REMITSCOPE

THE GLOBAL PLATFORM FOR REMITTANCE-RELATED DATA

Africa

PRELIMINARY RELEASE

IFAD
Investing in rural people

Financing Facility
for Remittances

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ACRONYMS

AML/CFT	Anti-money laundering/Combatting the financing of terrorism
ATM	Automatic teller machine
CAGR	Compound annual growth rate
CFA	Central African Franc
EU	European Union
FATF	Financial Action Task Force
FX	Foreign Exchange
GSMA	Groupe Speciale Mobile Association
IMF	International Monetary Fund
MM	Mobile money
M2M	Mobile-to-mobile
MTO	Money Transfer Operator
SDG	Sustainable Development Goal
UNDESA	United Nations Department of Economic and Social Affairs

Methodological note

The information and data within this report has been obtained from the RemitSCOPE Africa web portal. The site collects data for up to 140 variables for 54 countries and uses a mix of primary and secondary data sources for each thematic area.

Publicly available data on migration, remittance flows, remittance pricing and financial inclusion is based on information from sources such as UNDESA, the World Bank's KNOMAD reports and Remittance Prices Worldwide, FINDEX, IMF, OECD and others. Many of these sources used estimates and models to develop the data that is provided.

Primary research has been used wherever practical and especially in the areas of access, restrictions on operating, licensing and competitive environment, operators, pay-out partners and service providers. The research was undertaken by local experts and was undertaken during Q1 and Q2 2023.

Pricing of remittances is collected using two sources. Where available, the data on the World Bank's Remittance Prices Worldwide portal was used. Where this was not available primary research was conducted on key relevant corridors using mystery shopping techniques which follow the World Bank guidelines in this area.

Average prices, by region and for the continent, were calculated by taking the unweighted average of each service where the price was measured for the whole geography being examined. Note, it has not used the alternative method of calculating the average of each country's average.

Data collection on regulations and local operating environment also involved discussions with experts in markets and key stakeholders including central banks and market operators.

Introduction

This report provides an overview of remittances into- and intra- Africa looking at the drivers, trends, impact and potential, drawing on the latest available data. It provides background information on migration, remittance flows, pricing trends, financial inclusion, access and the competitive environment.

In 2022, according to the World Bank, nearly $100.1 billion flowed into Africa in remittances which is approximately twice the level of overseas development assistance. Remittances provide a lifeline for many families and countries, especially in rural areas where they can make the biggest difference. Within Africa, 17 of the 54 countries are dependent on remittances for at least 4 per cent of their GDP. Remittance volumes continue to grow (12 per cent Compound Annual Growth Rate (CAGR) in the 3 years to 2022) despite global headwinds. This is not unusual as remittances are often counter-cyclical and increase during difficult events globally or locally. Around 75 per cent of remittances are used for support purposes such as food, housing, education and health, with the remainder available for saving or investment (IFAD, 2022).

Remittances have a vital role to play in supporting and achieving the Sustainable Development Goals (SDGs). Remittances help to reduce inequalities (SDG 10), help to end poverty (SDG 1), hunger (SDG 2), promote good health (SDG 3), clean water and sanitation (SDG 4) and address decent work and economic growth (SDG 8). Africa is the most expensive region to send money to and within, with an average cost of 8.9 per cent compared the global average of 6.2 per cent. For this reason, and in recognition of the value of remittances, SDG 10.c is focused on reducing the cost of remittances globally so that more money is received by the families, businesses and countries that need it. SDG 10.c sets a target of a global average remittance cost of 3 per cent with no single corridor to cost more than 5 per cent by 2030. There is still a way to go. The value of remittances has also been identified and recognized in Objective 20 of the Global Compact on Safe, Orderly and Regular Migration.

RemitSCOPE Africa

The data for this report has been drawn from the RemitSCOPE Africa website. RemitSCOPE Africa compiles the most-up-to-date and trusted remittance and remittance-related data across 54 countries in Africa and covers up to 140 different indicators per country. It enables the user to interact with data to better understand remittances across the continent, gather insights into diaspora, remittance flows, pricing, operating environments, digitization, access and much more.

RemitSCOPE allows the user to explore data by theme and indicators, and compare indexes that have been purposefully curated. Indexes combine different, but related, indicators to provide comparable market intelligence across countries. The user can deep dive into remittance markets of interest through the dedicated 54 country profiles and review insights and analysis through dedicated topic updates and featured collections.

Snapshot Indexes

RemitSCOPE's Snapshot Indexes are simple composite indexes that bring together several different indicators that work collectively to provide further and deeper market insight.

The RemitSCOPE Snapshot Indexes can be looked at in conjunction with one another to offer a quick 'snapshot' overview of key remittance market characteristics in relation to other countries on the continent. The initial SnapShot Indexes provide insight into how important remittances are to the economy and the country of origin population; how ready the country is for the uptake of digital remittances; whether there are market considerations that may affect businesses from operating; and an indication as to the array of potential pay-out options available for remittance receivers relative to other countries on the continent.

They have been created and designed by industry experts and the indicators awarded weights that reflect their relative importance to the Index. RemitSCOPE Indexes have been validated with market operators to sense check the composition and respective weights.

The role of Central Banks in data provision

The production of RemitSCOPE Africa, with the breadth and depth of data that it contains (up to 140 indicators for 54 countries), has highlighted the challenges of available data. Data comes from a variety of publicly available sources, including: remittance flow and pricing data from the World Bank; migration numbers from the United Nations; financial inclusion information from studies such as Global Findex (World Bank) and Finscope; market access data from the IMF, GSMA and others; regulatory information from bespoke research; and market composition data also from primary research.

Central banks can, and do, play a vital role in the accurate and timely provision of remittances data. In collecting balance of payments data central banks have consistently developed methods to capture data on remittances, often with varying degrees of success. In recent years central banks have become more aware of the granular information that they can obtain on remittances and the uses to which it can be put. As part of licensing and anti-money laundering/know your customer (AML/CFT) processes and for other monitoring reasons some central banks have obtained detailed remittance transaction data for several years. Recently there has also been an understanding that there are benefits to market operators if money transfer data is published. The private sector can really benefit if aggregate data is published at a national level that not only shows total remittance inflows and outflows but also includes more granular information such as flows by corridor, the method that is used to send and receive remittances, gender relevant information and so on. This information can inform commercial, marketing and operating decisions for new and existing money transfer companies.

This data is important for government as it informs policy considerations for multiple ministries and departments and helps in the evaluation of programs that have been implemented.

Central Banks are normally the entity that creates the regulatory environment, not only for which entities can offer remittances but also in AML/CFT. They are in the perfect position to create reporting criteria for licenced operators so that the central bank can receive all necessary data to fulfil its functions. Currently, much reporting that is made is purely for government's internal monitoring and reporting purposes. However, some central banks are now beginning to publish market relevant remittances data on a public website on a regular basis. This small advance is making a large difference to multiple stakeholders. Good examples in this area include the Central Bank of the Gambia, which made changes to data reporting requirements and has made corridor level information available to operators in the market, and The Central Bank of Kenya which is publishing similar information monthly. The Bank of Uganda conducts household surveys which include questions on remittances to understand the overall size of the market as well the scale of informal remittance flows, which are believed to be large.

There are other examples of good practice by central banks and improvements are being seen on a more regular basis. These include:

i) Publishing regular (monthly) and up-to-date information on remittance flows and pricing in publicly available sites;
ii) Producing granular market data that provides a view of products and channels used by consumers to access remittances;
iii) Supplementing supply side data insights with demand side data; and
iv) Publishing a list of licensed operators in the market.

It is hoped that the development of RemitSCOPE Africa will encourage more innovation in this area and that central banks will publish (and provide to RemitSCOPE Africa) more market relevant data on a regular basis.

Context

Remittances are a vital tool for development. Several global initiatives and programs have been developed which refer to and include remittances, including the Sustainable Development Goals, the Global Compact for Safe, Orderly and Regular Migration and the work of the G20. For example, SDG 10.c states that "by 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent."

However, this is not the only SDG that they impact, and they can also help to end poverty (SDG 1), hunger (SDG 2), promote good health (SDG 3), clean water and sanitation (SDG 4) and address decent work and economic growth (SDG 8). The value of remittances has also been identified and recognized in Objective 20 of the Global Compact on Safe, Orderly and Regular Migration.

Objective 20 of the Global Compact for Safe, Orderly and Regular Migration covers remittances, as follows: "Promote faster, safer and cheaper transfer of remittances and foster financial inclusion of migrants. (Annex 1 contains the full text).

To realize this commitment, the following items were included:

a) Develop a roadmap to reduce the transaction costs of migrant remittances to less than 3 per cent and eliminate remittance corridors with costs higher than 5 per cent by 2030 in line with target 10.c of the 2030 Agenda for Sustainable Development.
b) Promote and support the United Nations International Day of Family Remittances and the IFAD Global Forum on Remittances, Investment and Development.
c) Harmonize remittance market regulations and increase the interoperability of remittance infrastructure along corridors.
d) Establish conducive policy and regulatory frameworks that promote a competitive and innovative remittance market, remove unwarranted obstacles to non-bank remittance service providers in accessing payment system infrastructure.
e) Develop innovative technological solutions for remittance transfer, such as mobile payments, digital tools or e-banking.
f) Provide accessible information on remittance transfer costs by provider and channel, such as comparison websites.
g) Develop programs and instruments to promote investments from remittance senders in local development and entrepreneurship in countries of origin.

h) Enable migrant women to access financial literacy training and formal remittance transfer systems.
i) Provide access to and develop banking solutions and financial instruments for migrants, including low-income and female-headed households.

The G20 Global Partnership for Financial Inclusion (GPFI) – as the implementing body for financial inclusion in the G20 – updated the G20 Financial Inclusion Action Plan (FIAP) in 2014. The G20 Development Working Group (DWG) will continue to build political momentum for collective and individual country-led actions. The DWG will draw on the GPFI's technical work to support progress against the five per cent target and will support efforts to create a sound analytical basis and evidence base to inform future country-led actions.

Within this context IFAD has developed the program Platform for Remittances Investment and Migrant's entrepreneurship in Africa (PRIME Africa). The program is co-financed by the European Union, and addresses remittance-linked development opportunities through innovations, partnerships, and scalable products that promote cheaper, faster, and safer remittance transfers supported by the European Union.

PRIME Africa's objectives are to:
a) Reduce remittance transfer costs to target countries in support of SDG 10.c and the Global Compact for Safe, Orderly and Regular Migration.
b) Reduce the use of informal remittance channels within Africa.
c) Enhance financial inclusion – general access to useful financial products and services – through remittance-linked financial services.

RemitSCOPE Africa is a product developed under the PRIME Africa program.

Summary of findings

The key data for African remittances is included in this section. It should be noted that all the data has been collected from RemitSCOPE. Some has been derived from estimates and where this has occurred it is shown in the main body of the document.

Migration

- Official migration data shows a steady increase of African migrants over time.
- It is estimated that there are 40.4 million African migrants. This number has risen at an average rate of 2.6 per cent CAGR in the 5 years to 2020. The largest source countries of migration in terms of the absolute numbers of migrants are Egypt, Morocco, South Sudan, Sudan and Somalia, whilst South Sudan, the Gambia, Eritrea, Nigeria and Cameroon represent the fastest growing countries of emigration.
- France is the largest host country, with an estimated 4.3 million African migrants living there. Europe, North America and the Gulf States are the most popular host regions for African migrants.
- Approximately 51 per cent of African migrants move to another country on the African continent.

Remittance flows

- Remittance flows to Africa are increasing over time, reaching an estimated $100.1 billion in 2022. This represents a CAGR of 12.1 per cent since 2019. It should be noted that this figure largely represents official flows only (although some countries, such as Uganda, include informal flows as well) and various studies imply that informal flows of between a third and half of the formal market are also made.
- Egypt is the largest receive market, followed by Nigeria and Morocco. These three markets account for 65 per cent of all remittances to African countries.
- Less than ten send countries publish remittance sending data by corridor so there is a reliance on estimates. The estimates indicate that the largest individual corridors sending to Africa are being sent from USA, Italy, France, United Kingdom and Canada (all G7 countries). Only 5 of the top 27 corridors originate in Africa.
- Remittance flows are significant for many countries. This particularly applies to The Gambia, Somalia, Comoros, Lesotho, Cape Verde and Guinea-Bissau, for all of whom remittances are more than 10 per cent of GDP. Indeed, there are 13 African countries where remittances are more than 5 per cent of GDP.

Remittance pricing

- The cost of sending money to Africa has significantly reduced but Africa remains the most expensive region in the world to send money to, with an average price of 8.85 per cent to send $200 in Q2 2022. Over the last 6 years the price has fallen from 11.55 per cent in Q2 2016, a drop of 2.7 per cent per cent. At the current rate of progress Africa will fail to meet SDG 10.c which states that remittance prices will not average more than 3 per cent by 2030 and no single corridor will be more than 5 per cent.
- The cost of sending a remittance varies depending on the provider or channel used. The most expensive services are bank based. Cash is more expensive than digital services and mobile remittance services are the lowest cost option for sending money.
- Encouragingly mobile-to-mobile (M2M) remittance services are lower than more traditional offerings. The average cost to send M2M is 3.75 per cent and all but two M2M remittances services in the world are based in Africa.
- It is significantly more expensive to send money within Africa, where the average cost is 11 per cent. However, prices vary widely depending on the country and range between Tanzania, at over 32 per cent, and Senegal at 2.1 per cent.

Financial inclusion

- Financial inclusion has increased significantly in Africa, rising from 20 per cent in 2011 to 51 per cent in 2021. The data shows that this is largely driven by the acceleration in mobile money account ownership.
- The level of financial inclusion varies across the continent with Ghana, Mauritius, South Africa, Kenya and Namibia having the highest levels. However, there is still a long way to go to achieve full financial inclusion. The countries with the lowest levels are: South Sudan (6 per cent), Egypt (27.4 per cent) and Sierra Leone (29.1 per cent).
- Remittances sent to mobile money accounts are a growing phenomenon in Africa driven by the penetration of mobile money.

Access

- Being able to access the money that is sent, how and where the receiver would like as efficiently, quickly and safely as possible is essential to an effective remittances environment.
- Cash based services remain the largest transaction method, especially for pay-outs, for the continent. Having access to physical locations such as bank branches, agent locations ATMs, and so on, throughout a country is very important especially in rural areas.
- The rise of aggregator services, where a specialist service provider can connect multiple agent locations from different networks, has enabled many new and existing remittance companies to offer a much larger network of pay out agents than was seen previously.

Restrictions on operating and licensing

- With 54 different countries Africa has a variety of operating and licensing environments. The differences between the countries and the nature of regulations and operating environments pose major challenges for entities wishing to operate throughout the continent. Challenges include:
  - The existence of parallel foreign exchange markets;
  - Payment of remittances primarily in US dollars;
  - Being listed under FATF watch-list;
  - High inflation environments;
  - Lack of guidance for operators; and
  - Restrictions in outward remittance flows in some markets.

Competitive environment, operators, pay-out partners and service providers

- Recent years have seen a major improvement in the level of competition driven by the removal of exclusivity clauses, changes in local regulations and an increased number of operators in send markets.
- There are a variety of participants in the remittances market providing connected but different services. These include: international Money Transfer Operators (MTOs), corridor-specific remittance companies, locally based MTOs, mobile Network operators, banks, aggregators, and specialized service providers.
- Recent developments in the competitive environment in Africa provide encouragement that over time prices will decline and the remittances market will become more efficient.

Summary

The remittance market in Africa is sizeable and growing. Whilst the continent has the highest remittance prices in the world it also has strong signs of innovation and progress, particularly in the areas of financial inclusion, mobile money and increasingly competitive markets.

There are still challenges with operating restrictions and licensing in several markets. If these challenges can be overcome, then Africa is poised for positive change in remittances.

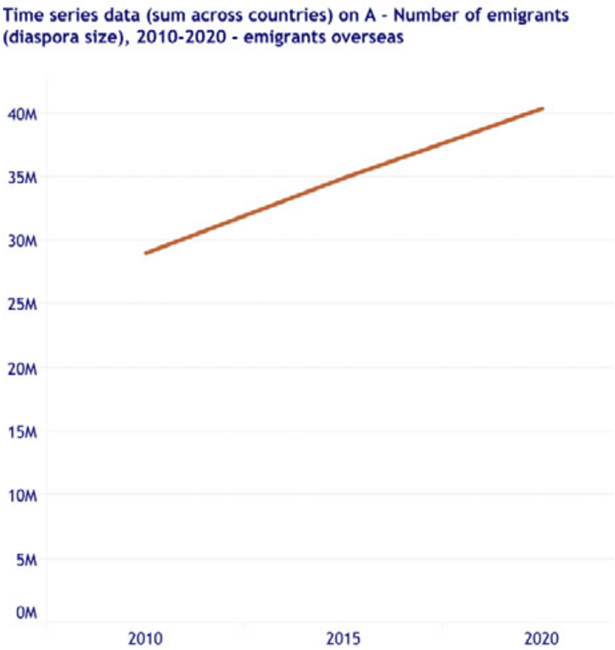
Migration and diaspora

Remittances represent household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. Remittances largely consist of funds and non-cash items sent or given by individuals who have migrated to a new economy and become resident there, and the net compensation of border, seasonal, or other short-term workers who are temporarily employed in an economy in which they are not resident. (IMF)

People move for many reasons, especially to improve the financial situation for them and their family, particularly from rural areas. Other causes include famine, wars, climate change, education and family reunification. Individuals who have left their country of origin but maintain links with their homelands are called diaspora. Currently there is no global dataset providing data on the size and whereabouts of a country's diaspora, but the United Nations Department of Economic and Social Affairs (UNDESA) publishes international migrant stock data every 5 years.

