European
Commission

JRC TECHNICAL REPORT

Remittances in North Africa: sources, scale and significance

Kalantaryan, Sona
McMahon, Simon

Joint
Research
Centre

EUR 30582 EN

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Contact information
Name: Simon McMahon
Email: simon.mcmahon@ec.europa.eu

EU Science Hub
https://ec.europa.eu/jrc

JRC123516

EUR 30582 EN

PDF ISBN 978-92-76-29685-0 ISSN 1831-9424 doi:10.2760/085524

Luxembourg: Publications Office of the European Union, 2021

How to cite this report: Kalantaryan, S. and McMahon, S., Remittances in North Africa: sources, scale and significance, EUR 30582 EN, Publications Office of the European Union, Luxembourg, 2021, ISBN 978-92-76-29685-0, doi:10.2760/085524, JRC123516

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Abstract

Remittances represent an important tool for economic growth and poverty alleviation by ensuring a flow of financial resources from migrants and diasporas to households and communities in origin countries. Remittances can potentially be particularly significant as a connection between diasporas and communities of origin, a resource for development and a means to respond to and recover from crises, such as the COVID-19 pandemic. With this in mind, this report examines the sources, scale and significance of international remittances for Algeria, Egypt, Morocco and Tunisia over time and in the context of COVID-19. It also discusses, to the extent that it is possible with currently available data, remittances in Libya. In doing so, the report highlights how these North African countries are quite distinct from one another in terms of the sources, scale and significance of their remittances. This potentially has implications for the way that remittances impact on development and poverty alleviation in each receiving country and the way that policies should be shaped to accommodate and respond to their differences.

Key Messages

Remittances represent an important tool for economic growth and poverty alleviation by ensuring a flow of financial resources from migrants and diasporas to households and communities in origin countries. They are especially valuable today as a resource for responding to, and recovering from, the COVID-19 pandemic. This report examines the sources, scale and significance of international remittances for Algeria, Egypt, Morocco and Tunisia over time and in the context of COVID-19. It also discusses, to the extent that it is possible with currently available data, remittances in Libya.

Algeria, Egypt, Morocco and Tunisia share a range of characteristics. They are all countries with large diasporas which have in general followed a similar development trajectory. Remittances represent a significant resource for all four. Yet this report highlights how these countries are quite distinct from one another in terms of the sources, scale and significance of their remittances. This potentially has implications for the way that remittances impact on development and poverty alleviation in each receiving country and the way that policies should be shaped to accommodate and respond to their differences.

Specifically, the report finds:

Overall, the scale of remittance inflows to Algeria, Egypt, Morocco and Tunisia is significant and growing. Whereas in 2008 they were worth $17.7 billion, by 2019 this had increased to $37.3 billion. They vastly outstrip the scale of foreign direct investment (FDI): in 2019 the aggregate annual remittance inflows to these four countries was three times the size of FDI transfers to them.

But the scale of remittance flows to each country varies widely. Egypt receives the largest inflows in North Africa and the sixth largest of any country in the world, totalling $26 781 million in 2019. Inflows to the other countries are much smaller, totalling $6 735 million to Morocco, $2 050 million to Tunisia and $1 792 million to Algeria in 2019. Whereas remittances to Egypt in 2019 equalled 8.9 per cent of the country’s GDP, to Morocco it was 6 per cent, to Tunisia 5 per cent and to Algeria only 1 per cent.

Tracing the sources of remittances to the countries of North Africa highlights a range of remittance corridors to the region and the importance of the EU as a source of remittances. 85 per cent of remittances to Algeria, Morocco and Tunisia (in 2018) were sent from the EU-27. By contrast, remittances to Egypt are sent principally from countries of the Gulf Cooperation Council (GCC). Remittances to Algeria and Tunisia are dependent on a particularly limited range of sources, with 80 per cent of those sent to Algeria originating in just one country - France - and 79 per cent of those sent to Tunisia originating in just three countries – France, the USA and Italy.

SDG goal 10.C seeks to reduce the transaction costs of migrant remittances to less than 3 per cent and eliminate remittance corridors with costs higher than 5 per cent. But whereas the global average cost of sending remittances has steadily fallen over the past decade, this has not been the case with the cost of remitting to North African countries. The different remittance corridors to North Africa are subject to a broad range of costs, which have fluctuated over time. The cheapest corridors tend to be those from GCC countries to Egypt. During the COVID-19 there has not been a decline in costs across the board.

Access to digital services is an important resource in efforts to lower the costs of remitting, and for keeping remittances flowing during the COVID-19 pandemic. But although broadening access to digital financial services is likely to contribute to lowering the costs of remitting, in the countries studied this may be limited by a digital divide between those who can use the internet frequently and those who never do. In Algeria, 38 per cent of respondents who receive remittances never use the internet, in Egypt it is 47 per cent, in Morocco 34 per cent and in Tunisia 44 per cent.

Finally, remittances in North Africa can be a significant resource for economic development (although the impact on inequality is less clear). People who receive remittances in the countries studied tend to be less economically active than those who do not receive remittances. Two-thirds (65 per cent) of those who receive remittances are economically inactive (48 per cent) or unemployed (17 per cent). But those who receive remittances also tend to have a stronger economic standing, as frequently receiving remittances is associated with a greater tendency to be able to save money, especially if we focus on those with the most frequent and stable source of inflows: whereas 31 per cent of those who receive remittances monthly are able to save, only 10 per cent of those who never receive remittances are.

The study is based on an analysis of international datasets on migration stocks and flows, macro-economic indicators and remittance inflows, outflows and costs, as well as an examination of responses to the Arab Barometer public opinion survey. Doing so provides insights into the general context of remittances across the region, and the character and significance of remittances for the individuals who receive them.

1 Introduction

Remittances can be broadly defined as 'financial transfers from migrants to beneficiaries in their countries of origin' (COM(2005) 390 final). They represent an important tool for economic growth and poverty alleviation by ensuring a flow of financial resources from migrants and diasporas to households and communities in other countries (Maimbo and Ratha 2005).

Global flows of remittances to receiving countries have grown consistently over recent decades from USD $64 billion in 1990 to $ 717 billion in 2019 (World Bank/KNOMAD 2020)[1]. They are a major source of income and foreign exchange for development, with three quarters of the global total going to low and middle-income countries. Remittances can potentially be particularly significant as a connection between diasporas and communities of origin, a resource for development and a means to respond to and recover from crises, such as the Covid-19 pandemic. This significance is broadly recognised in international initiatives including the Sustainable Development Goals (SDGs), which place remittances under the goal of Reducing inequality within and among countries. The International Fund for Agricultural Development's (IFAD) Financing Facility for Remittances (FFR) also aims to maximize the impact of remittances on development and to promote migrants' engagement in their countries of origin. The Global Compact for Safe, Orderly and Regular Migration (GCM) similarly seeks to enable 'migrants and diasporas to fully contribute to sustainable development in all countries' (Objective 19).

Against this backdrop, this report examines the sources, scale and significance of international remittances for selected North African countries.[2] The countries of North Africa have rich histories of migration and extensive diasporas around the world. They have also been through a tumultuous decade marked by the protests of the Arab Spring, conflict in Libya and most recently the global COVID-19 pandemic. But much of the available research on remittances has tended to focus on Sub-Saharan Africa rather than the countries of North Africa.

This report redresses the balance, and in doing so highlights how remittances are a significant resource for North African countries, especially in the context of the COVID-19 pandemic. The scale of remittances vastly outstrips that of foreign direct investment (FDI) to Algeria, Egypt, Morocco and Tunisia and represents a large proportion of GDP for each country. For the people who receive them, a frequent inflow of remittances is also associated with a greater tendency to be able to save money. But despite similarities between the countries, we also highlight major differences in the sources, scale and significance of remittances for each. Egypt's remittance inflows are the largest of all North African countries and the sixth largest in the world. They originate in the countries of the Gulf Cooperation Council (GCC) and are generally cheaper to send and receive than those to the other countries. By contrast, remittance inflows to Algeria, Morocco and Tunisia are smaller, predominantly originate in EU Member States and tend to cost more to send.

Our findings also suggest that the COVID-19 pandemic could have significant implications for remittances to the North African countries studied, and by extension on the economic hardship faced by those who receive them. Remittance inflows to all four of the countries are forecast to decline in 2020, with especially large reductions to Tunisia, Algeria and Egypt. Moreover, with FDI forecast to decline even more sharply remittances will continue to be a vital resource to respond to and recover from the pandemic. At the same time, the cost of remittances has not, as yet, shown signs of declining across all remittance corridors

[1] It should be noted that this report refers to remittances sent and received through 'formal' transfer channels, which can be recorded and observed in the available data. A large proportion of international remittances are also sent through 'informal' channels, but are not quantified in available data and so are not the focus of our particular study.

[2] The countries referred to in this report as 'North Africa' are Algeria, Egypt, Morocco and Tunisia. The report also studies remittances to and from Libya, but due to shortcomings in the available data for that country it will be treated separately from the others.

during the crisis and uneven access to the internet could limit the potential to shift to sending and receiving digital remittances.

This report contributes to the European Union's recognition of the importance of remittances for responding to the COVID-19 pandemic and to development more generally. At the international level, the European Commission contributes funding to IFAD's FFR and has proposed including a coordinated response to the impact of COVID-19 on remittances through the G20's Global Partnership for Financial Inclusion (GPFI). More specifically, in Africa the EU has also financed a range of initiatives which seek to lower the costs and leverage the development impacts of remittances. These include the 'African Postal Financial Services Initiative supporting and enabling African post offices to provide financial services in Benin, Ghana, Madagascar and Senegal[3] and the Maximizing the Impact of Global Remittances in Rural Areas (MIGRRA) programme also focusing on lowering remittance costs on the Kenya-Uganda corridor (both led by IFAD). The 'PRIME Africa' initiative brings together public and private stakeholders in 9 African countries (Cabo Verde, Ethiopia, Ghana, The Gambia, Kenya, Morocco, Senegal, South Africa and Uganda) to make remittances cheaper and faster with the support of National Remittance Task Forces. Last but not least, the InclusiFI project aims to enable migrants and diasporas to contribute to development by investing in micro-, small and medium-sized enterprises.[4] However, among these initiatives there is relatively little which specifically targets North African countries.

The report is structured around the following: 1) tracing migration trends to and from North Africa to understand the global distribution of emigrants from these countries; 2) mapping the scale and sources of remittances to North Africa, the main corridors and their costs, and reflecting on their contribution to development; 3) focusing on remittances from the EU to North Africa; 4) zooming in to individual level to see who receives remittances in each country; 5) examining remittances in Libya, and describing the main shortcomings in the available data which limit our capacity to have a more detailed analysis of the country; 6) some conclusions and closing reflections.

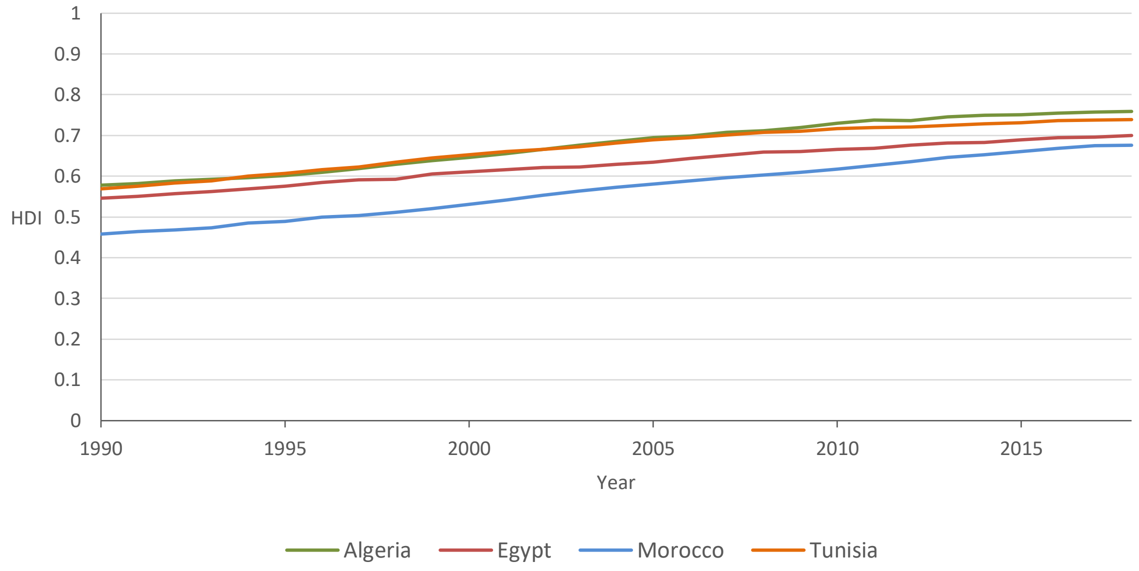
[3] For more information see https://www.ifad.org/en/apfsi

[4] For more information see https://ec.europa.eu/eu-external-investment-plan/projects/financial-inclusion-programme-inclusifi_en

2 Background: Algeria, Egypt, Morocco and Tunisia

The countries of North Africa share a range of geographic, economic and political characteristics with one another. Located to the south of the Mediterranean and the North of the Sahara, they have been positioned at the crossroads of international trade and migration routes throughout history. Recently, Algeria, Egypt, Morocco and Tunisia have reached broadly similar levels of development, as illustrated by the Human Development Index (see Figure 1).[5] Their economic development, as reflected in gross domestic product (GDP) per capita, is also similar across three of the four countries: GDP per capita equalled \$12 020 in Algeria, \$12 284 in Egypt and \$11 232 in Tunisia in 2019 (in Morocco it was lower at \$7 826) (data from World Bank[6]). And despite GDP growth, the public in all four of the countries consider the economic situation to be the most important issue (data from the Afrobarometer survey[7]). During the past decade all four of these countries also faced anti-government protest and pro-democracy demonstrations, driven especially by young people as part of the so-called Arab Spring.

