CHAPTER 7
Diaspora Remittance Challenges and Opportunities for Rural Development: A Case of Zimbabwe

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Abstract
Diasporans are energetic and resourceful migrants who move from their ancestral homelands to new lands to improve their own lives as well as the lives of their families. As a result, they engage in various activities in the Diaspora, such as learning new skills and doing any available jobs despite their qualifications or community services to earn a living. A major challenge faced by Diasporas is sending their hard-earned money to their homeland. The money is supposed to help families with socio-economic development or investments. This literature review-based study highlights how Diaspora remittances stimulate rural development in Zimbabwe and proffers strategies to harness Diaspora funds. The content analysis of selected secondary data revealed that formal remittances to Zimbabwe in 2021 reached USD 1 billion, up from USD 981 million in 2020, contributing 3.2% to the country's GDP. However, most remittances were through informal channels because of regulatory bottlenecks. The literature reviewed also revealed that the lack of reliable, affordable and accessible transfer systems and high taxation and anti-migration policies increased the cost of sending home remittances. Lower transaction costs resulted in high remittance flows that facilitated socio-economic development. The authors offer recommendations to the policymakers that may attract Diaspora remittances for national development in the recipient country.

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1 Introduction

This chapter draws from secondary data, focusing on Diaspora remittance challenges and opportunities in sending money to relatives in their home country for rural development. Diaspora remittances are considered one of the key benefits that Diasporans bring to originating countries (homelands). Remittances refer to private resource flows for direct consumption and household support (Ratha 2009). Literature has shown that most developing countries are not tapping into such essential inflow to channel it towards social and economic development (Bonga 2019; Rustomjee 2018; ZimStat 2012). According to an International Organisation for Migration Report by Melde, Milan, Shivakoti, Roy, Martineau and Laczko (2019), remittance inflows have assisted many developing countries in maintaining a balance of payments stability, ensuring the availability of hard currency, improving countries' credit worthiness for external borrowing and increasing internal aggregated demand. People in the Diaspora send money home for many reasons, including sustaining families left behind and as savings and investments for the future. The need to construct secure livelihoods through gainful employment abroad constitutes an important driver of Zimbabwean emigration.

According to the International Fund for Agricultural Development (IFAD) (2017), Diaspora remittances are household incomes from foreign economies arising primarily from people's temporary or permanent move to those economies. Diaspora social remittances are taken as ideas, practices, mindsets, world views, values and attitudes, norms of behaviour and social capital that migrants mediate and consciously or unconsciously transfer from host to home communities (Chivundu, Suphian & Kim 2017). Remittances can contribute to national development if harnessed into the national economy (ZimStat 2012). The former Finance Minister, Patrick Chinamasa, acknowledged the importance of remittances in the 2014 Budget Statement by indicating that globally, most countries, including Zimbabwe's regional neighbours, benefited immensely from financial transfers by their nationals in the Diaspora. Remittances that are either invested or saved have a multiplier effect on the economy and have a developmental impact (Bonga 2019).

Apart from formal channels, Diaspora remittances may enter the country through informal channels. No documentation of such remittances passes through formal channels. Estimates of such remittances will misguide policy just as much as not accounting for them. These potential inaccuracies may be caused by irregular migration that exists. A person becomes an irregular migrant when they enter a country without satisfying the immigration laws of that country. There is greater concern that Diaspora remittances continue to be transmitted through informal channels in Zimbabwe, especially with the current global inflation rates. Irregular, illegal immigration is not uncommon in Zimbabwe, as witnessed by detaining and prosecution statistics over the years for contravening immigration laws in neighbouring countries and abroad. The lack of proper travel documentation by many Zimbabwean migrants in many host countries means that a significant flow of remittances enters through informal channels, especially from neighbouring countries like South Africa and Botswana (Zhou, Pindiriri & Tambama 2013).

The movement of people from one nation to another is not a new notion globally. For instance, since the 1950s, Zimbabweans immigrated to South Africa in what used to be called ‘Wenera.’ It meant working in mining shafts. (Zimbabwe Diaspora Policy 2016). They would send money to families back home via informal channels like friends or relatives for general upkeep and development. In the post-independence era, Zimbabwean migrants continued to send money through informal channels because of the high transaction costs associated with sending money.

Zimbabwe has suffered exceedingly high levels of outward migration, estimated at between 0.4% and 0.2% of its population annually since the turn of the century (Welborn, Cilliers & Kwasi 2019). The Zimbabwean Government recognises that international migration has become an established feature of contemporary social and economic life, with positive and negative manifestations and opportunities (Zimbabwe Diaspora Policy 2016). Income inequalities, human rights abuses and insecurity continue to function as push factors for migration in most developing countries, and Zimbabwe is not spared. Therefore, there is a need for Zimbabwe to put in place mechanisms and policies that favour formal remittances.

