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OVERVIEW

SADC COVID-19 MIGRANT RELIEF FUND:
INCOME SUPPORT TO FAMILIES OF SA-BASED MIGRANTS TO REPLACE LOST REMITTANCES DUE TO COVID LOCKDOWNS

FMT
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1. THE PROBLEM

Many low-income families in the Southern African Development Community (SADC) rely on remittances from family members based in South Africa (SA). Estimates indicate that there are up to 3.7 million migrants from other SADC countries living in South Africa – 90% are from Zimbabwe, Mozambique, Lesotho, Eswatini and Malawi. They remit approximately R21.9 billion per annum to approximately 6 million household members back home. Ninety percent of migrants send money to their families at least once a year, while 55% send on a regular basis.

COVID-19 has led to a dramatic drop in remittances, causing severe distress for these families. SA-SADC remittance volumes dropped by almost half between March and April 2020 – from R763.5 million to R390.8 million. A recent study by StatsSA showed that 82% of migrants have not been able to remit funds to their families due to affordability issues and disruptions to usual remittance channels. Some relief is available, but migrants can rarely access this given that approximately 80% are undocumented. While volumes seem to be bouncing back, many remitters are still struggling – especially those that don't send very much. One service provider confirmed that 60,000 customers who had remitted R1,000 or less since January 2019 stopped sending altogether since March 2020.

2. THE RESPONSE IN 2020: MIGRANT RELIEF FUND #1

To address this, FinMark Trust set up a Migrant Relief Fund (MRF) in 2020 with £500k from the UK to provide income relief to families in Southern Africa most affected by the drop in remittances. The fund provided an average of £15 per month over four months to families in SADC facing lost income from SA-based migrants. It distributed funds through reputable and cost-effective remittance service providers and focused on countries most reliant on remittances from SA: Zimbabwe, Mozambique, Lesotho, Eswatini, and Malawi. The fund had a strong focus on women and rural residents.

The fund had significant impact, reaching almost 11 000 beneficiaries, over 70% of them women, and providing them with £15 - £20 per month to meet basic needs and help them regain their footing. The cash transfers helped families to meet immediate needs: 85% used the funds to feed their families, 60% bought protective equipment against COVID-19, and 40% paid for healthcare expenses. Over 70% of the beneficiaries were women, and over 85% of recipients confirmed that the cash transfers helped relieve the impact of COVID-19. Beyond meeting basic needs, the fund also provided a critical lifeline that appears to have made it easier for migrants to find work again: half of those receiving support (49.6%) were able to start sending regular remittances again, compared to under one fifth of those receiving no support (18.9%).

The fund demonstrated excellent value for money through a combination of partner fee discounts and lean management. 85% of the funding went directly to vulnerable households, with 15% going to administration and fees – a cost-effective ratio given the costs and complexities of reaching them. The participating remittance service providers helped ensure value for money by offering up to 50% discounts on their fees across countries, while in Mozambique the fees were waived altogether.

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3. THE CONTINUING NEED IN 2021: MIGRANT RELIEF FUND #2

The first Migrant Relief Fund closed in May 2021, but the need remains dire. The fund was set up as an emergency solution. It worked well. Unfortunately, given the continued devastating effects of the COVID-19 pandemic, the need remains. Many migrants have not been able to find alternative sources of work, leaving their families without critical income: 43% of beneficiaries in Malawi and 44% in Zimbabwe, for example, indicated that they would not be able to meet their financial needs once the cash grants end. The situation has only been made worse by the bout of violent protests that rocked South Africa in July 2021. These caused unprecedented economic damage that will make finding work even more difficult. Approximately 150 000 formal jobs are expected to be lost as a result of these protests, and damage to infrastructure such as malls, factories, and warehouses amounts to around US$3.5 billion.

The UK is seeding a second Migrant Relief Fund with £100 000, but more funding is needed: a further £400k / $550k will match or exceed the scale of the first fund given improved cost-effectiveness from lessons learned. The first fund reached almost 11 000 families. Evidence suggests that many remain in dire need of further support. The UK is providing a further £100k to seed a second MRF. Replicating the first fund's scale would require approximately £400k or $550k in additional funding. It is likely that the second fund will be even more cost-effective, and so reach more families with similar resources. Lessons from MRF #1 have allowed for improved efficiency in identification of beneficiaries and disbursement of funds. For example, FinMark Trust have worked with a remittance service provider to pay cash grants directly into digital wallets. This is especially helpful for vulnerable individuals in remote rural areas, since it avoids the cost of traveling to cash distribution agents.

The second Migrant Relief Fund will build on the strengths of the first: it will maintain a strong gender focus, work through cost-effective remittance service providers, and maintain robust governance and results tracking. The remittance service providers involved in the first fund, Mukuru and Hello Paisa, have agreed to participate in the second, and have also agreed to repeat their fee discounts. The fund will operate as follows:

1. Beneficiaries are selected in partnership with remittance providers (Mukuru and Hello Paisa) using a bespoke vulnerability assessment. This will identify low-value senders in SA sending R500 – R1000 per month that have reduced or completely stopped sending money since March 2020, as well as their recipients, with priority given to the latter and to women.
2. Contact is made with the senders with the help of the remittance service providers to gauge their interest in participating (no funds are sent without their permission and knowledge)
3. Disbursements are sent and collected via the various remittance provider channels, including payment into digital wallets
4. Reconciliation of disbursed funds to reallocate to new beneficiaries if required
5. Audit of the disbursed funds by the South African Reserve Bank (SARB)

A governance committee will oversee and guide the fund's activities, and ensure transparent and accurate reporting of results. Previously, this committee was chaired by Vimbai Tsopotsa, who also sits on the FinMark Trust Board, and included representatives from the South African Reserve Bank (SARB), the National Treasury, and the UK government. Any new funders will also be represented.

We welcome the opportunity to discuss this further.

4. ABOUT FINMARK TRUST AND ITS WORK IN REMITTANCES

FMT is an independent trust established in 2002 with the objective of Making Financial Markets Work for the Poor. Since its establishment FMT has focused its work on Making Financial Markets Work for the Poor by facilitating and catalyzing development towards greater access to financial services.

Through engaging stakeholders with credible, evidence-based advocacy and initiatives, FMT has consistently promoted increased and responsible use of financial services. FMT's knowledge base, built up through thorough and ongoing research into the demand and supply of financial services has paved the way for the crafting of progressive policy and the development of sustainable initiatives by service providers in the service of the poor.

FMT is supported in our work by major international donors such as FCDO, The Bill & Melinda Gates Foundation, Mastercard Foundation, EU, UNDP and UNCDF. FMT has strong partnerships locally with National Treasury, South African Reserve Bank, the Financial Sector Conduct Authority, SASSA and The Banking Association, and regionally with the SADC Secretariate, SADC Committee of Central Bank Governors and SADC Banking Association among many other stakeholders.

A key focus area for FMT has been on increasing appropriate access to formal cross border remittances by identifying regulatory blockages, product and price assessments, accessibility assessments and piloting of innovative solutions.

One such example of this was the establishment of a cross border corridor between South Africa and Lesotho through Shoprite in 2016. With funding from DFID, FMT partnered with Shoprite, the Ministry of Finance Lesotho, the Central Bank of Lesotho (CBL) and the South African Reserve Bank (SARB) to open up this remittance service which has seen over R1bn remitted from South Africa into Lesotho at one of the cheapest rates in the world.

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