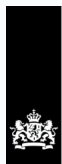




The Emerging Remittances Market in Burundi: Opportunities for Development

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Introduction

Remittances have become increasingly important on the African continent in recent years. This increase is immediately followed, or accompanied, by an increased interest in remittances transfers by both policy makers and academics who mainly focus on the development potential of these financial flows. Despite the increased focus on remittances in Africa, the information on remittances is still rather limited. This is mainly due to a lack of data and weak financial infrastructures of many countries in the region. Countries affected by conflict particularly struggle to provide reliable statistics, which has led to a large knowledge gap on remittances in these types of societies (Ahmed, 2000; Fagen & Bump, 2006; Koser & Van Hear, 2003; Lucas, 2006).

This policy brief maps the current remittances market in Burundi, a small and densely populated country located in the Central African Great Lakes Region. Burundi has been characterized by large migration flows over the past decades, mostly due to violent conflicts (see e.g. Fransen & Onga'yo, 2010). The country is currently exploring ways to actively engage its diaspora in development processes (Fransen & Siegel, 2010; IOM, 2009) and remittances are considered to be a potentially important contributor to local development and

reconstruction processes. However, the current knowledge on remittances in Burundi is limited (see e.g. De Bruyn & Wets, 2006; IOM, 2009). This policy brief, therefore, provides an overview of current remittances data in Burundi, the financial institutions that monitor remittances flows, and the possibilities of remittances sending in the country. From this overview, policy recommendations on measuring and enhancing remittances flows in Burundi will be presented. The information for this policy brief was gathered by means of in-depth interviews with representatives from non governmental organizations (NGOs), banks, micro finance institutions (MFIs), money transfer operators (MTOs), and ministries in Burundi between January and February 2011.

Official remittances to and within Burundi

Burundi is historically and currently both an immigration and an emigration country (Fransen & Onga'yo, 2010). In 2010 the stock of Burundian emigrants and immigrants was 4.2 and 0.7 percent of the population, respectively (World Bank, 2011). The top three destination countries for the over 350,000 Burundian emigrants are neighbouring countries Tanzania, Uganda and Rwanda, but many migrants also reside in Belgium, Canada, the Netherlands, and the United Kingdom. The official

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statistics are estimates, as it is difficult to provide reliable statistics. A substantial share of migrants travel without official documents and not all countries keep track of their immigration statistics. Most immigrants in Burundi are from Rwanda, the Democratic Republic of the Congo and Tanzania. Burundi also has a large number of Internally Displaced Persons (IDPs). Recent estimates by UNHCR show that 157,000 Burundians are classified as IDPs (UNHCR, 2011). Due to the different migration flows, remittances dynamics in Burundi are complex and not just limited to either inward or outward flows. Neither are these flows restricted to international borders; financial transfers are also made between households within Burundi (Uvin, 2009). Unfortunately, official statistics monitoring international remittances flows to and from Burundi are scarce and statistics on internal flows are basically non-existent.

International remittances

The Burundian central bank, Banque de la Republique Burundi (BRB), monitors international financial transfers that are made to and from Burundi through banks and MTOs. According to the BRB, almost 2.9 million US Dollars in remittances were sent to the country in 2003. In 2004, remittances had risen to 4 million US Dollars (De Bruyn & Wets, 2006). During this period, an equal amount of remittances was estimated to flow in and out of the country (ibid).

According to recent figures from the BRB, remittances seem to have increased in the past years, and there is now more money flowing into the country than out of the country (*see table 1*). It is however difficult to know exactly what caused these changes. First of all, the political situation in the country has stabilized which may have enabled and encouraged the diaspora to send more remittances. Between 2005 and 2010 the BRB also changed its way of measuring remittances, mainly due to new actors entering the market. Money flows going through Western Union, for example, were not included in the statistics for the period 2005 to 2007. Exchange bureaus were also authorized to exchange foreign currency into Burundian Francs in 2007. Since then, the bureaus are required to send the BRB monthly reports on their activities, and this data is now also included in the remittances statistics. Data collected on international financial flows are currently divided into three parts: public sector, transfers from workers, and other transfers. Transfers from workers include remittances from individuals, while 'other transfers' refers to transfers from organisations such as NGOs. As can be derived from Table 1, transfers from workers currently constitute only a small, but growing, share of the total amount of international transfers to and from Burundi. In 2009 the net share of transfers from workers constituted about 10.5% of total international transfers, compared to 1.8% in 2008. It is difficult, however, to establish what the numbers represent exactly as no definitions are provided by the BRB.

