# **IGAD, UNCDF, and Central Bank Governors push for harmonizing remittance policies**

By Majok Nikodemo

Nairobi: May 2023: The Intergovernmental Authority on Development (IGAD) in partnership with the United Nations Capital Development Fund (UNCDF) and Governors of Central Banks from member States have sought how best to harmonize remittance policies across member countries.

The partners organized a two-day forum in Nairobi, on May 15 -16, 2023, themed, ‘Unlocking the potential of remittance for sustainable development,’ whose aim was to discuss opportunities that promote remittance policies and regulations.

Speaking Monday during the forum, IGAD Chair Ambassador Rahma Salih said the IGAD region is characterized by high mobility, noting that an estimated over 9.5 million people who represent over 4pc of the region’s population are on the move.

The Executive Secretary of the Intergovernmental Authority on Development (IGAD), Dr Workneh Gebeyehu welcomed the Governors of the Central Banks of Kenya and South Sudan. He said IGAD recognizes the critical role of remittances in promoting economic development.

Gebeyyehu said the IGAD Governors should work together to come up with a roadmap to address the remittance challenges. “Mobile money is central in the remittance. It should be encouraged to cover the whole region and beyond.”

He noted that "Remittances play a crucial role in regional economic development, serving as both a financial parachute and fiscal safety net and are the lifeline, and vital source of income for many families in the IGAD region.

“Many remittances to the IGAD region are still being sent through informal channels, such as friends and family members carrying cash across borders or using unlicensed money transfer operators,” said IGAD executive secretary Workneh Gebeyehu.

“These informal channels are often unregulated, expensive, and risky, exposing both senders and recipients to fraud and exploitation.”

Host Governor, Dr Patrick Njoroge, of the Central Bank of Kenya, said the average cost of sending remittances to the IGAD region is 8.9pc of the amount sent compared to the global average of 6.5pc and this is nearly three times the sustainable Development Goals target rate of below 3pc.

Immigrants send remittances for good reasons, notably to assist families. There are efforts to reduce the cost of sending remittances, he added.

“First of all is the possibility of having small ticket sizes. The remittance does not necessarily have to be large, waiting until you have you know, like $500. Even $20, even $10. You can still do with smaller ticket sizes. If we go back to the existing data within our reach, you’ll find most of it is within the bottom of the pyramid and lower tickets,” he said.

Governor Njoroge said, “We have to conduct a survey to establish data and introduce digitization, being a major revolution and essence of what we do.”

He called for harmonizing remittance policy based on best practices, and innovation, and encouraging immigrants to invest.

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The cost of intra-regional remittances transfer among the IGAD member states stands at 10.6 percent, which is higher than what’s proposed in Development Goal.

According to the World Bank, remittances to low and middle-income countries reached a record high of $540 billion despite the disruption of Covid-19 on the global economy.

Recent studies have shown that, globally, about 281 million people (or four percent of the world’s population) live outside their country of origin and sent $781 billion in remittances in 2021 alone.

Governor of Bank of South Sudan, Hon. Johnny Ohisa congratulated IGAD for convening this important event and appreciated the government of the Republic of Kenya for hosting it to deliberate issues surrounding remittances. He informed the member States that, South Sudan is the highest in terms of remittance recipience and sending in the region. According to the Governor, the remittances are done both formally and informally with no regulation from the Central Bank due to lack of regulatory framework and insufficient infrastructure in the country.

The remittances are precursors for economic development in the country as we have seen in other partner States due to proper regulation and availability of data. In South Sudan, this is a potential area that would contribute to the growth of GDP in the future as the country will soon operationalize the National Payment System.

The Governor reiterated that South Sudan is committed to undertaking efforts to come up with regulatory frameworks for remittances, microfinance institutions, and Islamic banking as proposed in the amendments of the Bank Act and Banking Act (to be called the Financial Institution Act). Mobile Money operators are there such as M- pesa from Kenya, MTN of Uganda, and M-Gurush, an indigenous Company that works closely with M-Pesa dealing in cross-border transactions.

He added that the Bank of South Sudan is also working closely with the National Communication Authority to put in place the regulatory framework for Mobile Network Operators (MNOs) to expand their operations in remote areas so that there will be wide coverage for the network to increase access to people to receive money or transfer.

“This will bring about financial inclusion in the country as more people will be able to have access to transact with their dear ones in the major cities of the country.”

The governor underscored that like other partner States, South Sudan is faced with myriad obstacles in remittances. “There is no well-developed migration system, the payment infrastructure, and even the legal and regulatory framework are inadequate. The lack of adequate data on remittance is a big concern. Remittance is further being faced with high costs and correspondent banking services are also a challenge.”

He noted, “Despite the infrastructural challenges, we will work with IGAD to harmonize remittance policies and regulations.”

The IGAD states comprise Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Uganda, South Sudan, and Sudan.

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