

Africa's remittance costs too high says World Bank

Bringing remittance prices down to 5% from the current 12.4% average cost would put US\$4bn more in the pockets of Africa's migrants and their families who rely on remittances for survival, the World Bank said on Monday (28 January).



The G8 and the G20 established 5% as the target average remittance price to reach by 2014.

Africa's overseas workers, who sent close to US\$60bn in remittances in 2012, pay more to send money home than any other migrant group.

According to the World Bank's *Send Money Africa* database, sub-Saharan Africa is the most expensive region to send money to, with average remittance costs reaching 12.4% in 2012.

The average cost of sending money to Africa is more than 12% - higher than global average of 8.96%, and almost double the cost of sending money to South Asia, which has the world's lowest prices at 6.54%.

SWIFT SA chief executive Hugo Smit said last month that the high economic growth of sub-Saharan Africa excluding SA was reflected in the more than 20% growth of volumes in SWIFT transactions in this area over the past three years.

SWIFT is the international financial messaging provider for more than 10,000 banking organisations, securities institutions and corporate customers in 212 countries and territories.

Diaspora remittances to Kenya rose by 31% in 2012 to US\$1.2bn. The central bank of Kenya said the significant increase was an indication of resilience in remittance inflows to Kenya despite the weak global economy.

"High transaction costs are cutting into remittances, which are a lifeline for millions of Africans," said Gaiv Tata, director of the World Bank's Africa region.

"Remittances play a critical role in helping households address immediate needs and also invest in the future, so bringing down remittance prices will have a significant impact on poverty," Tata said.

Lower cost remittances also advance financial inclusion, since they are often the first financial service used by recipients, who are then more likely to use other financial services including bank accounts.

The World Bank noted that remittance prices are even higher between African nations. South Africa, Tanzania, and Ghana are the most expensive sending countries in Africa, with prices averaging 20.7%, 19.7%, and 19.0% respectively, due to several factors including limited competition in the market for cross-border payments.

"Governments should implement policies to open the remittances market up to competition. Increased competition, as well as better informed consumers, can help bring down remittance prices," said Massimo Cirasino, manager of the financial infrastructure and remittances service line at the World Bank.

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