



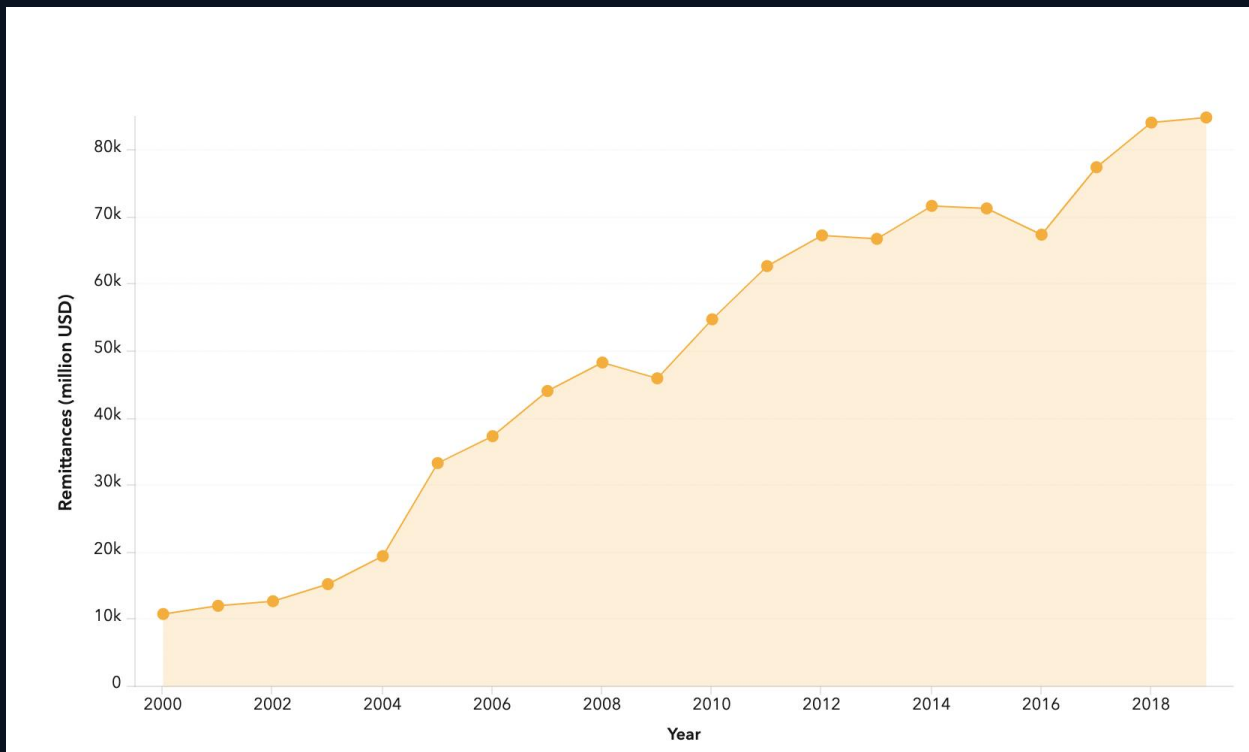
# COVID-19 and remittances in Africa

The crisis threatens the safety net of millions of households

*Many migrant workers send their earnings to family back in their country of origin. Those money transfers are called remittances. They are an important tool for economic growth. They help alleviate poverty by ensuring money flows to households and communities. For many African countries, remittances are a vital financial inflow.*



The spread of Covid-19 and the associated 'stay at home' measures are dramatically reshaping global societies and economies. As a result, a significant decline in remittance flows to Africa is likely.



Trend in remittance flows to Africa - Source: Migration and Remittances Data, World Bank.

For 2020, the World Bank has forecast a drop in the scale of remittance flows to North Africa and to Sub-Saharan Africa of 8% and 9%, respectively. This decline will continue in 2021. A decline of this scale would be unprecedented and could affect the capacity of many African countries to address and exit the crisis.

## **Which countries are most vulnerable to a decline in remittances?**

Falling remittances would remove a major source of income for many African countries. Indeed, their amount has outstripped Foreign Direct Investment in Sub-Saharan Africa since 2015, and in North Africa and the Middle East from 2013 to 2018. But the decline will have different implications for different countries and for specific populations within them.

