

## Understanding remittances from Botswana to Zimbabwe

July 2018

# CONTENTS

LIST OF TABLES .....	II
LIST OF FIGURES.....	III
GLOSSARY OF TERMS .....	IV
ACKNOWLEDGEMENTS .....	V
EXECUTIVE SUMMARY .....	VI
<b>1. BACKGROUND .....</b>	<b>1</b>
<b>2. STUDY METHODOLOGY .....</b>	<b>3</b>
<b>3. ESTIMATING THE NUMBER OF MIGRANTS FROM ZIMBABWE LIVING IN BOTSWANA....</b>	<b>4</b>
3.1 Summary of the Situation.....	7
<b>4. ESTIMATING THE FLOW OF REMITTANCES .....</b>	<b>8</b>
4.1 Focus Groups Estimates.....	8
4.1.1 Composition of the groups.....	11
4.1.2 Remittances.....	16
4.1.3 Summary of methods and motivations.....	30
<b>5. DIASPORA REMITTANCE INCENTIVE SCHEME IN ZIMBABWE .....</b>	<b>31</b>
<b>6. SUMMARY OF RESPONDENT PERCEPTIONS OF REMITTANCE CHANNELS.....</b>	<b>32</b>
<b>7. COSTS OF REMITTANCES .....</b>	<b>34</b>
7.1 Informal Remittance Cost.....	35
<b>8. MYSTERY SHOPPING .....</b>	<b>36</b>
8.1 Conclusions.....	40
<b>9. FINANCIAL REGULATION .....</b>	<b>42</b>
9.1 Money laundering.....	43
9.2 Payments Systems .....	47
<b>10. ESTIMATING THE TOTAL REMITTANCES BETWEEN BOTSWANA AND ZIMBABWE... </b>	<b>49</b>
10.1 Estimate provided by BotswanaPost and Orange Mobile .....	49
10.2 FinScope Zimbabwe Analysis .....	49
10.3 Estimates from the Focus Groups .....	50
10.4 Combining the Migrant Population with Remittance Estimates.....	54
10.5 Triangulation of the formal remittance estimates.....	55
<b>11. CONCLUSION AND RECOMMENDATIONS .....</b>	<b>56</b>

## LIST OF TABLES

Table 1: Growth of non-Botswana population .....	vii
Table 2: International Organisation for Migration estimates for Botswana .....	viii
Table 3: Decline in total remittances from Botswana .....	x
Table 4: Table 4 Summary of perceptions of ways to send money .....	xvii
Table 5: Calculation of all methods of remittance.....	xviii
Table 6: Calculation for formal methods of remitting .....	xix
Table 7: Calculation for informal methods of remittance .....	xix
Table 8: Cost of remittances from financial institutions.....	xxii
Table 9: Botswana Economy Data .....	1
Table 10: Growth of non-Botswana population .....	6
Table 11: International Organisation for Migration estimates for Botswana .....	7
Table 12: Summary of perceptions of the ways of sending money.....	32
Table 13: Cost of remittances.....	34
Table 14: Calculation of all methods of remittance .....	52
Table 15: Calculation for formal methods of remitting.....	53
Table 16: Calculation for informal methods of remittance .....	53
Table 17: Remittance estimates .....	55

## LIST OF FIGURES

Figure 1: Steps used to define the value of remittances between Botswana and Zimbabwe .....	vi
Figure 2: Length of time living in Botswana.....	ix
Figure 3: Regularity of remitting to Zimbabwe.....	xiv
Figure 4: Frequency of remitting to Zimbabwe .....	xiv
Figure 5: Amount remitted to Zimbabwe .....	xv
Figure 6: Frequency of remitting more than P400 to Zimbabwe .....	xv
Figure 7: Channels used to remit to Zimbabwe.....	xvi
Figure 8: Steps used to define the value of remittances between Botswana and Zimbabwe .....	3
Figure 9: Example of recruitment location map .....	9
Figure 10: Recruitment pattern for focus groups .....	9
Figure 11: Example of "warm-up" question for focus groups .....	11
Figure 12: Gender split for focus group respondents.....	12
Figure 13: Age group profile of focus group respondents.....	13
Figure 14: Household composition of focus group respondents.....	13
Figure 15: Household composition of focus group respondents.....	14
Figure 16: Length of stay in Botswana.....	16
Figure 17: Employment status of focus group respondents.....	16
Figure 18: Respondents sending remittances .....	19
Figure 19: Method for sending money to Zimbabwe .....	19
Figure 20: Money remitted to Zimbabwe.....	51
Figure 21: Frequency of sending money .....	51

## GLOSSARY OF TERMS

AML/CFT	Anti-Money Laundering/Combating Financing of Terrorism
BoB	Bank of Botswana
BP	BotswanaPost
BPS	Botswana Police Service
BURS	Botswana Unified Revenue Services
DCEC	Directorate on Corruption and Economic Crimes
DIS	Directorate of Intelligence and Security
DPP	Directorate of Public Prosecutions
ESAAMLG	Eastern and Southern African Anti-Money Laundering Group
FI Act	Financial Intelligence Act
FIA	Financial Intelligence Agency
GDP	Gross Domestic Product
ILO	International Labour Organisation
IOM	International Organisation for Migration
MFED	Ministry of Finance and Economic Development
NBFIRA	Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
NPO	Non-Profit Organisations
NRA	National Risk Assessment
SB	Statistics Botswana
WBG	World Bank Group

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## EXECUTIVE SUMMARY

The Zimbabwean economy has been under severe pressure for many years now and this has resulted in many of the 13 million Zimbabweans seeking a better life outside of the country. Those who have migrated and are able to earn a living in other countries, such as in Botswana, are sending money home to their families left behind for several reasons. For example, to provide support to their loved ones to purchase food; pay for school fees and other household expenses; sending money for building houses, starting businesses and in some cases to cover emergencies like funerals or medical treatment.

Many (36%) of the focus group respondents have lived in Botswana for more than ten years. A further 27% said that they have been in Botswana for between five and ten years.

### Methodology

The approach used to estimate the total value of remittances from Botswana to Zimbabwe is shown below:

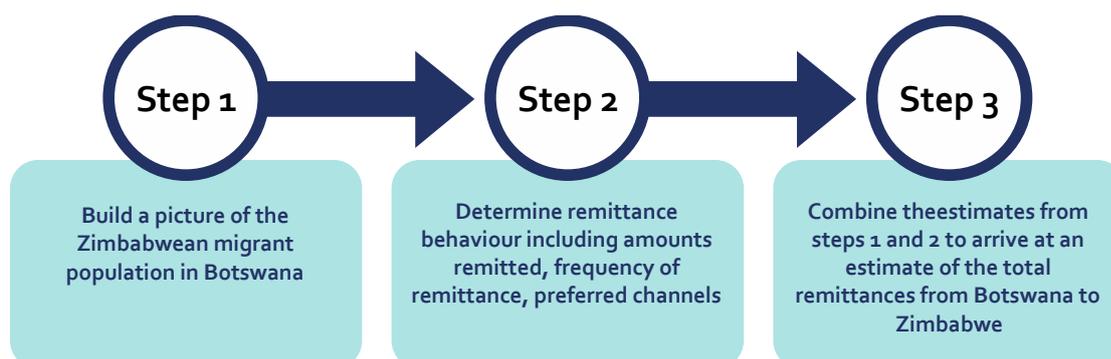


Figure 1: Steps used to define the value of remittances between Botswana and Zimbabwe

### Estimating the number of migrants from Zimbabwe living in Botswana

There are challenges in accessing accurate current data on both the number and status of migrants in Botswana and the team had to rely on information provided by the International Organisation for Migration (IOM). Similarly, data on the total value of remittances was not available as the data is not disaggregated yet by the Bank of Botswana (BoB).

The 2011 population census in Botswana estimates 111 846 migrants in Botswana. The figures were broken down by country of origin.<sup>1</sup>

The census of 2011 also provides an insight into the rapid growth in the non-Batswana population with growth of 84% between 2001 and 2011. These figures, seven years out of date, could have changed significantly, either up or down.

**Table 1: Growth of non-Botswana population**

Demographic indicators	2001	2011	Growth
Enumerated population	1 680 863	2 024 904	20%
Non-Batswana	60 716	111 846	84%

Statistics Botswana states that migrants are employed in agriculture, mining and quarrying, manufacturing, electricity and water, construction, wholesale and retail trade, hospitality, transport and communications, finance, real estate, education, health, private households, and foreign missions.

From the 2011 population census, Statistics Botswana estimates the number of migrants from Zimbabwe at 66 777 of which 37 351 (56%) are male and 29 426 (44%) are female.<sup>2</sup> Most of the analysis performed on the 2011 population census has revolved around internal migration patterns, rather than a focus on international migration. Statistics Botswana estimates that among the immigrants to Botswana, more than 50% of them are from Zimbabwe and around 18% from South Africa and the remaining are from other countries.

In his State of the Nation Address in 2013, President Ian Khama stated that a total of 31,461 illegal Zimbabwean immigrants were repatriated between October 2012 and May 2013.

Since the 2011 Census, no further estimates of the number of migrants has been released. The best current estimates are from the **International Organization for Migration**.

According to the IOM, the estimated number of migrants from Zimbabwe, living in Botswana in 2017 totalled 32,764. No statistical estimates are available for the numbers of documented and undocumented Zimbabweans in Botswana, only estimates for the total number of Zimbabweans are

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<sup>1</sup> Analytical Report on 2011 census issued by Statistics Botswana

<sup>2</sup> Population & Housing Census 2011 Analytical Report Statistics Botswana

available. South Africa and Zimbabwe account for most migrants in 2017 with 38 607 and 32 764 respectively. Males tend to dominate females when it comes to migration to Botswana.

Table 2: International Organisation for Migration estimates for Botswana

	Total	Percentage	Male	Female
South Africa	38 607	31%	24 767	13 840
Zambia	13 295	11%	7 056	6 239
Zimbabwe	32 764	26%	17 151	15 613

### Summary of the situation

In Botswana, the major contributing countries for migrants are South Africa, Zimbabwe, and Zambia. This is not surprising considering the shared borders and the relative strength and diversity of the economy of Botswana. The overall estimate on the number of migrants is 166 430 however, there is a large contribution from various African countries. Zimbabweans accounted for 32 764 migrants in 2017.

Botswana is in the process of establishing a more cohesive database on migration. Until this is developed, researchers will have to work with total numbers only.

Having said this, many migrants from Zimbabwe have lived in Botswana for many years. The focus groups indicated the trends:

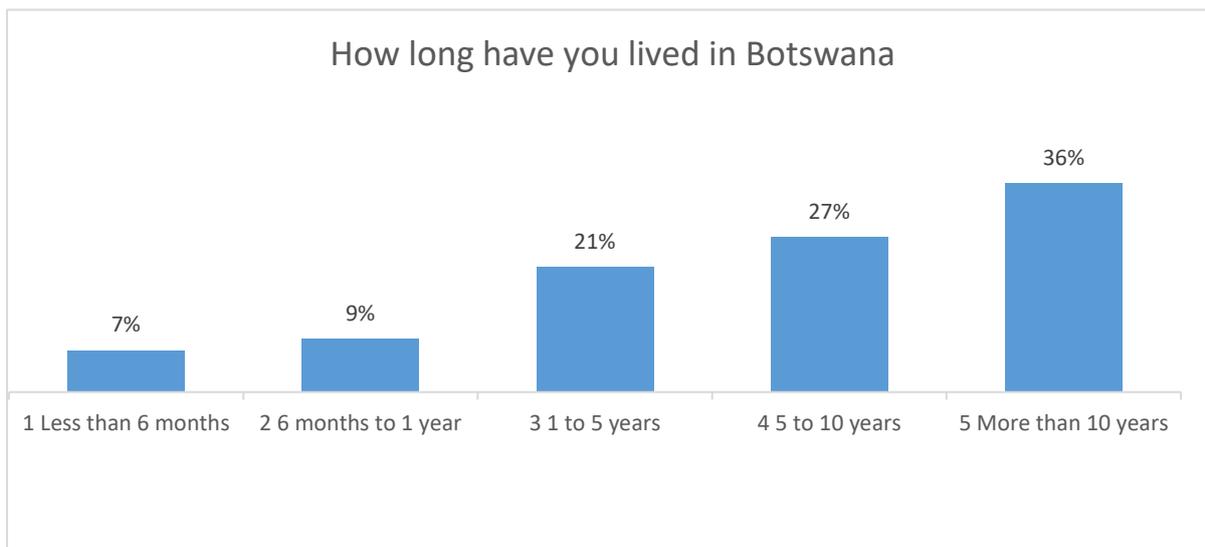


Figure 2: Length of time living in Botswana

The over-arching principles underpinning the National Migration Policy are; facilitation of movement, upholding social justice, protecting fundamental rights and freedoms, promoting development, and building cooperation.

The largest diamond mine in Botswana is the Jwaneng diamond mine. It is also the richest diamond mine in the world. The mine is in south-central Botswana about 120 kilometres west of the city of Gaborone, in the Naledi river valley of the Kalahari. This Debswana owned mine has a policy of, wherever possible, of employing only Batswana. This policy appears to apply across the industry. Thus, the mines are not the attractors of migrant labour, as seen in South Africa.

## Remittance behaviour

The Global Knowledge Partnership on Migration and Development (KNOMAD) <sup>3</sup> estimates the outflow of remittances from Botswana to have declined from US\$107 million in 2012 to US\$70 million in 2016. Historically, the Botswana Pula reached an all-time high of P11.72 to the US\$ in January of 2016, but this is unlikely to be the sole cause of the decline.

Table 3: Decline in total remittances from Botswana

2012	2013	2014	2015	2016
\$107m	\$81m	\$89m	\$79m	\$70m

At current exchange rates, the 2016 figure of \$70m would equate to BWP 663 508 916.

In 2017, remittance flows to LMICs were projected to rebound by 4.8 percent to \$450 billion. Worldwide, remittance flows are projected to reach \$596 billion.<sup>4</sup>

The World Bank also estimates that the global average cost of sending remittances has remained stagnant, at 7.2 percent in 2017 Q3, significantly higher than the SDG target of 3 percent (World Bank 2017b). The Bank concludes that in many cases the existence of exclusivity agreements between companies in the remitting and receiving countries contributes to the continued high cost of remittances for the (often) poor migrant population.

Requests for information from the Reserve Bank of Zimbabwe only revealed global amounts of International Remittances totalling \$1,412.01 million in 2017<sup>5</sup>. They do not provide breakdowns of amounts received from Botswana or other individual countries.

The International Labour Organisation makes the point that migrant workers' remittances are private individual earnings sent by migrants to their families or communities. These are often primarily used for food, education, improved housing, and health care.

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<sup>3</sup> The Global Knowledge Partnership on Migration and Development (KNOMAD) is a global hub of knowledge and policy expertise on migration and development issues.

<sup>4</sup> Migration and Development Brief 28, World Bank Group

<sup>5</sup> Reserve Bank of Zimbabwe

As one respondent in the focus groups said: *"The way we earn this money is really difficult. We sweat for it so much that we cannot trust another person to send it on our behalf, so we send by ourselves. I don't trust anyone else to do it for me"*.

The ILO also argues that financial education is needed not only for migrant workers but also for their families back home to make the most of the money that is sent.

*"Ensuring the protection of migrant workers is essential to maximizing the development benefits of migration for migrants themselves, their countries of origin and destination. Equality of treatment, non-discrimination and access to decent work are vital to improving migrant workers' incomes and capacity to contribute to development"*<sup>6</sup>

### **Anti-money laundering**

The Bank of Botswana continued to ensure that the legal framework for the regulation and supervision of banks remained relevant and current. Ideally, the legal framework pertaining to banking regulation must reflect local and international supervisory developments, and comply with best practice, including compliance with the FATF Recommendations. The Bank will continue to review and amend the Banking Act and Banking AML/CFT Regulations, to ensure compliance with the FATF Recommendations.

Legislation in Botswana aimed at combating financial improprieties includes:

- [Proceeds of Serious Crime Act, 2008](#)
- [Banking \(Anti-Money Laundering\) Regulations, 2003](#)
- [Corruption and Economic Crime Act, 1994](#)

The National Coordinating Committee on Financial Intelligence was established under Section 6 of the FIAA, this committee has the following duties:

1. To assess the effectiveness of policies and measures to combat financial crime;
2. Make recommendations to the Ministry of Finance and Development Planning for legislative, administrative and policy reforms in respect of financial offences;

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<sup>6</sup> The ILO's approach: A rights-based approach to remittances

3. To promote coordination among the FIA, investigatory authorities, Supervisory Authorities as defined under **Section 2** of the **FIAA** and other institutions with the view to improving the effectiveness of the existing policies and measures to combat financial offences;
4. Formulate policies to protect the international reputation of Botswana with respect to financial crimes, and
5. Advise the Minister on financial crimes.

### **Regulatory framework**

As with much of the other financial legislation in Botswana, the Electronic Payment Services Regulations 2017 is also currently under review.

The purpose of these Regulations is to provide for the licensing, oversight, and on-going supervision of electronic payment services providers as well as general provisions applying to both electronic payment services providers and commercial banks offering electronic payment services to their customers.

The Non-Banking Financial Institutions Act that has just come into effect creates a regulatory framework for non-bank financial institutions, assuming responsibility for the supervision of insurance companies, securities companies, collective investment undertakings and nonbanking financial institutions operating within the IFSC.

Through the various pieces of legislation above, money laundering has been criminalised and law enforcement empowered to investigate, prosecute and share information both locally and internationally.

Obligations have been placed on the various financial institutions to exercise due diligence, report suspicious transactions, and maintain proper records. It is recognised that the legislative regime to counter money laundering in Botswana is still a long way from meeting the international standards prescribed by FATF and other renowned international bodies.

The government aims to sharpen laws on financial crimes.

The Financial Intelligence Bill envisages the establishment of a Financial Intelligence Agency (FIA) and National Coordinating Committee of Financial Intelligence, provides for the reporting of suspicious financial transactions.

The FIA is envisaged as a central unit responsible for requesting, receiving, and analysing financial information and disseminating it to investigatory authorities. This may be done in consultation with,

and with the guidance of, law enforcement officers, government agencies and such other persons deemed desirable.

### **Formal and informal channels for remittances**

To calculate the amount of money remitted through informal channels, the data emerging from the 10 focus groups conducted across Botswana played an important role.

Aside from the number of people remitting, there were three important remittance behaviours to consider when calculating the value of the total amount remitted to Zimbabwe:

### **The frequency of remitting**

In terms of frequency, we consider the regularity of remitting and the frequency itself.