Figure 1. Human Development Index (HDI) scores for North African Countries



Source: UNDP

Elaboration: JRC

There are also notable similarities between Algeria, Egypt, Morocco and Tunisia in terms of their international migration histories and trends. Over recent decades, emigration from all of them has risen consistently. Whereas in 1990 there were an estimated 4.5 million people from these four countries residing outside of their country of origin, by 2019 this had risen to 9.4 million.[8] This includes an estimated 3.55 million people from Egypt, 3.14 million from Morocco, 1.94 million from Algeria, and 810 000 from Tunisia. The geographic region that the most people from North Africa have emigrated to is Europe, where 5.5 million of them reside. France in particular is home to an estimated three million people from North African countries (1.58 million from Algeria, 1.02 million from Morocco and 430 000 from Tunisia). Asia is the geographic region with the next largest population of

[5] For more information on the Human Development Index see http://hdr.undp.org/en/content/human-development-index-hdi

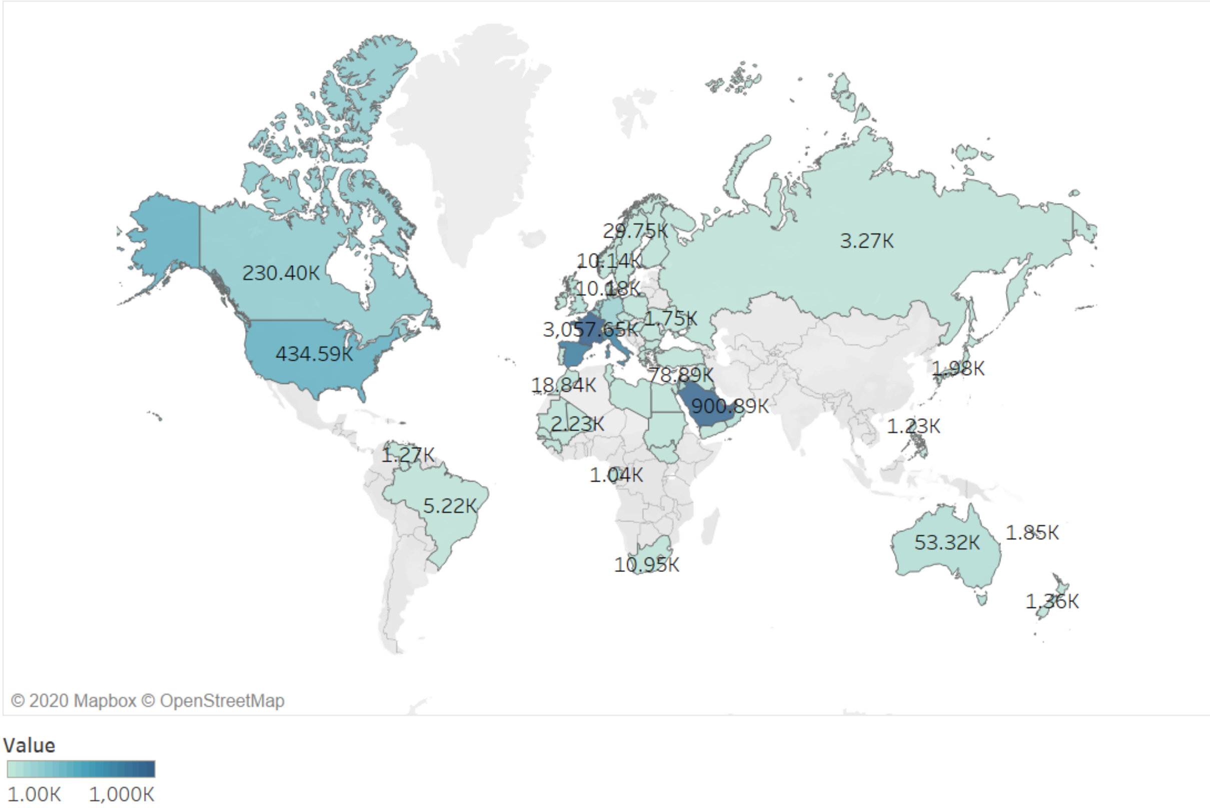
[6] GDP per capita expressed in current international dollars converted by purchasing power parity. Data from World Development Indicators database, World Bank (last updated 12/16/2020). For more information see: https://databank.worldbank.org/source/world-development-indicators#

[7] Afrobarometer is non-partisan, pan-African research institution conducting public attitude surveys on democracy, governance, the economy and society in 30+ countries repeated on a regular cycle. The data is publicly available. For more information, see the dedicated website here: http://afrobarometer.org/about.

[8] UNDESA (2019)

migrants from North Africa, with 3.1 million people residing there, primarily in the Gulf States (in particular 940 000 people to Saudi Arabia and 900 000 to United Arab Emirates) (Figure 2).

Figure 2. Global distribution of migrants from Algeria, Egypt, Morocco and Tunisia



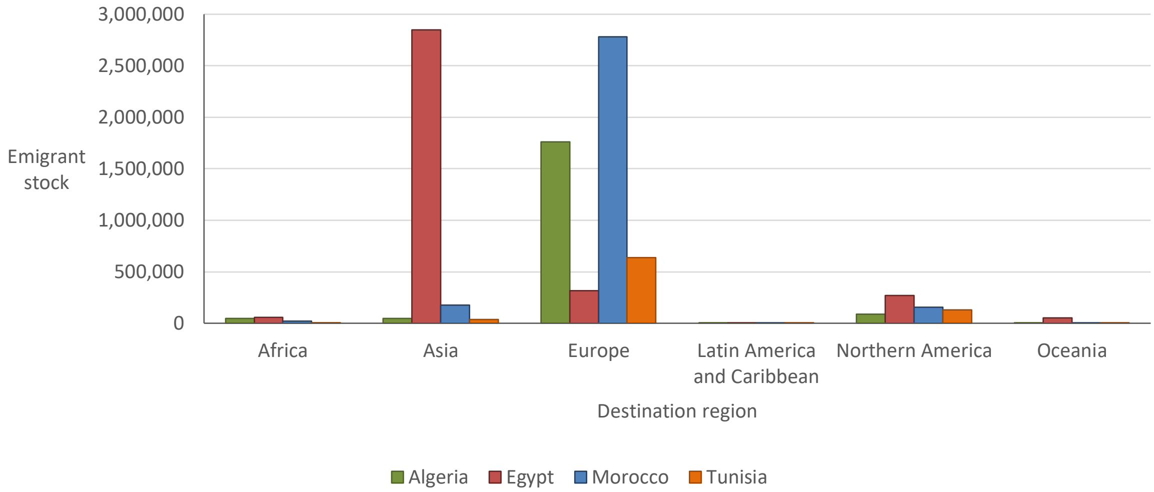
Note: Countries with number of migrants from the four countries together below 1000 are not reported.

Source: UNDESA

Elaboration: JRC

However, the migration destinations of people from the different countries in North Africa do vary (Figure 3). Whereas Europe has been the primary destination for people from Algeria (1.7 million people), Morocco (2.8 million) and Tunisia (640 000). For people from Egypt (2.8 million people) the primary destinations have been the GCC countries. 90 per cent of the people who have emigrated from Algeria, 89 per cent of those from Morocco and 79 per cent of those from Tunisia reside in Europe, whereas only 9 per cent of those who have emigrated from Egypt have moved to Europe. In contrast, 80 per cent of those from Egypt have moved to Saudi Arabia (939 000 people), United Arab Emirates (886 000) and Kuwait (411 000). Notably, very few people from Algeria, Egypt, Morocco or Tunisia have migrated to other African countries: only 3 per cent of emigrants from these countries (an estimated 130 000 people) reside in another African country.

Figure 3. Emigrant stock from Algeria, Egypt, Morocco and Tunisia



Source: UNDESA

Elaboration: JRC

The North African countries studied here are all countries of destination and transit as well as origin. In 2019, they hosted an estimated 910 000 people, distributed as follows: 505 000 in Egypt, 249 000 in Algeria, 99 000 in Morocco and 57 000 in Tunisia. However, this is likely to be lower than the true figure due to the scale of irregular migration and barriers to gathering accurate migration statistics. Over the past decade, Morocco, Algeria, Tunisia and Egypt have been countries of destination and transit for thousands of people from Sub-Saharan Africa, the Middle East and Asia seeking work and making their way to Europe on the Western and Central Mediterranean crossings (De Haas 2006; Fargues 2018).

The global distribution of the North African migrant population provides an important starting point to unpack remittance flows to and from the region. As this short overview has shown, the principal destinations of migrants from North Africa have been European and GCC countries. It is therefore likely that these will be the main sources of remittances sent by migrants back to their origin. At the same time, North Africa is a place of destination and transit of migrants, and so could also itself be a source of remittances being sent back to their own places of origin. The following sections build on this background by examining the scale and sources of remittances to and from North African countries.

3 North African Remittances in a Global Context

In line with the background set out in the previous chapter, here we focus specifically on remittance flows to and from the North African countries being studied. This chapter describes the scale of remittance flows in the region and in individual countries, the sources of those flows and the costs associated with them. Reflections are also included on how the available data shines light on some of the implications of the COVID-19 pandemic on remittances in North Africa.

We opened this report with a broad definition of remittances as financial transfers from migrants to beneficiaries in their countries of origin (as defined in COM(2005) 390 final). Here we analyse data from the World Bank, which draws on Balance of Payments statistics from the International Monetary Foundation to calculate remittances as the sum of international personal transfers, compensation of employees and capital transfers between households (Global Migration Group 2017, World Bank, no date; World Bank/KNOMAD 2017).[9] Although this is somewhat narrower than the definition set out above, it is the most comprehensive and comparable available data source on remittances worldwide which is currently available.

3.1 Remittance flows

Remittances to North Africa are a vital source of income for thousands of people and resource for national economies in the recipient countries. Adding Algeria, Egypt, Morocco and Tunisia together, the total value of remittance inflows rose from $17.7 billion in 2008 to $37.3 billion in 2019, equal to 5 per cent of all global remittance flows for 2019. For all four of the countries, the value of remittance inflows has vastly outstripped that received through Foreign Direct Investment (FDI) over the past decade (Figure 4). In the shadow of the global financial crisis of 2008, FDI to Algeria, Egypt, Morocco and Tunisia declined from $17.2 billion to a low of $5.0 billion by 2010. It has since risen to $12.8 billion in 2019 but this is still far below the scale of remittance inflows to those countries. In 2019 the aggregate annual remittance inflows to Algeria, Egypt, Morocco and Tunisia was three times the size of FDI transfers to those countries.

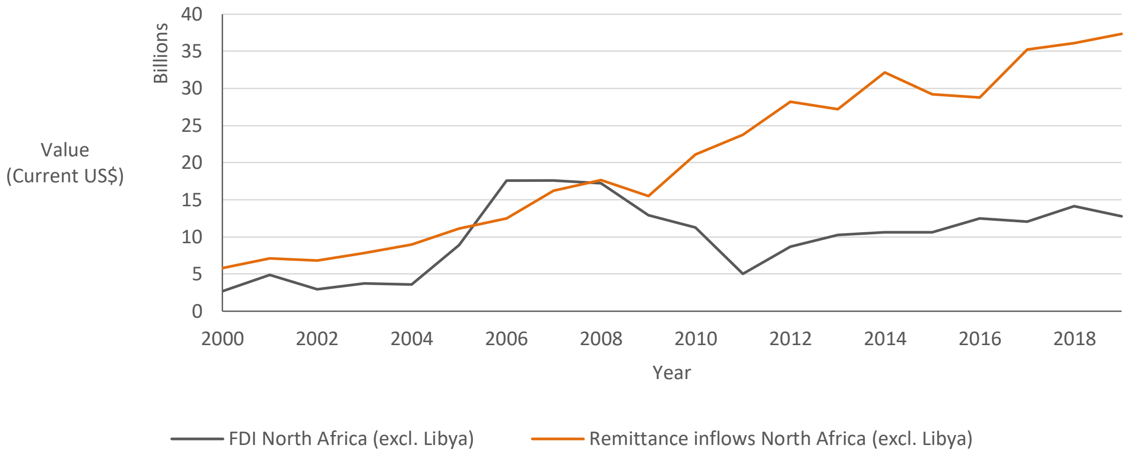
[9] The data used here are World Bank staff calculations based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank country desks. For more information see: World Bank/KNOMAD 2017

Balance of Payments statistics are estimated by central banks at the national level and compiled by the International Monetary Fund (IMF). Details of the main components are as follows:

- *Compensation of employees*: the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by non-resident entities. Compensation of employees represents "remuneration in return for the labor input to the production process contributed by an individual in an employer- employee relationship with the enterprise."
- *Personal transfers*: Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. Personal transfers thus include all current transfers between resident and nonresident individuals.
- *Capital transfers between households*: as data is difficult to obtain it is reported as missing for almost all countries.

For more information, see Global Migration Group 2017: 68-71; IMF 2009a, 272-273; IMF 2009b)

Figure 4. Foreign Direct Investment and Remittance inflows to North Africa



Sources: World Bank World Development Indicators, World Bank/KNOMAD

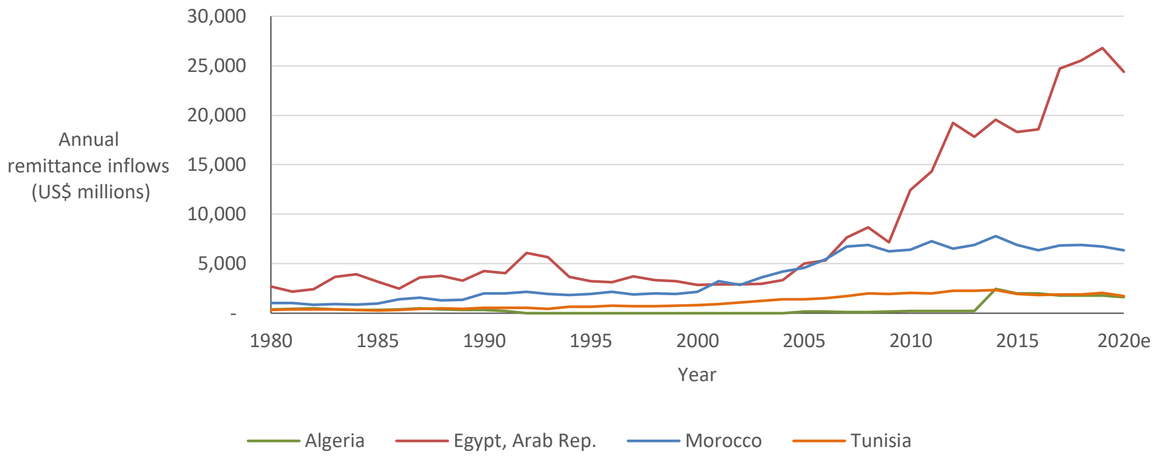
Elaboration: JRC

Although the countries of North Africa share several social, economic and development characteristics, in terms of the scale, source and significance of their remittance inflows they vary significantly.[10] Egypt receives the largest remittance inflows in North Africa ($26 781 million in 2019), and is also the sixth largest remittance receiver of any country in the world. Remittances to Egypt in 2019 equalled 8.9 per cent of the country's GDP. But remittance inflows to the other North African countries are considerably smaller. Inflows to Morocco in 2019 totalled $6 735 million, the 27th largest of any country in the world and only 6 per cent of annual GDP in 2019. In Tunisia and Algeria, inflows were smaller still, at $2 050 million and $1 792 million respectively. These were equal to 5 per cent of GDP in Tunisia and only 1 per cent of GDP in Algeria.

Remittance inflows to all four of the countries have risen over the past two decades, but at a different rate in each country (Figure 5). From 2000 to 2019, inflows to Egypt grew nearly tenfold from $2 852 million in 2000 to $26 781 million in 2019 (despite declines in 2009 and 2015). Remittances to Morocco and Tunisia also grew over the same period but to a lesser extent. Inflows to Morocco rose from $2 161 million in 2000 to $6 735 million in 2019 and to Tunisia they rose from $796 million to $2 050 million over the same period. The available data on remittances to Algeria suggests that inflows were negligible until 2005 and from then remained considerably lower than for the other countries. This, together with the fact that inflows were equal to only 1 per cent of GDP, suggests that the Algerian national economy is considerably less reliant on remittances than its neighbours.

[10] This section focuses on Algeria, Egypt, Morocco and Tunisia due to a lack of available data for Libya.

