

**AFRICAN UNION**

**الاتحاد الأفريقي**



**UNION AFRICAINE**

**UNIÃO AFRICANA**

---

Addis Ababa, Ethiopia

P. O. Box 3243

Telephone: 5517 700

Fax: 5517844

Website: [www.Africa-Union.org](http://www.Africa-Union.org)

---

**EXECUTIVE COUNCIL  
TWENTIETH ORDINARY SESSION  
23 - 27 JANUARY 2012  
ADDIS ABABA, ETHIOPIA**

SC6308

**EX/CL.703(XX)  
Original: English**

**REPORT OF THE COMMISSION ON PREPARATORY PROJECT  
FOR THE ESTABLISHMENT OF AN AFRICAN INSTITUTE  
FOR REMITTANCES (AIR)**

**ACRONYMS AND ABBREVIATIONS**

<b>AfDB</b>	<b>African Development Bank</b>
<b>AIR</b>	<b>African Institute for Remittances</b>
<b>AU</b>	<b>African Union</b>
<b>AUC</b>	<b>African Union Commission</b>
<b>BETF</b>	<b>Bank Executed Trust Fund</b>
<b>DSA</b>	<b>Department of Social Affairs</b>
<b>EU</b>	<b>European Union</b>
<b>GCC</b>	<b>Gulf Cooperation Council</b>
<b>GPs</b>	<b>General Principles for International Remittance Services</b>
<b>IFAD</b>	<b>International Fund for Agricultural Development</b>
<b>IOM</b>	<b>International Organization for Migration</b>

## **Progress Report on the Preparatory Project for the Establishment of an African Institute for Remittances (AIR)**

### **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.
5. 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 faster and reduced cost of remittances in order to leverage remittances for development. The establishment of an African Institute for Remittances (AIR) was conceived within the framework of the Migration, Mobility and Employment of AU-EU Partnership and was included in the Second Action Plan 2011-13. The Action Plan was endorsed by the AU Assembly by its decision Assembly/AU/Dec.354 (XVI).
6. The preparatory phase project towards the establishment of an African Institute for Remittances (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 International Organization for Migration (IOM) and the African Development Bank (AfDB). The project will end in April 2012. With less than six months left on the project, the progress report including the roadmap is submitted for the consideration of the Executive Council for further guidance on this important project.

## **The AIR Preparatory Phase Project**

7. The AIR Preparatory Phase project is overseen by two Committees – the Steering Committee and the Technical Committee. The Steering Committee, which provides overall guidance for the project is led by the African Union Commission (AUC) and comprised of the European Commission, International Organization for Migration (IOM) and the African Development Bank (AfDB). The Technical Committee on the other hand, provides a forum consultation on technical issues related to the project. It is chaired by the World Bank with the AUC, AfDB, the IOM and the EC as members. The Technical Committee reports to Steering Committee every six months on the status of project implementation.

8. The preparatory phase of the 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 to be conducted together with technical and capacity building inputs to be provided by the World Bank. Hence, a small Secretariat is established at the AUC headquarters in Addis Ababa to support and facilitate the consultative process under the project to be undertaken by the AUC and to provide the Steering Committee with technical and administrative support.

### ***Objectives and Activities of the Project***

9. The core objectives of the Project are to:

- Facilitate the process leading to the creation of the AIR within the African Union Commission (AUC);
- Facilitate a structured and deepened reflection on all aspects of the prospective establishment of the AIR; and
- Build the capacity of the Member States of the African Union, remittance senders and recipients and other stakeholders to leverage remittances.

10. The Project's Activities include:

- 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, including North 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.
11. The Project will have direct results on:
- facilitation of the AIR creation;
  - a selected number of AU Member States in remittance receiving countries sharpening the development impact of remittances through the application of appropriate policies;
  - improving the dissemination of data on remittance fees in major corridors and reducing remittance transaction costs in a selected number of countries;
12. The Project will make indirect contributions to:
- (a) improved financial access and banking products/services for remittance senders and recipients;
  - (b) regulatory regimes that strike a balance between preventing financial abuse and facilitating remittance flow through formal channels established;
  - (c) voluntary code of conduct for delivering fair value transfers implemented; new regulations and instruments for the Diaspora developed (e.g., new laws on banking regulation to provide instruments to the Diaspora abroad, access to credit, etc.);
  - (d) Diaspora bonds issued, and remittances securitized for credit / loans access from the global financial markets (as in the case of Brazil); and
  - (e) Remittance-based Investment Fund established and accessed by stakeholders; among others.

### ***Project Implementation***

13. The implementation of the project has been on course. The Commission 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. Specifically, the project witnessed the implementation of a series of activities including:

- (a) The establishment of African Remittance Price Database to provide transparency in the market. The data collection on remittance costs for Send Money Africa has already started with a temporary domain: <http://sendmoneyafrica.worldbank.org> as of 30 June 2011.
- (b) Assessment missions undertaken to Tanzania and Malawi on the status of implementation of the General Principles for International Remittance Services (GPs) – legal and regulatory frameworks and market structure;
- (c) A training program established for Postal Operators in Benin, Mali, Mauritania, Burkina Faso, Niger and Senegal in order to provide proximity in remittance services. It is quite encouraging, that these countries demonstrated a strong interest for building capacity and they actively participated in the training provided by the project.
- (d) Presentation of the AIR Project and sensitization of the Diaspora at the African Diaspora Technical Expert Meeting, Pretoria, South Africa, 21-22 February 2011;
- (e) An online consultation (from 31 March 2011-15 July 2011) on how remittances are sent and used, challenges, costs and alternatives;
- (f) 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.

### ***Remaining Activities***

14. There will be three broad areas of focus between July 2011 and April 2012 when the project will end: (a) recommendations emerging from the AUC's July 7-8, 2011 Consultation Forum; (b) replication of pilots launched in 2010-2011 and for which financial commitments have been made; and (c) activities which are currently included in the project description but on which no work has been initiated.

15. *Recommendations from the AUC Consultative Forum:* All of the activities planned are in line with facilitating the establishment of AIR by the AUC. The following activities are envisaged:

- (i) Making final the report on the role, institutional structure and activities of AIR.
- (ii) On-line discussions. The consultant firm will prepare a final report which will be translated and distributed to the AU Member states prior to the AU Ministerial meeting of April 2012 meeting.

- (iii) Support to the AIR Secretariat to prepare Steering Committee and the March-April 2012 Ministerial Meetings; and
- (iv) Other recommendations which are implementable in the tight timeframe available.

