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Robert Schuman Centre  
*for advanced studies*

**Heba Nassar**

***Migration, Transfers and  
Development in Egypt***

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**EUROPEAN UNIVERSITY INSTITUTE, FLORENCE**  
**ROBERT SCHUMAN CENTRE FOR ADVANCED STUDIES**

*Migration, Transfers and Development in Egypt*

**HEBA NASSAR**

**CARIM**  
**Euro-Mediterranean Consortium for Applied Research on International Migration**

**Research Reports, CARIM-RR 2005/01**  
**BADIA FIESOLANA, SAN DOMENICO DI FIESOLE (FI)**

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The Euro-Mediterranean Consortium for Applied Research on International Migration (CARIM) was launched in February 2004 as part of the MEDA programme adopted in Valencia in April 2002, concerning 'cooperation on issues linked to the social integration of immigrants, migration and the traffic of people'. It is financed by the European Commission for an initial period of three years.

The Consortium is composed of a coordinating unit established at the Robert Schuman Centre for Advanced Studies of the European University Institute (Florence), and a network of scientific correspondents based in Mediterranean partner countries. External experts from the north and the south also contribute to its activities.

The objective of the Consortium is to offer an instrument for observing, analysing and forecasting migratory movements, their causes and consequences, that originate from, transit through, or are destined for the countries of the Barcelona Process, that is the European Union and the Mediterranean partners: Morocco, Algeria, Tunisia, Egypt, Palestinian Territories, Israel, Jordan, Lebanon, Syria, and Turkey.

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## **Abstract**

The paper studies tangible and non-tangible flows generated by Egyptian migration. Questions discussed revolve around the following: How do flows of finance and flows of skills interact with each other? Which role does social capital play in making the net outcome a positive or a negative one? What are the policy recommendations to for a sustainability of migration-induced development?

Egypt is witnessing an important brain drain as many other developing countries. Permanent migration to the West is the main source of brain drain, as it has always been the migration of the better educated. Brain drain is explained by the low private rate of return to education in Egypt, and by limited employment opportunities in the formal private sector and shrinking employment opportunities in the government sector.

Remittances to Egypt have been amongst the highest in the world peaking at \$6.1 billion in the early 1990s and are the major source of foreign currency. However the value of remittances tended to decline during the last decade as percentage of GDP from 6.8 per cent to 4.4 percent as well as percentage of total investments from 40.8 percent to 25.8 percent. Once-abroad migrant households spent most of their remittance earnings on housing. Migration is regarded as an important mechanism for poverty alleviation and job creation. It has also a positive impact on services such as educational and medical services.

Social capital is found to be lower for households who receive remittances than for those who do not. Because these households are better off, their involvement with the community is not so much needed.



## **Introduction**

Within the last two decades an increasing amount of attention has focused on the relationship between international migration and brain drain. Since education has often been cited as a major determinant of long-term economic growth, several studies have argued that international migration of people endowed with a high level of human capital is detrimental for the country's growth.

This conventional view, however, has recently been challenged by the argument saying that migration generates financial flows accompanied with human flows and it might foster as well the building of cross-border social capital.

Migration is an important phenomenon in Egypt as the number of Egyptians abroad is estimated at 4% of the total population of Egypt, or 1.5% of the total migrants all over the world. Concerning the financial return to migration, remittances to Egypt have been amongst the highest in the world peaking at \$6.1 billion in the early 1990s with significant fluctuations in the last decade. Social Capital or social networks are key intermediaries in migration in Egypt, with a challenging impact on the society's welfare.

The objective of this research is to study the human and financial flows generated by the Egyptian migration and to explore the role of social capital in community well-being and hence on economic and social development in Egypt.

Questions discussed in this research revolve around the following:

- Is Egypt witnessing 'a migration drain or a migration gain'?
- What are the macro and micro effects of financial flows of migrants?
- What are the policies needed to maximize the effectiveness of social capital in enhancing migration-induced development in Egypt?

## **I. Human Flows versus Financial Flows in Egypt**

### ***1.1. Definition of 'Brain Drain'***

The term brain drain describes 'the cross-border movement of highly skilled persons who stay abroad for a long period of time. Highly skilled persons are defined as having studied or currently studying for a university degree or possessing equivalent experience in a given academic field' (World Migration 2003). In other words it can be said that while there is little doubt that highly educated workers in many developing countries are scarce, it is also true that many scientists, engineers, physicians, and other professionals from developing countries work in Canada, the United States, and Western Europe (William J. Carrington and Enrica Detragiache, 1999)

#### ***1.1.a. Approaches of 'Brain Drain': Brain Drain or 'Brain Gain'?***

##### ***1.1.a.i. The Conventional View 'Migration-Brain Drain-Economic Loss'***

Neoclassical models of economic development conclude that brain drain has adverse effects for sending country. Endogenous growth theory, which suggests that the human capital of a nation is one of its most important determinants for growth, predicts greater adverse effects than the neoclassical models. International migration of people with a high level of human capital—the so-called 'brain drain'—from a developing country to a developed economy is detrimental for the country of emigration. This is clear for large-scale departure of highly educated workers from developing countries to developed countries. In this case investment in education in the developing country may not lead to faster economic growth and might disaffect income levels and long-run economic growth rates as well with the loss in the

valuable human resources. In a nutshell international migrants represent an élite that is much better educated than the rest of the population in their country of origin (Adams Jr 6/2003).

Moreover, it has been indicated that brain drain reduces the wages of the unskilled population, likely increases the wages of the remaining skilled workers, and hence, increases inequality. Poverty increases as an effect of both increased inequality and slower economic growth (El Baradei 2004).

#### I.1.a.ii. 'Brain Gain' instead of 'Brain Drain'

The above mentioned analysis has recently been challenged by the following argument. In a developing economy with a limited growth potential, the return to human capital is likely to be low. This in turn would lead to limited incentive to acquire education, which is seen as the engine of economic growth. However, allowing migration of the 'brains' from a developing country may actually *increase the incentive to acquire education* with a demonstration effect. Since only a small fraction of educated people in a specific country would migrate, this would encourage the average level of education of the remaining population to rise (Adams Jr 6/2003).

Hence according to the 'brain gain' hypothesis emigration of highly qualified workers would foster the accumulation of human capital in their country of origin than, if no emigration had taken place. The reason for this is threefold:

- Higher education is rewarded abroad more than it is valued at home.
- Success stories of educated emigrants would create new incentives for gaining education.

Moreover, an empirical study of a data set of 24 large, labour-exporting countries, concluded that (Adams Jr 6/2003):

- i. With respect to legal migration, international migration involves the movement of the educated mainly to the United States and the OECD countries.
- ii. While migrants are well educated, international migration does not tend to take a very high proportion of the best educated. For 22 of the 33 countries in which educational attainment data can be estimated, less than 10 percent of the best-educated (tertiary-educated) population of labour-exporting countries has migrated.
- iii. Immigration of intellectuals from the Arab world accounts for about one-third of the total 'brain drain' from developing countries to the West.

Intellectuals are defined here as people with a secondary or tertiary education and Arabs as citizens of an Arab country.

The same problem applies to Africa. For every 100 African professionals sent overseas for training between 1982 and 1997, 35 failed to return to the continent. Egypt has been considered as one of the largest migratory flows in addition to South Africa, Nigeria, Kenya, Ghana and Ethiopia (Sawhel, Wagdy 6/2004, Shinn, David H. 11/2002).

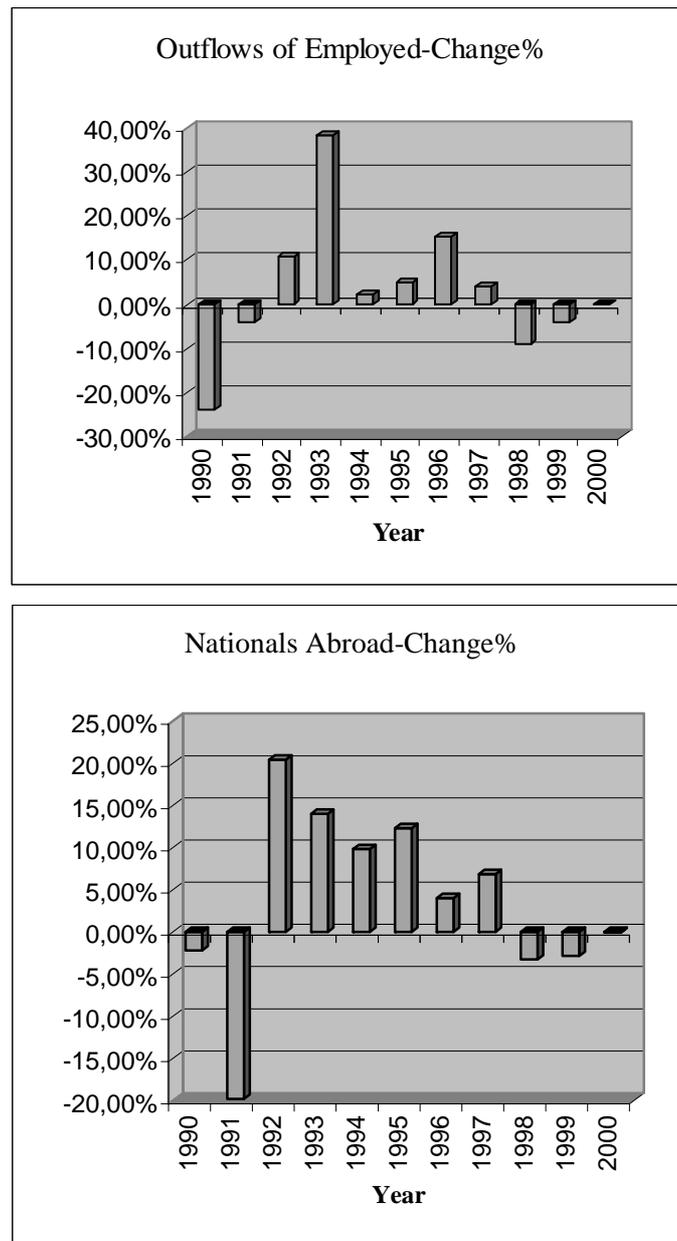
#### I.1.b. The Egyptian Case

##### I.1.b.i. Estimates of Egyptian Outflows

The total number of Egyptians abroad is estimated at about 2.7 million in 2000, representing about 4% of the total population of Egypt. IOM estimated this figure as 1.5% of the total migrants all over the world (IOM, 2003).

While Egyptian migration witnessed an upsurge during the seventies and up till the late 1980s, the period (1989-2000) distinguished three main phases (Figure 1):

**Figure 1. Outflows and Nationals Abroad**



Source: Table 1, Appendix 1

ILO data are those provided by the Ministry of Manpower, with insignificant modifications. The methodology of data collection is not detailed.

*During the period 1989-1991:* Egyptian that migration witnessed a downward trend due the second Gulf war and the sudden huge return. Outflows of employed nationals decreased from 1.511 million in 1989 to 1.103 million in 1991, at an average annual rate of -14.6%. Total number of nationals abroad decreased too from 1.964 million to 1.541 million, at an average annual rate of -11.4%.<sup>1</sup>

*The period 1992-1997* witnessed an upward trend after the second Gulf war and the return to Kuwait as well as the stable economic conditions. Total number of contracts for Egyptian workers in

1 Stocks are measured by the offices of the Egyptian Ministry of Manpower in the Arab countries. Flows are obtained by subtracting stocks at different dates.

Arab countries increased from a very low level of 589 in 1991 to 83,458 in 1994, when it reached its peak and then it began to decrease sharply (Table 2, Appendix 1)

Outflows of employed nationals increased from 1.221 million in 1992 to 2.181 million in 1997, at an average annual rate of 12.3%. Total number of nationals abroad increased from 1.856 million to 2.901 million, at an average annual rate of 9.3%. The increasing rate reached its peak in the years 1992/93 and then it tended to decrease sharply (Figure 1).

*However beginning 1998*, another downward trend took place. This is partly due to the slowdown in the world economy as a consequence of the collapse of the East Asian Financial markets in 1997. Outflows of employed nationals decreased from 1.982 million in 1998 to 1.9 million in 2000, at an average annual rate of -2.1%. Total number of nationals abroad decreased from 2.806 million to 2.724 million, at an average annual rate of -1.5% (Fig. 1). Hence, Egypt is witnessing in 2002 a **negative net immigration rate** (-0.42). Net number of migrants reached -150 thousands (UNCTAD 2003).

#### I.1.b.ii. Pattern of Egyptian Manpower Outflows

Egypt is engaged in the three types of migration in the MENA Region. The first trend is the one that takes place between some MENA countries and other MENA countries that are not located in the Gulf area as Libya. Libya has been a pole of attraction for Egyptian labour in the South South context, who were employed in nearly all sectors of the economy (notably construction), as oil revenues fueled phenomenal growth in government revenues and related investment in development projects.

The second trend is rather a phenomenon where the hosting country is itself a sending country in which non-national immigrants 'replace' national emigrants, defined replacement migration as it is the case of Jordan. The third type is the traditional type of migration which takes place between the non-Gulf labour exporting countries to the Gulf labour importing countries. At least until 1990, the predominant direction of Egyptian migration within the MENA region was to the six member states of the Gulf Cooperation Council (GCC) for employment opportunities associated with increased government and private spending fueled by the high oil prices in the 1970s (Nassar et al, 2003) .

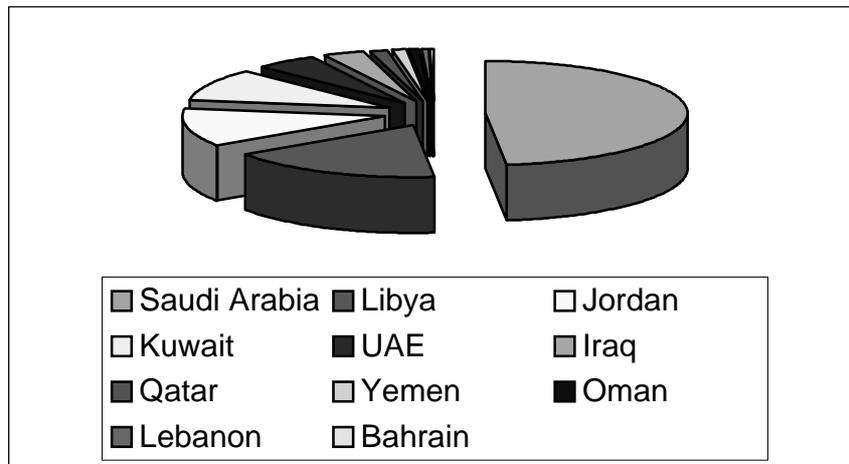
Labour migration to oil Arab countries is mainly temporary through public and governmental authorities on the basis of bilateral and personal contracts with public and private authorities. Working in branches of Egyptian companies, especially in the construction sector, was one of the channels of temporary migration. In some cases, where Egyptian temporary migrants resided for decades, what was initially a temporary migration has become a permanent one.

Meanwhile since the beginning of the 1960s, with the nationalization wave some Egyptians migrated permanently to the USA, Canada, Australia, and Western European countries.

The most important five host countries of Egyptian Migrants (Temporary and Permanent Migrants) are: Saudi Arabia, Libya, Jordan, USA and Canada. These five countries host 70.1% of Egyptian Migrants in 2000. Saudi Arabia hosts more than 1/3 of Egyptian migrants (Table 3, Appendix, 1)

Arab countries are the most important receivers of Egyptian temporary workers. The most important five host countries receiving outflows of employed nationals are: Saudi Arabia, Libya, Jordan, Kuwait and Iraq. These five countries received 91.4% of Egyptian employed outflows in 2000. Saudi Arabia alone received about 1/2 these outflows (Fig 2).

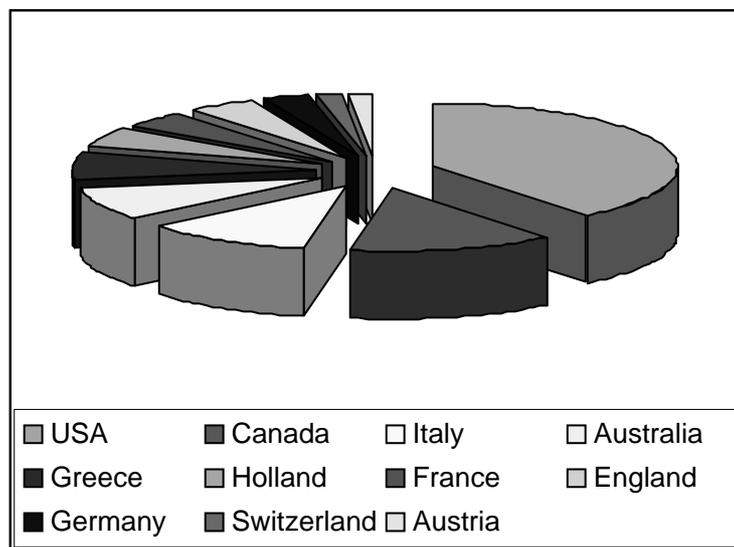
**Figure 2. Temporary Egyptian Migrants by Receiving Country.**



Source: Table 4 Appendix 1

Permanent Egyptian migrants tend to migrate to North America, Australia and Western Europe countries, mainly professionals searching for better scientific and financial conditions than those prevalent in their country (IOM 2003). The most preferred destination is USA, where about two out of five permanent Egyptian migrants live. Then, come Canada and Italy, where there are about a fourth of permanent Egyptian migrants.

