

International Migration Programme

*Labour migration for decent work, economic growth and development in
Egypt*

Ahmed Farouk Ghoneim

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List of abbreviations and acronyms

Consortium on Applied Research on International Migration (CARIM)
Central Agency for Public Mobilization and Statistics (CAPMAS)
Central Bank of Egypt (CBE)
Egyptian pounds (L.E.)
Emigration Sector (ES)
European Union (EU)
European Neighbourhood Policy (ENP)
General Authority for Investment and Free Zones (GAFI)
Global Competitiveness Report (GCR)
Government of Egypt (GOE)
Gulf Cooperation Council (GCC)
Higher Committee for Migration (HCM)
Information Dissemination on Migration (IDOM)
Information and Decision Support Center, Cabinet of Prime Minister (IDSC)
Integrated Migration Information System (IMIS)
International Organization for Migration (IOM)
Middle East North Africa (MENA)
Ministry of Manpower and Emigration (MME)
Money Transfer Organizations (MTOs)
Non-Governmental Organizations (NGOs)
Social Fund for Development (SFD)
United Nations Higher Commissioner for Refugees (UNHCR)
United States of America (US)

Preface

The Mediterranean basin is one of the first regions in the world to have implemented labour migration programmes. Following the devastation inflicted by the Second World War, Europe faced significant labour shortages and needed to be reconstructed. To respond to demand, several European countries began programmes to recruit workers from the Mediterranean region. The workers came from Southern Europe as well as North Africa. In the mid-1970s, these programmes came to an end; from then on, migration continued mainly through family reunification programmes.

During the second half of the 1980s, labour migration resumed from the South as well as the East, from around the northern Mediterranean region. It continued to increase throughout the following decade, joined later by migratory flows from other regions. Workers from North Africa looked to Europe for employment opportunities to escape from the unemployment, underemployment, income inequalities and conflict in their countries of origin. At the same time, Europe was facing labour shortages in certain sectors that had been abandoned by national workers, as well as in highly skilled occupations where demand outstripped supply. The conditions were thus met for the movement of workers across the Mediterranean basin. Workers migrated in regular as well as irregular status, depending on the policies and conditions in both countries of origin and destination.

Labour migration across the Mediterranean basin began to raise questions and interest among policymakers. The key issue was to understand the relationship between labour markets and migration. Questions relating to the working conditions, labour rights and social protection of migrant workers were raised. The relationship between migration and development also needed to be clarified. It was important to understand, on the one hand, the effects of migrant workers' remittances on poverty and employment and, on the other hand, the consequences for countries of origin of highly educated and highly skilled workers emigrating. Following migrant workers' return to their countries of origin, the effects of the skills they had acquired as well as the savings they accumulated needed to be studied. Most importantly, the impact that the policies implemented by the concerned countries were having on each of these issues needed to be examined closely.

By broadening the knowledge base, research can shed light on key issues of interest to policy makers. With this aim, the International Labour Office (ILO) and the European Commission (EC Directorate-General for Employment, Social Affairs and Equal Opportunities) have developed a joint research project on "Expanding the knowledge base on decent work in Mediterranean countries." The research undertaken focused on three main themes: 1) economic growth and employment; 2) labour market policies and 3) labour migration. The findings from the research will be of great interest for policymakers as well as researchers. They will also open up new avenues for research under future programmes.

This paper on labour migration in Egypt is the result of interdepartmental cooperation between the ILO Employment Policy Department and the International Migration Programme. This cooperation brings out the crosscutting nature of labour migration and ILO's comparative advantage in addressing it. In the paper, written by Ahmed Ghoneim, a renowned researcher on the issue, the author reviews Egyptian labour migration and examines the characteristics of Egyptian migrant workers. He studies the determinants of migration and its consequences for the country's economic and social development. The author critically considers migration policy and institutional frameworks and makes recommendations in their respect. He discusses the global economic crisis and the policies implemented to mitigate its impact on Egyptian migrant workers. The author reviews Egypt's bilateral cooperation with countries of destination, focussing in particular on agreements with countries of the European Union.

The main purpose of the ILO working paper series *International Migration Papers* is to disseminate the results of research on relevant and topical issues, among policy makers, administrators, social partners, civil society, and the media and the research community. As with the previous studies, we hope that this paper will contribute to the efforts of constituents to design and implement policies and programmes that serve to maximise the development benefits of migration and to protect migrant workers.

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1. Introduction

This study is undertaken within the context of a larger project initiated by the ILO Employment Policy Department, carried out in conjunction with the International Migration programme and in collaboration with the European Commission's Directorate General for Employment, Social Affairs and Equal Opportunities. The research project aims at developing the knowledge base on decent work in Mediterranean countries related to labour migration for decent work, economic growth and development. After reviewing the flows, and characteristics of emigration, the study provides a critical analysis of migration policy in Egypt in terms of policies implemented and the governing institutional setup. Moreover, it discusses the reasons behind emigration in Egypt, as well as the different socioeconomic effects of migration. Furthermore, the study deals with the impact of the 2008 financial crisis on migration and discusses the different policies adopted to combat the negative effects of the crisis. The bilateral migration-related agreements that Egypt has signed are discussed while focusing on the agreements with the European Union. The ultimate goal of the study is to provide a comprehensive overview of migration in Egypt with the aim of elaborating some useful policy suggestions on how to improve migration policy.

The methodology of the study is desk work and a number of interviews undertaken to investigate issues related to the research where it is believed there is a gap between theory and practice in terms of laws and policies announced by the Government of Egypt (GOE). The study is policy oriented and the time span it addresses goes back to the 1960s in terms of laws and regulations, whereas in terms of quantitative data it goes back to the early 1990s. The most updated data available has been used; however, it is worth noting that analysis of migration suffers from outdated information on many specific issues.

The study is divided into four main sections, and an introduction and conclusion. Section One provides an overview of the status of migration in Egypt, identifying trends, areas of destinations, reasons behind migration, and status of educational and employment policies and their relationship with migration. Section Two describes the institutional set-up governing migration in Egypt including laws, regulations and policies adopted by the Government of Egypt (GOE). Moreover, it deals with the international agreements signed by the GOE in the field of migration with a special focus on agreements with the European Union (EU). Section Three deals with the impact of migration on economic development in Egypt, focusing on the utilization of remittances, returned migrants and the issue of the brain drain. Section Four envisages the likely impact of the financial crisis on migration and remittances in Egypt and the efforts undertaken by the GOE to deal with the crisis effect. Conclusion and policy implications follow.

2. Determinants and characteristics of migration outflows in Egypt

Migration outflows in Egypt (over time/destination/type)

Egypt is considered one of the top emigrating countries, ranking number 12 in the world in terms of the number of emigrants as shown in Table 1. Table 1: Top Emigration Countries (2005)

Country	Number of Migrants (millions)
Mexico	11.5
Russia	11.5
India	10
China	7.3
Ukraine	6.1
Bangladesh	4.9
Turkey	4.4
United Kingdom	4.2
Germany	4.1
Kazakhstan	3.7
Philippines	3.6
Italy	3.5
Pakistan	3.4
Morocco	2.7
Egypt	2.4
Poland	2.3
Serbia & Montenegro	2.3
United States	2.3
Vietnam	2.2
Uzbekistan	2.2
Afghanistan	2
Colombia	2
Portugal	2
France	1.9
Belarus	1.8
Algeria	1.8
Indonesia	1.7
Korea, Rep.	1.6
Bosnia & Herzegovina	1.5
Malaysia	1.5

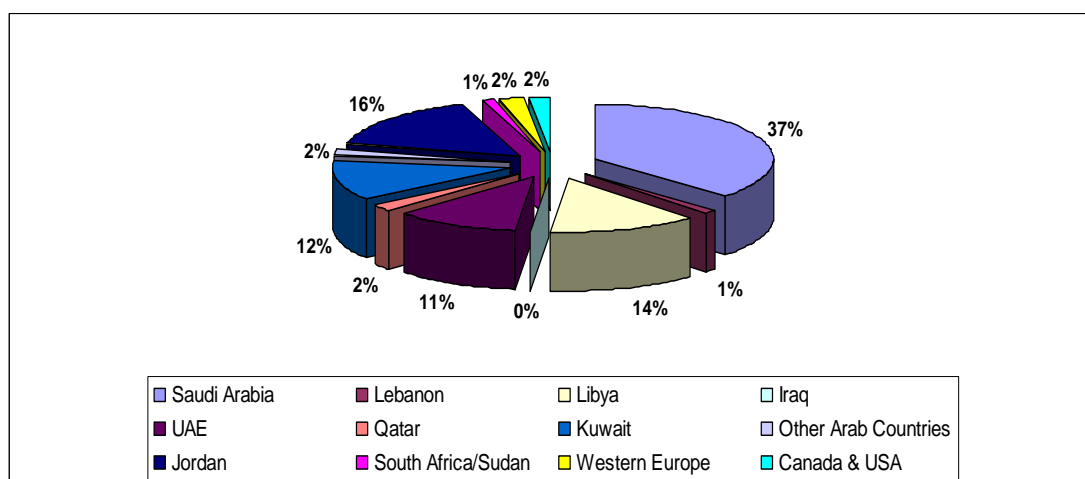
Source: Migration and Remittances Fact Book Development Prospects Group (2008), available at www.worldbank.org/prospects/migrationandremittances

The number of Egyptian emigrants reached 2,399,251 in 2005, representing around 3.2 per cent of the Egyptian population (World Bank, 2006).¹ The main receiving countries have been Arab (mainly Saudi Arabia, United Arab Emirates, Kuwait, and Oman) and some of the EU countries (Italy, UK, Germany, Greece, and the Netherlands), besides the US, Canada and Australia. There is a high concentration of Egyptian migrants in the EU that absorbs around 5 per cent of the total of Egyptians living abroad. Within the EU, Egyptian migrants are concentrated in Italy (40 per cent), and the UK (23 per cent), followed by Germany (10 per cent) and the Netherlands (10 per cent) (European Investment Bank, 2006).

Regarding the classification of migration into temporary and permanent, emigration flows out of Egypt have always been classified as temporary directed towards Arab and especially Gulf Cooperation Council (GCC) countries, and permanent directed towards EU and North American countries. Flows of temporary migrants to neighbouring Arab countries have exceeded those of their permanent, circular, and temporary counterparts in Europe and North America. Temporary migration takes various forms including official secondment through public and governmental authorities, and working in branches of Egyptian companies, especially in the construction sector (IOM, 2003), or working in the private sector. Egyptian temporary migration flows comprise both highly skilled and unskilled labour. Temporary migration to Arab countries is male-dominated, representing around 90 per cent of migrant labourers. Temporary migrant labourers exceeded 2 million, mainly working in Saudi Arabia, Libya, Jordan, and Kuwait. Migrants to those countries comprise more than 85 per cent of the total number of Egyptian migrants (Zohry, 2006a). Egypt is the largest country of origin of the migrant workers to Arab countries. In some years 10 per cent of the Egyptian labour force migrated to Arab countries (Wahba, 2005).