Table 1: International transfers Burundi (in million USD): 2005 - 2010

	2005	2006	2007	2008	2009	2010 ³ (Jan - Oct)
Public sector	194.39	166.81	140.16	90.29	97.98	-
Credit	195.75	166.95	140.36	90.29	97.98	-
Debit	1.37	0.14	0.21	0.00	0.00	-
Private sector	15.61	24.21	71.40	88.71	158.43	-
Credit	17.12	26.33	71.61	90.60	161.67	-
Debit	1.52	2.12	0.21	1.89	3.23	-
Transfers from workers	-0.11	-0.16	-0.03	3.27	27.05	23.49
Credit	0.06	0.01	0.17	3.50	28.16	27.74
Debit	0.17	0.17	0.20	0.23	1.11	4.25
Other transfers	15.71	24.38	71.43	85.44	131.39	-
Credit	17.10	26.32	71.44	87.10	133.51	-
Debit	1.35	1.95	0.01	1.66	2.12	-
Total	209.99	191.02	211.552	179.00	256.42	-

Source: Banque de la Republique Burundi (BRB), 2011.

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Table 2: Remittances to and from Burundi (in million USD): 2003 - 2010

	2003	2004	2005	2006	2007	2008	2009	2010 ^e
Inward remittance flows	-	0	0	0	0	4	3	3
Workers' remittances	-	0	0	0	0	4	-	-
Compensation of employees	-	-	-	-	-	-	-	-
Migrants' transfers	-	-	-	-	-	-	-	-
Outward remittance flows	4	1	0	0	0	0	0	-
Workers' remittances	-	0	0	0	0	0	-	-
Compensation of employees	3	-	-	-	-	-	-	-
Migrants' transfers	1	1	0	0	0	0	-	-

Source: World Bank, 2011.

Table 2 provides the remittances statistics derived from the Migration and Remittances Factbook published by the World Bank in 2011. These statistics give an overview of migrant remittances, defined as the sum of workers' remittances, compensation of employees, and migrants' transfers, to and from Burundi between 2003 and 2010. The data more or less match the information provided by the BRB in Burundi, because in the World Bank data the numbers are rounded upwards. If there is less than half a million in remittances recorded, the number presented in the World Bank data is zero. The years 2009 and 2010 in the BRB data show, however, a large increase of inward remittances flows, an increase that is not apparent in the World Bank data. It is not clear why the numbers from the World Bank and the BRB do not match for these years.

Origin of international remittances

The BRB does not collect data on the origin of the inflow of remittances. However, from the interviews we conducted it is believed that most of the remittances sent from abroad come from Europe and North America. Regional migration is taking place, especially to neighbouring countries Rwanda and Tanzania. Due to the political situation in the country these migration flows have mainly been linked to refugees, and the remittances contribution of the diaspora residing in neighbouring countries is estimated to be relatively small. No specific data is available on regional remittances flows.

Internal remittances

Statistics on internal remittances in Burundi are limited since these transactions mainly go through informal channels. Many people support their family members living elsewhere in the country though, such as young rural-urban migrants who are seeking a better life for themselves and their families (Uvin, 2009). Our interviews revealed that most international remittances are sent to Bujumbura, Burundi's capital. If the remittances would travel further into the rural areas, this would mostly be through the informal sector. The larger commercial banks have branch offices in most of the larger cities outside

Bujumbura, and the number of branch offices is rapidly increasing. Many branch offices are however still inaccessible for a large share of the rural population due to bad roads and limited public transportation.

