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Improving Data on the Flow, Impact and Regulatory Framework of Migrant Remittances in Zimbabwe



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ACRONYMS AND ABBREVIATIONS

AD	Authorized dealer
ADLA	Authorized dealer with limited authority
AML	Anti-money laundering
BDCTRS	Bureau de change transactions reporting system
BOP	Balance of payments
CCBG	Committee of Central Bank Governors
COMESA	Common Market for Eastern and Southern Africa
EFT	Electronic funds transfer
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
FOREX	Foreign exchange
GCM	Global Compact for Migration
GDP	Gross domestic product
GOZ	Government of Zimbabwe
IMTT	Intermediated money transfer tax
IOM	International Organization for Migration
KII	Key informant interview
KYC	Know your customer
MAP	Making Access Possible
MNO	Mobile network operators
MTA	Money transfer agencies
MTO	Money transfer operators
NDS1	National Development Strategy
NFIS	National financial inclusion policy
PICES	Poverty, Income, Consumption and Expenditure Survey
RBA	Risk-based assessment
RBZ	Reserve Bank of Zimbabwe
RSP	Remittance service providers
SADC	Southern African Development Community
SARB	South African Reserve Bank
SDG	Sustainable Development Goals
ZAR	South African Rand
ZCBTA	Zimbabwe Informal Cross Border Trade Association
ZIMSTAT	Zimbabwe Statistics Agency

1. INTRODUCTION

1.1. Overview

According to the World Bank, gross domestic product (GDP) growth in Zimbabwe was projected to reach 3.9 percent in 2021, a significant improvement after a two-year recession.¹ The impact of COVID-19 presented significant downside risks, and thus the global and local outlook remains uncertain. As new COVID-19 variants emerged to prolong the pandemic, it is expected that weaker global demand and heightened macroeconomic instability could stifle economic growth, increase poverty and worsen human capital development outcomes in Zimbabwe. A rapid Poverty, Income, Consumption and Expenditure Survey (PICES) conducted by ZimStats in 2020, found that 90 per cent of households that operated a non-farm business reported a drop in revenue due to loss of income as a result of the COVID-19 pandemic. This is expected to lead to an increase in the dependency of households on social assistance such as remittances and, government transfers to build resilience. According to the PICES, 38 per cent of total households were estimated to fall under the category of those living in extreme poverty in 2019. This is expected to have worsened given the negative impact of COVID-19 on household income.

With limited employment opportunities due to the size of the formal economy which was estimated to be 40 per cent of GDP in 2021², Zimbabweans tend to have high levels of cross border mobility and witnessed a significant brain drain in the past two decades. Zimbabwe has become a labour-surplus country owing to limited employment opportunities in its domestic labour market accompanied by lower wages in comparison to neighbouring countries. The brain drain is especially rampant in high-skilled jobs required to support key sectors of the economy such as the health sector³. The International Organization for Migration (IOM) found that “Highly-skilled and semi-skilled Zimbabweans emigrated to countries such as the United Kingdom, United States of America, Canada, South Africa and Botswana in search of greener pastures”⁴. It is estimated that about 3 million⁵ Zimbabweans are living outside of their country. The remittances sent back home by these migrants are a significant source of income for most Zimbabweans back home.

¹ <https://www.worldbank.org/en/news/press-release/2021/06/10/zimbabwe-s-economy-is-set-for-recovery-but-key-risks-remain>

² <https://africa.harvard.edu/event/innovation-and-inclusion-policy-priorities-zimbabwe%E2%80%99s-informal-economy>

³ https://www.researchgate.net/publication/303388998_Zimbabwe_Migration_and_Brain_Drain

⁴ <https://zimbabwe.iom.int/news/government-zimbabwe-develops-national-migration-policy>

⁵ <https://www.rbz.co.zw/documents/BLSS/2021/FINANCIAL-INCLUSION--JOURNEY.pdf>

Remittances, therefore, play a key role in poverty reduction in Zimbabwe as most families often use significant portions of their remittance inflows towards food consumption and other household consumption needs such as education and health requirements, among many others. Between June 2020 and 2021, inbound remittances into Zimbabwe received through the formal system of regulated service providers was USD 649 million, increasing from USD 374.6 million⁶ received during the same period in 2020 according to the 2021 Mid-Term Monetary Policy Statement by the Reserve Bank of Zimbabwe (RBZ). Formal cross-border remittances also make up a sizeable portion of total GDP in Zimbabwe at 10.1 per cent in 2020 compared to a 10-year high of 13.6 per cent in 2011 according to the World Bank.⁷

The Zimbabwean diaspora, therefore, makes a significant contribution to foreign currency receipts with non-trivial implications for economic growth. This led to the development of a Zimbabwean Diaspora Policy in 2016 with the technical and financial assistance of the IOM. The diaspora policy identifies migration as means of generating potential investment and development opportunities, with a “Positive impact of remittances on foreign currency inflows, knowledge and skills-transfer when migrants return home on a temporary or permanent basis, increased levels of indigenous entrepreneurship through new opportunities in the private sector by those in the diaspora, improvement in human development through philanthropic work and ultimately poverty reduction as the diaspora communities invest into their motherland.”⁸

Given the impact of COVID-19 lockdowns, it is expected that economic contraction in destination countries, where Zimbabwean migrants move, would have made it difficult for Zimbabwean migrants in the diaspora to send money home, as they face increasing financial insecurity and unemployment. The 2021 Monitoring COVID-19 Impact of Households in Zimbabwe Survey (wave 4) found that of the total households who earn income through cross border remittance, there was a decrease from 65 per cent in June 2020 to 49 per cent in June 2021.⁹ This makes policy efforts to maximize the impact of inbound cross-border remittances critical to the development path of Zimbabwe. It should also be noted that of the estimated 3 million Zimbabweans in the diaspora, a majority estimated at 1.7 million¹⁰ in 2021, are in South Africa.

⁶ These remittance values consist of only formal remittances recorded in the National balance of payment account and does not reflect trends in informal inbound remittances to Zimbabwe.

⁷ <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=ZW>

⁸ <http://zimembassycanberra.org.au/wp-content/uploads/2020/07/Zimbabwe-Diaspora-Policy-Document-3.pdf>

⁹ <https://www.unicef.org/zimbabwe/reports/monitoring-covid-19-impact-households-zimbabwe>

¹⁰ https://finmark.org.za/system/documents/files/000/000/143/original/FMT_SADC_values_volumes_report_CB5_18052020.pdf?1594134149

In supporting the policy to harness the impact of remittances in Zimbabwe, the IOM contracted FinMark Trust (FMT) to develop a diagnostic report on the role for households of inbound cross-border remittances from South Africa to Zimbabwe. The objectives of this are described in the next section.

1.2. Project objectives

To optimize the role of remittances in the socio-economic landscape of Zimbabwe, the Government of Zimbabwe (GOZ), through the Ministry of Home Affairs and Cultural Heritage, aims to develop its national migration policy with support from the IOM based on the stipulations of the 2016 Zimbabwe Diaspora Policy. The policy is currently under review to ensure its objectives are more inclusive of the Zimbabwean diaspora with respect to the national development plan ¹¹. Furthermore, the GOZ requested technical support from the IOM to conduct country-specific research on remittances to better understand the impact of remittances on the micro-level using the household as the unit of analysis. The research aims to develop policy-oriented insights on measures to improve remittance services and enhance their development impact. The project consists of two main components.

Component 1: household survey on remittance flows from South Africa to Zimbabwe. The survey focused on estimating the average size of remittance flows to Zimbabwe from individual migrant workers abroad, frequency of remitting, channels used, cost of remitting, use and the impacts these remittances have on migrant households. A combination of data collection methods was used including desktop research, quantitative and qualitative demand-side surveys of recipients of remittances and semi-structured interviews with key informants at the local, regional, and national levels.

Component 2: capacity development on data collection, regulatory action, and engagement with the diaspora. This will involve the capacity-building of stakeholders to identify, conceive and develop remittances initiatives, and identify good practices and potential models that facilitate migrants' investment and savings in Zimbabwe with impacts of policies considered for development. The aim is to inform the development of policy recommendations and a long-term strategy by government decision-makers on investment models, lowering transaction costs and the extension of financial institutions' outreach to underserved communities in Zimbabwe, particularly where labour migration is high.

In summary, this research project aimed to close the information gaps on household remittances and how these are used for family upkeep, entrepreneurial initiatives and investment. This led to the IOM-funded

¹¹ <https://www.herald.co.zw/govt-reviews-diaspora-policy/>

“Improving Data on the Flow and Impact of Migrant Remittances for Development in Zimbabwe” project to inform public policy actions that can maximize the positive impact of remittance flows on the country’s development, including through the promotion of sustainable investments and community development. This aligns with the Zimbabwean National Development Strategy (NDS1), UN Sustainable Development Goals (SDGs), Agenda 2030 and the objectives of the Global Compact for Migration (GCM).

The key objectives of this research project include the quantification of the following:

1. The level of volumes and values of remittances back to Zimbabwe, both financial and non-financial
2. The cost of remittances to Zimbabwe
3. The formal and informal channels used to send money to Zimbabwe and the reasons for using either channel
4. The frequency of receiving money from Zimbabwean migrants
5. The use of remittances by recipients in Zimbabwe as it relates to household consumption, business activities and payment of taxes
6. The impact of the remittance income in Zimbabwe on recipient livelihoods in relation to the quality of goods consumed eg, food and nutrition, health, education, energy sources, the ability to pay for unexpected expenses and build household resilience, and the ability to plan for future lifecycle goals of household members
7. The impact of COVID-19 on remittances and the household’s dependence on remittances.

These aspects will be contextualized in this report, based on the demographic profile of remittance recipients such as their age, gender, income level, education background, role in household decision-making, household consumption patterns and priorities. The expected outcome of this research is to generate a report providing recommendations on reforms, interventions, and activities to support the use of remittances for investment, improve financial literacy and financial inclusion. The governance of the project includes the IOM, Reserve Bank of Zimbabwe, and the Zimbabwe Statistics Agency (ZimStat).

Section 2 provides an overview of the data and methodology used, followed by the research findings in Section 3. This is followed by Section 4 where data and research gaps are discussed and then the conclusion and recommendations are discussed in Section 5.

2. DATA AND METHODOLOGY

The scope of work for this study as agreed upon in the inception phase was informed by the data sources and methodology described below.

2.1. Desktop Research

The desktop research considered the following:

- Review of existing research on the South Africa to Zimbabwe corridor covering the market size, regulatory environment, profile of senders and recipients, know your customer (KYC) onboarding requirements, payments infrastructure that supports the inflow of remittances, limits to withdrawals, cost, speed and transparency of transactions
- Review of formal remittance service providers in South Africa and Zimbabwe to provide a landscape of providers, products and channels used
- Assess the size in terms of total volumes, total values, and average transaction size of inbound remittances into Zimbabwe with a specific focus on the South Africa to Zimbabwe corridor considering formal and informal platforms
- Review of regulatory changes in the South Africa to Zimbabwe remittances corridor to understand how these may have affected remittance pricing
- Review of the impact of remittances on the micro- and macro-economic landscape in Zimbabwe including aspects such as financial inclusion, access to basic services and small business development
- Review of policy, regulation and supply of payments services linked to inbound cross-border remittances in Zimbabwe
- Review of the geographical spread of inbound remittances to inform sample design of the survey component, to profile recipients, of this project
- Review existing literature focused on households that depend on inbound remittances into Zimbabwe to inform the analytical framework for the survey component of this project in relation to the usage of remittances to meet livelihood needs.

2.2. Household survey of remittances beneficiaries in Zimbabwe

As mentioned, the geographical scope of this research is the South Africa to Zimbabwe corridor where a majority of the Zimbabwe diaspora earn their livelihoods focused on recipients of remittances.

The research design of the quantitative survey entailed the following.

- **Study period:** data collection for this study took place in April 2022
- **Interview mode:** telephonic, 25-minute call
- **Qualifying criteria:** household receives less than USD 150 average monthly remittances from South Africa
- **Languages:** questionnaire translated into and interviewing conducted in Shona, English and Ndebele
- **Sampling methodology:** this entails a mixed method using sources provided by Geopoll and a sample list from Mukuru consisting of Zimbabweans who had sent money from South Africa to Zimbabwe using the Mukuru platform
 - Geopoll sources: Geopoll uses two different sources for its data interviews. The first source is its database of respondents that have previously opted into surveys. The second source is random digit dialling
 - Our final sample comprised 493 Geopoll-sourced respondents and 18 Mukuru-sourced respondents
 - Quota-based, targeted 70:30 female/male split
- **Sample size:** We interviewed 511 people in total. The geographical coverage of the survey includes Harare (41.3%), Bulawayo (23.7%), Macinaland (7.8%), Mashonaland East (5.7%), Mashonaland West (5.1%), Matebeleland North (4.1%), Matebeleland South (3%), Masvingo (2%), and Midlands (2%).

The design of the qualitative survey entailed the following:

- **Study period:** data collection for this study took place in May 2022

- **Interview mode:** telephonic, 25-minute call
- **Qualifying criteria:** household receives less than USD 150 average monthly remittances from South Africa
- **Languages:** questionnaire translated into and interviewing conducted in Shona, English and Ndebele.

The final qualitative survey sample design is shown in Table 1.

Table 1: qualitative survey sample design

No.	Gender	Age	Urban/Rural	Province	Job Type
1	Male	25 - 34	Urban	Bulawayo	Business non-farming
2	Female	25 - 34	Urban	Bulawayo	Business non-farming
3	Female	45 - 54	Urban	Harare	Business in farming
4	Female	35 - 44	Rural	Midlands	Business non-farming
5	Female	25 - 34	Urban	Harare	Employed private sector
6	Female	45-54	Urban	Bulawayo	Unemployed
7	Female	35 - 44	Rural	Mashonaland East	Business non-farming
8	Female	25 - 34	Urban	Matabeleland South	Casual work
9	Male	45 - 54	Urban	Bulawayo	Employed private sector
10	Female	35 - 44	Rural	Bulawayo	Employed government sector
11	Female	35 - 44	Rural	Masvingo	Business in farming
12	Female	45 - 54	Urban	Bulawayo	Unemployed
13	Female	35 - 44	Rural	Matabeleland South	Business non-farming
14	Female	35 - 44	Urban	Harare	Casual work
15	Male	25 - 34	Rural	Midlands	Employed private sector
16	Male	15 - 24	Urban	Bulawayo	Casual work

2.3. Key informant interviews (KIIs)

Key informant interviews (KIIs) were conducted in engagement with remittances services providers in the South Africa to Zimbabwe corridor, policymakers, and regulators in Zimbabwe to refine the observations from the desktop research. The KIIs also aimed to bridge information gaps on the perception of the regulatory, policy and market environment as expressed by regulators, policymakers, and remittance service providers. Table 2 shows the institutions that were interviewed in the KIIs conducted in this study.

Table 2: KII list

No.	Informant list
1	Access Forex Pty
2	Western Union
3	MoneyGram
4	Mukuru/Remitix
5	Hello Paisa
6	RBZ exchange control
7	RBZ financial inclusion unit
8	RBZ contact that chairs financial literacy and consumer protection thematic working group
9	Zimbabwe diaspora directorate
10	Ministry of Public Service Labour and Social Welfare
11	Zimbabwe Cross Border Traders Association

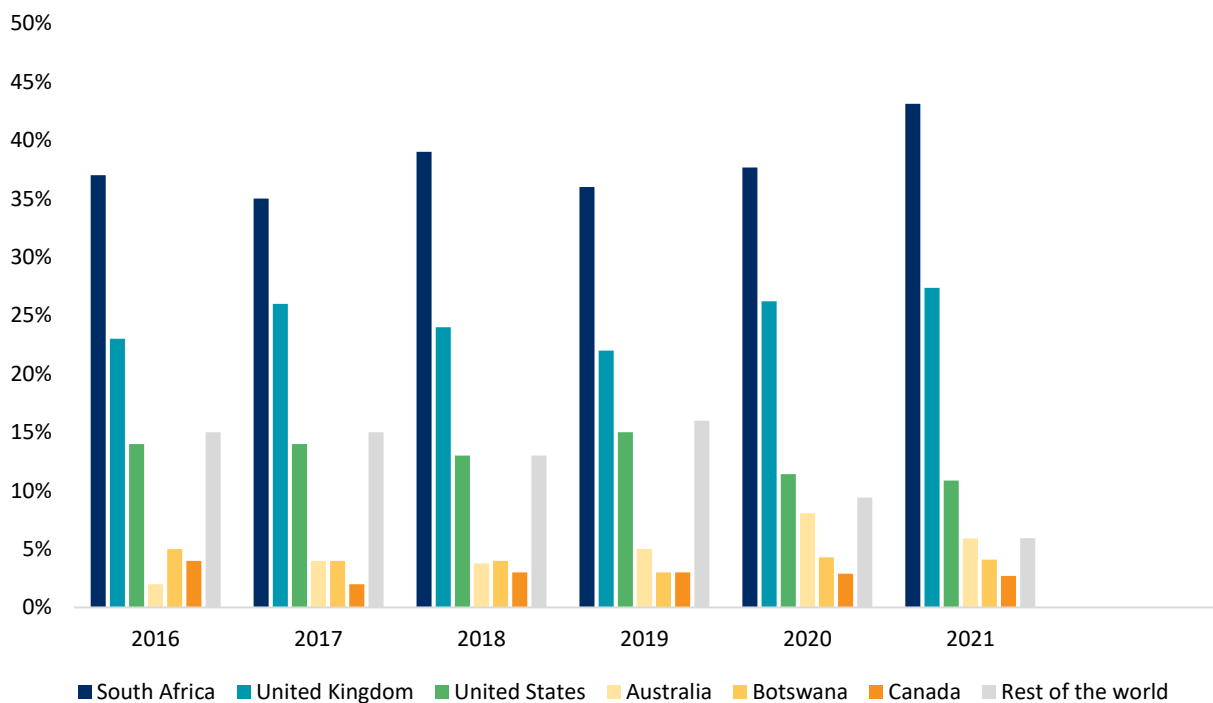
The next section provides an overview of the South Africa to Zimbabwe remittances corridors, discussing the research findings.

3. FINDINGS

3.1. South Africa to Zimbabwe market size

A majority of the Zimbabwean diaspora reside in South Africa making it a critical corridor to the inflow of foreign currency into Zimbabwe, and particularly critical to the objectives of the Zimbabwe Diaspora Policy. Of the total inbound remittances to Zimbabwe, the South African corridor has the highest level of remittances with 43 per cent in 2021, increasing from 38 per cent in 2015 according to the RBZ.

