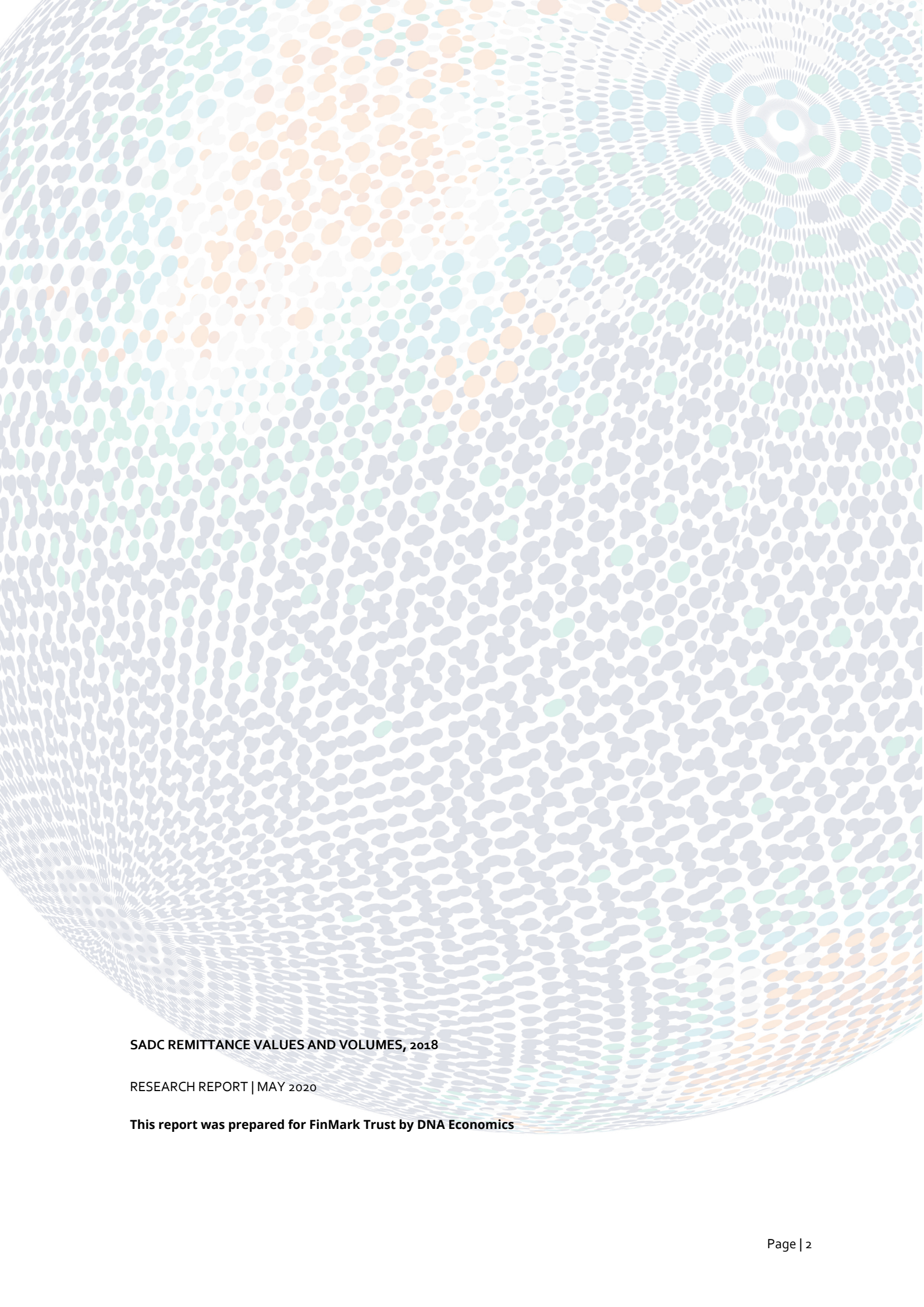

SADC REMITTANCE VALUES AND VOLUMES

RESEARCH REPORT



SADC REMITTANCE VALUES AND VOLUMES, 2018

RESEARCH REPORT | MAY 2020

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LIST OF ABBREVIATIONS

ADLA	authorised dealer with limited authority
ASP	Angolan Special Permit
BLS	Botswana, Lesotho, Swaziland (eSwatini)
BOP	Balance of Payments
CBL	Central Bank of Lesotho
CMA	Common Monetary Area
DHA	Department of Home Affairs
DoL	Department of Labour
FGD	focus group discussion
LSP	Lesotho Special Project
MTO	money transfer operator
SADC	Southern African Development Community
SARB	South African Reserve Bank
Stats SA	Statistics South Africa
TEBA	The Employment Bureau of Africa
UNHCR	UN Refugee Agency

EXECUTIVE SUMMARY

South Africa is an important regional migration destination, and thus remittances from South Africa into the rest of Southern African Development Community (SADC) are substantial in both volumes and value. In some countries within the SADC region, remittances have become a material component of national income, and for Zimbabwe in particular they have become a lifeline during periods of extreme economic disruption.

Remittances are also an important component of access to finance. Informal remittance markets in many countries are well established but often expose the remitter to delays and the risk of theft and other losses. Formalising these markets is central to the wider objective of improving access to finance in the region, which is central to the objectives of FinMark Trust. This estimate of the size of SADC remittance markets is the latest in a series of such estimates undertaken by FinMark.

The methodology employed is a continuation of that used in the 2012 and 2016 reports, namely that the size of the remittance market can be estimated using a combination of an assessment of the number of SADC migrants living in South Africa, and an understanding of their remittance patterns and volumes at individual levels. This methodology requires us to rely on both formal, high-quality data and less formal data sources, and is thus subject to estimation errors. We continue to welcome any input that can help us refine this methodology.

Estimating migrant numbers

In order to estimate the volume of remittances from South Africa to the rest of SADC, we begin by estimating the number of SADC migrants currently in South Africa. In 2016 we proposed that the best available method for estimating total migrant population size in South Africa was to take the 2011 Census numbers and multiply them by a factor of 2.5. At

the time, this produced a migrant population estimate that was consistent with Lesotho government estimates of the migrant population of Basotho in South Africa, which was in line with best estimates of Zimbabwean migrant population size, and that produced an estimate of the number of Congolese in South Africa, which was consistent with known refugee populations.

Given that no new census data is available from Stats SA, we will continue to base our estimate of total migrant population size on this technique. However, given the growth in the number of Congolese migrants seeking asylum in South Africa, a factor of 2.5 is no longer sufficient to produce a sensible estimate of the number of migrants from the DRC. For the DRC alone, in order to reflect the rising levels of migration from this country, the factor is increased from 2.5 to 3.

As in previous exercises, we broke down our estimate of the number of SADC migrants in South Africa into four categories, distinguishing between whether migrants entered the country legally or not, and whether they currently have formal migrant status. The resulting estimate of total SADC migrant population size is shown in Table 1. As can be seen, the total number of migrants from the rest of SADC in South Africa continues to be estimated at around 3.7 million individuals, of which 80% are estimated to be undocumented.

Table 1: 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 ¹	No right to work	% with no right to work
	A	B = A × 2.5	C	D	E = B – C – D	F = E/B
Angola	10 356	25 890	846	1 833	23 211	89.0%
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%

Source: Stats SA 2011 Census, own estimates

* Comoros was not part of SADC at the time of the 2011 Census, and thus Comoros' migrant data is not available from the Census report. We have assumed 90% of Comoros migrants are undocumented for the purposes of the estimation exercise.

** DRC multiplier increased to 3

Formal remittances

For this research report, the South African Reserve Bank (SARB) provided FinMark with a dataset tracking formal remittances on a per-country basis for the period 2016 to 2018. This data covered four relevant balance of payments components, as well as cross-border bank card transactions by individuals. The inclusion of cross-

border bank card transactions means that, for the first time, the formal data provided by SARB can be regarded as a fairly complete representation of the total value of formal remittances from South Africa to the rest of SADC.

¹ These are migrants who entered illegally but eventually became legal by gaining refugee status or Amnesty agreements between SA and their countries of origin

Table 2 shows formal remittances from South Africa to the rest of SADC. As can be seen, SADC residents in South Africa sent a total of R9.3 billion home via formal channels in 2018 compared to R7.9 billion in 2016.

Zimbabwe was the corridor with the largest formal flows by a substantial margin, but more than R1 billion was also sent to Malawi, Mozambique, Namibia, Zambia and Lesotho over the three-year period.

Table 2: Formal outbound remittances from South Africa to SADC per country, R million (adjusted)

	2016	2017	2018	Total
Angola	15.58	11.71	10.98	38.27
Botswana	204.44	203.5	230.91	638.84
Comoros	1.31	1.76	2.62	5.68
DRC	102.35	147.12	196.75	446.23
Lesotho	446.19	857.88	1 317.10	2 621.18
Madagascar	28.85	27.42	30.62	86.9
Malawi	843.22	1 581.53	2 353.15	4 777.90
Mauritius	162.5	213.23	233.4	609.13
Mozambique	453.89	455.44	601.65	1 510.99
Namibia	350.91	345.87	323.14	1 019.92
Seychelles	11.2	14.17	15.73	41.1
Eswatini	123.37	135.84	154.44	413.65
Tanzania	166.5	189.63	206.14	562.28
Zambia	425.63	464.23	492.42	1 382.29
Zimbabwe	4 656.24	4 091.84	3 174.89	11 922.96
Total	7 992.18	8 741.17	9 343.94	26 077.32

Source: SARB response to FinMark data request. Adjusted to compensate for tourism transactions, Shoprite Money Transfer to Lesotho, EFT payments to CMA countries

Informal remittance market estimate

We examined the available research on SADC remitting patterns in order to derive base case assumptions for migrant remitting behaviour in the informal market. In 2012 our assumption was that 45% to 55% of all SADC migrants in South Africa remit money home, and on average they send R5 500 home per year (on an inflation adjusted basis, this is approximately R6 860 in 2016 and R7 800 in mid-2019). In 2016 we continued to assume that, on average, 45% to 55% of migrants remit, and we increased the average remittance amount only slightly

to R7 000 per annum (or an inflation adjusted R7 960 in 2019).²

In 2016, these assumptions were applied to the total migrant population in order to derive an estimate of both formal and informal remittances. In 2019, however, the quality of data received from SARB was such that we could now use the actual amount remitted in 2018 to estimate the formal remittance market to the rest of SADC.

² Inflation calculated using the *Consumer prices: All urban areas* data as reported by the South African Reserve Bank Quarterly Bulletins.

The base case assumption that we need for estimation purposes is thus the base case informal remitter. Informal remitters are, in most cases,³ more likely to be undocumented, be low-skilled and earn a low income. As such, their ability to remit is more restricted. For 2019, we therefore modify the base case assumption as follows:

- An average 50% of SADC migrants in South Africa remit money home, and 10% fewer undocumented migrants remit home than documented migrants.
- On average, undocumented migrants send R6 500 home per annum (informal channels only).
- On average, documented migrants send home R12 000 annually (informal channels only).

Remittance market estimate

Table 3 summarises the total remittance market estimate. While in 2016 we estimated total remittances at R16.6 billion, in 2018 this had risen by 32% to R21.9 billion. Substantial swings to formal remittance systems have been seen in some countries, and in particular in Malawi, Lesotho and Mozambique, as new, lower-cost products and services have enticed consumers into formal markets. In other countries, improved SARB data management systems have allowed us to gain better insight into formal remitting via shared bank accounts. As a result, while we thought 24% (R4.05 billion) of remittances in the region travelled via formal channels in 2016, in 2019 it seems more likely that around 48% (R10.5 billion) of the market uses formal channels. The estimated proportion of formal remittances has thus roughly doubled between 2016 and 2018 (much of which is attributable to the improvement in data sources).

³ On certain remittance channels, for example to the DRC and Angola, even wealthy individuals seem to

remit via informal channels, and thus this pattern may not always hold.

Table 3: 2018 remittances from South Africa to the rest of SADC

	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	95.5	1 072	11.0	106.5	90%
Botswana	15 871	64.0	14 919	230.9	294.9	22%
DRC	52 099	243.3	24 791	196.8	440.1	55%
Lesotho	191 079	762.4	210 936	1 817.1*	2 579.5	30%
Malawi	83 908	164.1	132 607	2 353.1	2 517.3	7%
Mozambique	746 577	2 668.2	236 501	1 321.7*	3 989.9	67%
Namibia	50 651	162.1	50 787	323.1	485.2	33%
eSwatini	74 045	339.4	16 897	154.4	493.8	69%
Tanzania	6 527	12.8	10 690	206.1	218.9	6%
Zambia	29 517	57.7	45 618	492.4	550.1	10%
Zimbabwe	1 342 809	6 729.1	337 961	3 174.9	9 904.0	68%
Seychelles & Mauritius	1 844	4.4	5 811	249.1	253.6	2%
Madagascar & Comoros	210	0.4	675	33.2	33.7	1%
Total	2 619 955	11 303,5	1 089 265	10 563,9*	21 867,4	52%

Source: Own estimates, incorporating external data sources as discussed in report

* Please note that this includes estimated deferred pay for mineworkers of R500 million to Lesotho and R720 million to Mozambique

Conclusion

Improving access to safe, affordable remittance services in the SADC region is good for remitters and remittance recipients, and contributes to ensuring that economic migration can play its role in underpinning the regional safety net for the poorest of the poor. As illustrated by this and other FinMark market estimation exercises, the SADC remittance market is of a substantial size, and corridors where the market is still largely informal represent a real business opportunity for financial service providers.

Over the period 2016 through 2018, it is possible to detect real shifts from informal to formal remittance channels on a number of regional corridors. With the right combination of product characteristics, and enabling regulatory environment and good distribution networks, remitters from countries such as Mozambique, Malawi and Lesotho have been persuaded in large numbers to adopt formal remitting channels. Going forward, there is thus good potential for other markets in the region to see similar shifts.

1. INTRODUCTION

South Africa is an important regional migration destination, and thus remittances from South Africa into the rest of SADC are substantial. By remitting, migrants maintain family relationships and help to stabilise the earnings of what are in many cases extremely poor origin communities. In some countries in the SADC region, remittances have become a material component of national income, and for Zimbabwe in particular have become a lifeline during periods of extreme economic disruption.

Remittances are also an important component of access to finance. Informal remittance markets in many countries are well established, but often expose the remitter to delays and the risk of theft and other losses. Formalising these markets is central to the wider objective of improving access to finance in the region, which is central to the objectives of FinMark Trust. This estimate of the size of SADC remittance markets is the latest in a series of such estimates undertaken by FinMark.

1.1 Methodology

The methodology employed is a continuation of that used in the 2012 and 2016 reports, namely that the size of the remittance market can be estimated using a combination of an assessment of the number of SADC migrants living in South Africa, and an understanding of their remittance patterns and volumes at individual level. Again, this is in line with the premise stated in Freund and Spatafora (2005), that “the stock of migrants ... is the primary determinant of remittances.”

The research is based on a review of secondary sources, including statistical resources. In addition, focus groups conducted with remitters from the DRC, eSwatini and

Mozambique were conducted in order to shed more light on remitting patterns for those countries. The caveats on the methodological approach stated in the first report bear repeating, as follows:

Note that the findings are an estimate in all instances, based on certain explicitly disclosed assumptions. In an ideal world, market size calculations would be based on hard data. In the absence of such data, our point of departure has been that it is still meaningful to develop an estimate compiled from best available data sources, even if they are not complete, combined with well-reasoned, if not foolproof, assumptions. In this sense, an estimate is deemed better than no data at all. We would welcome any feedback or contribution that will contribute to an improved understanding of the scope of the remittances market in Southern Africa (Truen & Chisadza, 2012).

1.2 SARB data

It should be noted that the quality of data received from the SARB on formal remittances has improved markedly, allowing an in-depth analysis of formal remitting patterns. This is discussed in more detail in section 3.1 and in an accompanying piece of research entitled *South Africa to rest of SADC remittance pricing*.

2. SADC MIGRANT NUMBERS

In order to estimate the volume of remittances from South Africa to the rest of SADC, we begin by estimating the number of SADC migrants currently in South Africa. As in previous exercises, we will estimate the number of SADC migrants in South Africa in four categories, distinguishing between whether migrants entered the country legally or not, and whether they currently have formal migrant status.

2.1 Right to enter, right to stay and work

In principle, documented migrants should be one of the easiest categories of migrants to track, as their cross-border movements have been recorded. However, as we discussed in the 2012 version of this research,⁴ in practice the Department of Home Affairs (DHA) has had a history of problems with its data recording systems. There also appears to be systemic issues as regards the recording of specific types of documented migrants.

Up until 2014, the DHA had shared information on all documented migrants with Statistics South Africa (StatsSA), in an annual StatsSA data release titled *Po351.4: Documented immigrants in South Africa*. This data release gave information on six separate types of temporary visas, including business visas, allowing analysis of the nature of migration. We will review some of this information in this section. However, this data series has been discontinued for unknown reasons (possibly related to the introduction of the revised Immigration Act and Immigration Regulations in 2014).

Since 2014, the only time series currently still available from StatsSA has been the monthly *Po351: Tourism and migration* reports. This monthly data release groups of temporary visitors into South Africa depending on whether they are arrivals only, making single trips, or making multiple trips, and by whether they are same-day visitors or overnight visitors. No distinction is made

between the various types of visas that have been used for entry, and thus it is not possible to distinguish between students, retired people and business people, for example. No information is thus provided on the number of documented migrants with permission to legally seek employment in the country.

In addition, from the *Po351.4* reports, it is evident that there are substantial complexities in the way different types of working permit data is tracked. As we discussed in the 2012 report, South Africa has a “two gates” migration system, as follows:

“The first gate is designed to cater mainly for skilled migrants, and issues migrant workers with either temporary permits (such as work permits), or permanent residency permits. This gate is governed by immigration laws. The second gate is governed by bilateral treaties between the South African government and the governments of some of its neighbouring states, such as Botswana, Lesotho and Swaziland (the BLS countries), and Mozambique.”⁵

⁴ (Truen & Chisadza, 2012)

⁵ (Truen & Chisadza, 2012)

In practice, the second gate comprises two categories of temporary residence visas in the Immigration Act 2002 (as amended), namely treaty visas and some kinds of corporate visas. As per s14(1) of the Immigration Act, a treaty visa “*may be issued to a foreigner conducting activities in the Republic in terms of an international agreement to which the Republic is a party.*” These visas can be issued by DHA, the Department of Foreign Affairs or any other organ of state delegated to do so by DHA.

Corporate visas are covered by s21 of the Immigration Act. These kinds of visas are applied for and issued to the company itself, not to the migrants the company intends to employ. The company is then required to monitor the migrant’s compliance with the Immigration Act, report any suspected non-compliance to the DHA, and during the application process must put in place “*the financial guarantees posted in the prescribed amount and form by the corporate applicant to defray deportation and other costs should the corporate visa be withdrawn, or certain foreigners fail to leave the Republic when no longer subject to the corporate visa.*”

While any corporate entity can apply for such a visa, the DHA may also provide preferential treatment to certain industries, as follows:

s21(4) The Minister may, after consultation with the Minister of Trade and Industry or Minerals and Energy or Agriculture, as the case may be, and the Minister of Labour, designate certain industries, or segments thereof, in respect of which the Government may-

(a) reduce or waive the requirements of subsection (2)(c);⁶

(b) enter into agreements with one or more foreign states [own emphasis] and set as a condition of a corporate visa that its holder-

(i) employs foreigners partially, mainly or wholly from such foreign countries; and

(ii) remits a portion of the salaries of such foreigners to such foreign countries;

Because corporate visas can also be governed by intergovernmental treaties, they are thus arguably also “gate two” visas. While we were not able to confirm exactly which international treaties cover treaty and corporate visas, the most likely candidates are the bilateral agreements South Africa concluded with Portugal in 1974 (as regards its then colony, Mozambique), Botswana (1973), Lesotho (1973) and eSwatini (1975).⁷ While these older agreements have since been supplemented by a number of additional bilateral arrangements,⁸ they are still in force.⁹

⁶ These requirements are as follows:

s21(2)(c) “corroborated representations made by the corporate applicant in respect of the need to employ foreigners, their job descriptions, the number of citizens or permanent residents employed and their positions, and other prescribed matters.”

