Addendum No. 2 to the Administration Agreement between the European Community and the International Bank for Reconstruction and Development, and the International Development Association, and the International Finance Corporation, concerning the Trust Fund for the African Institute for Remittances (AIR) Project (TF071207)


The European Community, represented by the Commission of the European Communities, the “Commission” or the “Donor”,

of the one part,

and

The International Bank for Reconstruction and Development (“IBRD”), the International Development Association (“IDA”), and the International Finance Corporation (“IFC”) (collectively, the “World Bank Group” or the “Bank”)

of the other part,

have agreed as follows:

1. Section 2.03 of the Administration Agreement concluded between the Commission and the Bank on December 28, 2009 (the "Administration Agreement") is hereby amended as follows:

   “It is expected that the Contribution will be fully utilized in accordance with the provisions of this Administration Agreement by April 30, 2014 (“End Disbursement Date”). The End Disbursement Date can only be modified with the agreement of both Parties pursuant to Article 9 of the General Conditions.”

2. Annex I (Description of the Project), hereby attached, is amended as follows:

   The new duration of the action in Paragraphs 1.4 and 1.9 is 52 months.

All other terms and conditions of the Administration Agreement remain unchanged. This Addendum shall enter into force on the later date of signature by the Parties.

For the Beneficiary

Name: Colin Bruce
Title: Director, Strategy and Operations
Signature: 
Date: 25 April 2013

For the Donor

Name: Ambassador Gary Quince
Title: Head of EU Delegation to the African Union
Signature: 
Date: 24 April 2013
ANNEX I

1. DESCRIPTION OF THE PROJECT

1.1. Title

The African Institute for Remittances (AIR) project

1.2. Location(s)

Africa: Ethiopia (Addis Ababa for the setup of the AIR project), and Africa Union (AU) Member States with particular emphasis, but not exclusively, on the following countries: Nigeria, Senegal, Cape Verde, Guinea Bissau, Mali, Ghana, Sierra Leone, Liberia, Sudan, Uganda, DRC, Rwanda, South Africa, Mauritius, Kenya, Comoros, Guinea.

1.3. Cost of the action and amount requested from the Contracting Authority

please see ANNEX III (the budget)

1.4. Summary

<table>
<thead>
<tr>
<th>Total duration of the action</th>
<th>4052 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives of the action</td>
<td><em>The core objective</em> of the African Institute for Remittances project is to facilitate the process leading to the creation of the Institute as well as capacity building of Member States of the African Union, remittance senders and recipients, private sector, universities, and other stakeholders to develop and implement concrete strategies and operational instruments to use remittances as development tools for poverty reduction. It also aims at strengthening partnership between the African Union, the European Union, the World Bank, the International Organization for Migration, African Development Bank, the UN Economic Commission for Africa and the African Diaspora in the area of remittances in particular, and migration and development in general.</td>
</tr>
<tr>
<td>Target group(s)(^1)</td>
<td>The target groups are: Members States of the African Union, local authorities and policy makers, in particular Ministries of Finance, central banks and financial and non-financial institutions, which will gain better practices from the research, policy advice and capacity building in the area of remittances, migration and development.</td>
</tr>
<tr>
<td>Final beneficiaries(^2)</td>
<td>Remittance senders and recipients and the broader African Diaspora, their families and communities back home, who will benefit from better information, increased opportunities for trade and investment, access to financial services,</td>
</tr>
</tbody>
</table>

\(^1\) "Target groups" are the groups/entities who will be directly positively affected by the action at the action Purpose level – See paragraph 2.3 in Section II for the list.

\(^2\) "Final beneficiaries" are those who will benefit from the action in the long term at the level of the society or sector at large.
| Estimated results | AIR creation facilitated with operational networks in stakeholder and beneficiary organizations; Governments in remittance receiving countries sharpen development impact of remittances through application of appropriate policies; improved financial access and banking products/services for remittance senders and recipients; regulatory regimes that strike a balance between preventing financial abuse and facilitating remittance flow through formal channels established; dissemination of data on remittance fees in major corridors improved; remittance transaction costs reduced; 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.); Diaspora bonds issued, and remittances securitized for credit / loans access from the global financial markets (as in the case of Brazil); Remittance-based Investment Fund established and accessed by stakeholders; among others. |
| Main activities | The AIR project will comprise: (a) provision of technical assistance to government institutions on putting in place the necessary regulatory frameworks; (b) carrying out of training and capacity building programs; (c) study of remittances flows within Africa; (d) policy research and dialogue on how remittances can contribute to the development of Sub-Saharan Africa; (e) development of content and technology platforms for country-based payment and settlement systems for remittances; (f) development of partnerships between African Development Bank, African Central Banks and remittance companies to improve financial access; (g) dissemination of data and research; (h) preparation of annual reports and annual conferences and meetings of policy makers. |

1.5. Objectives

The specific objective of the African Institute for Remittances project is to facilitate the process leading to the creation of the Institute as well as capacity building of Member States of the African Union (AU), remittance senders and recipients, private sector, universities, and other stakeholders to develop and implement concrete strategies and operational instruments to use remittances as development tools for poverty reduction. The African Institute for Remittances will forge institutional partnerships among the African Union, the European Union, the World Bank, the African Development Bank, UN Economic Commission for Africa, International Organization for Migration (IOM), the African Diaspora, and other stakeholders (African financial, economic, academic and research institutions, receivers of remittances, multilateral and bilateral donors, foundations, private sector) to design and put in place mechanisms for better leveraging remittances and other Diaspora resources for the development of Africa, and general migration and development policies.

