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Migration from Egypt, Morocco, and Tunisia
Synthesis of Three Case Studies

Christophe Schramm
# Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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</thead>
<tbody>
<tr>
<td>ACU</td>
<td>Australia, Canada, and the United States</td>
</tr>
<tr>
<td>ANAPEC</td>
<td>National Agency for the Promotion of Employment and Competences</td>
</tr>
<tr>
<td>ANETI</td>
<td>Agency for Employment and Independent Labor</td>
</tr>
<tr>
<td>ATCT</td>
<td>Agency for Technical Cooperation</td>
</tr>
<tr>
<td>CAPMAS</td>
<td>Egyptian Central Agency for Public Mobilization and Statistics</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FDI</td>
<td>foreign direct investment</td>
</tr>
<tr>
<td>GDP</td>
<td>gross domestic product</td>
</tr>
<tr>
<td>GNI</td>
<td>gross national income</td>
</tr>
<tr>
<td>HCM</td>
<td>Higher Committee for Migration</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technologies</td>
</tr>
<tr>
<td>IOM</td>
<td>International Organization for Migration</td>
</tr>
<tr>
<td>MENA</td>
<td>Middle East and North Africa</td>
</tr>
<tr>
<td>NGO</td>
<td>nongovernmental organization</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OTE</td>
<td>Office for Tunisians Abroad</td>
</tr>
<tr>
<td>UN</td>
<td>United Nation</td>
</tr>
<tr>
<td>VTC</td>
<td>vocational training center</td>
</tr>
</tbody>
</table>
# Table of Contents

**Introduction** .................................................................................................................................. 1

**I. Main Migration Parameters** ...................................................................................................... 2

1. Migration Stocks .......................................................................................................................... 2
2. Migration Flows ........................................................................................................................... 3
3. Migrant Characteristics ................................................................................................................ 5
4. Issues and Recommendations .................................................................................................... 6

**II. Migration and the Labor Market** ............................................................................................. 8

1. Demographic Characteristics and Trends .................................................................................. 8
2. The Economy and the Labor Market ......................................................................................... 9
3. Labor Market and Migration Implications ................................................................................. 10
4. Issues and Recommendations .................................................................................................. 12

**III. Education and Training** .......................................................................................................... 13

1. Overall Picture .......................................................................................................................... 13
2. Higher Education ..................................................................................................................... 14
3. Vocational Training ................................................................................................................... 15
4. Issues and Recommendations .................................................................................................. 16

**IV. Economic Impact of Migration** ............................................................................................. 17

1. The Problem of Measurement ................................................................................................. 17
2. Remittance Flows ....................................................................................................................... 17
3. Economic Impact ....................................................................................................................... 19
4. Issues and Recommendations .................................................................................................. 20

**V. Offshoring and Outsourcing** ................................................................................................ 21

1. Market Situation ....................................................................................................................... 21
2. Business Environment .............................................................................................................. 22
3. Future Trends ........................................................................................................................... 23
4. Issues and Recommendations .................................................................................................. 23

**VI. Migration Policies and Institutions** ...................................................................................... 24

1. Legal Framework ....................................................................................................................... 24
2. Institutional Framework ............................................................................................................. 25
3. Effectiveness ............................................................................................................................. 26

**VII. The Way Forward** .................................................................................................................. 28
TABLES

Table II.1 Demographic Indicators for Morocco, Tunisia and Egypt .................................................. 8
Table II.2 Key economic Indicators for Morocco, Tunisia and Egypt, 2004 ........................................ 10
Table III.1 Education Indicators for Morocco, Tunisia and Egypt, 2004 ......................................... 13
Table IV.1 Remittances in Relation to Major Indicators, 1990-2003 Averages ................................. 19
Table V.1 Ease of Doing Business in Morocco, Tunisia and Egypt, 2005 ........................................ 23

FIGURES

Figure I.1 Skill Distribution among Migrants from Morocco, Tunisia and Egypt to Europe and Australia, Canada and the USA, For the Years 1990 and 2000 ......................................................... 7
Figure IV.2 Evolution of Remittance flows for Morocco, Tunisia and Egypt ............................... 18
INTRODUCTION

The effects of migration on individuals, societies, and countries are profound and multifaceted, and many of these effects are directly or indirectly linked to development processes. Regular migration constitutes an important aspect of socioeconomic development. Orderly labor migration reduces to a significant extent the pressure on the local job market and thus contributes to lowering the unemployment rate. In addition, the important volume of migrant remittances positively affects socioeconomic development at both the macro and the micro levels.

This report is based on three case studies carried out in the Arab Republic of Egypt, Tunisia, and Morocco on behalf of the Middle East and North Africa (MENA) Region in fiscal year 2006 (FY06). They are as follows:

- Labor Emigration and Insourcing in MENA—The Case of Egypt, by Ayman Zohry and Christophe Schramm, in collaboration with the International Organization for Migration (IOM) Cairo
- Migration et Insourcing dans les Pays de MENA—Cas de la Tunisie, by Ahmed Basti and Tahar Ben Abdesselem, in collaboration with IOM Tunis
- Migration et Insourcing dans les Pays de MENA—Cas du Maroc, by Mohamed Khachani, Fouzi Mourji and Christophe Schramm, in collaboration with IOM Rome

These three case studies formed part of a broader initiative by the Bank’s MENA Region to prepare a regional report or reports on labor migration and insourcing in MENA countries. The initiative started with the premise that migration and insourcing represent challenges and opportunities for both sending and receiving countries, and that a sound management of economic migration, based on cooperation between home and host countries, and more consistently integrated into long-term development strategies, can have beneficial outcomes for sending and receiving countries alike, as well as for the migrants and their households. The objective has been to provide some directions for policy making regarding migration.

The purpose of this report is to present a synthesis of the three case studies covering both the commonalities and the differences with regard to findings and recommendations. The synthesis follows to a large extent the outline of the underlying case studies. It opens with a quantitative overview of the current migration situation, or what one report called “les réalités migratoires,” in the countries concerned, covering migration stocks and flows and migrant characteristics such as age, gender, education attainment, and skills (Section I). It then examines the countries’ demographic characteristics and trends, particularly as they affect the labor market, and their implications for job creation requirements and the already high unemployment rates (Section II). Section III reviews the structure and performance of the existing education and vocational training systems in the three countries to assess the extent to which they support the employability of graduates in both domestic and external markets. The economic impact of migration is the focus of Sections IV and V, which examine, among other things, the role of remittances and the prospects for insourcing. Section VI describes and assesses briefly the policy, legal, and institutional frameworks of the three countries and their effectiveness. The report concludes with a look at the way forward, focusing on the broad issues concerning policies, collaboration,
institutions, and management, based on the common lessons and challenges of the three countries.

The data configuration poses major difficulties for a comparative, cross-country exercise such as this one. There are serious data deficiencies in practically all areas of migration in the three countries of focus. Unbroken and up-to-date time-series are lacking for nearly all migration indicators, as well as for variables such as the use of remittances, to measure, for example, the impact of migration on poverty. Aside from the problem of unrecorded migration and remittances, gross inconsistencies exist between data on migration flows recorded by countries of origin and countries of destination, and between data recorded by different agencies within the same country, the case studies did a good job in exploiting the data that are available from diverse sources and ad hoc surveys or studies. The results helped the individual country analyses, but they do not allow or facilitate intercountry comparisons. The problem is exacerbated by the dynamism of the migration situation of the three countries, which render even data two or three years old quickly obsolete. There are, in addition, wide differences among the three countries in population size, migrant stock and flows, and economic trends. It is thus difficult to draw a common profile or typology on any aspect of migration, based on the case studies. The synthesis is careful to differentiate among the migration experience and prospects of the three countries and to avoid excessive generalization, and suggests that the readers do the same.

I. MAIN MIGRATION PARAMETERS

Migration Stocks

In 2004, according to government sources, about 7 million Moroccans, Tunisians, and Egyptians lived abroad. With 3.1 million migrants that year, the Moroccan migrant stock was the largest both in absolute terms and as a share of the country’s population (10.4 percent). Egypt had around 3 million migrants, which represented only 4 percent of its total population, while 9 percent of Tunisia’s population, or about 900,000 people, were living abroad. As their magnitudes suggest, these high levels and proportions were not reached over a short time span. The Mediterranean countries of the MENA Region have been and remain an important region of emigration. Although people have migrated from the countries of this region before World War II, migration and in particular labor migration mainly developed since that time. The first phase of migration, until the mid-1970s, was driven largely by labor demand from European countries such as the Benelux, France, and Germany. Sharp decreases in migration flows toward Europe and new migration to the Arab Gulf are the hallmark of the second phase (until the beginning of the 1990s). The third phase of migration is characterized by the rise of irregular migration and a significant diversification in destinations.