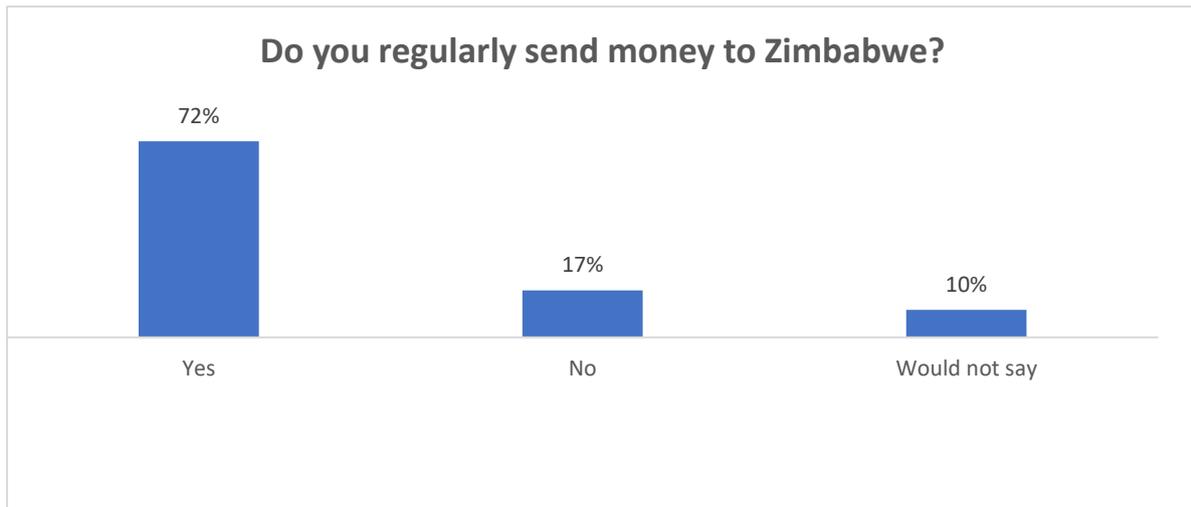


Figure 3: Regularity of remitting to Zimbabwe

Seventy two percent said that they regularly sent money back to Zimbabwe. Over 70% of migrants said that they sent money at least once every 3 months, with 44% saying, every month.

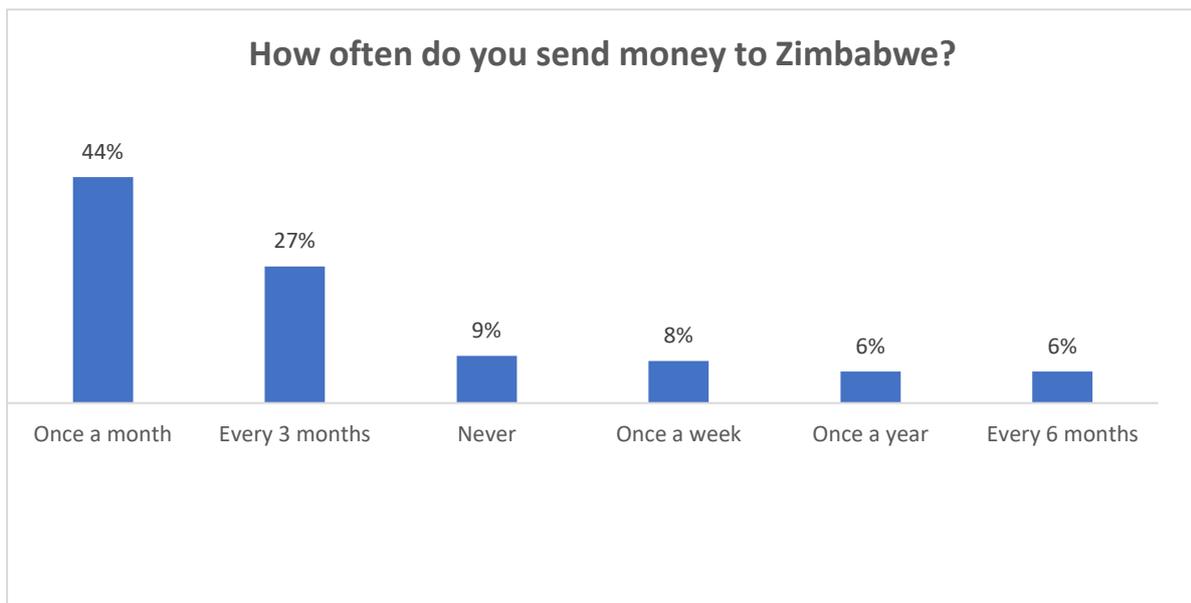


Figure 4: Frequency of remitting to Zimbabwe

### Amounts remitted

The second consideration are the amounts remitted.

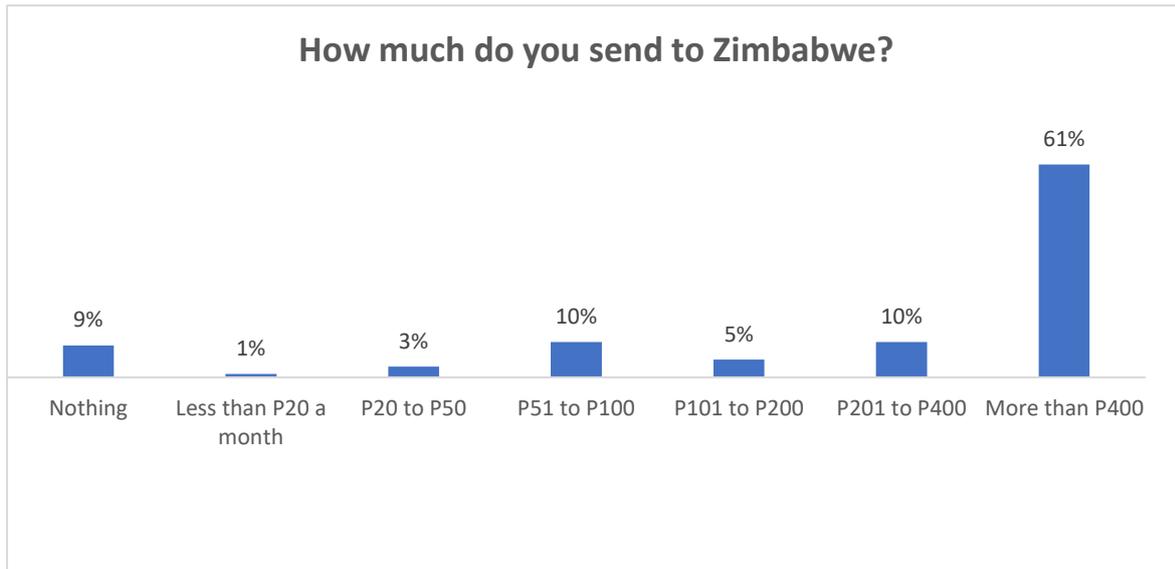


Figure 5: Amount remitted to Zimbabwe

The majority of respondent claimed to send more than P400 and the frequency with which they send the money tends to be monthly of every 3 months:

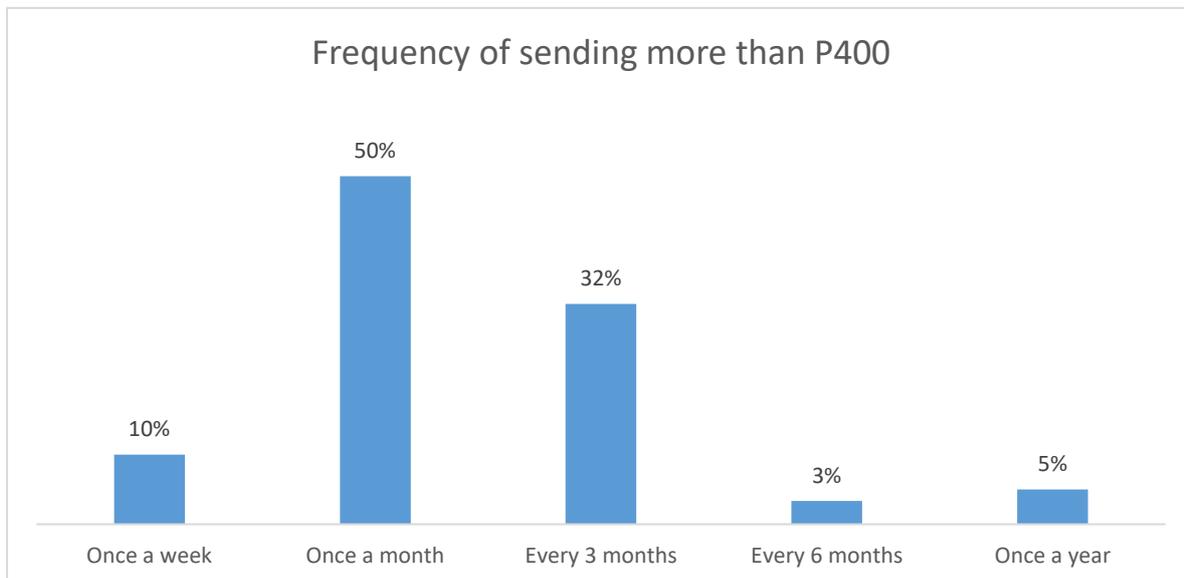


Figure 6: Frequency of remitting more than P400 to Zimbabwe

### Channels used

The next consideration is the channel used for the remittance.

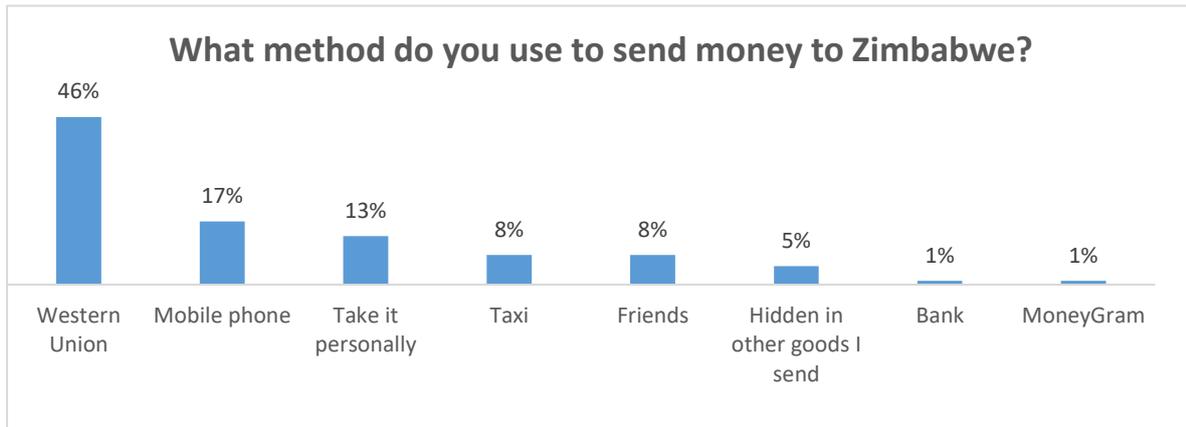


Figure 7: Channels used to remit to Zimbabwe

There are several reasons why Western Union was mentioned as an important channel for sending money, and most of these are based on its reputation as a reliable, safe, and fast way of sending money. Some of these are mentioned below;

*"It is 100% reliable"*

*"It is fast and safe" (Maun CBD 1)*

*"Western Union is fast, we can access it from the rural areas" (Francistown CBD1)*

However, there are perceived dangers in using Western Union:

*"As foreigners, we sometimes fear using Western Union because police wait for us there when we are sending money. When you come out they ask for documents and if you don't have then you are arrested. So that is why I sometimes avoid going to Western Union. Even at the bus station, they can do that" (Gaborone Suburb 1).*

One of the major challenges faced by Zimbabwean migrants has been the availability of cash inside Zimbabwe. Many of the migrants spoken to suggested that the banks in Zimbabwe – on the receiving side, and the Zimbabwean Post Office, frequently did not have the money to pay to recipients.

Migrants' suggestion on improvements to the remittance systems was that the Zimbabwean government must address the cash shortages so that remittances become accessible through the formal remittances systems. Participants thus explained;

*"The best we can ask from our government in Zimbabwe is that they should improve the cash shortages so that when we send money our relatives will get the money on time"*

## Summary of perceptions for remitting money

Mobile phone and Western Union have the most satisfactory image perceptions for remittances. The focus group findings also highlighted that, although friends are often used to take money to Zimbabwe, they were not always the most reliable and sometimes the friends used the money for other purposes:

*"Again, the only problem with sending money through friends is that they may misuse the money and end up making stories about why they could not deliver the money" (Gaborone Suburb 1).*

*"Friends can sometimes be unreliable they can claim that they were robbed and so they could not give your parents the money you sent" (Gaborone Suburb 1).*

*"They can say the money was confiscated at the border" (Gaborone Suburb 1)*

**Table 4: Table 4 Summary of perceptions of ways to send money**

Sending Method	Affordability	Speed	Reliability	Safety	Less paper work
Western Union	Yes	Yes	Yes	Yes	Yes
Mobile phone	Yes	Yes	Yes	Yes	Yes
Bank	No	No	Yes	Yes	No
Taxi	No	No	No	No	Yes
Friends	Yes	No	No	No	Yes
Hidden with other goods I send	Yes	No	No	No	Yes
Take it personally	Yes	Yes/No	Yes	Yes/No	Yes

## Calculating the amounts remitted annually

The informal and formal channels were combined to estimate the total amount sent:

Table 5: Calculation of all methods of remittance

**The value of remittances is calculated by:**

Obtaining from the focus group respondents the average value of their remittances, the frequency with which these are made, and how the money is transferred.

The value of remittances is categorical and reflects a range of remittance values. e.g. P20 - P50. Rather than taking the midpoint of each range to denote the average value, cognisance is taken of income distributions following a logarithmic distribution. The average categorical value is then based on the midpoint of the logarithm (base 10) of the category endpoints. For the highest category there is no upper end value and a figure fractionally larger than the lower end value is deployed.

The value of annual transfers is then based on the midpoint transformed back from the logarithmic format. The annual value is then multiplied by the frequency of remittances in that group to give a total value of remittances.

From the focus groups the team tabulated the amount sent by the frequency of sending. It should be noted that the calculations are impacted by:

- exaggeration of remittance values by focus group respondents because of imperfect recall
- possible selection bias for the focus group (biased towards selecting participants who were slightly better off than average)
- the crudity of the method to derive estimates (i.e. use of ranges etc.)

Annualised value of those who remit:	Nothing	Less than P20 a month	P20 to P50	P51 to P100	P101 to P200	P201 to P400	More than P400	TOTAL
Every 3 months	0	0	0	1131	0	3394	37232	<b>P 41 758</b>
Every 6 months	0	9	0	283	0	566	1960	<b>P 2 817</b>
Never	0	0	0	0	0	0	0	<b>P 0</b>
Once a month	0	0	759	2546	5091	16971	176363	<b>P 201 730</b>
Once a week	0	0	1708	0	7637	0	158727	<b>P 168 071</b>
Once a year	0	0	0	71	141	283	1470	<b>P 1 965</b>
<b>TOTAL</b>	<b>P 0</b>	<b>P 9</b>	<b>P 2 467</b>	<b>P 4 031</b>	<b>P 12 869</b>	<b>P 21 213</b>	<b>P 375 752</b>	<b>P 416 340</b>

The estimated total value for all channels of remittances is P416 340 or P4 248 per person.

Dealing first with the formal channels, the team calculated the annualised values for the amounts sent by considering the amounts and the frequency of sending:

Table 6: Calculation for formal methods of remitting

Annualised value of those who remit:	Nothing	Less than P20 a month	P20 to P50	P51 to P100	P101 to P200	P201 to P400	More than P400	TOTAL
Every 3 months	P 0	P 0	P 0	P 849	P 0	P 1 131	P 23 515	<b>P 25 495</b>
Every 6 months	P 0	P 0	P 0	P 141	P 0	P 0	P 1 960	<b>P 2 101</b>
Never	P 0	P 0	P 0	P 0	P 0	P 0	P 0	<b>P 0</b>
Once a month	P 0	P 0	P 0	P 849	P 0	P 3 394	P 117 576	<b>P 121 818</b>
Once a week	P 0	P 0	P 0	P 0	P 0	P 0	P 105 818	<b>P 105 818</b>
Once a year	P 0	P 0	P 0	P 0	P 0	P 0	P 980	<b>P 980</b>
<b>TOTAL</b>	<b>P 0</b>	<b>P 0</b>	<b>P 0</b>	<b>P 1 838</b>	<b>P 0</b>	<b>P 4 525</b>	<b>P 249 848</b>	<b>P 256 212</b>

The estimated amounts for the formal remittances amounted to P256 212 or P2 614 per person per annum.

The same methodology was used to estimate the amount sent through informal channels:

Table 7: Calculation for informal methods of remittance

Annualised value of those who remit:	Nothing	Less than P20 a month	P20 to P50	P51 to P100	P101 to P200	P201 to P400	More than P400	TOTAL
Every 3 months	0	0	0	283	0	2263	13717	<b>P 16 263</b>
Every 6 months	0	9	0	141	0	566	0	<b>P 716</b>
Never	0	0	0	0	0	0	0	<b>P 0</b>
Once a month	0	0	759	1697	5091	13576	58788	<b>P 79 911</b>
Once a week	0	0	1708	0	7637	0	52909	<b>P 62 253</b>
Once a year	0	0	0	71	141	283	490	<b>P 985</b>
<b>TOTAL</b>	<b>P 0</b>	<b>P 9</b>	<b>P 2 467</b>	<b>P 2 192</b>	<b>P 12 869</b>	<b>P 16 688</b>	<b>P 125 904</b>	<b>P 160 128</b>

The estimated total value for the informal remittances is P160 128 or P1 633 per person.

It is evident from the focus group findings that even those in formal employment use both formal and informal remittance channels due to the cash supply problems in Zimbabwe. Some of the concerns raised by professionals with regards to bank services are;

*"The problem with sending via banks to Zimbabwe is that the cash shortages in the country will frustrate your relatives' efforts to withdraw the money. Now we see the same thing sometimes happening to Western Union recipients when cash is not readily available" (Lobatse Suburb 1 Group).*

### **Combining the remittances with the migrant population estimates**

The IOM has suggested that working with a total stock of 32 764 migrants from Zimbabwe into Botswana would be a reasonably sound estimate.

In the focus groups, 70% said that they sent money regularly to Zimbabwe. We would not advocate using this high percentage in terms of calculating remittances but rather suggest that around 50% of the total migrants (in line with the estimates for South Africa and other SADC country estimates), or about 16 000 people/households, be used for the purposes of remittance calculation.

This would seem a reasonable estimate since, in the groups, roughly 60% of respondents indicated that they lived without a partner in Botswana i.e. living on their own or without a partner. The assumption being that these are people sending money home.

### **The estimate for the total remittances per annum is as follows:**

- An estimated P4 248 remitted per person. An estimated 16 000 migrants/households remitting (50%), giving a total remitted estimate of P67 968 000.

### **The estimate for formal remittance channels as part of the total remittances is as follows:**

- An estimated P2 614 remitted per person giving a total remitted formally of P 41 824 000 or 62% of all remittances.

