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**SIDE EVENT ON THE ESTABLISHMENT OF AN
AFRICAN INSTITUTE FOR REMITTANCES**

**OPENING REMARK BY ADV. BIENCE P. GAWANAS,
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AFRICAN UNION COMMISSION**

PROTOCOL

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 Establishment of an African Institute for Remittances (AIR).

The African Union Commission endeavours to raise awareness of the importance of migrants and their contribution to the social and economic development of the continent. The establishment of AIR is aimed at galvanising activities undertaken by the AU Commission and partners towards more synergized and coordinated actions to leverage remittances for social development in Africa.

Hon Ministers Your Excellencies, Distinguished Ladies and Gentlemen

There are some 30 million Africans living outside their countries of origin, some 3 percent of the continent's population, who 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. Increasingly, remittances are being recognized for their contribution to the economic health of Africa, as well as their vital importance to recipient families.

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.

However, in spite of the size, stability and development implications of these flows, remittance markets in Africa remain relatively underdeveloped. There are challenges such as high cost of remittance, legal and regulatory frameworks that inhibit competition, low level of financial access, and inadequate data that could facilitate introduction of new technologies by the private sector as well as safe and efficient remittance services. Thus, sound and coherent policy interventions and other enabling environments are required to unleash the full potentials of remittances to leverage development.

Your Excellencies, Ladies and Gentlemen

The African Migration Policy Framework, which was adopted in 2006 to assist Member States and the RECs in the formulation of national and regional migration policies, makes provision for the Commission to promote the effective mobilization and utilization of the Diaspora funds for investment and development in the public and private sector which in the long term will improve the macro-economic environment and reduce outflows or immigration of African professionals. It also calls to strengthen collaboration with relevant stakeholders in civil society, donor community and financial sector to create incentive strategies and investment opportunities for remitters in commercial, entrepreneurial, savings and other productive activities.

Also, in 2006, the AU and EU adopted the Joint AU-EU Declaration on Migration and Development. The Declaration recognized the benefit of migration to both AU-EU and emphasized the need to initiate programmes to facilitate faster and reduced cost of remittances in order to leverage development. On the basis of the Joint Declaration, the AU and EU agreed to include a **Partnership on Migration, Mobility and Employment (MME)**. As part of the implementation of this Declaration, the establishment of an African Institute for Remittances (AIR) was conceived within the framework of the MME partnership.

Moreover, in 2008, the AUC and World Bank committed to deepen their collaboration and cooperation in several areas through the signing of a Memorandum of Understanding. One such area of collaboration relates to the relations with the African Diaspora. Given that the creation of the AIR is in many ways linked to the African Diaspora, the African Diaspora Program of the WB has been selected to lead it.

Your Excellencies, Ladies and Gentlemen

The preparatory phase project towards the establishment of an AIR was launched on 8 June 2010 with a grant from the European Commission (EC). It is implemented by the AUC and World Bank with the collaboration of the European Commission, the International Organization for Migration and the African Development Bank.

Your Excellencies, Ladies and Gentlemen

The implementation of the preparatory project has been on course. The Commission and partners 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.

Specifically, the team has implemented a series of activities including: the establishment of African Remittance Price Database to provide transparency in the market; assessment missions to Tanzania and Malawi on the status of implementation of the GPs (legal and regulatory frameworks and market structure); and a training program established for Post Operators in Benin, Mali, Mauritania, Burkina Faso, Niger and Senegal and to provide proximity remittance services. This programme leverages infrastructure already established by IFAD. Also, a risk assessment has been completed for Kenya, Gabon and Ethiopia.

In July 2011, the Send Money Africa database, which analyses the cost of remittances in 40+ selected country corridors and covers at least 60% of total remittance flows to the continent, was launched.

The database can be accessed at:
<http://sendmoneyafrica.worldbank.org>.

Other activities so far included an online consultation (from 31 March 2011-15 July 2011) on how remittances are sent and used, challenges, costs and alternatives; and a Consultative and Experience Sharing Forum in Addis Ababa on 7-8 July 2011 which discussed and shared experiences on policy and regulatory frameworks for the remittance sector and provided recommendations leading to a concrete action plan and road map for the establishment of the AIR.

A progress report on the preparatory phase was submitted to the AU policy organs, including the Executive Council in January this year. The Executive Council in its decision (EX.CL/683(XX)) requested the Commission to submit the report and recommendations on the structure and nature of the institute to the Ministers of Finance and Economic Development for their endorsement. The decision acknowledged the role of partners in implementing the preparatory phase and also called on them to continue supporting the institute in making sure that it takes off.

Your Excellencies, Ladies and Gentlemen

Despite the aforementioned achievements, challenges remain. These include cooperation from Central Bank officials, funding and sustainability and finding expertise in the field of remittances. According to the Technical team, it has been difficult to obtain timely responses from Central Banks regarding their acceptance of GP assessment visits. For the project to be sustainable, it is imperative that good relations are maintained with all stakeholders as they will be key to the future activities of the institute.

In this regard, I urge our Member States to galvanise your commitments to this course, and also to join us in implementing this project for the benefit of our continent.

I wish you a fruitful deliberations and I am looking forward to the final recommendations made by this forum.

Thank you.