“Cash and carry”:
understanding the Johannesburg-Zimbabwe remittance corridor

Discussion document prepared for the FinMark Trust

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Executive Summary

This study was commissioned by the Centre for Financial Regulation and Inclusion (Cenfri), on behalf of the FinMark Trust, to sketch a picture of the remittances landscape in the Johannesburg-Zimbabwe corridor. The aim was to build an understanding of the dynamics of remittances sent to Zimbabwe and the drivers of change, and to gauge the scope for and barriers to the formal intermediation of remittances.

Zimbabwe is heavily reliant on remittance flows from South Africa and particularly Johannesburg. As many Zimbabweans are undocumented, they cannot access formal channels for money transfers. Until recently, much of the value transferred back to Zimbabwe has taken the form of basic groceries, cleaning and medical supplies, clothing and other household items, due to the limited availability of these items in Zimbabwe. It is anticipated that with the necessary political and economic reforms under the new unity government in Zimbabwe, remittances will continue to evolve back to monetary transfers and play a significant role in the recovery of the country.

To address the objectives of the study, investigations were conducted in three phases between March and May 2009: 1) desk research to establish an understanding of the remittance market, 2) interviews with Johannesburg based stakeholders in the remittance economy and 3) a five day overland trip on public transportation from Johannesburg to urban and rural areas of Zimbabwe to experience the remittance process first hand, to speak with remittance recipients and to gain an understanding of the Zimbabwe grocery retail environment.

The Zimbabwe Migrant Community in Johannesburg

Migration of Zimbabweans to South Africa, particularly to Johannesburg, has become a clear and growing trend in recent years. Historically, such migration has been driven by those looking for work as farm labourers, traders and skilled or unskilled workers in industrial and urban areas. Johannesburg in particular is a magnet for regional migration as the largest urban economic centre in Africa and due to its cultural and language commonalities with its neighbours. Recently, Zimbabwean migration to Johannesburg and South Africa has been exacerbated by declining agricultural output, hyperinflation, economic decline and political persecution.

Historical attempts to estimate the number of Zimbabweans in South Africa have been hindered by poor record keeping and the reluctance of undocumented Zimbabwean migrants to disclose their status. Two recent studies have provided more accurate estimates. In mid-2007, Professor Makina of UNISA estimated the Zimbabwean community in South Africa to be between 800,000 and 1,000,000 people, based on a study of Zimbabwean migrants living in inner-city Johannesburg. In late-2006, the Centre for Development and Enterprise conducted a household survey to estimate the number of foreigners in Johannesburg. It was estimated that 39% of foreigners (between 195,000 and 215,000) were Zimbabweans, but this is likely to be an underestimate due to the subsequent escalation of the economic crisis in Zimbabwe.

Makina (2007)[1] seems to be amongst the most current and thorough analyses of the Zimbabwe migrant community in inner-city Johannesburg and is not contradicted by the qualitative finding of this study, which is based on a limited sample size. The great majority of Zimbabweans have arrived in Johannesburg since the year 2000, when the controversial land reform programme began. These migrants display the following demographic characteristics. They are predominantly male with 80% between the ages of 21 and 40 years old. 55% are married and the majority support families in Zimbabwe, although increasing numbers also support family members in Johannesburg. The most commonly indicated reasons for migrants leaving Zimbabwe were political (58%), the economic crisis (51%) and unemployment (31%). Political reasons became predominant after 2002, but in2007, unemployment and the economy overtook political factors.

Migrants from Zimbabwe seem to be fairly well educated, with 62% having completed secondary education and 32% having completed post-secondary education before leaving Zimbabwe (4% hold university degrees and 15% hold professional qualifications). However, despite their qualifications, Zimbabwean migrants seem to have difficulty finding employment suited to their education or training and thus earn relatively low salaries. Most earn below R2,000 (equivalent to US$103[2]) per month, which may be indicative of their inability to establish legal status or their desperation to secure employment.

Anecdotal evidence suggests that Zimbabweans from urban areas have tended to migrate to South Africa's inner cities, while less educated workers tend to seek employment in farming, industrial and mining areas. In Johannesburg, Zimbabweans have mostly clustered in inner-city suburbs, particularly Hillbrow, Yeoville and Berea, which have provided access to networks of other Zimbabwean migrants and provided greater access to employment opportunities.

Overview of the Johannesburg – Zimbabwe Remittance Economy

Zimbabweans have largely come to South Africa to escape their country's economic crisis and seek employment, to enable them to support their families in Zimbabwe. In defining the remittances sent from Johannesburg to Zimbabwe, the following parameters have been investigated: the types of remittances, formal vs. informal remittances, frequency of remittances and value of remittances.

Remittances fall into two primary categories, cash and in-kind. Cash remittances are generally denominated in South African Rand. They are required for expenses such as school fees, rent, transport and other day-to-day expenses, and also seem to be preferred when items are available in Zimbabwe at a reasonable cost. In-kind remittances include products such as groceries, furniture, electronics, clothing and building materials. Remittance preferences seem to be determined largely by the circumstances of the recipient. In urban areas, where goods are more plentiful and better priced, cash remittances are preferred. In rural areas, in-kind remittances are more relevant depending on the price and availability of products, and the self-sufficiency of the recipient.

[1] Professor Daniel Makina, UNISA, Survey of Profile of Migrant Zimbabweans in South Africa: A Pilot Study, September 2007
[2] A 3-month (1 February 2009 to 30 April 2009) average exchange rate of R9.70 / US$1.00 from www.oanda.com has been used for conversion throughout the document unless otherwise noted

Remittances can be sent through either formal or informal channels. Formal channels include remittances sent through money transfer companies, banks or the post office. Informal channels include public transport such as buses and taxis, private individuals or friends and relatives. Based on interview feedback, there was a clear preference for informal remittance channels, confirmed by Makina (2007)'s findings that only 2% of remittances were sent through official banking channels.

Based on the interviews conducted, remittance frequency depends largely on the remitters' capacity to save enough money. There seemed to be a wide range of remittance sending frequencies, with most Zimbabwean migrants remitting to their families every one to three months. Groceries and money seemed to be sent in values of approximately R1,000 and R500 (equivalent to US$103 and US$52), respectively. This contrasted with the findings of Makina (2007) that 89% of Zimbabwean migrants sent remittances home on a monthly basis in quantities averaging R290 (equivalent to US$30) per month.

Estimates of the overall value of remittances sent to Zimbabwe have been based on estimates of the size of the Zimbabwe migrant community in South Africa and Johannesburg, and also the average monthly remittance value of R290 (equivalent to US$30). Therefore, it is estimated that R2.8 billion to R3.5 billion (equivalent to US$289 million to US$360 million) is sent annually from South Africa to Zimbabwe and that between R680 million to R750 million (equivalent to US$70 million to US$77 million) is sent annually from Johannesburg to Zimbabwe, although these figures are likely to be conservative as they do not account for the increased migration to Johannesburg since 2006.

There are several well travelled remittance corridors between Johannesburg and Zimbabwe, the two most important being to Bulawayo and Harare, and the surrounding areas. Historically, the flow of remittances from South Africa has been greater to Bulawayo in Matebeleland region, which is less food secure than the agriculturally richer region of Mashonaland, in which Harare is located.

Stakeholders in the Remittance Economy

The Johannesburg – Zimbabwe informal sector remittance economy is comprised of numerous stakeholders.

- ***Customers*** are the Johannesburg-based Zimbabweans who provide their families with support in the form of money and other products sent via a number of modes of transport either on visits to Zimbabwe or as unaccompanied baggage
- ***Other Service Providers*** are individuals who are located at the various transport hubs and provide services to remittance customers; they include touts, porters and hawkers
- ***Transporters*** are either formal (licensed) service providers including formal buses, 'chicken' buses and cross border taxis, or informal (unlicensed) service providers including oMalayishas and individuals
- ***Other Organisations*** are the various organisations which coordinate or facilitate the sending of remittances for their constituents and include community organisations such as churches and residents associations, as well as undertakers

- ***Recipients*** are the friends and families of Johannesburg based Zimbabwean migrants who are based in Zimbabwe and depend on the remittances they receive to provide for or supplement their daily requirements

An understanding of the rates charged for sending remittances was developed from feedback given by customers and transport operators. Cash remittances were priced fairly uniformly, with transport operators charging an average of R20 in fees for every R100 sent, only applicable to unaccompanied cash remittances. Grocery remittances were less uniform in cost, but were determined based on the approximate weight or size of the parcel. Customers generally spoke of costs in terms of the value of the contents of the parcel, with fees ranging from 20% to over 60% of the value of the goods sent. These fees tended to be the same regardless of whether or not the passenger was also travelling, but some transporters expressed their willingness to negotiate with better customers or customers travelling with their parcels.

Evolution of the Johannesburg – Zimbabwe Remittance Economy

The pattern of remittances from Johannesburg to Zimbabwe has undergone a series of significant changes in recent years, first caused by political and economic decline and then by early reforms at the beginning of 2009.

Since the year 2000, the volume of Zimbabwean migration to South Africa has intensified, resulting in a significant increase in the flow of remittances. The main causes of this increase in migration have been political persecution of those voicing opposition to government policies, the decline of agriculture caused by chronic drought and the controversial redistribution of commercial farms to inexperienced recipients, and chronic hyperinflation which has led to economic collapse. As a result, many Zimbabweans have been forced to leave the country and their families, who remained dependent on them for financial assistance. The remittances required by their families have been influenced by the continued hyperinflationary environment and the limited availability of basic foodstuffs, with Zimbabwean migrants in South Africa sending both groceries and cash remittances to support their families. Consequently, the remittance business experienced rapid growth with buses, taxis and oMalayishas transporting large quantities of goods from Johannesburg-based migrants to their families in Zimbabwe on a regular basis.

The interviews conducted indicated that remittance flows from Johannesburg to Zimbabwe reached a peak in December 2008. Since that time, the remittance landscape has undergone significant changes in a very short period of time, impacted by political and economic changes. The main drivers of this change were the installation of the unity government in February 2009, early economic reforms such as the decision to allow the use of hard currencies in place of the Zimbabwe Dollar, the scrapping of price controls and the end of Zimbabwe's drought. These initial reforms and renewed agricultural productivity have created greater price stability and enabled the restocking of grocery store shelves, particularly with basic foodstuffs; however, product availability has not recovered fully, particularly in rural areas. Zimbabwean food suppliers are still operating below full capacity as seen by the prevalence of South African products, particularly in Tsholotsho[3], and the supply trends

[3] A rural area near Bulawayo where interviews were conducted

of non-essential items. A significant improvement has been in the area of product pricing, which has fallen significantly following the period of hyperinflation. Based on a price comparison exercise, prices in Zimbabwe are still more expensive than in South Africa, with prices generally being lower in Harare than in Bulawayo, and most expensive in rural areas.

Due to recent reforms and the renewed availability of basic foodstuffs, customers and recipients have rapidly begun to change their remittance practices. Remitters with families in urban areas have begun to shift their remittances from groceries to cash. In rural areas, the trend is similar but not as clear, as different rural areas appear to have varying availability of groceries. Despite the renewed availability of groceries, Zimbabweans still struggle to afford these items on their meagre salaries, so the recent changes are likely to have had more of an impact on the method of remittances than the value of remittances sent. As a consequence of the renewed availability of groceries, transporters and other remittance service providers have witnessed a significant decline in business; however, at the time the study was conducted, it seemed too early for them to determine to what degree their business of transporting groceries would be replaced by the transport of cash.

Market Inefficiencies and Impediments

An examination of the remittance services available to Zimbabwean migrants in South Africa reveals that there are significant inefficiencies, particularly with regard to cost, in both formal and informal remittance channels. These inefficiencies are due to three primary factors: high informal sector transaction costs, legislative barriers and a lack of formal sector competition.

Informal sector costs are very high, largely due to inefficiencies caused by the lack of economies of scale; however, one of the most pressing issues raised by service providers were the additional ‘transaction costs’ imposed on them in the form of bribes and increasing fees charged at the border. Bribes are commonly required in both South Africa and Zimbabwe at police checkpoints and weigh stations and also to customs officials in Zimbabwe to speed the inspection of goods. Border fees, particularly in Zimbabwe, are expensive and frequently increase, which is a source of frustration amongst transport operators.

Three areas of legislation make it difficult for the majority of Zimbabwean migrants to access formal sector remittance channels. These are summarised below:

- ***Immigration Laws:*** Current immigration legislation makes it very difficult for unskilled workers to obtain residency in South Africa, forcing most Zimbabweans to enter the country illegally. Consequently, they are unable to access formal remittance products as they do not have legal proof of residence. In May, South Africa’s Department of Home Affairs announced its intention to grant visa waivers and residency permits to Zimbabweans, but in June stated that they were being reassessed.

- ***Exchange Control Legislation:*** Exchange control legislation, which regulates the purchase of foreign currency, prevents remitters from utilising formal channels for two reasons. It requires individuals to provide documentation proving their legal residence in South Africa and gives banks exclusive control of the market, enabling them to maintain high fees.

- ***Anti-Money Laundering and Combating the Financing of Terrorism Regulation:*** Compliance with customer due diligence requirements in South Africa requires individuals to provide documentation proving their legal residence in South Africa to access formal financial services. This excludes most Zimbabwean migrants from accessing these services.

For Zimbabwean migrants who have established legal residence and can utilise formal remittance services, the products on offer are still not compelling due to pricing and other considerations. Banks offer two types of remittances. Telegraphic transfers are cross border transfers made from one account to another and take two to three working days to reach the recipient. Money transfers operate without bank accounts and can be received within 15 minutes. While these services are quite efficient, they are priced out of the reach of the average Zimbabwean migrant, particularly for low value transfers. The Post Office offers two money transfer services which could be applicable to Zimbabwean migrants, yet are unavailable to Zimbabwe (in the case of Money Orders) or whose use is discouraged by staff members (in the case of Postal Orders). These services are competitively priced, but are undermined by their uncompetitive service offerings for transfers to Zimbabwe.

Although neither the formal nor informal sectors provide ideal remittance services to Zimbabweans, informal channels are clearly preferred due to their flexibility, geographic reach and success in building relationships of trust. Observations and anecdotal evidence indicate that the formal sector in Zimbabwe is unable to compete on these parameters, so Zimbabwean remittance recipients often find it easier to use informal remittance services even if given the option to utilise formal channels.

Conclusions

As a result of undertaking this study, certain insights and areas for potential future engagement have been identified. These are summarised below.

Insights:

- ***Magnitude of Zimbabwean Migration and the Remittance Economy:*** Recent migration of large numbers of Zimbabweans to Johannesburg and South Africa has resulted in the development of significant remittance flows to Zimbabwe, conservatively estimated at R2.8 billion to R3.5 billion (equivalent to US$289 million to US$360 million) from South Africa to Zimbabwe and R680 million to R750 million (equivalent to US$70 million to US$77 million) from Johannesburg to Zimbabwe annually

- ***Complexity of the Informal Remittance Economy:*** The remittance economy has become an enormous informal industry, which now employs and supports the lives of millions of people in both Zimbabwe and South Africa

- ***Responsiveness of the Informal Remittance Economy:*** The informal remittance economy and its service providers have been quick to adapt to the rapidly changing needs and circumstances of remitting customers and their recipients in Zimbabwe

- ***Absence of Suitable Formal Sector Remittance Services:*** Despite the informal sector's inefficiencies and generally high fees, the formal sector has been unable to overcome legislative and structural challenges to offer competitive remittance products, despite the enormity of the market

Addressing the issues:

- ***Enabling Financial Inclusion:*** It is likely to require a coordinated effort between South Africa and Zimbabwe in both the public and private sectors to achieve progress in enabling formal sector financial inclusion
- ***Formal Sector Opportunity:*** Despite current legislative barriers, the recent return of price stability and the prospects of future economic reforms in Zimbabwe make it more compelling for the formal sector to begin addressing the needs of this substantial market
- ***Role of the Informal Sector:*** As the dominant and most responsive providers of remittance services, this sector is likely to remain an important role player in the remittance economy, and thus stakeholder concerns related to bribes and border fees should be addressed

1. Introduction

1.1. Rationale

This study was commissioned by the Centre for Financial Regulation and Inclusion (Cenfri)[4], on behalf of the FinMark Trust[5], to sketch a picture of the remittances landscape in the Johannesburg-Zimbabwe corridor. The aim was to build an understanding of the dynamics of remittances to Zimbabwe and the drivers of change, and to gauge the scope for and barriers to the formal intermediation of remittances. This is in line with the goal of greater financial inclusion.

As the discussion will show, Zimbabwe is heavily reliant on remittance flows from South Africa and particularly Johannesburg. As many Zimbabweans are undocumented, they cannot access formal channels for money transfers. Furthermore, until very recently, many goods in Zimbabwe were unavailable or only available at inflated costs. The result is that much of the value transferred back to Zimbabwe has reverted to basic groceries (e.g. maize, cooking oil), cleaning and medical supplies (e.g. soap, bleach, and medicines), clothing and a variety of other household items (e.g. electronics, mattresses and furniture).

If the newly formed unity Zanu-PF / MDC government is able to implement meaningful political and economic reforms leading to an environment of increased stability, remittances will likely play a critical role in rebuilding the country. As the economy stabilises, remittance flows to Zimbabwe should progressively evolve back to monetary transfers and inputs for longer term investment such as building materials, rather than the day-to-day necessities currently being remitted. The enormity of the challenges facing the Zimbabwean recovery and the significant role that money transfers and other remittances can play in supporting this recovery and the lives of millions of people, makes this study opportune – to build a picture of the realities and dynamics of the market and inform the scope for greater financial inclusion in this sphere.

1.2. Objectives

The document sets out to achieve the following objectives:

[4] Cenfri (www.cenfri.org) is a non-profit research centre, established in March 2008 with the support of FinMark Trust. Cenfri's mission is to support financial sector development and financial inclusion through the facilitation of better regulation and the provision of financial services. Cenfri achieves its mission by conducting research, providing advice and developing capacity building programmes for regulators, market players and other parties operating in the low-income market. Cenfri manages the theme area for banking and technology (including remittances), which Cenfri has renamed *Retail Payment Systems*, on behalf of the FinMark Trust. It is under the auspices of this theme area that this study has been commissioned. It is a first step towards a wider engagement in this area.

[5] Created with initial funding from the UK's Department for International Development, FinMark Trust, www.finmark.org.za, is an independent trust whose business is controlled by five trustees from countries in Southern Africa. Its mission is summarised in its slogan: "Making financial markets work for the poor". In pursuit of this objective, FinMark Trust supports and promotes institutional and organisational development towards the objective of increasing access to financial services by the un- and under-serviced of Africa.