This seems to imply that some corporates may not be required to report the number of visas applied for. However, in practice, current Immigration Regulations

do seem to require all applicants to disclose the number of positions applied for.

⁷ (Bamu, 2014)

⁸ Mozambique (2003), Lesotho (2006), the Democratic Republic of Congo (2004), Tanzania (2007), Namibia (2008), and Zimbabwe (2009). (Bamu, 2014)

⁹ Communications with the Department of International Relations and Cooperation, 13 September 2019

We will now set out the available data on documented immigration via each of the two gates. While there are gaps in all data sources, on the whole, the quality of data available for the “first gate” of the immigration system is of much better detail and quality than for the “second gate”.

This is obviously of practical concern for this research, and will tend to reduce the accuracy of the results we are able to produce. It is also of concern given the increasing social problems associated with the rise of xenophobia in South Africa, which during the time of drafting this report resulted in widespread violent unrest. It would be ideal to see the quality of data in this environment improving instead of deteriorating going forward.

2.1.1 Skilled labour – “gate one”

Data on skilled labour arriving via “gate one” is available from Stats SA up until 2015. Table 4 shows the total number of business and work permits issued to migrants from SADC countries over the five-year period 2011 through 2015. This time series tracks the number of individuals who have entered South Africa each year, rather than the total stock of migrants currently in South Africa. We will use the five-year rolling total as an approximation of the total size of the population of skilled labour from the rest of SADC currently in South Africa.

As can be seen, the vast majority of the approximately 32 700 SADC migrants who entered South Africa via this corridor over the period were from Zimbabwe (78% of the total). The only other countries with more than 500 migrants in this category were DRC, Malawi, Zambia, Angola and Lesotho.

Table 4: Issued business and work permits by country, 2011–15 total

	Business	Work	Five-year total	% of total
Angola	46	800	846	2,6%
Botswana	12	513	525	1,6%
Comoros	0	9	9	0,0%
DRC	114	1 594	1 708	5,2%
Lesotho	8	599	607	1,9%
Madagascar	1	40	41	0,1%
Malawi	24	1 069	1 093	3,3%
Mauritius	2	239	241	0,7%
Mozambique	55	384	439	1,3%
Namibia	2	94	96	0,3%
Seychelles	-	6	6	0,0%
eSwatini	2	446	448	1,4%
Tanzania	12	232	244	0,7%
Zambia	22	848	870	2,7%
Zimbabwe	150	25 365	25 515	78,1%
Total	450	32 238	32 688	100.0%

Source: Stats SA Documented immigrants in South Africa, P0351.4

These results are quite similar to those used in 2016. At that point, we estimated that there were 36 553 SADC nationals in South Africa using this immigration route, of which 78% were Zimbabwean.

It should be noted that the decision to not include numbers of permanent residence applicants in this category is deliberate – as holders of permanent residence have typically proceeded to such status by way of first holding some form of temporary permit, it would be double-counting to include permanent residence applications in an estimate total based on temporary residence applications.

2.2.2 Foreign contract labour – “gate two”

Foreign contract labour is the “gate two” immigration category previously referred to. Historically, it was primarily used as a means of bringing in unskilled or semi-skilled workers in the mining and farming sectors, although the lack of detailed official data sources makes it difficult to interrogate whether that still remains the case.

We found the following data sources for gate two immigrant populations:

- Statistics SA P0351.4 reports
- Department of Labour (DoL) annual reports
- Mineworker data from the Central Bank of Lesotho (CBL) and the Employment Bureau of Africa (TEBA) via the Minerals Council.

We will now go through each of these data sources in turn.

Stats SA reports

While the P0351.4 reports that Stats SA compiled using data from DHA do include a separate category for treaty permits, for the period 2012 to 2015 they record only 68 individuals entering the country via this system. Either this is a massive undercount, or it suggests that the majority of unskilled workers entering via gate two are utilising corporate visas rather than treaty visas.

DoL Annual Reports

For the period 2011 through 2017, DoL Annual Reports included some data on the number of corporate permits requested, and the number of workers involved. This time series is shown in Table 5. As can be seen, the volume of applications peaked in 2014, with 142 corporate applications covering 21 024 jobs, of which only 26% were not approved. However, in May 2014 new regulations were promulgated that reserved the right to make recommendations on visa applications to the DoL (this task could previously be outsourced). The DoL appears to have been quickly swamped by the increased workload,¹⁰ and the combination of slower performance on processing permits and the new regulations themselves seems to have massively decreased the number of workers in new applications by 2016.

¹⁰ Department of Labour Annual Report 2015

Table 5: Corporate work visa applications

Year	Received	Number of workers	% workers not approved	Workers per application
2011	59	Not disclosed	Not disclosed	Not disclosed
2012	32	4 128	65%	129
2013	108	12 631	34%	117
2014	142	21 024	26%	148
2015	95	18 077	30%	190
2016	99	9 073	24%	92
2017	95	Not disclosed	Not disclosed	Not disclosed

Source: DoL Annual Reports

These regulatory changes have also limited the stay of workers brought in under these visas to a maximum of three years. This will tend to reduce the return to investing in training such staff,¹¹ and will likely continue to ensure that these visas are used only for unskilled labour going forward.

No information is provided by the DoL as regards which industry these corporate visa applicants are in, or which countries the applicants are from. It is thus possible that some workers are not from SADC countries. In addition, as we will now discuss, these numbers also do not correspond with the number of migrant mineworkers reportedly in South Africa. It is tempting to wonder if the DoL statistics thus exclude mineworkers, and are largely reserved to the agricultural sector.

TEBA and the CBL

TEBA has for many years acted as the principal labour broker recruiting foreign mineworkers for employment in the South African mining sector under the treaty/corporate visa system. In 2012, TEBA estimated that only 5% of SADC mineworkers were not recruited by others¹² – it is not known whether this is still the case. In Table 6 we show an interrupted time series of data on the number of mineworkers from Lesotho, Botswana, eSwatini and Mozambique in South Africa, as reported by TEBA. As is evident, the number of such migrant mineworkers has decreased massively over time, and in 2018 was less than half the level it was in 2006.

¹¹ <https://www.savisas.com/blog/corporate-visas-new-policies/>, accessed 11 September 2019

¹² (Truen & Chisadza, 2012)

Table 6: Mineworkers from the rest of SADC in South Africa

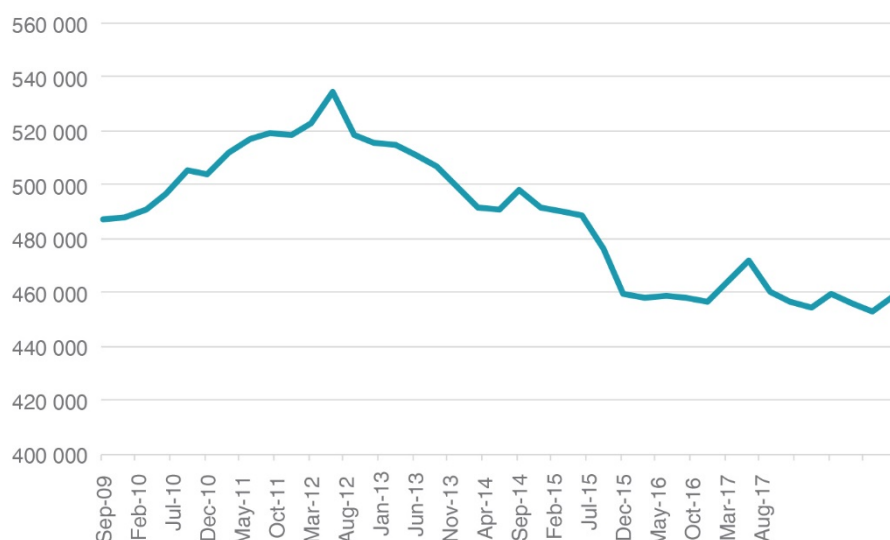
Year	Lesotho	Botswana	eSwatini	Mozambique	Total
2006	46 078	2 992	7 123	46 706	102 899
2007	45 608	2 845	7 099	44 879	100 431
2008	42 851	2 654	6 397	43 004	94 906
2009	38 559	2 357	5 855	39 090	85 861
2010	35 179	1 800	5 009	35 782	77 770
2011	34 583	1 783	4 779	34 940	76 085
2012	30 519	1 527	4 485	31 596	68 127
2016	22 704	957	3 215	23 108	49 984
2017	21 234	840	2 926	22 075	47 075
2018	19 410	762	2 712	20 359	43 243

Source: Budlender 2013 relying on TEBA special run cited in (Jinnah, 2013); 2016–2018 TEBA data provided via correspondence with Mining Council

While the total number of mineworkers employed in South Africa has also been decreasing over time (see Figure 1), the proportion of SADC mineworkers appears to have been falling even more rapidly. In 2010, the TEBA SADC mineworkers comprised 15.6% of the total

mining labour force, but that had decreased to only 9.5% by 2018. Over the period 2016 to 2018, TEBA numbers decreased by 13% but total employment in mining fell by only 0.5%.

Figure 1: Total employment in South African mining industry



Source: Stats SA Quarterly Employment Statistics, Po277

As we noted in 2016, the extent to which the TEBA numbers accurately reflect the total number of migrant mineworkers in South Africa is not known. The data collected by the CBL on the number of migrant mineworkers in South Africa continues to be 15–20% higher than the TEBA time series, for example.

As in 2016, therefore, we will again begin with the CBL data on mineworker migrants, and then assume that the proportions of Mozambican, Botswana and Swazi migrants to Basotho migrants indicated by the TEBA data are fairly accurate, and use this to estimate the numbers of these migrants. The results are shown in Table 7.

Table 7: Estimated SADC-origin migrant mineworkers

	Lesotho	Botswana	eSwatini	Mozambique	Total SADC
2010	41 555	2 126	5 917	42 267	91 865
2011	41 427	2 136	5 725	41 855	91 142
2012	37 051	1 854	5 445	38 359	82 708
2013	33 513	1 544	4 835	34 400	74 292
2014	30 386	1 400	4 384	31 191	67 360
2015	27 949	1 287	4 032	28 689	61 958
2016	26 230	1 106	3 714	26 697	57 747
2017	25 771	1 019	3 551	26 792	57 133
2018	22 354	878	3 123	23 447	49 802

Source: CBL database; own calculations

If we compare these data estimates to the DoL permit data, it can clearly be seen that the number of mineworkers reported by TEBA substantially exceeds the number of corporate permits granted by DoL. In the three years to 2016, the DoL approved corporate visas for just over 35 000 individuals. As these visas are only granted for three years, this should be more or less the maximum stock of such migrants in the country in 2016. However, our estimate is that for mining workers alone, just under 58 000 SADC migrants are in South Africa in 2016. The source of the inconsistency is not clear.

2.2 Agriculture

Estimating the number of documented SADC migrants working on South African farms has always been a difficult exercise, due to the paucity of good quality data on the sector. As discussed, while legislation seems to require that corporate visa applications in all sectors should be reported to the DoL, in practice the number of mineworkers alone exceeds the number of applications reported by DoL. One possibility is that mineworkers are not being reported to DoL, and thus

that the DoL applications are in fact mainly the farmworker applications. However, this is purely speculative.

Munakamwe and Jinnah (2014) provide considerable insight as to how the system of labour broking in agriculture works. This system supplies foreign and local unskilled labour to South African farms, and varies substantially in level of formality. A more formal labour broker both assists the farmer to find workers, and handles much of the documentation for those workers. For example, a Mozambican labour broker would find the rural Mozambicans who want to migrate, help them obtain Mozambican passports, and assist the South African farmer to apply for corporate work visas. This system is well established in provinces like Mpumalanga. In provinces such as the Western Cape, however, the system is much more informal, and:

"brokers would just identify a place where foreigners or internal migrants (in particular from the Eastern Cape) live and send a truck to collect them."³³

Whether formal or informal, the labour broker is likely to retain a substantial degree of control over the worker. Typically, wages are paid to the broker and then the broker pays the worker after taking off a management fee. Formal brokers will keep the passport of the worker until the costs of obtaining it have been worked off by the migrant. Particularly with informal brokers, it is not uncommon for the worker to not know exactly who they are working for, or any of the details of the working agreement, because all of the contracting has been handled by the broker. Unsurprisingly, allegations of financial abuse and unsafe working practices are widespread.

It seems likely that the formal system of labour broking in agriculture, which has historically been central to the movement of foreign labour onto South African farms, may be reducing in importance. As a result, migrant farmworkers may be increasingly undocumented. This is consistent with reporting by Munakamwe and Jinnah (2014), as follows:

"At one farm foreign labour has been an entrenched feature of its workforce. The owner remarked that the farm used to help migrant workers get South African documents using the corporate permit system, but that in recent years this had become more difficult due to bureaucracy and corruption at the DHA. To circumvent this, the farm continues to employ foreign labour, relying on the social networks of its current workforce to recruit, and does not do a thorough interrogation of documents as the farm owner deems this unnecessary."³⁴

Nevertheless, migration to work on South African farms likely remains substantial. For example, a survey of small farms in the North West and Northern Cape in 2018 found that almost 30% of the farms employed some foreign workers.³⁵ The bulk of these individuals are likely to be very low income, and many will only enter South Africa for fairly short periods of time, for example to assist during harvest. These factors are likely to result in greater use of informal remitting systems, as formal systems are less likely to be affordable (or in fact reachable, given the rural location of farming workers); and the migrants may be well placed to simply take money home themselves at the end of the contract.

For these reasons, and given the low quality of available formal data in this area, we will thus treat contract farmworkers as constituting part of the undocumented migrant population for the purposes of this remittance market estimate. We will thus not produce a separate estimate of the number of migrant farmworkers in South Africa.

³³ (Munakamwe & Jinnah, 2014)

³⁴ (Munakamwe & Jinnah, 2014)

³⁵ (Rambe, 2018)

2.3 Conclusion: right to enter, right to stay and work

Table 8 summarises our estimate of the number of total SADC migrants currently in South Africa, who both had the right to enter the country, and retain the right to stay and work. Given the exclusion of the agricultural workers category as discussed above, the total number of individuals in this category is estimated at just over 82 000.

In 2016 we estimated that there were 155 120 individuals in this category of migration, of which 61 000 were migrant farmworkers. Even if the exclusion of the farmworkers category is taken into account, therefore, we are still estimating a 12% decrease in the total number of SADC migrants in South Africa with a right to enter, and a right to stay and work. This decrease is fairly evenly split across the two categories estimated in 2019, namely skilled labour and mineworkers.

Table 8: Right to enter – Right to stay and work: summary

	Gate one – skilled labour	Gate two – mining	Total
Angola	846		846
Botswana	525	878	1 403
Comoros	9		9
DRC	1 708		1 708
Lesotho	607	22 354	22 961
Madagascar	41		41
Malawi	1 093		1 093
Mauritius	241		241
Mozambique	439	23 447	23 886
Namibia	96		96
Seychelles	6		6
eSwatini	448	3 123	3 571
Tanzania	244		244
Zambia	870		870
Zimbabwe	25 515		25 515
Total	32 688	49 802	82 490

Source: Various; own estimates

2.3.1 No right to enter, right to stay and work

Many people who cross borders without the appropriate papers are later able to regularise their migrancy status. A key mechanism that can be used to achieve this, is an application for refugee status. South Africa recognises its obligation to provide protection to refugees, characterised by the 1951 United Nations Convention as follows:

...a refugee can be a "convention refugee" who has left his home country and has a well-founded fear of persecution for reasons of race, religion, nationality, political opinion or a membership in a particular social group.

Under the same convention, a refugee can also be a person "in need of protection" whose removal to his home country would subject him personally to a danger of torture or to a risk to his life or a risk of cruel and unusual treatment or punishment.¹⁶

Table 9 shows the total documented population of refugees, asylum seekers and other displaced persons of concern in South Africa as at mid-2018. On the left side of the table are the 82 171 individuals from SADC that are the primary concern of this report, of which the single largest category is Congolese. However, it is worth noting the large populations of displaced persons from non-SADC countries, as shown on the right side of the table. Ethiopia, Somalia, Bangladesh, and the DRC all have more than 10 000 displaced persons currently resident in South Africa.

Table 9: Total refugees, asylum seekers, and others of concern in South Africa

SADC mid-2018		Non-SADC mid-2018	
DRC	59 480	Ethiopia	67 073
Zimbabwe	18 822	Somalia	31 082
Malawi	2 344	Bangladesh	26 750
Mozambique	785	Republic of Congo	13 967
United Rep. of Tanzania	651	Pakistan	9 834
Zambia	64	Burundi	9 204
Angola	25	Nigeria	7 763
Total SADC	82 171	Uganda	5 098
		India	4 329
		Eritrea	2 760
		All others	13 443
		Total non-SADC	191 303

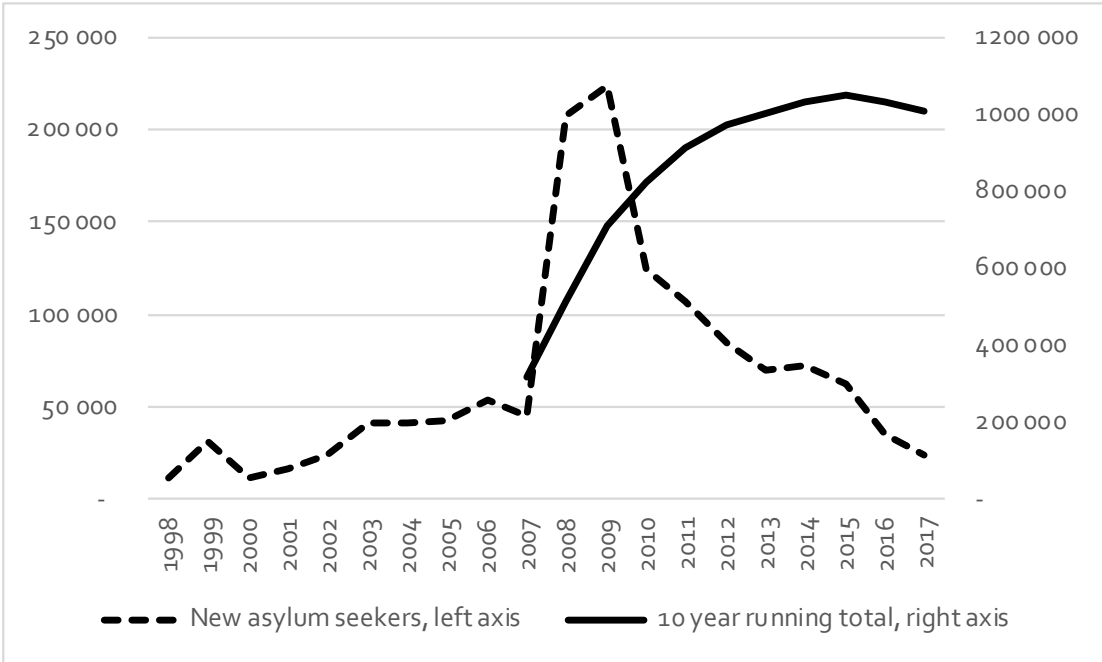
Source: UNHCR database

Historically, South Africa saw a massive increase in asylum applications in 2008 and 2009, associated with unrest in Zimbabwe. In 2007, just under 321 000 asylum seekers had entered South Africa in the previous ten

years. By 2015, the number of asylum seekers who had entered the country in the previous 10 years had peaked at just under 1 050 000 individuals.

¹⁶ <http://www.dha.gov.za/index.php/refugee-status-asylum>

Figure 2: Asylum seekers 1998–2018



Source: DHA Annual Report, 2017/18

These individuals may have since moved back home, gone to a third country or obtained a permanent residence permit. A large number of people who entered South Africa without documentation have also since regularised their residence status through an amnesty offer. The following significant populations of SADC migrants have been affected by such amnesties:

Lesotho Special Project (LSP): The LSP was offered to those who had entered South Africa before 30 September 2015, and included an amnesty for Lesotho nationals who were using fraudulent South African documentation. 94 941 Basotho nationals had successfully applied for the LSP by the deadline of 31 July 2017.¹⁷

Zimbabwe Exemption Permit (ZEP): The ZEP is the latest in a succession of amnesties offered to Zimbabwean migrants, beginning with the Documentation of Zimbabweans Project (DZP) in 2010 (242 731 permits issued), and followed by the Zimbabwean Special Permit (ZSP) in 2015 (197 839 permits issued).¹⁸ The ZSP expired end 2017, and has thus been replaced with the ZEP, which had 180 188 applicants, the majority of which seem to have been granted permits.¹⁹ The ZSP was only available to DZP holders, and the ZEP was only available to ZSP holders, so no new amnesties have been granted to Zimbabweans entering the country after 2010.