Figure 5. Remittance inflows to North African countries



Source: World Bank/KNOMAD

Elaboration: JRC

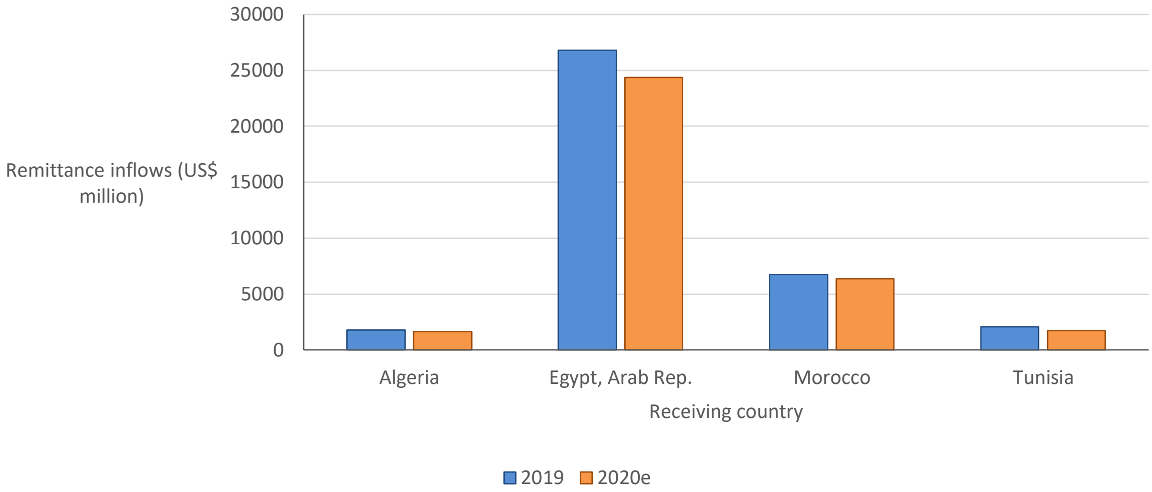
In 2020, however, the Covid-19 pandemic provided a significant shock to global remittance flows, including those to North Africa. Covid-19 has brought falling levels of international migration and a potentially prolonged economic crisis in many parts of the world (Joint Research Centre 2020; OECD 2020). In the early months of 2020, restrictions on local and international mobility in countries around the world affected the capacity of many migrants to move to places of potential work or to access financial services required in order to send money in person (Kalantaryan and McMahon 2020). The World Bank notes that the impact of the pandemic on jobs and earnings is likely to hit migrants particularly hard, especially those in low-skilled, precarious or informal sectors (World Bank/KNOMAD 2020). With this in mind, the World Bank estimates that there will be a global decline of 7 per cent in the scale of global remittance flows in 2020 and a further 7.5% decline in 2021. This will be equivalent to a reduction from $716 674 million in global remittance flows in 2019 to $666 223 million in 2020, although it should be noted that the decline will not be uniform for every country. Indeed, as data from past pandemics shows, the scale of remittances in some contexts has increased during crises (Kalantaryan and McMahon 2020). Fluctuations in currency exchange rates, which may become more pronounced during crises, can also have a bearing on the value of remittances for receivers (Clemens 2020; Freund and Spatafora 2008). Regardless, the importance of remittances to receiving countries is likely to increase as the COVID-19 pandemic goes on, as FDI flows are likely to fall even more sharply.

According to the World Bank's calculations, the impact of the COVID-19 pandemic on remittances to countries of North Africa will be particularly severe, with a decline in the scale of remittances to the four studied here during 2020 (Figure 6). These include an estimated fall of 8.3 per cent in the scale of remittances to Algeria, 9 per cent to Egypt and 14.8 per cent to Tunisia. The forecasts also claim that inflows to Morocco will fall but by less than for the other countries (5.2 per cent).[11] Particularly important factors affecting the impact of the pandemic will be the prolonged prevalence of COVID-19 and weak economic growth in Europe, and an economic slowdown in GCC countries driven by weak oil prices, where reduced employment opportunities for migrants and shifts in currency

[11] Data released by the Moroccan Office des Changes suggest an increase of 3.9% in the value of remittances sent by Moroccans resident in other countries during 2020 (Office des Changes 2020). However, more information would be necessary to understand similarities and differences between this figure and World Bank calculations. The Office des Changes records remittances in Moroccan Dirhams, whereas World Bank calculations are in US dollars, but the value of the US dollar against the Dirham has declined in 2020 (For more information see https://www.oc.gov.ma/sites/default/files/Evol_MRE_CVS.XLSX)

markets are impacting on the amount that migrants have available to remit and the value of those remittances in their destination currency.

Figure 6. Variation in remittance inflows to North African countries from 2019 to 2020 (estimated)



Source: World Bank

Elaboration: JRC

The source of remittances sent to North Africa reflects the different migration histories and trends of each country. The largest remittance flows to Egypt are sent from GCC countries, whereas those to Algeria, Morocco and Tunisia tend to originate in the EU. To measure the diversity of remittance flows we use World Bank data on bilateral remittance flows[12] in 2018 to build a Diversity Index.[13] This shows the probability that two dollars, randomly taken from the remittance flow to the country, come from different migrant destination countries (remittances origin). A higher score on the index (closer to 1), signifies a more diverse remittance flow. A lower score (closer to 0) reflects a less diverse remittance flow. We assume that a less diverse remittance flow is more susceptible to economic shocks in source countries, whereas a more diverse remittance flow is more likely to continue from some sources even if there are crises in others (Kalantaryan and McMahon 2020).

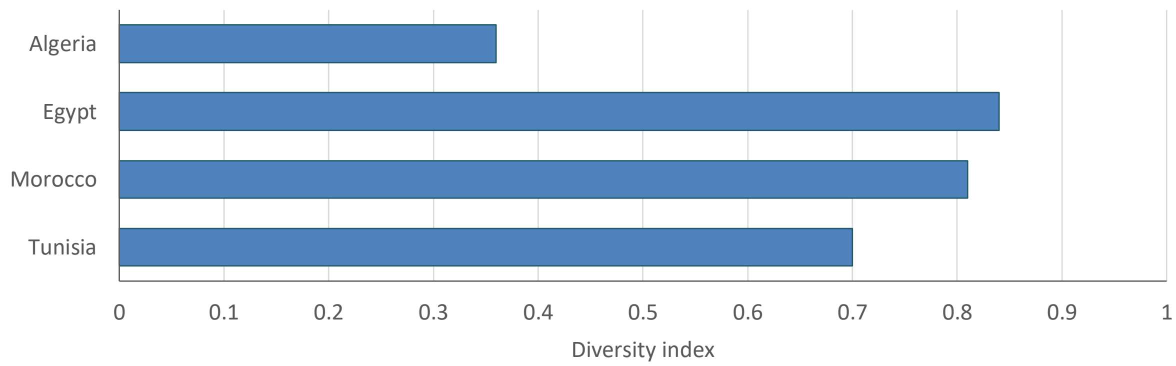
As can be seen in Figure 7, Algeria, Egypt, Morocco and Tunisia have quite distinct scores for the Diversity Index, reflecting important differences in the composition of the remittances sent to them. Tunisia receives remittance inflows which are in line with the global average diversity index score of 0.69. The least diverse remittance flow is that to Algeria, 80 per cent of which was sent from France (in 2018). The second least diverse

[12] Data on bilateral remittance flows are analytical estimates produced by the World Bank. The remittance data for a given year is disaggregated according to calculations based on host and origin country incomes and estimated migrant stocks. They are not officially reported data. Note:
(a) the data on migrants in various destination countries are incomplete;
(b) the incomes of migrants abroad and the costs of living are both proxied by per capita incomes in PPP terms, which is only a rough proxy; and
(c) there is no way to capture remittances flowing through informal, unrecorded channels.
(d) the data do not adequately account for recent large movements of people including refugees and transit migrants. It also does not capture actions of second-generation diaspora or those of retirees moving back to countries of origin; and
(e) large inflows into small jurisdictions due to financial regulation or tax reasons are not accounted for.
For more information on the methodology, see Ratha and Shaw (2007).

[13] The diversity index is based on the Simpson index which is equal to the probability that two entities taken randomly from the dataset of interest (with replacement) represent the same type. Its transformation (1-Simpson index) is the probability that the two entities represent different types and is called the Gini-Simpson index. $\boldsymbol{Diversity\ Index_c = 1 - \sum_{j=1}^{N} Share_{jc}^2}$, where $\boldsymbol{Share_{jc}}$ is the share of remittances originating from country j in total remittances received by country c. The index is widely used in the academic literature to measure the diversity of migrant population in terms of origin (see for instance, Ortega and Peri 2014; Alesina et al. 2012; Fassio et al 2019).

flow is to Tunisia, which receives 79 per cent of its remittances from just three countries (50 per cent from France, 16 per cent from USA and 13 per cent from Italy). Egypt and Morocco, however, both have scores which are above the global average, reflecting a more diverse composition of their remittance inflows. The largest inflow to Egypt is of remittances sent from United Arab Emirates (26 per cent) and Saudi Arabia (25 per cent), but this equals only half of the total. The next largest inflows are from other GCC countries, specifically Kuwait (13 per cent), Qatar (6 per cent) and Jordan (3 per cent) which make up another quarter of the total (22 per cent). Among the main remaining sources of remittances to Egypt the main countries include the USA (5 per cent), Italy (3 per cent), Lebanon (2 per cent) and Bahrain (2 per cent). Remittance inflows to Morocco have a high diversity index score too, and in contrast to Egypt they originate primarily in EU Member States. Specifically, the five largest remittance flows to Morocco are sent from France (31 per cent of the total), Spain (25 per cent), Italy (14 per cent), Belgium (7 per cent) and the Netherlands (6 per cent). The largest remittance flows from non-EU countries to Morocco originate in Israel (5 per cent of the total), USA (3 per cent), Canada (2 per cent), Switzerland (1 per cent) and United Kingdom (1 per cent).

Figure 7. Diversity index of remittance inflows to North Africa

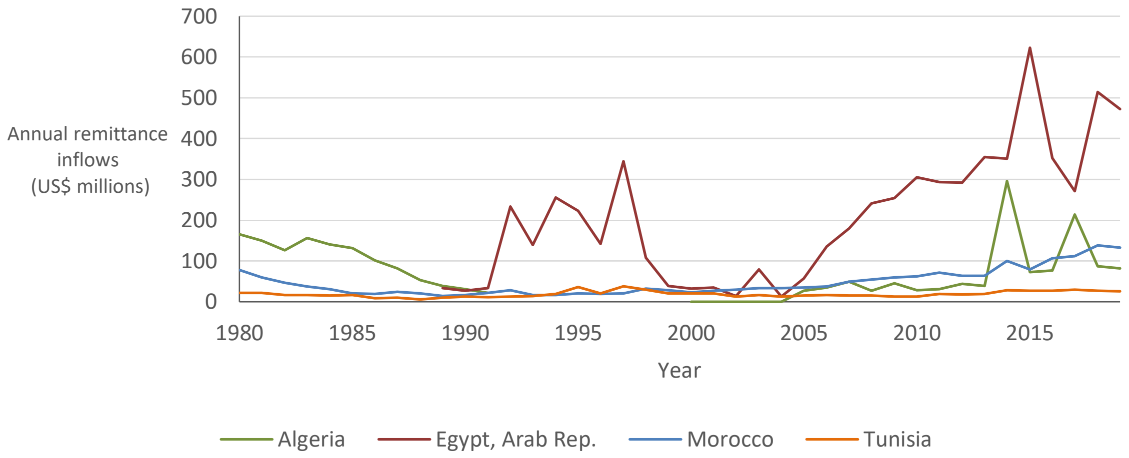


Source: JRC

Elaboration JRC

Finally, the countries of North Africa are also sources of remittances. As shown in Figure 8, the scale of remittance outflows varies greatly for each country. Remittances sent from Egypt totalled $472 million in 2019 but just $26 million were sent from Tunisia. Differences in the scale of remittances from the five countries studied here reflect the differences in the size of the migrant stock in each: the countries with the largest migrant stock have had the largest remittance outflows (Egypt), and those with the smallest migrant stock have had smaller remittance outflows (Morocco and Tunisia). The remittance outflows from these countries have also fluctuated significantly over time, in contrast to the global trend of consistently increasing remittance inflows. These fluctuations reflect periods of relative stability and unrest. For example, remittances from Egypt rose during a period of economic reform in the 1990s but declined as GDP fell and poverty rose in the 2000s (OECD 2003).

Figure 8. Remittance outflows from North African countries over time



Source: World Bank/KNOMAD

Elaboration: JRC

3.2 Remittance costs

Lowering the costs of remittances is a main objective of several international initiatives. SDG goal 10.C seeks to reduce the transaction costs of migrant remittances to less than 3 per cent and eliminate remittance corridors with costs higher than 5 per cent. The cost of remitting impacts on its value for the receiver. When people spend less on the costs of remitting, they are likely to have more money to send, to save, spend or invest to the benefit of local economies. According to the World Bank,[14] the global average cost of sending remittances was 6.75 per cent of the value being sent in Q3 2020[15]. Overall, this represents a decline of 2.92 percentage points since 2009 but is still far from the objective of 3 per cent.

The cost of remitting money to North Africa in particular varies widely according to the corridors through which it is sent. Here we focus on the major corridors to Algeria, Egypt, Morocco and Tunisia, as defined by the World Bank (data for Libya is unavailable). These major remittance corridors generally reflect the distribution of the emigrant population from each country, focusing primarily on countries from Europe, the GCC and the USA (see Table 1).

Table 1. Major remittance corridors to North Africa

Recipient country	**Sender countries**
Algeria	Belgium, France
Egypt	Italy, Jordan, Kuwait, Qatar, Saudi Arabia, United Arab Emirates, United States of America
Morocco	Belgium, France, Germany, Israel, Italy, Netherlands, Spain
Tunisia	France, Italy