The African Institute for Remittances (AIR) project, to be carried out by the World Bank, involves collaboration among a number of units of the World Bank Group, and the International Organization for Migration (IOM) partnering with AU / Member States / African Diaspora and their regional and international development partners. The World Bank’s Africa Region Vice-Presidency is working collaboratively with the Development Economics Group (DEC), World Bank Institute (WBI), and the International Finance Corporation (IFC). The project forms part of the World Bank-AU strategy on Mobilizing the African Diaspora for Development, which is being implemented in the Bank’s Africa Region, in collaboration with the AU Representational Mission in Washington DC. As such, AIR will be integral to the African Diaspora mobilization initiative, and IOM’s extensive networks of Governments and Diaspora networks, to reach members of the immigrant and wider African Diaspora communities for buy-in and participation in the mechanisms that AIR will help institutionalize in AU Member States.

The World Bank-AU Mobilizing the African Diaspora for Development initiative would help anchor AIR through leveraging resources with other World Bank-supported activities with AU / Member States. For DCL-MIGR/2009/153-173.
example: (a) AIR project will help develop and implement activities related to ‘remittances for development’ component of a $1 million Bank’s Institutional Development Fund (IDF) grant and technical assistance Bank’s Africa Region is developing for an initial sample of Member States. The IDF grant will help countries develop and implement strategies on leveraging remittances, as agreed by senior Government representatives from about 20 countries (listed in section 1.2) at the Joint Africa Institute (JAI) High-level Seminar (Cape Town, February 6-8, 2008), which focused on leveraging remittances and increasing Diaspora-led investments in the region. (JAI comprises the African Development Bank, International Monetary Fund, and the World Bank). African government ministers, senior policymakers, regional banks and Diaspora investors and representatives who participated in the JAI event expressed strong interests in national capacity development (of the various stakeholders) to develop and implement concrete strategies and operational instruments to use remittances as development tools for poverty reduction, during a high-level seminar organized by the Joint Africa Institute
3 in Cape Town. Some of these strategies and instruments include: creating an enabling institutional policy environment and regulatory frameworks; improved recording and analysis of remittances and migration data to fill the current knowledge gaps; reduction in transfer costs; development of financial, business advisory services and credit facilities for remittance senders and recipients; issuance of Diaspora bonds, and securitization of future remittances for improving access to the global financial markets and creating mechanisms for African Diasporas to participate in these mechanisms. Bank is also providing support to the AU Representational Mission in Washington DC for capacity building in African Diaspora mobilization. In this regard, the AIR project will contribute to building relationships with migration and development policy and advocacy entities in Europe and in the Americas to inform policy directions as regards migration, remittances, and other African Diaspora issues for the region’s development. Furthermore, the Mobilizing the African Diaspora for Development initiative, which is based on the AU definition of the African Diaspora to include the historical African communities anywhere outside the Africa continent, in addition to recent migrants, will provide additional resource flows opportunities and information as regards foreign direct investment (FDI).

1.6. Relevance of the action

General analysis of problems and interrelations at all levels:

The contemporary African Diaspora from the continent living in the EU countries is estimated to be around 3.3 million people4; about 1 million live in the United States and 300,000 in Canada. Recent estimates of the total remittances by African migrants into the region range from $10-405 billion. According to a recent study6 financed by the EC’s DG for Economic and Financial Affairs on the non-official estimates of the volume and the geographical breakdown of remittance flows from the EU, in 2004, remittances from the EU27 amounted to €26.8 bn. Around 12% (€3.2 bn) are sent to Sub-Saharan Africa. The UK, France, Italy, Germany, Spain, the Netherlands and Belgium are the main remitting EU Member States to SSA.

These remittances by African migrants are increasing and, with high levels of unrecorded transfers, have now exceeded overall total FDI and assistance in many African countries. A large part of the flows bypass formal financial channels; moreover, the conventional practice among migrants is to send money to recipients in their countries of origin for immediate consumption. In the past years, countries, particularly in Latin America, have moved beyond this conventional practice and have devised innovative and creative solutions to move remittances to their destination countries more efficiently and securely. This evolution in the management of remittances flows in the African region has been supported by the joint efforts of the international community, the African countries and the African diaspora.

3 High-level Seminar on Leveraging remittances as sources of financing for enhanced growth and development in Africa and promoting Diaspora-led investments. Cape Town, South Africa, 6-8 February 2008. The Joint Africa Institute comprises the World Bank, the African Development Bank, and the International Monetary Fund.

4 See African Diaspora Policy Centre for further information on the role of the African diaspora in the development of their home countries. http://www.diaspora-centre.org/

5 Another study carried out by Anyanwu, John and Erhijakpor Andrew (2008) states that in 2007 $27 billion have been sent through remittances corridors to African countries; such amount represents an increase of 141% compared to 2000 figures.

6 The study was carried out by Sergi Jimenez-Martin, Natalia Jorgensen and Jose Maria Labeaga at the Fundacion de Estudios de Economia Aplicada (FEDAE). DCI-MIGR/2009/153-173
measures to utilize remittances as development tools and instruments, enhance the development impact on poverty reduction, and in improving the livelihoods of both senders and recipients. In countries such as Brazil, Mexico or Guatemala, additional financial services are provided to senders and recipients, which help to multiply the economic impact of remittances: Remittances are leveraged to provide additional financial options to the recipients, such as bank accounts, and various forms of credit. Products and credit services linked to remittances, for example, mortgage loan origination and funding support for micro-enterprises have been developed, and strategic partnerships established to provide financial education and business training to strengthen the entrepreneurial acumen of both the senders and recipients. In some cases countries are able to leverage the flow of remittances as collateral for bonds issues and securitization of loans.

