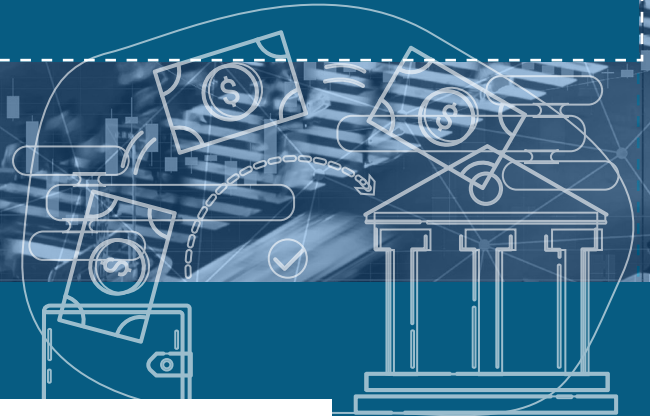




United Nations  
Economic Commission for Africa

# Coronavirus disease (COVID-19) and migrant remittances



**PROTECTING AN**

**ECONOMIC LIFELINE**



**COVID-19  
RESPONSE**





United Nations  
Economic Commission for Africa

# Coronavirus disease (COVID-19) and migrant remittances

## **PROTECTING AN ECONOMIC LIFELINE**



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# Acknowledgements

**T**he present report, entitled “Coronavirus disease (COVID-19) and migrant remittances: protecting an economic lifeline” is a joint publication of the Economic Commission for Africa (ECA) and the ONE Campaign, a global movement campaigning to end extreme poverty and preventable disease, particularly in Africa. The report was prepared in order to inform ongoing dialogue on the socioeconomic repercussions of the COVID-19 pandemic at the global and African levels.

The present report was prepared under the overall guidance of David McNair, the Executive Director for Global Policy at the ONE Campaign, and Vera Songwe, Executive Secretary of the Economic Commission for Africa (ECA).

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# Executive summary

**R**emittances constitute a global lifeline for people across the planet, especially in low- and middle-income countries. Their importance has even exceeded that of foreign aid, private capital flows and foreign direct investment in developing countries.

The COVID-19 pandemic has severely impacted remittance inflows to Africa, mainly owing to the situation that African migrants face in destination countries, many of which have been the greatly affected by the pandemic, and the disruption of the operations of remittance service providers.

Based on World Bank projections, the Economic Commission for Africa (ECA) projects that remittance inflows to Africa could decline by 21 per cent in 2020, implying \$18 billion less will go to the people who rely on that money. It is therefore critical to preserve this essential lifeline. As the world enters an economic downturn, remittance flows will be more important than ever for the poorest and most vulnerable people, in particular those without access to economic and social safety nets. Governments across the world should take effective action to facilitate and boost remittances in view of supporting the fight against COVID-19 and ultimately building a more sustainable post-pandemic world.

Against this backdrop, ECA and ONE Campaign have analyzed the impact of the COVID-19 pandemic globally and in Africa, and have explored ways to attenuate the socio-economic consequences and preserve remittance lifeline.

## **COVID-19 and remittances in Africa: the importance of preserving the lifeline**

In Africa, one out of five people sends or receives international remittances (IFAD, 2020). Since 2009, the flow of remittances to the continent has nearly doubled; they now comprise more than 5 per cent of GDP in 15 African countries. In 2019, migrant workers sent about \$85 billion to their relatives on the continent. (World Bank, 2020)

But it is not just the volume of money that matters. Remittances provide cash in hand for people living in poverty. Millions of vulnerable people use remittances to cover their essential needs. Indeed, it is estimated that three-quarters of that money is used to purchase nutritious food or to cover healthcare, education and housing expenses. (UNDESA, 2019)

More important, around half of global remittances go to rural areas, where three-quarters of the world's poor and food insecure live. Poor households, in particular those headed by women, are more likely to spend remittances to purchase essential goods and services.

## **Exacerbating an economic crisis**

The COVID-19 pandemic is wreaking economic havoc around the world, and the fallout in Africa will be acute. Under the most optimistic scenario, ECA estimates that the continent's economic growth could contract by 1.4 percentage points in 2020, pushing nearly 5 million

people into extreme poverty. For both remittance senders and recipients, COVID-19 has meant job losses and a decline in income.

Migrants are overrepresented in many of the countries that have been most affected by the pandemic. While migrants make up less than 4 per cent of the global population, they represent at least 8 per cent of the population in six of the ten countries with the highest number of COVID-19 cases (World Bank data as at 5 June 2020). The wealthy economies of North America, Europe and Middle East also host a large share of African migrants and are the source of more than half of total remittances sent to Africa.

Beyond the loss of earnings, millions of senders also have found it difficult to send money to their relatives during the lockdown. There are 1.7 billion unbanked adults globally, of which 75 per cent own a mobile phone that could facilitate their access to financial services (World Bank, 2020). Financial technology companies (e.g., telecommunications operators) could help to lower remittances costs by facilitating access and speeding up the clearing and settlement of transactions (UN, 2020).

In Africa, ECA estimates remittance flows are expected to decline by 21 per cent, to reach \$67 billion in 2020, wiping out 6 years of progress.

### **Cost of remittances and counter-cyclical measures**

Typically, senders pay a premium that is negatively correlated with the amount of money that is sent. For example, the median global cost of sending \$500 is 5 per cent; however, the cost of sending \$200 is 7 per cent (World Bank, 2020). Surprisingly, banks charge the most to send \$200, about 11 per cent. In 2017, senders paid approximately \$30 billion in fees (Money and Banking, 2018).

At the global level, remittance costs remain relatively high, compared with the target of 3 per cent set in Sustainable Development Goal 10. Transfer fees to Africa vary substantially across remittance corridors, and additional global efforts should be made to reduce remittance costs and support the continent in mitigating the socio-economic impact of the COVID-19 pandemic. Although Africa is the region with the largest number of people living in poverty, it is the most expensive region for receiving remittances, with an average cost of 8 per cent (compared to 5 per cent for South Asia). Africa also has the highest cost of sending money, at almost 14 per cent. (World Bank, 2020). At the intra-regional level, the cost of remittances remains high, especially in the Angola to Namibia, the Tanzania to Rwanda, and the Nigeria to Togo corridors. In the context of the African Continental Free Trade Area, African countries should considerably reduce the cost of sending cash across the continent in order to support African economies in building back better.

Some countries have rolled out support mechanisms for people who typically rely on remittances. For instance, Ghana has lowered barriers to remittances, announcing that all mobile phone users could open accounts and transfer up to \$170 daily without additional “know your customer” documentation. In Uganda, telecom company MTN has waived fees on mobile money transfers. The Central Bank of Kenya has coordinated with private banks to implement a series of policy changes to preserve access to remittances, including waiving fees for transfers from bank accounts to digital wallets; doubling the daily transaction limit; removing the cap on the number of transactions per month; and increasing the amount of money that can be kept in e-wallets.



## Global call to boost remittances

Many steps have already been taken by countries and service providers to facilitate remittance flows, including in Africa. They should be adopted by other countries and scaled up. Recently, the United Kingdom and Switzerland jointly issued a global call to action,<sup>1</sup> with recommendations for policymakers, regulators and remittance service providers to keep remittances flowing during the COVID-19 pandemic. The call was supported by the World Bank, the United Nations Capital Development Fund, the United Nations Development Programme, the International Association of Money Transfer Networks, and the International Chamber of Commerce. The present report affirms that global call by presenting evidence of the urgent need stated therein.

To increase remittances during the COVID-19 crisis:

- » Finance ministers of the Group of 20 should amend their national remittance plans, along with relevant bank regulations, to reduce the cost of sending remittances to close to zero until the pandemic ends, and thereafter ensure that remittance costs do not exceed 3 per cent, as agreed in Sustainable Development Goal 10.
- » Governments should promote the digitization of the remittance value chain from sender to receiver to help increase volumes, reduce costs and enhance the convenience of sending money.
- » Governments should offer tax incentives to remittance service providers to lower fees, along with relaxing stringent “know your customer” requirements for smaller transactions.
- » All countries should include migrant workers in social protection and stimulus programmes and extend visas so that migrants can continue to work and send money to their countries of origin.
- » Governments should allow money operators to be classified as essential businesses so that they can remain in operation during lockdowns.
- » Governments in low- and middle-income countries should establish or strengthen safety nets for rural households that rely heavily on remittances.

In doing the above, countries will support the global effort to limit the socio-economic impact of the pandemic. This is particularly true for intra-African remittances. African remittances could serve as a leapfrogging instrument to bring about economic transformation by providing support in strategic areas, such as the development of small and medium-sized enterprises, food security, and investment in regional value chains with a view to supplying African markets and building productive capacity. Discussions that are currently underway regarding a continent-wide payment system and interoperable cross-border payment systems will determine the dynamics of intra-African remittances in the coming years.

The present report calls upon governments to make remittances an essential component of their strategies to build back better towards a more sustainable and resilient post-pandemic world. Given that reduced remittance flows could exacerbate the current crisis by cutting poor people off from their primary lifeline, facilitating remittance flows would be an effective way of directly supporting people in need and providing an economic boost to countries, thereby accelerating worldwide recovery and leaving no one behind.



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# Remittances: a lifeline for the global economy

For every 10 people on the planet, one relies on money sent to them from family and friends abroad.<sup>1</sup> For those 800 million people, remittances are a lifeline: they help pay for food, clothing, fuel and basic necessities. Last year, 78 per cent of the \$714 billion in global remittances went to people living in low- and middle-income countries.<sup>2</sup>

Remittances have steadily increased over the past few decades and have become the main financial inflow in developing countries, surpassing foreign aid, private capital flows and foreign direct investment. Remittances to low- and middle-income countries were, until recently, on track to reach \$597 billion by 2021.

