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# MIGRATION AND FINANCIAL FLOWS: EGYPT IN THE MENA REGION

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CARIM Research Reports 2009/20

Cooperation project on the social integration  
of immigrants, migration, and the movement  
of persons

Co-financed by the European University Institute  
and the European Union (AENEAS Programme)



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

**Migration and Financial Flows: Egypt in the MENA Region**

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**CARIM**

**EURO-MEDITERRANEAN CONSORTIUM FOR APPLIED RESEARCH ON INTERNATIONAL  
MIGRATION**

**RESEARCH REPORT, CARIM-RR 2009/20**

**BADIA FIESOLANA, SAN DOMENICO DI FIESOLE (FI)**

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[Full name of the author(s)], [title], CARIM Research Reports [series number], Robert Schuman Centre for Advanced Studies, San Domenico di Fiesole (FI):European University Institute, [year of publication].

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The Euro-Mediterranean Consortium for Applied Research on International Migration (CARIM) was created in February 2004 and has been financed by the European Commission. Until January 2007, it referred to part C - “*cooperation related to the social integration of immigrants issue, migration and free circulation of persons*” of the MEDA programme, i.e. the main financial instrument of the European Union to establish the Euro-Mediterranean Partnership. Since February 2007, CARIM has been funded as part of the AENEAS programme for technical and financial assistance to third countries in the areas of migration and asylum. The latter programme establishes a link between the external objectives of the European Union’s migration policy and its development policy. AENEAS aims at providing third countries with the assistance necessary to achieve, at different levels, a better management of migrant flows.

Within this framework, CARIM aims, in an academic perspective, to observe, analyse, and predict migration in the North African and the Eastern Mediterranean Region (hereafter Region).

CARIM is composed of a coordinating unit established at the Robert Schuman Centre for Advanced Studies (RSCAS) of the European University Institute (EUI, Florence), and a network of scientific correspondents based in the 12 countries observed by CARIM: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine, Syria, Tunisia, Turkey and, since February 2007, also Libya and Mauritania. All are studied as origin, transit and immigration countries. External experts from the European Union and countries of the Region also contribute to CARIM activities.

The CARIM carries out the following activities:

- Mediterranean migration database;
- Research and publications;
- Meetings of academics;
- Meetings between experts and policy makers;
- Early warning system.

The activities of CARIM cover three aspects of international migration in the Region: economic and demographic, legal, and socio-political.

Results of the above activities are made available for public consultation through the website of the project: [www.carim.org](http://www.carim.org)

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## **Abstract**

This paper describes the evolution of the main financial inflows into the MENA region with a special focus on Egypt as an origin country for emigrants and migration remittances as a component of financial flows.

The evolution of Foreign Direct Investments (FDI), Official Development Assistance and Official Aid (ODA/OA) and Remittances into the region have been described and compared to the same flows in other regions. The variation over time of the amount and share of flows by country/region of origin and destination have also been analysed in an attempt to identify the reasons behind any changes.

Special attention was given to remittances as the most important financial flow related to migration, and the diverse uses that remittances are put to in Egypt.

## **Résumé**

Cet article décrit l'évolution des principaux flux financiers vers la région MENA avec une concentration sur l'Égypte comme pays de départ des migrants et sur les transferts migratoires comme composante des flux financiers.

L'évolution des investissements directs étrangers, de l'aide officielle et des transferts vers la région a été décrite et ces éléments ont été confrontés aux mêmes flux destinés à d'autres pays/régions du monde. Les variations dans le temps de la quantité et de la structure des flux a été aussi analysée avec une tentative d'identifier les raisons derrière ces changements.

Une attention particulière a été accordée à l'analyse des transferts financiers comme composante principale des flux financiers relatifs à la migration ainsi qu'à leurs divers usages.

## **Introduction on the Economic Performance in MENA and Egypt**

Economic growth was fairly robust over the past decade in the MENA region. With the exception of the United Arab Emirates (UAE) and Kuwait, nearly all Arab countries were able to achieve positive average growth of GDP *per capita* in the period 1995-2005. This was in contrast to 1980-1995, when average living standards declined annually by 1 percent. However, in most Arab countries, economic growth was not able to keep up with increasing unemployment (Lawrence, R. 2006). Savings and investment rates in Arab countries are generally lower than in other areas, especially East Asia, excluding the oil-exporting countries. The relatively low savings rate in the region were accompanied by an insignificant increase in the average investment rate of 1.1% in the 1990s. This increase was concentrated in Algeria, Egypt, Lebanon, Mauritania, Morocco, Tunisia, and the UAE. Several studies showed that the collapse in investment was the reason for the shallow growth rates in most countries in spite of the average increase in total factor productivity (TFP) of 1.3% annually in the 1980s (Nabli, 2002). Moreover, accumulation and productivity pulled in opposite directions. According to Nabli 2002, the pattern of growth in the 1970s was characterized by higher levels of accumulation with declining productivity, in many of the economies within the region such as Egypt, which almost doubled its rate of physical capital accumulation and more than doubled its rate of human capital accumulation, but faced a decline in total factor productivity growth of about one-quarter. Morocco and Algeria also doubled their rate of accumulation, but total factor productivity TFP growth turned from positive (4.6% in Morocco, 1.4% in Algeria), to negative rates (Nassar, H. 2004).

However, economic activity among the MENA resource-rich economies had gathered substantial momentum by 2006, with the preceding years of escalating oil prices and heightened external revenue flows. To a degree, the accrual of further oil receipts in 2006 offered an opportunity to engage in shifting expenditure—from consumption to capital outlays—and to intensify efforts to encourage spillovers from the oil to the non-oil economy by involving the domestic private sector. Additional revenues also supported a move to pay off outstanding overseas and domestic debt, clearing financial overhang for several large economies. For resource-poor economies, developments in the external environment offered the prospect of reviving growth in export goods, as well as in other critical revenue flows—including tourism and remittances. In broader terms, the “growth rotation” taking place in the context of the global economy—the engine of growth shifting from the United States toward Europe, Japan, and East Asia—began to offer more support for growth among diversified economies.

For the MENA region merchandise exports grew 28 percent in 2006, though falling below the growth boom of 2004-05, when exports managed 38 percent gains on the back of the hydrocarbons market. For the MENA region as a whole, imports of goods advanced 23 percent in 2006. This, in combination with the export performance, yielded an aggregate trade surplus of 24.6 percent of regional GDP.

Growth in tourism revenues picked up to a 14.5 percent pace in 2006, up from a 12.6 percent growth rate in 2005. In retrospect, the 2006 results for MENA show strong performances, especially in light of heightened tensions associated with the ongoing conflict in Iraq, as well as the mid-July 2006 conflict in Lebanon, where promising prospects for tourism in 2006 came to a halt. For the countries noted earlier, tourism revenues increased to 8.1 percent of the group’s GDP.

For the MENA region as a whole, the current balance of payments (BOP) improved to almost 21 percent of GDP, but changes in current account positions showed wide variation in 2006, with continued widening of surplus positions for the resource-rich countries, contrasting with a very small deterioration for the resource-poor economies. Dominated by the oil-exporting countries, the surplus position of the Region increased by some \$90 billion in 2006, to nearly \$290 billion.

Reform programs were initiated in the 1990s by most MENA countries to diversify their economies away from oil and from public-sector led growth, while creating a favorable environment in which the private sector could emerge and become an engine for higher and more sustainable growth. While the

Region has done very well in terms of economic stabilization, lowering inflation, ending the black market in exchange rates and narrowing current account deficits, it has been a late comer in structural reforms, at least relative to other developing regions in the world, such as Latin America and Asia.

So, relative to Latin America and Asia, there are still many obstacles to foreign investment in the MENA region that need to be addressed by wide-ranging structural reforms: weak legal and institutional frameworks; scarce regional trade integration; inadequate investment regimes due to excessive public regulation and intervention; and inadequate educational systems and insufficiently developed financial systems. The reforms to be undertaken are numerous, require long implementation periods, and liberalization programs frequently face strong opposition on the social front due to high unemployment rates and the deep poverty to be found in several countries.

Meanwhile, there exists another alternative that can be exploited to help improve its attractiveness for both domestic and foreign investors: increasing the volume of workers' remittances sent back home through formal channels, as well as the share of these remittances funding productive investments and development projects.

Both in Central America (particularly Mexico) and Asia (particularly China), immigrant communities abroad have become valuable "cultural sponsors" for the promotion of private investment, domestic and foreign, of the economic transformation of their regions of origin and of economic reforms in their country of origin. Infrastructure and industrial development, foreign trade and foreign investment have benefited from the development of business contacts, of distribution channels and of sophisticated financial networks between these diasporas and their home country, as well as from the financial support through remittances and the international business know-how of these communities. The numerous Arab communities spread throughout the world, particularly the numerous North African communities in the EU, could also be a valuable asset for the development of the MENA region. The issue of migration and workers remittances is, indeed, of crucial importance in the partnership between the EU and the MENA countries.

Egypt is one of the main labor sending country in the region. Egypt saw strong macroeconomic growth for three consecutive years, after a period of stagnation from 2000 to 2003. Real GDP growth in the fiscal year (FY) 2005/2006 (July 2005 – June 2006), was 6.9%, up from 4.6% in FY 04/05. Key to this growth is the natural gas sector, which grew by 75% in FY 05/06 (in current prices), compared to 20.6% in FY 04/05. Construction grew 18.2% in FY 05/06 compared to 8.7% in FY 04/05, the second fastest-growing sector. In line with expectations, private-sector and household-driven demand continued to rise throughout 2006. Given the government reform program to promote the private sector, coupled with the boom in the natural gas industry; continued growth could be sustained. Low foreign debt and debt service are strong factors in Egypt's favor, with most debt being long-term and concessional. Egypt's foreign exchange reserves cover over ten months of imports.

The Egyptian economy could achieve its potential with a widening and deepening of structural reforms, since there are several underlying basic strengths. Unlike many developing countries, Egypt has a fairly good physical infrastructure for power, transport and communications. The labour force is educated. The natural resource base of Egypt is also substantial. Egypt is centrally located in terms of its proximity to major European markets and to its natural hinterland in the Middle East and North Africa. Trade liberalization following several trade agreements (EU/Egyptian association agreement, QIZ with the USA, GAFTA, COMESA...) should push Egypt to integrate much further with the global economy, thereby accelerating its growth.

***The main remaining challenges are the following:***

- Relatively high unemployment requiring breakthrough mechanisms for job creation levels exceeding the growth rate of the labor force, about 600,000-700,000 new job seekers annually. Official unemployment numbers showed an unemployment rate of 11.2% in 2007.

- Rising inflation: inflation has risen steadily since March 2006, reaching 21.4% in September 2008.
- Poverty increased between 1999-2000 and 2004-2005 for Egypt as a whole. All regions showed increases in poverty rates. However, the incidence of poverty increased substantially in Upper Egypt over the period, from 34.2% to 39% in rural areas. This increase was driven by the decline in average *per capita* expenditure between 2000 and 2005 in Egypt and all regions.

## Part I: Financial Flows in the MENA Region

### 1. Foreign Direct Investment

Foreign Direct Investment (FDI) flows often involve long-term commitment in productive activity. Accordingly, they are useful in supplementing domestic resources, while contributing to real growth.

The FDI has emerged as the main source of growth and development financing in East Asia and Latin America. Large volumes of export-oriented FDI have moved from North to South, helping increase these regions' productive capacity, and boosting economic growth through the integration of their economies into global production chains and international trade.<sup>1</sup>

North African countries received FDI inflows (partly from Asian TNCs) that were fairly diversified in all countries in the sub region, except Morocco where flows in agriculture, communications, construction, manufacturing and tourism were driven partly by investments for expansion and privatization. As a result, FDI flows to the sub Region surged to a record level of \$23 billion in 2006, accounting for 66% of inflows to Africa. Egypt attracted an exceptional level of inflows, amounting to 43% of the total in the sub region, but the share of investments in oil and gas activities, though still large, declined from 60% in 2005 to 21% in 2006. In Libya, FDI inflows rose by 67% over those of 2005, to reach \$1.7 billion, the highest level since the international sanctions imposed on this country ended. The total is dominated by FDI in its oil industry, mostly from China (World Investment Report 2007).

FDI flows to West Asia continued their upward trend in 2006-2007. High rates of economic growth, diversification strategies, ongoing reforms and privatizations contributed to the increase. While the services sector was by far the largest recipient of FDI in the region, inward FDI in manufacturing, especially in industries related to oil and gas, increased significantly. Inflows were concentrated in three countries: Turkey, Saudi Arabia and the UAE, which together accounted for 78% of the total.<sup>2</sup>

However, this kind of North-South investment pattern is not observed between the EU and its southern neighbors. EU countries invest five times more in Latin America than in the MENA region, four times more in Asia and more than double in Eastern Europe. As a result, in the period from 1995 to 2006, Latin America received about 42% of FDI flows to developing countries, East Asia 34% and

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<sup>1</sup> Due to geographical and cultural proximity, over half of FDI flows from Japan to developing countries have been invested in East and Southeast Asia (and slightly less than the other half in Latin America). And two thirds of the FDI flows from the US to developing countries are invested in Latin America, and almost one third in Asia. Development models such as the "Flying Geese" and the "maquiladora" development models were successfully adopted to improve the competitiveness of these areas (Amoroso, Bruno et al. 2004).