**Figure 3. Permanent Egyptian Migration by Destination**



Source: Table 5, Appendix 1

Hence two-thirds of Egyptian migration is temporary, while the other third is permanent (IOM 2003).

### I.1.b.iii. Egyptian Manpower Outflows and Brain Drain

Despite the fact that the majority of Egyptian labour migrants are expected to eventually return home, thousands had left their country with the intention of permanently resettling in Arab countries, in Europe (mostly southern Europe and the UK) or in North America. Moreover the characteristics of Egyptian migrants prove **its selectivity and enforces the notion of brain drain.**

*i. First there is a strong age selectivity.* The percentage of young age groups (18-34) among migrants is higher than among non-migrants and vice versa. The probability to migrate is less among Egyptians 40 years old and above. The average age among migrants is 29. 8 years, while it is 35 years among non-migrants (Table 6 Appendix).

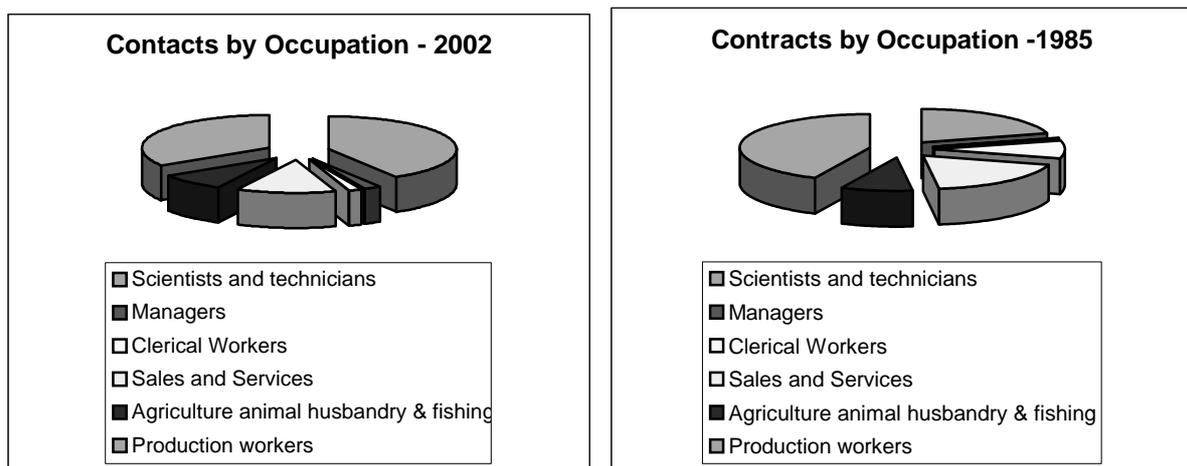
*ii. Migrants are better educated.* The percentage of those with secondary and higher education among migrants is far higher than among non-migrants. They have a better opportunity to migrate. More than 1/2 of Egyptian migrants (53. 9%) completed secondary school or higher level of education, while they represent only less than 1/3 of non-migrants (30. 2%). The percentage of those who did not get any formal education (15. 4%) among migrants is less than half the percentage among non-migrants (37. 7%) (Table 7, Appendix).

A study that covered migration from 61 developing countries accounting for about 70 percent of the total population of developing countries revealed that: ‘The biggest migratory flows from Africa to the United States are from Egypt, Ghana, and South Africa, with more than 60 percent of immigrants from those three countries having a tertiary education. For Egypt, the brain drain includes 2. 5 percent of highly educated individuals emigrating to the United States and another 5percent immigrating to other OECD countries (Carrington, and Detragiache 1999).

*iii. Concerning the occupational status of migrants* the data show that since mid 1980s, the percentage of scientists and technicians has increased and the share of production workers in Egyptian migration has declined, although the percentage remains high comprising one-third of migrants in the year 2002. Unskilled workers form in total 50% if we add the agricultural and the sales workers.

Unskilled labourers face labour compression in their traditional markets, due to new streams of cheap labour migrants coming from South-East Asia and heading the GCC countries. The percentage of scientists and technicians increased from 20. 4% of all professions in 1985 to 40. 2% in 1990 till 2002 (IOM 2003). While the percentage of scientists and technicians almost doubled, the percentage of clerical workers decreased to less than 1/5 the percentage in 1985. Sales and services and production workers tend to decrease also as a percentage of total temporary migrants (Fig. 4).

**Figure 4. Contracts by Occupation Status 1995-2002**



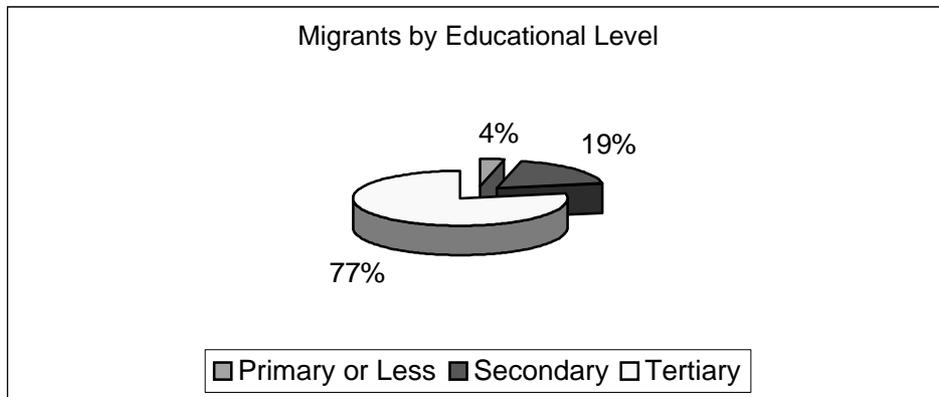
Source: Table 8, Appendix 1

*iv. Egyptians generally fill jobs for which locals are either untrained or not willing to undertake,* for example in the construction sector in Saudi Arabia or in the agriculture sector in Iraq. Saudi Arabia, Libya, Kuwait, UAE, Qatar, Yemen, and Oman absorb highly skilled Egyptian workers. The percent of technical and scientific migrants to these countries ranges between 69. 1 in Yemen to 40. 5 in Saudi Arabia. The highest percentage of unskilled migrants is found in Lebanon, where they

comprise about 75% of the total number of Egyptian migrants; Iraq and Jordan rank second with 69. 2%; in UAE they comprise 50%, and in other Arab countries they range between 37. 4% in Qatar and 7. 7% in Yemen. Generally, The GCC plus Libya absorb most of the skilled Egyptian labourers, while Iraq, Jordan and the GCC countries absorb the majority of unskilled Egyptian migrants (IOM, 2003).

v-The permanent migration is the main source of the 'Brain Drain' as it has always been the migration of the better educated. This fact may be illustrated by analyzing the educational level of migrants to the USA and other OECD countries (the main destination of permanent migrants) (fig 5). More than three quarters of Egyptian migrants to USA and other OECD countries (77%) have obtained tertiary education. Migration rates are higher, the higher the educational attainment. The probability to migrate to OECD countries among those who obtained tertiary education is fivefold the probability among those with primary education or less. The probability to migrate to the USA among those, who obtained tertiary education is twenty-three the probability among those with primary education or less (Table 10 Appendix).

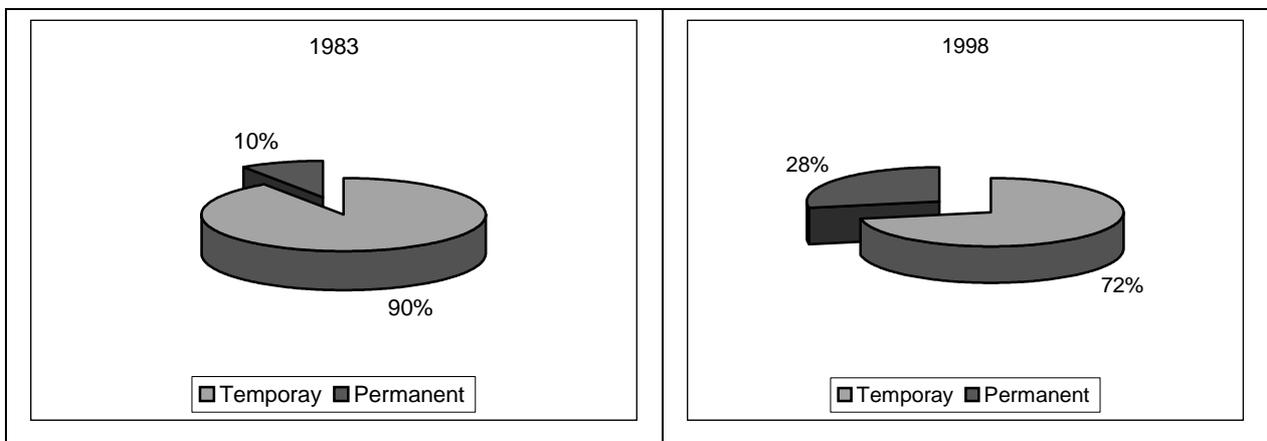
**Figure 5. Egyptian Migrants to USA and other OECD Countries by the Education Level**



Source: Calculated from table 9 Appendix 1

This trend of migration tends to increase overtime. Egyptian permanent migrants increased as a percentage of total migrants from 9. 6% in 1983 to 28% in 1998 (Fig. 6). They increased at a higher rate (9. 7%) than total migration (2. 2%) which causes a higher rate of 'Brain Drain'.

**Figure 6. Egyptian Permanent Migration 1983-1998**



Source: Calculated from Ministry of Manpower and Emigration, Emigration Sector.

Migrants to OECD countries are highly educated professionals, mostly doctors, engineers, and teachers. 38% of migrants to the United States are highly skilled, 13.3% to Canada and 8.5% to Australia as well as 10.9% to Italy (table 11 Appendix; IOM 2003, World Migration 2003). Their distribution according to specialization reveals that 18.3% of highly skilled migrants were in medical sciences, 32.2% were engineers, 36.5% were in social sciences, 8% in basic sciences and 5% in agriculture (Table 10, Appendix)

**To conclude Egypt loses highly skilled persons to developed countries as well as a more significant number of medium skilled workers whether to developed or other developing (mostly Arab neighbouring) countries.**

**Two factors may be the reason for the previous argument:**

*i. The low private rate of return to education in Egypt*, which acts as a push factor for highly as well as medium skilled labour out of Egypt, in search of higher returns to education (El Baradei 2004). Private rates of return to education in Egypt was found extremely low especially for basic and secondary education, if compared to other countries whether developed or developing. Moreover private rate of return to secondary education is lower than the private rate of return to basic education, which is not the usual pattern.

The rate of return to secondary education is negative in all regions in 1995/96 and 1999/2000.

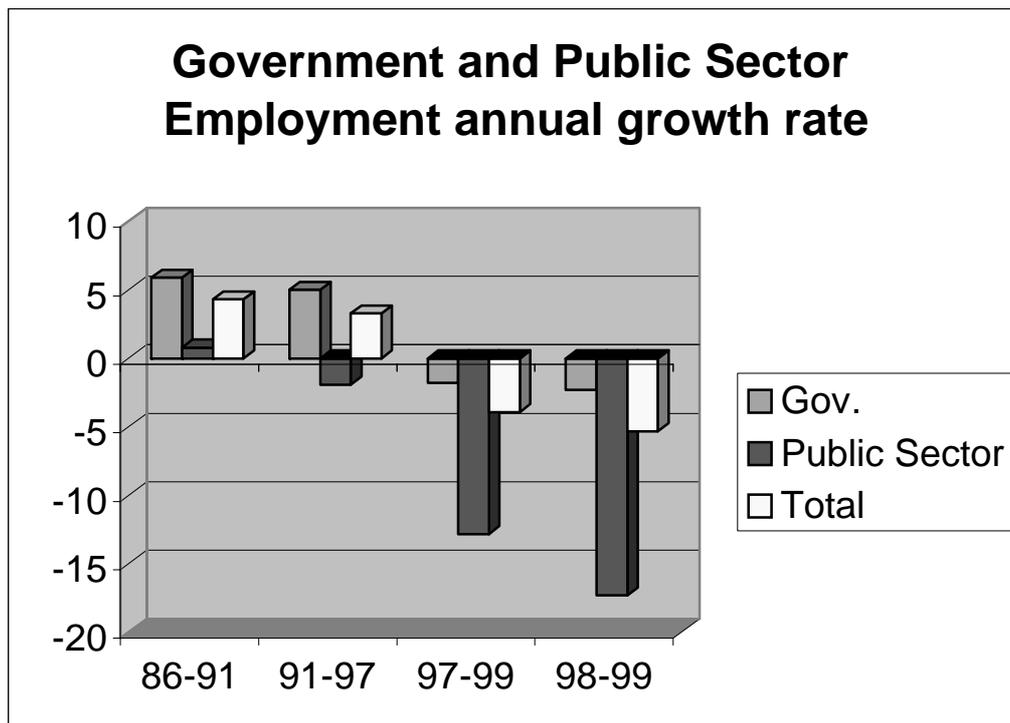
*ii. the limited employment opportunities in the formal private sector* and shrinking employment opportunities in the government sector in the Egyptian labour market. Recently, official data show an upward trend in unemployment rate from 7.9% in 1999/2000 to 9% in 2001/2002, compared with 8.6% in 1989/90. New job seekers in both the urban and rural areas have unemployment rates close to 15 percent, with the exception of young urban women (15-30 years), whose average unemployment rate is closer to 25 percent. By the age of 30-35 years, unemployment falls to about 5 percent. Educated labour, especially those with degrees of intermediate and above have higher unemployment rates, especially among females and rural males. In addition according to the Labour Force Sample Survey (LFSS) in 1988 and Egypt Labour Market survey in 1998 (ELMS 1998), the number of unemployed increased by an annual growth rate of 6.6%, nearly two and a half times the rate of growth of the labour force (Asaad, 2002).

The outlook for job creation is unclear in the medium-term. Past employment and growth trends suggest that if the economy grows by 4-5 percent per annum unemployment will remain constant. However, past experience—even recent—may not be a good predictor for the future because of the changing composition of employment (WB 2001).

First, job creation during the slow growth period was due to the government hiring and not due to productive employment opportunities. Thus, though the private sector has created 83 percent of all jobs during 1998-1999, the government is still the main absorber of new entrants in the labour market, however figure 7 indicates a declining rate of absorption in the government and public sector.

Second, since enrolments have been rising (which is a positive development indicator), open unemployment will tend to rise because 20-30 year old educated labour force participants enter into job search for much longer periods of time as they look for 'appropriate' employment.

**Hence out-migration in Egypt is regarded as an outlet for unemployed.** Labour migration, especially to major oil-exporting countries in the Middle East, may have provided Egypt *a channel for surplus labour*. However, little data is available that would allow to ascertain to what degree labour migration has helped to curb the unemployment problem in Egypt (WB 6/2001) (IOM 2003). Despite the fact that Stalker (2000) examined data for Philippines, Bangladesh, Sri Lanka, Indonesia, Turkey, Mexico and Egypt and found no significant relationship between emigration and unemployment, Bharagavi found that the single country where emigration has had effects on employment is Egypt (Ramamurthy, Bharagavi 2003).

**Figure 7. Government and Public Sector Annual Growth Rate of Employment**

Source: Calculated from: CAPMAS annual yearbook-different issues.

Another argument assumed that if all migrants returned and had no jobs the unemployment rate of Egyptians will increase tremendously. Various other arguments support the evidence of the importance of migration as a channel for surplus labour. The 1960s and 1970s saw a *transition from a Lewis-type labour surplus economy, where labour surplus manifests itself primarily as underemployment of low-skill labour in agriculture, to a stage where job creation was led by the growth of the public sector and external migration.*

As these two sources of labour absorption lost their importance in the mid 1980s with limited labour absorptive capacity in the formal sectors, the labour market moved to a stage of high unemployment. With the growing working age population this problem is intensified. (Assaad, Ragui et al 6/2000).

