South Africa to the Rest of SADC Remittances Market Assessment (2024)

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G20
SOUTH AFRICA 2025

Solidarity
Equality
Sustainability

South African Reserve Bank

Committee on Payments and Market Infrastructures

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Introduction

Remittances and regional mobility in the SADC region: **A lifeline across borders**

Human mobility in SADC

Millions of migrants from SADC countries live and work in **South Africa**.

Cross-border migration is driven by **economic necessity**, employment and opportunity.

Economic interconnectedness

Remittances are a **critical financial mechanism** for **economic survival** and **community development**.

These transfers form an **invisible economic network** that **transcends national boundaries**.

Key policy frameworks

International commitments:

- G20 / CCBG PSS SFA 2023–2026
- SADC Financial Inclusion & SME Access Strategy 2023–2028.

Goals:

- Reduce **global remittance costs below 5%**
- Improve **speed, access and transparency.**

UN SDG Target 10.c

By **2030**, reduce remittance transaction costs to **<3% for USD200** transfers.

Eliminate corridors where fees **exceed 5%**.

Methodology and context

Methodology

- Access

- Formal remittances: Regulatory data based on the SARB's Balance of Payments from 2016-2024, covering all formal remittance categories and transaction patterns.
- Informal remittances: Triangulation of FinScope, focus group discussions with 61 migrants across Gauteng, Limpopo, KwaZulu-Natal and Western Cape, and Stats SA Census.

- Cost, speed and transparency

- Mystery shopping: 309 real transactions across USD200 and USD55 transaction sizes – effecting payments from South Africa to the rest of SADC to assess firsthand experience.

- Additional Context

- Additional context through key informant interviews (KIIs) with regulators and remittance service providers

Cross-border remittance framework

The remittance process is described by a three-mile value chain:

First mile:

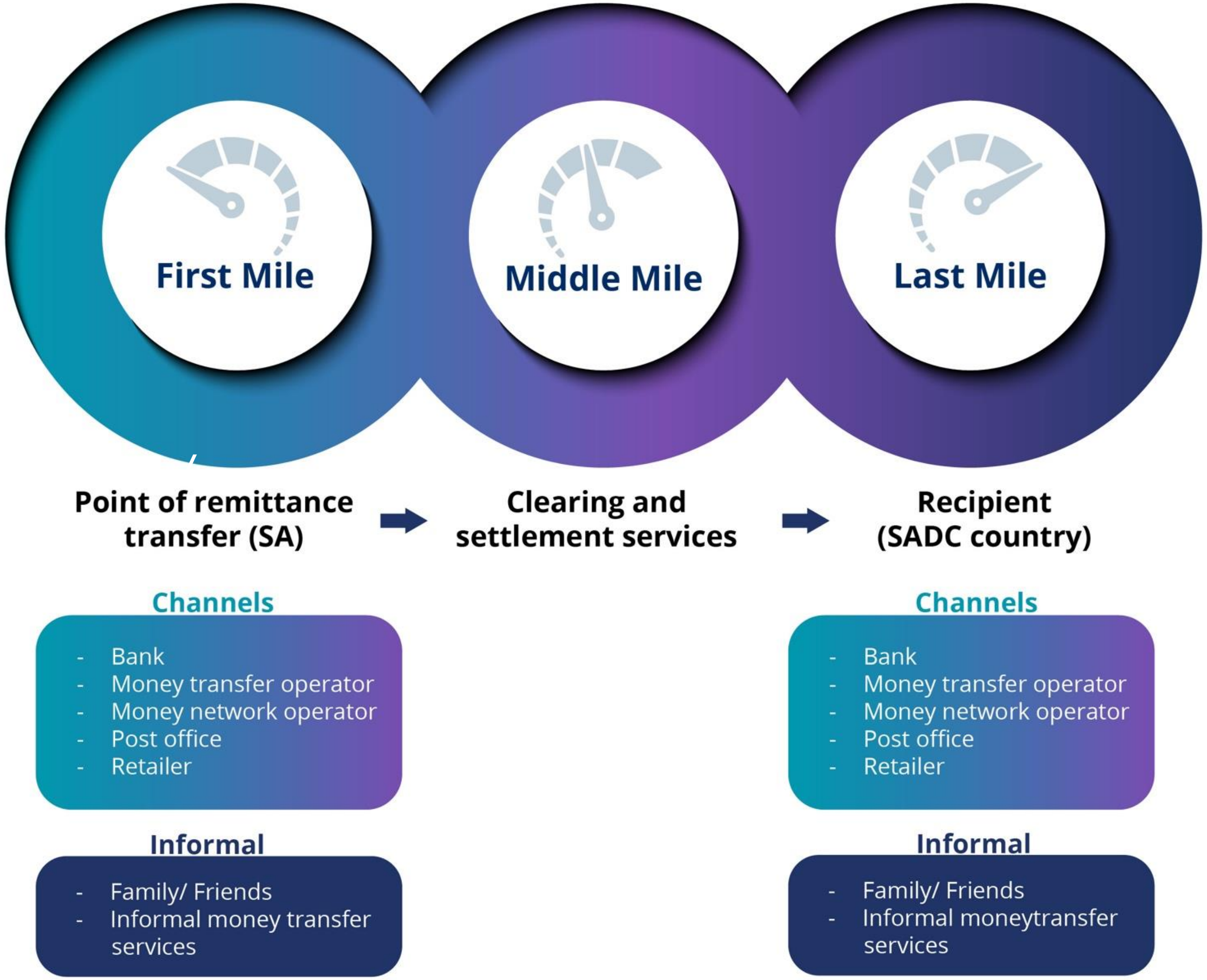
How senders access remittance services, including registration, transaction initiation and payment methods.

Middle mile:

Core cross-border infrastructure, involving correspondent banking, payment system interoperability and foreign exchange conversion.

Last mile:

How recipients access funds through various payout options.



