FINMARK TRUST

Making financial markets work for the poor

The South Africa-SADC remittance channel

Prepared by DNA Economics for FinMark Trust

February 2012

AUTHOR

Sarah Truen

Stephen Chisadza

DNA Economics

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Many of the countries of the SADC region have a long-standing tradition of economic migration to South Africa. The remittances received from such migrants have been an extremely important form of income support for many of the households from which they originate. For example, in Mozambique there is evidence that households with an inter-generational tradition of sending men to work in the South African mines have systematically improved their economic status when compared to others.[1] In times of crisis remittances can become vital – a 2005 survey of Zimbabwean remittance-receiving households found that more than half "agreed that they would have grown sick with hunger" in the absence of remittance receipts.[2]

It is well known that there are large remittance flows from South Africa to other countries in the SADC region and that a substantial proportion of such flows are informal – sent for example via cross-border mini-bus taxis or buses. However, data on the size of this remittance market is hard to come by. Data is not only incomplete on informal flows, which by their nature are hard to track: as far as we could ascertain there is no single reliable source of total migrant remittances sent home to the rest of SADC annually through the *formal* sector either. This deficit of complete and high quality data has made it difficult to formulate a comprehensive policy response to the problem of market informality, and has obscured the size of the market opportunity available to private sector operators.

In 2005, FinMark Trust commissioned a research report that provided, amongst other findings, an initial estimate of the size of the SADC remittance market.[3] That estimate was based on analysis of regional migration patterns and estimates of the stock of SADC migrants in South Africa, as well as primary and secondary research into remittance behaviours. Using a wide range of data sources to cross check the reasonableness of estimates, the research concluded that R6.1 billion of cross border remittances left South Africa for SADC annually. The purpose of the report is to contribute to the analysis of regional remittance markets by providing an updated and expanded indicative estimate of the total current size of flows from South Africa to the rest of SADC (including Zimbabwe). The report therefore seeks to provide a credible basis for further research and discussion

The methodology underlying the market size estimate in this report is based on an estimation of the size of the SADC migrant population in South Africa. Estimates of migrant numbers are then combined with assumptions, based on available data, on remittance patterns and volumes at the individual level, in order to derive an overall estimate of market size. This approach is in line with the basic premise that "the stock of migrants ... is the primary determinant of remittances."[4]

In order to estimate market size, the research has relied upon a review of as wide as possible number of secondary sources, as well as focus group research and discussions with market participants.

---

[1] De Vletter 2006, 1

[2] Bracking & Sachikonye 2006, 35 & 26

[3] Truen, S., Ketley, R., Bester, H., Davis, B., Hutcheson, H.-D., Kwakwa, K. & Mogapi, S. 2005. *Supporting remittances in Southern Africa: Estimating market potential and assessing regulatory obstacles.* Prepared by Genesis Analytics for CGAP and FinMark Trust

[4] Freund & Spatafora 2005, 1

Available data is fragmentary and limited, which has limited the accuracy of the estimates generated here.

The first step of the research was to generate an estimate of the size of the SADC migrant population in South Africa. Conceptually we identified four types of migrants based on whether or not the migrant had the right to enter South Africa, and whether or not the migrant had the right to stay and work in South Africa. As shown in the table below, it is estimated that South Africa contains approximately 3.3 million individuals of SADC origin, of which almost two-thirds are Zimbabweans. In column C we conflated all irregular or illegal immigrants by not drawing any distinction between migrants with the "*right to enter but with no right to stay and work*" and those with the "*No right to enter and no right to stay and work*".

Table 1: Estimated size of migrant population

Country of origin	Right to enter – Right to stay & work	No right to enter – Right to stay and work	No right to work	Total SADC immigrants
	A	B	C	D=A+B+C
Angola	61	6 125	4 016	10 202
Botswana	7 017	-	45 515	52 533
Dem. Rep. of Congo	797	28 309	52 293	81 399
Lesotho	79 132	-	317 938	397 070
Madagascar	-	-	-	-
Malawi	1 077	-	70 616	71 693
Mauritius	563	-	36 898	37 460
Mozambique	81 692	160 000	245 147	486 839
Namibia	163	-	21 419	21 582
Seychelles	-	-	-	-
Swaziland	14 473	-	103 079	117 552
Tanzania	79	-	5 187	5 267
Zambia	972	-	63 755	64 727
Zimbabwe	12 597	646 484	1 250 000	1 909 081
Total	**198 624**	**840 918**	**2 215 863**	**3 255 406**

Source: DNA calculations, drawing on various sources

Remittance behaviour can be segmented into formal and informal channels. Formal methods include channels such as bank transfers, money transfer agencies (Moneygram and Western Union), and the Post Office. The main informal remittance channels found were sending goods or money with friends and family or with cross border taxi and bus drivers.

Our analysis of remitting patterns suggested that the average remitting migrant would send between R6 500 and R4 500 home per year, and that around 45% to 55% of migrants are likely to remit. After adjusting these estimates to take into account country characteristics, a total mid-point remittance market estimate of R11.2 billion was reached (with an estimated range of R9.3bn to R13bn), of which around R6.7 billion (60% of total remittances) flows to Zimbabwe alone, and an estimated R7.6 billion (68% of total remittances) travels by informal channels. Estimated total and informal remittances by country corridor are shown in Table 2 below.

Table 2: Estimate of total and informal remittances

Country of origin	Total remittances - midpoint estimate, R million	Informal remittances, R million
Angola	24.7	9.7
Botswana	182.7	158.3
Dem. Rep. of Congo	125.4	80.5
Lesotho	1 754.3	1 404.6
Madagascar	-	
Malawi	124.2	122.3
Mauritius	82.9	81.7
Mozambique	1 588.6	799.9
Namibia	52.2	51.8
Seychelles	-	-
Swaziland	391.2	343.0
Tanzania	10.1	10.0
Zambia	124.6	122.7
Zimbabwe	6 693.7	4 382.8
Total	**11 154.6**	**7 567.5**

Source: DNA calculations

Regulatory barriers are a key concern in achieving greater levels of formalisation of the remittance market. Migrants struggle to obtain legal residence status, which prohibits them from obtaining legal working status, and results in great difficulty in accessing formal financial systems. Low income migrants also struggle with the affordability and accessibility of the financial system.

A great of deal of work has been undertaken to diagnose the regulatory problems which plague this market, and to propose regulatory solutions for these problems.[5] The current research suggests that the size of the informality problem is substantial, and thus that it is imperative that policymakers in the region devote resources towards the changes necessary to promote greater formalisation of this market.

[5] See for example Kerzer 2009; Ncube & Hougaard 2010; Truen et al 2005; Langhan & Kilfoil 2011; and Langhan 2011; all of which are available from http://www.finmark.org.za.

1 INTRODUCTION

Many of the countries of the SADC region have a long-standing tradition of economic migration to South Africa. The remittances received from such migrants have been an extremely important form of income support for many of the households from which they originate. For example, in Mozambique there is evidence that households with an inter-generational tradition of sending men to work in the South African mines have systematically improved their economic status when compared to others.[6] In times of crisis remittances can become vital – a 2005 survey of Zimbabwean remittance-receiving households found that more than half "agreed that they would have grown sick with hunger" in the absence of remittance receipts.[7]

It is well known that there are large remittance flows from South Africa to other countries in the SADC region and that a substantial proportion of such flows are informal – sent for example via cross-border mini-bus taxis or buses. A number of FinMark Trust[8] and other research reports have made the case for the increasing formalisation of remittances by reducing regulatory barriers to entry for migrant workers, as well as cost barriers in the formal financial sector. However, data on the size of this remittance market is hard to come by. Informal remittance flows are by their nature not officially tracked, and hence difficult to quantify other than through a representative survey of migrants sending money home. Even then, informal migrants may be hesitant to cooperate or disclose information, fearing clampdown by the authorities. Data is however not only incomplete on informal flows: as far as we could ascertain there is no single reliable source of total migrant remittances sent home to the rest of SADC annually through the *formal* sector either. This deficit of complete and high quality data has made it difficult to formulate a comprehensive policy response to the problem of market informalisation, and has obscured the size of the market opportunity available to private sector operators.

In 2005, FinMark Trust commissioned a research report that provided, amongst other findings, an initial estimate of the size of the SADC remittance market.[9] That estimate was based on analysis of regional migration patterns and estimates of the stock of SADC migrants in South Africa, as well as primary and secondary research into remittance behaviours. Using a wide range of data sources to cross check the reasonableness of estimates, the research concluded that R6.1 billion of cross border remittances left South Africa for SADC annually. However, the stated purpose of the research was to identify business opportunities in the remittance market, and thus Zimbabwe was excluded as its economic crisis made it deeply unattractive from an investment perspective.

---

[6] De Vletter 2006, 1

[7] Bracking & Sachikonye 2006, 35 & 26

[8] See for example Kerzer 2009; Ncube & Hougaard 2010; Truen et al 2005; Langhan & Kilfoil 2011; and Langhan 2011; all of which are available from http://www.finmark.org.za.

[9] Truen, S., Ketley, R., Bester, H., Davis, B., Hutcheson, H.-D., Kwakwa, K. & Mogapi, S. 2005. *Supporting remittances in Southern Africa: Estimating market potential and assessing regulatory obstacles.* Prepared by Genesis Analytics for CGAP and FinMark Trust

This report seeks to contribute to the analysis of regional remittance markets by providing an updated, expanded estimate of the total current size of flows from South Africa to the rest of SADC (including Zimbabwe). In doing so, it builds upon the 2005 report. As in 2005, the quality of the analysis has been affected by the quality of available data on migration trends and remittance patterns, which remains patchy and limited.

1.1 Methodology

The methodology underlying the market size estimate in this report is based on an estimation of the size of the SADC migrant population in South Africa. Estimates of migrant numbers are then combined with assumptions, based on available data, on remittance patterns and volumes at the individual level, in order to derive an overall estimate of market size. This approach is in line with the basic premise that "the stock of migrants ... is the primary determinant of remittances."[10] The report is structured accordingly:

- Section 2 builds a picture of total migrants in South Africa based on various data sources and assumptions
- Section 3 describes remittance behaviour, including channel choice, frequency and amounts sent. Use is made of findings from focus group research conducted for this analysis.
- Section 4 combines the estimates from Sections 2 and 3 to arrive at an estimate of the total remittances market (calculated as the stock of migrants, multiplied by an estimate of the total average amount sent per person per year). This is done for remittances from South Africa to the rest of SADC in total, as well as to each country in SADC. We also distinguish between an estimate of total formal remittances and total informal remittances.
- Section 5 concludes

Note that the findings are an *estimate* in all instances, based on certain explicitly disclosed assumptions. In an ideal world, market size calculations would be based on hard data. In the absence of such data, our point of departure has been that it is still meaningful to develop an estimate compiled from best available data sources, even if they are not complete, combined with well-reasoned, if not fool proof, assumptions. In this sense, an estimate is deemed better than no data at all. We would welcome any feedback or contribution that will contribute to an improved understanding of the scope of the remittances market in Southern Africa.

The analysis contained in this report is based on a combination of primary and secondary sources. Primary research was conducted via focus groups held among groups of migrants from SADC based in South Africa, as well as a series of interviews with cross-border bus, taxi and truck drivers. This research was conducted by Foshizi Research Insights in November and December 2011, and comprised 19 focus groups totalling 114 individuals and intercept interviews with 20 drivers. The Foshizi research and the focus group transcripts are available for download on the FinMark website. All quotes from focus groups in this report should be regarded as being from the Foshizi research, unless otherwise indicated.

---

[10] Freund & Spatafora 2005, 1

The focus group research provides some depth of understanding about the behaviour and motivations of remitters in the region, but is not designed or intended to be a statistically representative sample of the remitting population. In consequence, the focus group findings are treated as indicative rather than as conclusive evidence.

In addition to the focus group findings, the analysis has drawn on available research and data on remittance markets, both in the region and internationally. This has included data on migrant populations and migration trends, formal remittance volumes and remittance motivations. The goal has been to derive the best possible market size estimate from available sources. As much as possible, the uncertainty of these estimates has been reflected by expressing each estimate as a range.

A key data source has been the estimate of the size of the remittance market in the 2005 FinMark Trust report (henceforth referred to as the “2005 estimate”). The current estimation exercise has been intended as a deepening and improvement of the 2005 exercise – where better and/or more recent data points have not been available, the data used in 2005 is relied upon.

2 QUANTIFYING THE NUMBER OF SADC IMMIGRANTS

In order to determine the total number of new migrants since 2001, we use an analytical framework that was applied by Crush & Williams (2001) and later by Truen, et al (2005). This framework is based on the assumption that any economic migrant faces two key legal challenges, namely the issue of whether they have the legal right to enter the destination country, and then whether they have the legal right to stay and work. Based on these two simple questions it is possible to assess the legal status of all migrants and categorise them into four broad categories, as shown in Table 3 below. This framework offers a useful analytical perspective for estimating migrant stocks of SADC citizens in South Africa.

Table 3: Analytical quadrants

	Right to enter	No right to enter
Right to stay & work	• Skilled migrants on work permits or other temporary residence permits • Contract migrants in mining or the commercial farming sector • Permanent residents	• Asylum seekers and refugees (have a legal right to enter, but no entry permit at time of entry) • Beneficiaries of immigration amnesties
No right to stay & work	• Migrants that enter on a non-work related permit (e.g. visitors', study and medical permits) and then are employed without a work permit. • Migrants that enter legally but then fail to leave the country once their permits (study, visitors, etc.) expire. • Retrenched contract workers	• Irregular migrants (e.g. border jumpers)

Source: Adapted from Truen, et al (2005); based in turn on Crush & Williams 2001

In the subsections to follow, we will develop an estimate of the number of migrants in each of these categories in turn, which will then be added up to arrive at an estimate of the total number of migrants in South Africa from the rest of SADC in Section 2.4. In Section 2.5 we check our estimate against some alternative estimates in the international literature.

Methodological note: in many instances during in the exercise of estimating migrant numbers, data has not been available in consistent, up-to-date time series. Thus it has been necessary to use numbers from different years. As long as data sources are fairly recent, in most cases no attempt has been made to update such data to the present, as there was no clear basis for extrapolation.

2.1 Right to enter – Right to stay and work

This category refers to regular or documented labour migrants. The entry of non-nationals into the South African labour market has historically been governed by a dual system of control, sometimes referred to as the "two gates" system. The first gate is designed to cater mainly for skilled migrants, and issues migrant workers with either temporary permits (such as work permits), or permanent residency permits. This gate is governed by immigration laws. The second gate is governed by bilateral treaties between the South African government and the governments of some of its neighbouring states, such as Botswana, Lesotho and Swaziland (the BLS countries), and Mozambique[11].

In terms of the immigration laws, the Aliens Control Act of 1991 was amended in 1995 in order to place greater emphasis on the skills and qualifications of potential immigrants applying for permits. Peberdy, (2010) quotes the Department of Home Affairs as stating that "No one in the unskilled and semi-skilled categories would be accepted as an immigrant". The Aliens Control Act was replaced by the Immigration Act in 2002, at a time when there were growing concerns about a domestic shortage of skills and the high emigration rates of skilled professionals. The Immigration Act of 2002 (as amended in 2004) therefore sought to facilitate the entry of skilled migrants. Although unskilled and semi-skilled workers did not qualify for work permits, the Act did however recognise the international bilateral labour agreements. The mining and agricultural sectors retained their preferential access to unskilled contract labour from neighbouring states. These contract labourers would not however have access to the immigration system except through marriage, and would not be able to bring their families with them.

Under the "two gate" system, migrant workers with the right to enter and work are documented migrants and therefore the data for this category of migrant workers should be the easiest to obtain and should be the most accurate. However, discussions with key role players suggest that the Department of Home Affairs has been having difficulty with their information systems, and that this might have compromised the quality of some of their data on permits issued. These difficulties stem from a 2008 decision by the Department to upgrade its IT systems. GijimaAST was contracted to implement the "Who am I Online" system, and the project included the design, development and implementation of an integrated core system for the Department of Home Affairs including all business processes of both its Civics and Immigration Divisions. In April 2010, however, a dispute arose between the department and GijimaAST over the IT firm's failure to deliver on critical components of the contract. We understand that some of the data on the old database could not be transferred onto the new database, hence some discrepancies in the data are to be expected.

Below we consider available data on the number of foreign contract labourers and skilled migrants, respectively.

2.1.1 Foreign contract labourers

Cross-border labour migration flows between South Africa and its neighbours date back to the mid-19th century, when South Africa's gold and diamond mines were founded and the country began industrialising. Wentzel and Tlabela (2005) noted that when gold was discovered on the Witwatersrand, the gold reefs were very deep and the ore grade was low, hence production costs were relatively high. As a consequence of these high production costs it was important for the mining industry to have strong capital reserves and adequate cheap labour. The mining companies therefore recruited extensively in neighbouring countries for cheap contract labour. In the late 1800s South African commercial farms also began recruiting workers from the region. The migration of contract

[11] South Africa also had a bilateral agreement with Malawi, which ended in 1988.

workers to the mining sector however was on a much larger scale and hence was the main form of cross-border labour migration into South Africa for much of the twentieth century. It has also contributed to an essentially male pattern of economic migration, although levels of female migration are on the rise – see the discussion in Appendix 2.

2.1.1.1 Contract labourers in the mining sector

Wentzel and Tlabela (2004) and the Labour Market Review (2007) describe how under the contract labour system, South African recruitment organisations such as The Employment Bureau of Africa (TEBA) recruited workers from neighbouring southern African states to come and work in South Africa on a temporary fixed contract basis. Traditionally, most of these migrant workers were men. The immigration laws did not allow contract migrant workers to stay beyond the length of their contracts, nor were they allowed to bring their families with them.

Although virtually every country in the SADC region has at one time or another sent migrants to work in South African mines, the mix of source countries has varied over time. Long standing labour supply countries include Mozambique, Lesotho, Botswana and Swaziland. Other SADC countries such as Zimbabwe and Malawi have sporadically also been major suppliers of labour. After Zimbabwe gained its independence in 1980, the new government announced that it would not allow the active recruitment of its citizens for employment in South Africa. The recruitment of labourers in Malawi ended in 1988 after a dispute regarding HIV testing. Zambia, Tanzania and Angola have supplied labourers only occasionally, and after the independence of Zambia (1966) and Tanzania (1967) migration to South Africa was banned.

In recent years, South Africa's labour policy has shifted dramatically and there is now a clear preference for providing employment to South African unskilled labourers. Rising domestic unemployment levels, the mechanisation of production, and the declining fortunes of South Africa's gold mines have further accentuated the decrease in demand for foreign contract labourers. In the late 1990s and early 2000s, retrenchments by struggling gold mines resulted in a massive drop in the employment of foreign contract workers. By 2005, foreign mineworkers formed the lowest ever proportion of the workforce in the gold, platinum and coal mines.