16. *Replication of pilots launched in 2010-2011:* The following activities are envisaged:

- (i) UPU Postal Operator workshops: Improve the quality of these workshops based on feedback from the Dakar, Senegal pilot, and have a roll-out across the continent. Workshops are currently tentatively planned to be delivered for five (5) additional countries i.e. Ghana, Liberia, Nigeria, Tanzania and Uganda.
- (ii) In conjunction with the UPU and postal operators, risk assessments to provide guidance to postal operators on how to manage the risk of offering remittance services, will be undertaken tentatively to five (5) countries i.e. Gabon, Ghana, Kenya, Liberia, and Nigeria.
- (iii) Implementation of the GPs in Africa. In addition to the pilots in Tanzania and Malawi, the program will be expanded tentatively to five (5) additional countries i.e. Benin, Ethiopia, Liberia, Mozambique, and Sierra Leone.
- (iv) Catalogue of studies on remittances: This is a living document and it will be updated in the next year. It will also be translated into the three other official languages of the AUC (French, Arabic and Portuguese).
- (v) The ARPD, branded "Send Money Africa" has been launched. The plan is to update the data every month until the project ends in June 2012.

17. *Activities included in the project description but on which no activity undertaken.* The following activities are envisaged:

- (i) Providing technical assistance to government institutions on putting in place the necessary regulatory frameworks.
- (ii) Conducting policy research and dialogue and sharing information on how remittances can contribute to the development of African countries.
- (iii) Developing partnerships between African Central Banks and remittance service providers and non-bank correspondent agencies to improve financial access.
- (iv) Disseminating data and research findings

#### **Attachments**

- (a) The detail report on project implementation (June 2010 – June 2011) is attached as Annex I.

**REPORT OF THE COMMISSION**

**ON**

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



## ABBREVIATIONS AND ACRONYMS

AACB	African Association of Central Banks
ADIF	African Diaspora Investment Fund
ADP	African Diaspora Program
AfDB	African Development Bank
AFR	Africa Region (World Bank Vice Presidency)
AFTFP	Africa Region Finance and Private Sector Development Department
AIR	African Institute for Remittances
ARPD	African Remittances Price Database
ARI	African Remittances Institute
AU	African Union
AUC	African Union Commission
CIDO	Citizens and Diaspora Directorate
CPSS	Committee on Payment and Settlement Systems
DEC	Development Economics (World Bank Vice Presidency)
EC	European Commission
EU	European Union
ECOWAS	Economic Community of West African States
FAR	Future of African Remittances
GPs	General Principles for International Remittance Services
HLF	High-Level Forum
IFC	International Finance Corporation]
IFS	International Financial System
IDF	Institutional Development Fund
IOM	International Organization for Migration
JSDF	Japan Social Development Fund
MOU	Memorandum of Understanding
MRU	Migration and Remittances Unit
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PE	Private Equity
PSDG	Payment Systems Development Group
RECs	Regional Economic Communities
RSP	Remittance Service Providers
TTL	Task Team Leader
UPU	Universal Postal Union
WB	World Bank

## TABLE OF CONTENTS

	Page Number
<b>Executive Summary</b> .....	<b>3</b>
<b>A. Background and Context</b>	
Project Launch.....	4
Working Relations with Partners.....	5
Tapping the Expertise of World Bank Units.....	7
<b>B. Progress at the Objective Level</b>	
Objective 1: Facilitating the establishment of the AIR in the AUC.....	8
Objective 2: Building the capacity of the Member States of the African Union, remittance senders, and recipients and other stakeholders to leverage remittances...	9
<b>C. Progress at the Activity Level</b>	
Activity 1: Providing technical assistance to government institutions on putting in place the necessary regulatory frameworks.....	10
Activity 2: Carrying out training and capacity building programs of relevant institutions and organizations .....	10
Activity 3: Studying remittances flows within Africa.....	11
Activity 4: Conducting policy research and dialogue and sharing information on remittances contribution to development of African countries.....	13
Activity 5: Developing content and technology platforms for country-based payment and settlement systems for remittances.....	13
Activity 6: Developing partnerships between African Central Banks, remittance service providers and non-bank correspondent agencies to improve financial access..	14
Activity 7: Disseminating data and research findings.....	14
Activity 8: Establishing a Remittance-based Investment Fund.....	14
Activity 9: Preparing annual reports, conferences, and meetings of policy makers....	16
Activity 10: Project management.....	16
<b>D. Progress at the Result Level</b>	
Direct Results.....	16
Indirect Contributions to the Project.....	17
<b>E. Progress on Trust Fund Execution</b> .....	<b>18</b>
<b>F. Areas of Focus to Project Completion: April 2012</b> .....	<b>18</b>
<b>G. Considerations after Project Completion</b> .....	<b>19</b>

## Executive Summary

i. The African Institute for Remittances (AIR) project has shown positive performance and trends at the objective, activity, and results level. In the last 12 months, it has been particularly successful at setting the foundation for strong progress in the future. However, it should be noted that actual project activities started late because of the priority given to building solid working partnerships among the African Union Commission (AUC); World Bank; European Commission (EC); African Development Bank (AfDB); and the International Organization for Migration (IOM).

ii. The project is making substantive progress on each of its two project development objectives. In the case of the first objective i.e. facilitating the establishment of the African Institute for Remittances (AIR) in the AUC, a preliminary report on the organizational structure of the AIR has been completed and submitted for discussion at the Consultative Forum convened by the AUC in Addis Ababa, Ethiopia in July 2011. It will be submitted for approval to the African Union (AU) Ministers in March-April 2012. For the second project objective, i.e. building the capacity of the Member States of the African Union, remittance senders and recipients and other stakeholders to leverage remittances for development, it is estimated that about 65% of the indicator target has been achieved after one year of implementation (paragraph 26).

iii. With regards to project activities, the main focus has been on technical assistance to AU Member States by establishing pilots that can then be replicated at the continental scale. The establishment of an African Remittance Price Database, two assessment missions on the market for remittances to Tanzania and Malawi, and the training of postal operators in Benin, Mali, Mauritania, Burkina Faso, Niger, Senegal and Gabon are some of the pilots that have already been implemented. The project has also prepared a catalog of studies and activities in the field of remittances, and a report on the best practices of established remittance institutes around the world. There are still some project activities that have not yet been initiated.

## Background and Context

1. In recent years, countries, bilateral and multilateral donors, and international and regional organizations have put emphasis on the growth, size/amounts, and leveraging of remittances for development in Africa. The establishment of an African Institute for Remittances (AIR) by the African Union Commission (AUC) is the first of its kind in the world.