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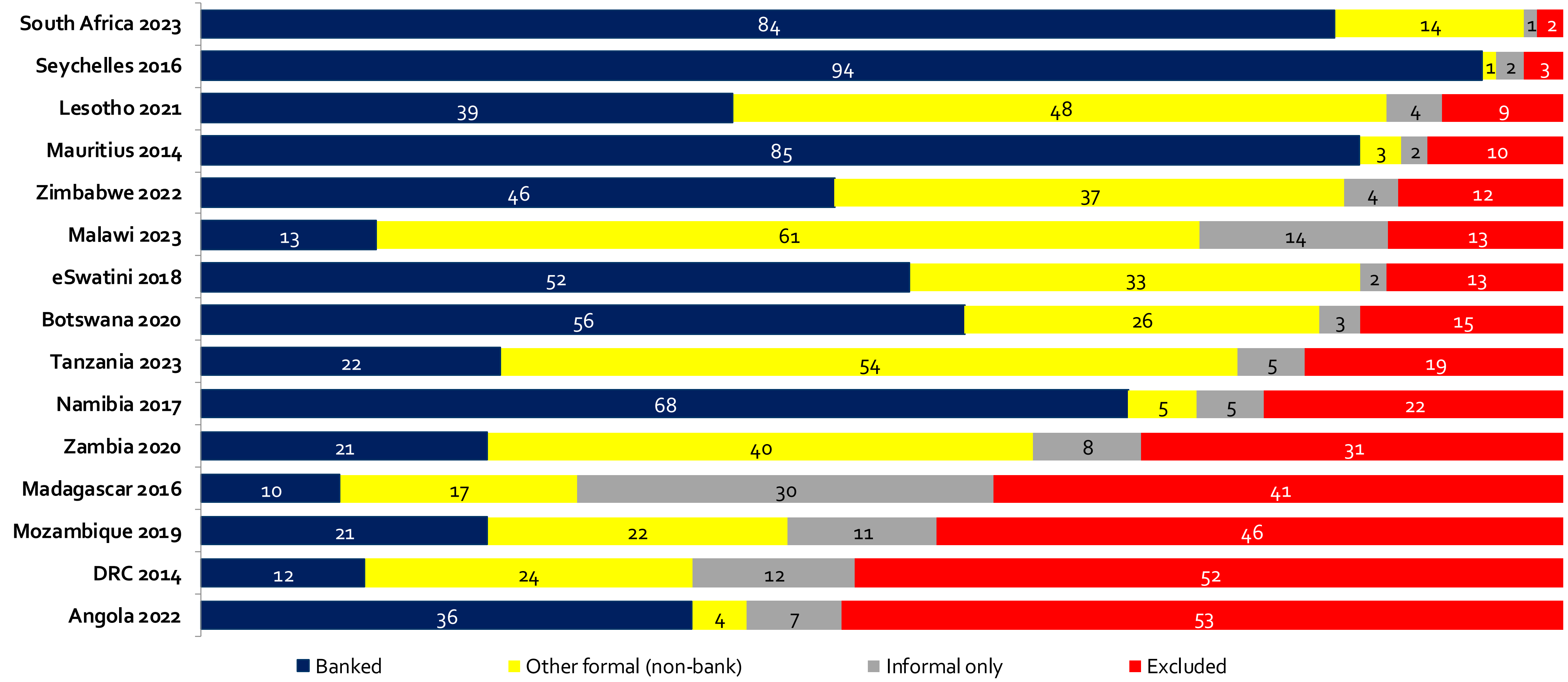
- Due to irregularity in migrant profile, they cant use bank accounts
- Access driven by non-banks through agent networks and cash heavy
- Big 4 largest migrant sending countries are mostly mobile money enabled on the last mile (Zimbabwe, Malawi, Lesotho and Mozambique)



*** Malawi 2023 and South Africa 2023 are still embargoed as the results have not been publicly launched

Market overview

- **Migrants with the right to work and refugees –** will have access to banks and non-bank options in SA; recipients likely to use mobile money
- **Irregular migrants and tourists (those with no right to work)** – have no banking option due to KYC requirements, typically use non-bank and informal only, and recipients are likely to use mobile money.
- Estimated 4 million SADC migrants and about 90% are irregular
- **Migrants can be diaspora traders or travel into SA for trade**
  - Receive goods to sell, then repatriate or receive funds to buy and organise logistics to get goods back into SADC countries.
  - Due to circumstances in South Africa and access limitations, **low-level cross-border trade is carried out via non-bank remittance rails. Therefore, remittance volume and value include trade related information esp BOP category on Gifts**
  - **Hides risks of financial crimes and limits the ability to develop appropriate policies for low value cross border trade given lack of visibility**
- **Migrants are also using mobile money apps that operate across borders, so no funds physically cross the border which is technically not illegal**
- Increase in remitting females, from **29% in 2016 to 35% in 2024,** driven, in part, by the outflows to Zimbabwe and Lesotho corridors – implying an increase in female migrants from these countries.

- Licensed providers increased from **48 to 55** between 2021 and 2024 (with Category 3 ADLA representing the most increases) – indicating continued market expansion and diversification
- **Operational models – banks, retailers, MTOs. No licenced MNOs in SA**
- **AD/ADLA partnerships on first mile and ADLA/** mobile money partnerships on the last mile.
- **Decoupling of CMA transactions from South African Multiple Option Settlement (SAMOS)**
- **SA FIC Act amendment 2017 – Risk Based Approach**
- **SA greylisting by FATF**
- **Foreign reserve contraction in the last mile leading to parallel forex markets**
- **Low adoption of regional instant payment system (TCIB) limiting interoperability**
- **Lack of legal frameworks and data management principles to enable cross border electronic verification of national ID/passports**

Formal access

Data used to measure access to formal remittances

Dataset on formal remittances provided by the SARB from its FinSurv Cross-border Reporting System

The top 3 outbound categories, making up over 90% of transactions, are 305,401 and 416.

Additional data dimensions include:

- Gender
- Cash vs digital channels
- Currencies sent vs currency received
- Originating province from the first mile.

