Lafia Journal of Economics and Management Sciences: Volume 6, Issue 2; 2021
ISSN: 2550-732X
Published by Department of Economics, Federal University of Lafia, Nigeria

COVID-19 Outbreak and the Trend of Diaspora Remittances Flows to Sub-Saharan Africa

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Abstract
This paper investigated the effect of COVID-19 pandemic on the trend of diaspora remittances flows to SSA. This was based on the World Bank estimates that COVID-19 outbreak could trim SSA's real GDP growth from 2.4% in 2019 to -2.1% at the end of 2020. Diaspora remittances which had grown tenfold, from $4.8 billion in 2000 to $48 billion in 2018, could fall by 23.1% in 2020, dropping from $48 billion in 2019 to $37 billion in 2020 according to World Bank (2020) report. This implies that diaspora remittances declined and became less stable as a result of COVID-19 pandemic. It was discovered that the crisis has exacerbated outstanding issues in remittance transfers to SSA countries in particular, such as the high cost of remittance transfer fees or high foreign exchange fees. The study concluded that, the pandemic offered the opportunity for SSA countries to work with service providers as well as the host governments to achieve this target in the short term. Governments should continue to offer preferential exchange rates for remittances, reduced transactional fees for transfers, debt service relief programs, or even a combination of programs to their clients. This can therefore push up progress made by the region while improving the welfare of millions of SSA households that depend on diaspora remittances.

Key words: COVID-19, Diaspora Remittances, Sub-Saharan Africa
JEL Classification: F01, F24, N47

1. Introduction

What began as a health crisis in December 2019 in the city of Wuhan, the Hubei province of China, turned into a global economic downturn. With the index case in Nigeria on the 28th February 2020, the COVID-19 pandemic spread rapidly across SSA. By 6th of August 2020, 46 SSA countries had reported 819,840 cases of COVID-19 (*National Institute for Health Research (NIHR)* Global Health Research Unit, *2020)*. Protecting lives and allowing health care systems to cope had required isolation, lockdowns, physical distancing and widespread closures. International Monetary Fund (2020) for instance projected an output loss of between US$37 billion and US$79 billion in SSA. United

Nations Economic Commission for Africa (UNECA) (2020a) forecast Africa's GDP growth to fall from 3.2% in 2019 to 1.8% at the end of 2020. The World Bank (2020) predicted SSA's real GDP growth to sharply decline from 2.4% in 2019 to -2.1% in 2020.

With the COVID-19 pandemic wreaking havoc in many economies the global economic outlook is dire with varying predictions that remittances will decline worldwide. The World Bank predicted a 20% decline in remittances for 2020 stemming from a combination of declining global economic growth, plummeting oil prices, and the loss of millions of jobs (Mughogho 2020). The African Union specifically listed declining diaspora remittances among the major exogenous impacts of COVID-19 on African economies (African Union, 2020; Kalantaryan, & McMahon 2020). The amount which had grown tenfold, from $4.8 billion in 2000 to $48 billion in 2018, is expected to decline by 23.1% in 2020, dropping from $48 billion in 2019 to $37 billion in 2020 according to World Bank (2020) report.

While several region and countries registered a decline in remittances in the wake of the pandemic, in a few, remittances were proven to be resilient, defied all expectations. Remittance inflows for instance rose in Latin America and the Caribbean (6.5%), South Asia (5.2%) and the Middle East and North Africa (2.3%). However, remittance flows fell for East Asia and the Pacific (7.9%), for Europe and Central Asia (9.7%), and for Sub-Saharan Africa (12.5%). The decline in flows to Sub-Saharan Africa was almost entirely due to a 28% decline in remittance flows to Nigeria. Excluding flows to Nigeria, remittances to Sub-Saharan Africa increased by 2.3%, demonstrating resilience. This begs the question as to how some countries are able to keep remittances flowing and warrants further introspection. The projected sharp decrease of diaspora remittances in SSA would have been as a result of more exposure of diasporas to the loss of employment and wages during the pandemic economic crises compared to other nationals (United Nations 2020).

This paper analyzed the trend of diaspora remittances since COVID-19 pandemic in SSA and examined the driving factors that keep remittances flowing. This study is particularly important since the pandemic has hit almost all African countries, and diaspora remittances make up about 60% of the family's household income. Sharp reduction in diaspora remittances can potentially push back decades of progress made by the region while lowering the welfare of millions of SSA households that depend on diaspora remittances with the tendency of pushing them back into poverty during and after the COVID-19 period (Ataguba 2020; Damak & Bahtia 2020). The continuous flow of remittances may be essential for COVID-19 response and recovery in

SSA, especially being a region with limited social safety nets. Its changes in continues flows can be inextricably linked with missing key 2030 sustainable development goal(SDG) (particular: SDG 1, No Poverty; SDG 2, Zero Hunger; SDG 3, Good Health and Well-Being; SDG 4, and financial inclusion, SDG 8.10), thereby slow down the progress the sub region has made so far.