### **The estimate for informal remittance channels as part of the total remittances is as follows:**

- An estimated P1 633 remitted per person giving a total remitted informally of P 26 128 000 or 38% of all remittances.

The estimate equates to 10.24% of the P663 508 916 which the World Bank estimated as the total outflow of remittances from Botswana in 2016.

An estimated P4 248 remitted per person. An estimated 16 000 migrants, given a total remitted estimate of P67 968 000.

A summary of the estimates we arrived at is shown below.

## Remittance estimates

	Per person	16 000 migrants remitting
Formal	P2 614	BWP 41 824 000
Informal	P1 633	BWP 26 128 000
Total	P4 248	BWP 67 968 000

The estimate equates to 10.24% of the P663 508 916 which the World Bank estimated as the total outflow of remittances from Botswana in 2016.

### Triangulation of the formal remittance estimates

Botswana Post indicates that they transmit about P10m a year via Western Union, Orange is saying they remitted about P1m in April 2018. If true, and this continues, we could say that Orange Mobile would transfer about P10m this year. Western Union never came back to us with a figure for their transactions but if BotswanaPost is doing P10m via Western Union, and Western Union did another P10m through their own branches this could potentially amount to P20m for Western Union and a combined Orange/Western Union of P30m.

The implication is that Western Union has a very large share of the market, which is safe to assume (the focus group results showed that 46% of the migrants interviewed used Western Union). This could mean that the total market would be about P43 million – based on P20m being 46% market share for Western Union. Based on the focus group findings, we estimated the formal market to be around P41m.

### Cost of remittances

Remittance Prices Worldwide (RPW) was launched in September 2008 with the objective of monitoring the worldwide cost of remittances. The organisation covers 48 sending countries and 105 receiving countries for a total of 365 country corridors worldwide. Unfortunately, the Botswana - Zimbabwe corridor is not one of them.

RPW reports that the global average cost of remitting in the first quarter of 2018 was 7.13%, up slightly from Q4 in 2017. South Asia remained the cheapest receiving region with an average cost of 5.21%. Sub-Saharan Africa remained the costliest region to send money to, recorded at 9.44% total average cost in Q1 2018. Banks are the most expensive type of service, with an average cost of 10.57%.

The findings from the mystery shopping indicate that the minimum cost of remitting via a bank or the post office range between P50 and almost P75 while using while mobile costs range from P25 to P50:

Table 8: Cost of remittances from financial institutions

	Cost to send P500	Percentage
<b>Banks</b>		
<b>First National Bank</b>	P69,50	13,9%
<b>Standard Charter</b>	P51,75	10,4%
<b>Barclays</b>	P74,60	14,9%
<b>Bank ABC</b>	P50,00	10,0%
<b>Bank of Gaborone</b>	P73,72	14,7%
<b>Stanbic</b>	P79,00	15,8%
<b>Botswana Post</b>	P50,40	10,1%
<b>Western Union</b>	P45,00	9,0%
<b>Mukuru</b>	P30,00	6,0%
<b>Orange</b>	P25,00	5,0%
<b>MoneyGram</b>	P89.00	17,8%

Average percentage cost = 11,6%

The banks are the most expensive way of sending money. For example, if a poor migrant wants to send P500, the percentage cost of sending via First National Bank would be 13,9%. If the same amount was sent via Orange mobile, the percentage would be 5%.

### Informal Remittance Costs

The study could only obtain anecdotal evidence of costs via the informal means and these methods also attract charges, for example in Francistown respondents said:

*"Because we know each other well, taxi drivers charge me P15 to send P100" (Francistown Suburb 1)*

*"For me, as they are my friends they charge me P100 to send P1000" (Francistown Suburb 1)*

The above figures in Francistown are however cheaper than the 20% commission which migrants based in Gaborone pay for using taxi drivers when sending money home.

*"I have never had any hiccups with friends obviously they will charge you P20 per P100 to take the money with them" (Kanye Suburb 1)*

*"if one is based in Zimbabwe and wants to buy goods in Botswana they can ask a friend who is based there to buy on their behalf and then compensate by giving to the family of the migrant the equivalent in USD \$" (Kanye Suburb 1).*

## **Conclusions and recommendations**

In 2009 the G8 pledged to cut the average cost of international remittances to 5% of the sum sent within five years. Rates have since come down, but not by much: the average is now 7.7%. And the implicit tax on remittances is even higher than these figures suggest, since they are based on transfers of \$200, but many payments are smaller.

It is recommended that the Bank of Botswana be assisted in disaggregating the data on remittances in the GDP and Balance of Payments reporting to identify remittances, in and out of the country. It is understood that this process is underway, but no hard data was available at the time of writing.

The team experienced challenges in obtaining accurate, official statistics on the numbers of migrants from Zimbabwe who are living in Botswana. The number of documented versus undocumented migrants was therefore not possible to obtain. The inter-ministerial committee that has been formed to update and streamline data on migration should be encouraged and supported as the data is valuable in better understanding the extent of migrant penetration of the various sectors of the Botswana economy.

The policy on mobile transfers is currently under development and this is another area where the government of Botswana could be supported via literature reviews of policies from other SADC countries.

BotswanaPost has an impressive footprint of branches and they are currently in the process of upgrading their branches. The links with Western Union provide an affordable and efficient remittance system with payment to the recipient in Zimbabwe ensured. BotswanaPost has the potential to lead the market in terms of remittances, particularly if their mobile product is successfully implemented. BotswanaPost has the potential to extend financial inclusion in Botswana, not only through remittances.

The long-term objective of policy makers should be to reduce the cost of remitting money and to strive for a ceiling rate of 5% to assist the poorer migrants in obtaining the best value for money. Cheaper mobile pricing will force the market in the direction of more affordable rates.

## **Learnings from the Study on remittances to Zimbabwe**

- Evolving financial regulation

- Administrative burdens for suppliers and users
- Formal methods outweigh informal methods
  - High cost of remitting
- Lack of accurate data on migration and remittances
- Lack of cash in Zimbabwe
  - Driving force in growth of mobile money
- Relatively small remittance market between Botswana and Zimbabwe
  - Lack of competition
  - Lack of innovation and product diversification

## 1. BACKGROUND

The World Bank estimates<sup>7</sup> that more than 247 million people or 3.4% of the world's population live outside their countries of birth. Although the number of international migrants rose from 175 million in 2000 to more than 247 million in 2013 and will surpass 251 million in 2015, the share of migrants has remained just above three percent (of the world population) for the last fifteen years.

The sad fact is that most research carried out by the World Bank and others, focuses on the top migrant destination countries such as the United States, Saudi Arabia, Germany, the Russian Federation, the United Arab Emirates, the United Kingdom, France, Canada, Spain, and Australia. Asia is also a focal point, with little attention and data available for countries in Southern Africa.

In many African countries, in Botswana particularly, the ability to obtain up-to-date and accurate figures on the number of Zimbabwean migrants living in the country and their remittance patterns, is a challenge.

What is known, is that the Zimbabwean economy has been under severe pressure for many years now and this has resulted in many Zimbabweans seeking a better life outside of the country. The WBG estimated the Zimbabwean population to be 16.2 million in 2016, whereas UNICEF estimated that there were 571 970 Zimbabwean migrants in 2013. Those who have migrated and are able to earn a living in other countries, such as in Botswana, are sending money home to their families left behind for several reasons. For example, to support their loved ones in purchasing food, paying for school fees and other household expenses; sending money for building houses, starting businesses and in some cases to foot emergencies like funerals or medical treatment.

While the Zimbabwean economy has been under huge pressure over the years, the Botswana economy, on the other hand, has remained robust.

Table 9: Botswana Economy Data

	2012	2013	2014	2015	2016
Population (million)	2.1	2.1	2.1	2.1	2.2
GDP per capita (USD)	7,117	6,981	7,695	6,947	7,259
GDP (USD bn)	14.6	14.5	16.2	14.8	15.6
Economic Growth (GDP, annual variation in %)	4.5	11.3	4.1	-1.7	4.3

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<sup>7</sup> Migration and Remittances factbook 2016

Despite impressive growth in the economy, unemployment remains a major challenge with the rate of job creation being sluggish. The result is an unemployment rate of around 17%. The rates of unemployment in the youth market are of concern.<sup>8</sup> The unemployment rate within Botswana could be the source of future conflict between locals and migrants. The migrant policy currently under development has the potential to play an important role in regulating migration into a solution where everyone benefits.

This report summarises the findings of the AfricaScope project team for desk research, in-country visits and interviews with regulators and various Departments as well as 10 focus group discussions with Zimbabwean migrants, held in Gaborone, Francistown and Maun in Botswana.

The study forms part of a SADC wide initiative spearheaded by FinMark Trust in South Africa, to better understand the channels, costs, and volumes of remittance by migrants in the region.

In the case of informal remittances, costs and channel information is based on the anecdotal information gathered during the focus groups.

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<sup>8</sup> National Development Plan 11, March 2017

## 2. STUDY METHODOLOGY

FinMark Trust has conducted several studies to better understand the size of the remittance market in the SADC region. This current study is aimed at understanding the nature, frequency, and volumes of both formal and informal remittance channels for money remitted by Zimbabweans living in Botswana. The study attempts to obtain the best estimate possible of the values and volumes of formal and informal remittances, the channels used and the regulatory barriers and how to overcome them. The survey team reviewed the previous methodologies and followed these as closely as possible to ensure uniformity of methodology.

The methodology followed to determine the size of the remittance market is illustrated in Figure 8 below:

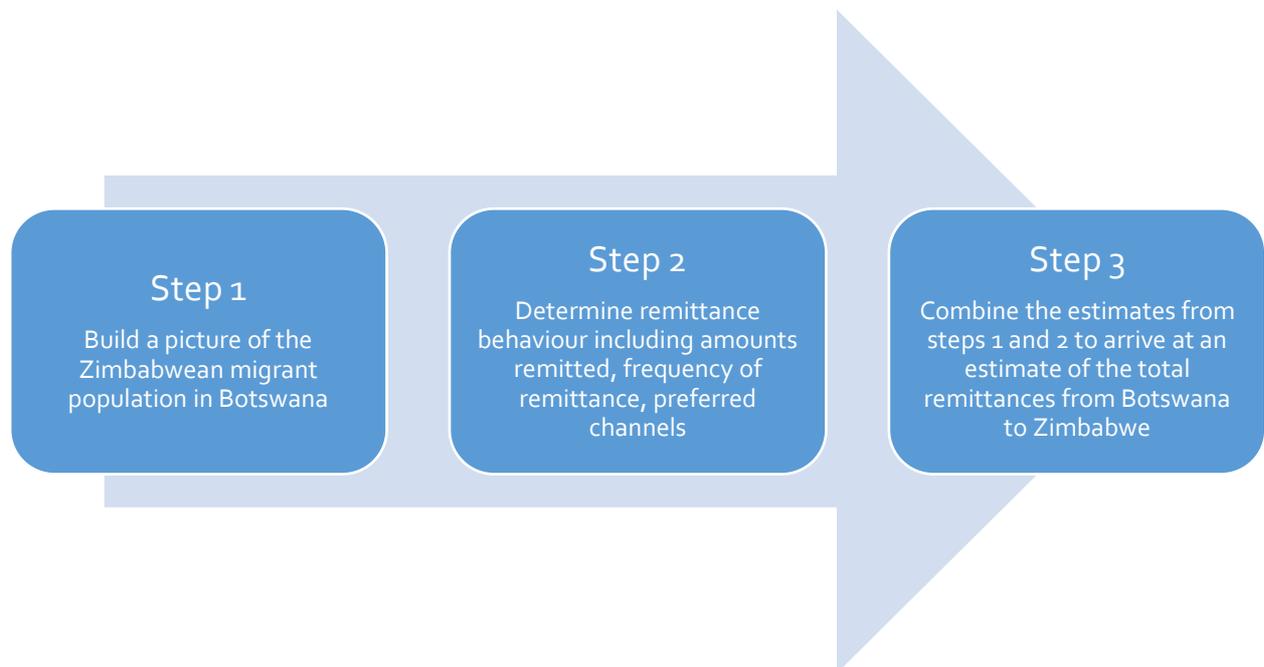


Figure 8: Steps used to define the value of remittances between Botswana and Zimbabwe

### 3. ESTIMATING THE NUMBER OF MIGRANTS FROM ZIMBABWE LIVING IN BOTSWANA

The generally accepted approach to calculating the value of remittances between countries is based on the assumptions on the stock of migrants in the country of interest. For the purposes of this study, we consider the stock of Zimbabwean migrants living in Botswana.

Statistics Botswana estimates, from the 2011 population census, the number of migrants from Zimbabwe at 66 777 of which 37 351 (56%) are male and 29 426 (44%) are female.<sup>9</sup> Most of the analysis performed on the 2011 population census has revolved around internal migration patterns, rather than a focus on international migration. Statistics Botswana estimates that among the immigrants to Botswana, more than 50% of them are from Zimbabwe and around 18% from South Africa and the remaining are from other countries.

Migration is an important component of population growth and it has significant social and economic implications for a country.<sup>10</sup> Over many years, the country has benefitted from migrants who have worked for the government, NGOs, the private sector, and those running their own businesses. In recent years there has been an influx of migrants moving away from economic or political challenges in their home countries. Although data on migration is scarce, the records that were available from the country's data authority Statistics Botswana, indicate that most work permit holders are from Zimbabwe, South Africa and China. During the visit to Botswana, the survey team was unable to obtain the estimated numbers of documented versus non-documented Zimbabwean migrants. The IOM observed that there were no official estimates of the number of undocumented migrants.

Bank of Botswana Governor, Moses Pelaelo, said Botswana must operate in an open economy environment. "It should be accepted that foreign workers complement locals in various ways, including as part of the needed foreign direct investment and skills transfer," said Pelaelo.

The government of Botswana is concerned about the influx of migrants into the country for various reasons. Illegal migrants are of concern and therefore the government intends, as part of NDP 11 to

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<sup>9</sup> Population & Housing Census 2011 Analytical Report Statistics Botswana

<sup>10</sup> Patterns and Differentials of Migration in Botswana: Evidence from 2011 Census Prof. K. Navaneetham and Dr. V. K. Dwivedi, of the University of Botswana and Dr. Ravendra Singh, UNDP and Statistics Botswana.

develop a migration policy.<sup>11</sup> In addition to policy development, the government intends to improve refugee management, address border security and controls.<sup>12</sup>

Accurate statistics on migration in Botswana are difficult to obtain due to the complexity of data collection processes. At many of the border posts the data on migrants is collected on paper and not readily available electronically<sup>13</sup>. Currently, a technical committee is in the process of developing a national migration policy for Botswana, but it is still in the early stages. Having said this, the IOM estimates the number of migrants from Zimbabwe to be 32 764. UNICEF estimate 28 820 migrants from Zimbabwe in 2013.<sup>14</sup>

The International Organization on migration is working with various stakeholders in Botswana to develop a policy on migration. A technical committee has been established and mandated to develop a National Migration Policy.<sup>15</sup>

The Department of Labour chairs the committee which comprises the following Ministries and agencies:

- Department of Immigration and Citizenship
- Department of labour and Social Security
- Department of Gender Affairs
- Statistics Botswana
- Botswana Investment and Trade Centre
- Ministry of Foreign Affairs and International Cooperation
- Citizenship Committee
- Botswana Police Service
- Office of the District Commissioner
- Department of Social Protection

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<sup>11</sup> The NDP 11, page 170, item 8.108

<sup>12</sup> The NDP 11 pages 173 to 175, items 8.132,8.136, 8.137 and 8.141.

<sup>13</sup> Developing a National Migration Policy for Botswana, Report to the Technical Committee, April 2016

<sup>14</sup> UNICEF Migrant population profiles 2013

<sup>15</sup> Situation and Gap Analysis Report IOM April 2016.

- Department of Information Services
- Ministry of Investment Trade and Industry
- Ministry of defence, Justice and Security
- Department of Civil and National Registration
- Ministry of Health and
- Ministry for Presidential Affairs and Public Administration

Currently, data sits in various Ministries stated above but no central database on migration or the status of migrants is available.

The census of 2011 provides an insight into the rapid growth in the non-Batswana population with growth of 84% between 2001 and 2011. These figures, seven years out of date, could have changed significantly, either up or down.

Table 10: Growth of non-Botswana population

Demographic indicators	2001	2011	Growth
Enumerated population	1 680 863	2 024 904	20%
Non-Batswana	60 716	111 846	84%

Statistics Botswana estimate that most of these migrants are employed in agriculture, mining and quarrying manufacturing, electricity and water, construction, wholesale and retail trade, hospitality, transport and communications, finance, real estate, education, health, private households, and foreign missions.

Although Statistics Botswana estimates, from the 2011 population census, the number of migrants from Zimbabwe at 66 777, in his State of the Nation Address in 2013, President Ian Khama stated that a total of 31,461 illegal immigrants were repatriated between October 2012 and May 2013.

Since the 2011 Census, no further estimates of the number of migrants has been released. The best current estimates are from the **International Organization for Migration**.

The IOM estimated that the number of migrants from Zimbabwe, living in Botswana in 2017, totalled 32 764. No statistical estimates are available for the numbers of documented and undocumented Zimbabweans in Botswana, only estimates for the total number of Zimbabweans are available.

South Africa and Zimbabwe account for most migrants in 2017 with 38 607 and 32 764 respectively. Males tend to dominate females when it comes to migration to Botswana.

Table 11: International Organisation for Migration estimates for Botswana

Country	Total	Percentage	Male	Female
South Africa	38 607	31%	24 767	13 840
Zambia	13 295	11%	7 056	6 239
Zimbabwe	32 764	26%	17 151	15 613

### 3.1 Summary of the Situation

In Botswana, the major contributing countries for migrants are South Africa, Zimbabwe, and Zambia. This is not surprising considering the shared borders and the relative strength and diversity of the economy of Botswana. The overall estimate on the number of migrants is 166 430, however there is a large contribution from African countries. Zimbabwe accounts for 32 764 migrants in 2017.

Botswana is in the process of establishing a more cohesive database on migration. Until this is developed, researchers will have to work with total numbers only.

One respondent in a focus group in Maun ventured the following thought:

*"We must acknowledge that we also have economic refugees here in Botswana. They might be skilled people with their own professions, but they cannot open bank accounts so in the end they cannot use services such as banks to send money. So, when we send money we do not want formality in the system. Considering that we came here, not through a formal (legal) channel, we therefore don't want difficulty in sending money. It's possible that about 70% of people sending money from here don't have papers "(Maun CBD 1).*

We were not able to access any official statistics on the number of documented versus undocumented migrants from Botswana and therefore to go on the estimate of one person of 70% undocumented migrants being undocumented would be risky.