Among the many determinants of migration, economic factors have been dominant throughout the different periods. Given the population growth over the last decades in Egypt, Morocco, and Tunisia, economic instability, regional underdevelopment, high rates of unemployment, and poverty have been the primary “push factors” of emigration, while the labor needs in European and the Arab Gulf countries, as well as the wage differential with these countries, have been major “pull factors.”
Political events in the region (including armed conflict) have induced various waves of migration, while immigration laws and policies (for example, on family reunification) in receiving countries have heavily influenced official migration flows and generated new forms of irregular migration. Social and psychological factors have also been at play. Migrant networks and return migration have been an important driver for many migrants, through the information provided and the expectations created by individual success stories.

Today, Morocco’s and Tunisia’s migration stocks are largely concentrated in Europe, while the majority of Egypt’s migrant stock is concentrated in the Arab Gulf countries. Close to 85 percent of all Moroccans and Tunisians abroad live in European countries, although their country distribution varies. More than half (58 percent) of the Tunisian migrant stock is concentrated in France, while Morocco has only 36 percent of its migrant population in that country, with another 40 percent being evenly distributed among the Benlux, Italy, and Spain. The stock of migrants in Arab countries is relatively low (10–15 percent of the total) for both Morocco and Tunisia. About 6 percent of Moroccan migrants and 3 percent of Tunisian migrants are found in North America.

The situation of Egyptian migrants is quite different. Migrants in the Arab world represent more than two-thirds of the total Egyptian migrant stock. Saudi Arabia is the largest host country for Egyptian migrants, with a share of 34 percent, followed by Libya (12 percent). Migration to Australia, Canada, and the United States accounts for nearly a fifth, the latter country being host to 320,000 Egyptians. In Europe, the host countries with significant numbers of Egyptian migrants include Greece and Italy.

The picture sketched above is based on the numbers recorded by the respective government agencies. The numbers recorded by the member countries of the Organisation for Economic Co-operation and Development (OECD) differ significantly and are consistently lower. In the case of Morocco, 2004 OECD data showed a total stock of around 1.7 million migrants, or 40 percent below country-of-origin data (around 3 million). For Tunisia, the stock in 2000 was 468,000 according to OECD data, against 660,000 according Tunisian sources, or 30 percent lower. For Egypt, the OECD source’s total was as much as 60 percent below the Egyptian estimates. These considerable gaps can be explained (i) by differences in the definition of a migrant, (ii) by the fact that some migrants are naturalized in their host country, and hence do not appear as migrants in the census or other surveys any more, and (iii) by the fact that irregular migrants may register at their consulates, but usually are not counted in host country statistics.

**Migration Flows**

Migration flows have increased and become considerably diversified over the last two decades. The serious lack of reliable, comparable, and reasonably up-to-date time-series data for the three countries prevents the presentation of migrant flows and their evolution for the countries concerned comparatively and in tabular form (see the introduction). The rest of this section discusses the main features of those flows by country, which is unavoidable as well as appropriate because of significant differences among countries, depending on, among other things, migrant destinations.
The number of Moroccan migrants almost tripled between 1984 and 2004, with an average net annual outflow of about 97,500 people. Migration to Europe grew at an annual rate of about 10 percent during the 1980s and the late 1990s, with a period of reduced migration in between, due to the restrictions imposed by the common border regulations of European countries. Flows to the Arab world decreased slowly beginning in the early 1980s, before picking up again from 1997 on at a rate of 5 percent annually. North America has emerged as a new pole of attraction since the 1980s, while Asia and Australia saw first waves of Moroccan immigration in the 1990s. Specifically, the total increase of migrants from Morocco has been greatest in Spain (+544 percent between 1993 and 2004), the United States (+300 percent), and Italy (+226 percent). France’s Moroccan immigrants have grown less rapidly, by around 65 percent since 1993.

**Tunisia**’s migration flows grew by about 16 percent in the early years of this decade (2001–04), most of them being oriented toward Europe. Within the European Union, Italy has been the prime destination in relative terms, Tunisians there increased by more than 60 percent, while France’s Tunisian migrant stock has grown by less than the average (13 percent). The Maghreb countries attracted increasing numbers of Tunisians during the same period, but Tunisians have tended to move out of the other Arab countries in the region. While still small, the number of Tunisian migrants to Canada, the United States, and in particular Asian countries has seen strong growth over the last five years.

**Egypt**’s migration has had two major destinations: the countries of the Arab region and those of the OECD. These two flows have displayed significant differences in migration determinants, trends, and characteristics, such as skill levels (discussed later). Together, they have shaped the size as well as the evolution of the Egyptian migration stock. From 1989 to 1991, the first Gulf War generated major return migration flows of Egyptian migrants, pushing down the total number of Egyptian abroad from 1.9 million to 1.5 million. Flows to the Arab countries increased again over the period 1991–2001, raising the number of Egyptian nationals overseas to 2.8 million in 1998. However, data on the number of annual contracts signed by Egyptians in the Arab countries show a decline, which indicates increasing pressure on the Egyptian labor force in the Arab Gulf. At the same time, the distribution of Egyptian migrant workers in the region shifted during the 1990s, away from Iraq—which accounted for 44 percent of all Egyptian migrants in 1990—to Libya and Saudi Arabia, which currently is the major host of Egyptian migrant labor in the region. Overall, Egyptian migration to the Gulf region has suffered from mounting competition from Asian immigrants. Partly as a result, the overall share of Arab nationals in the expatriate population of Arab Gulf countries seems to have been more than halved. Almost simultaneously, Egyptian migrant stocks in major OECD destination countries have increased, with the largest increase, in numbers, taking place in the United States.

While remaining predominantly emigration countries, Egypt, Morocco, and Tunisia have reinforced their role as immigration countries and transit stations for migrants from Sub-Saharan Africa. These immigration flows can be divided into legal flows and illegal flows. Legal immigration to these three countries has not experienced significant changes over the last 20 years. Around 61,000 foreigners were officially registered in Morocco in 2003, more than half of them being inactive, according to labor market definitions (consisting of students, retirees, and). In Egypt, the number was around 115,500 in 1996 (admittedly too far back because of data

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1 Schengen 1985; Maastricht 1991.
shortcomings), but only about 16,000 work permits were issued for immigrant workers (mostly from the Arab region) that year. Only in the case of Tunisia are actual and more up-to-date inflow data available. These data show that 10,700 foreigners immigrated into the country during the period 1999–2004, mostly for professional reasons or for family reunification. Notably, 17,800 Tunisian migrants *came back* during this period—a development that merits further study.

Despite measurement difficulties, it is almost certain that *illegal* immigration is much larger than legal immigration in all three countries and particularly in Egypt. Rough estimates of the number of refugees, both legal and illegal, asylum seekers, and migrants range between 500,000 and 3 million. The main communities in Egypt are Sudanese who have arrived in several waves since 1955 (numbering from 500,000 to several million), Palestinians (50,000 to 70,000), and Somalis and Ethiopians (significantly smaller in number). Illegal migrants in Morocco are estimated at 250,000 to 300,000 and include the group transiting through the country on their way to Spain and Italy. The share of nationals from Sub-Saharan countries (Mali, Nigeria, Guinea-Bissau, and Sierra Leone) has been growing over this period. In 2005, they made up about 75 percent of the 28,600 people arrested by Moroccan border police. These numbers, however, underestimate the real flow of clandestine migrants by a factor ranging from 2 to 5, which also applies to Tunisian illegal migration.

**Migrant Characteristics**

The profiles of emigrants from Morocco, Tunisia, and Egypt have many similarities, although trends vary under each. What follows focuses on age, gender, and skill characteristics.

Most migrants are young, that is, below the age of 35. The age structure of the migrant population varies, however, depending on the history of migration, the country or countries of destination, and the migration policies of both the sending and the recipient countries. To illustrate, traditional destination countries for Moroccan migrants like *Belgium* attracted young people and children—through family reunification programs—during the 1980s. With reduced immigration flows during the 1990s, the number of children sharply declined, and the active immigrant population (15–64 years) grew much less than the older (retired) immigrant population. In contrast, the Moroccan immigrant population in *Spain*, which became a destination country only in the 1990s, has seen strong increases for both children and active population.

A majority of the migrants are male. This was true of more than four out of five emigrants from Tunisia between 1999 and 2004. This, however, has varied by country of destination. Women accounted for about one-third of the Moroccan migrants in Italy and Spain, but for nearly half of those in Belgium, France, and the Netherlands. While migrants in the 1970s were mostly young single men, they increasingly include couples with children, and these couples tend to be older than in the previous generation of migrants.

The impact of policies, especially recipient-country policies, on migrant characteristics can be demonstrated in reference to Egypt, whose main migrant destinations have been the Arab region and the OECD countries. Migration policies in the Arab Gulf countries have attempted to generate *temporary* migration, rather than *permanent* migration, as thus far is the case in the
OECD. Because Gulf countries do not grant citizenship to migrant workers, migration can be only for work purposes and is temporary. Gaining citizenship in an OECD country, on the other hand, is possible, which creates incentives to migrate permanently and bring along the spouse and children.