After this introduction, the next section presents the trend of diaspora remittances; section 3 discusses remittances response to prior crises - the 2008 financial crisis and the 2014 Ebola crisis. Section 4 highlighted some steps that are needed for arresting the decline diaspora remittances in the SSA and section 5 concludes.

2. Global Diaspora Remittances and Trends

Diaspora remittances represent an important tool for economic growth and poverty alleviation by ensuring a flow of financial resources from migrants to households and communities in countries of origin. Global flows of remittances to receiving countries have grown consistently over recent decades from US$64 billion in 1990 to US$683 billion in 2018. The figure is expected to be reach US$768 billion in at the end of 2021(see table 1). The figure to Low and Middle Income (LMICs) which was US$343 billion in 2010 rapidly grew to US$526 billion in 2018. In 2019, remittance flows to LMICs became larger than foreign direct investment (FDI), a significant event for monitoring capital flows to these economies (Kalantaryan & McMahon 2020).

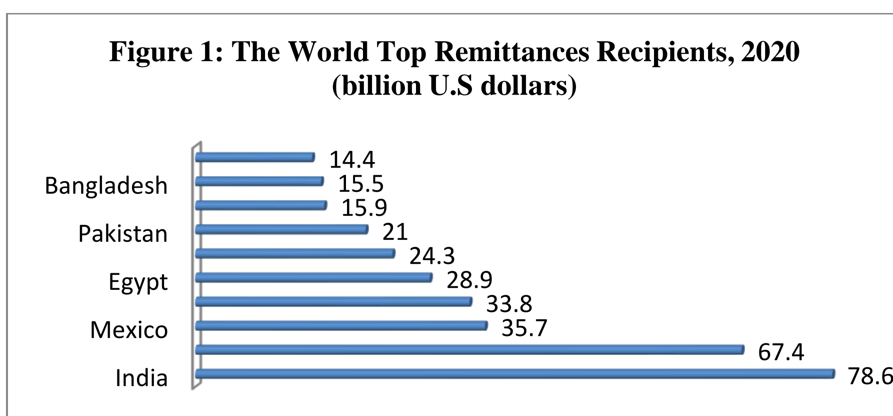
Unfortunately, the World Bank predicts a significant reduction in remittances resulting from the spread of Covid-19 from $714 billion in 2019 to $572 billion in 2020, representing a fall of 19.9%. In low and middle-income countries, the foreseen decline is from $554 billion to $445 billion, representing a 19.7% fall (World Bank 2020).

Table 1: Estimates and Projections of Remittance Flows to Low- and Middle-Income Regions

	2010	2016	2017	2018	2019e	2020f	2021f
				($ billions)			
Low and Middle Income	**343**	**444**	**484**	**526**	**551**	**574**	**597**
East Asia and Pacific	96	128	134	143	149	156	163
Europe and Central Asia	38	44	53	58	59	62	64
Latin America and the Caribbean	56	73	81	89	96	99	103
Middle East and North Africa	39	51	57	58	59	61	63
South Asia	82	111	117	132	139	145	150
Sub-Saharan Africa	32	38	42	47	49	51	54
World	**470**	**589**	**634**	**683**	**707**	**739**	**768**
				(Growth rate, percent)			
Low and Middle Income	**11.6**	**-1.6**	**9.1**	**8.6**	**4.7**	**4.2**	**4.0**
East Asia and Pacific	19.9	-0.5	5.1	6.8	3.8	4.7	4.5
Europe and Central Asia	5.6	0.1	22.3	8.4	1.8	4.6	4.3
Latin America and the Caribbean	2.5	7.4	10.8	9.6	7.8	3.8	3.6
Middle East and North Africa	18.2	-1.2	12.1	1.6	3.0	2.7	3.2
South Asia	9.4	-5.9	5.8	12.7	5.3	4.1	3.6
Sub-Saharan Africa	11.1	-9.9	9.4	10.7	5.1	5.1	4.9
World	**8.6**	**-1.1**	**7.7**	**7.6**	**3.5**	**4.6**	**4.0**

Source: World Bank-KNOMAD, 2020

It can be observed from the (table 1) above that the reported figures vary significantly by regions. The figure which was 27.5 percent in Europe and Central Asia, was by followed by 23.1 percent in the case of Sub-Saharan Africa. South Asia recorded 22.1 percent, the Middle East and North Africa has 19.6 percent, Latin America and the Caribbean (LAC) with 19.3 percent, and East Asia and the Pacific recorded 13.0 percent (World Bank 2020). These trends would be unprecedented since year 2000. India, China, Mexico, the Philippines and Egypt are among the largest remittance recipients globally, collectively accounting for approximately 36% of total inflows.



