



The World Bank - Payment Systems Development Group

Migration and Remittances Trends in Africa

*African Institute for Remittances
Consultative and Experience Sharing Forum
Leveraging Remittances for Development*

*Addis Ababa
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Background and Introduction: The Importance of Remittances



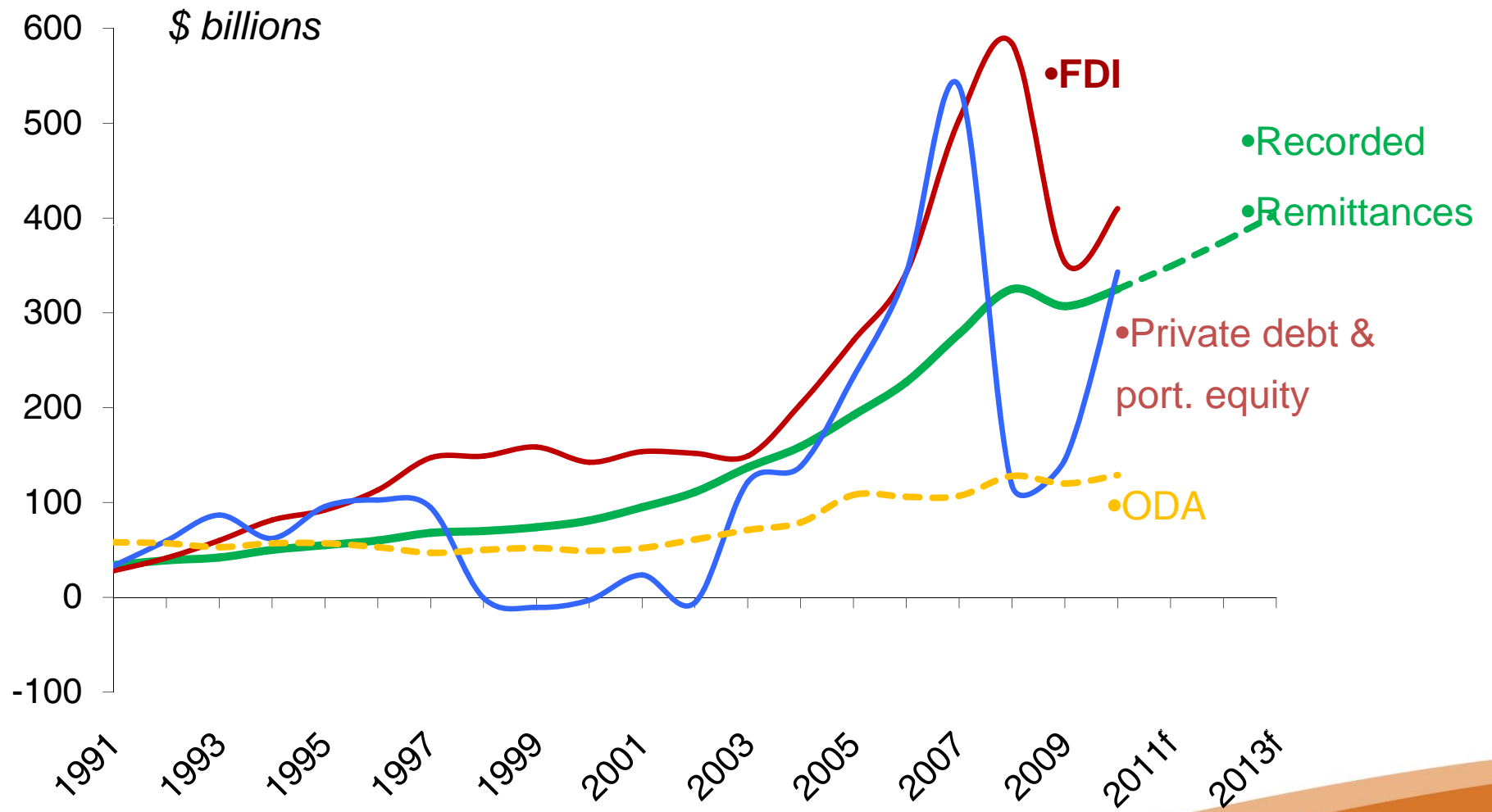
The Importance of Remittances

Remittances are the financial transfers from migrants back to their home countries. They are typically small transfers but are sent by millions of migrants very regularly and amount to one of the largest flow of money to developing countries.

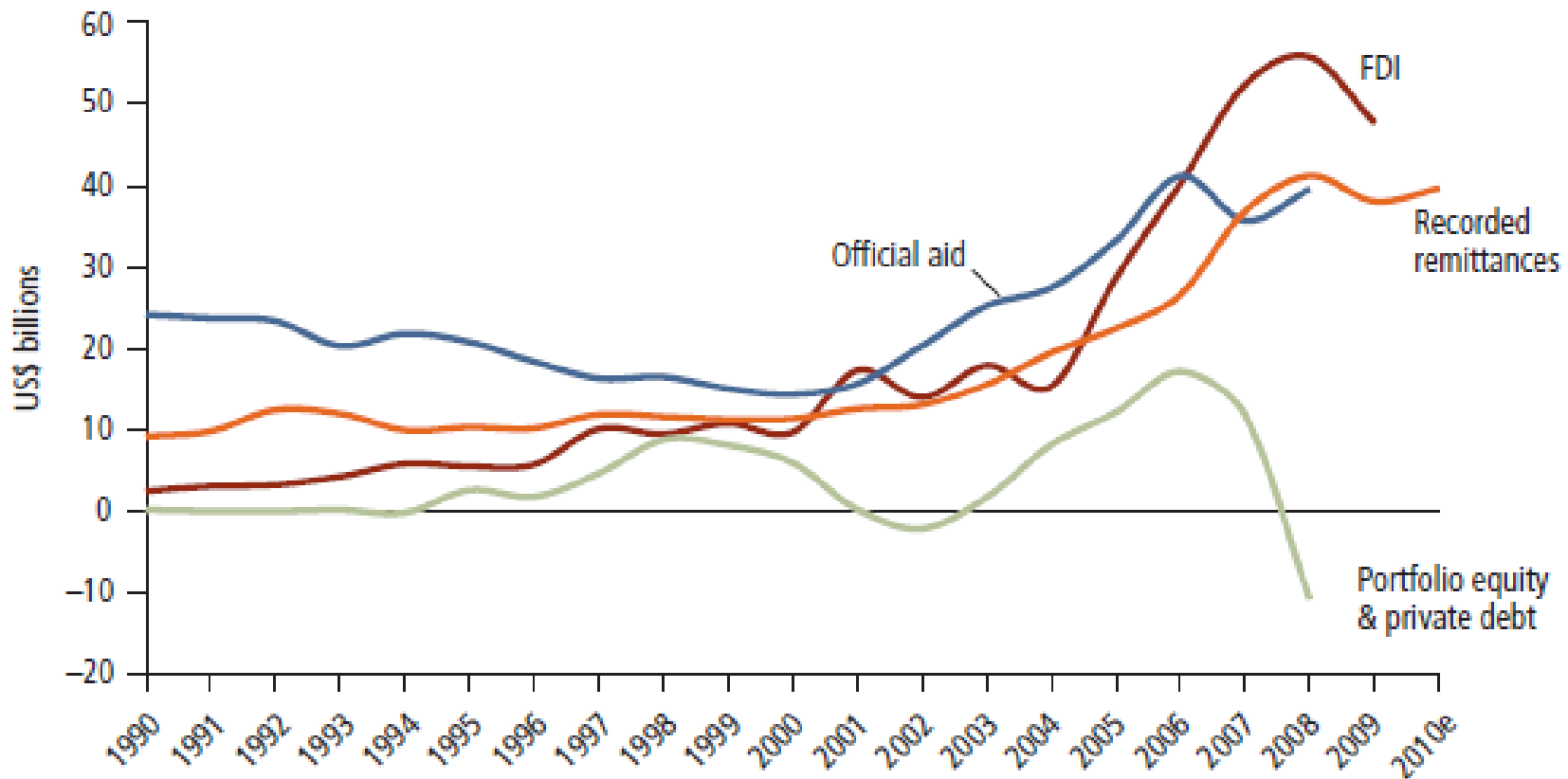
Remittances are often the largest source of hard currency for developing countries, reaching the equivalent of over 30% of GDP, and form a critical factor for their Balance of Payments. The amounts received as remittances can be larger than the national income from commodity exports, usually only eclipsed by oil exports.