The Diaspora phenomenon can be considered a special resource for economic, social, and political development that affects the migrants, the people who stay behind (in their homeland), and the migrants’ host countries (IFAD 2017). Therefore, the Diaspora remittances support many people in many developing countries, including Zimbabwe. Although some Diasporas voluntarily work outside their home countries, in many cases, it is a forced decision, as for Zimbabweans, due to political persecution or increased poverty and inequality caused by the ruling party ZANU PF (Bonga 2019). Therefore, migration is neither a new development phenomenon, failure, nor a substitute for development. The World Bank (2021) has estimated that by 2025, migration could put over USD 140 billion a year into the pockets of people in poor countries. Despite all this, migration remains a controversial and complicated issue generating much debate about the consequences of regular and irregular migration, brain drain, social tensions and family disintegration (Awojobi, Tetteh & Opoku 2017). It is hoped that if governments in developing countries can manage migration by creating a database for Diaspora and lowering taxes on remittances, they can unlock many more benefits for poor people (World Bank 2021).

Diaspora incorporates all kinds of mass population movements:

- Victim Diaspora or Classic Diaspora forced into exile, such as the Jewish, African, and Armenian.
- Labour Diaspora as a result of mass migration in search of work and economic opportunities, such as the Indian and Turkish Diaspora.
- Trade Diaspora, where migrants seek to open trade routes and links such as the Chinese and Lebanese.
- Imperial Diaspora for those keen to serve and maintain empires, such as the British and French Diaspora during the colonial times.
- Cultural Diaspora for people who move through a process of chain migration, such as in the Caribbean (Gazso 2017).

Political tensions in Zimbabwe since 2009 have forced many Zimbabweans to seek political asylum in other countries. The crackdown by the former Zimbabwean President, Mr Robert Gabriel Mugabe’s regime on opposition political activists, made some Zimbabweans flee for their lives (Bonga 2020). Gross human rights abuses and poor micro and macro-economic policies compounded by disputed election results have made Zimbabwe’s citizens lose confidence in the ruling government. These factors have made some Zimbabweans look for greener pastures outside their country. Constructivism and liberal approaches were adopted. Constructivism sought to account for Diaspora identities, motives, and preferences, while liberalism explained their actions once the preferences were settled. Apart from emphasising the contribution of constructivism and liberalism to the understanding of Diaspora activities, the research offered ways in which Diaspora activities could enrich both approaches and stimulate rural development. Diasporas were among the most prominent actors that linked international and domestic spheres of politics and development. In this chapter, the authors aim to address challenges affecting Diaspora remittances and the efficacy of such challenges on rural development.

The concept of Diaspora (Diasporas) will be taken to include a collection of people who share a common national, civic, or ethnic identity and who were either forced to leave or voluntarily left their homeland and became residents in another country. The literature review explores the Diaspora remittance challenges and opportunities for rural development, focusing on the Zimbabwean Diaspora from a selected set of literature from 2001 to 2021. The next section presents the problem statement, objectives, the theories underpinning the study, a review of the secondary data, methodology, recommendations, and conclusion.

1.1 Problem Statement

The transfer of funds by Diaspora to their families in their home countries has grown rapidly over the past ten years (World Bank 2021). There are aspects of remitting that have received scant attention in Zimbabwe. Many poor countries are highly dependent on remittances (Poirine & Dropsy 2019), yet Zimbabwe seems unable to attract remittances from its migrants abroad. According to the World Bank (2021), annual African Diaspora savings, at USD 53 billion, exceed annual remittances to the continent and are mostly invested abroad. The major problem faced by Diasporas is sending money back to families and communities in their homeland. The transfer of Diaspora remittances is made costly and difficult by high taxes. Therefore, this means that people in the Diaspora turn to informal channels of sending money back home. Informal transfer systems cannot be regarded as bad but should be used as the last resort when no suitable banking or financial services are available. However, such informal transfer systems have resulted in some individuals defrauding the intended beneficiaries, thus, exacerbating poverty, inequality and derailing rural development. Conducive policies and transparent and accountable ways of transferring money are paramount to prevent financial crimes, money laundering, or the diversion of funds to other unproductive uses. Therefore, preventing these illegal activities is best achieved through regulated formal systems by the government of Zimbabwe. The most challenging factor acting as a stumbling block is the failure of governments to create a set of flexible and inclusive rules to cover informal and formal sector approaches (Orozco & Jewers 2011). It means there must be a policy or initiatives that address the cost of a transfer. Remittances have increasingly become a critical component of national income that warrants investigation (Damiyano & Dorasamy (2019). Against this backdrop, the authors of this chapter embarked on reading secondary data and analysing literature related to the Diaspora remittance challenges and opportunities for rural development.

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1.2 Objective

The authors of this chapter evaluate Diaspora remittance challenges and opportunities intended to stimulate rural development in Zimbabwe.

2 Research Methodology

This chapter is a literature review-based study. It used secondary data to gather Diaspora remittance challenges and opportunities for rural development. The secondary data included scholarly articles, books, and reports from various governments and non-governmental organisations. The literature used mainly published articles that adopted a mixed-method approach to the impact of Diaspora remittances that helped to evaluate the impact of Diaspora remittances through getting perceptions and figures related to Diaspora remittances. The chapter used selected secondary data from 2001 to 2021. This period was chosen to evaluate the impact of Diaspora remittances over 20 years because there are changes in information communication technology which positively or negatively impact Diaspora remittances and the government of Zimbabwe.