2. Despite success stories and lessons learned in Latin America and Asia, there have been only a few, small-scale initiatives in Africa that are aimed at enhancing the impact of remittances for development. The Joint Africa-European Union (EU) Declaration on Migration and Development and the Migration Policy Framework for Africa, noted the importance of remittances in positively impacting economic and social development. The 2007 Lisbon Summit Action Plan and the Africa-EU Partnership specifically called for “further steps towards the facilitation of safer, faster, and cheaper remittances, including for investments, and ensuring that sufficient data, research and know-how is made available to governments to promote innovative solutions for transferring money.” Based on these international declarations and African priorities, a decision was made by the AUC, in collaboration with the European Commission (EC) and World Bank, to create the AIR in the AUC.

## Project Launch

3. As part of the Africa-EU partnership on Migration, Mobility and Employment (MME), the EC committed to providing up to Euros 2.0 million to the AIR project and made it available through a "Call for Proposals". In January 2008, the EC wrote to the Chairperson of the AUC and the President of the World Bank, inviting the World Bank to submit a proposal for establishing the AIR. Eventually, in July 2008, the Africa Region, with inputs from the Development Economic Group (DEC), and the International Organization for Migration (IOM), submitted a final proposal to the EC for funding. In October 2008, the proposal was accepted, and the EC granted the World Bank an award for EUR 1,676,271.00 for the project.

4. A Bank-Executed Trust Fund Administrative Agreement was signed in December 2009. Due to administrative and other delays, the project was only launched in June 2010. As part of the project launch process, two committees were established and held their first meetings in the months following the actual launch of the Project:

- (a) A Steering Committee chaired by the AUC, with representatives from the World Bank, EC, African Development Bank (AfDB), and IOM, was established and met for the first time in June 2010. Its role is to provide overall strategic guidance to the Project and facilitate the establishment of AIR; and
- (b) A Technical Committee chaired by the World Bank, with representatives from the AUC, EC, AfDB, and IOM was created and held its first meeting in October 2010. Its role is to provide a forum for consultation on technical issues related to the Project.

5. A Temporary Secretariat for the implementation of the preparatory project for the AIR, located in the AUC, was also to be set up. The Temporary Secretariat has not yet been fully established.

6. The original name of the proposed institute was the African Remittances Institute (ARI) but this was amended at the request of the AUC, and accepted by the EC and World Bank, to its present name, the African Institute for Remittances (AIR).

### **Working Relations with Partners**

7. The project has put a special emphasis and focus on knowledge-sharing and building partnerships among the development partners: AUC, WB, EC, AfDB and IOM, as well as with the key beneficiaries, the AUC Member States and remittance senders and receivers. The status of the project partnership framework is outlined below.

8. **African Union Commission (AUC) and World Bank (WB):** AUC/WB partnership is key to achieving the first development objective of the project. During the first months after the signing of the Administrative Agreement, the AUC and the World Bank worked together to clarify roles and responsibilities, and to ensure the AUC's full ownership of the project. Today, the relationship and collaboration between the two institutions is excellent and is definitive in the implementation of the project activities related to the first objective of the project.

9. The AUC and World Bank established a partnership on the African Diaspora long before the launch of the AIR project. This project is not seen by the two partners as an isolated project, but part of a more global cooperation framework between the World Bank and the AUC on Diaspora and remittances. In 2008, the AU and the World Bank committed to deepen their collaboration and cooperation in several areas through the signing of a Memorandum of Understanding (MOU). One of five priority areas identified for collaboration is relations with the African Diaspora. Since Diaspora and remittances are two sides of the same coin, the African Diaspora Program (ADP) Unit was selected by the World Bank's Africa Region to take the lead in managing the Bank-executed Trust Fund for the project, to coordinate the World Bank's inputs to the implementation of the project, and to collaborate with the EC, AUC, AfDB and IOM in this endeavor.

10. In the last 12 months, three visits have been undertaken by the World Bank to the AUC in Addis Ababa for face-to-face discussions. In January, 2011, the World Bank's Task Team Leader (TTL) visited Addis Ababa to discuss with the implementation of specific activities that were agreed during the Technical Committee meeting of November 2010. These included, among other things, AUC's on-line discussion with stakeholders on the establishment of AIR; the schedule and content of Consultation/Technical Workshops; and a proposed High-Level Forum on "Leveraging Remittances for Development" which was to be held in Mauritius in March 2011. This Forum was postponed and will be held in October 2011. It will address three key areas related to the project: the proposed African Diaspora Investment Fund (ADIF); brain-gain and the use of virtual technologies by the Diaspora; and the importance of circular migration schemes.

11. The task team has also worked to support and facilitate the AUC's Consultation and Knowledge Sharing Forum which was held in Addis Ababa from July 7– 8, 2011. Originally, the AUC had planned a number of sub-regional consultations, but during the January 2011 meeting between the AUC and World Bank, agreement was reached to conduct only one such consultation at the continental level.

12. The establishment of the temporary Secretariat in the AUC to facilitate the implementation of AIR preparatory project is another major point of linkage among the partners. The World Bank task team is to work closely with the Secretariat in facilitating the process leading to the creation of the AIR (Development Objective 1). In January 2011, the AUC's Director of Social Affairs confirmed that the AUC had posted the vacancies for three positions i.e. Head of the Secretariat, Technical Expert Economist, and Administrative Assistant. The Administrative Assistant has been hired already, but the selection for the other positions has not yet been completed.

13. **European Commission (EC):** This project has fostered a deeper relationship between the EC and the World Bank on the topics of the African Diaspora, and migration and remittances. Over the past year, the EC and World Bank parties have agreed to an amendment to the Administrative Agreement and entered into a "gentlemen's agreement". The name of the project was formally amended from the African Remittances Institute (ARI) project to the African Institute for Remittances (AIR) project through an exchange of letters between the World Bank and EC on December 22, 2010 and February 11, 2011.

14. A "Gentleman Agreement" on the direct results and indirect contributions, which could be attributed to the project, was reached between the EC and World Bank through an exchange of letters dated March 3, 2011 and March 31, 2011. As per this agreement there are three direct results and five indirect results that can be attributed to the project. The direct results are:

- (i) AIR would be created. The World Bank would facilitate the process;
- (ii) A selected number of AU Member Governments in remittance receiving countries would sharpen the development impact of remittances through the application of appropriate policies;
- (iii) Dissemination of data on remittance fees in major corridors would improve; and remittance transaction costs reduced in a selected number of AU Member countries.

15. The indirect contributions would be:

- (i) Improved financial access and banking products/services for remittance senders and recipients;
- (ii) Regulatory regimes that strike a balance between preventing financial abuse and facilitating remittance flow through formal channels would be established;
- (iii) Voluntary code of conduct for delivering fair value transfers would be implemented;
- (iv) Diaspora bonds issued, and remittances securitized for credit / loans access from the global financial markets;

- (v) Remittance-based Investment Fund established and accessed by stakeholders among others.