COVID-19 has hit this critical source of income hard. Migrants living and working in countries most affected by the virus, including China, European States, the United States of America and countries in the Arabian Gulf, are facing several interrelated crises, including job losses, reduced incomes and health risks.<sup>3</sup> Meanwhile, service providers find it challenging to operate during government-imposed lockdowns.

As a result, remittance flows to Africa are projected to decline significantly in 2020. This reduction could result in \$18 billion decrease in remittance inflows to people who depend on this essential lifeline<sup>4</sup>. Furthermore, fees typically charged for sending remittances to Africa are higher than the fees charged for sending money to any other global region, with the highest fees charged in the Southern African subregion. This further reduces the amounts people in Africa receive<sup>5</sup>.

The global economy is going through its worst economic fallout and remittances are more important than ever for some the poorest and most vulnerable people without access to economic and social safety nets.

It is therefore necessary to preserve this essential lifeline, governments across the world should take more effective actions to facilitate and boost remittances in view of supporting the fight against COVID-19 and ultimately enabling a more sustainable post-COVID world. Figure I sets out key facts regarding global and African remittance flows.

**“Remittances  
are a lifeline  
in the developing  
world, especially now”**

***António Guterres, Secretary-General  
of the United Nations***

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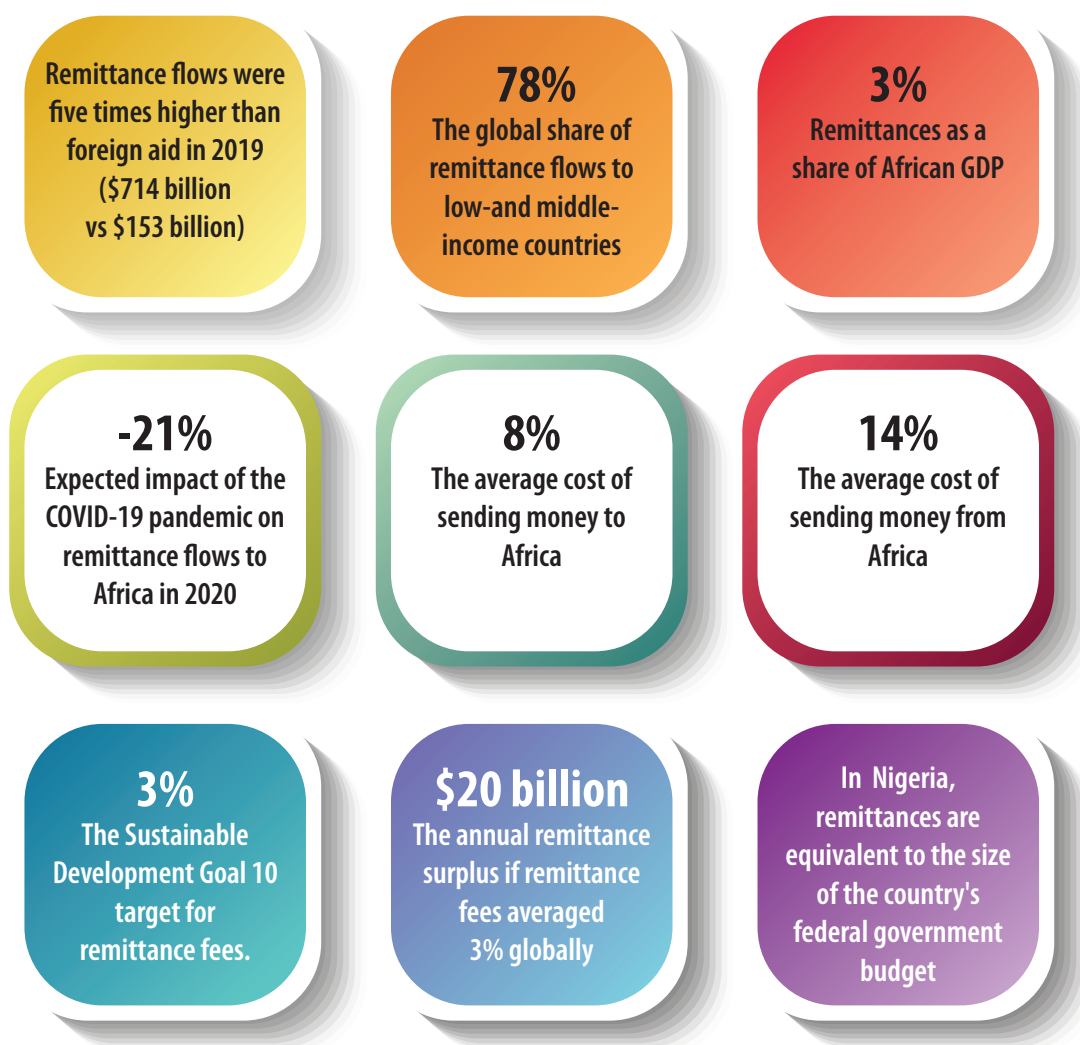
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4 ECA calculation based on World Bank projections.

5 World Bank, 2020, World Bank predicts sharpest decline of remittances in recent history

**Figure I: Global and African remittance flows: key facts**



Around the world, 200 million migrant workers work hard to improve the lives of their families and communities back home.<sup>6</sup> Remittances are the largest source of external financing for all lower-middle income countries except China.

In Africa, one out of five people sends or receives international remittances.<sup>7</sup> Since 2009, the flow of remittances to the continent has nearly doubled<sup>8</sup>. Remittances comprise more than 5 per cent of GDP in 15 African countries. Migrant workers sent about \$85 billion to their relatives in Africa in 2019. In South Sudan for example, remittances account for one-third of GDP while in Nigeria remittances are equivalent to the size of the budget of the federal Government.<sup>9</sup> It is, moreover, projected that remittances will soon exceed total development assistance and foreign direct investment in Africa combined.<sup>10</sup> Figure II below provides an overview of the top remittance recipients in Africa, while Figure III shows the top countries of origin of the

6 IFAD, 2019, Supporting one billion people reach their own SDGs #Family Remittances 2030.

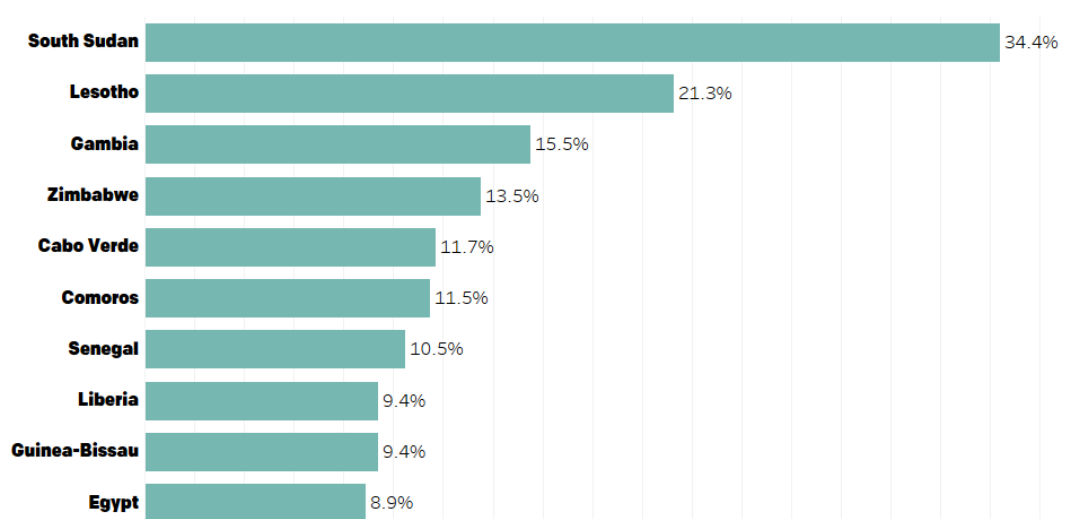
7 World Bank, 2020, World Bank predicts sharpest decline of remittances in recent history.

8 ONE analysis based on World Bank data

9 ONE Campaign, 4 ways the Nigerian government could minimize the impact of COVID-19, 2020. Available at: [www.one.org/africa/blog/how-nigeria-minimize-impact-covid-19/](http://www.one.org/africa/blog/how-nigeria-minimize-impact-covid-19/).

10 World Bank, 2019, Money sent home by workers now largest source of external financing in low-and middle-income countries (excluding China).

**Figure II: Top remittance recipients in Africa (per cent of GDP, 2019 estimates)**



Source: ONE analysis of World Bank Remittances data, available at: [www.knomad.org/data/remittances](http://www.knomad.org/data/remittances)

**Figure III: Origin of remittances sent to Africa: top 20 countries (% of Total Value Along Sending Country (group), Sending Regions, 2017)**

United States of America 14% \$9,847m	France 10% \$7,115m	Other Europe, North & Latin America 6% \$3,986m	Italy 5% \$3,765m	Spain 5% \$3,251m	Kuwait 5% \$3,223m
	Other Africa 10% \$6,679m				
Saudi Arabia 12% \$8,447m	United Kingdom 9% \$6,213m	Cameroon 4% \$2,577m	Germany 2% \$1,569m	Canada 2% \$1,391m	Jordan 2% \$1,296m
		Other Asia 3% \$2,393m	Ghana 2% \$1,257m	Nigeria 2%	South Africa 2%
	United Arab Emirates 3% \$2,207m	Qatar 2%	Other Oceania		

Source: ONE analysis of World Bank Migration and Remittances data, July 2020.

remittances sent to Africa. In that regard, it should be emphasized that a mere 16 countries account for some 80 per cent of remittances transferred to the continent.

But it's not just the volume of money that matters. Remittances provide cash in hand for people living in poverty; they are best placed to prioritize what they need. Millions of vulnerable families use remittances to cover essential needs: it is estimated that three-quarters of the money is used to purchase nutritious food or fund healthcare, education and housing expenses.