There is a high concentration of both temporary and permanent emigrants in a few countries with Saudi Arabia topping the list of receiving countries, as shown in Figure 1. (IOM, 2003; Wahba, 2007).

Figure 1: Overseas destinations of current migrants



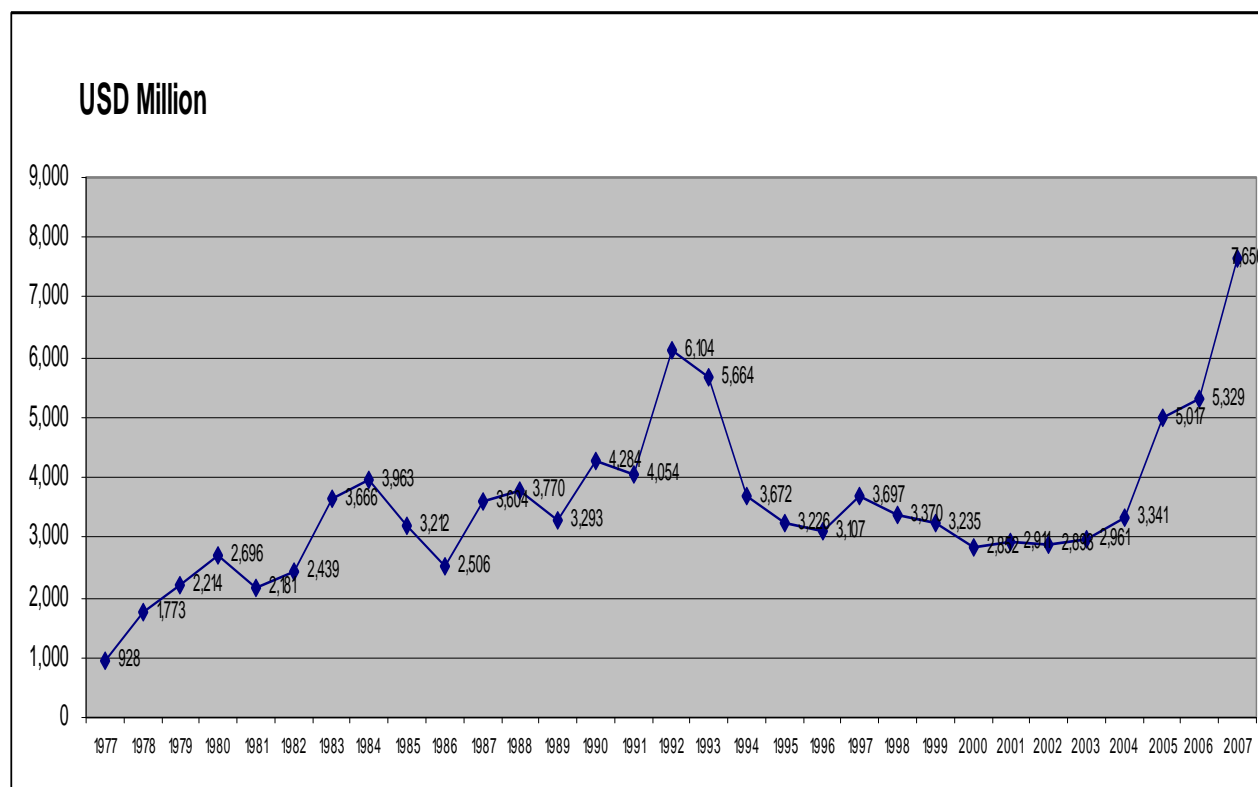
Source: Wahba, Jackline (2007), "An Overview of Internal and International Migration in Egypt", ERF Working Paper No. 703, Cairo: Economic Research Forum.

Remittances reached US\$5.3 billion, around 5 per cent of GDP in 2006, and increased to US\$5.9 billion in 2007 (putting it among the highest remittances-receiving countries in

¹ The number of Egyptian emigrants reached 3,901,396, in 2006 representing around 5 per cent of the Egyptian population (CAPMAS, Census 2006 final results, 2008). The figure is calculated as the difference between population inside and outside Egypt and population inside Egypt.

the Middle East North Africa (MENA) region followed by Morocco). The figure has been increasing since 2000. It represents officially recorded remittances. The true size of remittances, including unrecorded flows through formal and informal channels, is believed to be larger (Migration and Remittances Fact Book, 2008). Moreover, the Central Bank of Egypt (CBE) records higher figures for remittances, reaching US\$8.5 billion in 2007/2008 an increase of 35 per cent compared to 2006/2007 when remittances recorded were US\$6.3 billion (CBE, 2008) (see Figure 2).

Figure 2 : Egyptian migrants remittance flows (1977-2007)



Source: World Bank (2008a), *World Development Indicators* CD ROM.

The US ranked top among the countries from which Egyptians send their remittances followed by Kuwait, United Arab Emirates and Saudi Arabia (Table 2).

Table 2: Distribution of Egyptian remittances by main source (2007/2008)

Country	Value in billion USD	Percentage %
USA	2.8	32.3
Kuwait	1.8	21.0
UAE	1.4	16.3
Saudi Arabia	0.9	11.2
Others	1.6	19.2

Source: Central Bank of Egypt (2008), *Annual Report 2007/2008*.

Historically, migration began to play a role of paramount importance in the Egyptian context in the 1970s, whereas in the 1960s it was not economically viable, and was politically unfeasible. From the 1950s until the mid 1960s, under President Nasser, there were very strict controls by the GOE on emigration. The 1970s was the golden era for emigration due to the demand for labour (skilled and unskilled) in Arab countries (mainly

GCC countries) which, at that time, were adopting liberal policies towards migrants. The golden era continued till the mid 1980s. After the second half of the 1980s, the Egyptian migrant labour force faced a number of problems related to domestic and international factors, such as: the end of the first Gulf War; the fall in price of oil; the decline in the demand for construction workers in Arab countries; the policy of replacing foreign labour with a national labour force undertaken by the GCC countries; and the replacement of Egyptian labour with Asian labour in a large number of Gulf countries (IOM, 2003).

In the late 1980s a counter-flow of return migrants from the Gulf area to Egypt and a sharp decline in the number of new work contracts for Egyptian migrants, took place. As a result, the flow of emigration to Arab countries slowed down sharply till the beginning of the 1990s with some exceptions, as the flow of emigrants to Saudi Arabia and Libya experienced a noticeable increase in the 1990s (IOM, 2003). The years 1992–1997 witnessed an upward trend in the wake of the Second Gulf War and the return of migrant workers to Kuwait. However, a large number of temporary migrants decided to remain in Egypt as well. The year 1998 witnessed another downward trend, partly due to the slowdown in the world economy as a consequence of the collapse of the East Asian financial markets in 1997 (Roman, 2006). However, the flow of migrants picked up afterwards though the golden migration era of the 1970s has not been replicated (Nassar, 2007).

The prospects for increasing the level of migration do not look promising from the demand side, as several Arab countries, as well as many EU countries, have adopted more restrictions on international migration. Security and cultural problems, besides the conventional political and economic problems of immigration, have created a lot of concern and lowered the expectations on high migrant flows from Egypt among other migrant origin countries (de Silva and Silva-Jáuregui, 2004). As asserted by Girgis (2002), the replacements of Arab workers by Asians, and the open unemployment among Gulf nationals, are the major reasons behind the lessening of migration flows from Egypt and other Arab countries to the Gulf. Moreover, the cyclical changes in world oil prices have a significant impact on the demand for Egyptian migrants, especially in the Gulf countries. Such prospects of changing migration trends should be taken into consideration by the GOE and its partners when designing its migration policies.

During the early 1970s, many Egyptian workers were employed in construction. Since then, the percentage of scientists and technicians has increased and the share of production workers has declined, although the percentage remains high comprising one-third of migrants. Table 3 shows that more than 40 per cent of Egyptian migrants in the region are skilled workers and that unskilled labourers have been replaced by Asian workers more than the skilled ones.

Table 3: Work permits granted to Egyptians in Arab countries, by occupation and year (%) - (1985-1990-2002)

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

Source: CARIM Database (2005), *Demographic and Economic Module* referring to data from Ministry of Manpower and Emigration, available at <http://www.carim.org/index.php?areaid=4>

Regarding the distribution of Egyptian migrants by occupation and country, the Gulf countries and Libya absorb highly skilled Egyptian workers (as proxied by their level of education and hence the jobs they occupy, as shown in Table 4) in relative terms, whereas Jordan, Iraq, and Lebanon tend to employ more unskilled Egyptian workers. Based on the work permits granted to Egyptians by occupation, Table 4 shows that Egyptian migrants in the GCC countries are more skilled relative to those in Jordan, Lebanon and Iraq.

Table 4: Work permits granted to Egyptians in some Arab countries by occupation (%) - (1985-2002)

Countries	Occupation						Total
	Scientists and technicians	Managers	Clerical Workers	Sales and Services	Agriculture	Production workers	
Bahrain	27.2	5.5	24.3	24.3	0.0	33.7	100
Iraq	2.6	0	1.5	1.5	33.0	62.9	100
Jordan	1.4	0.0	1.7	1.7	31.9	62.9	100
Kuwait	53.5	1.1	21.5	21.5	0.2	14.1	100
Lebanon	0.0	0.0	2.3	2.3	21.1	76.6	100
Libya	57.0	9.0	0.0	0.0	0.0	34.0	100
Oman	52.9	8.1	4.1	4.1	1.4	31.5	100
Qatar	51.5	1.9	6.1	6.1	1.0	37.4	100
Saudi Arabia	40.5	0.4	0.3	20.6	7.1	31.1	100
United Arabs Emirates	41.1	4.0	2.9	2.9	0.9	50.1	100
Yemen	69.1	18.1	1.1	1.1	0.0	7.7	100
Total	39.0	2.4	12.7	12.7	8.6	35.8	100

Source: Wahba, Jackline (2005), "International Migration, Education and Market Failure in MENA", Background Paper for the World Bank's MENA Regional Report on Education.