<sup>2</sup> Several factors explain this upward trend in recent years. First, regulatory frameworks for FDI are becoming more relaxed in several countries of the region, particularly in services such as finance, real estate and telecommunications. Privatizations of these services have also attracted more investments by TNCs. Second, the business climate in several West Asian economies has improved, and economic growth has been robust, at an average rate of 7% in 2006-2007. Third, high oil prices encouraged more FDI in oil and gas-related manufacturing and services in 2006-8. Turkey becoming the top recipient country in the region in 2006 and 2007, with FDI inflows more than twice the amount registered in 2005 (Gallina, A. 2004)



Eastern Europe 15%, while the MENA countries absorbed only 2%, while the subregional GDP represents 9.5% of GDP in developing countries.

Within the Mediterranean Region, FDI is asymmetrically distributed, both in terms of geography and sector. Algeria and Turkey, followed by Egypt, Morocco and Tunisia are the main recipients of FDI. While FDI from the EU exceeds 40% of total FDI in Turkey, this share is much lower in the Maghreb and Mashrek countries, where only some 10% of total FDI originates in the EU.<sup>3</sup>

Moreover the MENA region experienced a sharp increase in FDI flows in 2006—to a record \$24.4 billion—up almost 40 percent in the year, and triple the level of 2004. This is due, in part, to the completion of major privatization deals and increased investments in the energy sector. Intra-regional FDI flows increased not only in the energy sector, but also in sectors such as infrastructure, real estate, and tourism.

## 2. Remittances

Remittances is money transmitted from one place to another and are believed to be the largest transfer generated by migration. Although remittances can also be sent in-kind, the term “remittances”, usually refers to cash transfers. Migrant worker remittances are typically transmitted to families or friends back home. Major countries receiving workers’ remittances include Mexico, Turkey, Egypt, Brazil, India, Morocco, Pakistan, Bangladesh, El Salvador, Jordan and Yemen. In general total remittances have accounted for, on average, around 0.4 percent of world GDP in the last decade and are significantly higher than official development assistance (ODA). In developing countries, the share of remittances in merchandise exports ranges from 25 percent to 50 percent.

Common facilities for such transfers include demand drafts, travellers cheques, telegraphic transfers, postal orders, account transfers, ATM facilities or electronic transfers (World Migration 2003). However, a country-specific, year-by-year analysis displays the high volatility and subsequent unpredictability of transfers. It has been argued that remittances can contribute to reducing inequalities resulting from globalization, in particular since almost two-thirds of all remittances are sent to developing countries. Hence emigration can improve 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 migration. Second, overseas work may enable emigrants to acquire new skills and/or enhance human-capital accumulation.<sup>4</sup>

Time series of remittances by recipient country (even though not always accurate) are available. Only transfers through banks and other formal financial channels are counted, but little is known concerning the following aspects of remittances:

- a. Remittances through informal channels. 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 delivery, family, friends, or money couriers.

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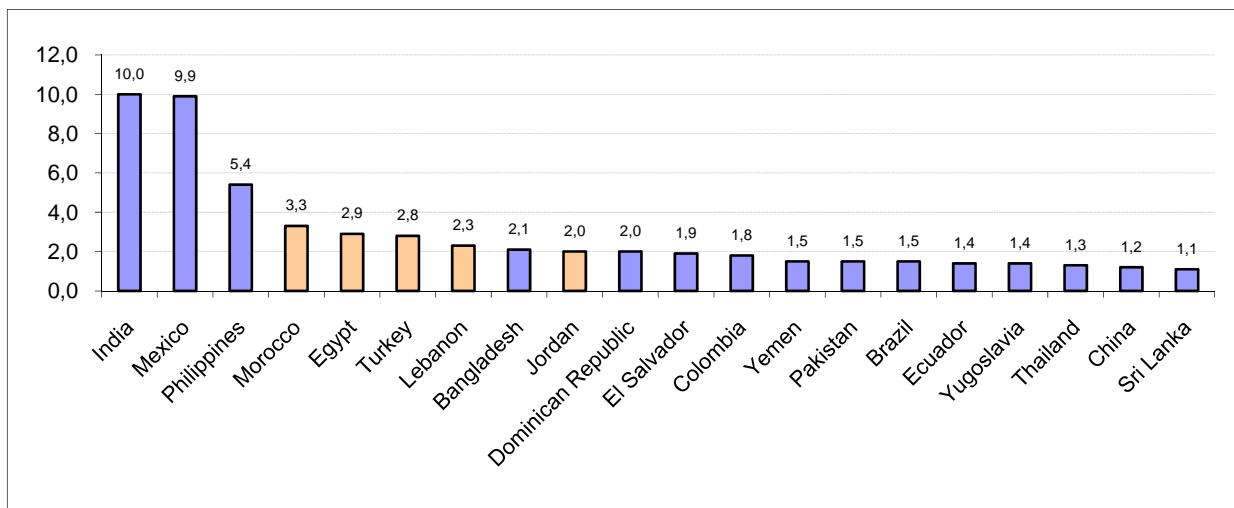
<sup>3</sup> FDI flows in the MENA Region are not stable, varying greatly from year to year as they are mainly linked to the allocation of oil and gas exploration and the privatization of public enterprises in strategic sectors. Foreign investment, thus, does not generally represent a long-lasting capacity building commitment. Indeed, the Region’s growth performance in the last decade and a half has had a lot to do with the strength of the oil price since the 1990s, rather than with a productive capacity increase. In contrast, the surge of capital flows has helped increase productive capacity in East Asia and Latin America. While Latin America managed to grow at an average rate of 3.3% in the 1990s, compared to a rate of 1.4% in the previous decade, East Asia has maintained a growth rate of over 7% achieved in the 1980s, and this despite suffering during the debt crisis and the Asian crisis and its aftermath (Raquel Torres Ruiz and Alejandro Lorca Corróns)

<sup>4</sup> (1) Moreover attractive investment opportunities in the country of origin can capture remittances for the stimulation of production and employment. (Ratha, Dilip 2003).

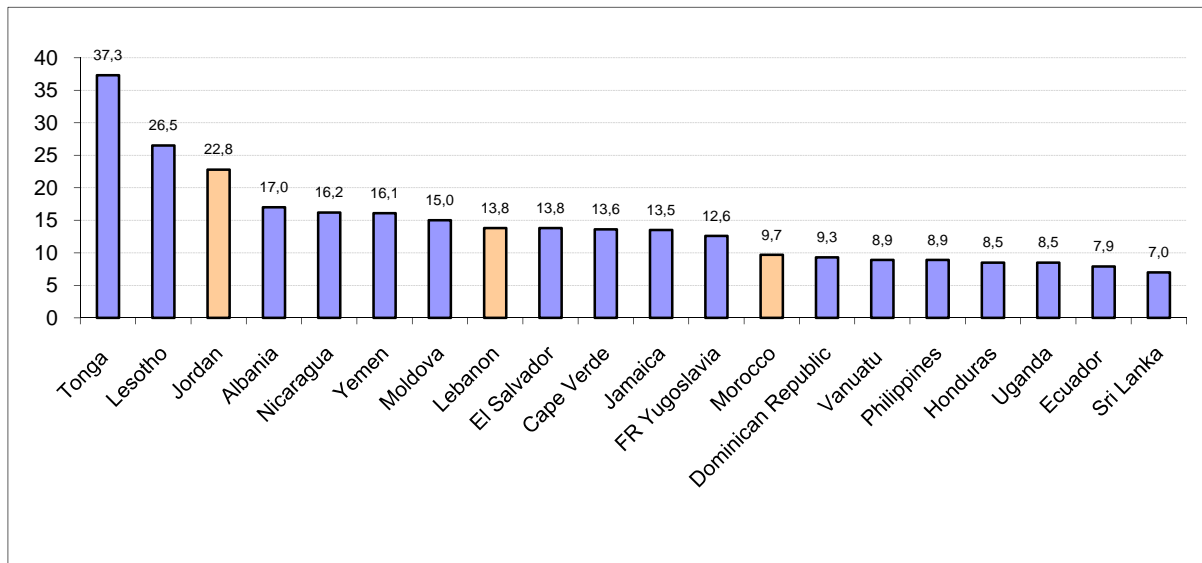
- b. Evolution of amounts remitted across the life cycle of individual migrants show a reverse U shape, remittances increase in the first step as savings are accumulated, then decline in a second step, when migrants start to integrate in host countries, and finally vanish altogether a generation later.
- c. The net impact of remittances on local labor markets, either job creation through increased demand for local goods and services, or job destruction through increased imports (Migration 2003) is an unresolved issue.

Remittances for Mediterranean countries represent, on average, 3.5% of GNI (reaching 20% in Jordan, 12% in Lebanon, 8% in Morocco and 5% in Tunisia) and 11% of imports (two thirds of trade deficit in Morocco and one third in Tunisia). These are significantly higher ratios than those for developing countries in general (just over 1% of developing countries GDP and 5% of imports in 2002). The ratio of remittance inflows to other types of capital flows is also significantly higher in Mediterranean countries than in the developing regions. In fact, while remittances are globally well below FDI, this is not true for Mediterranean countries. In Jordan, for example, annual remittance inflows were nine times FDI and six times foreign aid on average in the last decade. Moreover, in 2002, they tripled total tourism receipts and represented 75% of Jordan’s total revenues from exports. Even in Tunisia, where tourism contributes a higher percentage of GDP, remittances represent up to 50% of total revenues from tourism. In Morocco, remittances exceed receipts from the phosphate and the tourism industry (World Bank (2003). Reflecting the importance of remittances in the region, five Mediterranean countries (Morocco, Egypt, Lebanon, Turkey and Jordan) are among the top ten recipients of remittances worldwide. Furthermore, remittances are an important source of income for Lebanon, Morocco, and particularly Jordan, where they account for some of the largest shares of local GDP worldwide.

**Figure 1. Main remittance recipient countries in billion dollars, 2003**



Source: Global Development Finance, 2003. World Bank.

**Figure 2. Main remittance recipient countries in percentage of GDP, 2003**

Source: Global Development Finance, 2003. World Bank.

Total formal remittances to the Mediterranean Region are estimated to be more than one-sixth of global remittances to developing countries (while their share in developing countries GDP is less than a tenth). Actual flows are believed to be substantially higher, since unrecorded flows or informal remittance flows are estimated to be more significant than in other regions, and to range from 50 to 100 percent of the official figures, depending on the recipient country.

To highlight the importance of remittances in the MENA region, development aid from the EU to 8 of the 12 Mediterranean countries has been estimated at 2 billion US dollars yearly: less than a billion comes from the MEDA program, launched in the Barcelona Process, and another billion comes from the European Investment Bank. This money, i.e. 9 US dollars *per capita*, is supposed to provide the support for the modernization of the economies in preparing their production systems to compete on a free market basis with the EU from 2010.

A large share of remittance flows to Mediterranean countries originate in the European Union (at least half of total remittance flows received), destination of a large percentage of Mediterranean migration because of geographical proximity: 95% of all migrants from Algeria are based in the EU, 85% from Morocco, Tunisia and Turkey, 10% from Lebanon and 5% from Egypt, Jordan and Syria, which receive most remittances from the US and the Gulf countries.

The main EU destination countries of emigration from the MENA region are: France, Germany, Belgium and the Netherlands, all countries of old migration which now include third and fourth generations; and Spain and Italy, countries of new migration, i.e. receiving first generation migrants, mostly young and well-educated migrants. Mediterranean immigrants living in the EU are regionally concentrated determining major EU-Mediterranean remittance corridors. Most Moroccan and Algerian immigrants in the EU live in France (30% of Moroccans and 85% of Algerians living in the EU), which is also home to a high concentration of Tunisians (50%). The Moroccan migrant population in Spain, though, is growing fast and expected to surpass the size of the Moroccan migrant community in France by 2006. Germany is the main destination for Turkish migrants (70% of total immigrants in the EU), Jordanian (45%), Syrian (45%) and Lebanese (40%) migrants. The low percentage of Egyptians living in the EU is concentrated in Italy (40% of Egyptian immigrants in the EU).

Remittance flows from the EU to Mediterranean countries will continue rising in the future due to:

- The liberalization process in many Mediterranean countries.
- The continuously growing active population in the MENA region.
- The structural adjustment that labor markets, and economies in general, are going through.

In the EU-Mediterranean corridor, informal channels are much used due to the relatively high cost of formal channels, the large numbers of irregular immigrants and geographical proximity. Informal remittances range from 50% to well over 100% of formal remittances depending on the country, with the exception of Turkey, where the share of informal channels is small. Transaction costs are relatively high in the rest of the Mediterranean region (except for Morocco), encouraging the use of informal channels, for various reasons:

- Limited competition in banking system and insufficiently developed payment systems.
- Limited accessibility to bank accounts for migrants residing in the EU, particularly illegal migrants as proper identification is needed to open a bank account, and for destination families in some rural areas.
- Insufficient banking products tailored for remitters and their families, with few exceptions (Turkey, Morocco and Tunisia).
- Inadequate information on available transfer mechanisms and associated costs, speed and reliability; and lack of transparency on transfer cost.