Source: World Bank Remittances Prices Worldwide

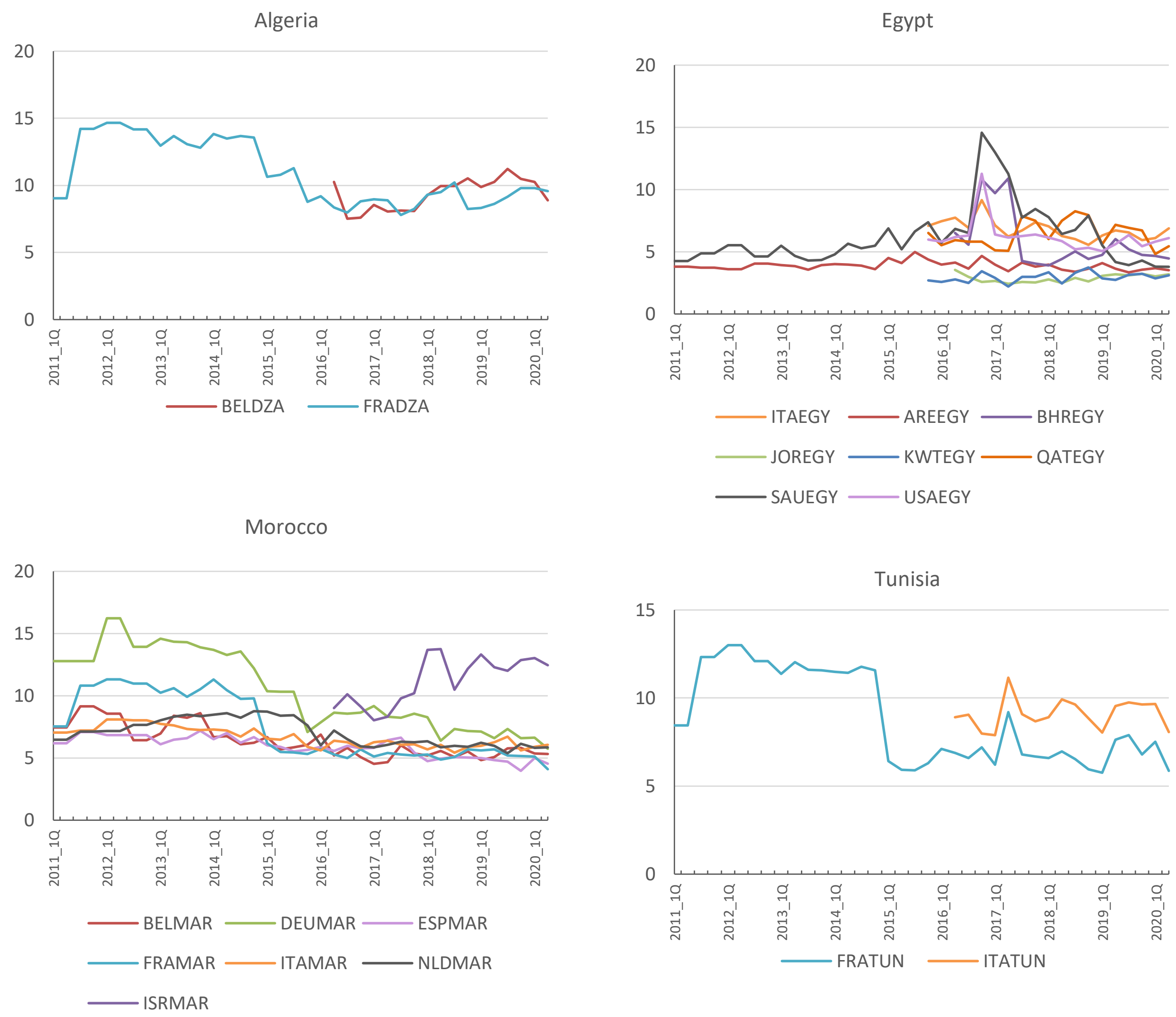
Elaboration: JRC

As can be seen in Figure 9, whereas the global average cost of sending US$200 has steadily fallen over the past decade this has not been the case with the average cost of sending to

[14] World Bank, Remittance Prices Worldwide, available at http://remittanceprices.worldbank.org
[15] The reported figures are the simple averages of the total cost for sending US$200 charged by each single Remittance Service Provider (RSP) included in the Remittance Prices Worldwide (RPW) database for the origin-destination corridor. For more information on methodology see: https://remittanceprices.worldbank.org/en/methodology

North African countries. Indeed, the average cost of remitting to Algeria, Egypt, Morocco or Tunisia has fluctuated over time. In 2020 it has been considerably cheaper to remit from the EU for those sending money to Morocco than for those sending money to Algeria or Tunisia. Remittances from France to Algeria, Tunisia and Morocco declined initially in 2015 but since then have remained more or less constant. Whereas the cost of remitting from Belgium to Algeria rose from 2016 to 2019, the cost of sending money from Belgium to Morocco did not. By contrast, the average cost of remitting to Egypt has remained consistently low over time, with the exception of sudden increases in 2016 and 2017 followed by declines back to lower costs.

Figure 9. Remittance costs along main corridors to North African countries (per cent of total sent)

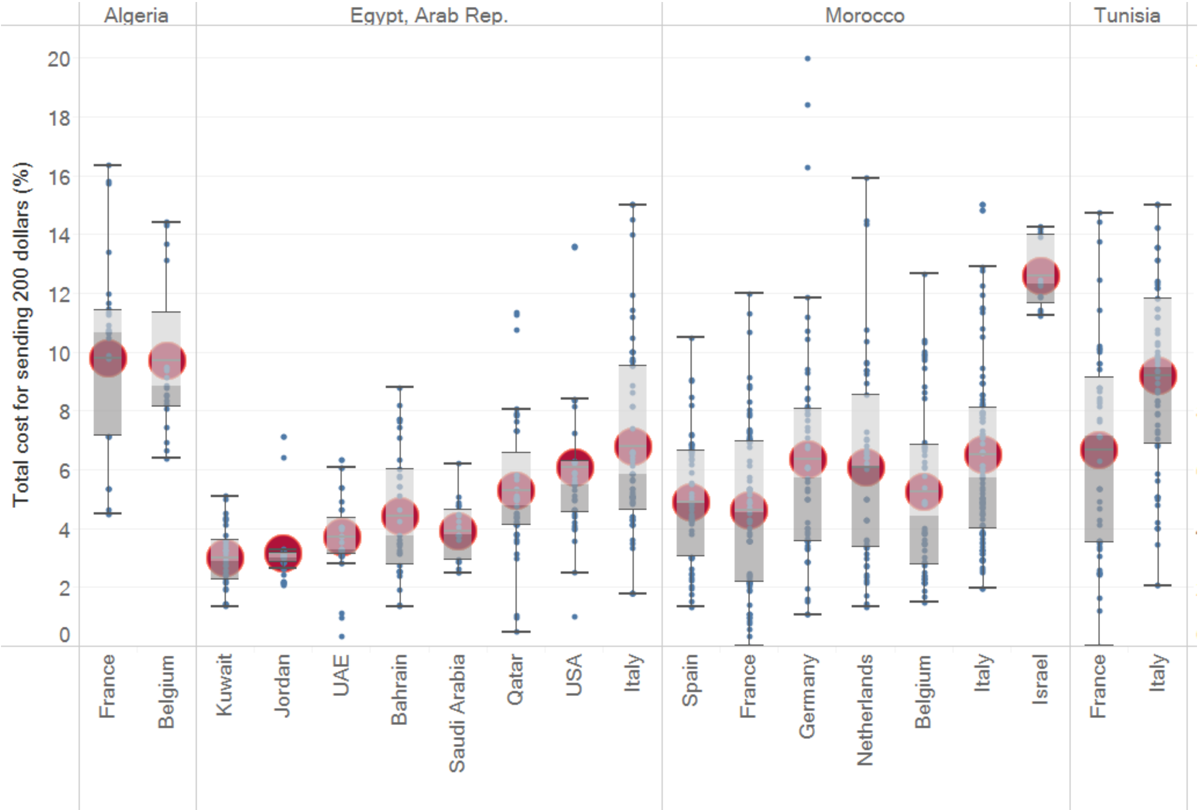


Source: World Bank Remittances Prices Worldwide

Note: For information on the country corridors and abbreviations see Annex 2

Elaboration: JRC

Figure 10. Total cost of the transaction for sending $200 for selected corridors to North African countries in Q1-Q3 2020 (percent of total sent)



Note: The figure represents the box-and-whisker plots for the total cost of the transaction in percentage charged by single Remittance Service Provider (RSP) for selected corridors. The horizontal markers show the minimum, the maximum (excluding any outliers), the sample median, and the first and third quartiles. The red circle indicates the average price for the corridor.

Source: World Bank Remittances Prices Worldwide

Elaboration: JRC

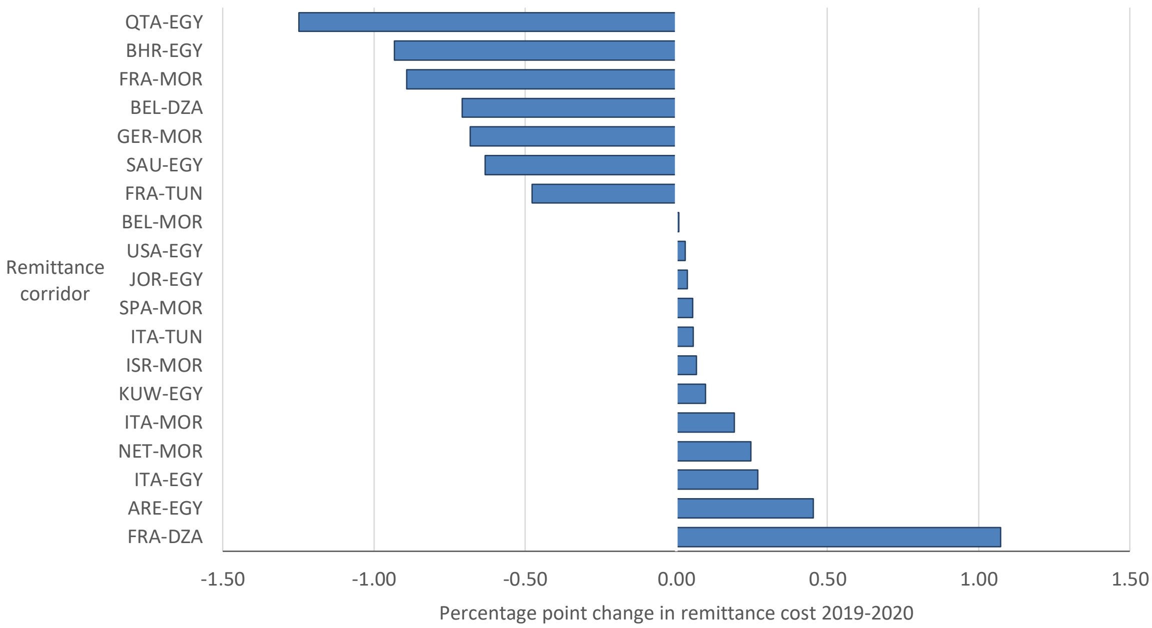
Figure 10 plots the different costs by Remittance Service Providers (RSP) on each corridor (the blue dots), the average cost of all providers (the red circle) and the range of prices (the lines). The cheapest average costs in 2020 were in the corridors from the Gulf States of Bahrain, Saudi Arabia, United Arab Emirates, Jordan and Kuwait to Egypt. The most expensive average costs were from Israel to Morocco, from France and Belgium to Algeria and from Italy to Tunisia. Whereas the range of prices on corridors from the GCC countries is relatively small, on the corridors from EU Member States there tends to be a much broader range of costs among the providers (for more information on costs, see Annex 3).

There are several potential explanations for the variations in these costs. Remittance costs have three main components: the true cost of sending money, the profit component, and the foreign exchange commission (Maimbo and Ratha 2005). Each of these components is affected by various country of origin and destination-specific factors. Studies have also found that costs tend to be lower on corridors with more migrants and more remittance service providers and higher on corridors with greater bank participation in the remittances market (Beck and Martinez Peria 2009). Further and more detailed analysis would be required to unpack the reasons for the different costs observed in corridors to North Africa. At first glance, however, it seems that several corridors from EU Member States, such as France to Algeria or Tunisia, and Italy to Morocco or Tunisia, have high costs despite large migrant stocks and a wide range of service providers.

Examining the difference from 2019 to 2020 enables us to trace the implications of the COVID-19 pandemic on remittance costs. Whilst the pandemic has posed a range of challenges regarding sending and receiving remittances, it has also presented an opportunity to lower their cost. Restrictions affecting people's mobility and ability to use money transfer services in-person may have led to an increase in the use of digital remittance services, which tend to be cheaper than in-person money transfer intermediaries. In this vein, there has been renewed energy from the international community to lower the costs of remittances in order to keep them flowing during the pandemic.

However, there is no clear trend of lowering remittance costs to North African countries during the COVID-19 crisis. Rather, we find that some corridors have become cheaper whilst others have got more expensive (Figure 11). Comparing the average cost of sending $200 during the first three quarters of 2020 with that of the first three quarters in 2019 shows that average costs of remitting to Egypt from Qatar, Bahrain and Saudi Arabia have become cheaper, as have those from France to Morocco and Tunisia, Belgium to Algeria and Germany to Morocco. On the other 12 remittance corridors to North Africa, however, the average costs have increased during the COVID-19 pandemic.

Figure 11. Variations in the average cost of remittances 2019-2020 (calculated as year to year difference in the average cost for each corridor from Q1 to Q3)



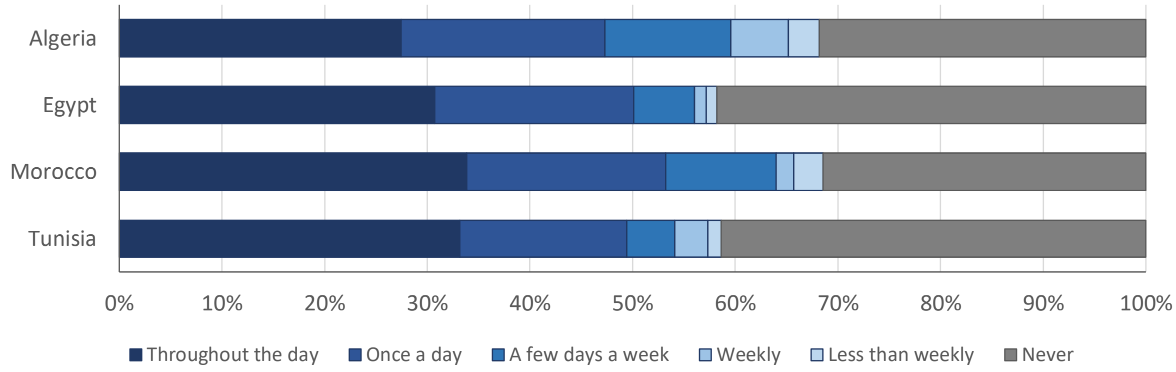
Source: World Bank Remittance Costs

Elaboration: JRC

Access to digital services is an important resource in efforts to lower the costs of remitting. The EU's Joint Communication Towards a Comprehensive Strategy with Africa and the EU Retail Payments Strategy both recommend facilitating international remittances through digital services. Digital remittances tend to cost less to send and receive than cash ones (Nicoli and Ahmed 2019). Digital financial services are also an important way to ensure people can continue to send and receive money in contexts of social distancing and lockdown measures designed to slow the spread of COVID-19. However, access to digital services is unevenly distributed in many countries, and this is likely to affect the potential of digital remittances to impact on overall costs.

Data from Arab Barometer on access to the internet gives insight into the potential for broadening the use of digital remittance services. Although access to the internet is not a necessary condition for digital or mobile remittances, it can facilitate them. As can be seen in Figure 12, however, there is a digital divide between those who use the internet most frequently (approximately half of respondents in every country uses the internet daily) and those who never use the internet (over 40 per cent in Egypt and Tunisia and 30 per cent in Algeria and Morocco).