Secondly, the importance of migration is manifested in the consequences the Egyptian economy was suffering during the Gulf crisis, when Iraq and Kuwait were effectively removed from the map of receiving countries of the Gulf labour market for some years (Fergany 2001).

**Despite the previous arguments several other writings emphasized the weak relationship between migration and unemployment. They pointed to the impact of selectivity of migration on the labour market. Migration is selecting the skilled from each occupation and many who migrate have been working before, i.e. migrants were not coming from the unemployed pool (Nassar, 2004).**

## II. Macro and Micro Effects of Financial Flows of Migrants (Money Transfer)

Remittances are defined as the money transmitted from one place to another and is believed to be the most massive transfer generated by migration. Although remittances can also be sent in-kind, the term 'remittances', usually refers to cash transfers. Migrant worker remittances are the part of total remittance flows that is transmitted by migrant workers; usually to their families or friends back home (Judith van Doom, (2000)). Major countries receiving workers remittances include Mexico, Turkey,

Egypt, Brazil, India, Morocco, Pakistan, Bangladesh, El Salvador, Jordan and Yemen. Common facilities for such transfers include demand drafts, travelers cheques, telegraphic transfers, postal orders, account transfers, ATM facilities or electronic transfers (Doorn, Judit van, Lowell, 2001; Puri and Ritzema, 1999, World Migration 2003).

Time series of remittances by recipient country (even though not always accurate) are available, but only transfers through banks and other formal financial channels are counted. Research on remittance flows to Pakistan, the Philippines, Sudan and Egypt, for example, shows that informal remittances are estimated to be at least double or triple the recorded figures. Informal transfers generally take place through hand-carriage, family, friends, or money couriers.

### ***II.1. Macroeconomic Effects of Remittances in Developing Countries***

They can be summarized from the literature review as follows (Doorn, Judith Van (2000) MC Cormick, Barry and Jackline Wahba 8/2000, Ramamurthy, Bharagavi 2003, Lowell, 2001; Puri and Ritzema, 1999):

- a. Total remittances accounted for around 0.30 percent of world GDP between 1994 and 2000 and remarkably higher than official development assistance (ODA). In developing countries, the share of remittances in merchandise exports ranges from 25 percent to 50 percent. In 1999, developing countries received US\$65 billion in official remittances, exceeding the US\$54 billion of (ODA) in the same year.

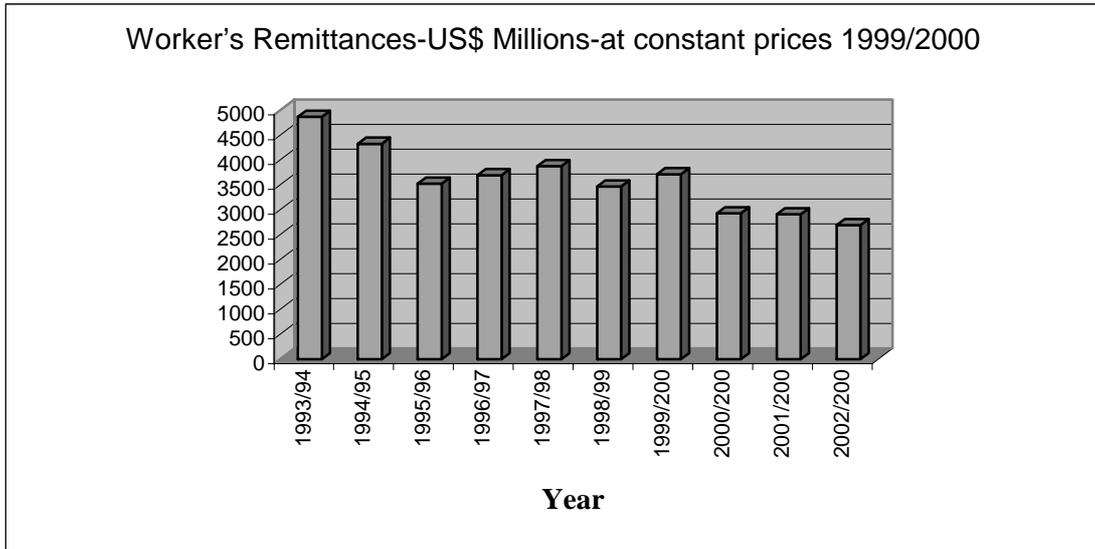
However, a country-specific, year-by-year analysis displays ***the high volatility and subsequent unpredictability of the transfers***. The standard deviation from the annual averages of the years 1980 to 1999 spans 17 per cent in the case of Egypt.

- b. Remittances can contribute to reducing inequalities resulting from globalization, in particular since almost two-thirds of all remittances are sent to developing countries.
- c. Emigration can improve the welfare in the country of origin as emigrants may accumulate savings overseas, that given the low wages and capital market distortions prevailing in many LDCs, might not have been possible without migrating. Secondly, overseas work may enable emigrants to acquire new skills and/or enhance human capital accumulation.
- d. Attractive investment opportunities in the country of origin can capture remittances for the stimulation of production and employment.

### ***II.2. Remittances of Egyptian Migrants***

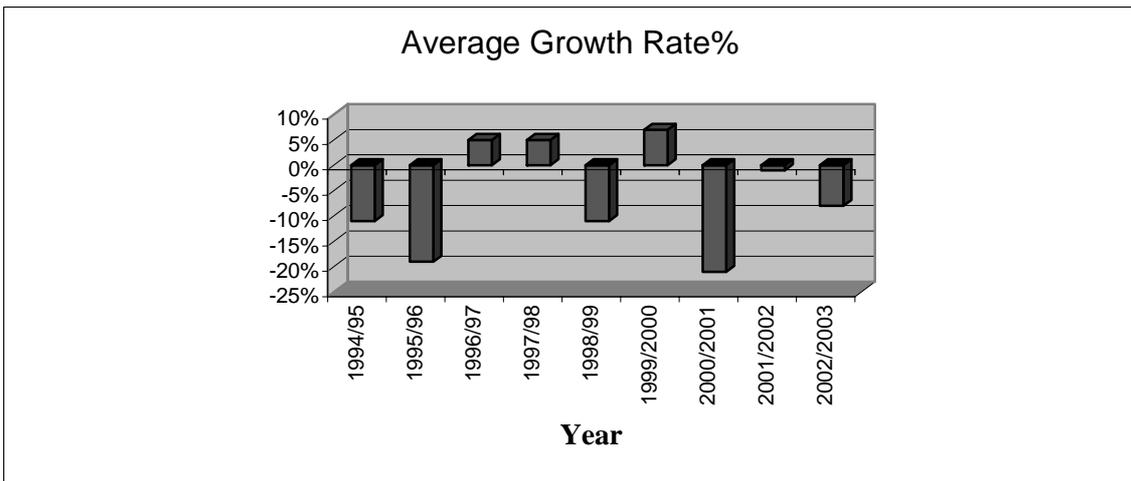
Remittances to Egypt have been amongst the highest in the world peaking at \$6.1 billion in the early 1990s. Remittances have been a major source of foreign currency. As early as 1979, these remittances amounted to US\$2billion, a sum equivalent to the country's combined earnings from cotton exports, Suez Canal, transit fees and tourism. According to the IMF (2003), Egypt ranks third, after India and Mexico, among the countries which receive the highest amount of remittances from migrants abroad. Remittances of Egyptians abroad amounted \$2,876 million, making 4% of the Egyptian Gross Domestic Product (GDP) and resulting in \$42 per capita (remittances divided by the total population of Egypt in 2001). In 1994, total remittances were equivalent to over 75% of merchandised exports in Egypt (MC Cormick, Barry and Jackline Wahba 8/2000, IOM 2003). According to official data, remittances of Egyptian migrants have decreased during a decade from 3489 million dollars in 1993/94 to 2977 million dollars in 2002/03. Remittances in 2002/03 were about 85% of its value in 1993/94. Worker's remittances in fixed prices show a declining unstable trend and rate of growth over the period 1993/94-2000 as indicated in figures 8 and 9 a, b as well as for net remittances in 9c which shows a declining trend all over the period 1990-2001 over the period.

**Figure 8. Worker's Remittances—US\$ Millions at Constant Prices 1999/2000**



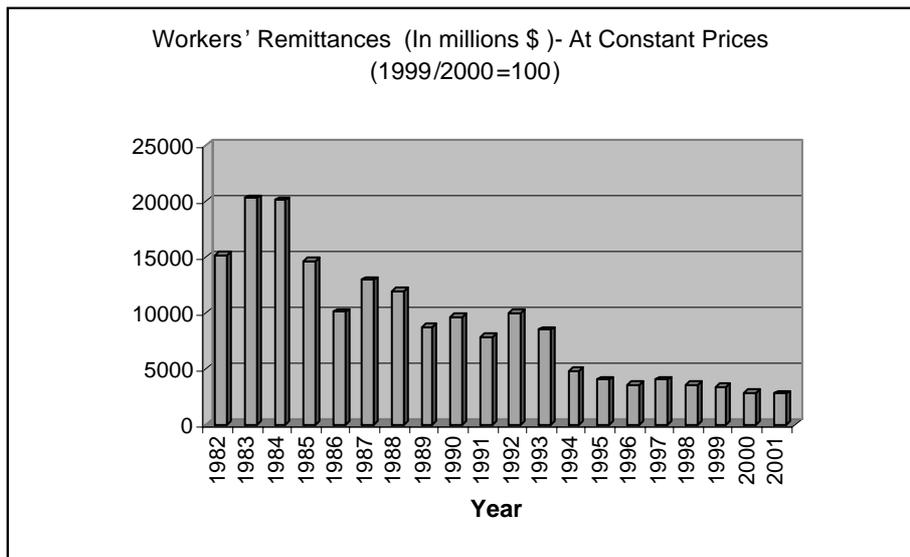
Source: Table 12b Appendix

**Figure 9. Growth Rate of Remittances Over the Period 1994/95-2002/3**

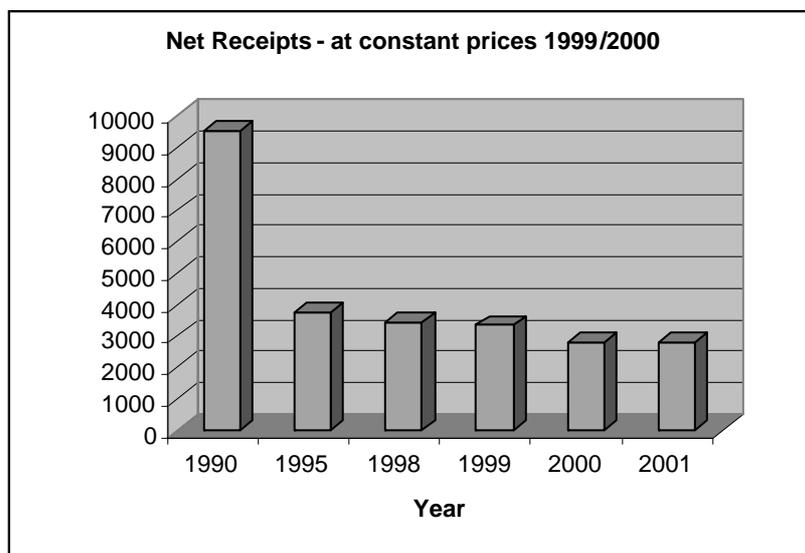


Source: Table 11 Appendix 1

**Figure 9B. Growth Rate of Remittances Over the Period 1982-2001 at Constant Prices**



**Figure 9C. Net Receipts of Remittances at Constant Price of 1999/2000 Over the Period 1990-2001**



Concerning the trend of remittances of Egyptian migrants over time since the oil boom, the following phases can be distinguished (Mc Cornick, Barry and Jackline Wahba 2000 and Table 12 Appendix 1):

**Phase 1 (1974-1984):** During the period (1974-1984), remittances tended to increase at a high rate (30. 8% annually), with the exception for 1981, when remittances slightly decreased with the turning point of migration. This increase reflected the increase in oil prices (in 1974 and 1979) and thus the increase in the demand of Egyptian workers in oil Arab countries.

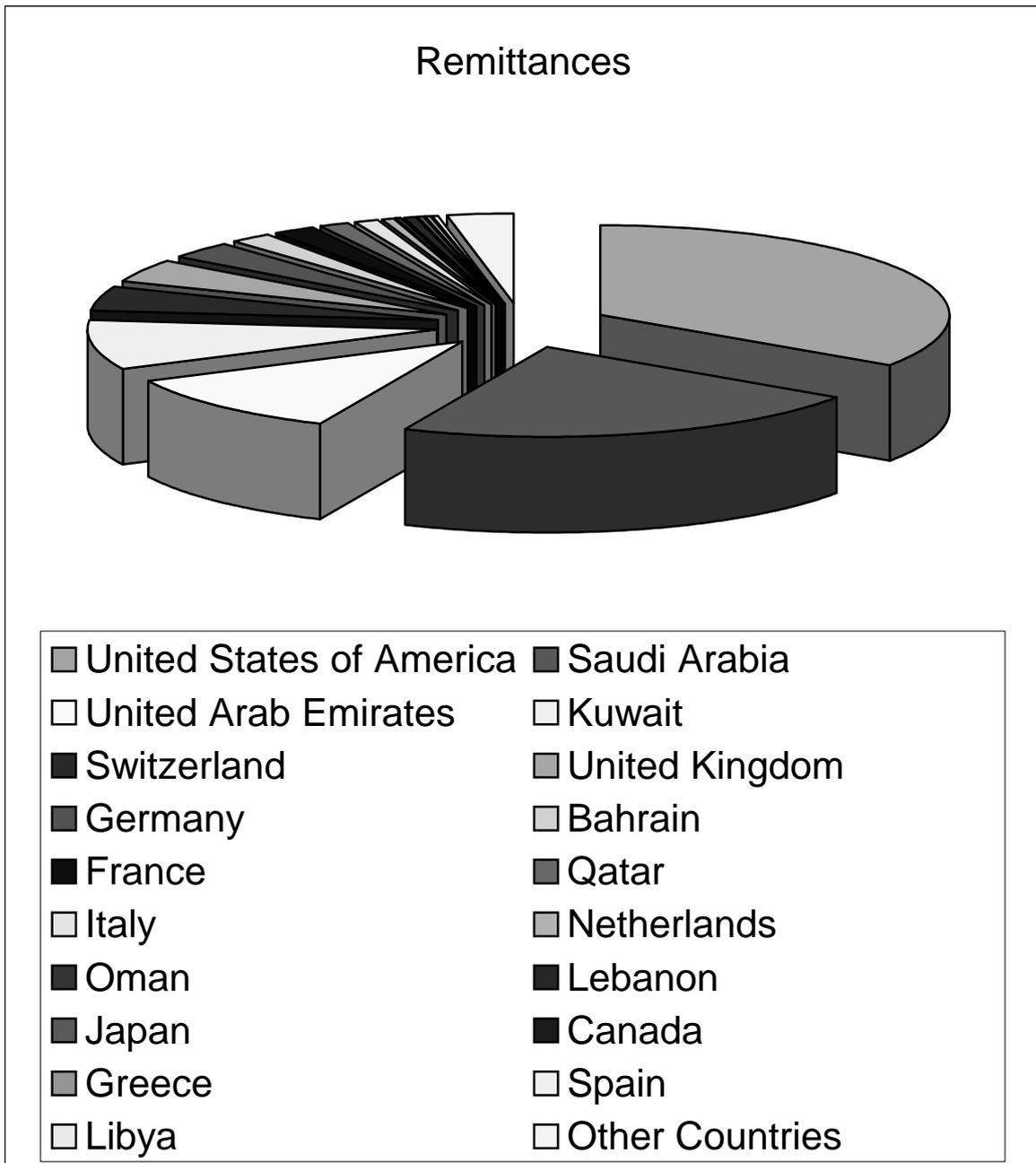
**Phase 2 (1985-1989):** Since the mid eighties, oil prices tend to decrease and so oil revenues. As a consequence the demand for Egyptian workers tended to slow down and an inflow of return migrants emerge. These changes negatively affected the trend of remittances. Remittances fluctuated showing a decreasing trend. Remittance decreased from 3963 million dollars in 1984 to 3293 million dollars in 1989, at -3.6% annually. This is considered a sharp decrease comparing to the high increase rate in the previous phase (30.8% annually).

**Phase 3 (1990-2001):** With the exception of the years 1992 and 1993, the data show a stable, but slightly decreasing trend in remittances. The upsurge in 1992/93 is explained partly by the fact that the Middle East, especially the Gulf area began to return to normality again after the Gulf War II and the need to rebuild after the war.

