

AFRICAN UNION

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AFRICAN INSTITUTE FOR REMITTANCES

**THE 2ND SPECIALIZED TECHNICAL COMMITTEE (STC)
ON FINANCE, MONETARY AFFAIRS, ECONOMIC
PLANNING AND INTEGRATION
16-17 APRIL 2018
ADDIS ABABA, ETHIOPIA**

**PROGRESS REPORT
ON
THE AFRICAN INSTITUTE FOR REMITTANCES**

BACKGROUND

1. Remittances sent by over 30 million African migrants reached an officially reported US\$ 65 billion in 2017, supporting at least 120 million family members living in countries of origin. The data on remittance flows, however, are substantially understated due to, among others, the general use of informal/unregulated remittance channels, and the relatively weak data collection capacity of many countries in Africa. As a result, the true size of remittance flows to and within Africa, including unrecorded flows through formal and informal channels, is believed to be significantly larger than the official figure. Moreover, costs of remittance transfers to and within Africa are the most expensive in the world by a substantial margin.
2. Lack of accurate data on remittances in Africa as well as high costs of remittance transfers constraint the capacity of AU Member States to design and implement strategic tools/policies aimed at leveraging remittances for social and economic development.
3. To address these challenges and other remittances-related issues in Africa, the African Institute for Remittances (AIR) was established as a Specialized Technical Office of the African Union (AU) following the decision by the AU Heads of State and Government, Assembly/AU/Dec. 440(XIX), in July 2012, and was became operational since October 2015 in Nairobi, Kenya.

MISSION:

4. AIR's mission statement is to become "a center of excellence on African remittances driving the process of enhancement of market competition to make remittance transfers to and within Africa cheaper, safer, faster and legally-compliant so as to maximize their impact on the economic and social development of African Countries".

OBJECTIVE:

5. The overall objectives of AIR is to:
 - Improve the statistical measurement, compilation and reporting capabilities of Member States on remittances data;
 - Promote appropriate changes to the legal and regulatory frameworks on remittances aimed at reducing costs of remittance transfers to and within Africa;

- Leverage the potential impact of remittances on social and economic development of AU Member States.

MAJOR ACHIEVEMENTS:

6. *Reduction of costs of remittance transfers to and within Africa:*

- The average costs of remittance transfers to and within Africa have fallen by around 27 percent to 8.7% in December 2017 from about 12% in 2012. However, this is still a long way from the Sustainable Development Goal (target 10.c) which sets a target of 3% for the global average by 2030, with no single corridor being more than 5%. Whilst it is encouraging that prices are going down, Africa is still the most expensive region in the world to receive money.
- The Remittances price database - Send Money Africa (SMA): www.sendmoneyafrica-auair.org is maintained and providing information to remittance senders to make informed decision while choosing among the Money Transfer Operators (MTOs) working in African corridors.

7. *Technical Assistance to AU Member States' Central Banks:*

- Currently Seven (7) AU Member States' Central Banks namely: Banque Centrale du Congo (BCC), Bank of Ghana (BoG), Banque Centrale de Madagascar (BCM), Reserve Bank of Malawi (RBM), Banque Centrale de Mauritanie (BCM), Central Bank of Nigeria (CBN) and the Reserve Bank of Zimbabwe (RBZ), are benefitting from the Technical Assistance Program of AIR. The Technical Assistance includes improvement of remittances data compilation methods as well as the legal and regulatory frameworks on remittances.
- Moreover, about 70% of AU Member States' Central Banks and Statistics Agencies benefitted from AIR activities through various Capacity building Workshops and Technical Assistancess (TA).

8. *Engaging Stakeholders of African Remittances including Diaspora:*

- The African Diaspora Organizations mainly based in Europe were engaged through the annual Diaspora Engagement Forum (AIR-DEF2017) organized by the African Institute for Remittances in collaboration with Diaspora Networks.