The migrant characteristic that varies the most among the three countries, both by country of destination and over time, is skills. Egyptian migrants to OECD countries have the highest skills. Nearly 60 percent of Egyptian migrants during the 1990s had completed tertiary education (that is, 13 years or more of schooling), compared with 15 percent for Tunisian and 13 percent for Moroccan migrants. The majority of migrants to Australia, Canada, and the United States (the ACU group, which only recently have emerged as host countries) are highly skilled, while the largest group among migrants to Europe (an old destination of migration) have completed only primary education (see figure I.1). This is true of migrants from all three countries, which points to the greater requirement of ACU countries for high-skilled migrants. All three countries have experienced an upward movement in skills in the demand for migrants.

Little information is available about the characteristics of clandestine migrants. Most of those employed have small service jobs in the informal sector at the lowest end of the income scale. A rather surprising finding, based on Moroccan evidence, is that those migrating from Sub-Saharan Africa usually possess the means to finance their journey and have received either professional training or a tertiary education.

**Issues and Recommendations**

- Given the quantitative focus of this section, the main issue concerns the shortcomings of the data—a problem that concerns not just migration stocks and flows, but also economic impact, outsourcing, and more. Within the data problem, the key issue is cross-country comparability.

- The problem is not a lack of institutions or capacity. Section VI on migration institutions will argue that Egypt, Morocco, and Tunisia may have, in fact, too many institutions dealing with migration. These three countries concerned seem to suffer from overcentralization in many areas, but data collection is an area in which centralization of responsibility seems appropriate and may need to be strengthened.

- Data collection needs to follow agreed international standards to achieve comparability. Each country should work to achieve comparability not to satisfy external researchers but, rather, to work as a tool for self-evaluation of policies and achievements on a comparative basis.

- Differences between data generated by migrant-sending and -receiving countries are staggering, as noted earlier. Understanding the reasons for these differences is important but not enough. Both sides need to strive to reconcile the data. Host country data may need improvement just as much as country-of-origin data.
Figure I.1
Skill Distribution among Migrants from Morocco, Tunisia, and Egypt to Europe and Australia, Canada, and the United States, 1990 and 2000

Educational attainments of Moroccan migrants to Europe and Australia, Canada and the USA (ACU) 1990/2000

Educational attainments of Tunisian migrants to Europe and Australia, Canada and the USA (ACU) 1990/2000
II. MIGRATION AND THE LABOR MARKET

Demographic Characteristics and Trends

Egypt, Morocco, and Tunisia differ significantly in demographic trends, indicators, attainment, and prospects. While Egypt and Morocco are still experiencing demographic pressure caused by high population growth, Tunisia has already completed the process of demographic transition. The population of Egypt grew by a factor of 3.9 between 1947 and today\[year\] to reach 74 million, and the population of Morocco tripled between 1955 and 2005 when it exceeded 31 million. This growth in both countries is the result of a combination of high, slowly decreasing fertility rates, increased life expectancy, and a sharp drop in infant and child mortality rates since the 1960s. Nevertheless, the two countries’ population growth rates are still in the 1.5 to 2.0 percent range, while their total fertility rates remain high at 3.0 and 2.7 children per woman in Egypt and Morocco, respectively (see table II.1).

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Morocco</th>
<th>Tunisia</th>
<th>Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (in millions, 2005)</td>
<td>31.50</td>
<td>10.00</td>
<td>74.00</td>
</tr>
<tr>
<td>Urban population (% of total, 2003)</td>
<td>57.40</td>
<td>67.40</td>
<td>42.90</td>
</tr>
<tr>
<td>Population growth rate (% 2000–03)</td>
<td>1.61</td>
<td>1.14</td>
<td>1.84</td>
</tr>
<tr>
<td>Total fertility rates (children per woman, 2003)</td>
<td>2.70</td>
<td>2.00</td>
<td>3.10</td>
</tr>
<tr>
<td>Life expectancy at birth (years, 2003)</td>
<td>68.60</td>
<td>73.20</td>
<td>69.10</td>
</tr>
<tr>
<td>Population under age 15 (% 2003)</td>
<td>32.90</td>
<td>27.50</td>
<td>33.50</td>
</tr>
<tr>
<td>Infant mortality (per 1,000 live births, 2003)</td>
<td>36.00</td>
<td>19.00</td>
<td>33.00</td>
</tr>
</tbody>
</table>

Sources: Arab Human Development Report 2004; World Development Indicators 2005.
In contrast, Tunisia’s population—the smallest of the three—has only doubled in size between 1970 and 2005 to reach about 10 million. The country’s fertility rate is 20 to 30 percent lower than in Egypt and Morocco, and its population grew at a rate of merely 1.14 percent during 2000–03. Given the better health system, infant and child mortality is 30 to 40 percent lower and life expectancy is four years higher than in the Egypt and Morocco. Moreover, Tunisia is ahead in urbanization, with 67 percent of its population living in cities, against 57 percent in Morocco and 43 percent in Egypt. The age distribution of the three countries is not too dissimilar, with the share of population under age 15 varying around 30 percent.

Despite the deceleration of the population growth rates in both Egypt and Morocco, both populations will continue to grow significantly over the next 20 years. According to United Nations’ forecasts, Egypt’s population is estimated to reach 100 million and Morocco’s population to reach 40 million over this period. The active population (defined as all those age 15–64) will increase even faster: from around 20 million today to 27 million in 2025 in Morocco, and from 46 million to 66 million in Egypt. Tunisia, however, should see its population reach only 12 million or so by 2025 and its ratio of active population to total population to decline from 2015 onward. These population trends have significant implications for job creation and migration requirements—implications that vary because the three countries differ in their economic endowments, characteristics, and performance.

**The Economy and the Labor Market**

Economic trends and attainments also differ significantly among the three countries. While Tunisia and Egypt experienced relatively fast and sustained growth during the 1990s, the Moroccan economy lagged behind. The annual gross domestic product (GDP) growth rate averaged about 4 percent per year between 1985 and 2005 for Tunisia and Egypt, despite a short slowdown for the latter after 2001. Morocco’s economy, however, grew by an average of only 2.1 percent between 1991 and 1998, notably due to the country’s continued dependency on the agricultural sector, which suffered from drought. Average growth accelerated to 3.3 percent between 1998 and 2004, and jumped to 4.3 percent in 2004, only to drop to 1.5 percent in 2005, demonstrating the notorious volatility of Moroccan output (see table II.2).

Tunisia has the highest developed economy, with a gross national income per capita of US$2,630. This is more than double the level of Morocco (US$1,310) and considerably higher than that of Egypt (US$1,570). These different stages of development are also reflected in the structure of the respective economies. The Tunisian service sector contributed almost 60 percent to domestic production, against 48 percent in the case of Morocco. Lagging economic performance over the last decades accounts for the low rankings of Egypt and Morocco (namely, 119th and 124th) on the 2003 UN Human Development Index. Tunisia ranked 89th, with a poverty rate at less than half the level of the two other countries.

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Table II.2. Key Economic Indicators for Morocco, Tunisia, and Egypt, 2004

<table>
<thead>
<tr>
<th></th>
<th>Morocco</th>
<th>Tunisia</th>
<th>Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (current billion US$)</td>
<td>49.5</td>
<td>28.2</td>
<td>78.5</td>
</tr>
<tr>
<td>GDP growth (%)</td>
<td>4.3</td>
<td>5.8</td>
<td>4.1</td>
</tr>
<tr>
<td>Percent share of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>15.3</td>
<td>12.6</td>
<td>15.2</td>
</tr>
<tr>
<td>Industry</td>
<td>29.6</td>
<td>27.8</td>
<td>36.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>17.5</td>
<td>17.7</td>
<td>18.3</td>
</tr>
<tr>
<td>Services</td>
<td>55.1</td>
<td>59.5</td>
<td>48</td>
</tr>
<tr>
<td>GNI per capita (Atlas method, US$)</td>
<td>1,570</td>
<td>2,630</td>
<td>1,310</td>
</tr>
<tr>
<td>Employment (millions)</td>
<td>9.9</td>
<td>2.9</td>
<td>20.5</td>
</tr>
<tr>
<td>Unemployment (%)</td>
<td>11.6</td>
<td>14.2</td>
<td>10</td>
</tr>
<tr>
<td>Poverty rate (% below national poverty line)</td>
<td>15</td>
<td>7</td>
<td>19</td>
</tr>
<tr>
<td>Human Dev. Index (2003)</td>
<td>0.631</td>
<td>0.753</td>
<td>0.659</td>
</tr>
</tbody>
</table>

Sources: World Development Indicators 2005 and national sources.
Note: GDP = gross domestic product; GNI = gross national income.

Data on unemployment have serious shortcoming in all three countries because of nondeclared unemployment and underemployment in the government and informal sectors. These shortcomings notwithstanding, unemployment seems to be high in all three countries considered, given the insufficient economic growth, combined with the rapid increase of the male and particularly the female labor force. Unemployment is first and foremost an urban phenomenon, which affects women more than men and young work seekers (15–24) more than older ones. To illustrate, about 90 percent of the unemployed Moroccans live in cities; 6.3 percent of the male Egyptian labor force was recorded as unemployed in 2002, against as much as 24 percent of the female labor force; and Moroccan unemployment in the 15–24 age-group is up to six times higher than unemployment in the 35–44 age-group, at a given education attainment level.