Table 4 shows the number of foreign workers employed via TEBA by South African gold, platinum and coal mines from 1996 to 2007, and again in 2011. During most of the period, there were steep decreases in the number of Swazi, Basotho and Batswana, but there was only a marginal decrease in the number of Mozambicans. A possible explanation for this could be the fact that the BLS bilateral agreements provided for the recruitment of contract labourers subject to the availability of South African labour. The bilateral labour agreement between South Africa and Mozambique however does not contain such a provision. In 2011, some evidence of a recovery in numbers for all countries can be seen (15% growth in total from 2007 to 2011).

Table 4: Number of foreign workers employed by South African gold, platinum, & coal mines 1996-2007

Year	Swaziland	Mozambique	Lesotho	Botswana	Total

1996	14 371	55 022	81 357	7 932	158 682
1997	12 960	55 027	76 360	7 536	151 883
1998	10 338	52 011	60 450	6 223	129 022
1999	9 307	46 890	52 436	5 139	113 763
2000	8 160	44 014	51 351	4 343	107 868
2001	7 794	45 254	49 599	3 651	106 298
2002	8 587	50 589	54 390	3 551	117 117
2003	7 885	52 205	54 202	4 246	118 538
2004	7 521	48 099	48 437	3 923	107 980
2005	6 878	46 256	43 693	3 257	100 084
2006	7 124	46 709	46 082	2 992	102 907
2007	7 099	44 879	45 608	2 845	100 431
2008 - 2010	*Data missing*				
2011 *	7 567	52 696	50 465	4 777	115 505

Source: TEBA (The Employment Bureau of Africa), May 2008, as cited in Crush, J. (2008) and Crush, J.et al (2011); 2011 data via correspondence with TEBA in April 2012

The employment data reported in Table 4 covers only three minerals, and thus will tend to slightly underestimate true employment trends for foreign workers in the mining sector. TEBA estimates that only 5% of foreign mineworkers are not recruited by TEBA.[12]

Table 5 below indicates the total number of Basotho mineworkers as recorded by the Lesotho Chamber of Mines. On average, the total is 17% larger than the data shown in Table 4. If this disparity held true across all years and countries, then the total number of foreign mineworkers in South Africa in 2007 would have been closer to 117 500 than the 100 431 shown above. However, in the absence of similar data from other countries in the region, the 2011 data from Table 4 above, plus a 5% upward adjustment, will be used to estimate mineworker numbers.

Table 5: Number of Basotho mineworkers employed in South Africa

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Ave. no. employed	64,933	59,861	61,414	58,009	52,042	54,105	54,105	54,729	50,686	45,276	41,555

Source: Lesotho Chamber of Mines

For the 2005 FinMark remittance report, the Chamber of Mines suggested that 40 000 SADC origin migrants working at mining sub-contractors should also be included in the estimate. Overall mining employment levels have increased somewhat since 2005 – as per Table 4, foreign mineworker levels have increased by around 15% over that period.[13] However,it is not clear whether the ratio of

[12] Email correspondence with TEBA, April 2012

[13] See http://www.bullion.org.za/Publications/Facts&Figures2010/F%20and%20F%202011-small.pdf – total employment levels in mining have risen from 444 132 in 2005 to 498 141 in 2010.

temporary to permanent workers has remained constant over that time. Conservatively, the original 40 000 estimate is thus included again in these calculations. These 40 000 individuals are allocated by country in the same proportion as other mineworkers. The total estimated number of mineworkers per country is thus shown in the table below.

Table 6: Estimate of SADC-origin mine employees

	Swaziland	Mozambique	Lesotho	Botswana	Total
Direct mining employees	7 945	55 331	52 988	5 016	121 280
Sub-contractor employees	2 620	18 249	17 476	1 654	40 000
Total	**10 566**	**73 580**	**70 465**	**6 670**	**161 280**

Source: DNA calculations

2.1.1.2 Contract labourers in the agricultural sector

South African farmers have for many years depended on cheap local and foreign labour. Like the mines, the agricultural sector was able to negotiate with the state for preferential treatment that allowed them to hire foreign contract workers from countries that had bilateral labour agreements with South Africa. There are three provinces where foreign migrants from neighbouring countries are known to be present in great numbers: Mpumalanga (mainly Mozambicans), Free State (Basotho), and Limpopo (mainly Zimbabweans).

In its 2007 Labour Market Review, the Department of Labour discusses employment practices in the sector in terms of four types of immigrant farm workers:[14]

i. **Residents of border villages in Zimbabwe, Lesotho and Mozambique** who cross the border to work on South African farms on a seasonal basis.

ii. **"Stop-go" migrants** that work on farms for a short period before proceeding to their primary destinations such as Gauteng. Farms in Mpumalanga and Limpopo straddle major migration and transportation routes to the southern and interior parts of South Africa; hence migrants use the farms as "refuelling stations".

iii. **Mozambican ex-refugees** that stay in South African villages in the farming areas in Mpumalanga and close to the Kruger Park. Labourers, mostly female, are picked up daily for day labour during the harvest season.

iv. **Resident workers** on major commercial enterprises.

Of these four categories, stop-go migrants are least likely to have legal work status. However, in all categories some proportion of migrant workers is likely to be undocumented.

[14] Maja & Nakanyane 2007, 40. Draws on Crush and Williams 2001, 6

Data sources on the number of legal migrants in the farming sector are fragmented, as follows:

- The Department of Home Affairs introduced a special dispensation in 1991 which allowed for the regularisation of undocumented workers. The dispensation allowed farmers to apply for a special permit to employ undocumented workers for a six-month period. The 1996 presidential Commission into the South African labour market stated that the Department of Home Affairs had placed the estimate of the number of permits issued variously at between 7 800 and 12 800 permits.
- Crush (2000) reported that there were 7 000 Basotho contract workers in the Free State.
- Crush and Williams (2001) estimated that there were between 10 000 and 80 000 Mozambicans working on farms in Mpumalanga, and 7 000 to 8 000 Zimbabweans working on farms in the Northern Province. The variation was attributed to seasonal changes in labour demand. It is important to note, however, that these estimates were prior to the mass exodus of Zimbabweans from Zimbabwe as the country's economic difficulties escalated over the next decade.
- The 2005 FinMark report estimated the total number of documented seasonal farmworkers in South Africa in 2005 as ranging from 18 000 to 20 000[15]
- While Zimbabwe and South Africa have never had a bilateral agreement, a memorandum of understating is in place to provide for the employment and protection of Zimbabwean farmworkers.[16] The introduction of the Immigration Act in 2002 also provided a "loophole" for farmers that wanted to hire labourers from countries that did not have a bilateral agreement with South Africa. Farmers from Limpopo could now apply for a corporate permit to recruit a specified number of Zimbabweans. To get these permits the farmers would need the Department of Labour to verify that there were not enough South African labourers to meet their requirements. Crush, et al (2010) report how a Home Affairs official noted in early August 2005 that 89 corporate permits were approved in Limpopo province covering about 11,000 Zimbabwean farmworkers. Before this time, the vast majority of the Zimbabwean farmworkers in this area were not working with any government permits at all.

Alternatively, it is also possible to use sectoral ratios from a 2006 Southern African Migration Project (SAMP) survey to estimate the number of foreign farm labourers for Mozambique, Lesotho, Swaziland and Botswana. The survey interviewed approximately 4 700 migrants from Botswana, Lesotho, Mozambique, Swaziland and Zimbabwe, and provides potentially useful information on the ratio of farm workers relative to the number of mine workers for Mozambique and the BLS countries. The survey was designed to reflect nationally representative data,[17] and thus it should be possible to extrapolate from the ratio of farmworkers to miners in the sample, to the number of farmworkers currently in South Africa.[18] As shown in Table 7 below, this methodology results in an estimate of only

---

[15] Truen et al 2005, 9; extrapolation from Crush & Williams 2001.
[16] Maja & Nakanyane 2007, 29
[17] Pendleton et al 2006, 13
[18] This was done using the data on the number of mineworkers in South Africa as shown in the preceding section. The logic is as follows: if the survey data shows that there are 435 Batswana mineworkers for every one Batswana

4 181 farmworkers in South Africa from Botswana, Lesotho, Mozambique and Swaziland, and does not provide an estimate of farmworkers from Zimbabwe.

Table 7: Estimating the number of contract farm workers

Occupation		Botswana (N=633)	Lesotho (n=1,076)	Mozambique (N=987)	Swaziland (N=1,132)	Zimbabwe (N=857)
SAMP survey Results (2006)						
% of migrants in mine work	A	87	68	31	62	3
% of migrants in agriculture	B	0.2	2	2	0.5	1.2
TEBA estimates (2007, Lesotho 2010)						
Employment in gold, platinum, & coal mines	C	2,845	41,555	44,879	7,099	-
DNA estimation, applying SAMP ratios to TEBA data estimates						
Calculated employment in Agriculture	D=C/(A/B)	6.5	1,222.2	2,895.4	57.3	

Source: Tim Hughes et al. (2007) using SAMP Household Survey 2006, own calculations
Note: methodology laid out in footnote 18

This estimate is much lower than the estimates from previous studies that were summarised before the table above. For example, instead of 10 000 to 80 000 Mozambicans, an estimate of just under 3 000 is produced, and instead of 7 000 Basotho, the estimate is around 1 200. Farmworkers from Swaziland and Botswana are estimated to be negligible. This result suggests that the underlying survey data may have under-sampled agricultural workers, and thus may not be the best available method for deriving estimates of the number of farmworkers.

The estimate of farmworkers used in the 2005 FinMark remittance research was that of 18 000 to 20 000 seasonal farmworkers from the rest of SADC. This was based on a conservative interpretation of Crush (2001) who found that 3 000 to 4 000 Zimbabweans and up to 20 000 Basotho were legally employed on South African farms. Despite an increase in the number of data sources available to the analysis, no improvement on this original estimate has been possible. The estimate of 18 000 to 20 000 farmworkers will thus be employed again by this research process, with a 15% upward adjustment to compensate for the likely increase in numbers of Zimbabwean farmworkers, associated with the Zimbabwean diaspora. In the absence of better data, a working assumption will be made that these workers are distributed between Mozambicans, Basotho, Swazis and Zimbabweans in the ratio 2:2:1:2.

2.1.2 Skilled labour

The Immigration Act of 2002 recognises six modes of entry for migrant labour. These are quota permits, general work permits, exceptional skills permits, intra-company transfer permits, business permits and visitors' permits, the terms of which are discussed below:

---

farmworker in South Africa, and we know that there were 2 845 Batswana mineworkers in South Africa in 2007, then the approximate number of farmworkers is 2 845 divided by 435, which is 6.5.

- The original policy on **quota permits** identified 10 categories which were each allocated a quota of approximately 70,000 permits, giving a total of 740,000 quota permits per annum. The Quota Schedule published by the Department of Home Affairs in 2007 however allowed for a total of only 30,200 permits to be issued in specific sectors and professions.

- **General work permits** are issued to migrants who do not fall within the ambit of the quota permit system. The distinction between this category and quota permits is that the onus is on the employer to show that they have searched for a qualified South African candidate, and that the terms and conditions of employment are not inferior to those prevailing in the market.

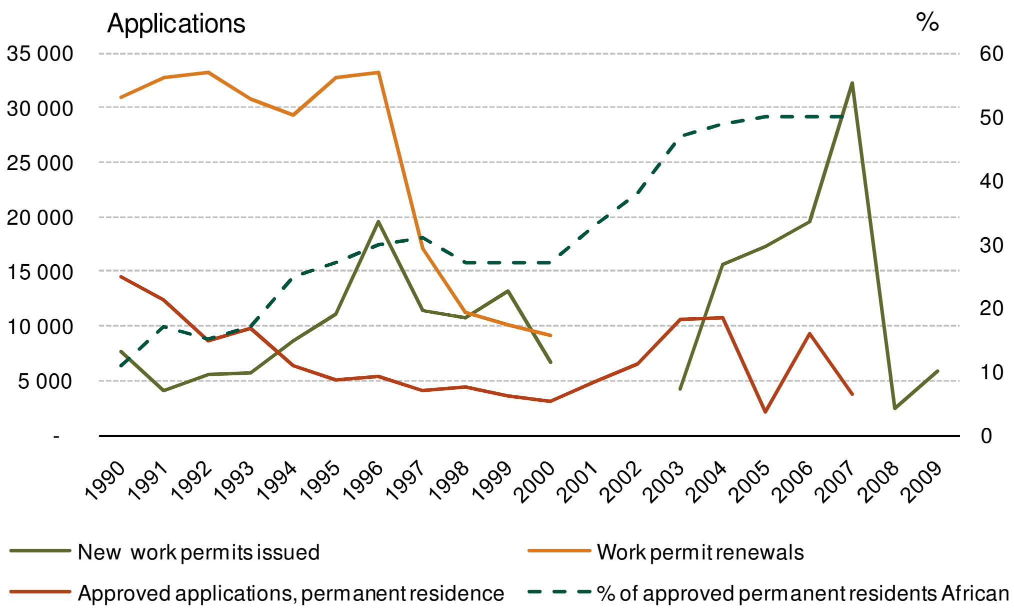
- **Exceptional skills work permits** apply to migrants with exceptional skills and qualifications.

- **Intra-company transfer permits** allow companies to bring foreign employees into their South African branches for a period of up to four years. These permits may also be issued as blocks to corporate applicants, in which case they are known as *corporate permits*.

- **Visitor's permits and cross-border passes** may be issued to residents of neighbouring states. For example, Lesotho nationals may hold six-month concessional permits. These permits do not allow their holders to work, but they can conduct business activities such as cross border trading.

Figure 1 shows the total number of work permits issued and the total number of approved permanent residency applications from 1990 to 2009, the latest year for which the Department of Home Affairs reported data (the underlying data for this figure is contained in Appendix 1). The trends witnessed in the data are indicative of changes in policy stance: Between 1990 and 2000, the number of new work permits issued annually rose, and peaked at just under 20 000 in 1996. However, from 1997 through 2000, numbers declined rapidly, which would be consistent with a policy change by the new government to try and restrict the entry of foreign workers. A steady decline was also seen in the number of approved permanent residency applications between1990 and 2002. Faced by a shortage of skilled labour, and a surplus of unskilled labour, the government enacted a new immigration law in 2002 that restricted the entry of low skilled labour whilst facilitating the entry of skilled labour. Exceptional skills work permits (for highly qualified individuals) and quota work permits (for persons qualified in a technical field that the Department of Trade and Industry and Department of Labour have determined as experiencing skills shortages) were introduced.

Figure 1: Number of work permits issued and approved permanent residency applications



Source: South African Department of Labour (2007) & Department of Home Affairs Annual Reports 2005/6 to 2009/10, and Peberdy 2010
N.B. Since 2005, permits allocated to people from other African states are no longer indicated separately in Home Affairs data. Estimates are therefore calculated based on the assumption that 50% of the permits were to people from elsewhere in African.

As previously discussed, issues with the installation of new IT systems have affected the quality of data issued by Home Affairs. The basis of reporting has also been inconsistent – for example, in 2008, the Department of Home Affairs did not publish the disaggregated permit figures but conflated all of the data for temporary residency permits into a single line item. The Department did however state that the number of quota work permits issued was 2,393. The usefulness of the permit data is furthermore limited by the fact that the Department of Home Affairs does not report the stock of permits in issue but only reports the flow or number of permits issued per year. The Minister of Home Affairs stated in parliament that her Department did not keep records of the number of work permits it issued, work permits renewed and how many permit holders had obtained permanent residence or citizenship[19].It is therefore not possible to rely on primary data to determine the cumulative number of work permits in issue.

2.1.2.1 Estimating the stock and allocation of work permits

An estimate of the *stock* of documented SADC migrants in South Africa can be based on available data on the *flow* of such migrants, and a few reasonable assumptions. First, it should be noted that migrants on special skills and quota permits may apply for permanent residency once they start working. Second, immigrants with general work permits qualify to apply for permanent residency

[19] See - http://www.pmg.org.za/node/29273

status at the end of five years, depending on certain conditions, and after ten years the migrant may apply for citizenship. South African laws regarding permanent residency and citizenship allow dual citizenship and do not require the immigrant to forfeit their original citizenship. As some migrants with work permits will return to their countries of origin, and others will opt not to become permanent residents, we assume that the sum of new work permits issued in the last five years indicated can be used as an upper bound as to the total number of work permits in issue. In the five years to 2009,[20] 77 469 new work permits (including the 2 393 quota permits from 2008, which will be an under-estimate of total work permits issued in 2008) have been issued, suggesting that the total number of work permits currently in issue is of a similar magnitude.[21] Crush & Williams (2001) estimate that in 2001 there were 60 000 work permits in issue, which provides some comfort that this number is plausible.

This is the total stock of work permits in issue to migrants from all origin countries, not just SADC. In order to allocate SADC migrant numbers, additional analysis is needed.

I. From the data in Appendix 1, we know that by 2004 up to 49% of the approved permanent residence permits were to people from other African states. Statistics South Africa data from 2003 suggests that, during that year, roughly 40% of permits issued to Africans were to immigrants from SADC countries (in other words, around 20% of total permits). We therefore assume that the proportion of permanent residence permits issued to SADC immigrants varied between 18% and 22% of total permits, ,and thus that of the work permits issued from 2005 to 2009, between 13 944 and 17 043 were permits to SADC citizens.

II. Crush, et al (2006)[22] provide data on the number and proportion of legal skilled immigrants that came to South Africa from various countries in the SADC region. The largest source country is Zimbabwe (41%) followed by Lesotho (15.6%) and Mozambique (12.1%). We apply these ratios to calculate the ratio of skilled immigrants from each of the SADC countries. The ratios are reported in the second column of Table 8. We assume that the ratios remained unchanged in the post 2005 period, and allocate the 13 944 and 17 043 permits amongst the SADC countries in the third to fifth columns of Table 8.

Table 8: Work permits issued to SADC citizens – current estimate

	Crush et al (2006) estimates	DNA Economics current estimates

[20] Using the sum of five years of permit issuances as an estimate of the size of the stock of permit issuances would be consistent with average annual growth in permit applications of 4%, and annual losses of from the stock of immigrants of roughly 18% (due to death and emigration). This provides some further assurance that the use of a sum of the five year flows is a plausible estimate technique for the migrant stock population.

[21] Substantial year on year fluctuations are evident in the data on permit issuance. As such, it is risky to try and extrapolate growth rates into the years beyond 2009. Therefore we have chosen to use the five years to 2009 as indicative of current levels of permit issuance, rather than trying to extrapolate forward to 2011.

[22] These estimates are based on Statistics South Africa Tourism and Migration reports, PS015. Previously Statistics South Africa recoded information on self-declared immigrants. The more recent publications of data on tourism and migration do not capture this information, but simply record the total number of people crossing the border and the purpose for their visit without capturing how long they are going to stay.

