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Thirty-first meeting of the Committee of Experts

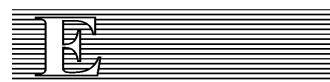


**AFRICAN UNION
COMMISSION**

Seventh meeting of the Committee of Experts

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**Report of the Commission on Preparatory Project for the
Establishment of an African Institute for Remittances (AIR)
and
Proposed Organizational Structure of Air**

ABBREVIATIONS AND ACRONYMS

AML	Anti-Money Laundering
AU	African Union
AUC	African Union Commission
AACB	Association of African Central Banks
AfDB	African Development Bank
AIR	African Institute for Remittances
BETF	Bank Executed Trust Fund
CFT	Counter-Financing of Terrorism
CPSS	Committee on Payment and Settlement System
CSOs	Civil Society Organizations
DOs	Diaspora Organizations
DSA	Department of Social Affairs
EC	European Commission
EU	European Union
FDI	Foreign Direct investment
FFR	Financing Facility for Remittances
IFAD	International Fund for Agricultural Development
IOM	International Organization for Migration
KYC	Know Your Customer
MFIs	Microfinance Institutions
MNOs	Mobile Network Operators
PAP	Pan African Parliament
POs	Post Offices
PRC	Permanent Representatives Committee
PSC	Project Steering Committee
PTC	Project Technical Committee
RECs	Regional Economic Communities
RMCs	Regional member countries
RSPs	Remittance Service Providers
UPU	Universal Postal Union
WB	World Bank Group

I. BACKGROUND

A. Introduction

1. The establishment of an African Institute for Remittances Project (“AIR Project”) is an initiative of the African Union Commission. 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) would be the first of its kind in the world.

2. To facilitate the establishment of the AIR, a preparatory project was launched on 8th June 2010 with a grant from the European Commission (EC) for €1,676,271 (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 World Bank with the collaboration of AUC, EC, IOM and the AfDB.

3. The core objectives of the preparatory project are to: (i) Facilitate the process leading to the creation of the AIR; and; (ii) Develop the capacity of the Member States of the African Union (AU), remittance senders and recipients, and other stakeholders to implement concrete strategies and operational instruments to use remittances as development tools for poverty reduction.

4. 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. Also, within the framework of the project, a pilot database - an African Remittance Price Database (Send Money Africa) has been established to provide remittance information (in improving transparency) in the market. The data collection on remittance costs and delivery time details for Send Money Africa commenced on 30 June 2011 with a temporary domain: <http://sendmoneyafrica.worldbank.org>. The database started with about 50 selected corridors, which were considered significant in terms of volume, market development, and policy relevance.

B. Mandate

5. The Commission submitted to the Executive Council of the AU in January 2012, a progress report on the implementation of the Preparatory Project. The Executive Council in its Decision (Dec.EX.CL/703 (XX)) acknowledged that the establishment of an AIR will facilitate remittances leverage for economic and social development and called upon Member States, the Pan-African Parliament (PAP), the Regional Economic Communities, the private sector, Civil Society and all other stakeholders to actively participate in the implementation process. The Council requested the Commission to submit to the African Union Ministers of Finance the final report on the implementation of the preparatory project and recommendations pertaining to the establishment of AIR; and also to the Permanent Representatives Committee through the relevant Sub-Committees, including the Structures Sub Committee and the Sub-Committee on Administrative, Budgetary and Financial Matters for consideration and necessary action. Finally, the Council calls upon the EC, World Bank, AfDB, IOM and other partners to continue to support the preparatory project and resources for the AIR when established.

6. Pursuant to the decision of the Executive Council, the AUC with the support of the World Bank conducted an in-depth study on the Role, future activities, and the institutional framework for the AIR, as well as the funding mechanism(s) for the Institute.

7. The methodology used in conducting the in-depth study includes a combination of desk reviews of best practices and interviews with key experts in the field of remittances in Africa and worldwide. The initial draft report was subjected to a peer-review of selected Government and independent financial and remittances experts, as well as Diaspora Organizations. Among the key recommendations of the report are:

(a) Four possible roles identified, namely: Research, Technical Assistance, Private Sector Engagement and Advocacy.

(b) The priority in terms of future activities were identified to be capacity building for the improvement of data collection, improvement of the legal and regulatory frameworks for remittances and upgrading the capacities of non-bank financial institutions (Post offices and Microfinance Institutions).