Traditionally, and in absolute numbers, unemployment tends to affect unskilled and low-skilled workers, as these workers represent the majority of the labor force in all three countries. In recent years, however, high-skilled unemployment has surged as a major problem in Morocco, Egypt, and progressively in Tunisia as well. The numbers are staggering. In Morocco, in recent years, unemployment among those without any diploma was at 5.6 percent only, against 22.4 percent for the secondary educated and 26.5 percent for the higher-educated labor force. Unemployment soared to 66 percent for women ages 15–24 in urban areas (2002). In Egypt, the respective numbers were 1 percent, 32 percent, and 14.5 percent (2002). The Tunisian unemployment rate for the highly educated went up from 3.8 percent to more than 10 percent between 1994 and 2004. Governments are aware of the problem, as the numbers are beyond any observer’s capacity to ignore.

Labor Market and Migration Implications

All three countries suffer from high if varying rates of unemployment. Labor force projections and trends in job creation provide an indication of the future pressure on migration and the implications for unemployment in its absence. The implications are particularly serious for Egypt
and Morocco, compared with Tunisia, where the labor market is already moving toward a better balance between demand and supply.

Given the demographic evolution of Egypt and taking into account the likely increase of female participation in the labor market, the UN population projections forecast an increase of the labor force from around 24 million in 2005 to almost 37 million in 2025. According to World Bank calculations, the annual labor force increase would lie between 550,000 and 850,000 people. Analysis of Egyptian job creation since 1960, however, reveals an annual job creation potential of only 420,000 to 540,000 over the next 20 years. Depending on the government’s success in creating new jobs, unemployment is forecast to rise by 1.4 million to 3.2 million. Systematic migration of at least 50,000 migrants per year (going up to 200,000 in the worst-case job-creation scenario) would be necessary to maintain the current labor market situation, with its high unemployment.

Morocco created on average 85,000 jobs per year between 1986 and 1995 and 153,000 per year in the following 10 years—this, with an average GDP growth of around 3 percent per year. The World Bank estimates that the country’s labor force will grow by 37 percent to at least 15.3 million by 2020. To create the required 4.2 million jobs, the Moroccan economy would have to grow at a rate of 5 to 7 percent a year over this period. At a GDP growth rate of 4 percent, an annual job creation deficit of around 30,000 will develop, adding 450,000 people to the unemployed. Additional migration of at least 20,000 per year would help meet this challenge.

Given Tunisia’s advanced stage of demographic transition and assuming a slow increase in the labor force participation rate (46 percent in 2004, compared with 53 percent for Egypt and Morocco), the total labor force increase between 2005 and 2025 should be on the order of 1.1 million, according to UN projections and World Bank calculations. The number of jobs created will reach 900,000. Under conservative hypotheses on economic growth and unemployment, the cumulative job creation deficit until 2025 will not exceed 200,000, although the number could be as high as 320,000, if the Tunisian labor market attains participation rates similar to those of its neighbors. In any case, the need for significant migration (between 10,000 and 15,000 per year) should disappear after 2015.

The above purely arithmetic evaluation of the impact of migration on the labor market, and vice versa, neglects potential selection biases and the negative externalities of emigration, often called “brain drain.” Given the needs for skilled and semiskilled workers in the major receiving countries of migration from North Africa, and given also the cost of migrating, migrants have been among the more qualified and richer members of their communities. There are indications that Egypt has suffered a shortage of highly qualified workers who temporarily migrated to the Arab Gulf in the 1970s and 1980s. Today, many of the best Moroccan computer scientists and engineers and many Egyptian doctors, engineers, and teachers are attracted to OECD countries, even more so since competition among these countries for the best brains is increasing. It remains unclear whether and to what extent the labor markets of Egypt, Morocco, and Tunisia offer a sufficient number of jobs that are adapted to the skills and potential of those who leave the country. Moreover, remittances and benefits from return migration may compensate the initial loss experienced by the migrant-sending country. In none of the countries is there

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currently sufficient statistical data to evaluate the volume and hence the importance of this loss of human capital due to migration.

**Issues and Recommendations**

- Given the demographic and economic evolution in Egypt, Morocco, and Tunisia, and the major receiving countries in Europe, there should be a commonality of interest in, and approach to, migration. Europe’s aging population is facing major challenges. To give one example, according to World Bank calculations, the member states of the enlarged European Union will see the number of secondary educated people decline by 28.8 million by 2050, while the corresponding group will increase by 25.6 million in the countries of the Southern Mediterranean. At the same time, Egypt, Morocco, and, to a lesser extent, Tunisia will experience workforce increases that the national labor markets will most likely not be able to absorb, even in the case of increased employment creation through foreign direct investment (FDI) and offshoring or outsourcing. Concerns over the brain drain notwithstanding, migration represents a viable alternative to take pressure off national labor markets, especially for medium- to high-skilled first-time job seekers.

- Migration cannot be seen as the single solution to these problems. It constitutes, rather, an alternative for the partial replacement of the surplus labor force in Egypt, Morocco, and Tunisia. While migration from all three countries seems to be increasing and diversifying in destination, strong sociopolitical tendencies in the receiving countries currently limit the prospects for higher official migration flows. Indeed, European countries’ migration policies have been strongly influenced by unemployment and security concerns among the local populations and the difficulty of integrating the migrant population. Therefore, the objectives are largely focused on stopping illegal immigration and fostering selective migration schemes for the most qualified. These form serious challenges for Egypt, Morocco, and Tunisia, which have to compete against each other, as well as with other countries, for the limited official entry opportunities into Europe and North America.

- The consensus among sending and recipient countries that migration should not be viewed as a *panacea* has implications for both sides. For the sending countries, it accentuates the importance of integrating migration policies into the national development strategies. And for the recipient countries, many of which are also the main donors, it implies a need to adapt their aid and capacity building policies to accelerate economic growth.

- The importance of realism and transparency on both sides suggests a need not just for greater coordination but also for joint studies between the three countries and the countries of destination. The many references to the UN and World Bank studies above suggest that international as well as multilateral organization have a role to play in this area.
III. EDUCATION AND TRAINING

Overall Picture

Important efforts have been undertaken over the past two decades in all three education sectors to adapt to the demographic evolution and improve basic education. Today, schooling in Egypt, Morocco, and Tunisia is compulsory for 8, 9, and 11 years, respectively. Primary education and secondary education last at least six years each in all countries. Postsecondary education lasts at least two years (in technical institutes) or four years (at university). Student numbers have increased strongly at all levels of education in all three countries. For example, the number of students at the primary and secondary levels in Morocco jumped from about 700,000 in 1955 to 5.85 million in 2003—a more than eightfold increase. In Egypt, enrollment at the corresponding levels rose by nearly one-fifth in the span of a decade (1993–2003). And, according to recent statistics, in Tunisia, students in higher education nearly tripled over the period 1996–2005, reflecting a regional, sharply upward trend.

While primary education now covers, by law, all children in the three countries, secondary and particularly tertiary education enrollment rates differ among them (see table III.1). The Egyptians and Tunisians enrolled in secondary education in 2004 represented more than 80 percent of their age-group, while the corresponding figure was only 47.6 percent for Morocco. At the tertiary level, enrollment rates were around 30 percent for Egypt and Tunisia, but less than 11 percent for Morocco. Public spending on education also varies; it is largest in Tunisia, based on 2004 data, where it represented 8.1 percent of GDP that year, followed by Morocco (6.3 percent) and Egypt (4.4 percent), all above the MENA average of 3.5 percent.

As a result of the considerable efforts at the primary level over the past decades, more than 70 percent of Egyptian and Tunisian adults were literate in 2004, against 47 percent and 59 percent, respectively, in 1990. Morocco trails behind in literacy, as well as in some other education indicators. Despite the significant progress made since 1960, nearly half of Morocco’s population age 15 years or older is still illiterate. Similarly, while there has been significant progress in women’s participation in, and the rural populations’ access to, education in all three countries, large gender and generational disparities in literacy remain.
Higher Education

Higher education in all three countries has experienced the strongest growth over the last decades. In 2003, there were 1 million more Egyptian university students than in 1993 (1.6 million, compared with 613,000). In Tunisia, ranks nearly tripled over a similar period, as noted earlier. In Morocco, however, the increase in student numbers in universities was only 12.5 percent between 1998 and 2003—a matter of some concern because of the combination of a low enrollment rate and a low graduation rate in that country. Less than 10 percent of the university students graduate there each year, against around 16 percent in Tunisia and Egypt.

The sharp increase in the university populations of Tunisia and Egypt has been a matter of concern from the angles of cost and education quality. In Tunisia, university enrollment is forecast to expand from 346,000 in 2005 to almost 500,000 by 2011, posing a challenge for education relevance and quality, creating job opportunities, and financing. To illustrate the financing challenge, Tunisia, which dedicates 2 percent of GDP to higher education, will need to increase these expenditures by 20 to 30 percent by 2011. Egypt needs to create an estimated 500,000 job opportunities every year to absorb the new graduates.