In general remittances augment the income and welfare of those relatives left behind in the home country, alleviating the poverty of the recipient (Adams & Page, 2003). Empirical evidence indicates that remittances tend to rise in times of economic downturns (Chami et al., and Ratha 2003), smoothing household consumption and contributing to the stability of the country when facing macroeconomic shocks.<sup>5</sup>

- Remittances improve a country's credit worthiness for external borrowing as the ratio of debt to exports of goods and services, a key indebtedness indicator, decreases significantly when remittances are included in the denominator (UN, 2006). The marked stability of remittances over time allows for their use as collateral against which both public- and private-sector entities may borrow in international capital markets (Ketkar & Ratha, 2001) with lower borrowing costs (lower interest rate and longer maturity).
- Low-skilled migration might represent a valuable safety valve for insufficient employment at home. In the long run, however, developing country policies should aim to generate adequate employment rather than relying on migration (UN 2006).
- A well-educated diaspora can improve access to capital, technology, information, foreign exchange and business contacts for firms in the country of origin. Both the return of expatriates and the maintenance of close contacts with high-skilled emigrants play an important role in the transfer of knowledge to origin countries and the development of commercial networks and foreign investment opportunities. At the same time, large outflows of skilled workers can negatively affect growth as the society loses its return on high-skilled workers.

Remittances represent a source of savings and capital for investment in education, health and entrepreneurship, all of which have an effect in the shorter or longer term on productivity and employment, and ultimately on growth. It is widely recognized that remittances are given over not

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<sup>5</sup> However, poorer and lower-skilled households may benefit relatively little from remittances because they are less able to meet migration-associated costs, but also because immigration policies in advanced economies often favor skilled workers with a permanent occupation (Carling, 2004). Consequently, other authors argue that remittances may rather raise income inequality in the receiving country. They might even raise urban-rural inequality, since remittances are predominantly used to finance investments in urban rather than in rural areas (Chami et al. 2003).

only to the consumption of food, clothing and sometimes luxury consumer goods, but also to health care, education, and housing construction. The greatest impact on growth and development, though, occurs when remittances fund productive investment.

Evidence from Morocco suggests that remittances have played an important role in supporting local economies and infrastructure development in certain areas. Traditionally, remittances have funded investment in the service sector (e.g. taxi services, small tea and coffee shops, restaurants and hotels), and have a limited multiplier effect on employment. But, in recent years, investments have included modern land exploitation techniques increasing agricultural productivity, the introduction of state-of-the-art stock-raising technology, the setting up of commercial establishments and small and medium-size industries in the food-processing, building material and retail sectors, and the management of parts of the public-transport system (Bougha-Hagbe Jacques (2004). According to national data, over 4,000 entrepreneurial projects were financed by emigrated workers in Tunisia in the period 1993-99, creating over 20,000 new jobs. Such investment, however, represented only 2.7 per cent of total remittance receipts during that period, which points to the enormous potential for development finance if the appropriate policies are set in place. In Egypt, evidence indicates that half of returning immigrants have invested savings accumulated during their working years abroad into housing projects, and an additional 10% have established their own enterprises. In Jordan, returning migrants have created small and micro enterprises in low-technology and labor-intensive sectors. In Turkey, studies analyzing the occupational choice of returning immigrants find that more than half of returnees are economically active and mostly engaged in entrepreneurial activities (Migration and Development, 2007).

## **Part Two: The Egyptian Case**

### **1. Foreign Direct Investment and ODA in Egypt**

Reform measures undertaken by the government of Egypt have played a key role in terms of improving the outlook for Egyptian, Arab and foreign investment, as well as sustaining high levels of growth and employment creation. A positive response to streamlining investment procedures has been reflected in the increase in the number of newly-established companies as well as expansions undertaken by companies already in operation. Inflows of foreign direct investment (FDI) have also significantly increased, particularly from 2003/04.

Net FDI inflows increased from USD 509.4 million in 2000/01, to reach USD 6.1 billion in 2005/06, USD 11.1 billion in 2006/07 and USD 11.3 billion during the first nine months (July-March) of 2007/08. According to the World Investment Report published in 2007 by the United Nations Conference on Trade and Development (UNCTAD), Egypt emerged as the lead FDI recipient country in Africa. Figure 3 reflects the increase in net FDI inflows during the period 2000/01- (July-March) of 2007/08.

Net FDI inflows have stood at 8.5% of GDP in FY 2006/07, up from 5.7% in 2005/06. During the first half 2007/08, net FDI inflows as a percentage of GDP stood at 2.0 and 3.1. With respect to the distribution of FDI inflows, the petroleum sector absorbed USD 3,746.2 million worth of net inflows during the first nine months (July-March) of 2007/08 (33.3 percent of net inflows) compared to USD 2,135.7 million during the same period in 2006/07 (23.6 percent of net inflows). Net FDI inflows in the non-petroleum sectors reached USD 7,505.5 million during the first nine months (July-March) of 2007/08, compared to USD 6,909.6 million during same period of 2006/07. Table 1 compares net FDI inflows in the petroleum and non-petroleum sectors from 2004/05 to the first nine months (July-March) of 2007/08:

**Table 1: Sectoral Distribution of Net FDI Inflows (USD million), 2004/05 - Q3 2007/08**

	2004/2005	2005/2006	2006/2007	Q1 07/08	Q2 07/08	Q3 07/08
New establishments & expansions	925.6	3,347.8	5,227.2	1,650.6	1,805.0	2,212.6
Sale of assets to non-residents	390.8	905.7	2,772.2	259.5	1,098.5	402.3
Real estate	16.5	25.7	39.0	23.9	8.7	44.4
Inflows in petroleum sector	2,540.2	1,832.2	3,014.8	1,035.1	1,888.2	822.9
<b>Net FDI inflows</b>	<b>3,873.1</b>	<b>6,111.4</b>	<b>11,053.2</b>	<b>2,969.1</b>	<b>4,800.4</b>	<b>3,482.2</b>

Source: Ministry of Finance (2008) Egyptian Economic Monitor, Volume IV, No.3, March 2008

During the first nine months (July-March) of 2007/08 a total of USD 5,686.2 million was accounted for by the establishment of new companies as well as increases in the issued capital of companies already in operation (50.4% of net inflows). The sale of companies and productive assets (both in the private and public sectors) to non-residents stood at USD 1,760.3 million (15.6% of net inflows). FDI inflows in the real estate sector reached USD 77 million (0.68% of net inflows) during the same period. FDI in the real estate sector remained consistently low at an average of 0.4 percent of net inflows during the period 2004/05- 2006/07.

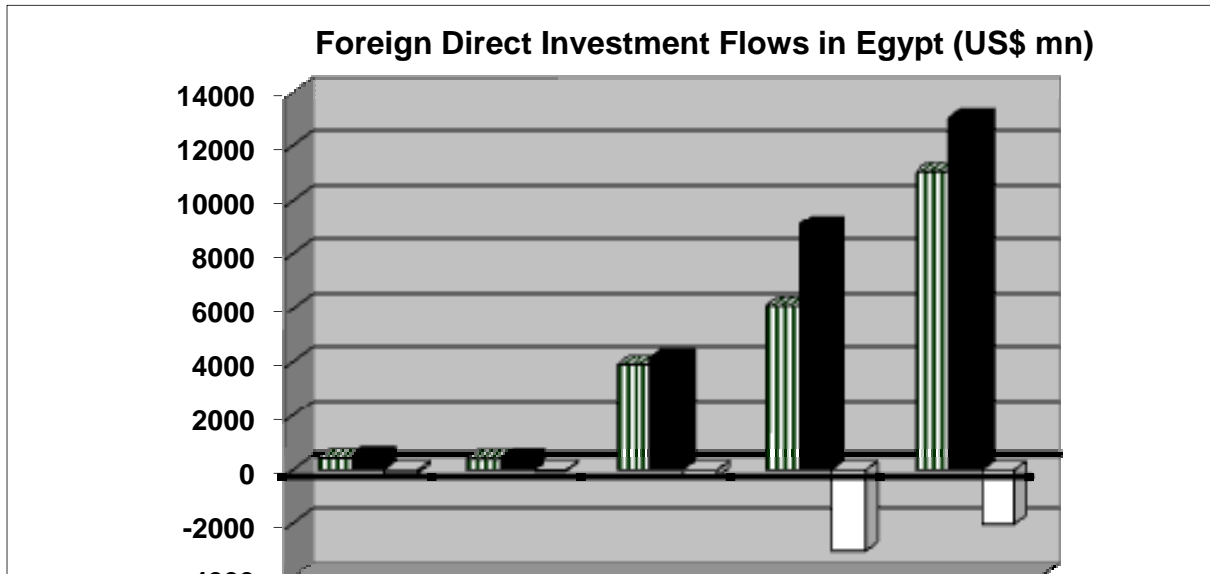
**Table 2: Net FDI in Petroleum and Non-Petroleum Sectors (2004/2005 - 2006/2007)**

	2004/2005		2005/2006		2006/2007	
	US\$ Million	% of Net FDI	US\$ Million	% of Net FDI	US\$ Million	% of Net FDI
Net FDI	3,902	100	6,111	100	11,053	100
Net Investment in Non-Petroleum Sector	1,362	34.89	4,279	70.02	8,039	72.73
New Establishment & Issued Capital increase	926	23.72	3,348	54.78	5,200	47.05
Sales of Companies & Productive Assets to Non-Residents	420	10.75	906	14.82	2,800	25.33
Real Estate Investment	17	0.42	26	0.42	39	0.35
Net Investment in Petroleum Sector	2,540	65.11	1,832	29.98	3,014	27.27

Source: Ministry of Finance (2008) Egyptian Economic Monitor, Volume IV, No.3, March 2008

Figure 3 clearly indicates the increase in the net foreign direct investment in Egypt over the period 2000-2007. Much of the increase is due to expansion in the oil sector and the boom in privatization.

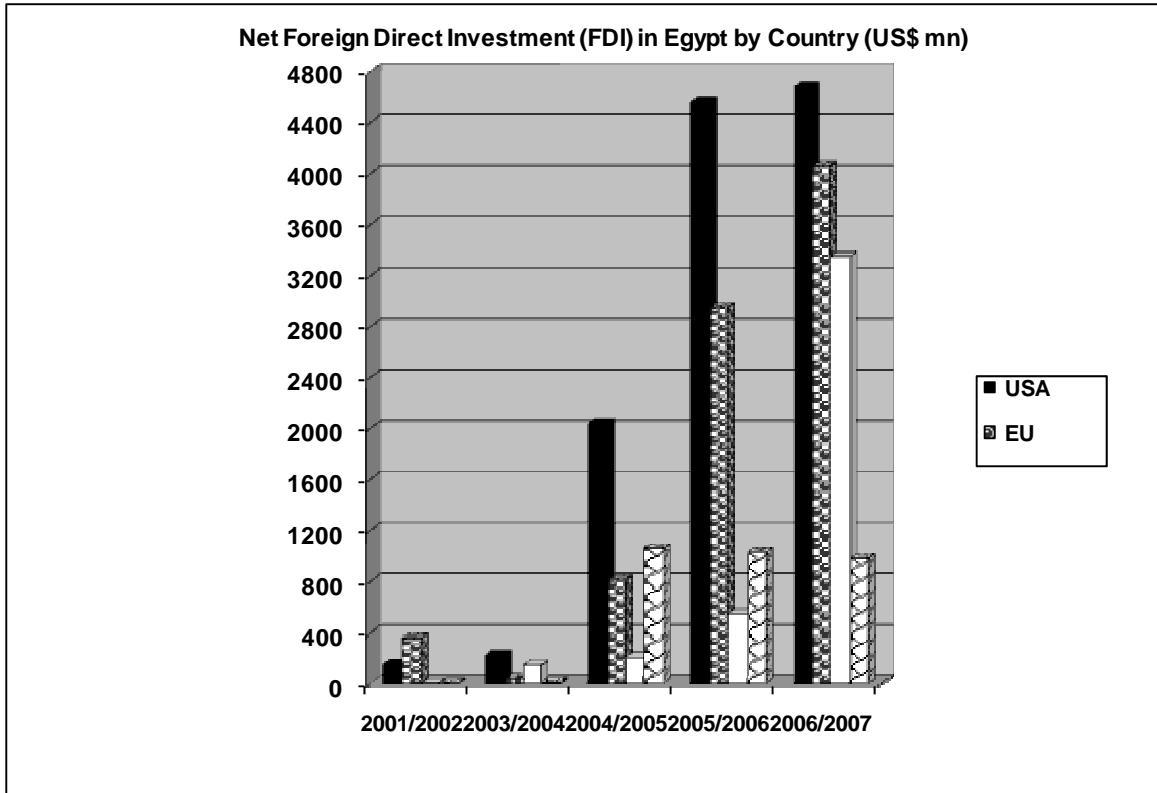
Figure 3: Foreign Direct Flows in Egypt (US\$mn), 2001/02 - 2006/07



Source: Table 7 Appendix

Figure 4 shows the flows of net foreign direct investment by country over the period 2001-2007. The US comes first while the EU is second.