Western Union offers the possibility of money transfers within Burundi, but this is still rather expensive with costs ranging from 10 percent for small amounts (less than 100 US Dollars) to 5 percent for larger amounts (more than 1000 US Dollars). There are some recent developments though that give a hint of, and might stimulate, internal remittances flows in Burundi. The national post office in Burundi, Régie Nationale des Postes (RNP), offers a national money transfer service called Ekokash. This program started in May 2010, and is executed in cooperation with Econet, a local mobile phone provider. The RNP currently has 68 branch offices scattered throughout the country that form a network through which money can be sent. Statistics from Ekokash show that since the start of the program until February 2011, almost 8,000 transfers were made in Burundi. The total amount that was transferred during this period was 256,407 US Dollars, with an average amount per transfer of 36.41 US dollars. Apparently, this service is mostly used for small transfers. However, considering that the GNI per capita in Burundi was 150 US Dollars in 2009 (World Bank, 2011), this average amount is substantial for many people in Burundi. The cost for sending money through Ekokash is around 10 percent for transfers up to 15 US Dollars. This cost is decreasing



to around one percent for transfers between 500 and 1000 US Dollars. According to the RNP, the number of transfers is increasing rapidly due to national promotion campaigns, which in their view shows that there is a large need for national money transfer services that are able to reach the rural areas. The information we received from our interviews confirms this claim; there are many, though small, financial transfers between urban and rural areas in Burundi and the number is increasing rapidly.

Players and development in the remittances market

The remittances market in Burundi is evolving quickly as new financial players enter the market, while at the same time existing organizations and institutions are setting up projects to enhance and facilitate both international and internal remittance. De Bruyn and Wets who interviewed Burundian diaspora members in Belgium in 2005, found that most remittances to Burundi were sent by individuals rather than by groups such as migrant associations (De Bruyn and Wets, 2006). The interviews we conducted for this policy brief indicate that this still seems to be the case. There are diaspora association initiatives that gather and send remittances in bigger sums to reduce costs, but the transactions are still mainly remittances sent between an individual migrant to the migrant's family or friends in Burundi. It should be noted though that there seems to be a new trend of diaspora members investing in their home country, mainly in the construction sector, in cooperation with banks in Burundi.

Banks and MTOs

The main players on the remittances market in Burundi are commercial banks and MTOs such as Western Union, Moneygram, Money Contact and Travelex. The MTOs all operate within one or several of the commercial banks. Western Union is the market leader among the MTOs in Burundi, currently working with 4 banks (BCB, Interbank, Ecobank and Bancobu). MTOs are present in Burundi since the early 2000s and have taken over the remittances market at a fast pace. The services of the MTOs are known to be fast and reliable. Another advantage is that MTOs do not require a bank account, which is something that limits many people living in rural areas to receive financial transfers through banks. A disadvantage is that it is relatively expensive to use MTOs in Burundi.

Many Burundians however still send money through banks in Burundi.⁴ The banks offer account-to-account transaction services from accounts abroad to accounts in Burundi. Some banks have also developed their own transaction services. Ecobank, which is currently present in more than 30 African countries, launched RapidTransfer in 2010, a service through

which cheap and fast international money transfers can be made between African countries, with coverage of more than 750 branch offices on the continent. Banks in Burundi also increasingly target the remittances market by designing investment projects for diaspora members living abroad. Both BCB and FinBank run projects in the construction sector in Burundi in which diaspora members can invest. According to bank representatives of these banks, the services are very popular amongst diaspora members.

Microfinance organizations and Diaspora initiatives

A second important player in the field is MUTEC, a Micro Finance Institution (MFI) that provides transfer services to clients abroad. MUTEC was founded by a Belgian diaspora initiative, and facilitates transactions from the Burundian diaspora. MUTEC currently has 70,000 clients (September 2010), and 70 staff members. The number of clients has steadily increased throughout the years. It has six offices located in Bujumbura, Gitega, Muyinga and Kayanza. MUTEC offers relatively cheap services for money transfers, because it pools the money from the money senders and transfers it at one time. When the money from abroad reaches any of the offices, a message is sent to the receiver in Burundi who comes and collects the money at the office. So far MUTEC is not authorized to perform any exchange transactions from foreign to local currency, so all transactions need to go through commercial banks, before the money is handed out in local currency. In total 445,804 US Dollars were transferred through MUTEC in 2008, 444,989 US Dollars in 2009, and 411,574 US Dollars between January and October 2010. According to MUTEC the remittances market in Burundi is growing fast.