## 4. ESTIMATING THE FLOW OF REMITTANCES

### 4.1 Focus Groups Estimates

The budget allowed for ten focus groups to be undertaken. The process for selecting the respondents for the groups was as follows:

In consultation with the in-country implementing partners, focal points within the selected areas were identified. The purpose of these focal points was to attempt to identify points from where participants could be purposefully selected. Criteria that were used in the selection of the focal points included:

- Any estimated concentration of Zimbabwean migrants
- Regional geographical variations (e.g. urban vs rural, types of land use, etc)
- Socio-economic diversity (e.g. demography such as age and gender, poverty, etc)
- Access to facilities for conducting the focus groups (e.g. schools, community halls)

Once the focal points were identified, the fieldwork teams travelled to systematically select participants in the focus groups.

Two focal points were selected in each area. The field teams engaged as far as possible with the community leaders to inform them of the study and to get their support for recruiting the participants. The community leaders were also asked to help in facilitating access to a venue where the focus groups were conducted. 8 to 10 participants were recruited to enable the proposed combination of focus groups to be conducted. The teams did experience a number of challenges in recruiting Zimbabweans but, were successful in the end in securing 98 participants overall.

From the focal point, the team moved into four quarters around the focal point as is depicted below. They approached homesteads informing them of the study and to see if they have any household members who qualify for the focus groups and are prepared to participate. In most cases, respondents were recruited from businesses, malls and other gathering points. The respondents were informed of the time and venue for the group.

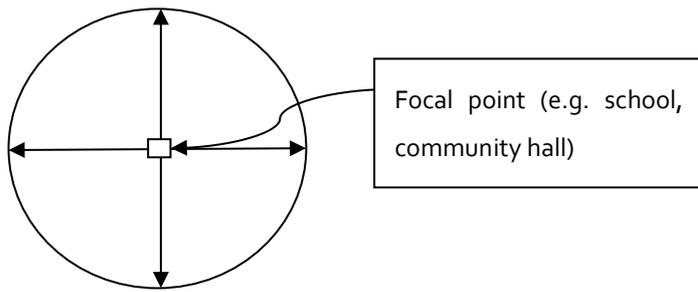


Figure 9: Example of recruitment location map

Where respondents were not willing to participate, the teams used “snow-balling” to try and identify other Zimbabweans. As depicted in the diagram above, participants for the focus groups were selected from the different quarters to establish an independent sample of respondents. The community structures will also be engaged with to assist with this process, but the independence of participants will be kept sacrosanct.

The actual recruitment maps gave the teams a clear indication as to the recruitment areas:



Figure 10: Recruitment pattern for focus groups

Ten focus group discussions were held in selected locations in and around Gaborone, Francistown, and Maun. In Gaborone, four focus groups were held in community halls. In Kanye and Lobatse, one focus group was held in each area and these were held at the premises of Makalani Fashion Designers and Textiles. Two groups were held in both Francis town and Maun where the teams secured the use of private residences.

In two areas, Lobatse and Francistown, recruitment was a challenge due to the fact that there was more stringent “foreigner policing” than in other areas. Zimbabweans would say they are not Zimbabweans and even tell the recruiters about the “foreigner policing”. The result was that most foreigners won’t admit being a foreigner.

In all, 98 respondents participated in the 10 focus groups.

The first part of the FGD was guided by structured questions in which participants selected their options in relation to the questions asked. Turning point technology was used in this regard.

This brief report explains the main points which stood out in the focus groups in relation to the following:

- Methods people mostly use (including what is involved in using them, why they use them etc. and other ways that they know of
- The fastest sending mechanisms
- The most expensive
- The safest
- suggestions on what authorities can do to make sending money safer and more affordable
- whether return migration is an option with the change of political leadership in Zimbabwe and how that may affect the future of remittances

Because we were using technology to obtain accurate measurements to the important questions such as the amount and frequency of money remitted, we started the session with a few “warm-up” questions. One such question was regarding their favourite colour:

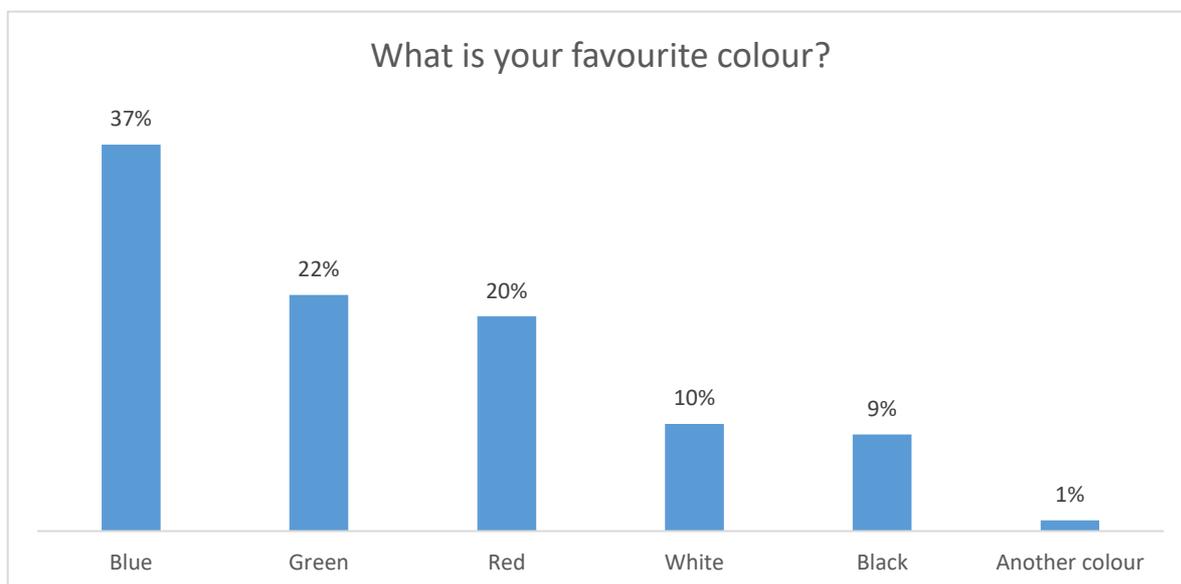


Figure 11: Example of "warm-up" question for focus groups

The questions had no relevance to the findings of the study but were used to ensure that the respondents were comfortable with the technology and could easily see that their answers to the questions were anonymous.

#### 4.1.1 Composition of the groups

The aggregated profiles for the 10 focus groups show that there was a good balance in terms of gender, age, household composition and education levels.

In terms of gender, there was a skew towards male respondents, as one would expect in terms of the overall migrant population. The IOM data estimates that the split between male and female migrants is 58% male to 42% female.

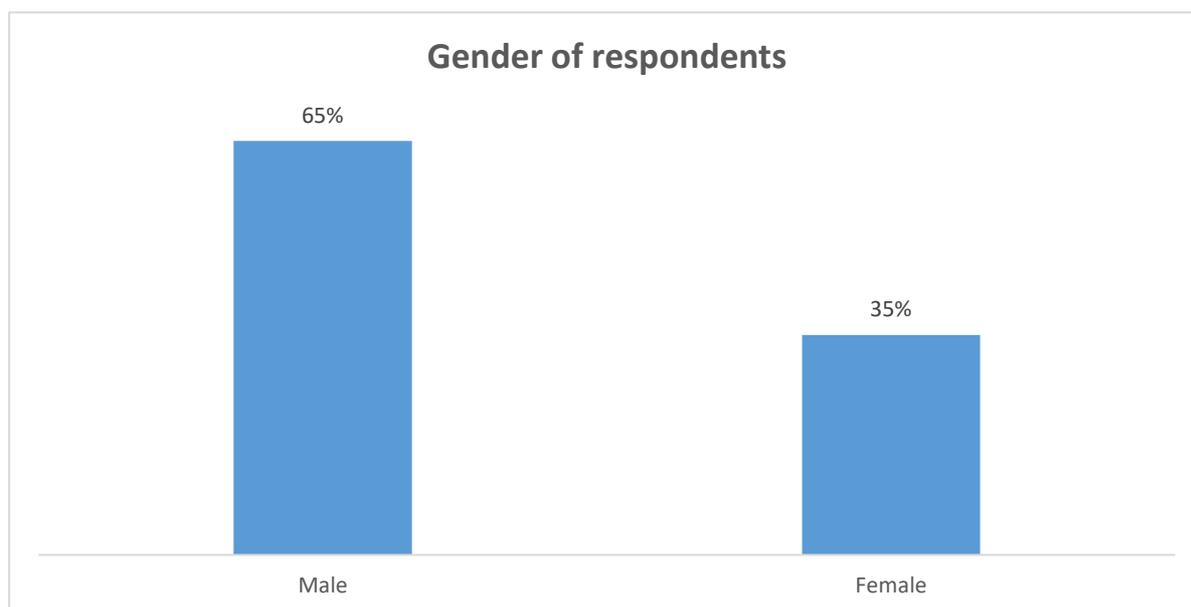


Figure 12: Gender split for focus group respondents

In terms of the age profile, 57% of the respondents were younger than 34 years of age. According to the UNICEF migrant data profiles to Botswana in 2013, 55% were under the age of 34 years<sup>16</sup>.

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<sup>16</sup> UNICEF Botswana Migrant Profile fact sheet.

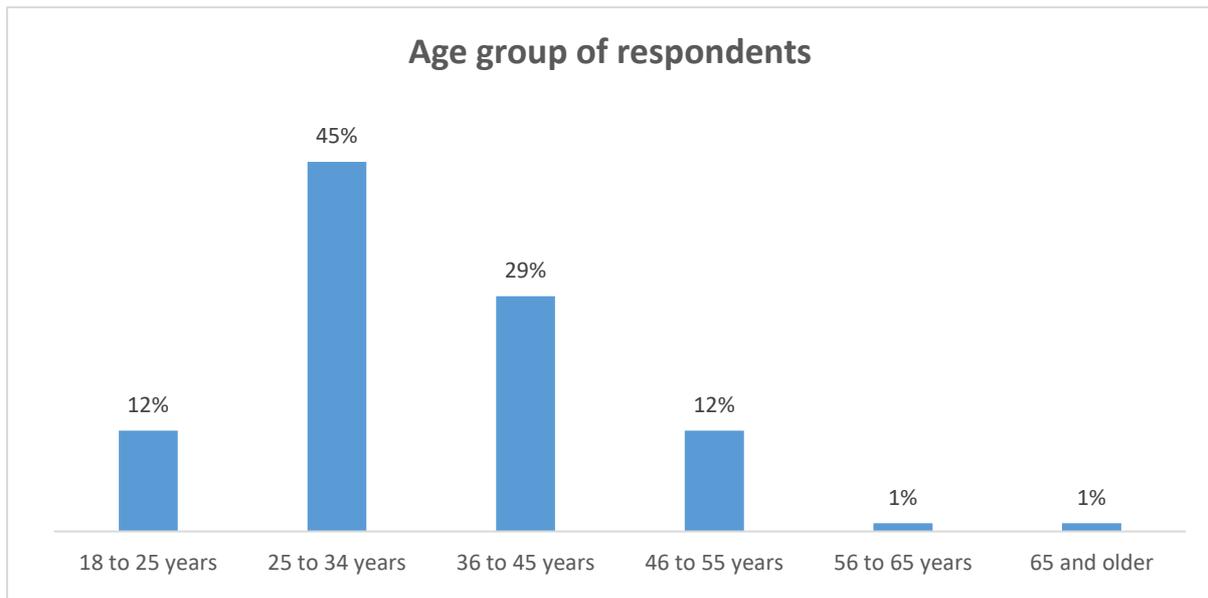


Figure 13: Age group profile of focus group respondents

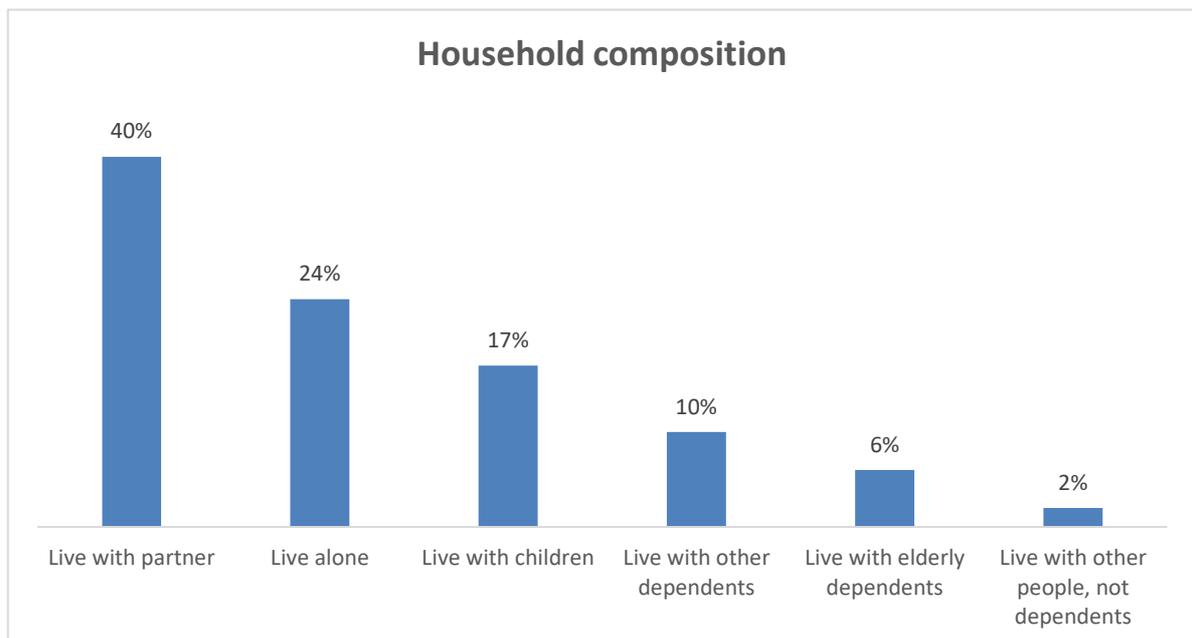


Figure 14: Household composition of focus group respondents

The authors were unable to uncover any official data on the marital status for Zimbabwe migrants to Botswana, however the profiles for the focus group respondents do not look out of line with what would generally be expected

Forty percent of the migrants claim to be living with a partner, but the study was not detailed enough to engage on the sensitive issue as to whom that partner is. The partner could be one adopted in Botswana or a common-law wife from Zimbabwe. The picture painted by the chart is one however of the majority not having traditional family structures. The assumption is that there are families remaining in Zimbabwe.

A significant percentage of the focus group respondents reported education levels of secondary school or higher.

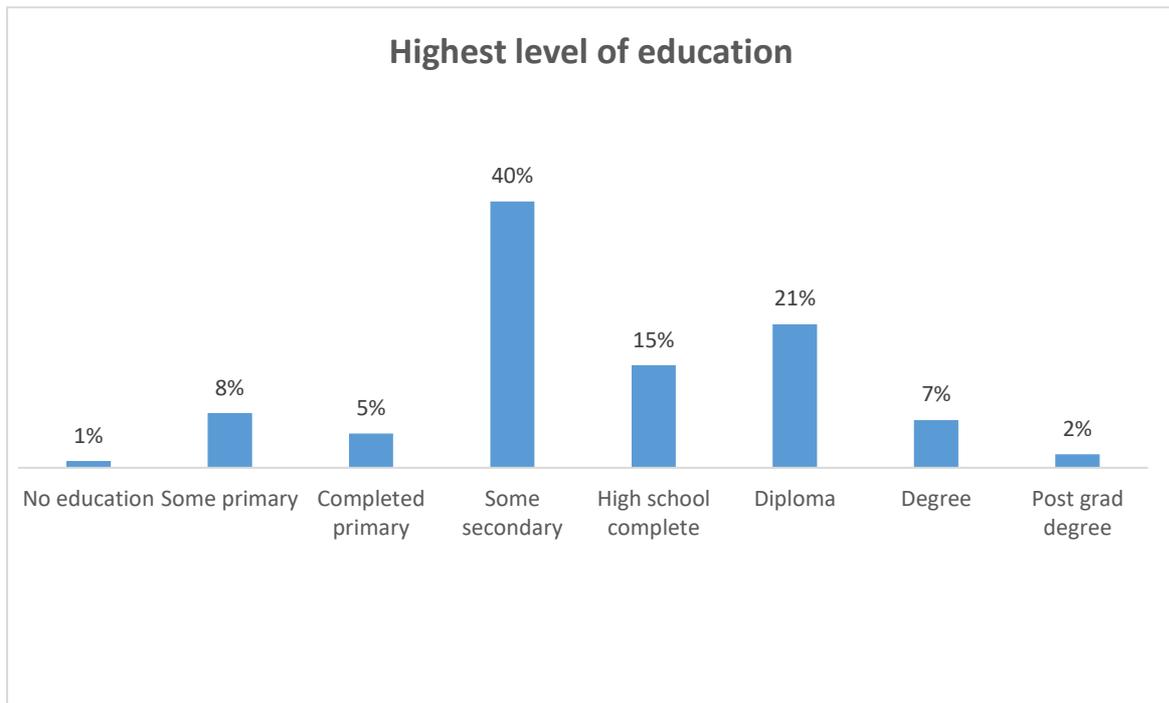


Figure 15: Household composition of focus group respondents

### A note on the profile of Zimbabweans in Botswana

Before examining the details of remittance behaviour, it is important to gain an understanding of the profile of Zimbabwean migrants in Botswana (refer Table 2). Just as its neighbour South Africa, Botswana hosts a considerably large population of Zimbabweans working in different sectors and conducting both formal and informal businesses across major urban centres and even the rural areas. The total population of Zimbabwean migrants is not clear with a few estimates and official records. As stated above, the survey team is working with the IOM estimate of 32 764. However, when one spends time in various parts of the country, Zimbabwean migrants are spread across the whole of

Botswana, although concentrations vary. Many of them have integrated into local social spaces and speak local languages well such that they blend in.

Despite this, Zimbabwean immigrants whom we came across do send money home to their loved ones for several reasons, for example to support their loved ones by taking care of food, school fees and other household expenses; sending money for building houses, starting businesses and in some cases to foot emergencies like funerals or medical treatment.

Legal status is a crucial factor in determining how much freedom of mobility or access to services these migrants enjoy in the country. Immigrant policing by Botswana police involves stop and search activities in public spaces. If one fails to produce a valid passport with a work/ study permit, or a valid visa they are taken to the police station. Anecdotal evidence suggests that sometimes police have used this as an avenue to make money from undocumented migrants through bribes. In one focus group, it emerged that some police officers would pounce on undocumented immigrants who were making use of a local western Union facility. One participant said;

*As foreigners, we sometimes fear using Western Union because police wait for us there when we are sending money. When you come out they ask for documents and if you don't have then you are arrested. So that is why I sometimes avoid going to Western Union. Even at the bus station, they can do that (Gaborone Suburb 1).*

Thus, this affected the choices for undocumented Zimbabweans to send money on grounds of fearing arrest.