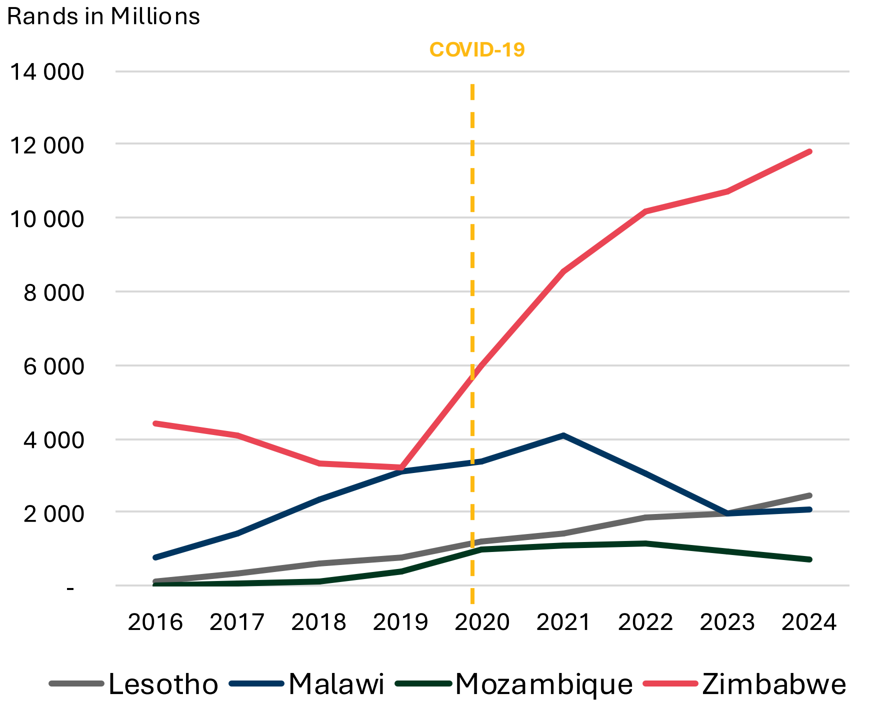
Data has been provided from 2016 to 2024, on the following BOP categories:

- **305** – Compensation paid by a resident to a migrant worker employee (excluding remittances) – data provided for ADLA transactions only
- **306** – Compensation paid by a resident to a foreign national contract worker employee (excluding remittances) – data provided for ADLA transactions only
- **401** – Gifts
- **410** – Alimony
- **416** – Migrant worker remittances (excluding compensation)
- **417** – Foreign national contract worker remittances (excluding compensation)
- **418** – Value transfer services (only for 2019 onwards, and only for outflows – previously unallocated).

Formal remittances: Total Rand Values in Millions (2016 – 2024)

Source: SARB dataset

Outflows to large SADC markets

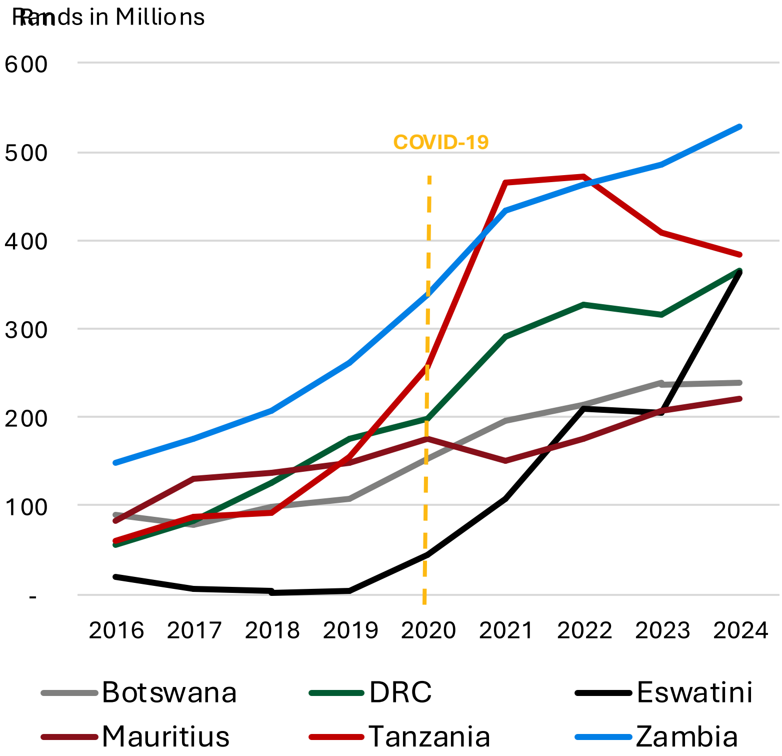


Growth in overall market – ZAR6billion in 2016 to ZAR 19 billion in 2024

Increase in migrancy into SA

Improvements in BOP data management by the SARB

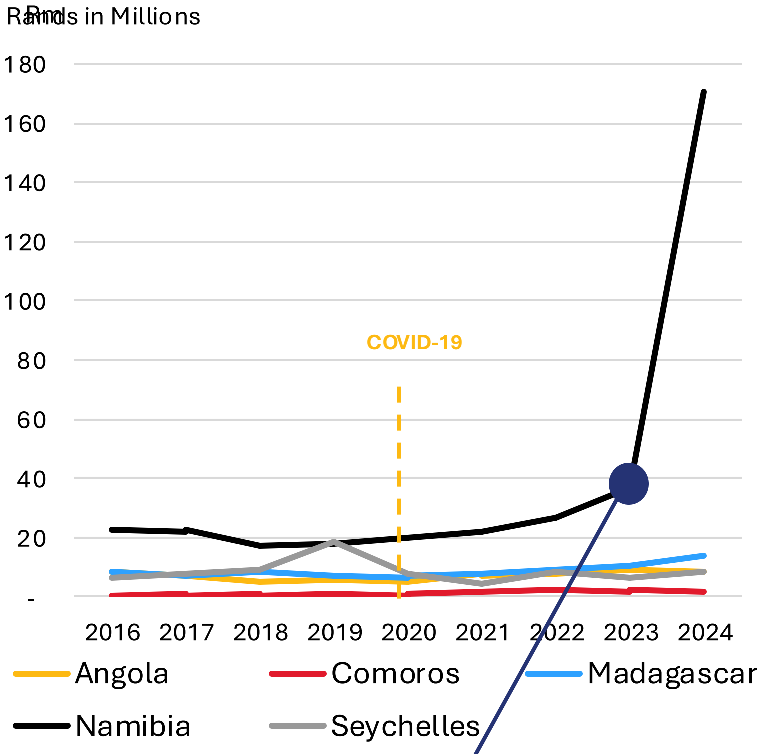
Outflows to intermediate SADC markets



COVID-19 triggered significant growth in these markets in 2020: Lesotho (60%), Malawi (9%), Mozambique (151%) and Zimbabwe (85%).