Permanent migrants are less than 1 million according to CAPMAS. About 80 per cent of them are concentrated in five countries, namely USA (around 40 per cent), Canada (14 per cent), and Italy, Australia, and Greece (together 35 per cent). The other 20 per cent are mainly in Western European countries, such as the Netherlands, France, UK, Germany, Switzerland, Austria and Spain. Hence, on the EU side, Italy is considered the main European destination for permanent Egyptian emigrants, absorbing more than 10 per cent. It follows the USA and Canada (Talani, 2003; IOM, 2003). In light of the tightened policies adopted by the EU on migration, as well as the replacement of Egyptian by Asian labour in the Arab countries (Girgis, 2002), and the rising unemployment in the GCC countries, together with the projected rapid expansion in the national supply of the receiving countries (Yousef, 2004), a new trend of irregular migration from Egypt to the EU has started to be significant. This trend follows, to a large extent, the model of temporary migration adopted in Arab countries where Egyptians tend to migrate to Europe on temporary basis and then return home. As identified by Zohry (2006a and 2006b) irregular² migration from Egypt to Europe is characterized by a high level of geographical concentration at both ends. In the case of Egypt, migrants are concentrated in specific villages whose inhabitants have been used to migration and have adopted the job of

² Irregular migration and irregular migration are used interchangeably in this study.

migration brokers. On the receiving side, specific countries and specific regions represent the main destination where most of the former migrants are present and well-established.

Reasons behind migration (economic/social/political):

In Egypt, there are several economic, political and social reasons behind migration. Economic reasons are the main factors causing emigration and are related to issues of poverty alleviation, combating unemployment, enjoying higher returns on education, and achieving higher standards of living. Social and political reasons also play a role, but are less significant than economic reasons. Listed below are a number of factors that explain the high emigration tendency in Egypt.

Demand for labour in labour receiving countries

Migration from Egypt mainly tends to be a function of overseas demand for labour, which, in turn, is highly affected by the economic (mainly oil prices) and political conditions of those Arab countries that represent the destination of migrant workers (Wahba, 2007). In the case of Europe, it is irregular employment that has fueled irregular immigration trends, especially for unskilled labour in specific countries such as Italy, where the rate of irregular immigration is high and the underground economy large enough to absorb such migration flows (Fargues, 2003). Some analysts have pointed out that emigration from Arab countries (including Egypt) is not even likely to be affected by the EU's different enlargements (Khader, 2003). He built his conclusion on certain facts, including an aging Europe, and the lack of competition in migration between the new acceding countries to the EU and the Arab countries.

Low rate of private return on education in Egypt

Egypt suffers from very low private returns on education, whether basic or secondary, classifying it among the lowest in the world. Moreover, the private return on secondary education is lower than that on basic education, which is an unusual pattern (Nassar, 2005). Such low returns represent an important push factor for Egyptian labour to migrate, especially in the light of the high unemployment rates prevailing among the proportion of the labour force with secondary education and above (Table 5).

Table 5: Distribution of the labour force and the unemployed in selected MENA economies, by education (%)

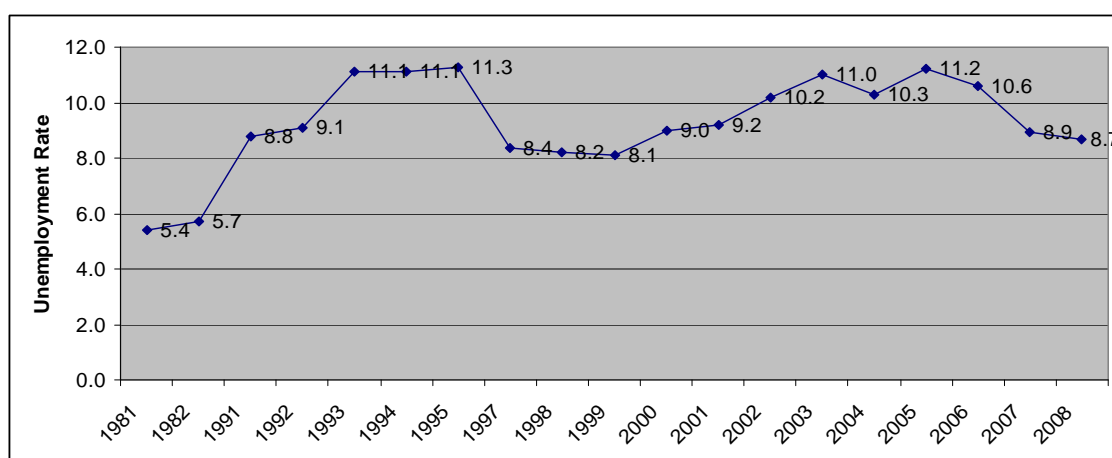
	Proportion of labour force with secondary education or above	Proportion of unemployed with secondary education or above
Egypt	42	80
Bahrain	16.4	59
Morocco	16.4	29.6
Iran	35	39.2
Jordan	45.1	43.6
Algeria	20	37.8
Oman	15.4	39.7
Tunisia	42.6	42.5

Source: World Bank (2008b), MENA Development Report, The Road Not Traveled, Education Reform in Middle East and Africa, Washington D.C.: World Bank.

Increase in labour force and unemployment levels

The pressure exerted by youth on labour markets is regarded as a key determinant of emigration in Egypt (Fargues, 2003). Government and private estimates put the number of jobseekers entering the labour market annually at around 700,000 and 800,000, respectively, which is considered a huge number compared to the production capacity of the Egyptian economy. This led to high figures of unemployment that revolved around 9 per cent, and surpassed 10 per cent, in some years (see Figure 3). Under-employment and reliance on the informal economy are also key features of the Egyptian economy (Nassar, 2007). Such high unemployment and underemployment levels represent important emigration push factors. The main channels of job absorption that used to exist in the past, including formal migration, and public sector employment, are no longer available, thus creating extra pressure for irregular migration.

Figure 3: The Development of unemployment rate (1981-2008)



Source: Egypt Information Portal/ IDSC referring to data from CAPMAS, 2008, http://www.eip.gov.eg/nds/nds_view.aspx?id=3692

Perceived better life after returning from migration

Perception of a better life for return migrants is considered an important socio-economic push factor. The Ministry of Manpower and Emigration (MME) undertook several surveys showing that economic reasons (including upgrading living standards and unemployment pressures) are the main culprits for a high potential of emigration (cited in EUI, 2006; Fargues, 2006). Based on interviews, Zohry (2006b) identified a number of reasons for increased irregular migration to Europe. As stated by Zohry (2006b):

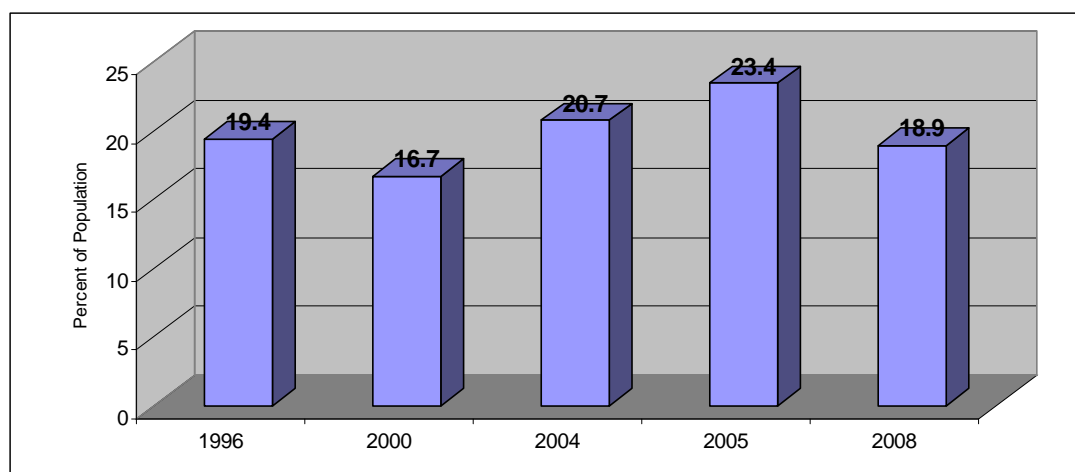
An important factor that plays a major role in stimulating migration streams to Europe is the wealth of successful migrants and return migrants. Remittances of Egyptian migrants who work in European countries are important factors that stimulate a continuous stream of migration. Potential migrants claim that ordinary workers can save an average amount of 6,000 Euro per annum while working abroad (about 40,000 Egyptian Pounds). Potential migrants claim that the “savings of one-year work in Europe is more than a lifetime salary in Egypt”. Building luxurious houses in rural Egypt, marriages, and consumerism behavior of returnees are strong factors that attract new young men to migrate. When youth weigh the risks of irregular migration against the expected returns, they prefer to take the risk for an assumed better life.

Moreover, and based on interviews, Zohry (2006b) asserts that there is a shift of migration from Arab Gulf countries to Europe, facilitated by extended networks making irregular migration easier.

Alleviating poverty

The Egyptian data indicate that about 74 per cent of migrant households spend the largest share of funds received from relatives abroad on daily household expenses (Zohry, 2006a). This implies that migration has an important role to play in poverty alleviation, but not directly in productive investment, rather through the financing of daily expenses and consumption needs of the migrants' families back home in Egypt. This is fully expected, as revealed by the high level of poverty prevailing in the Egyptian economy shown in Figure 4. Given the weak formal social safety net in Egypt, migration helps to improve living standards and alleviate poverty.

Figure 4: Poverty rates in Egypt (1996-2008)*



* Percentage of population below lower poverty line (poor & extreme poor).

Source: Combined from: World Bank (2009a), *Economic Growth, Inequality & Poverty: Social Mobility in Egypt 2005-2008*, MNA Knowledge and Learning Fast Brief, Issue Number 47699, World Bank and Institute of Developing Countries (2008), *Sustainable Development and Poverty Reduction under Mubarak's Program*, IDE Discussion Paper No. 145, and El-Laithy, Heba, Michael Lokshin and Arup Banerji (2003), "Poverty and Economic Growth in Egypt: 1995-2000", World Bank Policy Research Working Paper 3068, Washington D.C.: World Bank.