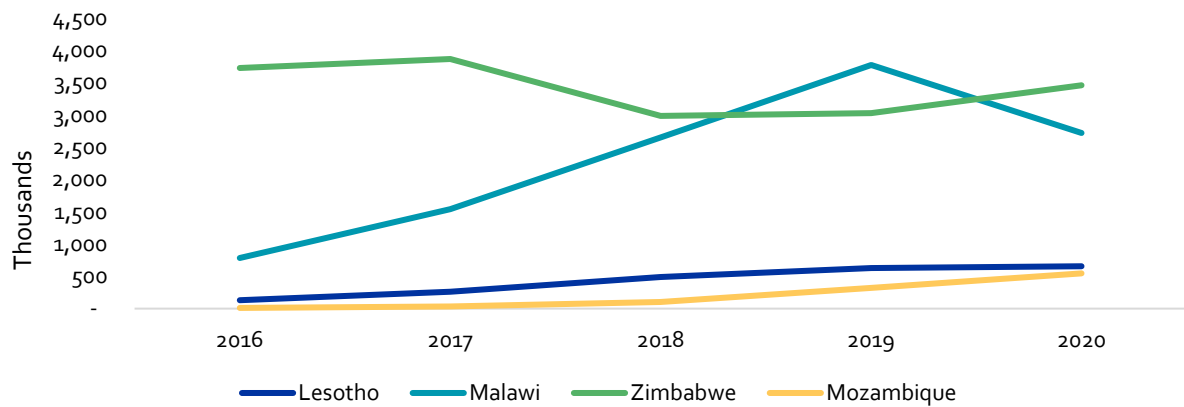
Figure 1: per cent of inbound remittances to Zimbabwe by Source (2016 - 2021)



Source: Reserve Bank of Zimbabwe

Zimbabweans are the largest SADC migrants in South Africa accounting for almost 50 per cent of migrants (1.7 million of a total of 3.4 million SADC migrants) from the SADC region. The implication is that the South Africa to Zimbabwe corridor has the highest level of volumes and values relative to other South Africa to SADC country corridors, as shown in Figure 2.

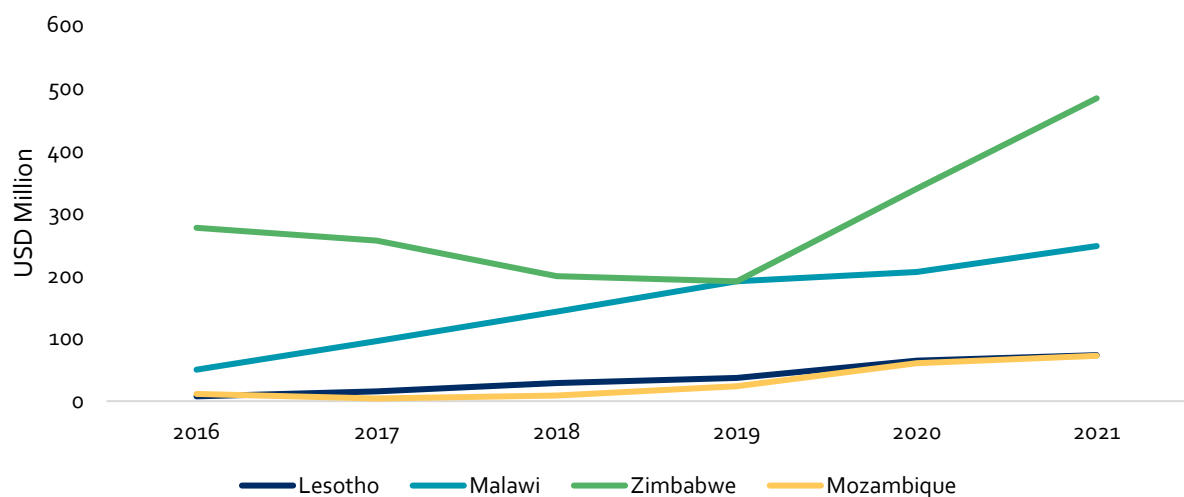
Figure 2: volumes of outbound remittances from South Africa 2016-2020 (top 4 corridors)¹²



Source: South African Reserve Bank

Figure 3 shows outbound remittances in value from South Africa to the rest of SADC and it is evident that Zimbabwe is the top destination of funds. Capturing only formal flows from South Africa to Zimbabwe, there is a drop in remittances between 2016 and 2019 with a resurgence in 2020 and 2021 culminating with the period when the COVID-19 lockdowns were enforced with the border being closed. This could potentially explain the increase in remittances from South Africa, which is confirmed in the qualitative survey discussed in a subsequent section.

Figure 3: official formal remittances from South Africa to SADC per country, value USD million



Source: South African Reserve Bank

¹² Source: Bloomberg, 16/05/2022, 4:40 AM EDT

It should be noted that 80 per cent of the total Zimbabweans in South Africa are undocumented, indicating that there is an informal market for remittances, given legacy regulation on access to financial services in South Africa and perceptions of the value proposition of using formal relative to informal remittances¹³. An FMT Study¹⁴ found that 50 per cent of South Africa to Zimbabwe remittances occur via informal platforms, typically via public transport providers (*malaicha*¹⁵) and family and friends commuting back to Zimbabwe. Therefore, there is a policy imperative to incentivize the use of formal remittances.

The South African government, through the South African Reserve Bank (SARB) and the South African Financial Intelligence Centre (FIC), have taken a progressive position in making financial services, especially remittances, accessible to migrants through various interventions, such as less rigid customer due diligence regulation, for instance the risk-based approach (RBA) to onboarding customers which is discussed in more detail in a subsequent section. However, it would be a challenge to gauge the level of informal remittances from South Africa to Zimbabwe without a survey targeted at Zimbabwean migrants in South Africa.

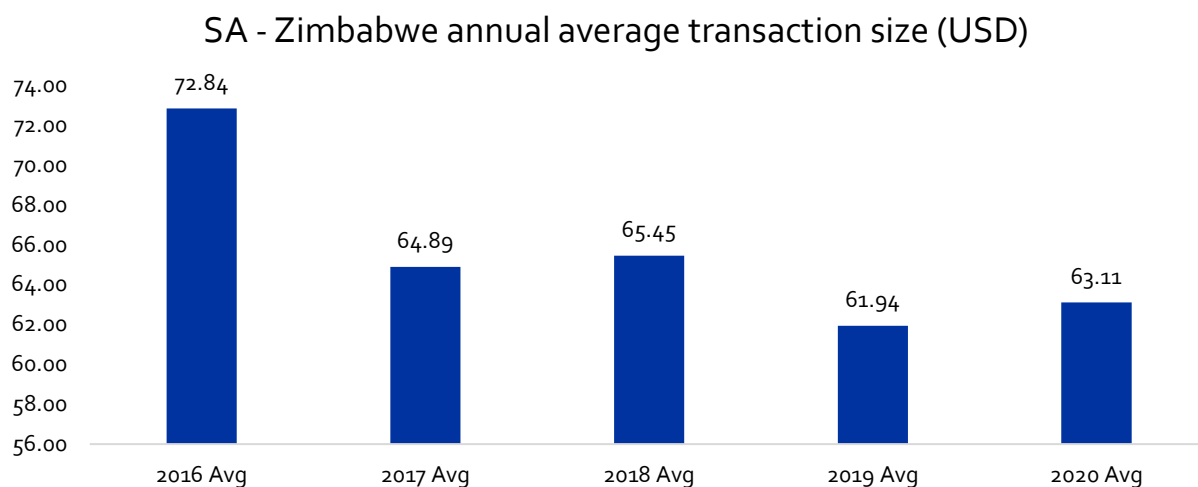
Nevertheless, the continuous decrease, shown in Figure 4, in the average transaction size in the South Africa to Zimbabwe corridor can be interpreted as an increase in access to formal remittance services by low-income migrants from Zimbabwe, which is indicative of an expansion in financial inclusion to Zimbabwean migrants in South Africa.

¹³ https://finmark.org.za/system/documents/files/000/000/143/original/FMT_SADC_values_volumes_report_CB5_18052020.pdf?1648444198

¹⁴ https://finmark.org.za/system/documents/files/000/000/143/original/FMT_SADC_values_volumes_report_CB5_18052020.pdf?1594134149

¹⁵ The Ndebele word for “courier” or “transporting goods to and from”

Figure 4: average transaction size from South Africa to Zimbabwe (USD)¹⁶



Source: SARB

In profiling Zimbabweans sending money from South Africa to Zimbabwe, an FMT study¹⁷ provides some demographic details which include the following:

- Gender: most Zimbabwean migrants are male, with a breakdown of 59 per cent male and 41 per cent female. However, the gender split is evening out as larger numbers of family members are now migrating as opposed to just one breadwinner
- Age: over 85 per cent of migrants are below the age of 40, with 80 per cent falling between the ages of 21 and 40 years
- Marital status: most migrants (55%) are married, while 36 per cent responded as being single and the remainder are either widowed, divorced, or separated
- Dependents: most Zimbabwean migrants have families and support more dependents in Zimbabwe than in South Africa. The data reveals that 88 per cent are supporting two or fewer family members in South Africa, while 72 per cent are supporting three or more family members in Zimbabwe. This is an indication that most migrants have left family at home, but many (43%) have migrated with one or two family members.

¹⁶ Source: Bloomberg, 16/05/2022, 4:40 AM EDT

¹⁷ https://cenfri.org/wp-content/uploads/2018/01/Cash-and-carry-understanding-the-Johannesburg-Zimbabwe-remittance-corridor-final-report_FinMark-Trust_July-2009.pdf

The next section provides an overview of the regulatory environment that influences the remittances behaviour of Zimbabwean migrants in South Africa.

3.2. South African regulatory environment

The SARB regulates the formal cross-border remittances market by issuing licences to remittance service providers. These providers include commercial banks who provide remittances using the authorized dealer (AD) licence, while non-banks use the authorized dealer with limited authority (ADLA) licences¹⁸. Table 3 shows the breakdown of the number of institutions per licence category facilitating remittances from South Africa to the rest of SADC.

Table 3: AD and ADLA licences as of 2021

Authorized entities	Quantity
Authorized Dealers (AD)	24
Restricted Authorized Dealers	4
Authorized Dealers with Limited Authority – ADLA Category Two	10
Authorized Dealers with Limited Authority – ADLA Category Three	6
Authorized Dealers with Limited Authority – ADLA Category Four	4
Total	48

Source: SARB circulars

There are primarily three types of cross-border remittance services providers (RSPs) in the South African market, namely: commercial banks, money transfer operators (MTOs) and ADLAs. Two MTOs are operating in the market, namely Western Union and MoneyGram. A complete list of the RSPs broken down per licence category can be found in the SARB Currency and Exchanges Manual for Authorized Dealers in Foreign Exchange With Limited Authority Report.¹⁹ The ADLAs are defined as follows:

¹⁸ <https://www.resbank.co.za/en/home/what-we-do/financial-surveillance/adlas>

¹⁹ <https://www.resbank.co.za/content/dam/sarb/what-we-do/financial-surveillance/general-public/Currency%20and%20Exchanges%20Manual%20for%20ADLAs.pdf>

- AD: a person authorized by the Financial Surveillance Department to deal in gold or to deal in foreign exchange, for transactions relating to gold and foreign exchange, respectively
- ADLA: a person authorized by the Financial Surveillance Department to deal in certain foreign exchange transactions. There are three categories of ADLA license:
 - ADLA 2 category license: “Travel-related transactions and certain prescribed single discretionary allowance of R1 million per applicant within the calendar year and money remittance services in partnership with external money transfer operators”
 - ADLA 3 category license: “Independent money transfer operator or value transfer service provider, facilitating transactions not exceeding ZAR 5,000 per transaction per day within a limit of ZAR 25,000 per applicant per calendar month”
 - An ADLA 4 category license: “A combination of the services provided by category two and category three”²⁰

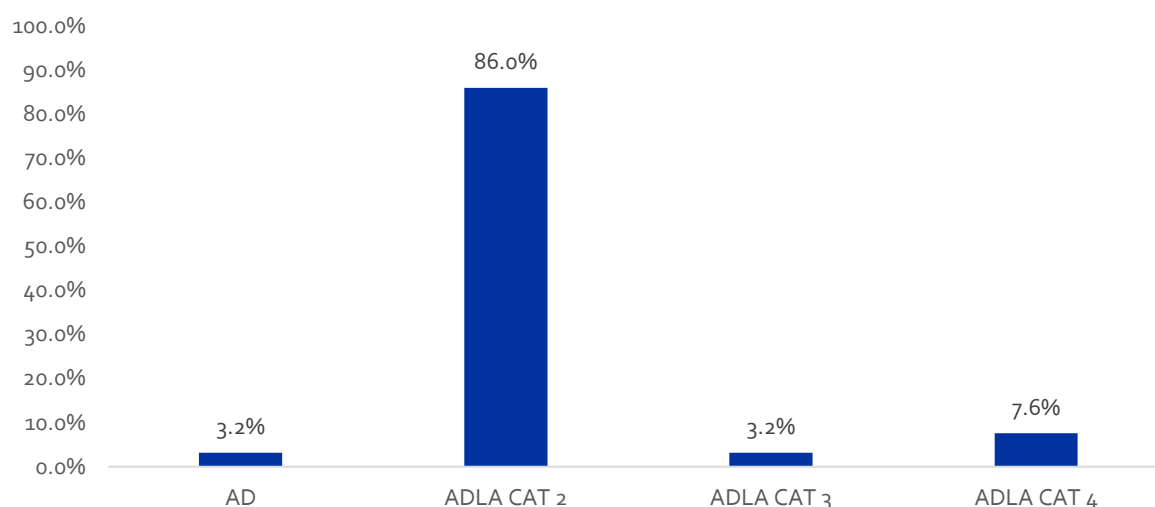
The South Africa regulatory environment allows for remittances in the form of goods provided by ADLA 4 licence holders. The ADLA 4 licence was introduced in 2018 and has the potential to expand access to basic goods such as household consumables and business inputs, which have recently been reported to be in short supply in Zimbabwe.²¹

Figure 5 shows the proportion of banks (ADs) and non-banks (ADLAs) in the South Africa to Zimbabwe corridor, which reveals that commercial banks play an insignificant role in serving the South Africa to Zimbabwe corridors and non-banks driving the usage of formal remittances. The data also covers the period when COVID-19 lockdowns were in effect in South Africa, therefore, reflecting the preferences of Zimbabweans sending money to support families back home.

²⁰ <https://www.resbank.co.za/en/home/what-we-do/financial-surveillance/adlas>

²¹ <https://www.unicef.org/zimbabwe/press-releases/zimbabwe-rated-one-worlds-top-global-food-crises-new-united-nations-report>

Figure 5: percentage of remittance outflows per licence type from South Africa to Zimbabwe, January to September 2020



Source: SARB

In 2014, when entry barriers were significantly reduced to ADLAs, amendments to the South Africa FIC Act, 2001 permitted regulated remittances service providers to adopt an RBA to customer identification and verification. The amendments give institutions a level of discretion in what documentation they will accept as proof of identity, based on the perceived risk level of a customer.

ADLAs typically engaged customers based on (1) entry-level products, with transaction limits up to ZAR 2,000 or USD 123 per month,²² which require just a proof of identification, such as a proof of status as a foreign national, and a selfie or photo with such documentation. Higher limits require proof of residence and proof of funds or source of income. This shows that the South African regulatory environment aims to balance financial integrity with financial inclusion, ensuring that migrants that might be undocumented or working in the informal economy have access to formal remittances.

In terms of the level of digitization of remittances, 89 per cent of total volumes of remittances from South Africa to Zimbabwe in January 2022 were in cash, using an agent, compared to non-cash, such as EFT or card, compared to 96 per cent cash transactions in January 2019, according to the SARB. Commercial banks are the only regulated deposit-taking institutions that could facilitate digital remittances. To open a

²² For instance, for the entry level product at Mukuru “Mukuru Lite”, a customer can send a maximum of ZAR 2,000 (two thousand Rand) per calendar month and cannot send to countries deemed “high risk” by Mukuru Africa in its sole discretion. To send more than ZAR 2,000 per calendar month, a customer will be required to upgrade to “Mukuru Core” which requires additional documentation.

bank account requires a valid passport and permit for foreign nationals, and proof of residence not older than 3 months. With a majority of Zimbabwean migrants being undocumented, further improvements in the level of digitization of remittances from South Africa to Zimbabwe would require policy and regulatory innovation that can strike a balance between upholding financial integrity and financial inclusion.

3.3. Accessing formal cross-border remittances in South Africa

ADs - Commercial banks

To use the traditional banking platforms, users must have an account with the commercial bank. According to an unpublished FMT research report²³, funds can be sent using online banking platforms or via the branch network. Senders have the option to absorb all fees relating to the transaction, leave the fees to the recipient's account or split the fees.

MoneyGram is in a partnership with First National Bank (FNB) and Standard Bank as agents.

Standard Bank users are required to visit a Forex Branch to complete the transaction, while FNB allows for MoneyGram transfers to be completed at any FNB Branch, FNB ATM or via FNB cellphone banking. Only FNB customers can use the MoneyGram service, while Standard Bank allows non-bank clients to use the service by completing all FICA requirements in branch for those who are not Standard Bank clients. ABSA acts as an agent for Western Union in South Africa.

ADLAs – Non-banks

This section discusses the main remittances service providers in the South Africa to Zimbabwe market.

Mukuru²⁴:

To open a Mukuru account, customers require an ID document, passport, or asylum permit. Mukuru offers three categories of accounts, linked to the type of FICA that the user has undergone, Mukuru Lite, Mukuru Core, and Mukuru Max. These categories inform the maximum limits that the user can send. Users can upgrade their account by submitting the applicable FICA documents per account category. It takes about 24 hours to finalize registration and approval, irrespective of the type of account, after which the user can begin using the service. To remit funds, the sender adds recipient(s) to their account, providing information

²³ South Africa to the Rest of SADC Remittances Market Assessment 2022

²⁴ <https://www.mukuru.com/sa/terms-and-conditions/>

such as country, the pay-out method, which differs by country, and the pay-out partner, which differs by country, and recipient name, surname, contact number and relationship.

The sender will create an order via the app, call centre, WhatsApp or USSD. Each order is assigned a unique reference number to be used for payment. Payment for the order has to be made within 24 hours, either through an EFT into Mukuru accounts, or physically at a designated pay-in point. The maximum daily and monthly limits for the user are based on the category of account held by the user.

- Mukuru Lite – monthly limit = ZAR 2,000 (USD 128)²⁵
- Mukuru Core – monthly limit = ZAR 25,000 (USD 1,570)²⁶
- Mukuru Max - monthly limit = more than ZAR 25,000 (USD 1,570) ²⁷

World Remit: this service is a fully digital service at the first mile or sender's end. Customers are required to create a World Remit account with just their ID document, passport, or asylum permit. Proof of address is required. It could take up to 48 hours to finalize the registration and approval of the account. To send money, it is required for the registered customer to choose the destination country, opt for the method of transfer, enter the amount and then add the recipient's information, which is used only to inform them when monies are read.

Payment for an order can be done either via bank transfer into World Remit bank accounts or through the use of debit or credit card authorization.