- To provide a greater understanding of the cash and product remittance corridor between Johannesburg and Zimbabwe, with a particular focus on lower income segments
- To give a human face to the challenges faced by Zimbabwean migrants who provide and utilise these remittance services
- To highlight the challenges that will be faced in transforming the current remittance environment to better meet the needs of its service providers and customers
- To provide the basis for initiating discussions with Treasury and The Department of Home Affairs to address policy reform on issues related to remittances and immigration control
- To establish the basis for initiating a future dialogue in Zimbabwe, conducting a review of the retail payments system in Zimbabwe and considering strategies for its recovery (actual work in this regard will fall outside of the current project scope)

This study does not intend to produce a thorough analytical assessment of the Johannesburg – Zimbabwe remittance corridor. It is rather intended to provide a greater understanding of the remittance market and those who participate in it based on the qualitative insights gained. This will serve as a basis for providing an insight into the challenges faced and for motivating further investigation of the required reforms.

1.3. Scope

To meet the objectives of this study, investigations have been undertaken to achieve the following: 1) provide an overview of the current remittance environment, including an estimate of the nature, structure and magnitude of these remittance flows, and 2) convey the experiences of Zimbabweans living in Johannesburg, who remit cash and other products to family and friends in Zimbabwe and the service providers who facilitate the flow of such remittances. Details of the above two areas of investigation are provided below.

Overview of the current remittance environment

The overview of the current remittance environment encompassed an investigation into the following components:

a. Background on the South Africa (Johannesburg) - Zimbabwe remittance corridor, including current circumstances and trends

b. Overview of the products being remitted, including both cash and physical products, with a particular focus on those products being remitted for personal use rather than for resale.

c. Description of the remittance value chain and the service providers involved, with particular focus being given to the lower income segments of the market

d. Estimated market size (based on existing and potentially varied published estimates, and input from interviews conducted)

e. Brief overview of the current South African regulatory structure governing remittance transactions

f. Identification of the factors in Zimbabwe impacting on the remittance environment

Experiences of Johannesburg-based migrants utilising or providing remittance services to Zimbabwe

The experiences of Johannesburg-based migrants remitting cash and other products to Zimbabwe and those involved in the provision of such services has been conveyed through a series of case studies of people falling into the following categories:

a. Providers of transport from Johannesburg to Zimbabwe (e.g. formally licensed buses and minibus taxis, and informal transport such as bakkies)

b. Providers of related services to remitters (e.g. porters, touts and hawkers)

c. Customers utilising remittance services (e.g. remitters travelling to Zimbabwe with their remittance parcels or cash, remitters entrusting the delivery of their remittance parcels or cash to others)

1.4. Methodology

To address the issues outlined in the project scope, the study has been approached in three project phases conducted between March and May 2009: a) desk research, b) interviews, c) Johannesburg – Zimbabwe trip.

Desk Research and Analysis

The Desk Research phase of the project entailed the gathering of secondary research from available sources of information to establish a basic overview of the remittance market.

Interviews

Interviews were conducted across a broad spectrum of stakeholders in the Zimbabwe remittance ecosystem. The purpose of these interviews was to confirm the secondary research where possible, to establish an overview of the structure of the remittance economy and to develop a typology of the various role players in it. Many of these interviews took place in and around the formal and informal transport points of inner-city Johannesburg[6].

Johannesburg – Zimbabwe Trip

[6] Interviews in inner-city Johannesburg were conducted with the assistance of a Zimbabwean guide named Elliot Moyo, who was recommended by the Forced Migration Studies Programme at the University of the Witwatersrand in Johannesburg, South Africa

An overland bus trip from Johannesburg to Zimbabwe[7] was undertaken upon completion of the Johannesburg-based interviews over a period of five days. It included brief visits to Harare, Bulawayo and Tsholotsho, a small rural town several hours from Bulawayo. The purpose of this trip was to witness first-hand and document the process and experience of customers and service providers undertaking such a trip to remit cash or other goods. The trip also enabled discussions with recipients of remittances and observation of the retail environment in Zimbabwe through a price comparison exercise in a variety of grocery stores in each of the three locations visited and interviews with staff in several of these stores.

During the investigation process in Johannesburg and Zimbabwe, 54 interviews were conducted in total. They consisted of the following interview categories listed in Table 1 below, which are described in further detail in Section 4 of the document. Due to the small interview sample size of this study, many of the findings in this report are based on qualitative insights rather than quantitative analysis.

Table 1: Interviews Conducted

Interviewee Category	Interviewee Sub-Category	Number of Interviewees
Customers		6
Non-Transport Service Providers	Hawkers	1
	Porters[8]	10
	Touts	1
Other Bus Passengers / Traders		4
Remittance Recipients		10
Remittances Subject Expert		1
Residents Associations		1
Retailers		3
Transporters	Bus Drivers / Owners	7
	oMalayishas	4
	Taxi Drivers / Owners	3
Undertakers		3

The rest of this document proceeds as follows:

- Section 2 profiles the Zimbabwe migrant community in Johannesburg, addressing the reasons for migration and the community's size, nature and location.

[7] The Johannesburg – Zimbabwe trip was conducted with the assistance of Elliot Moyo
[8] Two of the Porter interviews took place in groups, with one group consisting of four individuals and another consisting of five individuals

- Section 3 addresses the nature of the Johannesburg-Zimbabwe remittance economy, its estimated size and the channels used.
- Section 4 provides an overview of the stakeholders in the remittance economy, and explains their respective roles and experiences.
- Section 5 explains how the remittance economy evolved, tracing its emergence and growth during the decline of the Zimbabwean economy followed by recent changes since the installation of the unity government.
- Section 6 examines the causes of inefficiency of both the formal and informal sectors in providing remittance services to Zimbabwean migrants.
- Section 7 draws conclusions on the subject of the Johannesburg to Zimbabwe remittance corridor.

2. The Zimbabwe Migrant Community in Johannesburg

Migration of Zimbabweans to South Africa, and particularly to Johannesburg, has become a clear and growing trend over the past several years; however, until recently, surprisingly little has been understood about the size and nature of this community. This section highlights the observations and data from recent studies that have been undertaken to better understand this dynamic.

2.1. Factors Affecting Zimbabwean Migration to Johannesburg

The migration of Zimbabweans to Johannesburg, and South Africa in general, is attributable to a number of different factors. Historically, there has been an established pattern of migration to South Africa amongst Zimbabweans looking for work. In the border regions of Limpopo, Zimbabweans have worked in South Africa mainly as farm labourers, with many having settled in these communities. Similarly, Zimbabwean traders as well as skilled and unskilled workers have settled in the industrial and urban areas of South Africa.

South Africa, and Johannesburg in particular, is a magnet for regional migration for two primary reasons[9]. As the economic centre of both the Gauteng province, which comprises 33% of the country's GDP, and South Africa, Johannesburg is the largest urban economic centre in Africa. Second, Johannesburg's proximity to its regional neighbours – only 550 kilometres from the Zimbabwe border - makes it an attractive destination. With this proximity follows cultural and language commonalities that facilitate migrant assimilation.

In recent times, Zimbabwean migration to Johannesburg and South Africa has been exacerbated by a new set of factors in addition to the historical trends noted above (Landau, 2008[10]). First, Zimbabwe's economic decline, precipitated by declining agricultural output due to drought and politically motivated land claims, as well as rapid hyperinflation forced many Zimbabweans to leave their country in search of economic opportunity. Some have settled in South Africa either looking for employment opportunities or to start their own businesses. Others come for short periods of time as traders to purchase goods that are unavailable in Zimbabwe for resale at home. Second, Zimbabweans have come to South Africa for political reasons. Some have come in response to fears of their country's declining political system while others have left to escape political persecution.

[9] Immigrants in Johannesburg: Estimating Numbers and Assessing Impacts, Centre for Development and Enterprise, August 2008, p.20-21

[10] Landau, L., 2008. Migration from Zimbabwe: Numbers, Needs and Policy Options, Centre for Development and Enterprise, April 2008, p. 7-9. Director of the Forced Migration Studies Programme at the University of the Witwatersrand.

2.2. Size of the Zimbabwean Community

Attempts to accurately estimate the number of Zimbabweans in South Africa have been hindered by several factors[11].

- Available census data is insufficient. The last South African census was conducted in 2001, so any estimates must be extrapolated from that point.
- Baseline estimates of the Zimbabwean population in South Africa before 2000 and their rates of arrival across the border are only rough estimates. The migration of Zimbabweans to farming communities at the Limpopo border and into industrial and urban areas is therefore poorly understood.
- The language, cultural and physiological similarities between South Africans and their Zimbabwean neighbours make it relatively easy for Zimbabweans to blend in. Given that many Zimbabweans are not legally resident in South Africa, they are not incentivised to disclose their status.
- Migration of Zimbabweans into South Africa cannot always be tracked as many do not go through the Beitbridge border post, often sneaking across the border. Further complicating matters, many stay for short periods of time before returning to Zimbabwe, so it is difficult to accurately track their movements if they are not recorded in both directions.

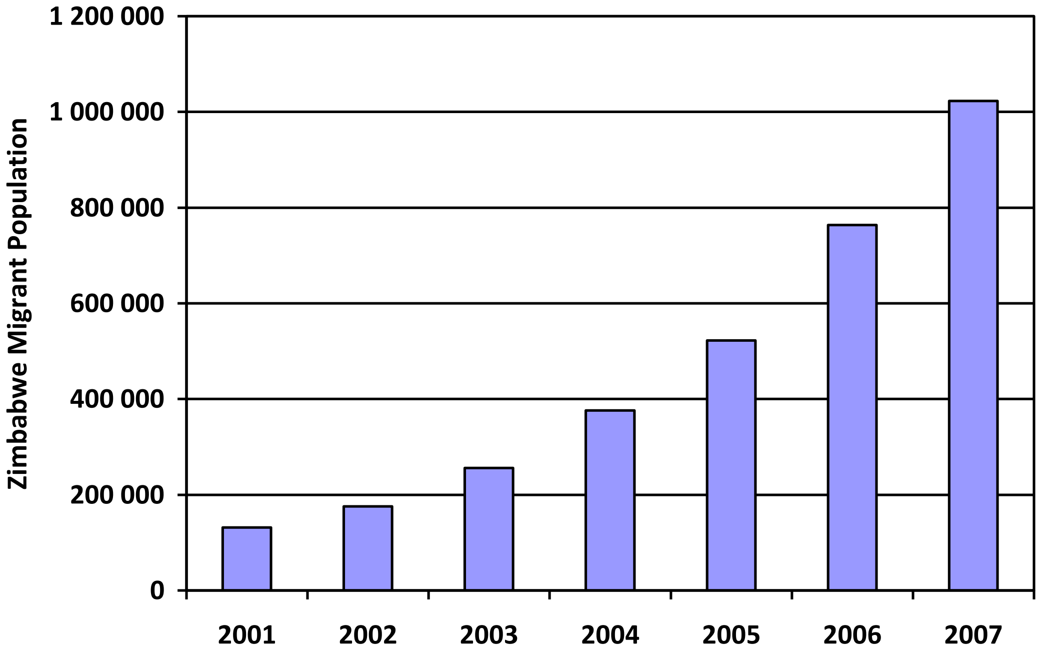
Recent media estimates of Zimbabwean migrants in South Africa have varied significantly and placed the figure as high as 3 million people[12], nearly one quarter of Zimbabwe's population. Estimates have been based on problematic data sources including deportation and asylum statistics. These are prone to error due to dependence on data from the apprehension of migrants for deportation and inefficiencies in the asylum seeking processes and data recorded.

In mid-2007, Professor Makina of UNISA conducted a survey of 4,654 migrant Zimbabweans living in the Johannesburg suburbs of Hillbrow, Berea and Yeoville. While the survey was unable to use a representative sample of migrants, being skewed by participant location and willingness to participate, it does provide what is considered to be a fair estimate of the Zimbabwean community in South Africa. Based on the extrapolation of growth rates from the 2001 census, Makina (2007) estimated the Zimbabwean population in South Africa to be between 800,000 and 1,000,000 people as illustrated in Figure 1 below.

[11] Migration from Zimbabwe: Numbers, Needs and Policy Options, Centre for Development and Enterprise, April 2008, p. 7-8

[12] Ibid, 11

Figure 1: Estimate of Zimbabwe Migrant Population in South Africa



Source: Makina (2007)

In the second half of 2006, the Centre for Development and Enterprise conducted a study[13] to estimate the number of foreigners in Johannesburg, to learn more about them and to understand the attitudes of urban South Africans towards them. The core component of the study was based on a household survey specifically designed to be representative of all areas and types of residence in Johannesburg.

The survey revealed that in 2006, out of a population of 3.9 million people (Statistics South Africa's 2007 Community Survey), Johannesburg had a foreign community of between 500,000 and 550,000. Depending on the visibility of the foreign community, this would translate into a foreign population of between 12.35% and 14.5% of the total population of Johannesburg.

Based on interviewer observations and personal judgements about the identities of their interviewees, 39% of foreigners (between 195,000 and 215,000) were believed to be Zimbabweans. However, the survey believes this to be an underestimate of the actual figure, given the escalation of the economic crisis in Zimbabwe, suggesting that total foreigners in Johannesburg in 2008 could be closer to 600,000 to 700,000. However, these higher estimates are not based on the survey data.

[13] Immigrants in Johannesburg: Estimating Numbers and Assessing Impact, Centre for Development and Enterprise, August 2008, p. 9,27

2.3. Nature of the Zimbabwean Community

The study undertaken by Makina (2007) from June 2007 to mid-July 2007 developed a profile of the Zimbabwean community through interviews with Zimbabweans living in the Johannesburg inner-city suburbs of Hillbrow, Berea and Yeoville. From the research conducted on the subject, this seems to be the most current and thorough analysis of the Zimbabwe migrant community. In general, the findings from Makina (2007) are not contradicted by the qualitative findings of the interviews conducted for this study; however, given the small sample size of this study it is not possible to draw a conclusive comparison between the two studies.

Migration Patterns

Migration patterns of Zimbabweans to South Africa changed from approximately the year 2000, when the Mugabe government undertook its land reform programme. Of the 4,654 migrants surveyed in the study, 354 (8%) arrived in South Africa between 1979 and 1999, while 4,300 (92%) arrived between 2000 and mid-2007. According to the survey data, growth in migration since 2000 has been almost exponential, with fewer than 200 migrating in the year 2000 and 1,600 in the year 2007.

In addition to the trends in migrant numbers, there are also ethnic trends of migration. The majority of Zimbabwean migrants to South Africa are and have historically been Ndebele speakers from the southern part of the country. However, there have been indications of an increase in the number of Shona speaking Zimbabweans, from the northern regions of Zimbabwe, migrating to South Africa in recent years[14].

Demographics

An overview of demographic survey statistics paints the following profile of Zimbabwean migrants to South Africa.

- ***Gender:*** Most Zimbabwean migrants are male, with a breakdown of 59% male and 41% female; however, the gender split is evening out as larger numbers of family members are now migrating as opposed to just one breadwinner.

- ***Age:*** Over 85% of migrants are below the age of 40, with 80% falling between the ages of 21 and 40 years.

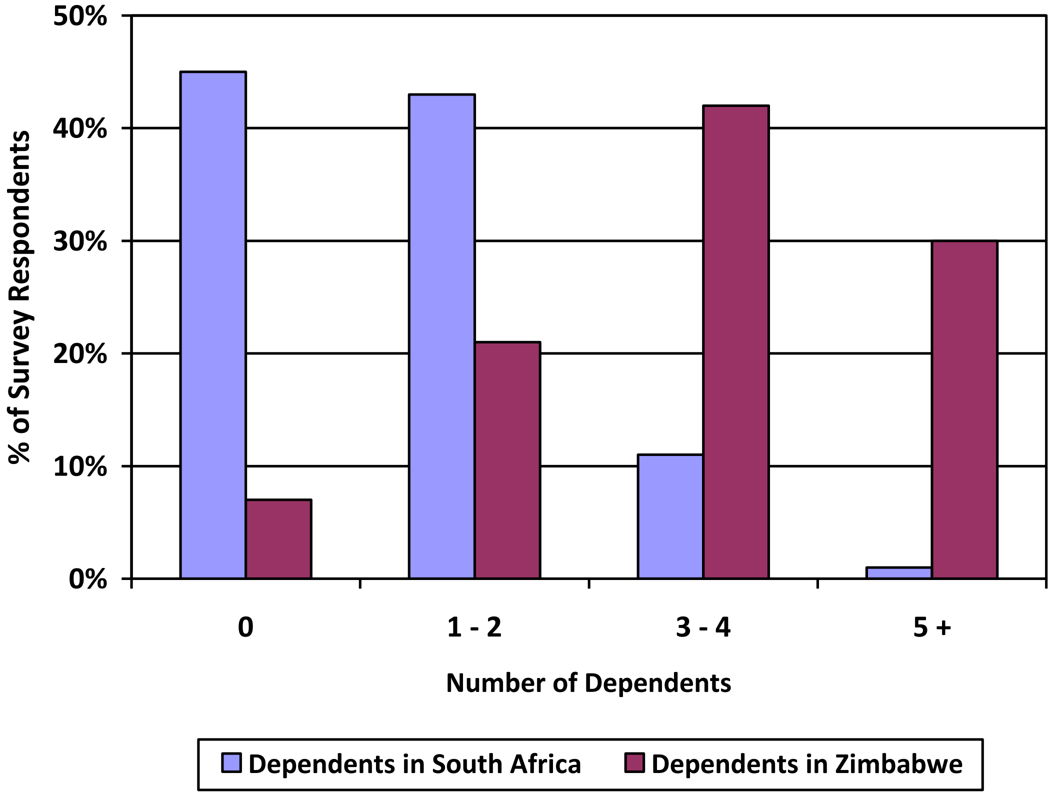
- ***Marital Status:*** Most migrants (55%) are married, while 36% responded as being single and the remainder being either widowed, divorced or separated.

- ***Dependents:*** Most Zimbabwean migrants have families, and support more dependents in Zimbabwe than in South Africa. The data reveals that 88% are supporting 2 or fewer family members in South Africa, while 72% are supporting 3 or more family members in Zimbabwe. This is an indication that most migrants have left family at home, but many (43%) have

[14] Migration from Zimbabwe: Numbers, Needs and Policy Options, Centre for Development and Enterprise, April 2008, p. 9

migrated with one or two family members. A profile of the numbers of dependents supported by Zimbabwean migrants is shown in Figure 2 below.

