

So near, yet so far?

Assessing the 90-day permit for Zimbabwean migrants as a remittances financial inclusion tool

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1. Introduction and context

This study was conducted by the Centre for Financial Regulation and Inclusion (Cenfri) on behalf of the FinMark Trust. It was initiated in line with the FinMark Trust's mandate, that is, to promote regional financial inclusion and integration within SADC.

One area where financial inclusion is particularly low, as highlighted by FinMark's discussion document titled "Reviewing the policy framework for money transfers" (Beste et al, 2009), is cross-border money transfers from South Africa to the rest of SADC. The available literature suggests that the bulk of money transfers from South Africa to other SADC countries are done informally (e.g. by people carrying cash or sending cash with a bus or cross-border taxi) due to restrictions within the formal financial sector¹.

This is particularly true of money transfers to Zimbabwe, as documented by Kerzner (2009)² in a FinMark study to investigate the remittance corridor between Johannesburg and Zimbabwe. Since 2000, the economic deterioration and political situation in Zimbabwe saw the number of migrants rise exponentially. It is estimated that there are between two and three million Zimbabweans that live and work in South Africa (Makina, 2007, quoted in Kerzner, 2009).

Due to stringent South African visa and permit requirements many Zimbabweans up to 2009 entered South Africa without the requisite travel documents. Zimbabweans could only enter South Africa legally if they were in possession of a permit or visa as either a visitor, worker, permanent or temporary resident of the country. To obtain such permits or visas, one would make an application to the relevant South African High Commission. This is often a lengthy and tedious process that involves the submission of numerous documents (see the discussion in Section 2, Box 1 for a list of the requirements). Many Zimbabweans found the cost and process of obtaining the required documents, including passports, to be prohibitive. As a result, many Zimbabweans entered (and still enter) the country illegally via border jumping or oMalayitsha³ (cross border taxi drivers). Some enter the country legally using a visitor's permit, but then remain in the country once this permit has expired. According to various statistics and reports quoted in press articles, up to 86% of Zimbabwean migrants are classified as undocumented.

In April 2009 the former South African Minister of Home Affairs, Nosiviwe Mapisa-Nqakula, announced that Zimbabweans were now able to travel into South Africa legally on a free 90-day visitor's permit which allows Zimbabweans to enter the country and work as seasonal or casual labourers. Theoretically, this would solve the "documentation barrier" facing migrant workers. But is this the case in practice?

The sections to follow consider the hurdles to formal financial inclusion for Zimbabweans who are entering South Africa on the 90-day permit and explore whether banks recognize the permit as documentation for remitting funds to Zimbabwe. Specifically, the study aims to:

- assess whether the Zimbabwean 90-day visitors permit is an acceptable means to access the South African formal financial sector in order to remit funds to Zimbabwe;
- compare the requirements imposed by each bank related to sending money on the basis of the 90-day permit; and
- identify the potential barriers that limit or bar Zimbabweans on the 90-day permit from using the formal financial sector as a tool to remit funds to Zimbabwe.

¹ Access to the formal financial sector within South Africa for foreigners requires documentation such as a passport and a visa. Most immigrants in South Africa do not have this documentation and hence cannot use formal channels to remit funds. Furthermore, formal money transfers are often found prohibitively expensive.

² "Cash and carry: understanding the Johannesburg Zimbabwe remittance corridor". See bibliography for full reference.

³ oMalayitsha are cross border taxis that are used to transport goods, particularly groceries and furniture, from South Africa to Zimbabwe. Anecdotal evidence suggests that they are often used to send goods under the radar of the Zimbabwean and South African Customs authorities to avoid paying duty. It is also alleged that they bribe South African immigration officials and use alternative routes to facilitate the illegal entry of Zimbabweans into South Africa.

The methodology followed was a mystery shopping exercise among the various banks to enquire about the requirements and costs⁴ of remitting funds to Zimbabwe using the 90-day permit.