Despite impressive lessons of success and practices in Latin America and elsewhere, there are only a few, mainly small-scale, initiatives aimed at enhancing the development impact of remittances in Sub-Saharan Africa. In this regard the Joint Africa-European Union (EU) Declaration on Migration and Development, the Migration Policy Framework for Africa, and the Ministerial Conference of the Least Developed countries on Enhancing Development Impact of Remittances, Cotonou (Benin), noted the importance of remittances in its capacity to impact on development. Moreover, the 2007 Lisbon Summit Action Plan and the Africa-EU Strategic Partnership specifically call for “further steps toward the facilitation of safer, faster, and cheaper remittances, including for investments; ensure that sufficient data, research and knowledge is made available to governments; promote innovative solutions for transferring money”. The African Parliamentary Union African Parliamentary Conference on “Africa and Migration: challenges, problems and solutions” (Rabat, Kingdom of Morocco, 22-24 May 2008) also addressed strategies relevant to AFR mandate.

Identifying ways to maximize the developmental effects of remittances, and improving remittance transfer mechanisms have therefore increasingly become topics of growing importance to the African Union.

Official and private financial flows to Africa have increased in recent years, but the picture is less rosy in the light of enormous resource needs for growth, poverty reduction, and other Millennium Development Goals (MDGs). Sub-Saharan Africa outside South Africa continues to depend on official aid. The relatively small FDI flows to the region are concentrated in enclave investments in oil-exporting countries. Portfolio bond and equity flows are non-existent outside South Africa. Private debt flows are small and dominated by relationship-based commercial bank lending; and even these flows are largely short-term in tenor. More than half of the countries in the region do not have a sovereign rating from the major credit rating agencies, and the few rated countries have sub-investment grade ratings. Low or absent credit ratings impede sovereign and private sector efforts to raise financing in the capital markets. Capital outflows appear to be smaller than in the previous decade, but the stock of flight capital from the region remains very high. While acknowledging that remittances are, above all, private funds, which also offer development possibilities for entire communities and countries, the development community therefore would continue to explore new sources of financing, innovative private-to-private sector solutions, and public-private partnerships to mobilize additional international financing.

**Brief description of the target groups and final beneficiaries**

The target groups are: Members States of the African Union, policy makers, central banks and financial and non-financial institutions, which will gain better practices from the research, policy advice and capacity building in the area of remittances, migration and development. The final beneficiaries are the remittance senders and recipients, Diaspora, their families and communities back home, who will benefit from better information, increased opportunities for trade and investment, access to financial services, more resources for health, education and investment potential resulting from better policies by the government and other stakeholders.

**Relevance of the proposal to the needs and constraints in general of the target region and to the target groups/final beneficiary groups in particular**

---

7 Joint Africa -EU Declaration on Migration and Development (Tripoli Declaration), November 2006.
Current estimates of recorded remittances to Africa are about $10-40 billion\(^9\) (unrecorded flows are estimated to be several times higher in Africa), constituting significant equivalent proportions of GDP for many African countries (about 25% for Liberia; 34% for Cape Verde; and 37% for Eritrea, etc). These transfers contribute to improving African households’ basic consumption needs, enabling access to education and health services, providing financing and technical knowledge for establishing micro, small and medium enterprises, and improving community infrastructure such as roads, water supply and local governance. At the macroeconomic level, it has been estimated that Sub-Saharan African countries can potentially raise $1-3 billion by reducing the cost of international migrant remittances, $5-10 billion by issuing Diaspora bonds, and $17 billion by securitizing future remittances and other future receivables.

There are however several institutional and organizational constraints and skill-gaps that must be addressed to realize the possibilities of leveraging remittances to boost development efforts in the region. Such constraints and challenges include: low levels of domestic financial development including lack of access to finance in rural areas, high costs of investment banking and absence of credit rating services, inadequate regulatory capacity and lack of transparency and competition in remittance services which contributes to high-cost of remittance transfers, and inadequate financial and institutional support for the effective use of remittances and other Diaspora resources for Africa’s development. Mistrust of banks can also be a factor in some remittance corridors.

Evidence from other regions, including from Latin America, indicate that partnerships and institutional relationships among the major stakeholders (Governments, AU, donors, private sector, international organizations such as IOM and other stakeholders) can encourage and motivate the African Diaspora and remittance senders and recipients in African countries to embark upon productive investments and entrepreneurial activities. Institutional partnerships can provide technical and financial assistance to strengthen the ability and build trust of the African Diaspora, African Governments, the private sector, and recipients of remittances in undertaking activities that contribute to better development outcomes. These institutional mechanisms also ensure the buy-in of governments at all levels to provide an enabling environment and improving the productive/absorptive capacity of the local economies to attract and leverage remittances and Diaspora investments for development. Some initiatives could include providing assistance to financial and non financial institutions (i.e. development of housing mortgage, and Micro and SME support). Such institutional mechanisms are lacking in Africa. It is therefore imperative for Africa to forge such partnerships and develop tools, through the establishment of the African Institute for Remittances, to harness the potentials of remittances for accelerated and sustained development.

**Relevance of the proposal to the priorities and requirements presented in the Guidelines**

The AIR project fosters the links between migration and development and is aligned with the requirements presented in the Guidelines (Lot 1), as it: (a) encourages policy discussions on migration and remittances; (b) follows up joint initiatives resulting from the above discussions; (c) promotes measures to improve the contribution made by diasporas in the countries of destination to the development of their countries of origin; (d) draws up measures to facilitate the transfer of remittances by migrants, making such transfers safer and less costly and promoting their impact on development; (e) promotes monitoring of migrants' remittances in order to collect information on the amounts, methods of transfer and the use made of the funds, plus the existence of national legislation in this field; (f) promotes dissemination of information on good practices, provision of training and capacity-building support for legislators and actors concerned. In light of the implementation of the above AU-EU policy documents on Migration, this initiative is timely and very important. The AU could make use of this initiative as one of the mechanisms that would help African countries "institutionalize" the remittance and development issue as well as harnessing the link of Diaspora to development of Africa as a part of a broader migration AU-EU programme.