The maximum daily and monthly limits are based on the payment option used to pay for the remittance.

- Debit or credit cards:
 - Send limit per transactions = ZAR 4,999 (USD 314)²⁸
 - Send limit per month = ZAR 24,999 (USD 1,570) ²⁹

²⁵ Based on exchange rate USD/ZAR 15.92 (Source: Google Finance, 17/05/2022, 18:18 UCT)

²⁶ ibid

²⁷ ibid

²⁸ ibid

²⁹ ibid

- Bank transfer
 - Send limit per transactions = ZAR 4,999 (USD 314) ³⁰
 - Daily send limit = ZAR 4,999 (USD 314) ³¹
 - Send limit per month = ZAR 24,999 (USD 1,570) ³²

Hello Paisa: remitters³³ need to create a Hello Paisa account either through the mobile application, a Hello Paisa agent or at a Hello Paisa outlet, with just their ID document, passport or asylum permit and proof of residence required. There are three account categories based on how the customer was onboarded – FICA Lite, Full FICA, and Self-declaration - informing the maximum limits that the user can send. Users can upgrade through categories by submitting FICA documents or by completing a self-declaration form at a Hello Paisa store.

The sender creates an order via the app, call centre or USSD. Each order is assigned a unique reference number for payment. The recipient is informed when the remittance is ready for collection (cash option).

The maximum daily and monthly limits for the user are linked to the category of account held by the user³⁴.

- FICA Lite – maximum daily limit per transaction = ZAR 3,000 (USD 188)³⁵ (excluding fees), monthly limit = ZAR 10,000 (USD 628)³⁶ (excluding charges and fees)
- Full FICA – maximum daily limit per transaction = ZAR 5,000 (USD 314)³⁷ (excluding charges and fees), monthly limit = ZAR 25,000 (USD 1,570)³⁸ (excluding charges and fees)

³⁰ ibid

³¹ ibid

³² ibid

³³ <https://helloworldpaiza.co.za/send-and-collect/south-africa/>

³⁴ <https://helloworldpaiza.co.za/faqs/>

³⁵ | bid

³⁶ ibid

³⁷ ibid

³⁸ ibid

- Self-declaration - maximum daily limit per transaction = ZAR 15,000 (USD 942)³⁹ (excluding charges and fees), monthly limit = ZAR 25,000 (USD 1,570⁴⁰) (excluding charges and fees)

Mama Money: senders can register either through the Mama Money mobile application or via a Mama Money agent, using the ID document, passport or asylum permit. Mama Money adopts an RBA with different requirements in place to qualify for higher transaction limits. Proof of identification such as a South African ID or proof of status as a foreign national and a selfie are required for the entry-level service. Higher limits require proof of residence and proof of funds or source of income.

To use the service, the sender creates an order, with each order assigned a unique reference number. Payment for the order has to be made within 24 hours, either through a bank transfer into Mama Money bank accounts or physically at a designated pay-in point. The recipient is informed when the remittance is ready for collection.

The limits on transactions are as follows⁴¹.

- Daily limit: ZAR 5,000 (USD 314⁴²)
- Monthly limit: ZAR 25,000 (USD 1,570⁴³)

3.4. Cost of remittances from South Africa to Zimbabwe

The United Nations adopted an affordability target for remittances as part of its 2030 Sustainable Development Goals (SDGs). SDG 10.c commits by 2030 to reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent. The UN goals aim to:

- reduce the cost of remittance transfers for a substantial increase in disposable income for remittance-receiving families.

³⁹ ibid

⁴⁰ ibid

⁴¹ ibid

⁴² ibid

⁴³ ibid

- reduce average costs to 3 per cent globally, so remittance families would save an additional USD 20 billion annually.

The costs of remittances consist of exchange rates and direct fees. The direct fees consist of costs incurred on the first mile, the middle mile, and the last mile. The first mile includes costs related to the access points used for onboarding customers and facilitating sending of remittances. The middle mile includes costs related to payment clearing and settlement systems, this also includes the transporting of cash to Zimbabwe. The last mile includes costs related to the access points used for paying out remittances and the logistics, security and insurance required to ensure the availability of cash for recipients. The World Bank⁴⁴ pricing assessment found that for the value of USD 200 the total cost was 6.65 per cent between October and December 2021. Commercial banks tend to be more expensive, with the cheapest being 5.87 per cent of USD 200 while MTOs such as WorldRemit provide services for as low as 3.4 per cent of USD 55. Mukuru costs about 9 per cent of USD 55.

FMT commissioned research assessing the price of cross-border remittances from South Africa outbound to the rest of SADC, which will be published in July 2022. The FMT methodology is different from the World Bank, as the average costs are weighted according to the size of volumes across the different licence categories.

In 2021, FMT found that , the cost of sending USD 55 was 9.2 per cent, which is slightly lower than the findings of the World Bank. However, like the World Bank findings, FMT found that commercial banks are more expensive than non-banks.

The informal mechanisms such as taxis or *Malaicha* cost about 20 per cent of the principle being sent which is usually goods.⁴⁵

3.5. Channels used and speed of remittances

The most used channel for sending money from South Africa to Zimbabwe is via an agent, and mostly in cash. This is expected since most Zimbabweans are undocumented and would only be able to access formal remittances via ADLA agent networks as a digital option would not be available to them.

⁴⁴ <https://remittanceprices.worldbank.org/en/corridor/South-Africa/Zimbabwe>

⁴⁵ https://finmark.org.za/system/documents/files/000/000/143/original/FMT_SADC_values_volumes_report_CB5_18052020.pdf?1594134149

In terms of speed, formal remittances via MTOs and ADLAs tend to be instant or take up to a day, while transactions via commercial banks can take up to 3 days⁴⁶.

3.6. Zimbabwean regulatory and policy on inbound cross-border remittances

According to the RBZ⁴⁷, the policy challenges to increase the impact of remittances on households in Zimbabwe are the following:

- The propensity to receive remittances in cash
 - Foreign currency cash imports increase costs including air transport and insurance
 - There are challenges in the security of transporting cash, there have been robberies
 - Challenges in withdrawing cash from correspondent banks, de-risking
 - RBZ does not receive foreign currency on behalf of companies or individuals. Money is received into FCA accounts with ADs
- Limited access points in rural areas
 - Increases cost as receivers travel long distances to collect remittances
 - MTAs find it sub-economic to establish physical access points as there are few customers
 - Mobile services better serve the rural sector and there is a need for adequate mobile network operator (MNO) infrastructure to facilitate receipt into e-wallets
- Information Asymmetry. There is a need for an interactive website for continuous engagement with the diaspora.

⁴⁶ <https://remittanceprices.worldbank.org/corridor/South-Africa/Zimbabwe>

⁴⁷ A Presentation to Diaspora Engagement and Remittance Strategy Workshop 17-19 December 2020

Key regulatory and policy issues explored in this study's KIs and the interview findings are discussed below.

3.6.1. RBZ Exchange Control Unit

The RBZ regulates the financial sector and issues licences to remittances service providers including commercial banks and money transfer agencies (MTAs) which are intermediaries for receiving remittances in the country. To reduce entry barriers for remittances service providers, the RBZ introduced the Limited Authority (ADLAs) Framework in April 2015 through exchange control statutory instrument 104 of 2015. The ADLA framework⁴⁸ allows MTAs to partner with international MTOs to effect international remittances and cannot enter into exclusive agreements with both local and international partners without prior written authorization from the exchange control. ADLAs also have to report their transactions through the bureaux de change transactions reporting system (BDCTRS).

According to the exchange control guidelines for ADLAs 2015, there are 3 tiers of the ADLA licence, and they include:

- Tier one (1) shall be locally incorporated MTOs partnering with approved international MTOs or using their own systems and are permitted to carry out both inward and outward international remittances. They shall also buy and sell foreign exchange on a spot basis
- Tier two (2) shall be locally incorporated MTOs operating as MTAs by either partnering with approved international MTOs or using their own system to carry out inward international remittances only, as well as buy and sell foreign exchange on a spot basis
- Tier three (3) bureau de change, a locally incorporated financial services provider which only buys and sells foreign currency on a spot basis.

Additional operational guidelines for ADLAs, MTAs and bureaux de change in respect of permissible transactions with particular emphasis on remittances and value transfer providers based on the KIs include:

- They must observe anti-money laundering (AML) policies and in their licence application, they are required to specify how they deal with AML issues

⁴⁸ <https://www.dpcorp.co.zw/assets/rbz-public-notice-exchange-control-guidelines-28.2.15.pdf>

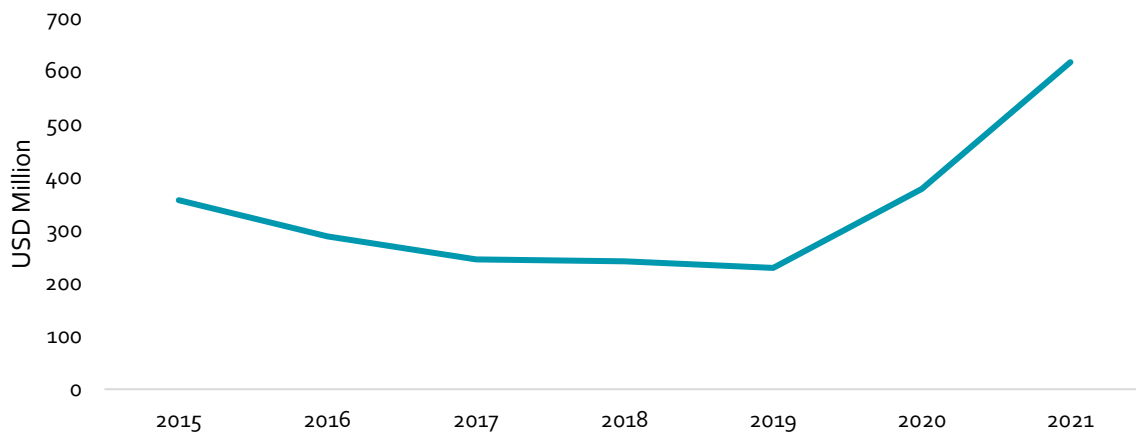
- Tier 1 and tier 2 institutions are required to have international partners from which RBZ require a signed international partner agreement that specifies how the two operate, including commissions
- Tier 1 has a maximum amount for outbound remittances which is USD 500
- Tier 2 is only allowed to receive remittances and is not allowed to send money outside of Zimbabwe
- ADLAs can receive any amount from the diaspora and give this to the respective recipients
- ADLAs are required to have an AML officer at each institution
- ADLAs must have an AML policy document and an issued AML certificate from the RBZ Financial Intelligence Unit.

To encourage digitization of the last mile for recipients, the Exchange Control Circular no 8 of 2021⁴⁹ was issued. It allows ADLAs to partner with banks and MTOs to foster transparency, financial inclusion and curb the spread of COVID-19. This circular could also have implications for the cost of receiving remittances, as recipients who make use of this service are not likely to incur transport costs to cash out. However, Mukuru which has the largest share of inbound remittances into Zimbabwe from South Africa is yet to secure a partnership that can facilitate digital last-mile services. Its operations are fully cash based. This is discussed in more detail in subsequent sections.

As of January 2022, there were 43 ADLAs, with nine being inactive according to the RBZ. This results in the trends shown in Figure 6 depicting inbound remittances from South Africa in value. Comparing the RBZ data to the SARB, the values seem to follow the same trends although the values in USD are not the same. This could be due to exchange rate differences. However, the values for 2020 and 2021 are much higher than that of the SARB. Figure 7 shows the year-on-year percentage change from 2016 to 2021, showing much higher changes in the RBZ dataset compared to the SARB (only up until October 2021). The SARB makes quarterly updates to its balance of payment (BOP) database to adjust for reversed or cancelled transactions, which could also be a source of the data disparity. Furthermore, the SARB and the RBZ do not use the same data templates which could also explain the differences.

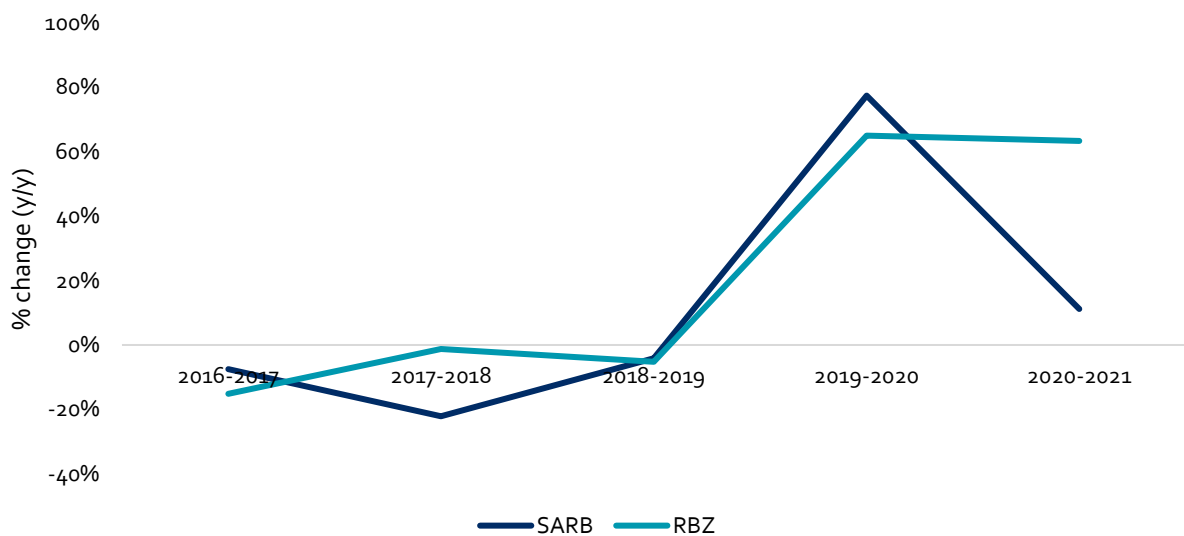
⁴⁹ <https://www.rbz.co.zw/documents/publications/circulars/2021/Exchange-Control-Circular-number-8-of-2021-to-Bureaux-de-Change.pdf>

Figure 6: total inbound remittances from South Africa (USD millions)



Source: RBZ

Figure 7: year-on-year percentage change in South Africa to Zimbabwe remittances (2016 – 2021)



Source: RBZ and SARB (authors calculation)

According to the Zimbabwe Diaspora Policy, the RBZ is meant to be responsible for:

- Providing favourable conditions for the transfer of funds
- Enhancing investment procedures/regulation
- Implementing measures to reduce the high cost of remittances
- Accounting for remittances and

- Administering exchange controls.

The RBZ has also put a diaspora desk in place within the Foreign Investment Department that has the responsibility of facilitating investments into the country from Zimbabweans in the diaspora. This facilitation role occurs through the provision of relevant investment information to the diaspora community, provision of investment opportunities available in the country, processing of investment proposals, answering queries as well as taking suggestions from the diaspora community.⁵⁰ This speaks directly to the macroeconomic impact that inbound remittances in Zimbabwe have on GDP. In the KIs, the RBZ expounded on this idea by citing the following impact areas:

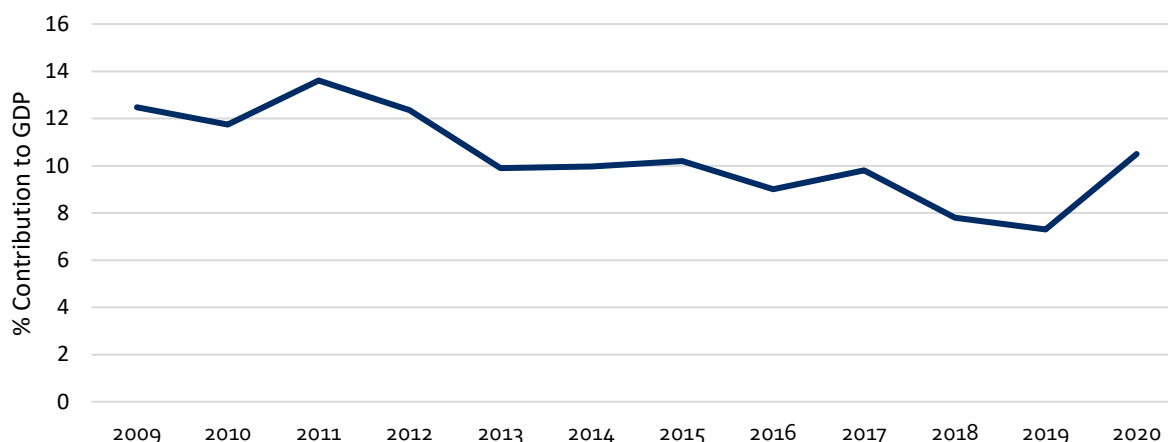
- Increasing the ability of households to spend on health, housing and nutrition that can enhance their productivity and spur economic growth over the longer term
- Providing liquidity which supports the retail industry
- Increasing the country's level of forex to facilitate imports of crucial products.

Figure 8 shows the percentage contribution of total inbound remittances including South Africa to the Zimbabwean GDP. It shows a declining trend; however, it is much higher than the World Bank's assessment of the percentage contribution of the agriculture, forestry, and fishing contribution to GDP in 2020 which was 7.6 per cent.⁵¹ This shows the importance of inbound remittances, of which the largest contribution comes from South Africa, as shown in Figure 7.

⁵⁰ <https://www.rbz.co.zw/index.php/regulation-supervision/exchange-control/diaspora-desk>

⁵¹ <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=ZW>

Figure 8: the percentage contribution of total inbound remittances, including South Africa, to the Zimbabwean GDP (2010 – 2020)



Source: RBZ

3.6.2. RBZ Financial Inclusion Unit and Financial Literacy and Consumer Protection Working Group chair

In the KII, additional policy related perspectives were provided by the RBZ Financial Inclusion Unit and Financial Literacy and Consumer Protection Working Group chair. Firstly, it was acknowledged that inbound remittances were higher than foreign direct investment, foreign portfolio investment and official development assistance, therefore, making inbound remittances a key source of investment capital, especially for infrastructure development. The RBZ aims to harness remittances through savings and deposits in formal financial institutions to optimize its potential in driving economic growth. This led to the establishment of Homelink, a RBZ owned financial service provider, to provide services that include mortgages, loans, money transfer services (as an agent of Western Union) and capital market products to spur investments catering to cross-border remittance recipients.

