



Africa and Cryptocurrencies Factsheets on migrants' remittances

Key issues and opportunities

13 September 2022

Outline



Remittances from African (regional) perspectives



Remittances from Cryptocurrency (thematic) perspectives

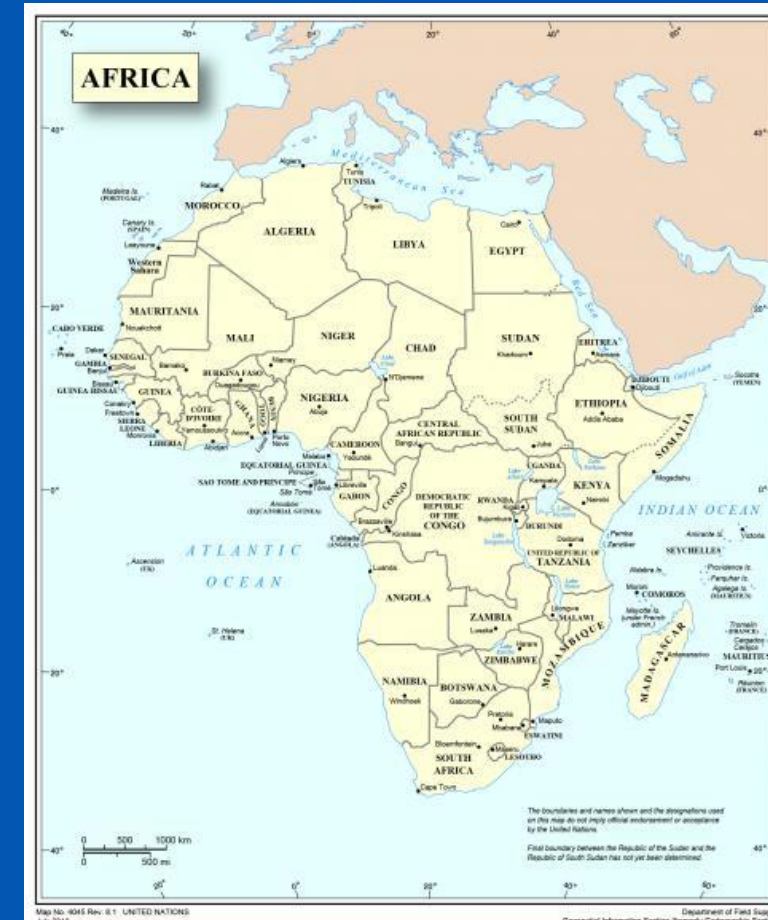


Quiz time

Let's go to Menti!

