

AFRICAN UNION

الاتحاد الأفريقي



UNION AFRICAINE

UNIÃO AFRICANA

Addis Ababa, ETHIOPIA

P. O. Box 3243

Telephone : 011-551 7700

Fax : 011-551 7844

website : www.africa-union.org

**Statement made by H.E. Adv. Bience Gawanas, Commissioner for
Social Affairs, AU Commission at the Opening of the Consultative and
Experience Sharing Forum on Remittances Leverage for Development
Addis Ababa, Ethiopia, 7 and 8 July 2011**

PROTOCOLS (to be inserted by Office of the Commissioner),

Ladies and Gentlemen,

Please allow me to start by expressing my sincere appreciation for your presence here and my deepest gratitude for the commitment shown by all of you to support and contribute to the process of establishing the African Institute on Remittances by participating at this esteemed forum.

Remittance transfers have existed for centuries, but have only garnered international attention for the last two decades because of the relatively small amounts of money sent with each transfer, and the often-marginal social status of both the sender and the receiver.

Remittances help to foster a sense of financial democracy - it represents a flow of financial income to those in the developing world who might not otherwise receive assistance, because of location or social status. Unlike

other official forms of aid, remittances are distributed directly to individuals who retain full discretion to decide how it will be used. The availability of remitted funds indirectly helps entire communities within developing nations where the money is spent - the extra income from remittance transfers may cover the basic needs and free up money which can be spent on education and health care, thereby resulting in a more productive and healthy citizenry.

However, remittances also run the risk of creating dependency for receiving communities and increasing the inequality between the “haves” and the “have-nots.” Also, much criticism that surrounds international remittance transfers is centered on the lack of transparency of formal systems and the almost opaque quality of informal ones. Often, the sender is not aware of or able to discern what fees may be applied to the receiver. Lack of transparency and hidden fees are further problematic in light of the disproportionate participation of our poor, who lack access to bank accounts or other official institutions and financial services, and are therefore exposed to potentially deceptive practices on both ends of the remittance chain, such as unusually high fees or interest, as well as altering the rate of exchange in order to garner more profits. Recently, increased awareness of international terrorist financing has further amplified concerns over the transparency of remittances. Informal remittance-service providers have been used to launder money, and fund terror or other criminal activities. In order to curb this illegal usage, and to better regulate the remittance system, financial institutions, wire services, and even informal agents worldwide have recently been proposing changes.

The initiative of establishing an African Institute on Remittances aims to develop and implement concrete strategies and operational instruments to enhance the potential development impact of remittances for Africa.

This forum is yet another culmination of a process started by African and European leaders in December 2007 as a result of the Second Europe-Africa Summit held in Lisbon, Portugal and is an integral part of the Africa European Union Partnership on Migration, Mobility and Employment which has as overarching intention the strengthening of inter-regional, continental and inter-continental cooperation in the area of migration, mobility and employment.

The current Africa-Europe Partnership on Migration, Mobility and Employment is the eighth partnership of the First AU/EU Action Plan. As already set out in the Action plan 2008-2010, the Africa-Europe Partnership on Migration, Mobility and Employment aims to provide comprehensive responses to migration and employment challenges, in the best interest of all partners, and with a particular focus on creating more and better jobs for Africa, on facilitating mobility and free movement of people in Africa and in Europe, on better managing legal migration between our two Continents, on addressing the root causes of migration and refugee flows, on finding concrete solutions to problems posed by irregular migration flows, and to ensure that migration and mobility work for development and poverty reduction. This second action plan was adopted at the third Europe-Africa Summit in Tripoli in November last year.

We at the African Union have emphasised the need to build our own capacity in forging institutional relationships and partnerships with our Member States and other stakeholders to put in place mechanisms for better leveraging remittances and other Diaspora resources for the development of Africa.

To best leverage these financial flows, we are planning the creation of an African Institute for Remittances with the aim to monitor the flows of remittances and oversee policies to make them easier, cheaper, safer, and more productive.

I invite all gathered over the coming two days to articulate the role of the Institute in providing technical assistance and strengthening the capacity of our Member States beyond the current limited activities of the preparatory phase of the project.