16. On the operational side, the relationship with the EC has been excellent and is based on constructive engagement between the TTL, the EC Head Office in Brussels, and the EC representative to the AUC. There is a regular exchange of ideas, consultations, and updating between the TTL and the EC through conference calls and emails.

17. **International Organization for Migration (IOM):** The IOM provided inputs to the initial proposal submitted to the EC and since then, has been a solid partner on the project. There has been some confusion on the respective roles and responsibilities of each partner in the implementation of the project, and which costs could be financed under the project. In March 2011, an exchange of letters took place between the World Bank and IOM with respect to an IOM proposal to implement certain project activities, such as on-line discussions and workshops in Europe on remittances. The responsibilities of the IOM under the project were clarified, and which of the proposed expenses were eligible under the Administrative Agreement signed between the Bank and the EC were pointed out. This issue generated some tensions between the project partners, but it was eventually resolved after a series of meetings. Face-to-face discussions were held with the IOM representative in Addis Ababa, with the IOM Senior Advisor in Geneva, and finally in Washington DC with the IOM Labor Migration and Development Specialist. In all meetings, the World Bank reiterated its willingness to fund eligible expenses to enhance the IOM's involvement in the project. It was pointed out that if the IOM requires short-term consultants for specific project-related activities, the World Bank would certainly provide funding for them under the World Bank-executed Trust Fund.

18. **African Development Bank (AfDB):** The relations with the AfDB have been good during the first year of project implementation. Collaboration on specific technical assistance activities could be strengthened since the AfDB launched its Financing Facility for Migration and Development, which includes several remittances focused projects. The events in Tunisia earlier this year have understandably limited the amount of practical collaboration. For example, a World Bank team mission planned to but cancelled a visit to Tunis in January 2011 with the objective of following-up on actions agreed during the Technical Committee and Steering Committee meetings of November and December 2010. More specifically the discussion would have focused on a proposed two-day Information Sharing and Global Best Practice Seminar for African government officials and other stakeholders on remittance monitoring and management.

### **Tapping the Expertise of World Bank Units**

19. The World Bank has strong expertise on remittances which is located in several Units in various Departments and Vice-Presidencies. For example, research on remittances is in the Migration and Remittances Unit (MRU) of the Development Economics Vice-Presidency (DEC). Knowledge on remittance data collection is in the Development Data Group in DEC. Global expertise regarding technical assistance on market infrastructure, payment systems, legal and regulatory framework and competition is in the Payment Systems Development Group (PSDG), in the Finance and Private Sector Development Vice Presidency (FPD). This global expertise is mirrored at the regional level by the Finance and Private Sector Development Department (AFTFP) in the African Region (AFR). These units collaborate in the Global Remittances

Working Group, and on several other remittances-related initiatives. The task team has spent the last year working primarily with the MRU, PSDG, and AFTFP, and coordinating inputs from these Units for the benefit of the project. Contact with the Development Data Group has not yet been established, but is being actively pursued for future collaboration on data collection.

20. The MRU produced the flagship reports “Leveraging Migration for Africa”, the “Diaspora for Development in Africa” and “Remittances Markets in Africa”. Even though these were not financed by the Trust Fund, they are quite relevant to the project. The MRU also provided support for the catalogue of remittances studies in Africa report, and participated in the on-line discussion session on remittances hosted by the World Bank on June 1, 2011.

21. AFTFP collaborated in the preparation of the catalogue of remittances studies in Africa report. The task team has also sought ways to collaborate and incorporate the work of AFTFP’s Future of African Remittances (FAR) into the project. These discussions continue, especially as it relates to remittance work in AU Member States.

22. A strong collaborative partnership has been established with the PSDG, which is providing its technical expertise on three activities of the project, i.e. the African Remittances Price Database (ARPD), the implementation of the General Principles for International Remittances Services (GPs) in Africa, as well as the training of Postal Operators through the Universal Postal Union (UPU) to increase remittance service provision in low-income communities in Africa.

## **B. Progress at the Objective Level**

23. **Objective 1: Facilitating the establishment of the AIR in the AUC.** The key indicator is that the organizational structure is approved by the AU. The underlying assumption is that the AU and its Member States have the political will to establish the AIR. Setting up a new institution is not an easy task and requires ownership from the main stakeholders. Therefore, the agreed approach to achieving this objective is that: (a) the AUC would be in charge of project-related consultations with a range of stakeholders including Member States, remittance senders and recipients, money transfer operators, banks, private sector etc. prior to the creation of the Institute; and (b) the World Bank would assist and facilitate the AUC in implementing the agreed activities.

24. Three very specific activities have been undertaken to achieve this objective as follows:

*Activity 1: On-Line Consultations.* Both the AUC and the World Bank (through a contract with a local media firm) have undertaken on-line consultations and discussions with development practitioners, and with the general public (remittance senders and recipients) using social media. Both of these consultations were intended to gather views on the creation, structure and functions of the Institute.

*Activity 2: Best Practice Study.* The World Bank hired an international expert on remittances and development to prepare a report on best practices and to provide suggestions on the possible role, institutional framework, and activities of the AIR once it is established. The study was conducted under the joint supervision of the AUC and the World Bank. This report of the study served as a basis for discussion in the Addis Ababa



Forum of July 7-8, 2011, and will be updated based on the feedback received during the Forum.

*Activity 3: Addis Ababa Forum:* The AUC convened a Consultative and Experience Sharing Forum on Leveraging Remittances for Development in July 7-8, (Addis Forum) with representation from 27 AU member states and other stakeholders. The final report of the Forum will cover the recommendations on a proposed institutional framework and activities of the AIR, and will be submitted for approval at the AU Ministerial Meeting to be held in March-April 2012.

25. The AUC's ownership of the project augurs well for success in achieving this objective. An Inter-Departmental Project Team was put together to serve as temporary Secretariat and to provide guidance for the project within the AUC. They comprised of members from Economic Affairs, Infrastructure, CIDO, Strategic Planning, Information and Communication, with Social Affairs, as the lead Department. These Departments are collaborating in the creation of the AIR in the AUC.

26. **Objective 2: Build the capacity of AU Member States, remittance senders and recipients, and other stakeholders to leverage remittances.** The key indicator is that *twelve* AU Member States would have developed their capacities, and are improving their national markets for remittances. The project places strong emphasis on capacity building. This is in line with the Joint-Africa Institute (JAI) high-level seminar which was held in Cape Town in 2008, and where senior representatives from 20 African countries expressed interest in national capacity development to develop and implement concrete strategies and operational instruments to use remittances as a development tool for poverty reduction.

27. On this specific objective, the task team has implemented a series of activities including: the establishment of ARPD 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 to provide proximity remittance services. Eight (8) countries have already benefited directly from the project to build their capacities in the area of remittances. Compared to the indicator of 12 countries, after one year of actual work, the project has already met 65% of its target.

