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**5<sup>th</sup> Joint Annual Meetings of the African Union (AU)  
Conference of Ministers of Economy and  
Finance and the Economic Commission for Africa  
(ECA) Conference of African Ministers of Finance,  
Planning and Economic Development,  
22 – 27 March 2012**

**DRAFT**

**CONCEPT NOTE**

**FOR SIDE EVENT**

**ON**

**THE ESTABLISHMENT OF AN AFRICAN INSTITUTE FOR  
REMITTANCES (AIR)**

**Organized jointly with the World Bank**

**At the 5<sup>th</sup> Joint Annual Meeting of the AU Conference of Ministers of  
Economy and Finance and the ECA Conference of African Ministers of  
Finance, Planning and Economic Development**

**Addis Ababa, Ethiopia, 22- 27 March 2012**

## **BACKGROUND**

1. Remittances are defined as cross-border person-to-person payments of relatively low-value, generally associated with migrant workers. Remittances transfer have existed for centuries, but have only garnered international attention for the last two decades because of the relatively small amount of money sent with each transfer, and the often-marginal social status of both the sender and the receiver. It is estimated that there are some 30 million Africans living outside their countries of origin, mostly in Europe, North America and the Gulf Cooperation Council (GCC) countries of the Arabian Peninsula, with majority having migrated in the last 50 years. However, there is also a large pool of migrants within the continent that also send remittances back home.

2. It is also estimated that these migrants contribute about US\$40 billion in remittances to their families and communities back home every year, affecting as many as 25 million recipient households and significantly reducing poverty and stimulating growth. In fact, increasingly, remittances are being recognized for their contribution to the economic health of Africa, as well as their vital importance to recipient families.

3. Remittances when properly harnessed will have significant effect in accelerating socio-economic development of our continent. Unlike development aid, remittances are spent directly by the families of migrants, making it an efficient way to raise the overall income and well-being of the poor. In other words, remittances are distributed to individuals who retain full discretion to decide how to use it. The availability of remitted funds indirectly helps entire communities within developing nations where the money is spent. Thus, remittances help to foster a sense of financial democracy, as it represents a financial flow to those in the developing world who might not otherwise receive assistance, due to location or social status.

4. The establishment of an African Institute for Remittances (AIR) will facilitate remittances leverage for economic and social development. The Joint Africa-EU Declaration on Migration and Development Tripoli in 2006 (Tripoli Declaration) recognized the benefit of migration to both AU-EU and emphasized the need to initiate programmes to facilitate the transfer of remittances and to reduce the costs of these transfers in order to leverage remittances for development. The establishment of an AIR was conceived within the framework of Africa-EU Migration, Mobility and Employment Partnership and was included in the Second Action Plan 2011-13 of the Joint Africa-EU Strategy. The Action Plan was endorsed by the AU Assembly by its decision Assembly/AU/Dec.354 (XVI).

5. The preparatory phase project towards the establishment of an AIR was launched on 8 June 2010 with a grant from the European Commission (EC) for €1,676,271 million (US \$2.4 million equivalent) to the World Bank through a Bank Executed Trust Fund (BETF) Grant Agreement signed in December 2009. The preparatory phase project is to be implemented by the AUC and World Bank with

the collaboration of the EC, the International Organization for Migration (IOM) and the African Development Bank (AfDB). The project will end in April 2012.

6. The preparatory phase project which is both consultative and technical focuses on consultations, research, capacity building and networking. The importance of the consultations to be carried out in order to prepare for the African Union (AU) decision of establishing an AIR is strongly emphasized in the project document. These consultations are conducted together with technical and capacity building inputs to be provided by the World Bank. Thus the core objectives of the project are to facilitate the process leading to the creation of the AIR within the AUC, facilitate a structured and deepened reflection on all aspects of the prospective establishment of the AIR, and build the capacity of Member States of the AU, remittance senders and recipients and other stakeholders to leverage remittances.

7. Project activities included providing technical assistance to government institutions (central banks, ministries, financial and non-financial Institutions) on putting in place the required regulatory frameworks, conducting training and capacity building programmes for relevant institutions and organisations (e.g. national statistical service departments), studying remittance flows within Africa, conducting policy research, dialogue and information sharing on how remittances can contribute to the development of African countries, developing content and technology platforms for country-based payment and settlement systems for remittances, developing partnerships between African central banks and remittance service providers and non-bank correspondent agencies to improve financial access, disseminating data and research findings, and preparing annual reports, conferences and meetings of policy makers.