Many (36%) of the focus group respondents have lived in Botswana for more than ten years. A further 27% said that they have been in Botswana for between five and ten years. Whatever the reasons were for their first migration, many have established firm roots in Botswana. In 2000 Botswana ratified the United Nations (UN) International Convention of Civil and Political Rights in which it undertook to protect the fundamental rights of all individuals within its territory regardless of their nationality or statelessness. This move is supposed to include asylum seekers, refugees, and even migrant workers. The government has also ratified the African Union (AU) convention governing the specific aspects of refugee problems in Africa. Asylum seekers are housed in the Dukwi refugee camp.

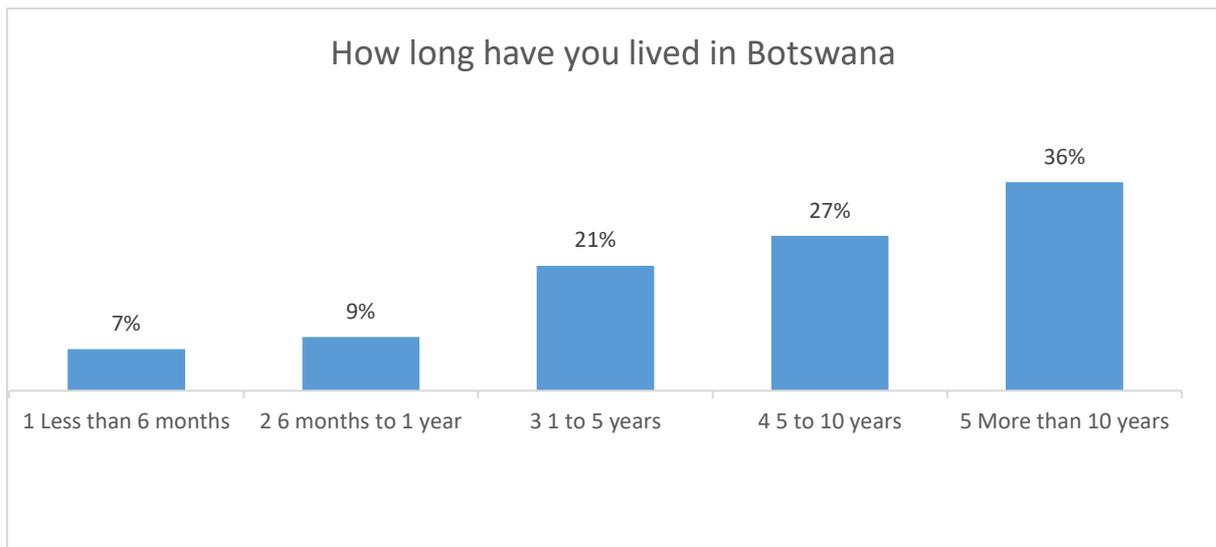


Figure 16: Length of stay in Botswana

Most of the group respondents claimed to be working (74%). 26% said they were working for wages and 48% working in their own businesses. It is important to note that many of Zimbabweans in the focus groups said that they are business owners of companies however, they are working at manual labour for example mechanics, welders, and electricians.

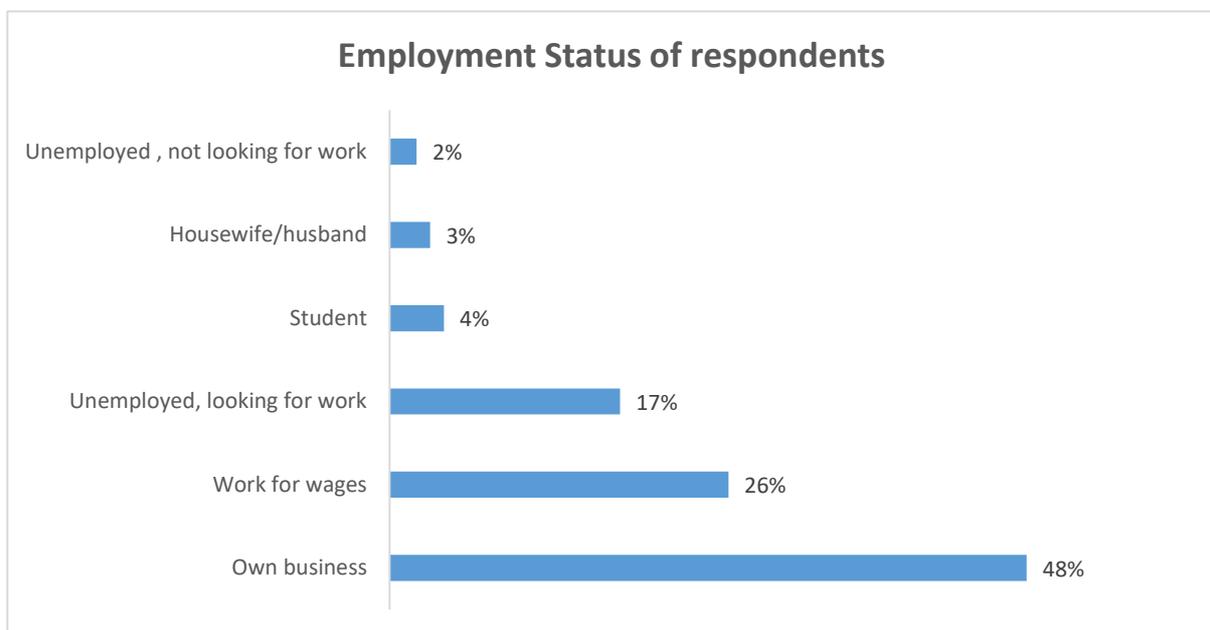


Figure 17: Employment status of focus group respondents

#### 4.1.2 Remittances

From a generalised respondent view, remittance sending mechanisms can be categorised as formal and informal. Below is a brief description of the various sending channels which Zimbabwean migrants in Botswana make use of.

***Formal sending mechanisms:***

- Across all the groups it emerged that formal sending channels have become popular among Zimbabwean migrants in Botswana. In most towns, the most common method was Western Union, Mobile Money in the form of Orange Money (in partnership with Ecocash in Zimbabwe) and at the time of the study, Mukuru was gaining popularity as a new player in Botswana. The mystery shopping at Mukuru revealed that they charge 2.5% of the amount sent.
- MoneyGram was mentioned only in one group with professionals as a method that was once viable although it only accepted migrants with legal status in Botswana
- BotswanaPost was also a viable option in the past before Zimbabwe's cash shortages. It involved sending money through the BotswanaPost branches to a Post Office in Zimbabwe. Of late, BotswanaPost has also become a Western Union agent so its own service is no longer utilised
- There were few mentions of banks as a way of sending money. One professional stated that he realised that he had paid a substantial amount in commission when he conducted an electronic funds transfer from a Botswana bank to one in Zimbabwe. Another one mentioned that he used the facility to pay directly into his children's school fees accounts in Zimbabwe. Unfortunately, the respondents would not quantify the actual amounts they had paid for the transactions.
- The popularity of Western Union, Mukuru and Ecocash (Orange Money) among Zimbabwean migrants in Botswana can be attributed to the fact that they no longer require senders to have legal status in that country. They only ask for a passport as proof of identity. Whether the passport holder does not possess a work permit or has overstayed is no longer considered. This puts formal remittance sending mechanisms at par with informal ones when it comes to ease of using the service.

***Informal sending mechanisms:***

- Taxis or the use of taxi drivers (and bus drivers) to send money was a method many could relate to but the majority had stopped using it. In a focus group in Francistown this was the most preferred method of sending money primarily because since the participants live closer to the border between the two countries, they send drivers who live in the same neighbourhoods back home. So, there is very little chance of breaking trust considering that it is easy for the sender to trace the driver if remittances are not delivered. The amounts charged by taxi drivers varies considerably with no set rate per P100.

- *Friends* are a common way of sending money to Zimbabwe among the migrants in Botswana. This usually happens when a migrant asks his/ her friend who is going home for a visit to take with them money for their relatives. Using friends to send money home may also involve swopping transactions with a friend who lives in Zimbabwe for example:  
  
"If one is based in Zimbabwe and wants to buy goods in Botswana they can ask a friend who is based there to buy on their behalf and then compensate by giving to the family of the migrant the equivalent in USD \$" (Kanye Suburb 1).
- *Hiding money in goods* that they send is also another strategy used by migrants. This they normally do when intending to send both groceries and cash home. So instead of paying separately for sending each of the items, they hide cash in one of the grocery items say for example placing money in flour so that bus or taxi drivers do not see it. However, there are incidents where recipients of the grocery found that the money was missing from where the sender had hidden it among the grocery items. Participants argued that this is probably because drivers search the grocery items in suspicion that there might be money hidden in the goods they are sending.
- The option of *taking personally the money* home was also mentioned by a number of participants. However, considering that they do not travel home frequently in a given year, this option only works on holidays such as Christmas and during other periods of the year they send money using other convenient remittance sending methods. The border participants who live in Francis Town cross the border frequently, so they also make use of this option more

Migrants' suggestion on improvements to the remittance systems was that the Zimbabwean government must address the cash shortages so that remittances become accessible through the formal remittances systems. Participants thus explained;

*"The best we can ask from our government in Zimbabwe is that they should improve the cash shortages so that when we send money our relatives will get the money on time"* (Francistown Suburb 1).

The question of return migration was also discussed in the groups and most of them are not keen on returning and so remittances will continue to flow to Zimbabwe.

Focus group discussions are an ideal method for collecting information from respondents in an attempt to determine the percentage of sending money as well as understanding how regularly money is sent, how much is sent and with what frequency the money is sent. The groups were also used to explore which channels are used and to gain insight as to the relative costs of the various methods.

In the focus groups 72%, of the 98 respondents said that they sent money regularly.

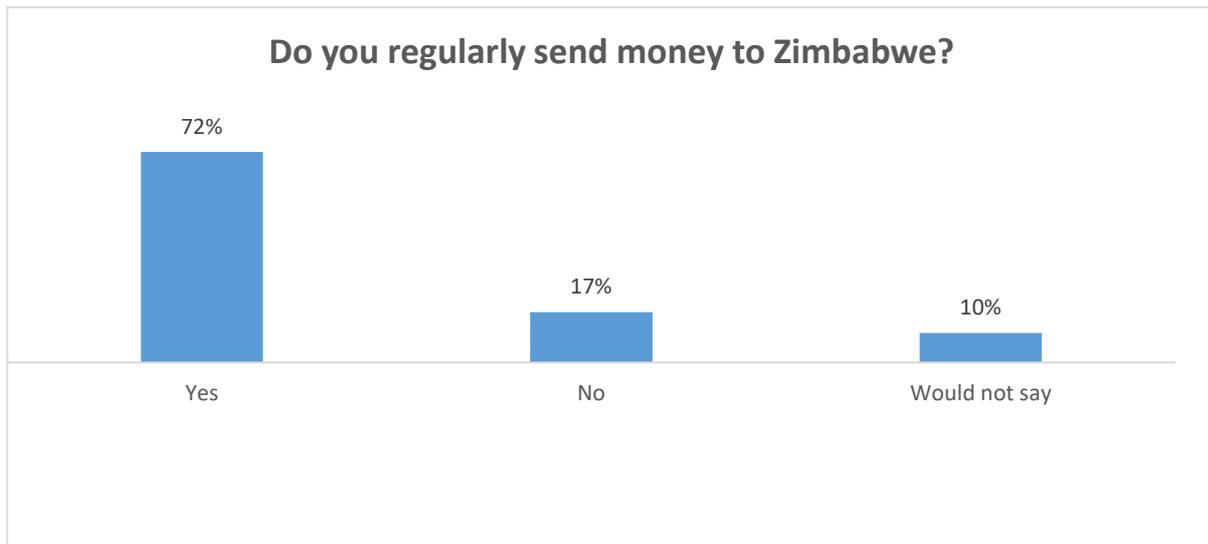


Figure 18: Respondents sending remittances

Overall, the respondents preferred Western Union and Mobile phone technology to send money over the informal channels.

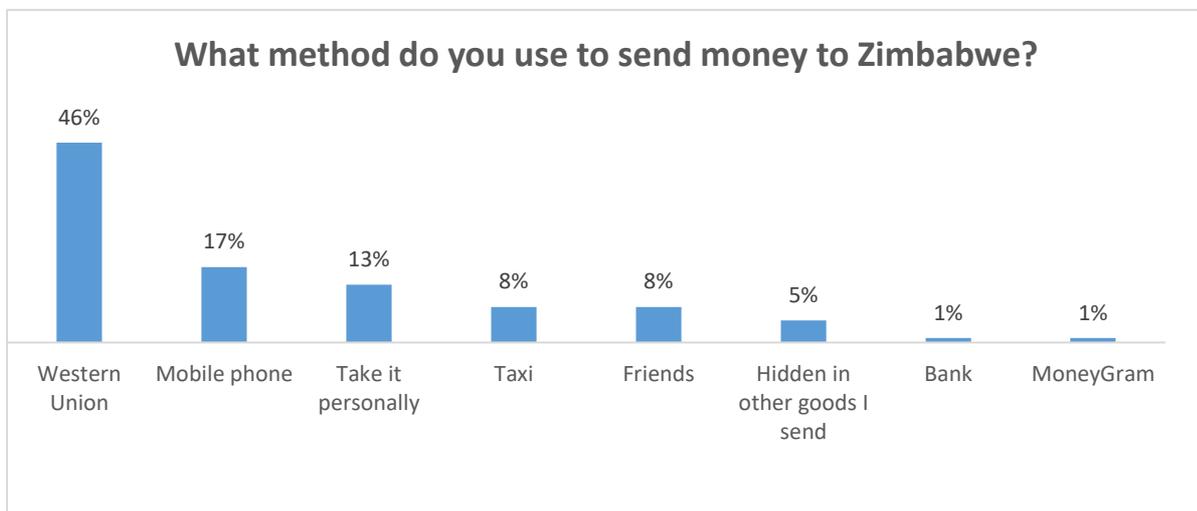


Figure 19: Method for sending money to Zimbabwe

The discussion below will unpack the different methods people mostly use, including what is involved in using them, why they use them etc. and other ways that they know of.

### Western Union

Western Union is among the world's leading remittances sending organisations which have a footprint in many countries. In addition, Western Union is the primary channel for remittances to Zimbabwe via BotswanaPost. Western Union offers a special rate for Zimbabwe, in the form of a fee cut of 50%. Interestingly it seems that BotswanaPost does not offer this deal.

All the focus groups mentioned that they knew of Western Union and in most cases, they have utilised the company services to send money home. One participant in a group explained how one can register for the service;

*Western Union requires your passport, a copy of the passport and the name of the recipient on the other side in Zimbabwe. A few years back they required you to provide a test question or a password which the recipient had to provide to make sure they are the one (Gaborone Suburb 1).*

There are several reasons why Western Union was mentioned as an important channel for sending money, and most of these are based on its reputation as a reliable, safe, and fast way of sending money. Some of these are mentioned below;

*"It is 100% reliable"*

*"It is fast and safe" (Maun CBD 1)*

*"Western Union is fast, we can access it from the rural areas" (Francistown CBD1)*

*"I didn't consider other options before selecting WU I just found it convenient and I am satisfied by their services (Lobatse Suburb 1 Group)."*

*"Western Union is simpler I simply go to the post office and they only need your passport (Lobatse Suburb 1 Group)."*

Before it became more widely accessible to migrants in Botswana, the informal remittances sending mechanisms were more popular than Western Union. One participant thus explained the shift;

*We used buses before Western Union came to Botswana a few years ago. There are situations whereby the recipients would get less money than the amount you sent, maybe because the driver would have spent part of it. Now we use Western Union which is more reliable for us (Gaborone Suburb 2).*

Had they not removed the barrier of requiring senders to have passports with valid permits, the number of users of the service would have been relatively small.

An important advantage that this service has been enjoying is that with the cash shortages in Zimbabwe, recipients of remittances are able to collect them in cash;

*"Western Union is good because our relatives always receive the money in US dollars on the Zimbabwean side. Not those bond notes or coins. It is fast and reliable you are guaranteed they will get the money (Gaborone CBD1)."*

As will be shown later in the report, this is an important advantage because when it comes to some of its competitors like mobile money, remittance recipients do not always access cash.

Another important advantage of Western Union is that the sender is assured not only that their relatives will receive cash but also that if the money is not collected it will be returned to them. In two of the focus groups this positive attribute was brought out;

*"Western Union is so safe to send money home that if your relatives cannot collect the money it will be returned to you the sender. So, I find that to be very ideal for me" (Gaborone CBD 2).*

*"If your relative fails to collect the money on the Zimbabwean side, Western Union can send it back to you. So you will always recover your money" (Gaborone CBD1).*

However, like all sending channels, Western Union has its own challenges which participants mentioned;

*"If you are sending a relatively small amount of money [with Western Union] it can prove to be more costly than when you send a higher amount" (Gaborone Suburb 2).*

Another aspect is related to systems failure which happens at times and inconveniences the senders;

*"Sometimes when I go to Western Union they tell me that the network is down, so they cannot send money that day" (Lobatse Suburb 1 Group).*

Regardless of these glitches in their systems, Western Union remains popular among Zimbabwean migrants in Botswana.

### **Ecocash/ Orange Money**

Mobile money has become an important way of sending and receiving money as well as carrying out transactions in many countries on the African continent. It has become a banking platform in many ways. In Zimbabwe, Ecocash is the leading service provider and others such as Net One cash and Telecel Cash also enjoy recognisable market share.

Eco Cash users can now receive money from Orange money users in Botswana after the two operators signed a partnership agreement to harmonise mobile money services. The partnership was formed to improve the ease of remitting money from Botswana.

Botswana based mobile operator Orange also has its own product called Orange Money which enjoys a considerable market share. In partnership with Ecocash, Orange Money users can now send money from their phone numbers in Botswana to Ecocash recipients in Zimbabwe.

Some of the advantages of Ecocash mentioned in the focus groups have to do with ease of using the service;

*"I like Ecocash because sometimes I will not be having adequate papers to register for Western Union or other formal sending mechanisms" (Gaborone CBD1).*

*"Ecocash is even better they do not ask for your identity" (Lobatse Suburb 1 Group).*

Another crucial factor in the choice of Ecocash is that it is equally considered to be cheaper than other sending mechanisms;

*"Ecocash is also safe there are no problems with sending the money. It is equally reliable. They only charge a small fee for receiving the money" (Gaborone Suburb 2).*

*"Orange is cheap. We just go to local shops here like Choppies<sup>17</sup> to load money in your phone. Then you send to Ecocash Zimbabwe. It is easier to use than all these other methods" (Lobatse Suburb 1 Group).*

For some participants, Ecocash is convenient for their relatives who live in rural areas because they do not need to travel to towns to access their money as with the case of Western Union, Mukuru or banks. Unlike the concerns raised above that Ecocash recipients hardly gain access to cash a participant thus argued;

*"I prefer Orange Money because it helps my relatives who live in the rural areas. It goes straight to their phones, they do not need to go to the nearest town to access the money" (Lobatse Suburb 1 Group).*

It remains a thorn for some remittance senders that access to cash is a problem for recipients, nevertheless;

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<sup>17</sup> Choppies is a supermarket chain.