	Legal skilled immigrants (1994-2004)	Ratio of skilled immigrants from SADC	Total SADC citizens on work permits - *high end*	Total SADC citizens on work permits - *low end*	Total SADC citizens on work permits – *mid point*
	A	B	C=B*17 043	D=B*13 944	E=(C+D)/2
Angola	48	0.40%	67	55	61
Botswana	272	2.24%	382	312	347
Dem. Rep. of Congo	625	5.15%	877	718	797
Lesotho	1 900	15.65%	2 667	2 182	2 424
Madagascar	-		-	-	-
Malawi	844	6.95%	1 185	969	1 077
Mauritius	441	3.63%	619	506	563
Mozambique	1 465	12.06%	2 056	1 682	1 869
Namibia	128	1.05%	180	147	163
Seychelles	-		-	-	-
Swaziland	616	5.07%	865	707	786
Tanzania	62	0.51%	87	71	79
Zambia	762	6.28%	1 069	875	972
Zimbabwe	4 980	41.01%	6 990	5 719	6 354
Total	**12 143**	**100.00%**	**17 043**	**13 944**	**15 494**

Source: DNA calculations, drawing on data and ratios for 1994-2004 in Crush et al (2006)

2.1.2.2 Permanent resident permits

Permanent residents typically hold some other form of permit before receiving a permanent residence permit. As such, they represent conversions of other permit holders rather than new permit holders, and adding estimates of the stock of permanent residents to the total migrant stock would be a form of double-counting.

In Table 9 below we present a summary of the various estimates of the current stock of individuals with the right to enter and the right to stay and work. For simplicity and clarity, we only indicate the mid-point estimates from Table 8 and **Error! Reference source not found.**.

Table 9: Right to enter – Right to stay and work: summary

	Contract and sub-contractor labour - mining	Contract labour – farming	Work permits	Total
Angola			61	**61**
Botswana	6 670		347	**7 017**
Dem. Rep. of Congo			797	**797**
Lesotho	70 465	6 243	2 424	**79 132**
Madagascar			-	**-**

Malawi			1 077	**1 077**
Mauritius			563	**563**
Mozambique	73 580	6 243	1 869	**81 692**
Namibia			163	**163**
Seychelles			-	**-**
Swaziland	10 566	3 121	786	**14 473**
Tanzania			79	**79**
Zambia			972	**972**
Zimbabwe		6 243	6 354	**12 597**
Total	**161 280**	**21 850**	**15 494**	**198 624**

Source: DNA calculations, based on various data sources

2.2 No right to enter – Right to stay & work

Some migrants who enter a country irregularly are able to obtain legal residence status once they have arrived (and in fact in South Africa, asylum applicants have a legal right to enter even if not in possession of a valid entry permit). In South Africa, a number of amnesties for undocumented migrants have facilitated this, as have high levels of applications of asylum/refugee status.

In the early 1990s the largest refugee group in South Africa were Mozambicans who had fled the civil war of the 1980s. Many of these refugees were granted temporary residence permits by the homeland governments of Gazankulu and KaNgwane, but were however not recognised as refugees or as immigrants by the South African government. In 1993 the United Nations Commissioner for Refugees (UNHCR) estimated that there were 250 000 Mozambican refugees in South Africa. After the war ended in 1992, a repatriation programme was initiated under the auspices of the UNHCR to assist Mozambicans to return home. When the programme ended, however, only 32 000 Mozambicans had been repatriated whilst the majority continued to stay in northern South Africa.

In 1996, the Department of Home Affairs offered amnesty to citizens of SADC countries that were staying in the country illegally. Resident status was given to anyone that had been staying in South Africa prior to 1991, had a South African partner or spouse, or had children in South Africa. The Department received just under 200 000 applications[23].

In the 1990s, several thousand refugees arrived in South Africa from Angola and the Democratic Republic of the Congo. Their status as refugees was however not officially recognised by the state, as the Refugee Act of 1998 only came into effect in 2001. In terms of the Act, refugees and asylum seekers in South Africa are granted the right to work; to freedom of movement and the right to access social services (i.e. unlike most countries, South Africa allows refugees to be self-reliant). These factors made South Africa a relatively attractive destination for refugees and asylum seekers, such

[23] See Wentzel & Tlabela, 2004

that by 2010, the UNHCR noted that there were more asylum applications lodged in South Africa than in any other country in the world.[24]

The rapid increase in asylum applications continued its upward trend in 2011. This placed a heavy demand on the asylum system, resulting in a backlog of more than 300 000 applications awaiting a decision. Most asylum applications in South Africa are submitted by nationals from Burundi, Ethiopia, the Democratic Republic of the Congo (DRC), Rwanda, Somalia and Zimbabwe. As of December 2010 some 58 000 people, mainly from Angola, the DRC, Burundi, Rwanda and Somalia, had been recognized as refugees in South Africa.[25]

In recent years there has been a huge influx of Zimbabwean nationals desperate for food, money and jobs. The situation in Zimbabwe between 2007 and 2009 in particular constituted a serious humanitarian crisis. Driven by desperation, many Zimbabweans fled to South Africa to look for work. According to South African immigration laws, however, these Zimbabwean immigrants were considered illegal immigrants and many of these political and socio-economic migrants were deported back to Zimbabwe. Once the Zimbabwean diaspora identified a loophole in South Africa's immigration laws,, which sets out fairly low requirements for approval of an asylum application, an unprecedented spike in asylum seeker applications occurred. Once the application is approved the applicant is recognised as an asylum seeker pending recognition as a refugee. The asylum seeker permit allows the permit holder to work until their claim to be recognised as a refugee is verified. Many Zimbabweans that actually were economic migrants therefore applied for asylum as a means of being allowed to live and work in South Africa until such time as their asylum application is processed (which can take up to a few years). Even though many Zimbabwean applicants were forced migrants, they were fleeing a particular *economic* situation, and would probably not have qualified for refugee status. The abuse of the asylum seeker process placed a large burden on the Asylum Seeker Management system, hindering the government's ability to deal with refugee applications from other countries. The chosen policy response was to place a moratorium on the deportation of Zimbabweans in 2009.

[24] See – UNHCR. 2012. 2012 UNHCR country operations profile – South Africa
[25] See – UNHCR. 2011. UNHCR Operation in South Africa. Fact Sheet. September

Table 10: Refugees and asylum seekers in South Africa by country of origin (as of end 2010)

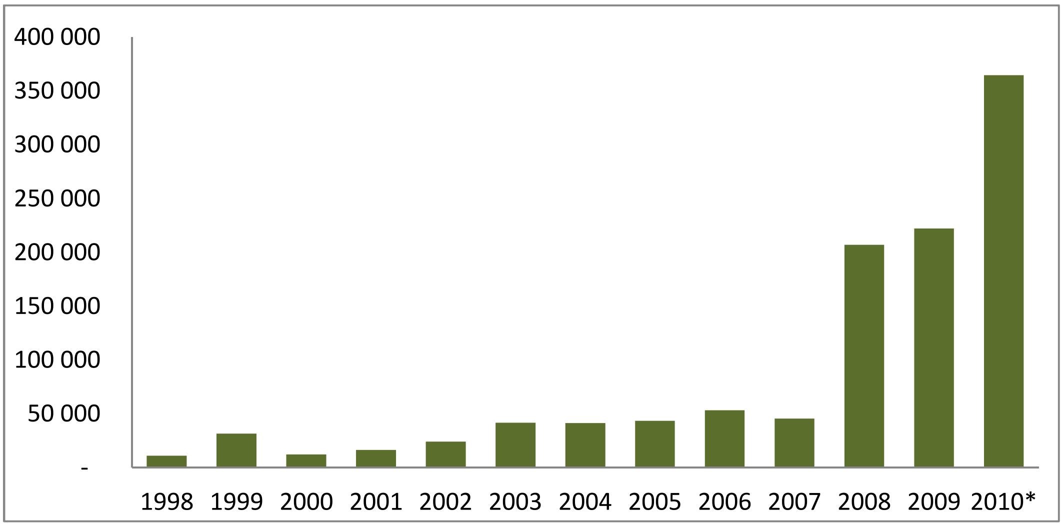
	Zimbabwe	Angola	Rwanda	Burundi	Somalia	Ethiopia	DRC	Others	Total per category
2005									
Refugees		5,764	1,276	2,183	7,548		10,609		**27,380**
Asylum applicants	7,783				3,774	2,899	2,585		**17,041**
Total per country	**7,783**	**5,764**	**1,276**	**2,183**	**11,322**	**2,899**	**13,194**		**44,421**
2010									
Refugees	1,200	5,808	1,374	2,412	15,186	3,398	12,973	15,648	**57,999**
Asylum applicants	418,522	317	823	2,590	5,076	9,557	15,336	49,939	**452,221**
Total per country	**419,722**	**6,125**	**2,197**	**5,002**	**20,262**	**12,955**	**28,309**	**65,587**	**560,159**

Source: UNHCR Fact Sheet 30 September 2011

In 2010, concerned by the high number of irregular immigrants, the South African Department of Home Affairs began a major project to regularise and document Zimbabweans that did not have the appropriate documents. The project began on the 20th of September 2010 and closed on the 31st of December 2010. A key requirement in the regularisation process was that applicants had to hold a valid Zimbabwean passport. Delays by the Zimbabwean authorities in issuing passports resulted in the requirements being relaxed to such an extent that applications could be submitted without all the supporting documents. Applicants were then recalled to the office of application to submit the outstanding documentation. The Department of Home Affairs reported that at the conclusion of the process, 275 762 applications had been received and 49 000 asylum permits surrendered.

Figure 2 below shows the total annual number of asylum seekers or applications for asylum between 1998 and 2010. The figure shows that there was a large increase in the number of asylum seekers from 2007 to 2008, and from 2009 to 2010. The stock of immigrants on asylum permits is however not simply the sum of total arrivals or asylum seekers, because some applicants emigrate, others acquire other residency permits, and for others their applications for refugee status are adjudicated. Upon adjudication, the claims for refugee status may be approved or rejected (either as unfounded or manifestly unfounded). Rejected applicants are deported; however for immigrants from a neighbouring country such as Zimbabwe many of those deported probably re-entered the country and re-applied for refugee status, so that within a few months they would have obtained an asylum permit that allows them to work.

Figure 2: Asylum seekers/applications for asylum 1998 to 2010



*Source: UNHCR (2010) Report on Asylum Statistics, *Department of Home Affairs Annual Report 2009/10*

The number of asylum seekers in all likelihood includes some double-counting, associated with people who may have died, left the country, applied for other permits or have filed multiple applications (often because the Department of Home Affairs has misplaced their applications).

We have assumed that many of the approximately 200 000 Mozambican refugees from the 1980s would probably have regularised their stay through either taking advantage of the 1996 amnesty[26] or by otherwise acquiring South African citizenship or permanent residence status (through either licit or illicit means). A further rough assumption is made that 20% of this total are no longer in South Africa, due to either death or emigration. Table 11 below then provides a summary estimate of the total number of SADC migrants currently in South Africa who had no right to enter, but have since obtained the right to stay and work. Under the asylum seekers column we have included a country-by-country breakdown of asylum seekers from the SADC region. The data combines the UNHCR figures in Table 10 with what is known about asylum application withdrawals by Zimbabweans and historical levels of Mozambican refugees.

Table 11: No right to enter – Right to stay and work: summary

	Refugees	Asylum seekers	Amnesty applicants	Total
Angola	5 808	317		**6 125**
Botswana				**-**
Dem. Rep. of Congo	12 973	15 336		**28 309**
Lesotho				**-**

[26] Which was implemented in 1999/2000.

	Refugees	Asylum seekers	Amnesty applicants	Total
Madagascar				**-**
Malawi				**-**
Mauritius				**-**
Mozambique			160 000	**160 000**
Namibia				**-**
Seychelles				**-**
Swaziland				**-**
Tanzania				**-**
Zambia				**-**
Zimbabwe	1 200	369 522 *	275 762 **	**646 484**
Total	**19 981**	**385 175**	**435 762**	**840 918**

Source: DNA calculations
Since 49,000 asylum applications were handed in during the 2011 amnesty, this has been subtracted from the 418,000 asylum applications reported in **Table 10*
*** Key informants suggest that as at early 2012, around 100 000 of these applications had been processed*

2.3 No right to stay and work

For the purposes of this study a single estimate of the size of the *"right to enter with no right to stay and work"* and *"No right to enter and no right to stay and work"* migrant category will be provided.

It should be noted that one of the factors that complicates the process of estimating this category is the likely existence of a large group of migrants who do not have a right to stay and work, but have illegally obtained South African documentation. In a 2006 study of migrants in Johannesburg, for example, 16.5% stated that they had paid some form of unofficial charge to government officials to obtain an ID document.[27] Illegal documents can be obtained in a number of ways: the migrant can purchase genuine ID documents from corrupt Home Affairs officials, or can obtain forged documents, or can apply for late registration of birth by getting an authority figure to vouch for them. Discussions with market participants[28] suggest that these illicit channels are increasingly being closed off, but that the stock of individuals who have already obtained documentation in this way is likely to be fairly substantial.

2.3.1 Right to enter – No right to stay and work

This sub-category includes documented migrants in possession of holiday visas, visitor's permits such as business, study, medical and work permits. Some of these migrants decide to stay in South Africa even after their permits have expired, hence making them illegal immigrants. Alternatively, migrants may opt to use visitor's permits while working, and cross the border regularly before their permits expire. Crush, et al (2010a) noted that many Basotho migrants that currently work outside the mining

[27] University of the Witwatersrand et al 2006, 81
[28] Richard Jewison, email correspondence 23 March 2012

sector use 30 day visitor's permits to enter the country and will cross the border every 30 days in order to get their passports stamped, a pattern that was also noted in the Foshizi focus group research.

A SADC Draft Protocol was developed and submitted to member states in 1996 with the aim of establishing free movement amongst the citizens of SADC countries within ten years. South Africa, Botswana and Namibia, who are the three main migrant destination countries in the region, opposed the draft on the grounds that unequal economic development would result in a flood of immigrants relocating to their countries. A diluted SADC Protocol on the Facilitation of Movement of People was eventually signed by the heads of State, beginning in 2005. The revised Protocol advocated for visa free entry for SADC nationals visiting another SADC country for up to 90 days per year. Immigration for the purposes of work, study and business would however remain subject to national policies and legislation. Despite its earlier objections to the SADC Protocol on Facilitating the Movement of People, South Africa has made significant progress in facilitating regional cross-border movements. Since 2009, citizens of South Africa's immediate neighbouring countries (i.e. Namibia, Botswana, Lesotho, Swaziland, Mozambique and Zimbabwe) as well as Malawi and Mauritius have been able to enter South Africa to shop and do business without having to produce a visa at the border. These foreign citizens are allowed to enter South Africa for short periods (mostly 30 days) but are not allowed to work. In recognition of the unique historical, geographical and ethnic relationship between Lesotho and South Africa, a 6 month concession was introduced for the citizens of Lesotho.

2.3.2 No right to enter – No right to stay & work

By definition, it is difficult to accurately estimate just how many undocumented people are present in any country as the objective of any illegal immigrant is to avoid detection. Attempts to estimate the size of this category have produced results that vary substantially. In 2003, Crush and Williams estimated that there were approximately 500,000 to 850,000 foreign migrants in South African. In 2006, Landau (2006) criticised press estimates that there were between two and three million Zimbabweans alone living in South Africa. Landau argued that this figure was the equivalent of a fifth of the total Zimbabwean population, and therefore was difficult to accept. However, Bracking and Sachikonye (2006) conducted a survey of Zimbabwean households and found that approximately 50% of the families in their sample had at least one family member who was a migrant worker in South Africa, Botswana or elsewhere. As the Zimbabwean economy deteriorated further from 2006 through to 2008, the high end estimate became more plausible. As the economic situation in Zimbabwe improved after 2009, the number of undocumented economic migrants in South Africa may have decreased somewhat. In Botswana, for example, the number of deportations at the Plumtree border post began to decrease post 2009.

The range of available estimates of the undocumented migrant population is shown in Table 12 below. It should be noted that the highest estimates in the range have been provided by consultants contracted to a trade union, which may reflect trade union concerns over increasing migrant competition for job opportunities.

Table 12: Various estimates of the number of undocumented foreigners in South Africa

Researcher	Year	Method	Estimate/Comment
Hough, M. (Professor, Institute of Strategic Studies at the University of Pretoria)	2011		The number of illegal immigrants estimated at 2 to 8 million, with up to 3 million Zimbabweans, 1 million Mozambicans, and 1 out of every 3 Lesotho citizens.
Polzer, T. (African Centre for Migration & Society at University of Witwatersrand)	2010	Projected from 2001 Census data	1.6 to 2 million foreigners, with between 1 to 1.5 million Zimbabweans. Finds no evidence that Zimbabwean migration to South Africa is still accelerating.
Makina, D (Professor, Dept. of Finance and Risk Management at the University of South Africa)	2007	Uses the number of migrants reported in the 2001 census (which did not distinguish between legal and illegal foreigners), then applied the year on year growth rates in migration. Based on the breakdown of the Zimbabwean population, the employable pool feeding migration is a maximum of 2 million. This figure would be higher if the informal sector and small farming sector also migrated.	Concluded that the number of Zimbabweans in South Africa ranges from 800,000 or 1,000,000 to +/-2,000,000.
Schussler, M (T-Sec consulting for UASA Trade Union)[29]	2006	Since 1980 there were 10.3 million foreigners that entered South Africa legally and never declared their departure. The government was deporting only 20% of the net arrivals that never left.	There are 9.84 million illegal immigrants
Census 2001 (Statistics South Africa)	2004	Census surveys found that South Africa had a total immigrant population of 1.03 million, of which 67% were immigrants from SADC.	Although the residence status of migrants was not investigated, undocumented migrants may have been reluctant to engage with census officials – would tend to lead to an under-estimate.
HSRC (Quoted in Crush & Williams. 2003. 'Criminal tendencies: immigrants and illegality in South Africa.')	2001	Conducted door to door surveys asking how many foreigners were in each home and estimated that there were 9.1 million foreigners in South Africa.	If there are 9.1 million foreigners less the legal immigrants left 4.5 million illegal immigrants. It should be noted that the methodology used has been described as bizarre and fallacious (see Crush & Williams 2001, 13), and the study has since been formally retracted by the HSRC.
Crush, J. and Williams, V (Department of Global Development Studies. Queen's University)	2001	Noted that the National Movement Control System of the Department had reported that 658,875 foreigners that had entered legally had overstayed in 1997.	Excluding unlawful entry and stay migrants, just under one million migrants in South Africa

Source: Various, as shown

Truen, et al (2005) investigated whether repatriation figures could be used as a proxy for the size of the undocumented population, and concluded that these were numerous biases and flaws in the data that limited the usefulness of this exercise. Instead, arrivals net of departures was used to estimate the

[29] See - http://www.steppingsouth.com/News/News_061123.htm

stock of undocumented migrants (assuming that the stock of undocumented migrants was approximately a third of net arrivals). The authors then drew a comparison between the estimated stock of undocumented migrants and the 2004 repatriation figures. Their results suggested that the percentage of undocumented migrants that were repatriated ranged from 33.2% (Malawi) to 0.1% for Botswana. No basis could however be provided for dividing net arrivals by a factor of three. In the current context, the 2009 moratorium on deportation of illegal Zimbabweans means that there is no benchmark against which the estimated stock of undocumented migrants could then be evaluated, so the methodology used by Truen et al is no longer possible using more recent data.