### 1.7. Description of the action and its effectiveness

**Description of the proposed action including background information that led to the presentation of this proposal.**

African governments, the African Union and their development partners, including the African Development Bank, the UN Economic Commission for Africa, the World Bank and the IOM have

---

\(^9\) See footnote 5 for easy reference

DCI-MIGR/2009/153-173
realized that the African Diaspora, remittance senders and receivers, and the private sector must become full partners in the development of the continent. African Governments have recently been calling for leveraging Diaspora remittances and investments. Policy-makers in Africa have to confront and deal with the challenges of managing migration and remittances, but relatively little research and development of operational products has been done.

Helping to overcome poverty and spur sustainable growth in the poorest countries, especially in Africa is one of the six priorities of the World Bank’s strategy. Remittances play an important role in reducing the incidence and severity of poverty. Remittances directly increase the income of the recipient and can help to smooth household consumption, especially in response to adverse events such as crisis, and increase household investments in education, entrepreneurship and health. The World Bank and its partners, such as IOM have a role to play in enhancing the development impact of remittance flows into Africa, a primary instrument of which is supporting the African Union and European Union in the establishment of the AIR. The World Bank is also considering the establishment of an accompanying Remittances Investment Fund as a window in a proposed African Diaspora Engagement and Facilitation Fund (ADEFF) as form of financing for remittances-based projects and Diaspora investments in Africa, broadly along the lines of the some initiatives at the Inter-American Development Bank (IADB).

The World Bank jointly with the African Development Bank (IOM is in the Technical Committee) is undertaking a comprehensive study on: Migration, Remittances and Development in Africa in response to a request from the Central Bank Governors and representatives from the Ministries of Finance to fill the knowledge gap on remittances and migration and to improve capacity among policy makers. The study addresses four areas: remittances, migration, brain drain and Diaspora (as a tool to mobilize investment, trade, and knowledge resources).

The AIR project will provide core services to fill the gap mentioned above particularly in policy research and dialogue, advising Members States of the AU on measures to increase the development benefits of remittances, sharing best practices and experiences from other continents, working with partners to develop operational tools and products on how to make remittances more effective as tools for poverty reduction and how to tap into the vibrant communities of the Diaspora and work with them as development partners. The AIR project activities will build on partner activities: for example, IOM, since 2001, has been supporting the African Diaspora in their efforts to use remittances for productive investment especially through IOM’s MIDA programs. It is important that these ad-hoc initiatives are scaled up, lessons learned and best practices shared with all other countries in SSA and an integrated approach adopted.

**Description of the overall objective of the action, outputs, expected results and proposed activities:**

**The specific objective** of the African Institute for Remittances project is to facilitate the process leading to the creation of the Institute as well as capacity building of Member States of the African Union, remittance senders and recipients, private sector, universities, and other stakeholders to develop and implement concrete strategies and operational instruments to use remittances as development tools for poverty reduction. It also aims at strengthening partnership between the African Union, the European Union, the World Bank, the African Development Bank, UN Economic Commission for Africa, IOM and the African Diaspora in the area of remittances in particular, and migration and development in general.

**The envisaged outcomes** of the proposed capacity development interventions would be: devising policies to create an enabling institutional policy environment and regulatory frameworks; improved methodologies for recording and analysis of remittances and migration data; proposed regulated frameworks and encourage competition to achieve reduction in transfer costs; development of financial, business advisory services and credit facilities for remittances senders and recipients; and promoting and working with Diasporas to participate in these mechanisms and instruments.

**Expected results include:** Government in remittances receiving countries can sharpen the development impact of remittances through the application of appropriate policies; improved financial access of remittance senders and recipients thanks to public policies in place; regulatory regimes that strike a balance between preventing financial abuse and facilitating the flow through formal channels established; dissemination of data on remittance fees in major corridors; improved transparency and remittance transaction costs reduced; voluntary code of conduct for delivering fair value transfers; 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.); Diaspora bonds issued, and remittances securitized of for DCI-MIGR/2009/153.173.
credit / loans access from the global financial markets (as in the case of Brazil); Remittance-based Investment Fund established and access by stakeholders; etc.

**Proposed activities:** The AIR project will comprise the following activities which are outlined in more detail in section 1.8. In summary, these include: (a) study remittances flows both into and within Africa; (b) provide technical assistance to government institutions on putting in place the necessary regulatory frameworks; (c) carry out training and capacity building programs; (d) policy research and dialogue on how remittances can contribute to the development of Sub-Saharan Africa; (e) develop content and technology platforms for country-based payment and settlement systems for remittances; (f) develop partnerships between African Development Bank, African Central Banks and remittance companies to improve financial access; (g) dissemination of data and research; and (h) prepare annual reports and annual conferences and meetings of policy makers.

1.8. Methodology

**Involvement of any implementing partners, their role and relationship to the applicant**

The AU has begun taking the necessary steps toward harnessing the expertise and resources of African Diasporas as the sixth ‘region’, along the lines of Regional Economic Communities (RECs) under a special program entitled “Citizens of Africa” and requested the World Bank’s support towards this objective. In response, the World Bank recently established the Mobilization the African Diaspora Initiative in support of the AU, African governments and Diasporas’ agenda. IOM has been a major source of knowledge, support and advocacy on migration and development, with an extensive network of immigrants, projects, and data, which will be of value to AU Member States as the develop and implement strategies to better target and harness Diaspora contributions to development. Collaborating on this project is one of the four areas that the Bank and the AU are working on formalizing as a partnership strategy. Responsibility for developing the AIR project and its network of stakeholder organizations will similarly be shared by Bank/IOM and AU Member States.