3 Theories Underpinning the Research

The motive of the Diaspora regarding remittances to their families in their homeland has led to a series of theories that try to explain the link between Diaspora remittances and development. Poornima and Unnikrishnan (2015) describe the word ‘Diaspora’ as having its roots in the Greek word *diaspeirein*, which means 'to scatter across, or disperse'. Dispersal is the result of a combination of compulsion and choice. Thus, emigrations are the result of push and pull factors. The authors adopted the following theories to ascertain the impact of Diaspora remittances on rural development. First, the pure altruism theory by Adam Smith (1976) asserts that migrants send money to their families because they care about their family's well-being, thus, caring for others rather than self-interests. Money sent by Diaspora is used for education, food, health care, investment, and the welfare of migrant families (Awojobi, Tetteh & Opoku 2017). IFAD (2017) indicated that regular remittances lift most families above the poverty line and help them avoid falling back into 'poverty traps'. According to Fokkema, Cela and Ambrosetti (2013), people remit money because of emotional attachment to their parent's home country. However, Glytsos (2002) argues that permanent migrants are the only ones that remit for charitable purposes, while temporary migrants remit for investment and future consumption smoothing. The probability of remitting depends on strong family ties between migrants and remaining households. Remittances would decline with an increase in the recipient households' wealth and the time the migrant stays in the host country (Chinembiri 2017). However, this theory helps to explain the reason(s) for remitting as caring for others and sympathising with those that remained in the home countries, not all Diaspora care and sympathise with their families in the homelands. Despite some Diasporas being employed, some children back home drop out of school due to a lack of finances to pay school fees. At times immediate family members die due to failure to access better health facilities.

The second theory underpinning this literature review is self-interest – exchange motive by Adam Smith (1976). The theory alleges that people always behave in a way that maximises their utility. People in the Diaspora usually remit funds to pay people who look after their investments or other material assets that are likely to be part of their preparation for returning (Fokkema *et al.* 2013). There is an intention by the Diaspora to return to their recipient home country in the future. Anticipation of a return is another factor that explains the self-interest motive for sending remittances (Chinembiri 2017). The migrant wants to demonstrate acceptable behaviour as an investment for the future upon returning home. Diaspora remit because they get positive utility from the consumption of the family (Damiyano & Dorasamy 2019).

Unlike Damiyano and Dorasamy (2019), Diaspora face challenges securing employment in foreign lands; some have little to send home for socio-economic development or future investments. Subsequently, some Diasporas face hardships in the homelands when they return or get deported because they did not invest at home while in the Diaspora. It is not always the case that some Diaspora will return home, as highlighted (Chinembiri 2017). Some Diaspora will die while in Diaspora, while others will get permanent residence in foreign countries.

4 Review of Secondary Data

This section reviews literature from other scholars on Diaspora remittances from international, regional and Zimbabwean perspectives to gather insights regarding Diaspora remittance. The challenges and opportunities faced by Diaspora as they try to contribute towards rural development in their home countries while residing in foreign countries are significant.

Internationally, there are ongoing debates on the link between Diaspora remittances and development (Awojobi *et al*. 2017). Some authors have alluded that the Diaspora remittances can play an important role in recovering and reconstructing fragile states. Ratha *et al.* (2011) used reports prepared by the World Bank (2010) on Diaspora remittance flows in developed countries to assess the impact of Diaspora remittance on rural development. It was noted in these reports that China, Korea, and India were among the countries showing that Diaspora remittances could significantly help transform rural economies if collected and governed well. The Asian countries promoted partnership agreements, particularly with African countries, at the continental, regional and bilateral levels. They have also taken steps to gradually reduce remittance costs and cooperate with African Diaspora. The IFAD's Financing Facility for Remittances Group has financed projects and policy advocacy plans that promote competition at national and international levels, offering alternative and better financial options for Diaspora to use their hard-earned money. At the national level, some Asian countries have been using a cost-effective 'passing trade system' and collective accounts. The easier and faster passing trade system is like a post office transfer and does not need the sender or the recipient to open an account at the bank concerned.

Remittance flows from migrants have complemented government cash transfer programs to support families suffering economic hardships during the Covid-19 crisis in Zimbabwe. Facilitating the flow of remittances to relieve strained household budgets should be a key component of government policies to support a global recovery from the pandemic (World Bank 2021).

In 2021, Diaspora remittances registered strong growth in most regions globally. For example, inflows increased by 21.6% in Latin America and the Caribbean, 9.7% in the Middle East and North Africa, 8% in South Asia, 6.2% in Sub-Saharan Africa, and 5.3% in Europe and Central Asia (World Bank 2021). However, in East Asia and the Pacific, remittances fell by 4% - though when excluding China, remittances registered a gain of 1.4% in the region. In Latin America and the Caribbean, growth was exceptionally strong due to economic recovery in the United States, which has positively impacted economic development. According to the World Bank's Remittance Prices Worldwide Database, the cost of sending USD 200 across international borders continued to be too high, averaging 6.4% of the amount transferred in the first quarter of 2021. This figure is more than double the Sustainable Development Goal target of 3% by 2030. It is most expensive to send money to Sub-Saharan Africa (8%) and lower in South Asia (4.6 %). According to the World Bank (2021), costs are higher when remittances are sent through banks than through digital channels or money transmitters offering cash-to-cash services.