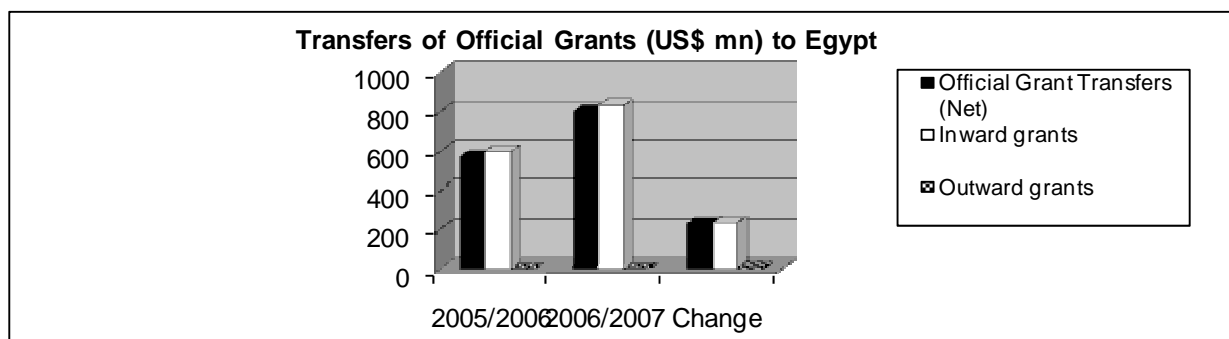
Figure 4 :Net foreign direct investment in Egypt by Country (US\$mn), 2001/02 - 2006/07



Source: Table 1 Appendix

Egypt has been also a major recipient for official grants. Net transfers of official grants (cash or in-kind) reached US\$ 0.8 billion during 2006/2007 (against US\$ 0.6 billion during the previous year), with an increase of US\$ 228.6 million or 40.0% as indicated in figure 5.

**Figure 5: Transfers of Official Grants (US\$mn), 2001/02 - 2006/07**



Source: Table 8 Appendix

**Table 3: New Commitments and Net Actual Flows of Official Grants (US\$mn), 2005/06 - 2006/07**

FYs	New Commitments		Actual Flows	
	2005/2006	2006/ 2007	2005/ 2006	2006/ 2007
<b>Net Inflows</b>			<b>571.7</b>	<b>800.3</b>
<b>Inflows</b>	<b>303.7</b>	<b>693.6</b>	<b>599.8</b>	<b>836.1</b>
US	124.1	414.4	378.1	693.0
Japan	22.3	8.9	21.7	7.4
Germany		21.6	35.9	45.3
Italy		101.9	3.1	2.3
UK			3.1	0.1
France				0.3
Denmark		4.2		
Belgium			155.1	78.9
Finland	0.6	1.1		
Austria			0.1	
China	9.9	6.6		4.0
Canada	14.1		2.7	3.6
Saudi Arabia				0.3
Kuwait				0.9
EU	124.4	130.7		
International Fund for Agricultural Development		1.0		
African Development Bank		0.9		
Arab Fund for Economic & Social Development	6.7	0.9		
Global Environmental Facility		0.3		
Kuwaiti Fund for Development	1.0			
World Bank	0.6	1.2		
<b>Outflows</b>			<b>-28.1</b>	<b>-35.8</b>

Source: Central Bank of Egypt (2007) *Economic Review*, Vol. 47 No. 4, 2006/2007



A sectoral breakdown of grant commitments by beneficiary shows that the bulk of the increase was in services (US\$ 619.3 million). This was a result of the new commitments made for wholesale and retail trade; the rise in the commitments made for the general government, health and education; and the decline in those of transportation and communications. Moreover, commitments for the productive sectors declined by US\$ 54.6 million to reach only US\$ 74.3 million (mainly for construction and building).

**Table 4: Breakdown of Official Grant Commitments (by Beneficiary) (US\$ mn)**

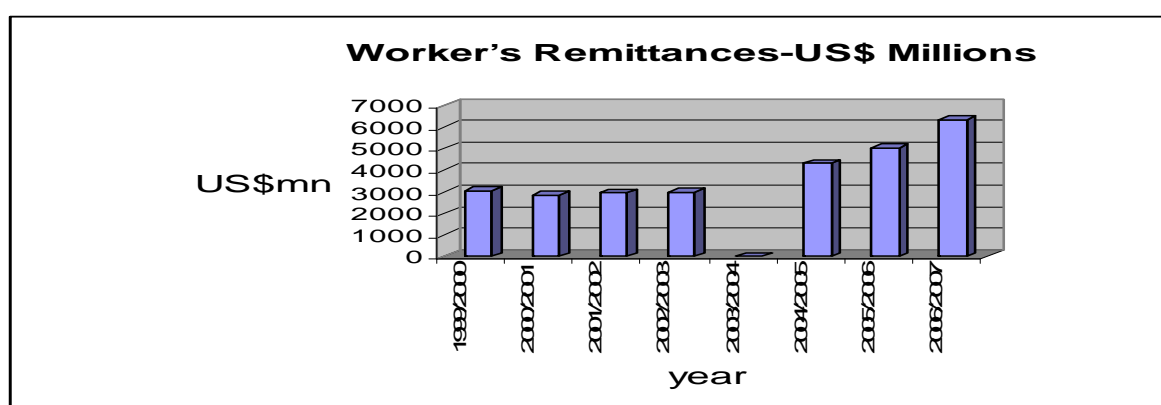
	2005/2006	%	2006/2007	%	Change
<b>Total</b>	<b>303.7</b>	<b>100.0</b>	<b>693.6</b>	<b>100.0</b>	<b>389.9</b>
<b>Productive Sectors</b>	<b>128.9</b>	<b>42.4</b>	<b>74.3</b>	<b>10.7</b>	<b>(54.6)</b>
Agriculture and irrigation	103.9	34.1	7.6	1.1	(96.3)
Manufacturing industries	2.6	0.9			(2.6)
Potable water & sanitary sewage	22.4	7.4	6.2	0.9	(16.2)
Construction and building			60.5	8.7	60.5
<b>Services Sectors</b>	<b>174.8</b>	<b>57.6</b>	<b>619.3</b>	<b>89.3</b>	<b>444.5</b>
Transportation, communications & information	5.6	1.8	5.2	0.7	(0.4)
Wholesale and retail trade			197.3	28.4	197.3
General government	56.8	18.8	285.2	41.1	228.4
Education and health	102.4	33.7	128.1	18.5	25.7
Others	10.0	3.3	3.5	0.5	(6.5)

Source: Central Bank of Egypt (2007) *Economic Review*, Vol. 47 No. 4, 2006/2007

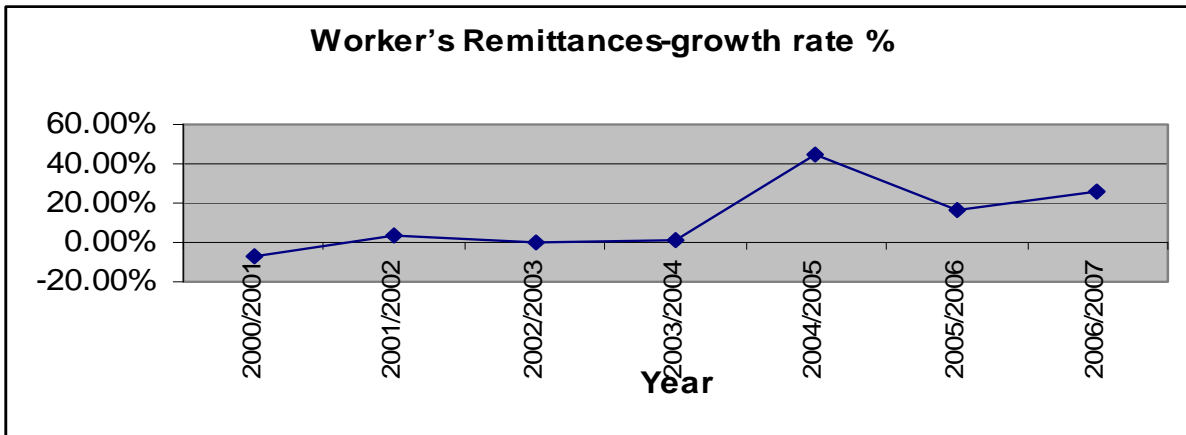
## 2. Remittances of Egyptian Migrants

According to official data, remittances of Egyptian migrants increased (2000/01-2006/07) from 2,842.7 million dollars in 2001/02 to 6,321 million dollars in 2006/07. Remittances in 2006/07 were about 222.4% of their value in 2000/01. The value of remittances increased at 10.9% annually from 1999/2000 to 2006/2007.

**Fig 6 A- B. Workers' remittances (US\$mn), 1999/2000 - 2006/07**



Source: Table 9 Appendix



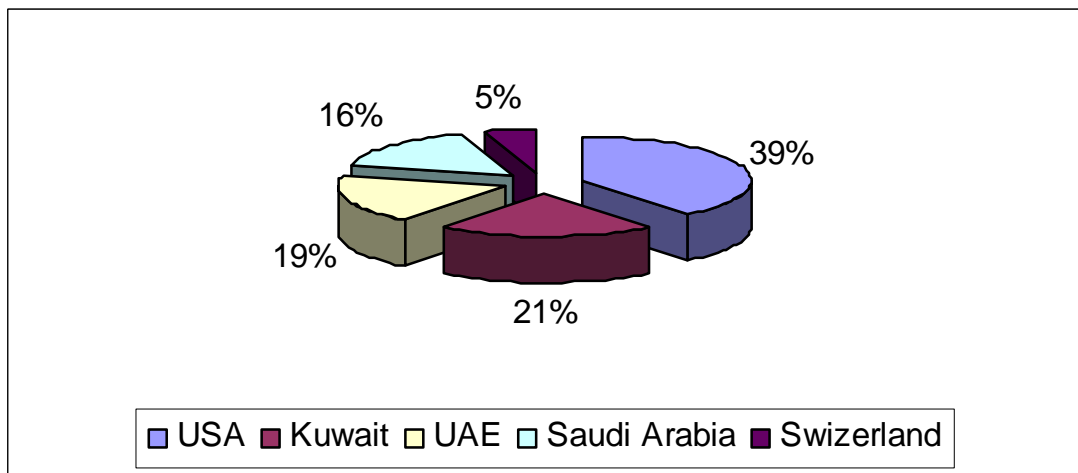
Source: Calculated from table 9 Appendix

### A. Main Sources of Remittances

There are five countries, from which more than 4/5 of remittances flow (83.8% in 2006/2007). These countries are:

1. The US, 32.9% of total remittances.
2. Kuwait, 17.5% of total remittances.
3. UAE, 15.7% of total remittances.
4. Saudi Arabia, 4.1% of total remittances.
5. Swizerland, 4.1% of total remittances.

**Fig. 7. Remittances by Country, 2006/2007**



Source: Table 10-Appendix

Remittances to Egypt were amongst the highest in the world peaking at \$6.1 billion in the early 1990s and are a major source of foreign currency there. As early as 1979, these remittances amounted to US\$2 billion, 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 those countries which receive remittances from migrants abroad. Remittances from Egyptians abroad amounted to \$2,876 million or 4% of the Egyptian Gross Domestic Product (GDP) and \$42 *per capita* (remittances divided by 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 from 3,489 million dollars in 1993/94 to 2,977 million dollars in 2002/03. Remittances in 2002/03 were about 85% of their value in 1993/94. The value of remittances deteriorated at -1.75% annually.

### ***B. Evolution of remittances of Egyptian migrants***

Since the oil boom, Egyptian migrant remittances have passed through the following phases:

#### **Phase 1 (1974-1984)**

During the period (1974-1984), remittances tended to increase at a high rate (30.8% annually), with the exception of 1981 when remittances slightly decreased at the turning point of migration. This increase reflected the increase in oil prices (in 1974 and 1979) and thus the increase in the demand for Egyptian workers in Arab oil countries. During this first phase, the process of international migration in the Arab region was interpreted in terms of labour market supply and demand. In general, this phase saw the Arab labour market achieving a balance between the flow of labour from countries that were highly populated but scarcely endowed with natural resources to other countries that were highly endowed with oil and scarcely populated (Batool, 2005).

#### **Phase 2 (1985-1989)**

Since the mid 1980s, oil prices and oil revenues have tended to decrease. As a consequence, the demand for Egyptian workers generally slowed down and an inflow of return migrants emerged. These changes negatively affected the trend of remittances. Remittances fluctuated but generally decreased. Remittance went down from 3,963 million dollars in 1984 to 3,293 million dollars in 1989, at -3.6% annually. This is considered a sharp decrease compared with the high increase rate in the previous phase (30.8% annually). The new era of restrictive measures reduced the number of projects and thus the number of employment opportunities. In many cases, the Gulf countries imposed taxes on immigrants, and also refrained from offering services to a large part of the existing labour force.

#### **Phase 3 (1990-2001)**

With the exception of the years 1992 and 1993, the data shows 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 second Gulf War and the need to rebuild after that war.

The decline after this upsurge is attributed to a fall in oil prices in the Gulf countries that represented the major destinations for temporary Egyptian migrants. Poor exchange rates and general economic conditions in Egypt also discouraged Gulf migrant workers from sending money home. Remittances declined during 1992-2001 faster than they had in the previous phase at -8% annually. Net remittances decreased from 4,257 million dollars to 2,876 million dollars in 2001. An obvious downward trend emerged during (1997-2001), reflecting the deceleration of the world economy after the collapse of the East Asian Financial markets in 1997. Remittance decreased at -6.1% annually during the period 1997-2001 (IOM 2003).

#### **Phase 4: 2000/2001-2007/2008**

According to official data, remittances of Egyptian migrants increased during the period (2000/01-2006/07) from 2,843 million dollars in 2000/01 to 6,321 million dollars in 2006/07. The value of remittances increased at 12.1% annually. This increase is considered the highest when compared to the previous decade (phase 3). Most of this increase took place in the last three years of this phase (2004-2007). Remittances increased during (2000/01-2003/04) at 1.8% annually vis-a-vis 29.5% during (2003/04-2007/08). This increase may be attributed to two main factors:

*First: The improvement and the stability of the value of the Egyptian pound.*

While the Egyptian pound depreciated 37.9% during the period 2000/01-2003/04, it appreciated around 9.1% during the period 2003/04-2005/06. The exchange market has enjoyed a reasonable degree of stability during the last years.