Secondly, in addressing financial inclusion policies that target beneficiaries of remittances, the RBZ will prioritize in the yet-to-be-launched financial inclusion strategy phase 2:

- Increase access and uptake of “low-cost” bank accounts to facilitate digital last mile services to encourage savings by the low-income households dependent on remittances
- Establish mobile platforms and direct remittances/deposits into bank accounts and e-wallets to increase both remittances accessibility and financial inclusion, especially in rural areas and in line with the Exchange Control Circular no 8 of 2021

- Avail microfinance products including micro-housing loans to the beneficiaries of remittances
- Continue to coordinate financial literacy and consumer education programmes
- Support FinTechs to innovate and digitize remittances
- Address the gender gap. As a signatory of the Maya declaration⁵², there are set targets to facilitate the financial inclusion of women who have been marginalized which would include recipients of remittances
- Increase remittances access points/branches in rural or remote areas, encouraged through minimal registration fees
- Encourage transparency and competition by prohibiting exclusive agreements between MTAs and both local and international business partners. This in turn fosters remittance cost reduction.

Lastly, the RBZ Financial Inclusion Unit and Financial Literacy and Consumer Protection Working Group chair identified data gaps on Zimbabwean emigrants, disaggregated by gender, age, and geographical location, as a challenge especially in the top emigration destinations. However, the RBZ exchange control can provide data on beneficiaries of inbound remittances including:

- Name
- MTA used
- Gender
- Physical address, which could inform urban/rural location
- Source of remittances and
- Amount received

A new data management system was introduced in early 2022, which captures these data points and could be harnessed to inform the implementation of the diaspora policy review process.

⁵² https://www.afi-global.org/wp-content/uploads/2017/09/2017_MAYA_progress-report_digital.pdf

3.6.3. Ministry of Public Service and Social Welfare

The Zimbabwe diaspora 2016 document states that the Ministry of Public Service and Social Welfare will be responsible for negotiating bilateral labour agreements with host countries to where Zimbabweans emigrate. This was confirmed during the KII with the Ministry, which also has the mandate to implement the Zimbabwean labour migration policy⁵³. The Zimbabwean labour migration policy fits within a regional policy agenda, specifically the 2014 SADC Labour Migration Policy Framework, which suggested that SADC member states develop national labour migration policies by 2019⁵⁴. The policy provides the basis for migration governance to improve legislation, coordination and the institutional framework that supports Zimbabwean migrants. Zimbabwe and South Africa have a memorandum of understanding on labour migration, with the most recent amendments being that the special permits issued between 2018 and 2020, under the Zimbabwean Exemption Permits Programme were valid until December 2021⁵⁵.

The ministry set up migrant resource centres in Beitbridge, Harare and Bulawayo to engage Zimbabwean citizens on making informed migration decisions. The ministry also prioritizes the need to build and maintain a labour market information system to provide information on the location of Zimbabwean migrants. The Zimbabwean government, through the Ministry of Foreign Affairs and International Trade, also have labour attachés in the major receiving countries, including South Africa, to engage with regular and irregular Zimbabwean emigrants, to understand the challenges they face and provide consular services.

One of the key policy objectives of the labour migration policy is to strengthen the link between remittances and national development. According to the monitoring and evaluation framework for the labour migration policy, the following actionable areas are outlined to meet the objective of linking remittances and economic growth.

- Expansion of financial access points in rural areas
- State centralization of data collection and reporting mechanism on formal remittances
- Improve the quality of data on remittances

⁵³ <https://publications.iom.int/books/national-labour-migration-policy-zimbabwe>

⁵⁴ <https://www.sadc.int/news-events/news/sadc-adopts-new-labour-migration-action-plan-promote-skills-transfer-and-match-labour-supply-and-demand-regional-integration/>

⁵⁵ <https://www.labour.gov.za/DocumentCenter/Publications/Public%20Employment%20Services/National%20Labour%20Migration%20Policy%202021%202.pdf>

- Reduction in the price of access to formal remittances
- Facilitate easy access to financial literacy for migrant workers
- Create an enabling environment to maximize migrant remittances for productive investment
- Negotiate with countries of migrant destination to facilitate migrant access to formal financial services.

The RBZ has the mandate to drive the implementation of ensuring that the financial services sector is inclusive and allows for the optimization of inbound remittances. Therefore, the Ministry of Public Service and Social Welfare relies on information provided by the RBZ on formal inbound remittances.

Access to migrants' data was cited as a key challenge in the labour migration policy implementation, given that most emigrants to South Africa tend to be in the informal economy as discussed in an earlier section of this report.

3.6.4. Ministry of Foreign Affairs and International Trade

According to the Zimbabwe diaspora 2016 document, the Ministry of Foreign Affairs and International Trade will be responsible for:

- Registering the diaspora
- Initiating dialogue with host countries to enter into bilateral agreements to ensure the promotion and protection of Zimbabwean citizens abroad
- Disseminating information
- Providing information to returning diaspora to facilitate their settling and
- Providing consular services.

Zimbabwean foreign policy is driven by the Ministry of Foreign Affairs because of its access to foreign missions and the diaspora. This led to the recent transfer of the National Diaspora Directorate from the Ministry of Macro-Economic Planning and Investment Promotion to the Ministry of Foreign Affairs. The RBZ is the financial sector regulator, therefore more directly involved in influencing remittances services. However, the advocacy role that the Ministry of Foreign Affairs and International Trade has is also significant. Through its consular services, it can facilitate access to documentation required by migrants in South Africa

to use formal remittances services. There are also engagements with Zimbabwean and South African businesses to crowd in investments into the country. However, this activity is outside the scope of this report which focuses on person-to-person transfers, namely remittances.

3.6.5. Zimbabwe Cross Border Trader Association (ZCBTA)

The ZCBTA is not included as an implementation partner of the Zimbabwe Diaspora Policy 2016 document. However, it plays a key role in providing institutional support for Zimbabwean small businesses engaged in cross border trade. The ZCBTA is the host of the regional secretariat of the Southern African Cross Border Traders Association (SACBTA) and is a key driver of the Common Market for Eastern and Southern Africa (COMESA) simplified trade regime (STR) project⁵⁶. The STR avails member states from the East African Community (EAC) and COMESA with instruments and mechanisms tailored to the trading requirements of small-scale traders that are decentralized to border areas where informal trade is rampant.⁵⁷

It was reported, in the KII, that the ZCBTA members are being supported to access regional value chains by facilitating access to markets, especially with manufacturers in the region. Financial literacy programmes are also provided to the ZCBTA members through partnerships with institutions that provide business development services.

To facilitate regional trade in the region, the ZCBTA is in a partnership with FBC bank to provide a prepaid card for its members, mostly women, to engage in digital cross border trade transactions. These digital transactions are currently not flagged as cross border transactions resulting in a data gap in ascertaining low value, informal cross border trade activities by Zimbabwean cross-border traders. The KII revealed that some households might be taking advantage of this card to access household consumables from South Africa that are scarce in Zimbabwe, therefore, making this prepaid card amenable to the needs of both cross-border traders and households.

The KII also revealed that the ZCBTA members possess foreign currency required by the formal economy, therefore, providing the basis for a regulatory dispensation that can incentivize ZCBTA members to deposit their foreign currency in banks in Zimbabwe.

⁵⁶ https://www.womenconnect.org/web/zimbabwe/cross-border-trade/-/asset_publisher/A6CLNeu4CfHT/content/zimbabwe-cross-border-traders-association-zcbta-

⁵⁷ <https://www.tralac.org/publications/article/12825-informal-cross-border-trading-review-of-the-simplified-trade-regimes-in-east-and-southern-africa.html>

The KII discussion findings suggested that ZCBTA members are not prioritized by government relief programmes for small businesses, especially during the height of the COVID-19 lockdowns. The ZCBTA, therefore, has a sentiment that its members ought to be recognized by foreign policy, especially through the diaspora policy of 2016, which is currently under review.

The diaspora policy should also take advantage of the data collected by the ZCBTA on its members, which are currently being digitized to cover member details such as business registration details, goods traded, and supplier details, providing an overview of cross border trade value chains. Nevertheless, it should be noted that the ZCBTA is currently focused on the Zimbabwe to Zambia corridor relative to the Zimbabwe to South Africa corridor.

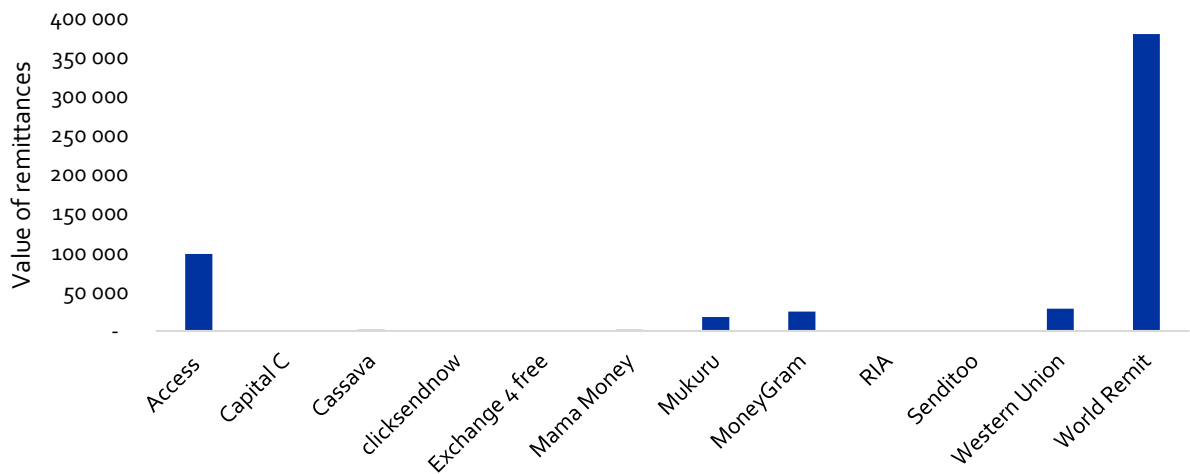
In conclusion, the ZCBTA can play a key role in crowding in foreign exchange for the formal economy and should prioritize the Zimbabwean diaspora policy given the level of informality in the Zimbabwean economy.

The next section discusses the remittances service provider landscape including insights from the KIIs conducted with the ADLAs.

3.7. Accessing cross-border remittances in Zimbabwe

As mentioned, Zimbabwe currently has 43 ADLAs servicing the cross-border remittances market. Nine of these are inactive. Figure 9 shows the landscape of value of remittances for 25 February 2022 of ADLAs between 2015 and 2021 based on RBZ data in the South Africa to Zimbabwe corridor. It should be noted that due to data access challenges, the research team was only able to access data for one day, which will not be representative of the total remittances service providers. It also cannot provide the trends since the ADLA licenses were introduced in 2015. The next four charts illustrate the potential dashboards that can be generated by RBZ in assessing cross-border remittances into Zimbabwe from SA.

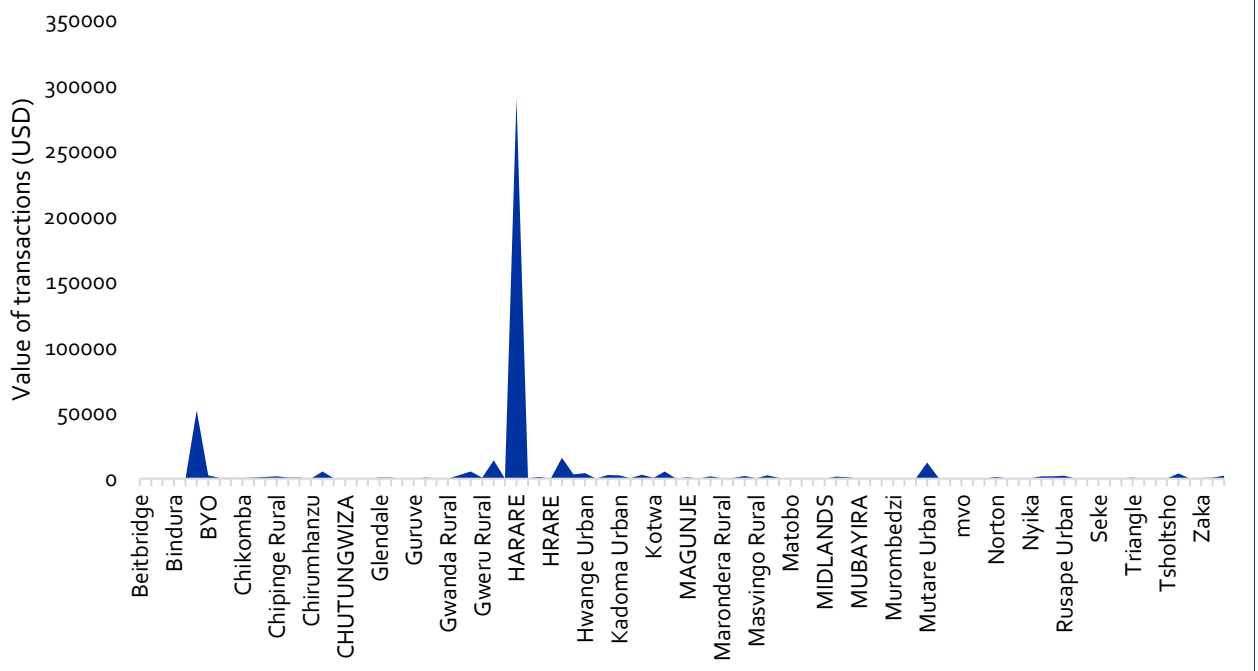
Figure 9: total value of formal remittances by provider from South Africa to Zimbabwe, 5 February 2022



Source: RBZ

The distribution of remittances across locations, as coded in the RBZ database, in Zimbabwe is shown in Figure 10.

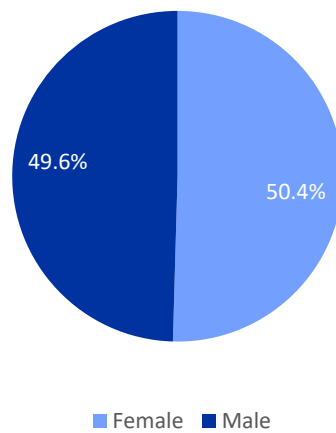
Figure 10: location distribution of formal remittances from South Africa to Zimbabwe, 5 February 2022



Source: RBZ

Figure 11 shows the gender breakdown of the value of remittances into Zimbabwe on 5 February 2022.

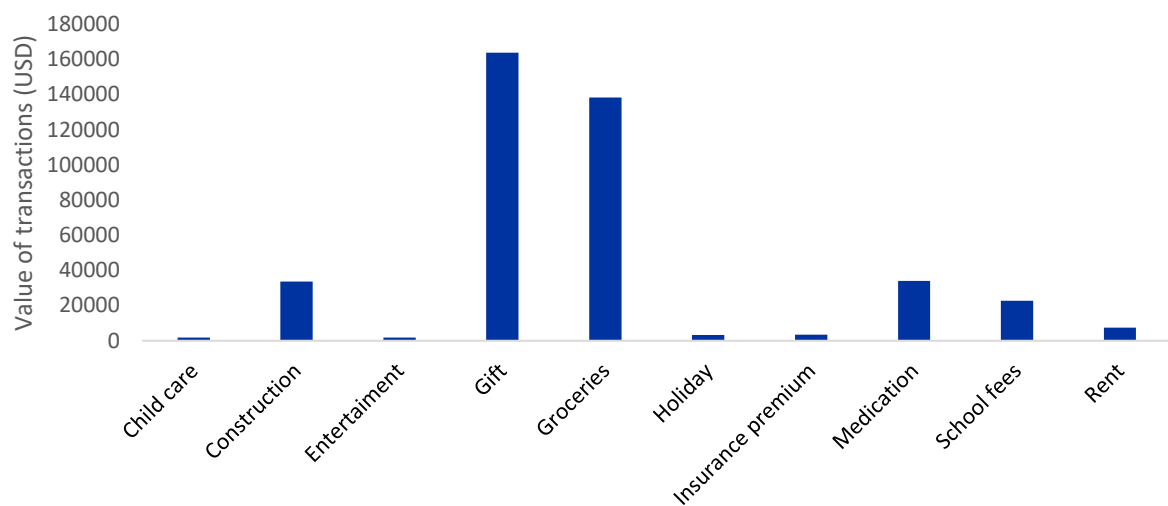
Figure 11: gender breakdown of the value of formal remittances from South Africa to Zimbabwe, 5 February 2022



Source: RBZ

Figure 12 depicts the documented use of remittances from South Africa with gifts and groceries being the two largest categories signifying household consumption rather than investment related needs.

Figure 12: use of remittances from South Africa to Zimbabwe, 5 February 2022



Source: RBZ

From the KII, FMT engaged selected ADLAs⁵⁸ covering the following dimensions:

- Licence category or tier
- Accessibility to recipients through branch networks or partners
- KYC implementation and cash-out protocol
- Level of digitization
- Perception regarding opportunities and challenges in serving the cross-border remittances, South Africa inbound, market
- Additional services offered
- Policy on financial inclusion and financial literacy
- COVID-19 impact, and policies used to retain customers

The KII findings are discussed below.

3.7.1. Hello Paisa

Hello Paisa is registered under the tier 1 licence and trades as Zim Send in Zimbabwe. Hello Paisa also has another entity called Malaitcha.com which facilitates goods remittances from South Africa to Zimbabwe. There is an 80:20 split between value and goods remittances. Volumes of goods remittances did increase once the COVID-19 lockdowns were implemented in Zimbabwe and South Africa.

To expand its access points in Zimbabwe, Hello Paisa is in partnerships with commercial banks and retailers to facilitate cash-out services across Zimbabwe. There is a 40:60 split between Hello Paisa's agent networks compared to outlets availed by their partners. Recipients tend to use more Hello Paisa agents compared to their partner's access points. The remittance product is not digitized meaning Hello Paisa, through its partnerships, does not provide digital store of value services. Customers are not able to receive remittances into a wallet or a bank account.

⁵⁸ The ADLAs interviewed are shown in Table 2 in the data and methodology section of this report

To cash-out, Hello Paisa agents have to verify recipient identification and a unique PIN which would have been sent to recipient once a sender completes a remittances transaction in South Africa. The cost of service is incurred by the sender and the recipients do not pay fees to cash out.

The most significant challenge has been accessing forex to facilitate cashing out given, the limited scope the local banks have in availing forex to ADLAs. Physical cash is transported into Zimbabwe, which is costly. The goods remittances market also faces the challenge of competition from the informal market who are more likely to smuggle goods rather than pay tariffs, as Hello Paisa does, making them cheaper to buyers.

Conducting customer due diligence in South Africa for migrants with Zimbabwean IDs is also a challenge given that most Zimbabweans earn their livelihoods in the informal economy and reside in informal settlements without standardized residential addresses. This means they will be unable to provide proof of residence. The ability to integrate with the National ID system in Zimbabwe to facilitate KYC of Zimbabwean migrants in South Africa could increase access to formal remittances, especially at the lowest KYC tier, which is limited to USD 125 per month.⁵⁹

From a gender equality perspective, the goods remittances ensure that there are no ambiguities on how remittances are spent, as the needed goods are delivered to the recipients.

In terms of the impact of COVID-19, there were increases in volumes and values due to new customer acquisitions and increased activity from existing customers who were both active and previously dormant users.