The decline after this upsurge is attributed to the fall in oil prices in the Gulf countries that represent the major destinations for temporary Egyptian migrants. Poor exchange rates and general economic conditions in Egypt also discourage Gulf migrant workers from sending money home. Remittances declined during (1992-2001) faster than they did in the previous phase (at -8% annually). Net remittances decreased from 4257 million dollars to 2876 million dollars in 2001 at -3.5% annually. An obvious downward trend emerged during (1997-2001), reflecting the deceleration of the world economy after the collapse of the East Asian Financial markets 1997. Remittance decreased at -6.1% annually during (1997-2001) (IOM 2003).

The distribution of remittances of Egyptians working abroad indicate that the two main sources, which count for more than half the remittances flows to Egypt are the USA and Saudi Arabia (Fig. 11).

Figure 11. Workers' Remittances by Country 2001/02



Source: Table 13, Appendix 1

### ***II.3. Growth, Stability and Relative Importance of Egyptian Remittances (Migration Related Financial Flows)***

*a) Comparing the annual growth rate* of the main sources of external finance during a decade (1993/94-2002/03) and estimating the standard deviation for the annual growth rates during this period, the main sources of external finance may be divided to two main groups according to the general growth trend:

*Group A:* Sources of external finance that tended to increase over the last decade including:

- Exports of Goods (10.5 % annually)
- Travel and Tourism Receipts (8.8 % annually)
- Petroleum Exports (6.6 % annually)
- Suez Canal Dues (1.3 % annually)

*Group B:* Sources of external finance that tended to decline over the last decade including:

- **Remittances (-1.75 %)**
- Official Transfers (-2.2 %)
- FDI (-6.8 %)

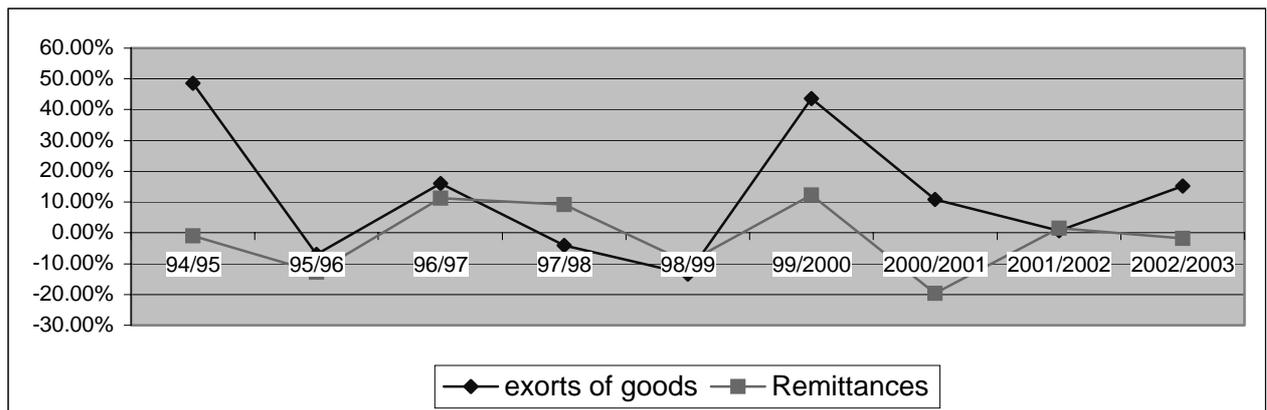
b) Analyzing the trend of the annual growth rates (Figures 12-17) and the standard deviation (as a measure of the dispersion) of the annual growth rate of the main sources of external finance during the last decade, it may be concluded that:

With the exception of Suez Canal dues, remittances are among the most stable sources of external finance.

The main external sources of external finance may be ranked according to degree of stability during the last decade as follows:

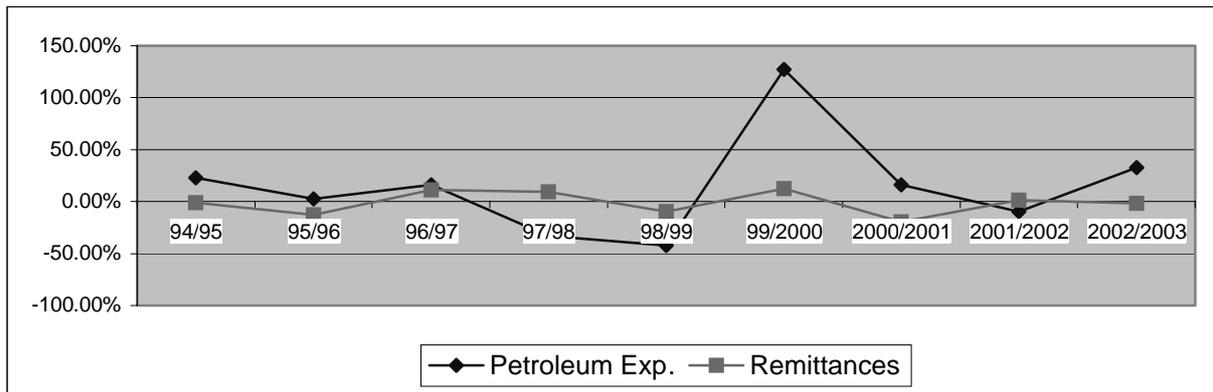
- i. Suez Canal Dues
- ii. Remittances
- iii. Travel and Tourism Receipts
- iv. Exports of goods
- v. Official Transfers
- vi. Petroleum Exports
- vii. FDI

**Figure 12. Remittances Growth Comparing to Export Growth Rate (1993-2003)**



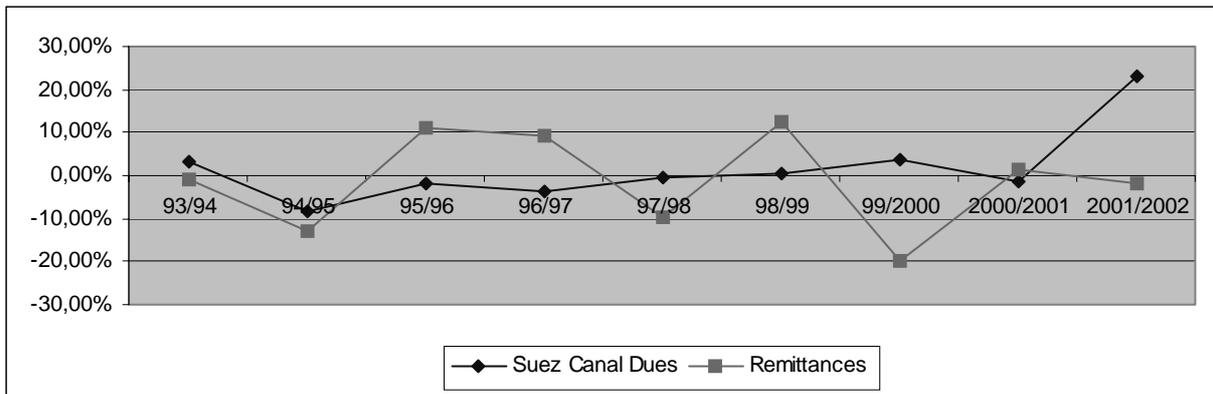
Source: Table 14 and Table 15 Appendix 1

**Figure 13. Remittances Growth Comparing to Petroleum Exports Growth Rate (1993-2003)**



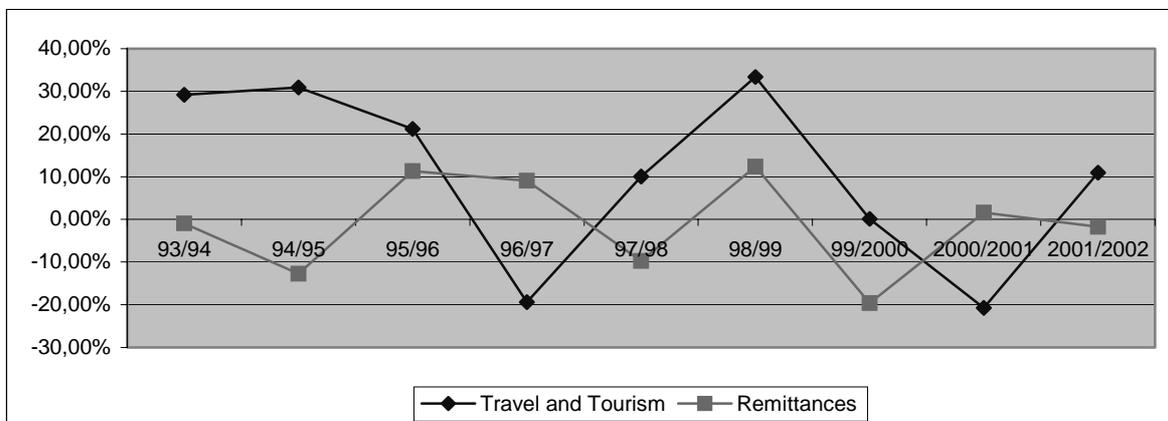
Source: Table 14 and 16 Appendix 1

**Figure 14. Remittances Growth Comparing to Suez Canal Dues Growth Rate (1993-2003)**



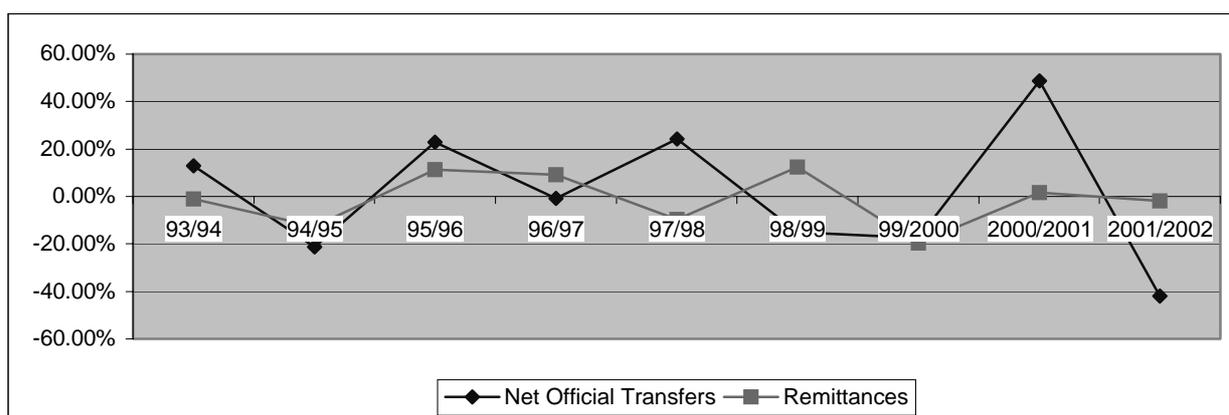
Source: Table 14 and 17 Appendix 1

**Figure 15. Remittances Growth Comparing to Travel and Tourism Receipts Growth Rate (1993-2003)**



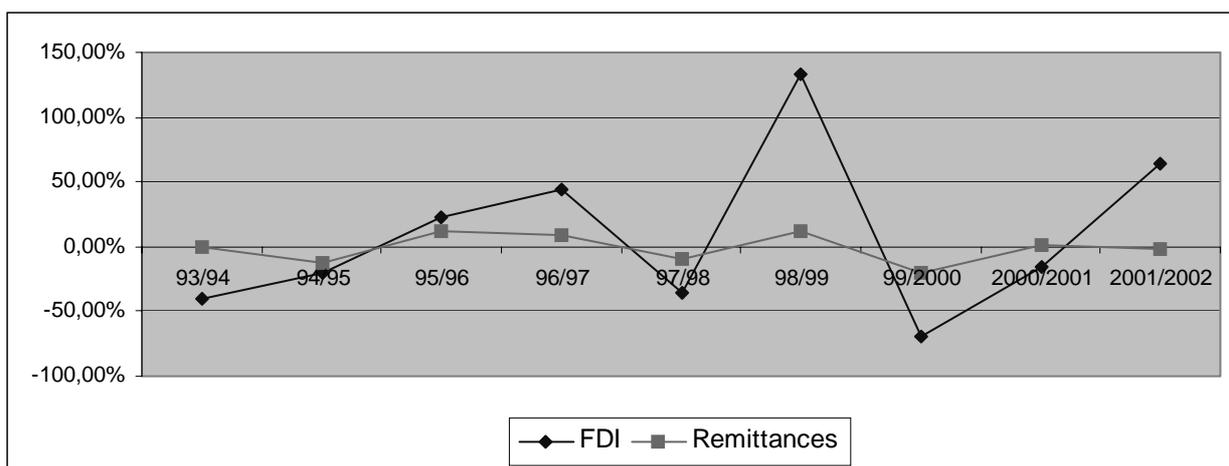
Source: Table 14 and 18 Appendix. 1

**Figure 16. Remittances Growth Comparing to Net Official Transfers Growth Rate (1993-2003)**



Source: Table 14 and 19, Appendix 1

**Figure 17. Remittances Growth Comparing to FDI Growth Rate (1993-2003)**



Source: Table 14 and 20, Appendix 1

c) Analyzing the relative importance of remittances of Egyptian migrants as % of:

- i. GDP
- ii. Investment
- iii. Overall Balance
- iv. Net International Reserves

It is indicated that on average the value of remittances were during the last decade around:

- i. 4.5% of GDP
- ii. 24.9% of total investments
- iii. 19.5% of net international reserves.

However, the value of remittances tended to decline during the last decade as:

- % of GDP, from 6.8% to 4.4%.
- % of total investments from 40.8% to 25.8%.

d) Analyzing on the contrary, the value of remittances tended to increase as a percentage of the value of international reserves and overall balance (Table 1).

**Table 1. Worker’s Remittances as % of GDP 1993/94—2002/2003**

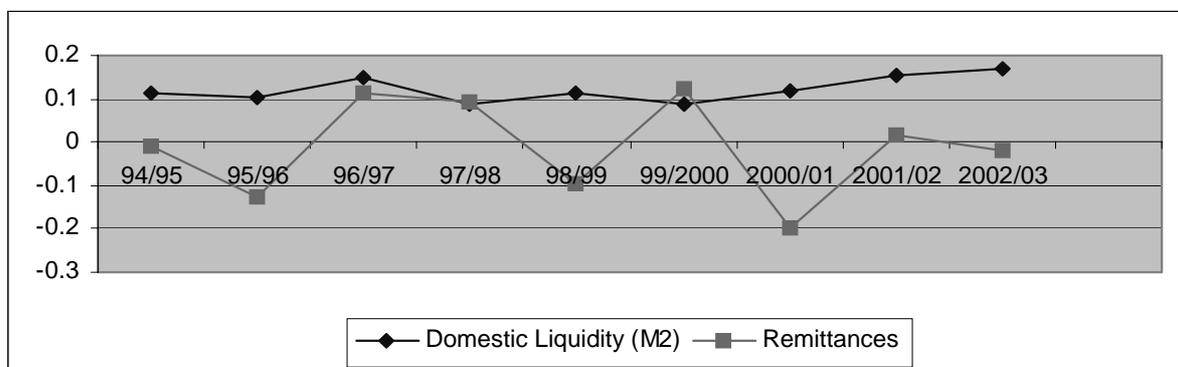
Year	Remittances/ GDP %	Remittances/ Overall Balance %	Remittances/Net International Reserves %	Remittances/ Total Investments %
1993/94	6.76	165.65	19.45	40.80
1994/95	5.74	458.23	19.27	33.38
1995/96	4.45	528.39	16.31	26.81
1996/97	4.42	175.44	16.49	24.34
1997/98	4.31	-2711.11	18.19	20.06
1998/99	3.66	-156.04	18.28	16.91
1999/2000	4.03	-122.61	24.53	20.59
2000/2001	3.73	-342.21	20.94	20.44
2001/2002	3.60	-663.89	21.42	19.70
2002/2003	4.41	545.24	20.10	25.80
Average	4.51	-212.29	19.50	24.88

Source: Calculated from Table 21 Appendix, 1

e) Meanwhile, no significant correlation was found between ‘Growth rate of Remittances of Egyptian Migrants’ and the correspondence rates of:

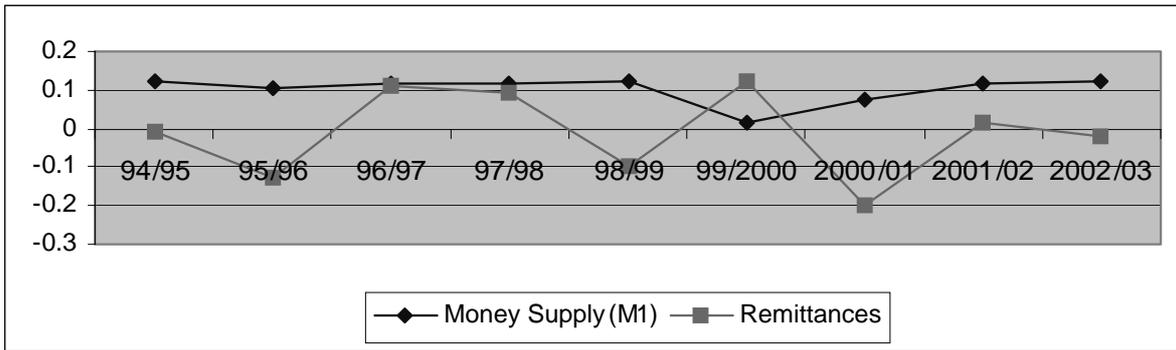
- i. M<sub>2</sub>
- ii. M<sub>1</sub>
- iii. Currency in Circulation
- iv. Demand Deposits in Local Currency
- v. Quasi Money
- vi. Time and Saving Deposits in Local Currency
- vii. Time and Saving Deposits in Local Currency as indicated in figures 18-24

**Figure 18. Remittances Growth versus M<sub>2</sub> (1993-2003)**



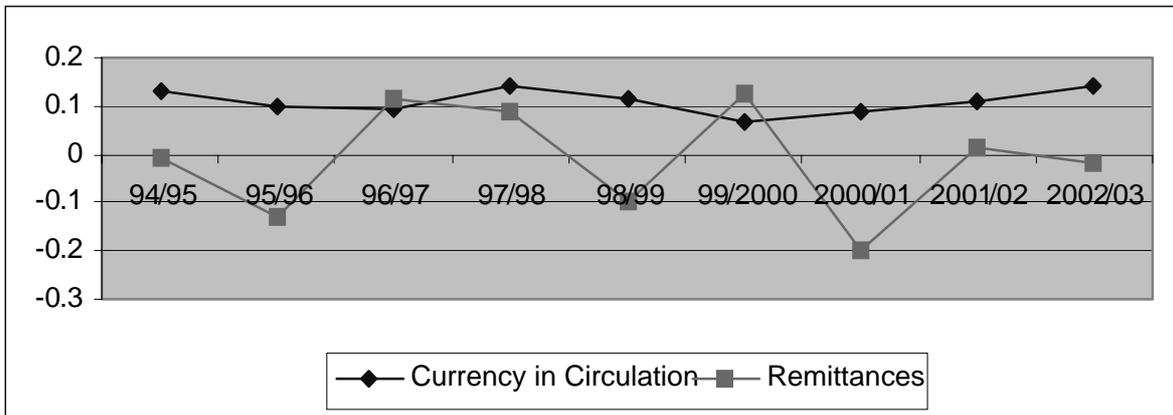
Source: Table 22, Appendix 1

**Figure 19. Remittances Growth versus M1 (1993-2003)**



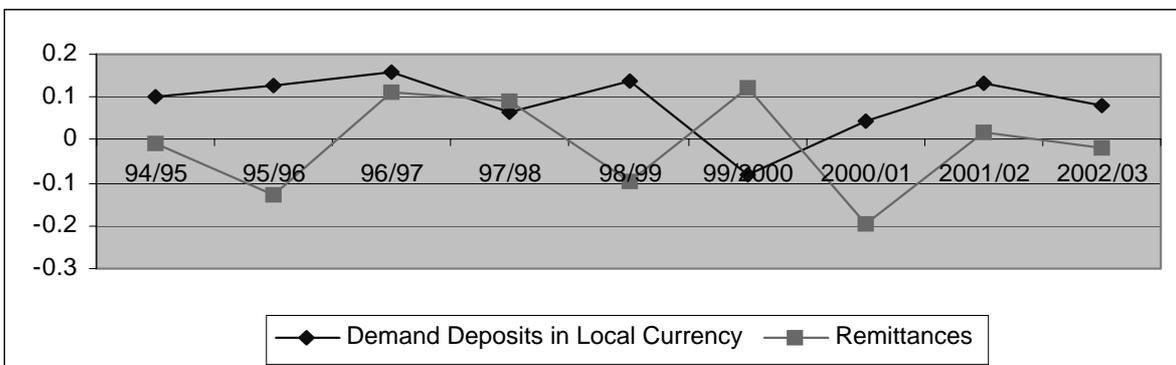
Source: Table 22, Appendix 1

**Figure 20. Remittances Growth versus Currency in Circulation (1993-2003)**



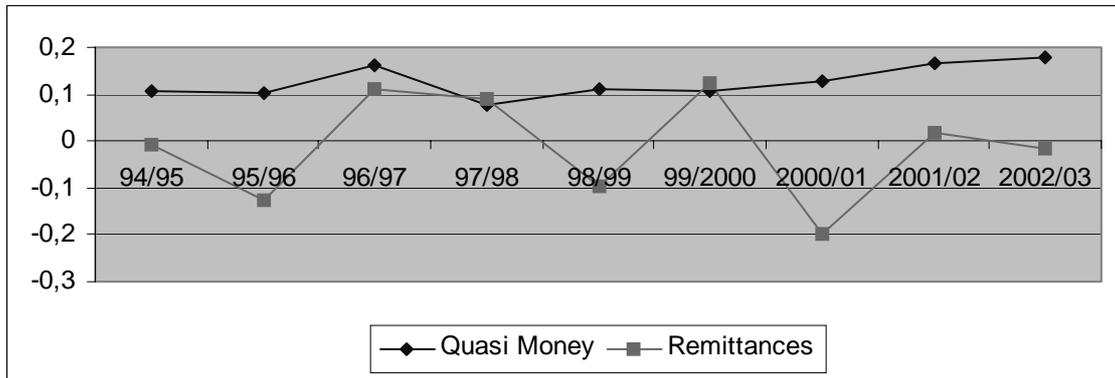
Source: Table 22, Appendix 1

**Figure 21. Remittances Growth versus Demand Deposits in Local Currency, (1993-2003)**



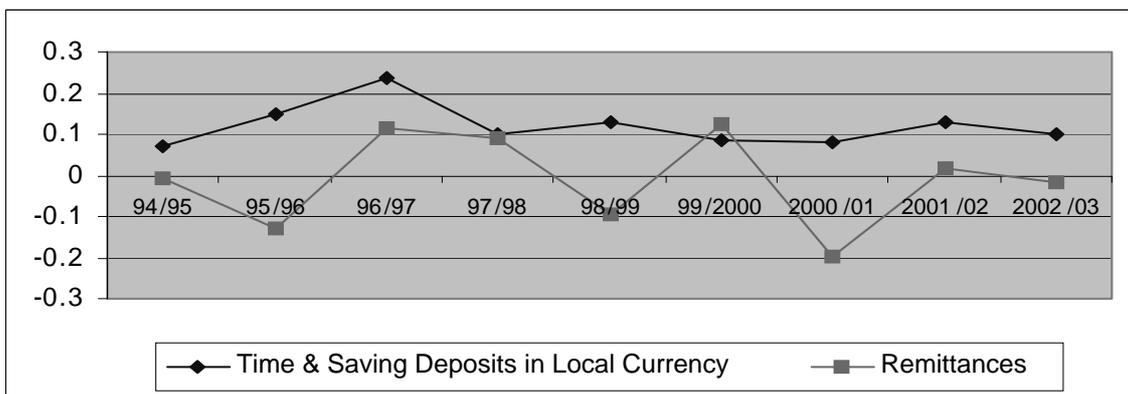
Source: Table 22, Appendix 1

**Figure 22. Remittances Growth versus Quasi Money (1993-2003)**



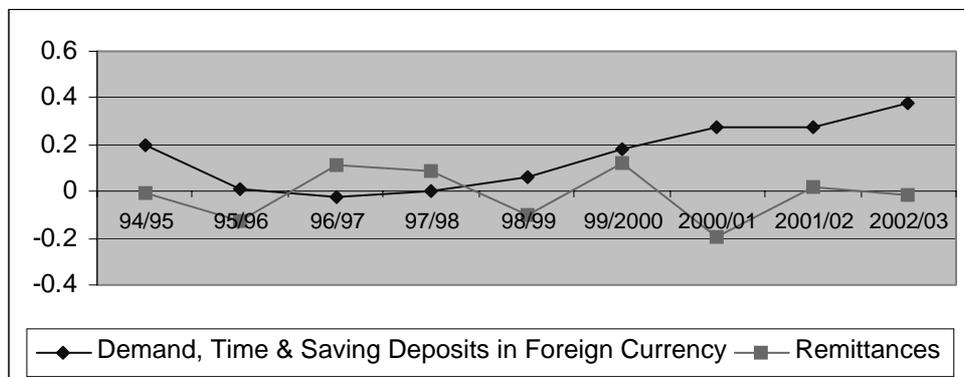
Source: Table 22, Appendix 1

**Figure 23. Remittances Growth versus Time and Saving Deposits in Local Currency (1993-2003)**



Source: Table 22, Appendix 1

**Figure 24. Remittances Growth versus Time and Saving Deposits in Local Currency (1993-2003)**



Source: Table 22, Appendix 1

Finally the data show a decline in net remittances from 4257 million dollars in 1990 to 2876 million dollars in 2001—as indicated in table 2—in Egypt over the last years while permanent human resource flows has been increasing in its ratio to total migration in Egypt, which raises the question of the trade-off between human and financial flows.

**Table 2. Net Remittances (millions of dollars)**

Year	Receipts	Payments	Net
1990	4284	27	4257
1995	3226	223	3003
1998	3370	108	3262
1999	3235	39	3196
2000	2852	32	2820
2001	2911	35	2876

#### **II.4. Remittances, Investment and Savings**

*The question, after that will be: do remittances contribute to development, at the macro and micro levels?*

A study conducted in rural Egypt in the beginning of the nineties (Adams Jr. 1991) compared the expenditure patterns of 75 once-abroad migrant households and 75 nonimmigrant households. It divided their expenditure and income into three categories: consumption, durables, and investments. Contrary to popular belief, once-abroad migrants do not devote large shares of their remittance earnings to personal consumption (food, clothing, school, medical, pilgrimage, and marriage expenses). Of each additional dollar spent, the data showed that once-abroad migrant households spent a smaller share on consumption than did nonimmigrant. This suggests that migrant households view their remittance earnings as a temporary stream of income as a one-time opportunity to make long-term investments as opposed to spending on immediate consumption needs. Once-abroad migrant households in this study spent most of their remittance earnings on housing: 54 percent of actual remittance expenditures on nonrecurring items went to the construction or repair of houses. When expenditures are divided into the three groups, expenditures on housing dominate the category of durables. Rural Egyptians appear to be strongly motivated to replace traditional mud houses with modern redbrick structures. Once-abroad migrant households in this study also showed a higher propensity than non-immigrant to allocate expenditure to investments such as agricultural equipment, vehicles, commercial enterprises (stores), and especially land. This finding contradicts the widespread belief that migrants do not invest their remittance earnings. The expenditure data indicated that the marginal budget shares devoted to investment of once-abroad migrant income groups were consistently higher than those of non-immigrant groups. Approximately 73 percent of total per capita expenditure on investment by once-abroad migrant households went to the purchase of land for farming or building. From the standpoint of the individual migrant, land represents a good investment because its value tends to increase at a rate exceeding that of inflation.

These findings are supported by other studies, which depend on a survey that covers both rural and urban areas. Using the data from the October 1988 special round of the Labour Force Sample Survey (LFSS), which was carried out by the Central Agency of Public Mobilization and Statistics (CAPMAS) in Egypt it was indicated that (Nassar, 1991 and MC Cormick, Barry and Jackline Wahba 8/2000, Wahba 2003):

- One third of all returnees report that they were unable to make any savings: 36% of rural-origin and 30% of urban-origin returnees

- The key question, however, is not how much savings migrants bring back but do they use it. Do they invest in economic activities that raise the production capacity, generating further employment and capital? Or do they spend their money on consumption? At this point a kind of contradiction between the meaning of investment at the national and individual level may appear. For a return migrant a new house or gold can be a kind of investment, whereas at the national level this kind of expenditure does not add to the productive capacity of the country.
- Previous data show that half of all rural-origin returnees, and 42% of urban-origin returnees, invested in housing (Nassar, 1991). Such behavior may stimulate the creation of jobs in the national economy on a temporary base and not on a self generating base like productive investment. This pattern of investment is more prevailing in rural areas than urban areas.
- Another common factor in the studies of returnees' investment is the limited size of investment for buying new land for agriculture. This was explained on the ground that returnees are not any more attached to farming after migration. The rate of investment in gold and jewellery and in Islamic banks is almost the same in urban and rural areas. A continuous yield is preferred than a promising yield, which means that return migrants are not innovators, who aim to alter a life style or change economic or social status but rather conservative migrants, who want to retain a certain life style.

**Table 3. Use of Savings by Region of Origin\*%**

	Urban	Rural	Total Sample
Islamic Companies	3.64	1.18	2.88
Banks	14.99	3.46	9.02
Investment Companies	3.76	0.96	2.35
Gold & Jewellery	3.61	3.37	3.49
Agricultural Land and Land reclamation	0.85	3.29	2.11
Housing	41.27	50.81	46.20
Land	0.88	0.77	0.82
Other Economic Projects	11.32	3.30	7.17
Securities and Shares	0.06	0	0.03
Others	8.95	7.75	8.33
No Saving	29.6	34.7	32.3

Nassar, Heba (1991), Labour Information System Project, Return Migration, Central Agency for Public Mobilization.

- In general the distribution of projects by economic activity shows that projects in urban areas are concentrated in the service sector (73.1 % at the national level). In rural areas the bias is for agricultural economic projects, trade and manufacturing. So even, if return migrants of rural areas are not attracted anymore by farming, in the meaning of buying new agricultural land, there are some cases of substantial projects, through buying machines, tractors or undertaking allied activities such as high yielding seed varieties.
- Size of invested capital in about two thirds of all economic projects is less than L. E. 10000. If we consider also the category 10000—49999, we may conclude that, with few exceptions, the size of capital of almost all economic projects is less than 50000. Personal savings are the dominant source of capital. However, cooperatives appear also as a source of financing in urban and rural areas as well. Naturally, in rural areas credits from cooperative banks play a significant role in financing return migrants and never migrants as well.

- Ten percent of returnees invested in economic projects. The proportion of employers in the sample rose from 10% to 19% between the pre-migration and post-return periods. The proportion of returnees who are not sole owners is 5% less than non-migrants.
- The majority of enterprises are small scale with less than 5 employees—86% of returnees' and 85% of non migrants. The second factor, which proves the argument of small business is the number of employees. 98% of economic projects have less than 10 employees. Work relations with the outside world do not exist in economic projects for rural return migrants and are insignificant, though available for urban return migrants. Moreover to some extent migration abroad resulted in a kind of economic partnership among return migrants. This is more prevailing in urban areas, where joint ventures and cooperatives are relatively more found than in rural areas. However, the ratio of return migrants whose partners in the economic projects were working with them abroad does not exceed one seventh (Table 4).

**Table 4. Impact of Migration on Economic Projects of Return Migrants by Region (%)**

Economic Relations		Urban	Rural	Total
Has your partner in this project worked with you abroad?	Yes	16	12	15.1
	No	84	88	84.9
Work relations of the project with projects in the country of migration	Yes	4	2	3
	No	96	100	97
Do you have return migrants among your employees?	Yes	5	4	5
	No	95	96	95

Source: Nassar, Heba (1991) Return Migration in Egypt, Labour Information System Project, Central Agency for Public Mobilization and Statistics

- Urban areas benefit more than rural areas from migrants savings. There is a regional bias in the location of firms and jobs created by returnees compared to non-migrants, in favor of the capital city or the mega city.
- Return migrants invest more capital in their businesses—given age, education and region—than other owners. Overseas savings, and the duration of stay overseas, have positive separate effects on the probability of investing in a project/enterprise amongst returnees. The average for returnees' firms is *LE* 10, 14, while that for non-migrants is only *LE* 9, 01.
- The share of returnees' enterprises engaged in services activities is twice that of non-migrants. On the other hand, non-migrants' enterprises tend to be concentrated in trade activities. The proportion of returnees' enterprises in manufacturing is about the same as that of non-migrants: 29% compared to 25% (Nassar, 1991)
- Returnees invest more in formal business. Around three-quarters of returnees' firms (76%) have tax files, i.e. pay taxes, while only 67% do among non-migrants. Also, 80% of returnees' firms have a license or registration, compared to 74% of migrants' enterprises (MC Cormick et al, 2003).
- Returnees create on average 1. 4 more jobs per establishment than do non migrants. Overall, return migrants are responsible for 15% of the capital invested in small enterprises and 15% of the associated employment generation (Mc Cormick, et al 2003).
- A recent study (IOM 2003) shows similar results. The most important expenditure item is still 'expenditure on housing'. The study shows that a large part of these funds are used for daily expenses such as food, clothing and health care. Funds are also spent on building or improving housing, buying land or cattle and buying durable consumer goods. Generally, only a small

percentage of remittances are used for savings and ‘productive investments’, i. e. for activities, which can generate income and employment.