Globally, remittance flows from migrants complemented government cash transfer programs to support families suffering economic hardships - as during the Covid-19 crisis. Some governments, especially in developing countries, failed to secure enough cash to support vulnerable citizens during the Covid-19 lockdown. Therefore, Diaspora remittances helped the governments to get money through taxes to give to vulnerable citizens. Facilitating the flow of remittances to relieve strained household budgets should be a key component of government policies supporting the global recovery from the pandemic (World Bank 2021).

According to the World Bank (2021), the outlook for remittances in 2022 is a slower growth of 3.6% due to risks stemming from Covid-19. For instance, the cost of sending USD 200 to the Middle East fell to 6.3% in the first quarter of 2021 from 7% in the previous year. Remittances to South Asia grew 8% to USD 159 billion in 2021. Higher oil prices aided economic recovery and drove the spike in remittances from the Gulf Cooperation Council (GCC), which employs over half of South Asia's migrants. Economic recovery and stimulus programs in the United States also contributed to the growth. In India, remittances advanced by an estimated 4.6 % in 2021 to reach USD 87 billion. Pakistan had another year of record remittances, growing at 26% and reaching USD 33 billion in 2021. In addition to the common drivers, the government of

Pakistan supported the transmission of Diaspora remittances through formal channels that attracted large inflows. In addition, Afghanistan's fragile situation emerged as an unexpected cause of the remittance increase in 2021, intended for Afghan refugees in Pakistan and families in Afghanistan. Diaspora remittances were the region's dominant foreign exchange source, with receipts more than twice as large as foreign direct investment (FDI) in 2021. The South Asian region has the lowest average remittance costs globally at 4.6% (World Bank 2021). However, sending money to South Asia through official channels is expensive compared with informal channels, which remain popular because sending money through informal channels attracts zero or little costs. Reducing remittance costs would create a win-win situation welcomed by the Diaspora and governments as remittances would not be heavily charged or taxed, and the Zimbabwean Government would benefit from the volume of remittances. More cash would be channelled for rural development through projects such as water and sanitation, roads and infrastructure development and upgrading the health delivery system because the state collects more taxes from remittances channelled formally.

According to the World Bank (2021), long-term Diaspora investment potential in the homeland and host countries remains untapped in Africa. Since 2000, only five countries, Ethiopia, Ghana, Kenya, Nigeria and Rwanda, have issued Diaspora bonds. Until recently, in most instances, exclusively targeting the savings of Diaspora populations has failed. At the same time, efforts to attract a broader range of external investors, including the Diaspora, have proved more successful. According to the World Bank (2021), remittances to the developing countries in the North Africa region were projected to have grown by an estimated 9.7% in 2021 to USD 62 billion. There was substantial growth in most countries in the European Union (notably France and Spain). Remittance receipts for the Maghreb region in western and central North Africa (Algeria, Libya, Mauritania, Morocco and Tunisia) surged by 15.2%, driven by European growth. On the other hand, flows to several other countries in the region declined in 2021, including Jordan (6.9%), Djibouti (14.8%), and Lebanon (0.3%). For the development of the Middle East region, remittances have long constituted the largest source of external resources for FDI.

In 2021, remittance inflows to Sub-Saharan Africa increased by 6.2% to USD 45 billion, while the remittance costs were approximately 8% in the first quarter of 2021, down from 8.9% a year ago (World Bank 2021). Nigeria, the region's largest recipient of remittance inflows from Western countries such

United States of America, Canada and Japan, is experiencing a moderate rebound in remittance flows due to the increasing influence of policies intended to channel inflows through the banking system. Countries in Sub-Saharan Africa where the value of remittance inflows as a share of GDP is significant include the Gambia (33.8%), Lesotho (23.5%), Cabo Verde (15.6%) and the Comoros (12.3%). In 2022, remittance inflows were projected to grow by 5.5% due to continued economic recovery in Europe and the United States. Although intra-regional migration makes up more than 70% of cross-border migration in this region, costs are high due to the small quantities of formal flows and the utilisation of black-market exchange rates (World Bank 2021).

Diaspora remittance to Zimbabwe remains very informal (Zimbabwe Diaspora Policy 2016). In the past, Zimbabwean authorities have adopted many initiatives like the Zimbabwe Diaspora Policy 2016 aimed at boosting remittances from the Diaspora community, but the efforts were futile. Zimbabwe is yet to realise full economic dividends from its citizens in the Diaspora. The Minister of Finance and Economic Development, Professor Mthuli Ncube, alluded to this view in his 2021 National Budget Statement (*The Zimbabwe Herald* 2020). He noted that the Zimbabwean Diaspora presented a significant opportunity (or potential) for contributing to the economy's development beyond remitting funds for consumptive purposes. In this regard, the minister pointed out that the government was drafting and implementing policies to better harness and use this resource (the potential presented by the Diaspora community), particularly regarding nurturing the Diaspora's entrepreneurial potential.

The impact of remittances on education in Mexico in early 2000 showed that remittances from the Mexicans in the United States positively and significantly assisted in educational attainment among children aged 10 to 15 years, especially among the low levels of schooling households (Hansom & Woodruff 2003). It appeared that remittances relaxed budget constraints that otherwise would have forced children to leave school, especially in households with low levels of adult schooling who do not value the importance of education.