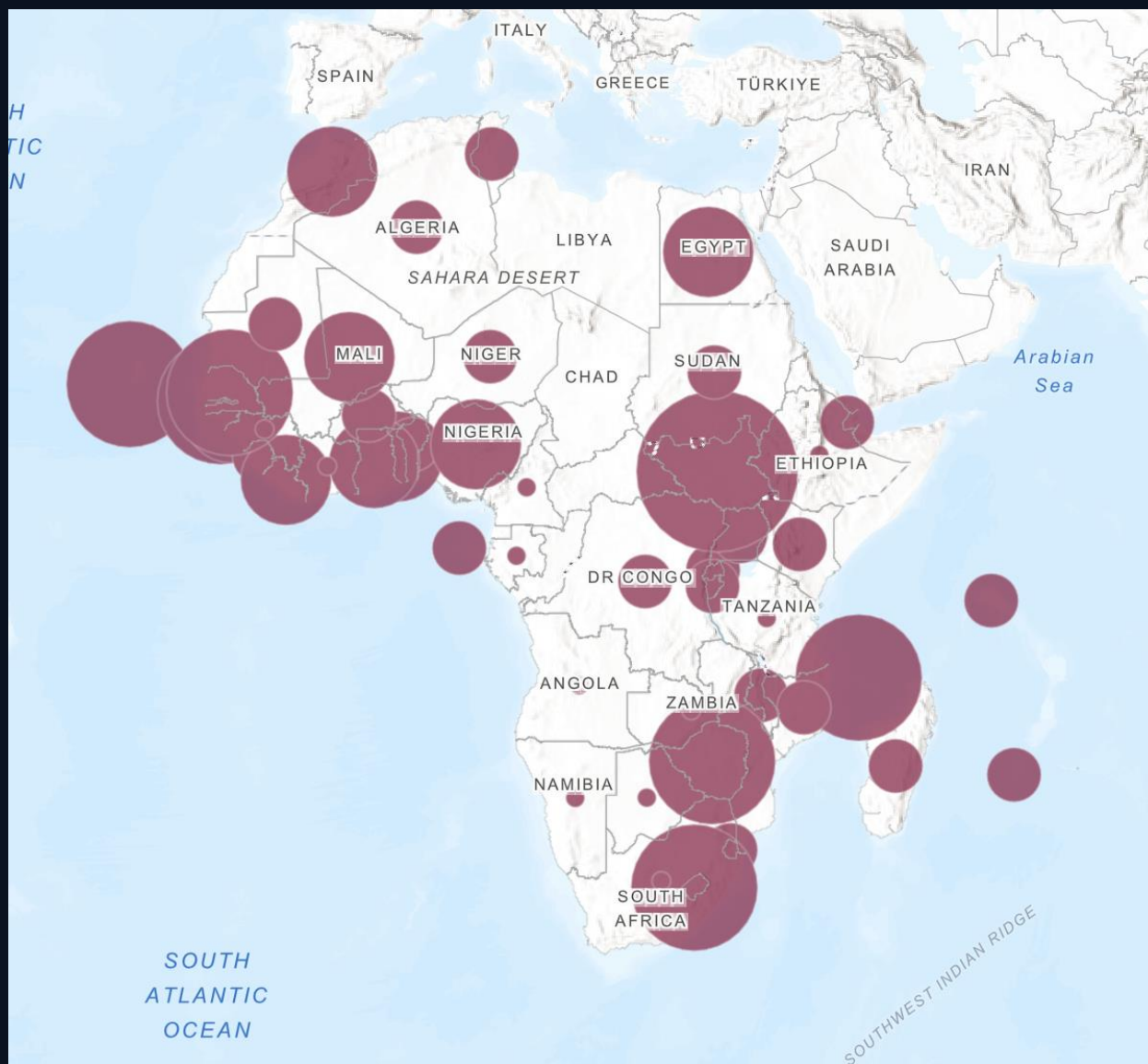
From the early stages of the pandemic, experts from the European Commission's Joint Research Centre (JRC) analysed the relationship between remittance flows and GDP, including data on the individuals and households who receive remittances. In the report on [Covid-19 and remittances in Africa](#) , they showed how the impacts of the decline are likely to vary across African countries.



Source: Migration and Remittances Data, World Bank.

Most likely, the economic impact of the decline will be bigger for countries where remittances represent a higher proportion of the gross domestic product (GDP).