Figure 12. Internet access in North African countries



Source: Arab Barometer

Elaboration: JRC

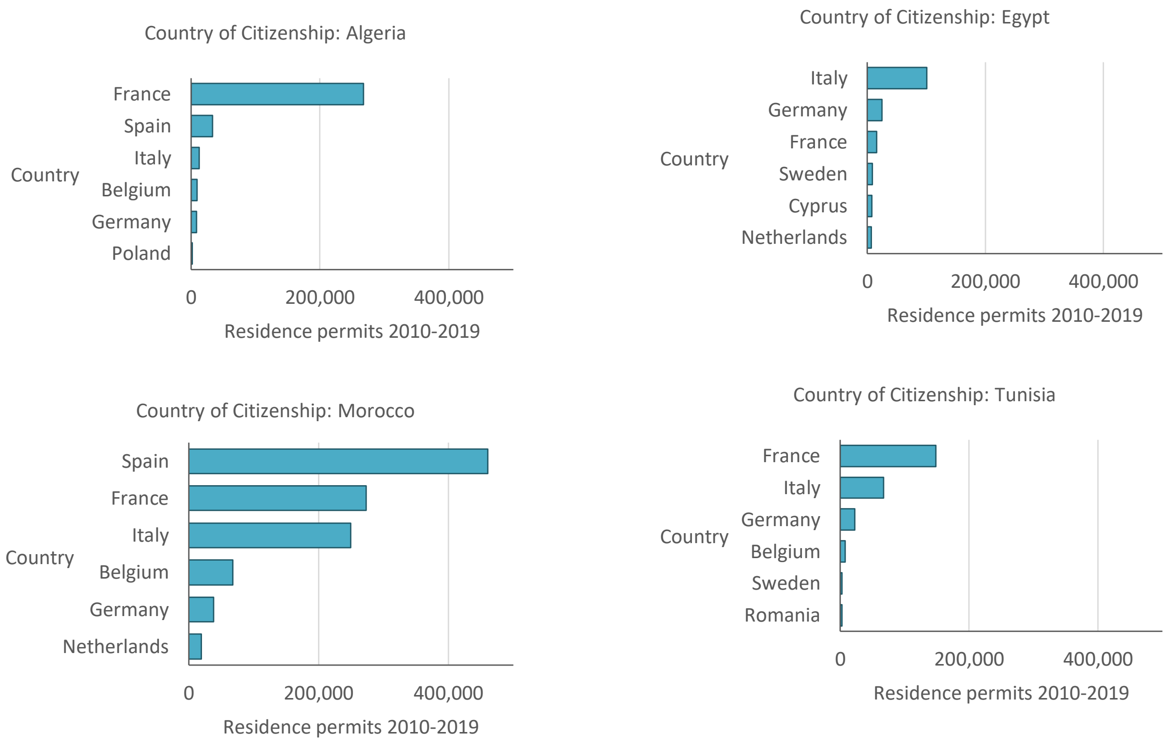
Regarding remittances specifically, a large proportion of people who receive remittances in each of the four countries studied here never access the internet: in Algeria, 38 per cent of respondents who receive remittances never access the internet, in Egypt it is 47 per cent, in Morocco 34 per cent and in Tunisia 44 per cent. These findings mirror those of a previous study analysing data from the Afrobarometer survey (Kalantaryan and McMahon 2020), which highlighted that in Morocco, over one third (35.9 per cent) of those who say they depend on remittances do not have access to a bank account and nearly half (47.9 per cent) do not have access to the internet. In Tunisia, over one third (36.7 per cent) of those who say they depend on remittances do not have access to a bank account, and one quarter (25.8 per cent) do not have access to the internet. These people are more likely to have fewer opportunities to use digital remittance services than those who do use the internet.

4 Remittances between the EU and North Africa

This section goes beyond the analysis of global remittance flows to North Africa, to concentrate on remittances between the Member States of the EU and their neighbours on the south of the Mediterranean. As noted already, migration between Europe and North Africa has shaped the relationship between the continents to the north and south of the Mediterranean throughout history. According to data from UNDESA, the EU-27 Member States with the largest migrant stock from North Africa are France, Spain, Belgium, Italy, Germany and the Netherlands. Data on first residence permits confirms that the largest migrant flows from North Africa to the EU over the past decade have been to a limited number of Member States, and only a minority of these were for remunerated activities, as follows (see also Figure 13)[16]:

- **Algeria**: of the 342 421 first permits granted between 2010 and 2019, 88 per cent were for only two countries, specifically France (78 per cent) and Spain (10 per cent). Only 6 per cent of the permits were for remunerated activities.
- **Egypt**: of the 202 372 first permits granted between 2010 and 2019, 70 per cent were for only three countries, specifically Italy (50 per cent), Germany (12 per cent) and France (8 per cent). 29 per cent of the permits were for remunerated activities.
- **Morocco**: of the 1 130 102 first permits granted between 2010 and 2019, 89 per cent were for only three countries, specifically Spain (41 per cent), France (24 per cent) and Italy (22 per cent). 19 per cent of the permits were for remunerated activities.
- **Tunisia**: of the 267 203 first permits granted between 2010 and 2019, 81 per cent were for only two countries, specifically France (56 per cent) and Italy (21 per cent). 19 per cent of the permits were for remunerated activities.

Figure 13. Cumulative first residence permits in EU for citizens of North African countries



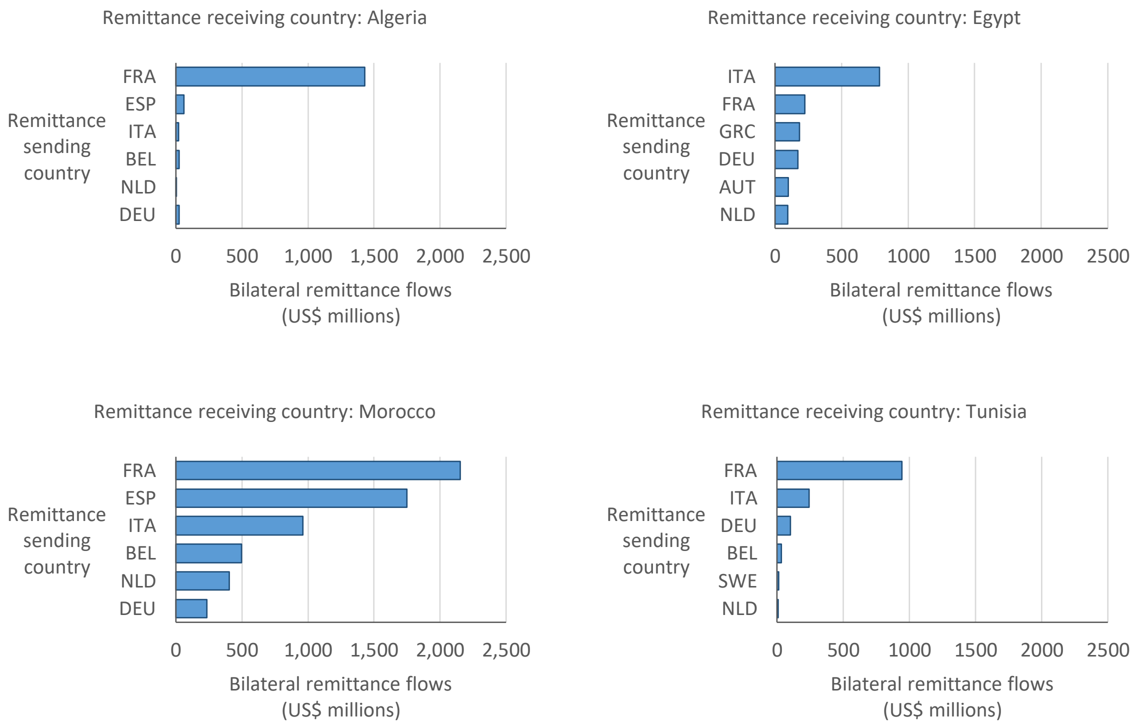
Source: Eurostat (data from 2010-2019, only top six destinations shown)

Elaboration: JRC

[16] First permits by reason, length of validity and citizenship [migr_resfirst], Eurostat

The EU is a major source of remittances for North African countries. Almost one-third (30 per cent) of all remittances to the four countries studied here originate in the EU-27. In terms of Algeria, Morocco and Tunisia this rises to 85 per cent of remittances originating in the EU-27 (the proportion to Egypt is lower). The scale of remittance flows between EU Member States and North Africa generally mirrors the scale and distribution of the migrant population. The largest remittance flows to a given country tend to be from the Member States with the largest migrant stock from that country (Figure 12). The largest remittance flows from EU-27 Member States are those sent from France ($4.7 billion), Italy ($2.0 billion), Spain ($1.9 billion), Belgium ($589 million) and Germany ($531 million). The North African country which receives the largest remittance inflows from the EU-27 is Morocco ($6.0 billion), which reflects the larger scale of emigration from this country to multiple EU Member States. As can be seen in the charts in Figure 14, the principal source Member States for remittances to the four countries represent aspects of similarity and difference. In particular, France is the main source country of remittances to Algeria, Morocco and Tunisia but Italy is the main source country of remittances to Egypt.

Figure 14. Scale of remittances from EU Member States to North African countries (top six source countries only, data from 2018)



Source: World Bank Bilateral Remittance Matrix 2018

Elaboration: JRC

The EU-LFS survey allows us to examine the potential of individuals of North African origin to send remittances by looking at their income level and employment characteristics[17]. As can be seen in the charts in Figure 15, 95 per cent of people from North Africa working in the EU-27 are based in just six countries: France, Spain, Italy, Sweden, Germany and Belgium. They also tend to be placed in the lower part of the income distribution across the EU-27. The proportion of people from North Africa who receive lower incomes (i.e. were placed in the lower part of the income distribution) is considerably higher than the proportion of the native population that does. Whereas 19 per cent of native workers are in the lowest two deciles of the income distribution, 27 per cent of North Africans are. At the same time, the proportion of the native population that receives higher incomes is greater than the proportion of the North African population that do; only 13 per cent of North Africans are in the two highest quantiles, compared to 21 per cent of natives.

The labour market participation of people from North Africa in the EU has potentially significant implications for remittance flows in the context of the Covid-19 pandemic and the associated economic downturn. In the period preceding the pandemic individuals of North African origin were experiencing higher unemployment rate (21%) compared to natives (7%), EU-born foreign workers (8%) or migrants of non-EU origin in general (14%). Moreover, more than one quarter (27%) of North African workers had temporary job. This is significantly higher that what is observed for natives (15%), EU-born foreign workers (16%) and workers of non-EU origin in general (22%). These facts point to a potential vulnerability of North African migrants to worsening labour market conditions.

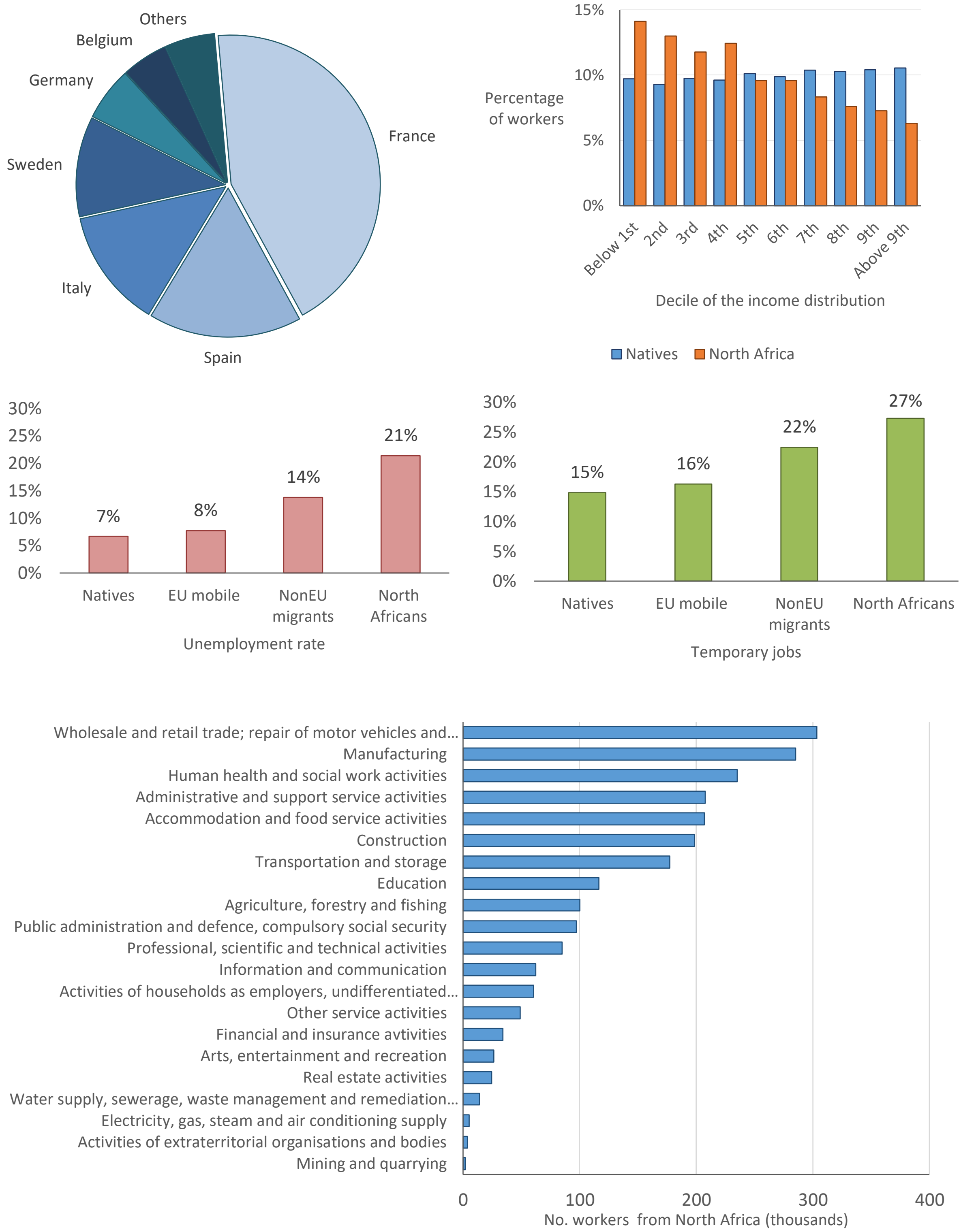
In the short-term, however, a large proportion of people from North African countries are employed in occupations which have been defined as 'key' or 'essential' work during the pandemic.[18] These include teaching professionals, skilled agricultural workers, personal care workers, cleaners and helpers, drivers and mobile plant operators, health professionals, ICT professionals, science and engineering professionals, labourers in mining, construction, manufacturing and transport, ICT technicians, food processing, personal service workers, refuse workers, stationary plant and machine operators and forestry, fishing and hunting. This means that in many countries they would have had derogations from restrictions on mobility and access to workplaces in order to continue carrying out jobs which were vital to the functioning of their societies (Mazza and Fasani 2020). More than half (56 per cent) of people from North Africa are employed in such key worker roles.

Being able to continue working during times of lockdown is likely to enable people to continue receiving income and to send remittances to their countries of origin. However, in the long-term, a prolonged economic crisis may also disproportionately affect the sectors that people from North Africa are employed in, especially if they are characterised by high levels of temporary, precarious or informal labour. Evidence from past crises also shows that employment levels for migrant workers recover more slowly than those for natives (World Bank/KNOMAD 2020). This would result in the crisis having a longer duration for migrants, affecting their capacity to continue sending remittances in the long-term.

[17] The European Union Labour Force Survey (EU LFS) is conducted in all Member States of the European Union, 4 candidate countries and 3 countries of the European Free Trade Association (EFTA) in accordance with Council Regulation (EEC) No. 577/98 of 9 March 1998. It is a large household sample survey (approx. 1.5 million individuals) providing quarterly results on labour participation of people aged 15 and over as well as on persons outside the labour force. It covers all industries and occupations.
For more information, see https://ec.europa.eu/eurostat/web/microdata/european-union-labour-force-survey

[18] Based on the definition of roles in Communication from the Commission Guidelines concerning the exercise of the free movement of workers during COVID-19 outbreak (2020/C 102 I/03). For a broader discussion of the role of migrant workers in key roles during the COVID-19 pandemic, see Fasani and Mazza (2020).

Figure 15. Workers from North African countries in the EU-27 (from top-left: country of employment, income distribution, unemployment rate, incidence of temporary job and number of employed in key occupations)



Note: For Sweden individuals from North Africa and Near & Middle East are aggregated into one region of origin.