*"Ecocash has no advantage over the others because to get the money it is very difficult" (Francistown CBD<sub>1</sub>)*

*"Commission for Orange Money (Ecocash) is the cheapest among these services. Its only challenge is that there is never cash at Ecocash agents in Zimbabwe, so your relatives end up having to use the money in the phone to purchase goods in designated shops. For you to get cash from the mobile money one will have to pay more charges" (Lobatse Suburb 1 Group).*

*"The only problem with Ecocash is that your relatives cannot access cash, so they end up using it to buy groceries in shops in and pay for services in Zimbabwe. They can pay for school fees, electricity and other needs but without accessing hard currency" (Gaborone Suburb 1).*

In another group however, a participant stated that he had just heard that now people can withdraw cash because of the improvements in cash liquidity in Zimbabwe (Kanye Suburb 1).

There was a debate in the groups regarding whether there are additional charges on Ecocash transactions or not. It was explained that if you send your money through Ecocash agents as opposed to sending through your own Ecocash account directly from your phone there will be additional charges (Gaborone Suburb 1).

## **Mukuru**

It appears Mukuru is a new arrival in Botswana and most recipients in the groups had heard about it but many were yet to enlist its services for sending money. Just like Western Union, it is said that one of its biggest advantages is that recipients of remittances can receive the money in USD currency as opposed to bond notes (Lobatse Suburb 1 Group).

Being a relatively new player, Mukuru does seem to have a somewhat blurred image perception with some respondents positive and others negative. We would expect the perceptions to stabilise over time.

Mukuru is argued to be even the cheapest way of sending money according to some of the participants;

*"Last week I used Mukuru according to me I have realised that it is more reliable than all the other methods like Western Union or Ecocash. If I send P500 to Zimbabwe, my wife receives \$50 without any deductions" (Kanye Suburb 1).*

*"Mukuru is the best for charging less commission in comparison with others" (Francistown CBD<sub>1</sub>)*

Not only is it cheap but sometimes recipients on the Zimbabwean side receive a little extra amount in what is called a bonus cash back;

*"Mukuru is good sometimes when you send, your relatives will get a bonus cashback" (Francistown CBD<sub>1</sub>)*

Other participants also stated that Mukuru runs some promotion for sending money during the Christmas holidays in which discounts are offered.

For some participants in the groups, it was their wives who utilised the service;

*"Sometimes we use Mukuru, it is my wife who is registered with it and she tells me when she sends money using it. She has no problems" (Francistown Suburb 1).*

It emerged from one of the groups that Mukuru has a cumbersome process of registering users;

*"To register at Mukuru takes ages to get it all done. I have been trying for the past two weeks to get my account with them activated. So, in the end, I am not going to use them" (Lobatse Suburb 1 Group).*

However, another respondent in the group said she had no such hassles when she registered her account.

### **Banks and BotswanaPost**

There are about eleven commercial banks in Botswana which offer a few financial services. Migrants perceive that since they operate in a regulated context, banks can only serve clients who possess legally recognised documents such as citizen identity cards, work permits or permanent resident permit holders and related documents. Therefore, migrants who hold such documents are the only ones who can use this facility to remit money back home. In the focus group discussion, there were a considerable number of professionals who held bank accounts but still preferred to use other forms of sending remittances apart from their own bank accounts. Using their bank accounts proved to be more expensive than using Western Union, Mukuru or Ecocash. A participant in one of the groups mentioned that his bank hosts MoneyGram as its service for remitting money and he had used it several times to send money to Zimbabwe (Maun Suburb 1).

Some of the concerns raised by professionals with regards to bank services are;

*"The problem with sending via banks to Zimbabwe is that the cash shortages in the country will frustrate your relatives' efforts to withdraw the money. Now we see the same thing sometimes happening to Western Union recipients when cash is not readily available" (Lobatse Suburb 1 Group).*

*"Sending money from this side to Zimbabwe with the bank it is not easy" (Francistown CBD1)*

*"Bank transfer is also an option we can use but it is very expensive, yet your relatives can't get the money because of cash shortages as well" (Maun CBD 1)* While the respondents did not venture actual costs of sending money via the bank, they perceived the bank to be expensive.

One participant has used bank to bank transfers and found it to be reliable, but the transaction takes longer;

*"I have used bank transfer, it is effective, and the charges are higher. It also takes longer I have used it to pay fees for my son in boarding school in Zimbabwe. It takes longer to reflect in the account of the recipient" (Maun CBD 1).*

The other service provider which has been used by migrants to send money is the Post Office in Botswana. One of its money remittance services has since become an unviable way of sending money as one participant explained;

*"There is another sending method which we called post office to post office. You know you can send money from Botswana Post office and receive it directly at the ZimPost (Zimbabwean Post Office). But now with cash shortages, it is a problem to use it" (Kanye Suburb 1).*

Because of cash shortages in Zimbabwe, many migrants thus avoid sending money through the post office. Since the post office also offers Western Union services, migrants still make use of that service.

### **Taxi or bus drivers**

Taxi and bus drivers who ply cross-border routes between Zimbabwe and Botswana have been instrumental in sending remittances both in cash and kind for many years. Migrants living in Botswana send their remittances with the driver of the taxi or bus for an agreed fee. This method was very prominent especially prior to the arrival of formal remittance systems in Botswana. Some participants thus explained;

*"What made people prefer taxis was because of the cash shortages in Zimbabwe. Our loved ones would spend maybe two to three days trying to withdraw the money you sent them in queues. But now it was better to send them dollars or Pula in cash from here so that they receive the money in cash by taxi" (Gaborone Suburb 1).*

*"One of the reasons why people prefer sending by friends or taxi drivers is because they wouldn't have registered with Mukuru or Ecocash (Orange Money) for reasons best known to them. Maybe they*

*assume that only those with papers are allowed to register. So they end up going to the taxi drivers to send money" (Gaborone Suburb 1).*

Like any other remittance sending system, this method of remitting money has its own advantages and disadvantages as captured in the focus groups. Some of the benefits of sending money through drivers are;

*"I like the taxi because I can hide the money inside the goods that I am sending home. So, in the end, I do not pay for commission" (Gaborone Suburb 1).*

*"We can also make a plan with taxi drivers whom we have built a trustworthy relationship with them that they take the money to our relatives even when we do not have money to pay them commission. We agree when next I can give the driver his commission. So I like taxis for that" (Gaborone Suburb 1).*

As explained in the second quote above it is quite strategic for some migrants to use drivers to send money home because they can negotiate the commission or to pay it at a different time. In a focus group held in a town close to the border between the two countries, it emerged that the use of taxi drivers is based on kinship ties as between senders and drivers. Some participants remarked;

*"Taxi is my favourite one. We live near the border. They know our homes and we find it to be cheaper" (Francistown Suburb 1)*

*"Taxis are the best option for us we have a way of checking up on the drivers" (Francistown Suburb 1).*

*"The problem with some of the formal systems like Western Union is that they want proof of residence, so we just end up using taxis" (Francistown Suburb 1)*

On the same basis of knowing each other from home, migrants can negotiate better commission or fees for remitting with the drivers;

*"Because we know each other well, taxi drivers charge me P15 to send P100" (Francistown Suburb 1)*

*"For me as they are my friends they charge me P100 to send P1000" (Francistown Suburb 1)*

The above figures are cheaper than the 20% commission which migrants based in Gaborone pay for using taxi drivers when sending money home.

Taxi and bus drivers are however, viewed as unreliable when sending money through them. an interesting scenario is one whereby the sender hides money in a grocery bag that they are sending home through the driver, only to hear that the money never reached its recipients;

*"We don't use bus drivers or taxi drivers because they are crooks if you send grocery and hide money inside it sometimes your relatives will not find it. It means that the drivers would have gone through your bag and taken out the money" (Gaborone CBD1).*

Most of the participants raised concerns that their remittances would sometimes not reach their destination and it is almost impossible to hold the drivers to account. There is no recourse for any losses incurred on the part of the sender. Participants thus explained;

*"Drivers of buses, there is no security. We send them with groceries and not money. We can't trust them to send money for us" (Francistown CBD1)*

*"The taxi is not a reliable way of sending money. Sometimes our relatives have not been able to locate the driver on the Zimbabwean side. The taxi driver can claim that the money was stolen on the way, all the money he had on him was taken away by the officials. Or he can simply state that he did give the recipients the money even though that will not be true. Or he can claim that he made a mistake and gave the wrong person. He can even say I dropped the money or it was stolen. They'll just give you silly lies" (Gaborone Suburb 1).*

*"Sometimes the driver can switch off his phone and your poor mother will be waiting for long hours for the bus to arrive" (Kanye Suburb 1).*

*"If his [taxi driver] mother passes away he will just spend your money and you lose out" (Francistown Suburb 1)*

One participant gave an explanation in mitigation of why sometimes remittances sent through a bus driver do not reach their destination;

*"You know sometimes those guys will have been frustrated at the border and then they just decide to switch off their phones or they will incur an unexpected cost and then uses your money to cover his problem thinking he will recover the cost when he gets to Zimbabwe, only to take longer to get the money to give your relatives" (Kanye Suburb 1).*

"A great risk that was flagged in the groups is that a bus can have an accident and you lose your money" (Lobatse Suburb 1 Group; Gaborone Suburb 1).

For the groups in Maun, they stated that they do not use taxis or buses because there is no direct route from Maun to Harare.

### **Sending money through friends**

Zimbabwean migrants in Botswana have become communities in the neighbourhoods they live in. Some are based on sharing the same religion or even coming from the same regions or districts within Zimbabwe. When one of them is travelling home they usually take remittances in cash and kind on behalf of friends.

One of the participants expressed the benefits of sending money in this way;

*"I prefer sending through a friend because it is convenient. Sending money through banks is not a good idea because sometimes our relatives are told that the banks do not have cash. So that can be frustrating for them having to queue for days to withdraw the money you sent them. Best is for them to receive cash" (Gaborone Suburb 1).*

Another participant stated that the transactions are not free, they pay a fee to send the money even with friends;

*"I have never had any hiccups with friends obviously they will charge you P20 per P100 to take the money with them" (Kanye Suburb 1)*

Interestingly several responses from participants in the groups also stated that this is a relatively unreliable way of sending money home;

*"Again the only problem with sending money through friends is that they may misuse the money and end up making stories about why they could not deliver the money" (Gaborone Suburb 1).*

*"Friends can sometimes be unreliable they can claim that they were robbed and so they could not give your parents the money you sent" (Gaborone Suburb 1).*

*"They can say the money was confiscated at the border" (Gaborone Suburb 1)*

*"They can say I did not have money to pay duty for the goods I was carrying so I couldn't get it to your relatives" (Gaborone Suburb 1)*

*"Sometimes if you asked a friend to refer you to a bus driver who can send your goods home and you happen to mention that you hid money inside. That friend would tip off the driver that there is money hidden inside and you could lose it all" (Gaborone Suburb 2).*

*"A friend can say he was robbed" (Lobatse Suburb 1 Group).*

*"They can say the money was confiscated by border officials" (Lobatse Suburb 1 Group).*

*"A friend can be tempted to spend your money along the way especially if they incur incidental costs" (Lobatse Suburb 1 Group).*

*"It depends how trustworthy your friend is, for us we normally send with omalayitsha who are our friends to send for us" (Francistown Suburb 1)*

### **Alternative methods of sending**

Among the different methods of sending money is also the option of asking a Botswana citizen or fellow migrant that has legal status to send money on their behalf.

One participant thus explained;

*"I have a Motswana girlfriend and since I do not have papers she sends on my behalf" (Gaborone CBD 2)*

For others, there need not be any relationship with a citizen, but they pay for the service;

*"Because of fear of arrest I end up sending money through a Motswana citizen. I give them a little thank you for doing that on my behalf" (Gaborone Suburb 1).*

*"Yes, we do send through Botswana citizens. You also give them a little bit of money to send money on your behalf to Zimbabwe" (Lobatse Suburb 1 Group).*

Fellow countrymen are also an option that are utilised by some;

*"Some other people from Zimbabwe have permits and hold foreign currency accounts and you can ask them to send on your behalf using the inter-bank transfer to a bank in Zimbabwe" (Gaborone Suburb 1).*

In another group however, participants rejected the idea of sending money through anyone else than themselves;

*"The way we earn this money is really difficult. We sweat for it so much that we cannot trust another person to send it on our behalf, so we send by ourselves. I don't trust anyone else to do it for me" (Kanye Suburb 1).*

The issue of hiding money when sending remittances in kind was also mentioned in the groups. It was however, for the most part discussed in a negative light in the sense that drivers could sometimes search the sender's bag and takes the money. There are probably no grounds for recourse when one's money is not delivered because initially, the sender would not have declared that there is money in the bag of groceries. One participant thus explained;

*"Another option is that you can buy a grocery item or say lotion or camphor cream and then place a plastic with money inside the container so as to hide it. Then you send with a bus or taxi driver. But again, you are not guaranteed if they will get it" (Gaborone Suburb 1).*

*"Another participant stated that they hide money in goods only when sending with friends" (Gaborone CBD 2)*

### **4.1.3 Summary of methods and motivations**

Western Union is preferred by most respondents when sending money. Western Union is seen as reliable, fast, and safe and the money is available on the Zimbabwe side. Western Union is also preferred because any unclaimed money is returned to the sender.

Orange Money is becoming popular as mobile money transfers gain traction. Respondent like the channel because it is easy to use, and no identity documents are required. It is seen as safe and reliable. Money can be easily and cheaply loaded onto the mobile and sent. Mobile money is also becoming the preferred channel for sending money to rural areas.

Mukuru is a new challenger in the market but it is gaining traction. Mukuru is seen as one of the cheapest options and it also occasionally offers the receiver cash bonuses. There were mixed feelings about the ease of registration with Mukuru. Generally, well accepted.

Banks and BotswanaPost require resident permits which tend to steer people away from using them. Banks are perceived to be more expensive ways of sending money, compared with Western Union, Mukuru and other mobile money channels. There is also the perceived problem that banks and the post office in Zimbabwe do not have the money available to pay to the receivers of money immediately due to cash shortages

Taxi and bus drivers are used because of the cash shortages in Zimbabwe. Some prefer taxis and busses because the money can be hidden inside other goods and go undetected and without fees and commissions. There is a big challenge of trust, but this is overcome through regular use of the same driver. Many people have experienced problems and lost money.

Friends are used to remitting money but there are fees involved and it is not always reliable and safe. Friends do steal money at times.

## 5. DIASPORA REMITTANCE INCENTIVE SCHEME IN ZIMBABWE

Only two groups knew about the Diaspora Remittance Incentive Scheme (DRIS) (Lobatse Suburb 1 and Maun CBD 1). The participant from one of the groups simply said “yes I have heard about it where they said they will make it only 5% to send money” (Lobatse Suburb 1 Group), while the other participant simply said she had heard of it but did not read much about it (Maun Suburb 1).

## 6. SUMMARY OF RESPONDENT PERCEPTIONS OF REMITTANCE CHANNELS

By way of summing, the table below shows how the different methods of remitting compare against each other. It is however, not exhaustive but can be a way of understanding the different advantages they offer to senders and receivers. Mobile phone and Western Union have the best overall perceptions:

Table 12: Summary of perceptions of the ways of sending money

Sending Method	Affordability	Speed	Reliability	Safety	Less paper work
Western Union	Yes	Yes	Yes	Yes	Yes
Mobile phone	Yes	Yes	Yes	Yes	Yes
Bank	No	No	Yes	Yes	No
Taxi	No	No	No	No	Yes
Friends	Yes	No	No	No	Yes
Hidden with other goods I send	Yes	No	No	No	Yes
Take it personally	Yes	Yes/No	Yes	Yes/No	Yes

### The Question of Return Migration and its Potential Impact on Future of Remittances

The voluntary return of migrants to their home country supports economic development and job creation as returnees bring capital and knowledge back with them.

Political changes in Zimbabwe since November 2017 have brought in a possibility of economic growth in the country. The facilitator asked participants to comment on the prospects of return migration and the implications for remittances in the future. Some of the responses were;

*"We are still here for the time being" (Gaborone CBD<sub>1</sub>).*

*"We left a long time ago; we left the country a long while ago. So let those who stayed there fix the problems of the country. We will stay here and keep sending money" (Gaborone CBD<sub>1</sub>).*

*"There is no change that has really happened in Zimbabwe so will keep sending money home" (Gaborone CBD 2)*

*"Whether Zimbabwe improves or not there will always be a need to remit money so in my view, these companies like Western Union will never go out of business" (Gaborone Suburb 2).*

*"Some have married here locally, they have started businesses and even built houses here so I doubt that they will ever go back home" (Gaborone Suburb 2).*

*"It's going to take time for Zimbabwe to recover. We have also been here for too long and it will therefore not easy for us to return" (Kanye Suburb 1).*

*"After elections this year maybe people will be able to go back home" (Maun CBD 1).*

*"As it stands there is no change in government it is just a snake that peeled off its skin so we need to see what will happen" (Maun CBD 1)*

*"We have to wait till after elections and give these guys a chance to see how they will rule Zimbabwe. We will give it time until we see tangible changes on the ground then that will be ok for us to go back" (Maun CBD 1).*

*"Many of us have become used to a lifestyle" (Maun CBD 1)*

In terms of implications for future remittance-sending, two comments stood out;

*"The bus driver has changed but the same old bus is still there so we will keep on sending money home and living here" (Gaborone CBD 2)*

*"My comment on the financial side, even if things improve what's going to happen is anyone with interest of going back will start remitting more funds back to Zimbabwe for set up of business, investments. So whichever way there will be continuity of remittance businesses" (Maun CBD 1).*

## 7. COSTS OF REMITTANCES

Remittance Prices Worldwide (RPW) was launched in September 2008 with the objective of monitoring the worldwide cost of remittances. The organisation covers 48 sending countries and 105 receiving countries for a total of 365 country corridors worldwide. Unfortunately, the Botswana - Zimbabwe corridor is not one of them.

RPW reports that the global average cost of remitting in the first quarter of 2018 was 7.13%, up slightly from Q4 in 2017. South Asia remained the cheapest receiving region with an average cost of 5.21%. Sub-Saharan Africa remained the most costly region to send money to, recorded at 9.44% total average cost in Q1 2018. Banks are the most expensive type of service, with an average cost of 10.57%.

