

Remittances Trends in Africa

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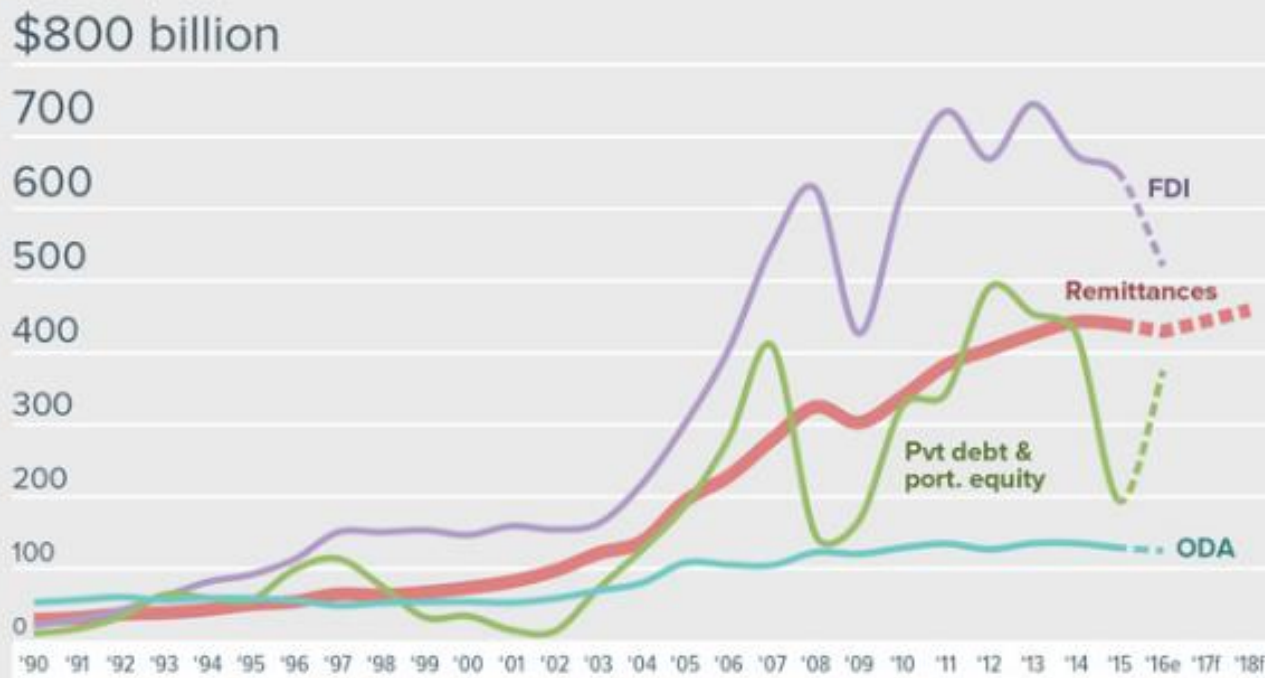
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Introduction

IMF defines remittances as ***"household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. Remittances include cash and non-cash items that flow through formal channels, such as via electronic wire, or through informal channels, such as money or goods carried across borders..."***

Main Trends: Remittances still larger than ODA in 2016

Remittance flows to developing countries **decreased by 2.4 percent to \$429 billion** in 2016 but are **larger than Official Development Assistance (ODA)** and **more stable than private capital flows**