Formal remittances to Zimbabwe were estimated to have reached USD 981 million, contributing 3.2% to the country's GDP (Orozco & Yansura 2019). Remittances have been noted to bring positive benefits to the country when transferred through formal channels and invested in productive economic activities such as improvements in the telecommunications sector in Zimbabwe.

It was worth noting that Zimbabweans abroad supported their families back home in financial and in-kind from 2011 to 2019 (AfDB 2019). However, most transfers were through informal channels because of regulatory bottlenecks. AfDB (2019) posits that migrants' transnational economic engagement has positively impacted rural areas within countries across the structural and rural transformation classification continuum. Orozco (2013a) asserts that remittances have long been a potent force for enabling conditions by which households enjoyed a higher quality of life, increased potential for upward mobility, improved material well-being and greater freedom. A study by Ahmed, Mughal and Klasen (2018) to establish the impact of Diaspora remittances on rural households in Nepal found that remittances bolstered rural households' accumulation of assets and precautionary savings. Remittances facilitated rural households' investment in education, housing and nutrition, positively changing individuals' earning capacity over a lifetime due to continuous remittance inflows (Nguyen, Grote & Nguyen 2017). Because remittance monies are fungible – meaning the monies can easily be exchanged for other things like goods – households can use remittances for various purposes like consumption, savings or productive investment. The fungibility of remittances is particularly important for rural development as most families can interchange for similar or another compatible good.

During the economic meltdown in Zimbabwe between 2007 and 2008, many locals left for Diaspora and had to send money and foodstuffs back home to sustain their families (Ratha 2009). In order to maximise the benefits of remittances, there was a need to strengthen the remittances infrastructure, reducing transaction costs of remittances, addressing 'last-mile' concerns – ensuring recipients in remote or rural areas can receive remittances and at a reasonable cost – and facilitating the use of formal systems, as opposed to informal systems. Leveraging the use of remittances for development through government incentives such as tax breaks, special deposit accounts, matching funds, investment vehicles, and civil society initiatives would stimulate rural development.

According to Bonga (2020), 65% of adults in developing countries live on less than USD 1.90 daily and do not own a bank account in Zimbabwe. These factors bring about many challenges when Diaspora remittances are channelled through banks. Therefore, shifting remittances from informal to formal transfers could decrease the development impact of remittances. This suggestion is proposed not for 'controlling' remittance recipients and senders but because formalising remittances can bring other developmental benefits. However, the developmental impacts of shifting to a formal system remain disputed as benefits such as socio-economic development highlighted by Orozco (2015) and the World Bank (2021) may not be realised.

Demirguc-Kunt and Klapper (2012) conducted a comprehensive review of informal remittance transfer systems in Africa, the Caribbean, and the Pacific countries, which revealed that these systems offered cheaper, faster, and more versatile services, often surpassing the reliability of formal methods. This is because there were no barriers like government policies and taxes imposed on Diaspora remittances. Furthermore, there is no clear evidence that the development impact of informal transfers is systematically different from that of formal transfers because development is realised in rural areas as more funds are channelled without restriction through informal means.

An attractive and sustainable business environment should be created for Diaspora to commit funds towards investments in Zimbabwe through formal channels. The incentives offered should be enticing enough to make it worthwhile for investors to invest in the Zimbabwean economy. Incentives may be in the form of fiscal and non-fiscal policies that attract the establishment of investments in perpetuity. For example, reduced tax rates for defined trades and projects, import duty exemptions on machinery and other capital equipment imported for investment in specific areas prioritised by the government, reduced corporate income tax for enterprises set up by Diaspora investors, and some tax holidays. In Egypt, Diaspora emitting through banks receive tax breaks for up to ten years. Interest incomes of emigrants from India and Sri Lanka are exempted from income tax. Egypt and Moldova have programmes allowing migrants to buy land at preferential prices. Ethiopia, Kenya and India exempt interest earnings from Diaspora bonds from income taxes (Moreno-Dodson Blanca., Mohapatra, Sanket, Ratha & Dilip 2012).

According to the Zimbabwe Diaspora Policy (2016), the government of Zimbabwe made some efforts to attract Diaspora remittances. In 2005, the Reserve Bank of Zimbabwe (RBZ) established Homelink to attract foreign currency from Zimbabweans in the Diaspora by providing products and services that meet such people’s investment and consumption needs. Homelink was structured into four business units: Proplink –involved in real estate development, housing and land development; Easylink Money Transfer (Pty) Ltd – an agent of Western Union International, responsible for money transfer services; Investlink – responsible for investment needs of the Diaspora by scanning for investment opportunities in the country and parcelling the opportunities to the Diaspora for possible take up and Masterlink Capital Services (Pty) Ltd – providing short-term financing needs for customers within and outside Zimbabwe. The authors found that despite all the efforts made by the government of Zimbabwe to attract Diaspora remittances, it lacked investor confidence. The lack of confidence resulted from inconsistent money policies. For example, when the Zimbabwean dollar was reintroduced, the Reserve Bank of Zimbabwe governor made it clear that it was ZWL 1:1 USD. However, regrettably, within two months, the rate had changed. The conversion of current accounts to nostro accounts and the giving of deadlines to ensure people have used their current account balances tainted the whole Homelink programme. Under normal circumstances, no one can invest in an unstable economic environment. However, a few housing units can be seen in Bindura, Mashonaland Central Province, reserved for those in Diaspora to buy (Chinembiri 2017).