The findings from the mystery shopping indicate that the minimum cost of remitting via a bank or the post office range between P50 and almost P75, while using while mobile costs range from P25 to P50:

Table 13: Cost of remittances

	Cost to send P500	Percentage
<b>Banks</b>		
First National Bank	P69,50	13,9%
Standard Charter	P51,75	10,4%
Barclays	P74,60	14,9%
Bank ABC	P50,00	10,0%
Bank of Gaborone	P73,72	14,7%
Stanbic	P79,00	15,8%
<b>Botswana Post</b>	P50,40	10,1%
<b>Western Union</b>	P45,00	9,0%
<b>Mukuru</b>	P30,00	6,0%
<b>Orange</b>	P25,00	5,0%
<b>MoneyGram</b>	P89,00	17,8%

Average percentage cost = 11,6%

The banks are the most expensive way of sending money. For example, if a poor migrant wants to send P500, the percentage cost of sending via First National Bank would be 13,9%. If the same amount was sent via Orange mobile, the percentage would be 5%. However, Orange Mobile charges

P25 to send up to P500, but P70 to send from P501 to P1000. It is therefore cheaper to send two lots of P500 than one of P1000.

## 7.1 Informal Remittance Cost

The study could only obtain anecdotal evidence of costs via the informal means and these methods also attract charges, for example in Francistown respondents said:

*"Because we know each other well, taxi drivers charge me P15 to send P100" (Francistown Suburb 1)*

*"For me, as they are my friends they charge me P100 to send P1000" (Francistown Suburb 1)*

The above figures in Francistown are however cheaper than the 20% commission which migrants based in Gaborone pay for using taxi drivers when sending money home.

*"I have never had any hiccups with friends obviously they will charge you P20 per P100 to take the money with them" (Kanye Suburb 1)*

*"if one is based in Zimbabwe and wants to buy goods in Botswana they can ask a friend who is based there to buy on their behalf and then compensate by giving to the family of the migrant the equivalent in USD \$" (Kanye Suburb 1).*

## 8. MYSTERY SHOPPING

The objective for conducting a mystery shopper exercise is to obtain information from financial outlets regarding the costs and time involved when remitting money through the various channels. The World Bank, in their Q4 2017 report indicates that the aggregated global cost from remittances charged by various institutions as follows:

- Banks 10.44%
- Money Transfer Operators 6.24%
- Post Offices 6.64%
- Mobile Operators 2.82%

The global objective is to reach an overall target of 5% commission.

13 outlets were visited during the process. The fieldworkers were given a brief on what was required and were sent out to interview a completely random set of outlets. Experienced interviewers were employed.

The findings are as follows:

### **Barclays Bank**

Though the Teller was polite and patient, she was not knowledgeable about the remittance products or services, so a lot of consultation was required.

- Requirements to send money - bank forms to fill, ID, needs to have an account with the bank.
- The Bank uses T/T, TELEX to transmit funds.
- The transfer takes 4 working days to be received on the other side. Cash shortages in Zimbabwe could delay the transaction further.
- The minimum rate P74.60. The recipient bank in Zimbabwe may also charge the recipient but the teller did not know the amount.
- The bank offers no express remittance service

### **First National Bank**

There was no queue but was assisted after 5 minutes.

The Assistant Manager knew and was confident in his knowledge of the product. He took his time to explain to detail.

- Requirements – bank forms to fill and identification document
- The Bank uses Telegraphic transfers, Telex to remit
- The funds are accessed immediately after transfer
- It costs P220.00 to transfer P1000. This equates to a 22% charge.
- No Express service

### **Capital Bank**

A queue of about 5 people found and was assisted after 15 minutes.

The gentleman who assisted was polite, smiled and was knowledgeable on the product and its services.

- Requirements - bank forms to fill, ID
- The Bank uses Telegraphic transfers, Telex to remit
- The transfer can be accessed immediately
- The cost of transfer is around P110 for P1000. This is roughly 10% fees.
- No Express service

### **Mukuru**

There was no queue

The Assistant had to go out and ask before she could fully assist. The customer service was poor as she kept on talking to other people while assisting me. You are registered on their phone and the transfer is done through the phone. The process is simple and straight forward.

Mukuru also has an online channel Requirements – Fill forms to fill, ID

- The funds are accessed immediately after transfer
- One is charged 10% of what they want to transfer
- No Express service

### **UAEXchange**

No queue found.

The Teller was not polite. Her attitude showed that she was not willing to assist and was impatient when questioned. Nonetheless, she knew her product and service.

- Requirements – ID and form to be filled

- The funds are accessed immediately
- For a transfer of P1000, the transfer charge is P187.00 or 18.7%
- No Express service

### **Standard Chartered Bank**

No queue found.

The Receptionist was polite, patient, with good customer service and knew the product. She shared all the information necessary before even asked.

Requirements – ID and form to be filled

- The funds are accessed after a day
- There is a minimum charge of P51.75.
- No Express service

### **Bank of Baroda**

No queue found.

The Teller was polite. She was willing to assist wholeheartedly and knew what she was talking about.

- Requirements – ID and form to be filled
- The funds are accessed immediately if the same bank is used to cash or 1 day for different bank
- The Bank uses Telegraphic transfers, Telex to remit
- Between P100 – P1000, the transfer charge is P186.00
- No Express service

### **Western Union**

No queue found.

The Teller was polite and knew the product. Requirements – ID and form to be filled

- The funds are accessed after a day
- There is a minimum charge of P45.
- No Express service

### **Botswana Post Office**

A queue of about 5 people found.

The Teller was polite and patient. Good customer service and was knowledgeable on the product.

- Requirements – ID and form to be filled
- The funds are accessed immediately if the same bank is used to cash
- Western Union used for transfers
- There is a minimum charge of P50.40
- No Express service

### **MoneyGram**

No queue found.

The Teller had no customer service. She was engaged on something else other than giving full attention. Otherwise, she fully explained their service and how the process works.

Requirements – ID/passport and form to be filled

- The funds are accessed immediately
- Between P100 – P1000, the transfer charge is P89.00
- No Express service

### **Banc ABC**

No queue found.

“The Receptionist was very polite, patient and greeted me with a warm smile”. She went an extra mile of noting everything down on paper.

- Requirements – ID and form to be filled
- The funds are accessed immediately if the same bank is used to cash
- There is a minimum charge of P50.
- No Express service

### **Bank Gaborone**

No queue found but waited 15 minutes before getting any assistance.

The Receptionist was patient and took her time to explain every to an extent showing how the form is filled.

Requirements – ID/passport and form to be filled

- The funds are accessed immediately
- Transfer charge is 0.32% of the amount being transferred
- The cost to transfer between P100 – P1000 is P73.72
- No Express service

### **Stanbic Bank**

A queue of about 6 people found and it took 30 minutes before getting any assistance. “The Receptionist was very polite, patient and greeted me with a welcoming smile making it easy to ask questions”. She knew and understood the service provided by the bank.

- Requirements – ID and form to be filled, need to have an account with Bank
- The Bank uses Telegraphic transfers, Telex to remit
- The funds are accessed immediately
- It costs P79.00 to send up to P1000 to Zimbabwe
- No Express service

## **8.1 Conclusions**

There are evidently large variances in the charges applied by the different institutions and services.

In addition to the visits to the banks and money transfer outlets, 13 random people were interviewed in and around the outlets. It was found that other than Banks people have used Western Union, Mukuru, Orange Money, MoneyGram and Botswana Post to send money.

69% of those interviewed preferred Western Union as they considered it quicker, safer, and cheaper.

Those interviewed during the dip stick highlighted that where institutions require valid documents to be produced, they simply ask someone with valid papers to send the money home for them.

No express service available as the money is received instantly with most facilities.

The cost for sending to Zimbabwe seems to be inconsistent and not dependent on the location one is sending to.

In most cases, customer service appears to be acceptable and most of those who were assisting with the remittance queries knew the services offered by their organisations and had good product knowledge.

Orange Mobile, with its recent tie-up with EcoCash in Zimbabwe, is offering the most attractive and convenient method of remitting funds.

## 9. FINANCIAL REGULATION

Central to banking and financial regulation in Botswana is the Bank Act, 1995 (Cap 48), which gives the central bank the power to license, supervise and regulate banks operating in Botswana. The aim of the Act is to maintain public confidence in the soundness of banks operating in Botswana. It also has the objective of encouraging the banks to operate in a competitive environment unhindered by unnecessarily restrictive regulation,<sup>18</sup>

The Banking Supervision Department of the Bank of Botswana ensures financial stability in the country through the regulation and supervision of banks and other financial institutions. To achieve this role, the Department is guided by the Banking Act (Cap: 46:04), Collective Investment Undertakings Act (Cap 56:09) and the Bank of Botswana Act (Cap 55:01).

Each year, as required by the Banking Act, the Department is responsible for preparing the Banking Supervision Annual Report for presentation to the Minister of Finance and Development Planning.

To achieve its objectives, the Department:

- Sets transparent criteria and guidelines for market entry and exit;
- Receives and processes applications for banking licences against established procedures;
- Establishes and updates, on a regular basis, prudential policies and standards; monitors solvency, liquidity, large exposures, insider loans, prudent provisioning, risk management strategies and related management structures for effective governance;
- Establishes effective systems for on-site and off-site supervision of banks;
- Ensures timely supervisory action and compliance with banking and other legislation governing the operations of financial institutions.

The financial sector in Botswana is dominated by banks. Currently, there are 10 commercial banks, one statutory bank (Botswana Savings Bank (BSB)) and one building society (Botswana Building Society (BBS)). In addition, there are three non-deposit taking development finance Institutions (DFIs): Botswana Development Corporation (BDC), Citizen Entrepreneurial Development Agency (CEDA), and National Development Bank (NDB).<sup>19</sup>

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<sup>18</sup> Bank of Botswana

<sup>19</sup> MAP Botswana 2014

The Ministry of Finance and Economic Development (MFED) is the financial sector policymaker, the regulatory system for the Botswana financial system is based around the Bank of Botswana (BoB) and the Non-Bank Financial Institutions Regulatory Authority (NBFIRA). The BoB is responsible for regulating banks and deposit-taking MFIs, foreign exchange bureaus and the payments system. NBFIRA is responsible for regulating other credit providers, insurers, pension funds and the capital market.

A variety of distribution networks are in place for the delivery of remittance services in Botswana. Distribution channels are distinguished as traditional and non-traditional distribution channels. The former includes formal banking infrastructure such as branches, ATMs and POS, while the latter includes transacting through the Post office, mobile money (by MNOs) and retailers.<sup>20</sup>

BotswanaPost is becoming a major player in the remittance market. BotswanaPost has agreements in place with Western Union as their channels of distribution for remittances. Western Union is their primary outbound operator into Zimbabwe. BotswanaPost has a 40% estimated share of remittances sent by Western Union to Zimbabwe<sup>21</sup>. The Western Union remittance facilities are available in 101 BotswanaPost branches, out of a total of 140 branches. BotswanaPost has more branches than all banks combined. Many of the branches will be upgraded in the months to come as part of the refurbishment program in place for BotswanaPost.

Mobile money is gaining traction in Botswana with operators such as beMobile, Mascom and Orange Botswana all increasing agents and networks.

The Commercial banks and Bureaux de Change are the main authorized Forex dealers. The Bank of Botswana is the regulator of foreign exchange market activities. The 10 commercial banks and 57 bureaux de change are the authorized forex dealers.

Botswana has no exchange control regulation in place, and there are no restrictions on trading the Pula. Foreign individuals can freely send money out of Botswana. Having said this, documentation such as personal identification or proof of residence may be required.

## 9.1 Money laundering

The very nature of the cross-border remittance landscape brings into question the issue of money laundering. Money laundering is a serious problem globally and allowing it to carry on unchecked is a major cause of financial instability. As part of the country's effort to support anti-money laundering

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<sup>20</sup> MAP Botswana 2014

<sup>21</sup> BotswanaPost 2018

(AML) activities, Botswana is a member of the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), the objective of which is to develop the regional response for combating money laundering and the financing of terrorism.

There is also legislation in place in Botswana aimed at financial crime and money laundering which includes the Proceeds of Serious Crime Act, 2008, the Banking (Anti-Money Laundering) Regulations, 2003 and the Corruption and Economic Crime Act, 1994. The Financial Intelligence Agency Act, 2009, sets up a legal framework to support anti-money laundering legislation. This involved the establishment of a new Financial Intelligence Agency (FIA). In 2015 the Financial Intelligence Agency (FIA) and the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) signed a Memorandum of Understanding on the 5th October 2015. The principal purpose for signing of the MoU is premised on the intent to establish a framework for mutual assistance, co-operation and exchange of information aimed at achieving the recommended domestic cooperation that places the Country in a better position in terms of compliance with international Anti Money Laundering and Counter-Terrorism Financing standards.

Legislation in Botswana aimed at combating financial improprieties includes:

- [Proceeds of Serious Crime Act, 2008](#)
- [Banking \(Anti-Money Laundering\) Regulations, 2003](#)
- [Corruption and Economic Crime Act, 1994](#)

The National Coordinating Committee on Financial Intelligence was established under **Section 6** of the **FIAA**, this committee has the following duties:

1. To assess the effectiveness of policies and measures to combat financial crime;
2. Make recommendations to the Ministry of Finance and Development Planning for legislative, administrative and policy reforms in respect of financial offences;
3. To promote coordination among the FIA, investigatory authorities, Supervisory Authorities as defined under **Section 2** of the **FIAA** and other institutions with the view to improving the effectiveness of the existing policies and measures to combat financial offences;
4. Formulate policies to protect the international reputation of Botswana with respect to financial crimes, and
5. Advise the Minister on financial crimes.

The anti-money laundering and counter terrorist financing measures in Botswana report of May 2017 concludes that:

- Generally, Botswana's AML/CFT regime is not yet developed, with competent authorities still in the process of understanding their responsibilities and building capacity to deal with ML/TF.
- Botswana's level of domestic coordination and cooperation is generally good, although that can get better with the presence of shared understanding of ML/TF risks of the country among all stakeholders, and signed MoUs among competent authorities to facilitate information sharing.
- The money laundering legal framework in Botswana has major deficiencies arising from limited scope of predicate offences and absence of essential elements of the offence of ML. There is inconsistency between the minimum threshold of a serious offence as defined in the PICA and the penalty provisions provided for most of the offences, which do not fall under the threshold thereby disqualifying them from being categorised as predicate offences for ML purposes.
- Competent authorities in Botswana have varied capacity and understanding of their AML/CFT responsibilities. The DPP has insufficient resources and is not in control of the resources. The BPS and BURS do not have specialised units to conduct ML/TF investigations. Although the DCEC has commenced investigating ML cases, it still needs more capacitation in conducting specialised ML investigations. The FIA has sufficient resources to carry out its core functions. However, it requires capacity to carry out its supervisory role. The BoB demonstrated limited understanding and lack of implementation of its AML/CFT supervisory role. NBFIRA demonstrated an emerging understanding of its AML/CFT supervisory role but it has limited implementation due to inadequate specialised human resource.
- In general, Botswana has a sound legal framework on confiscation of proceeds of crime. However, there is very limited implementation of the provisions mostly because more attention is being given to investigation and prosecution of predicate offences.
- The TF legal framework in Botswana has major deficiencies arising mainly from non-criminalisation of individual terrorists, the penalty is not proportionate and does not cover legal persons. Competent authorities responsible for investigating and prosecuting TF have different levels of understanding of the TF offences and risks.
- The authorities have not determined which NPOs in Botswana could be vulnerable to TF risk and the kind of measures to take to mitigate such risks. Further, the authorities have not carried out any awareness to this sector on its possible exposure to TF risks.
- Botswana is currently conducting its first NRA which involve of different public and private sector entities with a view to developing a National Strategy to facilitate implementation of AML/CFT measures on a risk-sensitive basis. Therefore, currently there is no common understanding of ML/TF risks at national level by the authorities.

- The FIA's receipt of reports from financial institutions is limited. It only receives STRs and other reports mainly from banks and does not receive cross-border cash and BNI declaration reports from the BURS.
- There is very low usage of financial intelligence by BPS, DCEC and BURS to initiate or support ML investigations, with the LEAs preferring to pursue predicate offences.
- The BoB and FIA have not demonstrated an understanding of ML/TF risks applying to their regulated entities. NBFIRA has demonstrated an emerging understanding of ML/TF risks applying to its regulated entities. The regulated entities demonstrated a varied understanding of ML/TF risks with the large foreign-owned banks and non-bank financial institutions demonstrating a better understanding of their ML/TF risks.
- The FI Act does not provide for a risk sensitive approach to implementation of AML/CFT obligations. In addition, the FI Act has major deficiencies as it does not cover most of the AML/CFT obligations. As a result, there is little or no application and implementation of mitigating controls.
- In general, Botswana's legal framework does not provide for a requirement to identify and verify the identity of legal persons and legal arrangements; a requirement to obtain and retain information on beneficial ownership. The authorities have not determined nor are they aware of the ML/TF risks which are associated with the legal persons and arrangements in Botswana.
- Supervisory bodies have powers to issue sanctions under the FI Act for non-compliance with AML/CFT obligations. However, the sanctions are not dissuasive and proportionate, and have not been applied.
- Botswana has a legal system in place to facilitate international cooperation in mutual legal assistance and extradition matters which they have applied on a few cases of ML. However, non-criminalisation of all predicate offences limits the scope of international cooperation provided.

It would appear from the above that much of the regulation is in place however the capacity of the institutions to implement and regulate are lacking.

The Non-Banking Financial Institutions Act that has just come into effect creates a regulatory framework for non-bank financial institutions, assuming responsibility for the supervision of insurance companies, securities companies, collective investment undertakings and nonbanking financial institutions operating within the IFSC. Through the various pieces of legislation above, money laundering has been criminalised and law enforcement empowered to investigate, prosecute and share information both locally and internationally. Obligations have been placed on the various

financial institutions to exercise due diligence, report suspicious transactions and maintain proper records. It is recognised that the legislative regime to counter money laundering in Botswana is still a long way from meeting the international standards prescribed by FATF and other renowned international bodies.

## 9.2 Payments Systems

The Bank of Botswana oversees the payments system in Botswana and there are several key players.

The main players in the National Payments System are those institutions and organizations that have an impact on the interface with or make use of payment, clearing and settlement systems or operations. The following are the key stakeholders in the National Payments System:

- The Bank of Botswana as the BISS owner, operator and participant; as well as settlement agent for retail and card-based transactions, regulator, overseer, facilitator and promoter of payments system reform;
- Securities and Settlement Systems Regulators;
- The Bankers Association of Botswana, Payments Clearing Houses, Botswana Stock Exchange, Operators both relating to central systems and to participants sub-contractors;
- Providers of payments system products and services;
- Banking and financial institutions;
- Providers of telecommunications, electricity and transport infrastructures;
- Competition authorities;
- International regulatory authorities;
- BISS User Group;
- Government and
- NBF Regulatory Authority

Payments systems markets include wholesale, retail, foreign exchange, and securities clearing and settlement services that settle on a gross or net basis.

The policy framework for the regulation of mobile payments is currently under review and not available to the author at the time of writing.