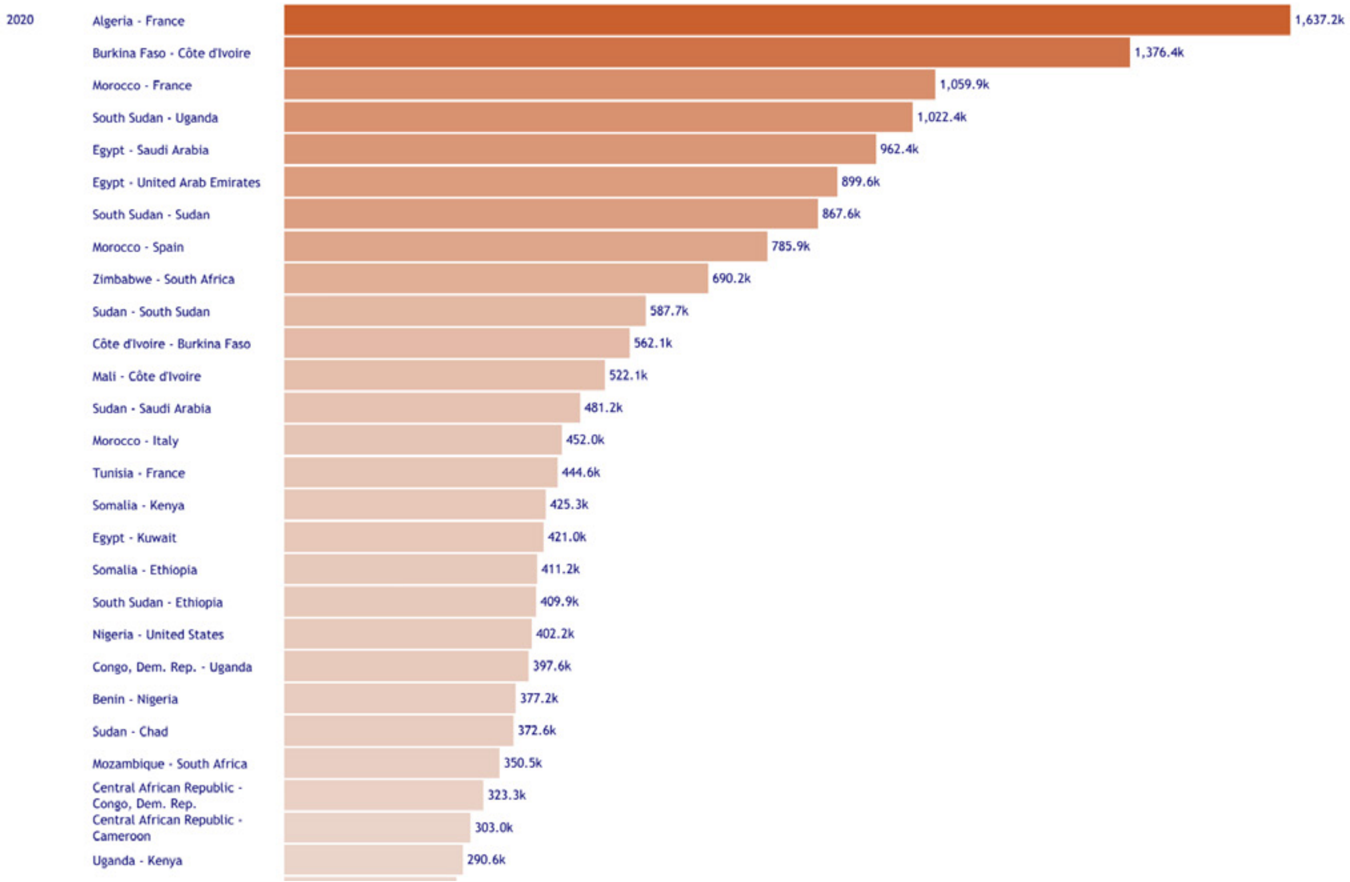
It is estimated that there are 40.4 million Africans living outside their country of origin (FIGURE 1). This number has risen at an average rate of 2.6 per cent CAGR 5 years in 2020. The largest source countries of migration in terms of the absolute numbers of migrants are Egypt, Morocco, South Sudan, Sudan and Somalia whilst South Sudan, the Gambia, Eritrea, Nigeria and Cameroon represent the fastest growing countries of migration.

FIGURE 1. **Number of African emigrants**



Source: UNDESA.

FIGURE 2. **Number of emigrants by corridor (Africa to World)**



Source: UNDESA.

Most migrants migrate intra-regionally. There are 20.7 million migrants from Africa in Africa, 3.3 million in North America, 4.8 million in Asia and 11 million in Europe. In 2020, the country hosting the largest number of Africans was France with 4.3 million African migrants. The African country with the largest diaspora (using UNDESA data as a proxy) was Egypt in 2020 with an emigrant stock of 3.6 million people. The host countries are seen as attractive due to the potential earning disparity compared to their home country, plus relative economic and political stability as well as attractive health and education systems. Europe is a particularly popular region for migrants from North Africa, the USA is popular for all African migrants, the UK for those from South Africa, Nigeria, Ghana, Kenya and other previous or current British Commonwealth countries and more recently the Gulf States have developed labor agreements with certain African states (such as Ethiopia and Kenya) that formalizes migration for a quota of migrants.

Most African migrants are living in other African countries. UNDESA data shows that over half (51.3 per cent per cent) of African migrant stock are living in another country on the continent. This is often because it is easier to move to other countries within Africa due to a high-level of informality of movement through porous borders, cultural similarities and the experience of others from the same community.

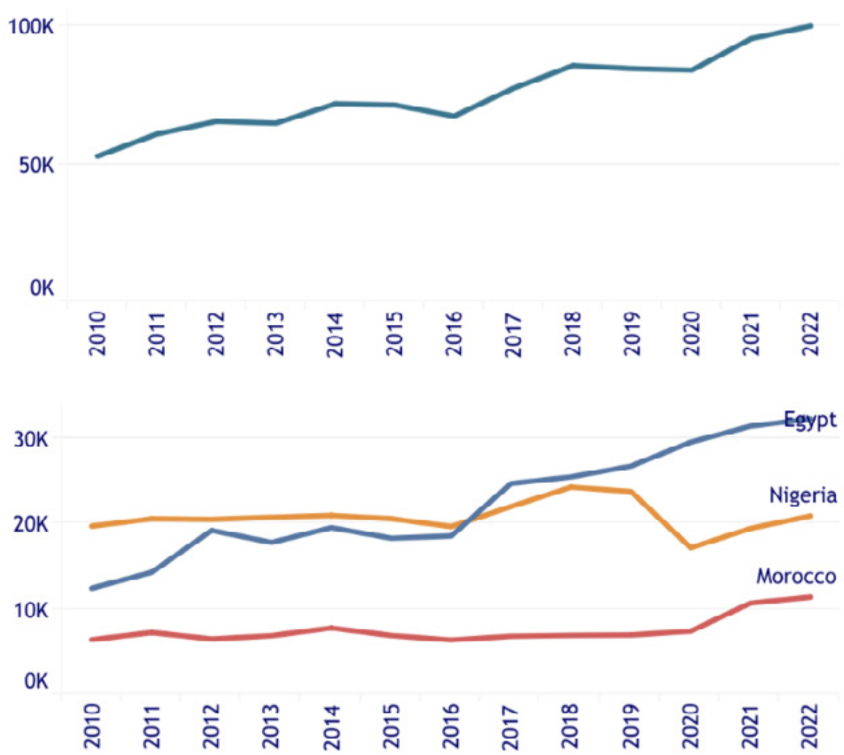
Within Africa there has historically been a strong movement of people towards South Africa (1.8 million African immigrants and nearly 5 per cent of Africa's total diaspora), as well as regional migration, such as within West Africa (for example Burkina Faso to Côte d'Ivoire), within the Horn of Africa and within East Africa. Côte d'Ivoire has the largest number of African immigrants with UNDESA recording 2.5 million, and the largest country of origin on the continent is South Sudan with 2.5 million emigrants (mainly to Uganda, Sudan, Ethiopia, Kenya and DRC). South Sudan has experienced the highest growth in emigrants since 2015 at a CAGR of 19.5 per cent. The Gambia, Eritrea and Nigeria have also experienced an annual growth rate of more than 5 per cent in the last 5 years.

Remittance flows

Remittance flows to and within Africa were estimated at $100.1 billion in 2022 according to the World Bank. This represents a CAGR of 12.1 per cent between 2019 and 2022, much faster than migration growth. It should be noted that this figure is likely to be a significant underestimation as many central banks only publish remittance data on their official flows whereas various studies imply that informal flows are significant, in numerous corridors especially in some corridors, of between a third and half of the formal market.

FIGURE 3. **Remittance receiving countries over time**

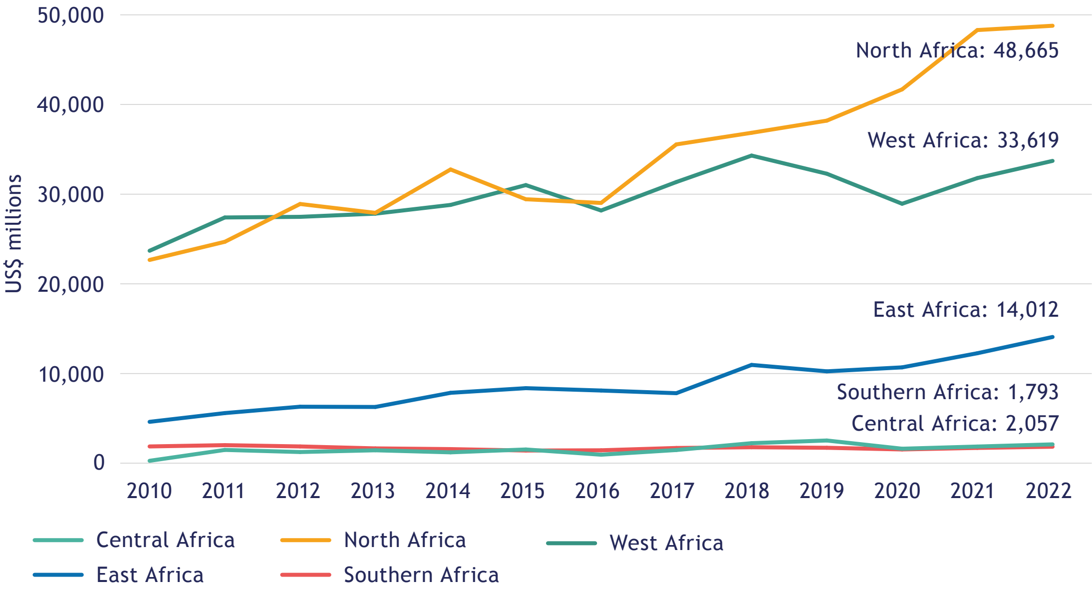
Time series data (sum across countries) on A - World Bank remittance inflows, 2010-2021 USD millions



Source: World Bank.

Remittance flow data at a corridor level is generally weak in Africa. Currently only a few Central Banks publish data broken down by corridor. To address this gap in the market, the World Bank publishes a global bilateral remittance matrix in which there are estimates on bilateral remittance flows based on adjusted migrant stock data. RemitSCOPE is compiling the first bilateral matrix of remittance data at a corridor level published by Central Banks. Data is currently available for Ethiopia, Kenya, Morocco and Senegal in Africa.

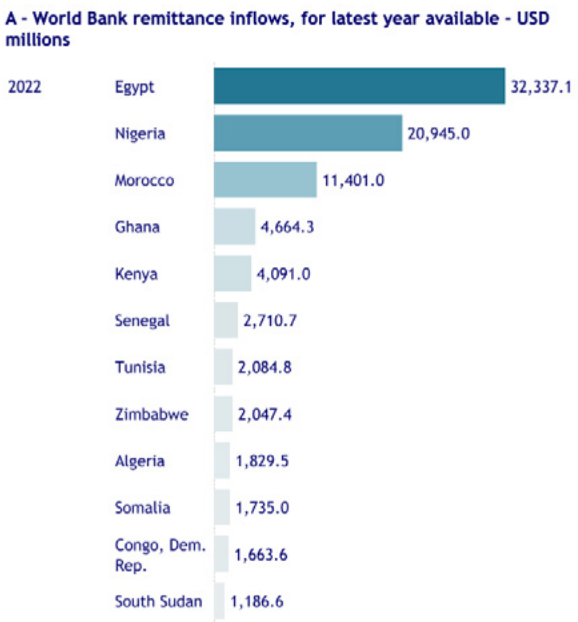
FIGURE 4. **Remittance inflows into and intra Africa, 2010-2022**



Source: World Bank.

In 2022 the World Bank remittance inflow data reported that Egypt is the largest receive market, followed by Nigeria and Morocco (FIGURE 5). These three markets account for 65 per cent of all remittances to African countries.

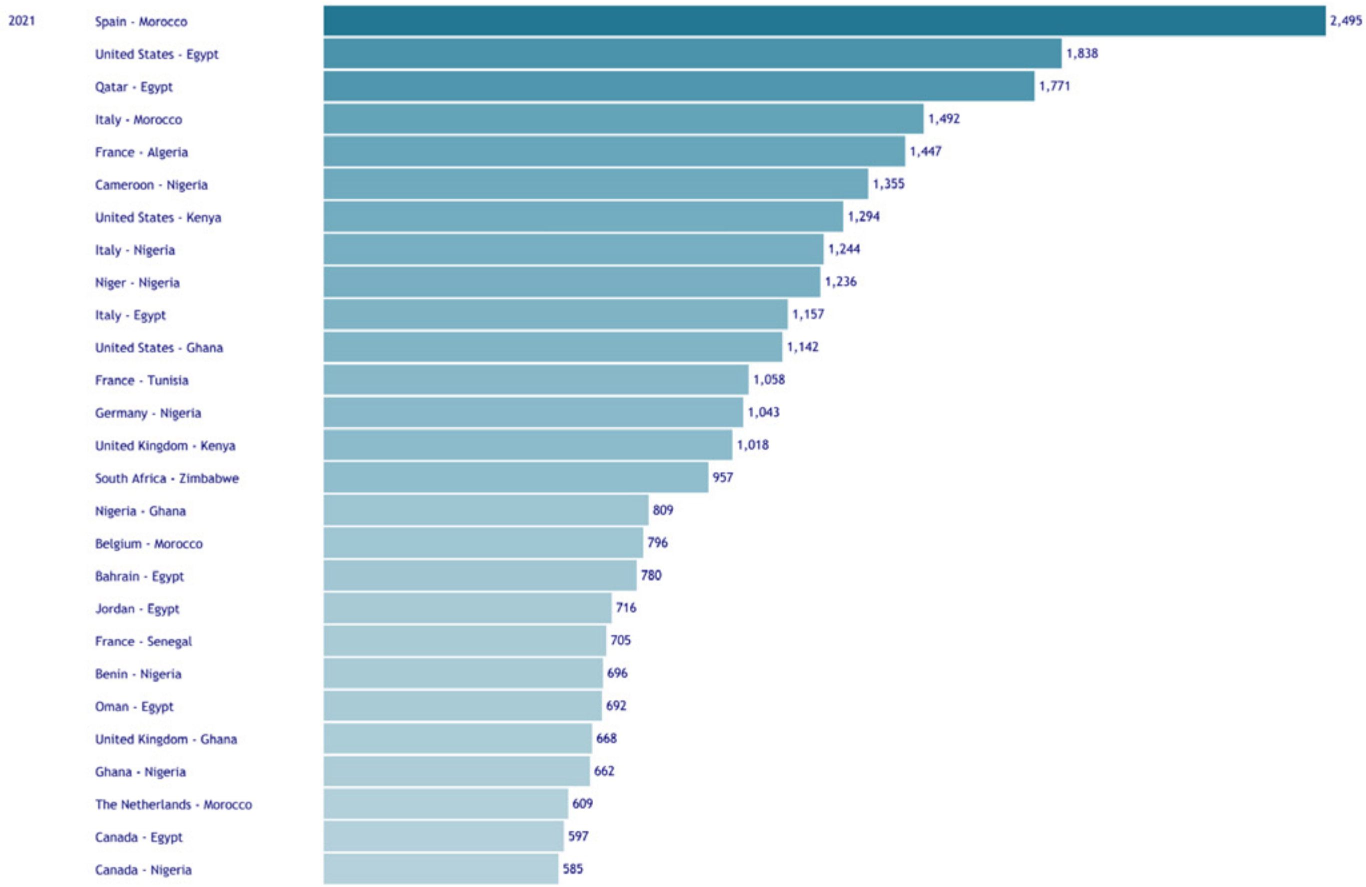
FIGURE 5. **Top African countries by remittance inflows, US$ million**



Source: World Bank.

Based on the World Bank estimates, the largest remittance corridors to Africa are from USA, Italy, France, United Kingdom and Canada (all G7 countries) (**FIGURE 6**). This is not surprising given the overall size of these remittance markets, the level of African migration to them and, in many cases, the historical ties between the markets. Only 5 of the top 27 corridors originate in Africa.

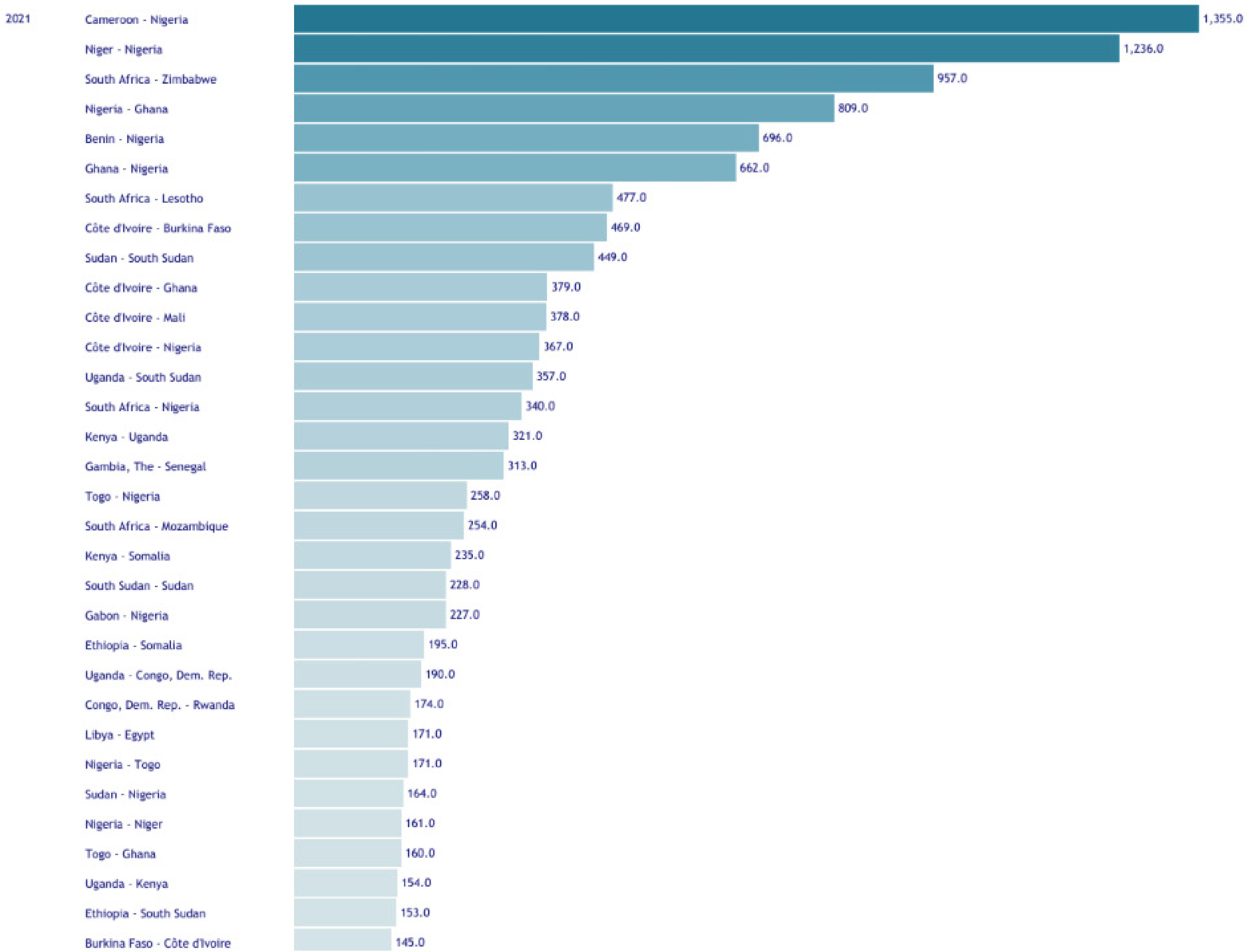
FIGURE 6. **Largest remittance corridors to Africa (estimates)**



Source: World Bank Estimates on Bilateral Remittance Flows.