**Other stakeholders**

The European Union, African Development Bank, and UN Economic Commission for Africa may contribute technical and financial assistance to the project. The Institute will collaborate with and serve as a resource centre for relevant institutions in Africa and Europe that may be interested in migration and development issues, such as African financial and economic institutions, RECs, the African Diaspora, local investment and commercial banks, multilateral and bilateral donors, foundations, private sector, institutions of higher education and research, etc.

The methodology involves:

1.8.1 **Stakeholder consultations and building institutional partnerships:** on the proposed initiative and buy-in and participation, their expectations and contributions, organizational structure and location, the results framework, work plan, etc., using virtual and face-to-face modes. This component is ongoing, including consultations of the Diaspora during the Bank Open House for the African held in Washington DC (November 29, 2007) that brought together more than 400 members of the Diaspora drawn from the United States and Canada; consultations of Governments during the JAI High-level Seminar in Cape Town, South Africa (February 2008), and at the Regional Consultative Conferences organized by the Government of South Africa in collaboration with the AU, among others. Consultations on the AIR instruments will be undertaken as follows:

- **African Union Commission:** organize a two-day roundtable in Addis Ababa, Ethiopia for AU, Member States, United Nations Economic Commission for Africa, African Development Bank, IOM, representatives of African immigrant (Diaspora) groups, regional and commercial banks, etc. (Establish a virtual consultation Website and resources and hold Online discussions with all stakeholders for one month prior to the roundtable)**AU Member States** (10 countries in Phase One; selection based on criteria such as size of the country’s immigrant group and remittance flows, trends, and countries, such as Ghana, Guinea, Nigeria, Sierra Leone, Liberia, Mali, Senegal, DRC, Cape
Verde and Comoros that have already requested Bank support in developing and implementing national Diaspora mobilization strategies): Several countries have also requested IOM support in developing strategies. Consultations through Bank country offices involving legislative and regulatory bodies, national Diaspora offices, and a representation of remittances receivers, etc.

- **African Diaspora organizations** (using Online tools and face-to-face workshops in major cities where these immigrants are concentrated to consult with various networks and organizations that are currently participating in activities of IOM, and the World Bank’s Mobilizing the African Diaspora initiative – activities such as the Development Marketplace for the African Diaspora in Europe (D-MADE) and a similar version planned for North America, and others that may be determined) for their buy-in and participation in the process, as the principal stakeholders (the remitters); and on using formal and informal channels for remitting, responding to surveys on Diasporas (location and distribution overseas, expertise, resources, ongoing activities such as remittances and business investments, impact, preferences, etc.) so that remittances data may be more complete and for policy decisions on leveraging remittances to reflect the full potential of the initiative.

- **Central Banks, commercial and sub/regional banks** (especially those that serve as point of collecting remittances) on developing products and services for transnational families, securitization of future flows, issuance of Diaspora bonds, contributing to an African Remittances and Investment Fund, etc.

- **Money Transfer Operators (MTOs)** – formal and major types of money transfer operators and banks as well as the small and informal operators that serve African immigrant communities - on mechanisms for reducing transfer costs, and contributing to an African Remittances and Investment Fund.

- **Remittances recipients (home communities of the migrants)**..... consultation, sensitisation and capacity building/orientation regarding formal remittance transfer options and financial products

- **African Union Mission in Washington, DC**: on bringing together stakeholders in North America, including the Inter-American Development Bank (IADB) and representatives of Latin American Diaspora groups that have been impacted by similar initiatives to leverage remittances. This will be financed by the AU Mission under an Institutional Development Fund grant from the World Bank.

### 1.8.2 Establishment of a temporary structure (The Secretariat) and arrangements to facilitate the establishment of a permanent structure (the main hub of the “African Institute for Remittances”)

The World Bank as the principal recipient of the EU grant will be responsible for overall project management. The AIR will be set up under the Africa Union Commission (AUC) responsibility. The African Development Bank (AFDB) and International Organization for Migration (IOM) will be partners and support management and implementation. A Technical Committee including the World Bank, AU, AFDB, and IOM would be established for the duration of the project. A number of specific steps will be undertaken to start implementation. All activities described below will first be conducted under a temporary structure ("The Secretariat") and will facilitate the establishment of a permanent structure that would eventually assume all the responsibilities of the Secretariat:

- Establish a (consultative) Technical Committee which has no decisional role on the use of funds.

- Identify and recruit staff for AIR project: one Director, two economists (one remittance specialist, another migration specialist), one senior level staff responsible for linking AIR to the overall World Bank/AU Partnership on Mobilizing the African Diaspora, 1 training coordinator, 1 survey specialist, office manager/budget specialist, staff assistant. (Staff reassignment from African or European Governments, and regional agencies will be especially welcome.) In the first phase of the project (temporary structure) only part of the staff will be recruited, i.e. one economist, one training coordinator, one survey specialist and a staff assistant). Further recruitment will be determined once the arrangements for the permanent structure are known and after deliberation by the Technical Committee

- Set up Secretariat in Addis Ababa (Ethiopia) until the final location of the Institute is decided

- Establish links into the AUC

- Establish links with country Diaspora focal points, African immigrant communities/organizations, MTOs, and other institutions and bodies that will contribute to/benefit from the activities and results of AIR

- Prepare AIR results framework and work plan for discussion and adoption by partners

---

10 A list of countries is still to be reviewed and confirmed by the technical committee

DCI-MIGR/2009/153.173
• Conduct surveys and studies on remittance flows (by originating and destination countries, etc.) and make contributions to migration and development policy formulation in both EU and AU regions (IOM handbook on mainstreaming)

• Strengthen communications and networking arrangements with partners, clients, and beneficiary groups: Establish modern communications infrastructure in addition to face-to-face workshops to strengthen information and knowledge sharing with AIR stakeholders through an interactive communications channel and online platform (Website and tools) for knowledge sharing among stakeholders (AUC Diaspora Program office, Diaspora constituencies, country and regional institutions, African missions overseas, and Africa’s development partners, etc.).