However, post-pandemic, these markets diverged. Lesotho and Zimbabwe maintained a growth trajectory; Malawi declined 49% from the 2021 peak; and Mozambique decreased 36% from the 2022 high.

Outflows to the smallest SADC markets



Growth in Namibian remittances:

In the 2023-2024 year, Namibia received 22,000 transactions worth over R170 million.

Outflows increased by 105.26% in October 2024 alone, aligned with CMA decoupling.

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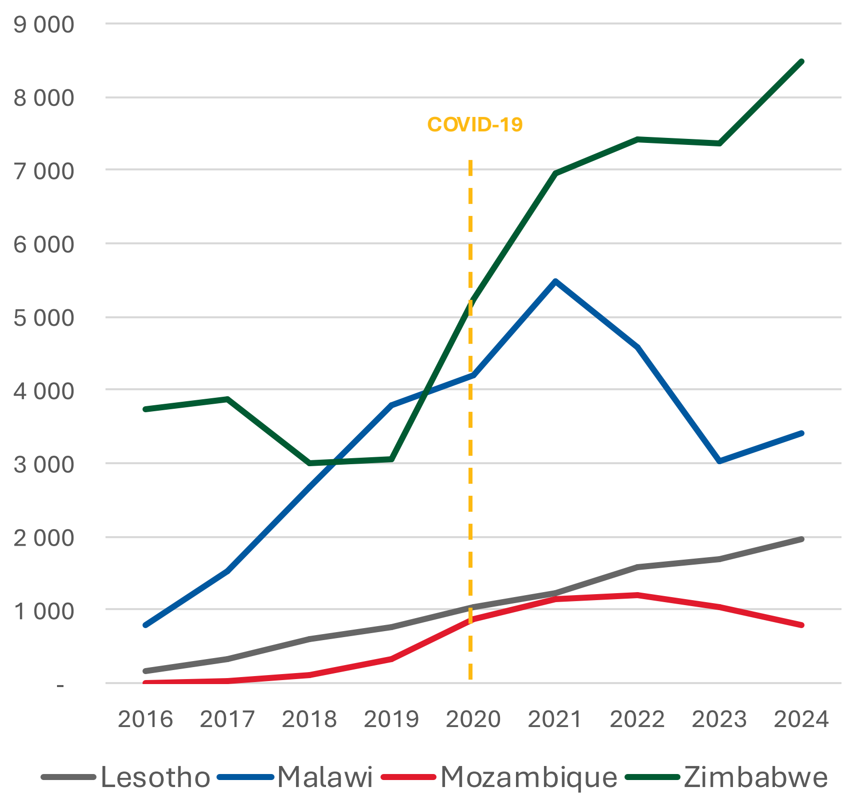
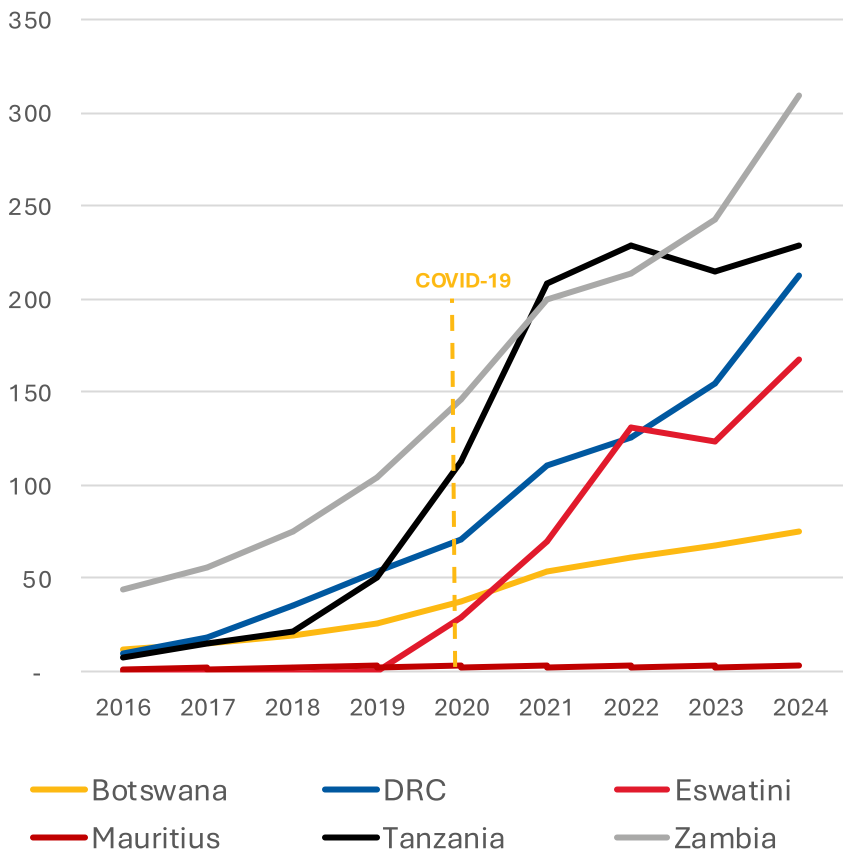
Formal remittances: Total Volume in Thousands (2016 – 2024)