28. However, a note of caution. During the implementation phase, it is critical that major beneficiaries and counterparts understand the importance of project activities and provide all possible information. Even though the authorities were helpful and collaborated with project experts, the governments that received technical assistance in diagnosing their remittances market did not own fully the assessments. This is an issue that has to be addressed. A mechanism that involves Central Banks should be put in place in order to foster the interest and buy-in of participating financial authorities, Central Banks and Ministries of Finance. On the positive side, the six West African Countries involved in the training of Postal Operators, demonstrated a strong interest for building capacity and they all attended the training provided by the project.

29. The task team will address the issue of cooperation from financial authorities by building collaborative mechanisms with institutions that have strong moral suasion with Central Banks such as the African Association of Central Banks (AACB).

### C. Progress at the Activity Level

30. **Activity 1: Providing technical assistance to government institutions (Central Banks, Ministries, Financial and non-Financial Institutions) on putting in place the necessary regulatory frameworks:** *There has been no concrete project activity to report.* However, the assessment of the GPs in Tanzania and Malawi has a strong component on the legal and regulatory framework for remittances. The confidential report provides short, medium and long-term recommendations to the different authorities regulating or overseeing the market. These recommendations, if implemented, would improve the overall regulatory frameworks. As a follow up of the mission, the team proposed to both the countries technical assistance in the revision of the current draft legislation in the area of Payment Systems and Remittances

31. **Activity 2: Carrying out training and capacity building programs of relevant institutions and organizations:** The major activity undertaken is the training of Postal Operators in Benin, Mali, Mauritania, Burkina Faso, Niger, and Senegal. Postal Operators have long been seen as a key element in establishing efficient remittance markets as they typically have presence in areas that bank branches do not reach, and operational capabilities that are well aligned with money transfer services. They can play a key role in making remittance markets more competitive and hence reduce prices, especially in the comparatively high priced markets of Africa.

32. Postal Operators in West Africa expressed a keen interest in participating in the UPU's International Financial System (IFS) remittance service. But they lack the experience and resources to establish the required technical, legal, and operational framework. The UPU lacks the resources to train the West African Postal Operators and hence requested technical assistance from the project and associated World Bank experts. For many postal operators remittance services are a completely new service. Offering money transfer services is an operationally demanding, and potentially risky, business as transfers are processed in real time and paid out in cash so that there is limited opportunity for recourse. Technical infrastructure for remittance services, including compliance and risk management procedures, has to be upgraded and staff trained as required. Postal operators also need to develop a marketing program to promote remittances and other services, in particular savings and other deposit products.

33. As of 30 June 2011, two workshops have been conducted in Dakar, Senegal. The Remittance Operations Workshop and the Financial Inclusion Workshop were held in collaboration with the UPU and the Post Offices from Benin, Mali, Mauritania, Burkina Faso, Niger, Senegal and Gabon<sup>1</sup>. A total of 22 participants attended the events. The workshops were aimed at supporting postal operators across West Africa with the improvement and expansion of their remittance activities and the introduction of new, value added financial services for

---

<sup>1</sup> Gabon being a very big contributor to the development of the service in the six countries considered, their presence was very relevant due to their experience in the successful launch and provision of the postal remittance service MEI – “Mandat Express International”

migrants and their families. The main take-aways from these workshops are summarized as follows.

- (i) *Remittance Operations Workshop:* In order to improve the Mandat Express International (MEI; Postal Remittances) service operations in the sub-region, a regional unit will be created to coordinate operations. Communication between the partner operators also needs improvement, with a clearer definition of roles and contacts.
- (ii) *Financial Inclusion Workshop:* External promotional efforts of the MEI service need to be undertaken, to increase brand recognition. Allocating more financial resources and designing joint regional campaigns will support such efforts. Cross-selling was recognized as a good solution to increase customer base and gain customer loyalty. However, the operators do not feel equipped to design such products and expressed the need for the support of institutional backing to design the products, expand financial education to customers and enhance financial inclusion of the rural poor.

34. These workshops were successful not only in training post offices from the identified countries, but also as a pilot to test and improve the training methodology for the roll-out of these trainings to other regions, namely East Africa and Anglophone West Africa. It is expected that the UPU activity will enable Postal Operators to enter the remittance market and provide remittances services in rural areas where they were previously unavailable. This will make receiving remittances more efficient and cheaper for the recipients, saving them time and money for travel to the next city where remittance payments would otherwise only be available. The Postal Operators will, where they are legally able to do so, also offer additional financial services, such as savings accounts. This will introduce the poor, rural households to financial services and offer them the ability to begin financial planning and works towards increased social security

35. **Activity 3: Studying remittances flows within Africa:** Under the project, the World Bank is carrying out two activities in this area: launching the Send Money Africa database; and completed a catalogue of studies on remittances carried out by the Bank and other stakeholders.

36. **Sub-Activity 1: African Remittance Price Database:** The objective of establishing the database is to increase transparency in the remittances market, and to provide migrants with complete and reliable information on all the components of remittance transactions. Transparency in the market for remittances is important for consumers to make informed decisions as to which services to use; and then for remittance markets to become more efficient. The two most important factors influencing the cost of remittances are: (a) the fees charged at any stage of the transaction, and (b) the exchange rate used to convert the local currency into the currency of the destination country. Although these elements of the transaction should be clearly available to consumers, too often they are unavailable and difficult to calculate by consumers (remittance senders and recipients) due to the low level of transparency of the information provided by Remittance Service Providers (RSP). In addition, the database will also increase the level of competition among the operators of the market, as

proven by the continuous decrease of the cost triggered by other national and regional databases

37. One of the most efficient means to improve the transparency of the market for remittances is the creation of publicly available databases containing detailed information on the cost of remitting with particular corridors. Price comparison tables enable remitters to assess at a glance how much their beneficiaries will receive, taking account of both commission charged and the exchange rate applied. A regional database for Africa is needed for covering significant intra-continental corridors. The most recent iteration of the Remittance Price Worldwide database shows *that corridors in Africa are among the most expensive in the world, in particular in the case of intra-African markets*. Currently, there is no information on most intra-continental corridors in Africa and the lack of information can be one of the factors explaining the very high costs of remittances since consumers do not know any other viable alternative.

38. As a pilot project, the database will start with 50 selected corridors, which are considered significant in terms of volume, market development, and policy relevance. As of June 30, 2011, the data collection on remittance costs for Send Money Africa database has already started. A temporary domain name has been secured <http://sendmoneyafrica.worldbank.org> and others are reserved for when ownership of the database is transferred to the AUC. The information was published online in July 2011 and includes 50 corridors listed in the table below.