Regarding employability, a common element of growing concern has been that the majority of university students gravitate to studying the humanities (literature, social sciences, law, and so on). The share of science and engineering students in the total student population is low: about 20 percent in the case of Morocco and Egypt. While the number of Egyptian science graduates more than tripled between 1993 and 2003, the number of Moroccan science students and graduates (including specializations in engineering and technology) declined in both absolute and relative terms between 1998 and 2003, reaching less than 6,000. By contrast, a full third of all Tunisian graduates in 2005 were educated in the fields of science or engineering; and 11 percent of all students study information technology (IT), multimedia, and telecommunications. This is the result of clear and targeted public policies aimed at reinforcing the scientific and technical fields. These policies have resulted in exceeding the goal of raising the share of university students specializing in science and engineering to 30 percent by 2006, and therefore merit drawing on them as best practice.

The quality of higher education is a major concern in all three countries, and currently more so in Egypt and Morocco because Tunisia has already taken some major steps to improve it, which seem to be producing, or at least promising, results. There is a broad consensus among academics and policy makers alike that quality has suffered from university overpopulation as a result of governments’ commitment to providing free education without having sufficient resources to do so. The case study on Egypt concluded unequivocally that “except for a small proportion of graduates from faculties of computer sciences, Egyptian university graduates lack the skills to compete in a globalized world.” Not only do many university graduates have a humanities or social science training, which often does not match the needs for technical competencies in the labor market, but also many of them lack general skills such as critical reasoning, management skills, professional experience, language proficiency, or computer and Internet skills. The mismatch between demand and supply led the Morocco case study to liken universities to “institutions for the production of unemployed.”
Faced with the same problems, Tunisia has pursued various reforms to improve the quality of its education system. In particular, the offer of curricula and degrees has been diversified to adapt to labor market needs, while the ranks in short programs (up to three years maximum) leading to technician diplomas have been increased. Nearly 40 percent of technician graduates now originate from these programs, mostly in the fields of business administration, IT, and engineering. Although the impact of these reforms on employability and access to jobs is still to be established, the Tunisian experience already merits following up.

The Egyptian government has also initiated reforms. A dual vocational system, elaborated with German collaboration (the so-called Mubarak-Kohl Initiative) has been implemented in partnership with the public and the private sectors, allowing industrial secondary school students to spend two days per week at school and four days with a company for practical training over a duration of three years. Launched in 1995, this initiative has evolved as one of the most successful projects in the country for preparing students for the labor market, with best practice elements and possible lessons for others.

Despite the success of private higher education in Egypt in terms of better training quality, skills acquisition, and employability of graduates, the role of the private sector remains marginal in all three countries. Less than 10 percent of all graduates in Egypt and Morocco come out of private schools and universities. In Tunisia, the incidence is far worse: less than 1 percent of all Tunisian tertiary education ranks (or a meager 3,000 students, of whom 500 are foreigners) study in private institutions—barely one-seventh of the target of 20,000 students set for 2006. There are problems on both the demand and the supply sides. Affordability is certainly a constraint on demand, but regulatory and administrative barriers—especially the lack of autonomy—wrong public subsidy incentives, and vested interests act on the supply side. Nevertheless, examples of private institutions in Egypt have signed diploma agreements with international universities, in such areas as business administration, finance, and IT, which seem to be working well.

Vocational Training

Vocational training is more developed in Morocco and Tunisia than in Egypt, which is ahead in other aspects of education. Vocational training centers (VTCs) have multiplied over the years and number 2,132 in Morocco (of which 1,650 are private) and 1,039 in Egypt. Comparable figures for Tunisia are not available. The large number of VTCs has implications for costs, efficiency, and administration. It is noteworthy that Egypt’s 1,039 VTCs are attached to as many as 24 relevant agencies and ministries.

The evaluation of vocational training reveals quantitative and qualitative insufficiencies in all three countries, especially when it comes to its adaptation to international labor market and migration needs. The situation seems to be worst in Egypt, where there are no standards for the management of training centers, training programs, and quality, which leads to mismatches between their specializations and labor market needs.

Demand for public vocational training is high and exceeds supply, notwithstanding the large number of VTCs. In the case of Morocco, there were 213,000 candidates for 45,500 positions offered in 2002. Despite the existence of sectors of excellence (food industry, transport, tourism, information technologies), coursework remains centered on activities in the primary and
secondary sector, although services, new technologies, and business administration might bear greater potential for migration and offshoring. Moreover, the curricula respond mainly to the needs of large companies and the formal sector, leaving behind the mass of informal enterprises and small entrepreneurs.

Since 1996, Tunisia has been implementing a program to improve vocational training, through better identification of company needs, capacity building, and quality enhancement of the services provided by VTCs. Improvements have been observed concerning the insertion rate (having a job 30 months after training). Nevertheless, shortcomings remain in Tunisia that apply to the other countries as well: in particular, training centers lack the necessary autonomy for a dynamic evolution of their activities, especially the capacity to adapt to rapid technological and socioeconomic changes. Quality levels are still questionable because of insufficient training of teachers and supervisors. Private sector involvement and participation have been insufficient to reap all the benefits of the training systems.

**Issues and Recommendations**

- There is broad awareness in all three countries, including at the highest policy levels, of the inadequacies of their education systems in terms of quality, administration, cost, and the mismatch between demand and supply. This, however, is not accompanied by a commensurate recognition that much of the problem lies on the policy and administration side.

- While the education system should respond to the needs of both the domestic and the international markets, it is important to reinforce the orientation toward international labor market requirements for the benefit of migration and offshoring and outsourcing activities. This entails adapting programs, reinforcing cooperation with the private sector, and giving greater autonomy to public education institutions to increase reactivity, adaptive capacity, and initiative. Cooperation with foreign governments, universities, and companies to design programs, create international universities in the sending countries, and finance the education of potential migrants should be fostered.

- There is significant variation among the three countries in their education trends and challenges, and their responses to them. The successful policies and programs being adopted in several cases (as illustrated above) suggest that there are significant opportunities for cross-fertilization (adopting best practice) and synergy that are not being exploited sufficiently.

- There are also negative lessons from, for example, the multiplication of institutions, overlegislation, and excessive centralization to the detriment of autonomy.

- Expenditures on education, though varying by country, are already high (significantly above the regional average) in the three countries. The pressure on them, nevertheless, will mount as a result of (i) demographic trends; (ii) the need to improve quality, which applies to the system at large—not just to higher education; and (iii) the desired (indeed, necessary), stronger orientation toward the international market, for example, because education in sciences costs more than education in the humanities. Given resource
constraints, improving the efficiency of expenditures; reallocating them, where necessary; raising the costly, very low graduation rates; and, in particular, stimulating greater private sector participation deserve priority attention.

IV. ECONOMIC IMPACT OF MIGRATION

The Problem of Measurement

The economic impact of migration takes place largely through the remittances sent home by migrants. These can take the form of (i) formal remittances, money sent through banks, post offices, exchange houses, or transfer companies; (ii) informal remittances, money channeled through family, friends, or colleagues, or brought back when returning to the country of origin; and (iii) in-kind remittances, money used to purchase cars, clothes, electronic equipment, and so on. The volume of informal remittances varies depending on the destination country’s financial sector development and the economic activity of the migrant, but it can represent a major share of total transfers. Remittances from Egyptian migrants in Libya are almost exclusively informal, as most of these migrants work in the informal sector, without fixed salaries or bank accounts. In Morocco, informal remittances can make up 35 to 85 percent of total remittance flows. In Tunisia, which has more developed banking services, the share of informal remittance flows is lower.

Because formal remittances are the only form that can be measured accurately, the rest of this section is based exclusively on them. Aside from the certainty that the data presented significantly underestimate the flows, the broad picture painted below concerning the source, destination, composition, and use of the remittances is believed to be representative, that is, not significantly affected by the exclusion of informal flows. An exception is the measurement of the impact on poverty, which is handicapped by other factors such as inadequate information on the income level of the recipient households.

Remittance Flows

Remittance flows have grown sharply in all three countries over the last 30 years: sevenfold in Morocco, reaching US$4.2 billion in 2003; ninefold in Tunisia, attaining US$1.25 billion the same year; and 16-fold in Egypt, exceeding US$4 billion in 2005 (see figure IV.1).

While the sudden increase in remittances to Morocco in 1990 is probably due to the devaluation of the dirham at that time, growth since 2000 can be explained by the arrival of the euro and increased migrant stocks. Egyptian remittances have been shaped by the political situation in the Arab Gulf. The peaks of 1992 and 1993 are directly linked to the wave of return migration after the Gulf War.
Figure IV.1
Evolution of Remittance flows for Morocco, Tunisia, and Egypt

Remittances to Morocco 1975-2003

Remittances to Tunisia 1976-2003

Remittances to Egypt 1974-2005
The largest shares of formal remittances to Egypt come from the United States (37.5 percent in 2004–05), followed by Saudi Arabia (16.8 percent) and Kuwait (13.6 percent). By contrast, two-thirds of Moroccan formal remittances in 2004 came from France, Italy, and Spain. Nearly 60 percent of Tunisian remittances originate from France alone, and the rest almost exclusively come from other European countries. The last several years have seen a diversification of the sources of remittances in the direction of the United States and Spain. In the case of Morocco, remittances from the United States multiplied by a factor of 15 between 1997 and 2004, while those from Spain have jumped sevenfold. The United States also experienced the strongest increase in per migrant remittances between 1997 and 2004: from US$1,250 to US$4,600, although Switzerland ranked first in per migrant remittance, with US$7,500 sent to Egypt. Despite the data limitations, these findings indicate that the financial returns to migration vary according to the destination country. The differences appear to be related to the skill level and the occupation of the migrants in the respective countries.