Source: SARB dataset

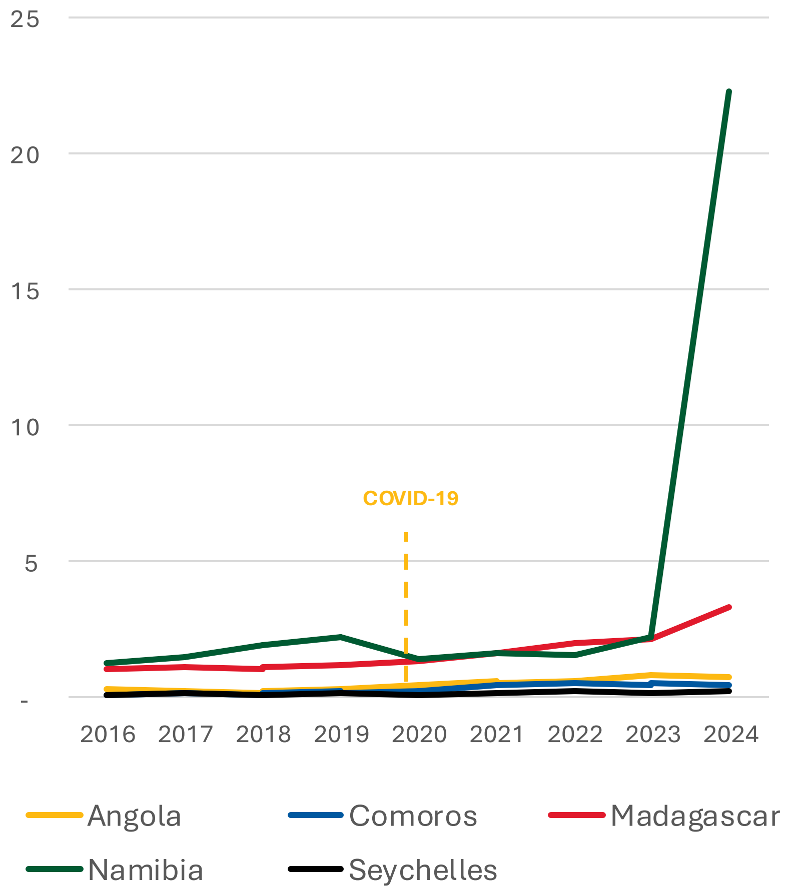
Outflows to large SADC markets



Outflows to intermediate SADC markets



Outflows to small SADC markets



Growth in overall market: 4.7 million in 2016 to 15.6 million in 2024

Volumes and Values have similar trends overall although Tanzania vol continue to increase with declining values

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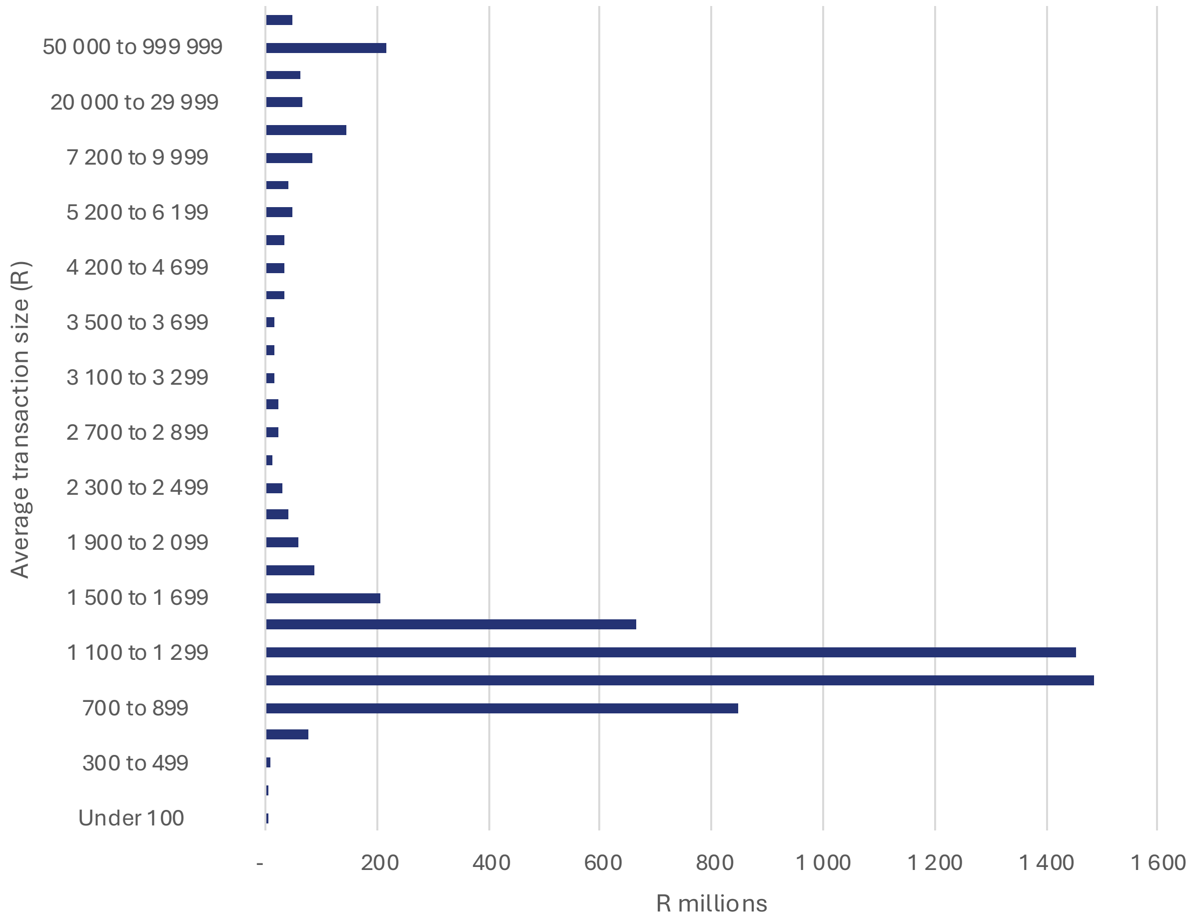
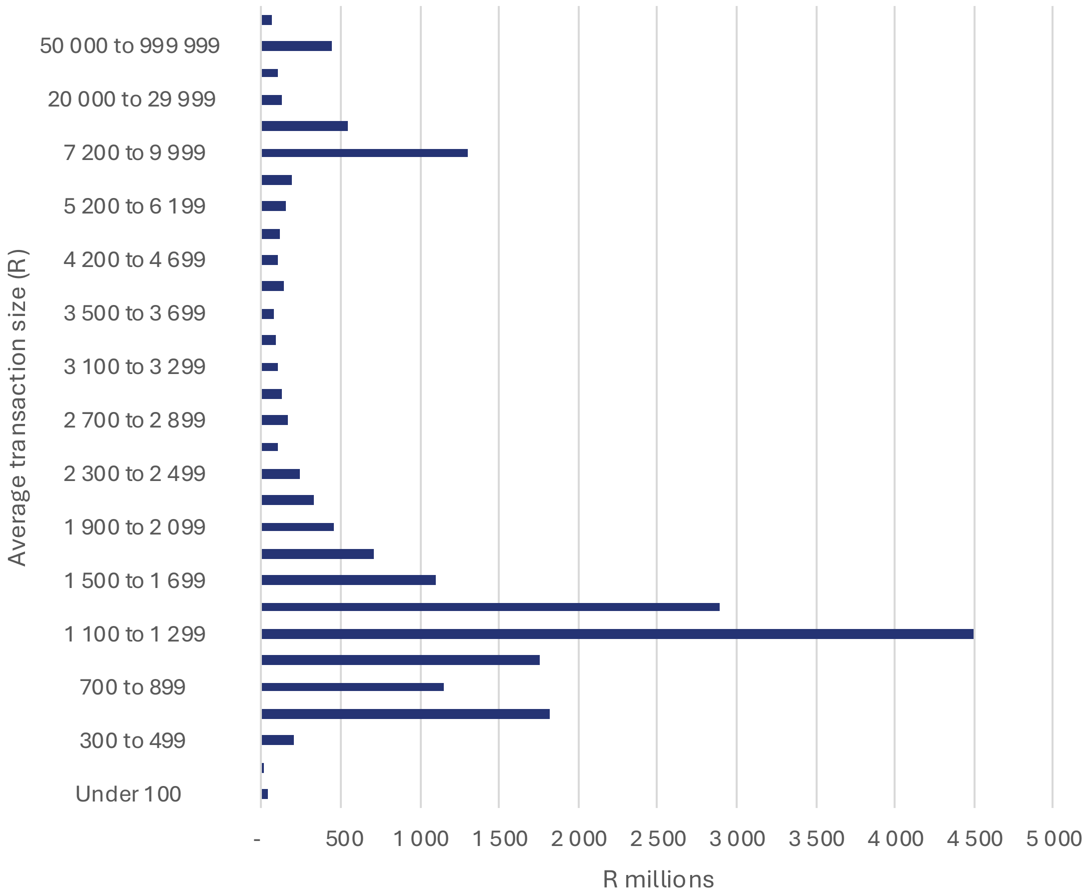
Formal remittance:
Average transaction size South Africa – SADC (2016 & 2024)
Average transaction sizes declining showing increase in financial inclusion