¹⁷ DHA Annual Report, 2017/18

¹⁸ (Truen, Kgaphola, & Mokoena, 2016)

¹⁹ <https://www.gov.za/speeches/media-statement-extension-closing-date-fordispatching-zimbabwean-exemption-permits-zep-15>

Angolan Special Permit (ASP): In 2013, the South African government offered voluntary repatriation to Angolan refugees from the civil war. In practice few took up the offer, and 2 200 individuals instead took up a two-year cessation permit, which expired in 2015.²⁰ A new amnesty offer has been made, namely the ASP. 1 757 individuals applied for the ASP, of which the majority were successful.²¹

The 1995 and 1996 amnesties: Three amnesties were announced in 1995 and 1996. The first, which is typically known as the miner's amnesty, "*was offered to anyone who had voted in the 1994 elections and who had been normally resident in South Africa for more than 10 years,*"²² with mining industry records used to prove residence status. This attracted 51 000 applicants, mainly from Lesotho.

The second, offered in July 1996, was a general amnesty for SADC migrants resident in South Africa. Permanent residence would be granted to SADC citizens who met the following requirements: "*They could prove they had continuously lived in South Africa since at least July 1, 1991, had no criminal record, and were either economically active or married to a South African, or had dependent children who were born or were residing lawfully in South Africa.*"²³ While the initial expectation had been that this amnesty might attract around one million applicants, in the end only 201 602 people applied, of which 124 073 were granted permanent residence.²⁴ The majority of applicants were Mozambican.

The third amnesty offered permanent residence status to Mozambican refugees resident in South Africa, and while the decision on this amnesty was taken in December 1996, it was only implemented in 1999/2000. In all, 130 748 individuals applied for the amnesty, and 82 969 of those applications were approved.²⁵

In 2016, we assumed that 25% of individuals granted amnesty in 1996 would no longer be in South Africa, due to emigration and death.²⁶ However, given the attrition rates seen in the Zimbabwean and Angolan amnesty populations over time, this may have been too conservative. From 2010 to 2018, the number of Zimbabwean asylum applicants decreased by 26%, while from 2013 to 2018, the number of Angolan applicants decreased by 20%. In the 23 years since 1996, it thus seems likely that the attrition rate on the initial 1990s amnesty population has been much higher than 25%. We therefore increase it to 40%, which is consistent with an estimated 155 000 individuals, as shown in the final column of Table 10.

²⁰ (Truen, Kgaphola, & Mokoena, 2016)

²¹ <https://scalabrini.org.za/news/scalabrini-news/press-release-special-permits-issued-to-angolan-former-refugees-2/>

²² (International Labour Office, 1998)

²³ (Human Rights Watch, 1998)

²⁴ (Human Rights Watch, 1998)

²⁵ (Crush & Williams, 2001)

²⁶ (Truen, Kgaphola, & Mokoena, 2016)

Table 10: Amnesties issued in 1990s

	SADC amnesty	Mining amnesty applicants	Mozambican amnesty	Total	40% attrition
Angola	93			93	56
Botswana	1 321	3 886		5 207	3 124
Lesotho	8 193	34 017		42 210	25 326
Malawi	5 913	350		6 263	3 758
Mauritius	107			107	64
Mozambique	85 520	9 159	82 969	177 648	106 589
Namibia	79			79	47
eSwatini	2 015	4 092		6 107	3 664
Tanzania	108			108	65
Zambia	822			822	493
Zimbabwe	19 902			19 902	11 941
Total SADC	124 073	51 504	82 969	258 546	155 128

Source: (Crush & Williams, 1999); (Crush & Williams, 2001); own estimates

When we estimated the number of skilled migrants in South Africa, we based the estimate on the flow of temporary residence visas over five years, and we deliberately excluded the permanent residence applications from the calculation to avoid double-counting (see section 2.1.1). However, because we have stock numbers of refugees from UNHCR (the UN Refugee Agency), it is appropriate to include an estimate of the stock of previous refugees who have since achieved permanent resident status.

Prior to 2016, all refugees had the right to apply for permanent resident status once they had been resident in South Africa for five years.²⁷ In 2016, this was extended from five years to ten years.²⁸ We could find data for the number of refugees who achieved this status for the five years 2011 through 2015, which is shown in Table 11. As can be seen, the total number of people achieving permanent residence status via the refugee route has varied massively over time.

Table 11: Refugee permanent residence applications

	Total	SADC	SADC as % of total
2011	1 664	1 331 *	80% *
2012	50	13	26%
2013	374	371	99%
2014	164	111	68%
2015	204	166	81%

Source: Stats SA Documented immigrants in South Africa, P0351.4

* Estimated at 80% of total as no breakdown provided

²⁷ (Crush, Skinner, & Stulgaitis, 2017)

²⁸ (Crush, Skinner, & Stulgaitis, 2017)

For the year 2011, which had the most conversions of refugee status into permanent resident status, we have no breakdown by country. We have assumed that the majority (80%) of permits were granted to SADC migrants. From 2012 to 2015, we know that the vast majority of permits were granted to citizens of the DRC (490 of 499 permits granted). Our assumption is that the massive decrease in 2012 probably reflected a tightening up of the granting of permanent residence status to Zimbabwean refugees, which comprise the bulk of the refugee population. The majority of the permanent residence permits granted in 2011 are thus

assumed to have gone to Zimbabweans, with the remainder going to Congolese. The result is shown in the second to last column of Table 12, which shows our estimate of the total number of SADC migrants with no right to enter, but a right to stay and work.

The total number of migrants estimated to have had no right to enter, but to have gained the right to stay and work, is thus put at approximately 644 000. This is 12% larger than the estimate of just under 575 000 individuals in this category in the 2016 migration and remittance estimate.

Table 12: No right to enter – Right to stay and work: summary

	Asylum cases pending	Refugees	Amnesty permits	Permanent resident via refugee status	Total
Angola	-	25	1 806	2	1 833
Botswana			3 124		3 124
DRC	33 217	26 263	-	790	60 270
Lesotho	-	-	120 267	-	120 267
Malawi	2 344	-	3 758	1	6 103
Mauritius			64		64
Mozambique	785	-	226 589	-	227 374
Namibia			47		47
eSwatini			3 664		3 664
Tanzania	614	37	65	-	716
Zambia	-	64	493	4	561
Zimbabwe	14 261	4 561	199 902	1 033	219 757
Total SADC	51 221	30 950	559 779	1 830	643 780

Source: Stats SA Documented immigrants in South Africa, P0351.4; UNHCR database; own estimates

2.3.2 Both right to enter and no right to enter, no right to stay

Despite rising levels of xenophobia, South Africa remains an attractive destination for many economic

migrants in the rest of the SADC region. As shown in Table 13, Stats SA numbers suggest that immigration to South Africa from the rest of Africa has been positive for decades, and that the rate of immigration continues to grow.

Table 13: Stats SA international net-migration assumptions

	Black African	Indian/Asian	White	Net international migration
1985–2000	588 847	36 908	–202 868	422 887
2001–2006	546 993	25 310	–99 574	472 729
2006–2011	809 780	43 222	–106 787	746 215
2011–2016	972 995	54 697	–111 346	916 346
2016–2021	1 094 864	60 791	–115 906	1 039 749

Source: Stats SA P0302: Mid-year population estimates 2019

While unskilled economic migrants have few legal means of entering the country, they are often able to do so without papers and permits, as the South African border remains highly porous. These undocumented entries and exits are facilitated both by the substantial length of the border, and by corruption and mismanagement by border agencies. Thebe (2015) estimates that, on the border between Zimbabwe and South Africa, informal taxi drivers (*malayitsha*) may pay

R2 000 to R5 000 in bribes on a single journey to facilitate the cross-border movement of undocumented passengers and remittances. *Malayitsha* are apparently also frequently used to ship unaccompanied, undocumented minors across borders, for which service the going price is reported to be up to R1 500 per child. The scale of the problem is illustrated by the following first-person account of a border crossing into Zimbabwe:

*"I boarded a cross-border Toyota Quantum (popularly known as 'omalayi[t]sha') on [F]riday night (13 July) in Johannesburg, on my way to Bulawayo. We arrived at the Zimbabwean border at 4am. The ZIMRA [Zimbabwean Revenue Authority] official demanded, and was paid R800 for 'quick' processing of clearance procedures. Next up was the CID officer checking Temporary Import Permits (T.I.P.) for the car and trailer. He raised an issue with the trailer papers, and demanded R600 to allow us through. After negotiating with the driver, he eventually settled for R200. As we made our way towards the gate, we were stopped by two uniformed officers who demanded to see our passports. They then asked for money from the driver, who gave them R50 as some sort of 'protection fee' in future. At the gate, a rude female immigration officer demanded to see our passports. She said something to me in Shona and when I told her her words were too deep for me to understand, a heated argument ensued, and the driver had to pay her R100 because she was threatening to detain us as 'punishment.' Driving down 200 metres from the gate, police officers manning a roadblock in a Ford Ranger truck demanded R200 and were paid. Still in Beitbridge, at the Masvingo turn, another roadblock, more ZRP [Zimbabwe Republic Police] officers, another R200. About 50km from Beitbridge, three ZRP officers in the middle of nowhere [and] R100 taken."*²⁹

The same source goes on to detail multiple roadblocks and bribes occurring on the Zimbabwean leg of the journey. While the scale of the Zimbabwean refugee

issue has probably exacerbated the problems on this border, the difference is one of degree rather than kind.

²⁹ (Thebe, 2015), quoting a letter published by an online news agency in July 2013

Many migrants from countries that share a border with South Africa navigate the border by means of 30-day visitor permits. If the migrant lives within close proximity to the border, they can simply renew the permit every 30 days by returning to the border post.

However, this kind of permit does not grant the holder the right to work, and even those using this method may not be fully compliant with the requirements of the system, as reflected in this excerpt from a focus group discussion conducted during this research:³⁰

Respondent 1: If you are using a passport every month you must go and stamp it, so that's why some of us go down back home. So when you are here they say you have overstayed and then it becomes as if that you are here in SA illegally, so that's why some of them go down home, it's for that. Some of us don't even go back home, just to the border gate to stamp and come back without even going home.

Moderator: How long does it take to expire?

Respondent 1: 30 days but when you are at home you can stay as long as 10 years but when you are here they give you 30 days.

Moderator: So how do you guys do it?

Respondent 1: That's why I always go there it's for that reason, I work during the year but I only go home in December.

Moderator: So if I were to call the cops right now what would happen?

(Respondents laugh)

Respondent 1: That would mean that you passed by at the soldiers.

Moderator: So it's undetectable that you passed through a long time ago?

Respondent 1: I pass by the soldiers' route and then I will pass by the border gate when I come back like I was initially from home.

(Respondents still laughing)

Swazi females, Mpumalanga

It is extremely difficult to estimate the number of undocumented migrants currently in South Africa. Not only is there by definition no documentation of their status in the country, but fear of deportation leads such migrants to "use silence and invisibility as tactics of self-preservation,"³¹ and often actively avoid coming to official notice.

Population Division (UNPD) in 2019, the Stats SA 2016 Community Survey and the 2011 Census. As can be seen, the UNPD estimates are all, with the exception of Zimbabwe, much higher than the 2016 Stats SA estimates, with some almost 600% higher, and the Community Survey results are mostly lower than the 2011 Census results.

While estimates of the number of SADC migrants in South Africa have been undertaken by a number of entities, what is immediately apparent when comparing different data sources and estimates of population size is the large discrepancies between them. Table 14 shows for example the estimates of the United Nations

³⁰ For more detail on the design of the focus group research, see section 4.2.

³¹ (Jinnah, 2017)

Table 14: Varying estimates of SADC migrant stock in South Africa, selected countries

	2019 UNPD estimate	2016 Community Survey	2011 Census
Botswana	73 310	10 759	12 316
DRC	53 363	31 504	25 630
eSwatini	92 608	38 038	36 377
Lesotho	331 312	160 749	160 806
Malawi	108 474	78 796	86 606
Mozambique	716 057	293 405	393 231
Namibia	184 496	30 701	40 575
Zambia	97 672	19 119	30 054
Zimbabwe	376 668	574 047	672 308
Total	2 033 960	1 237 118	1 457 903

Source: UNPD. Trends in International Migrant Stock: The 2019 Revision (United Nations database, POP/DB/MIG/Stock/Rev.2019); Stats SA 2016 Community Survey; Stats SA 2011 Census

As discussed in previous versions of this research, Stats SA has itself acknowledged that its surveys probably underestimate the true number of migrants in South Africa, given the propensity of migrants to evade enumeration. The most striking confirmation of this is as regards the Congolese population, where in 2016 we noted the following:

"UNHCR records 45,868 DRC citizens in South Africa in 2015, either with refugee status or seeking asylum. This number excludes undocumented and 'right to enter-right to stay and work' migrants, and is thus in itself an underestimate of total DRC migrants. However, in both 2011 and 2016, the Stats SA data finds significantly fewer DRC citizens than this in South Africa"³².

The underestimation problem appears to be more severe in the Community Surveys than in the Census results. As discussed in the Community Survey 2016 Statistical release, *"there seem to be discrepancies between Census 2011 and CS 2016. While issues of sampling and nonsampling errors may not be ignored in the case of CS 2016, other factors may be at play."* What is noticeable, however, is that while the Community

Survey shows populations of most migrants in South Africa decreasing when compared to Census 2011 results, it does however record an increase in the number of Congolese migrants. This is consistent with large increases in the number of Congolese seeking asylum in South Africa in recent years.

In 2016, we proposed that the best available method for estimating total migrant population size in South Africa was to take the 2011 Census numbers and multiply them by a factor of 2.5. At the time, this produced a migrant population estimate that was consistent with Lesotho government estimates of the migrant population of Basotho in South Africa, was in line with best estimates of Zimbabwean migrant population size, and produced an estimate of the number of Congolese in South Africa that was consistent with known refugee populations.

³² (Truen, Kgaphola, & Mokoena, 2016)

Given that no new census data is available from Stats SA, we will continue to base our estimate of total migrant population size on this technique. However, given the growth in the number of Congolese migrants seeking asylum in South Africa, a factor of 2.5 is no longer sufficient to produce a sensible estimate of the number of migrants from the DRC. For the DRC alone, in order to reflect the rising levels of migration from this country, the factor is increased from 2.5 to 3.

The resulting estimate of total SADC migrant population size is shown in Table 15. As can be seen, the total number of migrants from the rest of SADC in South Africa continues to be estimated at around 3.7 million individuals, of which 80% are estimated to be undocumented.

Table 15: 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 = A × 2.5	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%

Source: Stats SA 2011 Census, own estimates

* Comoros was not part of SADC at the time of the 2011 Census, and thus Comoros' migrant data is not available from the Census report. We have assumed 90% of Comoros migrants are undocumented for the purposes of the estimation exercise.

** DRC multiplier increased to 3

As in 2016, it should be noted that the use of the 2.5 multiplier is not ideal, and that "any input on how to

address this methodological issue by the public and stakeholders would be welcomed."

3. SADC REMITTANCE PATTERNS

In order to generate an estimate of the total value and volumes of remittances flowing from South Africa to other SADC countries, it is crucial to have an estimate of the remittance patterns of regional migrants. For this research process, we drew on a variety of data sources on such remittance patterns. Good data was available on formal remitting patterns, where SARB provided the research team with a high-quality database on such regional remittances. We then supplemented this with other available data sources, looking first at other recent research on SADC remittance markets, before analysing the results of focus group discussions conducted by this research team.

3.1 SARB dataset

For this research report, SARB provided to FinMark a dataset tracking formal remittances on a per-country basis for the period 2016 through 2018. This data covered four balance of payments (BOP) 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 (withdrawals from South African bank accounts by private individuals in other SADC countries – see discussion in Appendix 1).
- The cross-border card data likely includes some additional non-remittance flows due to tourism activities, particularly for the island states of Seychelles, Mauritius, Madagascar and Comoros, and to a lesser extent, also Malawi, Tanzania and Zambia. The rationale for this concern and the adjustments made to the data are set out in Appendix 1.
- EFT bank transfers to the Common Monetary Area (CMA) countries of Lesotho, Botswana and eSwatini are treated as domestic transfers, and are not captured in the balance of payments reporting system. Formal remittances to these countries are thus systematically under-stated by the SARB data.

The inclusion of cross-border bank card transactions means that, for the first time, the formal data provided by SARB can be regarded as a fairly complete representation of the total value of formal remittances from South Africa to the rest of SADC. However, at least two probable sources of error remain in the dataset, as follows:

Table 16 shows formal remittances from South Africa to the rest of SADC after these adjustments have been made. As can be seen, in the three years 2016 through 2018, SADC residents in South Africa sent a total of

R26.1 billion home via formal channels. Zimbabwe was the largest formal channel by a substantial margin, but more than R1 billion was also sent to Malawi, Mozambique, Namibia, Zambia and Lesotho.

Table 16: Formal outbound remittances from South Africa to SADC per country, R million (adjusted)

	2016	2017	2018	Total
Angola	15,58	11,71	10,98	38,27
Botswana	204,44	203,50	230,91	638,84
Comoros	1,31	1,76	2,62	5,68
DRC	102,35	147,12	196,75	446,23
Lesotho	446,19	857,88	1 317,10	2 621,18
Madagascar	28,85	27,42	30,62	86,90
Malawi	843,22	1 581,53	2 353,15	4 777,90
Mauritius	162,50	213,23	233,40	609,13
Mozambique	453,89	455,44	601,65	1 510,99
Namibia	350,91	345,87	323,14	1 019,92
Seychelles	11,20	14,17	15,73	41,10
Eswatini	123,37	135,84	154,44	413,65
Tanzania	166,50	189,63	206,14	562,28
Zambia	425,63	464,23	492,42	1 382,29
Zimbabwe	4 656,24	4 091,84	3 174,89	11 922,96
Total	7 992,18	8 741,17	9 343,94	26 077,31

Source: SARB response to FinMark data request. Adjusted to compensate for tourism transactions, Shoprite Money Transfer to Lesotho, and EFT payments to CMA countries.

The SARB dataset also provided detail on the number of transactions and thus, as shown in Table 17, it was possible to generate estimates of average transaction size both per country and per the licence category³³ of

the firm that transmitted the remittance (this dataset includes only BOP transactions and bank account transactions – adjusted for tourism receipts).

³³ See description of the licence categories in Appendix 2.

Table 17: Average formal remittance transaction size by licence category, 2018, rand (unadjusted dataset)

	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

Source: SARB response to FinMark data request, own calculations

* This appears to have been a single test transaction.

Lesotho data does not include Shoprite Money Transfer – average transaction size for that product in 2018 was R1 092.

Note that blank fields indicate that operators in that licence category are not operative in that country.

As shown, while the average transaction size for the region as a whole was R1 074, massive variations exist between countries, and between types of service providers. The authorised dealer category is most likely to serve wealthier clients with access to more traditional banking services, and thus it is not surprising to see that transaction size is usually largest for the authorised dealer category. While Lesotho, Mozambique and Malawi saw an average transaction size just below R1 000, average transaction size for Seychelles was R4 828.

Table 18 shows the number of transactions per licence category and country, again for 2018, for the same dataset. As can be seen, for many countries in the region the total number of remittance transactions remains quite small, even though the migrant

population for these countries is fairly substantial. Angola in particular stands out as having a disproportionately small number of total transactions. Only Zimbabwe and Malawi experience more than one million transactions a year (although if the almost half a million Shoprite Money Transfer transactions to Lesotho in 2018 are taken into account, Lesotho also breaches that threshold). While more than half of transactions are being undertaken by category 2 ADLAs (who also have the smallest average remittance transaction size, as shown in Table 17), for many countries bank card transactions remain the most common form of remittance transaction.