Around half of global remittances go to rural areas, where three-quarters of the world's poor and those experiencing food insecurity live. Poor households, particularly those headed by women,<sup>11</sup> are more likely to spend remittances to purchase essential goods

11 Asiedu E., Gyimah-Brempong K., 2014, Remittances and investment in education: Evidence from Ghana

and services.<sup>12</sup> By 2025, the accumulated remittance flows to rural areas could reach \$1 trillion.<sup>13</sup>

Remittances can provide a buffer to household incomes in times of economic and financial instability. In rural Nigeria, for example, remittances increase food security.<sup>14</sup> In Ethiopia, households are able to rely on cash reserves instead of selling livestock during hard times.<sup>15</sup> Against the backdrop of the civil war in Somalia, remittances continue to provide a social and economic lifeline and have played a significant role in supporting the survival of vulnerable populations.<sup>16</sup>

Remittances can also facilitate access to a wider world, allowing families to improve their living conditions: for example, households in Ghana, Nigeria, Senegal and Uganda that enjoy access to remittance flows report higher rates of access to mobile phones, radios, televisions and computers.<sup>17</sup> From that perspective, remittances support efforts by African governments to strengthen their populations' access to digital technologies.

Remittances both facilitate infrastructural development and act as a shock-absorbing mechanism to mitigate macroeconomic instability during periods of political upheaval.<sup>18,19</sup> For example, Malian migrants living in France have funded the construction of some 60 per cent of key infrastructure in the Kayes region of Mali.<sup>20</sup> The significant reduction in remittance flows to Africa during the pandemic will deprive the continent of a critical source of external revenue. Moreover, the counter-cyclical nature of remittances, which are usually less volatile than other international capital flows to and within Africa, is likely to support African countries' own efforts to mitigate the devastating financial implications of the COVID-19 pandemic.<sup>21</sup>

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# COVID-19 has hit remittances hard

COVID-19 is wreaking economic havoc around the world, and the fallout in Africa will be acute. Under the most optimistic scenario, the ECA estimates that the continent's economic growth could contract by 1.4 percentage points changes in 2020, pushing nearly 5 million people into extreme poverty.<sup>22</sup> These worrying projections could be partly explained by the expected reduction in remittance flows.

For both remittance senders and recipients, COVID-19 has meant job losses and a decline in income. Migrants are overrepresented in many of the countries most affected by the pandemic. While migrants make up less than 4 per cent of the global population, they represent at least 8 per cent of the population in six of the 10 countries with the highest number of COVID-19 cases (as of June 5, 2020).<sup>23</sup> Remittances from these six countries (US, Russia, UK, Italy, Germany and Spain) accounted for more than one-quarter of remittance outflows in 2018.<sup>24</sup> The large economies in North America, Europe and Central Asia also host a large share of African migrants and are a source of more than half of total remittances sent to the region, thus leaving the continent highly vulnerable to any shocks in these countries.<sup>25</sup>

Migrants, who are more likely to be of working age than non-migrants, are a critical part of the COVID-19 response in many host countries.<sup>26</sup> They include doctors, nurses, healthcare workers,<sup>27</sup> delivery drivers, retail workers and agricultural workers, all of whom have played a crucial role during the COVID-19 pandemic. Migrants make up 12 per cent of the 1.9 million health-care sector workforce in the United Kingdom and 17 per cent of the 12.4 million health-care sector workforce in the United States of America.<sup>28</sup> As of 2016, nearly 37 per cent of all service and sales workers in Switzerland and 17 per cent of agricultural workers in the United Kingdom were foreign born.<sup>29</sup> In Italy, 400,000 seasonal agricultural workers are migrants, equivalent to some 36 per cent of all seasonal agricultural workers employed the country. Due to COVID-19 related travel restrictions and lockdowns, 250,000 of those workers, many of whom come from North Africa and Eastern Europe, have been unable to work this season.<sup>30</sup> Similarly, in France, a country in which nearly 80 per cent of the agricultural labour force are foreign nationals, often

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from Morocco and Tunisia, the agricultural sector is experiencing a shortage of approximately 200,000 seasonal workers.<sup>31</sup>

Many other migrants work in sectors that have come to a halt under government-imposed quarantines, including the tourism and construction sectors. A large proportion of migrants, the majority of whom are relatively young, are gig workers or have informally arranged jobs. With few protections under host country labour laws, those migrants are particularly vulnerable to exploitation and are at high risk of falling into poverty.<sup>32</sup> Indeed, job insecurity, unpredictable pay cheques, exclusion from social programmes and increased risk of exposure to the COVID-19 virus all mean that migrant workers are particularly at risk during the pandemic.

Migrants with formal, long-term employment and those in essential industries, many of whom who are at higher than average risk of contracting COVID-19 because of the particular nature of their work, are likely to keep their jobs during the crisis and may be eligible for formal financial and medical assistance in their host countries.<sup>33</sup> However, migrants employed in industries that have ceased or reduced operations are now facing uncertain times. Many are surviving on reduced incomes or have been excluded from stimulus packages and other social assistance in their host countries because of the terms of their employment and their residency status.<sup>34</sup> Furthermore many migrants have found themselves stranded in their host countries, neither able to work there as planned nor to travel home<sup>35</sup> or have had their work curtailed by disrupted supply chains, closed borders and social distancing measures.

The majority of migrants who do not enjoy access to host country health or social security systems must make every effort to continue earning and sending money home.<sup>36</sup> For those migrants, falling ill during the pandemic means that they may not receive the medical care they require, risking their own health and that of the communities in which they live.<sup>37</sup>

In addition to seeing their earnings fall sharply, millions of remittance senders have also found it difficult to send money home during government-imposed lockdowns. Many migrants are unfamiliar with digital and mobile money transfer mechanisms, and many of those mechanisms are no longer fully functional.<sup>38,39</sup> Furthermore, with many traditional remittance service providers closed, many households that are sent payments but which lack access to bank or mobile money accounts have found it difficult to receive remittances sent to them.<sup>40</sup>

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33 Forbes, 2020, *Three experts advice: What to know about COVID-19 layoffs and Separations*, 30 March. Available at: [www.forbes.com/sites/sheilacallaham/2020/03/30/three-experts-advice-what-to-know-about-covid-19-layoffs-and-separations/#268e98fd5a94](http://www.forbes.com/sites/sheilacallaham/2020/03/30/three-experts-advice-what-to-know-about-covid-19-layoffs-and-separations/#268e98fd5a94)

34 Ibid.

35 Istituto per gli Studi di Politica Internazionale (ISPI), 2020, *Covid-19 Is Paralyzing One of West Africa's Main Resources: Migrants*, 9 April. Available at: [www.ispionline.it/it/pubblicazione/covid-19-paralyzing-one-west-africas-main-resource-s-migrants-25730#.XpVIOY15c94.twitter](http://www.ispionline.it/it/pubblicazione/covid-19-paralyzing-one-west-africas-main-resource-s-migrants-25730#.XpVIOY15c94.twitter)

36 Politico, 2020, *Italy's coronavirus farmworker shortage fuels debate on illegal migration*.

37 The Guardian, 2020, *Stranded or Shunned: Europe's migrant workers caught in no-man's land*, 16 April. Available at: [www.theguardian.com/world/2020/apr/16/stranded-or-shunned-europes-migrant-workers-caught-in-no-mans-land?CMP=share\\_btn\\_tw](http://www.theguardian.com/world/2020/apr/16/stranded-or-shunned-europes-migrant-workers-caught-in-no-mans-land?CMP=share_btn_tw)

38 IAMTN, *Impact of COVID-19 on Remittance Service Providers*, 2020.

39 World Bank, *Remittances in times of the coronavirus – keep them flowing*. Available at: [blogs.worldbank.org/psd/remittances-times-coronavirus-keep-them-flowing](https://blogs.worldbank.org/psd/remittances-times-coronavirus-keep-them-flowing).

40 World Bank, 2020, *COVID-19 Crisis through a Migration lens*, Migration and Development Brief, April 2020,



There are 1.7 billion unbanked adults globally, 75 per cent of whom have a mobile phone that could facilitate their access to financial services<sup>41</sup> at lower fees compared to the conventional payment system. From that perspective, mobile telephone service providers, could help lower remittance costs by improving access to their services and streamlining transaction, clearing and settlement mechanisms.<sup>42</sup>

In recent years, Africa has experienced a technological revolution, with a surge in the use of mobile devices and information and communication technologies. It is now estimated that some 500 million Africans use mobile-money platforms.<sup>43</sup> African digital operators are gaining ground against their competitors, which are being forced to expand their digital footprint as mobile phone penetration and internet access increase. Twenty percent or more of adults across eight African countries, namely Burkina Faso, Côte d'Ivoire, Gabon, Kenya, Senegal, the United Republic of Tanzania, Uganda and Zimbabwe, only use mobile money accounts.<sup>44</sup> The digital transformation of Africa is likely to reduce remittance costs and has the potential to enhance financial inclusion in the continent. In that regard, it should be emphasized that the high cost of remittance transfers may be partly due to the cost of compliance with regulations enacted to combat money laundering and the financing of terrorism and a lack of correspondent banking relationships.<sup>45</sup>

Social distancing measures and reduced business hours have significantly impeded the operations of remittance service providers. In Liberia, for example, it has become virtually impossible to withdraw money, as remittance service providers have not been recognized as offering essential services to the population.<sup>46,47</sup> Even where governments have allowed remittance service providers to continue their operations, their branches and agents have struggled to remain in business as transaction flows have decreased.<sup>48</sup> In Q1 2020, some 77 per cent of surveyed remittance service providers reported a transaction volume decrease of at least 25 per cent.<sup>49</sup> Worryingly, almost 50 per cent of remittance service providers surveyed believed that they would find it difficult to remain in business if the COVID-19 crisis continued for six months or more.