2016

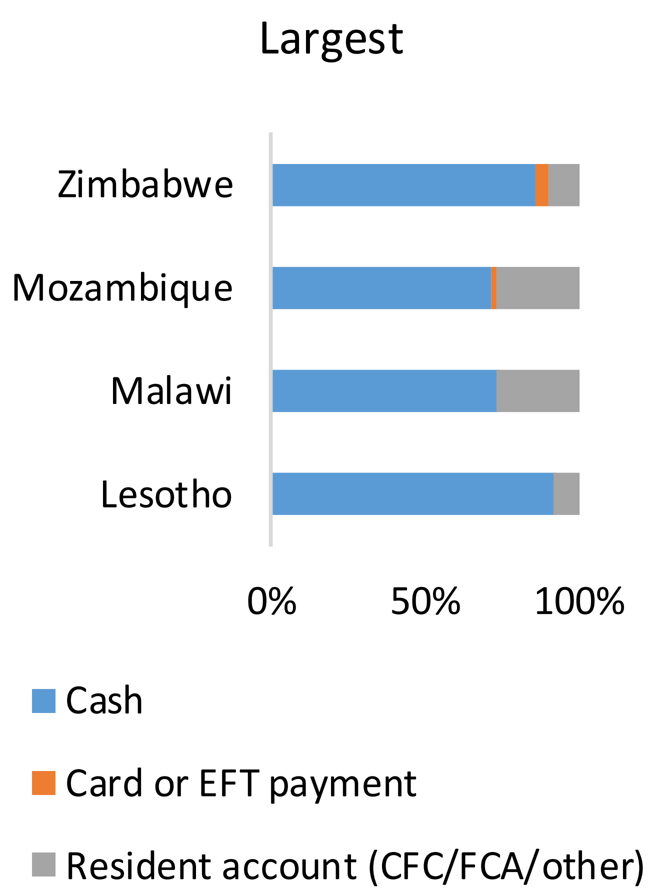


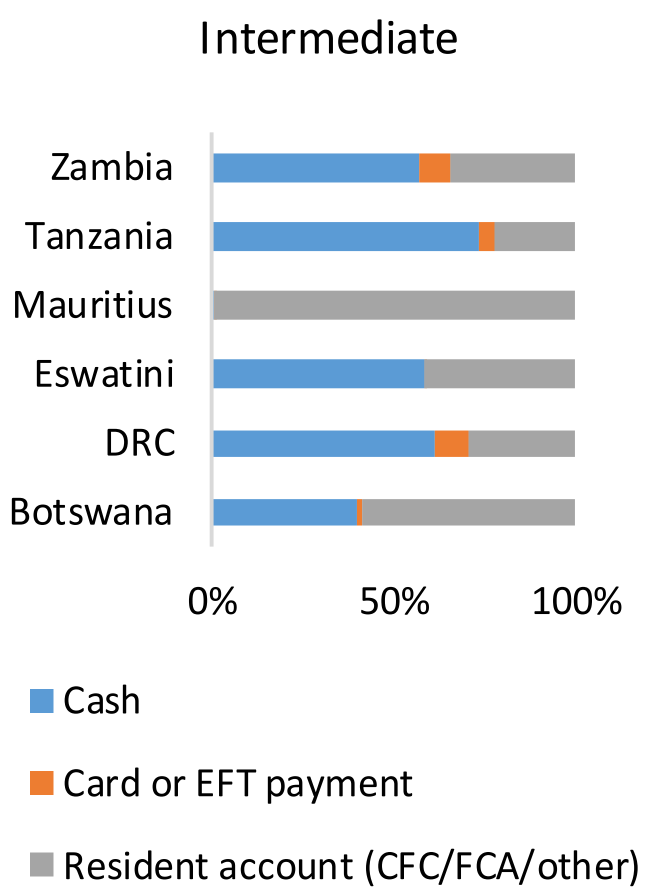
2024

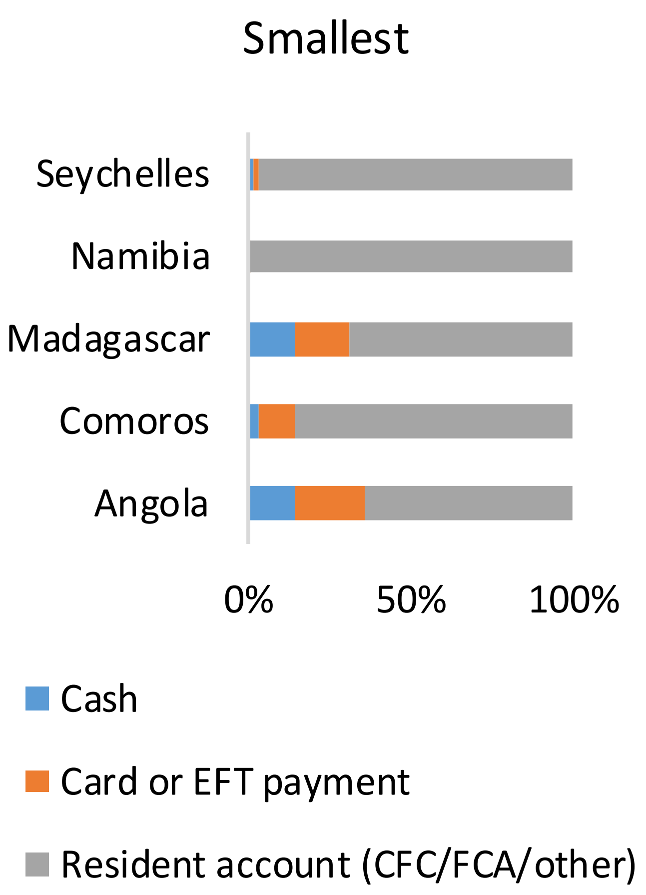


First-mile digitisation: South Africa – outbound volumes 2024 (cash/EFT/card)

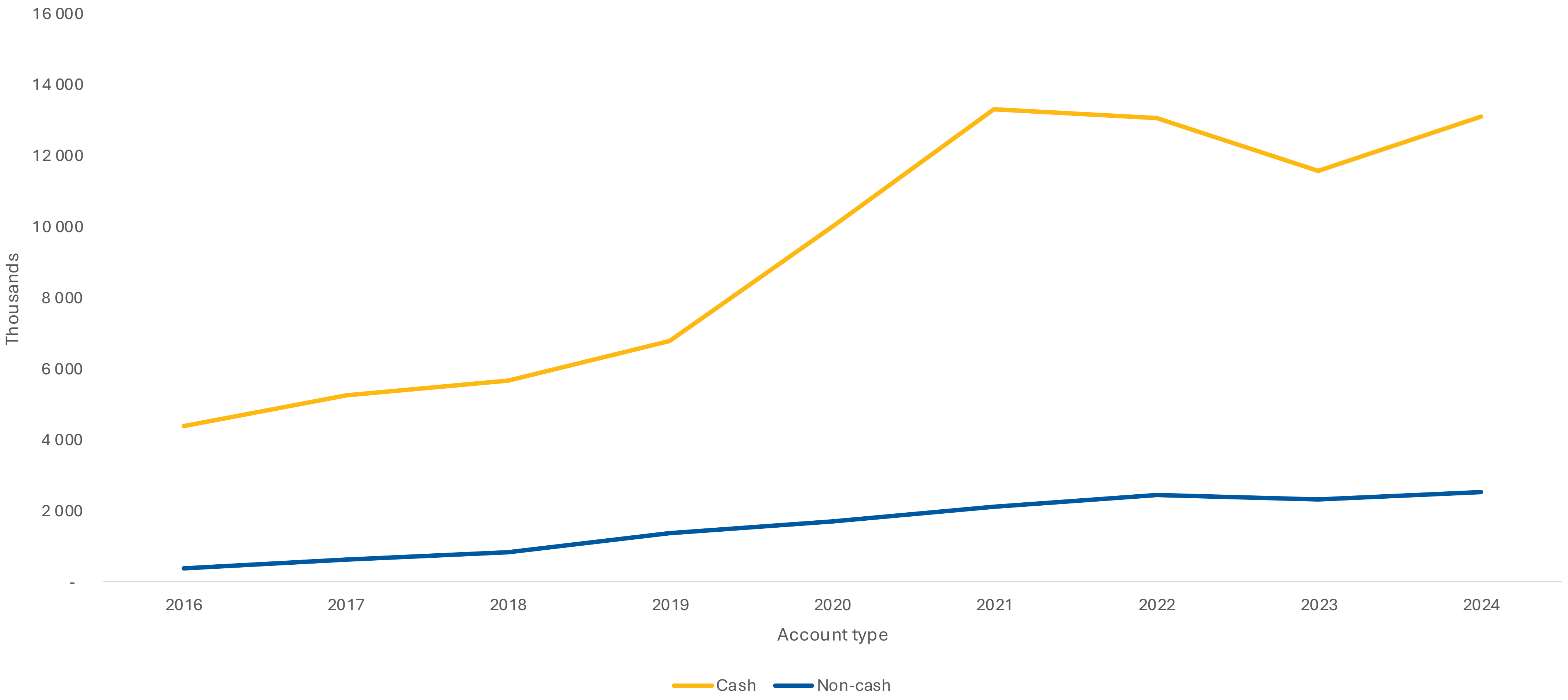
Large corridors cash, proximity effects influence use of cash







Formal remittances: Total volumes (2016 – 2024), by account type (cash vs digital) [thousands]



Source: SARB dataset

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Pricing, Transparency and Speed