Africa Remittances

A presentation by DMA Global
13th September 2022

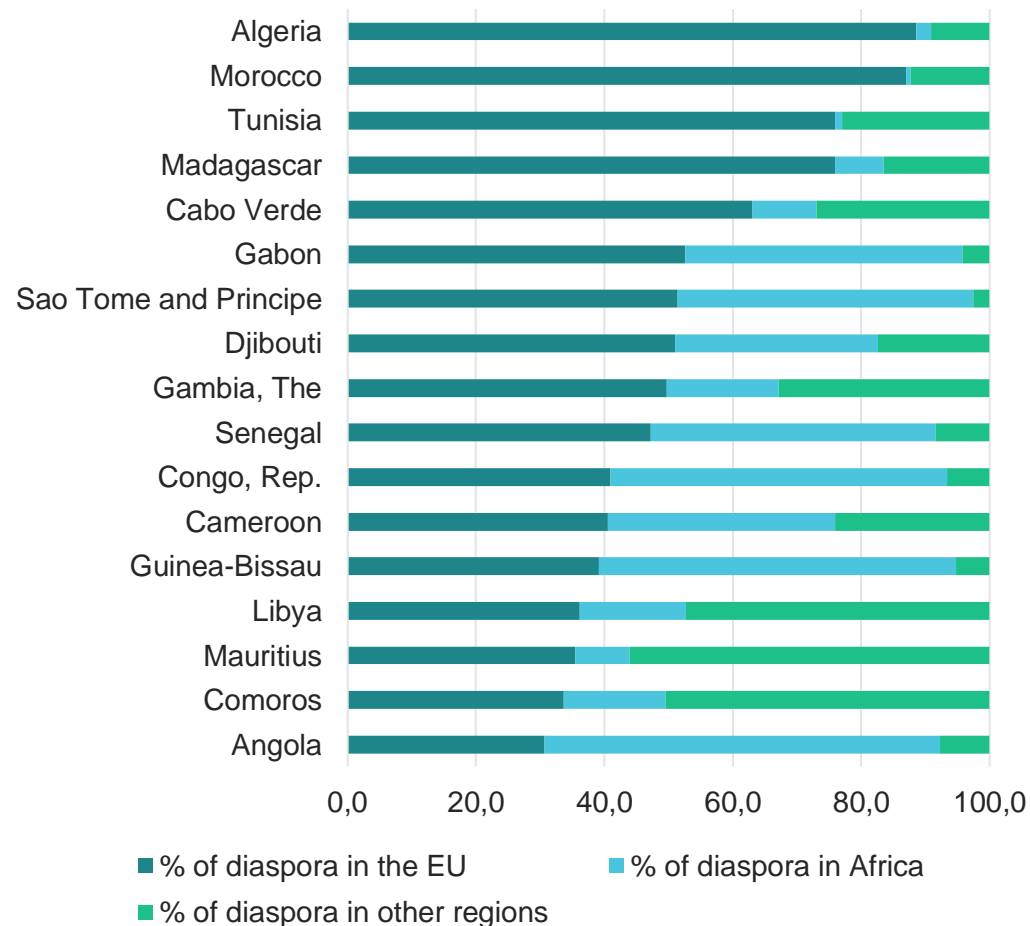


Contents

- Migration patterns
- Remittance flows – Africa and EU-Africa
- Remittance flows and COVID-19
- Costs
- Case studies
- Key challenges
- Potential solutions

Migration patterns

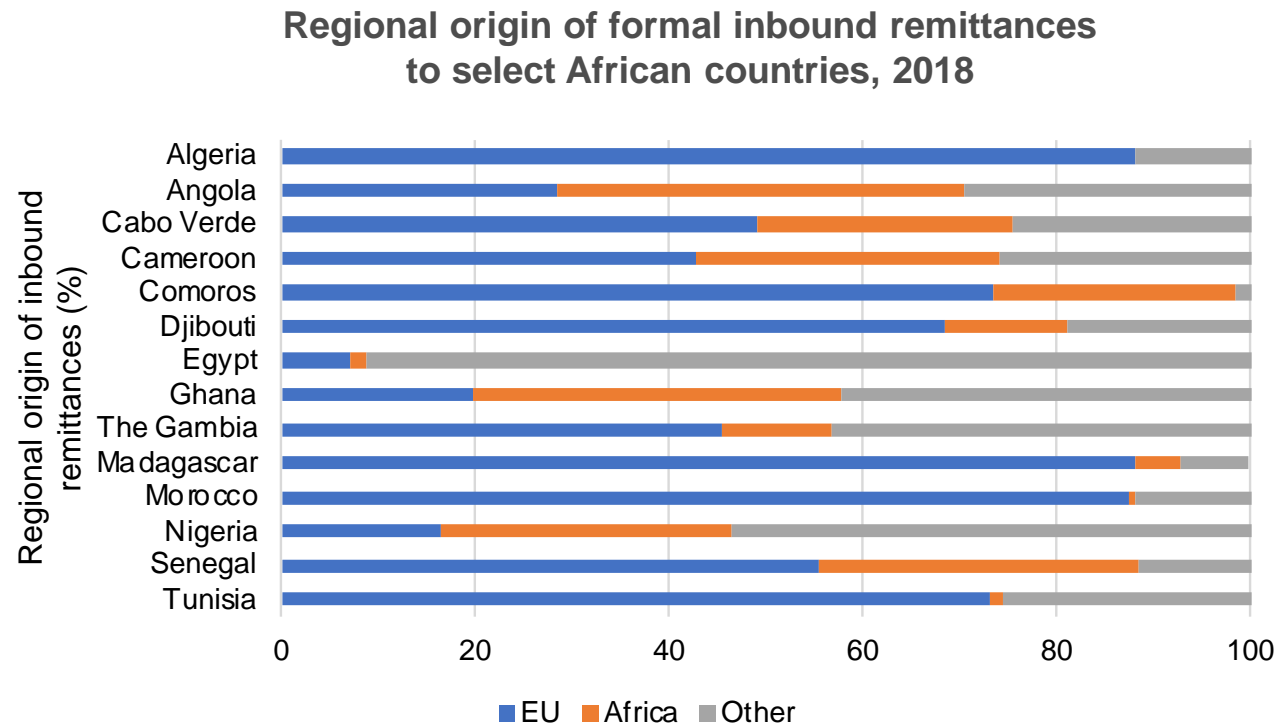
African countries with the largest proportion of their diaspora in the EU (UNDESA, 2019)