Table 18: Formal remittance transaction volumes by licence category, 2018, number of transactions (unadjusted dataset)

	Authorised dealers	ADLA category 2	ADLA category 3	ADLA category 4	Bank card transactions	Total
Angola	170	35		1	7 623	7 829
Botswana	7 199	11 555	221	181	102 752	121 908
Comoros	149	29			585	763
DRC	7 672	13 212	6 516	7 568	30 377	65 345
Lesotho *	355 565	133 787			146 030	635 382
Madagascar	834	288			19 953	21 075
Malawi	5 306	1 973 822	317 036	356 140	69 930	2 722 234
Mauritius	2 126	205			51 370	53 701
Mozambique	14 990	64 712	8 251	15 054	570 776	673 783
Namibia	943	1 045			149 511	151 499
Seychelles	147	20			3 091	3 258
Eswatini	259	18			66 716	66 993
Tanzania	5 103	3 220	6 366	6 879	70 663	92 231
Zambia	11 851	61 600	395	333	167 991	242 170
Zimbabwe	379 551	2 440 126	151 926	13 150	1 508	2 986 261
Grand Total	791 865	4 703 674	490 711	399 306	1 458 875	7 844 431

Source: SARB response to FinMark data request, own calculations

* Lesotho data excludes Shoprite Money Transfer transactions, which completed 489 294 transactions in 2018.

Note that blank fields indicate that operators in that licence category are not operative in that country.

3.2 Recent research on SADC remittance markets

For simplicity, we summarise all recent available research on regional remittance patterns by country, in alphabetical order. Not all countries are covered as independent research has not been undertaken in all of them. Please note that we have included research that is newly available, of which some was in fact published

before the 2016 remittance update exercise by FinMark, but was not publicly available at that time.

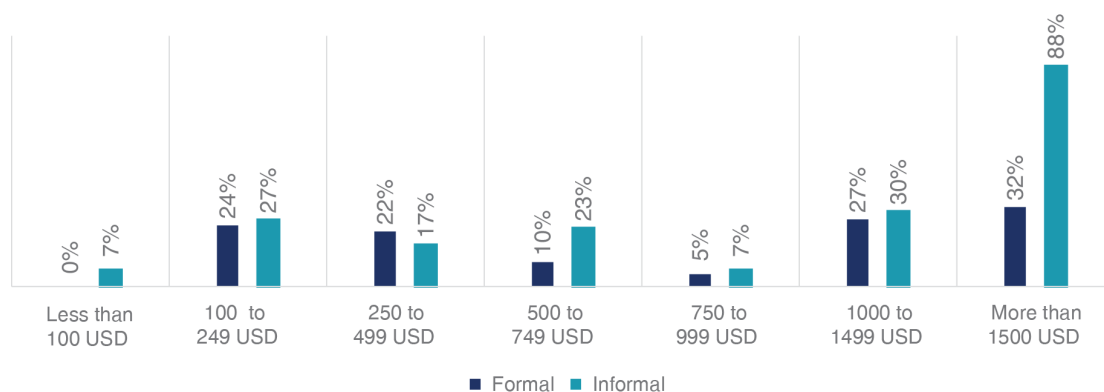
Our approach here has been to include all research that speaks to remittance habits in a given country, even if the research quoted covers only domestic remitting patterns. Given the paucity of data on cross-border remitting, even domestic remittance behaviour can provide some insight and thus is worth mentioning.

3.2.1 DRC

Recent research undertaken by FinMark Trust on remittances to and from the DRC contains both primary research as well as a review of other research undertaken on this remittance market.³⁴ The primary research involved interviews with 105 remittance

receivers and senders in the DRC and abroad, and found that 42% of migrants were remitting via the informal sector. As shown in Figure 3, it is notable that use of informal channels to send money into the DRC actually seemed to increase as the size of the transaction increased.

Figure 3: DRC amounts received through formal/informal channels

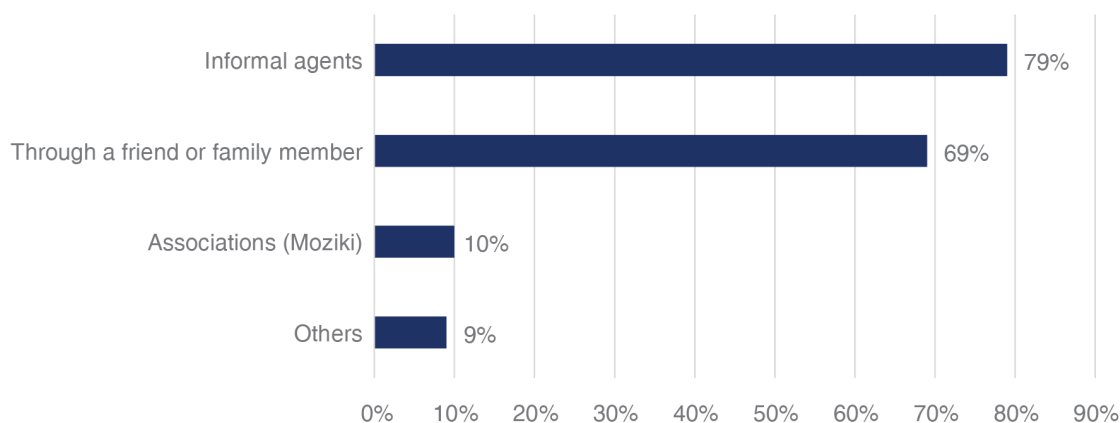


Source: (Target SARL; DNA Economics, 2018)

Use of informal channels in the South Africa-to-DRC corridor was higher than seen in the sample as a whole, with 67% of these remittances travelling via informal channels.³⁵ Figure 4 shows the type of informal

channels that predominated in the sample. Use of informal agents is particularly high. These are unlicensed but well established remittance businesses, which often offer a competitive level of service.

Figure 4: DRC - description of informal practices -
Question asked: Under formal/informal practices, which one do you do most?



Source: (Target SARL; DNA Economics, 2018)

³⁴ (Target SARL; DNA Economics, 2018)

³⁵ (Target SARL; DNA Economics, 2018)

Based on a review of available research on this market, the report concluded that DRC migrants to other African countries are probably less educated and have poorer earning potential than those who emigrate to the developed world. As such, the study estimated that approximately 45% of these migrants remit, and that they send on average around USD500 per annum. In addition, the study concluded that “most undocumented migrants will use informal remittance channels, as will up to 60% of documented migrants.”³⁶

3.2.2 eSwatini

A FinScope survey of financial behaviour in eSwatini was undertaken in both 2014 and 2018, and thus potentially sheds light on the progression of remitting

behaviour in that country. In 2014, 55% of the population did not remit, but by 2018 this had fallen to 23%. This may be at least partially due to recent reductions in GDP growth rates in eSwatini, but the rapid nature of the change is not fully explained. In addition, an even more rapid swing to the use of formal remitting channels is also not explained – while formal channels were used by 26% of the population in 2014, by 2018 that had risen to 70%. Most formal channel remitters claimed to be using mobile money products.

As at 2018, FinScope suggested that around 62 000 individuals in eSwatini received cross-border remittances, with remittances comprising the main source of income of 24% of the population.

Table 19: FinScope eSwatini 2018 results

	2018	2014
Formal channels	70%	26%
Informal	1%	2%
Family/friends only	13%	17%
Not remitting	23%	55%
Received money	60%	39%
Channels used to remit money		
Mobile money	66%	
Bank transfer	38%	
e-Wallet money	20%	
Into bank account	18%	
Delivery through person	17%	

Source: (FinScope, 2018)

³⁶ (Target SARL; DNA Economics, 2018)

3.2.3 Madagascar

A FinScope survey of financial behaviour of consumers in Madagascar was conducted in 2016. The study found that 21% of adults had received remittance money, but

only 1% described it as a principle income source. As shown in Table 20, more than half of those who do remit claim to use formal remittance methods, of which the most common is formal non-bank remittance service providers.

Table 20: Remittance mechanisms used, Madagascar 2016

	% use
Bank	2%
Formal non-bank	15%
Informal mechanism	2%
Relative/friend	10%
Do not remit	71%

Source: (Finscope, 2016)

3.2.4 Namibia

The Namibia Statistics Agency conducted a survey of financial behaviour patterns in 2017, with technical assistance from FinScope.³⁷ As shown in Table 21, the survey found that 51% of Namibians remit (either to domestic or foreign locations), and the vast majority of such remittances are undertaken via formal banking methods.

While use of informal methods and sending money via friends and family is fairly limited, the wording of the data disclosure does raise the possibility that some persons reporting use of formal non-banking methods may in fact be using informal methods.

Table 21: Remittance mechanisms used, Namibia 2017

	% used
Bank	37.8%
Formal non-bank	6.0%
Informal mechanism	5.0%
Relative/friend	2.3%
Do not remit	49.0%

Source: (Namibia Statistics Agency, 2017)

³⁷ (Namibia Statistics Agency, 2017)

3.2.5 Zimbabwe

Given the size of the Zimbabwean economic crisis and resulting diaspora, the Zimbabwean remittance market is the subject of a large proportion of the research attention to SADC remittance markets. Below we summarise the research findings of available new research by theme.

Frequency of remitting

Dzingirai, Mutopo, and Landau (2014) find some evidence that the frequency of remitting may decrease as the tenure of Zimbabwean migrants in South Africa increases. However, research collected by Tawodzera, Chikanda, Crush, and Tengeh (2015) continues to confirm that most Zimbabwean migrants are frequent remitters. They find that 40% of Zimbabwean migrants remit a few times a year, and just over 20% remit monthly. Less than 25% never remit.

Size of remittances

Two pieces of research found utilised a survey of three rural migrant sending regions in Zimbabwe, namely Dzingirai, et al. (2015) and Dzingirai, Mutopo, and Landau (2014). The 2015 paper found that male Zimbabwean migrants in other African countries sent on average USD387 home per annum, while females sent USD203. The 2014 paper also found variations in amounts remitted by district as well as gender, as follows:

"Across the three cases studies, we observed that almost everyone remits monetary or nonmonetary resources to Zimbabwe. In Chivi and Gwanda, older migrants sent money ranging from ZAR 2,000-6,000 monthly while younger migrants tended to remit amounts of ZAR 500 to 3,000, but on a much more

*ad hoc basis. Often this was only two or three times a year. Monetary remittances to Hurungwe were low compared to Chivi and Gwanda, although we found similar variations based on gender: older migrants remitted ZAR 2,000- 4,000 per month while younger ones would send lower amounts (ZAR 300-2500) on an ad hoc basis."*³⁸

A survey commissioned by FinMark Trust on the Botswana-to-Zimbabwe remittance corridor also provided some indicative data on remittance size. It found that over 60% of remitters claimed to send more than 400 Pula home, and 44% sent money once a month.³⁹ This study estimated the average Zimbabwean remitter in Botswana sent home 4 248 Pula per annum, and that 50% of households remitted.

Choice of remittance channel

Substantial variation is evident in the results achieved by different researchers as regards the choice of remittance channel used. As shown in Table 22, FinMark's 2018 study of Zimbabweans resident in Botswana found that the primary remittance channel used was money transfer operators (MTOs), with money and goods sent home by taxi being only a small proportion of the market. Similar results were found in a 2013 study, which again focused on urban residents.⁴⁰ Conversely, a 2017 study of remittances sent to rural Zimbabwe found that almost half were sent by taxi (*malayitsha*⁴¹), and less than 10% by MTOs.

³⁸ (Dzingirai, Mutopo, & Landau, 2014)

³⁹ (FinMark Trust, 2018)

⁴⁰ (Mugumisi & Ndhlovu, 2013)

⁴¹ *Malayitsha* is an Ndebele word that can be translated as 'one who loads and carries goods' (Nzima, 2017). It is

used to refer to the taxi and bakkie (pick-up truck) drivers who transport goods across borders in the region.

Table 22: Remittance channel used, comparison of two surveys

	Botswana to Zimbabwe, 2018	Rural Zimbabwe, 2017	Urban recipients and senders, 2013
Western Union	46%	9.4%	28.6%
MoneyGram	1%		11.8%
Mukuru			10.8%
Mobile phone	17%		
Take it personally	13%	20.1%	38.9%
Taxi/Malayitsha	8%	42.8%	
Hidden in other goods sent	5%		
Friends	8%	20.8%	
Bank	1%	6.9%	9.9%

Sources: Botswana to Zimbabwe – (FinMark Trust, 2018); Rural Zimbabwe – (Nzima, 2017); Urban recipients and senders (Mugumisi & Ndhlovu, 2013)

The contrast between these two studies highlights the extent to which availability, affordability and opportunity influence the choice of remittance channel for migrants. Remittance-receiving households in rural areas are much less likely to have access to formal financial services, making the use of informal channels much more frequent.

Because there are no safeguards in place to protect funds transferred by informal means, the existence of a trust-based relationship between the remitter and the agent carrying the remitted funds (or goods) is critical.⁴² A number of studies highlight the roles such trust-based relationships play in remitting, and the ways in which they can be formed. For example, Dzingirai, Mutopo, and Landau (2014) discuss the way in which churches have become part of some informal remitting systems, as follows:

"The powerful role of the churches in the moral economy of migration was bolstered by their presence in sending and receiving locations. In South Africa, Zimbabwean migrants would initiate cognate churches or attend South African versions together with people from their rural villages. Those from the same church would help each other

remit goods home and share information. The church-based networks also facilitated the development of communities, since the migrants were supposed to pay their tithes in Zimbabwe and in South Africa, as well as helped during periods of bereavement such as funerals, or celebratory functions such as weddings. Migrants belonging to a particular church would always inform church mates in South Africa about their plans to travel home to Zimbabwe. These migrants would carry goods together with tithes for Zimbabwean churches. Migrants reported that most people preferred the church members' remittances channel because it proved to be a safe mechanism, as people who pray together would not steal or abuse each other's material positions. This was not the case in Hurungwe, where, due to the infancy of the migration process, there were no established church networks yet like the ones in Chivi and Gwanda."⁴³

⁴² (Nzima, 2017)

⁴³ (Dzingirai, Mutopo, & Landau, 2014)

Similarly, there are also often trust-based relationships between *malayitsha* drivers and their customers. When discussing the use of *malayitshas* by undocumented migrants, Nzima (2017) notes that:

*"In most cases, the Malayitsha will be from the same village as his clients and their trust runs deep, which explains why they trust the same Malayitsha to transfer their remittances despite the risk of loss, damage and fear that the Malayitsha will put goods to his personal use."*⁴⁴

This kind of close relationship between customer and *malayitsha* is also reported in FinMark (2018), on the Botswana-Zimbabwe remittance channel, which states that *"the use of taxi drivers is based on kinship ties as between senders and drivers."*⁴⁵ The fees charged by *malayitshas* are reported to vary depending on the trust between the migrant and the driver. For example, the FinMark Trust (2018) research found that while the standard fee for taxi drivers transporting funds from Gaborone to Zimbabwe is 20%, migrants who know the driver well reported being able to negotiate down to R15 per P100 sent, or P100 per P1 000 sent. Nzima (2017) also suggests that a 20% commission should be regarded as the benchmark price in this sector.⁴⁶ A quite different cost estimate is provided by Thebe (2015), who suggests that *malayitsha* were charging only 3–5% of transaction value in around 2013, which made them much more competitive than formal sector MTOs. It seems likely that the truth is somewhere in between, and that the *"amounts charged by taxi drivers varies considerably with no set rate per P100."*⁴⁷

Malayitsha are also an important means of transporting goods home. Given the nature of the economic crisis in Zimbabwe, and frequent shortages of food and other essentials, goods remittances are often a very important remittance channel. Nzima (2017) points out that:

*"these are very bulky items, leaving no other better channels that are most convenient for transporting the goods, other than through the Malayitsha. What is interesting is that the goods are not weighed to determine the transfer cost. However, the Malayitsha manually lifts them up, and provides a fee according to how heavy he feels the goods are. Though prices are negotiable, this arbitrary procedure of determining transfer costs for in-kind remittances is arguably one of the disadvantages of the system."*⁴⁸

Nzima also notes some of the other disadvantages of *malayitsha* transport, including delayed delivery, failure to deliver, and theft or damage during transit. However, because no documentation is required these drivers remain the preferred means of remitting for many undocumented migrants. These informal channels can also have a convenience aspect, for example if the *malayitsha* is prepared to deliver to the recipient's doorstep.⁴⁹

⁴⁴ (Nzima, 2017)

⁴⁵ (FinMark Trust, 2018)

⁴⁶ (Nzima, 2017)

⁴⁷ (FinMark Trust, 2018)

⁴⁸ (Nzima, 2017)

⁴⁹ (Mugumisi & Ndhlovu, 2013)

3.3 Migrants from SADC in South Africa

Two other studies which surveyed migrant entrepreneurs in South African cities also merit discussion. Tawodzera, Chikanda, Crush, and Tengeh (2015) surveyed entrepreneurs in Cape Town, while

Peberdy (2016) examined the same population in Johannesburg. Unfortunately, results for the surveys are reported as overall average rather than by nationality. As shown in Table 23, the Cape Town group contained many more non-SADC migrants, and had proportionally far fewer Mozambicans and many more Congolese than the Johannesburg group.

Table 23: Origins of surveyed migrant entrepreneurs

	Cape Town	Johannesburg
Zimbabwe	22,8%	30,1%
DRC	11,2%	4,9%
Malawi	7,5%	3,2%
Tanzania	1,7%	1,1%
Lesotho	1,0%	4,5%
Zambia	1,0%	2,6%
Angola	0,8%	1,8%
Mozambique	0,8%	14,4%
eSwatini	-	2,1%
Total SADC	46,8%	64,7%
All others	53,2%	35,3%

Sources: Cape Town – (Tawodzera, Chikanda, Crush, & Tengeh, 2015); Johannesburg – (Peberdy, 2016)

Table 24 summarises the remitting characteristics of these two populations. The Johannesburg migrants seem to remit much less per annum, perhaps reflecting the greater prevalence of poorer migrants from SADC (and in particular Mozambique) as compared to Cape Town. Use of formal MTOs is also significantly lower in

Johannesburg, with money more likely to be carried over the border physically by the remitter or their family or friends. This may be due to improved geographical proximity to the border. The pattern of frequency of remitting is quite similar.

Table 24: Migrant entrepreneur remitting patterns

	Cape Town	Johannesburg
Channels used		
Remitting via bank	20%	24%
Formal MTO	40%	23%
Informal MTO	17%	25%
Sending via family/friends	14%	28%
Took it themselves	6%	22%
Amount remitted		
Average remitted per annum, ZAR	9 159	6 000 *
Frequency of remitting		
Never	23%	31%
Less than once a year	7%	7%
Once a year	7%	13%
A few times a year	40%	31%
At least once a month	20%	18%

Sources: Cape Town – (Tawodzera, Chikanda, Crush, & Tengeh, 2015); Johannesburg – (Peberdy, 2016)

* Estimated using mid-points of remitting categories

It should also be noted that, while reporting annual remittances of R9 159 per annum, the average reported profit of these small entrepreneurs in Cape Town was only R48 000 per annum. Remittances thus approached a fifth of annual income. While only 7% of these Cape Town entrepreneurs had received remittances from home, they had largely used these remittances to invest in their business.⁵⁰

In Johannesburg, research suggested that those with less formal education were less likely to have never remitted. While those without official documentation were less likely to remit (39%), the difference with most other kinds of migrants was fairly small (36% of those with permanent residence, 38% of refugees and 29% of asylum seekers did not remit).⁵¹

⁵⁰ (Tawodzera, Chikanda, Crush, & Tengeh, 2015)

⁵¹ (Peberdy, 2016)

3.4 Focus groups – DRC, Mozambique and eSwatini

The research team carried out focus group discussions (FGDs) with remitters from three SADC countries based in South Africa. The objectives of the FGDs were to improve understanding of SADC remittance markets, and specifically:

- the factors influencing the choice between formal and informal remittance channels;
- the proportion of remitters using formal versus informal channels; and
- the cost of informal remittance channels.

The FGDs targeted remitters from three migrant communities, namely DRC, eSwatini and Mozambique. These three countries display an interesting range of remittance characteristics and thus the FGDs illustrate three very different kinds of remittance experiences, as follows:

- DRC is a long-haul migrant origin country, and some DRC migrants are known to make use of well-developed but informal *hawala*-type remittance systems.
- Mozambique shares a border with South Africa, but is not part of the CMA. It is also a very low income country.

- eSwatini both shares a border with South Africa and is part of the CMA, but has received much less research attention to date than Lesotho, which shares these characteristics. Membership of the CMA changes the regulation of the remittance market substantially, as has been borne out by research on the Lesotho corridor, and it would be useful to confirm whether similar patterns are seen on the eSwatini corridor.