(c) The Institutional Structure – the AIR as a Specialized Office/Institute to be housed in one of the existing Pan-African institutions. However, the Institute would have its own decision-making body, consultative bodies and a Secretariat. AU Member States Central Banks, the AACB and AfDB have been considered as options;

(d) The role of Partners including International Financial Institutions, Diaspora Organizations, Civil Society Organizations (CSOs), RECs and the Private Sector in the AIR;

(e) The Funding Mechanism(s) and potentials that will take into consideration a, b, c & d above when the AIR is established;

(f) Budget to cover staff and operational cost of the AIR in the formative years while strengthening the institute to be self-sufficient.

8. Thus, this report contains a summary of the implementation of the Preparatory Project; and proposals for an organizational structure that will facilitate the achievement of AIR's strategic objectives, with clear and precise description of functions, demarcated duties and responsibilities of each department or work units.

II. AIR PREPARATORY PROJECT

9. 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.

10. 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.

11. 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.

12. The establishment of AIR will facilitate remittances leverage for economic and social development.

13. 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 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).

14. The preparatory phase project towards the establishment of AIR was launched on 8 June 2010 with a grant from the EC for €1.676.271 (US \$2.4 million equivalent) to the World Bank through a Bank-Executed Trust Fund (BETF) Grant Agreement signed in December 2009. The project will end in April 2012. With less than three 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

15. 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 World Bank, the EC, IOM and the 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.

16. 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

17. 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.

18. 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 organizations (e.g. national statistical service departments);
- Studying remittance flows within Africa;
- Conducting policy research, dialogue and information sharing on how remittances can contribute to the development of African countries;
- Developing content and technology platforms for country-based payment and settlement systems for remittances;
- Developing partnerships between African central banks and remittance service providers and non-bank correspondent agencies to improve financial access;
- Disseminating data and research findings; and
- Preparing annual reports, conferences and meetings of policy makers.

19. 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;

20. 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

21. The implementation of the project has been on course. 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

22. There will be three broad areas of focus between January 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 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.

23. *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 2012 Ministerial Meetings; and
- (iv) Other recommendations which are implementable in the tight timeframe available.

24. *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.

25. *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

III. PROPOSED ORGANIZATIONAL STRUCTURE OF AIR REVIEW OF THE MAJOR ROLES AND ACTIVITIES OF AIR

26. The role of AIR is categorized into four main activities:

- (i) Research,
- (ii) Technical Assistance and Capacity Development,
- (iii) Addressing market inefficiencies by catalyzing private sector involvement,
- (iv) Advocacy towards AU member states’ authorities.

(i) Research

27. Conducting research will be a key role for the AIR since it is important to back up the functions of the Institute with concrete data. -Research is also needed to determine the main market inefficiencies, such as remittance costs, exclusivity agreements, that need to be addressed through technical assistance and private sector involvement. Research is also fundamental in building the case for a specific advocacy campaign to improve the market for remittances, leveraging it for social development through financial inclusions. It will also serve in exploring opportunities and new innovations and disseminating these and other existing best practices.

(ii) Technical Assistance for Member States

28. Providing technical assistance is the other important role of the AIR. This may include visiting countries, central banks and others relevant authorities, transferring best practices, and undertaking studies of what mechanism will achieve a more competitive market for remittances and lower transfer costs. It also will help member states in implementing remittance friendly legal policies and regulatory frameworks. In light of this, the institute has a role to play in terms of upgrading the capacities of member state authorities, Central Bank staffs, Ministries of Finance and Development Agencies, Remittance senders and recipients and other stakeholders, in terms of remittances.

29. By ensuring collaboration with existing organizations that already provide technical assistance in the region such as the AfDB, the World Bank and International Fund for Agricultural Development – Financing Facility for Remittances (IFAD-FFR) programs, the AIR should find a technical assistance niche where it does not compete with existing players and can deliver better results for the target population than competing on similar segments.

(iii) Catalyzing the Private sector Involvement

30. Private sector engagement and addressing market failures is another important role of the AIR. The AIR should act as a catalyst to foster the private sector to invest more in remittance services in Africa and innovate in order to provide efficient and cost-effective remittance services even in areas with deficient traditional infrastructure.

31. Another important area could be promoting technology usage to improve the capacities of non-bank financial institutions such as Microfinance institutions and post offices to deliver remittance services and other financial products. In that way Remittance Service Providers (RSPs) could meet new business partners, start new alliances on technology or enhance agency contracts for remittances transfer.

(iv) Advocacy towards AU member states authorities

32. Regarding the advocacy role, AIR would have to work together with institutions of the AU Member States (like Central Banks and authorities Ministries of Finance, Foreign Affairs, Diaspora, etc) to prepare the ground for a common and Africa-wide foundation for policies on remittances, to own these policies, and enhancing harmonization of these policies. Advocacy will include campaign to improve the market for remittances.