The African countries receiving the largest remittance inflows in 2019 were Egypt (US\$26,791 million), Nigeria (US\$23,800 million), Morocco (US\$6,669 million), Ghana (US\$3,521 million) and Kenya (US\$2,819 million).



Source: Migration and Remittances Data, World Bank.

Remittance inflows are displayed here as a share (%) of the annual GDP of African countries.

In 2019, remittances represented more than 5% of annual GDP for 15 countries, with 7 countries even exceeding 10%: South Sudan (34.4% of annual GDP), Lesotho (21.3%), Gambia (15.5%), Zimbabwe (13.5%), Cabo Verde (11.7%), Comoros (11.5%) and Senegal (10.5%).

By contrast, remittances represented less than 1% of annual GDP in 12 countries (Angola, Gabon, Guinea, South Africa, Botswana, Namibia, Zambia, Ethiopia, Tanzania, Cote d'Ivoire, Cameroon and Algeria).



## Falling remittances hit the most vulnerable hardest

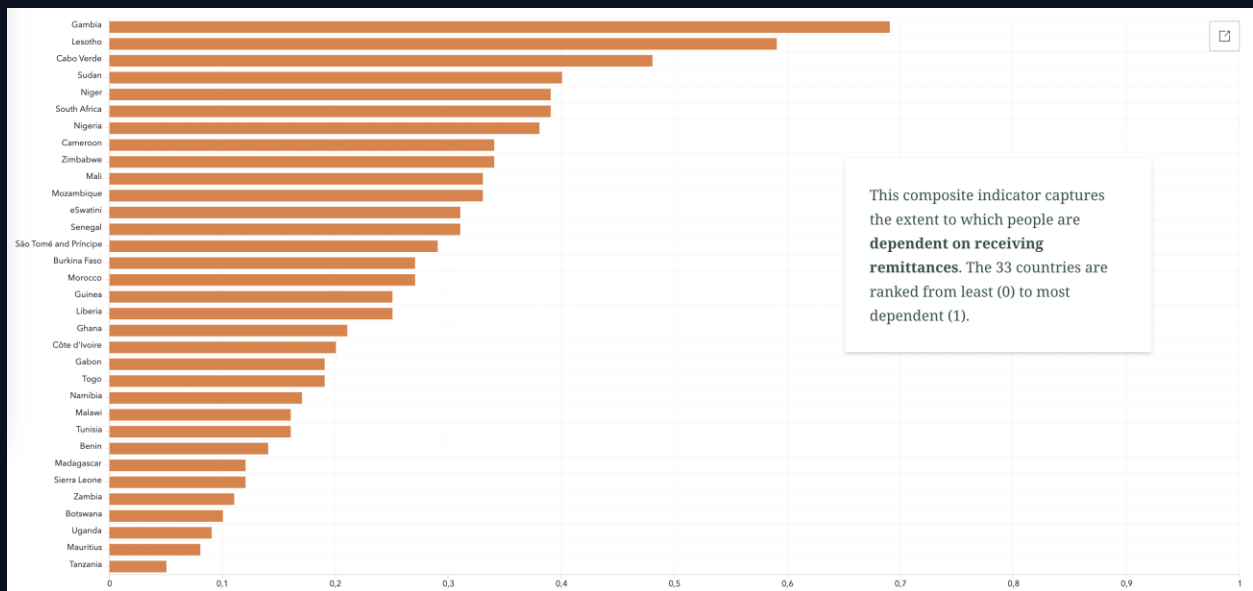
In a broad context of economic decline as governments seek to contain the virus, a loss in remittances would remove the safety net of many households. If remittance inflows decline or are cut-off entirely, the reduction in income would exacerbate existing economic difficulties.

Greater impact is expected for people who are more dependent on remittances to get by. In eleven out of the 33 countries analysed by the JRC, over a quarter of people surveyed say they rely on remittances to some extent.