The FGDs were conducted in the provinces of Gauteng, Western Cape and Mpumalanga. Two FGDs were planned per country, in order to allow for separation of male and female participants (to prevent female voices from being suppressed by social pressures). Ultimately seven FGDs were undertaken in total, as the first FGD needed to be replicated for technical reasons. The ‘extra’ FGD was for Mozambican females in Gauteng, and where relevant has also been taken into account in this discussion. Some segmentation by income was also undertaken by questioning participants as regards whether they met the standards for LSM 5 or not. The segmentation of the groups is shown in Table 25. In total, the FGDs contained 72 participants.

Table 25: Focus group segmentation

	eSwatini	Mozambique	DRC
Low income (LSM 5 and below)	Females (Mbombelo)	Females (Pretoria)	Males (Johannesburg)
Higher income (LSM 6 and above)	Males (Johannesburg)	Males (Mbombelo)	Females (Cape Town)

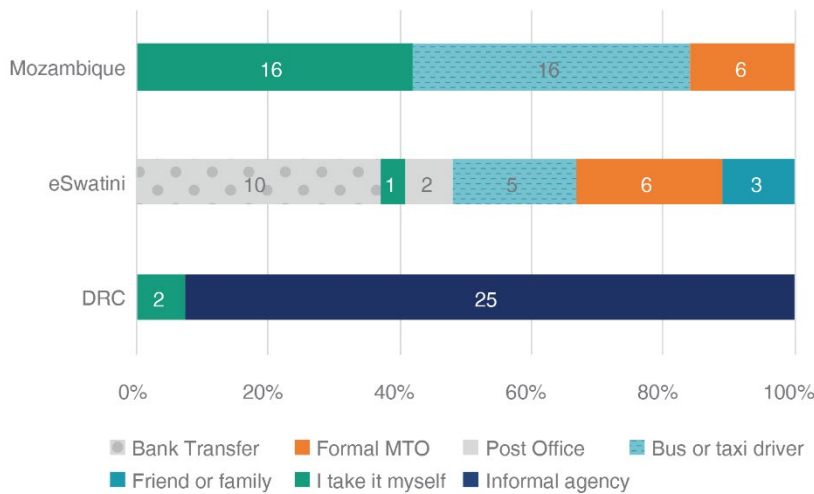
Source: Own methodology

3.4.1 Remittance channel by corridor

Choice of remittance channel varies substantially by corridor, as shown in Figure 5. The eSwatini corridor displays the greatest degree of formalisation, and was

the only group that showed use of the banking system. This is consistent with its membership of the CMA, which makes use of bank transfers easier. The eSwatini group was also the only group to use the Post Office for cross-border transfers.

Figure 5: Choice of remittance channel by corridor



Source: Analysis based on data collected from the FGDs

Note: Multiple responses allowed per participant

The Mozambican group, on the other hand, was evenly split between use of formal MTOs and bus or taxi drivers, with the remainder of the group sending money home via friends and family. Finally, the Congolese group was massively dominated by the use of informal money transfer agencies, which were not observed in the Mozambican and eSwatini groups.

It should be noted that, particularly in the Swazi and Mozambican FGDs, respondents were aware of the roll-out of a remittance product by Shoprite, and regarded it as highly desirable.

Phila: Do you want other methods to be the same as Shoprite?

Respondent: Yes

Mozambique mixed, Pretoria

3.4.2 eSwatini choice of remittance channel

While only five respondents in the eSwatini group stated that they used buses or taxis to send money home, in practice in the FGDs there were much more discussion of and openness to the idea of using these drivers.

That's the way usually we send money with drivers, that's the best method we use but then the bank is a new thing and now they also have accounts back home. So every one's first option is taxi drivers.

Swazi mixed gender, Johannesburg

In many cases there appears to already be a pre-existing relationship of trust between the driver and the remitter, so there may be some ambiguity between the bus or taxi driver category and the friends and family category. In both cases, there often appeared to be substantial fluidity in terms of what fees were charged to the remitter, if any.

Moderator2: So what does the driver get in return?

Respondent2: They don't charge us.

Client: So are you related to him or what?

Respondent2: No, he works with people and he knows people from back home.

Moderator2: Not even money for cool drink?

Respondent2: Maybe when he arrives with the money.

Swazi mixed gender, Johannesburg

Client: And then you said when you use a taxi, do you pay something?

Respondent2: As he said. When I have it, I'll give him. But normally they will understand when I say boy I don't have it today, and maybe today I have, so take.

Swazi mixed gender, Johannesburg

Two Swazi respondents stated that they used the Post Office. While the Post Office has in the past been a popular means of remitting, it has become less popular in recent years. However, it does remain cheaper than remitting via bank transfer.

...and I usually also send it at the Post Office because I find it easy to do so and it's easier for the person who is receiving money on the other end unlike at the bank where there are long queues and also deduction of the money.

Swazi females, Mpumalanga

While some of the Swazi respondents who use banks to remit do direct deposits into the recipient's account, others do so by depositing money into a shared account that the recipient can withdraw from.

Respondent 3: You do a cash deposit at the ATM, then you put the name of that person, account number then it will reflect on his account that side. Then it will be withdrawn that side. The only problem is the charges because it's now from one country to another. So the charges will be exorbitant.

Swazi mixed gender, Johannesburg

Nokubonga: I sent it every end of the month to Standard Bank and then they take it out there, and they also use Standard Bank, so it's easier and I send it to them every year at the end of the month. I send it to the account I created for them on this side.

Moderator: You created a Standard Bank account for them?

Nokubonga: Yes.

Moderator: And how do they take out the money?

Nokubonga: They take it out in the Standard Bank that side, and I created it so that their bank charges would be less to take out the money.

Swazi females, Mpumalanga

Three respondents take money home themselves. In the Mpumalanga group in particular, the discussions reflected the ongoing closeness between family members on either side of the border, which sustains the remitting relationship.

Respondent 1: I use it as an excuse to go back home to see my grandmother honestly.

Swazi females, Mpumalanga

Respondent 1: ... most of the time we meet with them at the egedeni (border gate) and they would ask for food.

Moderator: Where is that?

Respondents: At the border.

Respondent 1: So when they want food they tell me and I will bring for them and we will meet there at the border gate, so they come to the border gate get the food and then go back.

Swazi females, Mpumalanga

3.4.3 Mozambique choice of remittance channel

A number of the Mozambicans migrants in the FGDs emphasised the financial importance of remittances to sustaining the recipient families back home.

... I send money because of the problem with hunger and we pay for water and I make sure there is no hunger back home.

Mozambique females, Johannesburg

Sending money via taxi is a familiar and well understood method, and some respondents even felt confident that money sent via taxis would be reimbursed if it was lost. However, when compared to M-Pesa in particular, remitting via taxi was felt to be risky and take an unpredictable amount of time.

Respondent 1: I like the taxi method.

Moderator: Why?

Respondent 1: I like it because even if the money gets lost they can still reimburse it that's also the reason why I trust it.

Mozambique males, Mpumalanga

Moderator: Do you guys send money home and how do you send it?

Respondent: Yes, I give it to a taxi driver.

Moderator: Please explain to me step by step. Do you know the driver?

Respondent: We go to park station and give them our numbers and the person who will collect on the other side, when he gets there the taxi stops.

Moderator:So you left the drivers and opted for M-Pesa, why?

Respondent: It's simple than the driver. With the driver sometimes it takes a lot of time to get home, maybe after 3 days you sent it. With M-Pesa it only takes 5 minutes. Even

back at home they don't have bread you are able to send same time but with drivers maybe he will get there very dark that's another delay.

Mozambique females, Johannesburg

M-Pesa appeared to be the only formal remittance channel that had made much progress in penetrating the Mozambican market. Focus group participants were largely unbanked, and did not make much use of other formal financial products.

Moderator: How many of you have South African bank accounts or Post Office accounts?

General: No one.

Moderator: None of you, you don't use banks?

General: Yes.

Moderator: What about Post Office accounts?

General: None.

Mozambique males, Mpumalanga

Where respondents did have knowledge of banking remittance channels, they expressed concern over the cost of remitting via that method. There was also discussion of the poor bank network in Mozambique, which made it difficult for recipients to collect money sent via banks.

Phila: Okay, so why don't you use them to send money back at home?

Respondent: There is one problem, the bank charges are too expensive and also the banks back at home are too far and they don't have money to go to the banks so it going to be a problem for them to go to Maputo and collect money.

Mozambique mixed, Pretoria

Some respondents who used M-Pesa suggested that they accessed the product by using the M-Pesa accounts of friends, which allowed them to circumvent any issues they have in obtaining their own accounts.

Respondent: No we go to someone who has because we don't have M-Pesa.

Moderator: Okay how does the money get to the other person?

Respondent: We transfer.

Moderator: But if you don't have it do you go to someone who has it?

Respondents: Yes we go to someone else.

Mozambique females, Johannesburg

An interesting feature of the Mozambican group was the prevalence of investing in building at home, and using remittances to fund such building. This was not repeated in the DRC and eSwatini groups.

Moderator: So how many of us are building at home?

Respondent: Almost all of us.

Mozambique females, Johannesburg

3.4.4 DRC choice of remittance channel

The DRC focus group participants overwhelmingly used informal money transfer agencies to send money home. These agencies are familiar and often highly trusted institutions, and moreover, the established agencies (with La Grace and FBT being the most frequently mentioned) appear to deliver an affordable, quick and reliable quality of service.

Respondent1: ABSA I use that bank but if I want to send money, I use a Congolese agency. We use FBT and La Grace, those are our agencies.

Moderator: So how many of you use FBT and La Grace?

Respondent1: I think everyone because it's easy.

DRC females, Cape Town

Respondent1: Just the way she said it, it's like me after bathing I can tell my mother to send my cousin to get the money because I am going now. And it's very quick.

DRC females, Cape Town

The informal agencies are however tightly clustered in specific urban areas – in Johannesburg, in the suburb of Yeoville. Respondents typically needed to physically make the journey to the agency to make a transaction, so the cost of transport added to the overall cost of remitting, increasing the cost of remitting for those in far-flung areas.

Respondent 1: You can find the agencies in Yeoville.

Respondent 2: All of them they are there.

Moderator: So if I lived in Soweto I would have to travel to Yeoville?

Respondent 1: Yes!

Respondent 2: Yeoville is like the capital city.

DRC males, Johannesburg

These informal agencies have also come up with innovative ways to resolve distribution issues within the DRC itself. If the agency used does not have distribution points close to the recipient, they are often willing to onsend the money using another local agency or a mobile money network. However, in deep rural areas where there is no cell phone coverage it remains challenging to get money home. Some respondents reported that there were no extra charges for these additional stages of the remittance transaction, while others reported that remitting to rural areas was usually more expensive than to urban areas.

Moderator 3: So the La Grace money arrive that side and do they then take it to the other agency?

Respondent 2: Yes.

Moderator 3: Does he physically take the money?

Respondent 2: Yes.

Moderator 3: Oh okay and do you pay extra?

Respondent 3: No there is no extra they are the same cost.

Respondent 4: They know how they are.

Respondent 5: They collaborate.

Respondent 6: Like in Congo not here they use a sole network like Vodacom between numbers to send and receive money.

Respondent 7: Orange Money.

Respondent 6: Yes Orange Money and you just use your cell phone number.

Respondent 8: Like an e-wallet?

Respondent 6: Yes I think so.

DRC males, Johannesburg

One respondent did raise the possibility of remitting via a shared bank account, as was reported in the eSwatini group. This does not appear to have been a method that was in fact used by that respondent though.

Respondent 4: Or the other way you can do is have 2 cards you send the other one back home and make a deposit so that they can make a withdrawal that side.

DRC males, Johannesburg

3.4.5 Factors influencing the choice of formal versus informal channels

Respondents suggested a number of factors that had affected their decision to use formal versus informal remittance channels. The need for documentation, and the struggle of undocumented migrants to come up with such paperwork, remains an ongoing reason for use of informal channels.

Respondent1: For me the method I am using it's very difficult, people are complaining [MoneyGram]. That they find that the queues are long and sometimes they want proof of residence has expired after 3 months.

They send them back home to go and find proof of residence and come back. And that is very inconvenient.

Swazi mixed gender, Johannesburg

Moderator: So it doesn't like that, so what method do you use? What agency do we use?

Respondent1: La Grace. The Congolese agency is easy, like me. For example, if I go to Nedbank or Western Union they ask me a lot of paper and I'm using Asylum and I don't have the paper they want. So to make it easy I use a Congolese agency and La Grace and FBT.

DRC females, Cape Town

Respondent: [discussing bank accounts] It's not that we don't want them; it's just that we can't get them because of permits.

Mozambique females, Johannesburg

However, in a number of cases respondents also highlighted that informal channels could be more convenient than formal channels. The geographical distance between remittance recipients and the formal remitting network was frequently cited as problematic, particularly if the recipient had to add in the cost of a taxi trip to town to the total cost of remitting.

Client: Sir, I heard that when you want the money to get the quickly, you use a taxi and not a bank.

Respondent 2: Yes, normally that is what I do because I don't know how they will get to town to get the money. But if there are people that are there, I know that this guy, the following day he will be getting home. Or anyone taking a bus back home can go back with that money.

Swazi mixed gender, Johannesburg

Moderator 2: So when you have bank accounts, do you use it to send money back home?

Respondents: No.

Moderator 2: Why not?

Respondent 2: ...Because banks are far from home. I require you to take a taxi to town so that you will be able to take it out. And mother is old now she can't take out money.

Swazi mixed gender, Johannesburg

Because informal methods of remitting are often trust-based, the ability to use informal channels depends on the ability of the remitter to access this trust-based network. This can make the decision of whether or not to use formal channels highly dependent on the idiosyncrasies of an individual remitters' circumstances.

Respondent: No, I have never given the money to anyone. I only use Mukuru method.

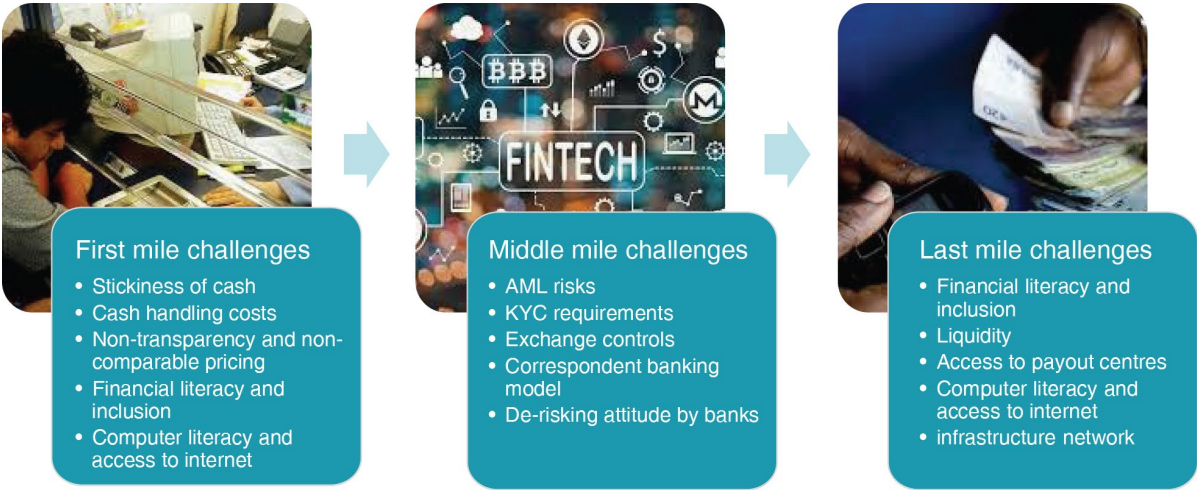
Client: Why?

Respondent: I don't have someone I can trust to [give] the money to.

Mozambique mixed, Pretoria

A study commissioned by FSD Africa⁵² in 2017 identified challenges influencing the decision-making process in the cross-border remittances value chain. These challenges are unique to each level of the value chain as illustrated in Figure 6.

Figure 6: Barriers to accessing the remittance value chain



Source: Own analysis based on (DMA Global, 2017)

This study observed that the decision regarding whether or not a remitter will use the formal channels is influenced by the following factors, among others:

- Access to a bank account in the sending country;
- Type of employment;
- Level of income;
- Liquidity challenges in the receiving country; and
- Infrastructure network in the receiving country.

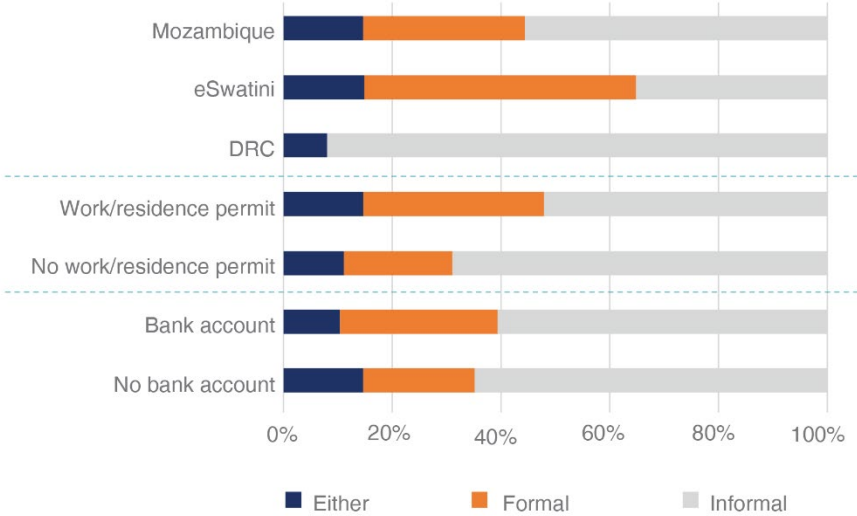
We now interrogate the data obtained for FGD respondents to see whether a consistent picture can be derived of the factors that drive the use of formal remittance products in these three countries.

⁵² (DMA Global, 2017)

Figure 7 illustrates how the use of formal and informal channels differs by country, the possession of a work or residence permit, and holding a bank account. It is striking to see that the greatest variance is associated with which country the respondent comes from. While there is slightly greater use of formal channels for those who do hold work or residence permits, and those with

bank accounts, the single greatest determinant of formal channel usage seems to be being Swazi, and the greatest determinant of informal channel usage is being Congolese. This suggests that, for these countries, differences in regulation and other circumstances on a country-by-country basis are more important than many other factors.

Figure 7: Remittance channel by country, residence status and bank account

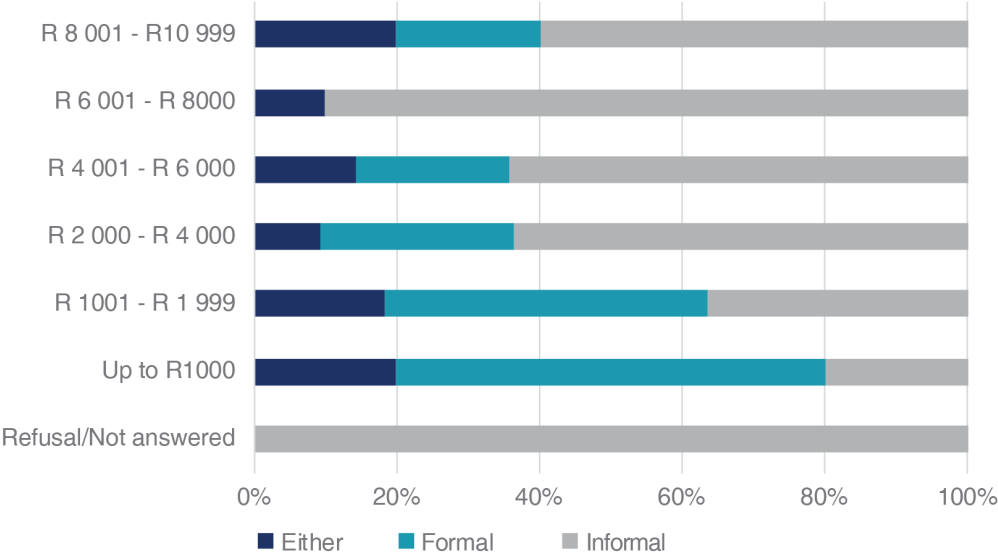


Source: Analysis based on data collected from the FGDs

Figure 8 below shows how income levels affect use of formal versus informal remittance channels in the sample group. At very low levels of income, use of formal channels is particularly high. This reflects very high levels of formal channel use among low income

Mozambicans, who make up the majority of the very low income individuals sampled (11 out of a group of 16 people earning R1999 or less). It is probably best not to over-interpret these results given the small sample size (72 individuals in total).