Note: On the 23rd of September 2010 it was announced that the 90-day permit system will expire by 31 December 2010. From that date, the permit will no longer legitimise stay in South Africa. Instead, a system will be introduced whereby Zimbabweans would be issued with four-year temporary residence permits, including work and study permits. These permits are freely issued by the Department of Home Affairs upon presentation of a passport and other relevant documentation, namely “proof of study, work, self-employment and business” (South African Department of Home Affairs, 2010a).

This policy move at first glance undermines the rationale for this study (which was commissioned before the announcement) as it will mean that the 90-day permit as potential financial inclusion tool will fall away. Nevertheless, we feel that the overview and insights provided below and the barriers highlighted in the formal sector remain valid – regardless of whether it is the 90-day permit or some other form of documentation that applies.

2. Entry requirements for Zimbabweans to South Africa

The 90-day permit

The 90-day permit grants Zimbabweans 90 days access to South Africa with no visa fee. Furthermore, it allows them to do casual work while in-country⁵. Upon entry, a Zimbabwean simply shows the respective South African immigration official their passport or emergency travel document⁶. They are then issued with the 90-day permit. If the permit is for casual labour, the migrant must make this explicit to the immigration officer.

By doing so, the permit eased the stringent application process that hitherto applied to Zimbabwean visitors and workers (see Box 1 below):

Box 1: South African visitor's visa and work permit requirements

a. Previous South African visitor's visa requirements

- An invitation letter and evidence of a South African host's address
- Certified copy of the South African identity document or permit
- A security deposit
- A valid passport
- A passport-size photograph
- Proof of funds in the form of traveller's cheques to the value of R2,000
- Bank statements for 3 months

b. Additional requirements for a South African work permit

- Police clearance (in some cases both South African and Zimbabwean)
- Medical tests – including chest x-rays to screen for tuberculosis
- Official letters for example: an employment offer
- Proof that the employer tried to hire other BEE candidates but could not do so
- Proof qualifying the foreign candidate is better qualified than BEE candidates
- Proof that the employer advertised the position in a South African newspaper
- Proof of medical cover from a South African Medical Aid.

Source: (South African Department of Home Affairs, 2010b)

⁴ Though it was not the primary aim of this study to assess affordability of formal financial services, we nevertheless as part of the methodology gathered information on the cost of sending money to Zimbabwe. This information is summarised in Appendix B: Cost analysis of funds sent to Zimbabwe.

⁵ Casual, seasonal and contract worker are terms that will be used intermittently in this study

⁶ An emergency travel document is a document that is released on a temporary basis and allows a Zimbabwean to travel regionally. It is an A4 document with the respective person's name and photograph. Such documents are popular due to the fact that requirements for obtaining a passport are stringent and the cost of obtaining a passport may not be affordable to many (Zim Daily, 2010).

The 90-day permit was implemented partly in recognition of the large number of Zimbabweans that entered the country illegally and partly in the hope that it would help to reduce the number of Zimbabweans that applied as asylum seekers (seeing no other way to legally enter the country). According to press reports, the Department of Home Affairs received in excess of 8,000 applications from Zimbabwean asylum seekers every day before the implementation of the 90-day work permit (The Star, 2010).

The new permit system

While details concerning the new permits are still vague, it would appear that Zimbabweans seeking work in South Africa would not have to go through the stringent requirements and procedures needed in the past. Zimbabweans with illegal or insufficient documents have up to the 31st of December 2010 to regularise their documents and obtain passports without deportation. After the deadline, Zimbabweans with illegal documents will face deportation.

Box 2 below highlights the requirements for the new work permit. These new requirements make it less onerous for an employer to obtain the necessary documentation that allows them to legally employ Zimbabweans. For instance, employers do not have to prove that they complied with BEE (Black Economic Empowerment).⁷ Zimbabweans simply have to have secured employment with a registered company and provide the relevant documentation proving that they are employed. Zimbabwean candidates applying also do not need go for health examinations and provide x-rays proving they do not have tuberculosis. Another improvement is that the processing time for these permits is much quicker and this may be attributed to the less onerous requirements of these new permits.