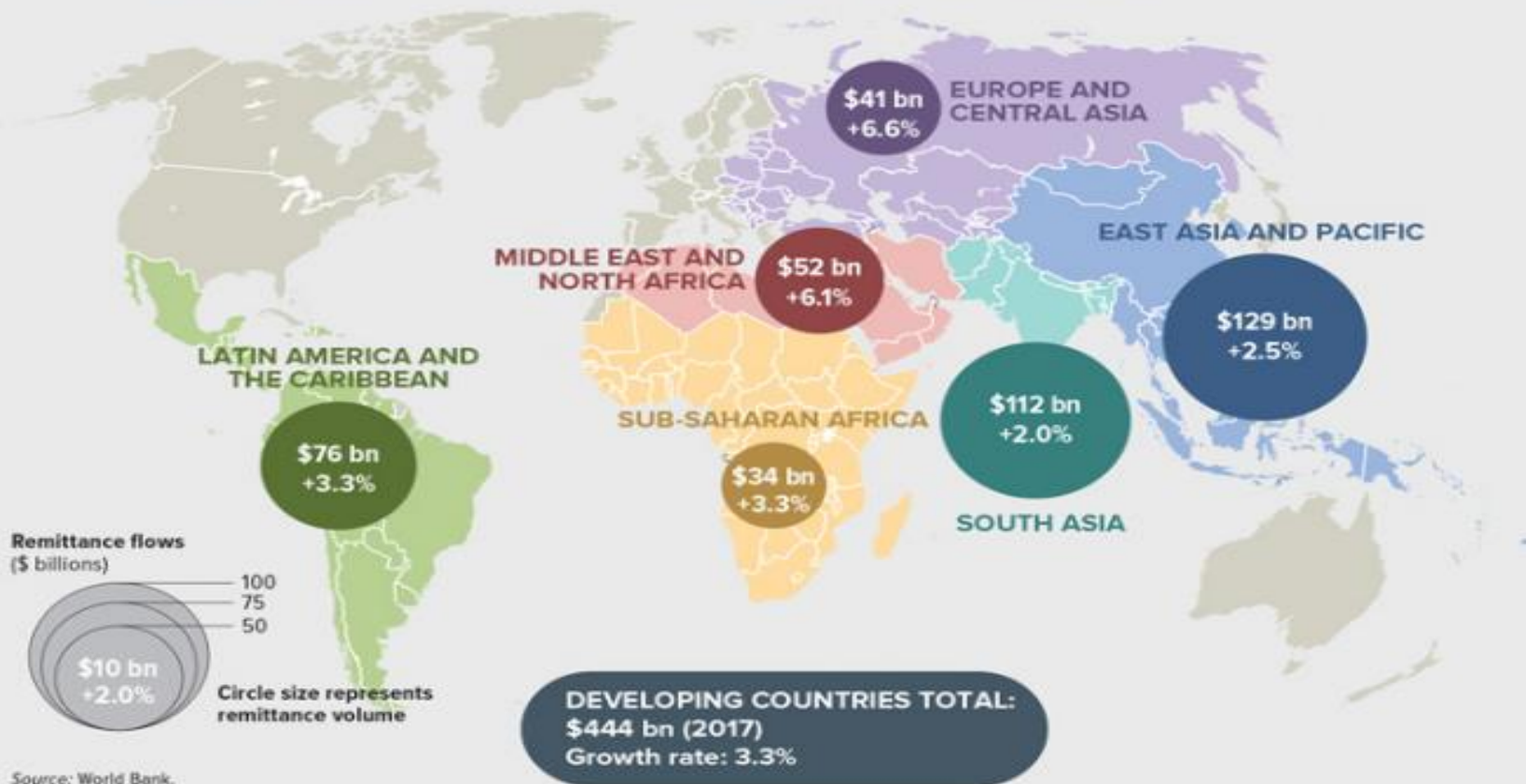


Decrease from 2015 estimates of about \$441 billion to developing countries, nearly three times the amount of ODA.

Remittances to developing countries expected to grow

Remittances to developing countries are **expected to grow** at about 3.3 percent in 2017, to \$444 billion.