In 2009, the RBZ issued the Diaspora Tobacco and Gold Production Financing Bonds to boost Diaspora remittances. Tobacco bondholders received capital plus interest as a single payment at the end of the tobacco season. The Diaspora Gold Production Financing Bond was also issued to Zimbabweans in the Diaspora to finance gold production by small-scale gold miners in return for interest when the producers sold their gold to the RBZ's gold buying arm, Fidelity Printers and Refiners (Zimbabwe Diaspora Policy 2016)

In 2016, the RBZ launched the Diaspora Remittances Incentive Scheme (DRIS) and further enhanced it in 2017. Under the scheme, in 2016, the RBZ introduced a 3% incentive to receivers of remittances in Zimbabwe who would receive funds sent to them via formal channels, that is, through registered money transfer agents. The incentive was increased to 10% of the funds received in 2017. The DRIS was meant to encourage remittances through formal channels. The scheme benefitted the money transfer agents and the receiver of the funds based on a 2% and 3% split. The scheme witnessed an increase in the flow of remittances by a monthly average of USD 45 million. However, it was discontinued without notice on 27 March 2019 (*Financial Gazette* 8 December 2019; RBZ March 2019; Zhou, Pindiriri and Tambama 2013).

The RBZ also introduced an Investment Desk to cater to Zimbabweans living and working outside the country. The desk, established in 2018, sought to facilitate the participation of Zimbabweans in the country's development by mobilising investments into various economic sectors. Furthermore, the RBZ authorised commercial banks in Zimbabwe to open Diaspora Investments Accounts for Zimbabweans in the Diaspora (*The Herald* 7 February 2018). The accounts were created in Zimbabwe to specifically enable individuals to save and invest funds designated for investment projects. These accounts would be funded from offshore sources and were eligible for a 7% Diaspora Remittance Incentive provided by the RBZ, in addition to the interest offered by the bank. However, the Diaspora community was hesitant due to uncertainties exhibited in previous monetary and fiscal policies. They feared that when the RBZ had collected enough, it would force clients to convert their balances into a volatile local currency (Zimbabwe Diaspora Policy 2016).

Diaspora remittances are made through formal channels and informal channels. Most Zimbabweans living in Diaspora avoid sending money through formal channels to evade high taxes imposed by the government. The Government of Zimbabwe has stringent policies that do not favour Diaspora remittances, such as a 2% tax on every transaction and high withdrawal charges of USD 5.00 per withdrawal, depending on the amount to be withdrawn by the client. In June 2019, the Minister of Finance and Economic Development outlawed the use of multiple currencies. The move shattered the earlier incentive schemes introduced by the RBZ (RBZ June 2019), such as issuing Diaspora bonds, Diaspora Investments Accounts and Diaspora Remittance Incentive Scheme (Chinembiri 2017).

Even to date, Diaspora remittances remain a lifeline for many Zimbabweans. Diaspora remittances have resulted in rural household development. New houses have been built, boreholes have been sunk that are solar powered, and some communities now have community libraries and clinics.

5 Challenges Affecting Diaspora Remittances in Zimbabwe

This section discusses the challenges faced by Diaspora in sending money to their home country, Zimbabwe, which subsequently affects rural development in the home country.

5.1 Taxing Remittance Policies

Remittances are private monies that can be taxed when spent on public goods. However, taxing remittances was counter-productive because doing so incentivised migrants to send money through informal channels, reduced the need to send remittances altogether and was regressive in Zimbabwe. A mandatory 2% tax on all financial transactions imposed by the Minister of Finance and Economic Development in Zimbabwe prevented Diaspora from sending money through formal channels. There are high costs for transmitting money through existing formal money transfers. Remittances from the Diaspora have been attracting high service charges (Damiyano & Dorasamy 2019).

5.2 Lack of Investor Confidence

One of the possible reasons why Zimbabweans in the Diaspora are not keen to invest back home is a lack of confidence and trust in the prevailing situation in the country. The lack of confidence and trust flows from the absence of accurate official information on policy positions and opportunities for possible take-up. Zimbabweans in the Diaspora have been assumed to be anti-government. The general perception of Zimbabweans living in the Diaspora is that of an unstable investment environment characterised by overnight changes in laws and agreements. It will require concerted efforts to undo this attitude, inspire confidence, and achieve significant economic stability and growth inflows. Time and again, top government officials, including ministers, publicly issue conflicting investment policy interpretations. Such tendencies breed an unpredictable investment environment in which investors feel insecure. This situation was particularly pronounced regarding the Indigenisation and Economic Empowerment Act (*New Zimbabwe* 25 December 2015; *The Standard* 3 April 2016).