Box 2: Requirements for new work permit issued to Zimbabweans as of October 2010

The requirements for the new work permit include:

- A valid passport
- Candidate has to prove that they have been in South Africa prior to the 31st of May 2010
- Candidate has to have a stamp in their passport showing they have entered the country – even if the candidate has an expired visa in their passport. That is, the candidate has to show and prove that they entered the country
- A letter from their employer stating they are employed by a registered company
- Documents proving employer is a registered company
- An affidavit from the police stating that the person is employed at the previously mentioned company

Source: South African Department of Home Affairs, 2010a

In response to the announcement of the new permit system, the Zimbabwean government announced the reduction in passport fees from US\$170 to US\$50 for an ordinary passport (Zim Daily, 2010). The reduction in fees plus the announcement of the new permits have seen a sharp increase in the demand for passports characterized by long queues at the Zimbabwean Consulate in Johannesburg and the Zimbabwean Registrar General Offices. “There are reports and personal accounts of huge queues where people have to wait, often for days - and nights” to source Zimbabwean passports which would allow them to obtain the new temporary residence permit (Verhagen, 2010). Such stories raise questions concerning the Zimbabwean Registrar General’s Offices’ administrative ability to process the huge demand for passports.

While the new permit means that it is easier for Zimbabweans to work legally in South Africa, informal workers such as gardeners and domestic workers are still excluded as they are not necessarily employed by registered companies. It is also likely that there will be a large backlog of

⁷ BEE or Black Economic Empowerment requirements during the hiring process requires the employers show that they could not find a suitable South African candidate and that the foreign candidate is more qualified than the South African candidates that were part of the recruitment process. BEE was put in place to address employment inequalities inherited from the apartheid era.

applications, leaving many Zimbabweans that will be eligible for the permit temporarily without documentation once the 90 day permit expires.

Below, we consider the barriers to financial inclusion facing undocumented migrants.

3. Regulatory barriers to financial access for undocumented migrants

Regulation will determine who may access the financial sector and what the documentation requirements for doing so will be. A number of regulations within the financial sector play a role in determining the financial inclusion of Zimbabwean migrants, namely:

- FICA
- The Immigration Act
- Exchange Control Regulations

The **Financial Intelligence Centre Act 28 of 2001**, also referred to as FICA, contains South Africa’s anti-money laundering (AML) and combating of financing of terrorism (CFT) measures. FICA requires that financial institutions such as banks comply with certain identification and verification requirements, known as ‘Know Your Client’ (KYC), whereby financial institutions must be informed of client details such as residential address and identity number. As part of the identification and verification process agents of the different financial institutions have to view the client identity documents and particulars and, to ensure the correctness of customer particulars, retain copies of these documents. These requirements apply to both South African and non-South African citizens, but differ slightly between the two. Whereas South African nationals must verify their residential address by means of e.g. a utility bill, foreign nationals do not need to do so⁸ (De Koker, 2010):

Information required	Verification required	Verification methodology
Full name Date of birth Nationality Passport number	Yes	Compare information with passport issued by the respective country of which that person is a citizen.
Residential address	No	n/a

Table 1: FICA requirements for non-South African nationals

Source: De Koker, 2010.

While FICA does not require foreign nationals such as Zimbabwean migrant workers to have their residential address verified, it does require them to produce a valid passport. In the case of many of these migrant workers, this may prove difficult as the cost of obtaining a Zimbabwean passport may be out of their reach or the administrative backlogs in the system may hamper their efforts to do so.

Section 45 of the Immigration Act of 2002, read together with its regulations, places a legal duty on financial institutions to “endeavour to ascertain the status or citizenship of the persons with whom they enter into commercial transactions (including money transfers) ... and shall report to the Department any illegal foreigner, or any person whose status or citizenship could not be ascertained” (Bester et al, 2009). This means that, in addition to a valid passport, a financial institution should also require a valid visa, work permit or other proof of legitimacy of stay as a prerequisite to dealing with a foreigner.

This requirement is mirrored in South Africa’s **foreign exchange regulation**. According to the Exchange Control Regulations⁹, temporary residents, defined as “foreign nationals of countries outside the CMA who have taken up temporary residence in the Republic excluding those who are

⁸ For South Africans, the verification of residential address requirement proved to be the most significant access barrier. The amended Exemption 17 to the FIC Act was passed to address this barrier for accounts subject to certain limits.