Source : EU-LFS microdata, 2019

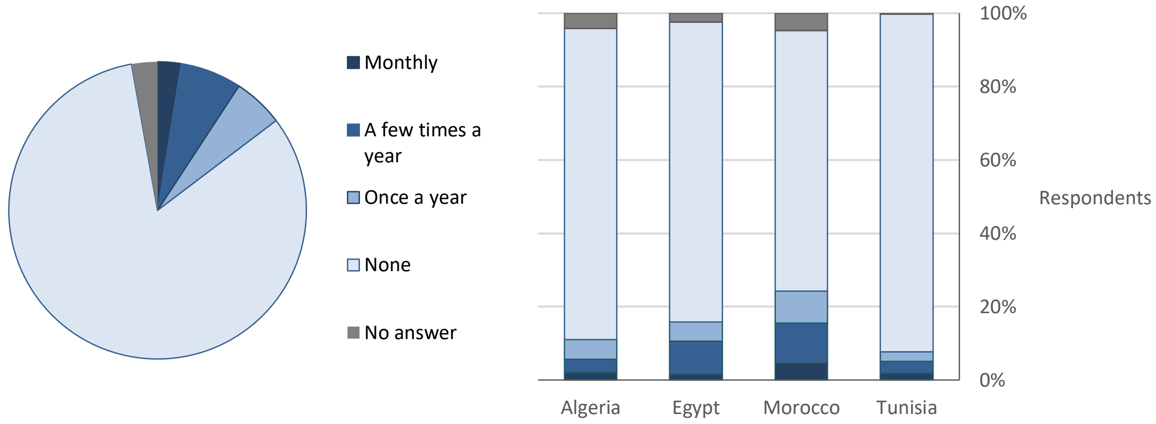
Elaboration : JRC

5 Remittance receivers in North Africa

Building on the descriptions of the scale and sources of remittances to North Africa in the previous sections, here we examine the significance of remittance inflows to the countries and communities which receive them. To do so, requires a distinct point of view to the previous sections. To look beyond the general macro-level picture, we draw on micro-level data available through the Arab Barometer survey. In particular, we use the information provided by the fifth wave of the survey covering 2018-2019 period. The Arab Barometer is a repository of publicly available opinion survey data from the Middle East and North Africa.[19] It has existed since 2006 and is managed by a nonpartisan research network. The surveys cover Morocco, Algeria, Tunisia, Libya, Egypt, Sudan, Palestine, Lebanon, Jordan, Iraq, Kuwait, Saudi Arabia, Bahrain and Yemen. All country surveys are based on probability samples representative of citizens aged 18 or above. Each country sample includes approximately 2 400 respondents, on average. The Arab Barometer survey data can be disaggregated by age, location and other main demographic characteristics, providing a window through which to observe who receives remittances and how frequently.[20]

For this chapter, we examine the answers to the survey question 'does your family receive remittances from someone living abroad?' 15 per cent of respondents from the four countries studied said that they receive remittances (Figure 16), with 3 per cent receiving them monthly, 7 per cent a few times a year and 5 per cent once a year. The country where the largest proportion of the population receives remittances is Morocco (24 per cent of respondents), followed by Egypt (16 per cent of respondents). This should not be particularly surprising; as these are the countries with the largest remittance inflows, it could be expected that a larger share of the population there receives remittances.

Figure 16. Frequency that people in North African countries receive remittances (overall and individual countries)



Source: Arab Barometer

Elaboration: JRC

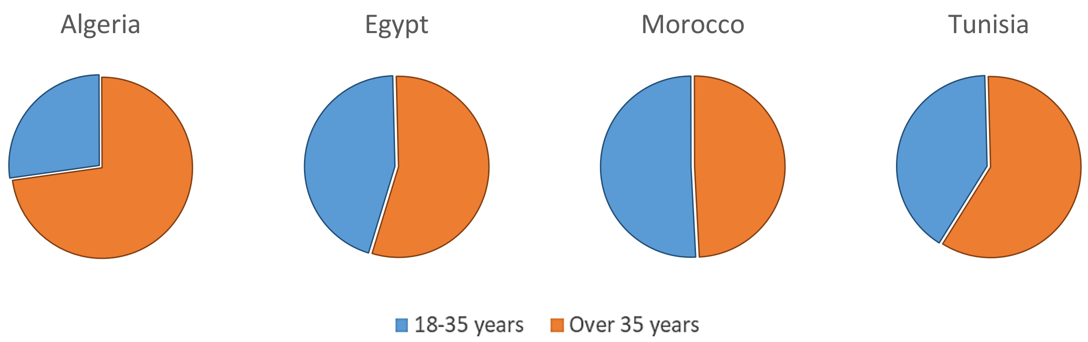
So, who are the people who receive remittances? Overall, the remittance receiving population is diverse. There is no single profile of a remittance-receiver which is common across all of the countries. Around half of those who state that they receive remittances are over the age of 35 (56 per cent of respondents) and approximately half are women

[19] Details about the mode, sample size, and margin of error are available for each wave are available at https://www.arabbarometer.org/survey-data/methodology/ (Last accessed 28 Jan 2021).

[20] The survey question asks: 'Does your family receive remittances from someone living abroad?' The potential answers are 1. Yes, monthly; 2 Yes, a few times a year; 3. Yes, once a year; 4. We do not receive anything; 98. Don't know; 99. Refused. Here 'often' receives remittances is calculated by summing 1 and 2. 'Rarely' receives remittances is calculated by summing 3 and 4. 'No answer' is calculated by summing 98 and 99. Due to the survey design, this question was asked to a half of the survey cohort, selected at random. The resulting sample sizes for each country are: Algeria -1,187, Egypt - 1,201, Morocco - 1,191 and Tunisia - 1,208.

(54 per cent). Yet there are differences across the countries. A larger proportion of the people who receive remittances in Algeria is over 35 years of age compared with Egypt, Morocco and Tunisia where more young people receive remittances (Figure 17). Around half of those who receive remittances are married, engaged or living with their partner (51 per cent of respondents), and around half say that they have children (51 per cent). In contrast, 60 per cent of people who do not receive remittances are married, engaged or living with their partner, and 66 per cent have children. And in terms of their socio-economic characteristics, the survey shows little difference in the education level of those who do or do not receive remittances: approximately half have only an elementary level of education (53 per cent of remittance receivers and 52 per cent of those who do not receive remittances), one third have a secondary level of education (32 per cent of remittance receivers and 33 per cent of those who do not receive remittances) and a relatively small minority have obtained a tertiary level education (15 per cent for both groups).

Figure 17. Age composition of people who receive remittances in North African countries

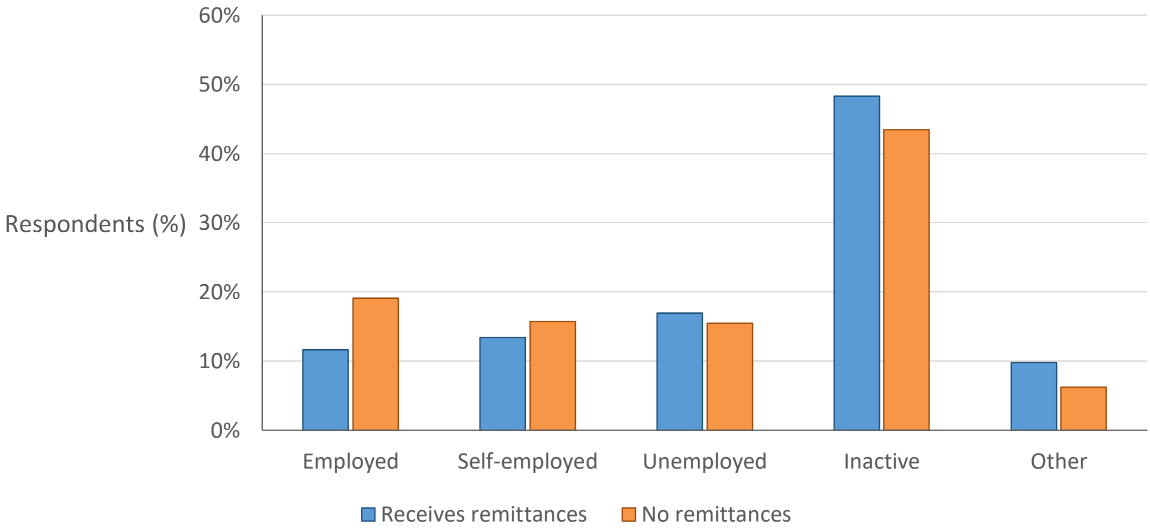


Source: Arab Barometer

Elaboration: JRC

Moreover, the survey data also suggests that people who receive remittances in North African countries tend to be less economically active than those who do not receive remittances (Figure 18). Two-thirds (65 per cent) of those who receive remittances are economically inactive (48 per cent) or unemployed (17 per cent). Whereas 35 per cent of those who do not receive remittances are employed or self-employed, only 25 per cent of those who do are (Figure 16). In contrast, 59 per cent of those who do not receive remittances are either unemployed (15 per cent) or inactive (44 per cent). In all four countries the share of inactive or unemployed is larger among the people who receive remittances (Figure 19). Algeria has the largest proportion of remittance receivers who are employed or self-employed (34 per cent). In Tunisia, by contrast, only 20 per cent of the people who receive remittances are employed or self-employed. This may be due to a range of factors, such as remittances being sent to support elderly family members who no longer work or children who are in education. Emigrants may also be the main bread-winner of a household, and by moving away to seek opportunities they leave behind economically inactive family members. However, there is unlikely to be a single explanation, due to the diversity of the remittance-receiving population in the region. What is clear is that a majority of those who receive remittances in North Africa are unlikely to have other sources of income.

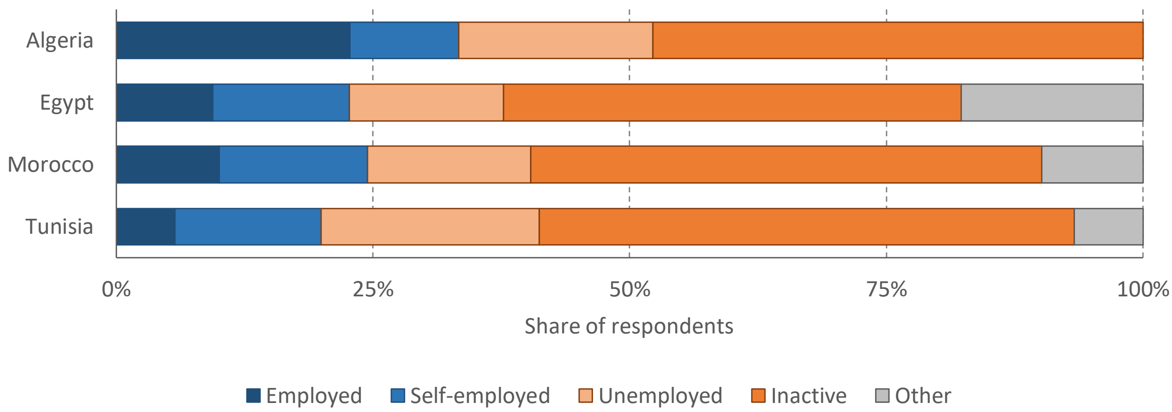
Figure 18. Labour market status of people in North African countries



Source: Arab Barometer

Elaboration JRC

Figure 19. Labour market status of people who receive remittances in North African countries



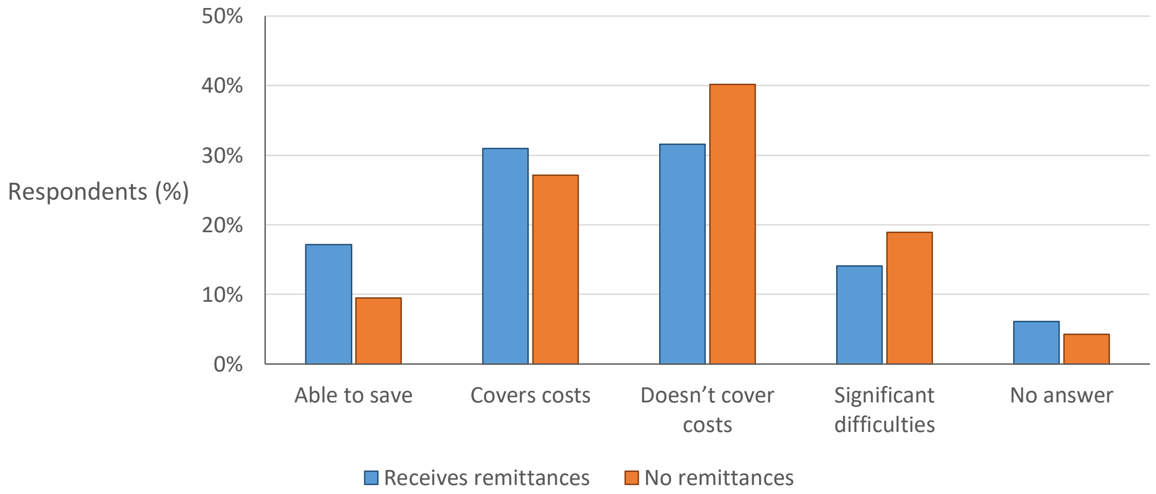
Source: Arab Barometer

Elaboration: JRC

Nevertheless, people who receive remittances also tend to have a stronger economic standing than those who do not (Figure 20). A more frequent and stable source of remittances is associated with a greater tendency to be able to save money. 48 per cent of those who receive remittances are able to cover their costs or save money, compared with only 37 per cent of those who do not. The distinction between remittance receivers and others is especially marked if we focus on those with the most frequent and stable source of inflows: whereas 31 per cent of those who receive remittances monthly are able to save, only 10 per cent of those who never receive remittances are. At the same time, a larger proportion of those who do not receive remittances state that they face significant economic difficulties (19 per cent) than is the case with those who do (14 per cent). And whereas under one third (32 per cent) of those who receive remittances says that they are unable to cover their costs, this rises to two-fifths (40 per cent) of those who do not receive remittances. Distinctions are also evident between the countries in terms of the economic standing of people who receive remittances (Figure 21). In Algeria and Morocco, over half of the respondents (57 per cent and 58 per cent respectively) are able to cover their costs or to save money, whereas in Egypt and Tunisia the proportion is much smaller (36 per cent and 31 per cent respectively). This may reflect differences in the importance and uses of remittances by households in these countries, and by extension their implications for development.

These findings could suggest that remittances enable people to have greater economic stability and more resources for saving or perhaps investing, even in the case of people who are unemployed or economically inactive. But it could also be a sign that remittances are sent to households which are already able to save, and so not the very poorest members of North African societies. As studies of the migration-development nexus confirm, the emigration of a household member requires resources which the poorest in society are less likely to have (De Haas 2010). If this were to be the case, remittances to North Africa could be significant for development but have a more ambivalent impact on inequality. However, to be sure would require new data and deeper analysis.