From a financial inclusion perspective, Hello Paisa does not have a specific policy targeted at remittance recipients, but its agents engage with customers on product attributes and general marketing of the suite of services available over the Hello Paisa platform.

3.7.2. Mukuru

Mukuru is registered in Zimbabwe as Send Money Home, operating as a tier 1 ADLA in partnership with the Mukuru Group in South Africa. In terms of accessibility, Mukuru is in partnership with commercial banks, retailers, and wholesalers to broaden their reach across the country. Mukuru had about 250⁶⁰ access points at the end of 2021.

⁵⁹ <https://www.bloomberg.com/quote/USDZAR:CUR>

⁶⁰ <https://www.mukuru.com/sa/find-us/branches/>

Recipients are required to have the voucher number received after the first-mile transaction is completed and proof of ID, such as a national ID or passport. The Mukuru staff review this for authenticity. This takes about 5 minutes.

In terms of partnerships, WorldRemit customers can cash out at Mukuru booths in Zimbabwe. Recipients can also receive goods through a partnership between Mukuru and Metro Pitch supermarket, which is reported to be a small percentage of the Mukuru operation.

Mukuru provides payouts in USD, South African Rands (ZAR) and Zimbabwean Dollars. Customer preference depends on location, with recipients close to the South African border preferring the Rand, while recipients in other locations prefer USD, with the Zimbabwean Dollar being the least preferred given its susceptibility to depreciation.

The main challenge cited is the cost of accessing forex to payout customers. The enablers cited include the RBZ switching from manual to digital methods of renewing licences and that there is more frequent monitoring. This monitoring is perceived as positive since the possibility of contravening the ADLA act is reduced.

In terms of cross-selling, Mukuru currently does not have other financial services linked to the cross-border product. Nor is there a financial inclusion policy. However, Mukuru does roadshows to market the product.

Mukuru also cited the impact of the intermediated money transfer tax (IMTT)⁶¹ which creates a disincentive for customers to make domestic digital payments. This reduces the impact of formal cross-border remittances uptake on the usage of domestic digital financial services and increases the use of cash.

Lastly, COVID-19 initially resulted in a decrease in volumes between February and April 2020, which then surged from May 2020 and is yet to return to pre-COVID levels. To expand access and limit the spread of COVID-19, WhatsApp based onboarding was introduced in South Africa.

3.7.3. Western Union/Homelink

Homelink Private Limited is a financial service institution specializing in property development, investments, money transfers and microfinance. Homelink provides remittances services as an agent of Western Union,

⁶¹ <https://home.kpmg/us/en/home/insights/2020/08/tnf-zimbabwe-tax-measures-in-2020-mid-term-budget.html>

falling under the ADLA tier 1 licence and providing both inbound and outbound remittances services. Western Union is the only principal providing remittances that Homelink is currently in partnership with.

In terms of accessibility to recipients, Homelink has 13 branches mostly in Harare. However, Western Union is in partnership with other institutions with 150 access points across Zimbabwe.⁶²

Cashout is only available in USD and the following requirements allow recipients to access their funds at the Homelink branch.

- The money transfer control number, ie the number sent to the receiver once the sender remits
- The test question and answer, where applicable
- The receiver's identity document which can be their national ID, driver's licence or passport

The two main challenges faced are (1) sourcing of foreign currency for payout and, most Zimbabweans in South Africa being undocumented and, therefore, without the requirements to use commercial banks who are the partners of Western Union in South Africa. Therefore, Western Union is not likely to be the platform used by low-income migrants from Zimbabwe in South Africa.

In terms of digitization, Homelink does not offer a digital store of value linked to inbound remittances. The recipients must cash out the full amount. Therefore, the service does not allow recipients to keep the remittances digitally to make digital payments.

In terms of financial inclusion, Homelink does not have a specific policy. However, in supporting the financial literacy initiatives of the RBZ, Homelink participates in Global Money Week.

Regarding COVID-19, Homelink experienced a decline in volumes in 2020 leading to the closure of half of their branches, reducing their footprint to 13 from 26 branches.

3.7.4. Access Forex

Access Forex has an ADLA tier 1 licence in Zimbabwe with 114 access points⁶³ to facilitate cashout across Zimbabwe. Cashout is provided in USD and ZAR. Access Forex does not provide a digital store of value to facilitate the digitization of payments as recipients have to cash out the full amount received. Access

⁶² <https://location.westernunion.com/zw>

⁶³ <https://www.accessforex.com/collection-points/>

Forex is currently not in any partnership to facilitate the digital last mile, into a wallet or bank account, for recipients. The KYC requirement for recipients includes an identification document, cellphone number, and residential address details.

Some of the challenges cited were that working with commercial banks to ensure funds are available to recipients can be compromised by systems downtime and internal bank processes. The cost through commercial banks of pre-funding for cashout purposes in Zimbabwe is also perceived to be high. Access Forex also requires the source of funds to allow senders in South Africa to remit money to Zimbabwe, which implies that most Zimbabwean, commonly undocumented, migrants will not be able to use their service.

In terms of financial inclusion and financial literacy, Access Forex has a particular focus on increasing access in rural areas and training agents on providing customers with information on their remittance product attributes.

Lastly, COVID-19 resulted in a reduction in the volume of transactions from South Africa to Zimbabwe, which led to Access Forex introducing a USSD system to enable the onboarding of customers and expand partnerships for pay-in in South Africa.

3.7.5. MoneyGram/FBC Bank

MoneyGram has several partners in Zimbabwe. The KII included one of the in-country partners, FBC Bank, which is an AD and an ADLA in Zimbabwe. Under the ADLA licence, South Africa to Zimbabwe was described to be a small percentage of total operations compared to inbound remittances from the United States of America (USA) and Canada. It was also mentioned that the MoneyGram partnership, under the ADLA licence, might be discontinued as their correspondent bank (Standard Chartered New York USA) does not have the risk appetite for it.

With the AD licence, the main corridor is South Africa to Zimbabwe, but the FBC Bank platform is mostly used for business transactions, with a smaller percentage of transactions related to remittances.

In 2022, FBC Bank entered into a partnership with the ZCBTA to provide members with a prepaid Mastercard that allows for digital payments when in South Africa to buy merchandise to resell in Zimbabwe. Given that Zimbabwe is a net importer of goods, ZCBTA members, who are mostly women, are onboarded either at a branch or digitally, driven by high-tech biometric authentication systems, such as facial

recognition, to support the electronic verification of clients' national identity documentation⁶⁴. The KYC requirements include:

- Passport size photo
- Copy of national identity card/driver's license/valid passport
- Proof of residence issued within 3 Months
- An initial deposit of USD 20.00.

All transactions made while the trader is making purchases in South Africa on the prepaid Mastercard are reported to the RBZ, but the card is not flagged to reflect trade related transactions. These should be captured by the RBZ exchange control unit specifically as trade, rather than non-trade related transactions.

The attributes of the Mastercard include:

- High fees on withdrawals to discourage the use of cash
- Merchant ID is identifiable when the card is used in South Africa
- ZCBTA members can load their cards at FBC bank branches.

FBC bank has a financial inclusion policy, which is driven by the separate entity that is its microfinance division. The microfinance division focuses on businesses conducting outreach programmes on business development support.

In summary, FBC bank supports businesses in engaging in cross border trade and has a small remittances operation. The ability to delineate trade and non-trade transactions on the prepaid Mastercard could be an opportunity in availing information on trade that would have been informal and inform policymaking on how to support the informal cross border trade between Zimbabwe and South Africa. Table 4 shows the ADLAs selected for the KIs and their existing partnerships.

⁶⁴ <https://fbc.co.zw/media/news/fbc-launches-virtual-banking>

Table 4: money transfer agents (MTA) partnerships in Zimbabwe

MTA	Partners/Agents	Number of cash-out points
Hello-Paisa	First Capital Bank, Fine Foods Butchery, Malaicha.com, CBZ Bank; Bellevue Abattoir & Butchery, Farm and City Centre, Choppies Supermarkets,	Over 50 https://helloworld.co.za/zimbabwe-locations/
Mukuru	ZB Bank, CBZ, CABS, MetBank, FMC Finance, Stanbic Bank, Metro Peech and Brown Wholesalers, MBCA Bank, OK Zimbabwe, POSB Bank, NMB Bank, Standard Chartered Bank, Steward Bank, SPAR, Agriculture Finance Corporation	Over 250. This was provided by Mukuru's contact person but additional data on: https://www.mukuru.com/zw/find-us/branches/
Western Union	Homelink/Easy link, CBZ, EcoCash, POSB Bank, MTA Centre, BancABC, Quest Financial Services, Agriculture Finance Corporation	Over 150 https://location.westernunion.com/zw
World Remit	Steward Bank, Econet, CBZ Bank, ZB Bank, Kaah Express, Quest Financial Services, POSB Bank, NMB Bank, National Building Society, GetBucks, CABS, BancABC	Over 250 https://www.worldremit.com/send/ViewLocations.aspx?id=91-213-282-635-701-703-791-792-805-831-832-864-818
Access Forex	Quest Financial Services, MyCash Financial Services, Access Finance Bureau de Change, ProFeeds, Jet Stores, Edgars Stores, ZIMPOST, SPAR, Farmvet, Friserve	More than 100, provided by Access Forex contact person https://www.accessforex.com/collection-points/
Moneygram	FBC, CBZ, Stanbic Bank, OK Zim, OK Mart, POSB, ZIMPOST, Metbank, NMB Bank, Quest Financial Services, Steward Bank, BornMarche	More than 70 https://networkbees.com/moneygram-locations-in-zimbabwe/

The next section discusses the findings from the demand side survey specifically focused on profiling recipients of cross-border remittances from South Africa and the impact of remittances on their livelihoods.

3.8. Overview of the recipients of remittances from South Africa

This section details the findings from the quantitative and qualitative surveys, as discussed in the methodology section, to develop insights on the following:

- Demography of migrant households
- Frequency of receiving remittances
- Use of remittances income
- The impact of remittance income in Zimbabwe on recipient livelihoods in relation to the quality of goods consumed eg, food and nutrition, health, education, energy sources, the ability to pay for unexpected expenses and build household resilience and the ability to plan for future lifecycle goals of household members
- Level of financial inclusion
- Level of financial literacy
- Support received from donors and government on leveraging remittances income to meet household and business needs
- Impact of COVID-19 on remittances income, household consumption and business operations.

3.8.1. Demography of migrant households

Of the 511 respondents in the sample, figure 13, figure 14, figure 15 and figure 16 provide a breakdown of demographics in the quantitative survey which skewed toward women (71%), people aged 35 – 44 (40%), Harare (41%) and urban areas (86%).

Figure 13: gender (%)

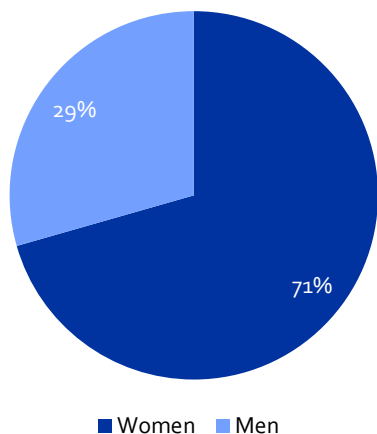


Figure 14: age breakdown (%)

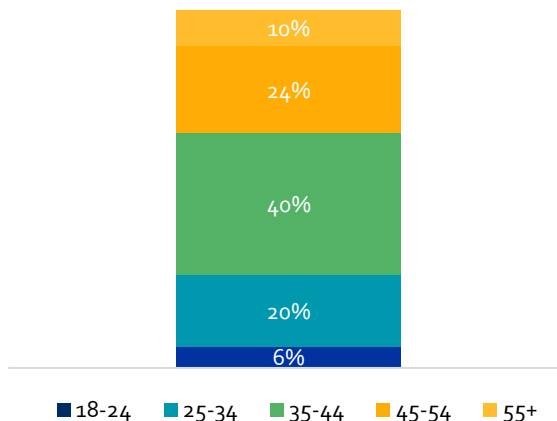


Figure 15: provincial split (%)

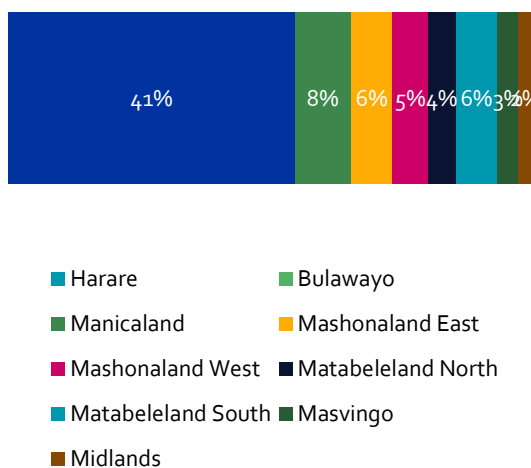
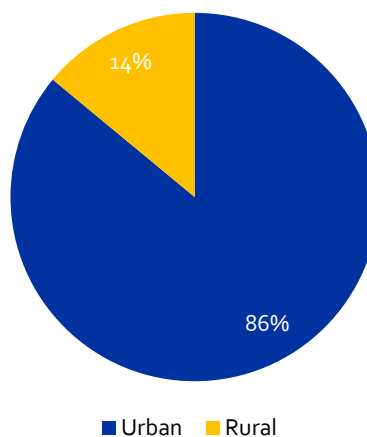


Figure 16: urban-rural split (%)



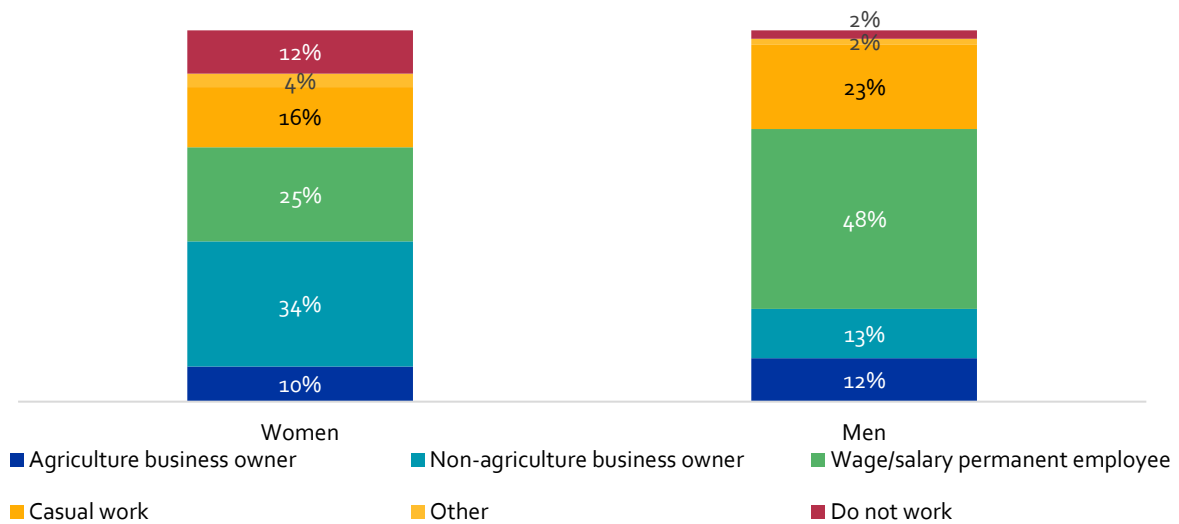
In terms of the potential to control household finances, of the total respondents, 48 per cent are the head of their households while 53 per cent have an O-level as their highest level of education, and 66 per cent are married. Of the total respondents that are women, 43 per cent are in the 35 – 44 age categories, 35 per cent are the head of their households, 56 per cent have O-levels as the highest level of education and 60 per cent are married. These findings are not representative at a geographic level. The sample is biased

with a large proportion of our interviews coming from Harare, therefore, the sample of women has a Harare bias. It should also be noted that there was a low survey response rate in Matabeleland due to sampling and project management constraints.

3.8.2. Livelihoods

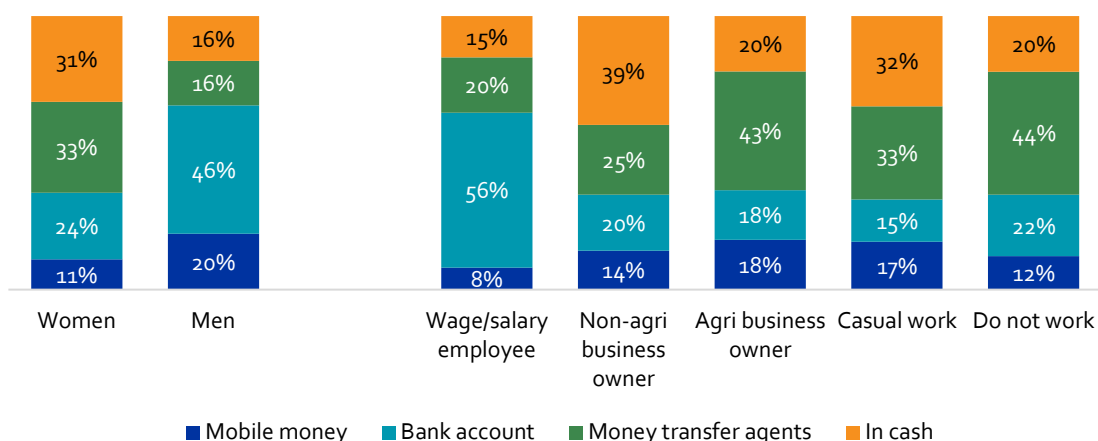
The data show that women skew toward non-agriculture business ownership and being dependents, ie they rely on social assistance, while the men skew towards wage/salary and casual work as shown in figure 17.

Figure 17: type of employment (%)



More women receive occasionally compared to men. Furthermore, more men receive money digitally compared to women as shown in figure 18. More women (31%) receive income in cash compared to men (17%). This is expected with more men working in formal salaried jobs which pay wages digitally compared to other sources of income as shown in the right panel of figure 18.

Figure 18: main income receipt channel (%)



A gendered breakdown of the main source of income, regardless of the type of employment, is shown in figure 19.