Figure 2: Dependents Supported in South Africa and Zimbabwe

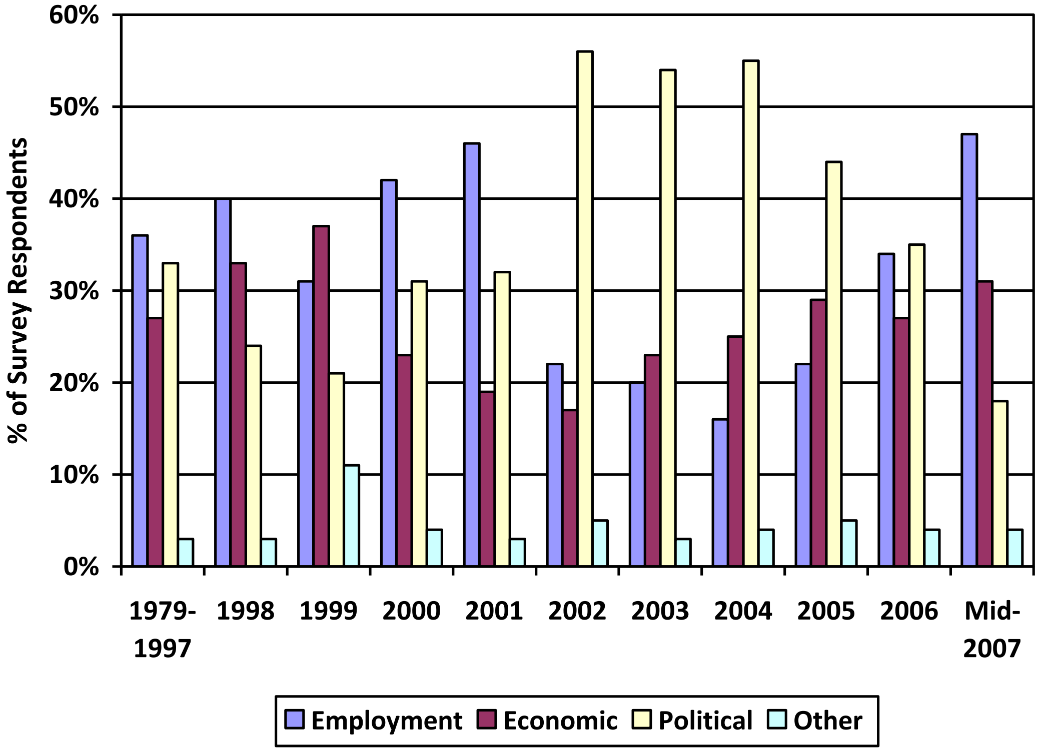


Source: Makina (2007)

Reasons for Migration

The most commonly indicated reasons given in the survey for migrants leaving Zimbabwe were political (58%), the economic crisis (51%) and unemployment (31%). However, the reasons cited have changed over time as indicated below in Figure 3. Between 1979 and 2001, employment was the primary motivation, but political reasons became predominant after 2002. In the first half of 2007, unemployment and the economy again overtook political factors.

Figure 3: Zimbabwe Migrant Reasons for Migrating to South Africa



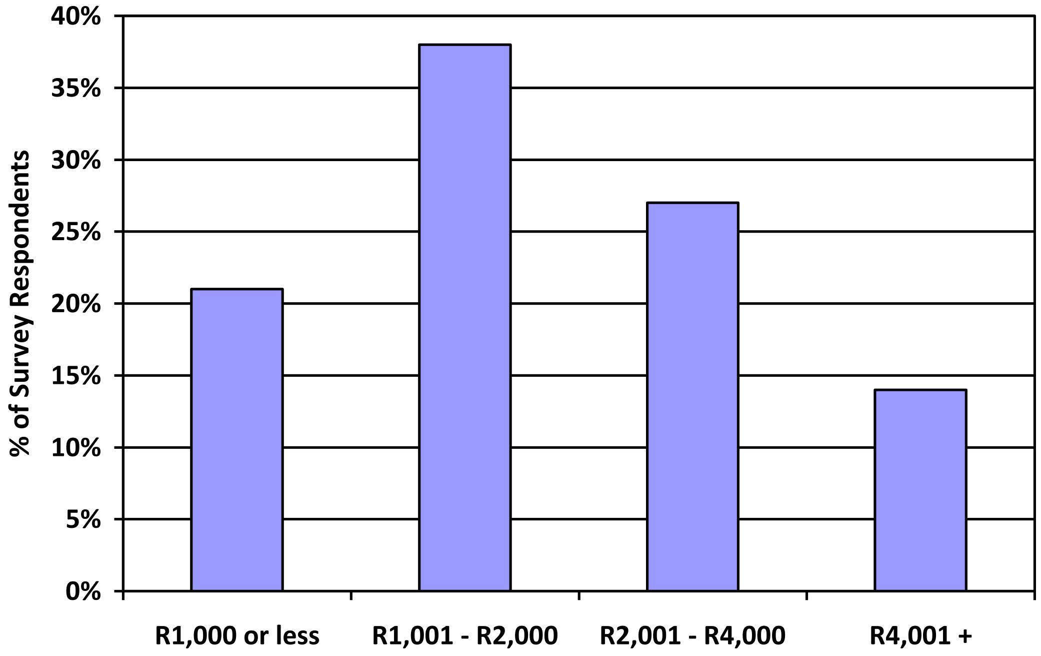
Source: Makina (2007)

Education and Economic Activity

Migrants from Zimbabwe appear to be a fairly well educated group. 62% report having completed their secondary education before leaving Zimbabwe. A further 32% have completed post-secondary education before leaving – 4% with university degrees, 15% with professional qualifications, 3% with artisan qualifications and 10% with post secondary diplomas or certificates. In addition, over 15% had acquired additional qualifications since arriving in South Africa to increase their prospects of employment.

Despite their educational qualifications, Zimbabwean migrants appear to have difficulty finding employment suitable to their level of education or training and thus earn relatively low salaries. The monthly gross salaries of Zimbabwean migrants are summarised in Figure 4 below.

Figure 4: Monthly Gross Earnings of Zimbabwean Migrants in South Africa



Source: Makina (2007)

59% of Zimbabwean migrants earn less than R2,000 per month, (equivalent to US$206[15]). In comparison, average personal monthly income in South Africa was R2,096[16] (equivalent to US$216), indicating that the majority of Zimbabwean migrants are earning below the average personal income threshold in South Africa based on the data in Figure 4 above. Only 20% of survey participants indicated that they were self-employed, with the remainder in some form of employment, despite the fact that the majority of Zimbabweans are undocumented.

2.4. Location of the Zimbabwean Community

While there have been no comprehensive studies to map the location of Zimbabweans living in South Africa, according to Loren Landau at the University of the Witwatersrand[17], anecdotal evidence suggests a number of patterns. Zimbabweans from urban areas, who are more likely to have been the target of political violence, have tended to migrate to South Africa’s inner cities. Less educated workers tend to seek employment in farming, industrial and mining areas. Zimbabwean

[15] A 3-month (1 February 2009 to 30 April 2009) average exchange rate of R9.70 / US$1.00 from www.oanda.com has been used for conversion throughout the document unless otherwise noted
[16] FinScope South Africa 2008 (a publication of FinMark Trust)
[17] Migration from Zimbabwe: Numbers, Needs and Policy Options, Centre for Development and Enterprise, University of Witwatersrand, April 2008, p. 9

migrants from rural areas have tended to settle in areas along the Limpopo border or in nearby rural villages.

In Johannesburg, Zimbabweans have tended to cluster in inner-city suburbs, particularly Hillbrow, Yeoville and Berea. These areas have provided access to networks of other Zimbabwean migrants and are also relatively close to areas of economic activity and therefore employment opportunities. However, recent trends have indicated a degree of relocation from these areas to the city's townships, such as Alexandra and Soweto. The rationale given for this shift is related to the cost of living. The higher costs of inner city property rentals have motivated some Zimbabweans to seek alternative places of residence. In Soweto, transport is also cheaper for those living in proximity to Metrorail lines.

3. Overview of the Johannesburg – Zimbabwe Remittance Economy

As highlighted in the discussion on the Zimbabwean migrant community, Zimbabweans have largely come to South Africa to escape their country’s economic crisis and to seek employment opportunities. Most Zimbabweans have immediate and/or extended families at home who depend on their financial support.

In the various studies that have been conducted, remittances have been defined in numerous ways, both narrowly and broadly. Some focus on only cash remittances, while others also take into account in-kind remittances. For the purposes of this study, remittances have been defined as ‘the portion of migrant workers’ earnings sent back home to their families’[18] to encompass all types and methods of remittances. However, this definition excludes traders, or those individuals who come to South Africa to purchase goods for resale in Zimbabwe.

This section explores the characteristics of the Zimbabwean remittance economy and the nature of the financial support provided.

3.1. Nature of Remittances

In defining the remittances sent from Johannesburg to Zimbabwe, several parameters have been investigated: the types of remittances, formal vs. informal remittances, the frequency of remittances and the value of remittances. While this is certainly not an exhaustive list, it gives a clear picture of the nature of the remittances sent.

Types of Remittances

Based on interviews conducted with a range of remittance customers, service providers and recipients, remittances seem to fall into two primary categories, cash and in-kind. Cash remittances from Zimbabweans in Johannesburg are generally denominated in South African Rand. In-kind remittances can include products as diverse as groceries, furniture, electronics, clothes and building materials.

Anecdotally, certain patterns seemed to be evident in the division between cash and in-kind remittances. Cash remittances are required for expenses such as school fees, rent, transport, perishable items and other day-to-day expenses. They also seem to be preferred in instances where items are available for purchase in Zimbabwe, provided they are available at reasonable cost. During the study it became increasingly evident that the recent availability of products, particularly groceries, in Zimbabwe was resulting in a growing preference for cash remittances. In Zimbabwe, in-kind remittances, until recently, were critical in filling the gap caused by the scarcity of items, particularly basic groceries. In areas where these foodstuffs are still scare or irregularly available, in-

[18] Sending Money Home: Worldwide Remittance Flows to Developing Countries, IFAD, 2008, p. 2

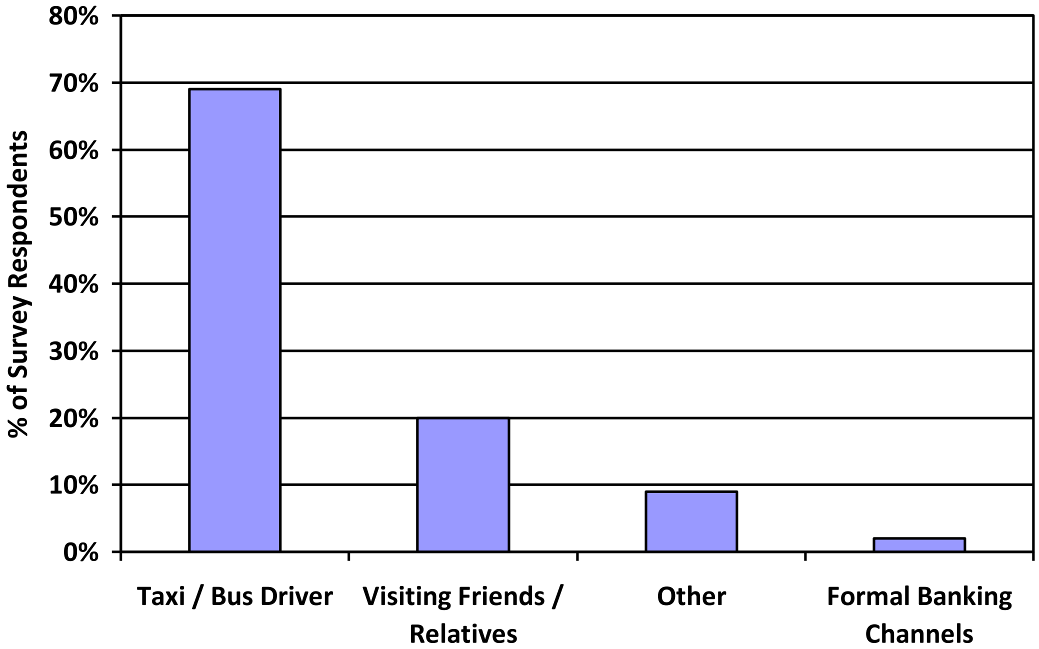
kind remittances still play a more important role. In-kind remittances, in contrast with cash remittances, also provide the remitter with greater control over how the remittances are utilised.

Therefore, the types of remittances required seem to be determined more by the circumstances of the recipient than that of the sender. In urban areas, where goods are more plentiful and competitively priced, cash remittances are preferred. In rural areas, in-kind remittances are more relevant depending on the price and availability of products as well as the ability of the recipients to supplement their needs by growing their own crops.

Channels: Formal vs. Informal

Remittances can be further classified as either formal or informal in nature, a reflection of the channels utilised to send them. Formal channels include remittances sent through money transfer companies such as Moneygram and Western Union, banks or the post office. Informal channels include the use of various forms of public transport such as buses and taxis, private individuals or friends and relatives to send remittances. Based on the interviews conducted for the purposes of this study, there was almost no mention of the use of formal remittance channels, with all interview participants focussing on their experiences of the informal remittance channels they utilised. Further confirming this observation, Makina (2007) found that only 2% of remittances were sent utilising official banking channels, as illustrated in Figure 5 below.

Figure 5: Mode of Remittance Transfer



Source: Makina (2007)

The overwhelming preference for informal channels of remittances points to several significant factors. First, at the time of the study, the rapid devaluation of the Zimbabwe Dollar would have discouraged remitters from sending money through formal channels, which would have been pegged at the official, much lower, exchange rate. This is no longer the case, as will be discussed in further detail. Second, Makina (2007) also found that 59% of survey respondents had no access to banking facilities in South Africa, which may be an indication of the lack of legal status of many of these migrants. Third, based on interview feedback, despite the imperfection of the informal remittance channels, customers and their remittance recipients have long established relationships based on trust with the various transport networks. In contrast, interview feedback indicated that the banks in Zimbabwe are not well trusted, and have placed restrictions on the values that Zimbabweans can withdraw. Fourth, outside of the urban areas, there appeared to be limited access to financial services infrastructure in Zimbabwe, making it inconvenient and expensive to remit through these formal channels for those with families in rural areas, as it would necessitate travel to an urban centre to collect the remittances. Finally, in-kind remittances, which have been strongly preferred until recently due to the scarcity of basic foodstuffs, could not be sent through formal channels, due to the scarcity of supply in Zimbabwe.

It is for this reason that the focus of this paper is on the dynamics of the informal remittance economy rather than the formal remittance channels. Challenges faced in the use of formal remittance channels are discussed in Section 6.

Frequency

Based on the interviews conducted in this study, the frequency with which Zimbabwean migrants send remittances depends largely on their capacity to earn enough money to live on so that they can set aside the remainder to assist their families. Most Zimbabweans interviewed for this study seemed to find life in Johannesburg very expensive, mainly due to their relatively low salaries in comparison with the high cost of accommodation and transport, and also the bribes cited by many Zimbabwean interviewees to deflect police harassment. Consequently, amongst those who participated in interviews, there seemed to be a wide range of remittance sending frequencies. Some remit as often as monthly, while others are unable to remit at all. On average, Zimbabwean migrants interviewed seem to send remittances to their families every one to three months.

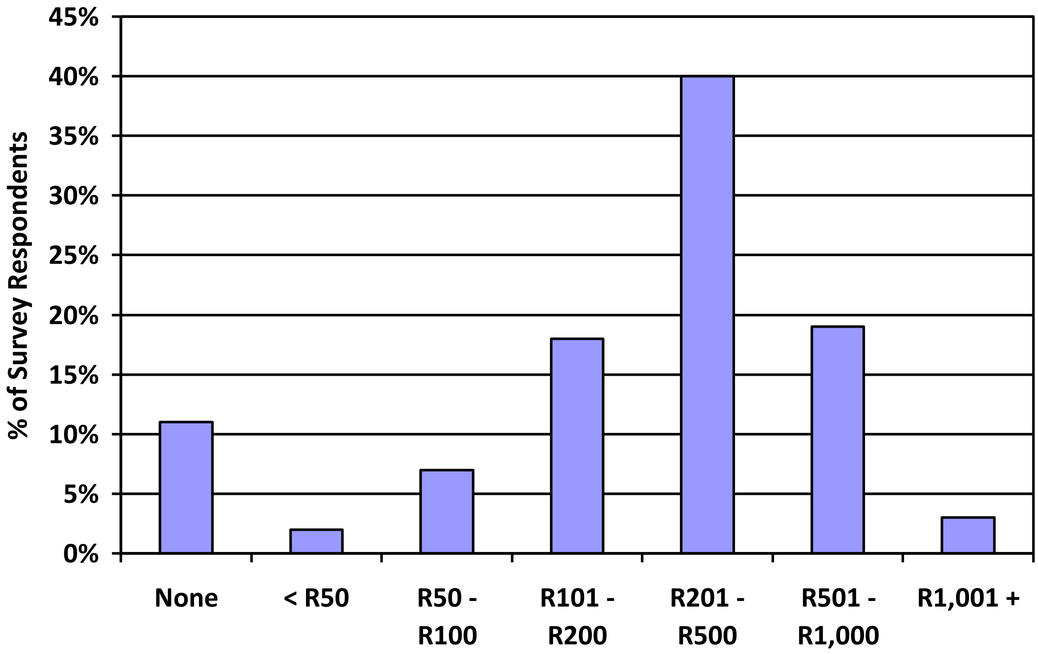
The frequency of remittances is also influenced by the needs of the recipients in Zimbabwe. Generally there seems to be fairly active communication between Zimbabwean migrants in South Africa and their families in Zimbabwe, enabling a better understanding of their requirements.

In contrast with the findings of this study, Makina (2007) found that 89% of migrants surveyed sent remittances home to their families each month. The reason for this divergence of observations between the two studies is unclear.

Value

In his study on remittances from South Africa to Zimbabwe, Makina (2007) asked survey participants to estimate the value of remittances sent home monthly[19], with the results shown in Figure 6 below.

Figure 6: Monthly Remittances as a Proportion of Respondents



Source: Makina (2007)

Based on the results of the survey conducted by Makina (2007), 40% of Zimbabwean migrants sent between R200 and R500 each month (equivalent to US$20 - US$51). On a weighted average basis of survey respondents, it was estimated that each migrant remitted R290 per month (equivalent to US$30). These findings differ quite significantly from the feedback collected in the interviews conducted for this study. While the study did not attempt to obtain data from a statistically significant sample, none of the interviewees indicated that they were sending sums as small as the R290 per month quoted by Makina (2007). Generally remittance customers would save over a period of time in order to send their remittance in larger quantities. Groceries seemed to be sent in values of approximately R1,000 (equivalent to US$103) and money in quantities of approximately R500 (equivalent to US$51). Interviewees indicated that they would generally save over a period of one to three months before sending assistance home to their families. It is unclear what the reason is for this divergence of results between the two studies.

[19] It is unclear from Makina (2007) whether the remittance figures reported are averaged out on a monthly basis or whether they are actual monthly figures, as the report did not explicitly analyse the remittance frequency of its respondents

3.2. Size of the Remittance Economy

Data on the magnitude of remittances flowing from Johannesburg to Zimbabwe are not readily available, so estimates have been based on recently published data on the size of the Zimbabwean migrant community and the value of their average remittances.