Remittances typically exceed Development Assistance and sometimes FDI. They directly reach many poor and rural areas and often lift poor families out of poverty.

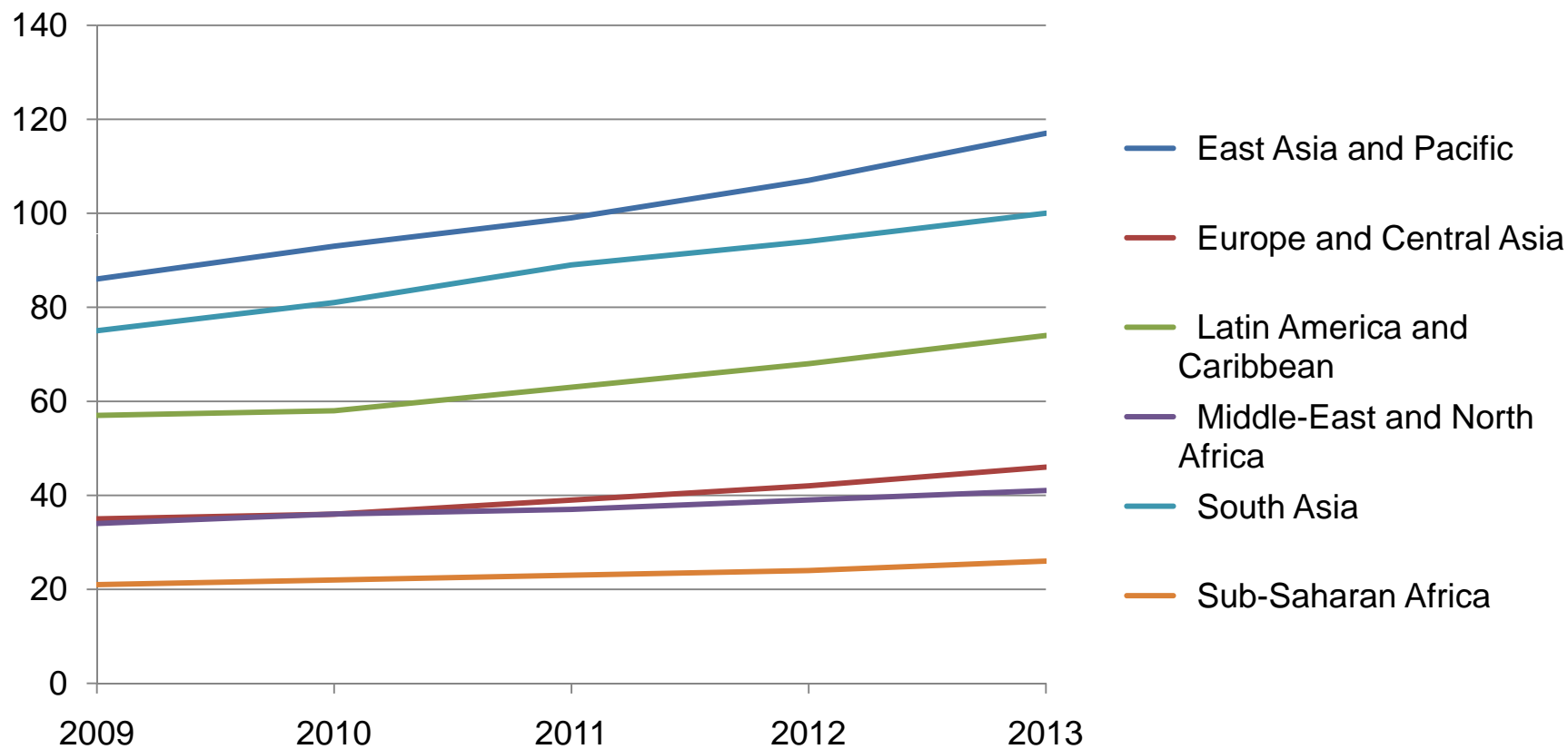
Remittances and Other Financial Flows World



Remittances and Other Financial Flows to Africa



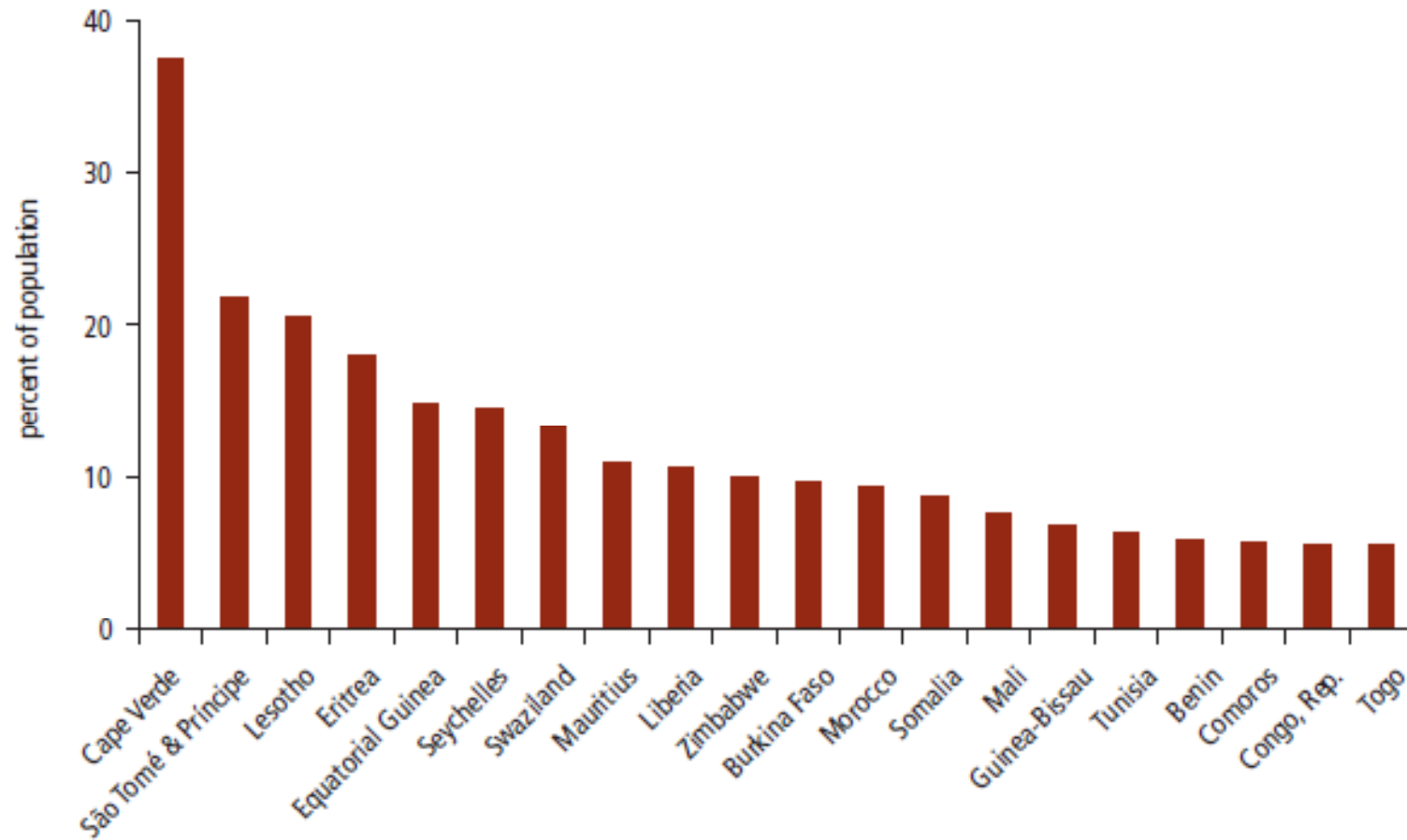
Remittance Flows to Developing Regions 2009-2013 (US\$B)