All of this adds up to a situation in which global remittance flows are expected to fall by some 20 per cent in 2020. This translates into a potential loss of \$110 billion in available resources for the 800 million people that rely on them. As mentioned earlier, remittance flows to Africa are expected to decline by some 21 per cent to approximately \$67 billion.<sup>50</sup> By comparison, remittance flows to East Asia and the Pacific are expected to decline by some 13 per cent, while

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41 World Bank, 2020, Financial Inclusion on the Rise, But Gaps Remain, Global Findex Database Shows, viewed July 23 2020.

42 Financing for Sustainable Development Report (2020)

43 The Africa Report, Africa: over 500 million mobile money users expected in 2020, 2020. Available at: [www.theafricareport.com/25846/africa-over-500-million-mobile-money-users-expected-in-2020/](http://www.theafricareport.com/25846/africa-over-500-million-mobile-money-users-expected-in-2020/)

44 World Bank 2020, Financial Inclusion on the Rise, But Gaps Remain, Global Findex Database Shows.

45 Inter-agency Task Force on Financing for Development, Financing for Sustainable Development Report 2020.

46 World Bank, Remittances in times of the coronavirus – keep them flowing

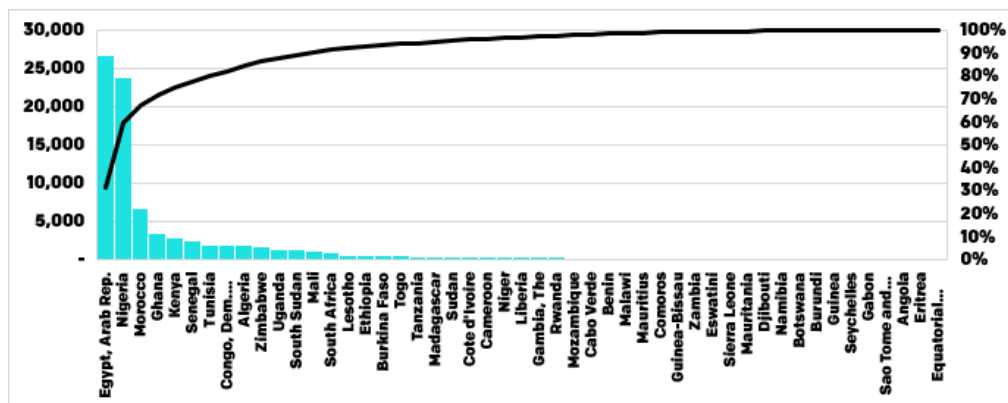
47 BBC, 2020, Coronavirus: Migrants struggle to send money home, 11 May. Available at: [www.bbc.com/news/business-52506797](http://www.bbc.com/news/business-52506797)

48 IAMTN, Impact of COVID-19 on Remittance Service Providers, 2020.

49 IFAD, Remittances in times of crisis: facing the COVID-19 challenges. Available at: [491gd.r.bh.d.sendibt3.com/mk/mr/KpITJeI0QMFUIgs0VD9XSD0kc00APIAA-prGwpp82JF3mLpQ7DQZrLD\\_mVMjhJcZKKbFG43S8PGWV2jYM0jM0UK7UZhLMaPkvHKW0lWo6oeilcWC](https://491gd.r.bh.d.sendibt3.com/mk/mr/KpITJeI0QMFUIgs0VD9XSD0kc00APIAA-prGwpp82JF3mLpQ7DQZrLD_mVMjhJcZKKbFG43S8PGWV2jYM0jM0UK7UZhLMaPkvHKW0lWo6oeilcWC)

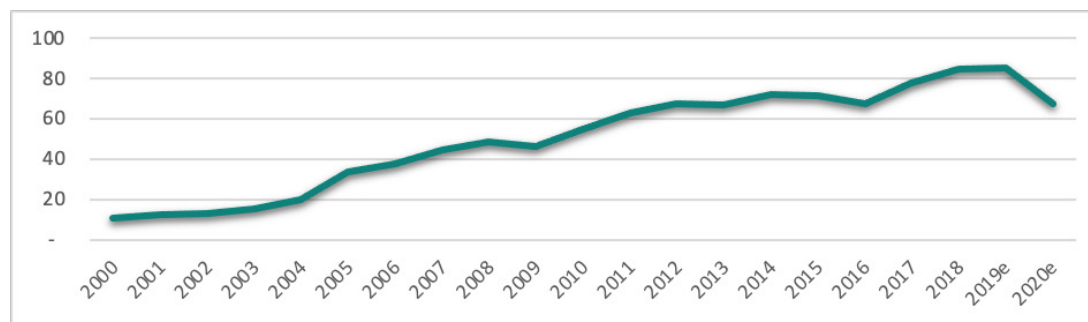
50 ECA calculations based on World Bank estimates

**Figure IV: Distribution of migrant remittance inflows in Africa (2019 estimates)**



Source: ECA calculations on the basis of on World Bank data and forecasts (2019)

**Figure V: Evolution of migrant remittance inflows to Africa, 2000-2020 (\$ billion)**



Source: ECA calculations on the basis of World Bank data (2000-2018) and forecasts (2019 and 2020)

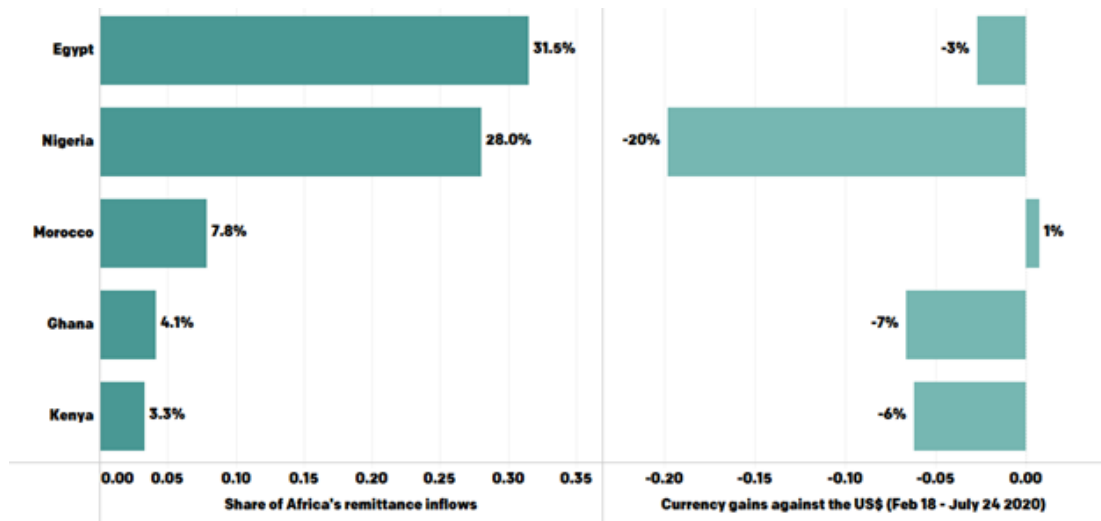
flows to South Asia and the Middle East and North Africa are expected to fall by 22.1 per cent and 19.6 per cent, respectively.<sup>51</sup>

There are disparities in the distribution of migrant remittances across Africa. Just two countries, namely Egypt and Nigeria, account for 60 per cent of remittances received in the continent but flows to other countries have a significant impact. Figure IV synthesizes the disparities in remittances inflows within the African continent. Figure V illustrates the trend in remittance flows to Africa over the last twenty years.

Migrant remittances to African countries vary greatly, and the vulnerability of countries to falling remittance inflows depends, primarily, on the extent to which their economies depend on those inflows. On the other hand, currency devaluations in certain commodity-based economies could help offset a reduction in remittances by increasing the value of those remittances in the local currency. For example, the Angolan Kwanza has lost 20 per cent of its value against the United States dollar since the start of the COVID-19 crisis; as a result, remittances in dollars are worth 20 per cent more in local currency and, if remittances fall by 20 per cent, recipients

<sup>51</sup> World Bank, 2020, World Bank predicts sharpest decline of remittances in recent history.

**Figure VI:** Share of total African remittance inflows received by selected countries (per cent) and percentage appreciation/depreciation of those countries' currencies against the United States dollar between 18 February and 24 July 2020



Source: ONE Campaign analysis of data provided by the World Bank and tradingeconomics.com

will still receive the same amount in Kwana.<sup>52,53</sup> Figure VI shows remittance inflows to certain African countries as a percentage of total remittances to Africa and the change in the value of those countries' currencies against the United States dollar between February and July 2020.

52 Michael Clemens, Migrant Remittances Will Plummet. Here Is What That Means for Global Development, Center for Global Development, 2020. Available at: [www.cgdev.org/blog/migrant-remittances-will-plummet-here-what-means-global-development](http://www.cgdev.org/blog/migrant-remittances-will-plummet-here-what-means-global-development)

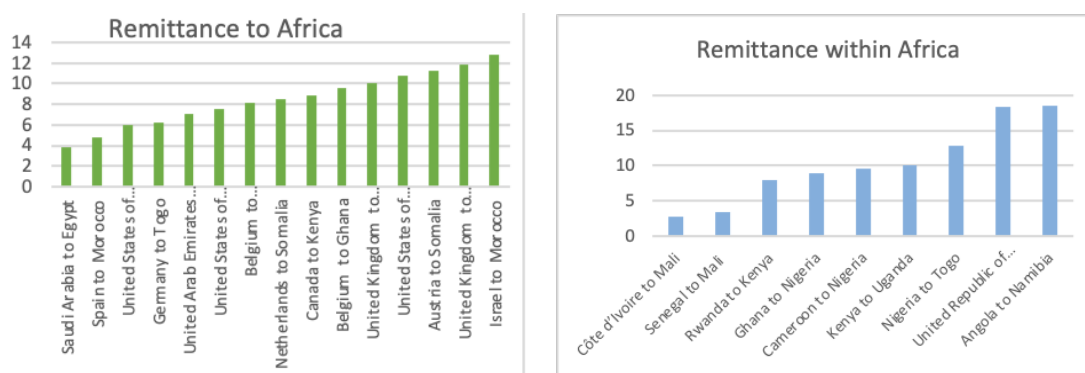
53 ONE Campaign analysis of trading economics exchange rate data. Available at: <https://tradingeconomics.com/angola/currency>

# Being poor is expensive

People living in poverty who rely on remittance payments pay significant fees to receive their money. To send \$200 to a family, the average migrant will pay \$14 (7 per cent) for the privilege. While that figure is considerably less than it was in 2009, when migrants often had to pay as much as \$20, it remains far more than the Sustainable Development Goal target of 3 per cent (in this case, equivalent to \$6).<sup>54</sup> However, the more money you transfer, the less you pay. For example, the average fee for sending \$500 is 5 per cent.<sup>55</sup> Traditional banks tend to charge the most, at about 11 per cent, to send \$200.<sup>56</sup> Overall, individuals sending remittances paid about \$30 billion in fees globally in 2017<sup>57</sup>.