Bureaux de Change are entities licensed under the Bank of Botswana Act (Cap 55:01) to carry on the business of buying and selling foreign currency. Such licenses are necessary so that the public has confidence that the businesses are operating prudentially according to sound business practices. The bureaux are supervised, including with regular on-site visits by Bank of Botswana staff and are expected to operate in accordance with the Bank of Botswana (Bureaux de Change) Regulations of 2004. It is illegal for businesses to trade foreign exchange without a licence.

Electronic Payment Services Regulations 2017 is also currently under review.

The purpose of these Regulations is to provide for the licensing, oversight and on-going supervision of electronic payment services providers as well as general provisions applying to both electronic payment services providers and commercial banks offering electronic payment services to their customers.

## 10. ESTIMATING THE TOTAL REMITTANCES BETWEEN BOTSWANA AND ZIMBABWE

Arriving at an estimate for the total value of remittances is a difficult task. The reason for this is largely the lack of accurate data. In Botswana, there are two key policy interventions still in progress which impact on the ability to sharpen the estimate of remittances.

The first policy intervention is the policy on migration referred to in the earlier chapter on migration. Until there are accurate estimates on the number and status of migrants, there will always be questions relating to the migrant population.

Secondly, the policy framework on the regulation of the mobile and remittance sectors is under review and development. Currently, remittances are not itemised separately in the national accounts and therefore there are few hard numbers to work with.

### 10.1 Estimate provided by BotswanaPost and Orange Mobile

BotswanaPost uses Western Union as their channel provider for remittances to Zimbabwe. Western Union provided charts reflecting volumes however these charts were locked and access to the raw data was not possible. BotswanaPost did however confirm to the author that BotswanaPost has 40% share of the remittance market to Zimbabwe via Western Union and that this share was worth P4 000 000<sup>22</sup>. They further confirmed that the estimated market for Western Union remittances to Zimbabwe amounted to P10 000 000 per annum. BotswanaPost confirmed that their average transaction value via Western Union amounts to P1 333.

Orange Mobile has approximately 630 000 account holders but not all of these would remit to Zimbabwe. The majority would appear to remit internally within Botswana or other destinations as the estimated remittance transactions to Zimbabwe total approximately P10 million per annum<sup>23</sup>.

### 10.2 FinScope Zimbabwe Analysis

The FinScope Zimbabwe survey of 2014 indicates that a total of 931 300 adults living in Zimbabwe received money from another country. Of the total, 36 664, said that they had received money from Botswana.

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<sup>22</sup> BotswanaPost estimates.

<sup>23</sup> AfricaScope estimate based on April 2018 remittance values submitted by Orange Mobile.

Contrary to findings elsewhere, the slight majority, 53%, of remittances are received by people living in urban areas as opposed to 47% in rural areas.

In terms of the provinces, Bulawayo receives 12% of remittances from Botswana, Manicaland 6%, Matabeleland North 4%, Matabeleland South 32%, Midlands 20%, Masvingo; 6% and Harare 20%. Because the recipients live in scattered areas within Zimbabwe, it is important for those sending money from Botswana to be able to use service providers that provide services to rural areas in Zimbabwe.

In terms of the channels by which the recipients of remittances claim to receive their money, the following channels are used, 61% of respondents say they received money via formal, non-bank outlets. 25% say they received their remittances via informal channels and 9% said they received money via a bank. 4% say they received money via friends and family.

Using the FinScope dataset, and filtering those who claimed to receive money from Botswana, the annual amounts received were calculated. The estimate of money received is \$15 751 291 or \$430 per person.<sup>24</sup>

	Frequency	Percent	midpoint	Total Estimate
<b>1US\$ - US\$100</b>	4077	11,1	10	\$40 770,00
<b>US\$101 – US\$200</b>	3465	9,5	141,421356	\$490 025,00
<b>US\$201 – US\$300</b>	2203	6	244,948974	\$539 622,59
<b>US\$301 – US\$400</b>	5682	15,5	346,410162	\$1 968 302,54
<b>US\$401 – US\$500</b>	4563	12,4	447,213595	\$2 040 635,64
<b>US\$501 – US\$1000</b>	5611	15,3	707,106781	\$3 967 576,15
<b>US\$1001 – US\$2000</b>	1161	3,2	1414,21356	\$1 641 901,95
			2828,42712	\$0,00
<b>US4001 and above</b>	1132	3,1	4472,13595	\$5 062 457,90
<b>Do not know</b>	8768	23,9		
<b>Total</b>	36664	100		\$15 751 291,76

It should be noted that the key category of \$2000 to \$4000 is missing from the dataset.

Using the exchange rate of March 2018, where 1 USD = 9.57452 BWP, the conversion to Botswana Pula would be BWP150 811 108.

### 10.3 Estimates from the Focus Groups

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<sup>24</sup> Estimate generated by AfricaScope team

In terms of calculating the value of remittances to Zimbabwe, there were two key questions asked in the focus groups. The first was on the estimated amount of money sent to Zimbabwe. Figure 20 shows that over sixty percent said that they send more than P400.

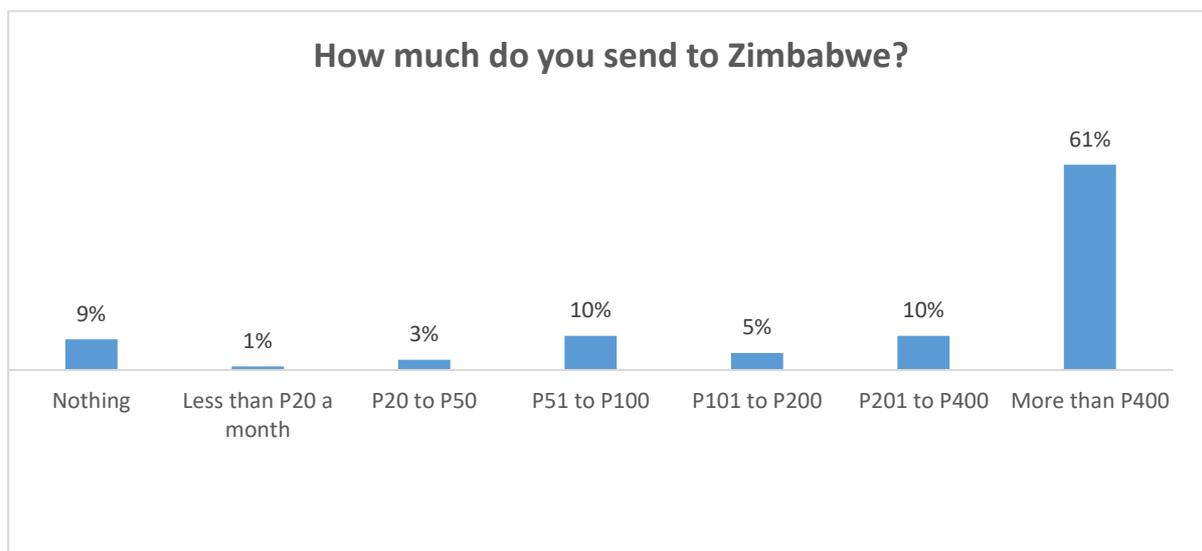


Figure 20: Money remitted to Zimbabwe

The second important question is the information obtained in figure 21.

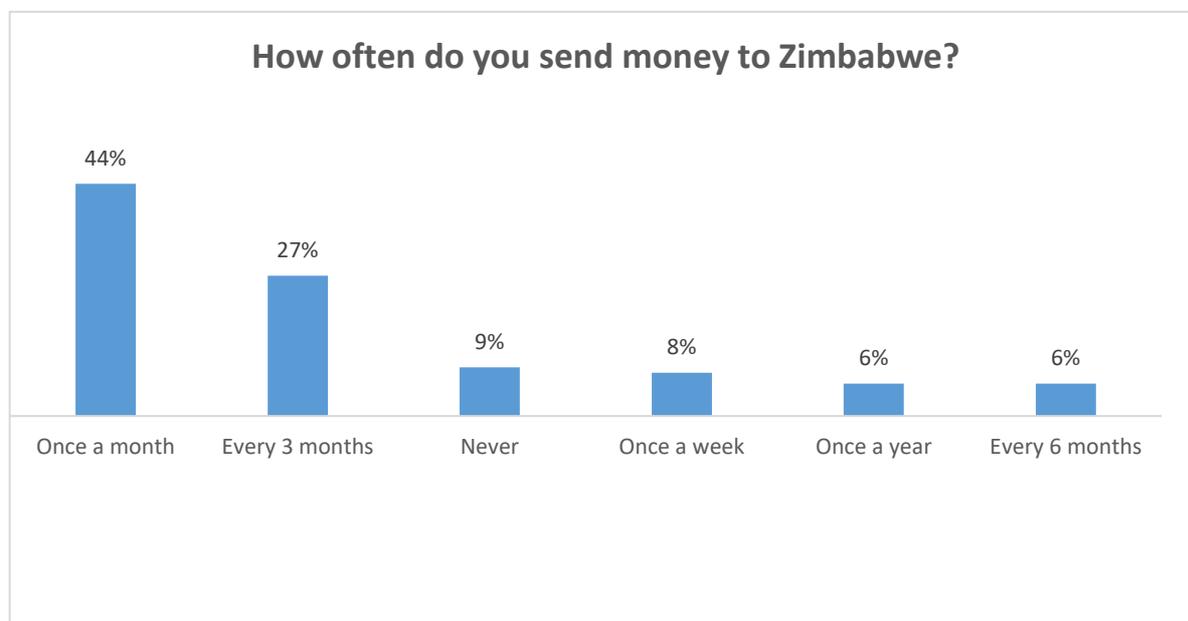


Figure 21: Frequency of sending money

In addition, 65% of respondents in the focus groups said that they used formal methods to send money i.e. Western Union, Mobile phone, banks, or MoneyGram.

The value of remittances is calculated by:

Obtaining for respondents the average value of their remittances, the frequency with which these are made and how the money is transferred.

The value of remittances is categorical and reflect a range of remittance values. e.g. P20 - P50. Rather than taking the midpoint of each range to denote the average value cognisance is taken of income distributions following a logarithmic distribution. The average categorical value is then based on the midpoint of the logarithm (base 10) of the category endpoints. For the highest category, there is no upper-end value and a figure fractionally larger than the lower end value is deployed.

The value of annual transfers is then based on the midpoint transformed back from the logarithmic format. The annual value is then multiplied by the frequency of remittances in that group to give a total value of remittances.

From the focus groups, the team tabulated the amount sent by the frequency of sending as shown in table 13.<sup>25</sup>

The informal and formal channels were combined to estimate the total amount sent:

Table 14: Calculation of all methods of remittance

Annualised value of those who remit:	Nothing	Less than P20 a month	P20 to P50	P51 to P100	P101 to P200	P201 to P400	More than P400	TOTAL
Every 3 months	0	0	0	1131	0	3394	37232	<b>P 41 758</b>
Every 6 months	0	9	0	283	0	566	1960	<b>P 2 817</b>
Never	0	0	0	0	0	0	0	<b>P 0</b>
Once a month	0	0	759	2546	5091	16971	176363	<b>P 201 730</b>
Once a week	0	0	1708	0	7637	0	158727	<b>P 168 071</b>
Once a year	0	0	0	71	141	283	1470	<b>P 1 965</b>
<b>TOTAL</b>	<b>P 0</b>	<b>P 9</b>	<b>P 2 467</b>	<b>P 4 031</b>	<b>P 12 869</b>	<b>P 21 213</b>	<b>P 375 752</b>	<b>P 416 340</b>

<sup>25</sup> Estimates in figures 22, 23, and 24 are calculated by the AfricaScope team.

The estimated total value for all channels of remittances is P416 340 or P4 248 per person.

Dealing first with the formal channels, the team calculated the annualised values for the amounts sent by considering the amounts and the frequency of sending:

Table 15: Calculation for formal methods of remitting

Annualised value of those who remit:	Nothing	Less than P20 a month	P20 to P50	P51 to P100	P101 to P200	P201 to P400	More than P400	TOTAL
Every 3 months	P 0	P 0	P 0	P 849	P 0	P 1 131	P 23 515	<b>P 25 495</b>
Every 6 months	P 0	P 0	P 0	P 141	P 0	P 0	P 1 960	<b>P 2 101</b>
Never	P 0	P 0	P 0	P 0	P 0	P 0	P 0	<b>P 0</b>
Once a month	P 0	P 0	P 0	P 849	P 0	P 3 394	P 117 576	<b>P 121 818</b>
Once a week	P 0	P 0	P 0	P 0	P 0	P 0	P 105 818	<b>P 105 818</b>
Once a year	P 0	P 0	P 0	P 0	P 0	P 0	P 980	<b>P 980</b>
<b>TOTAL</b>	<b>P 0</b>	<b>P 0</b>	<b>P 0</b>	<b>P 1 838</b>	<b>P 0</b>	<b>P 4 525</b>	<b>P 249 848</b>	<b>P 256 212</b>

The estimated amounts for the formal remittances amounted to P256 212 or P2 614 per person per annum.

The same methodology was used to estimate the amount sent through informal channels:

Table 16: Calculation for informal methods of remittance

Annualised value of those who remit:	Nothing	Less than P20 a month	P20 to P50	P51 to P100	P101 to P200	P201 to P400	More than P400	TOTAL
Every 3 months	0	0	0	283	0	2263	13717	<b>P 16 263</b>
Every 6 months	0	9	0	141	0	566	0	<b>P 716</b>
Never	0	0	0	0	0	0	0	<b>P 0</b>
Once a month	0	0	759	1697	5091	13576	58788	<b>P 79 911</b>
Once a week	0	0	1708	0	7637	0	52909	<b>P 62 253</b>
Once a year	0	0	0	71	141	283	490	<b>P 985</b>
<b>TOTAL</b>	<b>P 0</b>	<b>P 9</b>	<b>P 2 467</b>	<b>P 2 192</b>	<b>P 12 869</b>	<b>P 16 688</b>	<b>P 125 904</b>	<b>P 160 128</b>

The estimated total value for the informal remittances is P160 128 or P1 633 per person.

The estimated total value for all channels of remittances is P416 340 or P4 248 per person

#### **10.4 Combining the Migrant Population with Remittance Estimates**

If remittances of focus groups are typical, then approximately 60% of remittances are through formal mechanisms while the remaining remittances are through informal or illicit means. The FinScope Zimbabwe data from 2014 indicates that about 70% of respondents received money via formal non-bank outlets or banks.

The data from Botswana Post indicates the formal transfers via Western Union alone amount to P10-million a year. Combining this with the ratio from the focus group results then annual remittances amount to P23-million per annum.

This amount is substantially less than that indicated if the estimated 32 764 Zimbabweans in Botswana remitted an amount equal to the average of the focus group. In that instance the remittances could be as much as P135 936 000. However, if the 32 000 figure is vaguely accurate it will include spouses and children. If we assume that only half the 32 000 remit the average amount of the focus group (i.e. remittances are per household rather than per persons) then the total value of remittances is probably about P67 968 000. While this remains substantially more than the P23-million cited above the differences can be attributed to:

- exaggeration of remittance values by focus group because of imperfect recall
- selection bias for the focus group (biased towards selecting participants who were slightly better off than average)
- the crudity of the method to derive estimates (i.e. use of ranges etc.)

##### **The estimate for the total remittances per annum is as follows:**

- An estimated P4 248 remitted per person. An estimated 16 000 migrants/households remitting (50%), giving a total remitted estimate of P67 968 000.

##### **The estimate for formal remittance channels as part of the total remittances is as follows:**

- An estimated P2 614 remitted per person giving a total remitted formally of P 41 824 000 or 62% of all remittances.

##### **The estimate for informal remittance channels as part of the total remittances is as follows:**

- An estimated P1 633 remitted per person giving a total remitted informally of P 26 128 000 or 38% of all remittances.

A summary of the estimates we arrived at is shown in table 15 below.

Table 17: Remittance estimates

	Per person	16 000 migrants remitting
Formal	P2 614	BWP 41 824 000
Informal	P1 633	BWP 26 128 000
Total	P4 248	BWP 67 968 000

The estimate equates to 10.24% of the P663 508 916 which the World Bank estimated as the total outflow of remittances from Botswana in 2016.

### 10.5 Triangulation of the formal remittance estimates

Botswana Post indicates that they transmit about P10m a year via Western Union, Orange is saying they remitted about P1m in April 2018. If true, and this continues, we could say that Orange Mobile would transfer about P10m this year. Western Union never came back to us with a figure for their transactions but if BotswanaPost is doing P10m via Western Union, and Western Union did another P10m through their own branches this could potentially amount to P20m for Western Union and a combined Orange/Western Union of P30m.

The implication is that Western Union has a very large share of the market, which is safe to assume (the focus group results showed that 46% of the migrants interviewed used Western Union). This could mean that the total market would be about P43 million – based on P20m being 46% market share for Western Union. Based on the focus group findings, we estimated the formal market to be around P41m.

## 11. CONCLUSION AND RECOMMENDATIONS

In 2009 the G8 pledged to cut the average cost of international remittances to 5% of the sum sent within five years. Rates have since come down, but not by much: the average is now 7.7%. And the implicit tax on remittances is even higher than these figures suggest, since they are based on transfers of \$200, but many payments are smaller.

It is recommended that the Bank of Botswana be assisted in disaggregating the data on remittances in the GDP and Balance of Payments reporting to identify remittances, in and out of the country. It is understood that this process is underway, but no hard data was available at the time of writing.

The team experienced challenges in obtaining accurate, official statistics on the numbers of migrants from Zimbabwe who are living in Botswana. The number of documented versus undocumented migrants was therefore not possible to obtain. The inter-ministerial committee that has been formed to update and streamline data on migration should be encouraged and supported as the data is valuable in better understanding the extent of migrant penetration of the various sectors of the Botswana economy.

The policy on mobile transfers is currently under development and this is another area where the Government of Botswana could be supported via literature reviews of policies from other SADC countries.

BotswanaPost has an impressive footprint of branches and they are currently in the process of upgrading their branches. The links with Western Union provide an affordable and efficient remittance system with payment to the recipient in Zimbabwe ensured. BotswanaPost has the potential to lead the market in terms of remittances, particularly if their mobile product is successfully implemented. BotswanaPost has the potential to extend financial inclusion in Botswana, not only through remittances.

The long-term objective of policymakers should be to reduce the cost of remitting money and to strive for a ceiling rate of 5% to assist the poorer migrants in obtaining the best value for money. Cheaper mobile pricing will force the market in the direction of more affordable rates.

FinMark Trust could play an important role by exploring ways to improve financial education/literacy in the remittance arena by improving the understanding and awareness of commissions and commission structures for both remitters and receivers of remittances.

FinMark Trust could play a role in interventions around the development of innovative remittance services and could assist in capacity building around financial regulation and AML and CFT implementation.

FinMark Trust could also intervene on the supply side of the remittance sector by working with policy makers and service providers on ways to implement caps on commissions charged. In addition, FinMark Trust could play a role in interventions around the development of innovative remittance services.