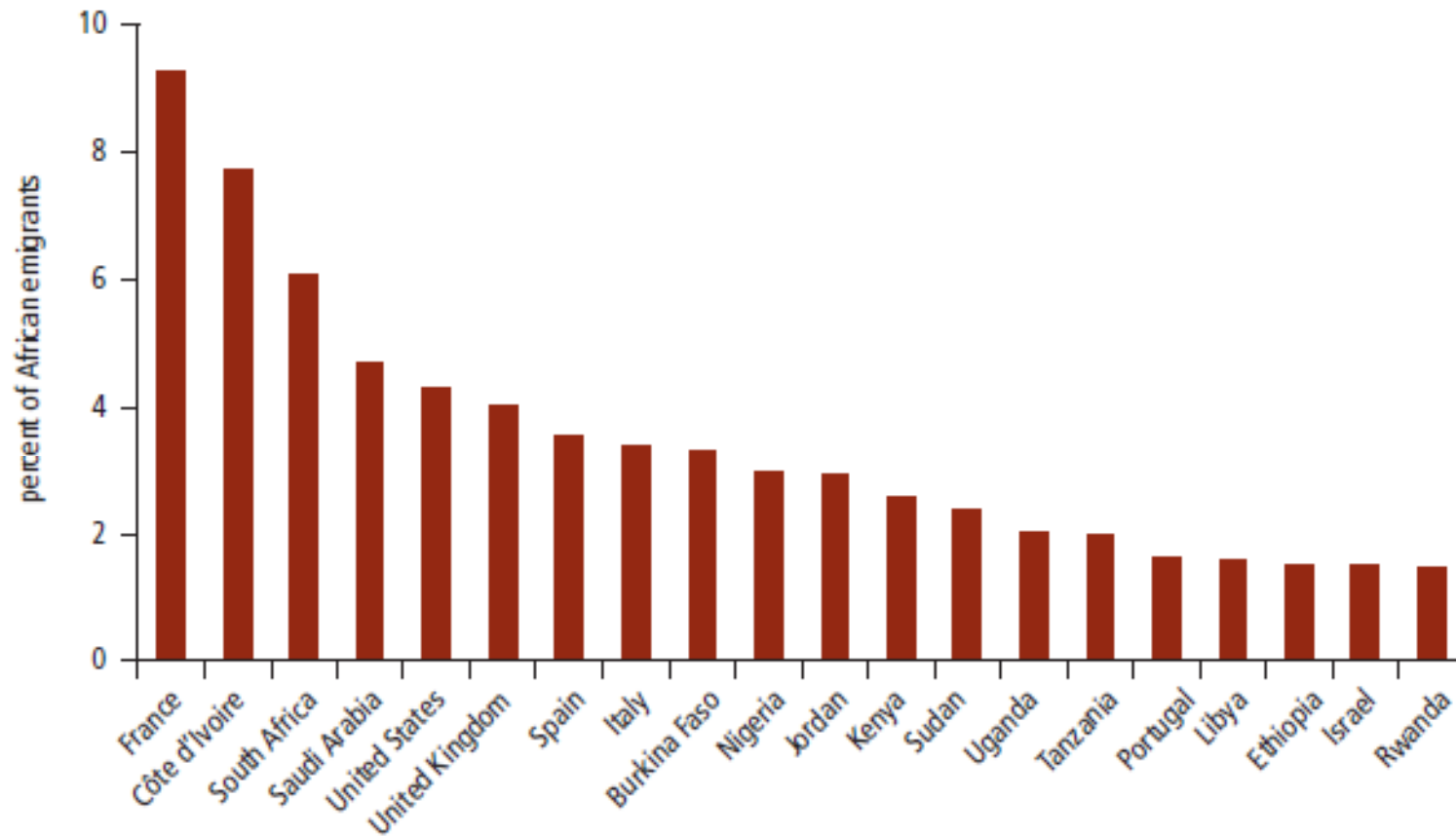


Migration Flows and Trends in Africa

Ratio of Emigrant Population of Total Population

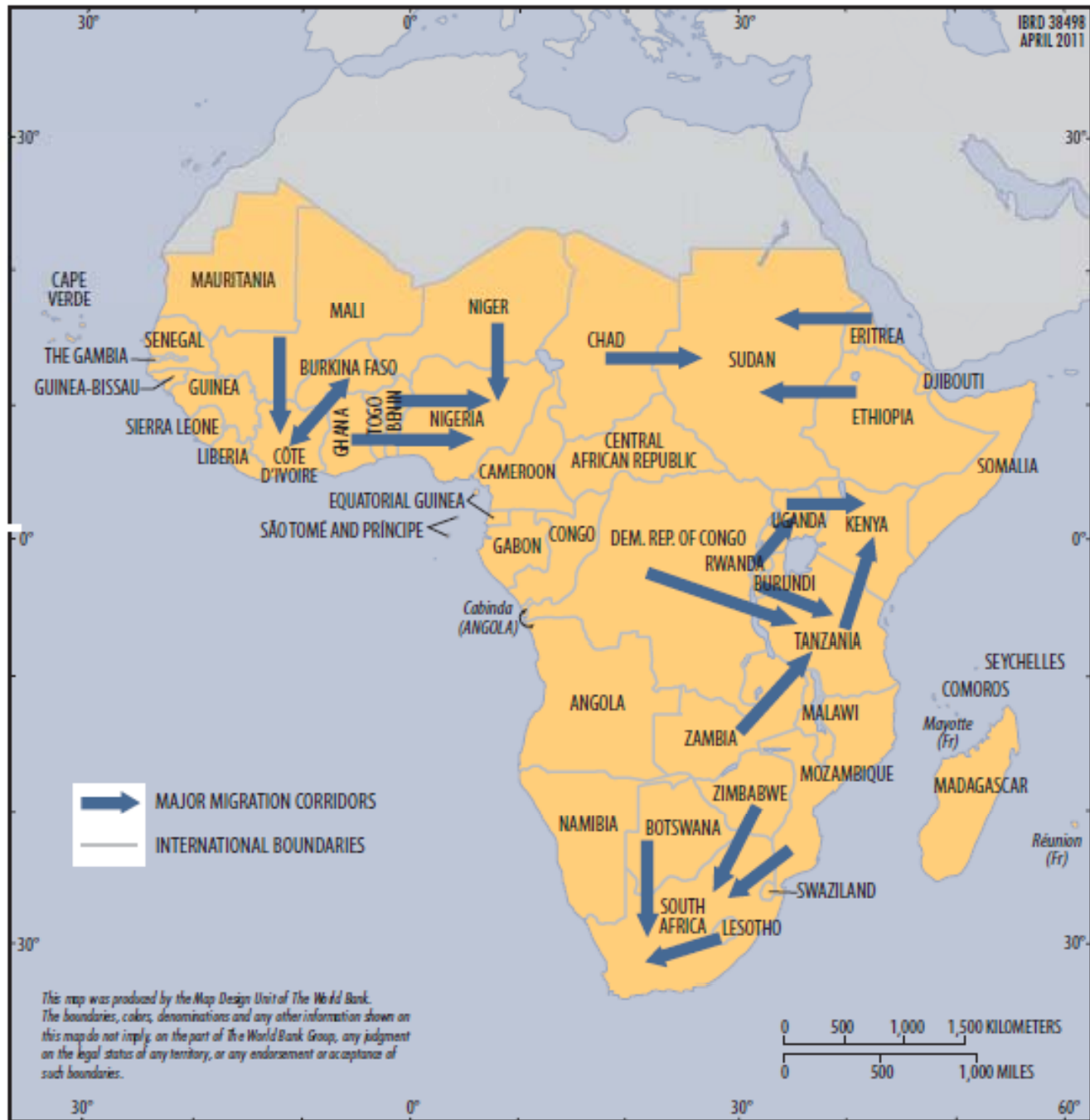


Major Destination Countries of African Migrants

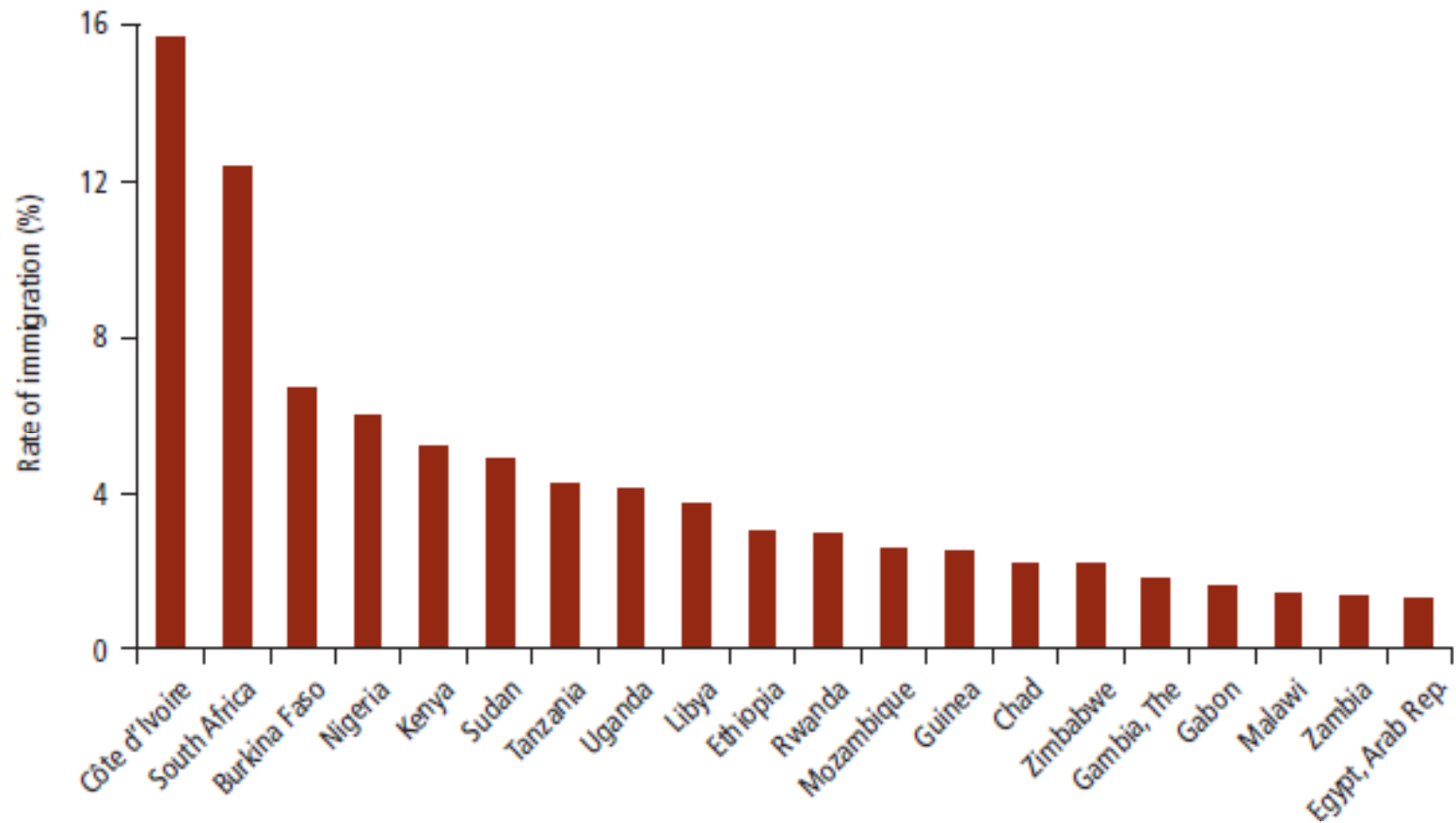


Origin and Destination Regions for Intra-African Migration

Origin subregion	Destination subregion					
	Central Africa	East Africa	North Africa	Southern Africa	West Africa	Out of Africa
All Africa	3	13	2	11	21	50
Central Africa	23	26	0	9	3	39
East Africa	1	52	3	3	0	41
North Africa	0	0	6	0	0	93
Southern Africa	0	7	0	66	0	28
West Africa	5	0	0	0	71	24
Other regions	0	0	0	0	0	100