- Areas of Diaspora contributions in reduction of costs of remittance transfers as well as avoiding uses of informal channels to send money home was discussed and various recommendations considered.
- The 2018 Diaspora Engagement Forum (AIR-DEF2018) is scheduled to be held in May 2018 under the theme ‘Leveraging Diaspora Remittances for SME Development in Africa: Implementing Innovative Strategies’. The Forum is expected to brainstorm ways of using remittances on productive projects and Investment while supporting the primary beneficiaries.
- Better awareness on the role, functions and activities of AIR was created through several sensitization activities including AIR's participation in various Global and continental conferences.

PROPOSED PROGRAMS FOR 2019:

Expected Outcome: Africans in the Diaspora and their families in Africa benefitted from the reduced costs of remittance transfers and contributed to the social and economic development of their countries of origin.

Expected Outputs:

- Customized/Simplified Remittances Data Measurement, Compilation and Reporting Guideline for Africa developed;
- Improved Legal and Regulatory Frameworks on Remittances and uses of Innovative Technologies developed;
- Strategic policies/tools to Leverage Remittances for Social and Economic development in Africa developed
- Additional research/surveys on Remittances markets in Africa conducted;
- Various stakeholders on African remittances engaged;
- Collaboration with Continental and Global remittance initiatives maintained

Indicators:

- Average costs of remittance transfers to and within Africa reduced from the current 8.7% to 7%;
- Customized Remittances Data Measurement, Compilation and Reporting Guideline for Africa will be developed and shared with Member States;
- Number of AU MSs who include remittances in their

- annual Balance of Payment (BoP) reports be increased;
- A Model Legal and Regulatory Frameworks on Remittances and uses of Innovative Technologies be developed and shared with MSs;
 - Number of AU MSs who have remittances friendly legal frameworks or number of AU MSs who reformed their legal and regulatory frameworks on remittances be increased;
 - At least Three (3) Member States involved in a pilot program of leveraging remittances for development;

ORGANIZATIONAL STRUCTURE OF AIR:

9. The Assembly of the African Union, through its Decision **Assembly/AU/Dec.676 (XXX)** adopted the Statute of the African Institute for Remittances (AIR) at its Thirtieth Ordinary Session held from 28-29 January 2018 in Addis Ababa, Ethiopia.
10. Article 6 of the Statute of AIR makes provision for the setting up of a Governing Board (The Board) as well as a Consultative Forum (The Forum). The Board will have 11 members and the Forum will have 23 members from various stakeholders including representatives from the AUC, the Association of African Central banks (AACB), African Diaspora, Development Partners and the Private Sectors (Banks, MTOs, Non-Bank Financial institutions).
11. Articles 8(1a) of the Statute on the composition of the Governing Board which inter alia states the Board shall be composed of **“Five (5) Ministers of Finance and Economic Planning representing the Five Regions of the AU to be nominated by their Regions, failing which they shall be nominated by the STC on Finance, Monetary Affairs, Economic Planning and Integration”**. Accordingly, the Commission sent Note Verbale inviting the Distinguished Regional Deans to conduct consultations in view of nominating a country whose Minister of Finance and Economic Planning will serve on the Governing Board of AIR for a period of 3 years.
12. The Commission started preparations to constitute the Governance Structure of AIR, namely the Governing Board and the Consultative Forum. Accordingly, the first meetings of the Board and the Forum is planned to be held in July/August 2018.
13. The Executive Council, through its Decision **EX.CL/Dec.986(XXXII)Rev.1**, approved the Organizational Structure of AIR, which shall be composed of 18 Staff. Recruitment is to be completed over three years, from 2018 to 2020.

FUNDING:

14. AIR is financed by the AU Member States, the European Union (EU), through its AU Support Program (AUSP III) and by the Government of Kenya (host country).
15. Other partners are showing interest to support activities of the Institute.

ACTION REQUIRED BY THE STC:

16. The STC is requested to facilitate nomination of Five (5) Ministers of Finance and Economic Planning, representing the Five Regions of the AU to serve on the Governing Board of AIR for a period of three years.