However, a number of the estimates of undocumented migrant populations in Table 12 have been undertaken since 2005, and can now be used as the basis for estimation. The estimates by Polzer and Makina based on census data seem particularly consistent, and thus will be used as the basis of estimation. The calculations in Table 13 below are based on the following assumptions:

- Polzer's estimate of 1-1.5 million undocumented Zimbabwean migrants is a feasible/the best available estimate. In Table 13 below, we are therefore using 1 million as a low range and 1.5 million as a high range estimate for Zimbabwean migrants.
- The proportion of legal skilled migrants from each SADC country can be used to approximate the proportion of undocumented migrants from each SADC country. However, the ratio needs to be adjusted to take into account higher levels of undocumented migration from countries with which South Africa shares a border (assumed to double the proportion of migrants), and the unique push factors of Zimbabwean migration (assumed to triple the proportion of migrants).[30] The ratios then use the estimate of 1-1.5 million Zimbabweans as the basis on which estimates for the rest of the region are derived.

Table 13: Undocumented SADC immigrants

	Ratio of skilled immigrants from SADC	Adjusted ratio	Undocumented migrants - high end	Undocumented migrants - low end	Undocumented migrants - mid range
Angola	0.40%	0.18%	4 819	3 213	4 016
Botswana	2.24%	2.05%	54 618	36 412	45 515
Dem. Rep. of Congo	5.15%	2.36%	62 751	41 834	52 293
Lesotho*	15.65%	14.35%	381 526	254 351	317 938
Madagascar	0.00%	0.00%	-	-	-
Malawi	6.95%	3.19%	84 739	56 493	70 616
Mauritius	3.63%	1.67%	44 277	29 518	36 898
Mozambique	12.06%	11.06%	294 177	196 118	245 147
Namibia	1.05%	0.97%	25 703	17 135	21 419

[30] In order to calculate this, the original ratios of skilled immigrants for the concerned countries were multiplied by a factor of 2 or 3 as necessary, and then the ratios were re-based to sum to 100% again.

	Ratio of skilled immigrants from SADC	Adjusted ratio	Undocumented migrants - high end	Undocumented migrants - low end	Undocumented migrants - mid range
Seychelles	0.00%	0.00%	-	-	-
Swaziland	5.07%	4.65%	123 695	82 463	103 079
Tanzania	0.51%	0.23%	6 225	4 150	5 187
Zambia	6.28%	2.88%	76 506	51 004	63 755
Zimbabwe	41.01%	56.41%	1 500 000	1 000 000	1 250 000
Total	**100.00%**	**100.00%**	**2 659 036**	**1 772 691**	**2 215 863**

Source: DNA calculations

2.4 Estimating the total number of migrants from SADC

In the final step of our model of the number of SADC migrants in South Africa we combine the mid-point numbers for each of the categories we have discussed and modelled above. Our model suggests that there are 3.3 million migrants in South Africa from SADC (with an estimated range of 2.8 million to 3.7 million).

Table 14: Summary of estimates

Country of origin	Right to enter – Right to stay & work	No right to enter – Right to stay and work	No right to work	Total SADC immigrants
	A	B	C	D=A+B+C
Angola	61	6 125	4 016	**10 202**
Botswana	7 017	-	45 515	**52 533**
Dem. Rep. of Congo	797	28 309	52 293	**81 399**
Lesotho	79 132	-	317 938	**397 070**
Madagascar	-	-	-	**-**
Malawi	1 077	-	70 616	**71 693**
Mauritius	563	-	36 898	**37 460**
Mozambique	81 692	160 000	245 147	**486 839**
Namibia	163	-	21 419	**21 582**
Seychelles	-	-	-	**-**
Swaziland	14 473	-	103 079	**117 552**
Tanzania	79	-	5 187	**5 267**
Zambia	972	-	63 755	**64 727**
Zimbabwe	12 597	646 484	1 250 000	**1 909 081**
Total	**198 624**	**840 918**	**2 215 863**	**3 255 406**

This is a substantial increase on the number of migrants in South Africa estimated in the 2005 FinMark research, which found that approximately 2.07 million SADC migrants were resident in South Africa. In 2005 Zimbabwe was not included in the remittance market size estimate, and thus relatively little attention was paid to estimating the stock of Zimbabwean migrants. As Zimbabweans are the single largest migrant group, this may have resulted in an under-estimation of the total migrant population in 2005.

2.5 Other estimates of total migrants in South Africa

Another commonly cited source of migrant data is the World Bank data set that was developed by Ratha and Shaw (2007). The methodology they use is to extrapolate the number of migrants from national census data for over 50 countries. For South Africa they used the 2001 census data (the 2001 Census recorded that the foreign born population of South Africa was 1 025 072, of which 67% were born in neighbouring SADC states).

Two major advantages of this approach are: firstly, that the data set is based on a very broad survey (i.e. national census) rather than a random sample; and secondly, the data looks at places of birth rather than residency status, and is able to capture foreign migrants that have attained citizenship.

However, there are also two areas of concern with the estimation technique: first, it is not clear to what extent their modelling technique was able to pick up anomalies like the Zimbabwean refugee situation, which resulted in the massive spike in asylum applications and other forms of entry. Second, the dataset was updated in 2010, but this updated dataset shows significant and inexplicable variation from the 2007 dataset. In addition to the variance there are a number of important data points that are now missing from the new estimates, such as Angola and the Democratic Republic of the Congo.

Table 15: Other estimates of SADC born migrants in South Africa

Source country or place of birth	SADC – Born migrant stock (2007)**	SADC – Born migrant stock (2010)***
Angola	152,057	0
Botswana	2,989	41,846
Congo, Dem. Rep.	149,462	0
Lesotho	8,246	350,657
Madagascar	316	0
Malawi	26,568	17,955
Mauritius	32,149	0
Mozambique	150,369	454,548
Namibia	4,215	0
Seychelles	3,144	0
South Africa	0	0
Swaziland	2,007	135,720
Tanzania	52,554	0
Zambia	44,809	0
Zimbabwe	59,109	858,993
Total from SADC	**687,994**	**1,859,719**

Source: Nakanyane, Sabata, and Maja, Botshabelo (2007);
*** Ratha and Shaw (2007),*

Source country or place of birth	SADC – Born migrant stock (2007)**	SADC – Born migrant stock (2010)***

****Ratha and Shaw (2007), updated with additional data for 71 destination countries as described in the World Bank Migration and Remittances Factbook 2011.*

Although our estimate of the total number of migrants in South Africa is substantially higher than that generated by the World Bank's Migration and Remittances Factbook, for the purposes of this study we have preferred to rely on our estimates for two reasons. First, the 2010 update shows substantial variation from the 2007 estimates for countries such as Angola, Lesotho, Mozambique and Swaziland, for which no clear explanation is provided. It was also not clear why, for a number of country estimates, the number of immigrants was recorded improbably as "0" in 2010. Second, as our review of previous estimates by South African based researchers has shown (see Table 12), the World Bank's 2007 estimate of 687 994 SADC migrants in South Africa was substantially lower than any of the other estimates from that period. This suggests that the World Bank's researchers seem to have opted to make very conservative estimates of the total number of undocumented migrants.

3 REMITTING BEHAVIOUR

Estimating the total stock of migrants from other SADC countries in South Africa was the first step towards gauging the size of the total remittances market. The next step is to understand remittance behaviour in order to arrive at an assumption or estimate of the total amount that a typical migrant from each country would send home per annum – the topic of this section. Section 4 will then combine the migrant number and remittance behaviour estimates to scope the total remittances market.

A substantial international academic literature is available on the manner in which migrants remit funds to their country of origin. This literature has uncovered both a variety of rationales for such remittances, and material differences in remitting behaviour between country pairs. Below, we provide a review of these findings, which is then used to deepen the analysis of remitting behaviour in SADC provided both by our focus group research and other regional studies.

3.1 Remittance motivations

Many of the SADC-origin remitters based in South Africa are far from wealthy, but nevertheless regularly send home quite large sums of money relative to their income, at great personal cost. They do so because of the influence of a range of strong incentives to remit. The nature of the motivation to remit drives the value of total remittances, and how remittance levels change over time, and thus is worth exploring when estimating total remittance levels.

The simplest motivation for remitting is pure altruism – the migrant empathises with the remittance recipient, and derives satisfaction from their ability to improve the recipient's standard of living. When the motivation to remit is altruism, it is likely that remittance levels will change in fairly predictable ways: the migrant will remit more as their income rises (and they can afford more), they will remit more if the recipient's income drops, or the recipient's financial needs increase (for example due to ill-health, war or economic crisis).[31]

> *"I send money often because there is no one to take care of my family."*
>
> ***Mozambican and Angolan female focus group, Gauteng***
>
> *"I have a 15 year old son ... My son is mostly into brands. That is the stage he is in at the moment. There are no shops in Lesotho that cater for that."*
>
> ***Lesotho female focus group, Gauteng***

However, pure altruism does not fully explain the range of remittance behaviours seen in practice, and a number of other motivations for remitting have since been advanced.

---

[31] Hagen-Zanker & Siegel 2007, 9

Possible motivations which are suggested by the academic literature include the following:[32]

- **Self-interest**: remittances may be seen as a form of investment in the possibility of inheriting family assets. If this is a strong motive for remitting, migrants will remit more if the recipient is wealthier, and if there are more migrants remitting to that particular household (and thus also competing for the inheritance) – and academic research suggests that this does in fact drive some remitting behaviour.[33]
- **Co-insurance**: adults in the recipient and the migrant household are exposed to different economic environments, and thus to differing risks of unemployment. A migrant who remits home when times are good is more likely to be welcomed home or sent money if they should fall on hard times. Remittances can be used to further diversify household income, should they be used by the recipient to establish a business.

  "...when I get a job and make enough money to buy food and pay rent, I send the remainder home, they also send me money when I don't have it, my sister is the only one employed at home so we help each other." - ***Lesotho male focus group, Free State***

  "They don't depend on this money only, I opened a small business for them when I came from the war and I bought them a small boat so they can catch fish and sell it." - ***Low income Mozambican and Angolan male focus group, Limpopo***

- **Loan repayment**: migrants may see remittances to their parents as a way of paying back the investment the parent has made in their care and education, or in funding their trip overseas.
- **Exchange motive**: family at home may provide the migrant with services, such as child care, or taking care of the family home. In this case remittances may be viewed as payment for such services.

In addition to these motivations to remit, the focus groups also revealed that arbitrage in the prices of goods between countries in the SADC region appears to drive a large proportion of remitting behaviour. South Africa has a well-developed retail sector, which in comparison to other SADC countries, is competitive and relatively low margin. Many consumer durables are much cheaper in South Africa than in other countries in the region. This creates a remitting opportunity – transport costs allowing, a migrant may be able to send something home that is worth more to the recipient household than the same amount of remitted money would be.

This goods arbitrage motive plays out in a number of ways. In markets such as Angola, the premium on small consumer durables such as cell phones is such that a migrant based in South Africa may be able to make a substantial profit by sending goods home for family members to sell. If price differences are driven by import duties, it may not be worthwhile to scale up into a proper export business, because of the risk of getting caught in the revenue collection net. In many markets,

---

[32] Hagen-Zanker & Siegel 2007, 8
[33] Hagen-Zanker & Siegel 2007,29

however, small businesses regularly purchase stock in South Africa for resale, and it may be difficult to draw a clear distinction between economic migrants and cross border traders.

> *"I receive money from home when I need it and send them goods for the money."*
>
> ***Angola male focus group, Gauteng***
>
> *"I have goods the entire time chief, all the time; people in Swaziland come here to shop for clothes and other goods such as electronic stuff and send it back home for personal use or to sell in their own stores."*
>
> ***Swaziland taxi driver***
>
> *"I prefer shopping in bulk; I doubt there is a shop that sells in bulk in Lesotho."*
>
> ***Lesotho mixed gender focus group, Gauteng***

In situations of economic crisis, the motivation to remit goods is more likely to be driven by the collapse of domestic markets. This is illustrated by the recent economic crisis in Zimbabwe, when the proportion of goods remitted versus cash remittances changed dramatically, and a higher proportion of food was remitted as compared to consumer durables.

> *"Before the government of national unity, there was no food and no money. People used to send both money and goods. Since the government of national unity, things have gotten better. People are sending money more than food now."*
>
> ***Zimbabwe male focus group, Yeoville***

Finally, there is evidence that the price of remittance services affects the demand for remittances, which may decrease total remitting even when remitting motivations are strong. For example, a study of Tongan migrants in New Zealand suggested that the price elasticity of remittances was in the region of -0.22 (in other words, for every 10% increase in the price of remittances, demand for remittance services would decrease 2.2%).[34]

It is thus significant that data suggests that remittances originating in South Africa are particularly expensive. Table 16 below shows how the cost of remitting $200 via formal financial channels compares in a variety of country corridors. The World Bank database from which this derives lists costs for 213 country pairs, eight of which involve remittances sent from South Africa. Those eight channels are in the top 32 most expensive channels recorded, and four are in the top ten most

[34] Barua et al 2007, 12

expensive. It is significantly cheaper to send money from the United Kingdom to South Africa, than from South Africa to destinations on the same continent.[35]

Table 16: Most expensive remittance country corridors, 3rd quarter 2011

Rank	Sending country	Receiving country	Total cost of remitting $200
Top 10 most expensive country pairs			
1	Tanzania	Rwanda	$ 49.19
2	Tanzania	Uganda	$ 49.19
3	Tanzania	Kenya	$ 47.20
4	**South Africa**	**Zambia**	**$ 44.66**
5	Japan	Korea	$ 38.01
6	Japan	China	$ 36.91
7	**South Africa**	**Mozambique**	**$ 36.11**
8	Japan	India	$ 35.93
9	**South Africa**	**Botswana**	**$ 35.81**
10	**South Africa**	**Angola**	**$ 35.77**
South African country pairs outside the top 10			
13	South Africa	Zimbabwe	$ 34.07
26	South Africa	Malawi	$ 29.80
31	South Africa	Lesotho	$ 28.59
32	South Africa	Swaziland	$ 28.59
116	United Kingdom	South Africa	$ 16.07

Source: http://remittanceprices.worldbank.org/Country-Corridors, accessed 3 February 2012

Research suggests that the cost of remitting tends to decrease as the number of migrants remitting along a given channel increases (thus allowing the achievement of economies of scale), and as the amount of competition in the provision of remitting services increases.[36] The extent of regulatory and other barriers to operation such as infrastructure may also affect the cost of remitting in SADC – an opinion survey of United States-based remittance service providers on the extent of obstacles to their business model (including regulatory and business conditions) rated the sub-Saharan African region as the most difficult destination region.[37]

Although the data in the above table only reflects the cost of remitting via formal financial channels, it is likely that the cost of formal channels at least partially informs the cost of informal channels, and thus that corridors where formal channels are expensive also have expensive informal channels. The focus group discussions suggest that this relationship holds in the SADC region – fee based costs for

[35] The World Bank also records data on the cost of remitting $500. In the same period, five country pairs which included South Africa were in the top ten most expensive remittance corridors for $500.
[36] Beck & Pería 2009, 3-4
[37] Andreassen 2006, 11

informal channels alone (i.e. excluding exchange rate margins) were typically reported to be in the region of 10-30%.

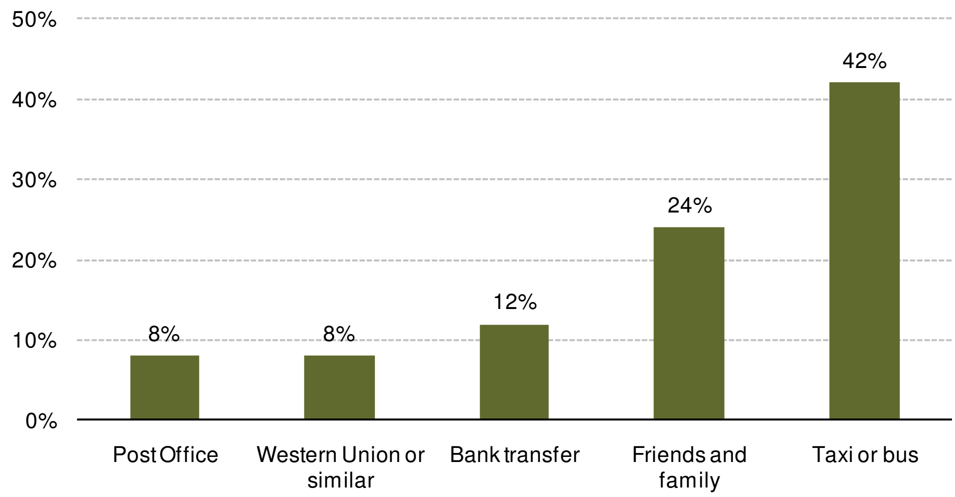
When circumstances make remitters less cost sensitive, the price of remitting is likely to rise in response. This seems to have been the case during the Zimbabwean food crisis.

> *"Moderator: Did the bus drivers and the Malayishas charge more when sending goods during the time when there was no food in Zimbabwe?*
>
> *Respondent: They charged too much because they knew that everyone had no other choice but to send goods at home."*
>
> ***Zimbabwe female focus group, Yeoville***

3.2 Remittance channels

Although a number of remittance channels operate in the region, regulatory and other obstacles substantially limit the ability of many migrants to choose between them.[38] As a result, the region displays a high proportion of use of informal channels of remitting. This was reflected in the findings of the focus group research, with 66% of respondents using either taxis or friends and family to remit money.

Figure 3: Focus group participants' choice of remittance channel



Source: Foshizi focus groups. Note: percentages denote percentage of limited sample, not of all migrants

A brief introduction to the main remittance channels available is provided below.

[38] Additional data on the nature of regulatory barriers in the regional remittance market can be found in Truen et al 2005; Bester et al 2010, and Langhan & Kilfoil 2011; all of which are available from http://www.finmark.org.za.

3.2.1 Taxis/buses/trucks

The largest single remitting channel in the region appears to be sending money with the drivers of cross border taxis, buses and trucks. This was suggested by focus group findings for the current research (45 out 100 respondents preferred sending via bus or taxi), and in the focus groups conducted for the 2005 FinMark research, as well as by other research initiatives.[39] The principal advantage of this channel seems to be that no paperwork is required, and thus undocumented migrants find it easy to access. However, the convenience aspects of this channel should not be under-estimated. A remitter is often able to negotiate for door-to-door delivery of remitted cash and goods, which is a significant advantage when the recipient of the remittance lives in a geographically isolated area.

Mitigating against this advantage is the fact that the channel is fairly expensive (R10-R30 per R100 sent), and offers little or no safeguards against theft and loss of money. Money is delivered after a significant and unpredictable delay (for example, if the taxi delays departure while waiting for additional passengers). Some taxi ranks offer a little additional security by keeping a book in which the remitter records their details, but potential for trouble remains.