*Second: the upsurge in oil prices in the last two years:*

Remittances of Egyptians working in neighboring Arab petroleum countries (Saudi Arabia, Kuwait, the U.A.E., Qatar, Bahrain, Oman and Libya) constituted 45.1% of total remittances from Egyptians working abroad during the period 2000/01-2006/07.

The upsurge in oil prices in the last three years of this period was expected to result in higher demand for workers from labor-exporting countries including Egypt. Increase in remittances of Egyptians working in neighboring Arab petroleum countries constituted 69.6% in the increase in total remittances during 2003/04-2006/07.

***C. Analyzing the trend of the annual growth rates of the different sources of foreign currencies in Egypt,***

With the exception of Suez Canal dues, remittances are among the most stable sources of external finance. The most significant external sources of external finance may be ranked, according to degree of stability during the last decade, as follows:

1. Suez canal dues
2. Remittances
3. Travel and tourism receipts
4. Exports of goods
5. Official transfers
6. Petroleum exports
7. FDI

Up until the mid 1990s remittances as a source of external financing were more important than exports. However, the importance of remittances as a source of external financing versus the export of goods tends to decline. While remittances were 105% of the value of exports of goods in 1993/94, they decreased to only 29% of the value of exports in 2003/2004, then to 27% in 2005/2006. Comparing growth rates of the value of remittances and the value of exports, it is obvious that exports increased more rapidly. Total exports increased at 21.1% annually during 2000/01-2005/06, remittances increased at 12.1% annually. The gap between the two growth rates narrowed in the last two years: 3.4 percentage points compared to 9 percentage points during the whole period.

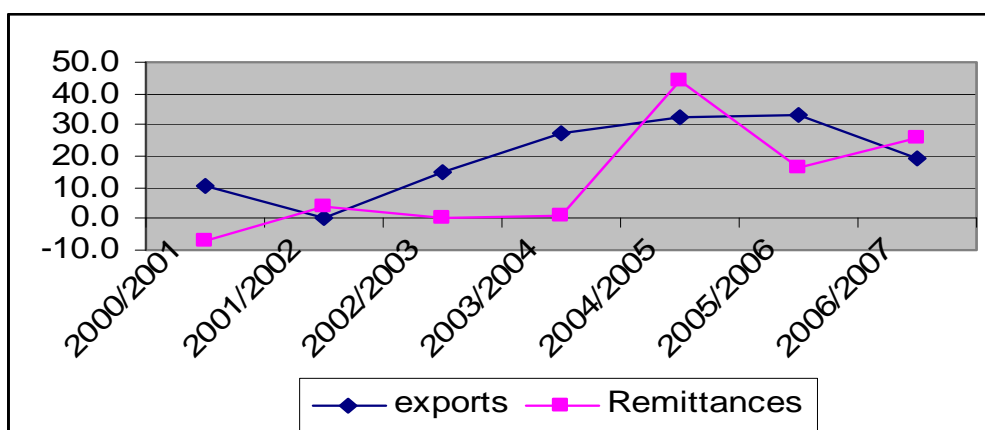
- Analyzing the trend of annual growth rates and the standard deviation (as a measure of the dispersion) of the annual growth rates of both exports and remittances (Table 5 and Figure 8), it becomes apparent that unlike the previous phase, exports of goods became a more stable source of external financing than remittances during the period 2000/01-2006/07.

**Table 5: Exports of Goods to Egypt, 1999/2000 – 2006/07**

Year	Exports-US\$ Millions	Average Growth Rate%
1999/2000	6387.7	-
2000/2001	7078.2	10.8
2001/2002	7120.8	0.6
2002/2003	8205.4	15.2
2003/2004	10452.5	27.4
2004/2005	13833.4	32.3
2005/2006	18455.1	33.4
2006/2007	22017.5	19.3
1999-2007	244.7% (total)	19.3% annually
STDEV		0.1204595

Source: Central Bank of Egypt (2007) **Economic Review**, Vol. 47 No. 4, 2006/2007

**Fig 8: Remittances growth comparing to export growth rate, 1999/2000 – 2006/07**

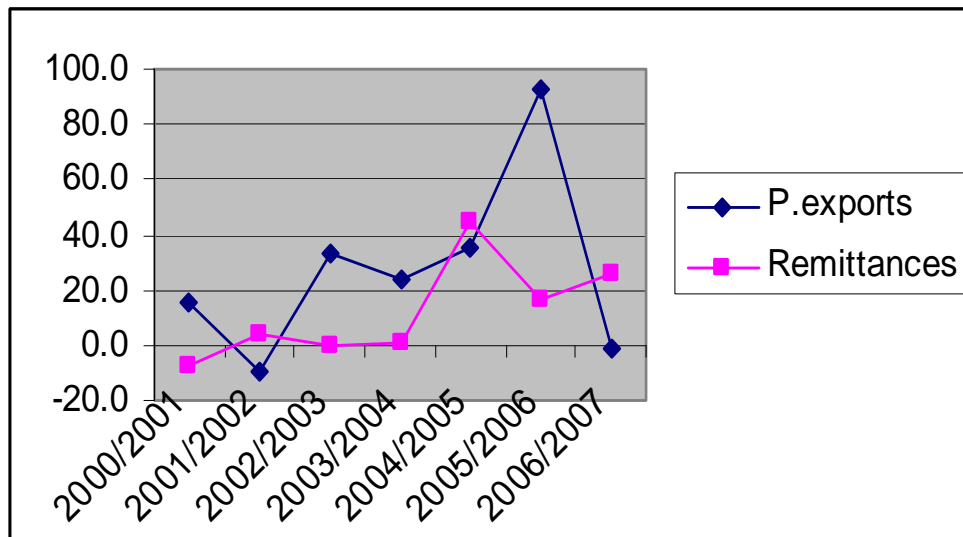


- Petroleum exports are considered the largest single commodity export and one of the four main sources of foreign currency flows to Egypt. However, recorded remittances were found to be larger than single commodity exports in 28 countries (WB 2006). That was the case in Egypt up until 2001/02. Remittances as a source of external financing were more important than petroleum exports. Since then, the importance of remittances as a source of external financing versus petroleum exports has tended to decline. While remittances were around double the value of petroleum exports in 1993/94, they became less than half the value of petroleum exports in 2006/2007.

**Table 6: Petroleum Exports, 1999/2000 – 2006/07**

Year	Exports-US\$ Millions	Average Growth Rate%
1999/2000	2272.9	-
2000/2001	2632.4	15.8
2001/2002	2381	-9.6
2002/2003	3160.8	32.8
2003/2004	3910.3	23.7
2004/2005	5299	35.5
2005/2006	10222.4	92.9
2006/2007	10107.9	-1.1
1999-2007	344.7% (total)	23.8% annually
STDEV		0.33447252

Source: Central Bank of Egypt (2007) *Economic Review*, Vol. 47 No. 4, 2006/2007

**Fig 9: Remittances growth comparing to petroleum exports growth rate, 2000/2001 – 2006/07**

Analyzing the trends of the annual growth rates and the standard deviation (as a measure of the dispersion) of the annual growth rates of both petroleum exports and remittances, it is clear that, as in the previous phase, remittances were a stable source of external financing compared to petroleum exports.

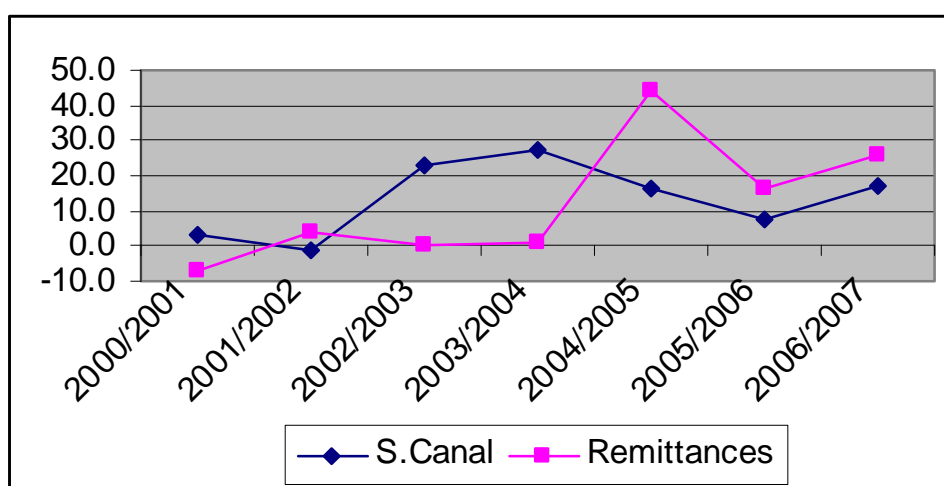
- Suez Canal dues are one of the four main sources of foreign currency flows for Egypt. Remittances are much more important than Suez Canal dues. The value of remittances exceeded that of Suez Canal dues during the period 1993/94-2005/06. The importance of remittances as a source of external financing vis-a-vis Suez Canal dues tended to decrease during 1999/2000-2003/2004. While the value of remittances was more than double the value of Suez Canal Dues in 1999/2000, it was only 5% higher in 2003/2004. As a result of the recent upsurge in the value of remittances, the importance of remittances vis a vis Suez Canal Dues increased again during the period 2003/04-2005/06. In fact, the value of remittances increased at a rate which was much more than double the growth rate of the value of Suez Canal Dues (29.5% and 11.8%).

**Table 7: Suez Canal Dues from 1999/2000 to 2006/07**

Year	Suez Canal Dues (US\$ Millions)	Average Growth Rate (%)
1999/2000	1780.8	-
2000/2001	1842.5	3.5
2001/2002	1819.8	-1.2
2002/2003	2236.2	22.9
2003/04	2848.4	27.4
2004/05	3306.8	16.1
2005/06	3558.8	7.6
2006/07	4169.6	17.2
1999-2007	134.1% (total)	12.9% (annually)
STDEV		0.10431095

Calculated from the Bulletin of the Ministry of Foreign Trade.

**Fig 10: Remittances growth comparing to Suez Canal Dues growth rate, 2000/2001 - 2006/07**



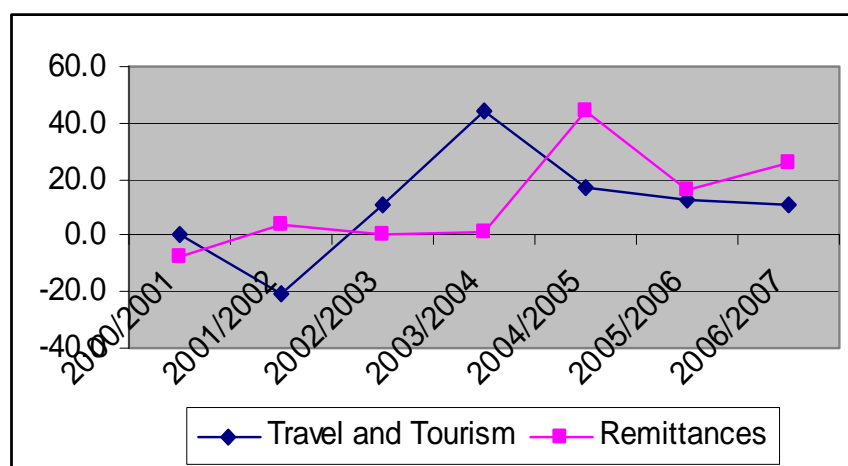
Analyzing the trend of annual growth rates and the standard deviation (as a measure of the dispersion) of the annual growth rates of both Suez Canal dues and remittances, it is clear that, as in the previous phase, Suez Canal dues are the most stable source of external financing. However, Suez Canal dues have tended to decrease in the last two years.

- Tourism receipts are one of four main sources of foreign currency flows for Egypt. Remittances have been a more important source of external financing than tourism receipts in the last decade (up until 2006). Remittances were almost double the value of tourism receipts in 1993/94. However, the importance of remittances as a source of external financing via-a-vis tourism receipts tended to increase. Remittances as a percentage of tourism revenues decreased from 86% in 1999/2000 to 54.8%. In the last two years of the period, due to an upsurge in recorded remittances, remittances as a percentage of tourism revenues tended to increase slightly from 54.8% in 2003/2004 to 69.6% in 2005/2006. During 2000/01-2005/06, the growth rate of tourism receipts (10.9%) was slightly higher than remittances. In the last two years, the gap between the two rates got wider (from 1.2 to 14.5 percentage points).

**Table 8: Travel and Tourism Receipts, 2000/2001 - 2006/07**

Year	Travel & Tourism Receipts-US\$ Millions	Average Growth Rate%
1999/2000	4313.8	-
2000/2001	4316.9	0.1
2001/2002	3422.8	-20.7
2002/2003	3796.4	10.9
2003/2004	5475.1	44.2
2004/2005	6429.8	17.4
2005/2006	7234.6	12.5
2006/2007	8011.7	10.7
1999-2007	85.7% (total)	9.2% annually
STDEV		0.19458686

Source: Central Bank of Egypt (2007) Economic Review, Vol. 47 No. 4, 2006/2007

**Fig 11: Remittances growth comparing to Travel and Tourism Receipts growth rate, 2000/2001 - 2006/07**

- Analyzing the trend of annual growth rates and the standard deviation (as a measure of the dispersion) of the annual growth rates of both tourism receipts and remittances (Table 10 and Figure 11), it was found, as expected, that tourism receipts are one of the most unstable sources of external financing, as they are strongly connected to regional political circumstances
- According to the World Bank (2006), *remittances amounted to more than twice the amount of official aid received by developing countries*. Egypt is no exception. Remittances, as a source of external financing, are far more important than net official transfers. The value of remittances was more than fourfold the value of net official transfers in 1993/1994. This gap barely changed until 1999/2000. Remittances as a percentage of net official transfers decreased to slightly more than threefold in 2003/04. During the period 2000/01-2005/06, the annual growth rate of net official transfers saw a lot of fluctuations. As a whole, the net official transfers decreased more and more quickly.