8. The implementation of the project has been on course. Within 18 months of the project, the AUC and partners (WB, AfDB, EC and IOM) have conducted studies on financial institutions and remittances flow to and within Africa, offered technical assistance (including training and capacity building for relevant organizations -- Central Banks, Ministries, Financial and non-Financial Institutions) to a number of Member States in order to improve their regulatory framework and market for remittances. Eight (8) countries have already benefitted directly from the project to build their capacities in the area of remittances.

9. These results have prepared the ground for the AUC to advance confidently in the policy consultation process at ministerial level, as a key step towards the submission of the project to the AU Assembly in July 2012 for a decision on the establishment of the Remittances Institute. Indeed, in its decision EX.CL/Dec.683(XX) the Executive Council of the African Union at its 20<sup>th</sup> session in Addis Ababa in January 2012 acknowledged that when properly harnessed, remittances will have significant effect in accelerating socio-economic development of the continent and that the establishment of an African Institute for Remittances (AIR) will facilitate Remittances leverage for economic and social

development. The Council requested the AU Commission to submit to the Ministers of Finance recommendations pertaining to the establishment of the AIR. It is in this context that the 5<sup>th</sup> Joint Annual Meetings of the AU-ECA Conference of Ministers of Economy and Finance and the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development, taking place in Addis Ababa from 22 to 27 March 2012 will allow the Ministers and all Stakeholders in particular, Governors of Central Bank and Development Partners to examine the progress made in the implementation of the preparatory project and make appropriate recommendations to the AU Executive Council and the Assembly on the establishment and structure of the AIR. In order to broaden the policy debate to others partners, in particular at experts level, a side event will be organized on the margins of the above mentioned 5<sup>th</sup> Joint Annual Meetings.

### **Overall Objective of the AIR Side Event**

10. The AIR Side Event will provide a forum for all stakeholders including Ministers, Senior Officials, relevant national and regional financial institutions, Diaspora Organizations and International Partners to share experiences and learn from each other on ongoing programmes and activities on remittances in Africa, and on best practices in Migration and Development. It will also provide opportunity to review progress made in the implementation of the preparatory phase of the Establishment of AIR, as well as make recommendations on the most cost-effective and efficient structure and location for the AIR.

### **Specific Objectives of the AIR Side Event**

11. The AIR Side Event will provide an important opportunity for Member States, RECs, social partners, development partners and other stakeholders, to, among others:

- Sensitise AU member states on the implementation of the preparatory phase of the AIR, and inform on the roadmap towards its creation.
- Foster effective ways of networking, coordination and cooperation among Member States and partners to address remittances issues in a more strategic and programmatic manner.
- Focus on promoting the importance of remittances for leveraging development, reducing poverty, and helping to foster a sense of financial democracy in Africa. The side event-is aimed at galvanising support for activities undertaken by the AU Commission towards a more synergised and coordinated actions to leverage remittances for development.

- Learning from experiences in Latin/South America and Asia.
- Discuss the most cost-effective and efficient structure and location for the proposed AIR.

## **Programme for the AIR Side Event**

12. The AIR Side Event will take place in March 2012 and will include the following activities:

- 22-27 March 2012: Exhibition by the AUC, World Bank, African Development Bank, IOM, European Commission, the African Association of Central Banks and the Central Banks of selected AU Member States.
- 24 and 25 March 2012: Panel Discussions on the future role of the AIR and the impact of remittances on development;

## **Panel Discussions**

### **A. Expert Panel Discussion on Future Roles, Activities and Organizational Structure of proposed AIR**

The Executive Council, in its decision EX.CL/Dec.683(XX) of January 2012 also requested the AUC to submit to the Permanent Representatives' Committee (PRC) through its relevant Sub-Committees, including the Sub Committee on Structural Reforms and the Sub-Committee on Administrative, Budgetary and Financial Matters the implications of establishing AIR for consideration and necessary action. Pursuant to the implementation of this decision, the AUC has prepared a document on "Roles, Activities and the Institutional Framework of the future AIR".