Economic Impact

The economic impact of migration varies but cannot be overstated. Remittances are the largest source of foreign exchange in both Egypt and Morocco. In 1979 already, they exceeded Egypt’s earnings from exports, Suez Canal transit fees, or tourism. They also surpass Morocco’s tourism revenues. In Tunisia, they represent the third largest source of foreign currency, after tourism and textile and leather exports. Moreover, the Tunisia case study estimated that remittances are equivalent to nearly 70 percent of external debt service, two and one half times the current account deficit, and 23 percent of national savings.

The contribution of remittances to GDP and exports is shown in table IV.1, which indicates that Morocco leads in both respects. In the case of Egypt, both ratios have declined since 1990, when the remittances-to-GDP ratio was 10 percent. Nevertheless, remittances had an important stabilizing effect during Egypt’s economic slowdown in the early 1990s, when they reached 50 percent of exports. In Morocco, remittances contribute to reequilibrate the structurally deficient balance of payments.

Table IV.1. Remittances in Relation to Major Indicators, 1990–2003 Averages

<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio of remittances to GDP (%)</th>
<th>Ratio of remittances to exports (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morocco</td>
<td>8.3</td>
<td>41.2</td>
</tr>
<tr>
<td>Tunisia</td>
<td>4.0</td>
<td>9.3</td>
</tr>
<tr>
<td>Egypt</td>
<td>6.4</td>
<td>28.7</td>
</tr>
</tbody>
</table>

As noted at the outset, the lack of data on informal transfers severely handicaps the measurement of the impact of remittances on poverty alleviation. Another problem is the limited information on the socioeconomic profile, particularly the income distribution, of the migrant-sending and remittance-receiving households. The few existing studies on this subject concerning Egypt, Morocco, and Tunisia suggest that migration does contribute to poverty reduction. In the case of Morocco, research based on the national consumption survey (1998–99) indicates that
remittances largely go to the richer deciles of the population, but that they also help vulnerable households stay above the poverty line, even if remittances are concentrated on a limited number of households within a revenue class. According to the survey, a total of 620,000 households benefited from remittances, out of which 200,000 would have fallen below the poverty line without these transfers, pushing up the national poverty rate from 19 percent to 23 percent. These findings are based on rather bold assumptions and manipulations of the data. No similar surveys exist in Tunisia or Egypt.

The quantitative impact on poverty is uncertain, but there is little doubt that remittances contribute to an improvement in the quality of life of the recipient households, both in the short term and beyond. Remittances contribute to improve everyday consumption, as well as housing conditions and education. The largest share of remittances is used for basic consumption needs (such as food, clothing, and health care), especially in the poorer receiving households of all three countries. According to various surveys, this would appear to be the case with nearly 100 percent of remittances in Tunisia, 70 percent in Egypt, and 46 percent in Morocco. Most productive investments concern housing (construction, renovation). In the case of Morocco, 15 percent of remittances go to construction, which represents more than 80 percent of all investments made by migrants in their country of origin. Remittances are also spent on durable goods, education (up to 30 percent of all transfers in Egypt and Morocco), and exceptional life events, such as weddings and births.

Remittances’ contribution to boost entrepreneurial activity appears to be small, even if migration seems to stimulate business initiatives. A major concern in all three countries has been the limited success of efforts to increase the share of remittances going to productive investments other than housing. According to research done in Egypt, 10 percent of return migrants invest in economic projects, although in Tunisia just 3 percent of the total volume of transfers is used for these purposes. In poorer households, the funds received are mainly used for family-managed small projects, such as buying and raising cattle, opening a mini-market, or buying and operating a taxi. Wealthier households invest in a variety of activities, including hotel and restaurant businesses, gas stations, sports facilities, and IT services. The Tunisia case study found that the implementation ratio of the 2,100 remittance-financed projects was low at 35 percent, many projects aiming mainly at tariff exemptions for imported goods. The projects represented 1 percent of total private investment between 1997 and 2001 in Tunisia and contributed to about 2 percent of job creation during that period. Nevertheless, Egyptian evidence suggests that return migrants on average put more capital in their businesses, engage more in service activities and the formal sector, and create 1.4 more jobs per establishment than nonmigrants.

Among indirect economic impact, formal transfers have a beneficial effect on the development of the financial sector by increasing the aggregate level of deposits or credits intermediated by the local banking institutions. Banking sector professionals claim that remittances have helped develop a banking culture by attracting millions of new customers and familiarizing them with bank accounts and services.

**Issues and Recommendations**

- Governments have an important role to play in facilitating and improving remittance transfer services—that is, by reducing transfer costs, increasing competition among
remittance transfer agencies, and disseminating reliable information on remittance transfer options to migrants. Aside from posing a recording problem, informal transfers tend to have high transaction costs; and while they cannot be stopped (converted to formal flows completely), their share of total flows can be reduced progressively. The case study on Morocco (in which more than one-third of emigrants use informal channels) noted that *microfinance* agencies can be encouraged to play a role in this area, as they did in Latin America with positive results in terms of reducing transaction costs. This merits serious consideration.

- Governments have been concerned, rightly, with the low share of remittances that go into productive investments. While efforts have been made and continue to be made in this area, the results have been limited in all three countries. There is a need to strengthen these efforts through a combination of *incentives* and *facilitation* (removing bureaucratic and other impediments). Also, nongovernmental organizations (NGOs) can play a role in promoting and assisting investment in small projects.

- Although more studies are not always the answer and rarely a panacea, in this case the need is both crucial and specific, given the inadequacy of information in three respects: (i) the *use of remittances*, where existing studies are few and limited in scope; (ii) the *impact on poverty*, where studies are not only few but also often have findings that are inconsistent or contradictory; and (iii) *informal flows*, their volume, characteristics, and use. Furthermore, the few existing studies in all three areas are largely out of data and need to be revisited. The analyses often lack coherence because, for example, different aspects of the analyses are based, by necessity, on data for widely differing periods.

V. OFFSHORING AND OUTSOURCING

**Market Situation**

Recent developments in global labor markets suggest that the international movement of people and jobs should be looked at in tandem. Economic activities that are not constrained by the need for customer contact, local knowledge, or complex interactions can be performed anywhere in the world, depending on the cost and quality of labor, the cost of infrastructure, and the regulations and tax systems in place. Firms can produce goods or services “offshore” in a country different from the market for which they are intended. Alternatively or in addition, production can be outsourced, that is, bought from a third party. Among the major services that can be performed remotely are technology support, software development, transactions processing, accounting, and human resource management.

Offshoring of business process and information technology services to low wage locations worldwide amounted to nearly US$51 billion in 2003, which represented a mere 3 percent of total world exports of services.\(^4\) The participation of the three countries in this market varied. Morocco’s market for offshoring is estimated at about US$100 million in 2005, and employment in it is estimated at more than 10,000 jobs, mostly in small and medium enterprises. In Tunisia, the volume of business process outsourcing alone was approximately US$5.2 million in 2004.

No comparable data were available for Egypt. The country, however, boasts one of the most successful cases of outsourcing in the region, as noted below.

In all countries, “call centers” make up the bulk of outsourcing activities. Call center services range from marketing, market research, and acquisition to sales, customer care and retention programs, technical support, and complaint management. About 100 centers were registered in Morocco in May 2005, employing around 10,000 people and operating mostly for French and Spanish companies. In Tunisia, there were 30 centers (end 2004) with 4,000 employees, a majority of them serving French clients as well as Italian businesses. In Egypt, Xceed stands out as the largest and most sophisticated contact center in the southern Mediterranean region. It employs around 2,000 multilingual IT professionals and technical support staff and manages 1.5 million calls per month from more than 12 countries in nine different languages.

Business Environment

To further the development of call centers and offshoring activities, governments have undertaken major steps to attract foreign investors. All three countries have developed appropriate legal frameworks. All countries have also invested in state-of-the-art transport and communication infrastructure, especially in free trade zones close to major metropolitan areas and airports, offering specific services and duty exemptions to companies wishing to operate a business. Tunisia has built a communications technology park and 12 cyber parks for software development, offshore services, and call centers, offering low rent and fully equipped office space.

Governments are working to improve the supply of quality labor. The Moroccan Ministry of Industry, Commerce[,] and Economic Upgrading recently adopted a strategy to train 20,000 people for offshoring jobs between 2007 and 2009. Tunisia’s universities already supply the labor market yearly with about 6,000 graduates in information and communication technologies, most of them speaking several languages. Moreover, the public labor agencies in both Morocco (National Agency for the Promotion of Employment and Competences [ANAPEC]) and Tunisia (Agency for Employment and Independent Labor [ANETI]) offer free assistance to call centers for recruiting operators and obtaining government support for the training of their existing workforce.