- Moreover in several studies it was indicated that the migrants remittances are an important source of revenues for families, 74% of migrant households spent the largest share of funds received from relatives abroad on daily household expenses. Buying/ building/renovating a house and financing the education of a household member rank second and third (7. 3% and 3. 9% respectively). Remittances in kind mainly include clothes and electronic equipment (IOM2003).

### **III. Social Capital and Migration**

#### ***III.1. Defining Social Capital***

The term ‘social capital’ is a relatively recent one. The definition has been addressed from different perspectives—the political, the social, the economic—depending on the individual approach of the researcher. Excluding the political and economic dimension, the definition tends to include the common factor of social networks and norms in the community, which are implicit in the institutions and relationships. This network involves the family, neighbours, friends, and other groups/organizations in the social structure related to the individuals’ interaction (Richard, Rose, 2002).

Social capital is important to the efficient functioning of modern economies. It constitutes the cultural component of modern societies on the basis of formal institutions, the rule of law, and rationality. Building social capital has typically been seen as a task for ‘second best’, economic policies ; but unlike economic policies or even economic institutions, social capital cannot be so easily created or shaped by public policy.

Social capital is an informal norm that promotes cooperation between two or more individuals. The norms that constitute social capital can range from a norm of reciprocity between two friends, all the way up to complex human relationship. By this definition, trust, networks, civil society, and the like are associated with social capital (The Poverty Bank Group).

Social capital has been measured in a number of innovative ways. ‘First, the most comprehensive definitions of social capital are multidimensional, incorporating different levels and units of analysis. Second, any attempt to measure the properties of concepts such as ‘community’, ‘network’ and ‘organization’ is problematic. Third, few long-standing surveys were designed to measure ‘social capital’, leaving contemporary researchers to compile indexes from a range of approximate items, such as measures of trust in government, voting trends, memberships in civic organizations, hours spent volunteering. Fourth it is important to note that social capital is addressed from the perspective of individuals’ satisfaction with their lives and community, trust, feeling of safety and security, social support, social interaction, coping strategies, and community participation, in addition to some other factors that are relevant to understanding social capital’ (UNDP, 2002).

Finally the specificity of each culture includes a different perception of the indicators of social capital. Addressing social capital in any one society must, therefore, take into consideration the cultural perspective of this society. An attempt to approach social capital from a generalized perspective as pertaining to all cultures can be misleading.

Social capital has an impact on community well-being and hence on economic and social development. In the presence of poverty, the role of social capital becomes more significant. Since the cooperative networks of individuals comprise the basis for social capital, social capital to the poor can act as an important safety net, especially in the absence of a proper social security net (World Bank 2002). This last argument is the argument that we are going to test in this report, by examining the role of remittances in social protection.

### ***III.2. Migration and Social Capital***

Networks are key intermediates in migration, which operate in both directions. Migration by some household members—to earn income elsewhere—can be an important strategy for risk prevention, adopted by the people specially the poor. It can be considered as an important livelihood option from two perspectives. The first perspective is related to financial issues. It is related to remittance, which, for many households preserve as an additional income source. The second perspective focuses on migration as an exit option from any vulnerable structure. For the poorest group, it is very important since they often migrate to get an opportunity to cope with hardship.

As indicated by Population Census Data in 1996, the main reason for 43 percent of migrants (mostly from rural to urban) is to find work. This mechanism can be an important informal mechanism for poverty alleviation and job creation.

Moreover migrants network form a social capital in both countries of origin and countries of destination. On the one side, former migrant communities established in countries of destination facilitate the arrival and settlement, and often the employment, of new immigrants which are related to them, by kinship or just neighbour-hood, in the country of origin. In this case, migration builds on pre-existing social capital.

On the other side, there are various situations in which social capital is built on migration. This happens when immigrants become entrepreneurs in host countries, and build there a network of relations proper to their professional activity. If they extend part of their activity to their country of origin, this results in transferring to this country some benefits of a social capital accumulated abroad .

Concerning the effects of migration on poverty, both international and internal migration is part of the survival strategies of families in poor communities. Many families rely on the earnings of members, who have left home in search of better opportunities (ILO 2003).

In *The Effects of International Remittances on Poverty, Inequality, and Development in rural Egypt*, was examined by Adams, Jr. , 1991 in rural Egypt: Adams uses income data from households with and without migrants to determine the effects of remittances on poverty, income distribution, and rural development. The study is based on a survey of 1,000 households conducted in 1986/87 in three villages in Minya Governorate. In a second round of the survey, 150 selected households were interviewed about their spending behaviour

As the rate of international migration in the survey area is high, international remittances (which exclude the cost of travel and basic subsistence abroad) account for a substantial share of the incomes of the surveyed households: 12.5 percent of total actual gross income of the 1,000 households surveyed and 30.4 percent of gross total income of the 339 migrant households. The households are divided into three groups: non-immigrant, once-abroad migrant, and still-abroad migrant. To determine the effects of remittances, the incomes of non-immigrant households are used to estimate, what the incomes of the migrant households would have been if they had not sent a worker abroad.

International remittances are shown to have a small but positive effect on poverty. The number of households living in poverty declined by 9.8 percent when predicted per capita household income (estimated household income divided by the number of household members) included remittances. Remittances accounted for 14.7 percent of the total predicted per capita income of the poor households.

The number of poor households who received international remittances at the time of the survey was small but proportionate. Twenty-eight of 268 households (10.4 percent) classified as poor, based on income before migration, actually received remittances. For the sample as a whole, 104 of 1,000 households (10.4 percent) received remittances.

### ***III.3. The Role of Remittances in Poverty Alleviation and Social Capital Formation in Egypt***

*Using the set of data of the Social capital survey in Egypt (UNDP, 2002)* the sample was divided into two groups of households. The first group receives remittances and the second group does not receive remittances.

***First a Standard of Living Index*** is constructed as a broader measure of living conditions. It is comprised of five dimensions: per capita income, per capita expenditures, an index of economic security/vulnerability, an index of housing conditions, and an index of affordability of basic needs (UNDP, 2002).

***Second*** in an attempt to assess the relationship between social capital, the study has designed a social capital index. The index includes a number of indicators, each given a certain weight, based on its respective significance in estimating social capital. The indicators that were used are the following (UNDP, 2002):

- i. trust towards community, community participation, political participation, given a weight of (4)
- ii. satisfaction with life and conditions, given a weight of (2)
- iii. involvement with children in the community, given a weight of (1)

Finally a basic needs index was constructed to address the availability of resources to cover the five main basic needs, shelter, nutrition, housing, health and education.

Appendix II, Table 1 shows the role of remittances in forming a safety net for the different households. The table indicates clearly that households, who receive remittances have a relatively higher mean for standard of living (30.05 vs. 28.51) and basic need index (6.6 vs. 6.014) than the households, who do not receive remittances. This is clear also in table 2 Appendix as the percentage of households, who own their house is relatively higher among households who receive remittances rather than the other group of households, indicating a relatively higher living standard

Actually this is not the case for the social capital index. The social capital index for households, who receive remittances is lower than the value of index for households, who do not receive remittances as seen from table 1 Appendix II (0.58 vs. 0.61). Our interpretation for that is that because these households are better off their involvement with the community is not so much needed. Also their commitment towards political participation might be lower, in particular if some of them are living abroad. This is also clear in table 9 where the percentage of persons who, are receiving remittances and have an election card is lower than those who do not receive remittances i. e their mingling within the society is relatively lower (42.5% vs. 66.9%)

However table 3 Appendix II shows clearly that remittances can form a safety net for households, as poverty incidence is far lower for households, who receive remittances than households, who do not receive remittances (10.78 vs. 20.67). Table 4 Appendix II, shows also that households, who receive remittances have less difficulties in spending on food (88.82%) vs. households who do receive remittances (81.13%). This fact is also true for rent expenses (94.81% vs. 88.71%) for medical expenses (84.83% vs. 71.72%), for clothing (84.83% vs. 71.72%) as well as for educational expenses (73.85% vs. 62.39%). Moreover the ratio of households, who have an income sufficient to cover their emergencies is higher among households, who receive remittances than among other households (60.27% vs. 58.81%). Also the households who believe that their income is covering their basic needs is higher than the other group of households (89.82% vs. 75.33%)

Moreover migration has a positive impact on receiving services such as educational and medical services. For educational services 62.4% of the households, who receive remittances are receiving educational services vs. 58% for the other group of households Meanwhile, the percentage is 80.8% vs. 72.98% for health services for both households who receive remittances and for the other group, consequently (Table 5 Appendix II).

In addition households, who receive remittances do not resort to financial aid as a coping strategy for difficulties as much as the other group of households neither as indicated in table 6, Appendix II. In comparison to households, who do not receive remittances, financial reasons, such as high costs of education, health services and increase in prices, are not the main causes for worries for households, who receive remittances. They worry relatively more for employment opportunities, as indicated in table 7, Appendix II. This can be explained by their dependence on remittances in their earnings rather than self employment sources. Table 8, Appendix II shows also that the relative percentage of the households, who do not have an insurance or pension is slightly higher among households, who receive remittances than the others group of remittances, which might indicate that the former group of remittances for these households is forming a safety net, while insurance and pensions are important for the other group of households. Remittance as a coping mechanism is also clear in table 10, Appendix II as families who receive remittances are relatively more depending on their immediate family members more than households who do not receive remittances. Again households, who receive remittances are not mingling with their societies in coping mechanism as the other group of households. Table 11, Appendix II shows that the percentage of the former group which saves together with their neighbours (0% vs. 5.2%) and relatives (1.4% vs. 13.3%) in the form of 'Roshka' gameya', a rotating system for saving among society members or friends, is relatively less than the corresponding ratio for the households who do not receive remittances.

Table 12 Appendix II, shows also that the relative percentage of households, who have an income sufficient to cope during emergency is higher for households who receive remittances than for the other group of households (8.8% vs. 6.9%). Finally it is important to note that the channels among the society member and households who receive remittance or those, who do not receive remittances are strong as 100% of both categories know their neighbours (Table 14 Appendix). Moreover a relatively higher percentage of the former households discuss with their neighbours matters of their concern (77% vs. 54.2%).

#### IV. Concluding Remarks and Policy Considerations

In general Egyptian data on the whole process of international migration remains fragmented, scattered and unreliable as Egypt does not typically keep track either of the number or the skill characteristics of migrants.

The report showed that migration is an important phenomena in Egypt as the number of Egyptians abroad is estimated at 4% of the total population of Egypt, or 1.5% of the total migrants all over the world.

- Egyptian migration has fluctuated since mid eighties after an up-rise in the seventies.
- Egypt is experiencing now, what is called the permanence of temporary migration. Despite that the majority of Egyptian labour migrants are expected to return home eventually, thousands left their country with the intension of permanently resettling in various Arab countries, Europe, or North America.
- Egypt is witnessing brain drain as many other developing countries. There is a strong age selectivity. Migrants are better educated. Concerning the occupational status of migrants, the data show that since mid 1980s, the percentage of scientists and technicians has increased and the share of production workers in Egyptian migration has declined, although the percentage remains high comprising one-third of migrants in the year 2002. The permanent migration is the main source of the 'Brain Drain', as it has always been the migration of the better educated. Egyptian permanent migrants increased as a percentage of total migrants from 9.6% in 1983 to 28% in 1998.
- **To conclude Egypt loses highly skilled persons to developed countries as well as a more significant number of medium skilled workers whether to developed or other developing (mostly Arab neighbouring) countries.**

**Two factors may be the reason for the previous argument:**

- i. The low private rate of return to education in Egypt, which acts as a push factor for highly as well as medium skilled labour out of Egypt.
- ii. The limited employment opportunities in the formal private sector and shrinking employment opportunities in the government sector.
  - Concerning the financial return to migration remittances to Egypt have been amongst the highest in the world peaking at \$6. 1 billion in the early 1990s. Remittances have been a major source of foreign currency.
  - Remittances is the source of external finance that tended to decline over the last decade including, however with the exception of Suez Canal dues, remittances are among the most stable sources of external finance.
  - Meanwhile the value of remittances tended to decline during the last decade as: % of GDP, from 6.8% to 4.4%. as well as % of total investments from 40.8% to 25.8%.
  - No significant correlation was found between ‘Growth rate of Remittances of Egyptian Migrants’ and the correspondence rates of:  $M_2$ ,  $M_1$ , Currency in Circulation, Demand Deposits in Local Currency, Quasi Money, Time and Saving Deposits in Local Currency, Time and Saving Deposits in Local Currency.
  - *The question whether remittances contribute to the macro and micro-level development, it was concluded that once-abroad migrant households in this study spent most of their remittance earnings on housing. Another common factor in the studies of returnees’ investment is the limited size of investment for buying new land for agriculture. Migration abroad resulted in a kind of economic partnership among return migrants.*
  - In several studies it was indicated that the migrants remittances are an important source of revenues for families, 74% of migrant households spent the largest share of funds received from relatives abroad on daily household expenses.
  - Concerning Social Capital and Migration, networks are key intermediates in migration, which operate in both directions. Migration by some household members—to earn income elsewhere—can be an important strategy for risk prevention.
  - As indicated by Population Census Data in 1996, the main reason for 43 percent of migrants (mostly from rural to urban) is to find work. This mechanism can be an important informal mechanism for poverty alleviation and job creation. Poverty incidence is far lower for households, who receive remittances than households, who do not receive remittances. Moreover the ratio of households, who have an income sufficient to cover their emergencies is higher among households, who receive remittances than among other households. Also the households who believe that their income is covering their basic needs is higher than the other group of households.
  - Households, who receive remittances have a relatively higher mean for standard of living and basic need index than the households, who do not receive remittances. The social capital index for households, who receive remittances is lower than the value of index for households who do not receive remittances. Our interpretation for that is that because these households are better off their involvement with the community is not so much needed. Also their commitment towards political participation might be lower.
  - Moreover migration has a positive impact on receiving services such as educational and medical services.
  - In addition households, who receive remittances do not resort to financial aid as a coping strategy for difficulties as much as the other group of households.
  - In comparison to households, who do not receive remittances, financial reasons, such as high costs of education, health services and increase in prices, are not the main causes for worries for households, who receive remittances. The relative percentage of households, who have an

income sufficient to cope during emergency is higher for households, who receive remittances than for the other group of households. Finally it is important to note that the channels among the society member and households, who receive remittance or those, who do not receive remittances are strong. Finally the main worry for households who receive remittance is for more employment opportunities.

#### *IV.1. Policy Considerations*

In a world increasingly characterized by global networks for producing and exchanging goods, services and information, and where states have lessened much of their control over capital movements and the production of goods, controlling labour flows may not be successful, but a migration and a development policy is still needed.

In this respect a policy must be drawn for maximizing the efficient utilization of manpower, of revenues generating process and in building social capital. The increasingly need for such a policy stems from a combination of factors such as:

- The problems of labour absorption in the Egyptian economy and brain drain.
- Inadequacies of the migration policies evolving since the 1970s in maximizing the utilization of the returns of migration.
- The need to maximize the positive impact of remittances and the efficient social networking in forming a social safety net.

This can be achieved by adopting a threefold policy:

The first consists of measures to improve labour productivity and skills as well as policies for labour market reform to be able to improve skills in general and to generate the sufficient employment opportunities as well as to curb the outflow of skilled workers.

The second is through reforming macro-economic policies to enable the country to maximize the use of remittances as well as to curb human capital.

The third is an integrated set of policies to achieve two broad goals: social integration of returnees and the strengthening of social networks between migrants and non migrants.

**The first set of policies** entails policies to curb the outflow of high skilled labour, which can be summarized in:

Return (to cultivate human capita for source countries), Restriction (new policies to ease numerical and protective regulations on admissions), Reparation, Recruitment of international migrants, Resourcing expatriates, Retention policies through educational sector policies and Retention policies through economic development.

Retention policies focus on the improvement of domestic opportunities in the educational sector as well as those that target domestic growth and lessen the incentive to migrate (Lowell, 2002)

In order to enhance the role of education, the private internal rate of return to education must be raised. It has also to be improved with higher educational levels. These improvement in private rate of return to education depend to a great extent on a general reform in the educational system in quality, management, efficiency, access and equity.