Remittances transfer fees to Africa vary substantially across remittance corridors and additional global efforts should be deployed in order to reduce the remittance cost to support the continent mitigating the socioeconomic implications of the COVID-19 on African countries. Indeed, Africa, the region with the largest number of people living in poverty, is the most expensive region to receive remittances, at an average cost of 8 per cent (South Asia has an average of 5 per cent).<sup>58</sup> The continent also has the highest cost of sending money at almost 14 per cent.<sup>59</sup> At the intra-regional level, the cost of remittances remains high, especially in the following corridors: Angola to Namibia, Tanzania to Rwanda, and Nigeria to Togo. In the context of the African Continental Free Trade Agreement (AfCFTA), African countries should

**Figure VII: Average fees charged in 2020 to transfer money to Africa from outside the continent, and between African countries (selected origin and recipient countries, as a percentage of the total amount transferred)**



Source: ECA calculations on the basis of World Bank data.

54 World Bank, 2019, Money sent home by workers now largest source of external financing in low-and middle-income countries (excluding China).

55 ONE Campaign analysis of Remittance Prices Worldwide, World Bank.

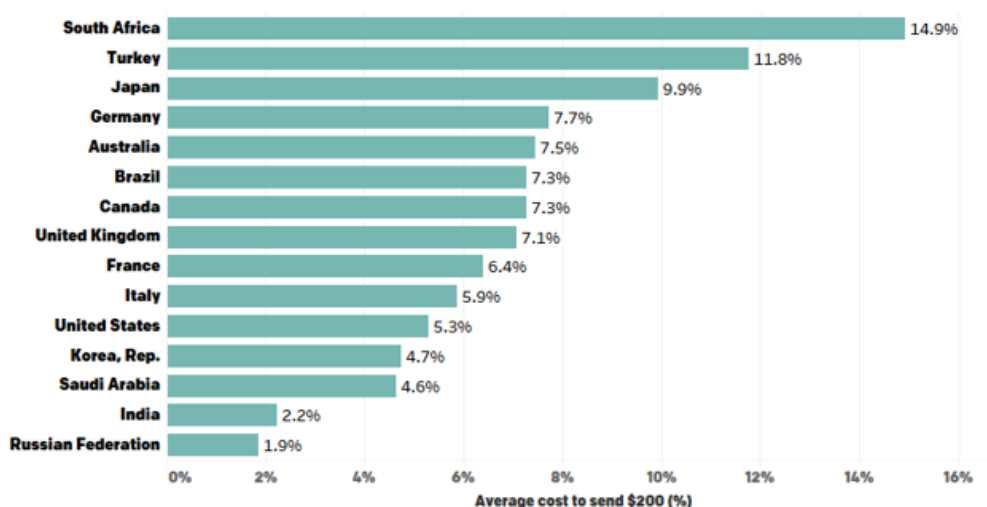
56 World Bank, 2019, Money sent home by workers now largest source of external financing in low-and middle-income countries (excluding China), viewed May 22 2020

57 Money and Banking, 2018, The Stubbornly High Cost of Remittances, viewed 16 April 2020, <https://www.moneyandbanking.com/commentary/2018/2/18/the-stubbornly-high-cost-of-remittances>.

58 World Bank, 2020, Migration Data Portal

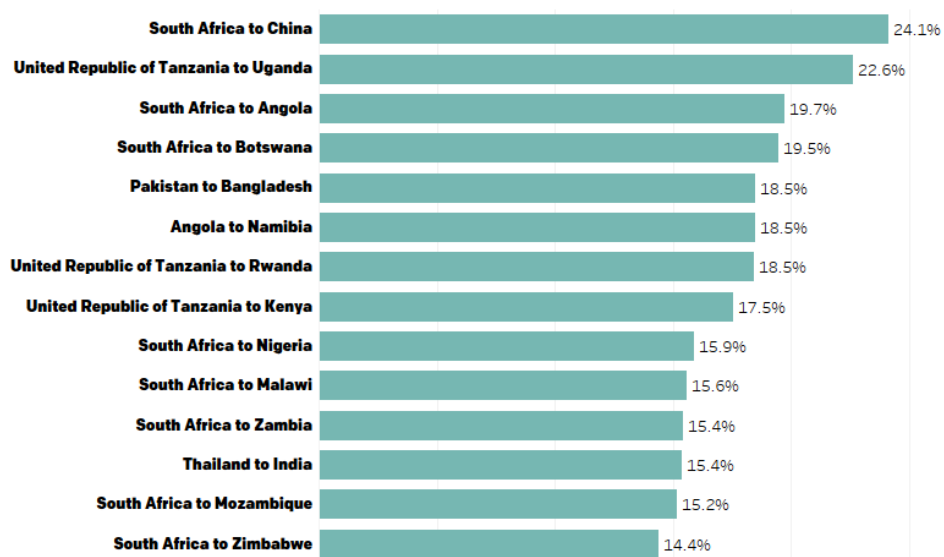
59 World Bank, 2020, World Bank predicts sharpest decline of remittances in recent history

**Figure VIII: Average cost of sending \$200 from selected G20 countries, as a percentage of the amount sent (H1, 2020)**



Source: ONE Campaign analysis of Remittance Prices Worldwide, World Bank.

**Figure IX: Most expensive remittance corridors for sending \$200 to Africa (H1, 2020)**



Source: ONE analysis of Remittance Prices Worldwide, World Bank.

considerably reduce the cost of sending cash across the continent in order to better support efforts to build back better. Figure VII below illustrates the costs associated.

Most remittance service providers have not increased their fees since the beginning of the COVID-19 pandemic, and some have even waived their fees on a temporary basis.<sup>60</sup> However, exchange rate fluctuations and operational bottlenecks mean that the fees that providers charge their customers are likely rise in the near future.<sup>61</sup> Figure VIII illustrates the costs associated with sending \$200 from selected G20 countries in the first six months (H1) of 2020. Figure IX represents the most expensive remittance corridors for sending \$200 to Africa

60 IFAD, Remittances in times of crisis: facing the COVID-19 challenges.

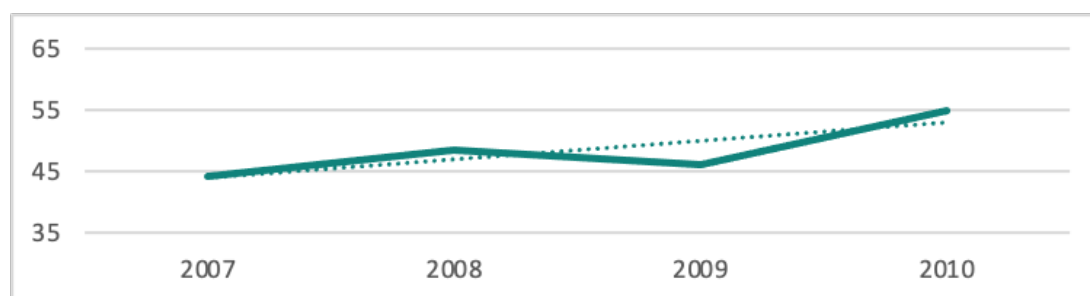
61 World Bank 2020, Remittances in times of the coronavirus – keep them flowing.

# Good to have remittance flows during a crisis

While crises, no matter their sector or geographic origin, typically have an impact on the types of work that migrant workers can find, remittances typically run counter to household and economic shocks. Indeed, migrants tend to send more money home when their families or home countries are experiencing hardship.<sup>62</sup> This can help boost fiscal revenues for many governments that would otherwise find it difficult to mitigate the adverse impact of the crisis on their populations, particularly when remittances tend to be used to pay for imports and other taxable goods.<sup>63</sup>

During the global financial crisis of 2008,<sup>64</sup> global remittances to developing countries fell by only 5 per cent compared with 2007, while foreign direct investment fell by 40 per cent over the same period.<sup>65</sup> Remittance flows remained relatively stable at that time thanks, in part, to difficult decisions made by many migrants working outside their home countries. For example, many migrants decided to drain their savings and reduce their own expenses, or to switch from full-time roles in the construction industry to part-time employment in the agricultural and retail sectors.<sup>66</sup> As illustrated in figure X below, steady remittance flows helped insulate migrants' families from the economic shocks stemming from the 2008 crisis, and helped their home countries' economies stabilize and recover.<sup>67</sup>

**Figure X: Remittance flows to Africa before, during and following the 2008 global financial crisis (\$ billion)**



Source: ECA calculations on the basis of Migration and Remittances data, World Bank

62 IFAD, The impact of migrants' remittances and investment on rural youth, 2019. Available at: [www.ifad.org/documents/38714170/41187395/16\\_Orozco+and+Jewers\\_2019\\_RDR+BACKGROUND+PAPER.pdf/42c88c86-2955-198f-0432-454333ce4a99](http://www.ifad.org/documents/38714170/41187395/16_Orozco+and+Jewers_2019_RDR+BACKGROUND+PAPER.pdf/42c88c86-2955-198f-0432-454333ce4a99)