Source: World Bank 2020

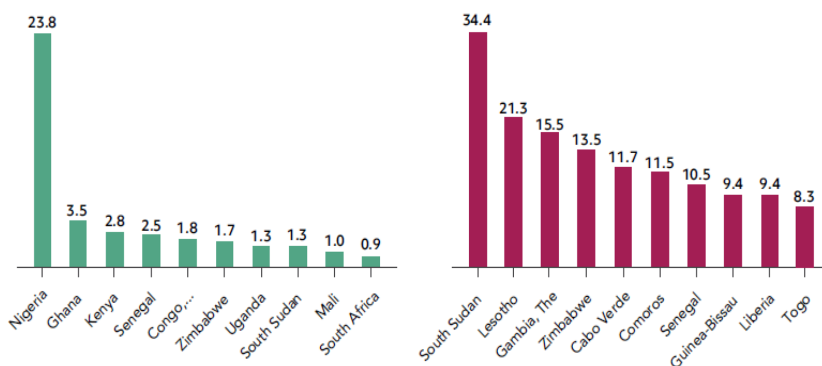
As the COVID-19 pandemic and economic crisis continues, the amount of money migrant workers send home is projected to decline 14 per cent by 2021 compared to the pre-COVID-19 levels in 2019, according to the latest estimates published in the World Bank's Migration and Development Brief 32, April 2020. The impact of COVID-19 is pervasive when viewed through the lens of migration as it may affects migrants and their families who rely on remittances (Ataguba 2020; Damak & Bahtia 2020). Remittance flows to low and middle-income countries (LMICs) are projected to fall by 7 per cent to USD508 billion in 2020, followed by a further decline of 7.5% to USD 470 billion in 2021. The foremost factors driving the decline in remittances include weak economic growth and employment levels in migrant-hosting countries, weak oil prices, and depreciation of the currencies of remittance-source countries against the US dollar (World Bank 2020). Rising unemployment in the face of tighter visa restrictions on migrants and refugees is likely to result in a further increase in return migration,

according to the World Bank's Migration and Development Brief 32, April 2020.

The declines in 2020 and 2021 will affect all regions, with the steepest drop expected in Europe and Central Asia (by 16% and 8%, respectively), followed by East Asia and the Pacific (11% and 4%), the Middle East and North Africa are both 8%), Sub-Saharan Africa (9% and 6%), South Asia (4% and 11%), and Latin America and the Caribbean (0.2% and 8%), the report said. Remittances to South Asia are projected to decline by around 4% in 2020 to USD1 35 billion. The previous greatest year-on-year decline in annual diaspora remittance inflows came during the global financial crisis of 2008-2009. The remittances to SSA shrank by just 5%. The predicted fallout of 23.1 percent from the spread of Covid-19 in 2020 could be seen to have dwarfed the 5% figure during the global financial crisis. Such a significant decline will be due to the fall in wages of migrant workers in countries severely affected by Covid-19, the economic recession which is expected to follow and the impact of social distancing or lockdown measures on people's ability to access money transfer services.

With an estimated amount of $23.8 billion in 2019, an increase of more than half a billion compared with 2018, Nigeria remains the largest recipient of remittances in the region, and is the sixth-largest recipient among Low and Middle Income Countries (LMICs). Ghana and Kenya are ranked a distant second and third in the region, with $3.5 billion and $2.8 billion received, respectively (see figure 2a). South Sudan had the region's highest share of diaspora remittances, as a percentage of national GDP. Based on IMF Balance of Payments statistics; in 2019, South Sudan, the Gambia and Zimbabwe diaspora remittances, as a percentage of national GDP were the highest as shown below (see figure 2b). For these countries where remittances account for a large share of GDP, a sharp decline is expected as larger percentage of diaspora income is from the United States, Europe, the United Arab Emirates and China that are severely affected by the pandemic.

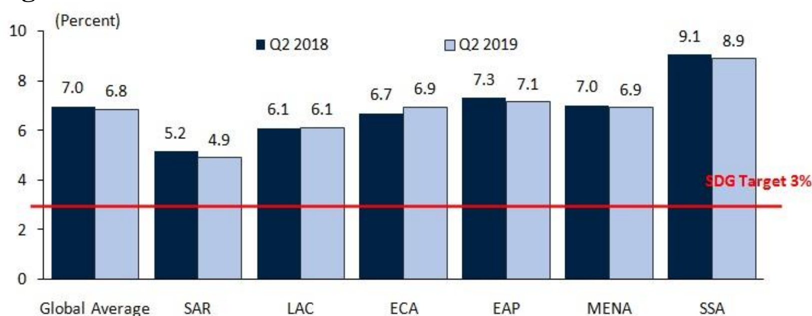
Figure 2a: Top Diaspora Remittances Recipients; Figure 2b Top Diaspora Remittances Recipients as ratio of GDP in SSA, 2019



Source: World Bank 2020

The ratios of diaspora remittances to GDP South Africa, Angola, Botswana, Ethiopia, and Zambia are among the countries are very low. The ratios of remittances to GDP of about 18 of the 48 countries in the region are negligible. They do not amount to more than 1 percent of GDP in 2019. In 2019, 14 countries had a ratio of remittances to GDP that exceeded the regional average (4 percent of GDP). These countries are the most vulnerable to a sharp decline in worker remittances as the level of economic activity in the source country contracts and migrant workers are temporarily out of work. Migrant workers' being out of work reduction may affect their earnings. It may also be affected by limited access to remittance services due to lockdowns. Falling economic activities and increasing operating costs could drive many of the remittance service providers out of business. The phenomena can negatively affect market competition while impacting the global efforts to reduce remittance transaction costs (United Nations 2020).