1.8.3 Technical assistance to AUC and AU Member States: Assist AUC and AU Member States to develop the necessary capacity in leveraging remittances according to the strategies on leveraging remittances agreed by senior Government representatives from about 20 countries at the JAI High-level Seminar (Cape Town, February 6-8, 2008), which focused on leveraging remittances and increasing Diaspora-led investments in the region. In this regard, the World Bank will be making available about US$ 1.0 million in grants from its Institutional Development Fund (IDF) to cover technical assistance to an initial sample of Member States (e.g. Ghana, Sierra Leone, Liberia, Comoros, Guinea.)

• Assist AUC and Member Governments to develop the necessary regulatory frameworks: Working with countries (departments and organizations such as Central Banks, statistical bodies, etc.) that are innovators in this initiative, Diaspora fund management firms and businesses to develop models and policy briefs on: (a) remittances data generation and use; (b) structural arrangements for securitization of remittances as collateral for Government bonds, and raising of loans, credit etc., in the global and regional financial markets; (c) using remittances to improve sovereign credit ratings; (d) making new laws on banking Diaspora assets, access to credit, etc.; (e) helping commercial banks to develop value-added products and services for transnational families, the unbanked, etc; (f) providing incentives for the Diaspora to use formal channels for money transfer; (g) devising strategies on using remittances in public/social infrastructure development and local counterpart contributions, etc.

• Capacity building and training: Carry out training and capacity building programs for AUC and Member State institutions in the core areas of the AIR project, based on model country and sub-regional approaches, and with Diaspora fund management firms to provide strategies and policy briefs on: study of remittance flows into/within Africa; policy research and dialogue on how remittances can contribute to Africa’s development; and training on survey methodologies for remittances data generation; data management and application

• Technology platform: Develop appropriate tools and services for partner countries: (a) create content and technology platforms for country-based payment and settlement systems on remittances; (b) network (link) African Central Banks, remittance companies, and Diaspora organizations for efficient remittance flows monitoring and reporting channels based on interoperability among stakeholders in access to accurate, timely and meaningful data on remittances (size, senders, recipients, uses, and impacts); (c) assist commercial banks to develop financial and business advisory services and credit facilities for senders/recipients toward small and medium-size enterprise development, and in providing banking access to remittances recipients in rural areas.

1.8.4 Resource mobilization: Work with the World Bank’s Mobilizing the African Diaspora for Development initiative on resource mobilization to capitalize Diaspora investment and development activities in the region: (a) contribute to discussions with donors on establishing an African Diaspora Engagement and Facilitation Fund (ADEFF); (b) work with AU Member State statistical and other departments to prepare proposals for trust fund resources and other avenues for donor support in building data management capacity, etc.

1.8.5 Monitoring and evaluation: (a) Develop tools to rank AU Member States by performance, e.g., quality and enforcement of legislative and regulatory instruments; value-added services and products of commercial banks for transnational families; size of Diaspora using formal transfer systems; using the General Principles for International Remittance Systems, etc.; (b) generate good practice lessons for
sharing, and in replication and scaling up of the initiative; (c) Identify remedial actions to improve poor performance of the initiative.

1.8.6 Knowledge exchange and lessons sharing: Prepare quarterly and annual project status updates and an implementation completion report for partners and clients, and disseminate data and research outputs to stakeholders, partners, beneficiary groups, and global community: (a) provide regular updates (Online and print) on data (remittance flows, by originating and destination countries, etc.); (b) convene annual seminar/workshop and meetings involving policy makers, remittance senders/recipient, commercial banks, MTOs, national Diaspora offices, etc.; (c) prepare and disseminate annual reports (print and Online).

- Prepare recommendations on the future of this project and possible establishment of the AIR including lessons learned

This action is part of a larger program of the partners and has potential synergies with other initiatives in particular from the EC.

The African Union: In May 2003, the AU Executive Council directed the AU to actively engage the African Diaspora in the development efforts of the continent. The AU Executive Council defined the African Diaspora as: "the African Diaspora consists of peoples of African origin living outside the continent, irrespective of their citizenship and nationality and who are willing to contribute to the development of the continent and the building of the Africa Union." In this regard, the African Union and African Governments, led by Government of South Africa embarked on Regional Consultative Conferences in New York City, London, Paris, Barbados, Addis Ababa, and Ministerial Summit held in Johannesburg (November 2007) in a process of engaging the African Diaspora and Governments for the continent's development. This agenda includes six areas of focus: (i) Economic Cooperation, (ii) Regional Development and Integration, (iii) Women, Youth and Vulnerable Groups, (iv) Historical, Socio-Cultural and Religious Commonalities, (v) Peace and Security, and (vi) Knowledge Sharing and Learning.