63 Antoinette Sayeh and Ralph Chami, Lifelines in Danger, International Monetary Fund, 2020. Available at: [www.imf.org/external/pubs/ft/fandd/2020/06/pdf/COVID19-pandemic-impact-on-remittance-flows-sayeh.pdf](http://www.imf.org/external/pubs/ft/fandd/2020/06/pdf/COVID19-pandemic-impact-on-remittance-flows-sayeh.pdf)

64 Wenjie Chen ; Mico Mrkaic and Malhar Nabar , The global economic recovery 10 years after the 2008 financial crisis, International Monetary Fund, 2019. Available at: [www.imf.org/en/Publications/WP/Issues/2019/04/26/The-Global-Economic-Recovery-10-Years-After-the-2008-Financial-Crisis-46711](http://www.imf.org/en/Publications/WP/Issues/2019/04/26/The-Global-Economic-Recovery-10-Years-After-the-2008-Financial-Crisis-46711)

65 World Bank, 2010, Remittances to Africa Resilient Despite Global Financial Crisis – World Bank Study, 8 November. Available at: [www.worldbank.org/en/news/press-release/2010/11/08/remittances-to-africa-resilient-despite-global-financial-crisis-world-bank-study](http://www.worldbank.org/en/news/press-release/2010/11/08/remittances-to-africa-resilient-despite-global-financial-crisis-world-bank-study)

66 World Bank, COVID-19 crisis through a migration lens.

67 World Bank, Migration and Remittances during the global financial crisis and beyond, 2012. Available at: [elibrary.worldbank.org/doi/pdf/10.1596/978-0-8213-8826-6](http://elibrary.worldbank.org/doi/pdf/10.1596/978-0-8213-8826-6)

During the 2014 Ebola epidemic in West Africa, remittances were critical in helping households and businesses cover essential costs during periods of quarantine.<sup>68</sup> Remittances remained relatively steady as diaspora communities and migrant workers in North America and Europe helped their relatives get through the crisis.<sup>69</sup> With communities under lockdowns and borders closed, the need to access incoming remittances also shaped the financial sector in West Africa and accelerated the adoption of digital financial tools.<sup>70</sup>

In the current crisis, however, the entire world has been affected, and remittances are falling just when countries urgently need cash to address critical health and economic impacts.<sup>71</sup> With remittances serving as economic cornerstones for families and local economies, it is critical that policymakers in migrants' home and host countries, working in partnership with the private sector, take action to reduce the barriers that make it difficult for individuals to send and receive remittances. To achieve that objective, priority should be given, in particular, to enhancing individuals' access to the digital economy by reducing the cost of digital services and encouraging them to use digital financial tools.

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68 World Bank, *The Economic Impact of the 2014 Ebola Epidemic: Short- and Medium-Term Estimates for West Africa*, 2014. Available at: [www.worldbank.org/en/region/afr/publication/the-economic-impact-of-the-2014-ebola-epidemic-short-and-medium-term-estimates-for-west-africa](http://www.worldbank.org/en/region/afr/publication/the-economic-impact-of-the-2014-ebola-epidemic-short-and-medium-term-estimates-for-west-africa)

69 Amanda Bisong, Pamella Ahairwe and Esther Njoroge, *The impact of COVID-19 on remittances for development in Africa*, European Centre for Development Policy Management (ECDPM), 2020. Available at: [ecdpm.org/wp-content/uploads/Impact-COVID-19-remittances-development-Africa-ECDPM-discussion-paper-269-May-2020.pdf](http://ecdpm.org/wp-content/uploads/Impact-COVID-19-remittances-development-Africa-ECDPM-discussion-paper-269-May-2020.pdf)

70 Better than Cash Alliance, *Saving Money, Saving Lives A Case Study on the Benefits of Digitizing Payments to Ebola Response Workers in Sierra Leone*, 2016. Available at: [btca-prod.s3.amazonaws.com/documents/186/english\\_attachments/BTCA-Ebola-Case-Study.pdf?1502739794](http://btca-prod.s3.amazonaws.com/documents/186/english_attachments/BTCA-Ebola-Case-Study.pdf?1502739794)

71 Antoinette Sayeh and Ralph Chami, *Lifelines in Danger*, International Monetary Fund, 2020.

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# Putting the customer first?

A number of countries have rolled out support for families that typically rely on remittances, including the Philippines, where remittances are equivalent to some 10 per cent of GDP. The Government of the Philippines has provided cash assistance to over 1 million workers during the quarantine period imposed to prevent the spread of the COVID-19 virus, including migrant workers.<sup>72</sup> Other countries have taken action to facilitate money transfers from abroad. For example, and as mentioned previously, the Ghanaian Government now allows mobile phone users to transfer up to \$170 per day without providing 'know your customer' documentation,<sup>73</sup> while in Uganda, the telecommunications company MTN has waived fees on mobile money transfers.

Kenyan President Uhuru Kenyatta has asked his nation to move to cashless payments to help curb the spread of the COVID-19 virus, and urged telecom companies and banks to reduce transaction fees. The Kenyan Central Bank has rolled out a series of policy changes in coordination with private-sector banking institutions to incentivize cashless transactions and preserve access to remittances. This included waiving the fees typically in place when users transfer money from bank accounts to digital wallets, doubling the daily transaction limit, removing the cap on the number of transactions per month, and increasing the amount of money that can be kept in e-wallets.

In response to the appeal by President Kenyatta, AirTel Kenya, a telecommunications company, has waived fees on all money transfers. Meanwhile, Safaricom, the country's largest telecommunications company, whose mobile money product, M-Pesa, has more than 20 million users among a population of 47 million, has waived fees on small transactions.<sup>74</sup> In the weeks since those changes took effect, reports have indicated that migrants are sending higher value remittances to their home communities.<sup>75</sup>

Other remittance service providers also have taken steps to facilitate money transfers. Azimo and TransferWise, for example, have reduced the cost of money transfers from the United Kingdom to Nigeria, where digital financial access is widespread.<sup>76</sup> Western Union has expanded its digital money transfer services in more than 75 countries, including the top remittance-sending countries and many of the top receiving countries.<sup>77</sup> That company is also working with governments to find ways to relax "know your customer"

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72 Philippines, Department of Labor and Employment, *Over 1m workers get DOLE cash aid*, (Manila, 7 May 2020). Available at: [www.dole.gov.ph/news/over-1m-workers-get-dole-cash-aid/](http://www.dole.gov.ph/news/over-1m-workers-get-dole-cash-aid/)

73 World Economic Forum, "West Africans are switching from cash to mobile money because of COVID-19", 2 April 2020. Available at: [www.weforum.org/agenda/2020/04/coronavirus-set-to-spur-mobile-money-growth-in-w-africa/](http://www.weforum.org/agenda/2020/04/coronavirus-set-to-spur-mobile-money-growth-in-w-africa/)

74 Reuters, "Kenya's Safaricom waives some M-Pesa transfer fees amid virus outbreak".

75 Business Daily, "M-Pesa, Airtel Money agents feel the heat of Covid-19 curb measures".

76 Oxford Business Group, "How is Covid-19 affecting remittance flows into emerging markets?" 30 April 2020. Available at: [oxfordbusinessgroup.com/news/how-covid-19-affecting-remittance-flows-emerging-markets](http://oxfordbusinessgroup.com/news/how-covid-19-affecting-remittance-flows-emerging-markets)

77 Business Wire, "Western Union Expands Global Real-Time Payments Network", 23 April 2020. Available at: [www.businesswire.com/news/home/20200423005498/en/Western-Union-Expands-Global-Real-Time-Payments-Network](http://www.businesswire.com/news/home/20200423005498/en/Western-Union-Expands-Global-Real-Time-Payments-Network)



documentation requirements and is rolling out innovative electronic tools that enable first time users to access their funds easily.<sup>78</sup> Western Union has also temporarily reduced the fees it charges essential workers and, in certain locations, has actually waived fees while offering home delivery for cash transfers made using its services.<sup>79</sup>

To receive remittances, recipients must produce documentation proving their identity and must often have access to electricity and internet access on a mobile phone, both of which can be sporadic in rural communities in Africa.<sup>80,81</sup> The fact that many Africans are often unable to produce documentation that clearly attests to their identity has exacerbated the marginalization and exclusion of many. Indeed, it is estimated that some 500 million people in Africa have no official identification document, reflecting weak civil registration and vital statistics systems on the continent.<sup>82</sup> All of the challenges that made expanding digital financial inclusion difficult prior to the pandemic are still present. Nonetheless, a number of governments are exploring short-term workarounds, such as identifying alternative commodities that can replace cash payouts for those who lack digital financial access or who cannot retrieve remittances in face-to-face transactions.<sup>83</sup> Those efforts have the potential to enhance the financial inclusion of the poor and most vulnerable populations across the continent.