Figure 8: Remittance channel by monthly income level



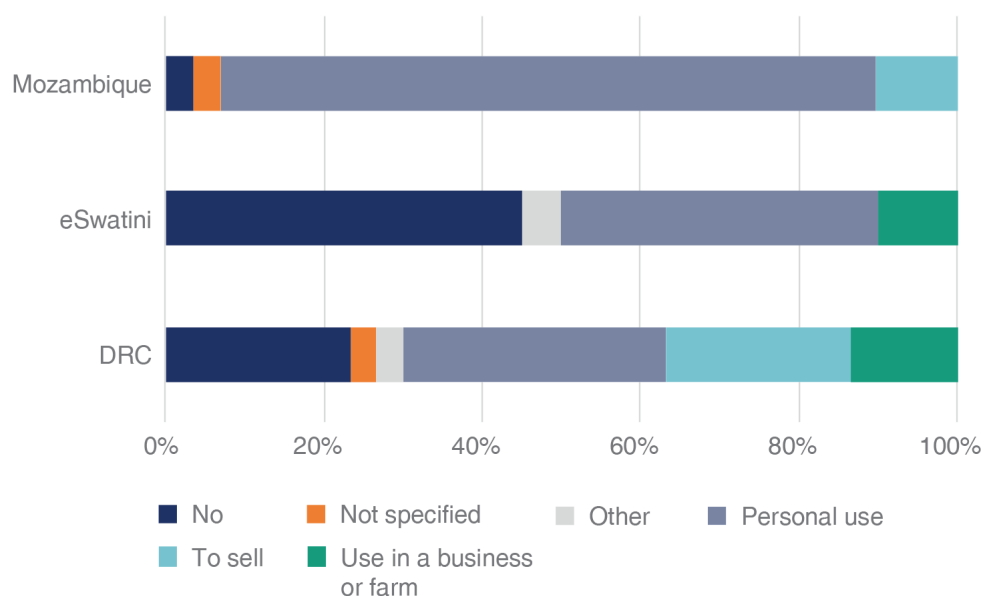
Source: Analysis based on data collected from the FGDs

3.4.6 Goods remittances

Remittance activity includes both the practice of sending home money, and the practice of sending home a wide range of physical goods (food, furniture, clothing, electronics and so forth). For all three countries examined, more than half the respondents

also remitted goods back home. The proportion was lowest for eSwatini and highest for Mozambique, as shown in Figure 9. Most of the goods sent to Mozambique were for the personal use of recipients, while in the DRC a much higher proportion was sent with the intention of being sold, or used in a business or on a farm.

Figure 9: Goods remitting by country and purpose



Source: Analysis based on data collected from the FGDs

One respondent suggested that the reason Swazis send fewer goods home than migrants from other countries is that the availability of consumer goods in eSwatini is good. There is thus no reason to import something that is already to hand in local stores.

Respondent 6: I would say Swaziland is not the same as Mozambique where you find that there are cars with many goods, I think with us. The things we have this side, you find in Swaziland as well so the Shoprite this side and the Shoprite that side you will find the same thing, so that's why you find that things are more simple.

Swazi mixed gender, Johannesburg

In contrast, in Mozambique and the DRC, the availability of goods is poor, and the cost is often much higher than in South Africa. The incentive to send goods home is thus much stronger.

Respondent: The quantity of the groceries is not the same comparing here to there at home. For example, if you buy groceries for R1 000 at home, the quantity will not be the same as here. The groceries here will be two times and half more.

Mozambique mixed, Pretoria

The Mozambican and eSwatini respondents mostly use drivers to send goods home, in a system that appears quite similar to the *malayitsha* network described in section 3.2.4 on Zimbabwe. The pricing method used by these drivers appears to be variable and dependent on personal circumstances.

Respondent: Their scale, is like, they just look at your goods and look at you right in the eyes and say R300.

Phila: So they look at the goods first?

Respondents: Yes, R300 and he's looking straight in your eyes.

Mozambique mixed, Pretoria

It is also possible to remit goods home to Mozambique using the retailer, Kawena, and respondents were aware of this channel. However, they suggested that charges appeared to be non-transparent, and rolled into the retail price of the goods sold.

Moderator: Is the charge the same?

Respondent 1: We are not sure about the charge because it's already included in the price for instance we buy 2-litre cool drink with R20 they will write R40.

Moderator: So you are not sure about the charge?

General: Yes.

Mozambique males, Mpumalanga

Mozambican and DRC respondents discussed sending goods home to be on sold, typically by a trusted friend or relative. The money earned from selling goods could then either be kept by the recipient, or sent back to the respondent as earnings.

Moderator: My sister stated that sometimes she stocks to sell in Mozambique, what do you sell?

Respondent: I stock bags, weaves, perfumes and my sister would sell them for me.

Moderator: You send stock to your sister?

Respondent: Yes I do, she is the one taking care of my kids.

Mozambique females, Johannesburg

Respondent 1: I also send stuff because I am selling stuff there and they send money then I buy things here.

Moderator: So you send goods?

Respondent 1: Yes, I send the things there, there's a lady who sells those things for me then they send the money.

DRC females, Cape Town

However, the degree of complexity and sophistication of the DRC goods remittance sector appeared to be substantially greater than that seen in Mozambique. Respondents emphasised that clothing and handbags needed to be carefully selected to ensure that only fashionable goods were sent home, in order to maximise profits. The sellers of the goods in DRC also appear to be actively involved in the selection of stock.

Moderator 3: What kind of clothes are those, is it second-hand?

Respondent 1: It is not second-hand.

Respondent 2: It is the real deal.

Moderator 3: So do they send you a list of the specific clothes that they want?

Respondent 1: Yes, they tell us the specific clothes that they want.

Respondent 2: The fashion style.

Moderator 3: You guys are really fashionable.

Respondent 1: It is because it is all about the money.

Moderator 2: How do you know which types of clothes do you want or style or did they send you pictures?

Respondent 1: They can send pictures or take pictures of fashion clothes....

Moderator 2: When you send the goods home, do they order or just buy in bulk and just send?

Respondent 1: They will tell you or specify which it is they want and when you buy it, it becomes top price or increase the price.

Respondent 2: Others send pictures but others don't have money, so we choose which ones will suit the buyer, then I send it home, then they tell me that it looks good so we decide to add more.

Respondent 3: We just spend R400, but we sell it that side for 100 dollars.

DRC males, Johannesburg

The informal agencies that are used to send money home also offer goods remittance services. Respondents suggested that, when things went well, it took about two weeks for goods to arrive at home. However, goods remittances were more difficult and riskier than money remittances, particularly when the goods were sent from DRC to South Africa. Some of the agencies did offer insurance on damage.

Respondent 3: For them to insure you of your goods maybe if something gets damaged or gets lost, they state that if anything gets lost or damaged they will return 50% of the value of the damaged goods. For example, if a TV gets damaged then they pay it in full.

DRC males, Johannesburg

DRC goods remittances focused on lightweight, high-value goods such as clothes, consumer electronics and shoes. Furniture was regarded as too heavy to send home profitably. To the knowledge of the respondents, the remitting agencies used both trucks and airfreight to send goods home.

Moderator 3: How do they send it home, on a truck, bus?

Respondent 1: I think some of them use trucks which transport the goods.

Respondent 2: Some use airplanes.

Moderator 3: Is that not expensive?

Respondent 1: Yes it is.

Moderator 2: How much?

Respondent 1: 1 kg is R100.

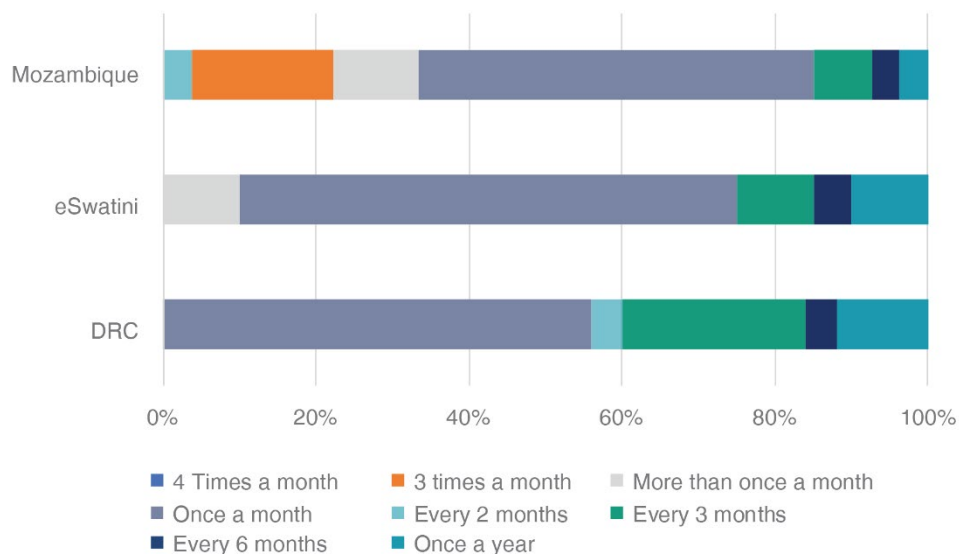
DRC males, Johannesburg

3.4.7 Pattern of remitting

The frequency with which respondents remit is shown in Figure 10. For all three countries, the most commonly reported remitted pattern was once a month. However, in Mozambique, more than a quarter of respondents

remit more than once a month (it should be noted that this pattern of remitting was confirmed in discussions with remittance service providers, who suggested it was due to liquidity problems at local pay-out partners). The pattern of remitting to the DRC appeared to be the most infrequent.

Figure 10: Frequency of remitting by country



Source: Analysis based on data collected from the FGDs

While a number of the Mozambican respondents did discuss their pattern of remitting more than once a month in the FGDs, their motivations for doing so still remained quite opaque. Multiple transactions presumably are often more expensive than a smaller number of large transactions, given that proportional costs tend to decrease with rising transaction size.

Moderator: How many times do you send money back at home, as you said reasons vary but with regards to building how many times is money sent?

Respondent: Maybe twice or three times a month it all depends on how much you have made because sometimes business is slow and you can hardly make any money....

Respondent: 3 times a month, if the business went well.

Respondent: 4 times a month...

Respondent: I also send 3 times a month but it depends how I worked and I send out any amount I have R200, R300.

Moderator: What is usually your minimum?

Respondent: R200

Moderator: And what's the maximum?

Respondent: R500

Moderator: And you my sister how many times do you send?

Respondent: 3-4 times, and I usually send R300 or R400.

Moderator: What is your minimum?

Respondent: R300

Moderator: And the largest amount?

Respondent: R500

Mozambique females, Johannesburg

Many seem to send money as they earn it, which could be consistent with a fear of theft of savings – and there was some reported anxiety over theft while in South Africa. This is highly speculative, however. It is possibly more likely that they are simply very low income individuals sending home to very low income households, facing major liquidity constraints, and trying to keep food on the table by whatever means necessary.

Respondent: Especially when it is December time, they know these Shangaans⁵³ have money so they break in at night.

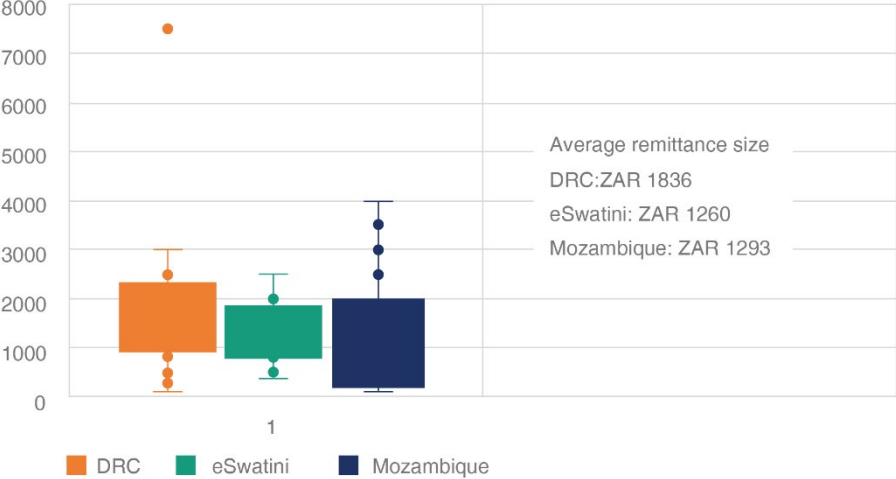
Mozambique females, Johannesburg

Respondent: It’s basically any day they are desperately in need of the money back home. If I have R100 I send because they need it.

Mozambique females, Johannesburg

Figure 11 illustrates the range of average remittance sizes reported. While the average for Mozambique is slightly higher than that for eSwatini, in practice most of the Mozambican respondents were remitting extremely small transaction sizes, associated with remitting more than once a month. A third of Mozambican respondents remitted R300 or less with each transaction. The highest average remittance size reported was for the DRC.

Figure 11: Average remittance size



Source: Analysis based on data collected from the FGDs

⁵³ This is a predominantly Mozambican ethnic group. Reference to Shangaans was made by a Mozambican respondent – when queried by the moderator,

respondents stated that they did not regard this use of the term as pejorative.

The FGD respondents were questioned about the cost of remitting via informal channels. The responses were substantially different by channel and by country, as follows:

DRC:

There was a broad consensus that the informal agencies used on the DRC corridor typically charge 5% of the value remitted. Fees were reported to differ somewhat depending on the currency in which the transaction was completed, and to be slightly lower as the value of the transaction increased. Goods remittances were charged per kilogram, at varying rates (possibly depending on whether airfreight or overland transportation is used).

Moderator: Okay, let's move to the next question. With FBT and La Grace what are the charges for sending money?

Respondent 1: 5%

DRC females, Cape Town

Moderator: So how much is it?

Respondent 1: The money is 5% and the goods it's by kilo.

Respondent 2: Maybe 1 kilo is R100 or R50.

DRC females, Cape Town

Respondent 1: If you send maybe like under R1 000 they don't ask you for that 5% you can maybe pay 2% or 3% because 3% of R1 000 is more.

Respondent 2: Let's say you have R300 you will calculate that maybe your R300 is 15 dollars, so you can never how much it is in dollars but you will know in rands.

Respondent 3: If you want the receiver to get it in dollars you have to pay a certain amount and if you want them to get it in Congolese money you pay another amount.

DRC males, Cape Town

eSwatini:

The Swazi respondents described an informal system of remitting that was highly dependent on the relationship between the sender and the remittance agent, and where price seemed to often be variable and non-transparent. Reported costs for sending via friends and family, or via taxi, varied from 10% to 30% of the transaction amount.

Respondent2: Normally, I will use different people.

Client: Okay but when you give him something let's say you sending R1 000 and let's say you do have money that day, how much would you give him as a cool drink?

Respondent2: I could give him R100. And I know it's safe, why? Because they at the taxi rank I'll take the number plate of the car, his name and number in case the money gets lost. There also will be people there to be witnesses to say that I gave him money, to take it there, so he can't cheat me there.

Swazi mixed gender, Johannesburg

Moderator: So you don't pay there?

Respondent3: No, I give him something small.

Moderator2: What is that small thing?

Respondent3: Maybe R150. So that he takes care of it and gets it where it needs to go.

Moderator: So when you give him R150, how much would you be sending back home?

Respondent3: R500. Then I'll give him R650.

Swazi mixed gender, Johannesburg

Mozambique:

The current cost of remitting to Mozambique, as reported in the FGDs, seems to be 20% of the amount remitted. While some respondents reported a rate of 10%, others suggested that it used to be 10% but has since increased to 20%. Interestingly, this fee seemed to be the same regardless of whether money was sent home with relative strangers like taxi drivers, or with friends and family. The high charge may be a result of low transaction sizes.

Moderator: Let's say you give the driver a R1 000, so when he gets there, he gives the person you sending the money to?

Respondent: Yes, then we give him the number of the recipient and some money just to say thank you. If it's R100 we give him R20.

Moderator: How much do drivers charge when you give them money?

Respondent: For each R100, it's R20.

Moderator: Okay per R100 you give him R20. So they all charge like that?

Respondent: Yes all of them.

Mozambique females, Johannesburg

Moderator: Do you pay these people?

General: Yes.

Respondent 1: Yes, they do charge.

Moderator: Is the rate high or fair for you guys?

Respondent 1: It's high. For every R100 they charge R10.

Mozambique males, Mpumalanga

Respondent 3: No there is no problem, the problem is that the prices always go up, you'd find that the last time it was R10 the next time you go it's R15.

Moderator: How much was it when you first started taking money home?

Respondent 1: In actuality, it's R20 per R100 it went up.

Respondent 2: R100 was R10, now it's R20.

Mozambique males, Mpumalanga

Translator: She means that she gives it to her brother, because her brother goes home every month.

Client: When you give it to your brother or your uncle, do you pay him something?

Respondent: I give him R20.

Client: Every time you give him R20?

Respondent: Every R100 goes with R20.

Mozambique mixed, Pretoria

3.4.8 Problems and challenges

The respondents detailed a number of problems and challenges experienced with both formal and informal remittance methods. Money sent home via taxi and bus drivers is vulnerable both to theft from the drivers, and theft by the drivers. Money lost in this way is sometimes returned, but this is not guaranteed.

Moderator2: So how safe is this method? He mentioned that he feels the taxi driver is safe everything is well known, such as number plates and the driver is known at the rank. What about others?

Respondent1: It's not safe. Another person could go and then something comes up because they are driving right, so let's say something happens and then the money doesn't get there.

Respondent2: But anyway maybe when you send an amount you won't cry about that much. Like I would not give him my R10 000 and say I'm going to give it to someone or my R5 000 and say I trust this person I won't do that. I give him money that I know that maybe if something happens like the devil entering him I won't complain much.
Swazi mixed gender, Johannesburg

Moderator: Does it ever happen that the recipient does not get the money from the drivers?

Respondent: Yes, sometimes they would get robbed during the journey.

Moderator: In that case does the driver return it?

Respondent: Sometimes.

Mozambique females, Johannesburg

While many of the DRC migrants received a good quality of service from the informal agencies, they did report instances where the agencies had liquidity problems, and thus funds could only be withdrawn piecemeal. These issues were more common at smaller, less established agencies.

Respondent2: Excuse me I can say depending on how much you send, I remember last year, they sent me money from Congo and it was a lot, when I go to the agency they said they don't have that amount.

And all they could do is give me in 3 portions or I must go to Johannesburg because there, there is a big agency with the same name.

Moderator: If I am understanding correctly, if only they don't have that much money then it will require you to take it out in portions?

Respondent2: Yes, sir.

DRC females, Cape Town

Issues with the M-Pesa channel in particular were raised by a number of Mozambican respondents. The most frequently raised concern was with a perceived lack of transparency in the pricing of the M-Pesa product.

Respondent: It is not the same R105, I remember last time I sent R500 and they charged me 80-something rands. You can't determine their scale because it is not consistent. Even if you try to calculate how they charge you, you can't.

Mozambique mixed, Pretoria

Phila: Okay. So does fraud or theft happen there at Mukuru or at M-Pesa? Have we ever experienced it?

Respondent: As for the fraud and theft, I have never seen it but hey! I don't trust their rates. Most of us do not care to know how those rates got to there, we don't mind but I think they are taking advantage, but I think if you record it properly then I am sure we can see where they are robbing us and how. It is very expensive.

Mozambique mixed, Pretoria

One respondent raised a more serious concern as regards attempted fraud on the M-Pesa product, which they allege would require the fraudsters to have inside information on the service. It is difficult to know how much credit to put in this allegation.

Respondent: Sometimes you receive a message that says: "we have sent you money by mistake, please send it" unknown to you that they are crooks.

Moderator: Is there such a thing?

Respondents: Yes there is.

Moderator: Have you ever encountered such?

Respondent: It is there, and at home it's worse. They just send you a message and say "we sent you R2 000 and it is not yours" you won't check because you see the money there.

Moderator: The money reflects...

Respondent: Exactly.