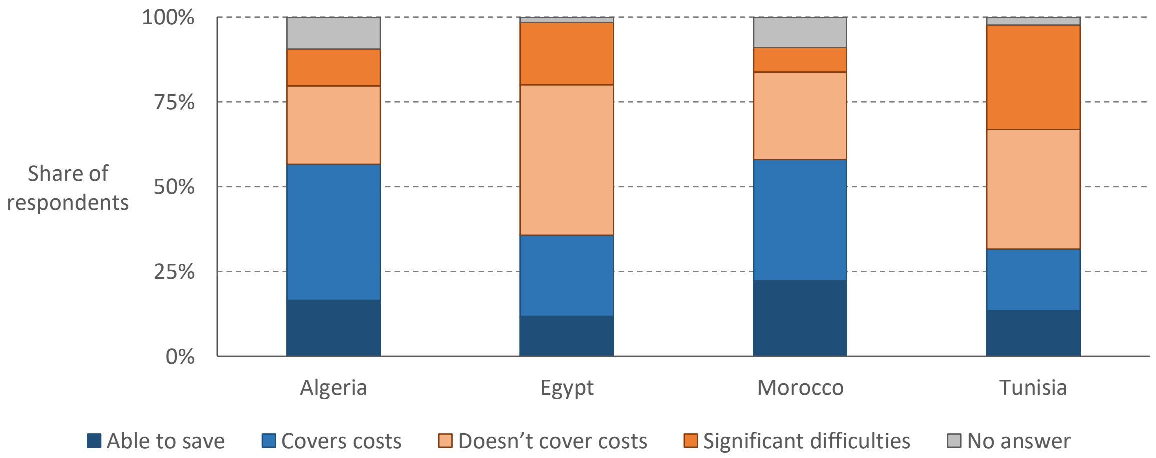
Figure 20. Income situation of people in North African countries



Source: Arab Barometer

Elaboration JRC

Figure 21. Economic situation of people who receive remittances in North African countries



Source: Arab Barometer

Elaboration: JRC

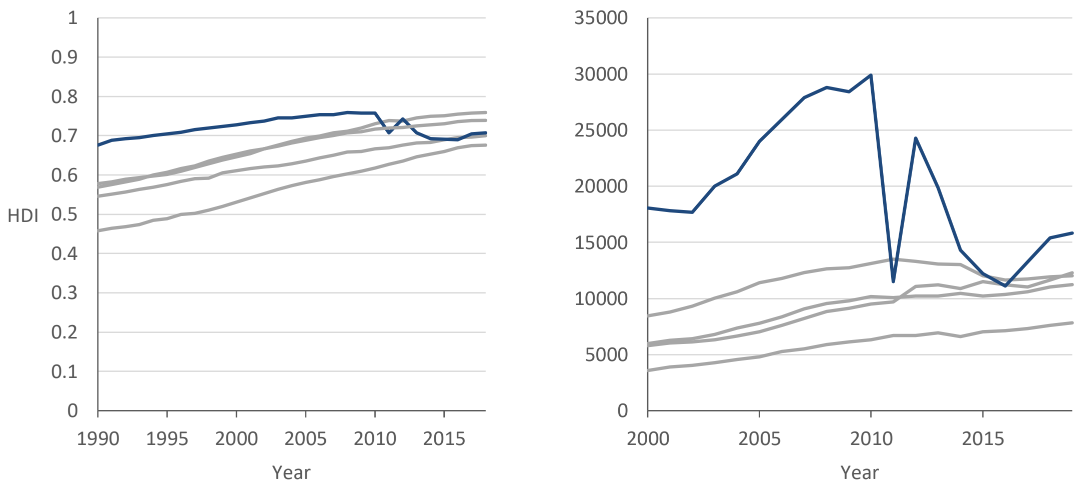
6 Libya: distinct from its neighbours

As the preceding chapters have shown, the countries of North Africa are characterised by a range of similarities and differences. However, despite a shared geographical position on the southern shores of the Mediterranean, Libya stands apart from its neighbours in several key ways regarding its development trajectory, migration history and trends of international remittances. For this reason, remittances in Libya merit particular attention in this chapter.

However, an examination of remittances in Libya is limited by shortcomings in the available international data. Data on migration to and from Libya over recent decades is considerably less complete than for its neighbours. This is accompanied by significant gaps in the available data on remittances to and from the country. Similarly, in the Arab Barometer survey the number of individuals who report receiving remittances is very low (only 29 observations). While on an aggregate level this may reflect the proportion of the population that receive remittances, the small size makes understanding the demographic or labour market profile of those receiving remittances difficult and limits the extent to which we can generalise findings. To mitigate the lack of comparable data, in this chapter we draw on a range of secondary sources to describe the sources, scale and significance of remittances in Libya.

As can be seen in Figure 22, Libya has followed a distinct trajectory in terms of human development over recent decades. During the 1990s, it had a HDI score that was higher than that of the other North African countries and this continued until the 2010s, when the protests of the Arab Spring and ensuing civil war brought about a sudden shift in the trend. Libya's economic development has also been markedly distinct from that of its neighbours over this time, as shown by the progression of GDP in Figure 21. This is largely due to the country's oil production which led to GDP levels which were far above those of the other North African countries, but which have been significantly harmed by the unrest of the past decade.

Figure 22. Human Development Index (left) and GDP per capita (current international dollars converted by purchasing power parity) (right) in Libya (blue line) and other North African countries (grey lines)



Source: UNDP (HDI) and World Bank World Development Indicators (GDP per capita)[21]

Elaboration: JRC

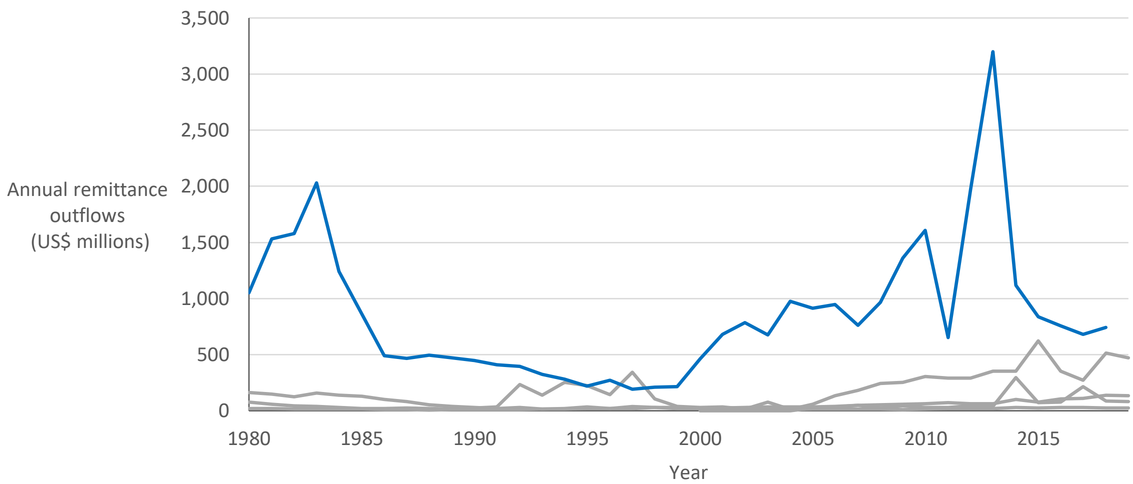
[21] GDP per capita expressed in current international dollars converted by purchasing power parity. Data from World Development Indicators database, World Bank (last updated 12/16/2020). For more information see: https://databank.worldbank.org/source/world-development-indicators#

Interlinked with the distinct development trajectory of the country is a distinct migration history over recent decades when compared with the other North African countries studied in this report. According to data from UNDESA, the scale of migration to and from Libya has been quite distinct to the other countries. In 2019 an estimated 180 600 Libyans resided outside of the country, almost half (86 000) of whom were in Europe. This is considerably lower than the size of the emigrant stock from Algeria, Egypt, Morocco or Tunisia. Also in 2019, moreover, there were an estimated 818 000 migrants from other countries residing in Libya. This is a considerably larger immigrant stock than in the other countries. Furthermore, it may be the case that these figures under-estimate the scale of immigration to Libya due to a lack of reliable statistical sources and the scale of irregular migration in the country. Workers from Sub-Saharan Africa were welcomed with an open-door policy in Libya during the 2000s, leading to suggestions in 2011 that the foreign resident population in the country could number as many as 2.5 million people (McMahon and Sigona 2016; MPC 2013).

These distinct development and migration trends are likely to result in remittance flows which are diverse from those of the other North African countries. However, severe limitations in the available data make a detailed analysis impossible. Figures from the World Bank do not include remittances to Libya since 2006. Prior to that point, the World Bank estimated that the scale of inflows was negligible, ranging from between zero and 16 million US dollars per year. Secondary studies highlight the importance of informal financial transfers to Libya to the economy of migrant smuggling and extortion in the country but such information is not included in official data (Crawley et al 2018; GITOC 2018).

There are available figures for remittance outflows from Libya, showing these to be significantly larger than for the other North African countries, despite major fluctuations over the past decade (Figure 23). In 2018 (the last year for which data is available), remittances from Libya totalled $744 million, a decline from a peak of $3 199 million in 2013 but still higher than outflows from Algeria, Egypt, Morocco or Tunisia. This paints a picture of Libya as a country which stands apart from the others; its history as an oil-producing economy and country of large-scale immigration has resulted in it being predominantly a source of migrant's international remittances rather than a destination.

Figure 23. Remittance outflows from Libya (blue line) and other North African countries (grey lines)

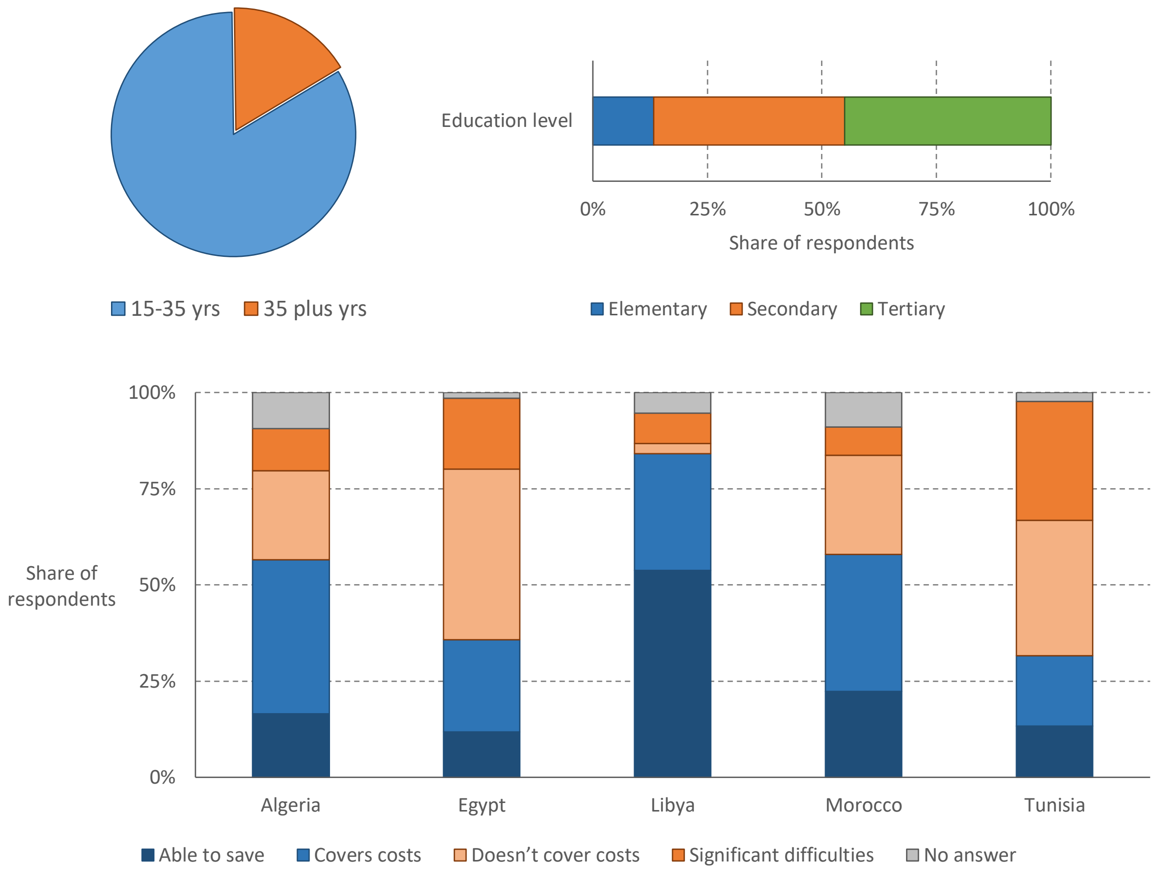


Source: World Bank/KNOMAD

Elaboration: JRC

Finally, figures from the Arab Barometer survey also suggest that the population which receives remittances in Libya is markedly distinct from that in the other North African countries. However, these figures should be interpreted cautiously due to shortcomings with the available dataset, as noted above. As can be seen in Figure 24, the majority of respondents to the survey who say that they receive remittances are younger than 35 years of age, and have completed a secondary or tertiary level of education. It also seems that a much larger proportion of people who receive remittances in Libya are able to save money (54 per cent) than in the other North African countries. This may reflect underlying trends in class and wealth of the Libyan emigrant population, or the composition of the sample interviewed. Further dedicated research would be necessary to be able to draw more reliable conclusions. In the meantime, the figures presented here should be interpreted only as an indicative first glance rather than a definitive portrait of remittance receivers in Libya.

Figure 24. Composition of the remittance receiving population in Libya (clockwise from top left: Age, education level, economic situation)



Note: Figures for Libya should be interpreted with caution due to limited number of observations in the underlying subsample of individuals reporting receiving remittances.

Source: Arab Barometer

Elaboration: JRC

7 Conclusions

In this report we have given a tour of the main characteristics of remittance flows and receivers in five North African countries. Remittances can be an important resource for development and poverty alleviation, and for weathering and recovering from crises such as the COVID-19 pandemic. We have highlighted how remittance inflows are of a significant scale in North Africa, but also that there are wide-ranging differences between the countries. As a result, development policies and programmes seeking to maximise the benefits of remittances for North Africa should be aware of and consider the specificities of the individual countries and the remittance corridors that they are a part of.

Specifically, the report has shown the following:

- **Sources:** the sources of remittances to North Africa are primarily countries in the EU-27 (for Algeria, Morocco and Tunisia) and the GCC countries (for Egypt). Remittance inflows to Morocco and Egypt are more diverse, as they are sent from a broader range of source countries. By contrast, remittance inflows to Algeria and Tunisia are less diverse, as they originate primarily in only a few source countries. This reflects general trends in migration from these countries, and may have implications for the resilience of remittance flows during a sustained crisis in source countries.
- **Scale:** remittances to North Africa represent 5 per cent of the global total scale of remittance flows, but the majority of them are sent to Egypt. Remittance inflows to Algeria, Morocco and Tunisia are much smaller, although in the case of Morocco and Tunisia still represent a significant proportion of annual GDP. The Algerian economy, on the other hand, appears to be less dependent on remittances than is the case for its neighbours.
- **Significance:** across the countries studied, remittances are likely to be a significant source of income for the people who receive them. A majority of remittance receivers are economically inactive or unemployed, and so are unlikely to have a reliable other source of income. A consistent supply of remittances is also more frequently associated with being able to save money, and so could indicate a greater capacity to withstand economic shocks or to invest when compared with people who do not receive remittances.

Finally, these findings shine light on some of the potential implications of the COVID-19 pandemic in North Africa. As noted earlier in the report, remittances to the region are forecast to decline during 2020 and 2021. Three of the principal source countries of remittances to the region from the EU have had the most severe caseloads of COVID-19, specifically France, Italy and Spain. At the same time, the pandemic, alongside falling global oil prices, are likely to reduce demand for migrant labour in GCC countries and so also impact on the capacity of people there to work and remit. The longer the pandemic lasts, the more likely it is that there will be negative implications on international remittances.