33. The Legal and Regulatory Framework is one of the major factors influencing the cost of remittances in Africa. Indeed, Central Banks in Africa tend to be conservative with regards to the institutions allowed to pay remittances. Post offices, Cooperatives and Microfinance Institutions have extended networks in most countries in Africa but many of them are unable to leverage for remittance services due to constraining legal and regulatory frameworks. As a result, the remittances in Africa are predominantly paid by banks. Given the urban bias of banks and their limited coverage this poses an obvious challenge.

34. Further, Anti-Money Laundering (AML)/Counter-Financing of Terrorism (CFT) regulations in the region may not always be appropriate for local conditions. Challenges derived from AML/CFT implementation are multiple. Issues with Know your Customer (KYC) requirements are one of them in some countries where an important segment of the population does not have identification documents or a formal proof of residence. This is usually the case in rural areas. AML/CFT represents a major challenge and a barrier for cost reduction for the RSPs operating in the market.

35. The strategy of AIR is to ensure provision of technical assistance that is valuable to stakeholders, the AU member states, remittance senders and receivers, while maintaining institutional sustainability. This would be made possible at the end of the first initial plan period through:

- Reducing remittance transfer costs;
- Increasing the volume of remittances through regulated channels;
- Ensure the development impact of remittances to the AU member states and the economical wellbeing of the migrants and their families in Africa, raising the standard of living of millions of families, allowing them to increase their spending on consumer goods, education, health and housing, as well as their investment in small businesses.

D. Activities of AIR

36. The Activities of AIR will include but are not limited to:

- (i) Build Capacity of Central Banks to improve collection of data on remittance flows;
- (ii) Promote an appropriate legal and regulatory framework for remittances and use of technology;
- (iii) Build Capacity of Microfinance Institutions and Post Offices to offer remittance services;
- (iv) Organize Private Sector Challenges on several topics (cost of remittances, remittances and financial inclusion, remittances in rural areas);
- (v) Foster technology partnerships to lower costs and improve access to remittance and financial services;
- (vi) Ensure that the General Principles for International Remittance Services (GPs) are implemented in Africa (AU member states);
- (vii) Promote the use of cashless payment instruments across the region;

IV. OWNERSHIP, MEMBERSHIP AND INSTITUTIONAL STRUCTURE OF AIR

37. Four possible scenarios, Fully Public-Sector, Fully Private-Sector, Public-Private joint venture and Multi-donor facility, for ownership of the AIR, and two possible set-ups for the institutional structure, fully-staffed Operational AIR and a hub model specialized office, have been envisaged.

38. The Fully Public-sector scenario considers that when an AU member state decides to finance the institute, hosts it in its territory and provides the resources for its creation and development over the years; The Fully Private-sector set-up is a company or a group of private sector corporations decide to take ownership of the AIR because they see a value in it or as part of their Corporate Social Responsibility Programs; The third possible scenario is The Public-Private Joint venture setup, which entails bringing together both the private and the public sector in the institute to benefit from the comparative advantages of both. The 4th scenario is a Multi-donor Facility or Trust fund. A multi-donor facility is usually created within an existing organization that provides the institutional back-up for the new entity. Most of the institutes tend to be independent from the institution housing them.

39. With regard to the service delivery mechanism, two scenarios are proposed: a Fully-staffed and a Hub model. A Fully-staffed AIR will have all the necessary resources and capacity to provide services to its clients. This therefore requires an important commitment of resources. A Hub model would be a leaner option for the institute which would be to act as a knowledge hub for remittances in Africa. In this case, AIR would not directly implement its activities; instead it would concentrate information and supervise or coordinate the work of external experts or governments.

A. Ownership structure

40. From the review of best practice and examining advantages and disadvantages of the possible ownership structure scenarios envisaged, a Multi-donor facility is considered as the best suitable ownership structure for AIR. Usually, a multi-donor facility is created within an existing organization that provides the institutional back-up for the new office. Accordingly:

(a) The African member states, through AUC, could be considered as a potential owner of a multi-donor facility AIR. This ownership setup would ensure the AIR as a specialized office of the continent which can tap on the strengths and network of the commission and would best serve on the African remittances issue;

(b) To this end, establishment of a separate Division or Unit within Department of Social Affairs (DSA) of the AUC to address issues relating to African remittances and its development impact on the continent is envisaged; through which the AIR would be reported to the AU Assembly;

B. Membership

41. The membership of the African Institute for Remittances (AIR) shall comprise of:

- (i) African Union Commission;
- (ii) AU Member States;
- (iii) Multi-lateral development organizations.