In Makina (2007) it was estimated that between 800,000 and 1,000,000 Zimbabwean migrants currently reside in South Africa and that on average, Zimbabweans remit R290 (equivalent to US$30) to their families each month. Therefore, it is estimated that Zimbabweans in South Africa remit between R232 million and R290 million (equivalent to between US$24 million and US$30 million) to their families in Zimbabwe each month or ***R2.8 billion to R3.5 billion annually*** (equivalent to between US$289 million and US$360 million).

With regard to remittances from Johannesburg to Zimbabwe, based on an estimated Zimbabwean population of 195,000 to 215,000[20] and an average remittance per Zimbabwean of R290 (equivalent to US$30) per month, it is estimated that Zimbabweans in Johannesburg remit between R57 million and R63 million (equivalent to between US$5.9 million and US$6.5 million) to their families each month, or ***R680 million to R750 million annually*** (equivalent to between US$70 million and US$77 million). As noted in the earlier discussion on these estimates, these figures are likely to underestimate remittances as they do not take into account the increased migration of Zimbabweans to Johannesburg since 2006, when the survey was conducted.

As these two studies estimated the size of the Zimbabwean communities in South Africa and Johannesburg, respectively, it is difficult to draw direct comparisons between them. What is clear is that when taking into account the likely value of remittances sent by these migrants to their families in Zimbabwe, the size of the remittance economy is substantial. The fact that much of these remittances flow through the informal economy certainly highlights the need for greater government attention to be focused on this remittance economy and the opportunity for greater formal sector engagement. These topics are covered in greater detail later in this document.

3.3. Remittance Corridors

There are a number of well travelled remittance corridors between Johannesburg and Zimbabwe, as illustrated in Figure 7 below. As data comparing them is unavailable, interview feedback has been used to describe the nature of these routes.

[20] These figures are extrapolated from the paper entitled Migration from Zimbabwe: Numbers, Needs and Policy Options, Centre for Development and Enterprise, April 2008, based on its stated assumption that 39% of Johannesburg based migrants are from Zimbabwe

The two most important remittance corridors are to Bulawayo and Harare, and the surrounding areas. Zimbabwe is divided between the Mashonaland provinces in the north of the country, where the capital of Harare is located, Matebeleland in the south and southwest of the country, where the second largest city of Bulawayo is located, as well as the Manicaland and Masvingo provinces to the east and Midlands in the centre. Mashonaland is agriculturally richer than Matebeleland, and therefore more food secure. This has meant that, traditionally, the flow of remittances from South Africa has been greater and better established to Matebeleland.

In the current economic and political climate, remittances are being sent to all parts of Zimbabwe, however, remittances to Bulawayo and the surrounding rural areas still comprise the majority of flows. To put this into context, an oMalayisha (one type of remittance transporter, as will be discussed in Section 4.2.1) estimated that 75% of remittances transported go to Bulawayo, 15% to Harare and the remaining 10% to other areas. While this estimate does not take into account all forms of transport, it remains a relevant observation.

Based on anecdotal evidence from bus drivers, it has been noted that the traffic from Johannesburg to Harare is mostly for traders buying goods to resell, while the traffic from Johannesburg to Bulawayo is primarily for remittances or people visiting families.

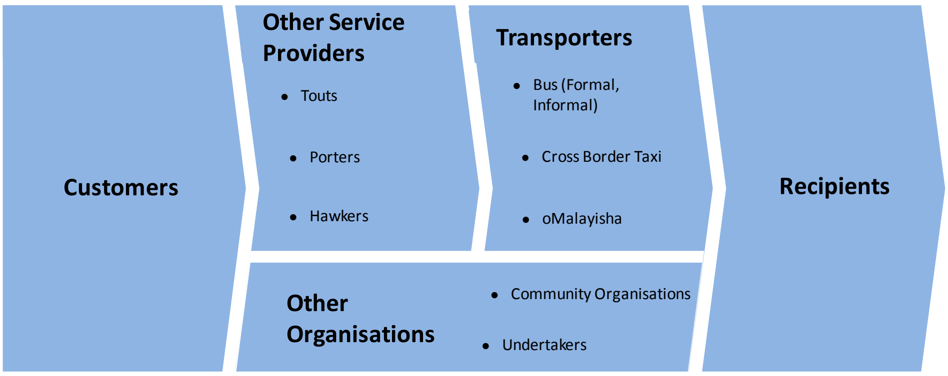
Figure 7: Johannesburg - Zimbabwe Remittance Corridors

4. Stakeholders in the Remittance Economy

In recognition of the fact that the overwhelming majority of remittance traffic from Johannesburg to Zimbabwe is conducted through the informal sector, the focus of this study was to understand the experiences of those individuals participating in the informal remittance economy, most of whom are based in the suburbs of inner-city Johannesburg, including the reasons for their channel choice and the obstacles to formal channel usage.

The Johannesburg – Zimbabwe remittance economy is comprised of a complex web of stakeholders including customers or remitters, the transporters of those remittances, other service providers who provide incidental services to the customers, other organisations who provide complimentary remittance services and of course the remittance recipients. Figure 8 below provides a concise overview of these numerous stakeholders and how they interrelate. Below, each aspect of the value chain is discussed in turn.

Figure 8: Stakeholders in the Remittance Value Chain



4.1. Customers

Initiating the flow of remittances to Zimbabwe are the Johannesburg based customers who provide their families with support in the form of money and other products. The customers interviewed included people of various occupations including domestic workers, students and a petrol attendant, who have resided in South Africa for periods ranging from several weeks to many years. They have families living in Zimbabwe in a range of urban and rural areas.

Despite these apparent differences, they all shared similar experiences and challenges in sending home remittances to support their dependents in Zimbabwe.

Mode of Transport

Most customers reported using a variety of transport types, but often having a preference for one particular type. Generally, customers with families based in urban areas were more dependent on bus transport, which they felt was more reliable. Those in rural areas, particularly in southern Zimbabwe (Matebeleland) seemed to make greater use of oMalayishas, individuals with private vehicles who provide remittance services, due to their greater flexibility and ability to provide door-to-door transport. Interestingly, there was relatively little mention of cross border taxi transport. Most customers interviewed also explained that they had a relationship with a particular bus driver or oMalayisha, whom they could trust with their remittances.

Types of Remittances

Remittances described by customers generally fell into two categories, money and groceries. Depending on the location of their families, the importance of these items varied. Those with families in urban areas expressed a preference for sending money while those in more remote areas attached greater importance to the remittance of food. Most customers described sending a combination of both money and food, some doing so simultaneously and others alternating between the two. Many customers also described making their remittance decisions in response to the direct requests of their families.

Accompanied vs. Unaccompanied

Customers described sending their remittances both accompanied by themselves or a close friend / relative, or unaccompanied in the care of a bus / taxi driver or oMalayisha. During visits home, customers generally travel with groceries and money for their families, particularly during the Christmas and Easter holidays. Groceries and other items are charged for by the bus or taxi driver on the basis of the weight, size or cost of the item. However, at other times of the year, they are forced to rely on their relationships with available transporters to send unaccompanied parcels. In these circumstances, groceries and other physical items are charged for on the same basis, and commission is also charged for the transport of cash. Details of these charges are summarised in Section 4.2.2 on Service Costs.

Challenges

The main challenges facing remitting customers relate to the cost and reliability of the services that they use. Customers view the transport costs for their remittances as being very high. On average, they pay an additional 20% of the value of cash transported and even more for groceries transported based on the size or weight of the parcel; however, fees for these items seem to vary. The other concern expressed pertained to the reliability of these services. Most customers have experienced damage, loss or theft of their possessions on at least one occasion. Some customers complained of trying to hide money in a bag of food to avoid having to pay commission and finding that it has been stolen. Others complained that their money is used to pay bribes or for repairs to vehicles that break down during transport. Sometimes it is possible to recover these losses, depending on their relationship with the transporter, but at other times their only recourse is to switch to another service provider.

Box 1: Customer Case Study 1

Lenos is a domestic worker who has been working in a northern Johannesburg suburb for many years. His family is based in Plumtree, a rural area south of Bulawayo. In total, five people depend on the remittances that he sends home.

Every month he sends groceries such as mealie meal, sugar, washing powder, bath soap, soups, potatoes, onions and green tomatoes. On alternative months he also sends about R500 which his family uses to pay for clinics, school fees, cattle tax and income tax. In the rural area where his family lives, they do not have to pay for rent, transport or electricity. In the past he has also sent furniture including beds, chairs and couches.

Normally, he sends these items in a van with an oMalayisha from Plumtree who knows his family. Lenos has been sending things this way for the past 10 or 11 years. For transport, he pays the oMalayisha about R600 (equivalent to US$62) to transport approximately R1,000 (equivalent to US$103) in groceries. He also pays 10% of the value of the money sent unless he is also sending groceries, in which case he is not charged. "The oMalayisha is expensive," he says, but for the extra cost these items are delivered door-to-door, directly to his family. Sometimes he uses a taxi to send these items. Although the taxi may charge only R200 he has to transport the parcels to town and the taxi does not deliver directly to his family's home.

When he gives the money and parcels to the driver, he makes a note of what is being sent. When the parcels are delivered to his family, he receives confirmation that the goods have arrived. He can either phone to check or wait for the oMalayisha to bring back a note from his family.

Sometimes, there are problems with transport. If there is a breakdown, then the driver will use the transport money for repairs or to hire another car. Generally things get replaced if they are broken. Sometimes drivers are reliable, but others are not, so generally he will try to use the same driver if he trusts him.

Box 2: Customer Case Study 2

Robson is a petrol attendant who lives in a flat in Hillbrow with his wife. He has five children. The youngest lives with him in Johannesburg and the other four are at school in Bulawayo where they rent accommodation. His rural home is near Victoria Falls.

Before the Rand was accepted in the shops, he used to send groceries home, but now his children mainly need money as the shops are carrying groceries. When sending money home he uses the buses. They are cheaper than oMalayishas – "oMalayishas are expensive and they are crooks." He speaks with the driver or conductor and together they count the money and put it into an envelope. He writes his childrens' names and contact details on the envelope and calls to tell them when the bus will arrive and the name of the driver. In Bulawayo, they go to the bus station to collect the money. For this service he is charged R20 / R100 that he sends.

If he sends food, Robson will typically send 10kg of rice, 10kg of sugar, 5 litres of fish oil, 10kg of washing powder, tea bags, margarine (frozen) and 500g of jam. He buys a big Shangaani bag[21] to carry the things in. In an average month he spends R1,600 (equivalent to US$165) on groceries, which will last 2½ months. He pays a minimum of R1,000 to R1,200 (equivalent to US$103 to US$124) for transport. If he sends them with an oMalayisha, they will come to collect the groceries from him and he writes down the address and phone number of his family for the oMalayisha. If they are regular customers, the oMalayisha will know his family.

There can be problems when using an oMalayisha. "Sometimes, if you are short of money, they will store the groceries and not deliver them until you pay everything – but they say that they will deliver the groceries right away. Sometimes, they don't deliver – then they'll avoid you and you won't find them."

Robson says that in the rural areas, like the ones he comes from, people don't have money. He says there is more money in the cities. Some people cannot even afford the transport to Bulawayo to buy salt. "People are taking advantage and exchanging salt for livestock – especially the oMalayishas." He says they will trade 10kg of salt for a goat or 12kg of salt for a cow.

Mealie meal, Shangaani bags, tyres and other items awaiting transport on a Friday afternoon in Hillbrow

[21] A Shangaani bag is a type of bag that is commonly used to transport remittances sent by Zimbabweans. These bags are typically white with a check pattern and come in many sizes.

4.2. Transporters

The transport of informal remittances from Johannesburg to Zimbabwe has become a substantial industry over the past several years. As a result, the business has grown to encompass a variety of participants spread across various parts of the Johannesburg inner-city in particular.

4.2.1. Types of Transporters

Transporters are divided into formal or licensed service providers, and informal or unlicensed service providers. Licensed service providers include formal buses, ‘chicken’ buses and cross border taxis. Informal service providers include oMalayishas and individuals.

Most transporters of remittances are spread out in various suburbs of inner-city Johannesburg. The formal buses are based at Park Station in the Johannesburg CBD while chicken buses are located in various informal bus stations in Braamfontein. Cross border taxis are based at the taxi rank outside of Park Station and some also park on the streets near chicken the bus stations in Braamfontein. oMalayishas work from their flats, primarily in the suburbs of Hillbrow, Yeoville and Berea.

Below, the characteristics of each transporter type are discussed before focusing on the remittance service charges of each.

Formal Buses

Formal bus at a filling station in Johannesburg en-route to Harare

Formal Buses, as they have been called for the purposes of this study, refer to those buses which operate out of the main Park Station bus terminal. These buses include Greyhound, City Liner (owned by Greyhound), Pioneer (a Zimbabwean bus company) and Intercity Xpress / Eagle Liner. These are all modern, luxury coach buses with air-conditioning. Greyhound is the most luxurious bus service, which is focussed on the transport of passengers and their luggage. The other formal buses also carry passengers’ remittances and pull trailers as large as half the size of the bus to carry these belongings, depending on the bus company. All formal buses require passengers to possess valid passports and visas for travel. Bus fares from Johannesburg to Harare and Bulawayo vary by bus company, as illustrated below in Table 2.

Table 2: Bus Fares on Formal Buses Travelling to Zimbabwe

Bus Company	Fare to Bulawayo	Fare to Harare
Greyhound	R320	R400
City Liner	R275	R300
Pioneer	R200	R300
Intercity Express / Eagle Liner	R250	R290

Note: All bus fares are quoted on a one way basis
Source: Bus companies

Customers travelling with luggage, whether personal, for remittances or resale purposes, are required to weigh it on a scale, are charged accordingly and given a receipt. For certain articles of luggage, such as furniture, white goods and televisions, customers are charged fixed fees. Although the formal buses do not officially transport unaccompanied luggage, customers are able to negotiate directly with the bus drivers for this service. For unaccompanied parcels and cash, the driver is entrusted with the contact details of the recipient and in the case of cash, will count the money with the remitter and put it in an envelope. The recipient is given the contact and arrival details of the bus and driver and will meet the bus at the appointed time and destination.

Box 3: Formal Bus Case Study

Willy is a Greyhound manager at Park Station. He is in charge of the ticket counter and check-in for Greyhound and City Liner, but he does not manage the drivers. He runs two services: Greyhound is a luxury service and City Liner is a standard service. For Zimbabwe, they provide a service to Harare and Bulawayo.

With regard to luggage transport, Willy says that people send almost anything. His buses do not check to see what is in the bags. He has observed a fall in luggage transported since the shops in Zimbabwe began carrying food. He charges extra for luggage. The first 30kg are free and customers pay R4 for each additional kilogram. Bags are weighed at the checkout counter and customers get a receipt.

En route, the buses go through Johannesburg, Midrand and Pretoria. From there they travel straight to their destinations. There are checks at the borders and there can be long delays. “The officials are supposed to unpack the bags, but generally they just do spot checks and catch people by luck” says Willy.

Greyhound and City Liner are focussed on the transport of passengers rather than luggage, with City Liner being the bus service in this group that caters more for remittances. As Willy says, “we transport passengers, not luggage. If there is too much, we tell passengers we can’t transport it.”

Commenting on his competition Willy says, “Chicken buses – I don’t know how they get there. The drivers must be drivers and mechanics.”

Chicken Buses

Chicken bus being loaded in J R Choeu station in Braamfontein

'Chicken Bus' is the name commonly used to refer to those buses that do not operate out of the main Park Station bus terminal. Located in various parts of Braamfontein are numerous lots dedicated to the servicing of these chicken buses, each of which is licensed to operate out of a specific location. Some of these lots provide office and shower facilities, but this is not standard. Some lots are tarred while the smaller ones are generally just dirt or gravel lots. These lots are also a centre of activity, providing informal employment to various service providers such as porters and hawkers, who provide services supporting the chicken buses.

Chicken buses vary in quality and also in roadworthiness, thus the origin of their name. Some are luxury coaches with air-conditioning and internal storage compartments, but the majority have neither and require luggage to be tied to the top of the bus and covered with waterproof sheeting. All buses require passengers to possess valid passports and visas for travel. These buses are also licensed, but seem to be more heavily targeted by the police for overloading or violating their departure and arrival times.

Chikozho bus station in Braamfontein

Chicken buses are heavily relied upon to carry passengers’ remittances and items for resale in Zimbabwe, and often also pull large trailers. Their customers are charged by the weight of their belongings, which is roughly estimated by bus staff, who lift the items or visually assess them, and collect the money from customers. Chicken buses also allow passengers to send money. Together, the passenger and driver count the money, which is put into an envelope with the name and contact details of the recipient. The recipient is contacted with details of the driver and the expected arrival time of the bus. Recipients are then expected to meet the bus at the specified time and destination. Details on the costs of these services are explained in Section 4.2.2 entitled Service Costs. Due to increased competition, most chicken buses have begun offering ‘door-to-door’ service, meaning that they make stops at various destinations en-route rather than just making a single final stop. They do not, however, make actual door-to-door deliveries. Bus fares from Johannesburg to Harare and Bulawayo are approximately R200 to Bulawayo and R250 to Harare (equivalent to US$21 and US$26, respectively), but can vary by bus company.

One Braamfontein based chicken bus station manager noted the difference in the nature of bus traffic to Zimbabwe through his lot. Harare bound buses comprise 60% - 70% of his traffic and mostly transport traders from Harare who come to Johannesburg to buy goods for resale at home. In contrast, Bulawayo and Matabeleland bound buses comprise 30% - 40% of his traffic and mostly transport people living in or visiting South Africa. It is these buses that carry larger quantities of groceries and remittances in general. This pattern seemed to be apparent across both formal and chicken buses.

Box 4: Chicken Bus Case Study

Oscar, a Zimbabwean, is a driver for one of the bus companies operating from J R Choeu bus station in Braamfontein. The bus station is a large tar covered lot where numerous buses are parked. His bus company has one coach bus, which they drive along the route between Johannesburg and Bulawayo. They travel to Bulawayo on Tuesday, Thursday and Saturday and to Johannesburg on Wednesday, Friday and Sunday. The bus delivers ‘door-to-door’ at no extra charge, meaning that they make a number of local stops but do not go to customers’ homes.

The bus leaves South Africa at 3pm and arrives in Bulawayo at approximately 5am the next day. They spend about two hours at each border (4 hours in total each way). Bus fare is R200 (equivalent to US$21) for a one-way trip and according to Oscar, “Everyone in J R Choeu charges the same.”

Oscar faces certain challenges in providing his service. First, it is difficult to adhere to departure times as passengers can come late, which can mean penalties for bus drivers if they violate their permitted departure and arrival times. There are also a lot of traffic cops along the route. They stop buses more in South Africa than in Zimbabwe. In South Africa they ask for bribes of approximately R200. In Zimbabwe, they will generally accept food. Visa requirements for Zimbabweans to enter South Africa are also a problem. As Oscar says, “These are the only visas required in southern Africa and only for Zimbabweans. Why? To get a visa, you must prove that you have R2,100 (equivalent to US$217) available.”