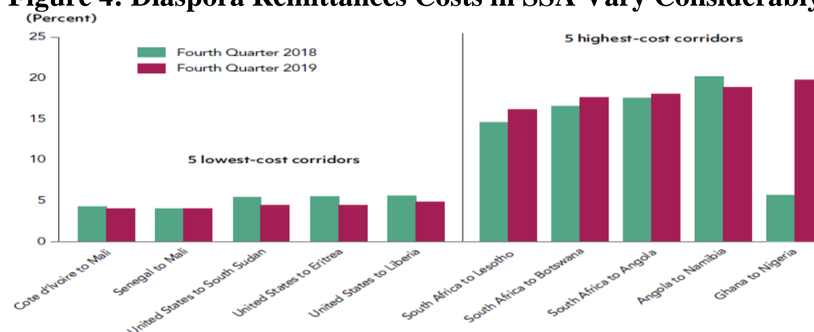
Figure 3: How Much Does It Cost to Send $200?



Source: World Bank, 2020

The average cost of sending $200 to LMICs was 6.8% in the second quarter of 2019, according to the World Bank's Remittance Prices Worldwide Database. This is only slightly below previous quarters (see figure 4 below). The price is more than double the Sustainable Development Goal (SDG) target of 3% by 2030 (SDG target 10.c). The cost of remittances across many African corridors and Small Islands in the Pacific remain above 10%. The cost was the lowest in South Asia, at around 5%, while SSA continued to have the highest average cost, at about 9% (figure 4).

Figure 4: Diaspora Remittances Costs in SSA Vary Considerably



Source: Migration and Development Brief 32, April 2020

Transferring $200 of remittances to Sub-Saharan Africa on reduced to 8.9% in the first quarter of 2020. This is a modest decline compared with the average cost of 9.25% a year before. While it can be seen that SSA is the most costly region to send remittances to, there remain heterogeneity across the region. The most expensive corridors are observed mainly in the Southern African region block, where the South Africa–Swatini corridor is the costliest, with an average of 20% in 2019 second quarter, an increase of 3 percent compared with the previous year's quarter. The Ghana-to-Nigeria corridor became the most expensive corridor in 2019 fourth quarter. The cheapest corridors include those of Côte d'Ivoire to Mali and Senegal to Mali, at an average cost of less than 3.6%. The COVID-19 pandemic has made it more difficult for migrants to remit money to SSA as most payments are still in cash and some money transfer operators have closed as a result of the pandemic.

3. Remittances Response to prior crises in SSA Countries

Remittances as an element of development finance are usually affected by any global crises.

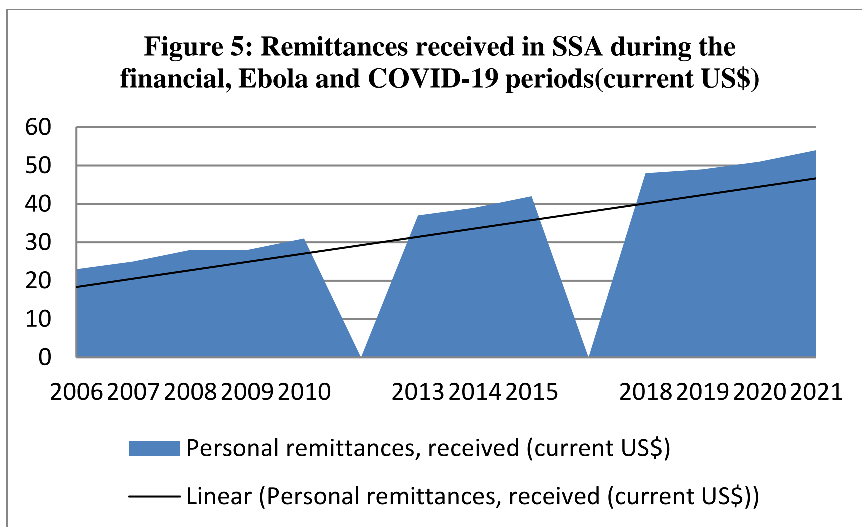
Two crises that have had relative significance on African remittances are the 2008 financial crisis and the 2014 Ebola epidemic.