Major Immigration Countries in Africa

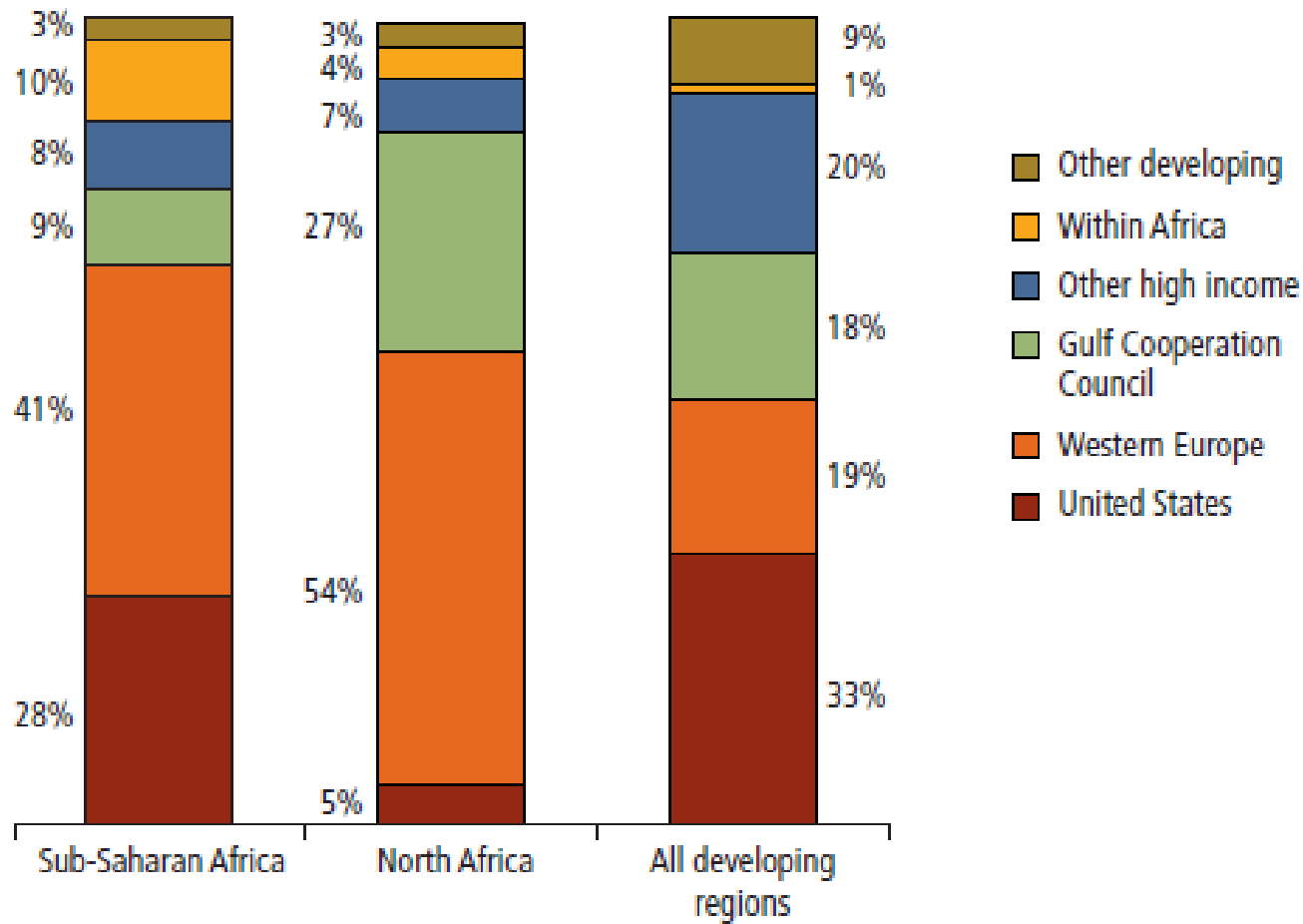




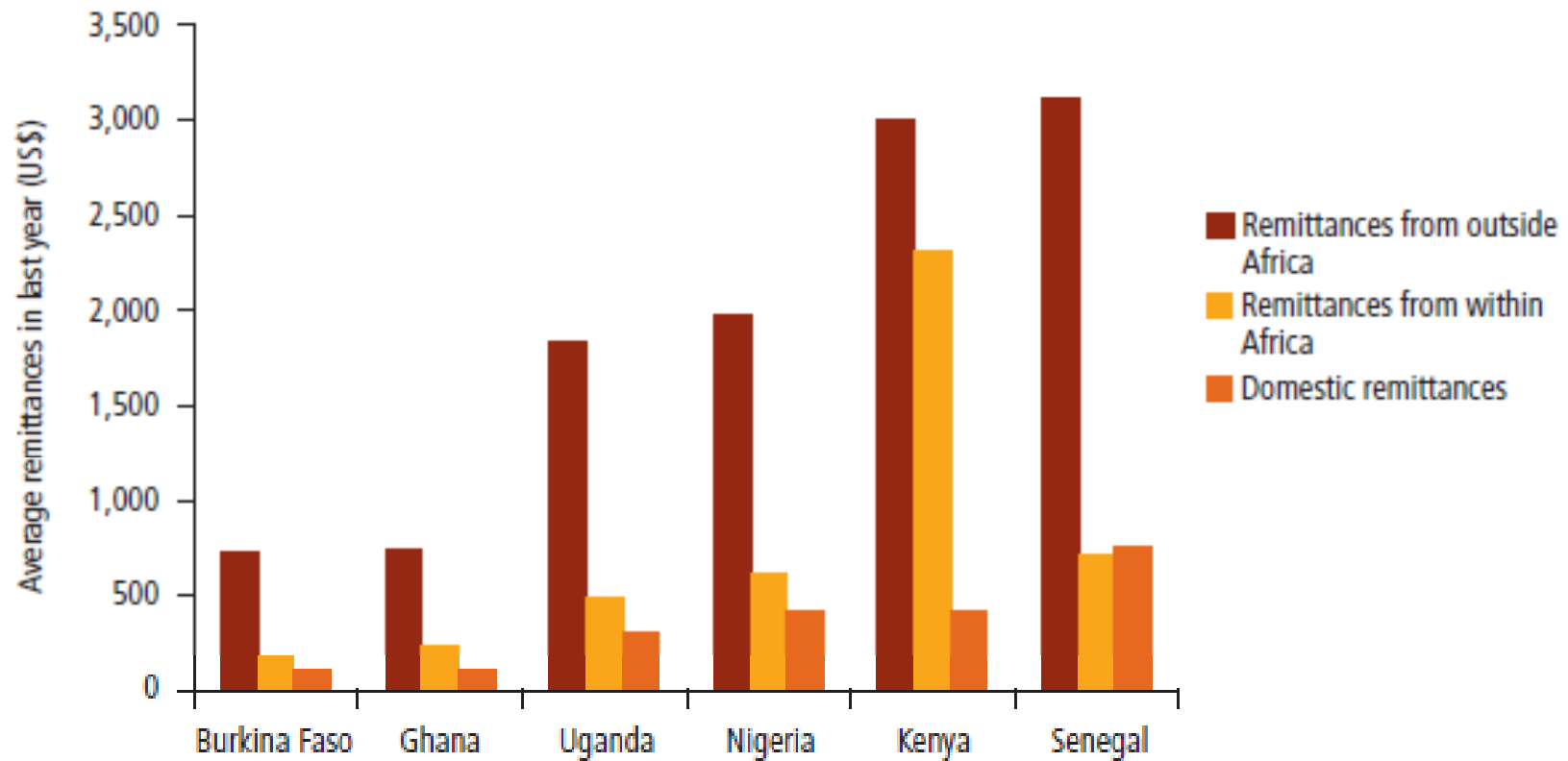
Remittance Flows and Trends in Africa

Region/country	2006	2007	2008	2009	2010e	Growth (percent)		Share of GDP (percent)
						2008–09	2009–10e	2009
Sub-Saharan Africa	12,668	18,584	21,359	20,575	21,490	-3.7	4.4	2.6
Nigeria	5,435	9,221	9,980	9,585	9,975	-4.0	4.1	5.5
Sudan	1,179	1,769	3,100	2,993	3,178	-3.5	6.2	5.5
Kenya	1,128	1,588	1,692	1,686	1,758	-0.3	4.3	5.7
Senegal	925	1,192	1,288	1,191	1,164	-7.5	-2.3	9.3
South Africa	734	834	823	902	1,008	9.7	11.8	0.3
Uganda	411	452	724	694	773	-4.1	11.3	4.3
Lesotho	361	451	439	450	525	2.6	16.7	28.5
Mali	212	344	431	405	385	-6.1	-4.8	4.5
Ethiopia	172	358	387	353	387	-8.8	9.7	1.2
Togo	232	284	337	307	302	-9.0	-1.7	10.7
North Africa	13,945	18,267	19,815	17,489	18,163	-11.7	3.9	3.3
Egypt, Arab Rep.	5,330	7,656	8,694	7,150	7,681	-17.8	7.4	3.8
Morocco	5,451	6,730	6,895	6,271	6,447	-9.0	2.8	6.9
Algeria	1,610	2,120	2,202	2,059	2,031	-6.5	-1.3	1.5
Tunisia	1,510	1,716	1,977	1,966	1,960	-0.5	-0.3	5.0
Djibouti	28	29	30	28	28	-6.8	-0.3	2.7
Libya	16	16	16	14	16	-10.1	9.3	0.0