According to Oscar, “Passengers bring anything with them on the bus – building materials, food, etc. It used to be mostly food but now is much less. Now they travel with their own bags mostly and fewer bring things with them.” Before the new government, he says, it was busy for carriers. “Before, almost everyone carried things, about 90%. Now, only about 50% of people take goods for their families.” Before they carried 30 passengers in a bus and made R15,000 (equivalent to US$1,546) on the trailer. Now they travel half empty and make R5,000 (equivalent to US$516) on the trailer.

Cross Border Taxis

Cross border taxi rank at Park Station, Johannesburg

Cross border taxis are minibus taxis (or kombis) that service the routes between Johannesburg and Zimbabwe, primarily Bulawayo and Harare and the surrounding areas. They are members of a number of taxi associations, which are licensed to service these routes. The taxis utilise taxi ranks near Park Station and Alexandra, which are shared by taxis covering other domestic and international routes. Taxi owners, who own about 4 taxis each, also employ their own drivers and management. A queue marshal manages the taxis for each association, with each taxi waiting its turn in the queue to drive. Each driver gets paid approximately R500 (equivalent to US$52) for each trip that he makes and requires a minimum of 10 passengers to break even.

The cross border taxis seem to have entered the remittance business relatively late and picked up the business left by a shortage of capacity in other modes of transport. This makes them more vulnerable to changes in customer demand on the routes. These taxis have seen a migration of customers to higher quality buses, which are more comfortable and more stable, making them better suited to hauling trailers.

The cross border taxis also appear to be relatively expensive, as they accommodate a relatively small number of passengers, either 15 or 22 people. The price of a trip to Bulawayo was quoted at R300 (equivalent to US$31) at Park Station. They also have limited customer loyalty as few customers have direct personal relationships with the drivers; the customers just know the taxi ranks. Nevertheless, they offer a service that competes for the business of passengers and their remittances.

Box 5: Cross Border Taxi Case Study

Mandla is a cross border taxi driver from Zimbabwe, who is based at the taxi rank behind Park Station. He only travels between Johannesburg and Bulawayo and then to Plumtree. He does not drive the route to Harare.

"Business is very slow," says Mandla. "There are just passengers, almost no groceries. Before the new government, there were a lot of Shangaani bags with groceries. Now people only send money, usually R200-R300 (equivalent to US$21-US$31) but sometimes up to R2,000 (equivalent to US$206)." He explains that companies are now sending food in bulk to Zimbabwe and shops are now stocking groceries. He used to travel three times each month, but now only travels once per month and will need to find other work as a result. Most of the senior drivers have already left and are now driving trucks. Mandla arrived in Johannesburg from his last trip on 28 February – 25 days before the interview – and is still waiting for business. There are 80 vehicles in his taxi association so he has to wait for his turn in the queue to drive. He needs a minimum of 10 passengers just to cover the cost of petrol. To be more competitive, the taxis are now delivering door-to-door.

For the transport of money and parcels, Mandla charges a commission. Money is charged at a rate of R25 / R100 sent. Parcels that are sent without a passenger are negotiable in price, ranging from R200 (equivalent to US$21) for a small bag to R500 (equivalent to US$52) for a large one. As Mandla says, "I lift them to estimate the weight." He is more negotiable for parcels that are sent with a passenger.

On the route to Bulawayo, Mandla says, "Police are giving the drivers trouble". He explains that there are between 5 and 6 roadblocks in Zimbabwe on the road to Bulawayo. Police will look for different reasons to assess a spot fine, such as a vehicle defect, driving without a permit and overloading a trailer with goods. There are also a lot of road blocks in South Africa. He negotiates the fines and pays bribes instead. "Before the new government, I could give the police food, but now they want money because they have food."

oMalayishas

oMalayisha departing from Hillbrow on a Friday night with a full trailer and passengers

The word oMalayisha means someone who loads and transports items in bulk. The term originates from the mining activities of the 1970s when unprocessed ore was loaded onto trolleys[22]. In the context of remittances, oMalayishas are unlicensed individuals who use bakkies and trailers to transport money and goods to recipient families in Zimbabwe. Sometimes, they also transport people either into or out of Zimbabwe, often those without proper documentation. While some oMalayishas may only make one delivery each month, many view this as their profession and make weekly deliveries. They provide a true door-to-door delivery service, picking up goods from the homes of remitters and delivering them to the door of the recipient. Upon delivery, they take proof that delivery was completed to the remitter, often in the form of a letter from the recipient. As informal transporters, oMalayishas do not have dedicated loading areas, but load in the streets of neighbourhoods including Hillbrow, Berea and Yeoville. They typically depart on Friday, Saturday or Sunday evenings for Zimbabwe and can be seen making pickups and loading their vehicles at the end of each week, particularly at month end.

[22] The definition of oMalayisha was provided by Phefumula Nyoni, a Masters Student in Anthropology at the University of the Witwatersrand, who is doing his thesis on how informal remittance carriers to Zimbabwe build relationships of trust with their customers

oMalayishas typically build up a network of clients who have utilised their service for many years. The relationships that oMalayishas have with their clients are based on trust, with the oMalayishas generally originating from the same communities as the remitters and their families. Consequently, although there is a degree of risk in utilising their services, people seem to be willing to accept it. oMalayishas are generally better able to resolve issues with their clients than bus or taxi drivers and are often more motivated to do so for fear of losing business. Even if goods are lost or money is spent, clients often prefer to use the same oMalayisha again rather than find a new one.

oMalayishas have been in this business longer than buses and taxis. These competitors seemed to begin in 2006 and 2007 when the demand for transporting remittances increased, exceeding the ability of the oMalayishas to meet it. Nevertheless, there has been a somewhat natural division of clientele between the oMalayishas and the buses and taxis. While buses and taxis have serviced the more recent business in urban areas, oMalayishas have typically built on longer standing relationships, generally focusing on Bulawayo and the surrounding rural areas in particular. One oMalayisha in Hillbrow estimated that 75% of transport from this area went to Bulawayo and the surrounding region, with 15% going to Harare and the remaining 10% to other areas of the country. He noted that customers from Bulawayo and surrounding rural areas have less money and generally send groceries and smaller items, while customers from Harare generally have more money and mostly send items for trading.

Box 6: oMalayisha Case Study

Prince is an oMalayisha based in Yeoville. He comes from a township called Magwegwe in Bulawayo. He was working as an oMalayisha for a year but had to stop in January because his car was having engine trouble and he has not been able to fix it yet. Prince would either work on his own or travel with an assistant who brought his own clients.

Last year when he worked as an oMalayisha, Prince mostly transported groceries, and sometimes also money and furniture. He delivered them to Bulawayo, Magwegwe (township) and Tsholotsho (rural area). Groceries would include items such as mealie meal, rice, flour, fish oil, potatoes and cabbages. Sometimes customers would hide the money they sent in their groceries. For the transport of groceries, Prince charged by weight. He proudly proclaimed, "I am the scale" explaining that he would lift the items to estimate their weight, charging about R250 (equivalent to US$26) for 50kg. For cash he charged R20 / R100 sent.

Prince explained that while travelling, he had to pay a lot of bribes, particularly at the border to reduce his waiting time. "I would either pay a bribe of R100 – R200 (equivalent to US$10 – US$21) for the full load or have to unload and reload everything for inspection. The border can take anywhere between two and four hours to cross. Prince also said that he is supposed to have a permit to transport goods. "I don't have one so I don't know how much it costs. Most people don't have one."

Most of Prince's customers know him personally. When accepting goods for delivery, he takes the addresses from the customers in Johannesburg of where to deliver in Zimbabwe. He makes deliveries directly to people's homes. The senders let their families know by phone so usually the receivers are waiting for him.

When he was working, Prince used to travel once a month at month end. He left on Saturday at 6pm, arrived on Sunday at 10am and delivered on Sunday. He would then stay with his family for 2 or 3 days before returning to Johannesburg. On the return trip to Johannesburg, he would normally bring 4 or 5 people with him and charge R200 – R300 (equivalent to US$21 – US$31) per person. “There is a place where people who want to go to Johannesburg wait for transport – the BP in Bulawayo called ‘Mack’s garage.’” He would also sometimes pick up people at the border, but would only transport people with passports.

For the last year, Price described his earnings from his business as being quite profitable. “I would earn R1,000 – R2,000 (equivalent to US$103 - US$206) on the way there and try to cover my petrol costs on the way back by giving people a ride.” He would usually transport goods for 15 – 20 customers on each trip to Zimbabwe.

The main difficulties that Price encountered were to do with his personal safety. “If I have a breakdown, lots of thieves will come. In Beitbridge they have guns.” After the border entering Zimbabwe, there is a 15 – 20km gravel road. Prince says that he must travel slowly here due to the bad road, so if he has a trailer someone must sit on it to guard the groceries. Otherwise the criminals can climb onto the trailer, cut the rope holding down the goods and throw them off.

Individuals

It is not uncommon for individuals to assist friends or family by transporting money or goods to Zimbabwe. These could either be people returning to Zimbabwe from a visit to South Africa or people visiting Zimbabwe from South Africa. This category of individuals was not formally investigated as a specific mode of transport but did come up in select interviews as an alternative mode of sending remittances. The line between these individuals and oMalayishas can be difficult to define. For the purposes of this study, it was considered that these individuals are not providing a service that endeavours to make a profit, but are rather offering a favour to friends or relatives, which cannot be relied upon as an established mode of remittance transport due to its irregularity. Friends or family members using the services of such individuals will generally make a contribution to cover travel costs.

4.2.2. Service Costs

In speaking with customers and each of the different types of transport operators, it was possible to develop a picture of the rates charged for sending remittances. In each of the interviews, prices were clearly differentiated between cash and grocery remittances. While cash remittance costs were fairly uniform, the costs of grocery remittances were far more difficult to compare.

Cash

Cash remittance costs were quoted by customers and transport operators in units per R100 sent. This made comparisons quite straight forward. On average, customers pay an additional R20 / R100 sent; however, fees seem to vary depending on the relationship between the customer and the transport operator and also the level of demand for transport to the required destination. These fees only apply in instances where the cash is sent unaccompanied by the customer. A comparison of the rates charged by the different transport operators is shown in Table 3 below.

Table 3: Comparison of Cash Remittance Costs

Mode of Transport	Average Rate	Range	Comments
Formal bus	R20 / R100 sent	None	• None
Chicken bus	R20 / R100 sent	R10 – R30	• Customers who have good relationships with bus drivers can be charged as little as R10 • Customers sending to areas with less frequent traffic may pay a premium
Cross Border Taxi	R20 / R100 sent	R10 –R25	• One customer remitting to Plumtree reported only paying to send cash if he was not sending groceries
oMalayisha	R20 / R100 sent	R10 –R20	• One customer remitting to Plumtree reported only paying to send cash if he was not sending groceries

Source: Transport operator and customer interviews

Groceries

Fees for the transport of groceries were quoted by transport operators either in terms of the weight or the size of the parcel. With the exception of formal buses, transport operators described making estimates either visually or by lifting the parcels. Customers generally spoke of cost in terms of the value of the contents of the parcel.

The transport fees for sending groceries were generally the same regardless of whether or not the passenger was also travelling. However, some transporters indicated that they might be more negotiable for accompanied goods as a means of competing for customers. They also mentioned some flexibility in fees depending on their relationship with the customer. The exception to this practice is in the case of formal buses whose policy is only to transport the luggage of travelling customers, although bus drivers seem to have the authority to negotiate their own unofficial arrangements for unaccompanied luggage[23]. A comparison of the rates charged by the different transport operators is shown in Table 4 below.

Actual costs varied significantly between different individuals and transport operators, so it is very difficult to discern a clear pattern. For rates estimated by customers in terms of the value of groceries sent, fees ranged from 20% to over 60% of the value of the parcels. This large variation may be explained by the fact that fees are generally charged according to weight – therefore low-value but heavy goods tend to attract disproportionately high rates.

Table 4: Comparison of Grocery Remittance Costs

Mode of Transport	Quoted Rates[24]	Comments
Formal bus	First 30kg is free; R4 for each additional kg	• Bags are weighed on a scale to determine their weight and fees are charged accordingly • Officially, unaccompanied luggage cannot be sent, but drivers can negotiate rates directly with passengers at rates similar to chicken buses
Chicken bus	R50 - R150 per bag sent	• Depends on the weight of the package as estimated by the driver
	R40 - R50 per 20kg	• Depends on how well the customer knows the driver
	R400 for transport	• To send R600 of groceries – i.e. 67% of the value of the goods
	R100 - R120 transport fee	• To send R400 – R500 of groceries – i.e. about 25% of the value of the goods
Cross Border Taxi	R200 - R500 per bag depending on the size	• Depends on the weight as estimated by the driver; prices are negotiable
oMalayisha	R250 for 50kg	• Almost non-negotiable
	R350 for a medium bag; R500 for a large bag	• For groceries costing R1,000 - R1,500 • Prices are negotiable

Source: Transport operator and customer interviews

In comparing the services and fees charged by the different transport operators, it was clear that rather than one service being more competitive than the others, each one occupies a niche in the market that services the needs of specific customers and their recipients. The exception to this seemed to be the cross border taxis, which are losing market share due to the lower quality of service they provide relative to buses and their inability to form personal relationships with their customers, unlike buses and oMalayishas. While buses seem to be somewhat cheaper than

[23] While both Greyhound/City Liner and Pioneer stated that is was their official policy not to accept unaccompanied luggage, Pioneer indicated that customers would be able to negotiate their own arrangements with drivers. This may also be the case for Greyhound/City Liner.

[24] Rates quoted by different interviewees

oMalayishas, they do not offer true door-to-door service and therefore are best suited to urban areas. oMalayishas on the other hand are more expensive due to their complete door-to-door service offering. Despite the fact that they are unlicensed, they are best able to serve customers in rural areas, particularly in Matabeleland. Trust appears to be an issue of individual experience, but most customers seem reasonably satisfied with the relationships they have with their transport operators of choice, despite being let down on occasion.

4.3. Supporting Service Providers

Capitalising on the flow of passengers and remittances from Johannesburg to Zimbabwe, a network of service providers have developed in conjunction with the various providers of transport.

Porters

Porters waiting for business in Braamfontein

Porters provide transport by trolley to customers who need to move their possessions to bus stations or between them. In the streets of Braamfontein around the chicken bus stations and inside Park Station, these porters are readily available. They charge between R10 and R20 (equivalent to US$1 - US$2) for their services, depending on the distance travelled and the volume of goods being transported. There is a hierarchy among these porters, with those in Park Station enjoying the benefits of a clean and orderly environment and the ones in Braamfontein competing on the streets for business and being exposed to police harassment. Porters in Braamfontein are prohibited from going inside Park Station or from transporting the belongings of customers leaving Park Station. Police have also been known to confiscate trolleys to elicit bribes. Trolleys are expensive for porters to replace, costing between R60 and R100 (equivalent to US$6 - US$10).

Porters are paid directly by the clients they serve. On a bad day, they might serve up to three customers or even none, while on a good day they could serve between seven to ten customers. Some porters in Braamfontein report having several regular clients, some of whom call them to alert the porters of their travel plans. Many of their customers are traders, bringing curios from Zimbabwe to Cape Town via Johannesburg and items such as clothes back to Zimbabwe.

Touts

Touts are used by the bus companies to lure customers to their buses over those of their competitors. They are not bound to a single bus company, but can change day-to-day whose services they market to customers. They are based near the chicken buses in Braamfontein and earn a commission from the bus companies for the customers they attract. One tout stated that he earns about R200 (equivalent to US$21) for bringing 10 – 15 customers to a bus company.

Hawkers

A number of hawkers operate in Braamfontein around the chicken bus stations and taxi ranks, selling wares that are specifically focussed on the remittance market. They sell markers (for labelling), packing tape and various sizes of Shangaani bags used by travellers and remitters to package their goods. One hawker in Braamfontein, who purchases his stock in Wanderers Street in Johannesburg, marks up his products by 100% for resale. On a good day, particularly at month end, he might have up to 20 customers, sales of R250 to R300 (equivalent to US$26 – US$31) and earn a profit of R150 (equivalent to US$16). When business is slow, he may only serve between 2 and 5 customers, have sales of R100 (equivalent to US$10) and earn a profit of R50 (equivalent to US$5). There is a lot of competition in the area as there are no limits on who can work in the area.

4.4. Other Organisations

In addition to the remittances sent by individuals, various organisations also coordinate or facilitate the sending of remittances.

Community Organisations

In Johannesburg, there are various community organisations that assist in coordinating the sending of remittances. These organisations are only mentioned briefly here as they occupy a grey area between individual remittances and aid. The community organisations engaging in remittance-related work primarily seem to be comprised of residents associations and churches:

- ***Residents Associations*** act as coordinating bodies which look after the needs of Zimbabwean migrants, assisting them in areas such as finding accommodation and employment, negotiating the release of deportees at detention camps and negotiating political asylum. They also assist in coordinating the sending of food and money through oMalayishas.

- ***Churches*** provide similar assistance to Zimbabwean migrants. They tend to send food parcels on an individual basis, rather than through coordinated efforts between churches, as this makes it easier to avoid disruption by the Zimbabwe government, which prefers to control the distribution of food aid.

Undertakers

Undertakers are probably the most recent entrant into the remittance market, having begun offering such services about a year ago. In inner-city Johannesburg, there are approximately 10 undertakers with a substantial base of Zimbabwean clients, most of whom subscribe through various burial societies. One undertaker estimated that up to 60 bodies are transported to Zimbabwe each week. Most of their deceased clients are in their mid-30s or younger and pass away due to illnesses such as TB or meningitis. If their families can afford the expense, most of these clients prefer to be buried at home in Zimbabwe. As part of the funeral packages, some undertakers are incorporating groceries to be brought back with the remains of the deceased, in addition to transporting their clothes. The undertaker interviewed in this study offers R600 (equivalent to US$62) in groceries as part of their standard package. They can also transport money to the family of the deceased at no extra charge; however, they do not transport furniture.

Funeral transport generally departs from Johannesburg on Friday evening and begins the return journey on Sunday morning. The undertakers travel in 15 to 22 seater vans, pulling the remains in a trailer. This allows room for friends and family to attend the funeral. Some people use the funerals as a way to visit home and bring food or money to their families. As one undertaker pointed out, ‘It’s a blessing in disguise. There is a sort of rotation system that lets people who haven’t been home to a community go when there is a nearby funeral to attend.’ Many of the travellers will also purchase R300 – R400 (equivalent to US$31 – US$41) worth of groceries en route to take back to their families.