3.1 The 2008 Global Financial Crises

The global financial crash (between 2008 and 2009) affected remittance flows by a decline of 5.5 percent. This was relatively insignificant when compared to other external financing, such as FDI, private debt and portfolio equity flows that experienced a 40 percent and 80 percent decline respectively (World Bank 2010a). In reference to SSA, remittances reduced slightly by 4%, as shown in figure 5 below (World Bank 2010b). During the 2008 financial crisis, remittances to developing countries remained resilient, countercyclical and fairly stable. Amid this crisis, migrants were able to keep remittances flowing in different ways. First, migrants who lost their jobs sacrificed their savings for remittances until they were able to find alternative sources of income (Orozco 2009). Secondly, upon losing their jobs, migrants in the procyclical sectors such as construction and manufacturing switched to part- or full-time employment in retail trade and/or agriculture (Sirkeci, Ratha & Cohen 2012). This enabled them to maintain a source of livelihood and send remittances to their families in developing countries. Thirdly, in the wake of and following the 2008 financial crisis, some migrants reduced their expenses so they could maintain their obligations of sending remittances (Sirkeci, Ratha & Cohen 2012). For instance, in the Gulf economies such as the United Arab Emirates, several migrant workers had to share accommodation so that they could send remittances back home.

Migrants' ability to sustain remittance flows to their home countries contributed to cushioning the effect of the financial crisis in African countries, playing a shock absorber role (Singh 2010). These remittance flows provided incomes that enabled households to recover from the economic breakdown. The motive for remitting would therefore imply that as the per capita output of the recipient country improves, fewer remittances are expected to be sent to the migrant's home country ceteris paribus. In this case, whenever adverse economic shocks reduced income in their home countries, migrants would remit more to protect their families from the shocks' effects. The behaviour considers remitting to be an obligation to the household as it has been argued in the poverty literature that the major reason why people migrate to other countries is due to poverty. According to this theory, sending remittances yields a

satisfaction to the migrant out of a concern for the welfare of his family (Stark 1991).



Source: Migration and Remittances Data as at October 2019 (World Bank 2017; updated data as of October 2019).

The financial crisis caused variations in exchange rates and this altered many migrant remittances' behaviours to be self-interest. Since most currencies of developing countries depreciated during the financial crisis, it become cheaper to invest at home and encouraged many migrants to increase remittance flows, specifically for investment activities (Ratha & Sirkeci 2011). This would indicate that more appealing opportunities for business investments exist in the receiving country compared to the host country. Under such a scenario, remittances are profit-driven with portfolio considerations taking on a dominant role. Remittances for investment are therefore argued to be procyclical with respect to the business cycle of the recipient economy. This made diasporas economically involving in both directions, thus encourage them to contribute towards the economic recovery from the financial crisis of the countries of origin.

3.2 The 2014 Ebola Epidemic

Ebola crisis occurred mainly in West Africa in 2014 as most of the severe impact began in Guinea in December 2013 and quickly spread to Liberia and Sierra Leone. Government equally responded measures to protect public health and safety resulted in quarantines of affected areas and border closures with affected countries (Campbell 2017). The Ebola

epidemic might have crippled the economies of Guinea, Liberia, and Sierra Leone to the tune of $25 billion in 2015 (rising above $32 billion when 2014 losses were included). All three were growing briskly in the first half of 2014. But full-year 2014 growth in Guinea collapsed to an estimated 0.5 percent from a rate of 4.5 percent expected before the crisis. Full-year growth for 2014 in Liberia fell by more than half to an estimated 2.2 percent from 5.9 percent expected before the crisis. Beyond the three most affected countries, there has been limited spread of the disease itself, with a small number of cases in Nigeria (20), Mali (8), and Senegal (1). All three countries were able to contain the epidemic swiftly. Nigeria and Senegal returned to Ebola-free status in October, and Mali was declared Ebola free in January 2015.

The crisis also had negative economic consequences in the region which made remittances vital, mainly in supporting households and small businesses (World Bank 2014, Sy & Copley 2014). During the Ebola epidemic, remittances remained steady, see chart 2 below. West African diaspora communities and migrant workers in mainly North America and Europe used remittances to help families stock up on food and necessary supplies during the quarantine period. The crisis also contributed to an uptake in the use and acceptance of digital payment systems across West Africa, especially in the affected countries. As a result, West African countries had to design digitization policies and regulations for the financial sector, which included regulating the use of payment platforms, their connectivity to financial institutions and the payment currencies (Bangura 2016). E-wallets were used to pay health workers and ensure that remittance transfers were received by the families of migrants (Bangura 2016). In the aftermath of the crisis, remittances provided the basis for kick-starting economic activities in the region (BBC News 2017). For example, they were used to finance small businesses, pay school fees and hospital bills. Collective (pooled) remittances were used for larger infrastructure projects to assist communities that were decimated by the crisis and ensure their economic recovery.