> *"P1: When we give the driver the money, he will tell us to inform whoever is to receive the money to be a t the bus stop at a certain time. If that person is late and misses the bus, chances are that we won't get the money back anymore because the driver will end up using it if he doesn't meet up with the person meant to receive the money. Another problem could be that they also don't have money to call the driver, so it becomes a loss.*
>
> *P2: The bus driver gave my family less than half the amount I sent claiming that it was reduced when he changed currencies.*
>
> *P3: I have not lost money but goods. The drivers sometimes take what they want from our goods before delivering them to our families.*
>
> *P4: My boss once sent me money by bus so I can return from a funeral I attended back home. I received less money resulting in me returning back to work late because I had to gather more money for my trip back."*
>
> ***Zambia, Malawi, Tanzania male focus group, Gauteng***

The remitter typically attempts to establish a trust relationship with the driver, in order to decrease the riskiness of the transaction. Because remitters prefer to send money via people they know and trust, the relationship between the driver and the remitter falls along a long continuum between strictly commercial and strictly private. Fees for carrying remittances may be expressed as a gift, and may be highly negotiable.

[39] See for example Kerzner 2009 and Langhan & Kilfoil 2011

3.2.2 Friends and family

Money is often sent via friends and family returning home (and indeed remitters themselves, when returning home, often take cash along). This method is again subject to fraud and theft, particularly if the amount of money involved is very large. Although the person carrying the money is typically known and trusted, the relationship with the remitter is at least partially commercial in nature, with at least some form of "gift" offered to compensate the individual for the hassle.

> *"Via post office, and sometimes we give to some guy who travels regularly to Polokwane then they meet him there because it's close by."*
>
> ***Zimbabwe male focus group, Gauteng***
>
> *"When I can't go myself, I give it to someone to give to my family."*
>
> ***Lesotho male focus group, Free State***
>
> *"I take the money myself to the border and meet up with a family member that will take it home, I call and let them know when I am getting into a taxi and it takes an hour to get to the border so they also leave home so we can meet each other at the border."*
>
> ***Swaziland female focus group, Mpumalanga***

3.2.3 Bank transfers

Formal methods of remitting such as bank transfers were seen by focus group participants as highly desirable, mainly because they offer quick and safe money transfer abilities. In practice, though, few migrants have both the legal migrant status and formal employment record necessary to access banking channels. Of 100 focus group participants who indicated their preferred remittance channel, only 13 used bank transfers.

> *"I've never tried any other method because they require a lot of paperwork. Sometimes you find that they need a passport and a proof of residence which in most cases we don't have. We just prefer the bus because there is no paperwork needed."*
>
> ***Zimbabwe male focus group, Yeoville***
>
> *"I don't have a bank account because I don't have a permanent job at the moment. It was closed because I hadn't deposited money for a long time."*
>
> ***Swaziland, Botswana and Namibia male focus group, Gauteng***

Where focus group participants did indicate a desire to use bank transfers, they tended to talk about the difficulty of opening accounts at different banks (with FNB typically viewed as easier to access), and sometimes expressed concern over the cost of banking transactions. Recipients based in the home country were seen as having easy access to banking services.

> *"I heard about the bank, I've been planning to send the money to my mother through the bank but I haven`t gotten to doing it. I want to use the bank now because sometimes the taxi driver leaves before I get paid."*
>
> ***Lesotho female focus group, Free State***
>
> *"In Swaziland I can use FNB, Shoprite or give the money to a taxi driver going to there. I can also use Standard bank but if I don't have enough money to pay for bank charges I send the money through a taxi driver." [Note: Shoprite does not offer cross border remitting services and the reference to Shoprite either refers to the Capitec Bank facility that is supplied through Shoprite or instances where recipients cross the border to the nearest Shoprite to pick up cash]*
>
> ***Swaziland, Botswana and Namibia male focus group, Gauteng***

Although compulsory remittances via Ubank (previously Teba Bank) are a key feature of remittances from South Africa to Mozambique and Lesotho, the focus groups unfortunately did not include any individuals participating in this system.

3.2.4 Money transfer operators

Formal money transfer operators such as Western Union and Moneygram have similar paperwork requirements to the banking system, and thus are also difficult for undocumented migrants to access. Many migrants are unaware of the potential of these channels, due largely to the fact that relatively few firms have entered this market (in certain country pairs, money transfer operators do not seem to be operative). In other cases more evidence was found of a growing and vibrant money transfer operator sector – particularly as regards the entry of Mukuru.com[40] into the South Africa-Zimbabwe channel.

Some evidence was also found of informal money transfer operators in this market. However, operations seem to be fairly small and are perceived as unreliable by remitters.

3.2.5 Post Office

Money can be formally or informally remitted via the Post Office, either by purchasing money orders or by simply enclosing cash in an envelope. Remittances by money order to Zimbabwe, Mozambique and Malawi are however not permitted by the South African Post Office (it is not clear whether this is due to regulatory hurdles or is simply a commercial choice made by the operator).[41] Despite the historical legacy and strong geographical footprint of regional post offices, the use of this channel to complete cross-border remittances seems to be fairly rare, with for example only 8 of 100 responding focus group participants claiming to use this remittance technique.

---

[40] Mukuru.com is a UK based money transfer operator, which has recently partnered with a South African firm, InterAfrica, to offer remittance services on the South Africa to Zimbabwe channel. Customers can open an account via telephone or internet.

[41] Langhan & Kilfoil 2011, 18

3.2.6 Other

In the domestic remittance market, retailer Shoprite has begun providing a remittance service using its network of shops in partnership with Capitec Bank. A number of focus group participants claimed to use this channel to remit cross border, possibly by asking family to cross the border to the nearest Shoprite in South Africa to pick up cash. At present, Shoprite does not offer cross border remitting services and requires a South Africa ID on both ends to complete a transaction.

A few firms offer cross-border retail services. For example, Kawena Distributors provides a service whereby someone based in South Africa can purchase from a grocery list, for delivery or collection from various points in Mozambique.[42]

3.3 Remittance behaviour

The total level of remittances is dependent on remitting behaviour in a migrant population, including factors such as the proportion of migrants remitting, and the frequency and size of remittances. Available research suggests that remitting behaviour is likely to differ materially across different migrant populations, due to both economic and cultural factors in the sending and receiving countries. In this section of the analysis, the implications of this for remittances in the SADC region are discussed.

3.3.1 Variance in remitting behaviour

Remitting behaviour may vary substantially, even across migrant populations that at first glance seem to have much in common. For example, Albania and Moldova are both small Eastern European countries with high levels of economic emigration, both of which have a Communist past. However, patterns of remitting by Albanian and Moldovan migrants exhibit material differences, including the following:

- In Albania, men remit the most, while in Moldova, women do
- In Moldova, highly educated migrants remit more, while in Albania they remit less
- Moldovan migrants who have only been away for a short period remit more, whereas similar Albanian migrants remit less[43]

These differences are driven both by cultural factors (for example, in Albania the youngest son is expected to look after his parents), and by economic factors (such as economic conditions in the primary destination country). The focus groups suggested that, in a similar manner, material differences in remitting behaviour can be expected in the countries of the SADC region. Based on the focus group findings, specific areas of variation are hypothesized to include the following:

---

[42] http://www.kawena.co.za/
[43] Hagen-Zanker & Siegel 2007, 16-18

- The difficulty of remitting (caused by factors such as limited road networks and/or physical distance) is likely to reduce the amount of remitting for destinations such as Angola and the DRC.[44]
- Such migrants as do come from long haul destinations are likely to be wealthier, and from wealthier families. As such they are also more likely to receive remittances from those families. On a net basis, these countries may be sending more to South Africa than they are receiving.[45]
- Migrants from neighbouring countries with fairly predictable/efficient border posts are more likely to carry money home themselves than send it via other channels.

  "I go home often because it is not a long drive, only four hours. I even sometimes do in and out."

  Lesotho female focus group, Gauteng

- Migrants from Zimbabwe seem to remit more regularly, possibly as a response to the Zimbabwean economic crisis, and the need to replicate a salary stream for dependents left at home.

  "I'm the only bread winner. If I don't send the money I usually send, they will be left with nothing."

  Zimbabwe female focus group, Yeoville

3.3.2 Proportion of migrants remitting

The factors which motivate remittances as discussed in Section 3.1 play a role in determining the proportion of migrants which remit. To recap, the international literature suggests that a number of factors affect the proportion of migrants which remit to their home country, including the following:

- **Whether close family remains at home**. The presence of either minor children or parents in the home country will increase the likelihood of remitting. This is suggested both by the focus group discussions, and by international remittance literature. For example, a study in Germany found that "one more parent or grandparent abroad increased the probability to remit by 3.7% and the amount remitted by 21.9%."[46]

---

[44] It should be noted that difficulty remitting also often equates to difficulty migrating – in the absence of an easy overland transport route, poorer potential migrants are less likely to actually migrate in the first place. A perception that it will be difficult to remit may also decrease the initial economic motivation to migrate.

[45] The link between income level and size of remittances sent is open to interpretation. On the *receiving* side, there is some evidence that the households which receive the most remittances tend to be the poorest (Hagen-Zanker & Siegel 2007, 16). However, logic makes it clear that remittance *senders* must have some source of income to send money in the first place, and evidence that in some countries, more educated migrants send more than less educated migrants, suggests that there may be a positive relationship between income levels and remittance sending levels (Hagen-Zanker & Siegel 2007, 17-18; Magunha et al 2009, 13).

[46] Vadean 2007, 18

- **The cost and ease of remitting**
- **The extent of the need for remittances.** As one of the primary motives for remitting is altruism, the extent of the perceived need for money at home will affect remittance behaviour. Furthermore, if economic migration itself is prompted by economic crisis (for example as seen in Zimbabwe), it is more likely that remitting is one of the primary motives for migrating, and that the perceived need for remittances is high.

A large amount of evidence is available on the proportion migrants on various remitting corridors who in fact remit. Wide variance can be seen in the data, as shown below:

- A recent study of remitting patterns for migrants based in Spain found that the migrant population most likely to remit was Asians, with just over 50% remitting, while just under 40% of Africans remitted.[47]
- A study of remitting patterns of applicants for a specific type of residence permit in France found that under 10 % of Algerians remitted, versus 15% of Moroccans, 17% of Turks, 21% of Tunisians and almost 40% of migrants from Sub-Saharan Africa.[48]
- A study of legal migrants to Australia found that the proportion remitting varied between 4.2% and 7.8% over time[49]
- A survey of remitting patterns of Latin Americans based in the United States, but born outside of it, found that 47% remit regularly (of which 45% of Mexicans send remittances, 57% of migrants from El Salvador and 59% of migrants from the Dominican Republic)[50]

Closer to home, the September 2002 South African Labour Force Survey found that 58.5% of domestic migrants within South Africa remit.[51] It is likely that a higher proportion of SADC migrants to South Africa remit than do African migrants to Spain and France, given that the proximity of South Africa which is likely to make remitting easier. However, fewer SADC migrants in South Africa are likely to remit than the proportion of domestic migrants which remit (58.5%). Our suggested range is thus that 45% to 55% of all SADC migrants in South Africa remit money home.

3.3.3 Frequency and size of remittances

The frequency with which money is sent home is highly dependent on the working patterns of the migrant concerned. While a formally employed migrant is well positioned to send money monthly, an informally employed migrant (which characterises most undocumented individuals) may have a much more uncertain income stream, which impacts on remittance frequency.

---

[47] Aparicio 2011, 4
[48] Miotti et al 2010, 6
[49] Mahuteau et al 2010, 8
[50] Suro et al 2002, 19
[51] Truen et al 2005, 18

"It depends on the type of job you are doing. Sometimes you find that you get less money and you are forced to send less at home. Basically not having a stable job can make you send irregular amounts of money at home."

Swaziland, Lesotho, Botswana male focus group, Gauteng

Many migrants do however make an attempt to compensate for periods of low income, and low remitting, by remitting more when times are good. This implies that the average transaction size may fluctuate more than the total amount remitted over a longer term period, such as a year.

"It depends on how often and how much money I receive. It could be every month or once after two or three months. If I send after three months I have to cover for the months I missed. It basically depends on the amount of money you are receiving, your affordability and the economy because it fluctuates"

Zimbabwe male focus group, KwaZulu Natal

Although most migrants seem to attempt to send home money on a regular basis (73 of 101 focus group participants indicated that they sent regularly), the time period on which this regular remitting schedule runs varies substantially, from monthly to quarterly to annually, to only at Christmas and/or Easter. If the period between remittances is longer, the size of the remittance transaction is likely to be larger. For the many migrants without access to formal financial services, the decision on how to save this money has its own risks. Cash is particularly easy to steal, so for many migrants it makes sense to save by buying goods, which are then remitted at a later point.

"The only way to save money is to buy goods."

Zambia, Malawi, Tanzania female focus group

The net impact of these remitting patterns is that it is far from simple to identify an average remittance amount. Although the focus group participants were not selected so as to comprise a statistically significant sample, their disclosed remitting patterns, as shown in Table 17 below, are of interest. As shown, there seemed to be two modes in the data, with the bulk of participants remitting either between R501 and R1 000, or over R2 000.

Table 17: Size of remittance transactions, focus group participants

	Up to R200	R201-R500	R501-R800	R801-R1 000	R1 001-R2 000	Over R2 000
How much do you send each time?	2	9	24	20	15	29

Source: Foshizi focus groups

When asked how much they remitted each year in total, the bulk of focus group participants indicated over R5 000. Again, although these results are not statistically significant, they are consistent with a pattern of frequent remitters sending less each time, while less frequent remitters save up and send larger amounts. Table 18 below indicates the responses obtained from focus group participants to the question of how much they remit annually. In addition, the implied average annual remittance value for respondents is calculated, using the mid-point of the remittance range in the question as indicative, and assuming the average remittance in the largest category (over R5 000) is R7 000. As can be seen, the implied average remittance size is just under R5 000 per year.

Table 18: Annual remittance amount

		Up to R200	R201-R1 000	R1 001-R2 000	R2 001-R5 000	Over R5 000	Total
How much do you send each year in total?	**A**	0	3	17	23	56	**99**
Average remittance amount	**B**	R100	R600	R500	R3 500	R7 000	**R4 877**
Total remitted	**C=A*B**	**-**	**R1 800**	**R8 500**	**R80 500**	**R392 000**	**R482 800**

Source: Foshizi focus groups, DNA calculations

This estimate is fairly sensitive to the assumptions of the average size of remittances in the over R5 000 category. For example, if average remittances in this category are R5 500, then total average remittances are R4 028, versus R6 574 if the largest category averages out at R10 000. It should also be remembered that the underlying focus group sample was not selected in order to be statistically representative.

Truck and taxi drivers also shed some light on remitting patterns. Although many drivers stated that they were taking money on trips as a standard business practice, it seemed that carrying cash for around ten people at a time was seen as quite a large volume, and that the total amount of money carried for all customers together was unlikely to exceed R10 000. This is consistent with an average remittance amount of substantially less than R10 000.

> *"Interviewer: How many people can give you money or goods to send home at a time?*
>
> *Driver: It varies, sometimes 10 people and sometimes none."*
>
> ***Swaziland taxi driver***
>
> *"Moderator: How many people can give you money or goods to send home at a time?*
>
> *Driver: About 10 people."*
>
> ***Namibia bus driver***
>
> *"Interviewer: What's the most you ever carried?*
>
> *Driver: I have taken R5 000*
>
> *Interviewer: How often are you carrying money when you make a trip?*
>
> *Driver: Every time"*
>
> ***Botswana bus driver***

"I carry money most of the time, maybe 80% of the time."

Swaziland taxi driver

"Moderator: What is the most you have charged at a time and what's the most you received at a time?

Driver 1: I have received R8 000 and charged them R400, sometimes I give the person discount.

Driver 2: I got R10 000 but it was from two people, a wife and husband, friends of mine."

Malayishas, Zimbabwe

While driver interviews are suggestive of an average annual remittance size of substantially less than R10 000 per person, the focus group research (as summarised in Table 18) suggests that the bulk of remitters probably send more than R3 500 per year. In the 2005 report, the remittance estimate assumed that total remittances per migrant averaged R3 800 annually,[52] which would equate to R5 572 as at 2011, after inflation adjustments.[53] This suggests that a conservative estimate[54] of the size of average remittances is R4 500 to R6 500 per remitter per year (which equates to an average amount of R5 500 per annum). These remitters can then be roughly divided into two groups – frequent remitters, sending R375 to R1 080 every one to two months, and episodic remitters, sending R2 250 to R6 500 once to twice a year.[55] This estimate excludes the value of goods sent.

Based on the analysis of migrant populations in South Africa, and the above research on remitting patterns, we can now estimate total remittance levels. It should be noted that the research process uncovered no other region-wide average annual remittance amount estimates which can be used as a comparison for the current estimation exercise. Where estimates for individual countries are available, they will be discussed in Section 4.1.

---

[52] Truen et al 2005, 18

[53] Based on Statistics South Africa CPI index.

[54] In the absence of hard data, our research approach is to rather under-estimate than over-estimate. The aim of the research is to provide an indication of the untapped cross-border remittance opportunity for the formal sector, as well as to inform policy responses. Conservative estimation techniques will provide a more solid basis for commercial and policy decision makers in the remittances environment.

[55] Calculated as follows: frequent remitters are estimated to send a maximum of R6 500/6 (bi-monthly remittances), or a minimum of R4 500/12 (monthly remittances), while episodic remitters send between R6 500/1 (once a year remitting) and R4 500/2 (bi-annual remittances).

4 REMITTANCE MARKET ESTIMATE

We can now proceed to combine the estimates of migrant populations in South Africa with data on remittance patterns and behaviour, to derive a country-by-country estimate of remittance flows from South Africa to the rest of SADC. This technique is used in preference to formal data sources because the information available from such formal data sources is both patchy, and prone to systematic under or over estimation. This can be illustrated by briefly examining available South African Reserve Bank data.

The South African Reserve Bank (SARB) tracks foreign exchange transactions via its Cross Border Foreign Exchange Transaction Reporting System, particularly via line item *501: Gifts*. The value of this data for the purpose of the current study is however affected both by the proportion of remittances transmitted informally, and by the manner in which various kinds of remittances are classified. For example, mineworkers' compulsory deferred pay systems for Lesotho and Mozambique should be regarded as a form of remittance, but are likely grouped under item *404: Compensation of employees including migrant workers* in the reporting system, which also includes non-remittance transactions, making it difficult to single out remittances from the category.

As a result, the data from the SARB sheds relatively little light on overall remittance trends in the region. Inward, outward and net gift flows are illustrated in the tables in Appendix 3. As shown, even for countries which are known to be substantial net recipients of remittances from South Africa, such as Lesotho, gift outflows are larger than inflows in most years, and the quantum of remittance outflows simply seems too small (under R1m in each year shown). Not only do these numbers provide little clarity on the total size of the remittance market (i.e. including informal flows), but they may also not be particularly accurate at estimating the value of formal remittances, for example because of the apparent exclusion of compulsory deferred pay systems.

The estimation exercise below is based on a fairly rudimentary evidence base, and thus is subject to interrogation and improvement. However, it is likely to represent a substantial improvement on the remittance data available from more formal sources.

4.1 Per country analysis

As noted in Section 3.3.1, remittance patterns may vary strongly even between countries which are geographically close and display both economic and social similarities. This suggests that ideally, the remitting experience of each SADC country should be examined separately. The depth of the country-by-country discussions below however varies substantially according to the amount of data available and relative importance of the remittance corridor under discussion.