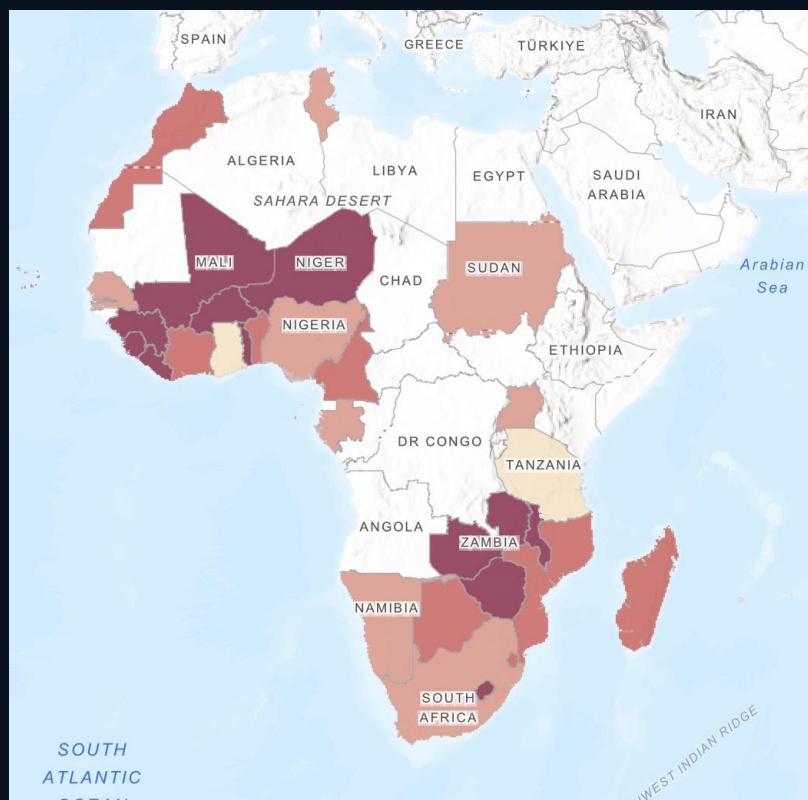


Source: Afrobarometer Data, Round 7 .

On the map above countries in a darker shade of orange have a greater share of individuals who declare being dependent on receiving remittances.



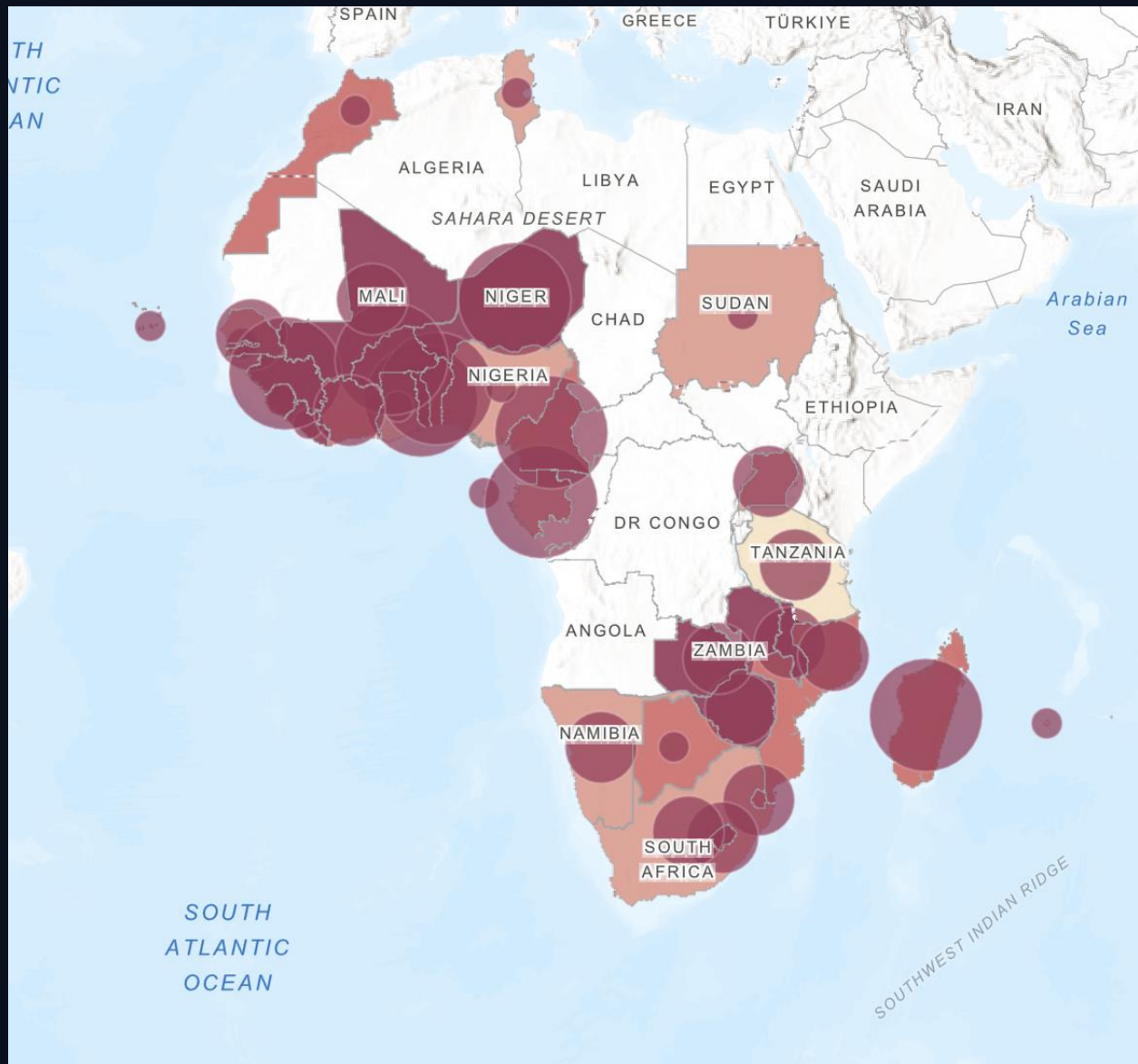
Coping with falling remittances will be especially challenging for those who have no other source of income or already face economic problems.