⁹ Page J1 of the Exchange Control Manual.

purely on temporary visits”, which would include contract workers, must provide the authorised dealer with an original and valid work permit issued by the Department of Home Affairs in order to be allowed to purchase foreign exchange (i.e. to remit funds cross-border) (Bester et al, 2009).

Therefore workers without a valid work permit are excluded from making formal cross-border transfers. The 90-day permit implies that Zimbabwean casual or seasonal workers should, theoretically, be able to make use of the formal financial sector as a means to remit funds to their families in Zimbabwe, as the permit meets the regulatory requirement for foreign citizens to access the South African financial system. Section 4 will consider whether this is the case in practice.

4. Does the 90-day permit overcome financial access barriers?

To investigate whether the 90-day work permit provides a solution and increases financial inclusion among Zimbabwean migrant workers, a number of telephonic interviews were conducted with different banks. This was done in the form of a query from a potential customer. Box 3 below discusses the methodology for the mystery shopping exercise.

Box 3: Methodology applied for telephonic interviews with banks

- Interviews were conducted with branches of each of the four major banks in South Africa (Standard Bank, Absa, FNB and Nedbank) in the Cape Town and Johannesburg areas, respectively, as well as in small towns¹⁰. The aim was to obtain a nuanced understanding of how different banks operate and whether the procedures were similar across the different branches of the same banks. We tried to identify branches located in areas likely to have large migrant populations. Therefore a total of 12 interviews were conducted. This is by no means a representative sample. The findings presented below should therefore be regarded as indicative only.
- To ensure consistency, the same questionnaire was used for each phone call. Please refer to Appendix A for an overview of the questions that were used in the telephonic interviews.
- In each instance, the researcher phoned the general branch line and explained the query. In some instances the customer services representative that answered the phone was able to assist. In other cases, the researcher was transferred to a number of branch staff before reaching somebody that would be in a position to answer the questions.
- The researcher initially called in as a domestic worker from Zimbabwe on the 90-day permit, but received poor service. The researcher then changed tactic and called in as an employer calling on behalf of her domestic worker.

Please note: the mystery shopping exercise focused on normal savings accounts and not the Mzansi account. This is due to the fact that the Mzansi account does not allow one to send funds outside of South Africa.

The table below summarises the responses received:

¹⁰ Note that we did not contact a branch in a small town for Absa. We however spoke to two small town branches of FNB. Absa is therefore slightly underrepresented in the sample and FNB slightly overrepresented.

Bank	Branch	Bank account required? ¹¹	Mode of transfer	Requirements	Can funds be sent through with the 90-day permit?
FNB	Cape Town	Yes	Telegraphic transfer	1. Passport 2. 90 day permit 3. Bank account, bank name and swift code details of recipient	Yes
	Johannesburg	No	Telegraphic transfer	1. Passport 2. 90 day permit 3. Bank account, bank name and swift code details of recipient	Yes
	Small town 1	Yes	Telegraphic transfer	Same as above, but if one does not have a passport they must go to a branch in a larger city	No
	Small town 2	Yes	Telegraphic transfer	1. Passport 2. 90 day permit 3. Copy of employment contract with earnings and employer contact details and information specified	Yes
Absa and/or Western Union ¹²	Cape Town	Yes	Telegraphic transfer	1. South African permanent residency or South African citizenship	No
	Johannesburg	Yes	Telegraphic transfer/ transfer via the international banking division	1. Passport 2.90 day permit 3. Proof of residence 4. A minimum of R50 to open a bank account	Yes
		No	Western Union	When using Western Union 1. Passport 2.90 day permit 3. Proof of residence	Yes

¹¹ In the case of most banks, a bank account is required to remit funds to Zimbabwe.

¹² Absa is the official South African agent for Western Union Money Transfer, an international money transfer agency. Western Union branches are located within Absa banks across South Africa and funds can be remitted via Absa bank making use of their facilities and technologies, for example, Absa bank account holders can remit funds via Western Union.

