



**CENTRAL BANK
OF ESWATINI**
Umntsholi Wemaswati

Remittances Experiences in Eswatini
Presentation at AACB 2021 Continental Semina

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Presentation Outline

Introduction - Remittances Importance

Eswatini Experiences

Challenges & lessons



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Introduction

Remittances – generally defined as a share of labour earnings that a migrant worker sends home to support his/her family (normally cross border)

Remittances facilitate consumption, education, investment and overall poverty reduction. Remittances are a critical component of development finance for low income countries

Remittances also provide source of FX reserves for countries plus indirect government revenue via taxes (e.g. VAT)

Several studies indicate that remittances are critical for poverty alleviation – see Richards and Adams, 2011 for summary of the literature – Adams (2011): *Evaluating the economic impact of International Remittances on Developing Countries using Household Surveys: A literature review*, *Journal of Development Studies* 47(6)



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Eswatini Context.....



MARK NOWLIN / THE SEATTLE TIMES

- Small landlocked country bordering South Africa (3/4) and Mozambique
- Strong economic and trade links with South Africa
- Local currency (Lilangeni) pegged 1:1 to South African rand
- About 71% of people reside in non-urban areas & main source of income for agricultural households (24%) is remittances (CFI, 2019)
- Proportion of financially included adults at 85% (CFI, 2019)
- *In-country remittances* (mobile money payments) main driver for financial inclusion – 94% of adults have cellphones (CFI, 2019)



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Eswatini Context.....

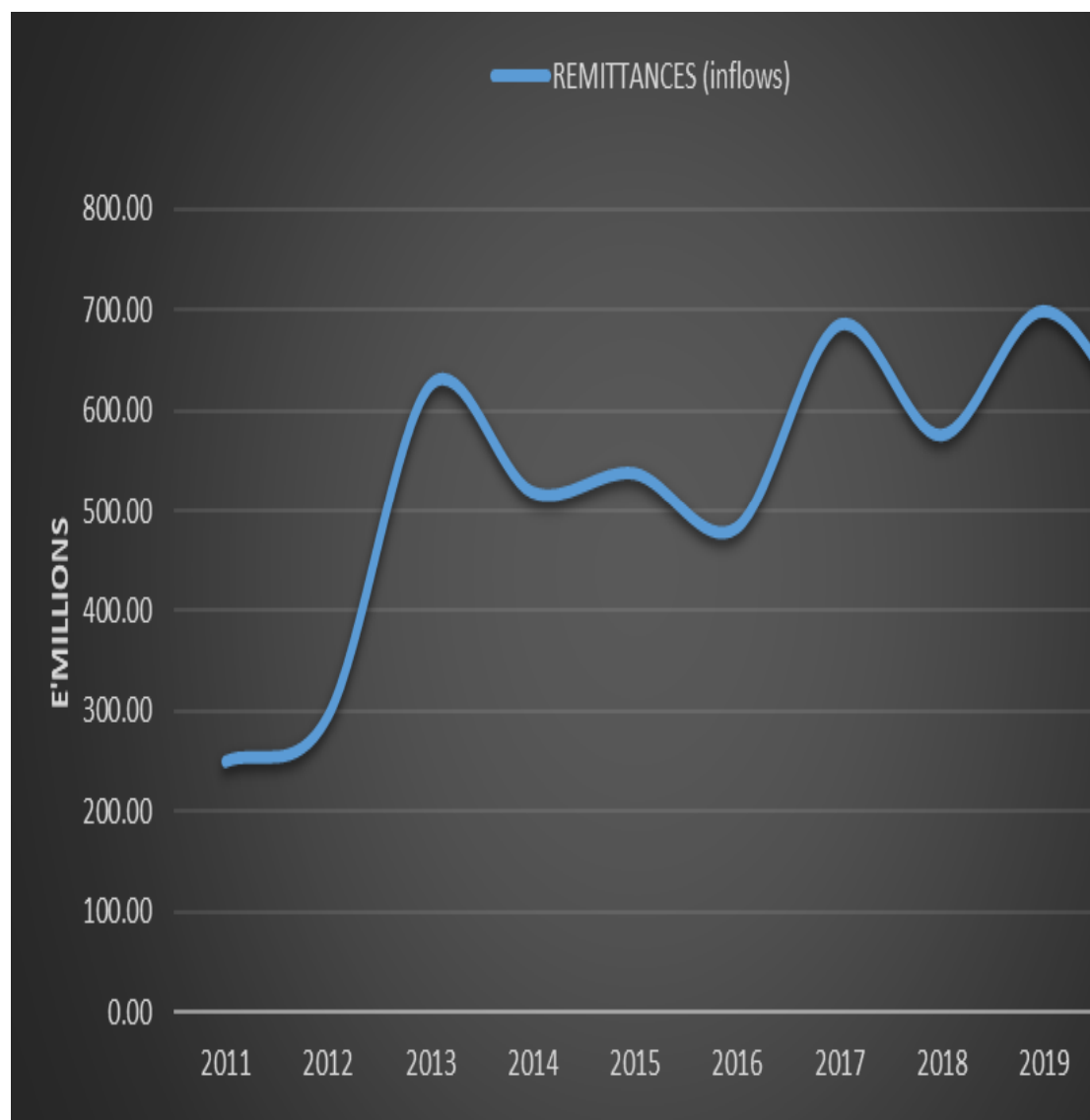
Overall rising trend in remittance flows over past decade