The Expert Panel discussion, will examine this document and its conclusions will further improve the document before submission to the PRC and its Sub-Committees. In addition, the Panel discussion will be an opportunity to disseminate practical experiences from other parts of the world on leveraging remittances, including the implementation of the General Principles for International Remittances (GPs), as well working with Migrants and Diasporas.

The Panel discussion will be moderated by Prof Don Terry, a Consultant to the World Bank and the proposed panelists are:

- Former Executive Director of CEMLA
- Director, Financing Facility for Remittances at the International Fund for Agricultural Development (IFAD);
- A Retired African Ambassador
- An Expert from the European Commission

## **B. High Level Ministerial Panel Discussion on Leveraging Remittances for Social Development**

Remittances are sometimes considered to be the human face of globalisation and are often cited as one very positive impact of migration that needs to be harnessed to further benefit migrants and their wider communities. Unlike development aid, remittances are spent directly by the families of migrants, so in many respects remittances are an efficient way to raise the overall income and well-being of the poor. Remittance flows tend to be more stable than capital flows, and they tend to be counter-cyclical—increasing during economic downturns or after a natural disaster in home countries, when other capital flows tend to decrease. They have a crucial effect on the standard of living of the households that receive them particularly in rural areas. Typically, migrants send small sums of money to their families – an average of US\$ 50-US\$ 300 monthly or bi-monthly – on a regular basis to meet basic needs. Some migrants also invest a portion of their remittances for productive projects either individually or collectively through hometown associations.

Thus, migrants not only provide the basic needs of their families and support to community projects through collective remittances, they are also quick to respond in times of crisis as experienced first-hand during recent natural disasters when massive humanitarian responses were shown by Diasporas.

In spite of clear evidence that in good times and bad times, remittances contribute to the local economy, inadequate attention is given to harness the potentials of migrants' remittances to stimulate development on our Continent. Sound and coherent policy interventions and other enabling environments are needed to unleash the full potential of migrant remittances for development.

13. Considering that this is a ministerial summit, it is proposed that panelists should be Ministers or Governors of Central Banks or private sector representative of higher status and to be moderated by the Executive Secretary of Economic Commission for Africa. The proposed panelists for the panel discussion are:

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- Minister of Finance of Ethiopia
- Minister of Finance of Algeria
- Minister of Finance of Gabon
- Governor of the Central Bank of West African States (BCEAO)

- Governor of Central Bank of Central African States (BEAC)
- MD/CEO of ECOBANK Group

## **Expected Outcomes**

14. The expected outcomes of the Side Event are recommendations on:

- The roles of Government, Diaspora, and International Partners;
- Coordination, resource mobilization, and identification and dissemination of best practices; and
- Facilitate the endorsement of the AIR process by the Ministers of Finance, Planning and Economic Development

## **Documents**

15. In addition to the Report of the Commission on the Preparatory Project of the AIR and Proposed AIR Organizational Structure, the following relevant documents of the meeting which will be disseminated to participants, in accordance with the draft Agenda:

- Report of the Consultative and Experience Sharing Forum
- African Common Position on Migration and Development
- Migration Policy Framework for Africa
- Joint Africa-EU Declaration on Migration and Development
- Joint Africa-EU Strategic Partnership (Lisbon Action Plan) particularly the Africa-EU Partnership on Migration, Mobility and Employment
- Report of the Commission on the Establishment of an African Institute for Remittances (AIR);
- AIR Preparatory Project – Detailed Report

## **Organisational Matters**

16. The African Union Commission and the World Bank will be responsible for organizational and logistical arrangements.

## Participants

17. Participants will include: Ministers of Finance/Economy and Experts/Officials from AU Member States, the Social Partners organizations, Representatives of Regional Economic Communities (RECs), Representatives of Non-AU Member States accredited to AU, UN and Other International Agencies, National and Regional NGOs, Regional Employment Organizations, Civil Society and Labour/Employment Professional Organizations, and relevant AU Organs.

## FURTHER INFORMATION

Details of the relevant contact persons at the Commission for further information and for **confirmation of participation** to the Conference are as follows:

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