Van belonging to a Braamfontein based undertaker

4.5. Recipients

At the end of the remittance value chain are the recipients in Zimbabwe. They differ widely in their remittance preferences, level of dependence and frequency of receiving remittances. Of the people interviewed in Zimbabwe, most seemed to have relatives outside of the country who sent remittances. Those who did not seemed to be based in the cities as opposed to rural areas. Although the majority of Zimbabweans with family outside of the country had relatives in South Africa, it was not unusual for people, particularly in the cities, to have relatives in more than one country, generally also in the UK.

The frequency with which remittances were received varied quite significantly among recipients and did not seem to follow any specific pattern. Some received remittances regularly on a monthly basis while others received remittances every two to three months. The minority did not receive any assistance, despite having family outside of Zimbabwe.

Preferences expressed for the types of remittances received also varied by the circumstance of the recipient. For those with access to products, particularly in the cities, a preference was expressed for cash remittances. In the rural areas, where goods were less abundant and more expensive, there seemed to be a greater preference for in-kind remittances, particularly groceries, although this is beginning to change.

The level of dependence placed on remittances was also varied. While there seemed to be general agreement that salaries in Zimbabwe were extremely low and difficult to survive on, individual responses regarding the degree of dependence on remittances varied in both urban and rural areas:

- In ***rural areas***, people seemed to view remittances as supplementing their livelihoods. Some had plots of land on which they were growing subsistence and even cash crops; however, it was also pointed out that some people were less self-sufficient.
- In ***urban areas***, a similar disparity was observed. A significant number of people were self-employed, working as traders, often purchasing goods in South Africa and selling them in Zimbabwe. Due to the low salaries, one young woman pointed out that some people who had become used to receiving remittances had decided not to work. The situation overall was nicely summarised by her statement, ‘If there is anything I know it is that Zimbabweans are survivors’. By this she meant that people would adapt their efforts to meet the requirements of their situation.

Box 7: Recipient Case Study 1

Mr. Ndlovu lives with his wife, daughter and grandson in the town of Tsholotsho, a few hours drive from Bulawayo. He has two children who live in Johannesburg, a son and a daughter.

His children are both working but they rarely send anything home. The son has been away since 2004 and last sent a parcel in 2007. The daughter has been away for 4 years and has only sent things on two occasions when she sent groceries and furniture. Mr Ndlovu finds it strange that his children do not send assistance more frequently. He sometimes asks but does not get a response. They have never visited home since going to Johannesburg and he does not know if they will ever return.

Mr. Ndlovu is becoming more confident that things are getting better in Zimbabwe. “Before,” he says, “inflation was very bad. The money changed very quickly,” referring to the recent hyperinflation. “Now,” he says, “I can count on the value of my money.” He comments that the use of the Rand and US Dollar has brought relief. At this point he excused himself and returned with a large stack of old Zimbabwean Dollar notes, which he says he is keeping in case they are ever recalled.

In regard to his financial situation Mr. Ndlovu says, “It is difficult to count on a job. You can’t survive on a salary. It is better to depend on yourself. He is growing a small nursery on his property, where he grows many plants for sale including mango, paw paw, lemons, oranges and jatropha.

Box 8: Recipient Case Study 2

Mr. Moyo lives with his family of five in the town of Tsholotsho on a small plot of land, where he farms a variety of crops mostly for their own consumption. He also has a small shop which he used to run before inflation forced him to close it. On the shelves, he only has a few bottles of cooking oil left. Mr. Moyo would like to reopen the shop, but he is too busy farming.

Mr Moyo has a younger brother in South Africa and a sister in the UK. His brother went to live in Germiston in 2004, and he is not working. He has told his brother to come home. When he was working, his brother sent food every 3 – 6 months and money about once a year. Mr. Moyo would tell his brother what to send and the brother would send the things with an oMalayisha. His sister used to send a lot, mostly money to buy food. She sent money almost every month last year, supporting his extended family of 17 people and also sent some clothing. Mr. Moyo would go to Bulawayo to get the money and then distribute it to the family heads. Each person would receive about Z$1,500 which bought about 50kg of mealie meal, 4kg of sugar and 750ml of cooking oil at the time, but it had to be used straight away to avoid price increases.

Mr. Moyo says he has been farming for a long time. He grows a wide variety of subsistence crops (maize and sunflowers for cooking oil), but he also grows cash crops for sale in the community (sweet potatoes, pumpkins, green maize, guava and paw paw). He farms using a manual draw plough.

In the past two months he says, “There has not been so much movement from the oMalayishas. One has returned home to stay.” He expects that more will return with time. “Before, life was very hard. It was hard to get the commodities [meaning basic foodstuffs]. Since January, there has been more rain and the government is making things better. I can now afford to buy sugar.” He notes that 2kg of sugar once cost almost R100 (equivalent to US$10) and is now R20 (equivalent to US$2).

However, Mr. Moyo believes that not everyone is as self-sufficient as he is. “Not all the people know how to farm or they can only grow enough food to last a month. They need assistance to learn how to farm.” With his family of 17, Mr. Moyo shares duties, helping each other to farm more efficiently.

Box 9: Recipient Case Study 3

Lindiwe (fictitious name) is a young woman from Bulawayo who is travelling with her 21 month old child and mother to Johannesburg to visit her husband, brother and sisters. She hopes to find work in Johannesburg during her 30 day visit; otherwise she will have to return to Bulawayo.

Her family and husband send groceries and money to her and her mother every few months. Lindiwe receives these parcels by bus and says that she trusts the bus driver to make the deliveries. “I trust the bus driver. If he doesn’t give me the money I can go to the bus company. The oMalayisha is less reliable.” She prefers receiving money because it is cheaper to send than food.

In Bulawayo, she has been buying and selling tomatoes and other fruit and vegetables to make money, but things are getting tighter. “It is hard to make a profit now because the shops are now selling them at cheaper prices.” Unfortunately, Lindiwe says there is not enough work in Zimbabwe. “People are still going to South Africa and very few are returning to Zimbabwe. Salaries are not paid reliably in Zimbabwe.” She says the cities are quiet because so many people are away. Most families have a relative outside of Zimbabwe.

Lindiwe hopes that travel visa requirements for Zimbabweans going to South Africa will be lifted, but is not sure what will happen. She once tried to buy a South African ID illegally. “It was very expensive and I had to pay half upfront (about R1,500, equivalent to US$155).” Unfortunately, she recalls, it did not work and she lost the money, so has decided not to try again.

5. Evolution of the Johannesburg – Zimbabwe Remittance Economy

During the study, it quickly became apparent that the pattern of remittances had undergone recent and significant changes, brought on by initial reforms linked to the installation of the Unity Government. Interview participants often differentiated between these phases using the terms 'before' and 'now'. This discussion is not meant to provide a thorough historical analysis of the Zimbabwean political and economic environment over the past few years, but rather to highlight the factors contributing to the changes in the remittance landscape and their impact as experienced by the interviewees.

5.1. "Before": Drivers of the Growth of Remittances Under the Mugabe Regime

As highlighted earlier in the discussion on causes of Zimbabwean migration to South Africa, historically, there has been a pattern of migration to South Africa amongst Zimbabweans looking for work, both on a temporary and permanent basis. These migrants sometimes remitted a portion of their incomes to supplement that of their families. In recent years this dynamic has intensified. Following is a discussion of the factors leading to this change of circumstances and its impact on the growth of remittances.

5.1.1. Contributing Factors

Several factors have contributed to the increase in Zimbabwean migration to South Africa and the related growth in remittances. The primary causes include political persecution and economic decline.

Political Persecution

Over the past decade, as the Zimbabwean economy has struggled to prosper due to failed policies and persistent agricultural drought, those voicing opposition to government policies have often been the target of political persecution. According to a paper written by USIP[25] (The United States Institute of Peace) on politically motivated torture in Zimbabwe[26], between 1999 and 2002, torture and political violence have been prevalent, particularly against members of the main opposition

[25] The United States Institute of Peace is an independent, nonpartisan, national institution established and funded by the United States Congress. Its goals are to help prevent and resolve violent international conflicts, promote post-conflict stability and development, and increase conflict management capacity, tools, and intellectual capital worldwide

[26] John Brinkley, Special Report: Zimbabwe and the Politics of Torture, United States Institute of Peace, August 2002

party, the MDC. Commercial farm workers, journalists and others have also been victimised. Torture has been used widely by the Mugabe government to control the population and suppress opposition to the government. It is estimated that approximately 20% of the entire population in Zimbabwe have been the victims of torture (Brinkley, 2002).

Decline of Agriculture

Agriculture, which once accounted for approximately 40% of Zimbabwe’s economy[27], has seen a rapid decline caused by two factors. First, consecutive years of drought have impacted on agricultural output. The second and most disruptive has been Mugabe’s controversial Land Reform Programme. Since 2000[28], approximately 4,000 white-owned commercial farms have been seized and redistributed to black Zimbabweans, often those with political connections. The impacts of these seizures were two-fold. First, they resulted in the collapse of the commercial agricultural sector, as most of these farms remained unproductive after their redistribution, with most new beneficiaries lacking farm equipment and expertise. Second, it resulted in the loss of hundreds of thousands of jobs by poor black farm workers, who also lost their homes.

Hyperinflation and Economic Collapse

Since 2000, the Zimbabwean economy has been in a state of accelerating economic decline. According to a report from the United Nations’ Office for the Coordination of Humanitarian Affairs[29], ‘At the close of 2008, only 6% of the population was formally employed, down from 30% in 2003. Out of the country’s 12 million people, only 480,000 have formal jobs, down from 3.6 million in 2003.’ According to this report, the economy has shrunk by more than 45% in the past five years.

The most clearly noticeable indicator of the country’s economic decline has been the soaring rate of inflation, which was last estimated at 231 million percent in July 2008[30]. To counter the hyperinflationary environment, the government took steps such as printing more money, substantially increasing the salaries of civil servants and controversially imposing price controls on merchants[31]. The result of this price interference was that manufacturing slowed markedly, as few businesses could afford to produce at government imposed prices. Raw materials also became scarce as suppliers could not supply to factories at a loss. Consequently, businesses were forced to cut their staff compliments.

According to interview respondents, suppliers began selling their goods on the black market at inflated prices rather than in retail stores whose prices were kept unrealistically low under government price supervision. This caused retailers’ shelves to remain largely empty.

A Harare based political analyst who preferred to remain unidentified for fear of being persecuted said of the Zimbabwean government, ‘the big problem about Zimbabwe is that the one thing you can’t rig is the economy. When it fails, it fails. And that can have unpredictable effects[32].’

[27] Zimbabwe Unemployment Soars to 94%, AFP, January 29, 2009
[28] Ibid, 27
[29] Ibid, 27
[30] Ibid, 27
[31] Mugabe’s decree on Prices Puts Zimbabwe Economy in a Tailspin, The Osterley Times, August 04, 2007
[32] Michael Wines, As Inflation Soars, Zimbabwe Economy Plunges, New York Times, February 7, 2007

5.1.2. Migration and the Growth of Remittances

As a result of these political and economic factors that made it difficult to survive in Zimbabwe, many Zimbabweans have had no choice but to leave the country. It is estimated that up to 3 million Zimbabweans have left home[33], many of them going to South Africa, other countries in the region, or the UK.

Most Zimbabwean migrants have left behind immediate and extended families who are dependent on them for varying degrees of economic assistance. The remittances required by their families have been impacted by the continued hyperinflationary environment and the limited availability of basic foodstuffs.

To overcome these limitations, Zimbabwean migrants in South Africa have been required to send both in-kind and cash remittances. In-kind remittances have mainly consisted of staple grocery items. Cash remittances have been sent in South African Rand. As a regional hard currency, the Rand is able to hold its value, but once converted into Zimbabwean Dollars on the black market, it would need to be spent immediately to avoid depreciation.

During this period of drought and scarcity of basic products, dependence of families on their migrant relatives was very high. Those without relatives abroad struggled to survive, regardless of their previous socioeconomic status. Only those people earning hard currency, such as NGO workers or business people with external interests, have managed to maintain financial independence. As a consequence the remittance business experienced rapid growth with buses, taxis and oMalayishas all transporting large quantities of goods from migrants based in Johannesburg to their families in Zimbabwe on a regular basis.

5.2. "Now": Evolution of Remittances Under the New Unity Government

The interviews conducted consistently indicated that remittance flows from Johannesburg to Zimbabwe seem to have reached a peak during December 2008. Since that time, the remittance landscape has undergone significant changes in a very short period of time. These changes have affected virtually all stakeholders in the remittance economy.

5.2.1. Factors Contributing to Economic Recovery

[33] Zimbabwe Unemployment Soars to 94%, AFP, January 29, 2009

Since early 2009, Zimbabwe has taken some important first steps toward establishing its economic recovery. While enormous challenges are still to be overcome, there are signs that the country is taking its first steps toward recovery from its recent economic implosion.

Unity Government

On 5 February 2009, Zimbabwe’s parliament passed constitutional amendments approving the formation of the unity government and on 10 February 2009, Morgan Tsvangirai was sworn in as Zimbabwe’s prime minister[34]. Despite continuing tensions between the MDC and Zanu-PF, this was the first step in moving the country forward both politically and economically.

Economic Reforms

Shortly before and following the swearing in of the new unity government, several important economic reforms have been instituted in Zimbabwe:

- ***Civil Servant Salaries:*** On 18 February 2009[35], the new Finance Minister Tendai Biti announced that Zimbabwean civil servants would receive US$100 in allowances per month, with funds coming from donor organisations. These allowances would be paid in $100 vouchers for exchange at selected shops and grocery stores or for cashing in at banks. He also promised that with effect from March, payments to civil servants would be made directly into their bank accounts. This decision had the effect of more widely distributing hard currency in the economy and giving civil servants greater and more stable purchasing power.

- ***Hard Currency and the Zimbabwe Dollar:*** In late January 2009, the Reserve Bank of Zimbabwe made a decision to allow all businesses to trade in foreign currencies[36]. Until then only authorised businesses had been allowed to do so for a limited time, while other businesses were increasingly demanding the right to conduct business in hard currency. On 20 April 2009, Elton Mangoma, Zimbabwe’s Economic Planning Minister declared, ‘The Zimbabwe Dollar is dead. It is no longer being printed and not likely to be used for a year at least.[37]’ He said that while the South African Rand was the most favoured currency for trade, the US Dollar, Botswana Pula and British Pound were also allowed. These decisions to allow trade in hard currency and to cease the use of the Zimbabwe Dollar have brought a significant degree of price stability into the economy.

- ***Reversal of Price Controls:*** Based on anecdotal feedback in various interviews conducted, when the government began allowing the acceptance of hard currencies in shops, it discontinued its enforcement of price controls. This seemed to be the result of an informal relaxation of control rather than the adoption of a new policy. It has had a dramatic effect on the stocking of products in shops and the availability of goods in general, as is discussed in greater detail below.

[34] Dumisani Muleya, New Dawn for Zimbabwe as Tsvangirai Takes Office, Business Day, 11 February 2009
[35] Biti Announces US$100 Monthly Allowance for Civil Servants, Zimbabwe Metro, 18 February 2009
[36] David White, Zimbabwe Open for Shopping, Business Day, 13 March 2009
[37] Hopewell Radebe, Zimbabwean Dollar ‘Dead Currency’, Business Day, 21 April 2009

End of the Drought

While farm seizures have not yet abated, agriculture has benefited from the respite from its long drought. Consequently, families in rural areas have been able to increase their self-sufficiency by increasing production on their small plots, and the remaining commercial farms have been able to increase their productivity. This appears to have had a direct positive impact on the output of food producers.

5.2.2. Renewed Availability of Basic Foodstuffs

The recent changes in government policy to allow the acceptance of hard currencies by all businesses have seen the rapid restocking of grocery stores with food and other items. Certain trends have emerged in both the supply of available products and their pricing.

Supply of Products

Stores whose shelves stood virtually empty just a few months ago are now becoming increasingly well stocked; however, none of the large supermarkets surveyed were fully stocked. All had several aisles of empty shelves and aisles with large gaps where the shelves stood partially empty.

Partially empty shelves at the TM Hyper in Bulawayo

With regard to the availability of specific products, a few trends were apparent. The most well stocked products were basic foodstuffs such as mealie meal, cooking oil, sugar, rice and flour. Certain items such as fresh fruits and vegetables, dairy products, meat and cosmetics were far less abundant. One store manager pointed out that items such as deodorant were luxuries that people could not afford to purchase and thus were not being stocked.

A few differences were noticed in comparing product availability in urban versus rural areas. Urban grocery stores were far larger, as expected, and all of them carried a full range of basic food items. In Tsholotsho, a rural area outside of Bulawayo, there was no mealie meal, sugar or flour available on the day that investigations were conducted there. During an interview with the owner of a small grocery store and shebeen, the interviewee mentioned that nearly ten people had asked her for sugar in the past half hour while the interview was being conducted.

Grocery store in the town of Tsholotsho

Another interesting input was the pattern of the origin of available products. In urban areas, most of the basic food items were made by local suppliers, while many non-essential items were South African branded products. The only exception to this pattern was at the Shoprite store, where most of the products stocked were in-store brands, sourced directly from South Africa. The manager of a Zimbabwean grocery store in Bulawayo explained that products were transported to a central point in Harare and then distributed country-wide, adding significantly to the shipping costs of products coming from South Africa. In Tsholotsho, which is near to the border of Botswana, most of the products stocked were South African brands, many of which had been transported from Botswana.

On the subject of product suppliers, indications were given that local production of grocery items was still far below full capacity, probably in the region of 30% - 40%. Store managers also complained that their suppliers were demanding payment upfront or in the exceptional case, within seven days of delivery. These inflexible payments terms were explained by suppliers' need for cash to pay worker salaries.

Product Pricing

The issue of product pricing was of particular interest given the recent history of hyperinflation and the recent demise of the Zimbabwe Dollar. A comparison of prices on a broad range of grocery items was conducted in Bulawayo, Johannesburg, Harare and Tsholotsho. To enable comparison across currencies, an exchange rate of R10.00 / US$1.00 was assumed, the same as the stores in Zimbabwe were using, despite the Rand trading at closer to R9.00 / US$1.00 at the time of the exercise. While prices were compared across numerous items, specific analysis was conducted on a smaller basket of products including basic food items such as cooking oil, mealie meal, rice, salt and sugar, as well as one luxury item, mayonnaise. Detailed price comparisons for these products are presented in Appendix A.

For almost all food types, prices were generally lower in Johannesburg than in Zimbabwe. Within Zimbabwe, prices were generally lower in Harare than in Bulawayo, and the rural area of Tsholotsho was the most expensive, due to the low economies of scale across which to spread additional transportation costs. However, specific cases depended on the particular brand being compared. An interesting exception to this pattern was in the case of salt, which was more expensive in Johannesburg than in Harare and Bulawayo, but Tsholotsho remained the most expensive. In the case of luxury products like mayonnaise, price differentials were most striking. Prices in Johannesburg at R19.99 for a 750g bottle were half that of the price in Harare, where the same brand sold for R40.00. In Tsholotsho, a 270g bottle sold for R30.00.