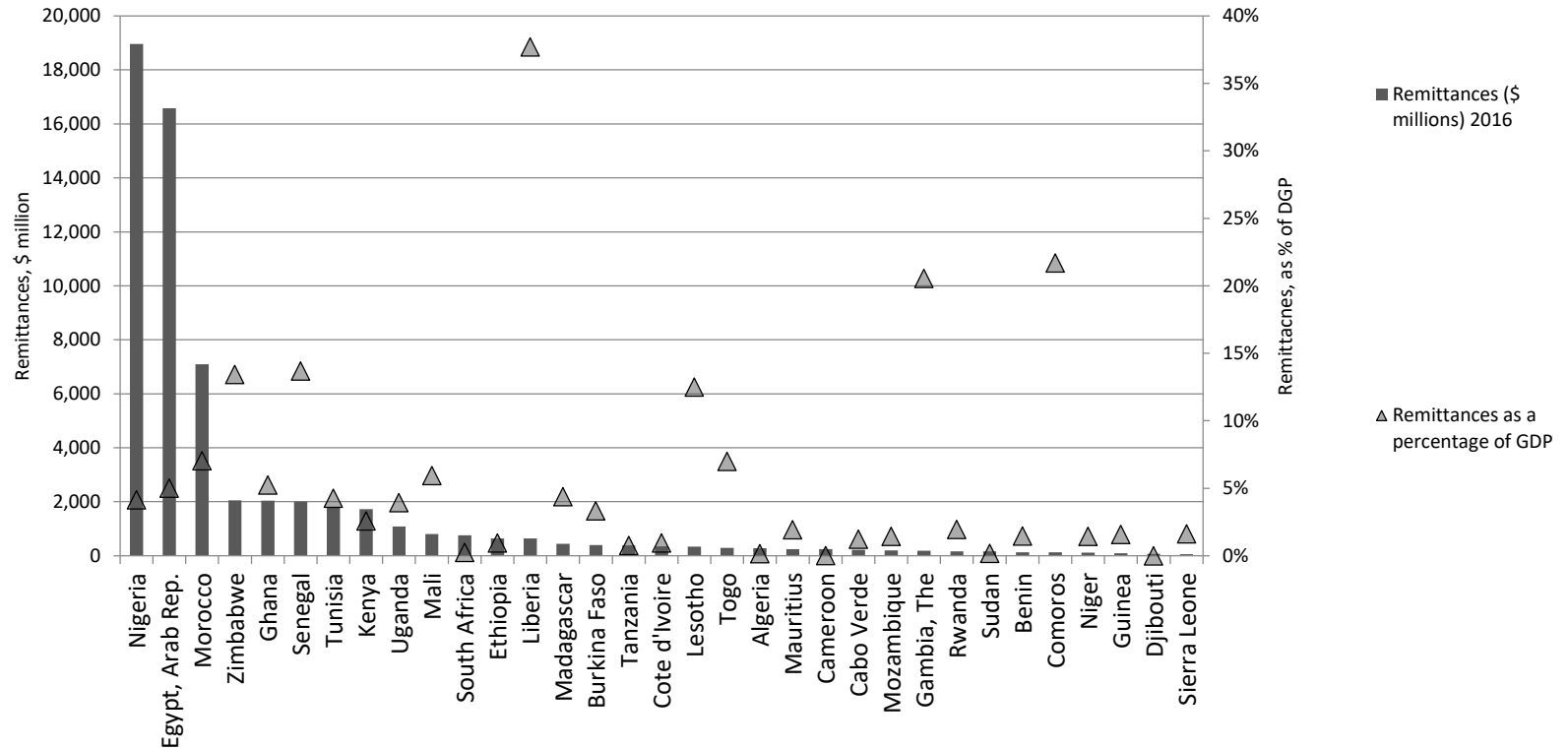
REMITTANCE FLOWS TO DEVELOPING COUNTRIES, PROJECTED-2017



Source: World Bank

Remittances in absolute figures and as a share of GDP (2015)