FIGURE 7 shows intra-Africa estimated remittance numbers for the top corridors. The size of these corridors is lower than for the corridors being sent into Africa from other continents. Even though African migration equates half of the African migration stock, intra-Africa remittances only represent 19 per cent of total Africa remittances. In general, this is caused by the overall size of remittance markets in Africa, which are lower than for the main send countries, a lower average transaction size, proportionately high level of informal remittances within Africa and poor level of accurate data.

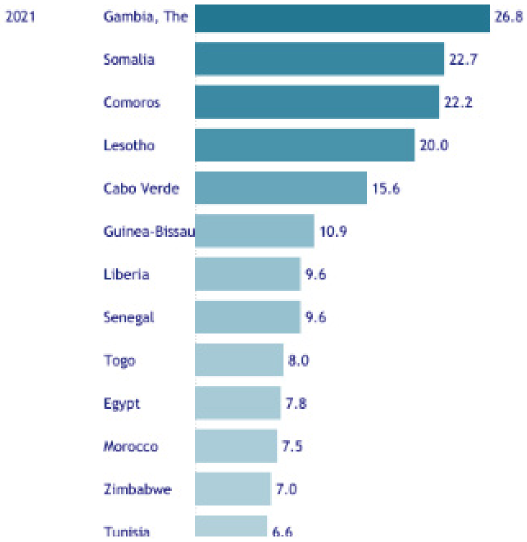
FIGURE 7. **Largest intra-Africa remittance corridors (estimates)**



Source: World Bank Estimates on Bilateral Remittance Flows.

Remittance flows are significant for many countries. When viewed in relation to GDP, it is clear that for some countries remittances are vitally important to their economies (FIGURE 8). In Africa, this particularly applies to The Gambia, Somalia, Comoros, Lesotho, Cape Verde and Guinea-Bissau, where remittances represent more than 10 per cent of GDP. Indeed, there are 13 African countries where remittances are more than 5 per cent of GDP.

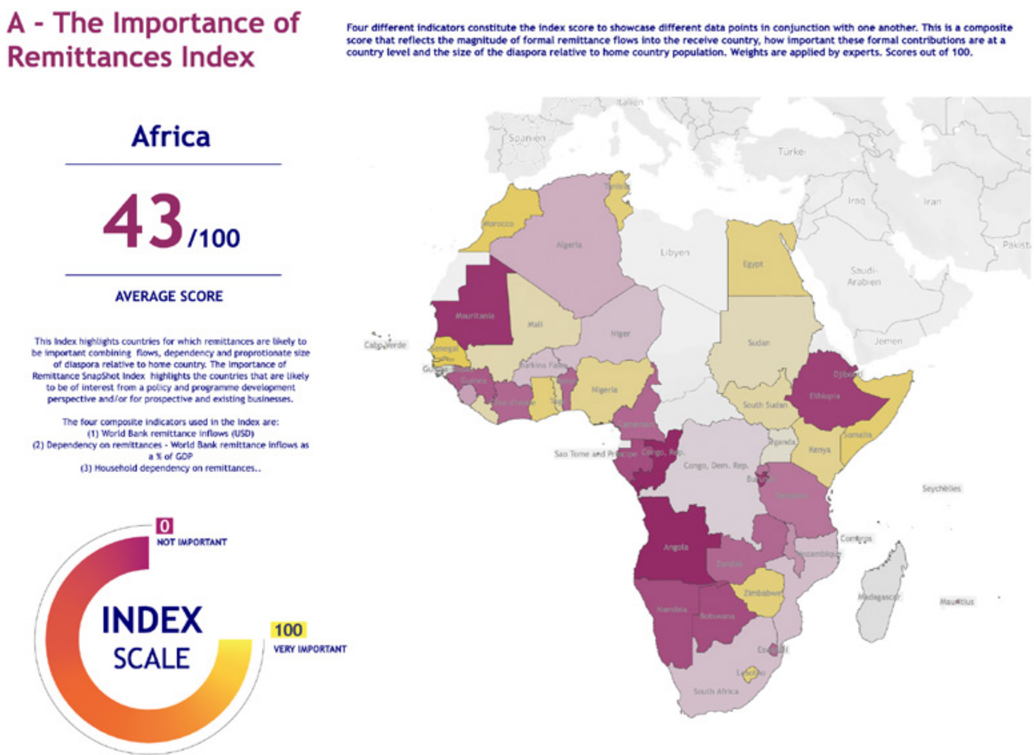
FIGURE 8. **Remittances as a proportion of GDP by size**



Source: World Bank.

An Importance of Remittances Index has been developed for RemitSCOPE Africa. This combines four variables: the overall size of remittances to the country; the size of the remittance flows relative to GDP; the population's dependence on remittances, and; the size of the diaspora relative to the home country population. This index shows that remittances are most important for Senegal, Morocco, Somalia, The Gambia, Lesotho, Tunisia and Zimbabwe.

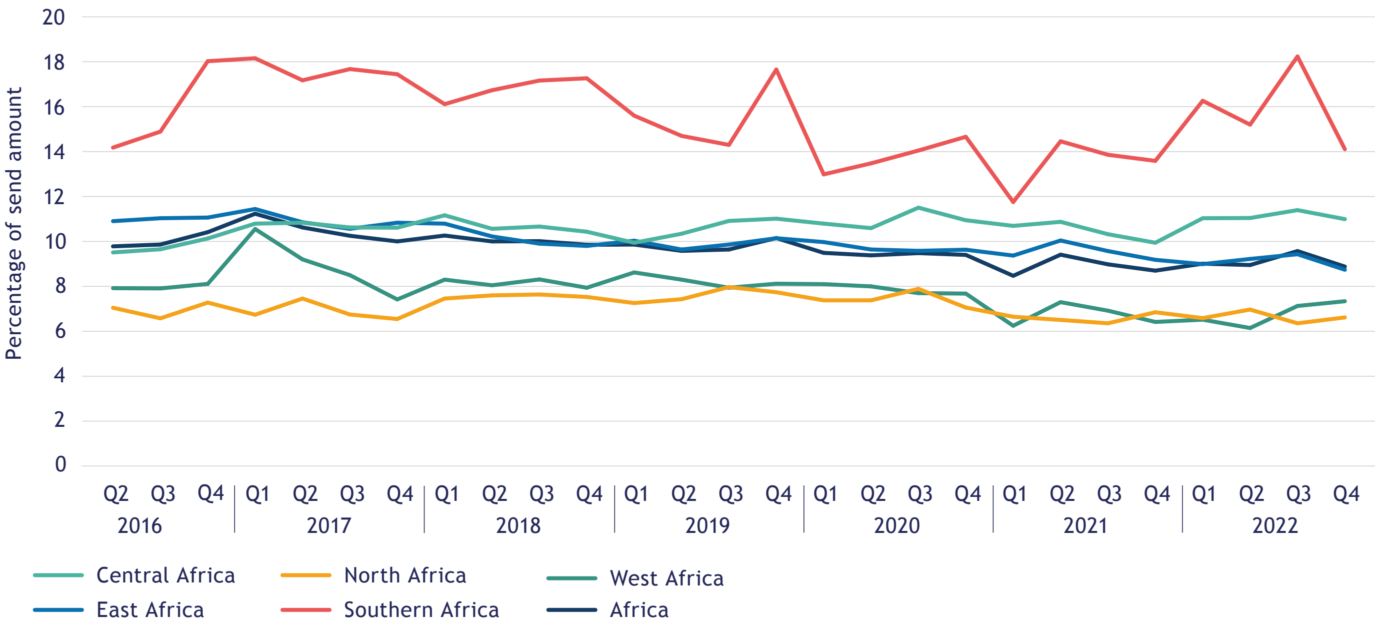
FIGURE 9. **The importance of remittances index**



Remittance pricing

Africa is the most expensive region in the world to send money to, with an average price of 8.9 per cent to send $200 in Q4 2022. According to World Bank data remittance prices fell from 11.55 per cent in Q2 2014 to 8.85 per cent in Q4 2022, a drop of 2.7 per centage points. At that rate of progress Africa will fail to meet SDG 10.c which states that remittance prices will not average more than 3 per cent by 2030 and no single corridor will be more than 5 per cent.

FIGURE 10. Average remittance price for sending to Africa



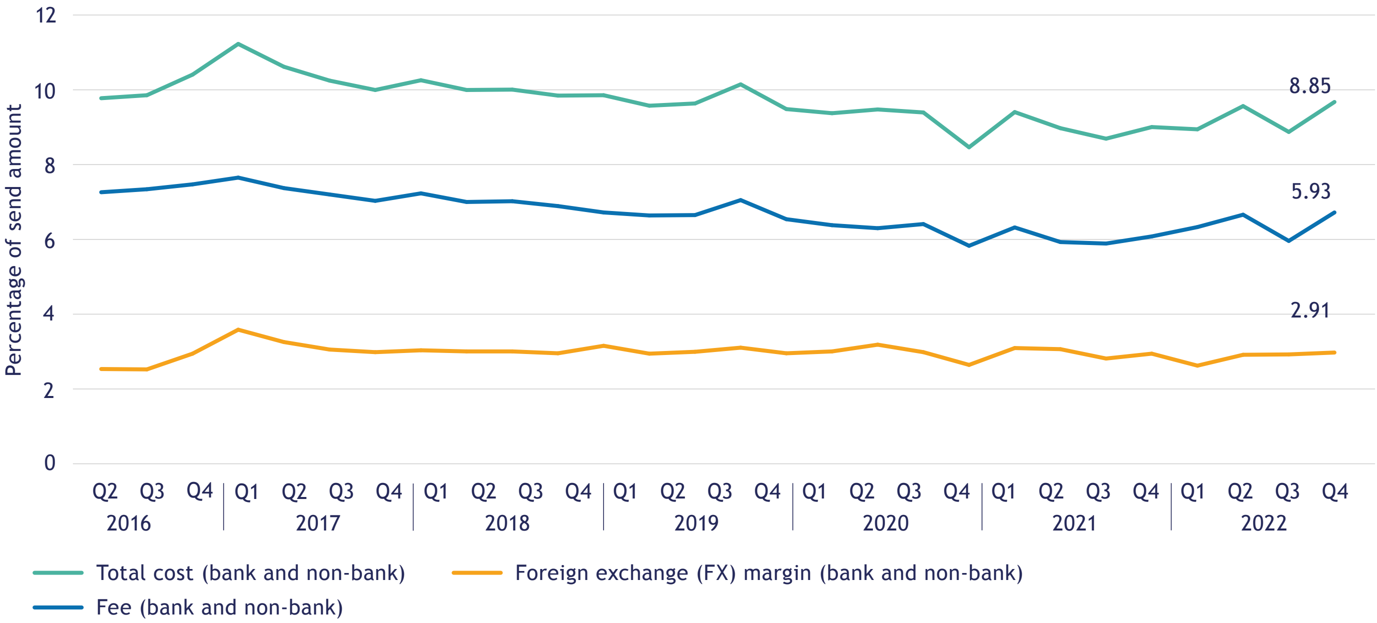
Source: The World Bank, Remittance Prices Worldwide and PRIME Africa data collection (RemitSCOPE own calculations).

The prices for sending to and within Africa vary significantly depending on the region and channel used. In Q4 2022 it cost 14.1 per cent to send to Southern Africa compared to 6.5 per cent to send to Northern Africa and 7.1 per cent in West Africa. Whilst it is significantly over the SDG 10.c target to send to all regions of Africa it is important to understand there are major differences between regions.

FIGURE 11 splits out the average remittance costs by fee and foreign exchange costs to the consumer. The fee and the margin made by the RSP on the foreign exchange make up the largest part of remittances costs and broadly show the same trends over time. The foreign exchange cost is consistently below the transfer fee that is charged. This is explained by there being a number of corridors (such as the CFA zone in West Africa) where there is no foreign exchange margin when receiving from Eurozone countries due to the currency being pegged to the Euro.

On average the foreign exchange margin represents almost one third of the total costs and is not clearly understood by consumers. This calls for greater transparency for all cost components of a remittance. This is of particular importance to foreign exchange margins as they are more volatile than the transfer fee.

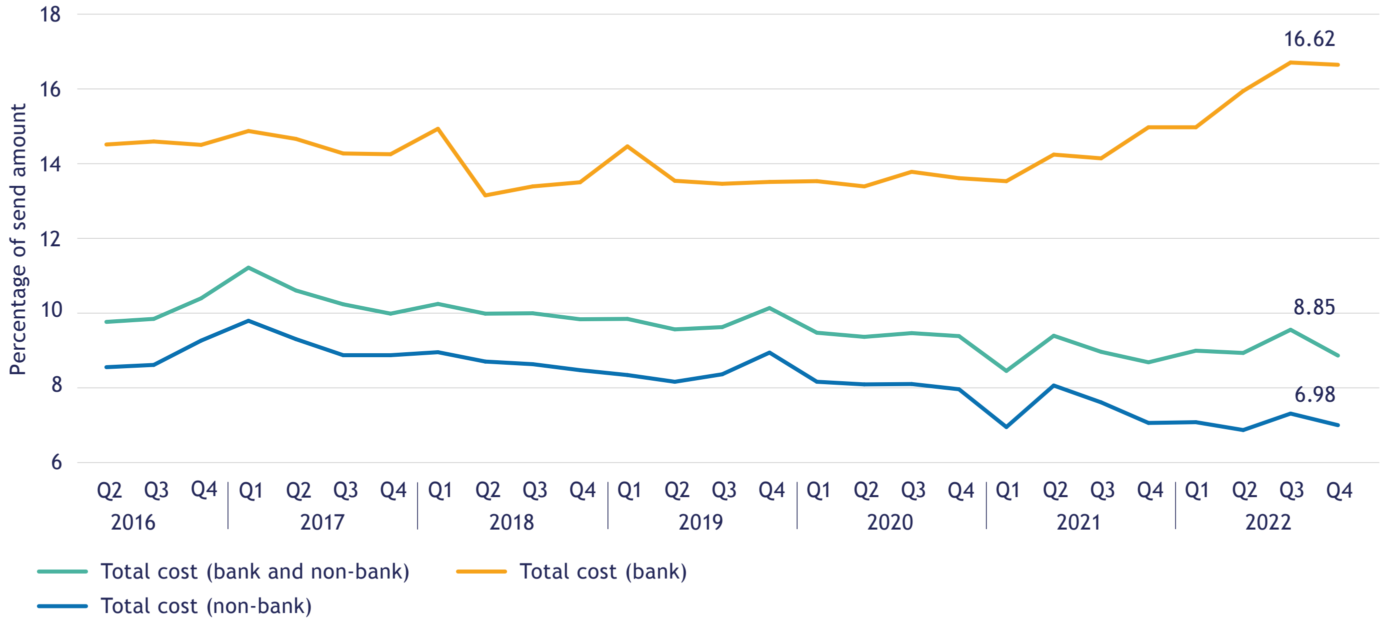
FIGURE 11. **Cost to send remittances to Africa, fee and FX information**



Source: The World Bank, Remittance Prices Worldwide and PRIME Africa data collection (RemitSCOPE own calculations).

The cost of sending a remittance varies depending on the method used. The most expensive services are bank based. Cash is more expensive than other options (because there are more parties involved and cash is expensive to operate). Digital services are lower priced than cash and within this category, the situation where a digital operation is made at both the sending and receiving side is less expensive than where a digital method is only used to either originate or receive a remittance. However, most significantly, given its popularity in Africa is that mobile remittance services are the cheapest option for sending money.

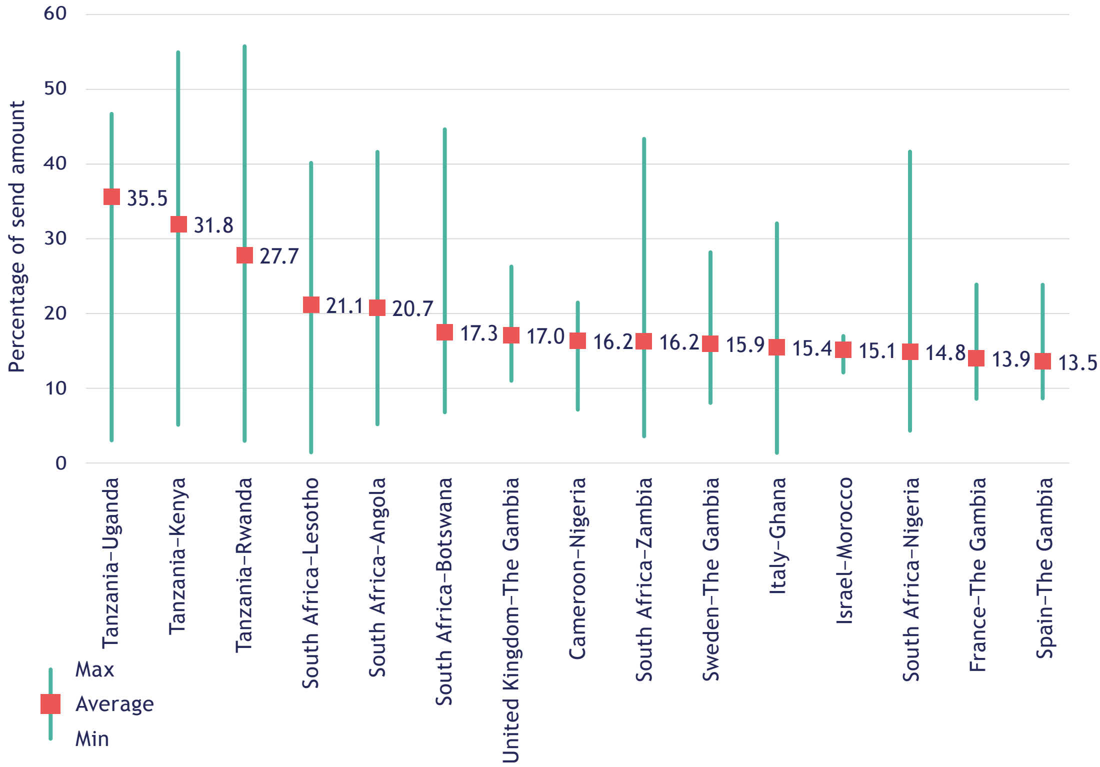
FIGURE 12. **Cost to send money to Africa by type of service**



Source: The World Bank, Remittance Prices Worldwide and PRIME Africa data collection (RemitSCOPE own calculations).