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78 Western Union, "Our Response to COVID-19", 20 April 2020. Available at: [www.westernunion.com/blog/our-response-to-covid-19/](http://www.westernunion.com/blog/our-response-to-covid-19/)

79 Ibid.

80 Ibid.

81 Washington Post, "Coronavirus is upending cash economies. Mobile money could emerge as the winner", 15 May 2020. Available at: [www.washingtonpost.com/world/2020/05/15/coronavirus-is-upending-cash-economies-mobile-money-could-emerge-winner/](http://www.washingtonpost.com/world/2020/05/15/coronavirus-is-upending-cash-economies-mobile-money-could-emerge-winner/)

82 ECA, "ECA and partners to establish Continent-wide digital identities", 18 November 2018. Available at: [www.uneca.org/stories/eca-and-partners-establish-continent-wide-digital-identities](http://www.uneca.org/stories/eca-and-partners-establish-continent-wide-digital-identities)

83 Centre for Financial Regulation & Inclusion and Digital Frontiers Institute, Webinar: Exploring the impact of Covid-19 on livelihoods in Africa: the effect on remittances. Available at: [www.youtube.com/watch?time\\_continue=3792&v=ByTfHnz75M&feature=emb\\_title](http://www.youtube.com/watch?time_continue=3792&v=ByTfHnz75M&feature=emb_title)

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# Implications of the COVID-19 pandemic for livelihoods in Africa: risks of deepening intergenerational inequality

Remittances have micro and macro implications for African economies. At the macroeconomic level, total remittances to Africa amount to some 3 per cent of the continent's GDP and constitute a significant source of financial resources for many African countries. The pandemic is likely to result in a sharp reduction in external revenues, a deterioration in African countries' financial account balances, and broader macroeconomic instability. Appropriate fiscal policies will be required to limit the negative economic and social repercussions of the decline in remittances. In that connection, ECA estimates that African countries will require an additional \$100 billion in financial assistance so that they can address the immediate health and social needs of their populations and support ongoing efforts to foster prosperity.<sup>84</sup>

At the microeconomic level, remittances play a critical role as a social stabilizer and social safety net by reducing poverty and making education and healthcare more affordable, particularly for the poorest and most vulnerable sectors of the population, including women, children and persons with disabilities. Regrettably, many households in both rural and urban areas that rely heavily on remittances will be significantly affected by the sharp decline in remittance inflows resulting from the ongoing COVID-19 pandemic.

There is robust evidence that remittance flows have a significant positive impact on populations' socioeconomic well-being.<sup>85</sup> We can therefore hypothesize that a reduction in remittance flows in Africa of 21 per cent will have significant negative social, educational and health implications. The economic implications will be particularly grave in countries where remittances traditionally constitute a significant share of GDP, such as South Sudan (34.4 per cent), Lesotho (21.3 per cent), the Gambia (15.5 per cent), Zimbabwe (13.5 per cent) and Cabo Verde (11.7 per cent).<sup>86</sup>

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84 ECA, COVID-19 in Africa: Protecting Lives and Economies, April 2020. Available at: [www.uneca.org/publications/covid-19-africa-protecting-lives-and-economies](http://www.uneca.org/publications/covid-19-africa-protecting-lives-and-economies)

85 Komla Amega, "Remittances, education and health in Sub-Saharan Africa", *Cogent Economics & Finance*, 6:1, (2018). Available at: [www.tandfonline.com/doi/pdf/10.1080/23322039.2018.1516488](http://www.tandfonline.com/doi/pdf/10.1080/23322039.2018.1516488)

86 ECA analysis of World Bank Remittances data. Available at: [www.knomad.org/data/remittances](http://www.knomad.org/data/remittances)

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# Remittances can play a significant role in helping African countries achieve the Sustainable Development Goals.

**T**here is strong evidence that remittances help boost consumption, savings and investment and can therefore facilitate countries efforts to achieve the Sustainable Development Goals, particularly if they take steps to foster an enabling policy and regulatory environment.<sup>87</sup>

Remittances have been shown to enhance health and education in Africa and evidence suggests that improvements in education have a positive impact on populations' health while falling education attainment levels can have a negative impact.<sup>88</sup> Indeed, numerous studies have demonstrated a positive relationship between remittances and improved health outcomes (Sustainable Development Goal 3), including increased life expectancy and reduced infant mortality. One study found, for example, that a 10 per cent rise in remittances increases average life expectancy at birth by 1.2 per cent.<sup>89</sup> Remittances support a household's access to better healthcare and promote well-being for all individuals, especially in rural areas where people often have only limited access to healthcare services.

One study that considered the impact of international remittances on aggregate educational and health outcomes concluded that remittances are an important vehicle for improving primary and secondary school attainment and therefore contribute to the achievement of Sustainable Development Goal 4. The study showed that a 1 per cent increase in real remittances per capita leads to a 0.09 per cent rise in the primary education completion rate and a 0.12 rise in the proportion of children who then go on to secondary school. Interestingly, the study also suggested that remittances increase the likelihood of parents sending more of their children to school, and that remittances therefore contribute directly to the achievement of Target 4.2 of the Sustainable Development Goals.<sup>90</sup> Another study found that primary and secondary school enrolment increased by 4.2 per cent and 8.8 per cent, respectively, for every 10 per cent rise in remittances across 18 African countries.<sup>91</sup> Those results corroborated an earlier study's finding that remittances have a greater impact on secondary school enrolment rates than on primary school enrolment.<sup>92</sup>

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87 United Nations Conference on Trade and Development (UNCTAD) *Economic Development in Africa Report 2018: Migration for structural transformation. Chapter 5. Migration and structural transformation: The long-term view*, (2018). Available at: [unctad.org/en/PublicationChapters/edar2018\\_ch5\\_en.pdf](https://unctad.org/en/PublicationChapters/edar2018_ch5_en.pdf)

88 Komla Amega, "Remittances, education and health in Sub-Saharan Africa".

89 Uzochukwu Amakom and Chukwunonso Iheoma, "Impact of migrant remittances on health and education outcomes in Sub-Saharan Africa", *IOSR Journal of Humanities and Social Science* 19(8), 33–44 (January 2014).

90 Maria Cristina Zhunio, Sharmila Vishwasrao and Eric Chiang, "The influence of remittances on education and health outcomes: a cross country study", *Applied Economics*, vol. 44(35), pp. 4605–4616 (December 2012).

91 Uzochukwu Amakom and Chukwunonso Iheoma, "Impact of migrant remittances on health and education outcomes in Sub-Saharan Africa".

92 Maria Cristina Zhunio, Sharmila Vishwasrao and Eric Chiang, "The influence of remittances on education and health outcomes: a cross country study".

There is also evidence that remittances contribute to poverty alleviation and can help people escape the poverty trap, thereby facilitating the achievement of Sustainable Development Goal 1. In Ghana, for example, households receiving remittances spend most of the money they receive on education, housing and healthcare. Remittances have lowered household poverty rates, improved populations' well-being, boosted investment, supported economic growth and contributed to poverty alleviation.<sup>93</sup> A study in South Africa showed that remittances reduce the likelihood that individuals will live in poverty by 98.8 per cent.<sup>94</sup> A study of 200 remittance-receiving households in Egypt found that 79 per cent of the money received by those households was used to cover household expenditures, rather than on productive investment, and concluded that remittances therefore have a direct impact on families' social well-being.<sup>95</sup>

There is sound evidence that remittances can increase food security in African countries, thereby facilitating the achievement of Sustainable Development Goal 2. In fact, the International Food Policy Research Institute 2018 Global Food Policy Report concluded that international remittances are positively correlated with greater household food security.<sup>96</sup> This suggests that migrant remittances are invested, primarily, in agricultural production. It is expected that the decline in remittances as a result of the COVID-19 pandemic will exacerbate food insecurity, particularly in East Africa, a region in which several countries, including Ethiopia, Eritrea, Kenya, the Sudan and Uganda, are currently struggling to contain a serious desert locust outbreak.<sup>97</sup>

Against this backdrop, a significant reduction of remittances could reverse countries' progress on the Sustainable Development Goals. African countries and the international community must therefore provide adequate financial support to mitigate the socioeconomic repercussions stemming from the fall in remittances with a view to supporting communities' economic and social recovery.

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93 Richard Adams and Alfredo Cuecuecha, "The Impact of Remittances on Investment and Poverty in Ghana", *World Development* 50(c), pp.24–40 (2013).

94 Seyfe Wurku and Joyce Marangu, "The Impact of Remittance on Poverty: Evidence from the South African National Income Dynamics Study (NIDS)" (February 2019).

95 Abdelrahman Rizk, "Leveraging the Impact of Remittances On Egypt Economy" (Policy paper) (2019).

96 International Food Policy Research Institute, 2018 Global Food Policy Report 2018. Available at: [ebrary.ifpri.org/utils/getfile/collection/p15738coll2/id/132273/filename/132488.pdf](http://ebrary.ifpri.org/utils/getfile/collection/p15738coll2/id/132273/filename/132488.pdf)

97 FAO, Desert Locust Situation Update. Available at: [www.fao.org/ag/locusts/en/info/info/index.html](http://www.fao.org/ag/locusts/en/info/info/index.html)

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# Recommendations for boosting remittances and facilitating remittance flows

As mentioned above, the numerous steps that have already been taken by certain countries and service providers to facilitate remittance flows should now be adopted and scaled up by other countries. The United Kingdom and Switzerland have launched a global call to action for policymakers, regulators and remittance service providers to maintain remittances flowing during the COVID-19 pandemic. The call was also supported by the World Bank, the United Nations Capital Development Fund, the United Nations Development Programme, the International Association of Money Transfer Networks and the International Chamber of Commerce. This report of ONE and ECA affirms the global call with evidence.

While receiving countries should take steps to facilitate access to and the use of digital money transfer services, countries that host large numbers of migrants should do more to reduce remittance transaction costs. At the global level, host countries should ease regulations enacted to combat money laundering and the financing of terrorism, which can significantly increase the costs associated with international money transfers, and counter the decrease in the number of correspondent banking relationships by improving information sharing mechanisms and adopting common regulations. Such measures could lead to lower remittance costs, *inter alia*, by facilitating access by remittance service providers to formal banking services.<sup>98</sup>

By taking such measures, countries can further support global efforts to limit the socioeconomic impact of the COVID-19 pandemic.<sup>99</sup> This is particularly true for intra-African remittances, which, according to the Ecobank Group, a leading pan-African bank with operations in 33 countries across the continent, accounted for 20 per cent of global remittance flows in 2018. Indeed, the World Bank estimates that intra-African migrants send remittances in excess of \$14 billion each year.<sup>100</sup> As mentioned earlier, if remittances to African countries are sustained and expanded, they could support the development of small and medium-sized enterprises, strengthen regional value chains, help to establish productive capacities, strengthen food security and promote sustained economic transformation. Obviously, boosted remittances within the continent have the potential to support African countries in mitigating the socioeconomic impact of COVID-19. In that connection, it should be emphasized that the outcome of efforts to establish a continental remittance mechanism or interoperable cross-border payments systems will determine the dynamics of intra-African remittances in the coming years. Moreover, the ongoing efforts by the African central banks in the context of AfCFTA will

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98 Inter-agency Task Force on Financing for Development, Financing for Sustainable Development Report 2020.