- **40.5 million** people are part of the Africa diaspora (2020)
- Likely higher given levels of **unrecorded intra-Africa migration**
- **Over 70%** of international migration flows to/within/from the continent are intra-African
- EU hosts **22%** of the global African diaspora
- France hosts **48%** of the African migrants in the EU

Remittance flows

- Flows into the continent totalled **USD 95 billion** in 2021 (**13%** increase from 2020)
- Substantial source of income for several countries – accounted for **10%+ of GDP** for five countries in 2021
- **Egypt** is the largest remittance receiver – USD 31.5 billion in 2021 (33% of total inbound flows)



Remittance flows: EU to Africa

Top 10 receivers of EU remittances in Africa
(World Bank Bilateral Remittance Matrix, 2018)

	Country	Amount received
1	Morocco	USD 6,056 million
2	Nigeria	USD 3,994 million
3	Egypt	USD 1,777 million
4	Algeria	USD 1,579 million
5	Tunisia	USD 1,383 million
6	Senegal	USD 1,342 million
7	Ghana	USD 697 million
8	DRC	USD 480 million
9	Madagascar	USD 419 million
10	Kenya	USD 222 million

Remittance flows: impact of COVID-19 pandemic and subsequent recovery

- Some countries experienced a **sharp decline** in flows in immediate aftermath of pandemic but have since shown a consistent upward trajectory, for example, Nigeria and Kenya
- Flows to other countries remained **resilient** through much of the pandemic, for example, the Gambia
- As the acute impact of COVID has subsided, some countries have seen a **continued fast growth trajectory**, for example, Egypt

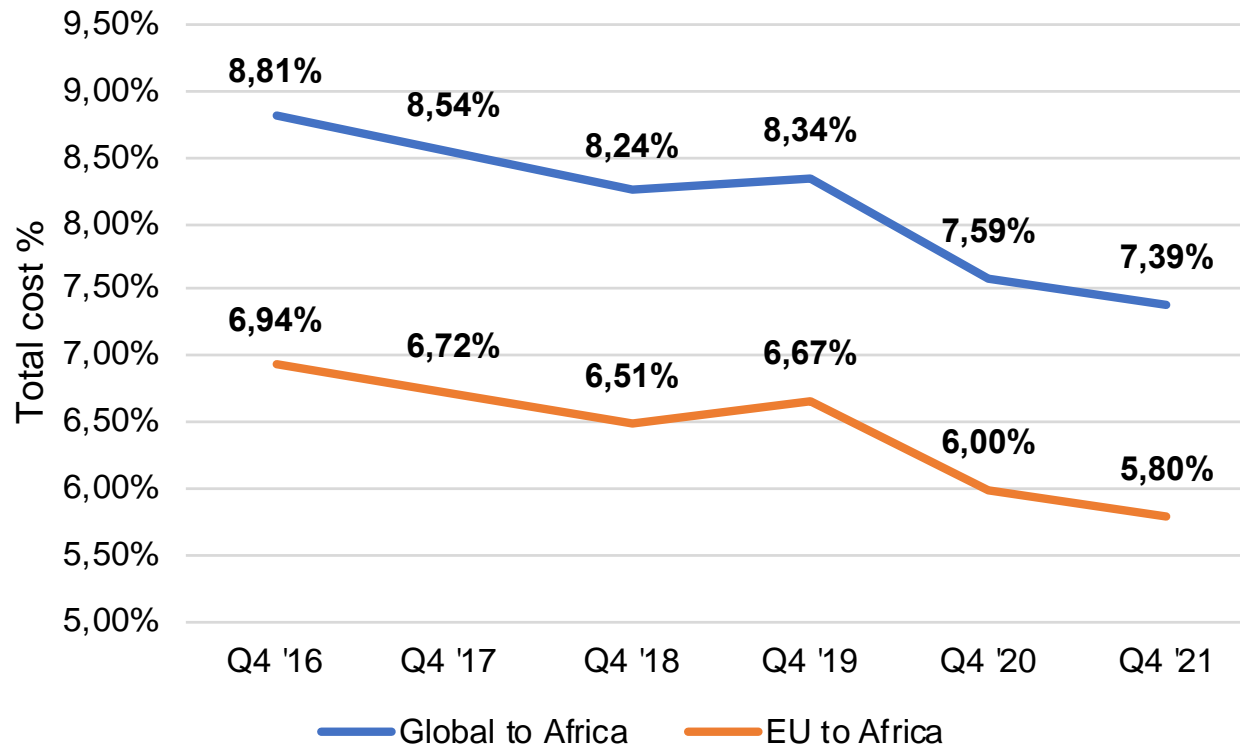
Remittance flows: impact of COVID-19 pandemic and subsequent recovery