5.3 Lack of Engagement and Formal Communication Platforms with Diaspora

According to Zimbabwe Diaspora Policy (2016), Zimbabwe has no formal communication platforms between the government and the Diaspora. As a result, there are no cohesive synergies between the country and the Diaspora. The Zimbabwean Diaspora has relied on the public media as the primary source of information on the situation back home. This lack of engagement was not ideal, considering some media deficiencies bordering over-exaggeration and misrepresenting facts. This situation could be resolved via frequent official engagement between the government and the Diaspora community as a platform to provide accurate information about the situation. For instance, through embassies abroad, the government should frequently engage with the

Diaspora community through various communication platforms by hosting business seminars – online or face-to-face – conferences and cultural festivals. The embassies could listen to the Diaspora community's challenges and aspirations and explain government policy positions on matters of concern. This engagement could go a long way in building the Diaspora's confidence in government dealings. This engagement would stimulate the exchange of knowledge, expertise, and experience between the Diaspora and the mainstream development agencies. Knowledge and sharing expertise are essential as they can stimulate joint development activities in the future.

There are no specific fiscal concessions in Zimbabwe to attract prospective Diaspora investors. The research indicated that in some situations, the Diaspora communities are also left out in programs to empower the local people of the home countries. In the case of Zimbabwe, the investment policies were targeted at attracting FDI, whilst the Indigenisation and Economic Empowerment Act was silent on the role of Diasporas in nation-building and employment creation. The research showed that the general view within the Diaspora community is that the government's investment promotion schemes are meant for foreign investors instead of local investors and the Diaspora community. Furthermore, the environment is also viewed to favour large companies more than start-ups or small- and medium enterprises. A mechanism is needed to assist returning residents concerning relocation, reintegration, and support to start businesses for social and economic development (Chinembiri 2017).

5.4 Few Receiving Points and Poor Internet Connectivity

The study found that recipients of Diaspora funds had to travel long distances to access the money. In Zimbabwe, most recipients get their money from Mukuru and Western Union. These collection points are found in banks, hyper hardware shops or wholesalers in big towns and cities, mostly far away from rural communities. It must be understood that not all in Diaspora are gainfully employed, and some may send as little as USD 20.00. In some cases, travelling long distances would not be prudent as the transport cost may surpass the amount sent. Due to electricity outages, internet connectivity is often interrupted. It was found that some recipients could spend more time, if not days, queuing at the bank or Mukuru collection booths. Some places were inaccessible due to poor road networks. Again, it was found that those from rural communities would take a long time to collect the money sent (Damiyano & Dorasamy 2019).

5.5 Corruption

Diaspora remittances should be put to good use for the benefit of the citizens through improving health facilities, education and infrastructure development and not for individuals or political benefit. Governments in developing countries should be accountable. Confidence and trust between the government and its citizenry are built through the positive actions of the government that include, among others, enacting and implementing policies that benefit citizens, embracing accountability and transparency in public transactions, and fighting corruption in a firm, fair, and just manner. For example, in Zimbabwe, money donated to fight Covid-19 was mismanaged. The then minister of Health and Child Welfare, Dr Obadiah Moyo, was implicated in a USD 60 million fraud and got fired from the post, but no recoveries were recorded. Leaders should pass credibility or competency tests (Damiyano & Dorasamy 2019).

One of the reasons why remittances have not spurred economic growth and rural development in Zimbabwe is that the remittances were not intended to serve as investments but as social insurance to help family members finance the purchase of life’s necessities. Remittances lift people from poverty but do not typically turn their recipients into entrepreneurs. Studies have shown that remittances tend to reduce poverty. Adams’ (2004) work on remittances and poverty reduction found a statistical relationship between remittance and poverty trends worldwide. His study showed that a 10% increase in international remittances from each individual would lead to a 3.5% decline in the share of impoverished people. Most governments in Africa were not taking remittance flows as investment opportunities. There is a need to develop policies and institutions that can help recipients of remittances make the most of the transfers they receive (Chinembiri 2017).

6 Remittance Policies, Products, and Solutions to Spur Rural Development: Opportunities

This section discusses products and policies that can harness and aid remittance flows to stimulate rural development in Zimbabwe. This section also highlights opportunities that can be created through favourable Diaspora remittance policies in Zimbabwe.

Asset building is a key intersecting component between remittances and development. Significant challenges include poor financial access, especially for recipients in rural areas, regulatory environments restricting participation in money transfers limiting competition, and problems relating to expensive remittance transfer costs persist. As a result, migrants often invest informally, and such development projects do not have expected impacts.

6.1 Reducing Transaction Costs of Remittances

Reducing transaction costs of remittances enables rural recipients to receive them at a reasonable cost, facilitating the use of formal systems instead of informal systems. On average, remittance costs in all regions were higher than the 5% transfer fees proposed by the IMF (Watkins & Quattri 2020). Fees to Sub-Saharan Africa were the highest, at 12.8%, on average, and fees to South Asian countries were lowest, at around 6.5% on average. These transfer fees were detrimental to development. They represent money that could have been spent on recipient households instead. For instance, Watkins and Quattri (2020) estimated that for Sub-Saharan Africa, remittance fees cost the African continent USD 1.8 billion a year, enough money to pay for the primary school education of 14 million children in the region. Therefore, reducing remittance fees is an important policy priority.