Based on the World Bank’s 2005 analysis of business regulations and their enforcement in 155 countries, Tunisia’s, Morocco’s, and especially Egypt’s business environments present significant opportunities and challenges for improvement to reap the full benefits of offshoring and outsourcing activities. Comparability issues notwithstanding, the data in table V.1 point to major weaknesses concerning, for example, dealing with licenses (for example, procedures to build a warehouse, average time spent during each procedure, and official cost) and hiring and firing regulations. Two areas difficult to address for all three countries are credit availability (criteria include lending legislation, credit information, public credit registry, and private credit bureau coverage) and investor protection (transaction transparency, liability for private dealings, and shareholder’s ability to sue managers for misconduct).
Table V.1. Ease of Doing Business in Morocco, Tunisia, and Egypt, 2005

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Morocco</th>
<th>Tunisia</th>
<th>Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>50</td>
<td>40</td>
<td>115</td>
</tr>
<tr>
<td>Dealing with licenses</td>
<td>125</td>
<td>88</td>
<td>146</td>
</tr>
<tr>
<td>Hiring and firing</td>
<td>124</td>
<td>101</td>
<td>140</td>
</tr>
<tr>
<td>Registering property</td>
<td>58</td>
<td>67</td>
<td>129</td>
</tr>
<tr>
<td>Getting credit</td>
<td>146</td>
<td>102</td>
<td>142</td>
</tr>
<tr>
<td>Protecting investors</td>
<td>117</td>
<td>133</td>
<td>114</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>126</td>
<td>64</td>
<td>87</td>
</tr>
<tr>
<td>Trading across borders</td>
<td>98</td>
<td>53</td>
<td>70</td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>29</td>
<td>6</td>
<td>118</td>
</tr>
<tr>
<td>Closing a business</td>
<td>51</td>
<td>31</td>
<td>106</td>
</tr>
<tr>
<td><strong>Overall ranking</strong></td>
<td><strong>102</strong></td>
<td><strong>58</strong></td>
<td><strong>141</strong></td>
</tr>
</tbody>
</table>


Future Trends

A few years back, worldwide offshoring was forecast to grow by 30 percent annually to reach a market of US$237 billion. In the short term, the potential for all three countries seems to be greatest in transactions management (call centers) and IT (software) activities. In the medium to long term, other sectors such as the automobile industry, health, retail, and banking services, as well as accounting and human resource management, could offer broad opportunities. A McKinsey study for Morocco estimates the total market potential for outsourcing transactions and IT services at US$3.3 billion by 2018. This could allow the country to create around 100,000 new jobs. Tunisia’s prospects are also good; its business process outsourcing alone is expected to reach about US$14 million by 2009.

Despite strong international competition in the offshoring and outsourcing market (especially from China, India, the Philippines, and other Asian countries, as well as from Eastern European countries), the low-wage economies of Morocco and Tunisia have significant potential for the development of offshoring and outsourcing activities, in particular for the close French, Spanish, and Italian-speaking European markets. While a French-speaking call center operator in France has an annual salary of about US$33,650, the same operator will earn US$10,400 in Morocco and US$6,550 in Tunisia. In addition, both countries offer numerous investment incentives, good infrastructure, and sufficient highly qualified, motivated personnel (turnover rates are low, at around 5 percent). Given its status as one of the 15 largest low-wage countries in the world, and having contributed the first promising examples of outsourcing in the communication and IT sectors in the region, Egypt, too, stands to expand its outsourcing activities. The country, however, needs to improve its business environment and the quality of its labor force.

Issues and Recommendations

- Offshoring and outsourcing activities will only partially satisfy the job demand in the Egyptian, Moroccan, and Tunisian labor markets. They are no less important, however, because their promotion is essential for economic development. The countries should identify internationally strategic sectors, train a qualified workforce, and adapt their...
business environment and legislation (in particular, in the field of intellectual property and ICT) to offer the optimal service for potential investors and develop a competitive advantage in the chosen sector or sectors.

- Offshoring and outsourcing take place in a highly competitive global market, as seen. The best practice cases in terms of policies, training, and delivery, therefore, are found in countries like India, Ireland, and the Philippines. There are, nevertheless, successful programs (in terms of design, partnership, training, and management) worth emulating in Egypt, Morocco, and Tunisia.

- There is strong evidence that wage cost is only one element in decision making concerning outsourcing. Practically all aspects of the business environment enter the decision-making process and are relevant to attracting outsourcing. The challenge seems to be greatest for Egypt in this area.

- Successful insourcing development requires strengthening education at all levels—not just higher education or technical training. Targeted, activity-specific training programs, as in Morocco, are also needed. While such programs exist elsewhere, too, the number of people trained is often inadequate.

- Just as the identification of offshoring and insourcing opportunities requires working closely with potential external investors and partners, the development of a strategy to take advantage of the opportunities identified necessitates inputs from and collaboration with government, the private sector, training institutions, and civil society, and often to a greater degree than takes place. The same sort of collaborative network should be maintained to monitor results, because the most valuable lessons are often those arising from a country’s own experience.

VI. MIGRATION POLICIES AND INSTITUTIONS

Legal Framework

Egypt has developed the most migration friendly legal framework of the three countries over the last decades. As early as 1971, Egypt recognized the potential of migration to relieve political, social, and economic pressures and granted its citizens, by law, the constitutional right to emigrate and return home. In 1983, it passed a law that regulates both temporary and permanent emigration and provides for health care and social services to migrants. By contrast, Morocco and Tunisia have approached migration through bilateral agreements with traditional European immigration countries (Belgium, France, Germany, and the Netherlands from 1965 on) to answer the demand for labor in these countries. Social security agreements and new agreements with more recent immigration countries (Italy and Spain) have been added since. Both countries have signed bilateral agreements with the Arab world—in particular, Libya after the end of Europe’s “open door” immigration policy around 1973.

All three countries have signed association agreements with the European Union, which guarantee national treatment to legal immigrants in terms of working conditions, payment, and layoff, and the portability of social security and pension rights. The agreements force these
countries to readmit nationals illegally present in EU member countries, and to discuss the readmission of illegal third-country immigrants that have transited through their territory. These agreements and the events following September 2001 have attracted more attention on migration as a security issue. Both Morocco (2003) and Tunisia (2004) have passed legislation to fight clandestine immigration and emigration and human trafficking.

While legal emigration is seen today as an opportunity for development in all three countries, no comprehensive legal framework has been adopted and no effective implementation mechanisms have been put in place to achieve the officially declared policy objectives of each of the countries, which are largely similar:

- Encourage emigration and improve migration management as a means to regulate pressure on domestic labor markets, by adapting migrants to international labor market needs
- Support and protect migrants and migrant families abroad to ensure their welfare, reinforce human and cultural links, and ensure their political integration in the country of origin
- Develop international cooperation on migration and codevelopment, in particular with the European Union
- Maximize economic benefits from migration through increased remittances, investment, and technology transfer
- Discourage illegal migration through public information and communication
- Improve statistics and understanding of migration to support policy and decision making

**Institutional Framework**

In all three countries, responsibility for dealing with migration is spread over various ministries too numerous to name and describe here. Many of these ministries were created over the last decade to acknowledge their growing political dimension. Although Egypt created a Ministry of State for Emigration Affairs in 1981, these issues were transferred to the Ministry of Manpower and Emigration in 1996 and have lost in institutional importance since. A Higher Committee for Migration (HCM), created in 1983, was restructured in 1997 to strengthen coordination and cooperation among government entities dealing with migration (Foreign Affairs, Interior, and so on). In Morocco, the two main ministries involved in 2006 are Employment and Foreign Affairs, where a delegate ministry for the Moroccan community abroad was created in 2000. Special financial support comes from the Hassan II foundation for Moroccans residing abroad. Tunisia deals with migration mainly through the agencies of the Ministry of Social Affairs, Solidarity and Tunisians Abroad, and the Ministry of Development and International Cooperation.

In Tunisia, there are three additional key players in the field of migration: (i) the Office for Tunisians Abroad (OTE), which has a network of social workers in Europe and all around the world offering services to the Tunisian population to maintain the links with the host country; (ii) the Ministry of Employment and Professional Insertion of Youth, and its implementing agency, the Tunisian Agency for Employment and Independent Labor (ANETI), which are responsible for elaborating and implementing the government’s labor market intermediation and employment policy; and (iii) the Tunisian Agency for Technical Cooperation (ATCT), under the Ministry of Development, which is the only institution openly pursuing the placement of high-skilled
professionals, technicians, and teachers abroad. As of 2006, the agency is seconding about 8,400 Tunisians (out of a total of 25,000 placements so far), 82 percent of whom work in Arab countries.