Status of education and employment policies and their relationship with migration

By February 2009, Egypt had reached a population of 75.9 million, with almost 6 out of every 10 Egyptians under 25 years old and where about 58 per cent of the total population is under the age of 25, while 41 per cent is between 15 and 39 (CAPMAS). Such a huge potential labour force, accompanied by relatively low wage levels, provide untapped opportunities for Egypt to become a major economic force, provided the right policies are adopted to make use of the existing human capital. In fact, indicators of regular (basic and secondary) and higher education are deceptive. For example, the enrollment ratio of students in basic and secondary education is relatively high, reaching 89.4 per cent in 2005/2006 (UNDP, 2008). However, as identified by domestic and foreign businesses operating in Egypt, human capital seems to be a major constraint hindering Egypt from excelling as a large world market industrial and trade player. For example, the latest *Global Competitiveness Report (GCR) 2008/2009* published by the World Economic Forum, identified that higher education status in Egypt has worsened, ranking it as 91 amongst 160 countries, whereas it ranked 80 with regard to the higher education indicator in 2007/2008. Such a lagging and deteriorating position of Egypt in higher education is among the factors that have contributed to the worsening of Egypt's overall ranking in the report from 77 in 2007/2008 to 81 in 2008/2009. Primary education has also suffered from a deteriorating ranking. This lack of qualified human capital implies that there is a mismatch between the outputs of the higher education system and the demands of the

labour market, which resulted in high levels of unemployment reaching 11.7 per cent in 2007/2008 (the university educational unemployment rate reached 26.8 per cent in 2005 compared to an overall unemployment rate of 9.3 per cent, UNDP 2008).

The problem of a deteriorating education system has been a main concern of the government for a long time and it has sought the help of international donors (World Bank, 2005). Yet, the problem has been exacerbated over time, rather than resolved. As revealed by World Bank (2008b), Egypt, among the neighbouring countries in the MENA region, has the highest rate of unemployed labour who attained secondary education and above (Table 5). This implies that the returns on education in general, and higher education specifically, is relatively low (Galal, 2002), mainly because of its low quality and the mismatch between demand and supply. Among the efforts undertaken to upgrade the level of human skills in the industrial sector, has been the establishment of the Industrial Training Council (ITC) in 2006. The ITC is responsible for supervising all vocational, career, and managerial training programmes falling under the auspices of the Ministry of Trade and Industry. So far, it has focused on vocational training, as a priority, while the managerial dimension is still lagging behind.

Regarding the GOE's spending on higher education, it is worth mentioning that over the past decade, the focus has been on enhancing access to basic and secondary education, with less attention paid to higher education. In a forthcoming comparative study it was identified that Egypt has the lowest expenditure per higher education student (US\$902 in Purchasing Power Parity terms) when compared to Syria (US\$2,239), Morocco (US\$3,442), Jordan (US\$4,421), Lebanon (US\$4,530), and Tunisia (US\$4,634) (El-Araby, 2009, forthcoming). Looking at the distribution of Government expenditure on education levels, more than two thirds of public expenditure on education is allocated to pre-university education (Table 6).

Table 6: Progress of education appropriations (2001/2002-2007/2008)

	Pre-University	University		Various Activities	Total Spending On Education
	Billion EGP	%	Billion EGP	%	Billion EGP
2001/02	14.2	68.3%	5	24.0%	20.8
2002/03	13.3	64.6%	5.3	25.7%	20.6
2003/04	14.5	63.9%	5.9	26.0%	22.7
2004/05	16	66.7%	6.3	26.3%	24
2005/06	17.5	68.4%	6.5	25.4%	25.6
2006/07	18.7	68.2%	7.1	25.9%	27.4
2007/08	21	68.4%	8	26.1%	30.7

Source: Ministry of Finance (2008) Statistical Statement: Draft of State General Budget for FY 2007/2008.

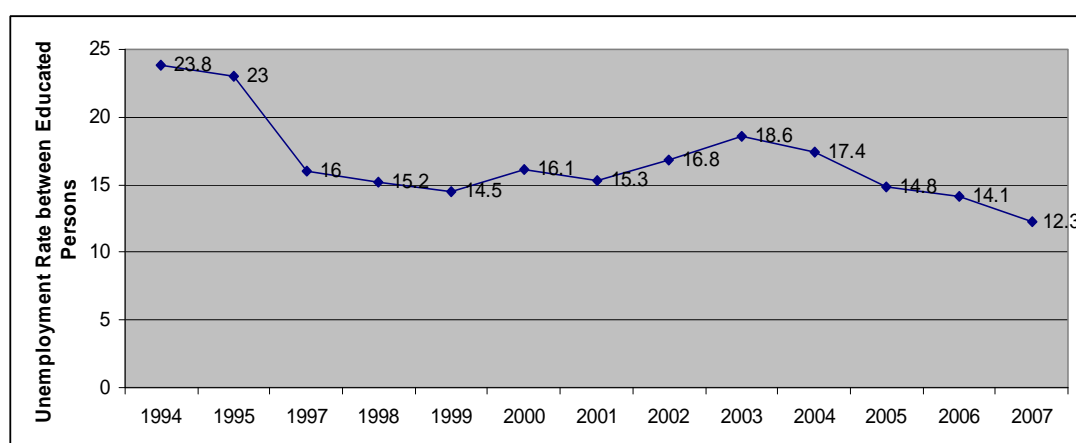
Among the challenges faced by higher education are:

1. Limited relevance of research and education outputs to the needs of civil society, especially in social sciences, as revealed by interviews with business community representatives. The relevance of education to market demand is one of the most debated issues and one of the major areas of concerns in Egypt. High level of unemployment, and particularly graduate unemployment, signifies a mismatch between what the higher education is offering and what the labour market is demanding. Unemployment rate among graduates with intermediate education or above reached 12.3 per cent in 2007 (see Figure 5). Unemployment among educated

persons is higher than the general level of unemployment, as shown by Figures 3 and 5. Moreover, unemployment among university graduates has reached extremely high levels recording 26.8 per cent in 2006 (CAPMAS, 2007). According to the *Global Competitiveness Report*, the inadequately educated workforce constituted one of the most problematic factors for doing business in Egypt.

2. Limited fiscal sustainability.
3. Lack of good quality of both education and research. Higher education in Egypt still depends on traditional teaching methods that rely mainly on reciting from text books while little attention is paid to other participatory methods (seminars, discussion, working groups and research activities). This approach hinders developing creative and innovative thinking for the students (UNDP, 2003).

Figure 5: Unemployment rate among educated persons (%) - (1994-2007) *



* Source: Egypt Information Portal/ IDSC referring to data from CAPMAS, 2008, The figures does not include emigrants.

http://www.eip.gov.eg/nds/nds_view.aspx?id=4975

The high rate of unemployment explains the high tendency to migrate among educated people, as shown in Table 7. This has also been confirmed by recent research identifying a gap between labour supply and demand and that the unemployed in Egypt do not fit the labour demand, hence deepening the issue of unemployment (Radwan, 2002). The problem is deeply rooted in the education system that has focused on quantity and paid less attention to quality of education and its ability to meet market requirements (Galal, 2002).

Table 7: Educational level of migrants and non-migrants at last emigration (migrants) or five years ago (non-migrants) (2005)

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

Source: CARIM Database (2005), *Demographic and Economic Module* referring to data from Ministry of Manpower and Emigration.

3. Institutional set-up governing migration in Egypt

Laws and regulations governing outward migration

During the 1950s, until the mid 1960s, there were very strict controls by the GOE on migration, under President Nasser. In 1964, the Committee for Manpower was established and authorized to consider applications for emigration and issued a few thousand permits per year. The Committee then started to ease migration procedures for temporary and permanent migration. Three years later, in 1967, there was a shift in the official view on migration. It shifted from restricting migration, and especially skilled workers to avoid a brain drain, to encouragement of migration. The migration policy of the GOE under the presidency of Nasser was more politically driven, without clear discussion of its economic consequences (Roman, 2006).

Policy under President Sadat represented the start of the institutionalizing of migration policy in Egypt. In the 1971 Constitution, Article 52 granted Egyptians the right to emigrate and return home. Moreover, Law 73/1971 allowed public-sector employees to return to their jobs after an absence of one year, subsequently extended to two years together with the removal of other legal impediments. Following the open door policy adopted in 1974, all restrictions on labour migration were lifted (Roman, 2006). During this period, many measures were taken to ease the restrictions imposed on emigration procedures. Migration was high on the agenda of the government for a number of reasons, including solving unemployment problems, using remittances to help in restoring the balance of payments deficit and financing private projects, and providing Arab countries with the required labour, especially in the light of the oil boom (IOM, 2003). Government agencies responsible for organizing labour migration began to be established, especially for Arab countries focusing on specific occupations such as teachers, physicians and nurses. During this period, it was difficult to design specific policies targeting irregular migration, especially that migration *per se* was in its infancy and there were no specific reasons to think that irregular migration might ever happen. On the contrary, if irregular migration had ever taken place during the presidency of Nasser, the granting of the Government's blessing through laws and regulations encouraging migration, were thought to stop any form of irregular migration that could have happened for political reasons.

Starting in the 1980s, under the Government of President Mubarak, additional attention was devoted to emigration. Specialized agencies were established to organize the process of migration and strengthen links between Egyptian emigrants and their home country. Presidential Decree 574/1981 set up the Ministry of State for Emigration Affairs to sponsor Egyptians going abroad for work and provide them with a number of services (IOM, 2003). The setting up of a special ministry for emigration affairs reflected the importance of the subject of migration to the Egyptian economy, and the urgent need felt by policy-makers to institutionalize migration issues. Law 111/1983 "The Emigration and Sponsoring Egyptians Abroad" is considered the main law governing emigration in Egypt. It identifies the rights of all migrants, temporary and permanent, and lists the responsibilities of the Ministry of State for Emigration Affairs. The law granted migrants the right to retain their Egyptian nationality along with the nationality of their country of destination. It makes a clear distinction between permanent and temporary (less than one year) migration, though in practice the distinction is blurred. Finally, it identifies the financial rights of migrants stating that there are waivers from taxes and fees on their deposits when invested in Egyptian banks (Roman, 2006; IOM, 2003). There was no specific mention of irregular migration in the laws and regulations adopted.

In 1996, the Ministry of Manpower and Emigration (MME) became responsible for migration and Egyptians abroad under Presidential Decree 31/1996, hence replacing the Ministry of State for Emigration Affairs. New policies relating to all aspects of sponsorship and available facilities for Egyptians abroad, in cooperation with the ministries and entities concerned, have been endorsed. The decree stated the principal goals to be achieved by the Emigration Sector (ES) of the Ministry, including: linking emigration policy with the national interests of the State in achieving economic and social development; and, providing the necessary care for Egyptians abroad and establishing links between them and their mother country.