Source: Afrobarometer Data, Round 7 .

For the 33 countries analysed, a darker shade reflects a higher proportion of remittances-dependent people who do not have a job.

In 30 countries, more than half the people who say they rely on remittances are not employed.

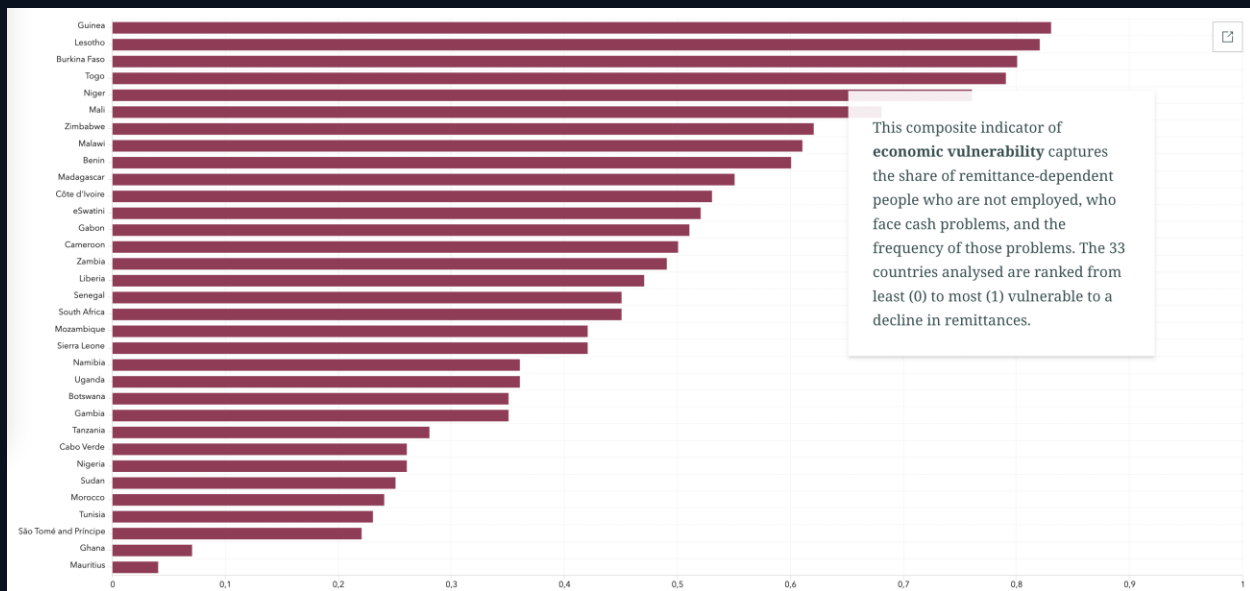


Source: Afrobarometer Data, Round 7 .