Bank	Branch	Bank account required? ¹¹	Mode of transfer	Requirements	Can funds be sent through with the 90-day permit?
Standard Bank and/or MoneyGram ¹³	Cape Town	Yes	Money Gram	1. Passport 2. Valid permit 3. Proof of residence	No
	Johannesburg	Yes	Telegraphic transfer and Money Gram	1. Passport 2. 90-day permit 3. Employee contract 4. Proof of earnings such as a bank statement 5. Letter from employer 6. Signed declaration	Yes
	Small town 3	Yes	N/A	This branch cannot process such transactions and hence the researcher was referred to a branch in a larger city.	No
Nedbank	Cape Town	Yes		In line with FICA requirements: 1. Passport 2. The valid 90-day permit 3. Letter from the employer 4. The contract stating the length of the contract period 5. Proof of residence	Yes
	Johannesburg	Yes		1. Passport 2. Valid permit 3. Proof of residence 4. Permanent residency	No
	Small town 4	Yes		Foreign accounts are opened in larger cities.	No

Table 2: Analysis of suitability of 90 day permit across different banks

Source: Author's analysis based on telephonic interviews

Note: The responses reflected in the table are as communicated by specific branch staff and therefore do not necessarily present the official position of the bank. Rather, it indicates what a prospective client contacting these branches would be faced with.

As shown in Table 2, the following options are available at the different banks:

¹³ Standard Bank is the official South African agent for MoneyGram, an international money transfer or remittance agency similar to Western Union.

1. **FNB:** All FNB branches (except for the branch in small town 1, where the representative highlighted that they were unable to open foreign bank accounts) allow a person using the 90 day permit to open an FNB account and send funds through the account. The requirements are a valid passport with a valid 90-day permit, as well as proof of residence. In addition, the branch in small town 2 required a copy of the employee contract and a letter from the employer.

The Johannesburg branch representative stated that there was no need to have a bank account with FNB to send funds to Zimbabwe, and that all one needed was the passport with the valid permit and the account details of the receiver.

2. **Absa and Western Union:** According to the Johannesburg branch representatives, Absa has three methods of remittance to Zimbabwe: Western Union, a direct transfer via their bank tellers or a transfer via international banking.

The requirements for the telegraphic transfer with a teller and the transfer via the international division were a passport with a valid work permit (including the 90-day permit) and proof of residence. There was no mention of a letter from the employer or the employee's contract.

For transfers done through Western Union the requirements were a valid passport with a permit as well as proof of residence. It is important to note that these requirements were given to the researcher after being transferred to various divisions of a particular branch as the bank representatives were unsure of the requirements and methods that could be used for the 90 day permit.

There were inconsistencies with regards to the different requirements across the different branches. The branch in Cape Town mentioned that only South African citizens or permanent residents could remit funds to Zimbabwe via the bank or through Western Union.

3. **Standard Bank** stated that funds could be sent through telegraphic transfer and MoneyGram. The Cape Town branch initially stated that a Zimbabwean on the 90-day permit would not be able to open an account. The researcher went on to mention that the 90-day permit allowed one to engage in casual or seasonal labour. The bank representative responded by stating that even though the 90-day permit allows one to engage in casual/seasonal work, the bank will not allow anyone to open a bank account using the permit as the minimum length of any permit or a visa must be two years. Furthermore, the bank representative from this branch also mentioned that Zimbabwean banks are "under sanction" and this means that Standard Bank can only send funds through to Zimbabwe via MoneyGram.

The Johannesburg branch informed our researcher that funds could be sent via MoneyGram or through telegraphic transfer. In order to remit funds to Zimbabwe via either channel the requirements were a valid passport, the 90-day permit, an employee contract stating the period of employment and proof of earnings for South African Reserve Bank purposes. The Johannesburg branch representative went on to mention that under normal circumstances, the 90-day permit would not be permitted as a means to open a bank account. However, an exception could be made in the case that the client has signed a declaration stating that their 90-day permit is being renewed.

As with the other bank branches in smaller towns, the small town 3 branch representative stated that foreign remittances are conducted at larger branches and that they did not open accounts for foreign nationals.