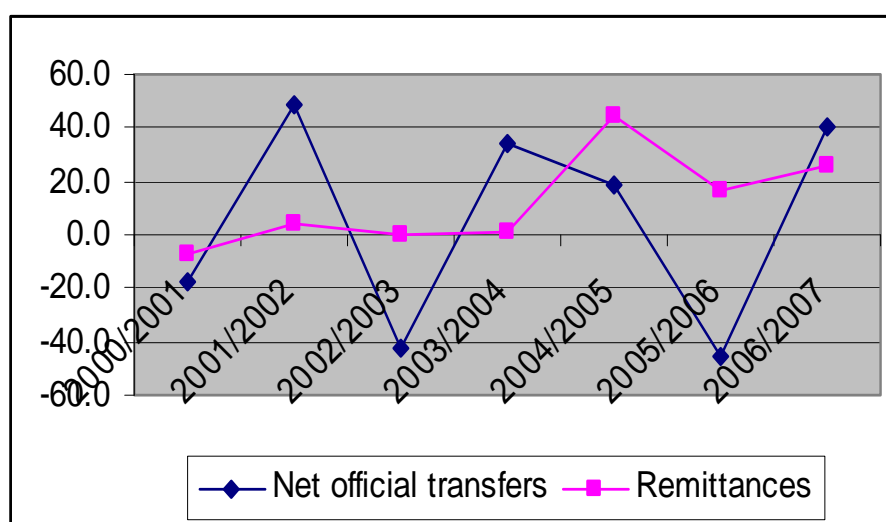


**Table 9: Net Official Transfers from 1999/2000 to 2006/07**

Year	Official Transfers US\$ Millions	Average Growth Rate%
1999/2000	932.4	-
2000/2001	769.3	-17.5
2001/2002	1143.6	48.7
2002/2003	663.6	-42.0
2003/2004	888	33.8
2004/2005	1056.1	18.9
2005/2006	571.7	-45.9
2006/2007	800.3	40.0
1999-2007	-14.2% (total)	-2.2% annually
STDEV		0.39694165

Source: Central Bank of Egypt (2007) Economic Review, Vol. 47 No. 4, 2006/2007

**Fig 12: Remittances growth comparing to Net Official Transfers growth rate, 2000/2001-2006/07**



Analyzing the trend of annual growth rates and the standard deviation (as a measure of the dispersion) of the annual growth rates of both net official transfers and remittances (Table 12 and Figure 13), it can be seen that the value of net official transfers is obviously unstable and was subject to a great many fluctuations during a relatively short period of time (2000/01-2005/06).

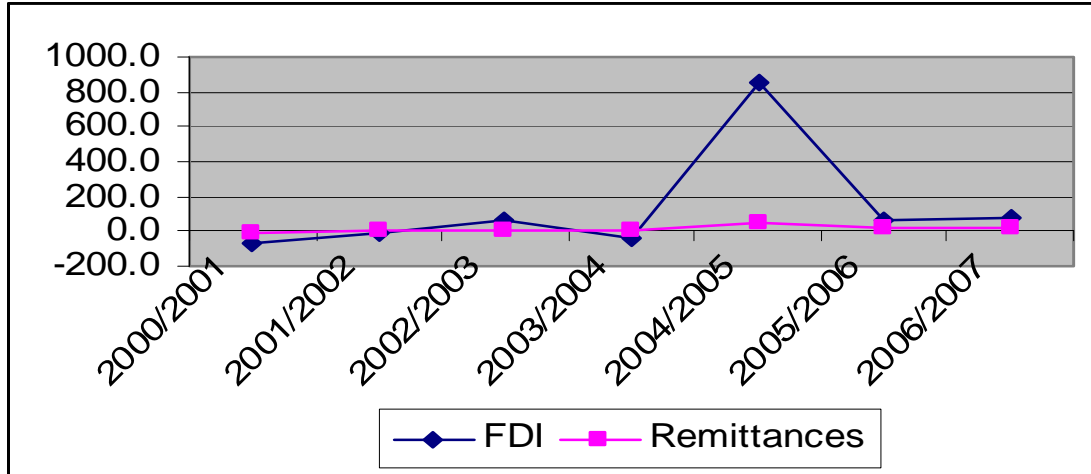
According to WB (2006), *remittances received by developing countries were larger than FDI inflows received*. Egypt is no exception. Remittances as a percentage of FDI were increasing up until 2003/2004. Remittances were more than double FDI inflows in 1999/2000 and increased to more than sevenfold FDI inflows in 2003/2004<sup>6</sup> During 2000/01-2003/04, the annual growth rate of FDI fluctuated. FDI decreased at 7.2% annually during this period, while remittances increased 1.8% annually.

<sup>6</sup> The figures before 2004/2005 can not be compared with 2004/05 and 2005/06 as they were estimated using different methods for direct investment in the petroleum sector.

**Table 10: FDI inflows from 1999/2000 to 2006/07**

Year	FDI US\$ Millions	Average Growth Rate%
1999/2000	1656.1	-
2000/2001	509.4	-69.2
2001/2002	428.2	-15.9
2002/2003	700.6	63.6
2003/2004	407.2	-41.9
2004/2005	3901.8	858.2
2005/2006	6111.4	56.6
2006/2007	11053.2	80.9
1999-2007	567.4% (total)	31.2%
STDEV		3.24794882

Source: Central Bank of Egypt (2007) Economic Review, Vol. 47 No. 4, 2006/2007

**Fig 13: Remittances growth comparing to FDI growth rate from 2000/01 to 2006/07**

Remittances of Egyptian Migrants as a percentage of GDP, Investment, Overall Balance and Net International Reserves show that the value of remittances tended to increase over these 7 years as a percentage of GDP and as a percentage of total investments until 2004/2005. Then it tended to decline until 2006/2007 and increased as a percentage of overall balance until 2003/2004. Then, finally, it tended to decline until 2006/2007. However, it was almost stable as a percentage of international reserves.

Remittances as a percentage of GDP increased from 3.5% in 1999/2000 to 5.1% in 2006 (Table 11) and increased as percentage of total investment from 17.4% in 1999/2000 to 22.3% 2006/2007 (table 12). It also increased from 20% of international reserves in 1999/2000 to 21% in 2006/2007 (table 13).

**Table 11: Worker's Remittances as % of GDP from 1999/2000 to 2006/07  
(Million Egyptian Pounds)**

Year	Worker's Remittances- (1)	GDP (2)	Remittances/GDP (%) (1) / (2)
1999/2000	11201.8	315.667	3.5
2000/2001	11561.3	332.544	3.5
2001/2002	13676.0	354.564	3.9
2002/2003	17363.8	390.623	4.4
2003/2004	18579.5	456.3424	4.1
2004/2005	25072.1	506511	4.9
2005/2006	28896.3	581144.9	5.0
2006/2007	34891.9	684429.8	5.1
Average			4.3

Source: Central Bank of Egypt (2007) *Economic Review*, Vol. 47 No. 4, 2006/2007

**Table 12: Worker's Remittances as % of Total Investments  
from 1999/2000 to 2006/07**

Year	Worker's Remittances- Million Pounds (1)	Total Investments (2)	Remittances/ Total Investments %
1999/2000	11201.8	64448.8	17.4
2000/2001	11561.3	63581.8	18.2
2001/2002	13676.0	67511.5	20.3
2002/2003	17363.8	68103.1	25.5
2003/2004	18579.5	79556.0	23.4
2004/2005	25072.1	96456.4	26.0
2005/2006	28896.3	115740.9	25.0
2006/2007	34891.9	155341.9	22.5
Average			22.3

**Table 13: Worker's Remittances as % of Net International Reserves  
from 1999/2000 to 2006/07**

Year	Worker's Remittances- US\$ Millions (1)	Net International Reserves (2)	Remittances/ International Reserves % (1)/(2)
1999/2000	3067.3	15130	20.3%
2000/2001	2842.7	14244	20.0%
2001/2002	2952.5	14147	20.9%
2002/2003	2962.6	14809	20.0%
2003/2004	2999.6	14781	20.3%
2004/2005	4329.5	19302	22.4%
2005/2006	5034.2	22931	22.0%
2006/2007	6321	28559	22.1%
Average			21.0%

#### **D. Remittances and Poverty Alleviation**

*The Effects of International Remittances on Poverty, Inequality, and Development in rural Egypt* were examined by Adams, Jr. (1991) in rural Egypt. Using income data from migrant households and households with no migrants Adams attempted to determine the effects of remittances on poverty, income distribution, and rural development. The study was based on a survey of 1,000 households conducted in 1986/87 in three villages in the Minya Governorate. In a second round of the survey, 150 selected households were interviewed about their spending behavior.

As the rate of international migration is high in the survey area, international remittances (which exclude the cost of travel and basic subsistence abroad) accounted for a substantial share of the incomes of the surveyed households: 12.5% of total actual gross income of the 1,000 households surveyed and 30.4% of gross total income of the 339 migrant households. The households were 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 were 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% when predicted *per capita* household income included remittances.<sup>7</sup> Remittances accounted for 14.7% of the total predicted *per capita* income of 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%) classified as poor, based on income before migration, actually received remittances. For the sample as a whole, 104 of 1,000 households (10.4%) received remittances.

*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 received remittances and the second group did not receive remittances.

**First, a Standard of Living Index** was constructed as broader measure of living conditions. It comprised 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 with social capital, the study 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 were the following (UNDP, 2002).

1. trust towards community, community participation, political participation, given a weight of (4).
2. satisfaction with life and conditions, given a weight of (2)
3. 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.

Data showed the role of remittances in forming a safety net for different households. The table clearly indicates that households, who received remittances had a relatively higher mean for standard of living (30.05 vs 28.51) and basic need index (6.6 vs. 6.014) than households that did not receive remittances. This is also clear in table 2, Appendix as the percentage of households that owned their

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<sup>7</sup> Predicted *per capita* household income is Estimated by dividing the household income by the number of household members.

own house is relatively higher among households that received remittances than non-remittance receiving households, indicating a relatively higher living standard.

Actually this was not the case for the social capital index. The social capital index for households that received remittances was lower than the value of index for households, who did not receive remittances (0.58 vs. 0.61). Possibly because these households are better off they do not need to be so involved with the community. Also their commitment towards political participation might be lower, particularly if some of them are living abroad. This is also clear in table 9 where the percentage of persons who are receiving remittances and who 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, data showed clearly that remittances can form a safety net for households, as poverty incidence was far lower for households receiving remittances than for households that did not receive remittances (10.78 vs. 20.67). Data also shows that households that received remittances have less difficulties purchasing food (88.82%) vs. households who did receive remittances (81.13%). This 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 had an income to cover their emergencies was higher among households receiving remittances than among other households (60.27% vs. 58.81%). Also households who believed that their income is covering their basic needs was higher than among non-remittance receiving households (89.82% vs 75.33%).

Moreover migration had a positive impact on receiving services such as educational and medical services. For educational services 62.4% of households that received remittances were receiving educational services vs. 58% for non-remittance receiving households. Meanwhile, the percentage was 80.8% vs. 72.98% for health services for households that received remittances and for those that did not. In addition households that received remittances did not resort to financial aid as a coping strategy for difficulties as often as non-remittance households. Relative to households that did not receive remittances, remittance households were not particularly concerned about financial matters, such as high education costs, health services and price increases. They worry relatively more about employment opportunities. This can be explained by their dependence on remittances in their earnings rather than self-employment sources. Data also shows that the relative percentage of households that do not have an insurance or pension was slightly higher among households who received remittances than the other group. This might indicate that remittances were a safety net for these households, while insurance and pensions are important for non-remittance receiving households.

Remittance was also a coping mechanism. Families that received remittances were relatively more dependent on their immediate family members, certainly more so than households that did not receive remittances. Again households that received remittances did not mingle with their societies as much as non-remittance receiving households. The data 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 compared to households that do not receive remittances.

The relative percentage of households that had an income sufficient to cope during an emergency was higher for remittance-receiving households than it was for non-remittance-receiving households (8.8% vs. 6.9%). Finally it is important to note that the channels between society member and households that received remittance or those that did not receive remittances were strong as 100% of both categories knew their neighbours. Moreover a relatively higher percentage of the former households discussed matters of concern with their neighbours. 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 households, especially poor ones. It can be considered as an important livelihood option from two perspectives. First, financially, many households gain an additional income source. Second, migration is 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 migration (43 percent, mostly from rural to urban) is to find work. This can be an important informal mechanism for poverty alleviation and job creation.