C. Institutional structure

42. As a service delivery mechanism, different organizational structure and housing options provided for AU member states to choose from in consideration of the question “Does the AIR perform all the activities in-house (Fully-staffed) or does it work as a one-stop shop (Hub model) that concentrates the knowledge on remittances in Africa and guides clients to its partner institutions depending on the need?” To this end, the following alternative recommendations have been made:

(a) The establishment of the AIR Secretariat, as a Specialized Office (Hub model) which is to be housed in one of the existing Pan-African institutions, an AU member state Central Bank, the AACB or AfDB; or

(b) Based on the availability of fund and up on ratification of its constitution by the AU member states, AIR could be established initially as a Specialized Agency (Fully-staffed), which is to be governed by its own constitution, statutes, organizational structure.

43. The recommendation is that the AIR be established as a specialized office of the AUC, and housing it within one of the following existing Pan-African organizations, such as the AU member state Central Bank, the AACB or the AfDB.

44. Accordingly, the following possible AIR housing options could be considered:

Option 1¹: AIR Housed in an AU member state Central Bank (Hub Model)

45. As suggested by industry practitioners and recommendations from the participants of the “Consultative and Experience sharing workshop” held on 7th and 8th of July 2011, AU member state Central Bank could be considered as one possible place to house AIR.

Option 2: AIR housed in AACB (Hub Model)

46. The AACB is the Association of Central Banks of the AU Member States, in which all are entitled to be members. The Association focuses mainly on training and capacity building of Central Bank staffs. Likewise, as the main activities of AIR would be Research, Training and Advocacy, the Association seems to be a potential candidate to house the AIR Secretariat.

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¹ The numbering, Option 1, 2, 3..., does not show preference ranking.

Option 3: AIR housed in AfDB (Hub Model)

47. The Bank's mission and objective statement "The overarching objective of the African Development Bank (AfDB) Group is to spur sustainable economic development and social progress in its regional member countries (RMCs), thus contributing to poverty reduction", clearly states that it is working towards the economic development of African countries as a result improving the economic status of the people.

48. AfDB is owned by all the 54 African member states and by 24 non-African countries. The member states are represented by their Ministers and high level officials of economic and financial institutions. AfDB owners and governors are the main clients of AIR to deal the issue of remittances in Africa. Hence, the bank seems another potential candidate to house the AIR.