4.1.1 Angola

- **Total population:** 18 million

- **Average GDP per capita, PPP:** $5,900 (2011 est.)[56]
- **Proximity to South Africa**: 3 200km overland (capital city to capital city)[57]

Angola displays a number of characteristics which tend to reduce total migration to South Africa, including physical distance from South Africa, the use of Portuguese rather than English as a lingua franca, and an absence of historical patterns of migration. Our net estimate of total Angolan migrants in South Africa is thus only around 10 500 individuals (as per Table 14), of which around 40% are undocumented.

Moreover, Angola is a country with considerable oil wealth. While much of the population remains extremely poor, the wealthy elite are well-placed to support family members residing or studying in South Africa. The focus groups found evidence of such remittances from Angola to South Africa. With distance making migration difficult for the extremely poor, the proportion of wealthier, more highly educated migrants in this group is likely to be fairly high. The average Angolan remitter is thus likely to send slightly more than the group average of R6 500 to R4 500 per remitter. Distance is however likely to decrease the total proportion of migrants which actually remit, possibly to as low as 40%.

40% of 10 500 migrants sending 10% more than the average would send R20.8m to R30.0m in a year.[58]

4.1.2 Botswana

- **Total population:** 2.1 million
- **Average GDP per capita, PPP:** $16,300 (2011 est.)
- **Proximity to South Africa**: shares a border

Of the mainland SADC countries, Botswana is the only one in which PPP GDP per capita is in excess of South Africa's (which was estimated at $11 000 in 2011). This decreases the impetus for economic migration from Botswana to South Africa. However, it also implies that the group of migrants is more likely to be educated and/or wealthy, which in turn implies that the amount remitted per person is likely to be higher than the average.

As shown in Table 19 below, the bulk of the migrants from Botswana work in South Africa. The dataset on which this table is based however is not unproblematic: Apart from drawing on 2004/5 survey data, it seems to systematically under-estimate the proportion of remittances sent via informal channels (see discussion in section 4.1.11) and under-estimate the proportion of migrant farmworkers (see section 0). As such, the high average level of remittances indicated by the data, of R10 400 per migrant per year, may overstate actual remittance volumes.

---

[56] Population and GDP per capita estimates are as per the CIA World Fact Book (https://www.cia.gov/library/publications/the-world-factbook/), downloaded 17 February 2012

[57] Overland distances between capital cities are estimated using Google Maps, downloaded 17 February 2012.

[58] Calculated as follows: (10 500*0.4*(6 500*1.1))/1 000 000 = R30.0 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).

Table 19: Migration and remittance characteristics – Botswana

	Botswana
% migrants in South Africa	95.1%
% migrants working as mineworkers	87%
% migrants working as professionals	1.6%
Average cash remittances per annum	R 10 412.68
Money sent by taking it personally	46.6%
Money sent with friends	21.3%
Money sent via taxis or buses	0.1%

Source: Pendleton et al 2006

We estimate that approximately 50 500 Batswana currently reside in South Africa, as shown in Table 14. Proximity is likely to make a fairly large proportion of these migrants remit (for example, it is suggestive that 2003 data found that in 9.4% of Botswanan households, at least one person in the household receives remittances).[59]

We therefore assume that 55% of Botswanan migrants remit 15% more than the average, for a total remittance volume of R143.7m to R207.6m per annum.[60]

4.1.3 Democratic Republic of Congo (DRC)

- **Total population:** 73.6 million
- **Average GDP per capita, PPP:** $300 (2011 est.)
- **Proximity to South Africa**: 3 800 km overland (capital city to capital city)

The DRC is one of the poorest nations in the world, and the logistics of reaching South Africa from the DRC are complex and costly. This greatly reduces the ability of most potential Congolese economic migrants to reach South Africa, and the ability of those who reach South Africa to remit easily once they have arrived (although anecdotal evidence suggests that the Congolese community has been particularly proactive in developing ways and means of remitting despite these logistical barriers). Those that do manage to reach South Africa are likely to represent wealthy regional elites. This was reflected in the focus groups, where recruiters found it easiest to locate students from the DRC, who then tended to receive rather than send remittances.

A 2006 survey of migrants living in Johannesburg in 2006 included a sub-sample of about 250 Congolese citizens (of which 37.5% had completed tertiary education). In this group, 33.1% were

---

[59] Finscope BNLS 2003, quoted in Truen et al 2005, 20. Although an updated survey was conducted by Finscope in 2009, comparable data on remittances is not evident from the results thereof.

[60] Calculated as follows: (50 500*0.55*(6 500*1.15))/1 000 000 = R207.6 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).

sending money outside Johannesburg, and 34.5% were receiving money from outside Johannesburg. 74% of responding migrants sent less than R2 000 per annum.[61]

We estimated that the stock of DRC citizens in South Africa is approximately 83 000, as shown in Table 14. We propose that levels of remitting in this group are likely to be quite low because of logistics issues, at only 35%, and the average remittance value is likely to be only 80% of the average for the region.

This equates to total annual remittances to the DRC of between R102.6m and R148.1m.[62]

4.1.4 Lesotho

- **Total population:** 1.9 million
- **Average GDP per capita, PPP:** $1,400 (2011 est.)
- **Proximity to South Africa**: shares a border

Lesotho has a very long history of economic migration to South Africa, and thus also of cross border remittances. In 2003, 10.3% of households in Lesotho had at least one person receiving remittances, from both domestic and international sources.[63] Voluntary remittances are supplemented by a compulsory remitting framework for mineworkers. In terms of the Lesotho Deferred Pay Act of 1974, Lesotho mineworkers based in South Africa defer 30% of their gross earnings to Lesotho via Teba Bank (now rebranded as Ubank) for 10 months per 12 month contract.[64] As shown in Table 20 below, the deferred pay and remittances of Basotho mineworkers amounted to R332.8m in 2010, and has been holding relatively steady despite a decrease in the total number of mineworkers employed in South Africa.

Table 20: Basotho mineworkers in South Africa

	Number employed *	Deferred pay	Remittances payments	Total	Total per mineworker
		Maloti '000	Maloti '000	Maloti '000	Maloti
2007	55 112	290 768	10 055	300 823	5 458
2008	52 149	316 709	19 896	336 605	6 455
2009	46 905	290 886	32 018	322 904	6 884
2010	42 796	290 589	42 184	332 773	7 776

Source: Central Bank of Lesotho quarterly statistics
Note: one Maloti is equivalent to one Rand
** Employment numbers from the Central Bank of Lesotho differ slightly (3% larger in 2010) from those obtained*

6161 University of Witwatersrand et al 2006

62 Calculated as follows: (83 000*0.35*(6 500*0.8))/1 000 000 = R148.1 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).

63 Finscope BNLS 2003, quoted in Truen et al 2005, 20.

64 http://www.teba.co.za/beta/products_mb_other.asp, accessed 17 February 2012. See also Crush et al 2010, 39

from the Lesotho Chamber of Mines, as shown in Table 5. The source of the difference is unknown, and the more conservative estimate is used in market size estimation

Although the Central Bank of Lesotho statistics shown in the table above indicate that average remittances per mineworker were R5 458 per annum in 2007, the 2006 research used in Table 21 below indicates an average remittance amount of around R9 000. A survey conducted by the Southern African Migration Project (SAMP) in 2005 in contrast found that average annual remittance per migrant amounted to R7 800.[65] The same study found that mineworkers remit 25% of their pay via the compulsory deferred pay system, and a further 35% voluntarily, which suggests that the numbers in Table 20 will tend to under-estimate average mineworker remittances.[66]

Table 21: Migration and remittance characteristics – Lesotho

	Lesotho
% migrants in South Africa	99.8%
% migrants working as mineworkers	68%
% migrants working as professionals	2.9%
Average cash remittances per annum	R 9 093.96
Money sent by taking it personally	54.1%
Money sent with friends	33.4%
Money sent via taxis or buses	0.2%

Source: Pendleton et al 2006

The vast majority of remittances sent to Lesotho are sent via informal channels. A 2005 survey found that the two most popular remittance channels used were taking money home personally (54.1% of respondents), and sending money via a friend or co-worker (33.4%).[67]

We estimated in Table 14 that South Africa contains approximately 394 500 migrants from Lesotho. 43 000 of these individuals are contracted miners who remit R333m annually on a compulsory basis, as per Table 20, as well as remitting additional funds voluntarily (conservatively put at R100m annually). The remaining 351 500 migrants are likely to remit somewhat less per individual than the mining sector average of just over R10 000 per person.[68]

[65] Crush et al 2010(c), 26
[66] Crush et al 2010(c), 37
[67] Crush et al 2010(c), 27
[68] Calculated as follows: (R333m +R100m)/42 796 (ie the number of mineworkers).

We therefore assume that non-mining Lesotho migrants remit 10% more than the average range of R6 500 to R4 500 per person. If 55% of Basotho remit, the total annual volume of remittances is R1 514.0m to R1 994.5m.[69]

4.1.5 Malawi

- **Total population:** 16.3 million
- **Average GDP per capita, PPP:** $900 (2011 est.)
- **Proximity to South Africa**: 1 800 km overland (capital city to capital city)

Malawi is both extremely poor and a large distance away from South Africa. This limits the ability of economic migrants to travel to South Africa, and to send money home once they have arrived. These constraints are reflected by data on actual remittances to Malawi from the 2008 FinScope Malawi Survey, which suggest that less than 1% of Malawians receive remittances from friends and family outside Malawi.

In Table 14 we estimated that 73 500 Malawians reside in South Africa. If 35% of those migrants remit, and they remit 10% less than the average remittance amount, this equates to R104.2m to R150.5m annually.[70]

4.1.6 Mozambique

- **Total population:** 23.5 million
- **Average GDP per capita, PPP:** $1,100 (2011 est.)
- **Proximity to South Africa**: shares a border

Mozambique's southern regions have a long history of sending migrant labour to South Africa, and 2.9% of Mozambican adults receive remittances from outside the country.[71] A study conducted in southern Mozambique in 2004, among households with external migrants, found that 76% of those households received cash remittances and 46% goods remittances from that migrant. The average annual value of cash and goods remittances was $523.99 and $393.79 respectively (approximately R4 000 and R3 000).[72] As shown in Table 22 below, households which received more frequent remittances got more money over the year as a whole, but per transaction, remittance size tended to be smaller. 31% of external migrants in this sample worked in the mining sector.

Table 22: External remittances, southern Mozambique 2004

	Average total annual	Per remittance size

[69] Calculated as follows: ((394 500 – 43 000)*0.55*(6 500*1.1))/1 000 000 +333 +100 = R1 994.5 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).

[70] Calculated as follows: (73 500*0.35*(6 500*0.9))/1 000 000 = R150.5 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).

[71] De Vletter 2009, 48

[72] De Vletter 2006, 16

	value of remittances	
Twice or more per month	$ 630.77	$ 24.26
Once a month	$ 862.39	$ 71.87
More than twice in 3 months	$ 327.09	$ 40.89
Once every 6 months	$ 201.62	$ 100.81
Once a year	$ 123.40	$ 123.40

Source: de Vletter 2006, 17

The MARS data set seemed to over-estimate remittance value for Botswana and Lesotho, which suggests that it should be treated with some caution. Given that de Vletter's estimates of remittance size are materially larger than the MARS data, as shown in Table 23 below, it seems prudent to assume that the MARS estimates in Mozambique may understate actual remittance size somewhat.

Table 23: Migration and remittance characteristics – Mozambique

	Mozambique
% migrants in South Africa	96.4%
% migrants working as mineworkers	31%
% migrants working as professionals	1.7%
Average cash remittances per annum	R 2 606.84
Money sent by taking it personally	43.0%
Money sent with friends	35.9%
Money sent via taxis or buses	8.1%

Source: Pendleton et al 2006

A survey of migrants living in Johannesburg in 2006 included a sub-sample of 200 Mozambicans, of which 51.5% remitted money outside of Johannesburg, and only 19.5% received money from outside of Johannesburg. 53% of responding migrants remitted more than R2 000 per annum.[73]

In terms of an intergovernmental agreement, Mozambican mineworkers must defer 60% of their net earnings to the central bank of Mozambique for 6 months of a 12 month contract, or 12 months of an 18 month contract.[74] This money is remitted to the central bank by Ubank (previously Teba Bank). The Central Bank of Mozambique estimates that total mineworkers' remittances amounted to US$72.1m in 2010 (R526.5m).[75]

In Table 14, we estimated total Mozambican migrants in South Africa at 519 000 individuals. If the 456 500 who are not mineworkers remit 15% less than the average, in keeping with the low per capita

---

[73] University of the Witwatersrand et al 2006
[74] http://www.teba.co.za/beta/products_mb_other.asp, accessed 17 February 2012
[75] Banco de Moçambique 2010 Annual Report, available at http://www.bancomoc.mz/FILES/CDI/RA_2010uk.pdf

GDP of Mozambique and thus presumably lower earning power of its citizens, and 55% of migrants remit, this equates to total annual remittances of R1 486.1m to R1 912.8m.[76]

4.1.7 Namibia

- **Total population:** 2.2 million
- **Average GDP per capita, PPP:** $7,300 (2011 est.)
- **Proximity to South Africa**: shares a border

Although Namibia shares a border with South Africa, numbers of Namibian migrants in South Africa are estimated to be a fairly low at 22 000 (see Table 14). In 2011, remittances were seen as a main source of income for 10% of Namibians (from either domestic or international sources).[77]

Assuming 40% of Namibian migrants remit home, at 10% more than the regional average (in line with Namibia's fairly high GDP per capita), total remittances amount to R43.6m to R62.9m.[78]

4.1.8 Swaziland

- **Total population:** 1.4 million
- **Average GDP per capita, PPP:** $5,200 (2011 est.)
- **Proximity to South Africa**: shares a border

For its small population size, Swaziland is estimated to have a fairly large number of migrants in South Africa – 118 000 (see Table 14). This reflects both Swaziland's physical proximity to South Africa and a long-standing tradition of economic migration and remitting. 20% of Swazi adults rely on remittances (either domestic or cross-border) as a source of income, and 35.8% of the total adult population either sends or receives remittances.[79]

A high proportion of Swazi migrants to South Africa work in the mining sector, as suggested by the data in Table 24 below. The combination of slightly higher paying jobs in mining, and the higher income profile of Swaziland itself, are be consistent with average remittance size slightly above the regional average. Swazi remittance size is therefore estimated to be 10% higher than the regional average.

Table 24: Migration and remittance characteristics –Swaziland

	Swaziland
% migrants in South Africa	98.1%

[76] Calculated as follows: ((519 135 - 62 754)*0.55*(6 500*0.85))/1 000 000 + 526 = R1 912.8 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).
[77] FinMark Trust 2012, 2
[78] Calculated as follows: (22 000*0.4*(6 500*1.1))/1 000 000 = R62.9 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).
[79] FinScope Swaziland 2011

% migrants working as mineworkers	62%
% migrants working as professionals	3.5%
Average cash remittances per annum	R 6 279.07
Money sent by taking it personally	51.4%
Money sent with friends	22.1%
Money sent via taxis or buses	1.2%

Source: Pendleton et al 2006

Swazi migrants are estimated to send at 10% more than the average remittance rate, and 55% of migrants are estimated to remit. This suggests total annual remittance volume of R321.3m to R464.0m.[80]

4.1.9 Tanzania

- **Total population:** 43.6 million
- **Average GDP per capita, PPP:** $1,500 (2011 est.)
- **Proximity to South Africa**: 3 500 km overland (capital city to capital city)

Tanzania is a substantial distance from South Africa, which reduces the ability of economic migrants to make the journey to South Africa, and to remit once they have done so. We estimate that only 5 500 Tanzanians are in fact based in South Africa, as shown in Table 14.

If only 35% are estimated to remit, due to the difficulties posed by distance, and they remit at the average rate, that amounts to total flows of R8.7m to R12.5m per annum.[81]

4.1.10 Zambia

- **Total population:** 14.3 million
- **Average GDP per capita, PPP:** $1,600 (2011 est.)
- **Proximity to South Africa**: 1 500km overland (capital city to capital city)

Zambia has a limited tradition of sending migrants to South Africa, and does not share a border with South Africa. As such, the migrant population of Zambians in South Africa is estimated at a fairly low 66 500 (see Table 14). Although the average GDP per capita in Zambia is fairly low, a relatively high proportion of Zambian migrants are estimated to be documented, which suggests that skill and income levels are thus also higher than average. In 2009, 13.9% of Zambian adults stated that they had received a remittance, from either a domestic or international source.[82]

---

[80] Calculated as follows: (118 000*0.55*(6 500*1.1))/1 000 000 = R464.0 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).
[81] Calculated as follows: (5 500*0.35*(6 500*1))/1 000 000 = R12.5 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).
[82] FinMark Trust & African Heights 2010, 56

We assume that Zambians send remittances at the average levels, and that 35% remit. This provides an estimate of total remittance flows of R104.7m to R151.3m per annum.[83]

4.1.11 Zimbabwe

- **Total population:** 12.6 million
- **Average GDP per capita, PPP:** $500 (2011 est.)
- **Proximity to South Africa**: shares a border

The recent economic crisis in Zimbabwe created a massive impetus both for economic migration, and for substantial remitting behaviour among migrants. As shown in the bullet points above, current Zimbabwean GDP per capita is extremely low, which suggests that Zimbabwean economic migrants are both desperate enough to accept even very low paying jobs, and have reason to try and remit home even if the value of remittances is very low. This would be consistent with a below-average remittance per person.

However, mitigating against this is the fact that Zimbabwean migrants have unusually high education levels when compared to migrants from the rest of the SADC region, which would tend to increase earnings and thus remittance size. The 2004-05 MARS[84] survey of households in Zimbabwe with cross-border migrants found that 46% of those migrants had secondary education, 44% some kind of postgraduate education and 22% held graduate or post-graduate degrees.[85] As shown in Table 25 below, however, only 33% of these migrants were working in South Africa. A survey of Zimbabwean migrants in Johannesburg suggests that Zimbabweans in South Africa have a lower skills profile than the overall Zimbabwean migrant population, with 62% having secondary education and 4% a university degree.[86]

Table 25: Migration and remittance characteristics – Zimbabwe

	Zimbabwe
% migrants in South Africa	33.0%
% migrants working as mineworkers	3%
% migrants working as professionals	14.7%
Average cash remittances per annum	R 2 759.61
Money sent by taking it personally	34.6%
Money sent with friends	11.0%

[83] Calculated as follows: (66 500*0.35*(6 500*1))/1 000 000 = R151.3 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).
[84] The Migration and Remittances Survey conducted by the Southern African Migration Project (SAMP).
[85] Pendleton et al 2006, 3
[86] Makina 2007, 4

Money sent via taxis or buses	2.9%[87]

Source: Pendleton et al 2006

An average annual cash remittance of R2 760, as shown in Table 25 above, would equate to 12 monthly remittances of R230. This is slightly more conservative than the results of a 2007 survey of Zimbabwean migrants living in three inner city suburbs of Johannesburg,[88] as reflected in Table 26 below. 40% of respondents to that survey claimed a monthly remittance value of between R201 and R500 (in other words, R2 400 to R6 000 per year):

Table 26: Remitting patterns of Zimbabweans in Hillbrow, Berea and Yeoville in 2007

Monthly remittance value	% of respondents
None	11%
<R50	2%
R50-R100	7%
R101-R200	18%
R201-R500	40%
R501-R1000	19%
>R1000	3%

Source: Makina 2007, 5

A study by Kerzner in 2009 conflicts with Makina's findings in Table 26 above, as it found that the median remittance size seemed to be R500 (Makina's weighted median was R290). Using a number of data sources, including Makina, Kerzner estimated annual remittances from South Africa to Zimbabwe at R2.8 billion to R3.5 billion.

