

BUDGET AND FINANCE COMMITTEE

TERMS OF REFERENCE

Article 1. General Background

The Alliance for Financial Inclusion (hereinafter referred to as “AFI”) has resolved to create a permanent **Budget and Finance Committee** (hereinafter referred to as the “Committee”), which shall be responsible for ensuring the cost-effective and transparent use of AFI’s financial resources, which include membership fees, donor funding, and corporate contributions.

Article 2. Budget and Finance Committee Constitution

2.1 Role and Composition

a) The Committee supports the AFI Board of Directors (hereinafter referred to as the “Board”) in providing oversight on finance and budget related matters. The Committee shall consist of:

- Five AFI Principal member institutions, each represented by one representative
- One representative on behalf of the AFI Donors

b) An AFI Management Unit representative, the Chief Operating Officer (COO), shall serve as the Secretary of the Committee.

2.2 Responsibilities

a) The Committee’s ongoing responsibilities are defined under the below-mentioned broad categories:

CATEGORIES	Review	Approve	Advice to AFI Management Unit	Advice to the Board	Report exceptions to the Board
General financial oversight	x			x	
Funding and fundraising	x			x	
Financial planning and budgeting	x			x	
Financial reporting	x	x			
Banking, book-keeping and record-keeping			x		
Control of fixed assets and stock	x	x			x
Human Capital - Compensation Structure	x			x	

- b) Specifically, the Committee will:
- Undertake holistic reviews of AFI's financial status on a regular basis, including reviews of quarterly reports, reviews of financial processes and new procedures, and financial implications of new funding and activities;
 - Provide guidance on AFI's long-term financial strategy, and assist in identifying additional financial resources;
 - Review AFI's annual budget and financial report;
 - Review and approve any major expenditures or long-term financial commitments that exceed a set threshold (both in terms of capital and operational expenditures), and to assist the AFI Management Unit in establishing proper procedures and controls to ensure tendering processes are transparent and aligned with AFI's vision and strategy;
 - Advise the AFI Management Unit in establishing proper procedures and controls to ensure that funds are not misused and are in accordance to legal and regulatory requirements;
 - Review AFI's control of its fixed assets (major equipment, vehicle, and/or property and buildings for future expansion);
 - Review the potential Auditors and their services, and provide recommendations to the AFI Management Unit; and
 - Review AFI's compensation policy and structure every three (3) years, and provide recommendations to the AFI Management Unit and the Board.
- c) The Committee is also authorized to:
- Communicate with, and seek information from AFI members and any other relevant parties for the purpose of carrying out its roles and responsibilities as provided for in these Terms of Reference; and
 - Obtain outside independent professional advice (i.e. an external auditing firm) with relevant experience as necessary.

2.3 Voting

Decisions of the Committee are made with at least two thirds (or 4 out of 6) of the Committee Members present, and with either the Chair or Vice-Chair present; this constitutes the quorum. Two thirds of the quorum is then required for a decision to be approved. The Chair of the Committee shall have a casting vote in the case of an equality of vote. The Secretary of the Committee is not a Member of the Budget and Finance Committee is therefore not entitled to vote.

2.4 Compensation

Committee membership is not a paid position. Committee Members may, however, receive reimbursement of reasonable costs incurred when required to attend Committee meetings in person.

2.5 Eligibility

AFI Principal Members are eligible to serve on the Committee for a maximum of two consecutive terms (one term is two years). Thereafter, at least one full term shall pass before the member institution is eligible to serve again in the Committee.

In addition, any Principal Member institution already represented on the Board will not be eligible for simultaneous representation on the Committee and vice versa. A Principal Member in the Budget and Finance Committee, however, may serve on other Committees.

2.6 Nomination

a) Prior to AFI independence, the Steering Committee shall nominate member institutions to serve on the Committee. The current Principal Members will continue their roles and responsibilities for the full two-year term from AFI's independence to ensure continuity. After AFI independence, all Principal Member institutions will have the opportunity to nominate themselves or another AFI Principal member to the Committee when there is vacancy or an opening.

b) The Board selects Member Institutions who selects the Representative to the Committee. The Representative must, if unable to attend, substitute with a Delegated person. It is the Member Institutions' responsibility to select a Representative based on the criteria established by the Board, and perform adequate due diligence on their candidate. It is not necessary for the Representative chosen by the Member Institution to be vetted again by the Board. There are two sets of criteria established by the Board.

c) The AFI Board will evaluate nominations taking into account:

- Eligibility, qualification, and level of AFI engagement of the nominated Principal Member;
- The need to strive for balanced economic and geographical representation of AFI Members on the Committee;
- Qualifications of the nominee set forth in the criteria below; and
- No region is represented by more than one AFI Committee Member (a region refers to the grouping of member institutions into a common geographical area as may be determined by the Board from time to time; currently, this includes Eastern Europe and Central Asia, Latin America and the Caribbean, Sub-Saharan Africa, North Africa and the Middle East, Asia, and the Pacific).

d) The selected Principal Member should then propose a candidate to represent the institution and who meets the following qualifications:

- Commitment to AFI's vision and values;
- Demonstrated historical or emerging leadership in the AFI Network;
- Substantial knowledge/experience in and contributions to the field of financial inclusion and/or at least one AFI policy area;
- Ability to dedicate substantial time and effort to support AFI's mission as well as the mandate of the Committee;
- No potential conflict of interest with his/her other ongoing activities or commitments;
- Leadership position in the Principal Member institution; and
- Direct or related experience in finance and/or accounting.

2.7 Appointment and Term

The Budget and Finance Committee is a permanent Committee, although each Committee Member is appointed for a two-year term. Any new Committee Members rotating in will be proposed by the AFI Board to the Membership Council during the AGM. Following approval by the AFI Membership Council, the new AFI Committee Members will commence their roles at the conclusion of the corresponding GPF.

The current Principal Members will continue their roles and responsibilities for the full two-year term from AFI's independence to ensure continuity; beyond that, the Committee will strive to retain at least half of the Principal Members in office with each rotation to ensure continuity.

In the event of an unexpected vacancy (e.g. as a result of the delegate's death, resignation or dismissal), the AFI Board shall appoint a new Committee Member immediately. The member institution from which a vacancy arises may nominate a replacement to be considered alongside candidate similarly nominated.

2.8 Chair and Vice-Chair of the Committee

For the first Committee, Committee Members shall elect a Chair of the Committee (hereinafter referred to as "Chair") as well as a Vice-Chair from within the group by simple majority. The Vice-Chair shall serve as the Chair in the following term to maintain continuity. A new Vice-Chair shall be elected by and from within the Committee with each rotation of a new Chair, provided that he/she does not exceed the limit of two consecutive terms on the Committee.

The Chair of the Committee will report to the Chair of the Board. The role of the Chair is to facilitate discussions and preside over meetings of the Committee. The Vice-Chair will facilitate discussions and preside over meetings in the absence of the Chair.

2.9 Resignation

A Committee Member may resign at by sending written or electronic notice to the Chair of the Committee (or to the Vice-Chair, in the case of the Chair), or by giving verbal notice at any Committee meeting. A resignation shall take effect on the date specified therein, although at least 30 days from the receipt of such notice is strongly encouraged to foster continuity.

2.10 Dismissal

In the case of gross misconduct, a Committee Member may be removed by decision of the AFI Board by a two thirds majority vote and with at least two thirds of Board Members present. Gross misconduct includes breach of duty, dishonesty, and conduct likely to bring AFI into disrepute.

2.11 Frequency of Meetings

Meetings of the Committee shall be coordinated by the AFI Management Unit and held at least twice a year in advance of and to inform AFI Board meetings. At least one of these meetings shall be in person. Other meetings may be held via videoconference and/or

conference calls. The Committee may permit other persons to attend meetings as may be required in carrying out its duties.

2.12 Notice of Meetings and Communications

A meeting requiring attendance in person shall be called by written notice of the Committee Chair no less than 45 days before the meeting date. Other meetings may be called with shorter notice. The date, time, and place (if any) of such meetings will be determined by the Chair and the AFI Management Unit in consultation with the members of the Committee. The Chair or the AFI Management Unit shall inform the members of the Committee of the meeting agenda and related documentation at least 14 days prior to the scheduled day of the meeting.

2.13 Meeting Participation

Committee Members shall make every effort to attend all meetings. A Committee Member who cannot attend a meeting may appoint an equally qualified delegate to represent and vote on behalf of the Committee Member in a meeting.

Notwithstanding the above provision, a Committee Member who misses three consecutive meetings, without also the provision of the representation via a delegate or (video) conference call, may have their Committee membership reconsidered by the AFI Board.

2.14 Record of Meetings

All resolutions of the Committee shall be recorded in written meeting minutes and distributed to all Committee members. The meeting minutes shall be approved by the Committee members at the following meeting and retained in the permanent records of AFI.