D. Administrative organs of AIR

49. The Administrative organ of the AIR shall comprise of:

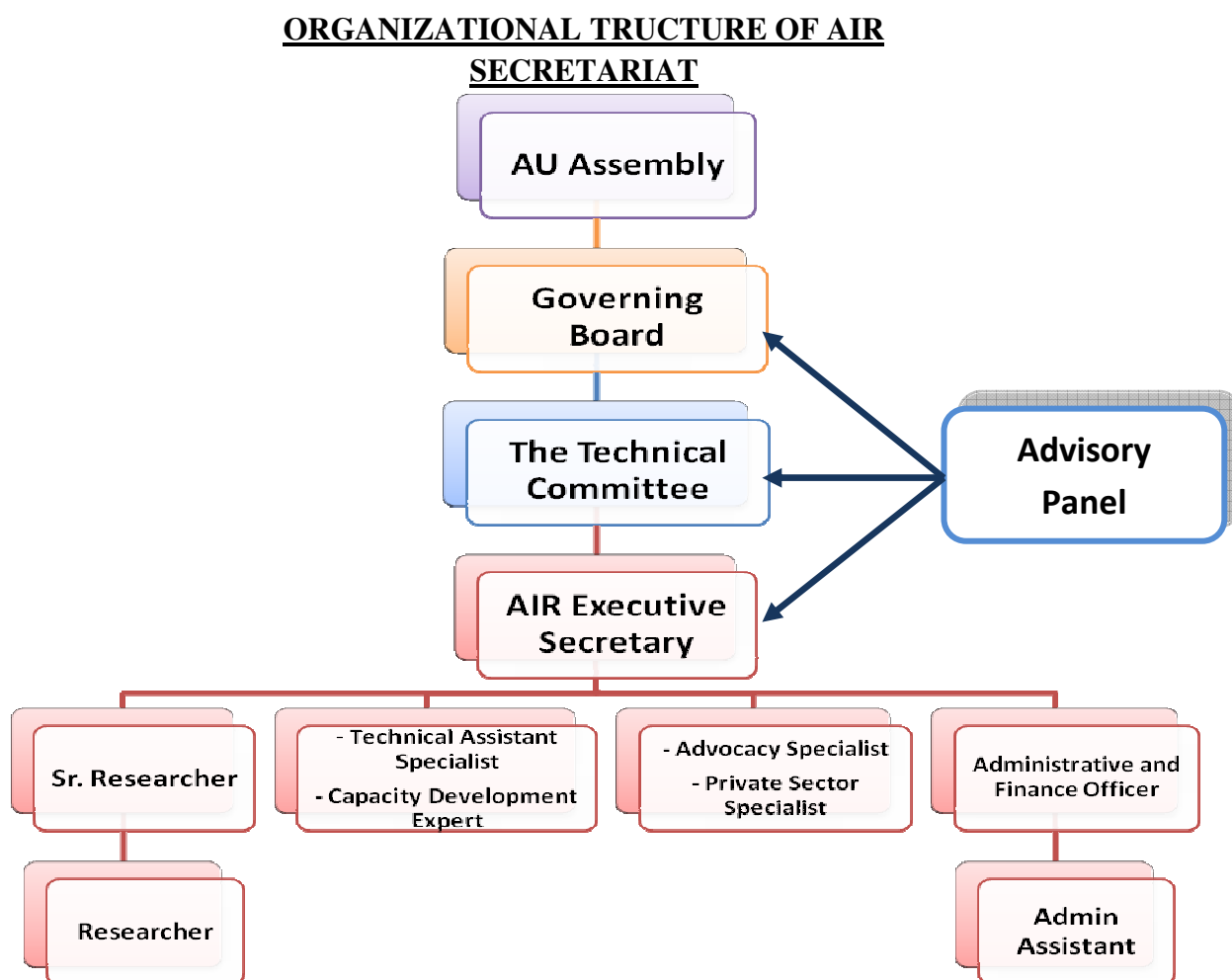
- (i) AU Conference of Ministers of Finance (CAMF);
- (ii) Governing Board;
- (iii) Technical Committee;
- (iv) The Advisory Panel;
- (v) The AIR Secretariat.

The AIR Secretariat:

50. Reporting to and fully responsible to the Governing Board. The AIR should not be a heavy bureaucracy, and instead should consist of a small group of expert practitioners. In all the hub model options, therefore, the membership of the Secretariat shall be comprised of:

- (i) Executive Secretary of AIR Secretariat, (P6);
- (ii) Senior Researcher on African remittances (P5);
- (iii) Researcher (P3);

- (iv) Technical Assistance Specialist (P4);
- (v) Capacity Development Expert (P4)
- (vi) Advocacy Specialist (P4);
- (vii) Private-sector Expert (P4);
- (viii) Legal Officer (P3);
- (ix) Administration & Finance Officer (P1);
- (x) Admin Assistant (GS5).



FUNCTIONS OF THE SECRETARIAT

51. The Secretariat is responsible to the overall implementation of decisions taken by the higher governing body with advice from the Advisory Panel. It would be headed by the Executive Secretary and supported by three operational work units related to the major roles of the institute and a Finance officer focuses on secretariats' financial Issues and administrative issues.

V. FUNDING PROPOSALS TO FINANCE THE AIR

52. The AIR Secretariat shall be financed through different possible mechanisms. As per the industry practitioner's suggestion and recommendations made by the participants of the Consultative and Experience sharing Forum held on 7-8 July 2011, AIR at its initial stage (3-5 years) and until it established credibility and recognition by the industry players, it should be financed through:

- (i) Resources from the host country or Organization;
- (ii) Contributions from AU member states and the AUC;
- (iii) Contributions from AfDB, AACB and others;
- (iv) Donations from Remittance Service Providers (RSPs);
- (v) AIR, after gaining recognition and establishing trust, may offer fee based services as a way to improve its self-sufficiency in subsequent years.

Part 5: Estimated Annual Operational Budget for the AIR Secretariat as a Specialized Office (Hub Model):

DESCRIPTION	ANNUAL COST
Staff Costs	875,000
Travelling Expenses for Official Missions	280,000
Office Furniture & Fixtures	80,000
Rental & Maintenance of Office Premises, Equipment, Vehicles	68,200
Stationery and Office Supplies	16,000
Communications	26,000
Meetings & Seminars Cost	180,000
Other Operating Expenses	57,000
TOTAL ANNUAL OPERATIONAL BUDGET	1,582,200

Attachments

- (a) The detail report on project implementation (June 2010 – January 2012) is attached as Annex I.
- (b) Proposed Organizational Structure of AIR is attached as Annex II.