## Conclusions and recommendations

Egypt and the Mediterranean region more generally is still unable to attract the quantity and quality of foreign direct investment that has spurred growth and development in other regions of the world. The acceptable growth performance of the last decade is due to the favorable international global environment, not substantial capacity building or productivity improvement resulting from investment, whether domestic or foreign. Yet, the scarcity of investment is not so much due to a lack of capital. It is rather due to the scarcity of investment opportunities for the small investor and the unfavorable investment climate, including insufficiently developed infrastructures, inefficient administration, inadequate training and lack of entrepreneurship, and the absence of a sufficiently developed financial system to channel private capital to productive investments efficiently and effectively. The pooling of remittances and cooperation of public and private agents may help increase the impact on investment and the development of remittances. It has also been proven that remittances are one of the most stable source for foreign resources in Egypt. Most remittances are sent by migrants individually, yet a small fraction is sent collectively by groups of migrants who pool their money and invest it collectively in development related activities.<sup>8</sup>

*Several policy options may be considered to enhance the impact of remittances*

- *The encouragement of the creation of immigrant associations, supporting them and encouraging cooperation with remittance service providers, local financial entities (micro-finance institutions, credit unions and development funds), local government organisations and civil society (development NGOs) can help channel remittances towards local infrastructure projects and entrepreneurial activities.*
- Ensuring financial and technical support for the development and improvement of efficient payment systems.
- The introduction of new technologies (such as telephone and the internet) in cooperation with communication companies would also lower transaction fees and processing times.
- *Encouraging initiatives* by the government, private sector and non governmental associations for pooling remittances and savings is necessary. For example, offering attractive services such as savings accounts designed for building a home, paying for school fees, supporting a business; and investment instruments that offer some kind of guarantee on investment like investment funds or bonds for investment projects in the home country.
- Sponsoring migrant knowledge transfer and the establishment of diaspora networks for business development, as in Algeria.
- Removing administrative hurdles and providing information on investment opportunities as well as encouraging competition in the formal sector by: lowering the high entry barriers, allowing alliances of newcomers with foreign financial institutions to use their branch networks, promoting the integration and modernization of the financial infrastructures supporting remittances.

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<sup>8</sup>Associations can invest in social projects (schools, medical outreach clinics, recreational parks, and household support) and channel post-disaster humanitarian aid. But their focus might expand to include economic infrastructure and income-generating projects managed by the community and local NGOs or banks (Orozco 2003).

- Providing migrants willing to invest their money with some sort of guarantee on investments return, for example by establishing a knowledge center to conduct research and give advice on investment projects.
- The establishment of development *clusters* or production networks located on the Southern EU and Northern Mediterranean border based on activities where different countries have a competitive advantage (textile, agro-food products and fishing).
- *A Diaspora Outreach Policy* aimed at the community residing abroad is key for any migrant-sending country's economic strategy.
- *Active policies and institutional arrangements to support the diaspora* and its work in the development of the homeland. According to a recent study commissioned by the European Investment Bank, a few Mediterranean countries have been proactive in creating institutional support and incentive schemes for migrants. For example:
  - *Allowing domestic banks to operate overseas* can also contribute to increase the alternatives for sending remittances. For example, the *Banque Populaire* of Morocco has opened branches in European destination countries for Moroccan migration, bringing trust and offering low fees, simple procedures and non-financial services targeting migrants.
  - Moreover, *tax exemptions on incoming remittances* are effective measures that raise remittances, but also the possibility of misuse for tax evasion. Foreign currency and premium bank accounts, and special services targeted at migrants, such as loans, pension schemes and bonds may encourage remittances indirectly. Some countries including Lebanon or China, among others, have issued bonds for their diaspora, and experience shows that once the bonds have matured, some of the money is likely to remain in the country. In Morocco, Bank Al Amal, established in 1989, has specialized in financing migrants' investment projects. In Turkey, the DESIYAB (State Bank for Industry and Migrant Investment), established in 1976 to channel remittances to productive investments, supports companies founded by residents abroad or returned migrants and funds at least 50% of capital needed while taking up a managerial role.
  - *Travel and custom preferential treatment* to migrants sending home or bringing with them goods and equipment. For example, once a year, Tunisians are entitled to import goods or services up to a custom value of a thousand Tunisian dinars without paying tax, and a private vehicle, home equipment and furniture are tax free when they return. Turkey and many other countries also offer such import privileges.
  - *Relaxation of exchange and capital controls*: some Mediterranean countries still limit investment by non-residents, whether foreign or migrants living abroad, who in a number of countries have to get authorization to even invest in certain real estate properties.<sup>9</sup>
  - *ID cards providing identification to migrants, regardless of their legal status* so they can access bank accounts. A prime example is the Mexican *matrícula consular*, an ID card extended by Mexican consulates abroad and widely accepted by commercial banks in the US. Some countries, like Tunisia, issue ID cards (*carte consulaire*) to expedite domestic services for their immigrants, e.g. special customs clearance, reduced airfares and foreign currency bank accounts in Tunisia. In 1995, the Turkish government created

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<sup>9</sup> For example, in Tunisia, non-residents require prior approval from the Central Bank to purchase real estate and for investments that raise foreign ownership to more than 50% of the capital. In Egypt, non-residents can own a maximum of two real estate properties not exceeding 4000 square meters. In Lebanon, to register a company, local residency and working permit are required, and to acquire real estate exceeding 3000 square meter a permit is needed. In Jordan, non-resident investment is limited to 50% of ownership in a given sector of the economy and approval is required for real estate transactions. In Syria, non-resident investment cannot exceed 49% of invested capital, real estate ownership by non-residents needs government approval, and residents are not allowed to open a foreign currency account (Glytsos Nicholas (2002).

the “pink card” for migrants who gave up their Turkish citizenship but who wanted to preserve their right to buy and inherit land in Turkey.

– *Mobile banking and partnerships with cell phone companies can potentially extend remittance services to millions of people in remote, rural areas.*

- *At the regional and global level, labour movement management must be viewed as a cooperative process between employers, trade unions, together with NGOs to co-operate with governments to set broad conditions for wages and conditions of work.*
- *Implementation of efficient return and readmission policies in co-operation between countries of origin and host countries to conduct suitable readmission agreements if and when needed on a bilateral or multilateral basis. Linking co-operation on return with development assistance is a required policy and Egypt and many other Arab countries have signed partnership associations to this end.*
- *Dialogue and co-operation with countries of origin and transit countries should be the aim for sustainable co-operation.*



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## Statistical Appendix

**Table 1: Foreign Direct Investment, 1996–2006 (current US\$ billions)**

Country	1996–99	2000–03	2004	2005	2006e
Djibouti	0.0	0.0	0.0	0.1	0.1
Egypt	0.7	0.7	0.4	3.9	6.1
Jordan	0.1	0.4	0.7	1.5	2.5
Lebanon	1.8	1.7	1.5	1.9	4.3
Morocco	0.6	0.7	0.8	2.9	2.5
Tunisia	0.4	0.6	0.6	0.7	2.8
West Bank and Gaza	0.1	0.0	0.0	0.0	0.0
Algeria	0.3	0.8	0.9	1.1	1.4
Iran	0.0	0.0	0.4	0.3	0.5
Iraq	—	—	0.2	—	—
Syria	0.1	0.2	0.3	0.5	0.7
Yemen	-0.2	0.0	0.1	-0.1	0.8
Bahrain	0.1	0.0	-0.2	-0.2	0.1
Kuwait	1.1	1.2	-2.5	-4.5	-2.1
Libya	0.0	0.0	0.0	0.0	0.0
Oman	0.1	0.1	0.0	0.4	0.4
Qatar	0.0	0.4	0.5	0.5	0.8
Saudi Arabia	0.7	-0.9	-1.9	1.4	-0.7
United Arab Emirates	0.0	1.4	7.8	7.2	4.2
<i>MENA (excluding Iraq)</i>	5.9	7.2	9.4	17.5	24.4
<i>By resource-based classification</i>					
<i>Resource-poor, labor-abundant</i>	3.6	4.0	4.0	11.0	18.3
<i>Resource-rich, labor-importing</i>	2.0	2.2	3.7	4.7	2.7
<i>By geographic sub region</i>					
<i>Maghreb</i>	1.3	2.2	2.2	4.7	6.7
<i>Mashreq (excluding WBG, Iraq)</i>	2.1	2.2	2.5	3.9	7.5
<i>GCC</i>	2.0	2.2	3.7	4.7	2.7
<i>Other</i>	0.6	0.7	0.9	4.1	7.5
<i>By oil-trade group</i>					
<i>Oil-exporting countries (excl. Iraq)</i>	2.7	3.0	4.9	9.3	10.8
<i>Oil-importing countries (excl. WBG)</i>	2.9	3.3	3.6	7.1	12.2
<i>Comparator regions</i>					
<i>MENA (excl. Iraq)</i>	5.9	7.2	9.4	17.5	24.4
<i>All developing countries</i>	135.0	162.8	217.5	280.5	285.0
<i>East Asia and the Pacific</i>	48.0	49.3	66.1	96.9	95.0
<i>Europe and Central Asia</i>	19.9	29.7	62.8	73.6	72.0
<i>Latin America and the Caribbean</i>	55.3	62.0	62.5	70.1	65.0
<i>South Asia</i>	3.7	5.0	7.3	9.9	9.0
<i>Sub-Saharan Africa</i>	5.4	10.4	12.0	16.2	16.0

Source: World Bank, MENA Economic Developments & Prospects: Job Creation in an Era of High Growth 2007

**Table 2: Foreign direct investment as share of gross fixed investment, 1996–2006 (%)**

Country	1996–99	2000–03	2004	2005	2006
Djibouti	6.7	9.0	29.7	43.5	69.0
Egypt	5.1	3.8	3.1	24.3	31.9
Jordan	6.8	19.6	23.6	51.0	69.1
Lebanon	40.1	44.8	32.3	42.7	89.1
Morocco	7.7	6.9	6.3	22.5	17.0
Tunisia	8.1	11.9	9.3	11.2	41.4
West Bank and Gaza	—	—	—	—	—
Algeria	2.5	6.2	4.3	4.4	5.0
Iran	0.1	0.0	0.8	0.5	0.8
Iraq	—	—	—	—	—
Syria	4.0	4.0	5.7	9.2	12.3
Yemen	–11.1	0.2	3.5	–3.7	17.3
Bahrain	13.8	2.4	–7.2	–7.0	4.3
Kuwait	25.1	15.4	–23.3	–28.0	–9.3
Libya	0.0	0.0	0.0	0.0	0.0
Oman	2.4	3.8	–0.4	6.7	5.2
Qatar	0.0	8.1	7.1	5.8	8.4
Saudi Arabia	2.2	–2.5	–4.5	3.0	–1.1
U.A.E.	0.0	7.2	35.2	25.3	9.4
MENA (excluding Iraq)	4.3	4.3	4.5	7.2	8.0
<b>By resource-based classification</b>					
Resource-poor, labor-abundant	11.2	11.1	10.1	25.6	37.3
Resource-rich, labor-importing	3.3	2.6	4.0	4.2	1.7
<b>By geographic sub region</b>					
Maghreb	4.5	6.8	5.2	9.7	12.1
Mashreq (excluding WBG, Iraq)	21.5	22.2	19.4	30.6	53.1
GCC	3.5	2.7	4.2	4.4	1.8
Other	1.4	1.4	1.5	5.7	8.8
<b>By oil-trade group</b>					
Oil-exporting countries (excl. Iraq)	2.5	2.2	3.1	4.9	4.4
Oil-importing countries (excl. WBG)	15.7	16.6	13.6	26.4	40.7
<b>Comparator regions</b>					
MENA (excl. Iraq)	4.3	4.3	4.5	7.2	8.0
All developing countries	10.1	10.4	10.0	10.8	9.2
East Asia and the Pacific	10.4	8.0	7.4	9.4	8.0
Europe and Central Asia	9.3	12.6	17.5	16.2	13.3
Latin America and the Caribbean	14.4	14.2	11.7	10.8	8.1
South Asia	3.0	3.4	3.8	4.4	3.4
Sub-Saharan Africa	9.0	17.0	14.2	16.2	13.3

Source: World Bank, MENA Economic Developments and Prospects: Job Creation in an Era of High Growth 2007