The World Bank recently launched an initiative on Mobilizing the African Diaspora for Development (see AFR Diaspora program concept note) in support of the AU and African Government agenda. The Bank initiative is using multiple approaches including support and facilitation of: (i) the Diaspora to build on ongoing efforts via a blended strategy of "virtual" participation; short, medium and long term placements; return and retention; and institutional partnerships and networks; (ii) governments to create enabling environments including operational policies for Diaspora to provide services and products; and deploying professionals through national focal points; (iii) business and investment promotion networks through mechanisms for Diaspora and home country partners to access development funds, including the Development Marketplace for the African Diaspora in Europe (D-MADE) (Early concept definition for a Development Marketplace for the Diaspora in the Americas is also under way.); and (iv) donor partners including the African Development Bank to support a Remittance Investment Fund based on global initiatives that exploit the benefits of Diaspora remittances. A Memorandum of Understanding (MOU) between the African Union and the World Bank will be signed in January 2008 to formalize the collaborative efforts on this agenda. An immediate step of furthering the engagement agenda was an Open House for the African Diasporas, held in Washington, DC on November 29, 2007. The Open House is one element of the Bank's strategy of support. During the Open House, we shared information on the various ways in which the Bank Group can support the African Diaspora, and as well, clarified the limitations of the Bank Group, given our Articles of Agreement and the policies and procedures established by our shareholders. Bank also used the opportunity to listen to Diaspora on what they believe the Bank Group can do to support their efforts in development. The Website about the African Diaspora Mobilization initiative, as well as the Open House, is on http://www.worldbank.org/afri/diaspora. A similar event has been organized for Diaspora organizations in Europe through the D-MADE process and will be scaled up in the near future.

IOM: Since 2001, IOM, especially through its MIDA programs, has been supporting the African Diaspora in their efforts to use remittances for productive investment. It is important that these ad-hoc initiatives are scaled up, lessons learned and best practices are shared with all other countries in SSA and an integrated approach is adopted. Within the framework of the Migration for Development program (MIDA) Great Lakes, IOM in cooperation with the KUL (Katholike Universiteit Leuven) realized a study in 2006 on remittances flows from Belgium to Burundi, DRC and Rwanda. The recommendations guide the DGI-MIGR/2006/153-173.
concrete activities carried out under the LMIDA program, such as providing information about money transfer mechanisms and investment opportunities in the Great Lakes region. More specifically, the MIDA program supports the organization of investment fora with the participation of representatives of small and medium enterprises from the Great Lakes Diaspora. In 2007, PlaNet Finance prepared a case study for IOM on "Enhancing the development impact of remittances through microfinance. The MIDA Ghana/Senegal program supports Ghanaian and Senegalese Diaspora members living in Italy who are interested in promoting the economic and social development of their home country through the promotion of a) entrepreneurial projects that engage migrants' social networks in hoisting and origin communities; b) non-financial services to support the start-up of small-to-medium enterprises in Ghana and Senegal and c) innovative mechanisms for remittance transfer and microfinance. In October 2007, a workshop took place in Dakar bringing together a variety of stakeholders in order to discuss how the financial contribution of Senegalese migrants can be optimized. In a partnership with two Cape-Verde-based banks, Citizen’s bank offers Cape Verdean migrants a cheap remittance facility. This program in the first three years of operation has turned over 1,000 formally unbanked migrants into Citizen’s clients. The recently launched EC funded Migration and Development initiative has also one specific component on migrants ‘remittances and good practices shall be further promoted. South Africa’s Theba Bank (a miners’ bank) facilitates low-cost transfers from South Africa to families holding bank accounts in Mozambique and Swaziland.

Procedures for follow-up and internal/external evaluation

The project forms part of the World Bank-AU strategy on Mobilizing the African Diaspora for Development initiative, which is being implemented in the Bank’s Africa Region, in collaboration with the AU Representational Mission in Washington DC. As such, AIR will be integral to the African Diaspora mobilization initiative and be subjected to Bank evaluation, including by the Independent Evaluation Group as well as instruments for assessing country development portfolios. The World Bank-AU Mobilizing the African Diaspora for Development initiative would help anchor AIR through leveraging resources with other World Bank-supported activities with AU / Member States. For example: (a) AIR will help develop and implement activities related to ‘remittances for development’ component of a $1 million Bank’s Institutional Development Fund (IDF) grant and technical assistance Bank’s Africa Region is developing for an initial sample of Member States. The IDF grant will help countries develop and implement strategies on leveraging remittances, as agreed by senior Government representatives from about 20 countries at the JAI seminar and as such be part of continuous country assistance from the Bank and other donor partners.

1.9. Duration and indicative action plan for implementing the action

The duration of the action will be 4052 months.

The action plan will be drawn up using the following format:

<table>
<thead>
<tr>
<th>Year: 2013</th>
<th>Semester 1</th>
<th>Semester 2</th>
<th>Implementing body</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6</td>
<td>7 8 9 10 11 12</td>
<td>World Bank, Diaspora Networks</td>
</tr>
<tr>
<td><strong>Activity 1a:</strong></td>
<td>Organize an official SMA launching event in Washington DC</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Activity 1b:</strong></td>
<td>Organize an official SMA launching event in UK and Belgium</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Preparation &amp; Execution Activity 2:</strong></td>
<td>Experience sharing visit to CEMLA</td>
<td></td>
<td>World Bank, AUC</td>
</tr>
</tbody>
</table>