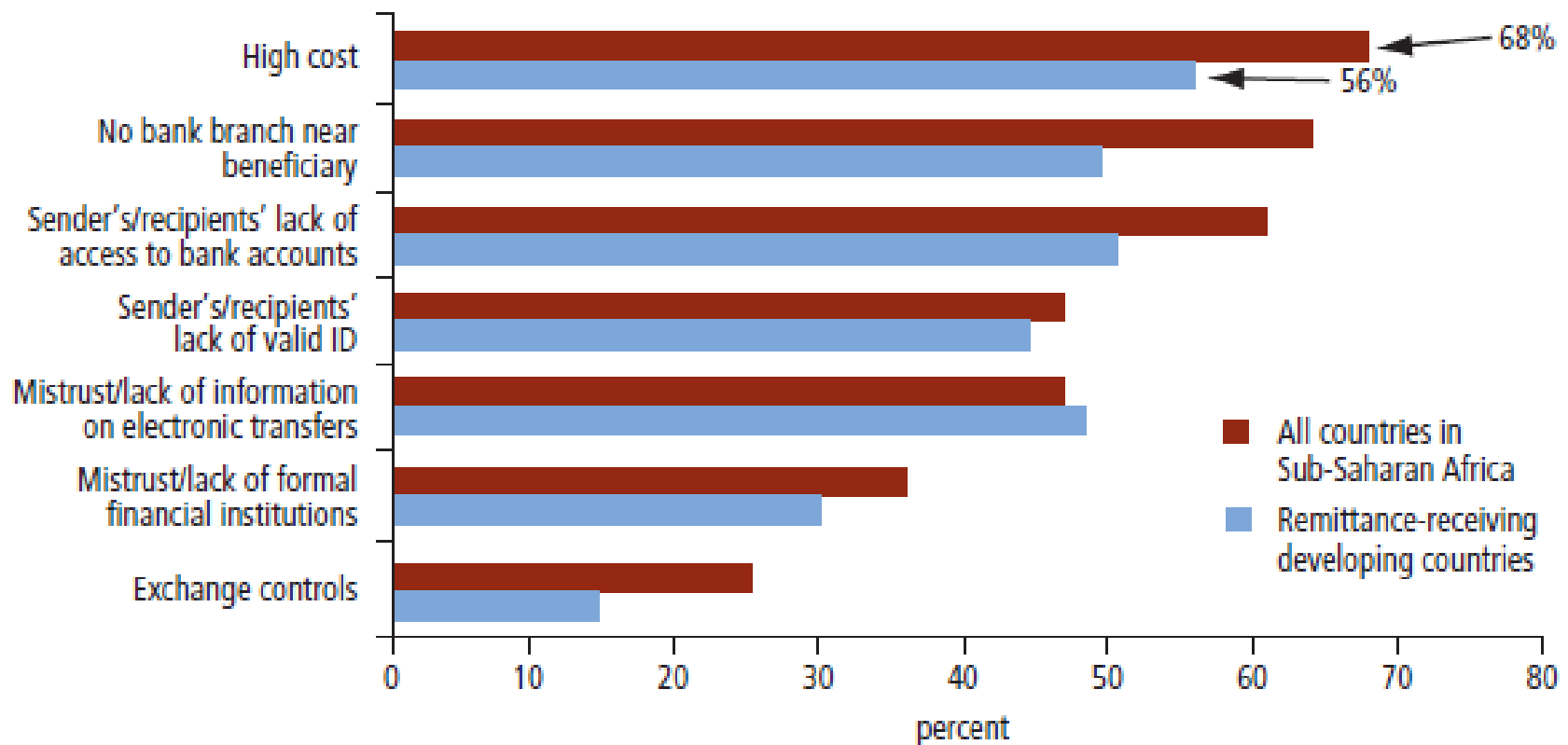
Major Sources of Remittances/Region



Major Sources of Remittances/Selected Countries



Reasons to Use Informal Remittance Channels

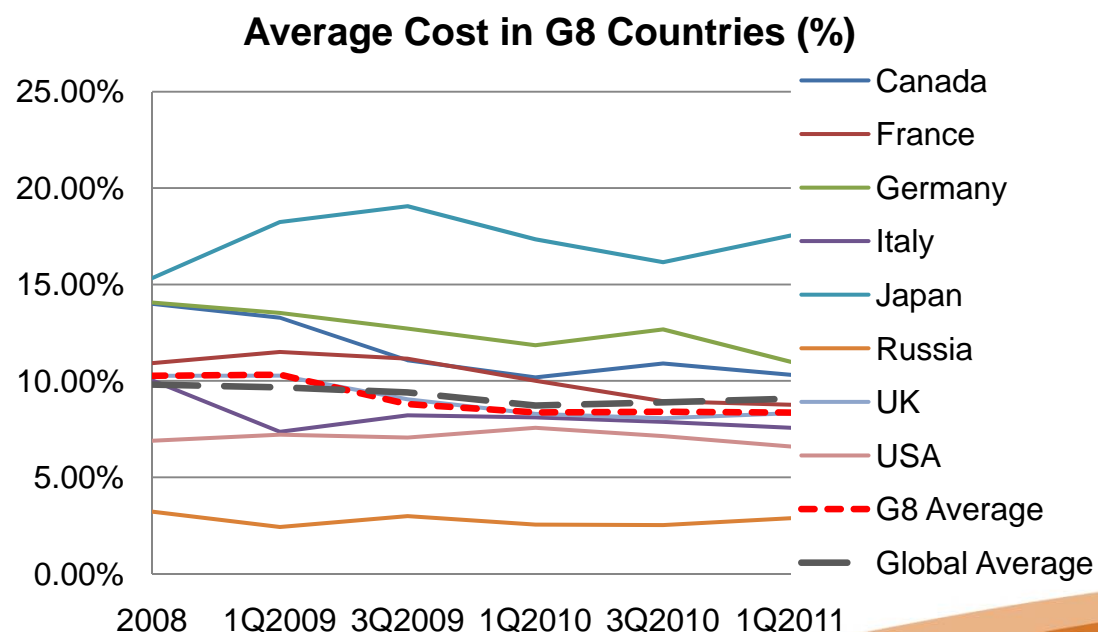


Inefficient Remittance Markets Cause High Cost

Remittance systems in Africa are still characterized by cash transactions, inefficient manual processes, fragmentation of the delivery chains, and poor compliance. Often more than three parties are involved in the processing of a transfer.

Regulation in many countries creates high barriers for banks and non-bank financial institutions to offer remittance services and other financial products to migrants and their families.

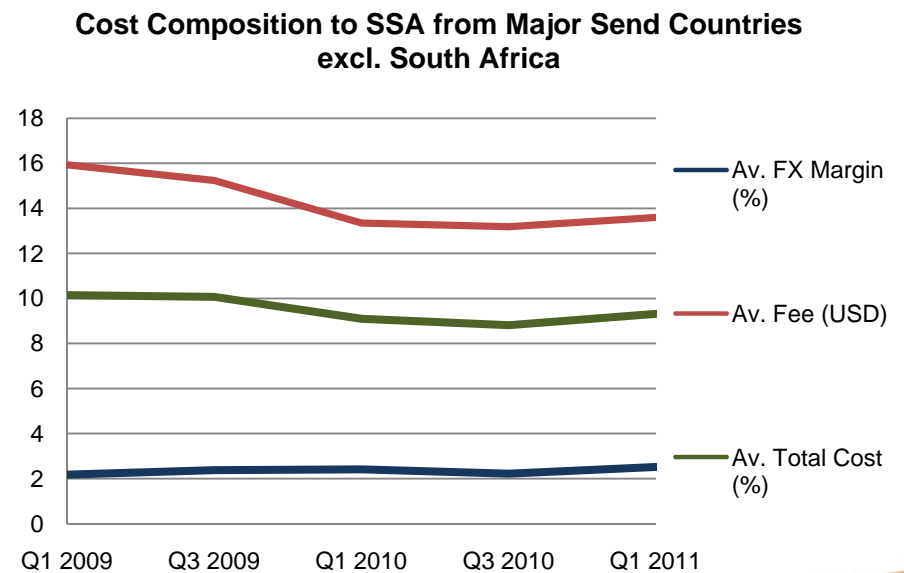
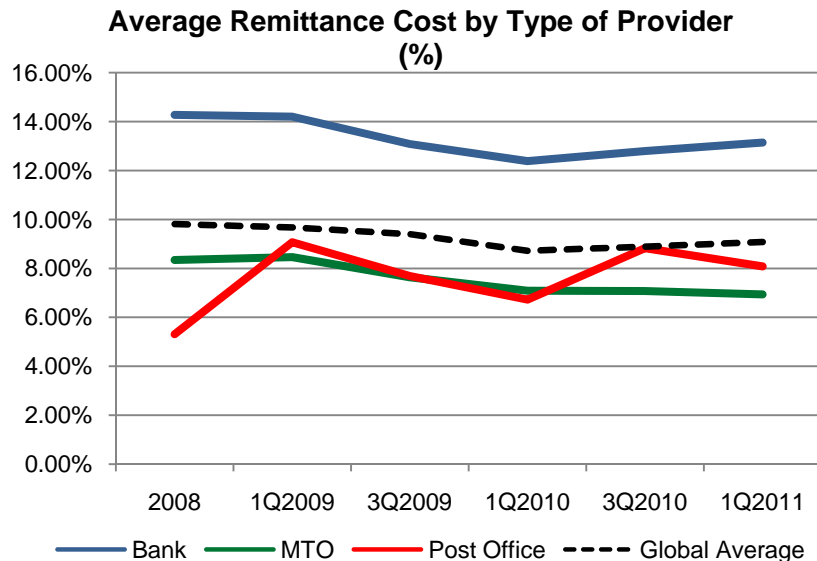
As a result, migrants still pay money transfer fees of up to 20% of the amount they send and a large portion of remittances is sent through informal channels, increasing risk and reducing benefits of remittances.