Country received about E600 million (early average) remittances over the years

Eswatini also negatively affected by Covid-19 – economic shock

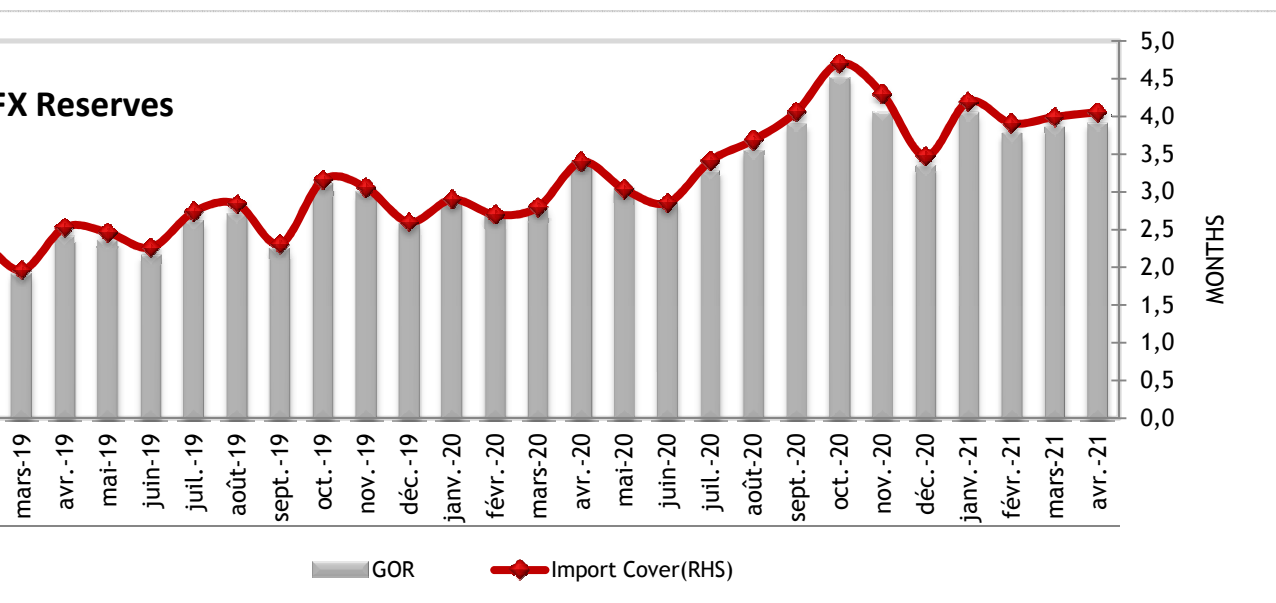
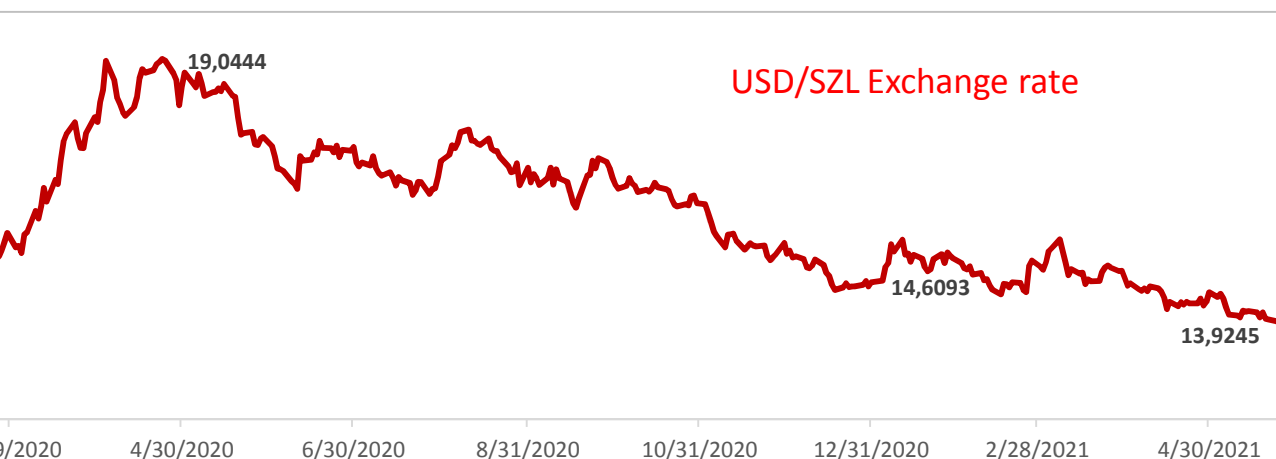
Eswatini remittances declined 18% in 2020, lower than 20% expectation from World Bank

Losses in main remitter market, economic lockdowns & travel restrictions led to decline





Eswatini Context.....



- Exchange rate volatility prevailed in 2020 during (SZL/ZAR)
- Wild swings in ZAR mainly in response to covid-19 induced global capital market conditions
- Eswatini's gross FX reserves anchored in 2020
 - Other factors besides remittances influence reserves levels
- At less than 1% of GDP, remittances thus far have limited impact on FX reserves



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Challenges & Lessons

Challenges

Eswatini has challenge of low remittances

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Use of informal channels

gaps

High transaction costs?

Possible solutions

Diaspora engagements

Easing of restrictions & regulations

Lowering transaction costs

Engagements with sending nations (S
initiatives), which would allow for
validation through mirror data.

Fintech – digital cash?

Capacitating countries to undertake
household surveys to estimate informal
aspect of remittances



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THANK YOU