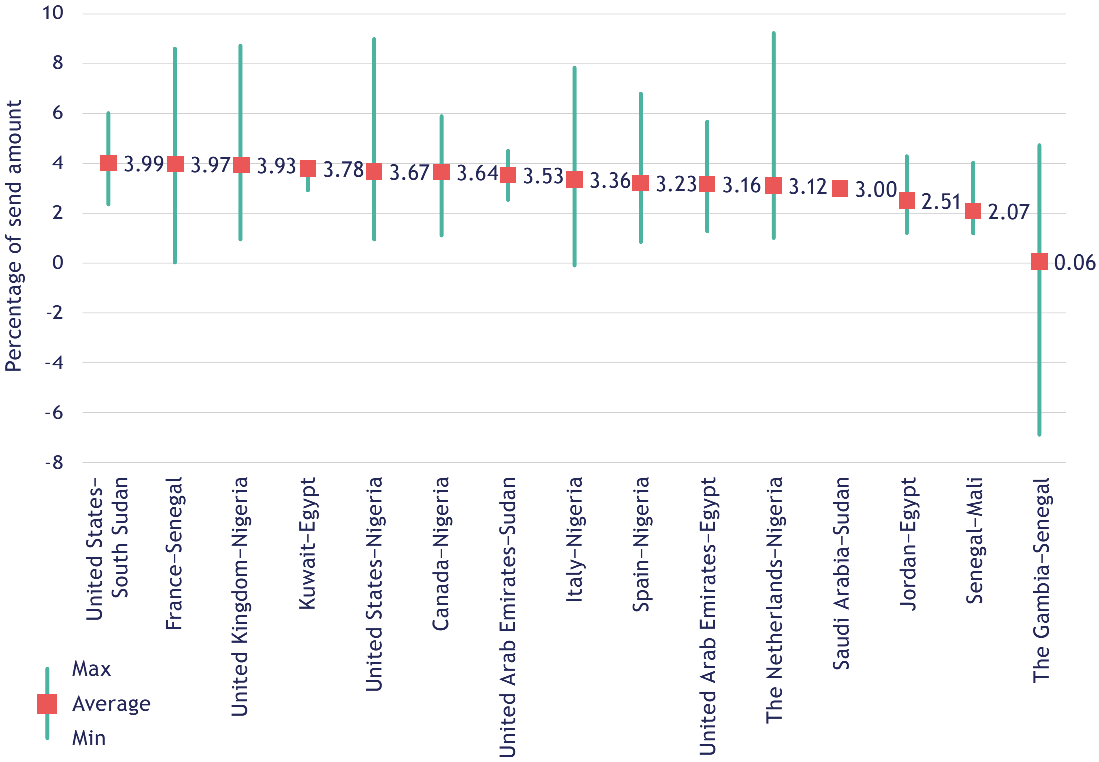
Whilst many corridors sending to Africa are above the global average of 6.24 per cent (**FIGURE 13**), there are several that are competitive, including from the United Kingdom, United States, the EU and the Gulf States (**FIGURE 14**). Prices have fallen in a number of corridors due to increased competition, more digital services being offered and some changes in receive country circumstances.

FIGURE 13. **Most expensive corridors to send to African from outside the continent**



Source: The World Bank, Remittance Prices Worldwide and PRIME Africa data collection (RemitSCOPE own calculations).

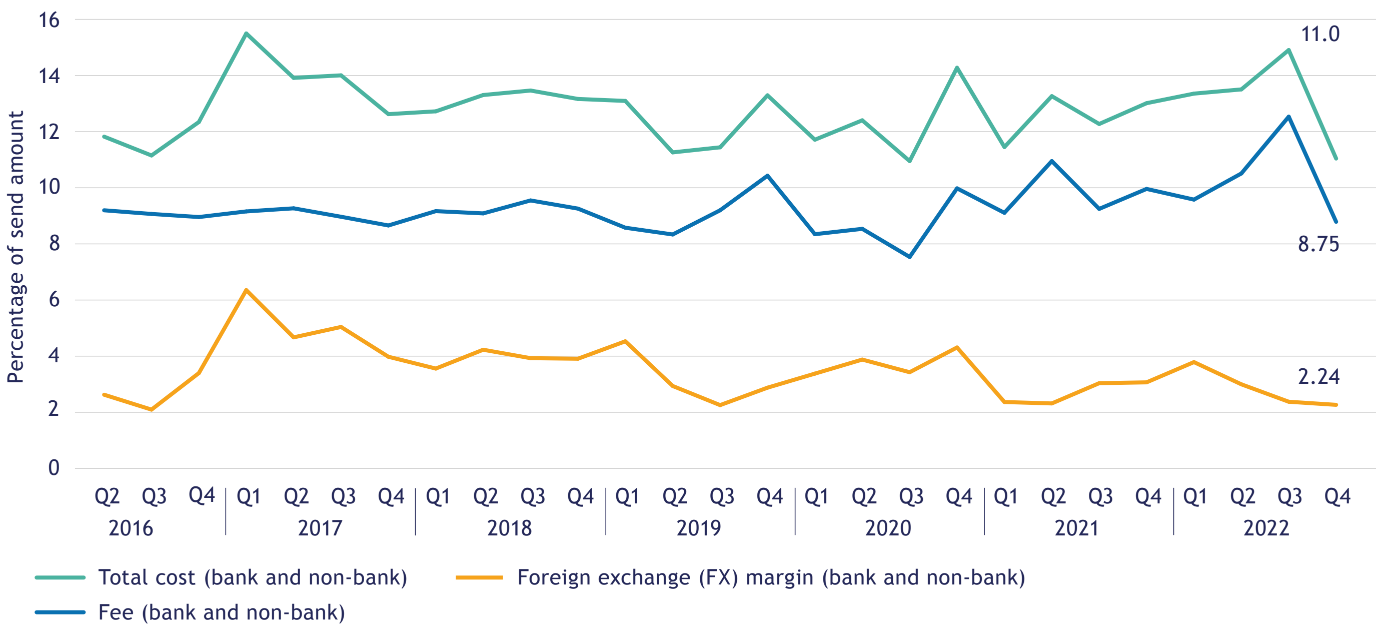
FIGURE 14. Cheapest corridors to send money to Africa



Source: The World Bank, Remittance Prices Worldwide and PRIME Africa data collection (RemitSCOPE own calculations).

Compared to transfers from outside the continent, it is significantly more expensive to send money within Africa (FIGURE 15) with an average of 11 per cent. The foreign exchange margin is lower than the fee as some corridors do not have an FX margin as explained previously.

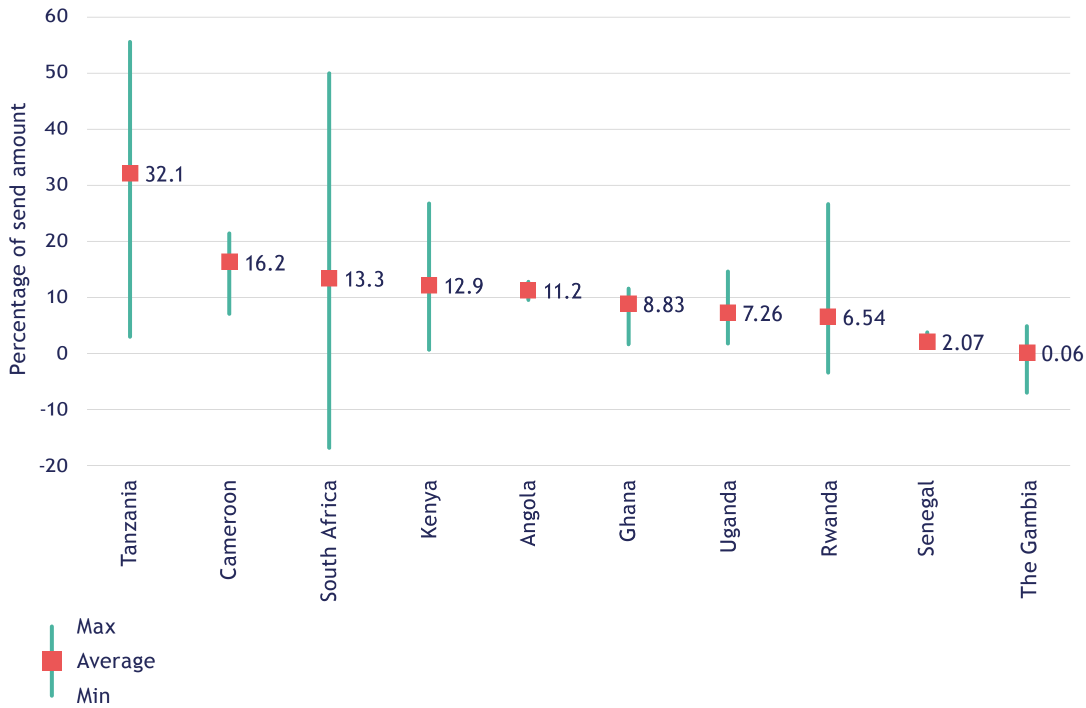
FIGURE 15. Cost to send money from Africa



Source: The World Bank, Remittance Prices Worldwide and PRIME Africa data collection (RemitSCOPE own calculations).

FIGURE 16 shows the average cost to send from selected countries in Africa. The data shows that there is a large range, between Tanzania at over 32 per cent and Senegal at 2.1 per cent. Prices to send within Africa are high because there is frequently limited competition (often only banks are allowed to send), many senders do not have an account and are therefore not able to send through a bank, there is a large informal market and the costs of providing services (especially cash based) are high.

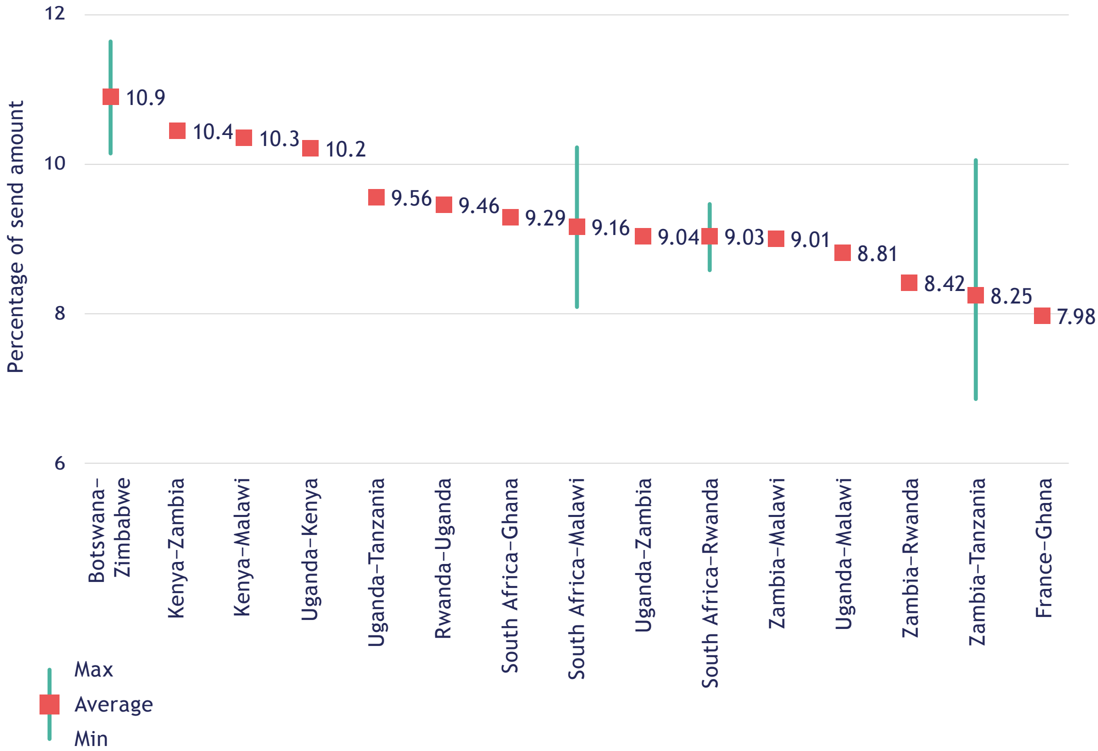
FIGURE 16. Cost to send money from selected African countries



Source: The World Bank, Remittance Prices Worldwide and PRIME Africa data collection (RemitSCOPE own calculations).

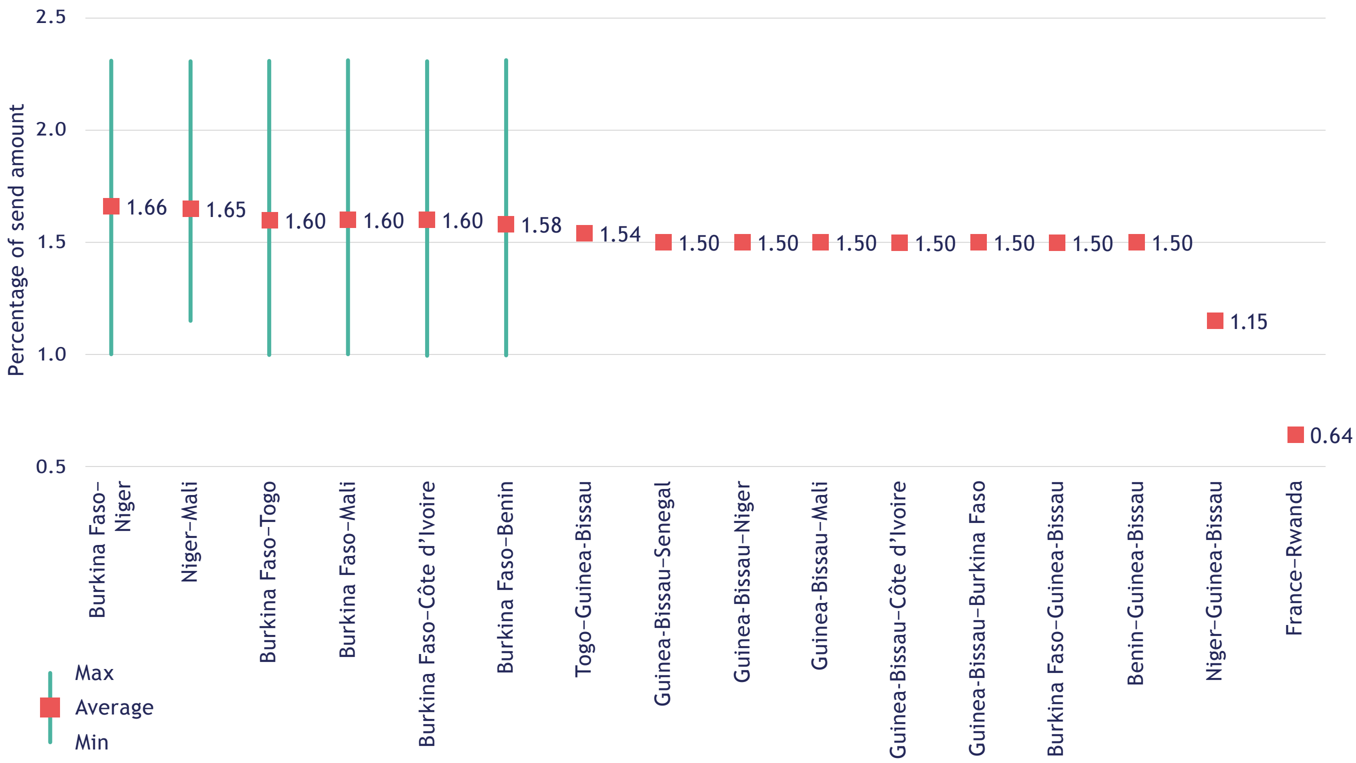
Encouragingly mobile-to-mobile (M2M) remittance services are lower than more traditional offerings. The average cost to send M2M is 3.75 per cent and all but two M2M remittance services in the world are based in Africa. As with other services, the price varies between corridors, with a high in the Botswana-to-Zimbabwe, Kenya-to- Zambia, Kenya-to-Malawi and Uganda-to-Kenya corridors (all above 10 per cent) but lows of between 1.2 and 1.6 per cent in 13 corridors in West Africa where the CFA currency is used so there a no foreign exchange margins charged.

FIGURE 17. **Total cost (%) for mobile-to-mobile transactions for selected African corridors (high cost)**



Source: GSMA.

FIGURE 18. **Total cost for mobile-to-mobile remittances for Africa (low-cost corridors)**



Source: GSMA.

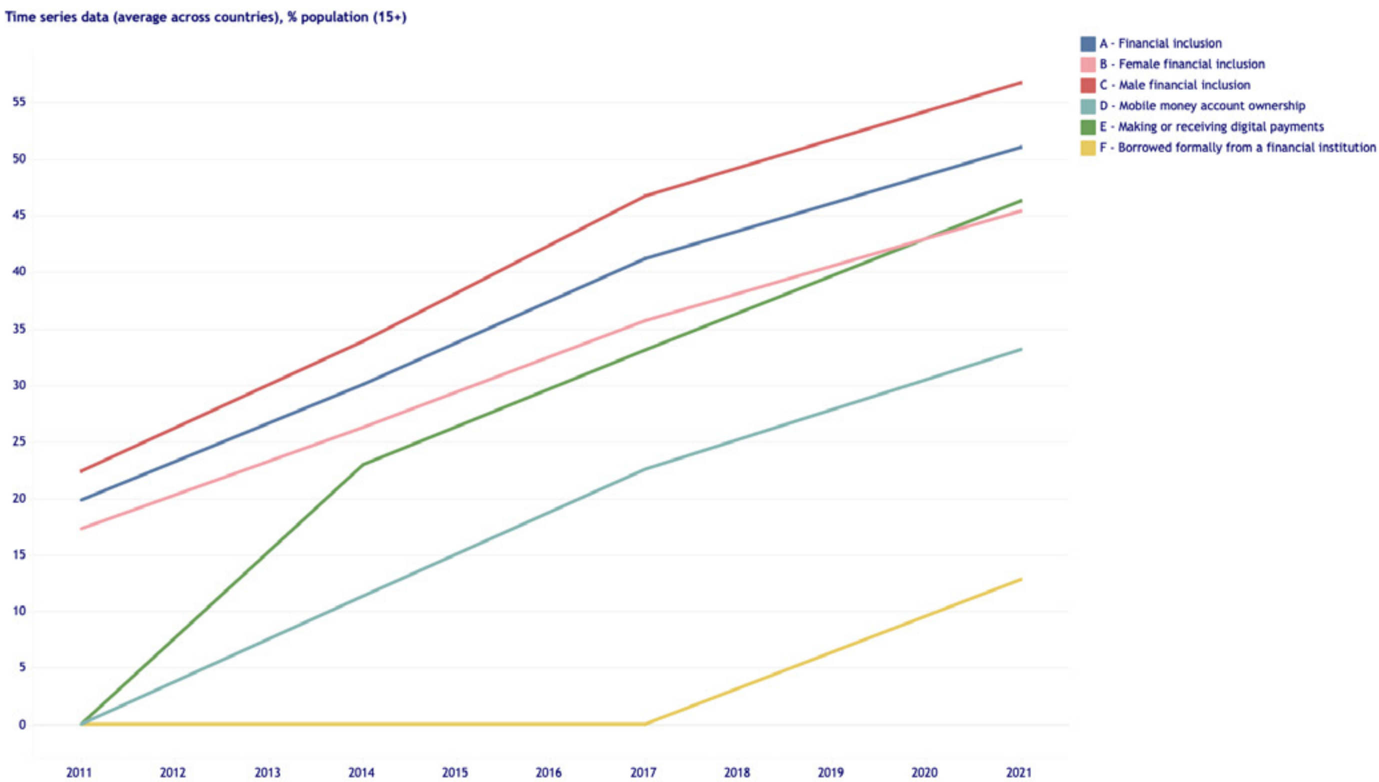
Financial inclusion

Financial inclusion assists countries in their economic development by helping to build resilience, improve the financial well-being of its citizens and can lead to the creation of jobs and broader development within a country.