Kerzner further suggests that remittances from South Africa to Zimbabwe likely peaked in December 2008. A survey at six major border posts for the week of 26 September to 2 October 2008 estimated that the value of informally carried cash and goods transported during that time was US$3.8m in cash and US$4.4m in goods (around R30m and R35m).[89] Since then, the establishment of a unity government, the end of the drought and the beginnings of economic recovery have decreased the need for remittances. In particular, greater availability of basic foodstuffs in Zimbabwe, and a decrease in the price differential between goods for sale in South Africa versus Zimbabwe, has decreased the impetus for goods remittances.

[87] While the 2004-05 MARS survey found that only 2.9% of cash remittances were sent by bus or taxi, the 2007 survey by Makina found that 69% of remittances were carried this way (the next largest channel being friends and family, with 20%). Research conducted by Maphosa in 2005 in a northern district of Zimbabwe found that 53% of remittances were carried by cross border transporters, with only 28% brought by the remitter. It seems likely that the MARS survey data of the proportion of remittances sent by bus or taxi is thus a substantial under-estimate.

[88] This study was intended as a pilot exercise, and interviewees were selected using non-probabilistic sampling methods.

[89] LEDRIZ & Alvarez 2009, 27

A focus group survey of 350 Zimbabweans migrants in the Western Cape in 2011 found that the average amount remitted per year, including both goods and monetary remittances, was R4 700.[90] Based on this data, an estimate of the value of the total remittance market from South Africa to Zimbabwe was placed at R5.1-6.8 billion per annum.[91] The focus groups were conducted in a low income settlement and a farming community, and thus may exclude higher income migrants (making correspondingly higher remittances).

The Foshizi focus groups conducted for the current study in turn suggested somewhat larger average remittances than the Makina (2007) survey, with 22 out of 32 responding individuals claiming to remit more than R5 000 per year. Looking at all available data, despite the fact that the higher level of education of Zimbabwean migrants will tend to boost remittance size, it seems likely that the scale of the Zimbabwean economic crisis, and the relative desperation of economic migrants in consequence, results in average Zimbabwean remittances which are likely to be slightly lower than the regional average.

Box 1: Data from money transfer operators

Data on average Zimbabwean remittance size was provided to the research team by two money transfer operators, namely Mukuru.com and MoneyGram. This data has proved fairly difficult to interpret, as follows:

- The Mukuru.com data suggests that the average sender based in South Africa has sent money to Zimbabwe 20.7 times in the last twelve months, and that average remittance size is R1 050.58 (i.e. around per sender R21 700 per annum). The frequency with which money is sent suggests either that money is being sent by business people, or that undocumented migrants are using their friend's Mukuru accounts to remit.
- The data provided by MoneyGram is aggregated across all sending corridors, but Zimbabwe (and to a slightly lesser extent Mozambique) are the most common destination countries. This data shows an average annual remittance amount of USD1 407 in 2011, and USD4 572 in 2010 (approximately R10 500 and R34 300 at current exchange rates). Senders average just over four transactions per year.

The extent of the variation between years and across service providers suggests that caution should be used in extrapolating from these figures. What is clear is that the MoneyGram senders, in particular, are fairly wealthy, with only 28% of those responding earning less than R5 571 per month.

89% of the individuals surveyed in Makina (2007) claimed to remit money home. This is of a fairly similar magnitude to the following findings:

[90] von Burgsdorff 2012, 16
[91] Von Burgsdorff 2012, 19

- A 2005 survey of a district of northern Zimbabwe found that 78% of households with members who are migrants in South Africa received remittances[92]
- A 2009 survey of Zimbabweans in northern England found that 81.7% claimed to remit to Zimbabwe.[93]
- A 2006 survey of households in Bulawayo and Harare found that 88% of households with a member living away received remittances[94]
- A 2011 survey of 350 Zimbabweans living in the Western Cape found that 92% remitted home[95]

In Table 14 we estimated that 1.92 million Zimbabweans are currently in South Africa, of which more than half are undocumented. A number of sources indicate that very high proportions of Zimbabweans can be expected to remit – we conservatively estimate that the actual proportion remitting is 75%. We further conservatively estimate that average remittance value is 15% less than the regional average. The net result of these assumptions is a total annual remittance flow of R5 476.7m to R7 910.8m.[96]

4.1.12 The offshore states

- **Total population:** Seychelles 90 000; Mauritius 1.3 million; Madagascar 22.6 million
- **Average GDP per capita, PPP:** Seychelles $24,700 (2011 est.); Mauritius $15,000 (2011 est.); Madagascar $900 (2011 est.)
- **Proximity to South Africa**: offshore, varying

Most of the countries of SADC are clustered on the continental landmass. However, SADC also includes three island states, namely the Seychelles, Mauritius, and Madagascar. Economic migration to South Africa from these states is made more difficult by the lack of an overland route, and their small population sizes further decrease the absolute size of migration to South Africa, and thus remittances from South Africa.

The only country of the three which is estimated to display significant migration to South Africa is Mauritius, with around 38 500 migrants. In the 2001 Census, Madagascar was found to have only around 220 migrants in South Africa, and no formal Seychellois migrants were found – as a result, the migrant population of both countries is assumed to be negligible, as shown in Table 14. Low levels of migration may be affected by the fact that English is not used as a lingua franca in these countries.

---

92 Maphosa 2005, 8
93 Magunha et al 2009, 7
94 Bracking & Sachikonye 2008, 12
95 Von Burgsdorff 2012, 15
96 Calculated as follows: (1 920 000*0.75*(6 500*0.85))/1 000 000 = R7 910.8 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).

The largest sending county in the group, Mauritius, has a high GDP per capita, and thus we assume that average Mauritian remittances are 15% above SADC averages. However, only 35% of migrants are estimated to remit, given the physical distance of the remitting destination.

This equates to total annual remittances for Mauritius of R69.7m to R100.7m.[97]

4.2 Total market estimate

Table 27 below summarises these remittance estimates across SADC. As can be seen, total remittances from South Africa into SADC are estimated to be between R9.3bn and R13.0bn, with a mid-point estimate of around R11.2bn.

Table 27: Estimated remittances from South Africa into SADC (Rm)

Country of origin	Migrant population estimate	% remitting estimate	Total remittances - high end estimate R million	Total remittances - low end estimate R million	Total remittances – mid- point estimate R million
Angola	10 202	40.0%	29.2	20.2	24.7
Botswana	52 533	55.0%	216.0	149.5	182.7
Dem. Rep. of Congo	81 399	35.0%	148.1	102.6	125.4
Lesotho	397 070	55.0%	1 994.5	1 514.0	1 754.3
Madagascar	-	35.0%	-	-	-
Malawi	71 693	35.0%	146.8	101.6	124.2
Mauritius	37 460	35.0%	98.0	67.8	82.9
Mozambique	486 839	55.0%	1 781.8	1 395.4	1 588.6
Namibia	21 582	40.0%	61.7	42.7	52.2
Seychelles	-	35.0%	-	-	-
Swaziland	117 552	55.0%	462.3	320.0	391.2
Tanzania	5 267	35.0%	12.0	8.3	10.1
Zambia	64 727	35.0%	147.3	101.9	124.6
Zimbabwe	1 909 081	75.0%	7 910.8	5 476.7	6 693.7
Total	**3 255 406**		**13 008.4**	**9 300.9**	**11 154.6**

Source: DNA calculations

The 2005 FinMark Trust remittance estimate found that regional remittance flows were approximately R6.1bn. After inflationary adjustments,[98] this equates to R9.0bn in 2011 terms. The current estimate therefore represents an approximately 24% increase on the market size estimate generated in 2005. This is a fairly modest growth estimate given the period of time involved, and the impact of the

[97] Calculated as follows: (38 500*0.35*(6 500*1.15))/1 000 000 = R100.7 million. (Use 4 500 instead of 6 500 to calculate the lower end estimate).

[98] CPI was used to make inflationary adjustments.

Zimbabwean crisis on remittance growth patterns. As such, it suggests that the estimate has been derived in an appropriately conservative manner.

4.2.1 Informal flows

From a consumer perspective it is, at least theoretically, desirable to send money via formal channels: money sent via informal channels may be more easily lost or stolen, may take longer to arrive and, though informal channels are currently often cheaper than formal alternatives, informal channels are not necessarily inexpensive. The following quotes from focus groups illustrate:

> *Sometimes, in addition to the money that you pay the bus driver, you have to give him some extra money for bribe at the border.*
>
> ***Zimbabwe female focus group, Yeoville***
>
> *Moderator: What are the methods that you know for sending money home?*
>
> *Respondent: Through taxi drivers, but I am in a process of changing from this method to a bank because sometimes the people I send money to at home don't get it on time, due to the taxi being delayed at the border post especially during the Easter and festive season.*
>
> ***Lesotho male focus group, Free State***
>
> *There are instances where you give the taxi driver the money, and he doesn't find the person who was meant to collect. The taxi driver will simply just call to inform you, and he will return with the money.*
>
> ***Lesotho mixed gender focus group, Gauteng***

From a market and policy perspective, informal flows are also not desirable: not only is such money not available for intermediation through the formal system, it is also not on the "radar screen" to track for anti-money laundering/countering the financing of terrorism purposes. Furthermore, it represents an outflow of currency that is not measured.

High levels of informal activity can therefore be regarded both as a policy problem, and as a market opportunity to be unlocked for formal financial sector operators. In order to inform this policy imperative and market opportunity, it is essential to know what the extent of informality in cross-border remittances is. To do so, one must estimate what proportion of the total remittance estimate derived above will be formal.

As has already been discussed, there are substantial issues with using SARB data on foreign exchange outflows as an estimate of remittances sent via formal channels. Table 28 below shows how line 501: Gifts from the SARB Cross Border Foreign Exchange Transaction Reporting System compares to our estimates of total remittance flows, as shown in Table 27 above, and the implied proportion of total flows, should the SARB data be taken as proxy for formal.

Table 28: SARB data on remittance outflows, as % of total flows

R million	SARB data - remittance	Estimated total remittance flows	% formal implied by

	outflows *	(mid-point)	SARB data
Angola	2.5	25.4	10%
Botswana	27.2	175.7	15%
DRC	8.1	109.6	7%
Lesotho	0.8	1 526.4	0.05%
Malawi	33.1	127.3	26%
Mauritius	27.0	85.2	32%
Mozambique	19.8	1 699.5	1%
Namibia	9.5	53.2	18%
Swaziland	1.8	392.6	0.5%
Seychelles	2.8	-	n/a
Tanzania	29.8	10.6	281%
Zambia	45.4	128.0	35%
Zimbabwe	116.1	5 385.6	2%
Total	**324.0**	**9 719.1**	**3%**

Source: SARB 2010 data, DNA calculations
** Line item 501 – "Gifts"*

As can be seen, line 501 fluctuates substantially as a proportion of total remittances, from less than 1% of Basotho and Swazi remittances (itself an anomaly given the large populations of formally remitting miners in these two countries), to substantially more than the Tanzanian remittance estimate. Supplementing the 501 data with line 404 data (compensation of employees including migrant workers) would likely include more remittances by formally employed mineworkers, but would also include flows from other sources. These factors suggest that SARB data will not suffice as a proxy of the size of formal flows.

Instead we propose that the proportion of the stock of migrants which is undocumented can be used as a rough indicator of the size of the informal sector. A number of factors may mean that using this ratio as an indication of the size of the informal market may not be fully accurate, and these are listed in the bullet points below. However, to some extent these factors will net out against each other and, in the absence of comprehensive data, we believe this to be the most feasible proxy:

- Although undocumented migrants cannot remit formally in their own right, some of them will be able to use a documented friend or family member to complete a transaction for them.
- Documented migrants may continue to use informal channels due to familiarity, geographical access or affordability issues.
- Undocumented migrants are more likely to be less educated and lower earning, and thus to remit less.

Table 29 below shows the implications of using the proportion of undocumented migrants as a proxy for the proportion of informal remittances:

Table 29: Estimate of informal remittances

Country of origin	% undocumented migrants	Total remittances – mid-point estimate, R million	Informal remittances, R million
	A	B	C=A*B
Angola	39.4%	24.7	9.7
Botswana	86.6%	182.7	158.3
Dem. Rep. of Congo	64.2%	125.4	80.5
Lesotho	80.1%	1 754.3	1 404.6
Madagascar		-	
Malawi	98.5%	124.2	122.3
Mauritius	98.5%	82.9	81.7
Mozambique	50.4%	1 588.6	799.9
Namibia	99.2%	52.2	51.8
Seychelles		-	-
Swaziland	87.7%	391.2	343.0
Tanzania	98.5%	10.1	10.0
Zambia	98.5%	124.6	122.7
Zimbabwe	65.5%	6 693.7	4 382.8
Total	**68.1%**	**11 154.6**	**7 567.5**

Source: DNA calculations

As shown, about 68% of SADC migrants in South Africa are estimated to be undocumented (the underlying data is from Table 14, column D divided by column F). If the same proportion of remittances are sent informally, then approximately R7.6bn is sent informally per year (with an estimation range of between R6.3bn and R8.8bn). This represents both a substantial policy imperative and a substantial commercial opportunity for formalisation.

5 CONCLUSION

Around the world, an important means of escaping from poverty has, for many generations, been the ability to migrate in search of economic opportunities. This pattern of migration is of benefit both to the migrants themselves, and to their families at home who receive remittances from them. The SADC region is no exception. However, the regional remittance market is not well developed, and as a result, migrants often are forced to rely on informal remitting channels which are risky, unpredictable and slow. The formalisation of the remittance market would be of benefit both to remitters themselves and to the macro economy of the region, as well as from a financial sector policy perspective.

As documented in FinMark Trust[99] and other research, low income migrants struggle with the affordability and accessibility of the formal financial system. In addition to market barriers, regulatory barriers are a key concern in achieving greater levels of formalisation of the remittance market. Migrants that are not able to obtain legal working status, have great difficulty in accessing formal financial systems. This report does not wish to enter the immigration policy debate on whether migrants should be regularised or not. Rather, the aim is to point out that, if the formal financial system is used to police immigration policy (that is, if no right to stay and work equates to no right to use the formal financial system), it contributes to the quagmire of informal remittances.

The focus of this report has been to estimate the size of the regional remittance market, rather than to analyse market or regulatory barriers to formalisation. Without reliable data, it is difficult to make the policy and regulatory choices that will facilitate greater formalisation. Likewise, without knowing the order of magnitude of the opportunity, private sector operators are less likely to invest in product offerings for these markets or to address affordability or accessibility barriers

In order to estimate market size, the research has relied a wide review of as well as focus group research and discussions with market participants. Available data is fragmentary and limited, which has limited the accuracy of the estimates generated here. The purpose of this research should thus be regarded as to generate indicative estimates, in order to provide a credible basis for further research and discussion.

The key assumption underlying the estimation technique used in the research was that the number of migrants drives the volume of remittances. To that end, the research began by generating an estimate of the size of the SADC migrant population in South Africa of approximately 3.3 million individuals, of which approximately half are Zimbabweans. A review of available data on remitting patterns suggested that the average remitting migrant would send between R6 500 and R4 500 home per year, and that around 45% to 55% of migrants are likely to remit. After adjusting these estimates to take into account country characteristics, a total remittance market estimate of R11.2 billion was reached, of which around R6.7 billion flows to Zimbabwe alone, and an estimated R7.6 billion travels by informal channels. The current research thus suggests that the size of both the regulatory imperative and market opportunity for formalisation is substantial.

---

[99] See, for example, Langhan and Kilfoil, 2011 and Langhan, 2011.

BIBLIOGRAPHY

Alba, M.M. & Sugui, J.S.C. 2011. *Motives and Giving Norms Behind Remittances: The Case of Filipino Overseas Workers and Their Recipient Households.* Poverty & Economic Policy Research Network, PMMA Working Paper 2011-06

Andreassen, O.E. 2006. *Remittance Service Providers in the United States: How remittance firms operate and how they perceive their business environment*. World Bank Financial Sector Discussion Series: Payment Systems & Remittances. Electronic copy of this paper is available at: http://ssrn.com/abstract=958810

Aparicio, A. 2011. *Network Effects on Migrants' Remittances*. Institute for the Study of Labor (IZA) Discussion Paper No. 5657

Barua, S., Majumder, A. & Akhtaruzzaman, M. 2007. *Determinants of Workers' Remittances in Bangladesh: An Empirical Study.* Working Paper Series: WP 0713 Policy Analysis Unit (PAU), Bangladesh Bank. Electronic copy available at: http://ssrn.com/abstract=1398690

Beck, T. & Pería, M.S.M. 2009. *What Explains the Cost of Remittances? An Examination across 119 Country Corridors*. The World Bank Development Research Group Policy Research Working Paper 5072

Bester, H., Hougaard, C. & Chamberlain, D. 2010. *Reviewing the policy framework for money transfers.* Commissioned by FinMark Trust from the Centre for Financial Regulation and Inclusion (Cenfri). Available from http://www.finmark.org.za

Bouhga-Hagbe, J. 2006. *Altruism and Workers' Remittances: Evidence from Selected Countries in the*

Middle East and Central Asia.IMF Working Paper WP/06/130

Bracking, S. & Sachikonye, L. 2006. *Remittances, poverty reduction and the informalisation of household wellbeing in Zimbabwe*. ESRC Global Poverty Research Group, GPRG-WPS-045

Bracking, S. & Sachikonye, L. 2008. *Remittances, Poverty Reduction and Informalisation in Zimbabwe 2005-6: a political economy of dispossession?* Brooks World Poverty Institute BWPI Working Paper 28

Cobbe, Jim 2004. *Lesotho: will the enclave empty*, Florida State University Migration Information Source available online www.migrationinformation.org/Profiles/display.cfm?ID=248

Crush, J., Mather, C., Mathebula, F., Lincoln, D., Mararike, C. & Ulicki,T. 2000. *Borderline Farming: Foreign migrants in South African commercial agriculture*. SAMP Migration Policy Series 16.

Crush J. and Williams, V. 2001. *Making up the numbers: Measuring illegal immigration to South Africa*. SAMP Migration Policy Brief 3.

Crush J. and Williams, V. 2003. *Criminal tendencies: Immigrants and illegality in South Africa*. Southern African Migration Project, Migration Policy Brief.

Crush, J, Campbell, EK, Green, T, Simelane, H and Nangulah, S. 2006. *States of vulnerability: the future brain drain of talent to South Africa*. Southern African Migration Project, Migration Policy Series 42. Cape Town: IDASA and Kingston, Ontario: Queen's University.