Reducing the transaction costs of remittances is critical to increasing the remittances available to recipient households. Increasing competition can reduce transaction costs, thereby increasing the quality of service. For example, in Sub-Saharan Africa, remittances were dominated by a duopoly of money transfer organisations (MTOs). It explains why transfer fees were highest in Sub-Saharan Africa (Watkins & Quattri 2020). In developed countries such as the US-Mexico remittances corridor, the costs of remittances have been reduced by more than half. Therefore, competition can be increased through:

(i) promoting alternative providers such as microfinance institutions and credit cooperatives;

(ii) including financial services in the services provided by post offices and ensuring they have the required facilities like an Internet connection and management information systems. The Post Office has embraced banking in Zimbabwe, but remittance charges remain high;

(iii) eliminating exclusive partnerships for money transfers and allowing multiple partnerships;

(iv) disseminating information about potential channels and costs for remittances – including websites, such as the successful Australia Remittance Cost Database or the World Bank Remittance Costs Database, but should also be published in other formats like pamphlets written in various common languages for migrants that are less literate and without access to the Internet;

(v) allowing non-bank financial institutions like MTOs direct access to clearing and settlement systems rather than through commercial banks;

(vi) improving transparency; and

(vii) implementing technological advances such as pre-paid cards that can be used in stores nationwide.

6.2 Shifting from Informal to Formal Transfer Systems

About 65% of remittances in Zimbabwe were informal in 2015 (Zimbabwe Diaspora Policy Document 2016). Shifting remittances from informal to formal transfers can increase the development impact of remittances. Formalising remittances can bring community developmental benefits such as sinking boreholes, health facilities, education centres or institutions and road rehabilitation. Informal remittances are associated with money laundering or the financing of terrorist activities. Therefore, channelling funds through formal channels would give governments greater oversight (Kharel 2011).

The Universal Postal Union (UPU) was instrumental in implementing the Millennium Development Goals in the United Nations General Assembly resolutions (A/RES/59/220, 2004; A/ RES/60/1, 2005). These resolutions aimed to reduce poverty and the digital divide and reaffirmed the need to adopt policies and take measures to reduce the cost of transferring migrant workers' remittances to developing countries. The costs associated with international money transfers remained high, with charges of up to 20% levied on transactions in some cases (World Bank 2011).

6.3 Financial Product Design

Policymakers must target the financial markets before designing financial services interventions. Identifying the product to be offered involves carefully selecting the partners among financial institutions, government agencies and civil society to develop access to the target population and collaboration with remittance service providers (Chinembiri 2017).

6.4 Educating Rural Recipients on Budgeting and Saving

Rural remittance recipients should be educated on formalising their savings at trusted financial institutions to improve their living standards. Financial education will improve the usability and openness of financial products among remittance recipients. Low levels of financial literacy reflect many people's struggle to strike the right balance between income and expenditure. It can result in some people getting enough money but failing to make meaningful household or community development (Damiyano & Dorasamy 2019).

7 Recommendations

The following recommendations are proposed:

- The Zimbabwe government needs to study how their recipients currently use remittances. Most evidence on remittance receipt and usage is limited. Therefore, policymakers do not have an adequate understanding of the obstacles that prevent remittances from being used to spur development, particularly in education, business formation and investment in rural areas.
- There is a need to initiate partnerships between registered banks and non-bank financial institutions, including savings and credit cooperatives, micro-finance institutions and post offices, to reduce transaction costs.
- There is a need to fight corruption in managing Diaspora remittances and ensuring transparency and accountability.
- There is a need to promote mobile phone remittance transfers and accessibility. In Zimbabwe, most rural communities have poor road and transmission network systems.

8 Conclusion

This chapter presented evidence of the potential challenges faced by Diasporas in sending money to their home families for sustainability and development. It reviewed and highlighted major gaps in the literature. It should be considered as a resource document for further study and analysis.

From a macroeconomic perspective, remittances have been considered to boost foreign exchange reserves. Remittances bring the much-needed foreign currency to purchase capital items for socio-economic development. Most rural communities in Zimbabwe lag in development due to a lack of foreign currency.

The authors of this chapter found that there is a need for policies that promote Diaspora remittances. They are an important source of income which can be used to develop rural areas. Policy improvements regarding Diaspora remittances include reducing transaction costs and ensuring recipients in rural areas can receive remittances at a reasonable cost. They are left with more disposable income, which they can use to develop their households and communities. Facilitating the use of formal systems helps to bank the unbanked and could deepen financial systems in low-income countries. Capturing a share of remittances for development purposes, avoidance of corruption, promotion of accountability, and creation of communication platforms between the government and the Diaspora community and providing incentives to remitters helps to increase the inflow of Diaspora remittances.

Although tax incentives may attract Diasporas' remittances, the research in this chapter emphasises that these may also encourage tax evasion of non-migrants. Likewise, matching funds have successfully encouraged group remittances in some countries but could divert resources from other, more important programmes or needy regions and places. Although remittances are private monies, they should be treated like other income sources. Finally, the most productive use of remittances can be achieved through improvements in the overall investment climate of a country. The environment should be politically stable, free from corruption and conflict.

The Universal Postal Union was already collaborating with partners such as the IFAD, the World Bank and the Bill and Melinda Gates Foundation to tackle challenges faced by Diasporas in sending money to their families in their respective home countries. There is a need to create more partnerships to establish reliable postal services by providing financial services that can contribute to socio-economic development in rural areas. Most rural areas in Zimbabwe remain marginalised. Such partnerships need to have the full support of the respective governments and international donors.

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