Sending Countries	Receiving Countries
Belgium	DR. Congo, Morocco
Canada	Ghana, Kenya, Zimbabwe
France	Algeria, Morocco, Ivory Coast, Mali, Senegal, Tunisia
Germany	Ghana, Morocco, Nigeria
Senegal	Mali
Italy	Ethiopia, Morocco, Nigeria, Senegal
Kenya	Uganda, Rwanda
Netherlands	Ghana, Morocco, Nigeria
South Africa	Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Zambia, Zimbabwe
Spain	Morocco
Saudi Arabia	Egypt
Tanzania	Kenya
UAE	Egypt
UK	Ghana, Kenya, Nigeria, Sierra Leone, Somalia, South Africa, Tanzania, Zimbabwe
USA	Cape Verde, Ethiopia, Ghana, Nigeria

39. **Sub-Activity 2: A Catalogue of Studies and Technical Assistance by the World Bank, Development Agencies and Governments in Africa.** “Remittances in Africa: a Catalogue of Studies and Technical Assistance” is a review which looks at work on remittance

costs and trends, scope and importance of remittances to Africa, financial markets and infrastructure that drive up remittance costs, the impact of new technology on remittances, the legal and regulatory framework governing remittance flows, and the impact of remittances on households and national policy.

40. This review has been prepared to inform the activities of the AIR. The methodology used included desk reviews of reports, policy papers, research publications, project documents, and academic literature on remittances in Africa. This review is a “living” document and will be revised and updated periodically reflecting ongoing activities and trends, and capturing any new publications and reports on remittances in Africa. By providing background activities of the World Bank and other development partners on remittances in Africa, the document aims to avoid duplications and to help facilitate the creation of the AIR. As of June 30, 2011, the document has been published in English (March 2011), and will be translated into French, Arabic and Portuguese in the following months.

41. **Activity 4: Conducting policy research and dialogue and sharing information on how remittances can contribute to the development of African countries:** *No specific activity has taken place.* Nonetheless it should be noted; ADP under which the project is managed has established dialogue with over 25 African countries. All of these engagements cover policy formulation and implementation to create the enabling environment for engaging the Diaspora in economic and social development activities; financial issues, including how to understand better the flow and lowering the costs of remittances, and how remittances can be leveraged for development; human capital development: how countries can reverse the brain-drain to brain-gain and engage with Diaspora Professional Networks and Hometown Associations for social and economic development at the community level. Dialogue has been established with the following countries through the award of World Bank Institutional Development Fund (IDF), Japanese Social Development Fund (JSDF) and International Development Association (IDA) grants to: Burkina Faso, Democratic Republic of Congo, Ethiopia, Kenya, Malawi, Mali, Nigeria, Liberia, Sierra Leone, Tanzania and Uganda. All of these interventions address in some manner, the enabling environment and policies related to regulatory frameworks as regards remittance flows and costs, and act as a first step in building dialogue on how remittances can contribute to development in Africa.

42. **Activity 5: Developing content and technology platforms for country-based payment and settlement systems for remittances:** The main activity has been the initiation of a program on the implementation of the General Principles for International Remittance Services (GPs) in Africa. The World Bank and the Committee on Payment and Settlement Systems of the Bank for International Settlements published the General Principles for International Remittance Services (GPs) in 2007. The GPs aims at assisting countries in improving their markets for remittance transfers by reforming critical aspects that influence the efficient and cost effective transfer of money across the borders (i.e. transparency and consumer protection, payment systems infrastructure, legal and regulatory framework, competitive market conditions, and governance and risk management).

43. The key objective of this activity is to support AU Member States to improve their national markets for remittance by conducting assessments of selected countries and by providing policy advice and technical assistance based on the GPs. As of June 30, 2011, an international team visited Malawi and Tanzania to provide country authorities with a review of

the remittance market on the basis of the CPSS-World Bank GPs, and, on this basis, identify possible actions to improve their application in the country. The team had the opportunity to hold open discussions with several institutions in both countries, and did gather representative opinions from different stakeholders on the current status of the remittance markets and ongoing reforms. The individual Country Reports presented the results of the analysis based on international standards and best practices, and includes some observations that could serve as a basis to initiate discussions on the improvement and future development of the market for the provision of remittance services in Malawi. The Reports also identified some of the key actions that could lead to a reduction in the cost of transferring money to and from Malawi and Tanzania. In general, they would lead to a safer and more efficient remittance services in the country by promoting a market that is contestable, transparent, accessible and sound. GP Assessment visits to another five (5) countries are planned the next fiscal year.

44. **Activity 6: Developing partnerships between African Central Banks and remittance service providers and non-bank correspondent agencies to improve financial access:** *There has been no activity in this area.* The task team is envisaging collaboration with the AACB to develop training courses and partnerships that will involve Central Bank staff and Remittance Service Providers.

45. **Activity 7: Disseminating data and research findings:** The project has made some progress on this activity. Indeed, most of the research was prepared for the AU's Consultative Forum held in Addis Ababa in July. The project has advanced the dissemination work by translating the reports into AUC official languages. The project has also had a link on the ADP website. The "Best Practices" study on the organizational structure for the AIR, as well as the catalogue of studies were distributed at the AUC's Consultative Forum, where African countries were represented, as well as stakeholders from the private sector, regional economic communities and international organizations.

46. Also, the World Bank Africa Region and the AfDB financed a series of reports that were recently published. The flagship report titled "Leveraging Migration in Africa: Remittances, Skills and Investments" was published in March 2011, and represents a major source of information together with the "Diaspora for Development in Africa" document. These papers were not financed under the project, but are strongly related to AIR, and will provide an initial knowledge base for the project. The participants in the Addis Ababa Consultative Forum have been informed of these reports and were provided with the link to download them prior, during and after the event. They also received a copy of the executive summary of the World Bank-Committee on Payment and Settlement Systems (CPSS) General Principles for International Remittance Services.

47. **Activity 8: Establishing and accessing by stakeholders of a Remittance-based Investment Fund.** The task team has worked with the International Financial Corporation (IFC) to assess the possibility of a remittance-based Investment Fund called the African Diaspora Investment Fund (ADIF) which is aimed at mobilizing African Diaspora financial resources into a private equity (PE) vehicle to support critical development needs on the continent. The ADIF would seek returns for its investors competitive with PE funds generally. Specifically, the ADIF approach focuses on mobilizing Diaspora money for investment in private sector opportunities (including public-private partnerships) through a private equity investment vehicle, which is as yet largely untried with respect to mobilizing Diaspora investors as a defined investor class.