Figure 19: main source of funds to meet expenses (%)

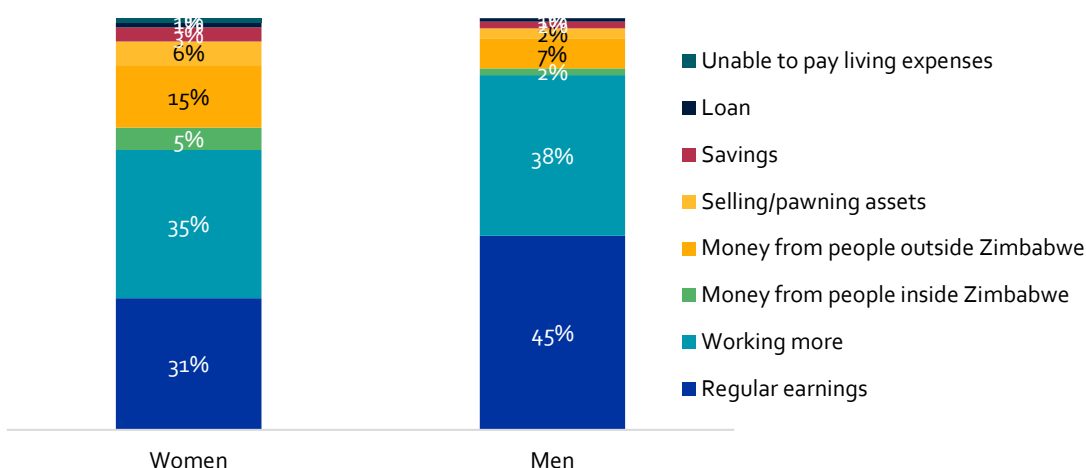
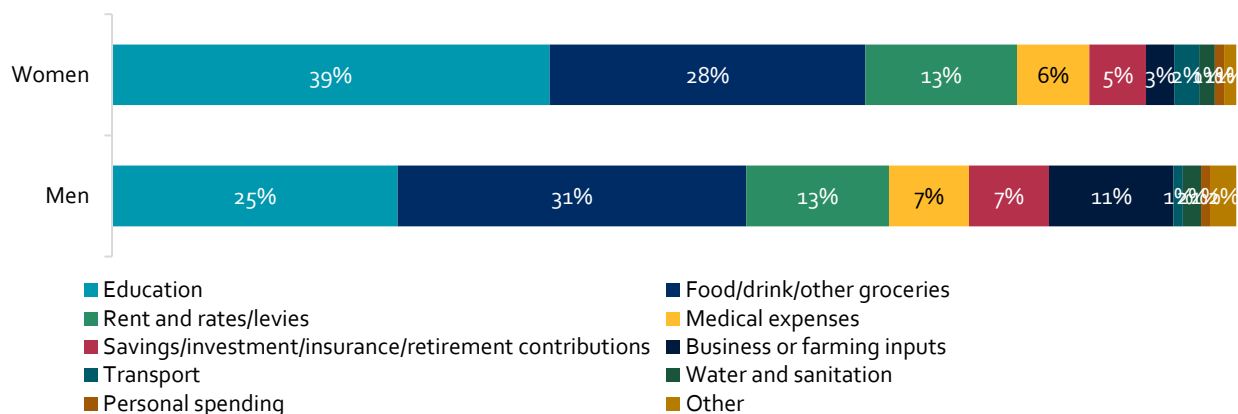


Figure 19 shows a higher proportion of men (45%) can pay for their regular expenses using their regular income compared to women (31%). A higher proportion of women (15%) rely on cross-border remittances compared to men (7%). A similar proportion of men (38%) and women (35%) have to work more to pay for monthly expenses.

Regarding perceptions of the most important expense, a larger proportion of women see education as the most important expense compared to men, while more men prioritize business/farming inputs as shown in figure 20. With most women being in the 33 – 44 age category and married, the survey sample may have captured women, who are mostly concerned about educating their children, and men who, are mostly

concerned about business activities to earn more income. These gender differences should be viewed with caution given the sample bias toward urban areas.

Figure 20: most important expense (%)



Given that the survey data show that there have been difficulties for both men and women to meet monthly expenditure needs, figure 21 illustrates the most recent economic shocks (from January to May 2022) faced by the respondents (by gender) and the strategies used to resolve the shocks. Health-related shocks have been the top 2 shocks faced by men and women. Food and education or schooling have been the top 2 expenses perceived to have the greatest cost increase. Overall, seeking social assistance and borrowing are the top two responses to the shocks and inflationary pressures on expenses.

Figure 21: shocks faced between January and May 2022

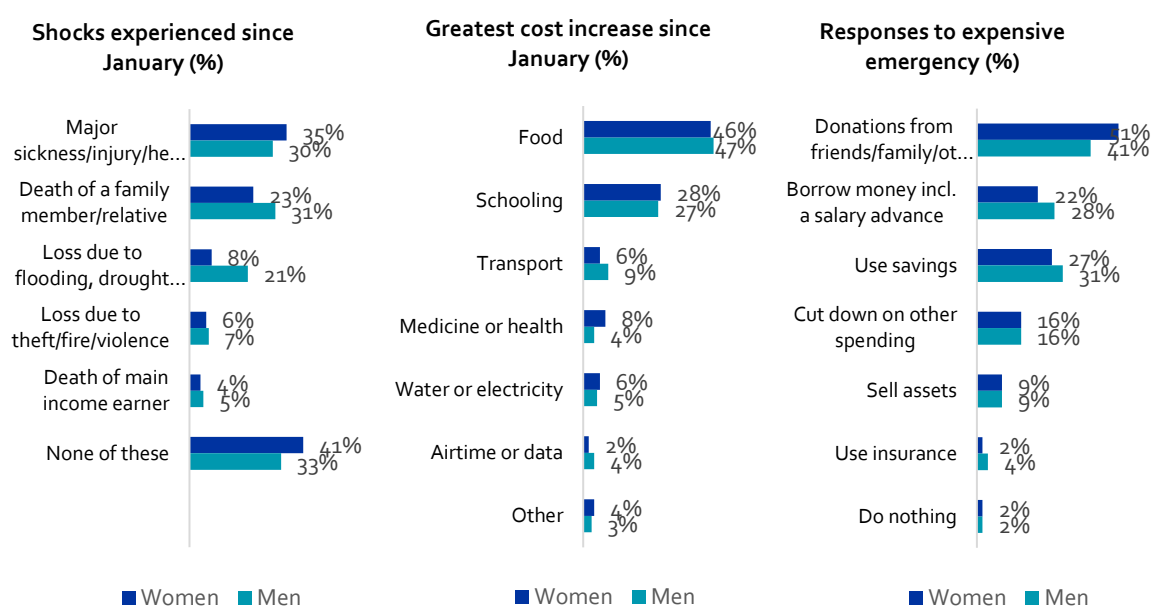
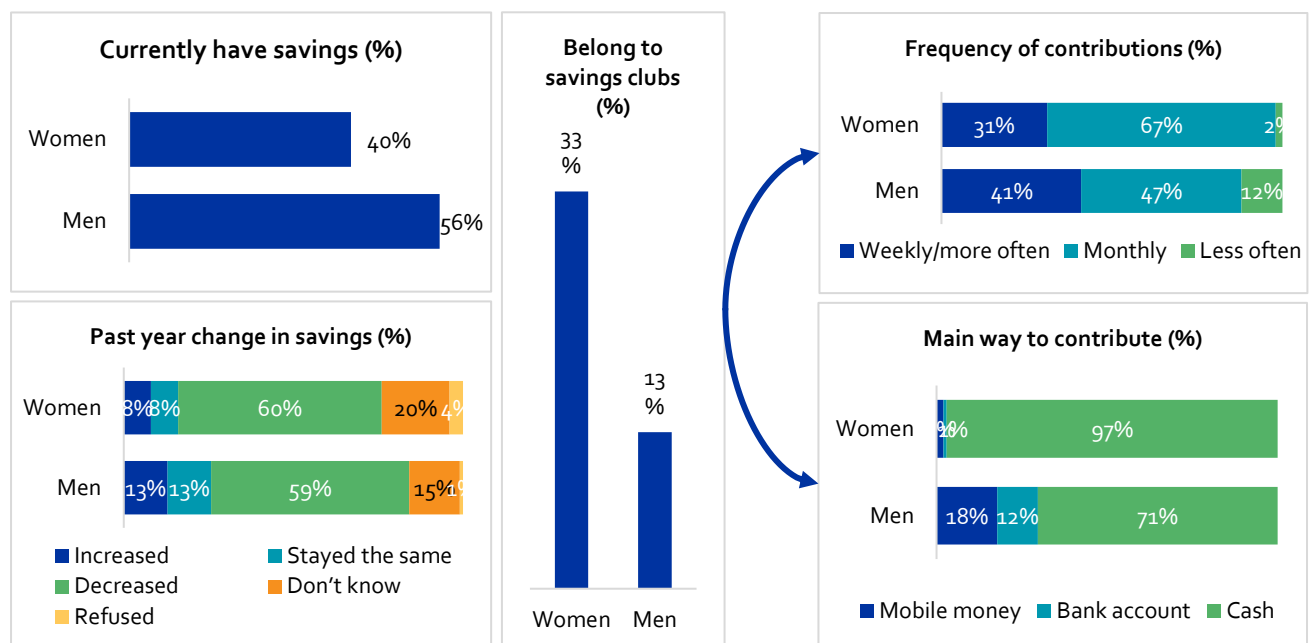


Figure 22 provides a perspective on savings behaviour comparing men and women. More men (56%) currently have savings compared to women (40%), which implies men have more disposable income after expenses are subtracted from income. More women (33%) belong to savings groups, making more frequent contributions. 31 per cent of women make weekly savings group contributions compared to 41 per cent of men. More women (97%) are making savings group contributions using cash compared to men (71%). This could be a function of how savings groups generally make contributions as opposed to reflecting gender dynamics. This makes the digitization of savings groups a potential financial inclusion policy target. However, this could affect group dynamics and potentially undermine the other potential empowering qualities these forums provide.

Figure 22: savings behaviour



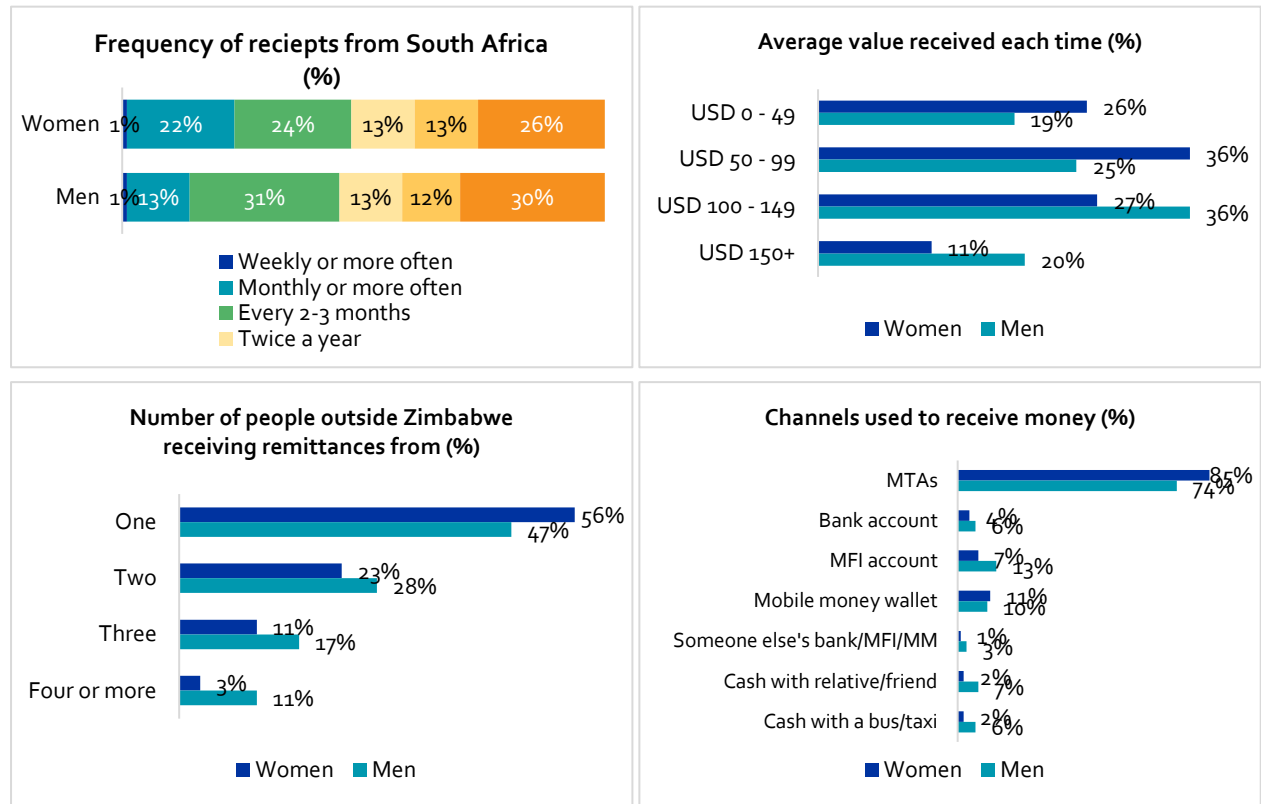
Access to and use of remittances income/goods

The livelihoods analysis shows there is a reliance on social assistance either from family members abroad or domestically. Figure 23 provides an overview of remittances received from South Africa by gender, focused on the frequency of receipts, average values received, number of people outside Zimbabwe sending remittances back home, and channels used to send money to Zimbabwe.

There is a higher proportion of women (22%) receiving monthly remittances compared to men (13%), while most men receive higher average values. 36 per cent of men receive between USD 100 – 149 compared to 36 per cent of women receiving an average of USD 50 – 99. The proportion of women relying on one benefactor is more than that of men while a higher proportion of men have multiple

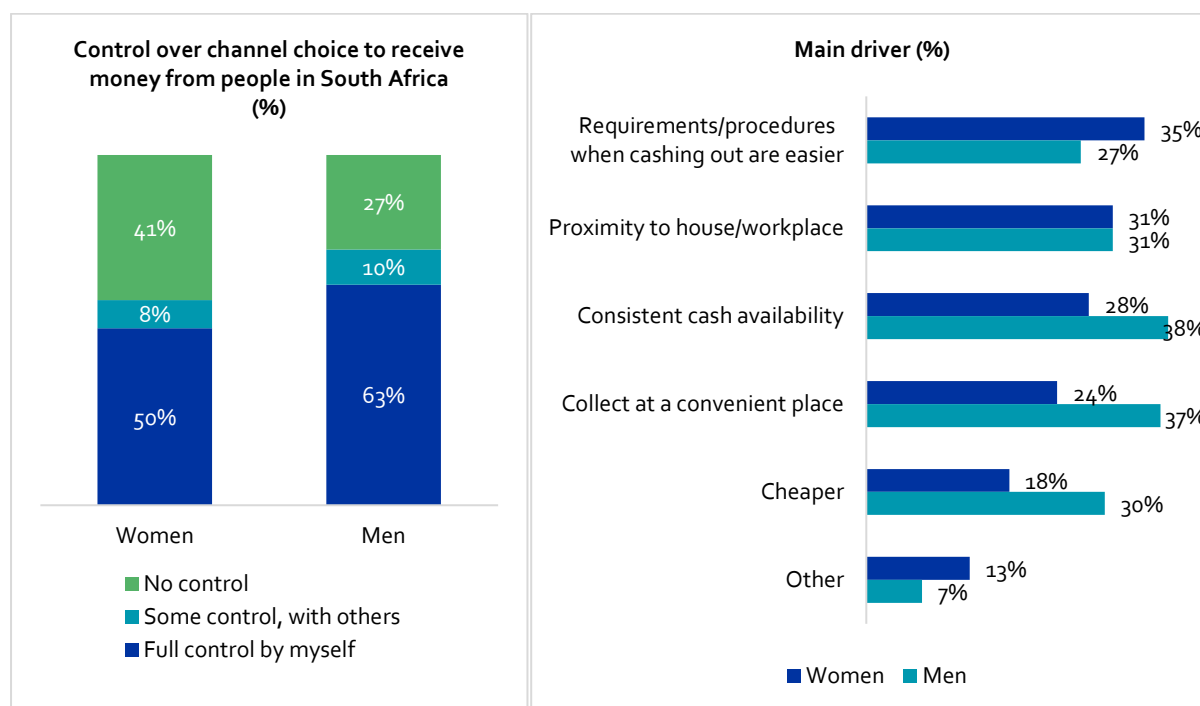
benefactors compared to women. MTA agents are the most used channels; this confirms the findings from the service provider landscape section. Essentially, it is evident from the survey and the regulatory data that South Africa to Zimbabwe remittances are via non-banks, non-digital means and are agent-based.

Figure 23: overview of cross-border remittances receipts from South Africa



In terms of the channel used, the agency over which channel to receive remittances and the main drivers of the channel used are depicted in figure 24. More women have no control or agency over the choice of channels for receiving remittances compared to men. 38% of men consider consistent cash availability when deciding on a channel.

Figure 24: Agency and drivers of channels used to receive remittances from SA



Of the total respondents, 92 per cent received the funds through Mukuru. Despite the sample being drawn as a mix of existing Mukuru customers, 3 per cent of the sample, and randomized lists, 97 per cent of the sample this finding shows that Mukuru has a large market size. Regulatory data confirms that Mukuru has the highest market size compared to other ADLAs in the South Africa to Zimbabwe corridor.

However, in the qualitative study, some of the participants revealed that they receive money and goods from South Africa via informal means. A notable reason for using informal remittance providers is that the goods or cash are delivered to their homes which is more convenient than travelling to cashout at agent locations.