Grocery stores were all willing to accept a variety of currencies, including the South African Rand, US Dollar, British Pound and the Botswana Pula, and would generally give change in the currency of payment. There were, however, noticeable differences in the currencies of price displays. In Harare, all items were priced in US Dollars. In Bulawayo, local grocery stores priced all products in both US Dollars and South African Rand, utilising an exchange rate of R10.00 / US$1.00. The exception was Shoprite, which displayed prices in South African Rand only. In grocery stores in Tsholotsho, all prices were displayed in South African Rand.

In urban areas, particularly Harare, there has been an emergence of competition in the form of independent supermarkets. This has caused an element of price competition between the various stores.

On the whole, despite the renewed availability of groceries, albeit to varying degrees across the country, prices are still more expensive in Zimbabwe than in South Africa. Fortunately, prices seem to have fallen dramatically on a purchasing power basis, based on interview input, as compared to several months ago when items were still priced in Zimbabwe Dollars. These factors of renewed availability and falling prices have had a direct impact on remittance practices and preferences.

5.2.3. Impact on Remittances

Individuals interviewed representing all significant stakeholder groups in the remittance economy have expressed their observations of significant shifts in the pattern of remittances over the two to three months prior to the conducting of this study. These changes in remittance behaviour are the result of recent political and economic reforms, the renewed availability of basic foodstuffs, and the consequent return of price stability and more competitive pricing.

Trends Among Customers and Recipients

Overall, both customers and the recipients of their remittances have rapidly begun to change their behaviour with regard to their remittance sending and receiving practices and preferences. In urban areas in particular, there is an awareness that groceries are now available in supermarkets and smaller grocery stores, that they are priced in US Dollars or South African Rand and that the price differential between South Africa and Zimbabwe has narrowed significantly, an indication of the close communication between these groups. They now generally prefer to purchase these items in Zimbabwe rather than sending them from South Africa. This is due to the excessive cost of transportation, which when added to their cost in South Africa generally makes them more expensive than if they had been purchased in Zimbabwe. Most customers therefore believe that it is now better to remit the same Rand value to their families, but to send it in cash rather than as a mix of cash and groceries.

In rural areas, this picture is similar but not as clear. Different rural areas appear to have varying availability of groceries. While in Tsholotsho there seem to be nearly enough products available, for customers from other areas such as Plumtree and the rural areas near Mutare, it still seems preferable to send groceries through the same channels as previously used, based on interview feedback.

Despite the renewed availability of groceries in the stores, what has not significantly changed is their affordability to the average Zimbabwean on their meagre incomes. As an indication of salary levels, civil servants earn $100 each month, and the store manager in a large supermarket explained that till operators earn $65 per month while supervisors earn $100 per month. In Tsholotsho, a government employee working for the Minister of Water had not been paid for the past three or four months, but was expecting to receive a salary in the current month. Traders are also suffering as they are unable to compete with the prices offered for their products in supermarkets and now they struggle to make a living. Foreign exchange dealers in the black market, who used to profit handsomely from the volatile Zimbabwe Dollar, are now out of work.

On the whole, there were very few customers in the grocery stores, even at what would normally be considered peak shopping times. Those customers who were in the stores carried few items and many were queuing to buy fresh bread. Therefore the economic recovery and the renewed availability of food in stores appear to be impacting more on the method of remittances used than on the value of remittances sent.

Trends Among Service Providers

Service providers have clearly been affected by recent changes in the availability of groceries. The cross border taxi industry seems to have been particularly hard hit. One taxi driver said that there was such a significant drop in business that many of his more senior colleagues had already left the taxi association for other jobs and that he too was hoping to find alternative work. While in busy periods he could expect to make about three trips to Bulawayo each month, he was now struggling to make one, due to a decline in demand.

Buses, particularly chicken buses to Bulawayo, reported a significant fall in the volume of groceries being transported on the route.

oMalayishas, most of whose business is to Bulawayo and the surrounding rural areas indicated a significant change in recent remittance practices. They reported a sizeable fall in the transport of groceries, with some of that volume being replaced by the transport of furniture, refrigerators and other large possessions. They were of the opinion that many of their clients were sending their personal belonging home in the hope that they might be able to return to Zimbabwe in the not too distant future.

The issue that seemed unclear in speaking with the various service providers was whether the business they were losing in the transport of groceries was being replaced by the transport of cash. One chicken bus driver en route from Bulawayo to Johannesburg indicated that it was too early for him to determine this trend because the increased volume of customers travelling over the Easter period (just before the trip for this study was undertaken) would have been able to bring cash in person to their families. Many children also came to stay with relatives in Johannesburg during the school holidays and were therefore able to carry cash in person. This would distort the picture of the trends in remittances sent via this transport channel. He pointed out that it would take a few months to determine the true impact of the recent changes.

While the changes in remittance patterns as a result of recent political and economic events in Zimbabwe have certainly improved the lives of Zimbabweans, making it easier and cheaper to remit to their families, the status quo in terms of available remittance options is still not optimal. Section 6 of this report investigates the market inefficiencies in both the formal and informal sectors that curtail the availability of potentially more efficient remittance options.

6. Market Inefficiencies and Impediments

In examining the remittance services available to Zimbabwean migrants in South Africa, it is evident that there are significant inefficiencies, particularly with regard to cost. This is true of both formal and informal remittance channels. These inefficiencies can be attributed to three primary factors: high informal sector transaction costs, legislative barriers and a lack of formal sector competition.

6.1. Informal Remittance Transaction Costs

As indicated in the discussion in Section 4.2.2, informal remittance channels are expensive. Customers are generally charged remittance fees of 20% of the value of cash sent, and 20% to over 60% of the value of the goods sent in the informal sector. To a significant degree, these high fees are attributable to the inefficiencies inherent in the informal channels due to a lack of economies of scale; however, one of the most pressing issues raised by various service providers were the additional ‘transaction costs’ imposed on them in the form of bribes and ever increasing fees charged at the border. While some of these costs were being passed on to their customers, service providers voiced strong concern at the impact of these additional costs on their ability to provide their services at a competitive price while earning a reasonable profit.

Bribes

The single biggest issue voiced by service providers of all types was the pervasive practice of being forced to pay bribes in both South Africa and Zimbabwe, but particularly in South Africa. Buses, taxis and oMalayishas are all stopped regularly by the police at checkpoints and weigh stations for overloading, violation of driving times specified on permits, road worthiness of vehicles or any other reason they might come up with. Bribes are also paid at the border to the customs officials in Zimbabwe to speed the inspection of goods being transported into the country. With the payment of a bribe, border officials will often go through the motions of checking the contents of the bus or just do spot checks, rather than requiring the contents of the entire bus to be unpacked, which could take hours.

At the beginning of the bus trip taken from Johannesburg to Harare during this study, each passenger was required to contribute R20, which was collected by one of the bus staff to be used for the payment of bribes en route. This bribe money was used at the border as well as at police checkpoints.

In addition to bribes paid in transit, Zimbabwean service providers also complained of bribes they had to pay to the police while in Johannesburg. Porters pay bribes to avoid the confiscation of their trolleys. oMalayishas pay bribes to enable them to load goods for transport in the streets of Hillbrow. One oMalayisha said it was not uncommon for him to be stopped for just walking down the street if a policeman identified him as a Zimbabwean migrant without legal residence in South Africa.

Box 10: Bribes Case Study

Bongani is an oMalayisha in his mid-20s, who is based in Hillbrow. He makes weekly trips to Bulawayo delivering goods to the families of his clients.

He is concerned that he is losing a lot of money to the traffic cops and police. As he says, "they want money." In South Africa he says traffic cops are at every toll gate and he gets stopped each time. They threaten to assess fines of R500 (equivalent to US$52) for overloading his bakkie. "They stop you if you have a trailer with a fridge or beds". Bongani says there can be up to 15 roadblocks from Johannesburg to Beitbridge and the police ask for bribes of R200 (equivalent to US$21).

"In Zimbabwe, the police usually don't ask for money. You can give them food instead, but some want money – about R50 (equivalent to US$5)". According to Bongani, there are about five roadblocks between Beitbridge and Bulawayo.

Border Fees

In additional to the exacting of bribes, some transporters noted that prices at the border were regularly increasing with new fees frequently being introduced. They viewed these fees as a ploy by the Zimbabwe government to profit from the increasing volume of goods transporters travelling across the border.

Box 11: Border Fees Case Study

Zamazama is a driver for an undertaker based in Braamfontein. He makes weekly trips to Zimbabwe to transport his clients' remains home for their funerals. While the business of funerals is growing along with the size of the Zimbabwean community in Johannesburg, he is becoming increasingly frustrated by the mounting cost of bureaucracy while crossing the border at Beitbridge into Zimbabwe.

"The price is increasing all the time, with new fees being introduced. It currently costs over R800 (equivalent to US$83) in total to get through [the border].

Zamazama described the numerous fees he must now pay when crossing the border into Zimbabwe.

1. R200 (equivalent to US$21) gate pass: R100 (equivalent to US$10) to leave South Africa and R100 to enter Zimbabwe
2. R110 (equivalent to US$11) carbon tax in Zimbabwe
3. R100 road access fee for a road repair fund in Zimbabwe, which he commented was not being utilised
4. R200 (equivalent to US$21) CVG (Commercial Vehicle Guarantee) on cars larger than 2 litres.

This can only be purchased during office hours; otherwise he must pay R1,000 (equivalent to US$103) to an agent.

5. R200 for 3rd party car insurance and R70 (equivalent to US$7) extra for a trailer

Given the high costs and inefficiencies of informal remittance services, it would seem logical for customers to seek out formal sector alternatives. As discussed below, the formal sector presents its own set of challenges to Zimbabwean migrants and their remittance requirements, related to legislative issues and available product offerings.

6.2. Legislative Challenges

In 2005, Genesis Analytics (Pty) Ltd published a detailed analysis of the Southern African remittance market[38], commissioned by CGAP (The Consultative Group to Assist the Poor) and the FinMark Trust, in which it highlighted certain regulatory barriers making it difficult for migrants to utilise services offered in the formal economy. These obstacles have for the most part remained unchanged and are a barrier to the vast majority of Zimbabwean migrants' ability to access formal sector remittance channels. The Genesis report highlighted three areas of legislation which are briefly summarised below: immigration laws, exchange control legislation, and anti-money laundering (AML) and combating the financing of terrorism (CFT) regulation.

6.2.1. Immigration Laws

Under current South African immigration legislation, obtaining citizenship or permanent residence is a lengthy process similar to that in other countries. While temporary permits are available, most are not applicable to unskilled workers and are designed for those who are employed, financially self-sufficient or who come to South Africa for a specific purpose such as to study or for medical treatment. Standard work permits require that the employer prove that a qualified South African is not available to do the job.

The only temporary permit that unskilled migrants can qualify for is a corporate permit, designed to enable farms and mines to hire foreign labour. Therefore, any unskilled migrant entering South Africa to work must do so illegally if he does not do so under a corporate permit.

Consequently, most unskilled migrants are unable to access formal remittance products as they do not have proof of legal residence and therefore cannot comply with either exchange control or anti-money laundering legislation, as explained below.

[38] Supporting Remittances in Southern Africa: Estimating Market Potential and Assessing Regulatory Obstacles, Genesis Analytics (Pty) Ltd, May 2005

Recent events indicate a change in South Africa's stance on Zimbabwean migration. On 1 May 2009[39], the Department of Home Affairs announced that free 90-day visa waivers would be granted to Zimbabwean passport holders entering South Africa, also allowing them to do casual work, to reduce the number of undocumented migrants in the country. The Department of Home Affairs also announced that it would begin granting special residency permits to Zimbabweans already in South Africa illegally, granting them the right to live and work in the country, and access healthcare and education for a period of six months on a renewable basis[40].

However, at the beginning of June 2009 the Department of Home Affairs announced that both the 90-day visa waiver and special residency permits were being reassessed under the new South African government as there had not been sufficient consultation before their announcement. Loren Landau, head of the Forced Migration Studies Programme at the University of the Witwatersrand, suspects that such reconsideration may be due to the current economic downturn, job losses and the expected resistance to immigration that it could foster[41].

6.2.2. Exchange Control Legislation

South Africa has an exchange control system to regulate foreign currency transactions by South African residents and non-residents. The objective of this legislation is to protect South Africa's foreign currency reserves. While these regulations have been progressively relaxed since 1995, this has taken place at a very conservative rate.

Restrictions imposed by these exchange control regulations affect private remittances as follows:

- Only authorised dealers appointed by the South African Reserve Bank can purchase or sell foreign exchange to customers, regardless of the value of the transaction. Currently, only banks may act as authorised dealers.
- Customers may not purchase foreign exchange exceeding a R500,000 (equivalent to US$51,546) annual allowance for travel, gifts, donations and maintenance.[42]
- Customers must state the purpose of their foreign exchange purchases.
- Authorised dealers must report each sale of foreign exchange, regardless of the amount, to the South African Reserve Bank. Information reported must include full details of the domestic party, full details of the non-resident party, the size of the transaction and the purpose of the transaction.

[39] Kgomotso Mathe, SA Eases up on Jobless Zimbabwe Migrants, Business Day, 05 May 2009
[40] Wilson Johwa, Zimbabweans Get Visa-Free SA Entry, Business Day, 03 April 2009
[41] Wilson Johwa, Rethink on Special Visas for Zimbabwean Migrants, Business Day, 09 June 2009
[42] 2008 Budget Review: Chapter 2, Economic Policy and Outlook, National Treasury (Republic of South Africa, p.29

While exchange control regulations allow sufficient scope for remittances in terms of the annual allowance for foreign exchange purchases, they prevent remitters from utilising formal remittance channels for the following two reasons:

- Individuals must provide documentation of their ability to live or work legally in South Africa to conduct foreign exchange transactions; either proof of citizenship, permanent residence or a temporary permit.
- Banks have exclusive control over the formal remittance market, enabling them to maintain high fees. These fees cover the high costs of exchange control reporting systems.

6.2.3. Anti-Money Laundering and Combating the Financing of Terrorism Regulation

As remittances involve the transfer of funds, which could enable money laundering activities, compliance with Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) regulation is required. This applies to both money transfer services (e.g. Western Union or Moneygram), for 'walk-in' customers, as well as bank transfers from a South African bank account to one in another country, whereby AML/CFT requirements would apply when opening a bank account.

As a first step in achieving compliance with international recommendations of the Financial Action Task Force (FATF)[43] on AML and CFT, South Africa enacted the Financial Intelligence Centre Act (FICA) in 2002[44]. The main requirements are as follows:[45]

Customer Due Diligence

- Financial institutions must comply with Customer Due Diligence (CDD) requirements on the customer and the pattern of transactions on his account to determine which migrants can use formal remittance services.
- Before processing a transaction, the bank must obtain the full name, date of birth, identity number and residential address of the person and validate them; foreign nationals must provide passport details.
- For FICA Exemption 17[46] Accounts, customers only need to provide proof of identification, not proof of residence, but these accounts are restricted to fund transfers within the

[43] The international standard-setting body for AML/CFT regulation
[44] FATF requires that additional recommendations are followed to address the financing of terrorism
[45] Supporting Remittances in Southern Africa: Estimating Market Potential and Assessing Regulatory Obstacles, Genesis Analytics (Pty) Ltd, May 2005
[46] FICA exemption 17 was designed to enable the introduction of the Mzansi account, by reducing certain AML requirements for low-value accounts and transactions. It does not require verification of a client's residential address, but requires presentation of a South African identity document. Qualifying accounts and transactions are those enabling clients to make transfers or payments up to R5,000 (equivalent to US$516) per day or

Common Monetary Area (CMA[47]). Transfers and payments from these accounts may not exceed a cumulative value of R25,000 (equivalent to US$2,577) on a monthly basis.

Monitoring Requirements

- Accounts must be monitored for suspicious trading activity.
- Compliance requires significant investment in monitoring systems and ongoing customer relationship management, increasing the cost of providing remittance services.

Intermediaries and Correspondent Banking

- Financial institutions must assess the quality and reputation of partner banks and their compliance with AML and CFT legislation.

South African anti-money laundering regulations have implications related to both affordability and access restrictions for customers wanting to remit funds through formal channels:

- Remitters without South African identity documents or resident / work permits, and who cannot provide proof (e.g. utility bill, bank statement) of their residential address are unable to access formal financial services[48].
- FICA Exemption 17, which enables customers to open accounts with lower CDD requirements, cannot be used for fund transfers outside of the Common Monetary Area (CMA). Therefore, even those customers able to open Mzanzi accounts are unable to remit funds.
- In addition, the profiling, account monitoring, staff training, additional paperwork and other requirements of AML/CFT legislation may increase the costs of serving individual customers. This can disincentivise the serving of low-value and low-revenue transactions or accounts.

In summary, the legislative barriers discussed above all result in the inability of undocumented migrants, Zimbabweans included, to utilise formal remittance channels to send money home to their families. The single common denominator that underpins each one is the challenge that unskilled migrants face in obtaining South Africa residence and thus access to financial services. As noted above, close to 60% of Zimbabwean migrants in South Africa do not have access to South African bank accounts due to their undocumented status.

R25,000 (equivalent to US$2,577) per month. Account balances may not exceed R25,000. Remittances are only allowed to countries within the CMA.

[47] The Common Monetary Area (CMA) countries are those countries who currencies are on par with the South African Rand and include Lesotho, Namibia, South Africa and Swaziland

[48] In Makina (2007), respondent feedback indicated that 59% of Zimbabweans did not have access to bank accounts in South Africa and 57% required assistance in securing refugee status, both indicators that the majority of Zimbabweans are unable to access formal financial services in South Africa

6.3. Formal Sector Product Offering

As highlighted in Section 6.2 on Legislative Barriers, formal sector remittances are legally inaccessible to the majority of migrants due to the requirement of establishing legal residence in South Africa. However, for those Zimbabwean migrants who have established legal residence and can utilise these formal remittance services, the products on offer are still not compelling, primarily due to their high costs.

6.3.1. Banks

Banks offer two types of remittance services to their customers, bank telegraphic transfers and money transfers. While these services are fairly efficient, they are priced out of the reach of the average Zimbabwean migrant. Service fees and the margins on the exchange rates are both very high.

Bank Telegraphic Transfers

Bank Telegraphic Transfers (cross border bank transfers from one account to another) can be offered by any bank that is appointed by the South African Reserve Bank as an authorised dealer. This service takes two to three working days to reach the recipient and can be undertaken in any currency. Service fees charged by the Big 4 South African retail banks are compared in Table 5 below. With minimum fees approaching R200 (equivalent to US$21) at each bank, Zimbabwean migrants would need to remit nearly R1,000 to match the 20% fees being charged by the informal service providers they use to send money; however, very few if any interviewees reported sending as much money as this. Based on the average remittance value of R290 (equivalent to US$30) in Makina (2007), clients would pay fees between 59%-69% of the value of the money they sent.