A Higher Committee for Migration (HCM) was set up in accordance with Presidential Decree 2000/1997 to enhance cooperation between different ministries on migration issues. The establishment of the HCM was stipulated explicitly in Law 111/1983, however it was only launched in 1997 (IOM, 2003; Roman, 2006). The HCM is headed by the Minister of Manpower and Emigration and includes representatives from a large number of ministries (13) that deal with migration issues. The competences of the HCM include: setting up of professional training centres for potential migrants; organizing specialized courses providing potential migrants with qualifications; and, providing Egyptians abroad with media and cultural material to maintain ties with their homeland, including teaching Arabic to migrants' children, and supporting efforts by Egyptian religious bodies to maintain the spiritual heritage of Egyptians abroad. However, it is worth noting that, in reality, not all such competences are exercised and that the HCM rarely meets.

The institutional set-up of the existing HCM and the ES of the MME includes setting up training centres for potential migrants, and defining policies and political solutions to address the needs of the migrants abroad. In fact, the ES has economic, cultural, political, and legal roles to play. As assessed by some studies, its performance has been modest on the legal and political fronts, especially in negotiating agreements protecting legal rights of migrants abroad and finding political solutions to migrants abroad (Roman, 2006).

Currently, the Egyptian institutional set-up dealing with migration includes a number of ministries namely: Ministry of Manpower and Emigration; Emigration Sector (ES); Ministry of Foreign Affairs; Migration Division; and, Ministry of Interior. The Ministry of Foreign Affairs, Migration Division, was established in 1969 and is responsible for coordinating with other government bodies to facilitate the migration process and to undertake studies that could enhance policies. The Ministry of Interior grants work permits to temporary migrants prior to their departure, as well as keeping records of all passengers who cross the Egyptian borders through its control points in the airports, ports, and land points throughout Egypt (IOM, 2003). Finally, the Ministry of Defence is playing an increasing role in monitoring the borders to control irregular migration, and the Ministry of Information is playing an increasing role in raising the public awareness of the population on the risks associated with irregular migration (Information and Decision Support Centre, 2007).

What is evident is that, during the governments under the presidency of Mubarak, irregular migration increased due to several political and economic reasons affecting both Egypt and the world in general. The institutional set-up governing migration has not been developed in such a manner as to govern the increasing flows of irregular migration. In light of the weak institutional framework governing migration, it is hardly expected that Egypt would have a specific transparent institutional framework targeting irregular migration. Nevertheless, Egyptian laws contain stringent punishments for foreigners against unauthorized entry or exit, including imprisonment of up to six months and/or monetary fine and expulsion (Law 88/2005 amending law 89/60; Hilal and Samy, 2008). However, no similar regulations exist for Egyptians.

The externalization of policies in the area of institutional efforts has been evident in the bilateral collaboration between GOE and the International Organization for Migration (IOM). For example, and given the fact that Italy is among the largest recipients in Europe of migration flows from Egypt, the MME, in June 2001, requested that the IOM set-up a project to develop an Integrated Migration Information System (IMIS) between Italy and Egypt, financed by the Italian government. The objectives of the project have been to facilitate the legal emigration and integration of migrants; to improve the social conditions of Egyptian immigrants by reinforcing their cultural and economic ties with their country of origin; and, to channel human and financial resources resulting from migration in order to benefit economic development in Egypt. The IMIS has helped to create a database for the emigrant Egyptian community in Italy, which helped in undertaking better targeted policy decisions towards this community, and assisted the migrant community to trace the social and economic developments in their home country. The project consists of two phases: IMIS and IMIS Plus. IMIS started in June 2001 and ended in December 2005, while IMIS Plus started in February 2008 and will end in January 2010.

Accompanying IMIS was another capacity-building project aimed at enhancing the management and information technology (IT) skills of ES staff to manage the database on their own, after IOM pulled out in 2004. The capacity-building assistance included managerial capacities, IT management, upgrading of language skills and basic IT knowledge for the whole ES staff, the setting up of a fully trained and operational IT unit to meet the future technical needs of the sector and the training of a research unit. The project became self-sustaining after the withdrawal of IOM in 2004. The restructuring has involved retraining and reorganizing 30 of the 60 staff of the ES. The office is now fully networked and all members of the staff have access to broadband Internet connections. They are divided into teams, each with a specific role in the compilation and maintenance of an online database of Egyptians abroad and regular communication with the prospective emigrants in Egypt. Restructuring and capacity-building in the sector certainly have positive spillover effects enjoyed by it, hence enabling it to handle other migration projects (Roman, 2006).

The IMIS, and the accompanying project, represent a good example of tackling irregular migration at its roots, though still incomplete as it requires efforts on reforming the irregular labour market in Italy, as well as improving the formal labour market in Egypt.

The ES has a web site with information on emigrants abroad and their profiles that helps in a better flow of information on job opportunities, social, and economic conditions, etc. The ES web site has three functions. First, it provides matchmaking job opportunities for Egyptians seeking jobs abroad, and for foreign employers advertising job opportunities in Egypt. For the Gulf countries, the service is carried out by private recruitment agencies licenced by the MME. Second, it provides practical information on legal migration to a range of countries. Third, it provides Egyptian emigrants with news on investment opportunities in Egypt (Roman, 2006). In fact, enhancing the diffusion of information on the status of emigrants is of paramount importance. Empirical research focusing on emigrants from rural villages in Egypt identified that information plays a crucial role in determining the decision to emigrate and the length of stay abroad (Gang and Bauer, 1998). This implies that providing information can ration the process of migration, which works for the better of the emigrants and the governments, as it lessens irregular migration.

These aforementioned ES projects have not had sufficient time to be objectively assessed. However, from a theoretical point of view, they can be considered as projects aiming at a better organization of the emigration process, besides establishing links between Egyptian emigrants and their home country. According to some analysts, such projects suffer from a European bias where their focus is merely on the European market needs and requirements, which does not match the real emigration process in Egypt that is

rather biased towards the Arab countries (Roman, 2006). This report does not agree with the observation of Roman (2006) as, upgrading the skills of Egyptian workers, even if biased towards EU market needs, certainly has positive spillover effects on them, even if they migrate to Arab Gulf countries.

Education, in particular of second generations, is a target and the Ministry not only provides facilities for learning Arabic language and Islam, but also for creating schools which follow Egyptian curricula (Fargues, 2003). Moreover, The ES has undertaken wide-ranging responsibilities according to the following objectives: 1) develop policies to encourage Egyptian emigration; 2) enhance relationships between Egyptian emigrants abroad; 3) capitalize on knowledge, skills and savings of Egyptians abroad to enhance Egyptian social and economic development; and 4) establish an integrated database on issues related to migration (Zohry, 2006b). Following these objectives, the ES supports financially, gatherings of Egyptians abroad, conducts surveys and studies, collects information and data, undertakes necessary campaigns to disseminate information to Egyptian youth to raise awareness of the risks of irregular migration, and guides them towards legal migration channels. It cooperates with audiovisual media in order to maintain the Arabic language among consecutive generations of Egyptians abroad, receives the complaints and inquires of Egyptians abroad through the Internet or mail, processing answers for them, and acts to activate the role of the General Union of Egyptians abroad amending its legal framework (Zohry, 2006b).

The ES cooperates with the IOM in defining the profile of Egyptian irregular migrants and in raising their awareness on the realities and risks of irregular migration, including migrant trafficking, through the Information Dissemination for the Prevention of Irregular Migration Project (IDOM). IOM, through this project, aims at assisting the GOE in developing specific means of information through the cooperation of institutional, non-institutional and media counterparts in order to reach potential target groups and influence their perception of migration realities; improve collaboration and information-sharing with countries of destination; and, establish bilateral agreements with important migrant-receiving countries to facilitate the return and readmission of irregular migrants to Egypt (Zohry, 2006a). A mass information campaign combining selected media, the participation of non-governmental organizations (NGOs)/Youth groups and tackling the multiple aspects related to irregular migration (legal, socio-economic etc.) will be developed in the second phase of the project. A survey on “Attitudes of Egyptian youth towards migration” was carried out in the first phase of the project in eight governorates; Cairo, Alexandria, Gharbiya, Dakaqliya, Sharqiya, Fayoum, Menoufiya and Luxor. Some 1,552 questionnaires were successfully completed and analysed (Zohry, 2006b). One of the most important issues that the IDOM report revealed, which has several policy implications, is that youth are aware of the hazards accompanying the irregular migration to Europe, yet they are ready to proceed with it.

Based on interviews, the official view of the GOE is that it encourages temporary and permanent legal migration. As for irregular migration, the official view is that it cannot be fully prevented, but the role of the GOE is to enhance public awareness on the difficulties likely to face irregular migrants and to ensure that all migrants migrate safely. Migration, as viewed by interviewees, has its deep roots embedded in the socio-economic conditions of the Egyptian population. As a Government, it is advantageous for it to encourage migration, especially as it helps to solve urgent domestic problems, including unemployment. Moreover, it helps to increase inflows of capital into the country from remittances and this has a positive spill over effect on investments, savings, and upgrades the living conditions of the families of emigrants. Hence, it is rational thinking from the Government not to stop migration, especially since it is a constitutional right, unless it negatively affects its citizens (which is the case of irregular migration).

The GOE has not yet developed a fully fledged comprehensive policy on migration that is able to cater for the problems associated with irregular migration. It has rather started a number of *ad hoc* initiatives in response to the catastrophe of the increasing number of irregular Egyptian migrants to EU countries, especially those to Italy (being the nearest destination), who die before reaching its shores. From interviews, it was learned that they are thinking of adding some provisions to existing laws on migration aimed at punishing irregular migrants and those who assist them (brokers) in a more significant manner; existing laws are mild and general on dealing with such issues (accusation being directed at putting people's lives in danger and not specifically on illegally trafficking people). However, nothing has materialized so far. On another front, there have been some new efforts aimed at enhancing the skills of Egyptian unskilled labour to match the needs of some EU countries. It was announced recently that a new project, jointly implemented by the Ministry of Housing and New Urban Communities and the Vocational Education and Training Reform Project³ (which followed the Ministry of Trade and Industry), will start training Egyptian labour in 20 different professions in the field of construction using international criteria. It is expected that, after such training is completed, the workers trained will have an international accredited certificate enabling them to have work contracts in EU countries, especially Italy (El-Ahram newspaper 15.9.2009). Such types of projects are of paramount importance as they enhance the skills of potential migrants thus having a positive impact on lessening irregular migration by diverting it to circular or temporary legal migration.