4. **Nedbank:** The representative from Nedbank's Cape Town branch stated that the bank has a special contract workers' account which allows contract workers to send funds to their respective home countries. Traditionally, nationals from countries such as Lesotho

and Zambia have had the option to enter South Africa on the same 90-day permit as seasonal or contract workers in the mining and agriculture industries.

The documentation requirements for this include a valid passport, the 90-day permit, proof of residence, a letter from the employer and a copy of the employee contract stating the length of the contract period. This form of account allows those on the 90-day permit to open a simple savings account with Nedbank (foreign contract workers would be unable to meet the requirements for any other account).

According to the bank's representative there is an arrangement between Nedbank and the South African Reserve Bank which allows Nedbank to register foreign contract workers as 'contract worker' account holders. Once they have opened this contract worker's account, Nedbank sends the client details and information through to SARS (the South African Revenue Service) and the South African Reserve Bank. This arrangement allows the bank to simplify the onerous requirements that are often attached to opening any bank account within South Africa for a foreign national. However, the account holder must report back to their respective branch once they have been issued with a new permit.

The Nedbank branch in Johannesburg informed our researcher that in order to send funds, you have to be an account holder with Nedbank. To qualify, one had to be a South African citizen or permanent resident. Furthermore, the staff member in the small town 4 branch informed the researcher that this type of transaction can only be done in larger cities – despite small town 4 being a provincial capital. Contradictory messages were therefore received from different branches.

4.1. Financial inclusion implications

The wide-ranging responses received have a number of implications for migrant workers' ability to access the formal financial system and transfer money formally:

Inconsistencies across different banks. Despite similarities in certain procedures, it would seem that there are no standard or uniform procedures with regards to the Zimbabwean 90-day permits within and between the different banks. While the variation between the different banks could still have been expected, it is difficult to explain the variation found between different branches within the same bank.

Uninformed branch staff. The lack of uniformity is fuelled by branch staff members that are uninformed concerning the various procedures. Tellers and bank representatives were often unsure of the procedures or had never heard of the permit. Many were ignorant about the various visas and options for legal status of immigrants. The researcher rarely received an answer with regards to the permit at the first instance. Often, a second call had to be made and the bank agent/teller would have to seek counsel from a colleague or their supervisor. Even then, there was still uncertainty with regards to the use of the permit as a suitable document to remit funds to Zimbabwe. The fact that staff members are uninformed adds an additional barrier: even if migrants do have the right documentation required according to the official procedures of the bank, it is not guaranteed that the branch will know and apply those procedures. From the sample of branches contacted, it would therefore appear that information gaps among staff serve as a barrier for those wanting to send money.

Uncertainty around regulatory requirements. There was uncertainty among the different bank representatives as to what the exact regulatory requirements for foreigners in South Africa are. As seen in Table 2 the stated requirements vary across different bank branches within the same banking group as well as between banks. In some cases FICA was used as a catch-all phrase for all regulatory requirements. All banks stated that in order to send funds

through to Zimbabwe they must comply with FICA. Some then went on to mention that they accept the 90 day permit as a part of FICA requirements – though technically all that is required under FICA is a valid passport, the work permit being a foreign exchange or immigration requirement. However, bank representatives stated this with uncertainty. Furthermore, bank representatives would mention a ‘valid permit’ as a part of the requirements but they were unsure whether this definition excluded or included the 90-day permit.

Documentation over and above regulatory requirements. FICA KYC requirements do not specify the need for verification of a client’s residential address, yet bank agents from various branches stated that proof of residential address must be furnished and verified. This highlights that some banks add additional KYC requirements on top of those being required by FICA, which may act as a barrier to financial inclusion among migrant workers.

Apparent discrimination against foreigners and uneducated workers. There was a stark difference in the treatment and service received when phoning in with a ‘Zimbabwean’ accent claiming to be a worker, versus phoning in as an employer enquiring on behalf of an employee who was a domestic worker. The researcher first called the various banks as a domestic worker from Zimbabwe in order to deduce the relevant information. However, instead of receiving assistance, the researcher often faced discrimination and mistreatment from the different bank representatives. When the researcher mentioned that she was calling in as a non-South African, the attitude of bank representatives changed and they often became uninterested in furthering the conversation. The researcher then adopted a new strategy and called in as an employer of a domestic worker and received much better service. This discrimination is a potential barrier to formal financial inclusion, especially for people within the low-income market such as migrants who are unable to articulate themselves properly in English. This illustrates the difference between financial inclusion on paper and in practice.