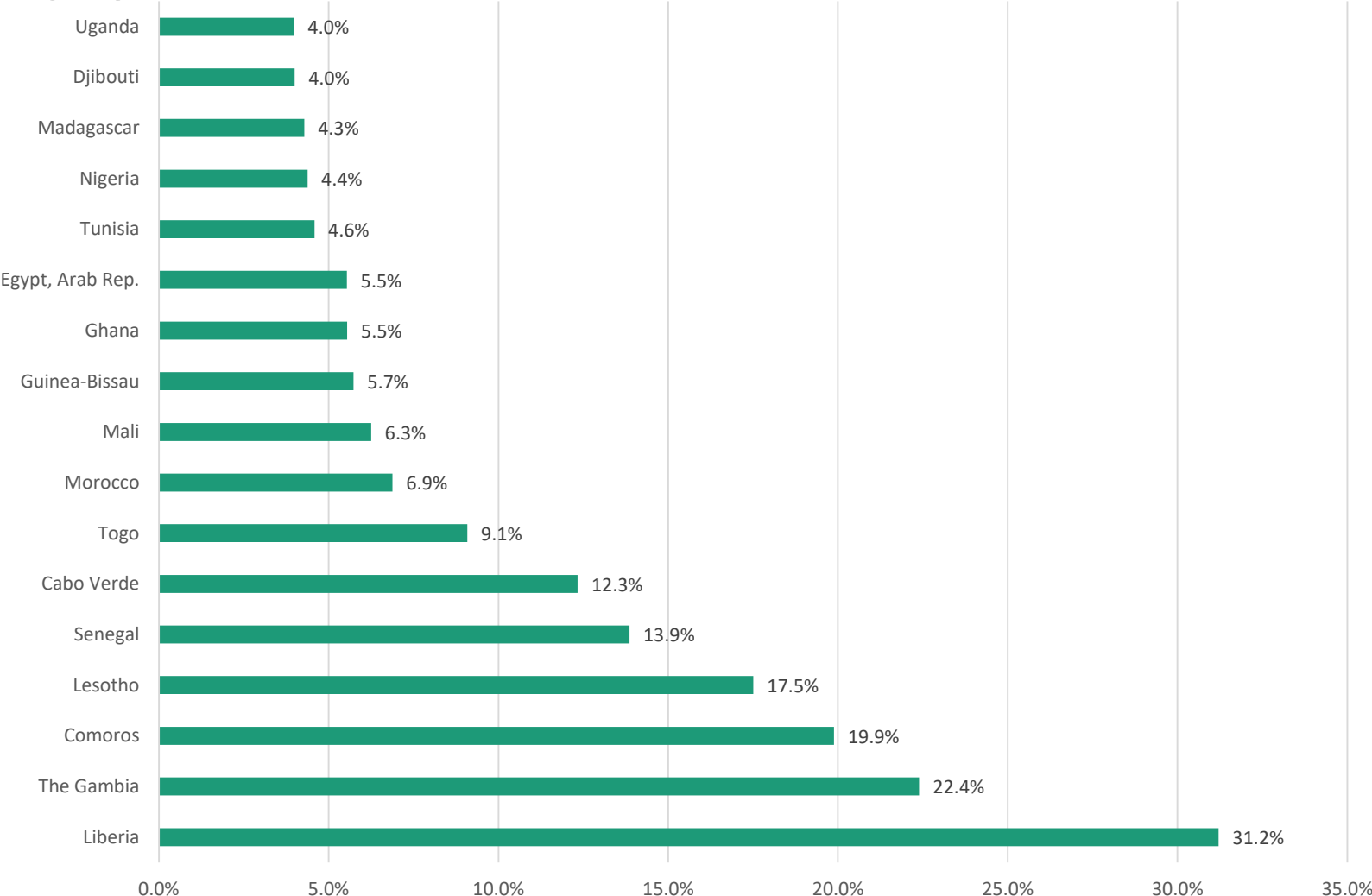
Figure 18. Remittance receipts, absolute and as percentage of GDP, 2016



World Development Indicators, World Bank, 2016 data

Source: Hein de Haas

Remittances as percentage of GDP for selected countries (those where its higher than 4% of GDP) in 2015



Source: World Bank

Cost of sending

- According to WB report the global average cost of sending \$200 at 7.45 percent in the first quarter of 2017 higher than the SDG goal of 3 per cent.
- Higher in Sub-Saharan Africa at 9.8 per cent
- **According the WB Cutting prices by at least 5 percentage points can save up to \$16 billion a year.**
- The Send Money Africa (SMA) data base by the AU's African Institute for Remittances tracks cost of sending to Africa and within on quarterly basis
- Their latest estimate was for Q4 2016 (12th – 16th December 2016) at 9.05 per cent
- Challenge of lowering cost remains but promising new tools (apps) such as **Xoom** by PayPal are fast and cheaper
- Just yesterday new free open source software **Mojaloop** application was launched-developed under the Bill and Melinda Gates's Foundation Level One Project to provide interoperability between financial institutions and payment service providers
- Other numerous startups leveraging smartphone apps such as **Mpesa** and others have opened doors for service providers to tap into the lucrative market (SMA has lengthy glossary of different types of services)

Remittances Challenges remain

- Insufficient data quality and capacity for analysis
- Many unofficial transfers not reflected in data
- High cost of transfer persist
- Inadequate competition keeping cost high
- Inadequate regulation to increase competition for lowering costs