Employment policies that can effectively influence economic growth rates are also needed. Guaranteeing to employ graduates, provision of credits to small and medium sized enterprises and provision of training (ERF, 2002). However all three policies were unsuccessful as employment guaranteed policies were inefficient and led to underemployment and credits and training were not well targeted insufficient and not well targeted

Demand side policies for the creation of job opportunities requires firstly the increase in economic growth rate and encouraging growth that targets full employment.

For the unemployment problem to be alleviated in Egypt GDP growth must speed up to 6 to 7 percent a year (Nassar, 2003).

Employment policies must be integrated with a group of policies and tools to transform the potential labour force into a productive labour force.

These policies entail: smoothing out the mismatching between job seeker profiles and employer needs, which unfortunately has not been the case so far and led to wage differences (between the sending and hosting countries), introducing upgrading programs to achieve the necessary competitive retraining of labour, strengthening of the entrepreneurial spirit in the educational system is needed to allow the shift toward a more diversified specialized labour force, the establishment of an improved information system to ensure the efficient and timely flow of information relating to labour market and migration matters, increase the production sector's ability to absorb more labour, increasing ability to absorb labour in the agricultural sector, increasing agriculture absorption capacity through supporting small labour-intensive industries, enhancing the construction sector as one with high employment elasticity output, providing the required skills for promising modern sectors of high employment elasticity/output, such as finance, insurance, hotels, tourism, and communications, encourage exporting industries as well as encouraging the official private sector to increase its labour absorption rates in order to alleviate the burden on the public sector, developing the informal sector.

*In addition supply side policies* are needed to expand the scope of training to include modern sectors such as communications, services, and tourism, including management training, training on organized and planned work, professional training, technical, and finance training as well as using new training methods such as independent training through modern technology.

Coordination between all labour market organizations and inclusion of all actors in the migration arena such as business, trade unions and NGOs is needed

**The second set of policies** includes the implementation of efficient financial and macro level policies:

Retention policies should include appropriate, financial and organizational assistance, provision of necessary information, measures to assist the re-integration of returning migrants such as vocational training.

Furthermore, for migrant workers it is important that the transfer of funds takes place in a cost-effective and safe way, and should not be subject to policies and regulations that direct the use of remittances. There are some issues that need to be resolved to ensure that migrants, their families and the economy as a whole can fully benefit from these financial transfers. Firstly, interesting investment alternatives are mostly absent, and remittances are hardly used as a leverage to access other services. Secondly, there are some sub optimal conditions in the money transfer market. Services may be unsafe, and markets may be monopolistic and non-transparent. High transaction costs in remittances mean money lost to the workers. The ILO follows three approaches to maximize the benefits of remittances to migrants, their families and the wider community:

- Follow-up to ILO labour standards, to ensure that migrant workers have the right to transfer (part of) their earnings and savings through their preferred channel.
- Improvement of remittance services, to reduce leakages in the transfer process.
- Introduction of market-conforming investment opportunities to increase the development potential of remittances.

In general the improvement of the investment climate, exploration securitizing remittance flows, ruling out taxing remittances, introducing tax referrals for retirement and pension plans, increasing transparency, providing incentives to channel remittances into development projects are all important measures.

In addition given the impact of human capital on output and growth a policy that increases the subsidy to higher levels of education can increase growth in the economy. However since migration takes place beyond a particular educational level the growth maximizing policy would be to allow the subsidy to increase with the education effort up to this level of education and then be set at zero.

**The third set of policies** includes reception and reintegration services for returning migrants and their families to have reliable relocation and labour market information as well as a full array of educational services for returning children. Channelling remittances and influencing the relocation choices of return migrants enables the integration of returnees in their societies. They include also capacity building and transparency for the existing social networks to empower them and to integrate the migrants efforts in these networks

The need to mobilize migrants emerges from the need of any successful attempts to tackle development issues. How to utilize social capital is a major challenge. This is necessary for the government to attempt to reach out to the people by building these communications channels and establishing the means to utilize them in a conducive to way to development

An important step in this respect is the need to eliminate the individualistic and fatalistic attitude predominant in the population that make them accept their situation as is with no attempt to change. One way of involvement is of the migrants is to involve the them in matters of community action, not only in the implementation of activities but more in the design of projects and their planning in different aspects and in different aspects in community needs and priorities. A successful mechanism would require the proper utilization of the right channels of communication with the migrants to ensure their involvement in consultation. Participation all the way is through developing among them a feeling a contribution, interest and participation with trust towards the society.

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## Appendix 1

**Table I-1. Temporary Egyptian Migration by Receiving Country %**

Receiving Country	%
Saudi Arabia	48.29
Libya	17.39
Jordan	11.86
Kuwait	9.96
UAE	4.97
Iraq	3.43
Qatar	1.31
Yemen	1.15
Oman	0.78
Lebanon	0.65
Bahrain	0.21
Total	100.00

Source: CAPMAS (2001)

**Table I-2. Number of Contracts for Egyptians Workers in Arab Countries (1991-2001)**

Year	Number of Contracts
1991	589
1992	39.812
1993	83.464
1994	83.458
1995	49.372
1996	9.601
1997	4.643
1998	7.201
1999	6.586
2000	17.652
2001	14.722
Total	317.100

Source: General Directorate for External Employment, Ministry of Manpower and Emigration 2002

**Table I-3. Nationals Abroad By Host Country (1996-2000) %**

Year	Saudi Arabia	Libya	Jordan	USA	Canada	Total
1996	35	11	8.5	11.7	4.1	70.3
1997	34	10.7	8.5	11	3.8	68
1998	34.4	12.3	8.1	11.3	3.9	70
1999	33.9	12.2	8.3	11.7	4	70.1
2000	33.9	12.2	8.3	11.7	4	70.1

Source: Calculated from: ILM 2004.

**Table I-4. Outflows of Employed Nationals Abroad By Host Country (1996-2000) %**

Year	Saudi Arabia	Libya	Jordan	Kuwait	Iraq	Total
1996	45.3	14.3	11.1	10.1	9.5	90.3
1997	45.3	14.3	11.4	10.1	9.2	85.2
1998	48.7	17.4	11.5	10.1	4.1	91.8
1999	48.6	17.5	11.9	10	3.5	91.5
2000	48.6	17.5	11.9	10	3.4	91.4

Source: Calculated from: ILM 2004.

**Table I-5. Nationals Abroad and Outflows of Employed Nationals (1989-2000)**

Year	Nationals Abroad			Outflows of Employed Nationals		
	Numbers*	Change	Change%	Numbers*	Change	Change%
1989	1964000	-	-	1511000	-	-
1990	1921000	-43000	-2.19	1150000	-361000	-23.89
1991	1541000	-380000	-19.78	1103000	-47000	-4.09
1992	1856000	315000	20.44	1221000	118000	10.7
1993	2116000	260000	14.01	1690000	469000	38.41
1994	2324000	208000	9.83	1732000	42000	2.49
1995	2610000	286000	12.31	1820000	88000	5.08
1996	2715000	105000	4.02	2099000	279000	15.33
1997	2901000	186000	6.85	2181000	82000	3.91
1998	2806000	-95000	-3.27	1982000	-199000	-9.12
1999	2726000	-80000	-2.85	1902000	-80000	-4.04
2000	2724000	-2000	-0.07	1900000	-2000	-0.11

Source: ILO-International Labour Migration Data Base (ILM).

**Table I-6. Permanent Egyptian Migrants by Country of Destination**

Receiving Country	%
USA	38.6
Canada	13.3
Italy	10.9
Australia	8.5
Greece	7.3
Holland	4.9
France	4.4
England	4.2
Germany	3.0
Switzerland	1.7
Austria	1.7
Spain	1.5
Total	100

**Table I-7. Distribution of Migrants (Return Migrants) and Non-Migrants by Age at Last Emigration (Migrants) or Five Years ago (Non-Migrants)**

Age Group	Migrants	Non-Migrants*
18-24	29.8	25.7
25-29	27.4	16.1
30-34	17.4	11.3
35-39	11.1	11.6
40-49	11.7	17.6
50+	2.6	17.7
Total (%)	100	100
Number	1.121	3.672
Mean Age	29.8 years	35.0 years

For all non migrants currently aged 23 or older\*\* in percentage

Source: Ministry of Manpower and Emigration.

**Table I-8. Educational Level of Migrants and Non-Migrants at Last Emigration (Migrants) or Five Years Ago (Non-Migrants)**

Educational Level	Migrants	Non-Migrants
Non Formal Education	15.4	37.7
Incomplete Primary	18.7	18.5
Primary	7.8	8.8
Preparatory	4.2	4.9
Secondary	32.7	15.7
University or Higher	21.2	14.5
Total (%)	100	100
Number	1.121	3.672

Source: Ministry of Manpower and Emigration.

**Table I-9. Distribution by Occupation of Contracts between 1985 and 2002**

<b>Occupation</b>	<b>1985</b>	<b>1990</b>	<b>2002</b>
Scientists and technicians	20.4	40.2	41.0
Managers	0.3	0.3	2.4
Clerical Workers	8.8	8.0	1.5
Sales and Services	18.5	17.3	12.7
Agriculture animal husbandry & fishing	8.9	5.3	8.6
Production workers	43.0	28.9	33.8
Total	100	100	100

Source: Ministry of Manpower and Emigration.

**Table I-10. Migration Rates to USA and other OECD Countries by Level of Educational Attainment, 2000**

<b>Educational Level</b>	<b>USA</b>	<b>OECD</b>
Primary or Less	0.1	0.1
Secondary	0.2	0.1
Tertiary	2.3	0.5
Total	0.3	0.1

Source: Adams 2003.

**Table I-11. The Highly Skilled Egyptian Migrants to OECD Countries According to Country of Residence, 2003**

Country of Residence	Number (in Thousands)	%
USA	318	38.6
Canada	110	13.3
Australia	70	8.5
United Kingdom	35	4.2
France	36	4.3
Germany	25	3
Switzerland	14	1.8
Netherlands	40	4.8
Austria	14	1.8
Italy	90	10.9
Spain	12	1.4
Greece	60	7.4
Total	824	100

Source: CAPMAS, 2003.

**Table I-12a. Worker's Remittances 1993/94-2002/2003**

Year	Worker's Remittances-US\$ Millions	Average Growth Rate%
1993/94	3489	-
1994/95	3456	-0.95
1995/96	3015	-12.76
1996/97	3355	11.28
1997/98	3660	9.09
1998/99	3303	-9.75
1999/2000	3711	12.35
2000/2001	2982	-19.64
2001/2002	3030	1.61
2002/2003	2977	-1.75
1993-2003	-14.7% (total period)	-1.75% (annually)
STDEV		0.111832

MOFT.

**Table I-12b. Worker's Remittances 1993/94-2002/2003 at Constant Prices (1999/2000=100)**

Year	Worker's Remittances-US\$ Millions	Average Growth Rate%
1993/94	4866.11	-
1994/95	4325.41	-11%
1995/96	3522.20	-19%
1996/97	3690.87	5%
1997/98	3873.02	5%
1998/99	3465.90	-11%
1999/2000	3711.00	7%
2000/2001	2926.40	-21%
2001/2002	2907.87	-1%
2002/2003	2689.25	-8%
1993-2003	-44.7% (total period)	-6.4% (annually)
STDEV		0.10

**Table I-12c. Workers' Remittances (in millions \$)**

Year	Value	Year	Value
1974	273	1988	3770
1975	352	1989	3293
1976	760	1990	4284
1977	966	1991	4054
1978	1845	1992	6104
1979	2257	1993	5664
1980	2641	1994	3472
1981	2153	1995	3226
1982	2439	1996	3107
1983	3666	1997	3697
1984	3963	1998	3370
1985	3212	1999	3235
1986	2506	2000	2850
1987	3604	2001	2876

Source: Mc Cornick, Barry and Jackline Wahba 2000, IOM 2003.

**Table I-12d. Workers' Remittances (in millions \$) at Constant Prices (1999/2000=100)**

Year	Value	Year	Value
1982	15149.07	1992	10006.56
1983	20254.14	1993	8453.73
1984	20116.75	1994	4842.40
1985	14600.00	1995	4037.55
1986	10104.84	1996	3629.67
1987	12917.56	1997	4067.11
1988	11930.38	1998	3566.14
1989	8757.98	1999	3394.54
1990	9626.97	2000	2850.00
1991	7871.84	2001	2822.37

**Table I-12e. Net Remittances (millions of dollars)**

Year	Receipts	Payments	Net
1990	4284	27	4257
1995	3226	223	3003
1998	3370	108	3262
1999	3235	39	3196
2000	2852	32	2820
2001	2911	35	2876

**Table I-12f. Net Remittances (millions of dollars) at Constant Prices 199/2000**

Year	Receipts	Payments	Net
1990	9626.97	60.67	9566.29
1995	4037.55	279.10	3758.45
1998	3566.14	114.29	3451.85
1999	3394.54	40.92	3353.62
2000	2852.00	32.00	2820.00
2001	2856.72	34.35	2822.37

**Table I-13. Remittances of Egyptians Working Abroad by Country in US Dollars (million), Egypt 2001/02\***

Country	Million US \$	%
United States of America	955.9	34.5
Saudi Arabia	612.4	22.1
United Arab Emirates	312.7	11.3
Kuwait	246.0	8.9
Switzerland	119.9	4.3
United Kingdom	116.0	4.2
Germany	89.1	3.2
Bahrain	54.2	2.0
France	47.3	1.7
Qatar	42.2	1.5
Italy	32.4	1.2
Netherlands	12.0	0.4
Oman	11.3	0.4
Lebanon	10.3	0.4
Japan	8.6	0.3
Canada	5.9	0.2
Greece	5.2	0.2
Spain	3.4	0.1
Libya	3.0	0.1
Other Countries	85.6	3.1
Total	2773.4	100

Source: Central Bank of Egypt (Monthly Statistical Bulletin— Vol. (72) \* Fiscal year 2001/2002.

**Table I-14. Average Growth Rate of Exports 1993/94-2002/2003**

<b>Year</b>	<b>Exports-US\$ Millions</b>	<b>Average Growth Rate%</b>
1993/94	3337.3	-
1994/95	4957	48.53
1995/96	4608.5	-7.03
1996/97	5345.4	15.99
1997/98	5128.4	-4.06
1998/99	4445.1	-13.32
1999/2000	6387.7	43.70
2000/2001	7078.2	10.81
2001/2002	7120.8	0.6
2002/2003	8205.2	15.23
1993-2003	45.9% (total)	10.5% annually
STDEV		0.216739

Source: Ministry of Foreign Trade Bulletin, several issues

**Table I-15. Petroleum Exports 1993/94-2002/2003**

<b>Year</b>	<b>Exports-US\$ Millions</b>	<b>Average Growth Rate%</b>
1993/94	1772.1	-
1994/95	2176	22.79
1995/96	2226	2.3
1996/97	2578	15.81
1997/98	1728.4	-32.96
1998/99	999.7	-42.16
1999/2000	2272.9	127.36
2000/2001	2632.4	15.82
2001/2002	2381	-9.55
2002/2003	3160.8	32.75
1993-2003	78.4% (total)	6.6% annually
STDEV		0.491576

Source: Ministry of Foreign Trade Bulletin, several issues

**Table I-16: Suez Canal Dues 1993/94-2002/2003**

<b>Year</b>	<b>Suez Canal Dues-US\$ Millions</b>	<b>Average Growth Rate%</b>
1993/94	1990.3	-
1994/95	2058.4	3.42
1995/96	1884.7	-8.44
1996/97	1848.9	-1.9
1997/98	1776.4	-3.92
1998/99	1771	-0.3
1999/2000	1780.8	0.55
2000/2001	1842.5	3.46
2001/2002	1819.8	-1.23
2002/2003	2236.2	22.88
1993-2003	12.4% (total)	1.3% (annually)
STDEV		0.087746

Source: Ministry of Foreign Trade Bulletin, several issues

**Table I-17. Travel and Tourism Receipts 1993/94-2002/2003**

<b>Year</b>	<b>Travel and Tourism Receipts-US\$ Millions</b>	<b>Average Growth Rate%</b>
1993/94	1779.3	-
1994/95	2298.9	29.2
1995/96	3009.1	30.89
1996/97	3646.3	21.18
1997/98	2940.5	-19.36
1998/99	3235.1	10.02
1999/2000	4313.8	33.34
2000/2001	4316.9	0.07
2001/2002	3422.8	-20.71
2002/2003	3796.4	10.92
1993-2003	113.4% (total)	8.8% annually
STDEV		0.205429