99 World Bank, COVID-19 crisis through a migration lens

100 Next Billion, "Intra-African Remittance Market Set to Soar in 2020", 13 February 2020. Available at: [nextbillion.net/news/intra-african-remittance-market-set-to-soar-in-2020/](https://nextbillion.net/news/intra-african-remittance-market-set-to-soar-in-2020/)

help to link African payment systems, facilitate intra-regional remittance payments and reduce the costs associated with sending money across borders.<sup>101</sup>

**To increase remittance flows during the COVID-19 crisis, the following steps should be taken:**

- » G20 finance ministers should amend national remittance plans and policies, including banking regulations, in order to reduce the costs associated with money transfers to almost zero per cent until the end of the COVID-19 pandemic. Thereafter, they should ensure that remittance costs do not exceed 3 per cent, as called for in the Sustainable Development Goals;
- » Governments should promote the digitization of remittance value chains to increase volumes, reduce costs and enhance the convenience of sending money;
- » Governments should offer tax incentives to remittance service providers that encourage them to lower transaction fees and relax stringent “know your customer” regulations for smaller transactions;
- » All countries should ensure that migrant workers are covered by social protection and stimulus programmes and extend visas so that migrants can continue to work and send money home;
- » Governments should take steps to classify money operators as essential businesses so that they can remain in operation during lockdowns;
- » Governments in low- and middle-income countries should establish or strengthen safety nets for rural households that rely heavily on remittances.

Furthermore, in the context of AfCFTA, African countries should eliminate all fees associated with low-value mobile money transactions, reduce all other fees associated with remittances and support efforts to establish online platforms through which new users can set up mobile money accounts.

**Governments (in both remittance sending and receiving countries) should:**

- » **Reduce remittance costs:** governments should offer incentives to reduce the cost of remittance services. At the 35<sup>th</sup> G8 summit, held in L'Aquila, Italy in 2009, the Group of Eight called for the cost of international remittances to be reduced from 10 to 5 per cent within five years.<sup>102</sup> The majority of countries have still not achieved that target, despite its endorsement by the G20 in 2014. G20 countries have, moreover, adopted national remittance plans, which were last updated in 2019.<sup>103,104</sup> Meanwhile, the fees charged for transferring money between certain African countries remain among the

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101 BankservAfrica, “African central banks to link payments systems”, 9 September 2019. Available at: [www.bankservafrika.com/blog/post/african-central-banks-to-link-payments-systems1](http://www.bankservafrika.com/blog/post/african-central-banks-to-link-payments-systems1)

102 World Bank, “Getting SmaRT about Reducing Remittances Costs”, 16 June 2015. Available at: [blogs.worldbank.org/voices/getting-smart-about-reducing-remittances-costs](http://blogs.worldbank.org/voices/getting-smart-about-reducing-remittances-costs)

103 Global Partnership for Financial Inclusion, G20 National Remittance Plans (2017). Available at: [www.gpfi.org/g20-national-remittance-plans](http://www.gpfi.org/g20-national-remittance-plans)

104 Global Partnership for Financial Inclusion, “Update to Leaders on Progress Towards the G20 Remittance Target”, 2019. Available at: [www.gpfi.org/publications/2019-update-leaders-progress-towards-g20-remittance-target](http://www.gpfi.org/publications/2019-update-leaders-progress-towards-g20-remittance-target)

highest in the world. In fact, of the 10 countries that charge the highest fees for an international transfer of \$200, five are located in Africa.

- Governments should offer remittance service providers tax incentives for waiving remittance fees paid by senders;
  - Policies should be adopted to promote the use of digital and mobile technologies for sending and receiving remittances. Governments should also adopt policies to promote the interoperability of remittance platforms to help increase remittance volumes and reduce costs;
  - Strict anti-money-laundering regulations, including “know your customer” requirements should be eased for smaller transactions;<sup>105</sup>
  - Given the importance of remittances in supporting global development and poverty alleviation efforts, operators should reduce the cost of money transfers to almost zero per cent until the end of the COVID-19 pandemic. Thereafter, they should ensure that remittance transaction costs do not exceed 3 per cent, as called for in the Sustainable Development Goals. G20 countries should update their national remittance plans accordingly to ensure that they achieve the 3 per cent target by 2030.
- » **Support migrant workers:** Many migrants living abroad, particularly low-skilled migrants and seasonal workers, are especially vulnerable and have little to no recourse to social support mechanisms in host countries.<sup>106</sup>
- Governments should provide grants to foreign workers or ensure that they enjoy access to social safety net programmes, especially if they are illegible for income support, unemployment benefits, or comprehensive healthcare services;
  - Governments should facilitate the extension of migrants’ visas and residential and work permits so that they can continue to work and access essential services during lockdowns;
  - Governments should reduce barriers impeding migrants’ integration into the national workforce, paying particular attention to the situation of highly-skilled migrants with foreign qualifications.
- » **Facilitate access to remittance service providers:** numerous remittance service providers have been forced to close during lockdowns, disrupting in-person transfers.
- Governments in both sending and receiving countries should categorize remittance service providers as essential services so they can remain in operation during lockdowns;
  - Governments should promote the use of digital technologies and help to expand access to online remittance services.<sup>107</sup>

Governments should adopt the above measures and make remittances an essential component of COVID-19 “build back better” strategies. Reduced remittance flows are likely to exacerbate the ongoing crisis, cutting millions of people off from the economic lifeline on which they depend. Facilitating remittance flows is one of the most effective ways to support people in need, stimulate national economies and promote a global recovery.

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105 Oxford Business Group, “How is Covid-19 affecting remittance flows into emerging markets?”

106 International Labour Organization (ILO), Protecting migrant workers during the COVID-19 pandemic. Recommendations for Policy-makers and Constituents, 2020.

107 World Bank 2020, COVID-19 crisis through a migration lens.

# Annex

**Table 1:** Interregional remittance flows (\$ million, 2017 estimates)

Destination region	Source region							
	Africa	East Asia and Pacific	Europe and Central Asia	Latin America and Caribbean	Middle East	North America	South Asia	World
Africa	12,771	1,111	25,864	96	18,368	11,240	20	69,470
East Asia and Pacific	691	58,193	15,963	1,202	15,585	51,126	1,970	144,730
Europe and Central Asia	2,775	7,669	127,064	5,575	2,146	23,034	176	168,439
Latin America and Caribbean	35	1,138	7,846	9,027	63	62,558	31	80,696
Middle East	931	1,327	3,974	273	13,328	4,157	6	23,999
North America	157	1,209	1,926	2,811	331	2,903	103	9,440
South Asia	758	6,804	11,621	80	68,399	18,076	10,954	116,692
World	18,119	77,451	194,256	19,065	118,220	173,094	13,259	613,466

*Source:* ONE Campaign analysis of World Bank data on Migration, Remittances and Remittance Prices. Data available at: [www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data](http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data)

**Table 2:** Outward remittance flows (\$ million) and average remittance fees charged (\$), selected countries

Source country	Outward remittance flows (US\$ million, 2018)	Avg. Cost of sending \$200 (%)	Avg. Cost of sending \$500 (%)
United Republic of Tanzania	99	19.6	12.9
Pakistan	130	18.9	8.7
Angola	682	18.5	17.5
South Africa	1,098	14.9	9.1
Thailand	4,921	13.1	6.6
Israel	5,991	12.7	8.7
Turkey	1,533	11.8	6.6
Nigeria	68	11.7	6
Kenya		10.1	6
Japan	6,147	9.9	5
Dominican Republic	736	9.9	9.5
Cameroon	89	9.5	7.2
Ghana	956	9	8
Jordan	637	8.6	6.6
Czechia	2,758	8.6	5.6
New Zealand	844	8.2	5.5
Switzerland	26,750	8	5.5
Sweden	2,023	7.9	6.1
Germany	25,402	7.7	5.1
Portugal	245	7.6	5.2



Source country	Outward remittance flows (US\$ million, 2018)	Avg. Cost of sending \$200 (%)	Avg. Cost of sending \$500 (%)
Australia	7,195	7.5	4.8
Brazil	2,253	7.3	6.6
Canada	6,629	7.3	4.8
Belgium	5,530	7.1	5.6
United Kingdom	10,410	7.1	5
Netherlands	13,253	7	5.1
France	15,178	6.4	4.8
Chile	572	5.9	5.9
Italy	9,907	5.9	3.8
Austria	5,759	5.6	3.8
Costa Rica	507	5.5	3.4
Rwanda	143	5.5	4.7
United States of America	68,472	5.3	3.7
Norway	4,411	5.2	3.6
Spain	443	5.1	3.4
Qatar	11,558	4.8	3.3
Republic of Korea	13,531	4.7	2.4
Saudi Arabia	33,882	4.6	2.8
Oman	9,958	4.2	2.5
Malaysia	10,804	4.1	2.9
United Arab Emirates	44,367	3.8	2.3
Bahrain	3,269	3.6	2.3
Senegal		3.5	3.1
Singapore		3.4	2.1
Kuwait	14,347	3	2
Côte d'Ivoire	919	2.8	2.4
India	6,782	2.2	1.3
Russian Federation	21,833	1.9	1.5

Source: ONE Campaign analysis of World Bank data on Migration, Remittances and Remittance Prices. Data available at: [www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data](http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data)