**Table 3: Foreign direct investment as a share of GDP, 1996–2006 (percentage per year)**

Country	1996–99	2000–03	2004	2005	2006e
Djibouti	0.6	1.0	5.8	8.5	13.3
Egypt, Arab Republic of	1.0	0.7	0.5	4.4	5.7
Jordan	1.6	4.0	5.7	12.1	17.8
Lebanon	13.1	8.9	6.9	8.6	19.6
Morocco	1.7	1.6	1.5	5.7	4.4
Tunisia	2.0	3.0	2.1	2.5	9.6
West Bank and Gaza	—	—	—	—	—
Algeria	0.6	1.4	1.0	1.1	1.2
Iran	0.0	0.0	0.2	0.1	0.2
Iraq	—	—	—	—	—
Syria	0.9	0.8	1.2	1.9	2.5
Yemen	-2.6	0.0	0.8	-1.0	4.9
Bahrain	1.8	0.2	-1.5	-1.5	0.9
Kuwait	3.8	2.5	-4.2	-5.5	-2.1
Libya	—	0.0	0.0	0.0	0.0
Oman	0.4	0.5	-0.1	1.3	0.9
Qatar	0.0	1.7	1.8	1.4	1.7
Saudi Arabia	0.5	-0.5	-0.8	0.5	-0.2
United Arab Emirates	0.0	1.7	7.5	5.7	2.4
<b>MENA (excluding Iraq)</b>	<b>1.0</b>	<b>0.9</b>	<b>0.9</b>	<b>1.5</b>	<b>1.7</b>
<b>By resource-based classification</b>					
Resource-poor, labor-abundant	2.4	2.2	2.1	5.4	8.0
Resource-rich, labor-importing	0.7	0.5	0.7	0.7	0.3
<b>By geographic sub region</b>					
Maghreb	1.1	1.5	1.2	2.1	2.7
Mashreq (excluding WBG, Iraq)	5.9	4.5	4.3	6.4	11.7
GCC	0.8	0.5	0.8	0.8	0.4
Other	0.3	0.3	0.4	1.4	2.2
<b>By oil-trade group</b>					
Oil-exporting countries (excl. Iraq)	0.6	0.5	0.6	1.0	0.9
Oil-importing countries (excl. WBG)	3.8	3.8	3.2	6.2	9.9
<b>Comparator regions</b>					
MENA (excl. Iraq)	1.0	0.9	0.9	1.5	1.7
All developing countries	2.4	2.5	2.5	2.7	2.4
East Asia and the Pacific	3.3	2.5	2.5	3.2	2.7
Europe and Central Asia	2.0	2.6	3.7	3.5	3.0
Latin America and the Caribbean	3.0	3.3	3.1	2.9	2.4
South Asia	0.7	0.7	0.5	0.6	0.5
Sub-Saharan Africa	1.7	2.8	2.4	2.8	2.3

Source: World Bank, MENA Economic Developments &amp; Prospects: Job Creation in an Era of High Growth 2007

**Table 4: Workers' remittances (net), 1996–2006 (current US\$ billions)**

Country	1996–99	2000–03	2004	2005	2006e
<i>MENA (excluding Iraq)</i>	<i>-12.3</i>	<i>-13.6</i>	<i>-10.2</i>	<i>-11.6</i>	<i>-11.2</i>
<i>By resource-based classification</i>					
Resource-poor, labor-abundant	8.0	8.8	11.0	12.9	13.9
Resource-rich, labor-importing	-23.7	-26.0	-26.5	-29.4	-30.6
Bahrain	-0.7	-1.1	-1.1	-1.1	-1.2
Kuwait	-1.5	-1.9	-2.4	-3.3	-3.4
Libya	-0.2	-0.6	-0.8	-0.8	-0.8
Oman	-1.5	-1.6	-1.8	-2.3	-1.9
Qatar	-1.2	-1.5	-2.2	-2.2	-2.3
Saudi Arabia	-15.2	-15.3	-13.6	-14.3	-15.0
United Arab Emirates	-3.5	-4.0	-4.6	-5.4	-6.0
<i>By geographic sub region</i>					
Maghreb	3.4	4.4	7.3	7.2	8.3
Mashreq (excluding WBG, Iraq)	2.5	2.2	3.1	3.3	3.7
GCC	-23.5	-25.3	-25.7	-28.6	-29.8
Other	5.3	5.2	5.2	6.4	6.6
<i>By oil-trade group</i>					
Oil-exporting countries (excluding Iraq)	-17.9	-20.3	-20.6	-22.1	-23.1
Oil-importing countries (excluding WBG)	4.7	5.7	8.0	8.6	9.4
<i>Comparator regions</i>					
MENA (net recipients)	11.4	12.4	16.3	17.8	19.3
All developing countries	59.2	96.8	131.2	150.9	161.8
East Asia and the Pacific	11.5	22.4	30.5	34.8	36.2
Europe and Central Asia	6.7	10.7	12.8	17.5	19.0
Latin America & Caribbean	15.2	25.6	39.2	45.4	51.2
South Asia	13.1	23.2	28.4	33.5	34.4
Sub-Saharan Africa	1.7	2.5	4.3	4.1	4.1

Source: World Bank (2007) MENA Economic Developments &amp; Prospects: Job Creation in an Era of High Growth

**Table 5: Workers' remittances and compensation of employees, received (Million US\$)**

Country	2001	2002	2003	2004	2005	2006	2007
Algeria	670	1070	1750	2460	1950	2527	0
Djibouti			24.67	24.74	25.85	28.47	28.47
Egypt, Arab Rep.	2911	2893	2961	3340.7	5017.3	5329.5	5865
Iran, Islamic Rep.	682	851	1178	1032	1032	1032	1115
Israel	499	410	423	714.3	850	1062.3	1264.5
Jordan	2011	2135	2201	2330.3	2499.7	2883.36	2934
Lebanon	2307	2544	4743	5591.44	4924.3	5202.23	5769.2
Libya	10	7	8	10	15	16	16
Malta	14	23	27	32.9	33.5	34.95	40.2
Morocco	3261	2877	3614	4220.8	4589.5	5454.25	5700
Oman	39	39	39	39	39	39.01	43
Syrian Arab Republic	170	135	889	855	823	795	824
Tunisia	927	1071	1250	1431.6	1392.7	1510.04	1669
West Bank and Gaza	408.9	334.1	472	454.8	597.97	597.97	597.97
Yemen, Rep.	1295	1294	1270	1282.6	1282.6	1282.6	1282.6

Source: World Bank, World Development Indicators, 2008

**Table 6: Official development assistance and official aid (current Million US\$)**

	2001	2002	2003	2004	2005	2006
Algeria	223.56	328.41	234.44	314.25	371.36	208.52
Bahrain	17.83	70.35	77.2	57.43		
Djibouti	57.63	77.67	78.8	64.12	76.33	117.19
Egypt	1255.63	1236.92	986.75	1455.59	995.11	872.87
Iran	114.04	114.91	129.69	186.36	104.25	121.04
Iraq	121.21	106.26	2250.09	4650.02	22051.56	8661.28
Israel	172.35	756.87	439.99	478.85		
Jordan	449.02	536.81	1247.76	601.25	667.74	579.59
Kuwait	3.6	4.62	4.33	2.6		
Lebanon	242.47	452.19	225.13	264.14	243.55	707.29
Libya	6.86	6.88	7.75	12.43	24.22	37.29
Malta	1.7	11.04	9.11	6.19		
Oman	1.08	40.12	37.77	54.45	-5.46	34.82
Qatar	1.03	2.14	1.94	2.18		
Saudi Arabia	13.04	16.58	11.76	20.1	25.55	24.87
Syria	152.92	76.49	117.48	105.98	78.66	26.73
Tunisia	376.93	264.71	297.67	327.61	364.99	432
U.A.E.	2.37	3.86	4.96	5.36		
West Bank & Gaza	869.4	1616.35	971.56	1115.84	1115.84	1448.78
Yemen	458.02	582.5	233.72	252.72	336.31	284.36

Source: World Bank, World Development Indicators, 2008

**Table 7: Net FDI as percentage of GDP**

	2000	2001	2002	2003	2004	2005	2006	2007	Dec.07
<b>Net FDI (%GDP)</b>	<b>1.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>	<b>0.5</b>	<b>4.4</b>	<b>5.7</b>	<b>8.6</b>	<b>3.1</b>

Source: Ministry of Finance (2008) Egyptian Economic Monitor, Volume IV, No.3, March 2008

**Table 8: Transfers of Official Grants (US\$ mn)**

	2005/2006	2006/2007	Change
<b>Official Grant Transfers (Net)</b>	<b>571.7</b>	<b>800.3</b>	<b>228.6</b>
Inward grants	599.8	836.1	236.3
- Cash grants	190.2	375.0	184.8
- Other grants	409.6	461.1	51.5
Outward grants	-28.1	-35.8	(7.7)

Source: Central Bank of Egypt (2007) Economic Review, Vol. 47 No. 4, 2006/2007

**Table 9: Worker's Remittances in Egypt 1999/2000-2007/2008**

Year	Worker's Remittances-US\$ Millions	Average Growth Rate%
1999/2000	3067.3	-
2000/2001	2842.7	-7.3%
2001/2002	2952.5	3.9%
2002/2003	2962.6	0.3%
<b>2003/2004</b>	<b>2999.6</b>	<b>1.2%</b>
<b>2004/2005</b>	<b>4329.5</b>	<b>44.3%</b>
<b>2005/2006</b>	<b>5034.2</b>	<b>16.3%</b>
<b>2006/2007</b>	<b>6321</b>	<b>25.6%</b>
<b>2006/2007*-Q1</b>	<b>1309.5</b>	
<b>2007/2008*-Q1</b>	<b>1974.5</b>	<b>50.8%</b>
1999-2007	6.1%	10.9% (annually)
STDEV		0.1797

Calculated from Central Bank of Egypt (2007) Economic Review, Vol. 47 No. 4, 2006/2007



**Table 10-A (1999/2000-2007/2008)-US\$ mn-Remittances to Egypt By Country**

<b>Country</b>	<b>1999/ 2000</b>	<b>2000/ 2001</b>	<b>2001/ 2002</b>	<b>2002/ 2003</b>	<b>2003/ 2004</b>	<b>2004/ 2005</b>	<b>2005/ 2006</b>	<b>2006/ 2007</b>	<b>2007/ 2008Q1</b>
Saudi Arabia	737.6	681.3	621.2	634.4	639.6	725.5	775.8	859.4	231.3
Kuwait	410.9	222.3	376.4	254.3	205.6	589.2	922.8	1106	475.5
U.A.E	283	301.9	349.4	302.9	278.8	371.6	729	989.6	271.8
Qatar	41.7	44.4	45.4	48.5	46.2	63.8	109	102.1	25.9
Bahrain	19.4	12.7	54.2	23.8	7.1	10.5	47	21.9	7.4
Oman	12.1	11	11.3	14.9	15.5	18.4	24.9	17.7	8.1
Libya	3.3	2.6	3	1.6	2.7	2.1	3.5	5.5	6
Lebanon	16.4	14.6	10.3	18	14.6	20.6	27.6	24.6	9.3
U.S.	1018.8	1048.8	955.9	1025.9	1111.1	1619.6	1516.3	2080.3	644.2
France	46.6	48.8	47.3	63.3	63.4	68.7	49.8	53.5	13.2
Germany	91.2	96.6	89.1	125.9	131.1	230.5	198.4	209.6	53.4
Italy	33.6	34.6	32.4	48.3	64.3	74.9	54	42	15.1
Netherlands	9.9	16.5	12	22.4	36.6	25.9	19.3	32.5	3.9
U.K.	113.1	95.7	116	124	122.8	169.4	147.4	235.5	53.7
Greece	4	5.6	5.2	7.9	8.4	11.6	13.8	14.1	2.8
Spain	5.1	3.1	3.4	10.7	6.3	12.4	15.2	10.4	2.7
Swizerland	135.1	105.4	119.9	97.7	91.5	102.7	143.1	261	40
Japan	6.6	14	8.6	9	3.8	19.8	17.1	3	0.8
Canada	9.6	6.2	5.9	8.3	8.7	12.9	11.4	13.2	8.5
Other countries	69.3	76.6	85.6	120.8	141.5	179.4	208.8	239.1	100.9
<b>Total</b>	<b>3067.3</b>	<b>2842.7</b>	<b>2952.5</b>	<b>2962.6</b>	<b>2999.6</b>	<b>4329.5</b>	<b>5034.2</b>	<b>6321</b>	<b>1974.5</b>

Source: CBE.

**Table 10-B-Remittances (1999/2000-2007/2008)-By Country %**

<b>Country</b>	<b>1999/ 2000</b>	<b>2000/ 2001</b>	<b>2001/ 2002</b>	<b>2002/ 2003</b>	<b>2003/ 2004</b>	<b>2004/ 2005</b>	<b>2005/ 2006</b>	<b>2006/ 2007</b>	<b>2007/ 2008Q1</b>
Saudi Arabia	24.0	24.0	21.0	21.4	21.3	16.8	15.4	13.6	11.7
Kuwait	13.4	7.8	12.7	8.6	6.9	13.6	18.3	17.5	24.1
U.A.E	9.2	10.6	11.8	10.2	9.3	8.6	14.5	15.7	13.8
Qatar	1.4	1.6	1.5	1.6	1.5	1.5	2.2	1.6	1.3
Bahrain	0.6	0.4	1.8	0.8	0.2	0.2	0.9	0.3	0.4
Oman	0.4	0.4	0.4	0.5	0.5	0.4	0.5	0.3	0.4
Libya	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.3
Lebanon	0.5	0.5	0.3	0.6	0.5	0.5	0.5	0.4	0.5
U.S.	33.2	36.9	32.4	34.6	37.0	37.4	30.1	32.9	32.6
France	1.5	1.7	1.6	2.1	2.1	1.6	1.0	0.8	0.7
Germany	3.0	3.4	3.0	4.2	4.4	5.3	3.9	3.3	2.7
Italy	1.1	1.2	1.1	1.6	2.1	1.7	1.1	0.7	0.8
Netherlands	0.3	0.6	0.4	0.8	1.2	0.6	0.4	0.5	0.2
United Kingdom	3.7	3.4	3.9	4.2	4.1	3.9	2.9	3.7	2.7
Greece	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.1
Spain	0.2	0.1	0.1	0.4	0.2	0.3	0.3	0.2	0.1
Switzerland	4.4	3.7	4.1	3.3	3.1	2.4	2.8	4.1	2.0
Japan	0.2	0.5	0.3	0.3	0.1	0.5	0.3	0.0	0.0
Canada	0.3	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.4
Others	2.3	2.7	2.9	4.1	4.7	4.1	4.1	3.8	5.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>