Rural migrants face particular barriers. In a number of cases when the researcher called the bank branches in smaller towns, they stated that they are unable to carry out international transfers and foreign accounts can only be opened in larger cities such as Johannesburg, Cape Town and Port Elizabeth. This will be a barrier to formal financial inclusion for those outside of metropolitan areas. For example, in some of the small towns there is a large population of Zimbabwean migrants. In one case, the town phoned was a provincial capital, yet the researcher was informed that the transaction could only be processed in larger cities. It is not clear whether this is indeed the official bank policy or whether the staff member was merely misinformed. Either way, it means that there would in practice be a significant inclusion barrier for migrants outside of the large metropolitan areas.

Easier for South African citizens. On a number of occasions, banks stated that it would be better and easier for the researcher as “the employer” (who was presumed to be a South African citizen) to send the money. Bank agents recommended this as they felt it would be easier to process a remittance transaction via a South African citizen as the requirements would be less onerous.

Delays in transmission of funds to Zimbabwe. One bank stated that there are delays in the transmission of funds to Zimbabwe and that there is no guarantee as to whether funds will be received. One particular bank representative stated that there were often problems with sending funds through to Zimbabwe. This representative also stated (in confidentiality) that there have been instances where funds were not received by recipients in Zimbabwe.

Zimbabwean banks under “sanction”. A puzzling comment made by a number of different staff members across banks was that the Zimbabwean government and the banks were

under sanction and hence they experience difficulties with bank to bank transfers to Zimbabwe. Another bank, which has subsidiaries in Zimbabwe, mentioned that due to these sanctions they can only remit funds to Zimbabwe as an agent for a remittance agency as they are unable to send funds to Zimbabwe themselves. 'Bank to individual' money transfers such as Western Union or MoneyGram were therefore recommended. These banks made it a point to refer to Zimbabwean banks being under sanction but they could not go into detail concerning what these sanctions are.

Constant hurdles can discourage Zimbabweans. The above-mentioned hurdles could discourage Zimbabweans from using the formal sector as a channel to remit funds to Zimbabwe. While they may intend to use banks to remit funds, the lack of information, confusion around the regulatory requirements and discrimination may discourage Zimbabweans from doing so.

5. Conclusion

The 90-day permit could potentially have served as a tool to facilitate formal cross-border remittances. However, it seems that this was often not the case in practice. Even where the 90-day permit was allowed, there were often inconsistencies across branches and additional requirements such as an employment contract or proof of residence were imposed that will make it very difficult for the bulk of migrant workers to access the formal financial sector.

The 90 day permit will now fall away and be replaced with a longer-term permit that should, on paper, promote financial inclusion for those that are able to obtain it. However, the findings in this note suggest that financial exclusion will likely remain a challenge for migrant workers from Zimbabwe. Under the new dispensation, Zimbabwean migrants are likely to face the same challenges in making formal money transfers, as the *de facto* barriers to the banking services highlighted above are likely to remain. The research¹⁴ indicates a misalignment between what bank agents know and what is stated by regulation. Even more concerning is the inconsistency between banks and branches, as well as the attitude towards non-South African nationals expressed during the research process. It is structural barriers such as these that may continue to hinder access to financial services for Zimbabweans, even if a new permit system is implemented.

¹⁴ Albeit based on a limited sample.

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Appendix A: Bank questionnaire

Questionnaire for banks	
Bank account and requirements	Are foreigners particularly Zimbabweans on the 90 day permit allowed to hold a bank account with your bank? Including farm labourers?
	What are the requirements for Zimbabweans, particularly those on the 90 day visitors' permit?
	Do they have to have a work permit or permanent residency?
	What type of accounts are Zimbabweans on the 90 day permit/any permit allowed to open?
Remittance particulars	Does your bank send through funds to Zimbabwe?
	Are Zimbabweans permitted to send funds through to Zimbabwe?
	If so what are the requirements?
	If so what are the costs of sending the funds through?
	And the exchange controls?
	The relationship with Zimbabwean banks?