And in 29 countries, more than half also say they face cash problems.

The dots represent the proportion of remittances-dependent people who declare having cash problems.

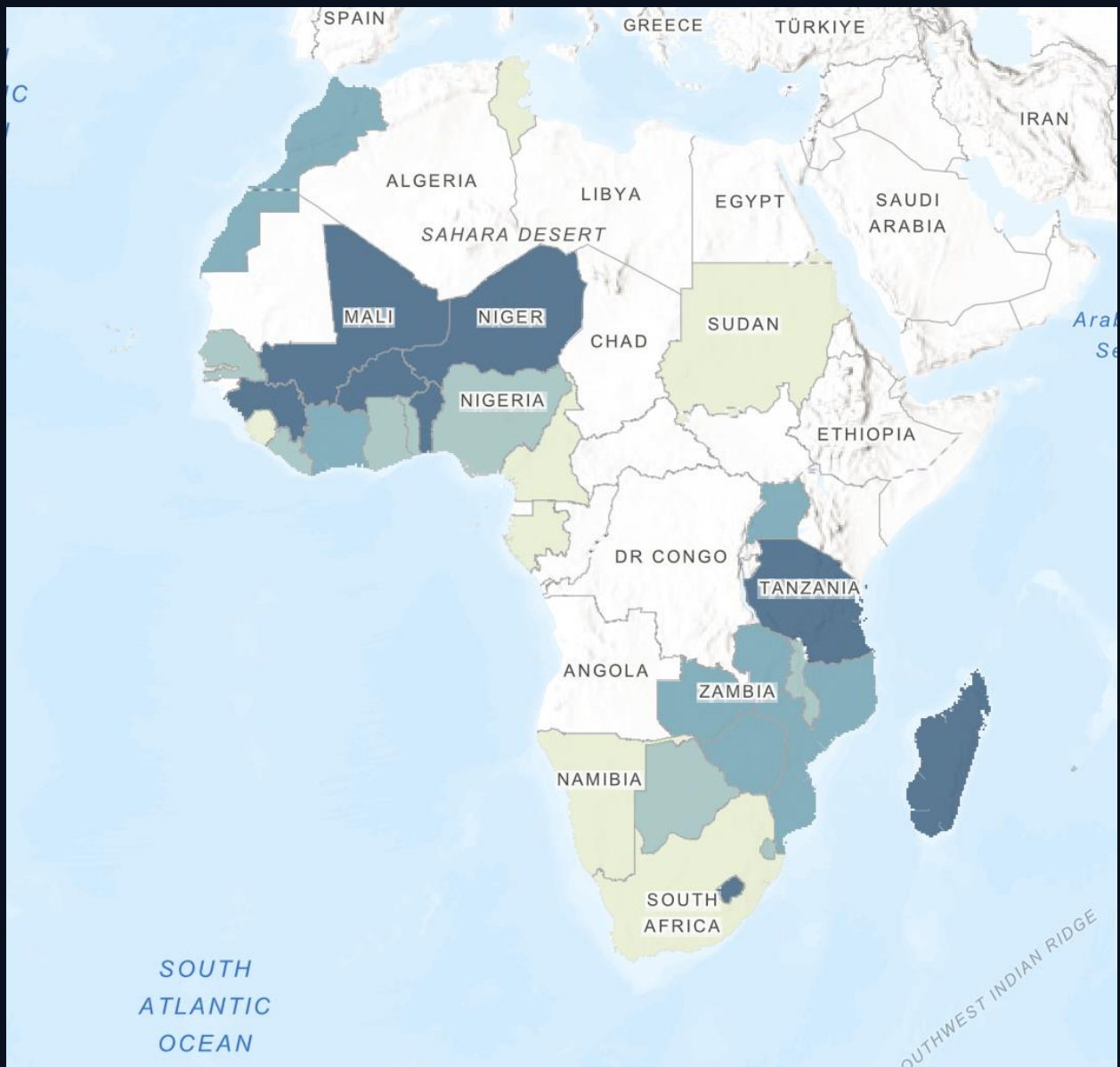