MUTEC is by far the most developed MFI in Burundi in providing remittance services. However, according to our interviewees, many MFIs have contact with diaspora members abroad and several are interested in providing similar services if the rules and regulations would enable them to do so without the involvement of commercial banks. Currently, the restrictions on MFIs impede them from performing similar activities as the commercial banks, which causes an obstacle for the circulation of, and access to, money in the rural areas. The numerous MFIs that are located throughout the country could serve as an important channel for internal and international remittances.

Telecom providers

The telecom market is developing quickly in Burundi. There are currently five major mobile phone operators (Econet, Ucom, Africel, Onamob, Smart), which all offer the service of unit transfers within the country. This means that a user of Econet, for example, can transfer some of its units to another user of Econet by means of its mobile phone and free of charge. As described earlier, Econet also cooperates with the post office in facilitating Ecolash, a service with which money is sent through

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mobile phones with the post office branches serving as cash points (for sending or collecting the money). The telecom industry can play a large role in facilitating internal and international money transfers in Africa (see Siegel & Fransen, 2011), and the telecom market in Burundi has large potential. As more players have entered the market recently, competition is rising and telecom providers will experiment with new services such as mobile banking and money transfers. It will take time though, before this market is utilized to its full potential in Burundi.

Informal channels

Although there are several reliable ways of sending remittances through formal channels, informal channels often offer a cheaper way of sending remittances. Most remittances to and from Burundi are sent through informal channels, as De Bruyn and Wets report in 2006. Our interviews revealed a mixed response to whether or not many people still send remittances informally in Burundi. Some respondents stated that this is still the case while others indicated that the MTOs have largely taken over the role of informal channels due to their fast and reliable service. Informal channels include individual money transportations and money transfers through Non-Governmental Organizations (NGOs) or churches and other religious institutes or organizations. Statistics on these informal flows are unfortunately not available and it is thus not clear whether informal channels are still more popular than formal channels.⁵ However, with new players entering the market in recent years and with the formalization of the exchange bureaus in Burundi, there seems to be a clear tendency towards formalization of remittances flows in Burundi. The options for Burundians to send or receive money in a formal way have expanded, both with respect to international and national money transfers. It is likely that this has led to increased use of formal channels.

Government involvement

The Burundian government has recently started to recognize the development potential of remittances and migration in general. The government has established a Diaspora Directorate in 2009 and is currently working on a migration policy (see Fransen & Siegel, 2010). One of the key tasks of the Diaspora Directorate is to create an overview of the Burundian diaspora

across the world, including its skills and competencies, to establish and maintain good relationships with the diaspora, and to enhance data availability on investments and individual remittances. This trend towards migration and development interest in Burundi is however very recent and no official policies have yet been developed. As the country is in a process of reconstruction after the long-lasting conflict that only ended formally in 2005, migration and development was until recently not high on the agenda. There is growing awareness of the potential of diaspora engagement, which is an important step in designing appropriate policies. The work of the Diaspora Directorate is however hampered by a severe lack of data.

East African Community initiatives

Recent efforts by member countries of the East African Community (EAC) to develop a common market protocol, including legislations on migration and financial international transfers, might also stimulate policy development for migration and remittances in Burundi. The common market protocol is designed to provide a legal framework for the free movement of capital, goods, persons and labour, and services within the EAC (EAC, 2010). Rwanda serves as an important example for the common market protocol with its Migration Policy that was implemented in 2009 (see Fransen & Siegel, forthcoming). Expectations are that the common market protocol for the EAC will solve pressing issues in the region regarding migration (CUTS, 2010). Remittances play a large role in Eastern Africa, notably in Kenya, Uganda, and increasingly in Rwanda, which has led to an increased focus on this capital inflow in the region. As certain countries, such as Rwanda, are currently effectively engaging their diaspora to contribute to local development, it is likely that others, including Burundi, will follow their lead in the near future.