Crush, Jonathan 2008. *South Africa: policy in the face of xenophobia*, Southern African Migration Project SAMP), July. [Available online: www.migrationinformation.org/Feature/display.cfm?ID=689]

Crush, J. Dodson, B. Gay, J. Green, T. Leduka, C. 2010(a). *Migration, remittances and 'Development' in Lesotho*, Southern African Migration Project (SAMP). [Available online: www.queensu.ca/samp/sampresources/samppublications/policyseries/Acrobat52.pdf]Crush, J. Raimundo, I. Simelane, H. Cau, B. and Dorey, D. 2010b. *Migration - induced HIV and AIDS in rural Mozambique and Swaziland*, Southern African Migration Project SAMP., [Available online: www.queensu.ca/samp/sampresources/samppublications/policyseries/Acrobat53.pdf]

Crush, J., Dodson, B., Gay, J. & Leduka, C. 2010(c). *Migration, remittances and gender-responsive local development: The case of Lesotho*. Southern African Migration Programme (SAMP) for UN-INSTRAW and UNDP. Available from http://www.queensu.ca/samp/sampresources/samppublications/sampreports/SAMP_Report1.pdf

Department of Home Affairs 2007. *Annual report 2005/6*.

Department of Home Affairs 2008. *Annual report 2006/7*.

Department of Home Affairs 2009. *Annual report 2007/8*.

Department of Home Affairs 2010. *Annual report 2008/9.*

Department of Home Affairs 2011. *Annual report 2009/10.*

Department of Home Affairs 2012. *Annual report 2011*.

Department of Labour 2007. *Labour migration and South Africa: Towards a fairer deal for migrants in the South African economy*, Labour Market Review. B. Maja, S. Nakanyane Eds.

de Vletter, F. 2006. *Migration and Development in Mozambique – poverty, inequality and survival.* Southern African Migration Project, Migration Policy Series No. 43.

de Vletter, F., Lauchande, C. & Infante, E. 2009. *FinScope Mozambique 2009 Survey Report*. Available from http://www.finscope.co.za

fin24 2006.*More illegals set to flood SA.* 23 November [Available online: www.fin24.com/Economy/More-illegals-set-to-flood-SA-20061123]

FinMark Trust. 2008. *FinScope Malawi 2008*. Brochure detailing top-line findings, available from http://www.finscope.co.za

FinMark Trust & African Heights. 2010. *FinScope Zambia 2009 Top Line Findings*. Report prepared by FinMark Trust and African Heights for the Government of the Republic of Zambia Financial Sector Development Plan (FSDP) Secretariat. Available from http://www.finscope.co.za

FinMark Trust. 2011. *FinScope Swaziland 2011*. Brochure detailing top-line findings, available from http://www.finscope.co.za

FinMark Trust. 2012. *FinScope Consumer Survey Namibia 2011*. Available from http://www.finscope.co.za/new/pages/Initiatives/Countries/Namibia.aspx?randomID=cbd2b3fb-fe85-40a8-8506-8ac5af814ea8&linkPath=3_1&lID=3_1_7

Freund, C. & Spatafora, N. 2005. *Remittances: Transaction Costs, Determinants, and Informal Flows.* World Bank Policy Research Working Paper 3704

Hagen-Zanker, J. & Siegel, M. 2007. *A critical discussion of the motivations to remit in Albania and Moldova.* Working Paper MGSoG/2007/WP007, Maastricht University Graduate School of Governance. Electronic copy available at: http://ssrn.com/abstract=1095746

Hough, M. 2011. *Border control: Some effects of illegal immigration and poor borderline control in South Africa*. PowerPoint presentation for DefenceWeb [Available online: http://www.defenceweb.co.za/index.php?option=com_content&view=article&id=14001:feature-illegal-migration-and-the-impact-of-cross-border-crime&catid=87:border-security&Itemid=188]

Hughes, T. Kajee, A. & Peberdy, S. 2007. *Gender, remittances and development. Preliminary findings from selected SADC countries*, A research study by SAIIA for the United Nations International Research and Training Institute for the Advancement of Women UN INSTRAW. Available from http://saiia.org.za/images/upload/saia_instraw_sa_report.pdf

Kendo, A. 2011. *South Africa's immigration problem in conflict and security*, Fordham Political Review, 20 February. [Available online: http://fordhampoliticalreview.org/?p=152]

Kerzner, S. 2009. *"Cash and carry": understanding the Johannesburg-Zimbabwe remittance corridor.* Discussion document prepared for the FinMark Trust, available from http://www.finmark.org.za

Labour and Economic Development Research Institute of Zimbabwe (LEDRIZ) & Alvarez, S.P. 2009. *The Flow, Impact and Regulatory Framework of Migrant Labour Remittances in Zimbabwe*. IOM (International Organization for Migration) Zimbabwe Migration Research Series No. 1. Available from http://iomzimbabwe.org/index.php?option=com_docman&task=doc_download&gid=4&Itemid=3

Landau, L., & Gindrey, V. 2008. *Migration and Population Trends in Gauteng Province 1996–2055.* Migration Studies Working Paper 42, Forced Migration Studies Programme, Johannesburg. Available from www.migration.org.za

Langhan, S. 2011. *Understanding the last mile in cross-border money transfers from South Africa to Zambia.* Available from http://www.finmark.org.za

Langhan, S. & Kilfoil, C. 2011. *The Cross-border Money Transfer Experience: Why taxis and buses are still preferred to banks.* Available from http://www.finmark.org.za

Magunha, F., Bailey, A. & Cliffe, L. 2009. *Remittance Strategies of Zimbabweans in Northern England.* School of Geography, University of Leeds

Mahuteau, S., Piracha, M. & Tani, M. 2010. *Selection Policy and Immigrants' Remittance Behaviour*. IZA DP No. 4874

Maja, B., & Nakanyane, S. 2007. *Labour migration and South Africa: Towards a fairer deal for migrants in the South African economy*. Labour Market Review, published by the Department of Labour South Africa.

Makina, D. 2007. *Profile of migrant Zimbabweans in South Africa: A pilot study*. MPOI/ Zimbabwe Diaspora Forum Research Report.

Maphosa, M. 2005. *The Impact of Remittances from Zimbabweans Working in South Africa on Rural Livelihoods in the Southern districts of Zimbabwe*. Forced Migration Working Paper Series #14, Forced Migration Studies Programme, University of the Witwatersrand

Miotti, L. Mouhoub Mouhoud, E. & Oudinet, J. 2010. *Determinants and Uses of Remittances to Southern and Eastern Mediterranean Countries: Insights from a New Survey*. Centro Studi Luca d'Agliano Development Studies Working Paper No. 288

Ncube, S. & Hougaard, C. 2010. So near, yet so far? *Assessing the 90-day permit for Zimbabwean migrants as a remittances financial inclusion tool.* Available from http://www.finmark.org.za

New York Times 2008. *Anti-immigrant violence spreads in South Africa, with attacks reported in Cape Town*, May 23 [Available online: www.nytimes.com/2008/05/23/world/africa/23iht-23saf.13165981.html]

O'Mahony, A. 2009. *Political Investment: Remittances and Elections*. Prepared for the 2009 Meetings of the American Political Science Association, Toronto, ON, Canada, September 3-6, 2009.

Peberdy, S. 2010. *Setting the scene: Migration and urbanisation in South Africa.* Synthesis Report for the Atlantic Philanthropies.

Pendleton, W., Crush, J., Campbell, E., Green, T., Simelane, H., Tevera, D. & de Vletter, F. 2006. *Migration, Remttances and Development in Southern Africa*. Southern African Migration Project, Migration Policy Series No. 44.

Polzer, T. 2010. *Population movements in and to South Africa*, University of the Witwatersrand Force Migration Studies Programme, Migration Fact Sheet 1. June

Rahman, M. 2011. *Gender Dimensions of Remittances: A Study of Indonesian Domestic Workers in East and Southeast Asia*. UNIFEM East and Southeast Asia Regional Office, Bangkok, Thailand. Electronic copy available at: http://ssrn.com/abstract=1938306

Segatti, A., & Landau, L. B. 2011. *Contemporary Migration to South Africa: A Regional Development Issue*. World Bank; Agence Française de Développement, available from http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187511&entityID=000356161_20110905043618&cid=3001_149

Siegel, M. 2007. *Immigrant Integration and Remittance Channel Choice*. Working Paper MGSoG/2007/WP009, Maastricht University Graduate School of Governance. Electronic copy available at: http://ssrn.com/abstract=1105668

Suro, R., Bendixen, S., Lowell, B.L. & Benavides, D.C. 2002. *Billions in Motion: Latino Immigrants, Remittances and Banking*. A report produced in cooperation between The Pew Hispanic Center and The Multilateral Investment Fund. Available from http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35075111

Truen, S., Ketley, R., Bester, H., Davis, B., Hutcheson, H.-D., Kwakwa, K. & Mogapi, S. 2005. *Supporting remittances in Southern Africa: Estimating market potential and assessing regulatory obstacles*. Prepared by Genesis Analytics for CGAP and FinMark Trust

UNHCR 2010. *Report on 2009 Asylum Statistics*

UNHCR 2011. *UNHCR Operation in South Africa. Fact Sheet*, 30 September 2011

UNHCR 2012. *2012 UNHCR country operations profile – South Africa* [Available online: http://www.unhcr.org/pages/49e485aa6.html]

University of the Witatersrand, Tufts University & French Institute of South Africa. 2006. *Migration and the New African City: Citizenship, Transit, and Transnationalism. Descriptive Statistics – Johannesburg.* A collaborative project of the University of the Witatersrand, Johannesburg; Tufts University, Boston; and the French Institute of South Africa. Vadean, F.P. 2007. *Citizenship Status and Remittances: Evidence from German Micro Data*. Asia Research Institute Working Paper Series No. 89. Electronic copy available at: http://ssrn.com/abstract=1317154

Vargas-Silva, C. 2007. *Crime and Remittance Transfers*. Sam Houston State University, Forthcoming Eastern Economic Journal. Electronic copy available at: http://ssrn.com/abstract=1103265

Veary, J. Wheeler, B. and Jurgens-Bleeker, S. 2010. *Migration and health in SADC. A review of the literature* international Organisation or Migration [Available online: http://www.migration.org.za/sites/default/files/publications/2011/IOM_Lit_review_2011.pdf]

von Burgsdorff, D. 2012. *Strangling the Lifeline: An analysis of remittance flows from South Africa to Zimbabwe*. Passop report.

Wentzel, M. and Tlabela, K. 2004. *Historical background to South African migration*. In: Migration in Kok, P. Gelderblom, D, Oucho, J. and van Zyl, J. eds. South and Southern Africa. Dynamics and determinants. Chapter4. HSRC Press. Available online from: http://www.hsrcpress.ac.za/product.php?freedownload=1&productid=2094&js=n

Zanamwe, L. & Devillard, A. 2009. *Migration in Zimbabwe. A country profile 2009.* A study commissioned by ZIMSTAT and IOM

APPENDIX 1: WORK PERMIT AND PERMANENT RESIDENCE DATA

Table 30: Number of work permits issued and approved permanent residency applications

Year	New work permits issued	Work permit renewals	Approved applications for permanent residence	Approved African applications for permanent residence -	% of approved permanent residents applications - African
1990	7,657	30,915	14,499	1.628	11
1991	4,117	32,763	12,379	2,065	17
1992	5,581	33,318	8,686	1,266	15
1993	5,741	30,810	9,824	1,701	17
1994	8,714	29,352	6,398	1,628	25
1995	11,053	32,838	5,064	1,343	27
1996	19,498	33,206	5,407	1,601	30
1997	11,361	17,129	4,102	1,281	31
1998	10,828	11,207	4,371	1,169	27
1999	13,163	10,136	3,669	980	27
2000	6,643	9,191	3,053	831	27
2001	-	-	4,832	1,584	33
2002	-	-	6,545	2,472	38
2003	4,185	-	10,578	4,961	47
2004	15,630	-	10,714	5,235	49
2005	17,205	-	2,138	1,069	50
2006	19,601	-	9,235	4,618	50
2007	32,344	-	3,817	1,909	50
2008	2,393*	-	-		
2009	5,926	-	4,083	2,042	50
Total				**39,382**	

Source: South African Department of Labour (2007) & Department of Home Affairs Annual Reports 2005/6 to 2009/10, and Peberdy 2010
N.B. Since 2005, permits allocated to Africans are no longer indicated separately in Home Affairs data. The shaded cells are therefore calculated based on the assumption that 50% of the permits were to Africans.
** quota work permits only*

APPENDIX 2: THE FEMINISATION OF SOUTHERN AFRICAN MIGRATION PATTERNS

Decreasing employment opportunities in South African mines for foreign men has been associated with an increase in the number of female migrants in recent years. Hughes, et al (2007) argues that this upsurge in the number of female migrants is in line with the global trend of increased migration by independent females. Hughes, et al. also reported that women constituted 47% of all domestic and international migration in the SADC region. Despite the increase in female migration, international migration in the SADC region is however still largely male dominated, as illustrated in Table 31 below (with Zimbabwean migrants to South Africa being the exception).

Table 31: Gender of migrant workers in South Africa (2006)

Country of origin	Male (%)	Female (%)
Lesotho	83.6	16.4
Mozambique	93.6	6.2
Swaziland	92.4	7.6
Zimbabwe	56.4	43.6
Total	**84.5**	**15.5**

Source: Jonathan Crush, et al. (2010) using SAMP Household Survey 2006

Crush, et al (2010a) argue that of the female migrant workers in South Africa from Lesotho as many as 50% were employed as domestic workers, whilst 9% are in the informal sector, 5% are engaged in commercial farm work, 5% are employed as professionals, 6% are self-employed, and 5% are skilled manual workers. Hughes, et al (2007) use SAMP data[100] to highlight how the domestic service sector was an important sector for Basotho women (44%) but not so much for Zimbabwean women (6%). The same survey also revealed that 14% of Basotho women earned their income from the informal sector, whilst 47% of the Zimbabwean women earned their income from the informal sector. Hughes, et al. concluded that besides reflecting the differences across various nationalities, these results also reflected the strong association between women, cross-border trade, and limited employment opportunities for women in the formal sector.

[100] SAMP Survey 2006

APPENDIX 3: SARB REMITTANCE DATA

Data is denominated in Rand, as reported from the SARB Cross Border Foreign Exchange Transaction Reporting System. The tables show only line 501: Gifts.

Table 32: Inward flows, cross border gifts

	2005	2006	2007	2008	2009	2010
Angola	4 695 046	5 802 766	6 776 730	13 183 569	33 865 353	42 472 733
Botswana	24 424 606	24 424 606	24 424 606	24 424 606	24 424 606	24 424 606
DRC	10 095 714	13 054 208	18 403 525	44 708 663	42 687 348	30 552 508
Lesotho	753 610	368 125	822 774	996 293	2 014 412	2 568 049
Malawi	1 601 775	1 200 397	1 313 424	2 363 777	2 054 011	2 253 739
Mauritius	8 539 028	6 872 756	9 005 029	18 818 161	14 855 567	17 485 358
Mozambique	2 117 340	3 431 658	4 289 905	8 825 761	7 735 699	9 273 636
Namibia	1 957 167	3 052 879	1 926 576	1 042 194	1 865 720	1 174 464
Swaziland	3 200 563	3 171 114	2 662 634	3 635 873	2 464 339	5 196 856
Seychelles	337 939	285 157	920 388	1 056 249	1 036 320	1 700 618
Tanzania	3 641 245	4 914 832	5 335 490	9 790 487	12 032 791	8 740 560
Zambia	16 615 934	24 764 768	21 731 620	41 304 726	38 099 606	40 293 760
Zimbabwe	46 144 760	25 223 589	8 456 414	12 983 583	24 381 473	28 601 427
Total	**124 126 733**	**116 568 861**	**106 071 121**	**183 135 949**	**207 519 255**	**214 740 323**

Source: SARB

Table 33: Outward flows, cross border gifts

Outward	2005	2006	2007	2008	2009	2010
Angola	376 450	583 542	753 238	1 177 755	3 114 632	2 489 570
Botswana	4 831 799	7 440 699	10 671 288	17 623 246	25 439 471	27 228 653
DRC	2 098 094	2 405 015	4 856 220	8 212 533	10 676 436	8 072 606
Lesotho	299 708	396 891	811 958	665 537	772 868	786 570
Malawi	17 680 935	25 634 703	34 656 061	37 984 155	31 932 887	33 145 581
Mauritius	3 857 626	4 488 015	4 996 505	11 363 043	23 260 743	27 048 680
Mozambique	3 255 294	5 247 302	6 680 828	14 619 245	16 089 866	19 807 434
Namibia	1 927 668	2 342 508	2 551 217	4 835 238	9 659 213	9 529 517
Swaziland	1 070 177	1 055 438	1 102 904	1 681 156	1 370 622	1 829 573
Seychelles	26 487	109 086	142 747	352 011	769 416	2 806 601
Tanzania	8 484 104	12 109 117	13 491 918	16 789 407	22 022 224	29 769 369
Zambia	7 348 216	11 619 811	15 762 281	30 469 037	39 237 065	45 385 779
Zimbabwe	1 656 803	1 246 399	4 749 710	13 349 449	60 249 080	116 108 413
Total	**52 913 361**	**74 678 527**	**101 226 875**	**159 121 812**	**244 594 521**	**324 008 345**

Source: SARB

Table 34: Net outflows, cross border gifts

	2005	2006	2007	2008	2009	2010
Angola	-4 318 597	-5 219 224	-6 023 492	-12 005 815	-30 750 721	-39 983 163
Botswana	-19 592 808	-16 983 907	-13 753 318	-6 801 360	1 014 865	2 804 047
DRC	-7 997 620	-10 649 193	-13 547 305	-36 496 130	-32 010 913	-22 479 902
Lesotho	-453 902	28 766	-10 815	-330 756	-1 241 545	-1 781 479
Malawi	16 079 160	24 434 307	33 342 637	35 620 378	29 878 876	30 891 842
Mauritius	-4 681 402	-2 384 741	-4 008 523	-7 455 118	8 405 175	9 563 322
Mozambique	1 137 955	1 815 644	2 390 922	5 793 484	8 354 167	10 533 798
Namibia	-29 499	-710 371	624 641	3 793 044	7 793 493	8 355 052
Swaziland	-2 130 386	-2 115 676	-1 559 730	-1 954 717	-1 093 717	-3 367 283
Seychelles	-311 452	-176 071	-777 642	-704 238	-266 905	1 105 983
Tanzania	4 842 859	7 194 285	8 156 428	6 998 920	9 989 434	21 028 809
Zambia	-9 267 718	-13 144 956	-5 969 339	-10 835 688	1 137 459	5 092 019
Zimbabwe	-44 487 958	-23 977 191	-3 706 704	365 867	35 867 606	87 506 986
Total	**-71 211 366**	**-41 888 328**	**-4 842 239**	**-24 012 129**	**37 077 275**	**109 270 032**

Source: SARB