Remittances are recognized as being one of the main gateways to enable receivers to access formal financial services. A remittance is often the first formal financial service that a beneficiary accesses, especially if they are collecting cash and the transaction is normally made at a financial institution. This provides an opportunity to educate and convert the recipient to financial services. The recipient will need to have some form of account/electronic wallet to receive money digitally which will ensure that they are financially included. Being financially included will enable the beneficiary to access a broad range of formal products that they were not able to previously, including savings, credit, investments, insurance and so on. Financial inclusion data is, therefore, interesting from two perspectives; firstly, data concerning digital remittance services (which are often cheaper) and to show progress as a gateway to financial inclusion.

Financial inclusion has increased significantly in Africa, rising from 20 per cent in 2011 to 51 per cent in 2021 (FIGURE 19). The data shows that this is largely driven by the acceleration in mobile money account ownership.

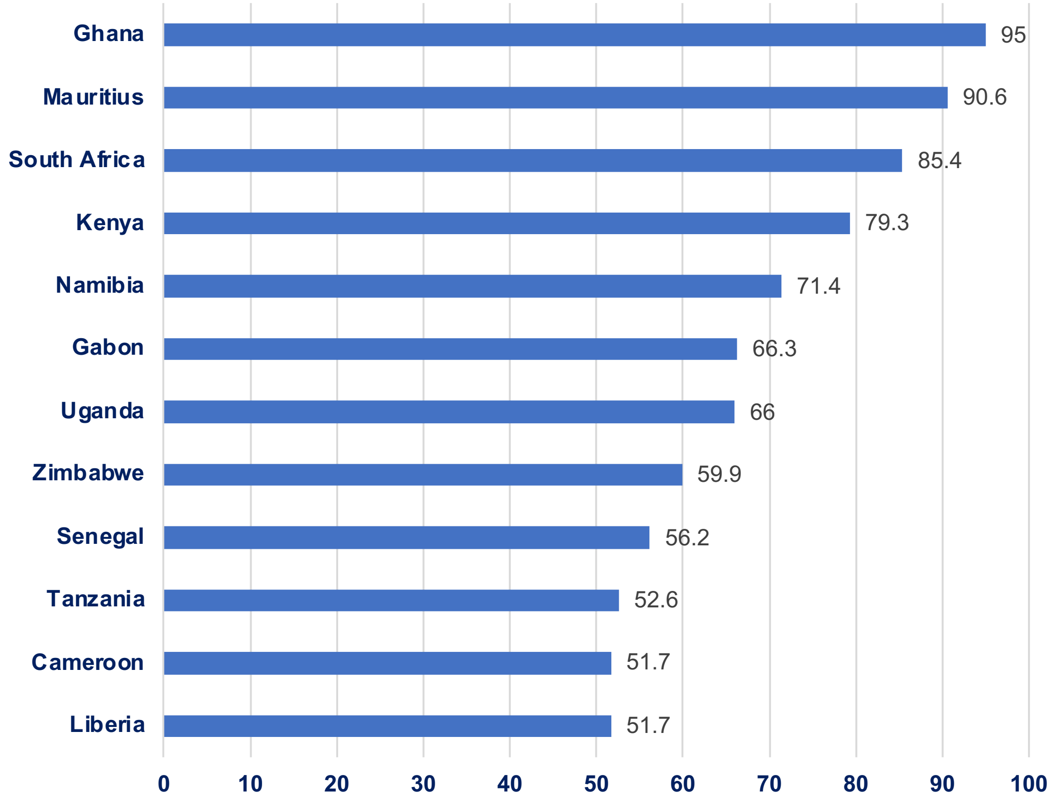
FIGURE 19. **Financial inclusion rates for Africa by category 2011-2021**



Source: FINDEX.

The level of financial inclusion varies across the continent with Ghana, Mauritius, South Africa, Kenya and Namibia having the highest levels. However, there is still a long way to go to achieve full financial inclusion and usage. The countries with the lowest levels are: South Sudan (6 per cent), Egypt and Sierra Leone. Data for Financial Inclusion primarily comes the World Bank Findex supplemented by FinScope (or similar) surveys where available.

FIGURE 20. **Top countries in Africa for financial inclusion**



Source: FINDEX (except for Ghana where the FinScope methodology is used).

Remittances sent to mobile money accounts are a growing phenomenon in Africa driven by the penetration of mobile money at a domestic level. Kenya has the largest proportion of people with such an account followed by Ghana and Gabon. There is still a large opportunity to increase ownership and usage. Cross-border mobile money-to-mobile money services are currently available in 12 African markets. Increasing the number of countries providing the facility would foster further remittances as a gateway towards digital financial inclusion.

FIGURE 21. **Mobile money account ownership in African countries**

Source: FINDEX 2021.

Access

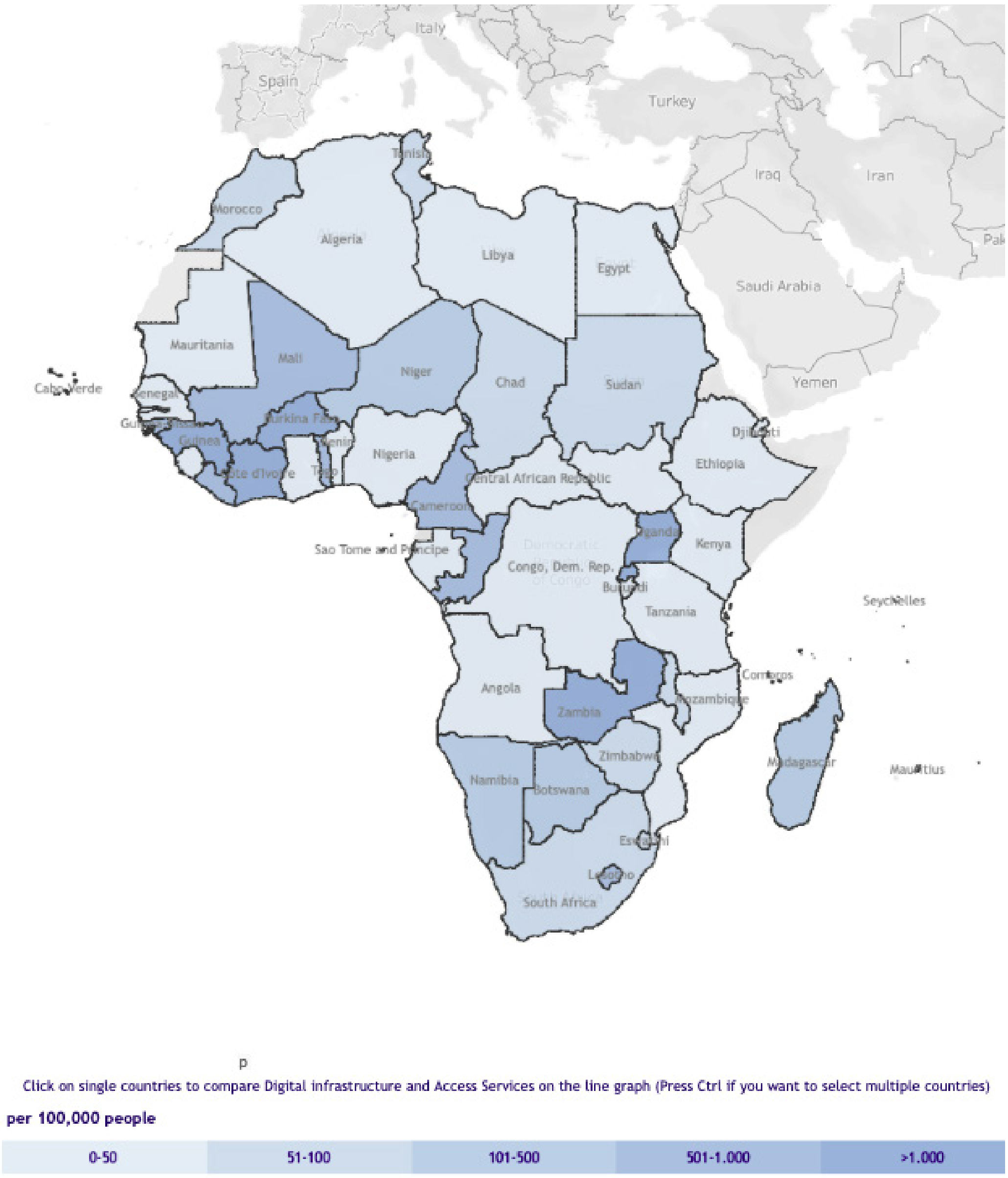
Being able to access the money that is sent however and wherever the receiver would like, as efficiently, quickly and safely as possible is essential to an effective remittances environments.

Despite the strong growth of mobile money and digital services in Africa, cash based services remain the largest transaction method, for the continent for both send and receive transactions. Having access to physical locations such as bank branches, agent locations ATMs and so on throughout a country is very important. This is especially the case in rural areas. It is estimated that up to 50 per cent of transactions are sent to rural areas where there is generally less infrastructure and fewer locations for paying out remittances.

Historically, receivers of remittances in rural areas have had to travel long distances and often take time away from their work to collect remittances or have relied on informal methods. This is particularly detrimental to women whose mobility is more limited than men. These costs are significant and so improvements in the availability of services, in both physical locations and digital accounts, can address these issues.

FIGURE 22 illustrates the density of physical location access point that are available per 100,000 people in each country in Africa. How readily available these access points are varies considerably depending on factors such as the level of infrastructure, geography, the regulatory environment covering which institutions are permitted to offer remittance services and the development stage of the financial services industry. Countries such as Cote d'Ivoire, Burkina Faso Uganda and Zambia have a much larger number of access points pro-rata compared to nations such as Eritrea, Ethiopia and Mauritania among others.

FIGURE 22. Heatmap of potential physical access points for remittances in Africa



Source: IMF Financial Access Survey (RemitSCOPE own calculations).

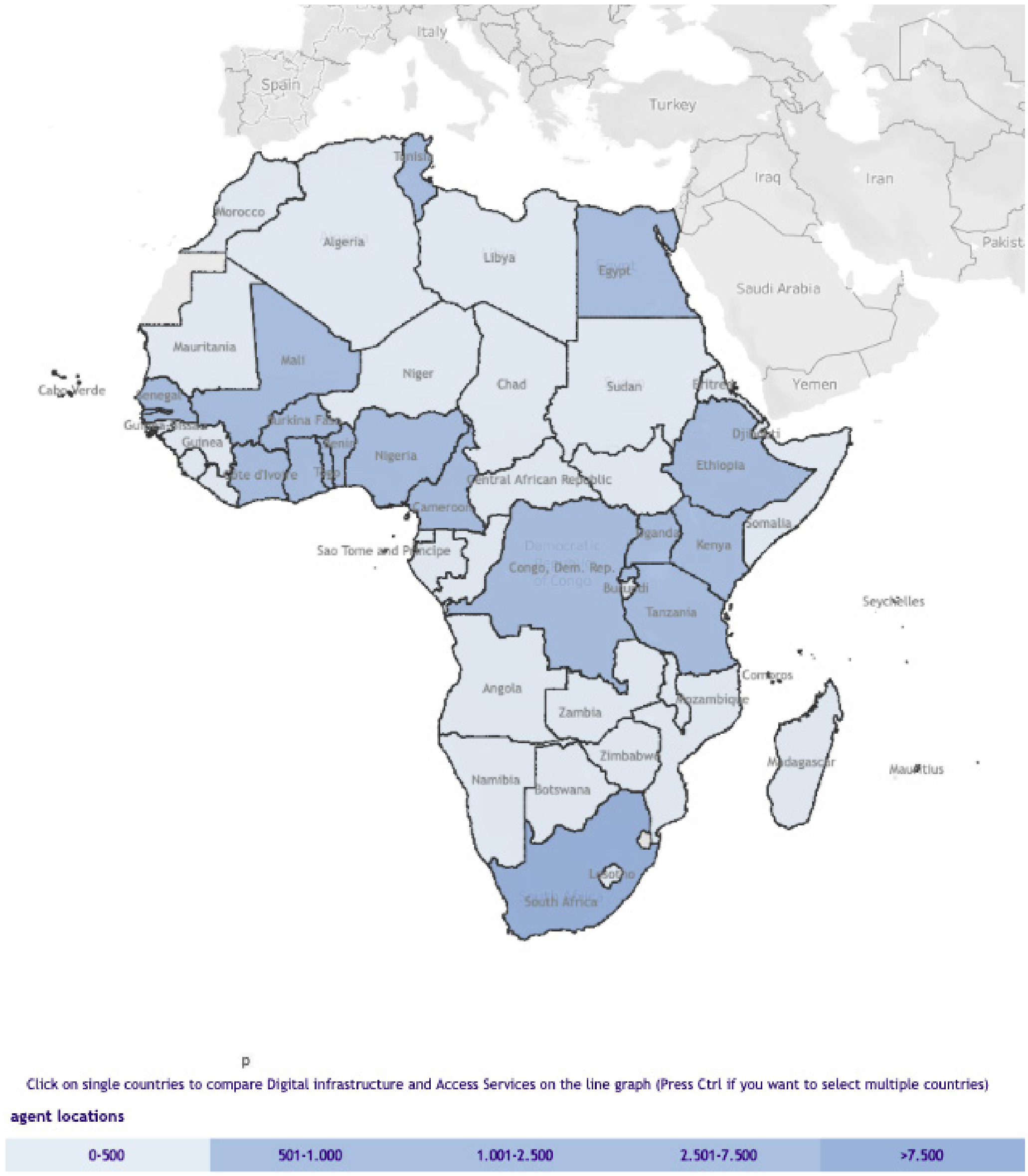
ATMs can be used to collect remittance payments in many countries. As with other types of physical locations the availability of these networks varies between countries, with the Seychelles having 12 times the number of ATMs per head of population.

FIGURE 23. ATM accessibility in Africa

Source: IMF Financial Access Survey.

The rise of aggregator services in recent years, where a specialist service provider can connect multiple agent locations from different networks, has enabled many new and existing remittance companies to offer a much larger network of pay out agents than was seen previously. Agent interoperability, offering a wide range of services is a key enabler of both competition and accessibility. **FIGURE 24** is a heatmap of the level of agents offering IMTO services in African countries).

FIGURE 24. IMTO agents in African countries



Source: Web-scraping for PRIME Africa (World Data Lab) and IMF.

Considerations for operators and licensing environment

With 54 different countries, Africa has a variety of operating and licensing environments. The differences between the countries and the nature of regulations and operating environments pose major challenges for entities wishing to operate throughout the continent.

The nature of the challenges include:

- The existence of a parallel (or black) foreign exchange market. This indicates a market with local foreign exchange controls and most likely a weak economy. As remittance companies are licenced and must comply with regulations, including offering official exchange rates, it is likely that they will not be able to compete with informal operators.
- Payment of remittances primarily in US dollars. In these instances, the opportunities to generate foreign exchange income is reduced for international remittance companies because US dollar margins are either low or zero depending on the sending country. This reduces revenue-earning opportunities.
- Being listed under FATF watch-list. This implies that the AML/KYC environment and controls have areas that need to be improved. This impacts the general image of the country, its credit rating and also can impact de-risking considerations. Banks providing facilities to money transfer companies in send countries often impose restrictions on companies offering remittance services to FATF watch-list companies in the forms of requests to stop sending there or increased maintenance costs for their settlement accounts.
- High inflation environments. This makes it difficult to contain costs and is often accompanied by a volatile exchange rate which can make it challenging to manage liquidity and exchange rate margins.
- Guidance for potential operators on offering money transfers. It is often difficult for operators to determine what needs to be done to comply with regulations and what operating restrictions there may be. Some countries provide clear guidance to assist with this whilst others do not. Where it exists, it can help reduce costs to set-up partnerships and improve efficiency.
- Restrictions on sending remittances from the country. Some countries restrict being able to send money to just banks or a limited set of regulated entities. Where this is the case, it often means that non-bank operators, such as remittance companies, cannot offer send services which significantly reduces earning opportunities and limits the attractiveness of a country from a receiving viewpoint as well.

Each of the challenges has a solution, although some are at a macro-economic area where the solution impacts a wider area of the financial environment than simply remittances. The provision of guidance for remittance companies is a relatively straight-forward solution to that problem.