48. In the context of possible shrinking of ODA in real terms, and the pressure in major OECD countries to cut their budget deficits, the World Bank has been helping client countries identify new development financing measures. It is acknowledged that the African Diaspora resource base has been underutilized, and African countries do not currently have a mechanism to formally harness this potentially significant investor base to invest in development on the continent. Investigating ways to plug this market gap and to develop it, with appropriate platforms to intermediate Diaspora savings into investments in Africa is compelling. The ADIF's investment strategy would focus on the provision of growth capital to private enterprises seeking capital to expand, enter new markets or provide development equity financing for SMEs.

49. A set of activities are being launched in July – August 2011. These are to:

(a) Complete an initial assessment of private equity opportunities in Africa. The main outputs would be: (i) completed market assessment of equity needs of the private sector in Africa with particular focus on those investments which meet PE criteria, (ii) assessment of the key successes, failures and challenges faced by existing PE firms operating in Africa; (iii) creating a database of well-known PE firms covering Africa to get a sense of how much additional funding they could utilize over the next three years;

(b) Determine potential availability of funds and their sources. The main output would be: (i) organized meetings with financial institutions that provide investment products and financial services to the African Diaspora (focusing on high net worth and very high net worth individuals) and with civic groups (associations, churches, etc.) in North America, Western Europe, and the Middle East which focus on the African Diaspora to ascertain their views on: (ii) the potential level of interest of the African Diaspora in investing in ADIF, distinguishing between the near-term (1-3 generations) and long-term parts of the Diaspora; (iii) the potential magnitude of investments directly into ADIF from very high net worth individuals versus high net worth individuals investing smaller amounts (say \$100-500 thousand) through feeder funds; and (iv) key criteria Diaspora investors would be looking for, including limitations on which countries (home only vs. pan-African); and

(c) Undertake outreach and education on the ADIF concept. In addition to its instrumental role in outreach, marketing and promotional activities, the AUC would be catalytic in bringing key partners on board to support the ADIF. Partners would include: (i) the AfDB for the purposes of mobilizing and providing anchor grants and funds for ADIF initial financing; (ii) African Governments: AU could bring on board key African Governments particularly with large Diaspora to provide matching funds (possibly 5-10 percent of initialization capital). The list of countries could include: Senegal, Cameroon, Nigeria, Ghana, Kenya, Tanzania, Uganda, South Africa, and others; and (iii) Regional Economic Communities: AU could initiate efforts to enable utilization of corresponding investment and development Banks of the RECs such as the ECOWAS Bank for Investment and Development (EBID) as partners to identify, generate and manage pipeline investments.

50. The ADIF Task Team will undertake briefings with AU, AU Member States, Regional Economic Communities (RECs), AfDB and bilateral donors. In addition, key Diaspora organizations will be engaged to organize a series of Town hall forums with the modern and historical Diaspora at strategic locations in North America and Europe.

51. **Activity 9: Preparing annual reports, conferences and meetings of policy makers**

(a) *Annual Reports*: The task team has prepared this annual report to inform the AUC, WB, EC and other partners of the progress achieved on the project development objectives and the specific activities undertaken under the project. A similar report will be prepared next year for the reporting period extending from July 2011 to June 2012.

(b) *Conferences*: The task team has focused on organizing an HLF in Mauritius on Leveraging Remittances for Development. The HLF will now be held during the first quarter of 2012. The team has also worked on facilitating and supporting the AUC's Consultative Forum which was held in Addis Ababa, on July 7-8. The main objective of this Forum was to convene high-level representatives to discuss policy issues on remittances, provide recommendations leading to a concrete action plan for the establishment of the AIR, and to share experiences and develop knowledge on policies and regulatory frameworks for the remittance sector. The outcome of the event is a set of specific recommendations for the establishment of the Institute i.e. the overall organizational structure of the institute, location for the institute, the functions, roles and funding of the institute, as well as capacity building of the competent authorities of the AU Member States.

52. **Activity 10: Project Management** during the past year was focused on building partnerships with the EC, AUC, IOM and AfDB through preparations for and participating in the Steering Committee meetings, and leading the work of the Technical Committee. Project management also required time to manage internal World Bank partnerships and Trust Fund administration. More specifically, the TTL and her team spent time on facilitating the AUC's on-line consultations (through the contract with an Ethiopian Social Media Strategist firm, Mango Productions); conducting an on-line consultation with development practitioners; preparations for the July Forum; and managing consultants who worked on several activities under the project. Only a limited amount of this staff time was directly charged to the project and the remainder charged to the World Bank's budget as its contribution to the project.

**D. Progress at the Result Level**

**Direct Results**

53. **Direct Result 1: Facilitating the establishment of AIR**: Several of the activities which have already been implemented have had, or will have, a direct result on the establishment of AIR in the AUC. These activities include: (i) the report on best practices and the role, institutional structure and possible activities of the AIR; (ii) two on-line discussions with the major stakeholders of AIR i.e. AU Member States, remittances senders and receivers; money transfer operators, banks, and the private sector; and (iii) the Consultative Forum held in Addis Ababa from July 7-8, 2011. These three project activities also take place in the context of the ADP and its relationships and interactions with 25 AU African countries. The topic of



remittances and leveraging these for development, are central to all of these World Bank/ADP/country discussions. To the extent that these are useful in sharing information on the AIR, and signaling that the World Bank and development partners support the AIR, it is a critical part of the World Bank facilitating the AUC in establishing AIR.

54. **Direct Result 2: A selected number of AU remittance receiving countries to sharpen the development impact of remittances through the application of appropriate policies.** The project has taken several steps in helping African Union Member States to sharpen the development impact of remittances. In the area of information sharing, the studies on best practices and the catalogue of studies can and will be used by some countries. The carrying out of GP assessment missions to countries and the provision of technical assistance to these countries to put in place recommendations of the assessments will affect the application of appropriate remittances policies. This program has to be accelerated across more than two countries to have significant impact. The pilot UPU training workshops have potential, but will need to be expanded or replicated to have a real direct development impact.

55. **Direct Result 3: Improving the dissemination of data on remittance fees in major corridors and reducing remittance transaction costs in a selected number of countries.** Substantive progress has been made with the implementation of the ARPD Price, which is at the core of this direct result. Indeed the creation of a database addresses the issue of access to information on remittance fees, which are often not transparent for senders. This has a direct impact on cost reduction.

#### **Indirect Contributions to the Project**

56. **Improved financial access and banking products/services for remittance senders and recipients:** The conduct of a training workshop for Postal Operators in Dakar on June 21-23, in collaboration with the UPU, is the first step in a process of improving access for the delivery of remittances and other financial services useful to remittance senders and recipients. However, many more training workshops are required, including working with the major actors and policy makers in the finance and banking sectors in AU Member States. The World Bank will need to bring its considerable expertise in these sectors to bear in collaboration with the AfDB, the AACB, and other influential groups over the longer-term to get the intended results.