3.3 The COVID-19 Pandemic

Although past remittance flows have been relatively resilient to external shocks, COVID-19 is different. Beginning as a health crisis, it has evolved into an economic crisis affecting finance flows, with the possibility of resulting in a political crisis in some countries (Devermont 2020). The IMF forecasts that the current pandemic will cause the worst global recession since the Great Depression and much worse than the 2008 financial crisis (IMF 2020). It is projected to cost SSA output loss of between US$37 billion and US$79 billion in 2020 (IMF 2020). As no

region has been spared by the pandemic, the immediate global cessation of most economic activities as a result of implementing lockdown measures has left many businesses, households and individuals financially strained. The rapid and unanticipated nature of the COVID-19 pandemic prevented governments from preparing adequately for measures that would mitigate the adverse impact of an economic shutdown (Danielsson et al 2020). While governments of several countries are designing stimulus packages to keep businesses and their employees afloat, not all migrant workers will benefit from them (IMF 2020b).

Certainly, migrant workers such as doctors, nurses, care workers, delivery drivers and farmers are working in sectors that are vital in dealing with the pandemic. Most of them, whether they are on long-term contracts or not, are not losing their jobs and thus will maintain their income flows. Other migrants on long term or permanent contracts are protected by labour laws and very unlikely to lose their jobs. However, the opposite is true for sectors such as construction, tourism and hospitality hotels and restaurants that have been dubbed as 'non-critical' and are now temporarily out of operations. Most migrants working in these sectors, especially those on temporary contracts, are facing more difficulties as they are being laid off with little or no legal protection (Callaham 2020, Hubbard 2020, Law 2020, Garson 2020). Other migrants in informal employment and on seasonal employment are unable to benefit from stimulus packages and social benefits, partly due to the conditions of their employment (Erizanu 2020). In a worse condition are migrants in an irregular situation who due to their legal status or lack of required identity documents are not eligible for any social benefits.4 This leaves them with no source of livelihood, and without remittances to send back home.

All these challenges are most likely going to affect the usually resilient remittance flows in an unprecedented manner. Indeed, the World Bank is projecting the highest historical decline in global remittances of about 20% as a result of COVID-19. Relative to other income group countries, diaspora remittances to SSA will experience a decline of about 23.1% (World Bank, 2020c). In some countries, low-income households that are reliant on remittances may be pushed further into fragility and vulnerability, given the predicted reduction in the volume of remittances. It is estimated that the economic effects of COVID-19 in Africa may in the best scenario push about 27 million people into extreme poverty (UNECA, 2020b). For poorer households, remittances may be less stable and already low to begin with, as migrant workers from poorer households often engage in migration that is closer to home, where wages are lower than in higher-income countries. The

crisis is expected to further exacerbate outstanding issues in remittance transfers to African countries in particular, such as the high cost of remittance transfer fees (Gagnon 2020) or high foreign exchange fees (Mora & Rutkowski 2020). But on a positive side, this may present an opportunity to address some of the current challenges such as financial literacy, financial inclusion and digitisation of remittance transfers (Isaacs 2020).

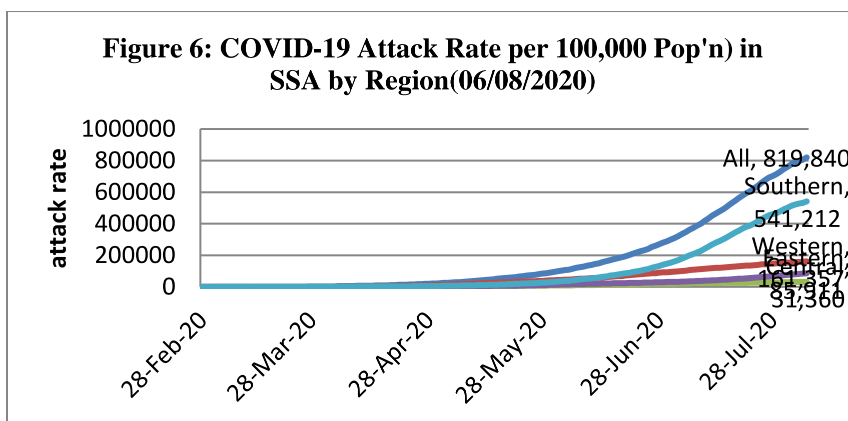


Figure 6: COVID-19 Attack Rate per 100,000 Pop'n) in SSA by Region(06/08/2020)

Source: WHO COVID-19 Outbreak Situation Dashboard/ECDC

3.4 The COVID-19 Pandemic: Endogenous or Exogenous Systemic Risk?

We can classify the above into endogenous and exogenous crises. Exogenous risk arrives to the system like an asteroid might hit earth – it comes as a surprise, there is nothing we do to precipitate its arrival, and it can cause enormous damage. To the economic system, the COVID-19 pandemic shock is purely exogenous. The very fact that the coronavirus shock was exogenous and not itself the consequence of inherent system weaknesses is encouraging as it requires the coincidental presence of some additional vulnerability. The parts of the financial system most prone to causing systemic crises – the banks – are in better shape now than they were in 2008. Memories are fresh. Caution is higher and the regulators more powerful and better informed. The highest-risk lending is now increasingly done by non-bank institutions, sovereign wealth funds, hedge funds, bond markets, and the like. While unfortunate for those investors, large COVID-induced losses for end investors will not trigger the same feedback loops as would the same losses taken by a bank because most employ much less leverage. The high levels of capital and more sensible maturity mismatches mean banks are more able to