11 http://www.iom.int/senegal/ateliermida.html

DCI-MIGR/2009/153-173
<table>
<thead>
<tr>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Preparation &amp; Execution Activity 3</strong>: Awareness creation workshop/roundtable for African Diaspora in Europe</td>
</tr>
<tr>
<td><strong>Preparation &amp; Execution Activity 4</strong>: Organize a 2 day focus group workshop in Washington DC for MTOs, IADB and LAC Diaspora organizations that have been impacted by similar initiative to leverage remittances</td>
</tr>
<tr>
<td><strong>Activity 5</strong>: Field study to gather more information to validate and verify the findings of the study report on Brazil and its Diaspora</td>
</tr>
<tr>
<td><strong>Activity 6</strong>: Follow-up on the implementation of GP assessments in 4 AU Member States</td>
</tr>
<tr>
<td><strong>Activity 7</strong>: Last update and publication of the comprehensive report on remittances in Africa; “A catalogue of studies and technical assistance by the World Bank, Development Agencies, and Governments in Africa”</td>
</tr>
<tr>
<td><strong>Activity 8</strong>: AUC Support on the establishment and operationalization of AIR</td>
</tr>
<tr>
<td><strong>Activity 9</strong>: AUC and Host country Support on resource mobilization for AIR</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Semester 1</th>
<th>Semester 2</th>
<th>Implementing body</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6</td>
<td>7 8 9 10 11 12</td>
<td>World Bank, AUC, Diaspora Networks</td>
</tr>
<tr>
<td>1 2 3 4 5 6</td>
<td>7 8 9 10 11 12</td>
<td>World Bank, AUC, IOM, Diaspora Networks</td>
</tr>
<tr>
<td>1 2 3 4 5 6</td>
<td>7 8 9 10 11 12</td>
<td>World Bank, AUC, IOM</td>
</tr>
<tr>
<td>1 2 3 4 5 6</td>
<td>7 8 9 10 11 12</td>
<td>World Bank (PSDG)</td>
</tr>
<tr>
<td>1 2 3 4 5 6</td>
<td>7 8 9 10 11 12</td>
<td>World Bank, AUC, IOM,</td>
</tr>
<tr>
<td>1 2 3 4 5 6</td>
<td>7 8 9 10 11 12</td>
<td>World Bank, AUC</td>
</tr>
<tr>
<td>1 2 3 4 5 6</td>
<td>7 8 9 10 11 12</td>
<td>World Bank, AUC, Host Country</td>
</tr>
<tr>
<td>Activity 10:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In collaboration with the host country, organize peer group discussion between 5-10 Central banks on the implementation of AIR objectives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity 11:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation for an official handover of the project works to the new AIR Secretariat (activity will be continued in the 1st quarter of 2014)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Activity 3 planned to be conducted with Activity 1b, the SMA launch in Brussels and London.

**1.10. Sustainability**

**Risk Analysis**

(1) Governments may not develop or implement fully the institutional arrangements and frameworks necessary to reduce remittance transfer costs.

(2) Accurate data generation on remittances and migration requires robust technology platforms and partnerships between African central banks and remittance agencies. The technology platforms rely on other services and inputs such as energy supply and integrated institutions and organizations. Deployment of these tools and participation of the various actors in the networks may not be even among the stakeholders leading to inaccuracy in overall data.

(3) Diaspora may be reluctant to use formal remittance transfer channels.

(4) Local and regional banks may be interested in handling the remittance flows but not in providing financial products to recipients of remittances.

(5) Local banks may not provide the business advisory services, leading to high business failures and loss of confidence in the measures.

(6) Due to the scattered villages from which immigrants originate, local banks may be unable to extend services to rural areas.

(7) Sovereign credit ratings may be too weak to enable securitization of remittances through raising capital from the global private market.

**Main preconditions and assumptions during and after the implementation phase.**

(1) Governments and other actors receive technical assistance to develop and implement the required frameworks and services to leverage and securitize remittances.

(2) Governments and financial and banking sector develop and implement fully the institutional arrangements and frameworks to reduce remittance transfer costs.

(3) African central banks and remittance transfer operators rely on robust and integrated data tools and platforms for exchanging data and information on migration and remittances.

(4) Diaspora are organized, they have trust in their governments’ measures, in the financial sector, and use formal remittance transfer channels.

(5) Local and regional banks develop full menu of credit and business advisory services for recipients of remittances, and extend banking services to rural areas where majority of recipients may reside.
(6) Initial Diaspora bonds issuance lead to tangible development outcomes that impact significant segment of the economy and funds are used according to the objectives of the bond in order to retain and grow Diaspora interest in purchasing bonds.

**Explain how sustainability will be secured after completion of the action.**

The program sustainability depends largely on commitment and ownership of the project by the African Union, robust partnership arrangements with a range of stakeholders including home governments providing conducive policy and institutional environments, and involvement of members of the Diaspora in enhancing the development impact of remittances. The African Union and its Member States, African Diaspora and several stakeholders are already taking steps toward increased Diaspora engagement in African economies, including some of the actions proposed in this request for financing. The World Bank and the African Development Bank are undertaking a comprehensive policy-oriented study on migration, remittances, brain drain and Diaspora in Africa. The findings of the policy study could provide additional underpinnings for the development of the operational products and tools of the African Institute for Remittances. The EU financial support will complement and help accelerate the pace of implementing of these on-going efforts.

The World Bank-AU *Mobilizing the African Diaspora for Development* initiative would help anchor AIR through leveraging resources with other World Bank-supported activities with AU/Member States. For example: (a) AIR will help develop and implement activities related to ‘remittances for development’ component of a $1 million Bank’s Institutional Development Fund (IDF) grant and technical assistance Bank’s Africa Region is developing for an initial sample of Member States. The IDF grant will help countries develop and implement strategies on leveraging remittances, as agreed by senior Government representatives from about 20 countries at the (JAI High-level Seminar, which focused on leveraging remittances and increasing Diaspora-led investments in the region. Bank is also providing support to the AU Representational Mission in Washington DC for capacity building in African Diaspora mobilization. In this regard, AIR will contribute to building relationships with migration and development policy and advocacy entities in the Americas to inform policy directions as regards migration, remittances, and other African Diaspora issues for the region’s development. Furthermore, the *Mobilizing the African Diaspora for Development* initiative, which is based on the AU definition of the African Diaspora to include the historical African communities anywhere outside the continent, in addition to recent migrants, will provide additional resource flows opportunities and information as regards foreign direct investment (FDI).

AIR activities will also include resource mobilization: for example, working with AU Member States to access World Bank and other donor trust funds including for statistical capacity building.