## Can digital transfers be a solution?

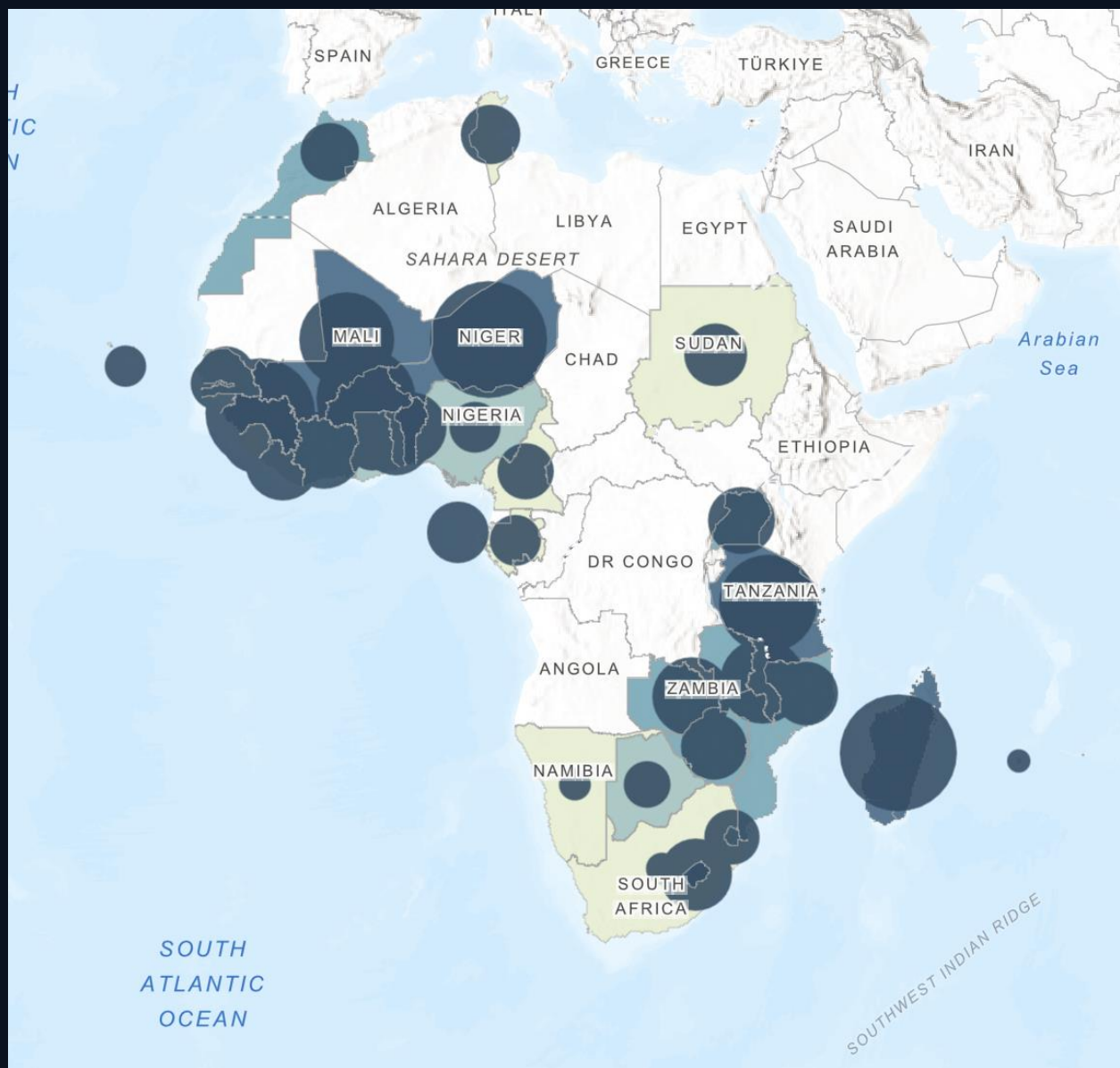
‘Stay at home’ measures to contain COVID-19 are likely to limit the capacity of people to send and receive remittances in person. Many will adapt by using digital money transfers.

But not all.