absorb defaults and give the authorities more room to use forbearance to forestall widespread bankruptcies. The perverse consequence of that is a historical level of leverage. Providing liquidity to banks, as the central banks are doing now, is perhaps a sensible precaution but in itself seems unlikely to be effective because it is a policy remedy directed at a different type of crisis. The vulnerability today lies not primarily within the financial sector, but in the broad swathe of over-indebted companies that will see revenues collapse below any levels, they may have anticipated. Ironically, these firms are, in part, so highly indebted because of the post-2008 low interest rates.

The crisis event in 2008, at its core, was caused by the interaction of market participants, who came to doubt assumptions that had previously usually been made almost without question. The result was synchronised decisions to sell similar assets and to avoid the same exposures, causing an acute lack of liquidity. The crisis preyed on the weaknesses of the financial system: ill-advised and poorly risk-assessed structured credit products, extreme maturity mismatches, illusionary bank capital, regulatory fragmentation, extensive regulatory arbitrage and large off-balance sheet liabilities. The process was primarily endogenous.

4. Critical Steps that have Kept Remittances Flowing to SSA Even with COVID-19 Pandemic

Considering the importance of the remittance industry in the region and within the framework of the Regional Action Group for SSA of the World Economic Forum, this section highlighted some steps that are needed for arresting the decline diaspora remittances in the SSA region.

(i) Declare all Diaspora Remittance Service Providers (RSPs) as essential services: Policy authorities should consider service providers through which people receive remittances as essential services. These include money transfer operators, mobile money agents, financial institutions and postal services (Mora & Rutkowski 2020). Individuals, while complying with public health directives, should be able to access these services. For some poor and low income households, receipt of remittances act as the life-line for financial freedom. If these services are closed down, it would add to the detrimental impact of the crisis on their ability to access essential finances.

(ii) Digitalization as an enabler: Despite the systemic barriers that prevent many remittance families from effectively accessing and using digital cross-border remittances, the COVID-19 pandemic is evidencing the need for a step-change in digital adoption. Lockdowns and other health-related measures could be driving a better understanding of the

role of digital financial services to help manage the economic fallout of this crisis. Migrant workers and their families back home are beginning to use mobile services more widely and RSPs are being forced to change their operating models to offer digital services rapidly. Current events may be acting as catalyst, with major MTOs already reporting an impressive growth in digital transactions, 57 percent year-after-year for MoneyGram, and 21 percent for Western Union in Q1, 2020. Coronavirus could potentially be the tipping point that is needed to shift the remittances world from cash-based to digital.

In 2007, no-one had ever heard of m-PESA in Kenya, or anywhere else, and yet now it is the dominant payment method in the country. This occurred because significant violence within the country meant that people could not travel and yet they needed to send money home. M-PESA (a digital payment system), had just been launched and within months become the go-to solution for people to send money to their families throughout the country and especially in rural areas. People had no other choices and so they switched and adapted. This may prove to be the case now where many people will not be able to physically visit a remittance office (either send or receive). There are however better alternatives that are already available – digital app based or online money transfer offerings. Nearly all money transfer operators (MTOs) have an online product and many receiving countries have mobile wallet services that can be credited via remittance transactions. These services are often more competitively priced than cash/agent option, however, in many send markets there has still been a preference for visiting local branches or agents with cash. With no other options people who want to send money will have to switch to digital and once they change it is unlikely that they will go back to their traditional cash based services, especially now that the social benefits of going to an agent are not available.

(iii) Reduce the average cost of sending remittances: While the SDG target is stated for 2030, the pandemic offers the opportunity for South Asian countries to work with service providers as well as the host governments to achieve this target in the short term. This would require a fast adoption of technology products in both the host and home countries. Central banks in home countries should also look to ease know-your-customer (KYC) and regulatory requirements for both traditional service providers as well as fintech companies to help reduce the average cost. The power of remittances lies in how they are invested by the families of migrant workers, helping them build up economic and social assets across generations. In South Asia, where social safety nets are weak or absent, remittances often form the bedrock of a family's financial security, on which generational resilience to economic shocks is built.

Blindsided by COVID-19, many families have already consumed their private safety net of saved up remittances and they now risk falling back into poverty. It's time for both the public and private sectors to throw them a lifeline.