FIGURE 25. **Restrictions on Operating Index**

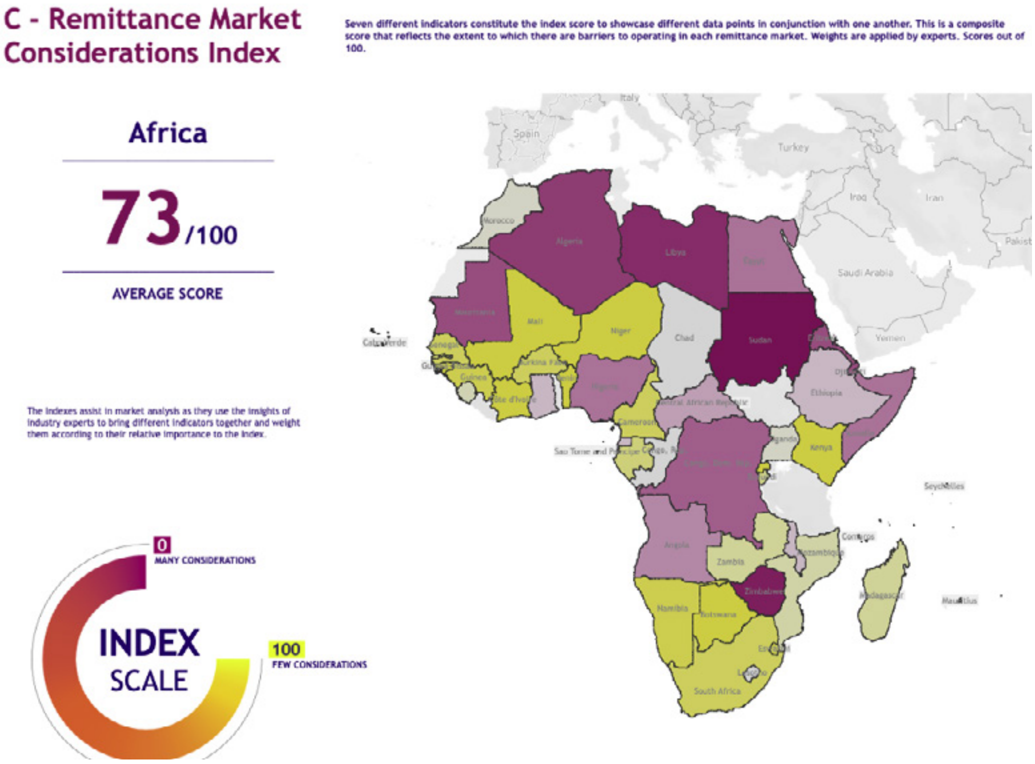
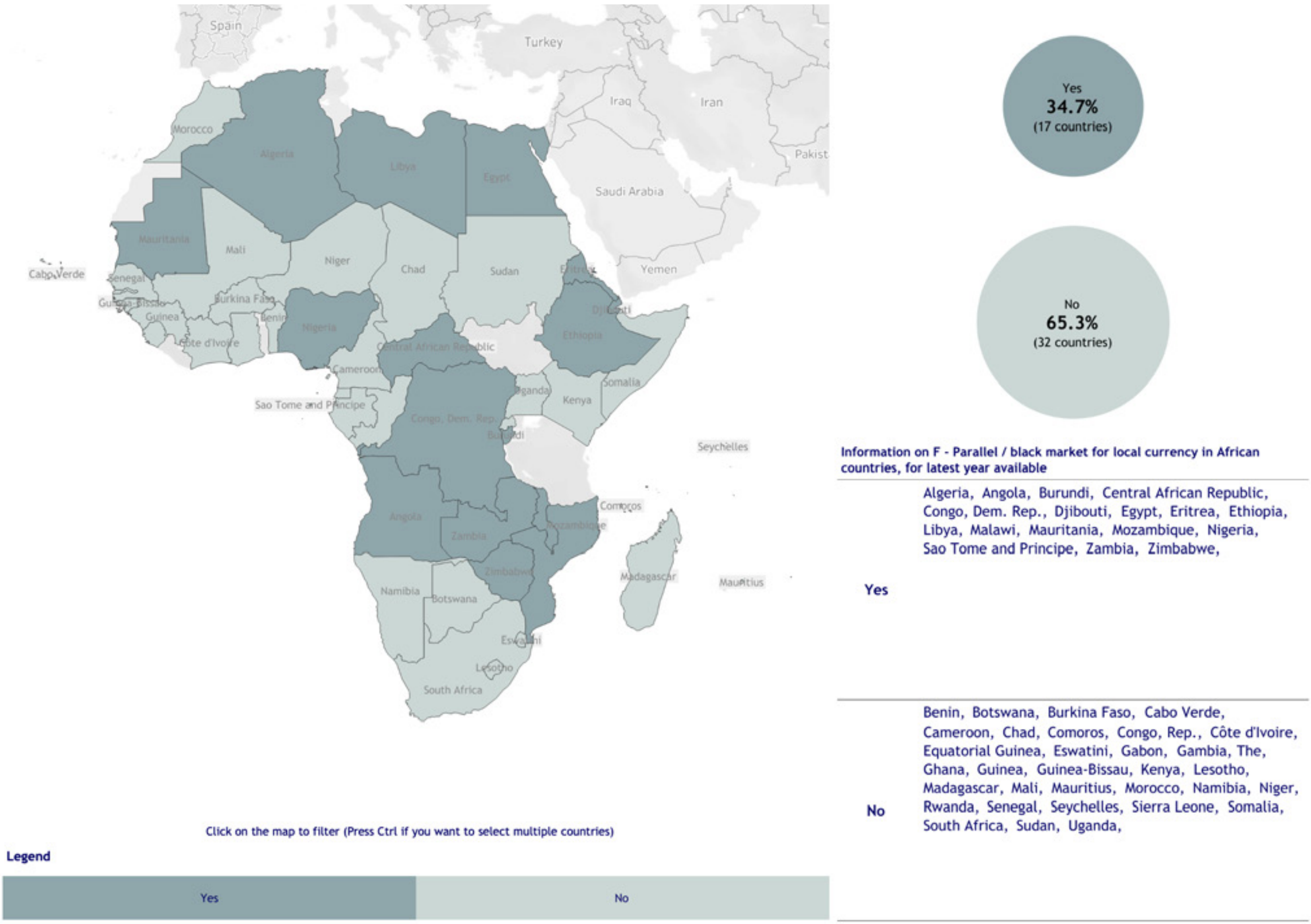


FIGURE 26. Markets with parallel FX rates

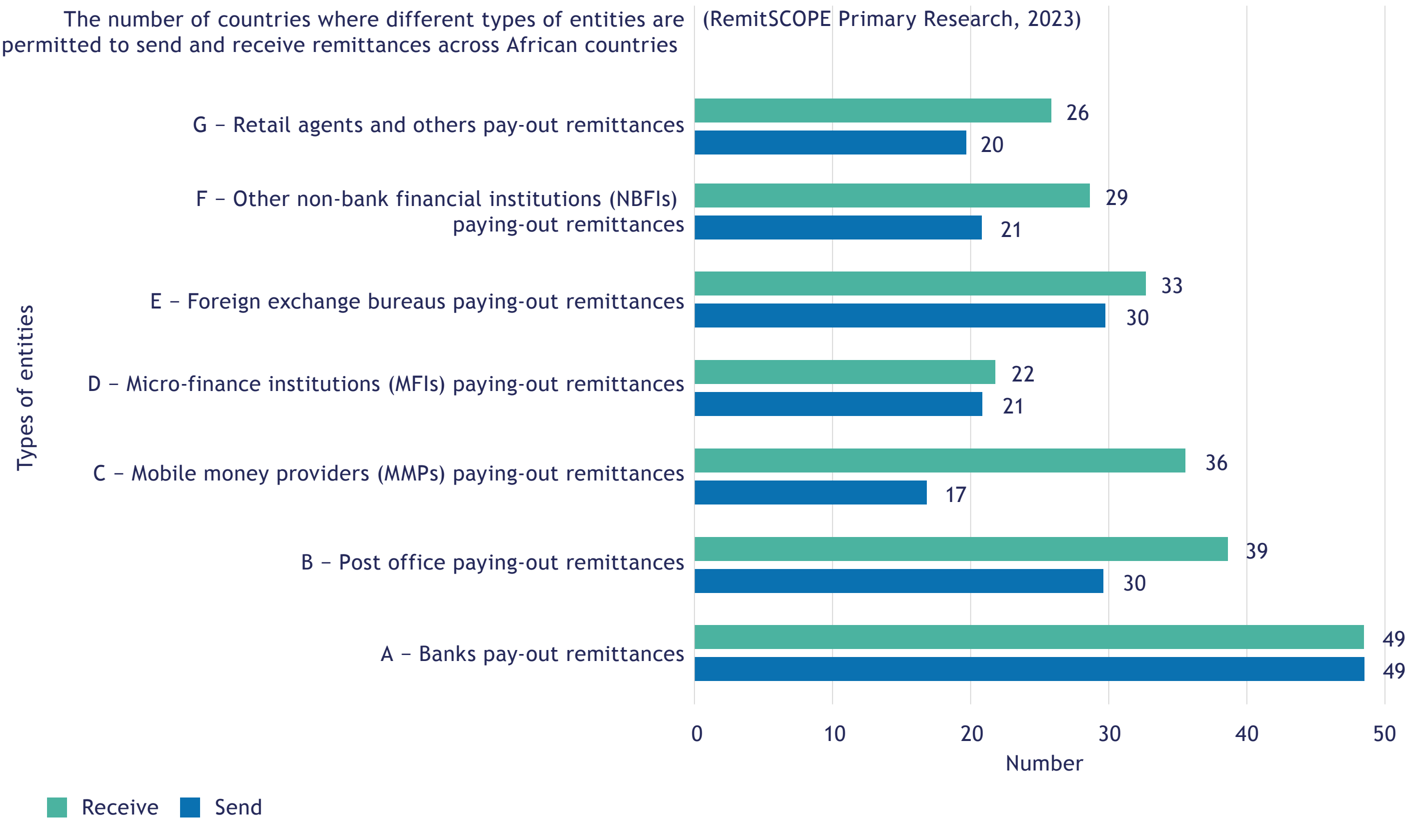


Source: RemitSCOPE Research, 2023.

Competitive environment, operators, pay-out partners and service providers

The competitive environment varies between markets within Africa. Recent years have seen a major improvement in the level of competition driven by the removal of exclusivity clauses in many markets, changes in local regulations in African countries on which types of operators are permitted to offer remittance services and an increased number of operators in send markets (especially digital providers).

FIGURE 27. **Number of different types of operator by country**



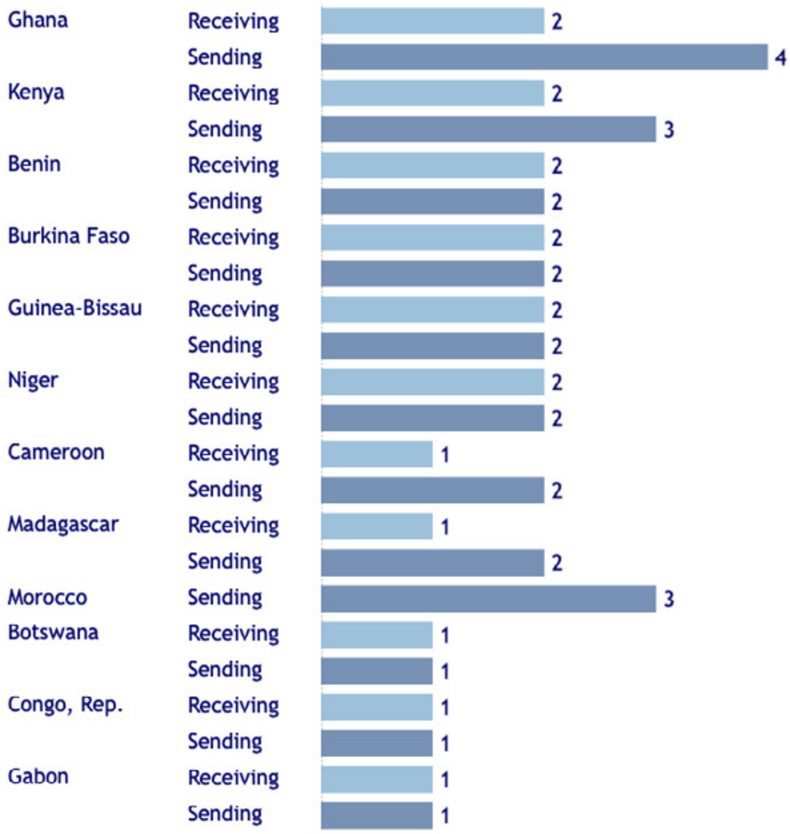
Source: RemitSCOPE Research, 2023.

There are a variety of participants in the remittances market providing connected but different services, including:

- International Money Transfer Operators (MTOs). These include well-known global operators (such as Western Union, MoneyGram and Ria) who provide cash-based and digital operators, (digital only providers such as Remitly and Zepz) and corridor-specific remittance companies (such as APS in Gambia) who normally have a connection to the receiving corridor in the country and are well known in the sending community/diaspora.
- Many countries also have locally based MTOs who provide payout networks in their country of operation. These operators provide either a physical network or digital crediting options or both. They play a vital role in helping to reach the last mile.
- Mobile Network Operators. These are large entities whose primary business is the provision of mobile telephony services but who also offer mobile payment services using either or both USSD and app-based solutions.
- They frequently provide lower priced remittance services (3.75 per cent for mobile compared to the Africa average cost of 8.9 per cent). This is a growth area and FIGURE 28 shows the number of cross-border mobile remittance services where MM can be both sent and received within Africa.
- Banks. Banks have been involved in the remittance market from the beginning. As the main financial service providers in each country, they have deep understanding of the financial market and have branch networks that provide payout services to customers. They also offer bank account services to consumers although in many cases they are not the main accounts used by receivers (which is often mobile wallets) as historically banks have not been focused on remittance customers and often did not consider them an attractive customer base. In some countries this is changing with certain banks providing remittance account linked services and some have developed their own remittance services and established branches in send countries (for example, Attijariwafa Bank in Morocco or Ecobank's Rapidtransfer service). These companies have recognized the benefit of the additional services that they can provide to users of remittances at both ends of a corridor.
- Aggregators. Recent years have seen the growth of companies that provide relatively easy access to remittance pay-out networks and services in Africa. Historically International Money Transfer Operators needed to make bilateral agreements with each pay-out partner that they wished to work with. This took a long time and was expensive. Now it is possible to make an agreement with an aggregator and obtain access to multiple partners in multiple countries. Currently there are four main aggregators in Africa, all slightly different, but all able to help IMTOs grow their networks and provide efficient services more quickly than before.
- Service providers. With the growth of FinTechs the remittance market value chain has become more fragmented and more specialized. It is now possible to work with FinTech partners to obtain services such as AML/CFT monitoring and review, client on-boarding or improved access to liquidity among others. Each of these areas enables new and existing MTOs to harness technology to improve their businesses, potentially lower costs and widen their reach. It is anticipated that the provision of specialized services for certain parts of the value chain will continue to grow.

Recent developments in the competitive environment in Africa provide encouragement that over time prices will decline and the remittances market will become more efficient.

FIGURE 28. **Number of cross-border mobile remittance services by country**



Source: GSMA.

Conclusion and call to action

Remittances are vital for development in Africa. The remittance market in Africa is sizeable and growing. Whilst the continent has the highest remittance prices in the world it also has strong signs of innovation and progress, particularly in the areas of financial inclusion, mobile money and increasingly competitive markets.

There are still challenges with operating restrictions and licensing in a number of markets. If these challenges can be overcome, then Africa is poised for positive change in its remittances environment.

Call to action: Despite the wealth of data contained in this report there is still a massive lack of data on all aspects of remittances, from flows to regulations. All stakeholders benefit from having accurate and timely data and RemitSCOPE Africa is able to host and update all remittance relevant information. All stakeholders, including central banks, regulators, remittance service providers, MTOs, development organizations and other vital participants are strongly encouraged to provide information to help RemitSCOPE stay current with all developments.

RemitSCOPE Africa is ready to assist and provide guidance on the development of data collection methodologies to any entity that wishes to enhance their capabilities in this area.

RemitSCOPE Africa will publish regular updates to new data releases and periodic analysis of trends as they develop.

This can be done by contacting the RemitSCOPE team at: https://remitscope.org or on remittances@ifad.org.

Appendices

APPENDIX 1
ABOUT REMITSCOPE AFRICA

RemitSCOPE Africa

RemitSCOPE Africa compiles the most-up-to-date and trusted remittance and remittance-related data across 54 countries in Africa and covers up to 140 different indicators per country. It enables the user to interact with data to better understand remittances across the continent, gather insights into diaspora, remittances flows, pricing, operating environments, digitization, access and much more.

RemitSCOPE Africa's interactive dashboards allow you to explore, analyze and compare indicators across countries. The dashboards are organized into 5 themes, offering the most up to date and comprehensive compilation of relevant data, and cover the 54 countries in Africa. The dashboards include data from existing data sources, such as the World Bank, GSMA and IMF, as well as data collected through primary RemitSCOPE research. The themes are:

- Remittance Flows
- Migration & Diaspora
- Pricing
- Digitization & Access
- Operating environment

Snapshot Indexes

Expertly created indexes provide further market intelligence and insight into remittance markets. The Snapshot Indexes are created using indicators already available on the 'Themes & Indicators Dashboard' and aim to give quick insight into remittance markets. For example, they highlight countries where remittances are most "important" to their economies, countries that are "ready" for digital remittances, those that may be considered "restrictive" to operate in, or where access to pay-out options is likely to be good.

MobileRemit Index is a more in-depth index, specifically exploring the readiness for mobile remittances across Africa.

The Index Reports can be downloaded with information on the methodology, weighting and scoring systems. Indexes will be updated annually to track developments over time.

Country profiles

Country Profiles provide an overall view of remittances into and out of Africa. Country Profiles showcase all data available on one remittance market.

Who is it for?

RemitSCOPE responds to a call from private sector operators and the money transfer industry as a whole for improved data on remittances. It is also for policy makers and regulators, where it showcases good practice in operating environments, providing aspirational indicators, and highlights countries committed to improving remittance and remittance-related data. RemitSCOPE supports donor organizations by providing a data-led approach to program design to work towards achieving the Sustainable Development Goals and UN's Global Compact for Migration. It is also useful for academics, researchers and media.

Industry input and feedback

RemitSCOPE is the first iteration of an ongoing process to develop a "one-stop-shop" for international data on remittances. As such, we welcome your comments to inform our process of continual improvement. Future iterations are planned for regional and national remittance and remittance-related data.

As detailed in the Methodology, some of the data is collected through RemitSCOPE primary research. This is a challenging process for every country, and as markets are continuously evolving, provide data to the best of our knowledge at the time of data collection. As such, we welcome any additional information and market intelligence you have to ensure data sources are accurate and up to date.

Where data is unavailable, RemitSCOPE Researchers conduct market research to be able to provide more insight and transparency on remittance markets. However, remittance markets are dynamic and ever evolving. If you are able to provide additional market intelligence and insights, we welcome your comments and inputs to inform our process and commitment to providing up-to-date reliable market intelligence. RemitSCOPE is built by the remittances community for the remittances community and needs your input and insights to keep it up to date and accurate. There is a survey for users. Please complete our user survey.

Follow us on social media and sign-up online for our newsletter (Facebook and Twitter) and sign up to our newsletter to be informed when new data, features and tools are added. Share your feedback on-line.

Wider aims and future plans

RemitSCOPE is an industry-first compilation of all remittance-related data that is publicly available. This is just the first step in widening public and private sector understanding of remittance markets across the world. This unique platform is designed to spearhead progress across the industry to improve the quality, breadth and depth of publicly available data.

As more data becomes available on remittances and relating to remittances, and as industry demands it, RemitSCOPE will respond with the addition of new dashboards and tools for analysis.

Central Bank Accreditation & Call to Action from Central Banks

RemitSCOPE forms part of a larger agenda to improve the quality, availability and disaggregation of remittances data globally to inform government policies, achieve financial stability, support AML-CFT, promote competition and inform new product development.

RemitSCOPE asks Central Banks to review and accredit the information available on their Country Profile annually. Central Banks play an important role in providing financial market data and a clear understanding of the operating environment for financial service providers. For the longer-term sustainability of RemitSCOPE, it is necessary for Central Banks to provide data on their respective jurisdictions. Please find the link to the Central Bank survey here.

About RemitSCOPE

RemitSCOPE Africa is a component of the PRIME Africa project – a 4-year project funded by the European Commission and managed by the Financing Facility for Remittances (FFR) within the UN International Fund for Agricultural Development (IFAD). PRIME Africa aims to reduce the costs of remittances from the EU to Africa and enhance financial inclusion.

Within these goals, several of PRIME Africa's activities are addressed through the RemitSCOPE website including addressing the data gap and increasing market competition. More information on the market can be leveraged to create better products and services for diaspora members and their families.

DMA Global, a development consultancy firm, has led the research and data compilation of RemitSCOPE. This website was built by ADL and the dashboards were built by Visualitics.

APPENDIX 2
GLOBAL COMPACT FOR SAFE, ORDERLY AND REGULAR MIGRATION

Objective 20: Promote faster, safer and cheaper transfer of remittances and foster financial inclusion of migrants

We commit to promote faster, safer and cheaper remittances by further developing existing conducive policy and regulatory environments that enable competition, regulation and innovation on the remittance market and by providing gender-responsive programmes and instruments that enhance the financial inclusion of migrants and their families. We further commit to optimize the transformative impact of remittances on the well-being of migrant workers and their families, as well as on sustainable development of countries, while respecting that remittances constitute an important source of private capital, and cannot be equated to other international financial flows, such as foreign direct investment, official development assistance, or other public sources of financing for development.