Policies adopted with regard to return migration and remittances

There are no specific government policies adopted towards emigration, returned migrants or remittances by the GOE. Rather, it is playing a reactive role to migration issues on the policy and diplomatic sides. It is somewhat proactive on the institutional side. A partial explanation of its modest role on the policy and diplomatic sides is that the policy aspect shared equally with the receiving country. Hence, facilitating visas, for example, is an issue controlled only by the receiving country. Moreover, diplomatic efforts normally only take place when it is necessary to intervene based on a political signal or when a problem occurs. However, it should be noted that the GOE has started to play a more active role by signing agreements with some countries (as explained below) to cater for Egyptian migrants and regulate the process of their migration.

The rules and regulations dealing with remittances have undergone many changes. In the 1960s, the GOE used to ask emigrants to repatriate part of their earnings to the government (migrants had to transfer 25 per cent of their income for single migrant households and 10 per cent for family households into their own bank account), a policy which proved to be unsuccessful (Collyer, 2004). Exchange rates were changed by the end of 1960s and beginning of the 1970s to encourage remittances, and the government started issuing special bonds for emigrants to attract their remittances. In fact, Egypt was one of the very few countries to liberalize its capital account in its balance of payments (even before attempts to liberalize its current account) to attract remittances. None of these policies led to a significant change of pattern in using remittances in productive investments⁴ (ESCWA, 2006; Roman, 2006). The government changed its policy in the 1980s and induced migrants to send money to a foreign currency account in Egypt by offering favourable exchange rates. Also, bonds for Egyptian migrants were introduced.

³ The funding for this project is jointly divided between the EU and GOE.

⁴ By productive investment is meant the establishing of manufacturing or services projects that yield income and create employment. Since the majority of remittances is spent on buying or constructing houses or consumption, it is argued that this does not represent productive investment from the economy's point of view.

The Law 111/1983 recognized some rights for Egyptians abroad, such as tax exemptions on the bank deposits of emigrants in banks operating in Egypt and that capital contributed by an Egyptian emigrant should be treated not less favorable than any foreign capital in the same field. Since that date, remittances have not been regulated by any means, neither through obligations to repatriate part of the remittances back to Egypt, nor through provision of incentives for emigrants and Diaspora to send their remittances back home. The idea of taxing remittances was raised in the 1990s, but was soon abandoned as it was found to be irrational.

Moreover, Article (12) of Law 80/2002 "Promulgating Anti- Money Laundering Law, amended by Law 78/2003" states that travelers shall still be entitled to carry foreign currency into or out of the country under the law, provided that upon arrival they declare amounts exceeding US\$20,000, or their equivalent, on the form prepared by the Unit, and subject to its rules. None of the measures had the expected result of an increase of remittance flows through formal channels. Part of the reluctance of migrants to use such options was the lack of trust among them in governmental activities and the fear of delays and bureaucracy. None of these policies led to a significant growth of access to remittances by official sources (ESCWA, 2006; Roman, 2006). As explained before, the IMIS included among its objectives the channeling of human and financial resources resulting from migration in order to benefit economic development in Egypt. However, there exists no information on what exact channels were used to enhance the flow of remittances into productive investment in Egypt. In fact, Egypt still lacks such official mechanisms. There exist no special facilities for investing the savings of emigrants when they return home, or their remittances when aboard.

This section also investigates whether there are any policies adopted by non-governmental organizations (including banks and financial organizations) to attract remittances. Based on interviews, it was revealed that neither banks nor the Social Fund for Development (SFD) in Egypt have specially tailored products for migrants. In fact, five years ago, one bank tried to attract the remittances of migrants by charging no fees. The project failed as the bank realized migrants do not leave their money in the bank and this meant losses for the bank. The two largest public banks in Egypt (Bank Misr and National Bank of Egypt) do not have a special branded product for migrants. However, the two banks have agreements with exchange bureaus (almost 56) in Arab countries, as well as a large number of branches in Egypt and Arab countries. As revealed by interviews, bank charges for transmitting transfers are low. There are also no tailored programmes for investment of the money transferred by migrants. Moreover, Misr Bank and National Bank of Egypt have introduced a new system of cards (similar to ATM card) where migrants deposit their transfers at the exchange bureaus, or cooperating banks, and the recipient, through another card, can withdraw the money in Egypt. Although this card mainly targets migrants, it was not branded as a migrants' card.

As for remittances, or any other international transfer, private banks have different rates, but in general they are low. Banks *do not brand specific migrant products as they are deemed to be unsuccessful*. The results of the interviews are in contrast to the review of existing literature, which points out that fees for transactions and the lack of a sophisticated banking system specifically (and financial sector in general), could be a reason for the low channeling of remittances via banks (European Investment Bank, 2006). In fact, one of the few studies that has focused on remittances of Egyptians living in Italy identified that banks are cheaper for transacting remittances compared to money transfer organizations (MTOs) such as Western Union, Thomas Cook, and Money Gram). The mean value for transaction through banks was 7 per cent compared to 12 per cent by MTOs (Orozco, 2003). Another study emphasized that Egyptian banks are heavily present in Italy and Egypt; Arab Bank has one branch in Rome, and 12 in Egypt and Misr Bank has cooperation agreements with Banca di Roma, but also with Western Union and Money Gram also heavily present in Egypt (European Investment Bank, 2006).

Egypt Post has also developed a financial service through which migrants can send money to a specifically identified person from their bank abroad and the beneficiary is able to cash it in an Egypt post office in Egyptian pounds for a fee. Moreover, Egypt Post provides a variety of remittance services including paying government entities when abroad and having electronic remittances, etc.⁵

International migration agreements signed by Egypt

Regarding bilateral agreements, Egypt has a number of them with Libya, Sudan, Qatar and Jordan that regulate the right of entry, movement, ownership, and work. Some of these agreements, such as those with Sudan and Libya are reciprocal. However, as revealed by interviews, the four freedoms agreement signed between Egypt and Sudan is not fully implemented⁶ as stated by officials. For example, the Sudanese are allowed to own buildings and land in Egypt, whereas Sudan still does not provide the same treatment for Egyptian migrants. Egyptian officials stated that Egypt abides by its agreement determining the status of Sudanese refugees, as well as other refugees as determined by the United Nations High Commissioner for Refugees (UNHCR). Existing studies show that Egypt does not always meet its obligations under this agreement (Hilal and Samy, 2008). The four freedoms agreement with Sudan is the only one of its kind on detailed migration bilateral agreements to be signed by Egypt, perhaps because the Sudanese represent the largest immigrant community in Egypt, estimated at around 3–5 million. There are also agreements with Libya and Jordan. The agreement with Libya remained modest and emphasized the need for cooperation. The agreement with Jordan is not reciprocal and focuses mainly on managing the flows of Egyptian emigrants to Jordan. None of these agreements mention explicitly irregular migration, although in fact they were mainly enacted to manage irregular migration. For example, among the provisions of one of the agreements, it was stated that it is the role of GOE to enhance awareness among Egyptian migrant labour on the conditions of work and living in Jordan. Another provision emphasizes that Egyptian migrant labour must hold a valid work permit issued by Jordanian authorities. Efforts undertaken to renew such agreements are taking place, including the recent renewal of agreements with Jordan, Qatar and Libya.

Past efforts used to depend on official bilateral agreements. For example, between 1974 and 1993, Egypt signed labour migration agreements with 11 countries. However, such agreements were less successful compared to the informal arrangements undertaken

⁵**Postal remittances** is a financial service to transfer the funds sent from one person to another using a postal document and is divided into several types, as follows:

Internal remittances (remittances of the public): remittances sent by one person to another person within the Republic, and they are two types (withdrawn - cashed).

Government Remittances: they are sent by individuals to government bodies as fees for a particular service through post offices. They are called withdrawn governmental remittances.

Electronic remittances (immediate remittances): a service through which customers can send money in a short period of time to others. This service is electronically carried out through the EDI system.

Cashed external remittances: are received by individuals in the A.R.E abroad by foreign currency and are cashed to beneficiaries from post offices against a specified fee paid in the Egyptian pounds.

Cashed remittances in residence: is a modern service provided for customers, who wish to use it, for an additional fee.

Expired remittances: are remittances not received by their consignees within two months, including the withdrawal month. They can be cashed by special procedures but are accrued to the authorities after five years.

⁶ The four freedoms agreement between Sudan and Egypt came into force under Egyptian law in September 2004. It grants reciprocal rights to Egyptians in Sudan and Sudanese in Egypt. Under this agreement, the Sudanese are entitled to freedom of movement, work, residence and property ownership in Egypt (Hilal and Samy, 2008).

without the intervention of the governments. These informal agreements concerned managing flows of migrants to such countries. With the Arab countries, there is also the Agreement of the Council of Arab Economic Unity of 1965 whose objective was to achieve the economic integration of the region within the framework of economic and social development. The agreement was meant to provide for freedom of movement, employment and residence, and to abolish some restrictions on movement within the region. It was ratified by Egypt, Iraq, Jordan, Kuwait, Libya, Mauritania, Somalia, Sudan, Syria, Yemen and Palestine. As a follow-up to this, the Arab Declaration of Principles on the Movement of Manpower adopted in 1984 stressed the need to give preference to Arab nationals and called for intra-regional cooperation (Roman, 2006).

Most of the current efforts undertaken by GOE have mainly focused on signing international agreements, a trend that is declining. Whereas, in the past, bilateral agreements were signed in increasing numbers, there has been a shift to stabilize and reduce the signing of new bilateral agreements; these agreements with Europe are now rare. In fact, there are only bilateral agreements with Italy and Greece. There is one, signed in 1981 aimed at the regulation of migrant flows with Greece that has recently been renewed and amended (Collyer, 2004). It focused on the status of seasonal employment, especially fishermen. It tackled three aspects, namely, labour flows (in terms of the number of Egyptian migrants who will be granted work permits), readmission and cooperation among police authorities. There are ongoing negotiations with France and Cyprus to sign similar agreements to those with Italy (France) and Greece (Cyprus), but they have, so far, not materialized into something concrete (based on interviews). To date, only one readmission agreement was signed with Italy in 2006, which was accompanied by an agreement that regulates legal migrant flows to Italy, specifying a certain quota of Egyptian labour to migrate on an annual basis, based on the demands of the Italian labour market. The quota started in 2007 with 7,000 migrants, and was increased in 2008 to 8,000, and is expected to remain at this level or increase. Fulfilling the quota in 2007 proved difficult due to an inability to meet the demands of the Italians (absence of type of skills required and job specification). It is worth noting that the Association Agreement with the EU mentions the general aspects and framework of readmission agreements to be signed with Egypt (see Annex 1.), whereas details are left to the bilateral agreements between Egypt and individual EU members (as in the case of Greece and Italy).