Moderator: What do they want to do?

Respondent: They are thieves.

Respondent: They want you to send it back.

Moderator: So you would be sending them your money? How do they know?

Respondent: We also don't know.

Respondent: They work with the people at Vodacom because they know your name.

Moderator: And surname

Respondent: And your particulars. They know how much you have, if you have R20 000 they will know.

Respondent: It is not safe anymore – M-Pesa.

Moderator: It is no longer safe?

Respondent: No, it is not.

Mozambique females, Johannesburg

3.4.9 Money laundering risks

During the interviews the research team held with remittance service providers, one of the stakeholders suggested that money laundering activity was not unknown in regional informal remittance markets, and that the diagnostic symptom of money laundering would be an exchange rate too good to be true. The process of laundering money is expensive, and it was suggested that money launderers would be prepared to lose up to 30% of the value of the funds during the laundering process.

To test this assertion, we raised the following question in one of the focus groups:

Moderator: Tell me let's say the normal exchange rate is 14 have you ever heard of someone who said they will give you 15? [sic]

Respondent 1: Yes.

Moderator: So they give you much better?

Respondent 1: Yes, if you go on to the black market, like the Pakistanis because the Pakistanis use their friends or their brothers. Like maybe you have one from Angola and you also have friends or brothers in Angola, so they use what we do to send money or to receive money. Also, if you go to the Pakistanis those people give good money and very better, much better money.

Moderator: Is it easy to find these guys, are there lots of them?

Respondent 1: No, it's not easy, you must have a connection, so it is not easy.

DRC males, Johannesburg

A number of the respondents in this particular group claimed to have second-hand knowledge of an informal remittance scheme offering such "too good to be true" rates. None admitted to having used it themselves.

In the same group, while discussing the practice of taking money home oneself or via friends, another respondent volunteered the following anecdote:

Respondent 2: The airport will complain if you are carrying a lot of money like \$100 000 then they will question you in terms of the reason why you have so much money and if they want to confiscate that money then you can bribe them.

(Group laughs)

Respondent 1: Like one of my friends he came here with \$3 million at Lanseria, and he used the money to bribe them and gave away \$10 000.

Moderator 2: Why doesn't he put it in a bank account?

Respondent 1: No he's a businessman, he uses his own airplane and when he came here he didn't want to go to the bank, so he uses briefcase according to what they are doing.

DRC males, Johannesburg

Finally, in another group it was suggested that the Mozambican retail banking system has fairly lax controls in place, as regards the exchange of foreign currency.

Respondent 1: There are people who change money from Rand to Metical, when I get there I give them Rand they give me Metical.

Respondent 2: Sometimes they go to the banks and change the currency.

Moderator: If the taxi driver can get there carrying 15 000 to the bank to change it, won't they become suspicious?

Respondent 1: No they won't, because they know how these things work.

Moderator: Even if you can come carrying 2 million will they change it?

General: Yes.

Respondent 2: As long as you provide your ID when you get there, they'll change it for you.

Mozambique males, Mpumalanga

3.4.10 Base assumption for market estimation exercise

Given the research on SADC remitting patterns that is discussed above, we now turn to our base case assumptions for migrant informal remitting behaviour, which can be utilised for the calculation of total regional remittances. In 2012, our assumption was that 45% to 55% of all SADC migrants in South Africa remit money home, and on average they send R5 500 home per year (on an inflation adjusted basis, this is approximately R6 860 in 2016 and R7 800 in mid-2019). In 2016, we continued to assume that on average 45% to 55% of migrants remit, and we increased the average remittance amount up only slightly, to R7 000 per annum (or an inflation adjusted R7 960 in 2019).⁵⁴

In 2016 these assumptions were applied to the total migrant population, in order to derive an estimate of both formal and informal remittances. In 2019, however, the quality of data received from SARB was such that we can now use the actual amount remitted in 2018 to estimate the formal remittance market to the rest of SADC.

The base case assumption that we need for estimation purposes is thus the base case informal remitter. Informal remitters are, in most cases,⁵⁵ more likely to be undocumented, to be low-skilled and earn a low income. As such, their ability to remit is more restricted. For 2019, we therefore modified the base case assumption as follows:

- An average of 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 (informal channels only).
- On average, documented migrants send home R12 000 annually (informal channels only).

⁵⁴ Inflation calculated using the *Consumer prices: All urban areas* data as reported by the South African Reserve Bank Quarterly Bulletins

⁵⁵ On certain remittance channels, for example to the DRC and Angola, even wealthy individuals seem to remit via informal channels, and thus this pattern may not always hold.

4. ESTIMATE OF SADC REMITTANCES

We now combine our estimates of total migrants per country with what is known about remittance patterns per country, to produce an estimate of remittances from South Africa to the rest of SADC. In this estimation exercise we will draw on our previous research, in particular the 2016 market estimation exercise.

4.1 Angola

- Total population: 30.8 million
- GDP per capita, PPP (current international \$): \$6 441⁵⁶
- Proximity to South Africa: 3 200 km overland (capital city to capital city)

Table 26 illustrates our 2018 estimate of Angolan remittances, and how it contrasts with our 2016 estimate. As can be seen, we collected no new information on the number of Angolan migrants or the proportion of them who remit, and thus those two indicators remain unchanged. The average amount remitted is slightly lower, which is appropriate given that it now incorporates only informal remittances, whereas in 2016 we were estimating the average for both formal and informal remittances (note: the method of calculation of average informal remittances is shown in Appendix 1).

Table 26: Angola remittances, 2016 to 2018

	2016	2018	% change
Total migrants	25 890	25 890	0%
Proportion remitting	60%	60%	0%
Average amount remitted (2018 average is only for informal remittances)	R7 000	R6 916	-1%
Formal remittances (Rm)	R24.2	R11.0	-55%
Total informal remittances (Rm)	R84.6	R95.5	13%
Total remittances (Rm)	R108.7	R106.5	-2%
% informal	78%	90%	12%

Source: Own estimates, incorporating external data sources as discussed in report

⁵⁶ All population and GDP per capita estimates are derived from the World Bank's World Development Indicators database, for 2018. Available at

<https://databank.worldbank.org/source/world-development-indicators#>, accessed 6 October 2019

The main source of change in the estimate derives from the interrogation of data received from SARB. As can be seen, the level of formal remittances remains very low, and actually fell from 2016 to 2018. This is consistent with the perspectives of a number of interviewed stakeholders, who emphasised how restrictive the regulation of formal remittance markets in Angola is.

Because of the decrease in the size of formal remittances, despite a 13% estimated increase in informal remittances, the total nominal amount remitted to Angola in 2018 falls slightly to R106.5 million. Approximately 90% of this market is estimated to be informal, slightly higher than in 2016.

4.2 Botswana

- Total population: 2.3 million
- GDP per capita, PPP (current international \$): \$18 583
- Proximity to South Africa: Shares a border

As before, the major source of difference in the 2018 estimate of Botswana remittances is the SARB data on formal remittances. In previous years, we have found evidence of only small formal remittances from South Africa to Botswana. However, the ability to include person-to-person card transactions in the data has shed light on a new, quite substantial pattern of formal remittances using shared bank accounts. As a result, the amount of formal remittances increases by approximately a multiple of ten, leading to a more than doubling of the estimated total volume of remittances to R294.9 million per annum. The new card transaction data also dramatically increases our estimate of the proportion of this market which travels via formal channels, from 16% to 78%.

Table 27: Botswana remittances, 2016 to 2018

	2016	2018	% change
Total migrants	30 790	30 790	0%
Proportion remitting	55%	55%	0%
Average amount remitted (2018 average is only for informal remittances)	R8 050	R8 051	0%
Formal remittances (Rm)	R21,9	R230,9	954%
Total informal remittances (Rm)	R114,4	R64,0	-44%
Total remittances (Rm)	R136,3	R294,9	116%
% informal	84%	22%	-62%

Source: Own estimates, incorporating external data sources as discussed in report

4.3 Democratic Republic of Congo (DRC)

- Total population: 84.1 million
- GDP per capita, PPP (current international \$): \$931
- Proximity to South Africa: 3 800 km overland (capital city to capital city)

Given the continuing number of Congolese seeking asylum in South Africa, it is fairly clear that this

population of migrants has grown since 2016. We have therefore estimated that the total population has increased 20% since 2016, as shown in Table 28. In addition, we have substantially increased the average amount remitted. Focus group discussions with DRC migrants during this research suggested that even documented Congolese migrants typically remit informally, and as formal migrants are assumed to remit more, this increases the average amount remitted (see calculations in Appendix 1).

Table 28: DRC remittances, 2016 to 2018

	2016	2018	% change
Total migrants	64 075	76 890	20%
Proportion remitting	45%	45%	0%
Average amount remitted (2018 average is only for informal remittances)	R7 000	R9 907	42%
Formal remittances (Rm)	R168,6	R196,8	17%
Total informal remittances (Rm)	R33,2	R243,3	632%
Total remittances (Rm)	R201,8	R440,1	118%
% informal	16%	55%	39%

Source: Own estimates, incorporating external data sources as discussed in report

Even with the inclusion of card transactions, formal remittances are only slightly higher, suggesting that the use of shared bank accounts to remit to DRC is fairly unusual. However, with more migrants, and more of them remitting informally at larger amounts, the size of

informal remittances increases six-fold. The net result is that estimated total remittances are more than twice as large as in 2016, and the proportion of the market estimated to be informal increases from 16% to 55%.

4.4 Lesotho

- Total population: 2.1 million
- GDP per capita, PPP (current international \$): \$3 223
- Proximity to South Africa: Shares a border

A complication with estimating remittances to Lesotho is the estimation of mineworker remittances sent via recruiting agencies. While these are formal remittances, discussions with the SARB confirmed that remittances sent via recruiting agencies (such as TEBA/Ubank) would not be picked up in the formal remittance dataset. Mineworkers are legally required to send 30% of pay home, and can also send additional money voluntarily via these channels, so the volume involved is of a material size.⁵⁷

In 2016, the most recent available data on deferred pay was from CBL quarterly statistics for the year ended Q1 2014. At that time, deferred pay and voluntary remittances amounted to R389.3m and R91.1m

respectively (R480.4m in total). Despite declining numbers of Basotho mineworkers in South Africa, inflation and rising wages ensured that the total amount remitted via this channel had increased somewhat over time – for example in 2007 deferred pay and voluntary remittances was only R290.8m and R10.0m respectively. For the purposes of this estimation process we will conservatively assume that mineworker remittances were R500 million in 2018.

We have also included Shoprite Money Transfer transactions in this data, as well as an estimate of other EFT transactions from South Africa. The manner in which this was calculated is shown in Appendix 1. Table 29 compares our 2016 estimate of Lesotho remittances with our 2019 estimate. Formal remittances have almost doubled, and appear to be beginning to crowd out informal remittances, which have decreased over the period. Total remittances are estimated to be 24% up for the period.

Table 29: Lesotho remittances, 2016 to 2018

	2016	2018	% change
Total migrants	402 015	402 015	0%
Proportion remitting	55%	55%	0%
Average amount remitted (2018 average is only for informal remittances)	R7 700	R7 692	0%
Formal remittances (Rm)	R957,3	R1 817,1	90%
Total informal remittances (Rm)	R1 116,4	R762,4	-32%
Total remittances (Rm)	R2 073,7	R2 579,5	24%
% informal	54%	30%	-24%

Source: Own estimates, incorporating external data sources as discussed in report

⁵⁷ It is not clear whether this gap in the SARB's regulatory system makes sense. It would be advisable for the SARB to review whether the reduced reporting

requirements for this institutions, and for the South Africa Post Office, continue to be justifiable.

4.5 Malawi

- Total population: 18.1 million
- GDP per capita, PPP (current international \$): \$1 309
- Proximity to South Africa: 1 810 km overland (capital city to capital city)

While we have changed neither the estimate of the migrant population nor the proportion of them remitting since 2016, the estimate of total Malawian remittances has increased more than fourfold. The primary source of the difference is the massive increase in formal remittances. We have assumed that the increased use of formal remittances has in fact been substantial enough to trigger a decrease in the volume of informal remittances.

Table 30: Malawi remittances, 2016 to 2018

	2016	2018	% change
Total migrants	216 515	216 515	0%
Proportion remitting	35%	35%	0%
Average amount remitted (2018 average is only for informal remittances)	R6 300	R6 516	3%
Formal remittances (Rm)	R72,3	R2 353,1	3 156%
Total informal remittances (Rm)	R405,1	R164,1	-59%
Total remittances (Rm)	R477,4	R2 517,3	427%
% informal	85%	7%	-78%

Source: Own estimates, incorporating external data sources as discussed in report

However, it should be noted that we do have some concerns with the formal remittance data for Malawi. As discussed in Appendix 1, given our estimates of the migrant population the level of formal remittances looks implausibly high on a per-migrant basis. As far as we can tell, Malawi does not experience a particularly high level of tourism from South Africa, which would tend to distort the card withdrawal data. We were thus unable to make systematic adjustments to the data to improve its plausibility.

4.6 Mozambique

- Total population: 29.5 million
- GDP per capita, PPP (current international \$): \$1 328
- Proximity to South Africa: Shares a border

Like Lesotho, Mozambican mineworkers are legally required to send home a proportion of their pay, under the deferred pay system. This deferred pay is not picked up by the formal SARB reporting system, and we could not find an up-to-date reference for the size of such remittances. The last known size for this remittance flow was approximately R707 million in 2015. As with

the Lesotho data, we conservatively estimate that current miners' remittances to Mozambique via the deferred pay system are around R720 million per annum.

Total remittances to Mozambique are shown in Table 31. As shown, the assumption as regards the average amount remitted has increased somewhat – in 2016 our per-migrant remittance estimate for Mozambique was the lowest in the region, and this increase brings Mozambique more in line with other SADC countries. Formal remittances are massively higher, driving a big shift in remittance patterns from the informal to the formal market.

Table 31: Mozambique remittances, 2016 to 2018

	2016	2018	% change
Total migrants	983 078	983 078	0%
Proportion remitting	55%	55%	0%
Average amount remitted (2018 average is only for informal remittances)	R5 950	R6 983	17%
Formal remittances (Rm)	R490,1	R1 321,7	170%
Total informal remittances (Rm)	R3 346,6	R2 668,2	-20%
Total remittances (Rm)	R3 836,8	R3 989,9	4%
% informal	87%	67%	-20%

Source: Own estimates, incorporating external data sources as discussed in report

4.7 Namibia

- Total population: 2.4 million
- GDP per capita, PPP (current international \$): \$11 135
- Proximity to South Africa: Shares a border

Our estimate of Namibian remittances in 2016 and 2018 is shown in Table 32. As can be seen, total migrant numbers remain unchanged, but we have increased our estimate of the proportion of migrants remitting slightly, given the FinScope findings discussed in section 3.2.3.

Again, the major change in the estimate derives from the increase in formal remittances, based on an improvement in data quality received from the SARB. Namibia is a market where card transactions on a shared account appear to comprise an important component of the formal remittance market. This is then increased further by our estimate of other EFT transactions to CMA countries (see Appendix 1). The inclusion of this data increases formal remittances more than six-fold. The total value of remittances increases by 55%, and the proportion of informal remittances reduces, suggesting some crowding out by the formal market may be occurring.

Table 32: Namibia remittances, 2016 to 2018

	2016	2018	% change
Total migrants	101 438	101 438	0%
Proportion remitting	40%	45%	5%
Average amount remitted (2018 average is only for informal remittances)	R7 700	R8 001	4%
Formal remittances (Rm)	R42.5	R323.1	661%
Total informal remittances (Rm)	R270.0	R162.1	-40%
Total remittances (Rm)	R312.4	R485.2	55%
% informal	86%	33%	-53%

Source: Own estimates, incorporating external data sources as discussed in report

4.8 eSwatini

- Total population: 1.1 million
- GDP per capita, PPP (current international \$): \$10 722
- Proximity to South Africa: Shares a border

For the eSwatini remittance market estimate, we had new data from a 2018 FinScope survey, and were also informed by the results of our focus group discussions. The FinScope data showed a sharp increase in use of formal remittance channels by remittance receivers, but this effect was less notable in our focus group participants. The FinScope data also suggested that very high levels of remitting occurred in Swazi communities. To reflect this, we slightly increased our assumption as regards the proportion of Swazi migrants who remit.

In addition, interviews with remittance service providers suggested that regulation of formal remittance

channels was fairly restrictive (see discussion in the companion report, *South Africa to rest of SADC remittance pricing*), and that this inhibited the development of the formal remittance market. As a result, we estimated that fairly high proportions of Swazi remitters remit informally. It should be noted that this is one of the reasons why the average amount remitted increases a little more than for other countries – as a high proportion of wealthier documented migrants are estimated to remit informally, the average amount remitted informally increases.

We also adjusted the formal remittance data to include an estimate for EFT transactions, not captured in the SARB data because of eSwatini’s membership of the CMA. This is discussed in detail in Appendix 1. The net effect of these assumptions is shown in Table 33. As can be seen, the net effect is that formal remittances increase by 34%, but remain only around 30% of the market.

Table 33: eSwatini remittances, 2016 to 2018

	2016	2018	% change
Total migrants	90 943	90 943	0%
Proportion remitting	55%	60%	5%
Average amount remitted (2018 average is only for informal remittances)	R7 700	R8 275	7%
Formal remittances (Rm)	R114,9	R154,4	34%
Total informal remittances (Rm)	R270,2	R339,4	26%
Total remittances (Rm)	R385,1	R493,8	28%
% informal	70%	69%	-1%

Source: Own estimates, incorporating external data sources as discussed in report

4.9 Tanzania

- Total population: 56.3 million
- GDP per capita, PPP (current international \$): \$3 227
- Proximity to South Africa: 3 500 km overland (capital city to capital city)

The biggest source of change to the Tanzanian remittance estimate in 2018 is the very large increase in

formal remittances, as per SARB data. However, we do have continued concern over this data. As discussed in Appendix 1, per-migrant formal remittance levels continue to look too high. Nevertheless, even if some adjustment needs to be made to the SARB data, the 2018 formal remittance estimate remains much higher than the 2016 one, and this drives a fourfold increase in the total estimated volume of remittances from South Africa to Tanzania.

Table 34: Tanzania remittances, 2016 to 2018

	2016	2018	% change
Total migrants	17 218	17 218	0%
Proportion remitting	35%	35%	0%
Average amount remitted (2018 average is only for informal remittances)	R7 000	R6 527	-7%
Formal remittances (Rm)	R4,3	R206,1	4 739%
Total informal remittances (Rm)	R37,9	R12,8	-66%
Total remittances (Rm)	R42,2	R218,9	419%
% informal	90%	6%	-84%

Source: Own estimates, incorporating external data sources as discussed in report

4.10 Zambia

- Total population: 17.4 million
- GDP per capita, PPP (current international \$): \$4 216
- Proximity to South Africa: 1 500 km overland (capital city to capital city)

The remittance estimate for Zambia changes in very similar ways to the Tanzanian estimate – again, change is driven by a massive increase in the formal remittance data, but there are concerns with this data, given the high level of per-migrant formal remittances it implies (see discussion in Appendix 1). Nevertheless, even if the formal remittance data does need to be adjusted downwards, the size of the increase is such that it is likely that we massively underestimated the formal market in 2016.

Table 35: Zambia remittances, 2016 to 2018

	2016	2018	% change
Total migrants	75 135	75 135	0%
Proportion remitting	35%	35%	0%
Average amount remitted (2018 average is only for informal remittances)	R7 000	R6 509	-7%
Formal remittances (Rm)	R20,6	R492,4	2 290%
Total informal remittances (Rm)	R163,5	R57,7	-65%
Total remittances (Rm)	R184,1	R550,1	199%
% informal	89%	10%	-78%

Source: Own estimates, incorporating external data sources as discussed in report

4.11 Zimbabwe

- Total population: 14.4 million
- GDP per capita, PPP (current international \$): \$3 024
- Proximity to South Africa: Shares a border

While we did find new research on Zimbabwean remitters in other SADC countries, the findings of these papers either were consistent with our 2016 estimates of remittance behaviour, or were not consistent enough to justify amending our previous assumptions. Our 2016 estimates of migrant population size, and proportion remitting are thus kept steady.