To realize this commitment, we will draw from the following actions:

a) Develop a roadmap to reduce the transaction costs of migrant remittances to less than 3 per cent and eliminate remittance corridors with costs higher than 5 per cent by 2030 in line with target 10.c of the 2030 Agenda for Sustainable Development
b) Promote and support the United Nations International Day of Family Remittances and the IFAD Global Forum on Remittances, Investment and Development as an important platform to build and strengthen partnerships for innovative solutions on cheaper, faster and safer transfer of remittances with all relevant stakeholders
c) Harmonize remittance market regulations and increase the interoperability of remittance infrastructure along corridors by ensuring that measures to combat illicit financial flows and money laundering do not impede migrant remittances through undue, excessive or discriminatory policies
d) Establish conducive policy and regulatory frameworks that promote a competitive and innovative remittance market, remove unwarranted obstacles to non-bank remittance service providers in accessing payment system infrastructure, apply tax exemptions or incentives to remittance transfers, promote market access to diverse service providers, incentivize the private sector to expand remittance services, and enhance the security and predictability of low-value transactions by bearing in mind de-risking concerns, and developing a methodology to distinguish remittances from illicit flows, in consultation with remittance service providers and financial regulators
e) Develop innovative technological solutions for remittance transfer, such as mobile payments, digital tools or e-banking, to reduce costs, improve speed, enhance security, increase transfer through regular channels and open gender-responsive distribution channels to underserved populations, including for persons in rural areas, persons with low levels of literacy, and persons with disabilities

f) Provide accessible information on remittance transfer costs by provider and channel, such as comparison websites, to increase the transparency and competition on the remittance transfer market, and promote financial literacy and inclusion of migrants and their families through education and training
g) Develop programmes and instruments to promote investments from remittance senders in local development and entrepreneurship in countries of origin, such as through matching- grant mechanisms, municipal bonds and partnerships with hometown associations, in order to enhance the transformative potential of remittances beyond the individual households of migrant workers at skills levels
h) Enable migrant women to access financial literacy training and formal remittance transfer systems, as well as to open a bank account, own and manage financial assets, investments and business as means to address gender inequalities and foster their active participation in the economy
i) Provide access to and develop banking solutions and financial instruments for migrants, including low-income and female-headed households, such as bank accounts that permit direct deposits by employers, savings accounts, loans and credits in cooperation with the banking sector

APPENDIX 3
ADDITIONAL FIGURES

FIGURE 29. **African countries with the fastest growth in remittance inflows (CAGR 3 years)**

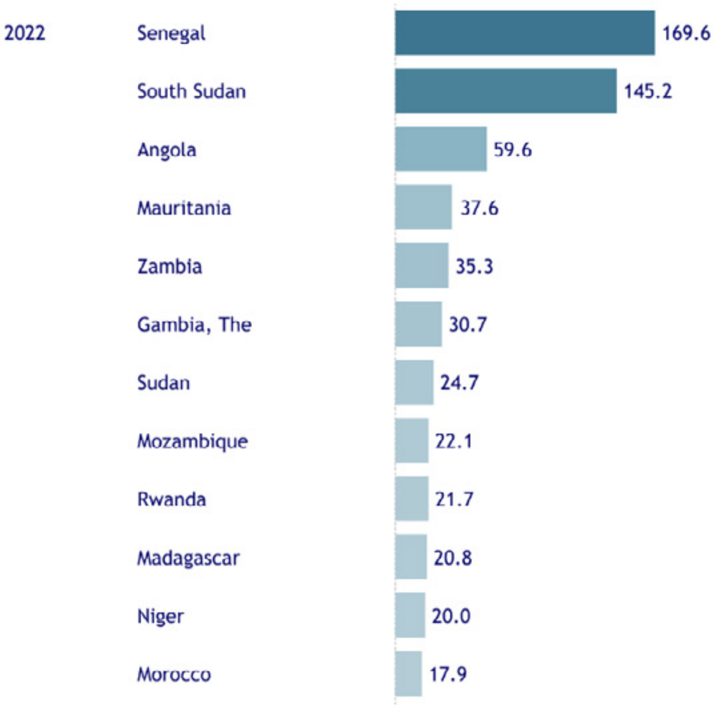


FIGURE 30. **Corridor remittance inflows from data provided by central banks**

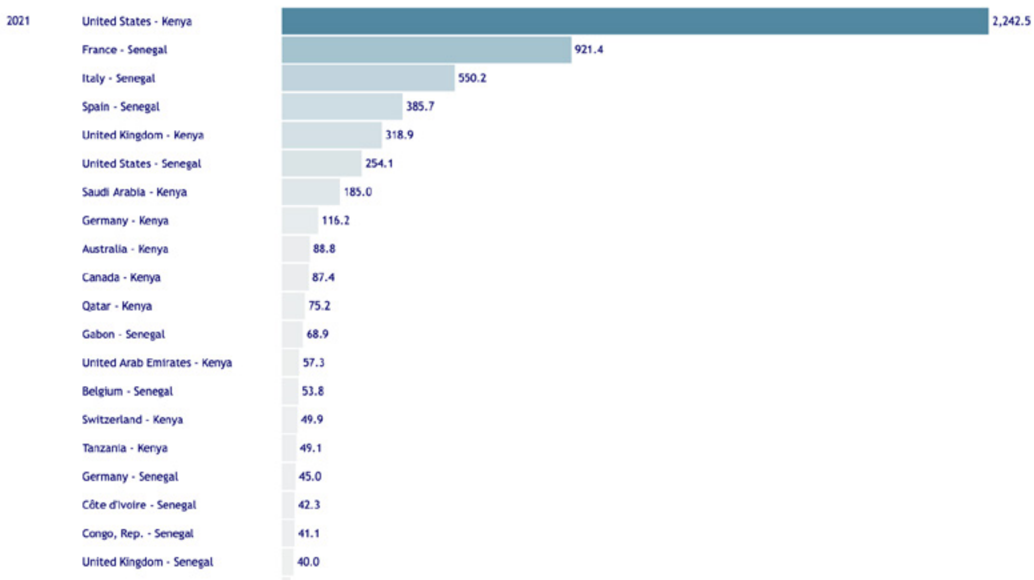


FIGURE 31. Remittance data flows to West Africa

Time series data (sum across countries) on A - World Bank remittance inflows, 2010-2021 USD millions

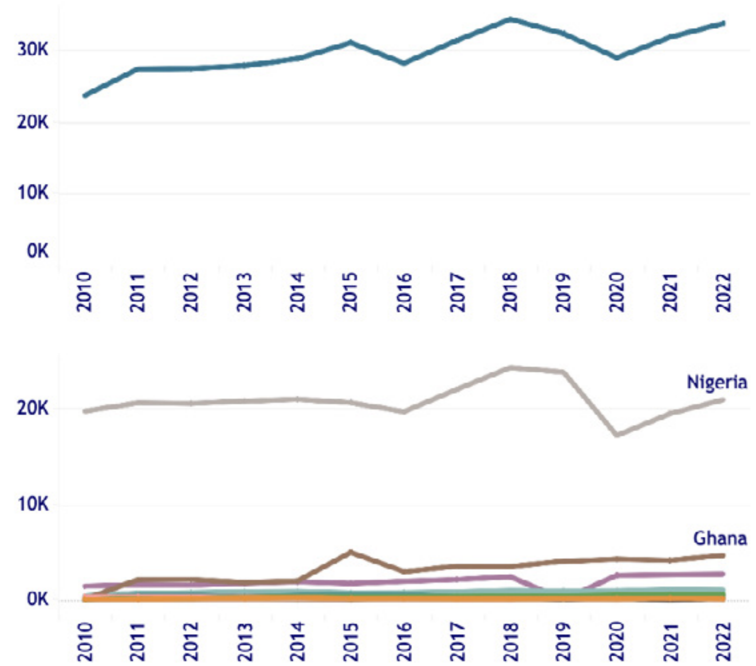


FIGURE 32. Remittance data flows to East Africa

Time series data (sum across countries) on A - World Bank remittance inflows, 2010-2021 USD millions

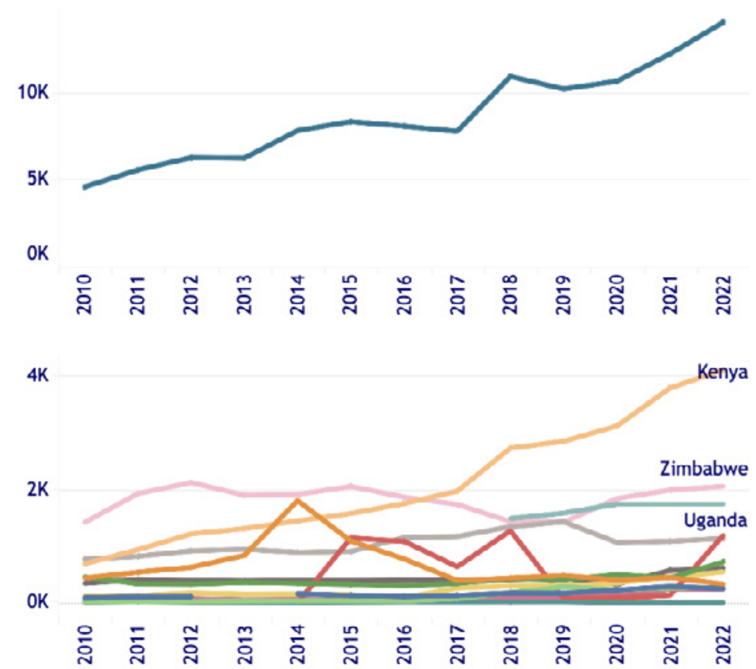


FIGURE 33. **Remittance data flows to North Africa**

Time series data (sum across countries) on A - World Bank remittance inflows, 2010-2021 USD millions

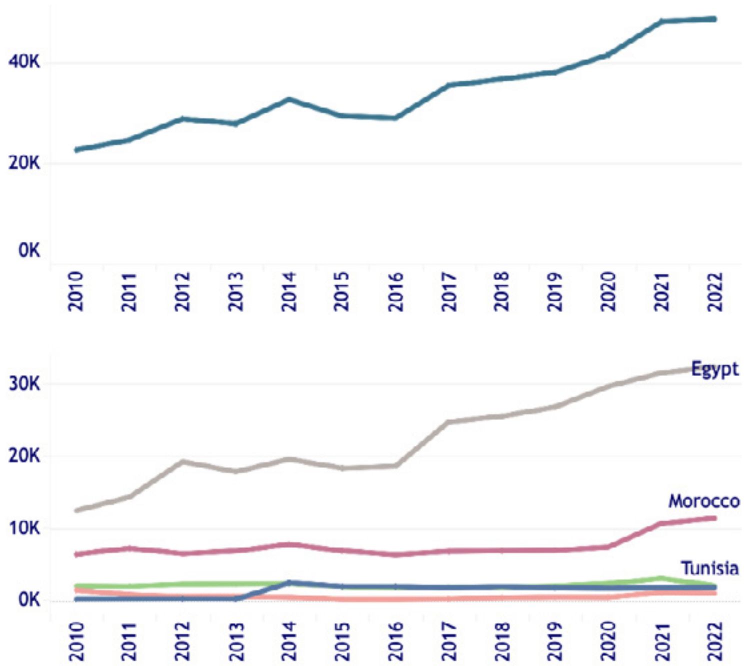


FIGURE 34. **Remittance data flows to Central Africa**

Time series data (sum across countries) on A - World Bank remittance inflows, 2010-2021 USD millions

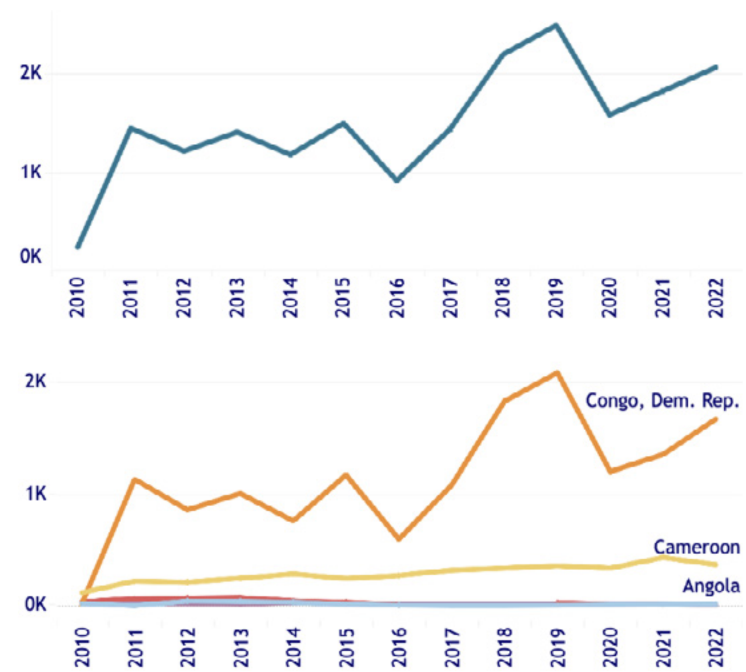


FIGURE 35. Remittance data flows to Southern Africa

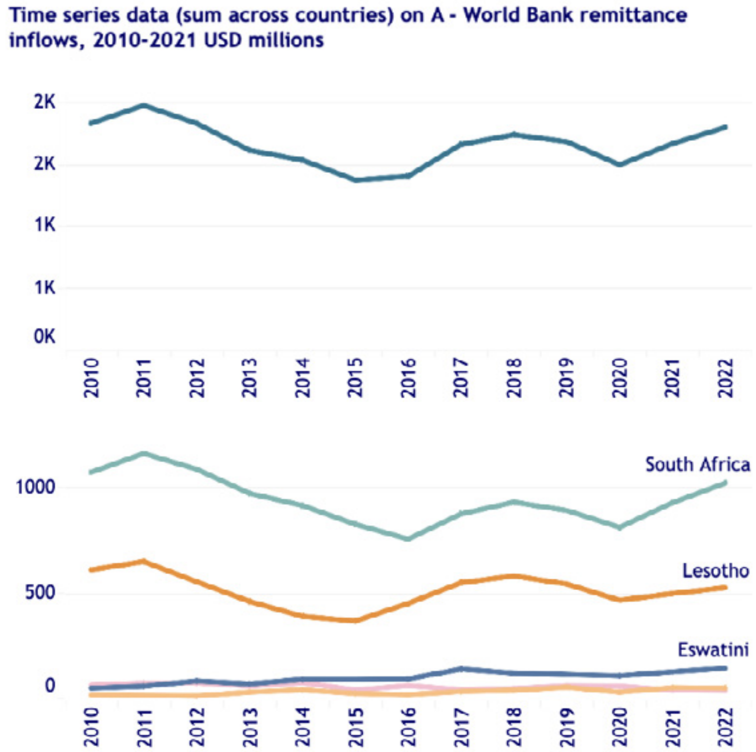


FIGURE 36. Cost to send remittances to Africa via non-bank over time

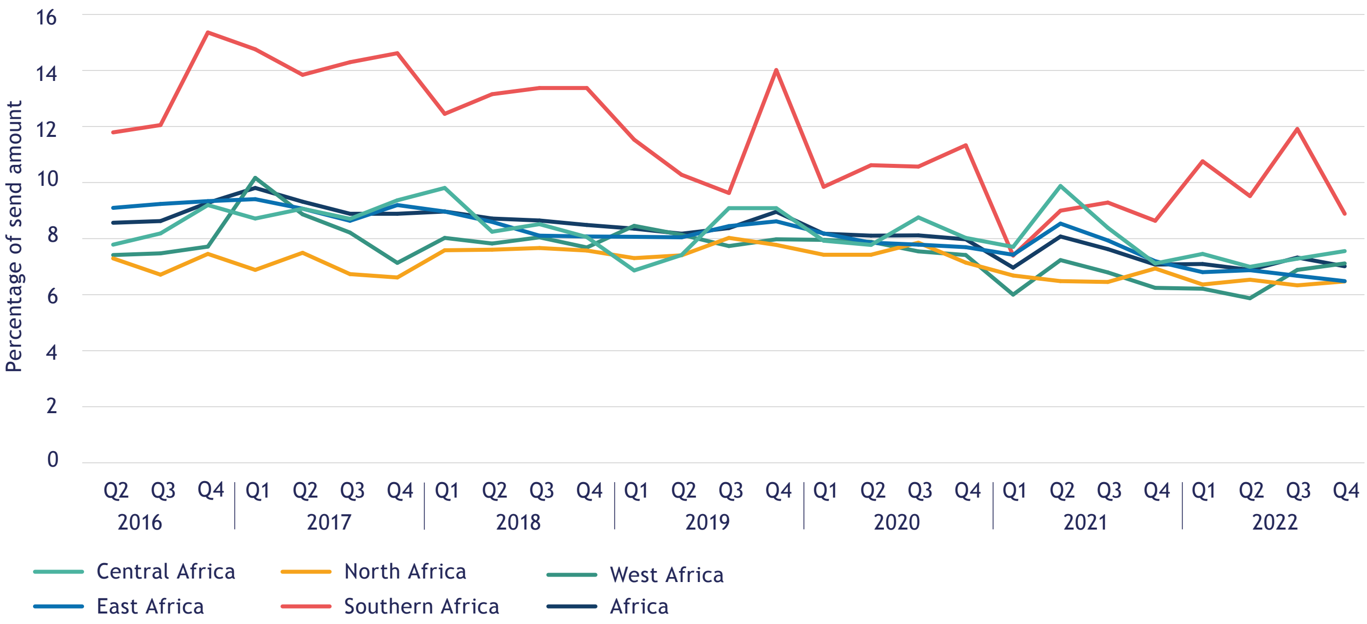


FIGURE 37. Cost to send remittances to Africa by non-banks

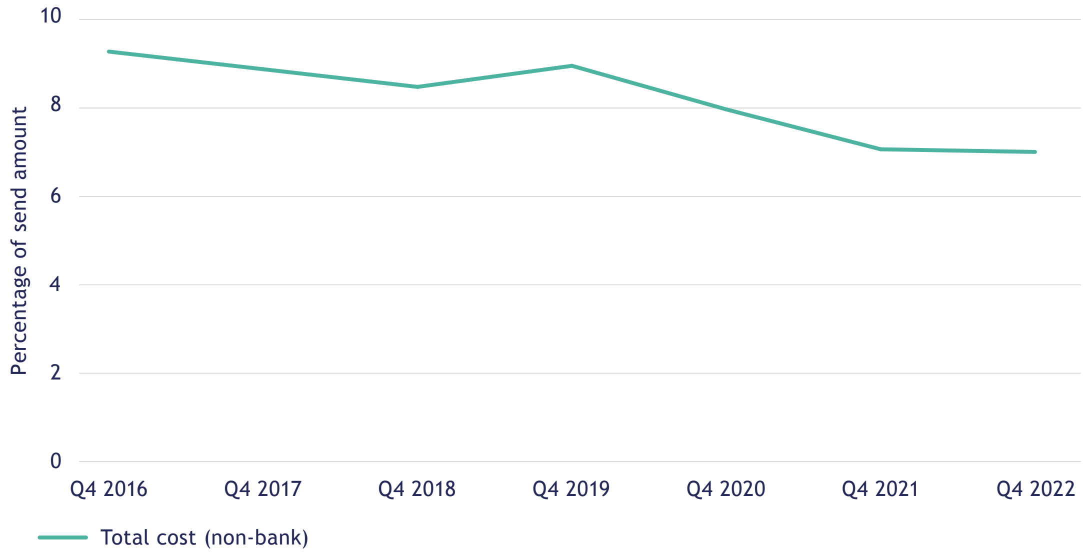


FIGURE 38. Cost to send remittances via non-banks to select African corridors (lowest costs)