The report suggests that a decline in the scale of remittances is more likely to impact on the economies of Egypt, Morocco and Tunisia where remittances make a significant contribution to annual GDP. In Algeria, in contrast, the value of remittances to GDP is lower so a decline in overall inflows may have a lesser impact on the national economy. Lower costs could enable remittances to play a greater role in responding to and recovering from the crisis, but there is no sign so far of a clear trend in this direction. And although a shift to digital remittances could drive a lowering of prices, an expansion of people’s access to digital infrastructure would be necessary to ensure these benefits can be enjoyed by a majority of remittance receivers. Finally, if those who receive remittances have had a greater capacity to save money, then they may also be better placed to endure the economic shock associated with the pandemic.

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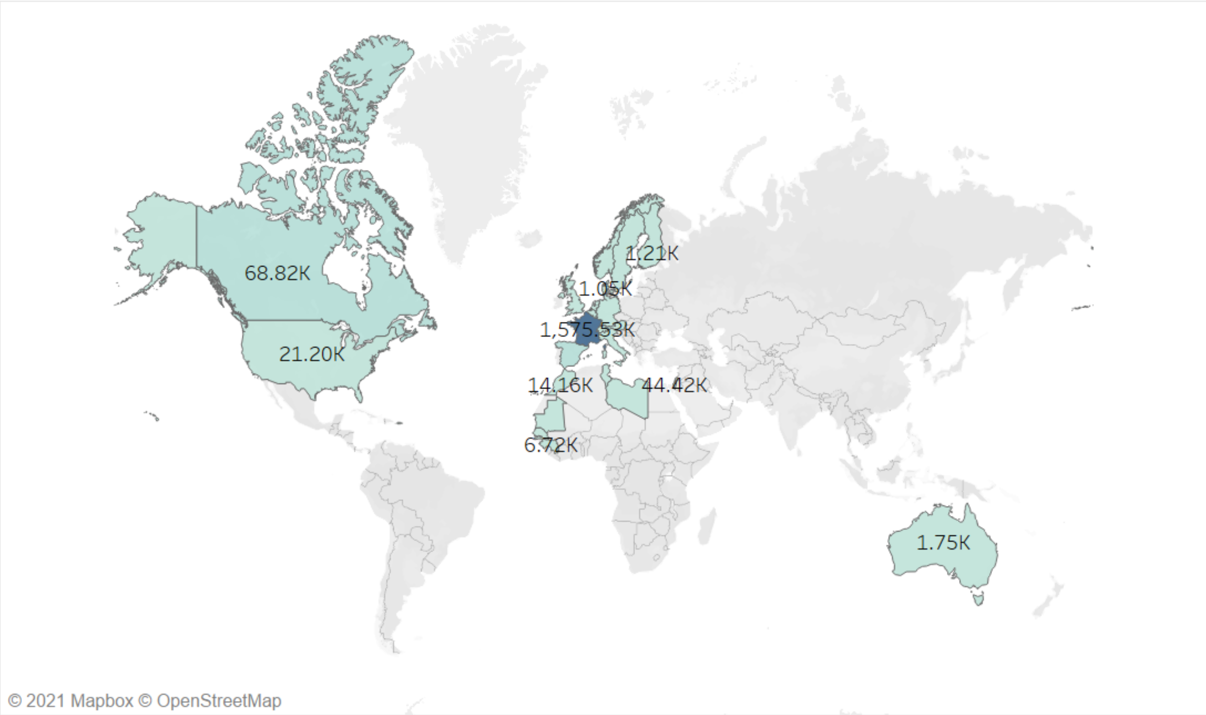
Annexes

Annex 1. Global distribution of migrant stock from North African countries

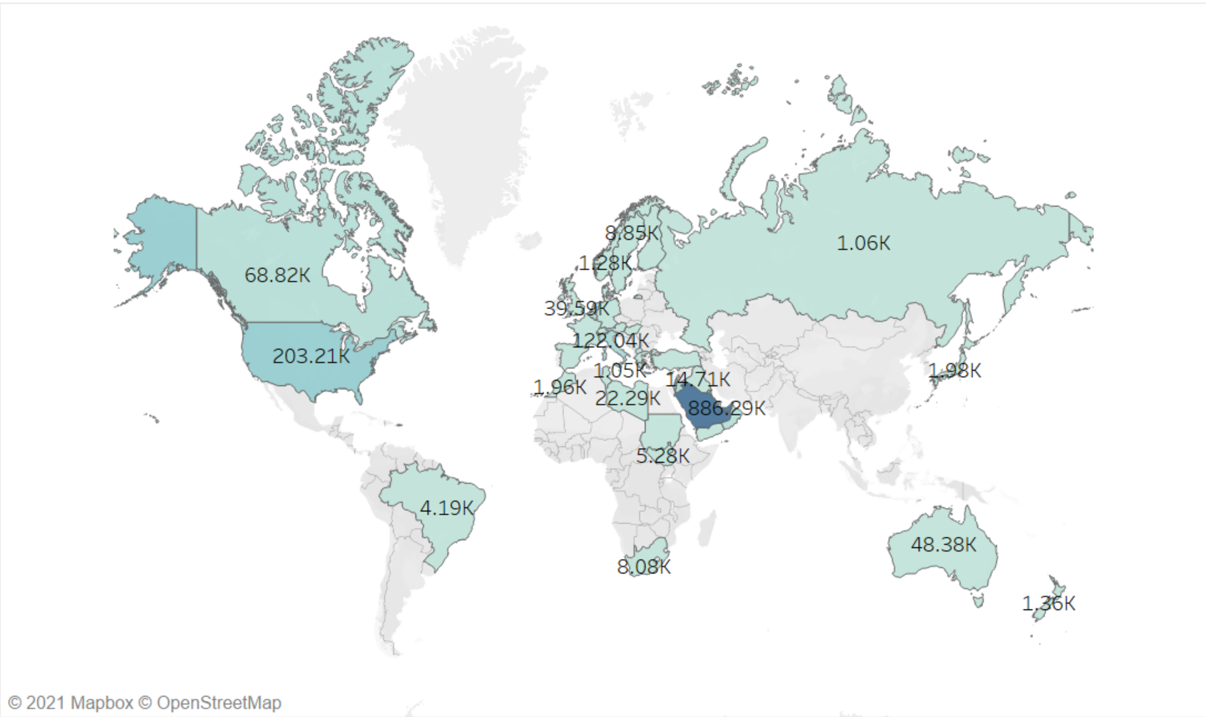
Algeria



Value

1.00K 1,000K

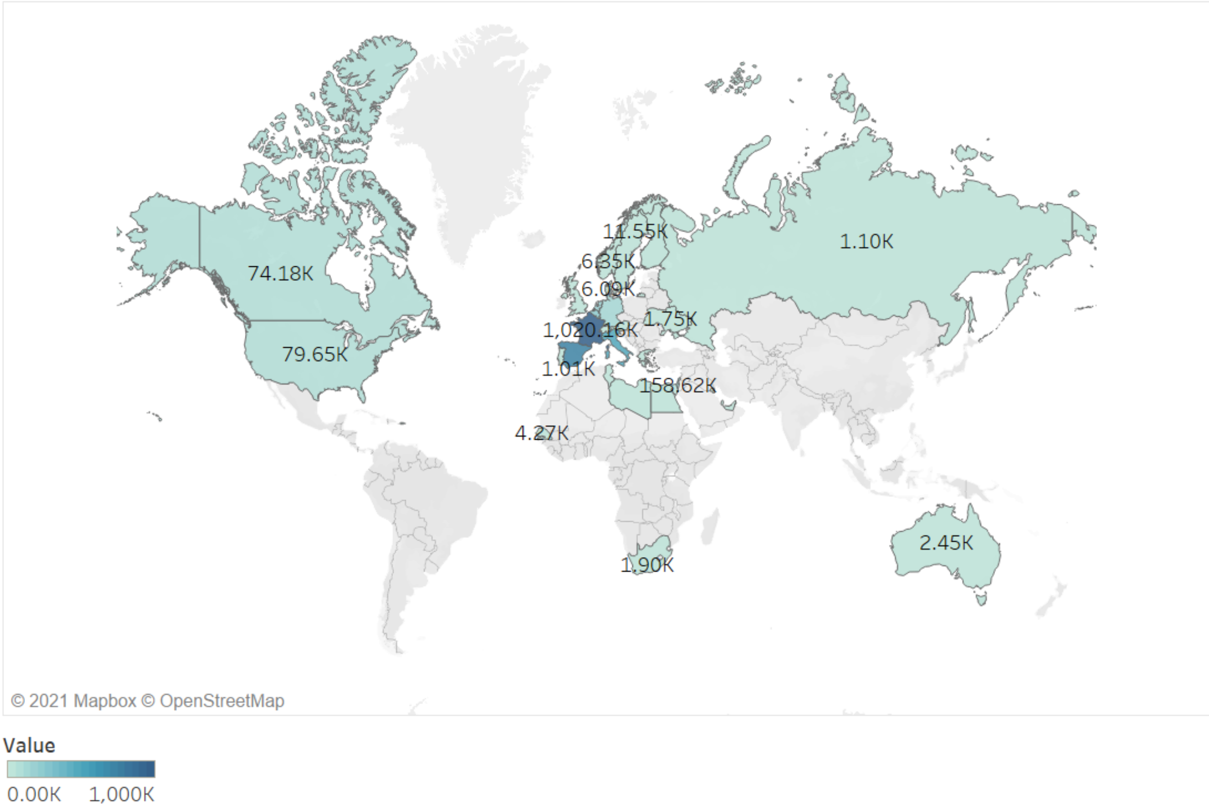
Egypt



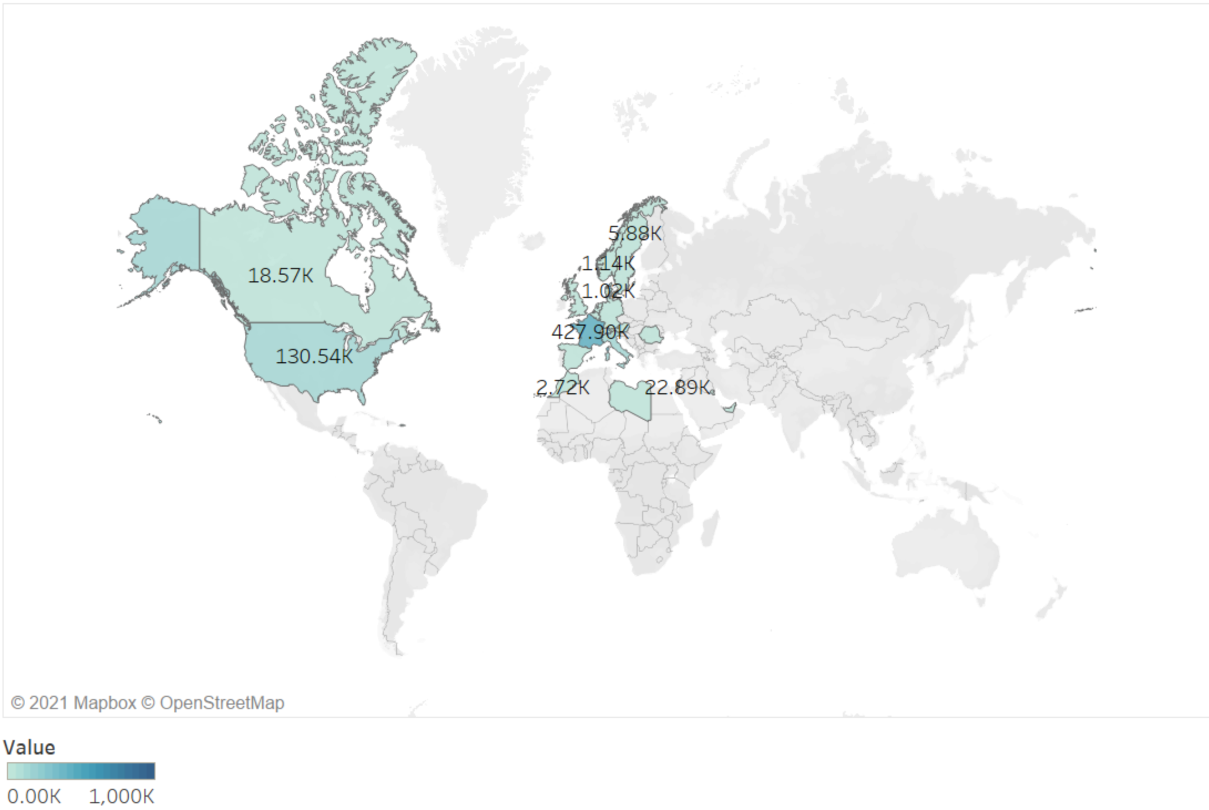
Value

1.00K 1,000K

Morocco



Tunisia



Source: UNDESA, 2019

Elaboration: JRC

Annex 2. Main remittance corridors and abbreviations

Source country	Destination country	Corridor
France	Algeria	FRA-DZA
United States	Egypt, Arab Rep.	ARE-EGY
Italy	Egypt, Arab Rep.	ITA-EGY
Netherlands	Morocco	NET-MOR
Italy	Morocco	ITA-MOR
Kuwait	Egypt, Arab Rep.	KUW-EGY
Israel	Morocco	ISR-MOR
Italy	Tunisia	ITA-TUN
Spain	Morocco	SPA-MOR
Jordan	Egypt, Arab Rep.	JOR-EGY
United Arab Emirates	Egypt, Arab Rep.	USA-EGY
Belgium	Morocco	BEL-MOR
France	Tunisia	FRA-TUN
Saudi Arabia	Egypt, Arab Rep.	SAU-EGY
Germany	Morocco	GER-MOR
Belgium	Algeria	BEL-DZA
France	Morocco	FRA-MOR
Bahrain	Egypt, Arab Rep.	BHR-EGY
Qatar	Egypt, Arab Rep.	QTA-EGY

Annex 3. Remittance costs on main corridors to North Africa during 2020

Source country	Destination country	Remittance cost for US$200 (2020)		
		High	Low	Average
Belgium	Algeria	11.23	9.86	10.45
France	Algeria	9.80	8.33	8.97
Bahrain	Egypt, Arab Rep.	6.02	4.76	5.18
Italy	Egypt, Arab Rep.	6.73	5.94	6.38
Jordan	Egypt, Arab Rep.	3.25	3.09	3.16
Kuwait	Egypt, Arab Rep.	3.22	2.72	2.99
Qatar	Egypt, Arab Rep.	7.15	5.60	6.59
Saudi Arabia	Egypt, Arab Rep.	5.52	3.91	4.48
United Arab Emirates	Egypt, Arab Rep.	4.08	3.34	3.66
United States	Egypt, Arab Rep.	6.35	5.05	5.61
Belgium	Morocco	5.80	4.82	5.37
France	Morocco	5.69	5.17	5.42
Germany	Morocco	7.34	6.59	6.91
Israel	Morocco	13.30	12.03	12.62
Italy	Morocco	6.70	5.61	6.15
Netherlands	Morocco	6.22	5.38	5.93
Spain	Morocco	4.99	3.97	4.62
France	Tunisia	7.89	5.76	7.02
Italy	Tunisia	9.74	8.05	9.24

Source: World Bank (Figures as per cent of total value sent)

Elaboration: JRC

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doi:10.2760/085524

ISBN 978-92-76-29685-0