Remittance price outcomes USD55: Total remittance costs – weighted

	AD	ADLA CAT 2	ADLA CAT 3	ADLA CAT 4	Weighted Average 2021	Weighted Average 2024 Comparable	Lowest Price	Highest Price	Median Price
Angola	28.4%		9.2%			28.3%	9.2% (Retailer)	28.4% (Bank)	
Botswana	28.5%	7.9%	5.0%	6.1%	37.4%	22.6%	0.5% (Non-bank)	28.5% (Bank)	5.1% (Retailer)
Comoros	14.2%					14.2%	14.2% (Bank)		
DRC	35.5%	7.6%	5.9%	9.3%	21.1%	19.1%	3.4% (Retailer)	35.5% (Bank)	7.8% (Non-bank)
Eswatini	3.0%	10.0%	12.8%		1.6%	8.0%	3.0% (Bank)	12.8% (Non-bank)	10.0% (Non-bank)
Lesotho	3.0%	10.0%	8.6%	2.5%	3.8%	7.0%	0.0% (Non-bank)	10.0% (Non-bank)	8.6% (Non-bank)
Madagascar	27.2%		5.3%	7.9%	40.0%	26.8%	5.2% (Retailer)	27.2% (Bank)	5.3% (Retailer)
Malawi	13.9%	-39.7%	-51.5%	-15.0%	9.0%	-34.0%	-55.1% (Retailer)	34.1% (Non-bank)	-40.9% (Non-bank)
Mauritius	21.1%					21.1%	21.1% (Bank)		21.1% (Bank)
Mozambique	22.7%	12.5%	5.6%	3.3%	8.4%	6.6%	-1.0% (Non-bank)	26.9% (Bank)	6.3% (Retailer)
Namibia	12.6%	14.7%			0.1%	12.4%	6.7% (Bank)	18.5% (Bank)	14.7% (Non-bank)
Seychelles	20.9%				34.6%	20.9%	20.9% (Bank)		20.9% (Bank)
Tanzania	23.6%	5.9%	5.0%	8.9%	15.3%	11.6%	4.5% (Retailer)	29.0% (Bank)	7.0% (Non-bank)
Zambia	19.0%	32.6%	5.3%	10.6%	22.3%	24.8%	4.5% (Retailer)	19.6% (Bank)	10.0% (Non-bank)
Zimbabwe	31.3%	5.5%	7.2%	8.7%	9.2%	6.6%	0.5% (Non-bank)	35.4% (Bank)	7.4% (Non-bank)

Remittance price outcomes: Total remittance costs – weighted

The LMZ grouping (Lesotho, Mozambique, Zimbabwe): Mozambique and Zimbabwe have falling costs. Lesotho's increase lifts the overall price.

Minor progress in non-CMA countries, particularly due to **competitive pricing from ADLA providers**, while **CMA costs have seen increases.**

Remittance prices in other regions:

- South Asia: 5.01%
- Latin America and Caribbean: 6.19%
- Middle East and North Africa: 6.45%
- Europe and Central Asia: 7.33%

Source: World Bank (2024). Remittance Prices Worldwide Quarterly Issue

Regional average prices 2024, weighted by licence categories (bank vs non-bank) and then by country

	USD55		USD200	
	2024	**2021**	**2024**	**2021**
Average prices, weighted by country size				
SADC total	4.7%	9.6%	3.5%	7.2%
SADC total excel Malawi	9.3%	7.2%	8.0%	4.9%
SADC total, excel Malawi & CMA	9.6%	10.2%	8.3%	7.6%
CMA only	7.8%	2.9%	6.5%	2.9%
LMZ*	8.5%		8.1%	
LMMZ**	3.8%	8.5%	3.4%	7.0%

**Note: LMZ grouping consists of Lesotho, Mozambique and Zimbabwe. Malawi is excluded to showcase undistorted results. 2021 comparison for this grouping is unavailable.*

**Note: LMMZ grouping consists of Lesotho, Mozambique, Malawi and Zimbabwe for comparison against 2021 results.

Remittance transparency and speed

Service quality for ADs

- Transactions mostly within an hour unless correspondence banking or flagged transactions for AML
- Some banks exhibited **problematic pricing disclosure strategies**, revealing commission fees only in advanced stages of payment processing, potentially creating significant user confusion and reducing transaction transparency.
- One bank encountered operational challenges, including:
  - A **complete transaction failure** in Zimbabwe due to correspondent banking relationship complications.
  - **Mandatory in-branch processing** requirements for **CMA** country transfers.

Service quality for ADLAs

- Transactions are mostly within an hour
- None of the ADLAs charged additional fees beyond the amount quoted to the sender, nor were any fees applied to recipients.
- Fees were consistently transparent.
- **Challenges:**
  - One ADLA in Botswana: Inability to locate recipient branch
  - Compliance team flagged and banned a team member from using services
  - Minimum transfer of R500 for some countries.

Account opening

- **Digital registration methods generally proved efficient**, with most providers offering streamlined onboarding processes taking 10-24 hours.
- One ADLA encountered significant digital registration challenges, including **repeated document upload failures** and **prolonged registration processes taking up to 22 days.**
- Branch-based registrations introduced complexities like **variable wait times** and **potential exchange rate fluctuations** during the registration process.

Summary

Summary	Possible interventions
Underestimation of informal remittances (Access)	• More investment in demand side surveys to capture evolution of migrancy and use of informal • Develop policy on registering informal MTOs/Hawalas
Trade data hidden in remittance data (Access/usage)	• Provide ADLAs with dedicated BOP code for cross border trade
CMA decoupling from SA NPS led to increase cost (Cost)	• Impact assessment of changes in policy and law required
Increase in cash-based remittances	• Improve digital financial ecosystems especially merchant payments in domestic markets and cross-border transactions can be influenced • Improve cross border eKYC mechanisms so migrants meet criteria to access wallets/accounts through SADC eKYC framework and KYC registry projects • Banks should consider adopting RBA to CDD
Cost function of ADLAs is in first and last mile – cash handling, CICO networks	• Interventions to digitise first mile in SA through Payments Ecosystem Modernisation (PEM) prograr
Retail model remittance in Eswatini and Lesotho through Shoprite cheapest and driving volumes	• Consider digital last mile termination options but dependent on commercial incentives/agreements due to queues and liquidity issues
Low adoption of TCIB	• Allow non-banks to participate in national switch and link switch to TCIB
ADLAs have more instant services compared to ADs due to correspondence banking relationships (speed)	• Increase use of regional settlement system relative to correspondence banking
ADs and ADLAs equally transparent but more branc specific issues on Ts&Cs (Transparency)	• ADs to provide more detailed recon of cross border transactions • Adopt responsible finance principles – transparency, understandable info