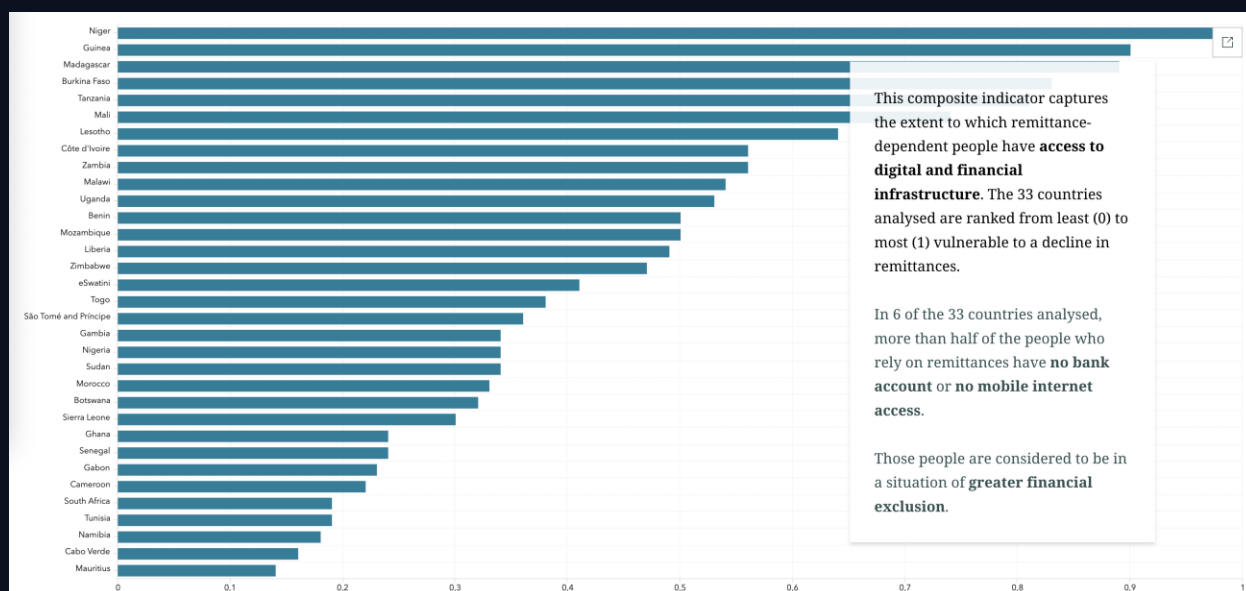
Source: Afrobarometer Data, Round 7 .

This map shows the proportion of remittances-dependent people without internet access (darker shades reflect greater proportions)...



Source: Afrobarometer Data, Round 7 .

...and without a bank account (larger dots reflect greater proportions).



## An opportunity for policy makers to push structural changes

Most countries, regions and cities in the world were not well prepared for the COVID-19 crisis. In the African context like elsewhere, it is essential to quantify remittances dependency and remittances decline when shaping policy responses. The importance of these two variables was highlighted in this study recently conducted by the Joint Research Centre of the European Commission.

During this pandemic, technology has proved a useful and necessary tool to help ensure public and financial services. In Africa, technological advancements such as digital transfer services might soften the blow. But a significant expansion of digital and financial infrastructure is necessary to address the crisis now and its aftermath on the long term.

More than ever, it is crucial to provide an equitable access to digital infrastructure to narrow the digital divide and reduce existing inequalities.



<https://africa-knowledge-platform.ec.europa.eu/>

This document has been originated from a StoryMap compiled in the context the European Commission's Africa Knowledge Platform.<https://africa-knowledge-platform.ec.europa.eu/>

### **Authors**

Emilie Weynants, Sona Kalantaryan, Christine Estreguil

### **Contributors**

Simon McMahon

### **Images**

Cover photo: World Bank , Sambrian Mbaabu (Kenya, April 2020); Foreign exchange bureau in Uganda: Monito ; Busy street: Eva Blue on Unsplash; Western Union bureau: Monito ; Laptop and credit card: rupixen.com on Unsplash; Smartphone: Priscilla du Preez on Unsplash

### **Data Sources**

Afrobarometer Data, Round 7. Available at <http://www.afrobarometer.org>

Migration and Remittances Data, World Bank. Available at <https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>

Kalantaryan, S. and McMahon, S., Covid-19 and Remittances in Africa, EUR 30262 EN, Publications Office of the European Union, Luxembourg, 2020, ISBN 978-92-76-19741-6, doi:10.2760/86710, JRC121055. Available at <https://op.europa.eu/s/oUye>