Why did some flows remain resilient?

- Main EU send countries offered **social protections** to migrants during lockdowns
- Many migrants workers were classified as “**essential workers**” during lockdowns and able to maintain usual remittance flows
- **Altruistic** transfers were made in response to the crisis
- **Border closures** impeded the operations of informal remittance providers
- **Policy changes** were made to encourage use of digital and formal remittance channels
 - Potentially leading to rise in formal, recorded flows rather than overall flows

Remittance costs

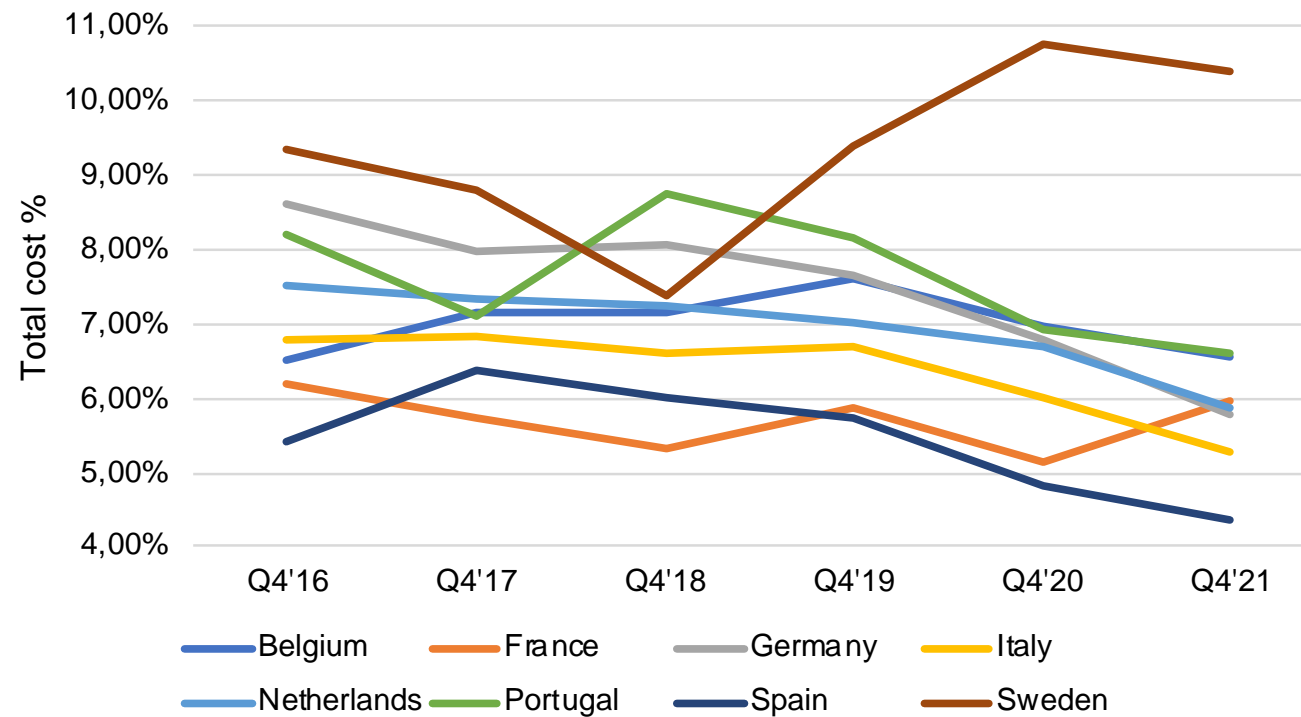
Average global and EU total cost percentage to send USD 200 to Africa, Q4 2016 to Q4 2021