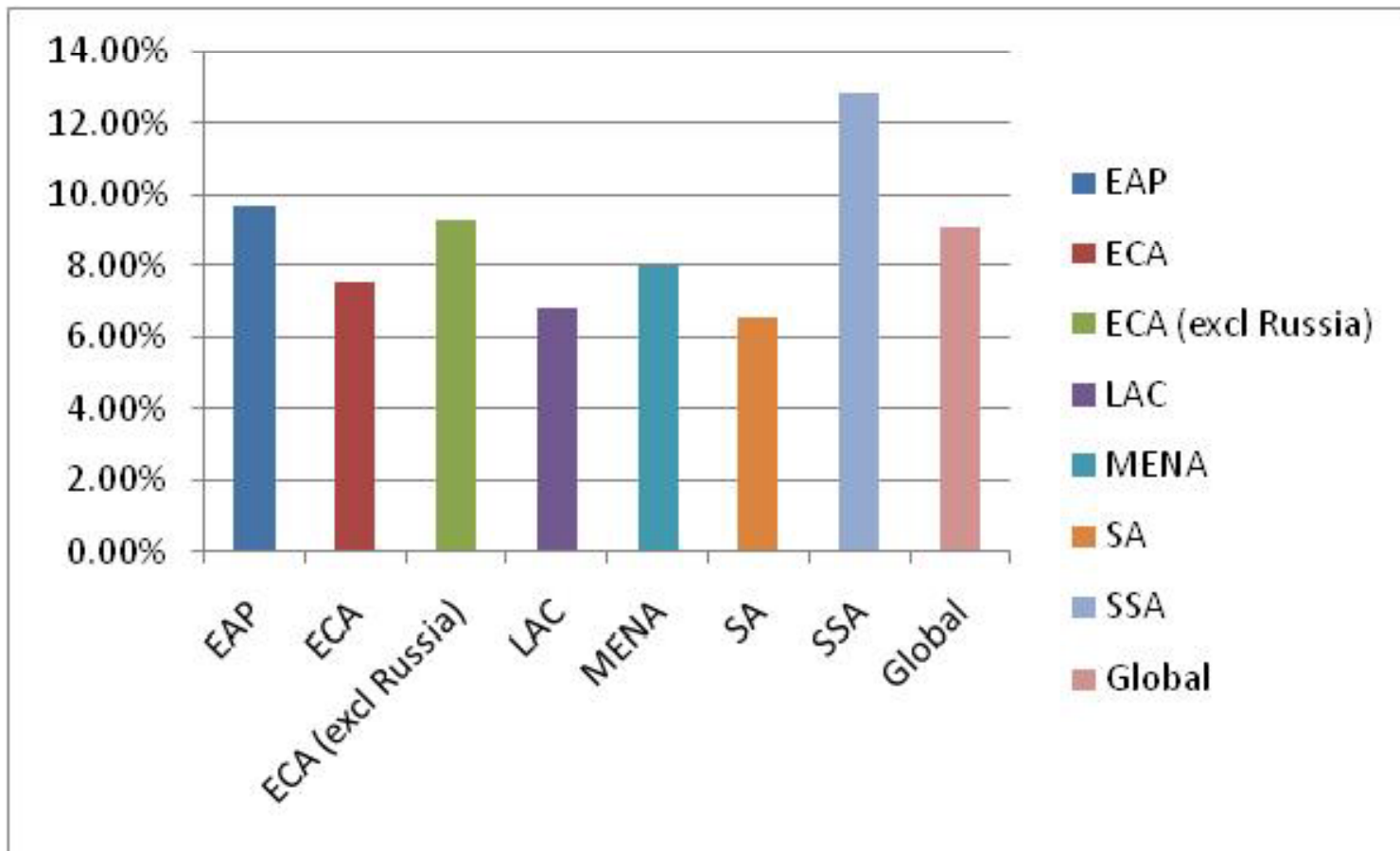
RPW - Measuring Remittance Prices

Following G8 and G20 commitments to reduce remittance costs, PSDG began to survey remittance prices worldwide and publishes the information as the Remittance Prices Worldwide database.

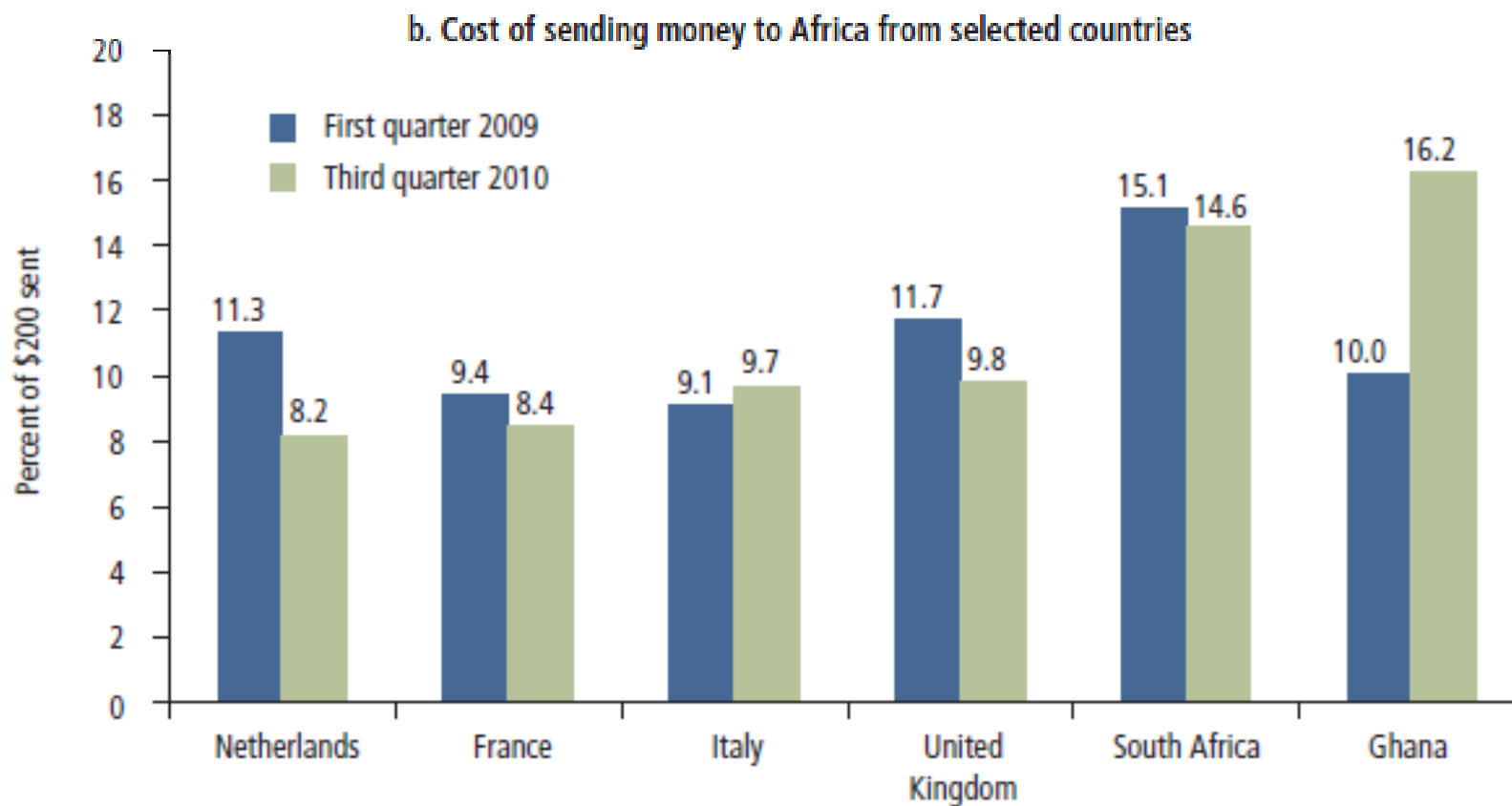
The results are used to identify inefficient markets and market distortions and to measure the impact and success of reforms and technical assistance programs.