“They both used to send me money using a malaicha⁶⁵. ”

“My son sends me money through Mukuru. My niece normally uses these new ways of sending money that people are using these days. ... She uses people who are in South Africa who give her a receipt and then I get the money here.” (Female, 45-54 age group, unemployed, Bulawayo, urban)

⁶⁵ through a person who is coming from South Africa to Zimbabwe via bus

“No, they are also some agencies in Bulawayo here, you just go walk in the door, they just send me a message go to this place and then you collect money from there..I think these are informal setups. From the way I see it. Meaning they probably not registered with the Reserve bank of Zimbabwe” (Male, 45-54 age group, employed, Bulawayo, urban)

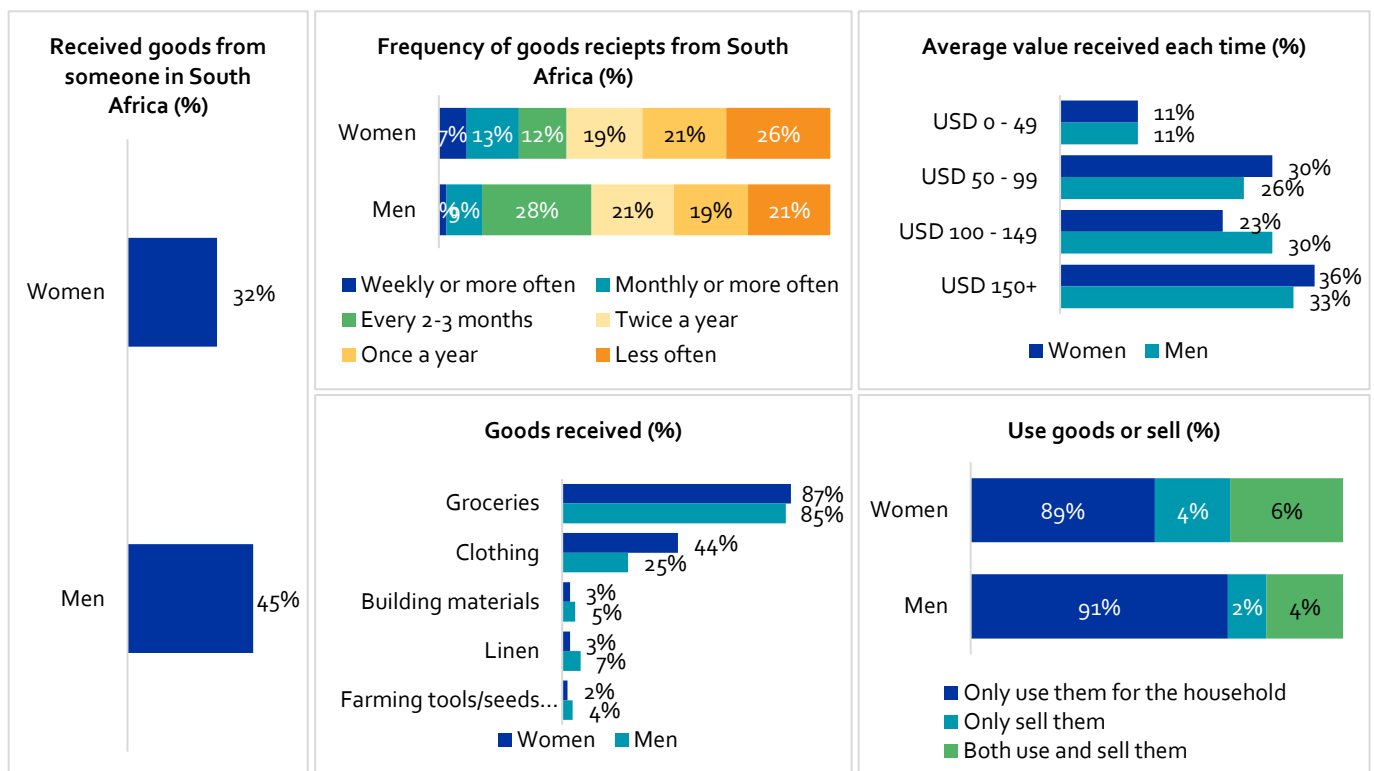
“Sometimes she sends through Mukuru but usually she uses those Malaicha guys

Receiving through Mukuru, this means I have to travel to Tsholotsho centre to draw the money ... Its 90 kilometres away. Yes, sometimes there will be very long queues. Sometimes almost a full five hours... For the tuck-shop, my business, I have someone who will be working there, then for my job I will take a day off.” (Female, 35 – 44 age group, business owner, Masvingo, rural)

“ Yes, he sent with Omalaicha. For Mukuru we have to go to town ... pay R100 to go there.. For Malaicha they come home” (Female, 35 – 44 age group, casual worker, Matebeland South, rural)

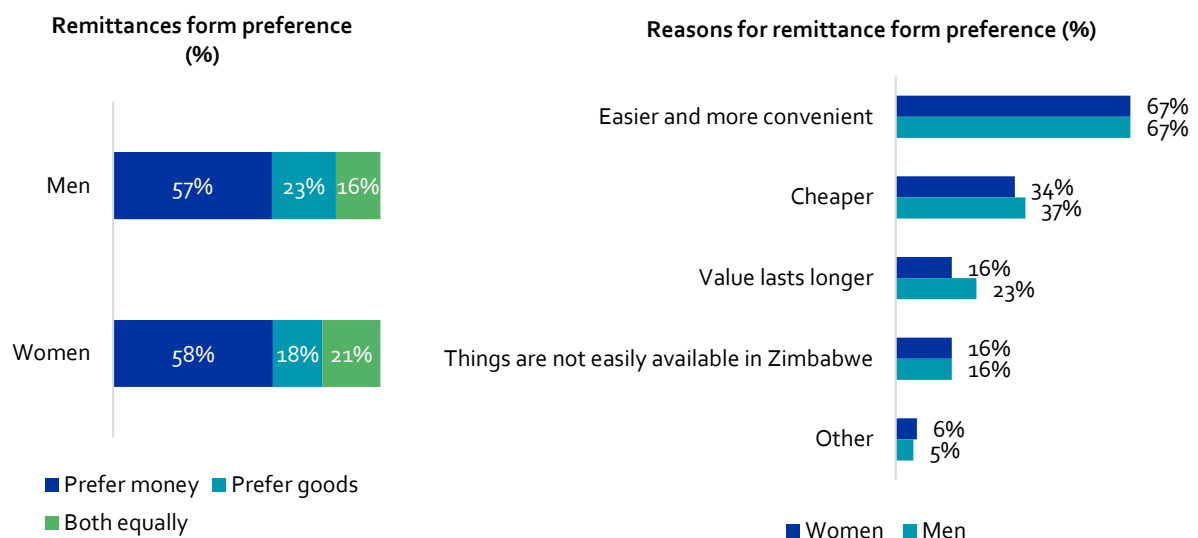
As previously discussed, Mukuru and Hello Paisa provide remittance services that facilitate access to goods. An overview of goods received is illustrated in figure 25.

Figure 25: overview of goods remittances inbound to Zimbabwe



A higher proportion of men received goods compared to women, but a higher proportion of women (20%) receive goods more frequently than men (10%) over a combined weekly and monthly period. A higher proportion of women (36%) received goods worth USD 150+ compared to men (33%) with the household consumables or groceries being the class of goods that dominates the market followed by clothing. In terms of preferences for either goods or cash, figure 26 illustrates the differences between men and women in the sample.

Figure 26: preference between money and goods



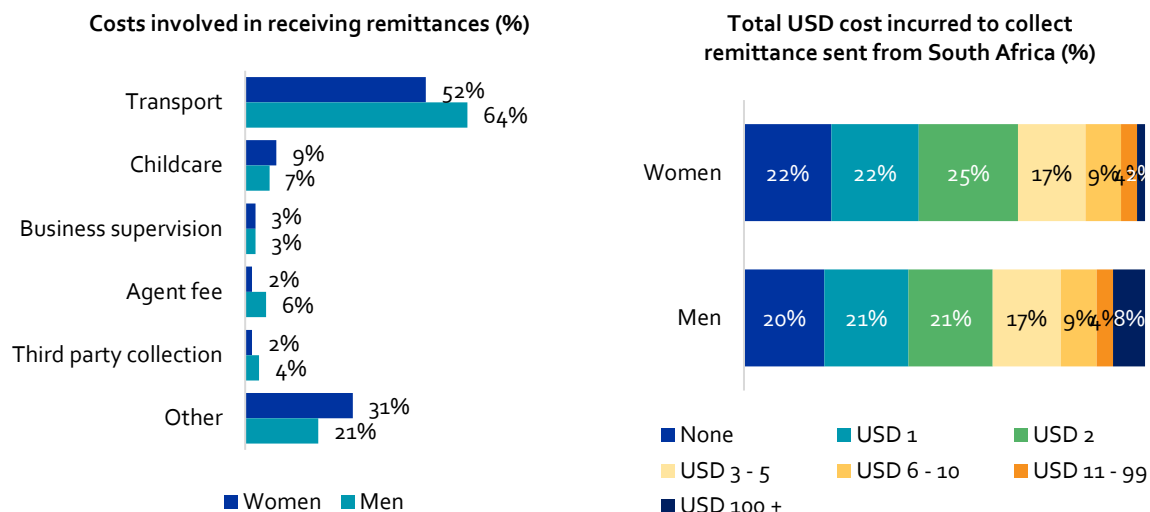
A higher proportion of women prefer money to goods while a higher proportion of men prefer goods to money. The preference of men could be indicative of the sample skewed toward men who are likely to spend on business inputs as shown in figure 20. The business inputs are usually imported from South Africa given the documented scarcity of goods in Zimbabwe over the last few year. From the qualitative study, preference for goods was expressed as shown in the quote below.

“It is good when we get money and groceries. Because according to my opinion, I think the grocery in Zimbabwe is very, very, very expensive. So, when she gives us grocery and money, we will know that the groceries will cover us for the month, and then we only pay the money we won't be having stresses about well, how much are we going to buy for the mealie meal or how much are we going to change exchange rate so that we go and buy what we need” (Female, 35 – 44 age group, casual worker, Matebeland South, rural)

The perception of the costs of remittances show that transport is the largest component of the cost of receiving remittances. More women tend to leave children, with someone to look after them, while these

women go to collect remittances compared to men. A higher proportion of women pay up to USD 2 to receive remittances compared to men as shown in figure 27.

Figure 27: cost of receiving remittances



The qualitative study also shows that transport and time spent in queues are cost factors that reduce the value proposition of formal remittances as shown in the quotes below:

“Yes, indeed it affects my ability to earn money on that day because I would have taken off from work for those hours. So, I end up devising ways of getting ahead in the queue so that I get inside and get my money so that I get back to work quickly.” (Male, 15 – 24 age group, casual work, Bulawayo, urban)

“But I’ll be honest with you it’s better to receive money on Worldremit than from Mukuru. The queues are serious here in Bulawayo, very serious. Ya, Mukuru is very serious.” (Female, 45 – 54 age group, unemployed, Bulawayo, urban)

One of the participants provided a sense of the cost of informal remittances service providers, malaichas, stating that it costs 10 per cent of the amount sent.

“She gives them the money then they charge her 10 per cent of the amount that she has sent and then they deliver it to me.” (Female, 35 – 44 age group, employed, Bulawayo, rural)

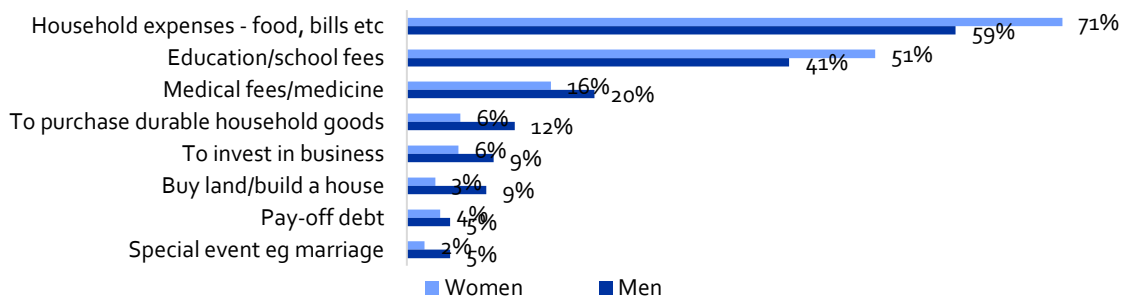
3.8.3. Use and impact of remittances

Research conducted by FMT⁶⁶ in 2017 found that remittances play a vital role in supporting household consumption, and in improving food security. However, the way this dynamic plays out may be affected by the nature of food production in the origin community. For example, where the origin household has access to good agricultural land, remittances may do more to support food security if they are timed to pay for seasonal agricultural inputs, like fertilizer, labour to assist with harvesting, or vet fees. By doing so, the remitter improves the ability of the recipient household to grow food, and thus indirectly improves food security. Alternatively, for recipients in urban areas or without access to good land, regular/monthly remittances play a more significant role in helping to purchase food.

Data received from RBZ, for 5 February 2022, depicting inbound remittances from South Africa also assists in forming expectations on the possible impact of remittances on beneficiaries. Half the total value of transactions were for groceries and food, as shown in Figure 12. Construction, medical bills, education, and utility bills make up the rest of the transactions.

The main uses of remittances income are illustrated in figure 28 which shows that household consumables or groceries, education and medical expenses are the top 3 uses for remittances. Education and medical expenses are regarded as basic services in line with the UN SDGs, therefore, demonstrating that remittances have a microeconomic impact on the economy by facilitating access to basic services. Compared to household consumption, the business or investment use cases of remittances are much lower with only 9 per cent of men and 6 per cent of women using remittances for business reasons.

Figure 28: main use of remittances (%)

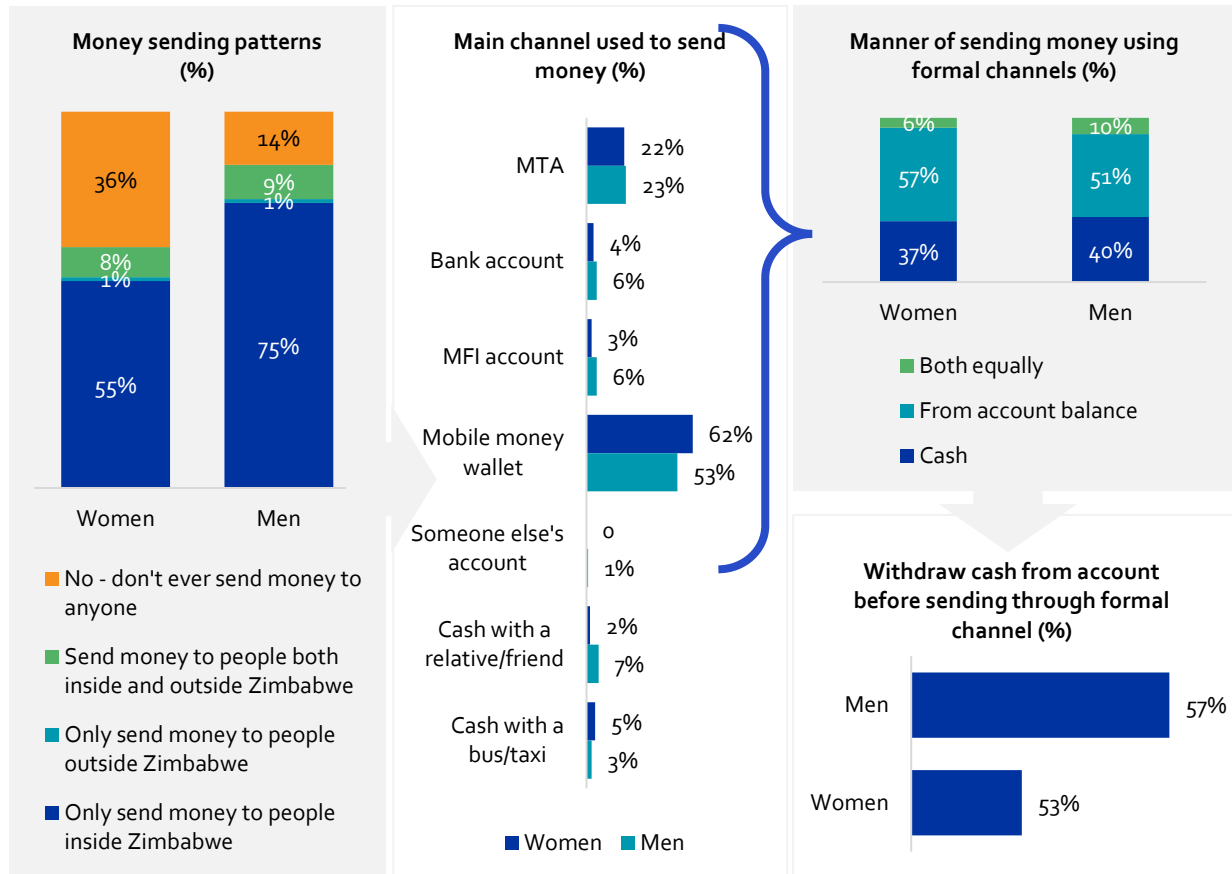


⁶⁶ <https://finmark.org.za/system/documents/files/000/000/247/original/the-impact-of-remittances-in-lesotho-malawi-and-zimbabwe.pdf?1602597191>

3.8.4. Overview of domestic remittances

How recipients of cross-border remittances engage in sending remittances inside and outside of Zimbabwe is illustrated in figure 29.

Figure 29: sending behaviour of recipients



The sending behaviour of both men and women are identical although a higher proportion of men (75%) send money to people within Zimbabwe compared to women (55%). A higher proportion of women (36%) are net recipients and do not send money to anyone compared to only 14% of men. In terms of platforms used, a higher proportion of women (57%) send money through their accounts while a higher proportion of men (40%) send using cash compared to women (37%). The qualitative study also provides some perspective on domestic remittances behaviour, with EcoCash being the most used platform for domestic remittances.

“I have got young brothers who live in the rural areas I do send some money. And I use EcoCash most of the times because deep in the rural areas they don't they have access to the banks. So I use EcoCash to send them. But when they would have pressing issues that needs Forex that's when I use Mukuru and they'll have to travel to town to collect the money.” (Male, 45 – 54 age group, employed, Bulawayo, urban)

“In terms of frequency, I use EcoCash more because if you are sending money to someone in the rural areas, they do not have access to a Mukuru money agent at all. So they will normally use the money that I send to them via Ecocash to buy things like groceries. Like the last time my husband's sister's husband passed away, I saw that the best option was for me to send her money through EcoCash so that the burden of the funeral wouldn't be too heavy on her. Also, the USD to ZWL rates on the day may be high, so you end up changing the money and having it deposited into your EcoCash wallet and sending it that way because there are no Mukuru agents in the rural areas.”
(Female, 35 – 44 age group, employed, Mashonaland East, rural)

“Sometimes I use the bus or EcoCash, or sometimes I can use people that I know who will be going home.” (Female, 25 – 34 age group, casual work, Matebeland South, urban)

3.8.5. Levels of financial inclusion and literacy of recipients of remittances

In 2016, the GOZ, assisted by the World Bank, set out a vision for financial inclusion in the Zimbabwe National Financial Inclusion Strategy (NFIS) (2016 – 2020). Informed by the 2016 MAP Diagnostic findings, the NFIS has the following pillars:

- Financial innovation to improve access to financial services by leveraging on advancements in information technology and developing suitable financial products for varied financial customers
- Financial literacy to address financial literacy deficiencies in the country, through the implementation of programmes that will enable consumers to acquire knowledge, skills, attitudes, and behaviours to be aware of financial opportunities, make informed choices in line with their circumstances and take effective action to improve their welfare
- Consumer protection to promote consumer confidence in the financial system through product pricing transparency, limiting exploitation of consumers by service providers, and building and

strengthening trust and confidence in the formal financial services sector, particularly among the low-income households

- Microfinance to expand the provision of financial services to low-income households and micro, small and medium enterprises, at the bottom of the pyramid, that are affected by comparatively higher levels of financial exclusion

The World Bank 2017 Global Findex statistics below give a summary of Zimbabwe's level of financial inclusion:

Table 5: level of financial inclusion in Zimbabwe 2017

% of adults with an account	55.3%
% of adults with a financial institution account	28.2%
% of adults with mobile money	48.6%
% of adults that made or received a digital payment	52.5%
% of adults that save at a financial institution	5.3%
% of adults that borrow at a financial institution	4.7%
% of adults that save	53.6%
% of adults that borrow	48%

Source: World Bank

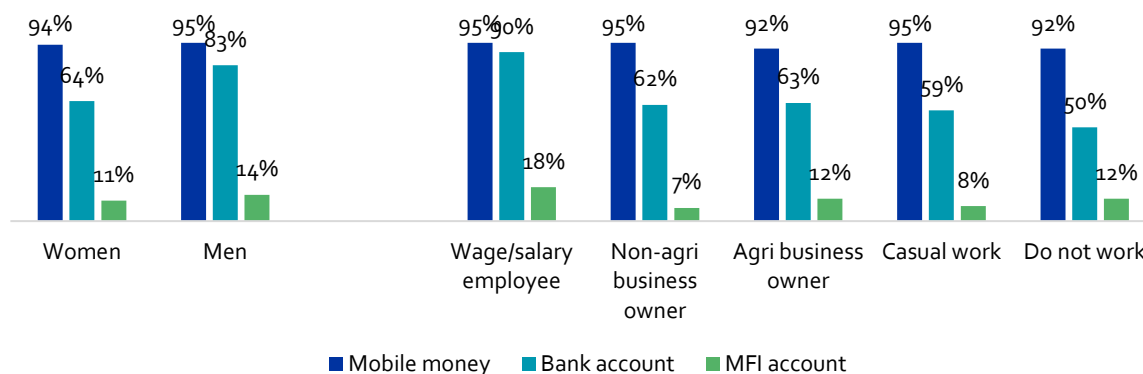
The Global Findex does not provide granular data on the financial inclusion levels of recipients of remittances. The most recent consumer FinScope⁶⁷ fills this data gap, but it is expected that significant changes would have occurred between 2014 and 2022. The RBZ recently commissioned a FinScope consumer survey which would provide insights to update the level of financial inclusion, specifically for recipients of remittances in Zimbabwe. The key findings will be available in July 2022.