In Morocco, the Ministry of Employment has a migration unit that deals with migration regulation and an emigration unit that validates work contracts for migrants to the Gulf countries and Libya. ANAPEC, created in 1999, plays the main role in terms of labor market intermediation and labor migration, namely, linking labor supply and demand, informing and orienting job seekers and young entrepreneurs, and identifying international job offers and placement opportunities for Moroccan migrants. A new agency within ANAPEC was created in cooperation with the European Union to fight against clandestine work migration and to manage official placement flows in the European economy.

Despite the creation of specific institutions in Egypt such as the HCM, there is no operational spearhead in that country to lead migration management issues. The Emigration Sector at the Ministry of Manpower and Emigration is responsible for, first, developing an information and communication system to help international job seekers and link Egyptians abroad to their homeland, and, second, reinforcing the role of civil society organizations representing and protecting Egyptians abroad. In cooperation with IOM and with Italian funding, an Integrated Migration Information System has been developed, which gives Internet access to information on migration legislation and labor opportunities abroad, and features an interactive job-matching program. The project includes capacity building for data management and IT training for government staff and application training for migrant workers. At the same time, IOM is helping the Ministry to prevent irregular migration by raising public awareness on the risks and consequences of such migration.

It should be stressed that the institutional framework in all three countries is continually evolving. For example, in Tunisia, a new agency within ANAPEC was created in cooperation with the EU to fight against clandestine work migration and manage official placement flows in the European economy. And earlier, in Morocco, a department of migration and border control was created within the Ministry of Interior in cooperation with Spain. The creation of an Integrated Migration information System in Egypt, noted above, also points to the dynamic institutional context.

Effectiveness

The overall effectiveness of migration policies and institutions and their capacity in meeting migration demand and migrant needs has been low in Morocco and Tunisia and very low in Egypt. All three countries suffer from a lack of coordination and cooperation and rivalries among the various institutions involved in migration policy making and management. Egypt is particularly challenged by the absence of operational agencies equipped with the financial, human, and technical resources to implement their policy mandate concerning migration. The migration legislation of 1983 has not been implemented in all its aspects, in particular concerning predeparture language and cultural orientation and skills training for migrants. The HCM has not been able to accomplish its tasks and elaborate a coordinated response to migration issues because of the lack of political commitment. Capacity limitations have led to a near-total dependency on internationally funded cooperation projects to improve migration management.
While Morocco’s capacity for labor migration management through ANAPEC remains weak, the agencies with corresponding responsibilities in Tunisia (ANETI and ATCT) suffer from communication problems and the absence of a clear division of tasks between them and their respective ministries. The role of Morocco’s ANAPEC in labor migration intermediation is currently quite limited and a passive one, as is the case with ANETI, the similar agency in Tunisia. This agency does not actively or systematically pursue the placement of a large number of Moroccan migrant workers. Efforts are mostly directed toward the Moroccan and Tunisian populations already living abroad. Current financial means for the implementation of active migration policies are insufficient in both countries. Although ATCT has a successful track record of placing high-level temporary migrants, the number of official placements per year (between 1,300 and 1,700 for the different agencies) remains far below emigration needs—especially for tertiary educated candidates—and emigration opportunities to Europe and the Arab Gulf. Both countries lack an institution specializing in employment abroad in a systematic manner.

A major limitation in the current management of migration in all countries is the insufficiency of data collection concerning international labor markets and migration. Data are collected at different levels and by different institutions and few data concern migration directly. Ministries of Foreign Affairs collect data on migrants through their consulates; central banks collect aggregate remittance flow data; ANAPEC, ANETI, and ATCT have information on job supply and demand; and ministries of interior mainly gather data on exits and entries of nationals and illegal migration. The Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS) regularly collects data through labor market surveys and has conducted two international migration surveys in 1987 and 1996, but has not renewed them since. Similarly, the Moroccan Higher Planning Commissariat and the Tunisian National Institute for Statistics produce statistics on employment and migration, in particular, through census, employment, and consumption surveys.

Existing statistical instruments and analysis mechanisms are not adapted to meeting international labor market requirements. Surveys often do not include detailed migration-related questions, and data sources fail to provide information with sufficient regularity, quality, and detail (including regular and irregular migration, place of birth, citizenship, date of emigration, bilateral remittance flows, and so on). The multiplicity of data sources poses clear problems in terms of data compatibility, coherence, and analysis. No mechanisms are in place to monitor systematically trends in global labor markets, skill needs, and areas of vacancies to feed job search and matching systems and rapidly adapt education and vocational training curricula. The lack of systematic observation of migration and international labor markets hinders the development of demand-driven migration policies and rapid adaptation to changing needs.

VII. THE WAY FORWARD

Based on the common aspects of Egypt, Morocco, and Tunisia, the recommendations in this final section focus on policies, collaboration, institutions, and management. They do not address the way forward by country, where the migration experience, institutions, and challenges differ. What follows is a synthesis (rather than a summary) to a greater extent than the preceding sections. The recommendations focus on issues directly related to migration and its management.
They do not address, for example, what needs to be done in the macroeconomic area to create job opportunities in the local market or to improve the education system at large.

**National Migration Policies**

Thus far, the focus of Moroccan and Tunisian migration policies in particular has been on the protection of migrants abroad, their mobilization for national development through remittances, investment, and technology transfer, and the fight against illegal migration flows, under the pressure of and in collaboration with the receiving countries. A comprehensive and proactive approach to migration has been particularly lacking in the case of Egypt.

To meet the challenges faced by the three sending countries and reconcile them with the sociopolitical constraints experienced in many receiving countries, a holistic approach to migration is necessary. This approach has to define a coherent policy that integrates migration with labor market, education, health, social welfare, and security policies. By perceiving emigration as a development tool, migration policy should actively aim at making it more dynamic. Open consultation and participation of the private sector and civil society, including NGOs, in the formulation of migration management strategies can be conducive to better labor migration policies.

**Regional and Bilateral Collaboration on Migration**

Given the international dimension of migration, a multilateral cooperative approach to migration is needed. Such cooperation already takes place through the partnership agreements with the European Union and the European Neighborhood Policy, or through bilateral agreements for work permit quotas, as seen in Egypt, Italy, or Tunisia. However, more systematic and broader agreements have to be reached to create regular migration channels, be they seasonal, temporary, or long term, to reduce significantly the incentives for irregular migration and to prevent human trafficking and smuggling. International collaboration among the countries of origin, the countries of transit (Morocco and Tunisia, especially), and the countries of destination is particularly important to address the problems of transit migration from Sub-Saharan countries through North Africa to Europe.

Temporary or so-called nondefinitive emigration should be considered as an avenue to reconcile sending and receiving countries’ interests, with higher-skilled migration becoming increasingly prevalent. Negotiated and managed migration for shorter periods (for example, three years and renewable) could help to overcome labor market problems in both the MENA Region and Europe, while mitigating the risk of brain drain. Additionally, the sociopolitical consequences of nondefinitive migration, if implemented with appropriate legal, financial, and organizational means, could also rehabilitate the image of migration as a factor of development for both sides.

To improve the interaction between the migrant community abroad and the home country, a transparent dialogue and cooperation should be established and a credible investment environment guaranteed, allowing for win-win brain circulation schemes between country of origin and country of destination. In addition, governments should pursue their efforts to encourage the participation of migrants in national politics, open nationwide discussion with
local associations and migrant NGOs abroad, and ensure the migrants’ representation in national parliaments.

**Migration Management Institutions**

All three countries have a plethora of institutions dealing with migration. The result is overlapping responsibilities and poor coordination. There is a need to consolidate the institutional setup in this area, however, by avoiding the creation of a new agency or agencies for this purpose. To implement the proactive migration policies suggested, the existing institutions dealing with migration issues and their coordination need to be strengthened and streamlined. Adequate budgets and human and technical resources are urgently needed to accomplish the declared policy objectives of the various institutions in place, such as the Egyptian National Migration Council. In addition, new mechanisms and actors—not necessarily new institutions—are needed to monitor labor market developments, disseminate related information, and facilitate intermediation between job seekers and job promoters in national and international labor markets.

**Data Collection and Management**

Monitoring migration stocks and flows and understanding the impact of migration on the national economy and labor demand and supply needs in both sending and receiving countries are key requirements for informed decision making and effective migration management. All three countries lack comprehensive and coherent migration data collection capacities, as well as data coordination and evaluation capacities. An advanced migration information system should be put in place in all countries, allowing for data collection, processing, and monitoring, and using advanced IT resources. One institution should be designated to collect data from all actors on the ground (Foreign Affairs and Emigration, Interior, Labor, specialized agencies, and so on), harmonize these data, and provide reliable and up-to-date information to policy makers on migration and labor market issues. Existing statistics should be reviewed and new statistics and surveys generated on the following themes:

- Migration stocks and flows
- Migrant networks
- Skill needs and vacancies in national and international labor markets
- Skill supply and vacancies by national higher education
- Use and impact of remittances at the household, regional, and macroeconomic levels

Regular international migration surveys (every four years) or comprehensive migration questionnaires as part of the census should be produced to establish migration data series. Systematic monitoring of migration indicators is essential and could identify challenges and anticipate future migration trends.
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