Regional Remittance Prices



Reasons to Use Informal Remittance Channels



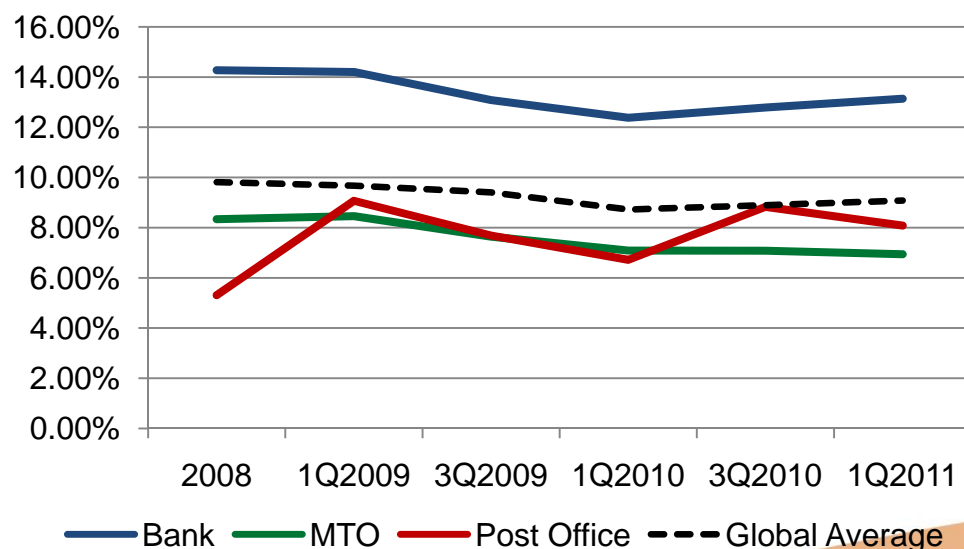
Price Differences Between Different Types of Remittance Service Providers

Prices, and efficiency, of different types of remittance service providers vary greatly. Specialized MTOs usually employ very efficient, online systems that allow real time transaction processing and automate back office operations.

Banks typically use SWIFT to send remittance transfers. Back office functions are manual and the transfer via different settlement banks usually takes several days.

As a result remittance costs with banks on average are higher than with other providers. However, banks with dedicated remittance products and systems tend offer very low costs.

Average Remittance Cost by Type of Provider (%)

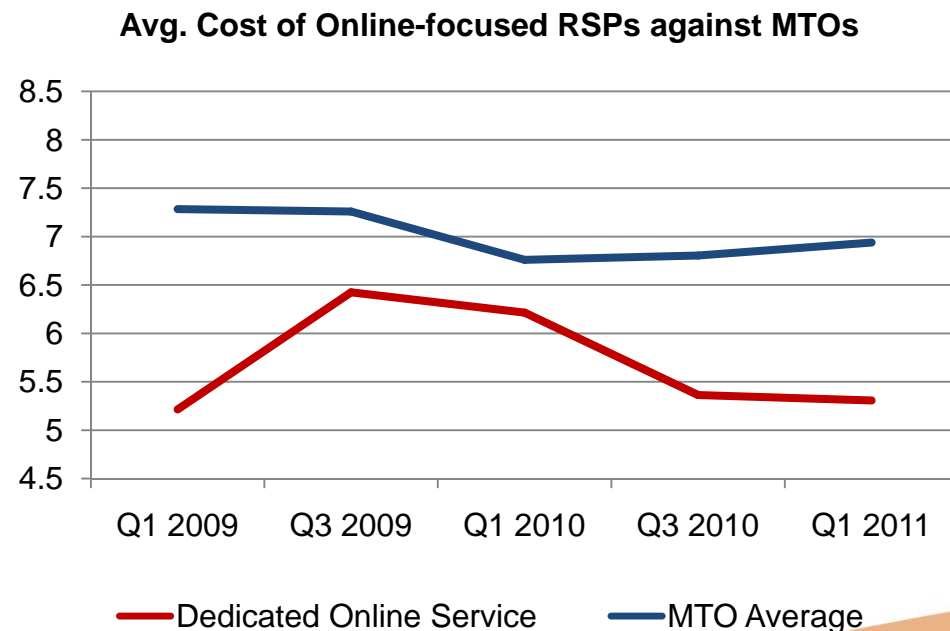


The Impact of New Technology

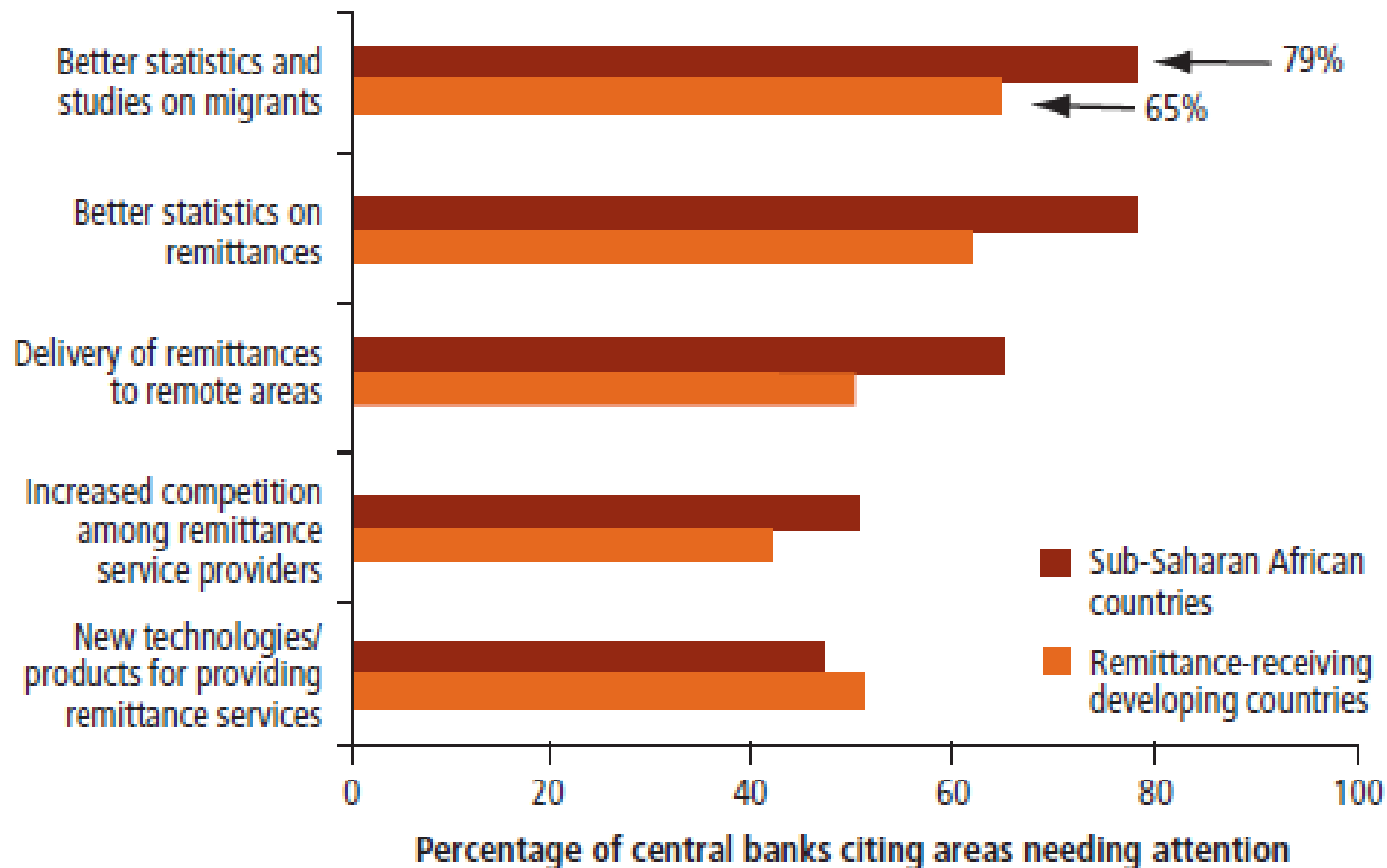
Traditional MTOs often have efficient systems but collect and make payments in cash, often using small retailers as collection agents and banks for payment.

The cost for the collection in this business model can reach up to 50% of the fees generated for the transfer. Payment costs approx. another 20%, leaving little for marketing, cash management, and administration.

Remittance services that include a self-serve process and use electronic means of payment, such as online and mobile remittances, tend to be significantly cheaper. The introduction of such services however often suffers from unclear regulation.



Areas of Remittance Markets that Should Be Improved





Thank you.

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