From the demand side survey implemented for this study, the level of financial inclusion of the sample is quite high as illustrated in figure 30. Mobile money penetration is over 90 per cent for both men and women. Mobile money is also driving financial inclusion across types of employment with people who do not work also having an over 90 per cent level of access or financial inclusion. Most of the salaried workers (90%) have a bank account compared to 50 per cent of those who do not work. A higher proportion of men also have a bank account compared to women. Salaried workers also have the highest proportion of

⁶⁷ <https://www.rbz.co.zw/index.php/research/research/working-papers/101-finscope-consumer-survey-zimbabwe-2014>

those that have a microfinance account, which might be used to supplement income, compared to agricultural business owners who probably need business financing.

Figure 30: uptake of formal financial savings and payments platforms (%) by gender and employment type



Regarding financial literacy, insights were drawn from the qualitative survey implemented to generate this report. The participants either have a documented budget or not. The participants mostly prioritize basic needs such as food, education, electricity, and rent. Therefore, budgets are informed by recurring expenses rather than long-term goals. Some of the quotes below provide some insights.

“I normally write them down knowing that each essential bill has this money allocated for it and so on.” (Female, 35 – 44 age group, employed, Bulawayo, rural)

“I have a mental budget.” (Female 35 – 44 age group, business owner, Mashonaland East, rural)

“At the end of every month, we sit down and discuss which things are more pressing. And then we start prioritizing starting with those things which are more important than others? As a family me and my wife.” (Male, 45 – 54 age group, employed, Bulawayo, urban)

“Hmmm, actually I don’t have a budget... I just buy what is mostly not there.” (Female, 35 – 44 age group, employed, Bulawayo, rural)

“Well, the budget that I know in my mind, I know I have to pay rent, I have to buy food, I don’t usually write it down, I just know that I have the responsibilities that I need to take care of

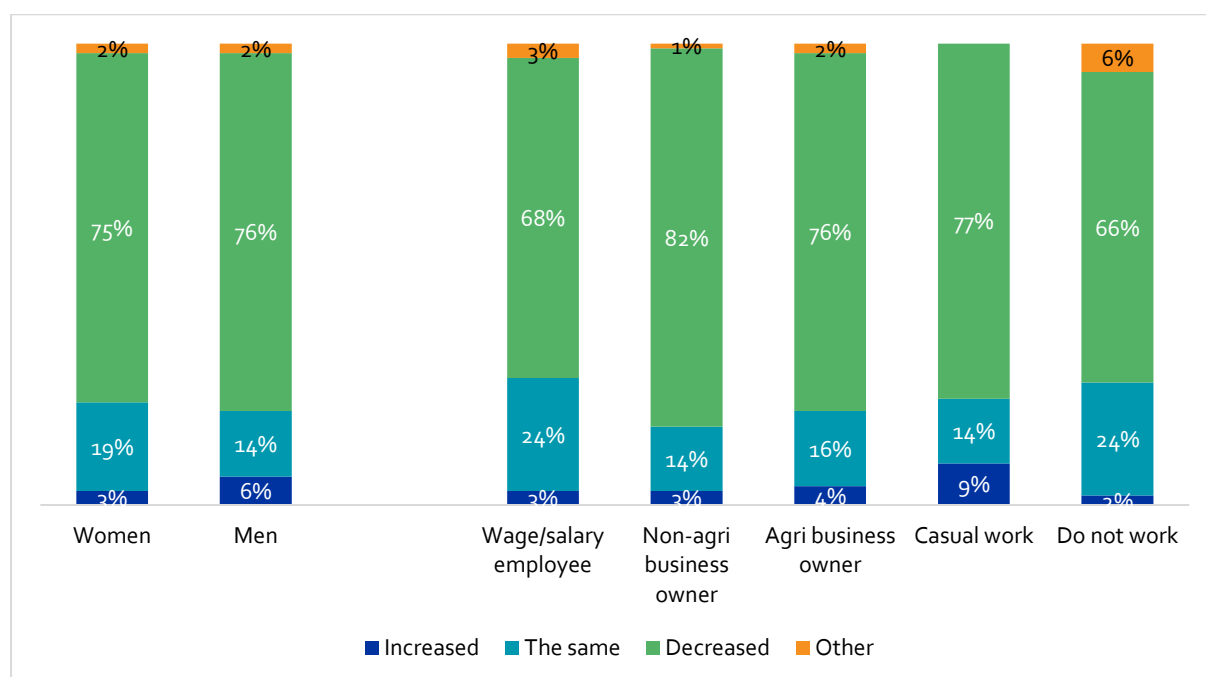
“Usually, when it’s month-end in the last week of the month and in the first week of the month, the queues are usually long.” (Female, 35 – 44 age group, casual work, Harare, urban)

3.8.6. Impact of COVID-19 on recipients of remittances

The World Bank funded Poverty, Income, Consumption and Expenditure Surveys⁶⁸ (PICES) third-round results revealed that remittances from abroad dropped from 65 per cent in the second round to 49 per cent in the third round. At a national level, 49 per cent of total respondents reported having experienced decreased, or periods of no, income since the onset of Covid-19. This show that COVID-19 had an impact on the ability to consumer basic services and engage in business activities. Figure 31 shows the impact of COVID-19 on remittances received by the total sample by employment type and gender.

A higher proportion of women experienced a decline in remittances received compared to men, while a higher proportion of men experienced an increase in remittances compared to women. A higher proportion of casual workers experienced an increase in remittances received compared to all other employment types while a higher proportion of non-agriculture business owners experienced a decrease in remittances compared to the other employment types.

Figure 31: impact of COVID-19 on remittances received by employment type and gender (%)



⁶⁸ https://www.zimstat.co.zw/wp-content/uploads/publications/Income/Finance/Final_Rapid_PICES_Report_Round3_23_07_2021.pdf

4. DATA AND RESEARCH GAPS

The preceding sections have used multiple data sources in providing an overview of the South Africa to Zimbabwean market, taking the key policy priority areas into consideration. This section discusses some of the data gaps. The IOM has explored some of the migration-related data gaps in an unpublished 2019 report “Assessment of Existing Migration Data and Gaps - Strengthening of Migration Data Collection and Analyses in Zimbabwe.” One of the key data gaps identified in the IOM report is the lack of comprehensive data on emigrants outside of Zimbabwe. This is confirmed in this report concerning the Zimbabwean migrants in South Africa.

4.1.1. Migrant data gaps

Given that an estimated 80 per cent of Zimbabwean migrants in South Africa are undocumented, which means administrative data would be unavailable and demand-side surveys, which are costly, would be required. Therefore, it is recommended that periodic surveys are conducted to keep track of Zimbabweans in South Africa to develop policies that can harness the impact of the remittances they send back home. The sampling methodology for the survey can be informed by the SARBs balance of payments data which indicates the location, within South Africa, from where the senders are transacting.

The survey can be used to meet the objective of maintaining a database of the diaspora which is one of the key objectives of the Zimbabwe Diaspora Policy 2016. This aligns with the IOM 2019 report recommendations to “undertake a dedicated migration survey and capitalize on the already existing ZimStat 2016-2020 strategic plan that includes undertaking a stand-alone migration survey”.

The SARB data could potentially provide an estimate of Zimbabweans who are undocumented if it includes a breakdown of KYC categories. Assuming Zimbabweans onboarded via the RBA or those that accessed tier 1 services can be identified. This could potentially be a source for the sample frame of undocumented Zimbabwean migrants, using formal remittances, in South Africa.

4.1.2. Disparities in administrative data, comparing SARB and RBZ

As depicted in figure 7, comparing the SARB and RBZ data shows that there are slight differentials which can be a function of the following:

- The use of different data collection templates

- SARB updates the balance of payment every quarter to capture cancelled or reversed transactions and
- Exchange rate differentials across the two data sources.

These disparities are relatively small but important to note to ensure that using either the SARB or RBZ data provides credible insights into understanding the volumes and values of formal remittances.

4.1.3. Data gaps on recipients of remittances

The surveys conducted in this research report focused on recipients of remittances but did not result in a sample that is fully representative of this target group. A key data challenge was the lack of a sample frame from which remittances recipient families can be drawn. The project team relied on random digit dialling and a list of Zimbabweans who received remittances through Mukuru. Coupled with time constraints, this meant that the final sample had a bias toward urban areas and did not adequately cover locations in Zimbabwe that exhibit higher levels of emigration.

Maintaining a database of migrant households as recommended in the IOM 2019 report could reduce the cost of sampling, and generating insights on, households that rely on remittances income. This can be informed by the RBZ data, as a sample frame, which provides information on the names of recipients and their location, subject to the appropriate data privacy law considerations.

4.1.4. RBZ exchange control data challenges

The RBZ provided access to the BDTCRS which contains inbound remittances. However, the system was only completed in 2022 and backend IT development is not finalized which resulted in only having data for one day (5 February 2022) which was analyzed from figure 9 to figure 11. The data available includes:

- Name
- MTA used
- Gender
- Physical address, which informs urban/rural location
- Source of remittances
- Use of remittances

- Amount received

However, the RBZ does not provide any detail on whether the transactions are cash or digital, which is important to track in terms of promoting digital financial services in Zimbabwe.

5. CONCLUSION AND RECOMMENDATIONS

The “Improving Data on the Flow and Impact of Migrant Remittances for Development in Zimbabwe” project aims to inform public policy actions that can maximize the positive impact of remittance flows on the country’s development, including through the promotion of sustainable investments and community development. This report, as one of the components of the IOM project, aimed to quantify:

- The level of financial and non-financial volumes and values of remittances back to Zimbabwe
- Cost of remittances to Zimbabwe
- Formal and informal channels used to send money to Zimbabwe and the reasons for using each channel
- Frequency of receiving money from Zimbabwean migrants
- The use of remittances by recipients in Zimbabwe as it relates to household consumption, business activities and payment of taxes
- The impact of the remittance income in Zimbabwe on recipient livelihoods in relation to the quality of goods consumed, eg, food and nutrition, health, education, energy sources, the ability to pay for unexpected expenses and build household resilience and the ability to plan for future lifecycle goals of household members
- The impact of COVID-19 on remittances and the household’s dependence on remittances.

The focus on migrants in South Africa is based on the estimates that Zimbabweans make up the largest group of migrants from the SADC region in South Africa and that South Africa is the top destination of the Zimbabwean diaspora. The expected outcome of this research is to generate a report providing recommendations on priority/catalytic reforms, interventions, and activities to support the use of remittances for investment, improve financial literacy and inclusion as it relates to the Zimbabwean Diaspora Policy 2016 which is under review. The research methodology entailed desktop research, key informant interviews and a demand-side survey, including quantitative and qualitative elements, which were conducted between April and May 2022.

The conclusion of this report covers an overview, policy, regulation, the supply side, and the demand side.

5.1.1. Overview, policy, regulation, and supply side

- An estimated 80 per cent of the total Zimbabweans in South Africa are undocumented, indicating that there is an informal market for remittances given legacy regulation on access to financial services in South Africa and perceptions of the value proposition of using formal relative to informal remittances. Most of the migrants in South Africa are men, therefore remittance senders are mostly men while recipients are mostly women.
- The South Africa regulatory environment specifically through the expansion of ADLA licences in 2014 and the FICA amendments in 2017 has reduced access barriers to using formal remittances services in South Africa.
- The South Africa to Zimbabwe corridor is the largest in SADC averaging over 3 million transactions and USD 296 million a year between 2016 and 2021. The average transaction size declined from USD 72.84 in 2016 to USD 63.11 in 2020. The decline in the average transaction size is indicative of an expansion of access to lower-income Zimbabwean migrants in South Africa who are not able to transact higher values.
- 86 per cent of total transaction volumes from South Africa to Zimbabwe are through non-banks (ADLAs), which shows that the regulatory interventions to expand access to formal remittances to migrants in South Africa have had a positive impact.
- Over 80 per cent of remittances from South Africa to Zimbabwe are cash based. People are making more use of agent networks compared to digital channels but the speed of transactions, especially for ADLAs, is within a day.
- The weighted average cost of remittances was 9.2 per cent of USD 55 in 2021 compared to 13.1 per cent in 2019, showing a positive downward trend.
- From a Zimbabwean regulatory point of view, access to formal remittances falls within a broader national diaspora policy from 2016, which is currently under review. The RBZ as the regulator of financial services introduced the Limited Authority (ADLAs) framework in April 2015 through Exchange Control Statutory Instrument 104 of 2015 to reduce entry barriers for services providers. The RBZ also issued the Exchange Control Circular no 8 of 2021 to allow digitization – approving partnerships between ADLAs and banks/MNOs. This is a new development, which could lead to the digitization of the last mile for receiving remittances.

- The providers of goods remittances face the challenge of competition from the informal market, who are more likely to smuggle goods rather than pay tariffs, as Hello Paisa does. Smuggled goods based on these informal economic activities are cheaper.
- In the middle mile, the most significant challenge remains access to forex to facilitate cashout given the limited scope the local banks have in availing forex to ADLAs. Physical forex is transported into Zimbabwe which is costly.
- Zimbabwe has a sizeable informal economy with active informal cross border trading activities which have the institutional support of the ZCBTA. The ZCBTA is in partnership with FBC Bank which provides the traders with a MasterCard to encourage cashless cross-border trade, whilst providing the means of making informal cross border trade more visible. The usage of this MasterCard is currently not accounted for in the balance of payments data. The ZCBTA is not explicitly included in the Zimbabwe Diaspora Policy 2016.

5.1.2. Demand side, based on recipients of remittances from South Africa

- The total sample of 511 respondents is biased towards urban areas, women, who make up 70 per cent of the total sample, Harare residents, and adults in the 35 – 44 age category
- 43 per cent of the total sample receive remittances income every 2 – 3 months or less
- The main channel used to receive remittances is an MTO agent. This confirms the findings from administrative data that over 80 per cent of inbound remittances into Zimbabwe from South Africa are through agents and are cash based
- The qualitative survey revealed that Zimbabweans particularly in rural areas in Bulawayo and Beitbridge prefer the informal mechanism, malaichas, that reduces the cost of visiting an agent to cash out since the malaichas deliver to their homes.
- There is a preference for cash over goods remittances
- Financial literacy assessment was based on budget keeping. Most of the respondents expressed cash management challenges. Budgeting is mostly focused on recurrent expenses such as rent, education, food, and medical services, which some respondents claim to write down while others keep a mental note of.

- 94 per cent of the respondents have a mobile money account, while 69 per cent have a bank account
- Transportation to agent location is a cost driver for 56 per cent of respondents, with 66 per cent paying USD 5 or less to fetch their remittances. The need to find someone to look after children is also a cost factor with 19 per cent of respondents citing it as an issue
- 58 per cent receive USD 99 or less per remittances inflow.
- Remittances income is mainly used for household expenses like food, education bills, medical bills, and durable household goods. 6 per cent and 5 per cent of respondents stated they have received remittances for investment and construction reasons respectively
- With regards to the impact of COVID-19, 74 per cent claimed to have experienced a decrease in remittance amounts received.

5.1.3. Recommendations

1. The demand side survey showed that rural residents still struggle with access to agents based on the cost incurred to cash out, which means that policies that leverage the Exchange Control Circular no 8 of 2021, which allows partnerships between ADLAs and banks/MNOs, can reduce the cost of accessing remittances. This can also increase digital liquidity to ensure that remittances inflows remain on digital savings platforms to avail funds. This can potentially reduce the usage of informal mechanisms, such as Malaichas, that are still popular outside of Zimbabwe
2. A better understanding of the class of goods remitted to Zimbabwe is required to provide the basis for engaging the revenue authorities in both Zimbabwe and South Africa on the potential of reducing or waiving the duties on goods through the ADLA 4 licence. This could decrease the cost of goods remittances making them more attractive than smuggled goods.
3. It is recommended that the ZCBTA be included in the Zimbabwean Diaspora Policy to harness the existing institutional support provided to cross-border traders that can potentially increase the foreign reserves of Zimbabwe. This can be impactful to the objective of increasing liquidity which supports the retail industry and avail forex to facilitate imports of crucial products
4. The RBZ should pursue policies that can further reduce the cost of remittances based on the UN SDG and GCM objectives. The RBZ can influence the further reduction in the cost of

remittances through policies that can bring down the cost of accessing cash to pay-out recipients in Zimbabwe. The last-mile cost drivers are within the control of the RBZ as opposed to the first- and middle-mile cost drivers.

5. Given that recipients of remittances are mostly women, it is recommended that women-headed households that are fully dependent on inbound remittances, be prioritized as a policy target and their livelihood profile should be tracked over time. This will ensure that the policy objectives of leveraging remittances as a mechanism to improve household resilience and financial inclusion through a gender-inclusive approach. Financial literacy programmes can also be tailored specifically to this target group
6. It is recommended that there is a monitoring and evaluation framework for the investments that have been amassed through the RBZ Diaspora Desk.
7. Improve monetary policy to ensure purchasing power of remittances is not eroded by inflation.
8. Identify the economic points of interest, such as marketplaces and bus terminals, across Zimbabwe and develop policies that encourage payment service providers to increase visibility in under-served areas, especially in the rural area.
9. The RBZ should support innovation that allows the linking of other financial services to remittances services, eg credit, insurance, and savings, to increase and deepen the financial inclusion of recipients.



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