- Average remittance prices to Africa are consistently the **most expensive in the world**: 7.39% versus 6.04% global average (Q4 2021)
- Costs from the EU to Africa are **consistently cheaper** than average global costs: 5.80% in Q4 2021
 - Costs have **fallen more rapidly** during pandemic than previous years
 - **BUT large range** in costs across different corridors

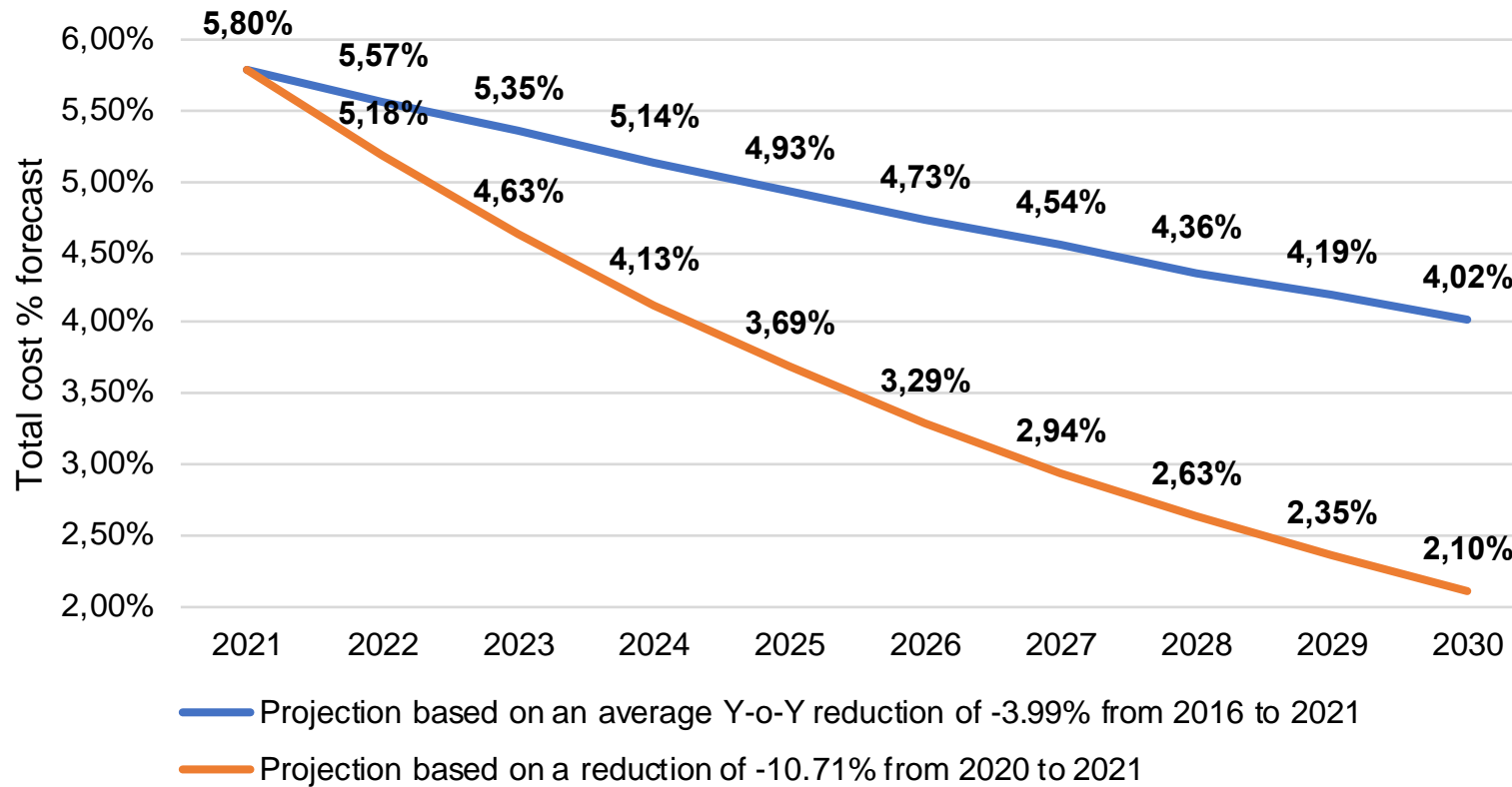
Remittance costs

Average total cost percentage (FX margin and fee) to send USD 200 from select EU countries to Africa, Q4 2016 to Q4 2021



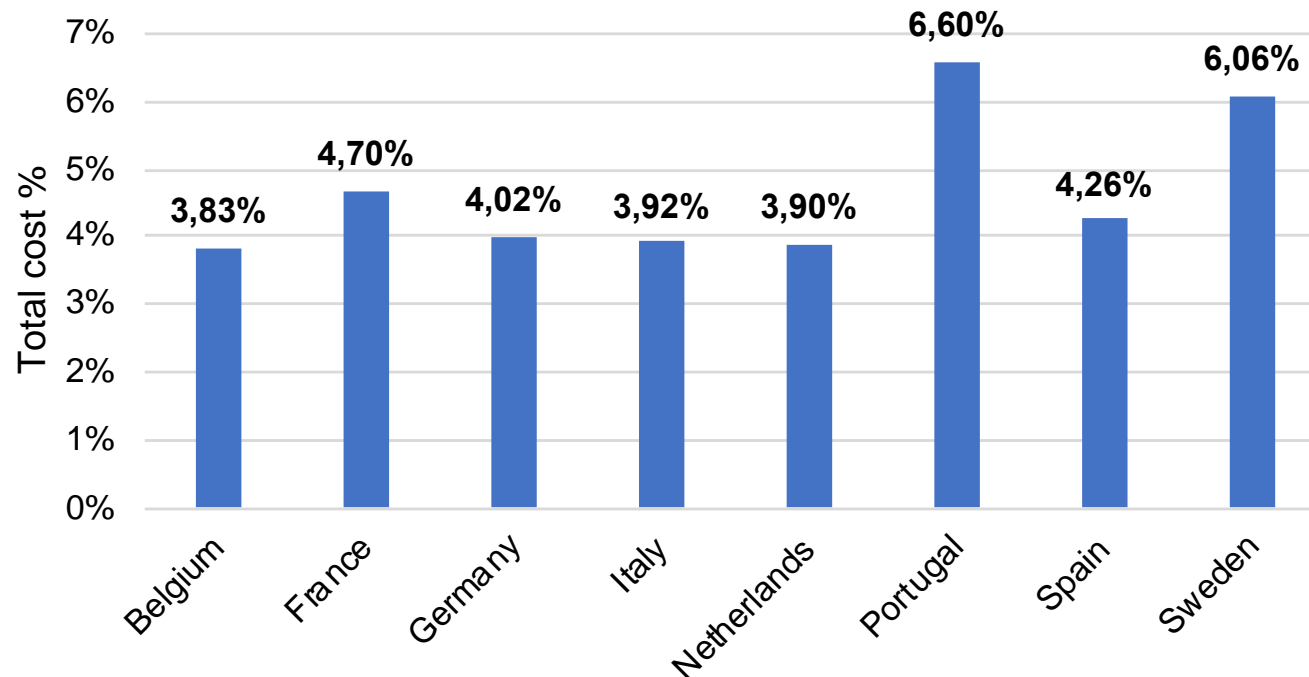
Remittance costs: future trajectory

Projections for average annual cost to send USD 200 from the EU to Africa, 2021-2030, based on historical rate of change