Conclusions and the Way Forward

Remittances sent to Burundi involve relatively small but yet growing amounts. Compared to other countries in the region, such as neighbouring country Rwanda, remittances have not yet developed into a stable financial flow that offers an important contribution to the economy of the country. However, recent developments in the remittance market might stimulate both internal and international remittances flows. New players have entered the market over the past years and many existing institutions and organizations are exploring new ways of stimulating the financial involvement of Burundian diaspora members through different projects. In addition, more and more diaspora members have started investing in their home country, as the political situation has become more stable and the financial sector is developing rapidly. It is likely that these developments have led to a formalization of remittances flows in the country, though statistics on informal remittances are still lacking.

Most of our interviewees were convinced that international remittances to Burundi would grow in the future, especially if rules and regulations change in order to facilitate transfers and reduce the costs that are associated with these transactions. Active lobbying from MFIs and diaspora organizations, and the recent dialogue between these organizations and the BRB, indicate that such changes might not be far reached. Recent government interest in migration and remittances will be able to facilitate these initiatives from MFIs and diaspora organizations if effective policies are designed and implemented in the near future. In addition, the common market protocol that is currently being implemented by the EAC will most likely have a stimulating effect on the flow of remittances in the whole East African region.

The most important step forward in designing appropriate instruments for the enhancement of the remittances potential for development in Burundi is however the collection of good quality data. These data, including information on both formal and informal flows and data on the relative importance of internal versus international flows, can serve as a base for the analysis of the causal link between remittances and economic development in Burundi. Strategies should be developed to enhance coordination in remittances data management in Burundi, and to increase measurement quality in order to separate remittances from other international money flows. Based on these data, a good legislative framework for remittances, and policies to enhance diaspora engagement through for example investments could be developed in order to actively engage Burundian diaspora members living abroad.

In addition to good data quality it is important that the financial infrastructure in Burundi develops further. As money transfers are still rather expensive, new players, such as MFIs, should be given the opportunity to enter the market, hereby stimulating competition among money transfer service providers. A challenge for the government will be to grant the authority and still keep control of the currency flows in order to avoid money laundering. Furthermore, the financial infrastructure has to become more widely accessible for Burundians, as currently a large share of the rural population does not have access to the services of money transfer operators or banks. The development of infrastructure plays a large role in this. These limiting factors hinder the development potential of remittances in Burundi.

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Authors



Sonja Fransen
PhD Candidate Maastricht Graduate School of Governance, Maastricht University, the Netherlands.
Email: sonja.fransen@maastrichtuniversity.nl



Lisa Andersson
PhD Candidate, Department of Economics, University of Gothenburg, Sweden.
Email: lisa.andersson@economics.gu.se

¹ PhD Candidate Maastricht Graduate School of Governance, Maastricht University, the Netherlands. Email: Sonja.Fransen@maastrichtuniversity.nl

² PhD Candidate, Department of Economics, University of Gothenburg, Sweden. Email: Lisa.Andersson@economics.gu.se

³ According to the BRB November and December are the months in which remittances flows into the country are highest. The 2010 statistics are therefore likely to surpass those of 2009.

⁴ Unfortunately the banks in Burundi could only provide us with aggregated statistics on international financial transfers. As they report to the BRB every day on their financial transfers, they do not keep track of the types of financial transfers (investments, NGO salaries, migrant transfers, etc.) that are incoming or outgoing.

⁵ Currently the Maastricht Graduate School of Governance is conducting a nationally representative household survey on migration and development in Burundi. These data will give us an important insight into both formal and informal remittance flows into Burundi, as well as their effects. At the time of writing this policy brief the data were unfortunately not yet available.