Source: Ministry of Foreign Trade Bulletin, several issues

**Table I-18: Net Official Transfers 1993/94-2002/2003**

Year	Official Transfers US\$ Millions	Average Growth Rate%
1993/94	813.6	-
1994/95	918.6	12.91
1995/96	723.6	-21.23
1996/97	889.6	22.94
1997/98	882.6	-0.79
1998/99	1096.7	24.26
1999/2000	932.4	-14.98
2000/2001	769.3	-17.49
2001/2002	1143.6	48.65
2002/2003	663.6	-41.97
1993-2003	-18.4% (total)	-2.2% annually
STDEV		0.282293

Source: Ministry of Foreign Trade Bulletin, several issues

**Table I-19. FDI Inflows 1993/94-2002/2003**

Year	FDI US\$ Millions	Average Growth Rate%
1993/94	1320.8	-
1994/95	782.7	-40.74
1995/96	626.9	-19.19
1996/97	769.7	22.78
1997/98	1103.9	43.42
1998/99	710.6	35.63
1999/2000	1656.1	133.06
2000/2001	509.4	-69.24
2001/2002	428.2	-15.94
2002/2003	700.6	63.62
1993-2003	-46.9% (total)	-6.8%
STDEV		0.6304

Source: Ministry of Foreign Trade Bulletin, several issues

**Table I-20. Remittances and Domestic Liquidity (1993-2003) - Growth Rates**

<b>Year</b>		<b>Domestic Liquidity (M<sub>2</sub>)</b>	<b>Money Supply (M<sub>1</sub>)</b>	<b>Currency in Circulation</b>	<b>Demand Deposits in Local Currency</b>	<b>Quasi Money</b>	<b>Time &amp; Saving Deposits in Local Currency</b>	<b>Demand, Time &amp; Saving Deposits in Foreign Currency</b>
93/94	-	-	-	-	-	-	-	-
94/95	-0.95	11.08	12.07	12.87	10.24	10.83	7.24	19.45
95/96	-12.76	10.50	10.77	9.86	12.67	10.43	14.89	0.85
96/97	11.28	15.12	11.49	9.26	16.08	16.08	23.69	-2.58
97/98	9.09	8.55	11.56	14.28	6.28	7.79	10.21	0.25
98/99	-9.75	11.48	12.22	11.37	13.99	11.28	12.90	5.74
99/2000	12.35	8.83	1.75	6.59	-8.12	10.70	8.60	18.34
2000/01	-19.64	11.61	7.58	8.90	4.44	12.59	8.26	27.11
2001/02	1.61	15.63	11.54	10.86	13.20	16.58	12.80	27.36
2002/03	-1.75	16.89	12.39	14.09	8.27	17.90	10.01	37.84
1993-2003	-14.7% (total)	180.7%	137.6%	153.2%	105.4%	191.9%	176.7%	228.5%
	-1.75% (annually)	12.2%	10.1%	10.9%	8.3%	12.6%	12%	14.13%

## Appendix 2

<b>Table II-1. EDUCATE Education Level * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		1.00 received remittances	2.00 did not receive remittances		1.00 received remittances	2.00 did not receive remittances	
EDUCATE Education level	1 Below age	156	3516	3672	31.1%	19.6%	20.0%
	2 Illiterate	120	4374	4494	24.0%	24.4%	24.4%
	3 Reads and writes only	49	2044	2093	9.8%	11.4%	11.4%
	4 Below intermediate degree	100	3417	3517	20.0%	19.1%	19.1%
	5 Intermediate	51	3011	3062	10.2%	16.8%	16.6%
	6 Above intermediate	6	412	418	1.2%	2.3%	2.3%
	7 University degree	19	1113	1132	3.8%	6.2%	6.2%
	8 Higher than university degree		16	16		.1%	.1%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-2. WRK_STAT Work Situation in Last Week * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		1.00 received remittances	2.00 did not receive remittances		1.00 received remittances	2.00 did not receive remittances	
WRK_STAT Work situation in last week	1 working	67	5150	5217	16.8%	32.8%	32.4%
	2 Unemployed, but earlier employed	2	65	67	.5%	.4%	.4%
	3 Unemployed, never employed	10	669	679	2.5%	4.3%	4.2%
	4 Student, working	1	7	8	.3%	.0%	.0%
	5 Housewife, working at home	19	393	412	4.8%	2.5%	2.6%
	6 Student, not working	167	5088	5255	41.8%	32.5%	32.7%
	7 Outside work force	126	3747	3873	31.5%	23.9%	24.1%
	8 Outside human force	8	560	568	2.0%	3.6%	3.5%
Total		400	15679	16079	100.0%	100.0%	100.0%

**Table II-3. EMP\_STAT Employment Status \* REMIT Crosstabulation**

		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		1.00 received remittances	2.00 did not receive remittances		1.00 received remittances	2.00 did not receive remittances	
EMP_STAT Employment status	1 Paid job	33	3272	3305	37.1%	58.3%	57.9%
	2 Employer with employees	22	938	960	24.7%	16.7%	16.8%
	3 Self-employed with no employees	15	725	740	16.9%	12.9%	13.0%
	4 Unpaid work	19	680	699	21.3%	12.1%	12.3%
Total		89	5615	5704	100.0%	100.0%	100.0%

**Table II-4. STBLITY Stability in Employment \* REMIT Crosstabulation**

		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		1.00 received remittances	2.00 did not receive remittances		1.00 received remittances	2.00 did not receive remittances	
STBLITY Stability in employment	0	412	12288	12700	82.2%	68.6%	69.0%
	1 Permanent	68	4569	4637	13.6%	25.5%	25.2%
	2 Permanent with contract	2	72	74	.4%	.4%	.4%
	3 Temporary	7	279	286	1.4%	1.6%	1.6%
	4 Seasonal		33	33		.2%	.2%
	5 Intermittent	12	662	674	2.4%	3.7%	3.7%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-5. SECTOR Sector * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		1.00 received remittances	2.00 did not receive remittances		1.00 received remittances	2.00 did not receive remittances	
SECTOR Sector	0	412	12288	12700	82.2%	68.6%	69.0%
	1 Government	18	1347	1365	3.6%	7.5%	7.4%
	2 Economic agencies		25	25		.1%	.1%
	3 Public sector		207	207		1.2%	1.1%
	4 Private sector	71	4012	4083	14.2%	22.4%	22.2%
	5 Cooperative		8	8		.0%	.0%
	6 Non-profit organizations		6	6		.0%	.0%
	7 Foreign/ Joint venture		10	10		.1%	.1%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-6. FIRM_TYP Type of Organization for Main Occupation * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		1.00 received remittances	2.00 did not receive remittances		1.00 received remittances	2.00 did not receive remittances	
FIRM_TYP Type of organization for main occupation	0	412	12288	12700	82.2%	68.6%	69.0%
	1 With less than 5 employees	3	948	951	.6%	5.3%	5.2%
	2 5-9 employees	1	303	304	.2%	1.7%	1.7%
	3 10-49 employees	8	706	714	1.6%	3.9%	3.9%
	4 50+ employees	14	1141	1155	2.8%	6.4%	6.3%
	5 Works at home	19	433	452	3.8%	2.4%	2.5%
	6 No place	44	2084	2128	8.8%	11.6%	11.6%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-7. EMPLOY * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		1.00 received remittances	2.00 did not receive remittances		1.00 received remittances	2.00 did not receive remittances	
EMPLOY	1.00 wage earner	32	3221	3253	8.6%	22.3%	22.0%
	2.00 Self employed hiring others	21	937	958	5.6%	6.5%	6.5%
	3.00 self employed working alone	15	715	730	4.0%	5.0%	4.9%
	5.00 unemployed	12	734	746	3.2%	5.1%	5.0%
	6.00 out of labour force	167	5088	5255	44.8%	35.2%	35.5%
	7.00 out of human force	126	3747	3873	33.8%	25.9%	26.1%
Total		373	14442	14815	100.0%	100.0%	100.0%

<b>Table II-8. ACT_REC * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		1.00 received remittances	2.00 did not receive remittances		1.00 received remittances	2.00 did not receive remittances	
ACT_REC	1.00 1.AGRICULTURE	53	1894	1947	10.6%	10.6%	10.6%
	2.00 2.MINING		11	11		.1%	.1%
	3.00 3.MANUFACTURING	1	610	611	.2%	3.4%	3.3%
	4.00 4.ELECTRICITY		59	59		.3%	.3%
	5.00 5.CONSTRUCTION	7	491	498	1.4%	2.7%	2.7%
	6.00 6.TRADE, HOTEL AND RESTURANT	9	844	853	1.8%	4.7%	4.6%
	7.00 7.TRANSPORT	2	304	306	.4%	1.7%	1.7%
	8.00 8.FINANCE AND REAL ESTATE	1	124	125	.2%	.7%	.7%
	9.00 9.PUBLIC & FAMILY SERVICES	16	1278	1294	3.2%	7.1%	7.0%
	100.00 100.NOT QAPLICABLE	412	12288	12700	82.2%	68.6%	69.0%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-9. INS_PNS * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		1.00 received remittances	2.00 did not receive remittances		1.00 received remittances	2.00 did not receive remittances	
INS_PNS	.00 have no insurance nor pension	406	14731	15137	81.0%	82.3%	82.2%
	1.00 insured or have pension	95	3172	3267	19.0%	17.7%	17.8%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-10. H03 Type of Floor * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
H03 Type of floor	1 Cement	109	2813	2922	21.8%	15.7%	15.9%
	2 Tiles	233	9774	10007	46.5%	54.6%	54.4%
	3 Ceramics	9	1112	1121	1.8%	6.2%	6.1%
	4 Wood		20	20		.1%	.1%
	5 Mud/ Dust	146	4142	4288	29.1%	23.1%	23.3%
	6 Other	4	42	46	.8%	.2%	.2%
Total		501	17903	18404	100.0%	100.0%	100.0%

**Table II-11. H05 Ownership of Residence \* REMIT Crosstabulation**

		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
H05 Ownership of residence	1 Rent	40	4013	4053	8.0%	22.4%	22.0%
	2 Furnished rent		22	22		.1%	.1%
	3 Rent by new law		120	120		.7%	.7%
	4 Owned building	362	10894	11256	72.3%	60.9%	61.2%
	5 Owned unit	21	1526	1547	4.2%	8.5%	8.4%
	6 Donated	75	1215	1290	15.0%	6.8%	7.0%
	7 Special privilege	3	38	41	.6%	.2%	.2%
	8 Other		75	75		.4%	.4%
Total		501	17903	18404	100.0%	100.0%	100.0%

**Table II-12. H06 Source of Water \* REMIT Crosstabulation**

		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
H06 Source of water	0 Other		66	66		.4%	.4%
	1 Well		17	17		.1%	.1%
	2 Pump	54	1230	1284	10.8%	6.9%	7.0%
	3 Public net	447	16590	17037	89.2%	92.7%	92.6%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-13. H07 Sewage * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
H07 Sewage	0 Other	48	700	748	9.6%	3.9%	4.1%
	1 Trenches	310	7699	8009	61.9%	43.0%	43.5%
	2 Public network	143	9504	9647	28.5%	53.1%	52.4%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-14. H11 Kitchen * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
H11 Kitchen	0 Not found	121	3494	3615	24.2%	19.5%	19.6%
	1 Shared	5	281	286	1.0%	1.6%	1.6%
	2 Private	375	14128	14503	74.9%	78.9%	78.8%
Total		501	17903	18404	100.0%	100.0%	100.0%

**Table II-15. H12 Bathroom with W.C. \* REMIT Crosstabulation**

		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
H12 Bathroom with W.C.	1 Private	422	15691	16113	84.2%	87.6%	87.6%
	2 Shared	14	533	547	2.8%	3.0%	3.0%
	3 Not found	65	1679	1744	13.0%	9.4%	9.5%
Total		501	17903	18404	100.0%	100.0%	100.0%

**Table II-16. Q529 Q529. Do you or any family member participate in providing any of these services? \* REMIT Crosstabulation**

		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
Q529 Q529. Do you or any family member participate in providing any of these services?	0 No	388	14071	14459	77.4%	78.6%	78.6%
	1 Yes	113	3832	3945	22.6%	21.4%	21.4%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-17. Q531A1 Q531A1. Are you or any family member involved with local popular councils as a member? * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		Received remittances	did not receive remittances		received remittances	did not receive remittances	
Q531A1 Q531A1. Are you or any family member involved with local popular councils as a member?	0 No	497	17567	18064	99.2%	98.1%	98.2%
	1 Yes	4	336	340	.8%	1.9%	1.8%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-18. Q531A4 Q531A4. Are you or any family member involved with political party as a member? * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
Q531A4 Q531A4. Are you or any family member involved with political party as a member?	0 No	492	17582	18074	98.2%	98.2%	98.2%
	1 Yes	9	321	330	1.8%	1.8%	1.8%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-19. Q535 Q535. Do you have an elections card? * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
Q535 Q535. Do you have an elections card?	0 No	288	5918	6206	57.5%	33.1%	33.7%
	1 Yes	213	11985	12198	42.5%	66.9%	66.3%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-20. Q538BSC Q538bsc(a) The Main Support * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
Q538BSC Q538bsc(a) The main support	1 Immediate family	381	10901	11282	76.0%	60.9%	61.3%
	2 Extended family	26	962	988	5.2%	5.4%	5.4%
	3 Relatives	23	580	603	4.6%	3.2%	3.3%
	4 Friends		589	589		3.3%	3.2%
	5 Colleagues	3	413	416	.6%	2.3%	2.3%
	6 Neighbours	31	1931	1962	6.2%	10.8%	10.7%
	7 NGO's		44	44		.2%	.2%
	8 Imam in mosque or priest in church		100	100		.6%	.5%
	9 The rich		30	30		.2%	.2%
	10 Government agencies, like the Ministry of Social Affairs		9	9		.1%	.0%
	11 No one; I depend on God	37	2344	2381	7.4%	13.1%	12.9%
Total		501	17903	18404	100.0%	100.0%	100.0%

**Table II-21. Q546BSC Q546bsc(a). The main things you do to save \* REMIT Crosstabulation**

		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
Q546BSC Q546bsc(a).The main things you do to save	2 Gameya with friends		396	396		5.2%	5.0%
	3 Gameya with relatives	4	1016	1020	1.4%	13.3%	12.9%
	4 Gameya with colleagues	3	669	672	1.0%	8.8%	8.5%
	5 Gameya with neighbours	18	793	811	6.3%	10.4%	10.2%
	6 Put money aside	187	2798	2985	65.4%	36.6%	37.7%
	7 Cut down on food expenses		107	107		1.4%	1.3%
	8 Cut down on coffee shop expenses and stay at home		84	84		1.1%	1.1%
	9 Deposit my money in a bank	68	1714	1782	23.8%	22.4%	22.5%
	10 Other ways to save	6	64	70	2.1%	.8%	.9%
Total		286	7641	7927	100.0%	100.0%	100.0%

<b>Table II-22. COPING * REMIT Cross tabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
COPING	.00 have emergency but no sufficient income to cope	29	860	889	5.8%	4.8%	4.8%
	1.00 have emergency and incme was sufficient to cope	44	1228	1272	8.8%	6.9%	6.9%
	2.00 no emergency	428	15815	16243	85.4%	88.3%	88.3%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-23. Q512 Q512. Do you believe that people in Egypt help each other, and relationships are good between them? * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
Q512 Q512.Do you believe that people in Egypt help each other, and relationships are good between them?	0 No	38	1908	1946	7.6%	10.7%	10.6%
	1 Yes	463	15995	16458	92.4%	89.3%	89.4%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-24. Q515A Q515a. Do you know all your neighbours? * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittance		received remittances	did not receive remittances	
Q515A Q515a.Do you know all your neighbours?	1 Yes, because we are one family	333	10464	10797	100.0%	100.0%	100.0%
Total		333	10464	10797	100.0%	100.0%	100.0%

<b>Table II-25. Q554 554. Do you discuss with your neighbours matters that concern your house and area? * REMIT Crosstabulation</b>							
		Count			% within REMIT		
		REMIT		Total	REMIT		Total
		received remittances	did not receive remittances		received remittances	did not receive remittances	
Q554 554.Do you discuss with your neighbours matters that concern your house and area?	0 No	386	9586	9972	77.0%	53.5%	54.2%
	1 Yes	115	8317	8432	23.0%	46.5%	45.8%
Total		501	17903	18404	100.0%	100.0%	100.0%

<b>Table II-26. Case Summaries</b>				
		REMIT		
		received remittances	did not receive remittances	Total
STND_IND	N	501	17903	18404
	Mean	.3005	.2851	.2855
	Sum	150.54	5104.40	5254.93
B_NEEDS1	N	501	17903	18404
	Mean	6.6128	6.0142	6.0305
	Sum	3313.00	107672.00	110985.00
S_CAPITL	N	501	17903	18404
	Mean	.58353912	.61659921	.61569924
	Sum	292.353100	11038.975741	11331.328841