Remittance costs: digital channels

Average cost to send a USD 200 end-to-end digital transaction from the EU countries to Africa (FX margin and fee), Q4 2021



- **Cheaper** than other sending methods in EU-Africa corridors: 4.75% in Q4 2021 (one-side digital)
- Costs are **declining at a faster rate** than traditional sending methods

Case Study 1: Ghana



Key trends: Migration and remittances

- **Second highest receiver in SSA:** USD 4.5 billion in 2021, 5.9% of GDP
- Flows have remained **resilient** during COVID: 25% year-on-year increase from 2020
- Diaspora primarily in Nigeria, USA, UK and Côte d'Ivoire (**14%** in the EU)
- High financial inclusion rates for Africa: 58% in 2017
- Considered **fastest-growing mobile money market** in Africa
 - increase in financial inclusion and rapid uptake of digital remittances
- EU to Ghana costs are **slightly higher than global average:** 7.35% vs. 7.52% (Q4 2021) – broadly in line with overall average to Africa

Electronic Transfer Levy ('e-levy')

- Act came into force on 1st May 2022
- 1.5% levy applied to all electronic transfers (bank accounts and mobile wallets) over GHS 100 (€13)
- Only transactions made within the country are included
- Inbound international remittances are currently exempt but were included in earlier drafts

Case Study 1: Ghana (cont)



Key trends: Public and private sector initiatives

- **WIDU.africa** – fund-matching service sent by individual diaspora donors in Europe to MSMEs in Ghana
- IFAD's **PRIME Africa** programme
- **Boosting Green Employment and Enterprise Opportunities in Ghana (GrEEn)** – funded under the EU Emergency Trust Fund for Africa (EUTF)
- **Government initiatives** – digitalisation, digital financial inclusion and access to formal remittances
 - National Financial Inclusion and Development Strategy
 - Digital Financial Services Policy
 - eCedi Central Bank Digital Currency (CBDC)

Case Study 2: Morocco



Key trends: Migration and remittances

- **Third highest receiver in Africa:** historic USD 10.4 billion in 2020; 7.8% of GDP
- **Very strong inflow growth** trajectory during the pandemic: 4.9% in 2020 and 38.9% in 2021
- **Significant and well-established** migration and remittance flows between the EU and Morocco: EU hosts 87% of Moroccan migrants and accounts for 70% of total inflows
- **Low financial inclusion** rates: 29% in 2017 with stark gender gap
 - Only **4%** of the population have a mobile payment account (2020)
- A **full ban** on cryptocurrencies has been instituted
- Sending remittances from the EU to Morocco is **slightly cheaper** than the global average to Morocco: 5.52% vs. 5.79% (Q4 2021)
 - Cash-to-cash services are the most expensive sending method, whilst **end-to-end digital services are cheapest:** 6.43% vs. 3.98%

Case Study 2: Morocco (cont)



Key trends: Public and private sector initiatives

- **Ministry for Moroccans Residing Abroad** – multiple schemes to encourage and formalise diaspora contributions to homeland development
 - Competencies Mobilisation programme
 - MRA Investors Coaching Program
 - Maghrib Belgium Impulse Project
- **MEET Africa 2** – diaspora entrepreneurship development programme that uses technical support and seed funding to allow the African diaspora to realise and scale their business ideas in Africa
- **Greenback Initiative City-Tour Scheme** – guided tours of financial services to potential users that promote familiarity, knowledge and trust
- IFAD's **PRIME Africa** programme

Key Challenges



1. Difficulties **accessing** formal financial services (formal documentation; rural populations)



2. High remittance **costs**



3. Low levels of digital financial **inclusion** and weak digital infrastructure



4. High use of cash-based, informal remittance **channels**



5. Lack of **harmonisation** in regulatory frameworks

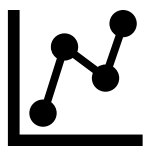


6. **Variable** data collection practices and a lack of robust data

Potential Solutions



1. Financial education for migrants and remittance beneficiaries



2. Data collection



3. Improving digital infrastructure



4. Regulatory reform

Thank you



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