57. **Regulatory regimes that strike a balance between preventing financial abuse and facilitating remittance flow through formal channels established:** *No project activity has been undertaken which would lead to this result or outcome.* However, in the GPs assessment reports for Tanzania and Malawi, clear sets of recommendations are provided for reforming the legal and regulatory frameworks and adopting appropriate reforms. Both countries have been informed that technical assistance would be available to assist and support the implementation of the suggested reforms.

58. **Voluntary code of conduct for delivering fair value transfers implemented; new regulations and instruments for the Diaspora developed:** *No project activity has been undertaken which would lead to this result or outcome.* It should be noted that the GPs assessment missions to Tanzania and Malawi, made recommendations on the adoption of codes of conduct for Remittance Service Providers, in the confidential reports to the respective

governments. Both countries have been informed that technical assistance to assist and support the implementation of these recommendations would be provided under the project.

59. **Diaspora bonds issued, and remittances securitized for credit/loans access from the global financial markets:** *No project activity has been undertaken which would lead to this result or outcome.*

60. **Remittance-based Investment Fund established and accessed by stakeholders among others.** The Task team has been working closely with the IFC on the feasibility of establishing an ADIF. The details of this activity are given in paragraphs 46-49. This is a first step towards contributing to a remittance-based investment fund.

#### **E. Progress on Trust Fund Execution**

61. On Trust Fund execution, the project is behind schedule. It should be noted that the project was launched six months after the signing of the Administrative Agreement between the World Bank and EC. These six months were necessary to ensure full ownership by the AUC and the other partners. *The Closing Date of the Trust Fund is April 2012. A request will be made for an extension of the closing date to December 2012.* It should also be noted that the activities launched over the past six months with AU Member States, were designed as pilots to be replicated on a much larger in the next year.

#### **F. Areas of Focus to Project Completion: April 2012**

62. There will be three broad areas of focus between July 2011 and April 2012 when the Trust Fund is to be closed: (a) recommendations emerging from the AUC's July 7-8, 2011 Consultation Forum; (b) replication of pilots launched in FY11 and for which financial commitments have been made; and (c) activities which are currently included in the project description but on which no work has been initiated.

63. *Recommendations from the AUC Consultative Forum:* All of the activities planned are in line with facilitating the AUC to establish AIR. The following activities are envisaged:

- (v) Making final the report on the role, institutional structure and activities of AIR.
- (vi) On-line discussions. The consultant firm will prepare a final report which will be translated and distributed to the AU Member states prior to the AU Ministerial meeting of April 2012 meeting.
- (vii) Support to the AIR Secretariat to prepare Steering Committee and the April 2012 Ministerial Meetings; and
- (viii) Other recommendations which are implementable in the tight timeframe available.

64. *Replication of pilots launched in FY11:* The following activities are envisaged:

- (vi) UPU Postal Operator workshops: Improve the quality of these workshops based on feedback from the Dakar, Senegal pilot, and have a roll-out across the continent.

Workshops are currently tentatively planned to be delivered for five (5) additional countries i.e. Ghana, Liberia, Nigeria, Tanzania and Uganda.

- (vii) In conjunction with the UPU and postal operators, risk assessments to provide guidance to postal operators on how to manage the risk of offering remittance services, will be undertaken tentatively to five (5) countries i.e. Gabon, Ghana, Kenya, Liberia, and Nigeria.
- (viii) Implementation of the GPs in Africa. In addition to the pilots in Tanzania and Malawi, the program will be expanded tentatively to five (5) additional countries i.e. Benin, Ethiopia, Liberia, Mozambique, and Sierra Leone.
- (ix) Catalogue of studies on remittances: This is a living document and it will be updated in the next year. It will also be translated into the three other official languages of the AUC (French, Arabic and Portuguese).
- (x) The ARPD, branded "Send Money Africa" has been launched. The plan is to update the data every month until the project ends in June 2012.

65. *Activities included in the project description but on which no activity undertaken.* The following activities are envisaged:

- (v) Providing technical assistance to government institutions on putting in place the necessary regulatory frameworks.
- (vi) Conducting policy research and dialogue and sharing information on how remittances can contribute to the development of African countries.
- (vii) Developing partnerships between African Central Banks and remittance service providers and non-bank correspondent agencies to improve financial access.
- (viii) Disseminating data and research findings

66. The World Bank task team will rely on its internal and external partners to assist in the implementation of this robust agenda. The World Bank is also reaching out to the Migration Policy Institute (MPI), a Washington DC-based think tank concentrating on migration and remittances policy. Even with the best intentions and goodwill, this is a very ambitious agenda for implementation within the time frame of 10 months (to April 2012) and the resources available under the Trust Fund. This requires a fundamental strategic discussion within the Steering Committee and a meeting has been tentatively set for September 2011.

### **G. Considerations after Project Completion**

67. There are a number of directions for the project even after it is completed. Because of the six month delay in the start of project activities, it is clear that an extension of the closing date to December 2012 would be desirable. The EC, World Bank and partners should note:

- (i) While it is currently planned that the AU Member States would approve the establishment of the AIR at a Ministerial meeting in April 2012, this is only the beginning. A full-fledged process would be required to further build the capacity of the AIR to perform its functions. Some of this work can be initiated in supporting the fledgling AIR Secretariat, but a much larger and sustained effort will be required even after December 2012.
- (ii) Perhaps equally, if not of greater importance, is sustaining the work being initiated under the project in the AU Member States. These country-specific activities require tailor-made support, and are essential to the role the AIR (in the AUC) is expected to play on the continent. Said another way, the strength of the AIR will have to come from the AUC Member States, and they must be in the position to provide the financial and human capital for the AIR.
- (iii) Leveraging remittances for development is a key objective. The work on the AIR and the proposed ADIF are all important, but make assumptions about what the Diaspora want to see and do with their remittances. In the first instance, many senders of remittances may be more interested in the immediate consumption needs of their families and communities rather than the broader “country development” objective. The on-line consultations are a good beginning to obtain the views of remittance senders and receivers, but a stronger effort is needed to penetrate African immigrant communities across Europe, North America, The Gulf, and Australia, to better understand where they want their money (remittances and savings) to go, if not directly to their families. This work with the Diaspora of the 54 African Countries on remittances needs support, if only to counter the existing bias of talking almost exclusively to government and government institutions about money which is not theirs.

2012

# Report of the Commission on preparatory project for the establishment of an African institute for remittances (Air)

African Union

African Union

---

<http://archives.au.int/handle/123456789/4726>

*Downloaded from African Union Common Repository*