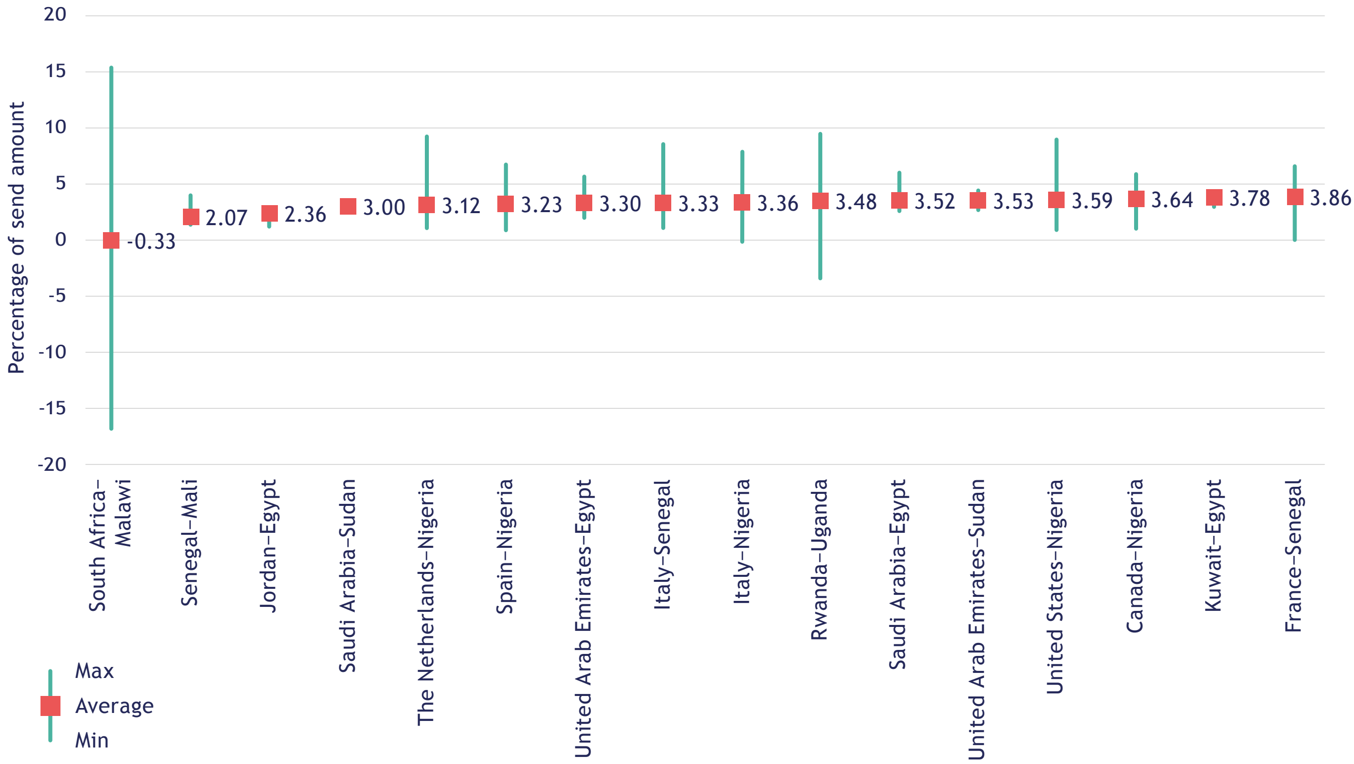


FIGURE 39. Cost to send remittances via non-banks to African corridors (highest cost)

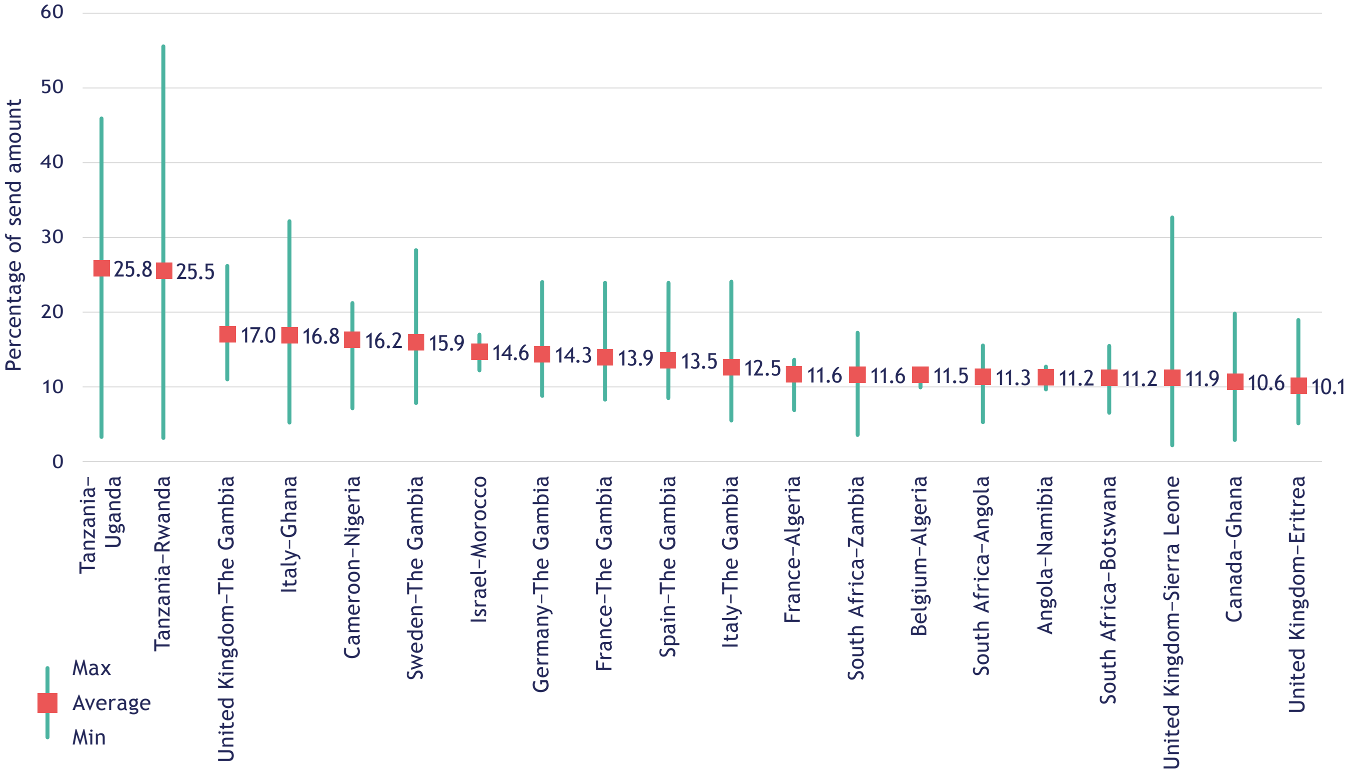


FIGURE 40. Most expensive countries to send remittances to

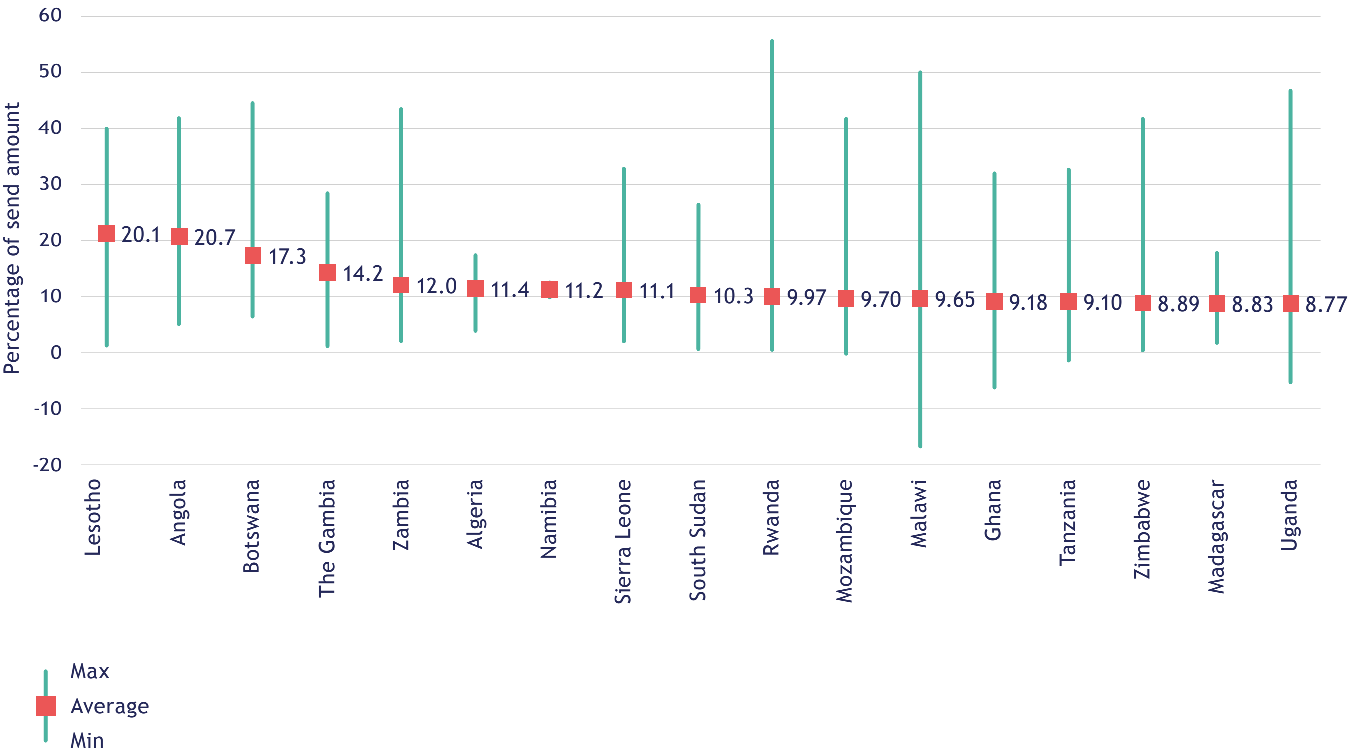


FIGURE 41. Restriction on outbound countries

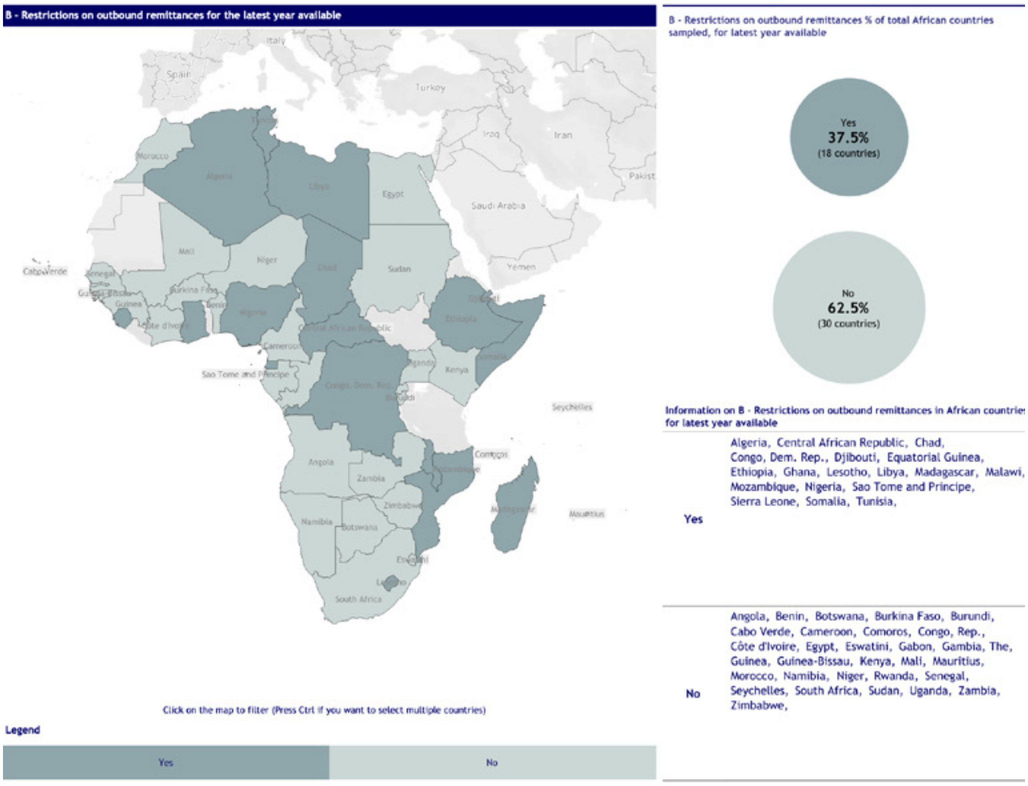


FIGURE 42. Per cent of countries with exclusive relationships (legal or commercial)

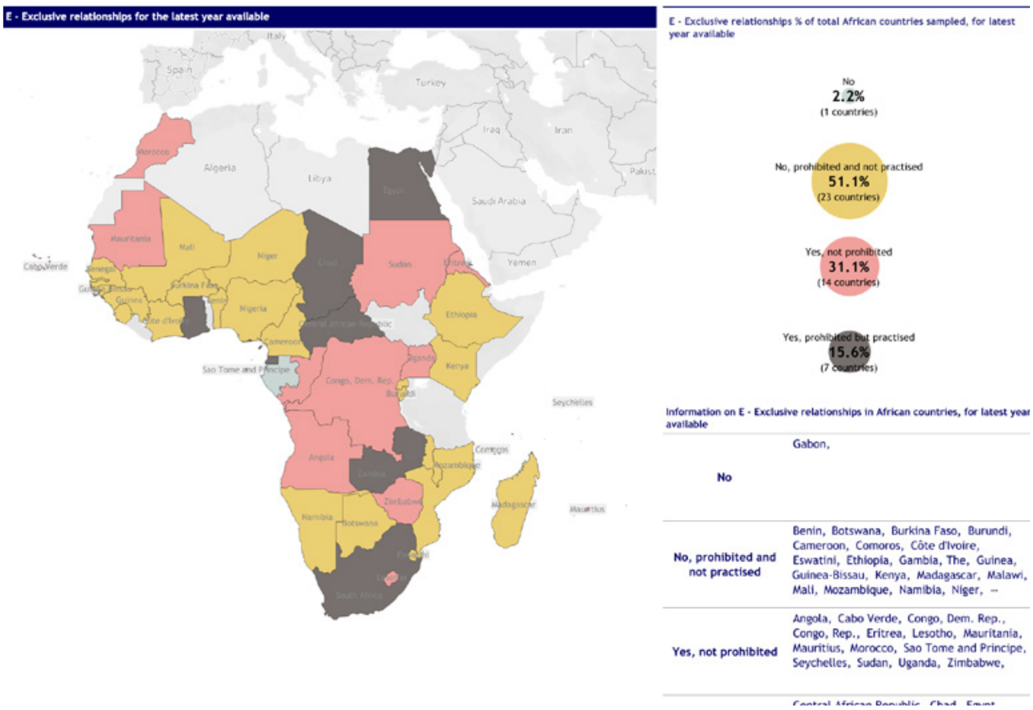
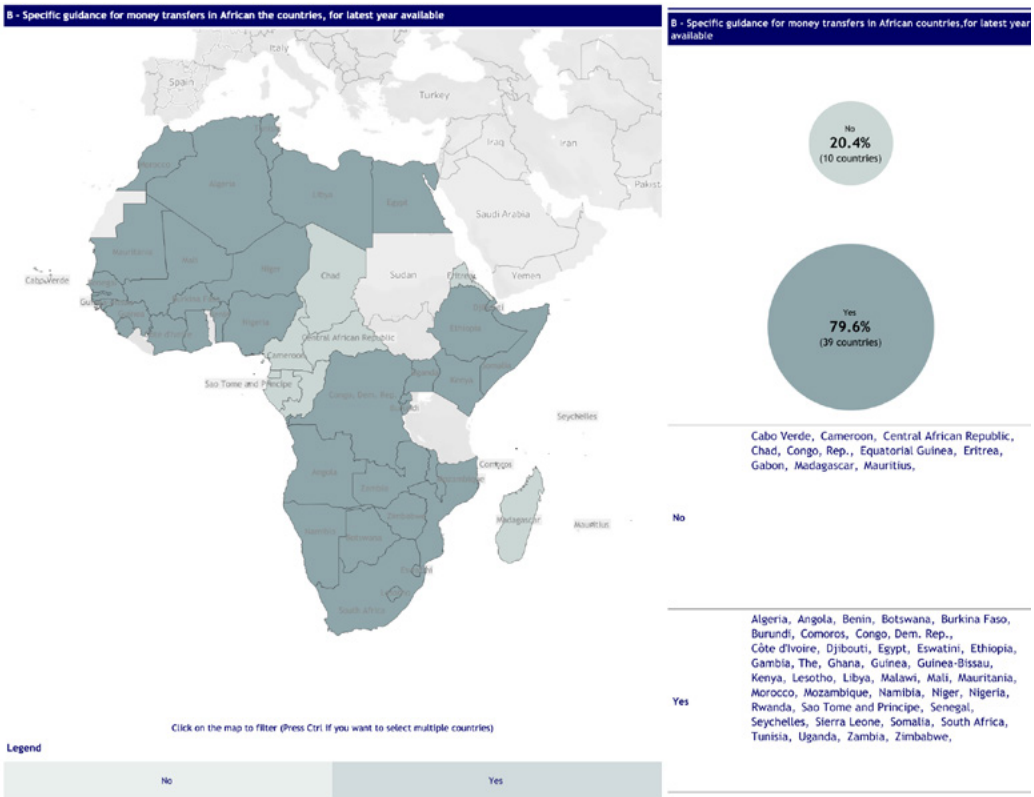


FIGURE 43. Countries where specific guidance is provided on remittances



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IFAD is a specialized agency of the United Nations and an international financial institution, with the mandate to invest in rural people to eradicate poverty in low- and middle-income countries.

Financing Facility for Remittances (FFR)
IFAD's US$65 million multi-donor Financing Facility for Remittances aims at maximizing the impact of remittances on development and promoting diaspora engagement in migrants' countries of origin.

For more information, visit: www.ifad.org | www.ifad.org/ffr | www.RemitSCOPE.org

Developing Markets Associates Global (DMAG)
Headquartered in central London with a regional office in Sydney, DMAG is a leading payments consultancy engaged by both the public and private sector to deliver projects around the world. Since the company was founded in 2007, it has grown to 20 full-time staff, with a global network of research and support staff of a further 60 people. DMAG's core competencies include:

- Remittances and payment systems
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Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa)
PRIME Africa is a EUR 15 million initiative co-financed by the European Union and implemented by IFAD's FFR, aimed at improving the management of remittances and their use for development impact in selected African countries.

For more information, visit: www.ifad.org/prime-africa

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