(iv) Encouraging financial institutions to extend preferential programs: Governments should offer preferential exchange rates for remittances, reduced transactional fees for transfers, debt service relief programs, or even a combination of programs to their clients. Such programs would ensure that individuals that receive remittances are inclined towards channeling such funds towards meeting more urgent daily needs. This measure would work to complement other social welfare packages and government initiatives to bridge the gap arising from reduced remittances. In Kenya for example, banks are offering grace periods on loan repayment of up to three months for SMEs and individuals (STANBIC Bank Kenya 2020). Other countries such as Ghana and South Africa have also instituted such programs (Ghanaweb 2020, Ngalonkulu 2020). Whether or not these measures will actually benefit those most vulnerable however, remains to be seen.

(v) Greater collaboration between MTOs, financial institutions and even telecommunications companies should be encouraged: Encouraging competition and collaboration by removing entry barriers as a long-term measure may encourage further growth in remittance transfers. Further partnership between banks and MTOs for example may lead to a direct cost reduction (World Bank 2019). With reduced cost of transfer, the overall amount of disposable income for the receiving families would increase. Practically speaking, such collaboration is fraught with perceived differences in approaches and systems used, as well as compliance standards maintained. In some instances, regulatory requirements – such as ID requirements for small ticket transactions – differ substantially and in some cases conflict. Regulatory bodies in African countries should consider encouraging a greater adoption of a more consistent risk-based approach, a common understanding of what the key legal components are, and what acceptable risk management measures look like for all the stakeholders involved. Where possible, institutions such as micro-finance or co-operative societies should be encouraged to open up their services in partnership with banks to include receipt of remittances, further expanding their reach.

(vi) Foster a conducive remittance policy and regulator environment: Remittance services should be supported by a sound, predictable, and non-discriminatory legal and regulatory framework that will lower remittance costs, improve formal channels of cross-border transactions, mitigate the decline in remittances, and expand the use of digital solutions. An effective regulatory framework

should balance innovation and risk during the transition. As providers struggle to maintain operations and sustain business costs, governments could provide concessional lines of credit, and consider temporary tax breaks or waivers on their operating expenses and fees. Governments could become more vocal in advocating the digitization of wage payments, which would avoid precarious in-person transactions and result in time and cost savings. In Ghana, the government has lowered barriers to remittances, announcing that all mobile phone users could open accounts and transfer up to $170 daily without additional "Know Your Customer" documentation. In Uganda, telecom company MTN waived temporary fees on mobile money transfers. The Kenyan Central Bank coordinated with private banks and rolled out a series of policy changes to preserve access to remittances, including waiving the typical fees assessed when transferring money from bank accounts to digital wallets, doubling the daily transaction limit, removing the cap on the number of transactions per month, and increasing the amount of money that can be kept in e-wallets.

(vii) Enable access to formal remittances channels: Remittances pose a lifeline for many countries, particularly in Africa. In Lesotho and Gambia, for example, they account for 17.5% and 15% of their respective GDPs. UNDP's Finance Sector Hub in Africa is partnering with a regional FinTech hub to introduce digital solutions that can support migrants and their families to access formal remittances channels at low transaction costs. We are engaging commercial banks to include remittances as a documented and reliable income flow to enhance creditworthiness of small businesses establishing crowdfunding platforms. UNCDF recently launched a call for applications on inclusive digital solutions to support migrants and remittances. UNDP and UNCDF are supporting innovative digital remittance products that also pave the way for migrants and their families to get savings and insurance, which are critical to build their resilience.

5. Conclusion

Indeed, the World Bank projection of diaspora remittances decline of about 23.1% as a result of COVID-19 in the year 2020, may push about 27 million people into extreme poverty. Remittances have been less stable as a result of COVID 19 since it affects both the recipient and source country, hence, reduces the resilience characteristics of remittances. The crisis is further exacerbating outstanding issues in remittances transfers to SSA countries in particular, such as the high cost of remittance transfer fees or high foreign exchange fees. Meanwhile, the pandemic offers the opportunity for SSA countries to work with

service providers as well as the host governments to achieve this target in the short-term. To keeping remittances flowing to SSA, this study concludes that tax credit schemes could provide to resuscitation as was done during the global financial crisis.

The introduction of the Central Bank of Nigeria “Naira 4 Dollar Scheme" which was adopted on Monday, March 8, 2021, was aimed at providing Nigerians in the Diaspora with cheaper and more convenient ways of sending remittances to Nigeria. This use of reimbursements of remittance fees had been critical in supporting improved inflow of remittances to countries in South Asia and in improving their balance of payments position following the COVID-19 pandemic (Aidi *et al* 2020). The study also concludes that developed world has a part to play in supporting these lifelines too, including implementing the below recommendations. G-20 finance ministers should also amend their national remittance plans, including bank regulations, to reduce costs of sending remittances to close to 0% until the pandemic ends, and thereafter ensure diaspora remittances costs do not exceed 3%, as stated in the Sustainable Development Goals. SSA countries must also strive to scale up fin-tech and digital technology modes for remitting funds through providing adequate supportive infrastructure and devising conducive regulatory policies. The government in SSA should continue to encourage competition and collaboration by removing entry barriers as a long-term measure may encourage further growth in remittance transfers and leading to a direct cost reduction.

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