Appendix B: Cost analysis of funds sent to Zimbabwe

One of the potential barriers to financial inclusion are high costs that will make the use of formal services unaffordable. Hence, as secondary objective, this study also assessed the costs associated with remitting funds to Zimbabwe from South Africa using the 90 day permit.

Table 3 below highlights the costs to send funds through to Zimbabwe per formal channel. As seen from the table, the average cost of sending through R500 is R207, which is almost half of the amount sent. This figure is especially high considering that most Zimbabwean migrant workers potentially earn an average monthly income of R2,000 (Kerzner, 2009).

According to the information disclosed during the interviews, Nedbank charges the highest cost for opening its contractor's account, followed by FNB direct transfer. The cheapest means of remitting funds to Zimbabwe is via Western Union, closely followed by Money Gram.

Bank	Remittance method	Bank fees or cost
Nedbank	Contractors' account	R455 ¹⁵
FNB	Direct transfer	R200
Standard Bank	Money Gram/Bidvest	R110
ABSA	International banking/ direct transfer	R171
	Western Union	R100
Average cost		R207

Table 3: Costs to send R500 via formal channels

Source: information disclosed during telephonic interviews

¹⁵ To open this account one is charged a R250 once off fee plus a commission of 0.48% or a minimum of R205 of the amount sent. Hence the total minimum cost to send funds for the first time would be R455.

Appendix C: Press article on remittance charges

'South Africa: Banks charge 'intolerable' fees to remit money



BUSINESSDAY

South Africa: Banks Charge 'Intolerable' Fees to Remit Money

Linda Ensor
14 April 2009

Cape Town — South African banks charged among the highest fees in the world for remitting money to neighbouring states and abroad and these "intolerable" costs encouraged migrants to use informal mechanisms, the head of the World Bank's payment systems development group, Massimo Cirasino, said last week.

South African bank charges generally are higher than elsewhere, as was recently established by a commission of inquiry conducted on behalf of the Competition Commission.

Cirasino, who was in SA to attend a World Bank conference on national payment systems, said at a media conference that the use by migrants of alternative remittance mechanisms -- such as friends or bus drivers -- was often costly, unsafe and in some cases difficult to come by. On the positive side, he said, the banking fee structure in SA was transparent.

The head of the Reserve Bank's national payment system department, Dave Mitchell, admitted that the remittance charges imposed by local banks were "quite scary" -- for example it could cost R100 to send R500 to Botswana, "which is a bit out of proportion".

"We need to do something about it and we are working on it," Mitchell said. He said the banks explained the high charges in terms of compliance costs.

A World Bank study found that the average cost of a remittance from SA to Botswana, Mozambique, Malawi and Zambia ranged between \$37,99 and \$49,81. This was roughly the same as the \$38,96 charged for a transfer from Germany to China and compared unfavourably with the \$5 charge between Saudi Arabia and Pakistan and the \$5,85 from Singapore to Bangladesh. The cost included the transaction fee and exchange rate margin.

About 2-million migrants work in SA, representing a potentially lucrative remittance market which Absa decided to tap into by entering into a joint venture with US-based remittances firm Western Union last year.

The World Bank estimated that about 40% of all South African money transfers took place informally. It valued the total South African remittance market at about \$3,3bn

annually and the formal market at about \$2bn, of which \$750m were transfers into the country.

Cirasino said the World Bank aimed to reduce remittance charges globally by five percentage points over the next five years -- a saving of about \$15bn, which would stay in the pockets of the remitters.

Bank of Mexico payment systems director Ricardo Medina noted that Mexico had already halved the charges on remittances from the US.

About 190-million people y work outside their home countries and they sent an estimated \$397bn home in remittances last year. Of this, \$305bn went to developing countries.

The top recipient of migrant remittances in 2007 was India (\$45bn), followed by China (\$34,5bn) and Mexico (\$26bn).

The World Bank expected remittance flows to developing countries to fall sharply by between 5% and 8% in dollar terms this year in the light of slower world growth.

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