Table 5: Comparison of Bank Telegraphic Transfer Fees

	ABSA	FNB	Nedbank	Std Bank
Commission Rate	0.4%	0.5%	0.45%	0.425%
Minimum Commission	R114	R100	R95	R105
Maximum Commission	R570	R600	R550	R580
Swift Fee	R57	R100	R100	R80
Minimum Total Charge	R171	R200	R195	R185

Note: All prices are quoted inclusive of VAT

Source: ABSA, FNB, Nedbank and Standard Bank branch staff

The exchange rate margins being charged by the banks were also very high. On 28 April 2009, with a spot rate of R8.85 / US$1.00, Standard Bank for example quoted a 'buy' price of R8.73 and a sell price of R9.07. This translates into a margin of 1.4% to purchase US Dollars and a margin of 2.5% to sell US Dollars.

Money Transfer

In South Africa, the two largest global money transfer services, Moneygram and Western Union, are represented by Standard Bank and ABSA, respectively. Under South African foreign exchange legislation, money transfer operators must partner with a registered bank. These services wire funds within 15 minutes and only operate in US Dollars, so all transfers must be exchanged into US Dollars before being transmitted, after which they can be exchanged into the local currency of the recipient. Fees for the money transfer services are priced in US Dollars and converted into the local currency at regular intervals, so they fluctuate with the US Dollar exchange rate. Prices for the money transfer services are also very expensive for smaller amounts in comparison to the standard fee of 20% charged by informal channels; however, they are not as expensive as bank telegraphic transfer services because they do not impose minimum fees. They also seem to approach a floor of about 10% for larger transactions, although Western Union fees are somewhat cheaper than Moneygram, most likely due to their desire to win market share as the new entrant in the market. Table 6 below illustrates the fees on a range of remittance values as priced on 20 June 2009. On this date, the spot exchange rate was R8.14 / $1.00[49] and the Moneygram and Western Union rates for purchasing US Dollars (and calculating sending fees) were R8.37 / $1.00 and R8.27 / $1.00, respectively.

Table 6: Comparison of Money Transfer Fees

Value Remitted	R250	R500	R1,000	R1,500	R2,000
Moneygram					
Fee Charged	R 114.57	R 114.57	R 143.22	R 143.22	R 190.95
Fee %	46%	23%	14%	10%	10%
Value Received	$29.85	$59.70	$119.40	$179.10	$238.80
Western Union					
Fee Charged	R 66.01	R 94.29	R 113.16	R 132.01	R 150.87
Fee %	26%	19%	11%	9%	8%
Value Received	$30.22	$60.45	$120.90	$181.35	$241.80

Note: All prices are quoted inclusive of VAT

Source: Moneygram and Western Union branch staff

[49] www.oanda.com

6.3.2. Post Office

The Post Office is in a unique position in the formal South African remittance market. It is empowered by law to remit money outside of South Africa and is exempted from exchange control legislation as its services were initiated prior to the passage of these laws. For remittances to CMA countries, no limits are imposed on an individual's ability to remit other than a per transaction limit of R2,000 (equivalent to US$206). For remittances to non-CMA countries, individuals are restricted to sending R2,000 each month.

The Post Office offers two money transfer services which could be applicable to Zimbabwean migrants, yet in practice are either unavailable to Zimbabwe or whose usage is discouraged by staff members:

- ***Money Orders*** are electronic transfers, which require the same proof of residence as bank telegraphic transfers and are not currently available to Zimbabwe.
- ***Postal Orders*** are issued in the form of physical cheques, and are available to Zimbabwe. Postal Orders can be sent up to a maximum value of R2,000 and do not require proof of identity. However, staff advised against using them warning that they would get lost if sent. They suggested that it would be better to send cash using informal channels.

Current prices for Post Office services were not available either from staff or in the newly printed brochures, but staff offered prices from last year, which they estimated had gone up by about R5 per transaction.

- ***Money Orders*** to African countries were charged at R22.50 (equivalent to US$2.30) + 3% commission on the value of the remittance.
- ***Postal Orders*** were priced according to the data in Table 7 below and are considerably cheaper than competing bank telegraphic transfer and money transfer services.

Table 7: Post Office Postal Order Fees

Amount Sent			Commission Rate	
From	**To**	**Commission**	**From**	**To**
R0,01	R49.99	R11.40	NA	23%
R50.00	R99.99	R14.00	28%	14%
R100.00	R149.99	R16.80	17%	11%
R150.00	R249.99	R20.60	14%	8%
R250.00	R499.99	R25.50	10%	5%
R500.00	R999.99	R30.35	6%	3%
R1,000.00	R2,000.00	R34.70	3%	2%

Source: Post Office branch staff

Therefore, the Post Office services are reasonably priced relative to other channels, yet are undermined by a lack of availability or reliability for transfers to Zimbabwe. With a lack of competitive pressure due to their luxury of operating under ‘special status’, the Post Office may be unlikely in the near future to upgrade their services to make them more compelling.

Through the above analysis of the inefficiencies and impediments to both informal and formal sector offerings, it is evident that neither one offers an ideal service for Zimbabwean remitters and their families, due to high costs and other channel specific inefficiencies.

Despite their imperfections, informal channels are clearly the preferred method of sending remittances to Zimbabwe. Their flexible service offerings and geographic reach coupled with their success in building relationships of trust in many communities seem to outweigh their high costs and inherent risks.

Access to formal channels remains out of reach to most Zimbabwean migrants due to strict documentation requirements, which they are unable to meet. While not explicitly part of this study, based on limited observation and anecdotal evidence, the formal sector in Zimbabwe is furthermore unable to compete against the competitive advantages of the informal sector. A lack of trust in the Zimbabwe banking system and limited access to financial services outside of urban areas means that Zimbabwean recipients of remittances often find it easier to utilise informal remittance services, even if given the option to utilise formal channels.

7. Conclusions

Since approximately the year 2000, the increasing fragility of the Zimbabwean economic and political environment has attracted significant media, political and humanitarian attention. One of the consequences of Zimbabwe’s downward spiral has been the influx of Zimbabwean migrants to South Africa, and Johannesburg in particular, and the increasing flow of remittances sent back to Zimbabwe to support the families of these migrants. The growing urgency of this situation has prompted Cenfri, on behalf of the FinMark Trust, to commission this study to better understand the dynamics of this remittance economy and what can be done to alleviate some of the inefficiencies.

7.1. Insights

The project entailed a combination of desk research, conducting informal interviews in Johannesburg with stakeholders in the Johannesburg - Zimbabwe remittance economy and embarking on an overland trip to Zimbabwe to further experience the remittance trade. Several insights have emerged.

Magnitude of Zimbabwean Migration and the Remittance Economy

Recent media estimates of Zimbabwean migrants in South Africa have varied significantly, with figures as high as 3 million people. In 2006 and 2007, studies by Professor Makina of UNISA and the Centre for Development and Enterprise estimated that there were between 800,000 and 1,000,000 Zimbabweans in South Africa and between 195,000 and 215,000 in Johannesburg, respectively. Although both studies are likely to underestimate the size of the migrant Zimbabwean community due to subsequent migration flows, they do provide an indicative estimate of its size. Assuming an average monthly remittance per migrant of R290 (equivalent to US$30) based on Makina (2007), annual remittances range from R2.8 billion to R3.5 billion (equivalent to US$289 million to US$360 million) sent from South Africa to Zimbabwe and R680 million to R750 million (equivalent to US$70 million to US$77 million) sent from Johannesburg to Zimbabwe, but these are likely to be conservative estimates.

With only 2% of these remittances being sent through official banking channels, based on Makina (2007), the Zimbabwe remittance market offers a significant opportunity to the private sector, which has been only partially met by retailers selling groceries and other items to date. With the renewed availability foodstuffs in Zimbabwe, an increasing proportion of remittances to Zimbabwe could now bypass formal sector businesses altogether.

Complexity of the Informal Remittance Economy

The remittance economy has become an enormous informal industry, which now employs and supports the lives of millions of people in both Zimbabwe and South Africa. At its peak toward the end of 2008, it had significantly replaced large segments of the banking, transport and retail industries in Zimbabwe, once one of Africa’s most diversified economies. During the investigation for this study, interviews were conducted with numerous stakeholders across the remittance value chain including customers, transporters, other service providers and recipients, to understand their roles and the issues affecting them. Despite its informality, service providers in the informal economy have effectively managed to segment their customers, addressing their needs with regard to trust (to a large degree), customer service and geographic reach with different transporters specialising in services to different areas and customers of varying circumstances. For example, oMalayishas, owing to their personal relationships in specific communities, have been able to provide door-to-door deliveries for which they charge a premium, mainly focusing on rural areas in Matebeleland. Buses have found their market amongst urban remittance recipients. Despite their relatively high charges, these informal remittance services have managed to fill the gaps left by the formal sector.

Responsiveness of the Informal Remittance Economy

When this study was first conceptualised, the Zimbabwean economy had collapsed to such a degree that in-kind remittances of groceries from Johannesburg and other parts of the world were sustaining large segments of the population. A range of transporters in the informal economy had responded to fill a gap in the market that was virtually unaddressed by the formal sector.

As the study began, it became apparent that in-kind remittances were being replaced in importance by cash remittances. This change came as retailers began to restock their shelves following the relaxation of policies to allowing businesses to trade in foreign currencies and the demise of the Zimbabwe Dollar. This change in remittance behaviour caused a decline in business for many transporters of remittances and related service providers due to falling demand for grocery transport; however, it is not yet clear how the demand for cash remittances will be met.

These rapid shifts in remittance behaviour highlight the responsiveness of the informal remittance economy and its service providers. They have shown how quickly a market economy can adapt to the changes in its environment. Not only did the Johannesburg – Zimbabwe remittance economy grow to meet the needs of its recipients in Zimbabwe, it is now reshaping itself once again in response to recent reforms in Zimbabwe with rapid efficiency.

Absence of Suitable Formal Sector Remittance Services

A comparison between remittance offerings in the informal and formal sectors reveals that there are few if any compelling remittance services on the market, particularly for the low-income segment. While informal remittance services are flexible in their ability to cater to the circumstances of recipients, they are not always reliable and are also very expensive. The formal sector has however been unable to attract customers from the informal sector due to strict legislation that requires proof of legal residence to access formal sector services and the high costs of these services, particularly for low value transactions. As only 2% of Zimbabwean migrants report using banking channels to send remittances, it would appear that there is an absence of suitable formal sector remittance offerings on the market. Based on these statistics and anecdotal evidence, the informal sector seems to be preferred even by those customers who have access to formal financial services. This is due to its more competitive pricing for low value remittances and its greater flexibility and customisation. In addition, the formal financial services sector is disadvantaged by its apparent limited infrastructure outside of urban areas and a lack of trust in financial services institutions in Zimbabwe.

7.2. Addressing the Issues

This study has aimed to increase the body of knowledge available on the Johannesburg - Zimbabwe remittance economy in the anticipation that stakeholders will be in a better position to take constructive steps to address the issues and opportunities that present themselves.

Enabling Financial Inclusion

The growth of the informal remittance economy has been a reflection of the inefficiencies and relative inaccessibility of formal sector remittance channels. Legislation requiring migrants to provide proof of residency has been a significant impediment in enabling access to formal financial services. Zimbabwe’s limited financial services infrastructure, recent hyperinflation and lack of trust in the banking system, have played a contributing role in discouraging customers from using formal banking channels. Together, these factors have had the unintended consequences of shifting significant financial flows into the informal sector, where they can no longer be tracked. While recent steps taken by the Department of Home Affairs to grant temporary residence to Zimbabweans are an encouraging sign of progress, a coordinated effort between South Africa and Zimbabwe, in both the public and private sectors, will ultimately be required to successfully achieve progress on the issue of enabling financial inclusion.

Formal Sector Opportunity

Despite the magnitude of the remittance economy between Johannesburg and Zimbabwe, the formal sector has been largely ineffective in capitalising on the opportunity that it presents. While this is partly due to the unintended consequences of current legislation, regulatory issues do not fully explain this unfilled gap in the market, which is currently being addressed by informal sector service providers. The recent return of price stability and the prospects of future economic reforms make it more compelling for the formal sector to begin addressing the needs of this significant and rapidly evolving market.

Role of the Informal Sector

Despite the scope for increased formal sector participation in the Johannesburg – Zimbabwe remittance economy, the informal sector plays the largest role and should not be overlooked. Even if the formal sector assumes a more significant role in the remittance economy in the future, informal sector service providers are unlikely to disappear, as they are well established and offer certain services that the formal economy may be unable to compete against. The interviews suggest that currently, informal service providers are the target of opportunistic practices by law enforcement officials in both South Africa and Zimbabwe, who seek to personally profit from their position of power over these service providers. This undermines the financial viability of these services, which provide employment and financial support to millions of Zimbabweans, and is an issue that needs to be addressed.

Appendix A: Grocery Item Price Comparison

As discussed in Section 5.2.2, price comparisons were conducted on a basket of goods in Johannesburg, Bulawayo, Harare and Tsholotsho. Below are a series of tables comparing the prices on a selection of these items.

Table 8: Cooking Oil Price Comparison

Brand	Store	City	Supplier	Size	Price
Pick n’ Pay	Pick n' Pay	Johannesburg	South Africa	2 litres	R 23.99
Quick Fry	Afrofood	Harare	Zimbabwe	2 litres	R 24.00
D Lite	Fatboys	Harare	Zimbabwe	2 litres	R 26.00
Quick Fry	Rolen Supermarket	Harare	Zimbabwe	2 litres	R 26.00
Delking	OK	Harare	Zimbabwe	2 litres	R 26.50
Safflo	OK	Harare	Zimbabwe	2 litres	R 26.50
Excella	Pick n' Pay	Johannesburg	South Africa	2 litres	R 31.49
Ritebrand	Shoprite	Bulawayo	South Africa	2 litres	R 35.00
Sunshine	TM Hyper	Bulawayo	Zimbabwe	2 litres	R 35.00
D Lite	Vitshi Bottle Store	Tsholotsho	Zimbabwe	2 litres	R 35.00
D Lite	Qhubeka Store	Tsholotsho	Zimbabwe	2 litres	R 35.00

Source: Grocery stores in Johannesburg and Zimbabwe

Table 9: Mealie Meal Price Comparison

Brand	Store	City	Supplier	Size	Price
Straight Run	TM Hyper	Bulawayo	Zimbabwe	10kg	R 40.00
Red Seal	Afrofood	Harare	Zimbabwe	10kg	R 45.00
Red Seal Perlenta	Fatboys	Harare	Zimbabwe	10kg	R 50.00
Tops	Afrofood	Harare	Zimbabwe	10kg	R 50.00
Fulgens	TM Hyper	Bulawayo	Zimbabwe	10kg	R 50.00
Rollermeal	OK	Harare	Zimbabwe	10kg	R 55.00
Ace	Pick n' Pay	Johannesburg	South Africa	12.5 kg	R 56.69
Iwisa	Pick n' Pay	Johannesburg	South Africa	12.5 kg	R 57.89
Sonny’s	OK	Harare	Zimbabwe	12.5kg	R 58.00
Star	Fatboys	Harare	Zimbabwe	12.5kg	R 70.00

Source: Grocery stores in Johannesburg and Zimbabwe

Table 10: Rice Price Comparison

Brand	Store	City	Supplier	Size	Price
Mama Africa	Fatboys	Harare	Zimbabwe	2kg	R 23.00
Mama Africa	TM Hyper	Bulawayo	Zimbabwe	2kg	R 23.90
Golden Pride	Afrofood	Harare	Zimbabwe	2kg	R 24.00
Zoretz	Rolen Supermarket	Harare	Zimbabwe	2kg	R 25.00
Mama Africa	Afrofood	Harare	Zimbabwe	2kg	R 25.00
Zoretz	TM Hyper	Bulawayo	Zimbabwe	2kg	R 25.00
Probrand	TM Hyper	Bulawayo	Zimbabwe	2kg	R 25.00
Tastic	Pick n' Pay	Johannesburg	South Africa	2 kg	R 25.69
Mahatma	Fatboys	Harare	Zimbabwe	2kg	R 28.00
Mahatma	TM Hyper	Bulawayo	Zimbabwe	2kg	R 30.00
Mr. Cook	OK	Harare	Zimbabwe	2kg	R 35.00
Ritebrand	Shoprite	Bulawayo	South Africa	2kg	R 36.00
Tastic	TM Hyper	Bulawayo	South Africa	2kg	R 37.00
Tastic	Shoprite	Bulawayo	South Africa	2kg	R 42.00

Source: Grocery stores in Johannesburg and Zimbabwe

Table 11: Salt Price Comparison

Brand	Store	City	Supplier	Size	Price
Ritebrand	Shoprite	Bulawayo	South Africa	1kg	R 3.50
Marma	OK	Harare	Zimbabwe	1kg	R 4.50
Rosa	Rolen Supermarket	Harare	Zimbabwe	1kg	R 5.00
Pick n’ Pay	Pick n' Pay	Johannesburg	South Africa	1 kg	R 5.29
Cerebos	Pick n' Pay	Johannesburg	South Africa	1 kg	R 5.59
Red Seal	Vitshi Bottle Store	Tsholotsho	Zimbabwe	1kg	R 8.00
Red Seal	Qhubeka Store	Tsholotsho	Zimbabwe	1kg	R 10.00

Source: Grocery stores in Johannesburg and Zimbabwe

Table 12: Sugar (Brown) Price Comparison

Brand	Store	City	Supplier	Size	Price
Pick n’ Pay	Pick n' Pay	Johannesburg	South Africa	2 kg	R 14.69
Huletts	Rolen Supermarket	Harare	South Africa	2 kg	R 17.50
Shiraz	Afrofood	Harare	Zimbabwe	2 kg	R 17.00
Huletts	OK	Harare	South Africa	2 kg	R 17.50

Source: Grocery stores in Johannesburg and Zimbabwe

Table 13: Mayonnaise Price Comparison

Brand	Store	City	Supplier	Size	Price
Cross & Blackwell	Qhubeka Store	Tsholotsho	South Africa	270 g	R 30.00
Cross & Blackwell	Pick n' Pay	Johannesburg	South Africa	375 g	R 12.99
Cross & Blackwell	Afrofood	Harare	South Africa	375 g	R 23.00
Cross & Blackwell	TM Hyper	Bulawayo	South Africa	375 g	R 25.00
Nola	Pick n' Pay	Johannesburg	South Africa	750 g	R 19.99
Cross & Blackwell	Pick n' Pay	Johannesburg	South Africa	750 g	R 19.99
Nola	TM Hyper	Bulawayo	South Africa	750 g	R 37.00
Nola	Rolen Supermarket	Harare	South Africa	750 g	R 40.00

Source: Grocery stores in Johannesburg and Zimbabwe