However, the GOE was able to legalize the status of around 5,000 irregular Egyptian migrants in Italy under this agreement (MME, 2008). This can be viewed as a *quid pro quo* type of agreement, where the gains are mutual on both sides. Two such agreements, being signed simultaneously, identify that both a root cause approach (agreement regulating flow of migrants) in tandem with a remote control approach (readmission agreement) have been adopted. The two agreements are a sign of mutual collaboration between GOE and the Italian Government on combating irregular migration. The cooperation started with the IDOM project, referred to earlier, which is an information programme on irregular immigration, designed to promote the adoption of complex information systems for the prevention and reorientation of irregular immigration. The project includes a strong component of technical and managerial training targeting the personnel of the relevant authorities with the aim of promoting appropriate migration policies enabling the control of the migration flows. Moreover, GOE has begun establishing mechanisms for turning brain-drain into brain circulation, facilitating local investment by the Egyptian Diaspora, and analysing new opportunities for skills transfer, training and also increasing Egyptian exports through the Diaspora (Baldwin-Edwards, 2005). The Italian government informs the GOE of its requirements for labour in different areas, and MME undertakes the process of finding and training Egyptian labour in line with these requirements and guarantees the return of the temporary migrants back to Egypt. However, the project has only been operating for one to two years, hence it is difficult to measure its success. But, it is worth noting that the project, if proved successful, should be extended to other countries, as well as stepping up the numbers joining the programme. The agreement with Italy did not tackle

irregular migration in an explicit manner. However, the simultaneous signing of readmission agreements implies that irregular migration is counted in policy-making. What is interesting is the deal reached by the GOE and the Italian government to fulfill the quota by regularizing the status of irregular migrants already in Italy. Although, as revealed by interviews, the Italian government issued a regulation afterwards confirming that irregular migrants would have no right to be granted legal status, thereby ensuring that this agreement would not encourage irregular migration. However, it is not clear how successful this was from an Italian perspective, but at least for GOE and irregular migrants, this deal was a success in terms of legalizing the status of existing irregular migrants and opening a legal door for future flows of migrants.

Regarding regional cooperation between Egypt and its European neighbours on migration issues, there are two sets of frameworks. With the European Union, there is the Association Agreement signed in 2001, which was followed by the Action Plan within the context of the European Neighbourhood Policy (ENP) signed in March 2007. The Association Agreement and the Action Plan include provisions related to the living and working conditions of legally settled migrant communities, the prevention of irregular migration, and the reduction of migratory pressures, but nothing on the management of further labour migration. Rather, the articles of the Association Agreement have focused on irregular migration in a remote control fashion. Moreover, as depicted in the migration provisions of the Action Plan, they were more focused on a remote control approach and some sort of co-management and cooperation, but did not deal with the root cause approach of migration in Egypt.

Regarding agreements with Arab countries, there exist the old regional agreements as shown above and the bilateral agreements that aim at protecting the rights of Egyptian migrant labour in Arab countries. In fact, the majority of these agreements were signed in the past, but have recently attracted attention when Egyptian migrants faced problems and the GOE utilized them to resolve these problems. Currently, there are 12 agreements with Arab countries concerned with regulating the flow of Egyptian migrants to them. In some cases, the agreements deal with the status of Egyptians in those countries to ensure that they are treated well and have all their rights.

As for decent work aspects, including social security and equal treatment, such issues have appeared on agreements with some Arab countries, including rights and equal treatment of legal migrants, as in agreements with Libya and Jordan. In the context of the Association Agreement with the EU, Articles 63 and 65 and ENP Action Plan Section on Emigration deal broadly and vaguely with social security issues of migrants. In the Country Strategy Paper (2007–2013), there is no mention of anything related to social aspects of migrants (European Commission, 2007b). The Progress Report on the Action Plan with Egypt identified that no progress has been made in this area, despite reports emphasizing that such aspects are present in the bilateral migration agreements signed between Egypt and other countries (European Commission, 2008). Interviews revealed that this issue continues to receive less attention in the negotiations with the EU.

A discussion on EU migration policy (including circular migration) towards South Mediterranean countries with focus on Egypt

It is worth noting that, despite the EU countries having tried to create a common policy on migration within the context of the Amsterdam Treaty, their efforts are still continuing and, in the meantime, the management of migration flows remain controlled on a national basis. In fact, the national legislations concerning immigrants in EU countries are proliferating. This implies that Egypt should devote its efforts to joint management of migration flows on a bilateral basis that, in fact, might be more effective than proceeding through regional forums as the Association Agreement (signed with the EU and not with

individual EU countries). This is not to say that Egypt should neglect negotiations under the Associations Agreement and the Action Plan of the ENP, but rather should make use of both channels to maximize its benefits out of emigrants, and avoid friction with EU countries. The Association Agreement and Action Plan should set the framework, whereas the actual implementation should follow a bilateral approach (as is the case with Italy) due to the different characteristics of each receiving country.

Agreements with Europe (Association Agreement) do not fully address the issue of irregular migration as they focus only on one aspect, namely, how to control outward migration. It does not address the incentives in the destination country. For example, the cooperation model between Egypt and Italy should be examined to identify its pros and cons. However, it is argued that, despite the fact that this model might succeed, it is still believed that it is not enough to solve the problem of irregular migration. Several experts have argued that overcoming the problem of irregular migration from Egypt requires solving the problem of irregular employment in the destination countries as well. For example, as has been argued by Fargues (2003), "combating irregular migration therefore implies combating irregular employment in Europe" or as argued by Awad (2002), "it takes two to tango". In fact, this dimension seems to have been an aspect in the joint policy of controlling emigrant flows from Egypt to Europe.

The Barcelona Declaration of 1995 and its derived Association Agreements tackle three principles: the reduction of migratory pressures through job creation; the fight against irregular migration; and, the protection of the rights of legal migrants. In the spirit of Barcelona, security, the promotion of economic exchange, and the control of people's movement are interrelated issues. The Association Agreement between the EU and Egypt includes a series of articles aimed at guaranteeing the protection of the rights of legal immigrants in Europe. The agreement also includes arrangements aiming at reducing migratory pressures through job creation in areas with a high emigration rate. Controlling emigration becomes an argument at the bargaining table: Europe must grant more aid and promote direct investments in Arab Mediterranean partners; otherwise it must expect to receive more migrants. The agreement also includes articles on the necessity to combat irregular migration (Fargues, 2003). So far, it is the impact of migration on security that has been of particular concern as migration is viewed as a potential threat to security. However, the Barcelona process implicitly invites an inverse consideration of the relationship between migration and security, that is asking whether partnership will bring security to Arab Mediterranean partners, hence reducing their citizens' propensity to emigrate. In particular, will the liberalization of international trade provide an alternative to migration? In order to generate such a result, free trade should lead to a rapid increase in the standard of living and the level of employment in countries of the South. It must be clearly stated that the establishment of free trade in the Mediterranean region will not reduce migratory pressures in countries of the South in the short term, but on the contrary, it will probably lead to their increase. It is only in the long term that it might produce the sought-after result (Fargues, 2003). Moreover, it seems that the Barcelona process is rather security focused when it deals with migration forcing the EU migration policy into a remote control shape. This type of thinking on migration is transformed into agreements and diplomatic talks and meetings that deal with migration merely from a security perspective, neglecting its good face. Interviews with senior government officials revealed that there is a change in the EU official perspective, taking into consideration humanitarian and social aspects besides security. However, in practice such good will has not yet been translated into concrete actions.

The ENP externalized the migration policy of the EU by putting more emphasis on combating irregular migration than promoting legal migration. There has been a focus on the externalization policy of the EU in certain countries, namely Morocco and Turkey (Doukoure and Oger, 2007) where stricter conditions on irregular migration were put in place and extra efforts were demanded from South Mediterranean countries. In the

Association Agreement, the focus was mainly on the principle of equality of treatment at work and social security (see Annex 1.). Articles 68–70 call for cooperation on controlling and preventing irregular migration, signing readmission agreements, and setting up of bilateral arrangements. Additional cooperation means were added to the ENP Action Plan, including enhancing social rights of migrants and signing readmission agreements (see Annex 2).

Hence, based on the review of literature (e.g. Doukoure and Oger, 2007; Fargues, 2003; and Awad, 2002) the externalization of the EU migration policy seems to have focused on issues that are of interest to the EU and devoted less attention to the interests of the South Mediterranean countries including Egypt. In addition to the issues considered following the agenda of the EU, such as the fight against terrorism, border control and controlling irregular migration, issues of interest to Egypt should be given more attention. Therefore, maximizing the role of migrants and remittances in the development of Egypt should be given priority

Controlling irregular migration is a priority, especially after recent catastrophes involving a large number of irregular migrants who died on their journey, or were subject to inhuman conditions, shown explicitly in the media. These catastrophes are not the responsibility of one particular ministry. The responsibility is shared among different ministries, including Defence, Interior, Education and Investment. In other words, it is a phenomenon affecting the whole of Egyptian society. Therefore, it is extremely difficult for one or two ministries to handle the issue since the roots of the problem are the responsibility of many ministries. However, making irregular migration harder, by putting sanctions into the law against brokers, is being considered. Massive media campaigns are also being undertaken among potential communities vulnerable to irregular migration in order to raise their awareness of the risks associated with it. Border controls are also being strengthened. Related to the issue of irregular migration, the GOE considers that legalizing irregular migration, already existing in EU countries, is a major challenge.

Based on interviews, and a review of EU documents, it is clear that there is a change in EU immigration policy where developmental, social and humanitarian dimensions are considered integral, as well as security. For example, the communication from the Commission to the Council, Parliament, and the Economic and Social Committee of the regions in 2007, stressed the issue of equality of treatment for migrants (European Commission, 2007a), besides emphasizing the importance of signing readmission agreements. Moreover, the directive of the European Parliament and the European Council of December 2008 on common standards and procedures in member States for returning illegally staying third-country nationals, clearly considers the social and human dimensions of irregular migrants. However, what remain missing in such a policy change are the implementation mechanisms that are agreed upon among the EU member States and between the EU member States and the third countries. The EU still does not have a common migration policy and, hence, bilateral agreements signed between EU member States and third countries (for example legalization of irregular migrants in Spain and Italy) are not always welcome at the EU level. There is a need to find a common EU approach while providing enough policy space for EU member States to decide upon their own priorities. Such a framework or approach can be useful for South Mediterranean countries like Egypt and, in fact, it has been emphasized in interviews that migration issues can be agreed upon and yield tangible positive results only if negotiated in a bilateral manner with EU member States and not at a regional level.