The big change to the Zimbabwean remittance estimates thus again comes from the better quality data from the SARB. As can be seen in Table 36, the estimate of formal remittances increases by just over a billion rand from 2016 to 2018. This then generates a substantial increase in total remittances to just under R10 billion. It should be noted that, in 2017, the Zimbabwean Reserve Bank estimated that total personal remittances were in the order to US\$1 112.8 million (or around R16.7 billion at current exchange rates).⁵⁸ This estimate therefore suggests that around 60% of Zimbabwean remittances originate in South Africa.

Table 36: Zimbabwe remittances, 2016 to 2018

	2016	2018	% change
Total migrants	1 680 770	1 680 770	0%
Proportion remitting	75%	75%	0%
Average amount remitted (2018 average is only for informal remittances)	R7 000	R7 067	1%
Formal remittances (Rm)	R2 132.2	R3 174.9	49%
Total informal remittances (Rm)	R6 691.9	R6 729.1	1%
Total remittances (Rm)	R8 824.0	R9 904.0	12%
% informal	76%	68%	-8%

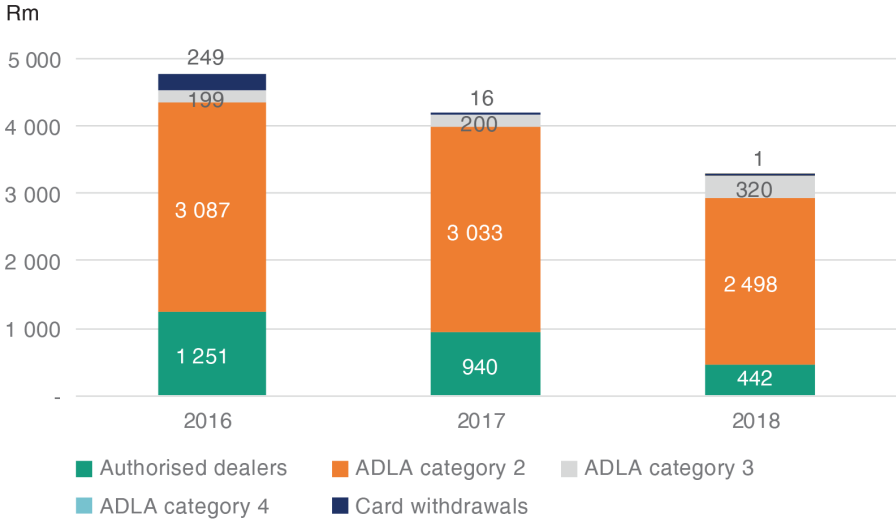
Source: Own estimates, incorporating external data sources as discussed in report

Our estimate assumes that fairly large proportions of Zimbabweans currently use informal remittance channels. Upheavals in the regulation of Zimbabwean foreign exchange markets and in its currency have continued to affect remittance markets, with the lack of

available of foreign currency for formal remittance service providers being of particular concern in 2018. As shown in Figure 12, over the last three years the new SARB dataset allows us to track a marked decrease in most types of formal remittances.

⁵⁸ Reserve Bank of Zimbabwe Annual Report 2017

Figure 12: Growth in Zimbabwean formal remittances by remittance type



Source: SARB data, own calculations

4.12 The offshore states

- Total population: Seychelles 96 800; Mauritius 1.3 million; Madagascar 26.3 million; Comoros 832 300
- GDP per capita, PPP (current international \$): Seychelles \$30 503; Mauritius \$23 709; Madagascar \$1 634; Comoros \$2 828
- Proximity to South Africa: offshore, varying

In the 2016 estimation exercise, we grouped the then three SADC offshore island states together into one category, given the relatively small size of their migrant populations resident in South Africa, and the limited information we had on formal remittances to them. Since then, Comoros has joined SADC, and thus is now a new country in the estimate. Given that we now have two high income island states, namely Seychelles and Mauritius, and two low income ones, namely Madagascar and Comoros, going forward we will estimate remittances to each pair of countries separately.

What is interesting is that, while GDP per capita varies massively between these island states, for all of them

the cross-checking exercise on the SARB data produces really large average annual remittances per-migrant estimates (see discussion in Appendix 1). This result holds even if we assume that, for the Seychelles and Mauritius, tourist withdrawals comprise a fair proportion of card withdrawals, and adjust the card withdrawals total accordingly. We thus continue to have some concerns that the volume of formal remittances for these countries is overstated.

Table 37 shows how the estimate of offshore states remittances changed from 2016 to 2018. As can be seen, the inclusion of Comoros increases the estimate of total migrant population only fractionally, and proportion remitting remains the same. Given our concerns that the formal remittance data may be inflated, we have been cautious about the likely average amount remitted per migrant, and have kept this number lower for Madagascar and Comoros to reflect the lower GDP per capita of these islands.

The dramatic increase in formal remittances drives the total market estimate up by a multiple of more than ten. As a result, the proportion of the market estimated to travel via informal channels reduces sharply.

Table 37: Offshore states remittances, 2016 to 2018

	Offshore states (excl. Comoros)	Seychelles and Mauritius	Madagascar and Comoros	Total/ average	% change
	2016	2018	2018	2018	
Total migrants	8 450	7 655	885	8 540	1%
Proportion remitting	35%	35%	35%	35%	0%
Average amount remitted (2018 average is only for informal remittances)	R8 050	R8 034	R6 544	R7 289	-9%
Formal remittances (Rm)	R3,8	R249,1	R33,2	R282,4	3 615%
Total informal remittances (Rm)	R20,0	R4,4	R0,4	R4,9	-76%
Total remittances (Rm)	R23,8	R253,6	R33,7	R287,23	1 106%
% informal	84%	2%	1%	1%	-83%

Source: Own estimates, incorporating external data sources as discussed in report

4.13 Total market estimate

Table 38 summarises the total remittance market estimate as discussed above. While in 2016 we estimated total remittances at R16.6 billion, in 2018 that has risen 32% to R21.9 billion. Substantial swings to formal remittance systems have been seen in some countries, and in particular in Malawi, Lesotho and

Mozambique, as new, lower-cost products and services have enticed consumers into formal markets. In other countries, improved SARB data management systems have allowed us to gain better insight into formal remitting via shared bank accounts. As a result, while we thought 24% of remittances in the region travelled via formal channels in 2016, in 2019 it seems more likely that around 48% of the market uses formal channels.

Table 38: 2018 remittances from South Africa to the rest of SADC

	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%

Source: Own estimates, incorporating external data sources as discussed in report

* Please note that this includes estimated deferred pay for mineworkers of R500 million to Lesotho and R720 million to Mozambique

5. CONCLUSION

Improving access to safe, affordable remittance services in the SADC region is good for remitters and remittance recipients, and contributes to ensuring that economic migration can play its role in underpinning the regional safety net for the poorest of the poor. As illustrated by this and other FinMark market estimation exercises, the SADC remittance market is of a substantial size, and corridors where the market is still largely informal represent a real business opportunity for financial service providers.

During the period 2016 to 2018, it is possible to detect real shifts from informal to formal remittance channels on a number of regional corridors. With the right combination of product characteristics, and enabling regulatory environment and good distribution

networks, remitters from countries such as Mozambique, Malawi and Lesotho have been persuaded in large numbers to adopt formal remitting channels. Going forward, there is thus good potential for other markets in the region to see similar shifts.

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APPENDIX 1

Tourism adjustments, and cross-checking formal remittance numbers

We cross-checked whether the formal remittance numbers received from SARB made sense given the known number of migrants in South Africa. Before doing this, we made two adjustments to the data:

- We tried to strip out tourism transactions from the card transactions data.
- We tried to add back a reasonable amount of money for EFT remittance transactions to CMA countries, which would not be picked up by the database supplied by SARB.

Once we had made these adjustments, we then checked whether, under a reasonable set of assumptions and given our estimates of migrant populations in South Africa, the implied quantity of money sent by each migrant was consistent with the pattern one would expect for remittances.

Tourism adjustments

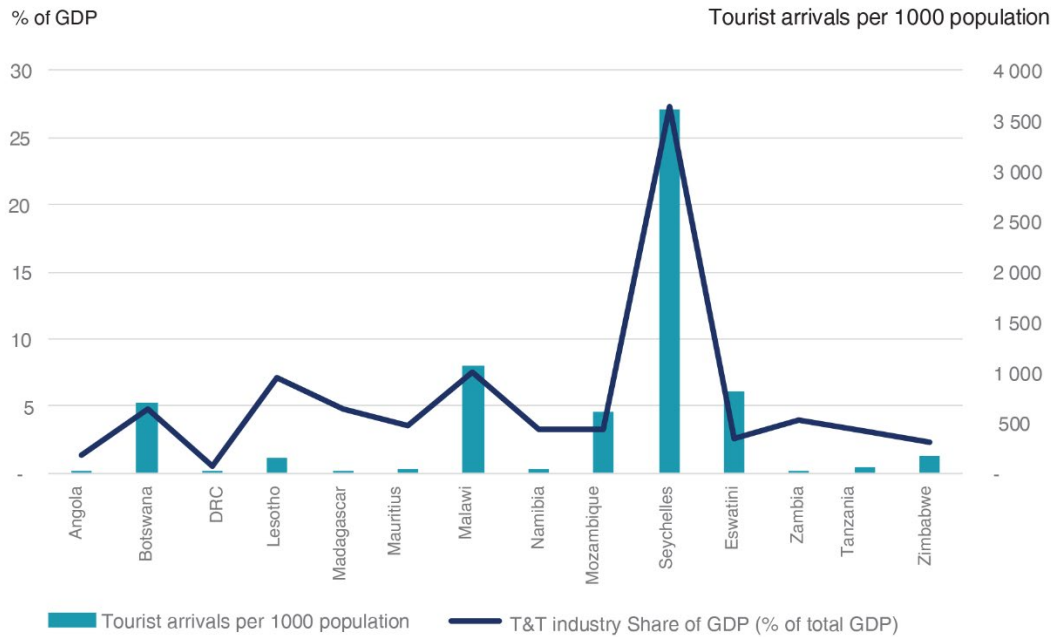
We began by assuming that, for countries with a large tourism industry, a large proportion of card withdrawals would likely be made by South African tourists on holiday. One way of remitting money cross-border is to deposit it into a South African bank account, which can then be accessed in another country by a recipient who has been given a debit or credit card on the account.

The SARB has recently revised its reporting system in a manner that for the first time allows these remittance flows to be estimated. Specifically, deposits or withdrawals undertaken by or made to corporates have been stripped from the dataset, so only person-to-person transactions remain. For example, payments made by tourists to hotels or restaurants have been identified and removed. Although there will still be some “noise” in the dataset, for example tourists withdrawing cash from ATMs in foreign destinations, we are confident that for most countries, the bulk of these flows comprise remittances.

There are however some countries in the sample where tourism is a disproportionately active sector, and thus where some adjustment does need to be made to the card transaction number. As shown in Figure 13, Botswana, Mauritius, Namibia, Seychelles and eSwatini see a disproportionately high number of tourist arrivals, when compared to their actual population size. In Seychelles in particular the tourism industry is also quite a large proportion of national GDP.

In these countries we have therefore adjusted the card transaction data to account for the higher proportion of tourist cash withdrawals that will be seen. In Seychelles we assume 75% of card transactions are not remittances but tourist withdrawals. In the other four countries, the proportion is assumed to be 30%.

Figure 13: Tourism indicators, SADC economies



Source:

World Economic Forum Travel & Tourism Competitiveness Index 2019 dataset (version 03 September 2019); World Bank World Development Indicators database for 2018; own calculations

Adding back EFT payments

Because Lesotho, eSwatini and Namibia are members of the CMA, electronic funds transfers to these countries are treated by SARB as domestic transactions and are not recorded in the balance of payments data. These payments are typically very cheap to accomplish (see the company report, *South Africa to rest of SADC*

remittance pricing), and thus this is a very attractive means of remitting.

In addition to bank transfers, this sector includes the activities of Shoprite Money Transfer to Lesotho. This is a highly affordable new product on this channel. As shown in Table 39, volumes have grown rapidly since its introduction, and in 2018 R534 million was transferred to Lesotho by this channel.

Table 39: Shoprite Money Transfer values and volumes to Lesotho

	Sales Value	Sales Quantity	Average transaction size
1 January 2016 to 31 December 2016	R51 992 968	51 904	R1 002
1 January 2017 to 31 December 2017	R313 460 571	311 144	R1 007
1 January 2018 to 31 December 2018	R534 080 680	489 294	R1 092
1 January 2019 to 30 November 2019	R639 350 227	558 036	R1 146

Source: Correspondence from Shoprite

While data is available on the Shoprite product to Lesotho, we did not find available data for any other EFT products. Our working assumption is thus that EFT transfers are as important as bank card transactions for each of the three countries. The net result of both the

tourism adjustments and the EFT adjustments for the CMA countries is shown in Table 40. As can be seen, Lesotho also includes an estimate for mineworkers deferred pay, sent by UBank, and not reported regularly to the SARB.

Table 40: Estimated formal remittances to CMA countries, 2018, Rm

	Lesotho	Namibia	eSwatini
BOP transfers	R461,21	R31,48	R2,86
Card transactions	R160,91	R208,33	R108,27
Card transactions adjusted for tourism	R160,91	R145,83	R75,79
Shoprite Money Transfers	R534,08		
Mineworkers' deferred pay	R500,00		
Estimated other EFTs	R160,91	R145,83	R75,79
Total formal transfers	R1817,10	R323,14	R154,44

Source: Various, as discussed in text

Cross-checking formal remittance numbers

We then needed to make some estimate of the proportion of documented and undocumented migrants who would be using informal remitting systems. This is shown in Table 41. While in countries such as Angola and Zimbabwe we think up to 60% of documented migrants remit informally, in a number of other countries the sheer volume of formal remittances strongly suggests that very low proportions of documented migrants are remitting informally. Similarly, while we think that essentially all undocumented migrants in some countries are remitting informally, the numbers suggest that in other countries, quite a large proportion of undocumented migrants are able to access the formal remittance system, for example by using the account of a friend.

This then allowed us to generate an estimate of the total number of migrants remitting formally, which then allowed us to see what this implied in terms of average remittances per migrant. In a number of countries, this process produced an estimate of total formal remittances per migrant, which is highly plausible. In Mozambique and Zimbabwe, average remittances are around R10 000 to R12 500 per migrant per year, and in Angola, Botswana, DRC, Lesotho, Namibia, eSwatini and Zambia, they are in the region of or below R30 000 per annum, which equates to R2 500 a month or less.

Unfortunately, for the remaining countries, and in particular for the offshore states, the per-migrant remittance estimate produced is simply not plausible. In these countries we feel it is highly likely that the formal remittance data includes some source of error, which we have as yet been unable to identify and correct for.

Table 41: Cross-checking formal remittances

	Documented migrants	% documented migrants remitting informally	Undocumented migrants	% undocumented migrants remitting informally	Migrants formally remitting	% remitting	Total formal remittances (Rm)	Average amount formally remitted per annum
	A	B	C	D	$E=A*(1-B)+C*(1-D)$	F	G	$H=(G*1\ 000\ 000)/(E*F)$
Angola	2 679	60%	23 211	100%	1 072	60%	10.98	17 084
Botswana	4 527	2,5%	26 263	60%	14 919	55%	230.91	28 141
DRC	61 978	60%	14 912	100%	24 791	45%	196.75	17 637
Lesotho	143 228	25%	258 787	60%	210 936	55%	1 817.10	15 663
Malawi	7 196	2,5%	209 319	40%	132 607	35%	2 353.15	50 701
Mozambique	251 260	35%	731 818	90%	236 501	55%	1 321.65	10 161
Namibia	143	2,5%	101 294	50%	50 787	45%	323.14	14 139
eSwatini	7 236	40%	83 707	85%	16 897	60%	154.44	15 233
Tanzania	960	2,5%	16 258	40%	10 690	35%	206.14	55 095
Zambia	1 431	2,5%	73 704	40%	45 618	35%	492.42	30 841
Zimbabwe	245 272	50%	1 435 498	85%	337 961	75%	3 174.89	12 526
Seychelles & Mauritius	311	2,5%	7 344	25%	5 811	35%	249.13	122 485
Madagascar & Comoros	50	2,5%	835	25%	675	35%	33.24	140 694
Total	726 270		2 982 950		1 089 265		10 563.95	

Source: Own estimates, incorporating external data sources as discussed in report

APPENDIX 2

Calculation of informal remittance average per migrant per annum

As discussed in section 3.4, we assumed that, for informal channels only, undocumented migrants send on average R6 500 home per annum, and documented migrants send home R12 000 annually. Table 42 shows how these average estimates were then modified per country, in order to produce the average remittance estimates per country contained in the tables in sections 4.1 to 4.12.

Columns C and F show our estimates of remittances per migrant. In higher income countries (Botswana, Namibia, eSwatini, Seychelles and Mauritius) we adjusted the amount of remittances per documented migrant up from R12 000 per annum to R14 000 per

annum, and the amount remitted by undocumented migrants from R6 500 to R8 000. In the DRC, we reduced the amount remitted by documented migrants to only R11 000 – the proportion of refugees in this group is very high, which likely reduces the average earning potential of documented migrants. Given the low GDP per capita level in Mozambique, remittances for documented were reduced to R10 000 per capita.

We then calculated total informal remittances, and then divided the total informal remittances by total informally remitting migrants to estimate the average amount remitted per migrant. This average was thus influenced both by our assumptions as regards average remittances by category of migrant, and the proportions of documented and undocumented migrants in each group.

Table 42: Assumptions underlying calculation of informal remittance average per migrant

	Documented migrants remitting informally	Proportion who remit	Amount	Undocumented migrants remitting informally	Proportion who remit	Amount	Grand total informal remittances	Average amount remitted informally per migrant
	A	B	C	D	E = B – 10%	F	$G = (A \times B \times C) / 1\,000\,000 + (D \times E \times F) / 1\,000\,000$	$H = G / ((A \times B) + (D \times E)) \times 1\,000\,000$
Angola	1 607	65,0%	12 000	23 211	55.0%	6 500	95.52	6 916
Botswana	113	60,0%	14 000	15 758	50.0%	8 000	63.98	8 051
DRC	37 187	50,0%	11 000	14 912	40.0%	6 500	243.30	9 907
Lesotho	35 807	60,0%	12 000	155 272	50.0%	6 500	762.45	7 692
Malawi	180	40,0%	12 000	83 728	30.0%	6 500	164.13	6 516
Mozambique	87 941	60,0%	10 000	658 636	50.0%	6 500	2 668.21	6 983
Namibia	4	50,0%	14 000	50 647	40.0%	8 000	162.10	8 001
eSwatini	2 894	65,0%	14 000	71 151	55.0%	8 000	339.40	8 275
Tanzania	24	40,0%	12 000	6 503	30.0%	6 500	12.80	6 527
Zambia	36	40,0%	12 000	29 482	30.0%	6 500	57.66	6 509
Zimbabwe	122 636	80,0%	12 000	1 220 173	70.0%	6 500	6 729.09	7 067
Seychelles and Mauritius	8	40,0%	14 000	1 836	30.0%	8 000	4.45	8 034
Madagascar and Comoros	1	40,0%	12 000	209	30.0%	6 500	0.41	6 544
Total	288 438			2 331 518			11 303.50	

Source: Own estimates, incorporating external data sources as discussed in report

APPENDIX 3

ADLA categories

In section 3 we make a distinction between remittances by different categories of authorised dealers. Roughly two dozen banks are authorised dealers in foreign exchange. There are also a number of other financial institutions which are authorised dealers with limited authority (ADLAs). For reference, this is how the SARB describes each of the four ADLA licence categories:⁵⁹

- ADLA category 1: Travel-related transactions only
- ADLA category 2: Travel-related transactions and certain prescribed single discretionary allowance of R1 million per applicant within the calendar year and offering money remittance services in partnership with external MTOs
- ADLA category 3: Independent money transfer operator or value transfer service provider, facilitating transactions not exceeding R5 000 per transaction per day within a limit of R25 000 per applicant per calendar month
- ADLA category 4: A combination of the services provided by categories 2 and 3.

As at September 2019, there was one ADLA 1 licensee, ten ADLA 2 licensees, six ADLA 3s and two ADLA 4s. The dataset we received from the SARB did not contain any remittance data for ADLA 1, which is consistent with the licence restrictions on ADLA 1s (travel-related transactions only).

⁵⁹ (SARB, 2019)

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