Moreover, the EU has been trying to introduce new concepts such as mobility partnership and circular migration as a substitute for permanent migration. Such changes might not fit Egypt's priorities due to the changing mechanisms accompanying them, and their focus on security while neglecting the developmental dimensions (as in the case of circular migration). In addition, they lack a legal foundation as they are neither mentioned

in the Association Agreement nor in the Action Plan. Interviews revealed that Egyptians understand the main reasons behind such a change of policy, which is mainly a result of the September 11 events, and the EU societies' belief in the difficulty of integrating Arab and Moslem migrants into their communities. However, the official point of view is still that the change in such policies is too fast and is not accompanied by pragmatic solutions to migration problems. Moreover, circular migration might sound fine as a concept, but it is not clear what the difference is between it and temporary migration. What is needed are policies to implement it, which does not seem to be the case so far, plus its weak treatment of the status of those who utilize the scheme upon finishing their circular migration term.

Impact of migration on Egypt's development

Utilization of remittances

It has always been pointed out that remittances are directed to unproductive investments (real estate mainly) thereby lessening the positive impact on development. As seen in Sections 1 and 2, there is currently no specific institutional framework governing remittances. They are not regulated, and there seems to be no specific hindering regulation from allowing their flow into Egypt. However, their concentration in real estate is due to the lack of complementary investment policies that could attract the majority of migrants to small and medium-sized enterprises. Moreover, the lack of flow of remittances into productive investments can be attributed to several other factors, including cultural aspects like consumerism attitude, and demonstration effects where there is a bias to build houses and own real estate instead of implementing a productive project. In addition, the business environment in Egypt might not be attractive.

Despite the reforms undertaken by the cabinet of the current government in facilitating and enhancing the business environment, and the appraisal of Egypt as the best reformer in doing business in the World Bank 2008 report, there still remain many obstacles, especially associated with issuing a construction permit and registering a property.

As tackling the lack of remittances directed to productive investments is a huge issue outside the scope of this study, it is sufficient to point out the main problems associated with the lack of an institutional set-up. It is not argued that there is a need to regulate remittances, and it is not observed that banks should undertake extra projects or brand specific products in this regard. However, it is believed that there is role for SFD and General Authority for Investment and Free Zones (GAFI), to play. These organizations should have special departments to deal with migrants, not necessarily through extra services provided to non-migrants, but rather to facilitate services for migrants. In many cases, migrants and the Diaspora do not have enough time to shuttle between government bureaucratic procedures. Special one-stop offices for migrants and a system for follow up with migrants, who are travelling, can act as an incentive. In other words, what is needed is a type of business broker to facilitate services for migrants. In fact, based on interviews, it was identified that the theme of the annual conference of migrants abroad, organized by MME in 2009, focused on investments of Egyptian migrants in Egypt. The conference was held jointly with the Ministry of Investment and addressed the issue of enhancing and facilitating investment of remittances in Egypt.

Neither a weak business environment nor a lack of sophisticated financial infrastructure can be fully blamed for the weak channelling of remittances through the official banking system, and the lack of their use in productive investments. Theories of migration have pointed out several reasons for remittances being used to buy land and residences. The reasons varied from social to cultural to political to religious (some Moslems view dealing with banks, other than Islamic banks, as being forbidden) to

economic. The need to help family and friends can be considered as social, but economists would argue that it is spending on consumption, which is not necessarily true, as altruism⁷ is considered to have a positive impact on poverty reduction and in ensuring stability of remittance flows (Bouhga-Hagbe, 2006). In the case of Egypt, it was true that the business environment was not conducive, and it was also true that the banking sector was not sophisticated. However, things have changed for the better. This does not imply that the remittances are expected to be automatically channeled through the banking system into productive investments. Social, cultural, and political aspects are likely to remain. On the economic side, the new real estate tax (Law 196/2008), which is expected to be implemented in January 2010, is likely to reduce the hyper demand for real estate, and could have an impact on diverting remittances to productive investment, though its effects are not likely to be felt in the short term. Moreover, the positive change experienced in the business environment and the banking system needs a relatively long time to be digested by migrants and Diaspora. Hence, a change in attitude of migrants is expected as a result of three main changes, namely: the positive change in the business environment and sources of finance; the expected reduction in demand for real estate due to the introduction of the new real estate tax; and the huge losses incurred by migrants in other short-term investments, such as the stock market, due to the financial crisis.

Brain drain

The Brain drain is an issue that has been the subject of several debates, with no clear cut conclusion on the developmental impact on sending countries (Panagariya, 2006). However, there has been some empirical evidence identifying that a brain drain is unlikely to have a negative impact on sending countries, as long as the right policies for return migration are put in place (Docquier and Sekkat, 2007). The case of Egypt is difficult to assess. The flows of migrants constitute both highly skilled and low skilled labour. But, the question is whether the highly skilled labour, if retained in the country, would contribute positively to the economy, or whether there are channels through which returning migrants can contribute to the economy. In fact, there is a scarcity of such projects and a low return on education in Egypt, implying that the brain drain is unlikely to happen there.

As argued by Wahba (2005), Egyptian migration to Arab countries is temporary and, as such, would not lead to permanent loss of educated people. Moreover, both skilled and unskilled labour migrate with no significant bias towards any category in general (i.e. no selectivity bias).

Consequently, the brain drain, in the case of temporary migration to Arab countries, does not have a solid base to argue that it exists. On the contrary, permanent migration to countries like the US and the EU seems to be characterized by relatively higher proportions of skilled labour, implying the possibility of the existence of a brain drain, especially in light of the fact that Egypt is considered the Arab country with the highest selection rate⁸ and ranks 19 in the world (Wahba, 2005; World Bank, 2008). However, based on the high unemployment rates among educated people in Egypt and the low rate of return on education, it is not very clear whether migration will lead to a brain drain or not. Moreover, as identified by Zohry (2006b), the new trend of irregular migration to Europe implies that migrants do not work there according to their educational credentials; more than 70 per cent of his sample confirmed that they do not work in their specialization. Therefore, the issue of a brain drain seems to be losing importance in the case of Egyptian irregular migration to Europe. Ozden (2006) points out the possibility of an existing "brain waste" rather than brain drain because of the inability of the domestic labour market to host

⁷ Willingness of someone, in this case a worker living outside their home country, to provide financial assistance to another in a situation of "hardship".

⁸ That is, the proportion of skilled emigrants in total emigration stock.

the educational skills of potential and existing migrants. Moreover, Ozden (2006) points out the importance of taking into consideration the quality of education received by skilled migrants that acts as an important factor when working abroad in jobs related to their qualifications.

General impact of migration on economic and social developments in Egypt

Whether migration has contributed positively to economic development in Egypt is a difficult question to answer. Limited research and information are available. Existing studies (e.g. McCormick and Wahba (2002); and Wahba (2004) cited in Wahba (2005)) suggest that returned migrants have had a positive impact on Egypt through the probability of them becoming entrepreneurs. Overseas savings play a crucial role in access to entrepreneurship. Also, time spent overseas has positive and highly significant effects on becoming an entrepreneur on return. Almost 53 per cent of the educated returnees have found the skills they acquired abroad to be beneficial to their current job, compared to 33 per cent of the less educated and 22 per cent of illiterates. Also, evidence from Egypt suggests that return migrants benefit from their overseas work experience as seen in Table 8, where the proportion of migrants moving into high skilled occupations upon return is greater than that before migration. Wahba (2003) emphasizes that the empirical evidence suggests that return migration has a positive significant influence on the value of capital invested. In addition, return migrants are more likely than non-migrants to create good jobs by establishing formal businesses. However, McCormick and Wahba (2002) pointed out that there seems to be a bias among returned migrants to invest in non-farm activities and to concentrate their activities in the capital and large cities. Consequently, the positive impact of migration and remittances on development in Egypt needs to be reconsidered in the light of these findings.

Table 8: Occupation of return migrants: before, during and after migration

Occupation (%)	Before Migration	Whilst Overseas	After Return
Technical & Scientific	22.55	20.96	23.07
Management	0.55	0.49	2.32
Clerical	5.07	3.70	7.13
Sales	4.01	4.16	6.72
Services	4.56	8.35	6.69
Agriculture	31.62	13.75	28.27
Production	31.63	48.58	25.80

Source: Wahba, Jackline (2005), "International Migration, Education and Market Failure in MENA", Background Paper for the World Bank's MENA Regional Report on Education.

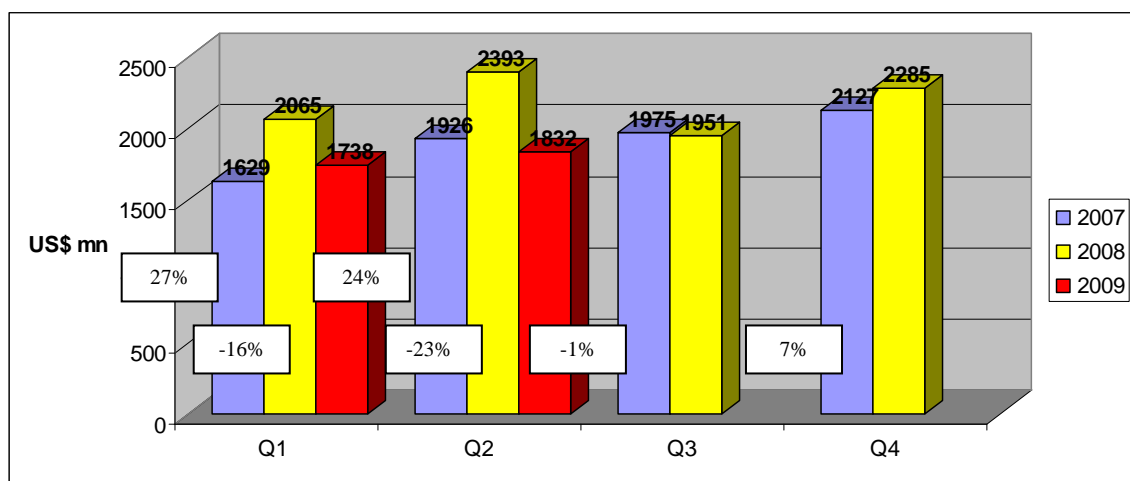
Impact of crisis on the status of migration and remittances

The crisis has resulted in a number of migration trends worldwide. The aim below is to investigate whether these trends are likely to prevail in the Egyptian context. Those identified include: increased restrictions on admission of migrant workers; non-renewal of work permits; worsening employment, working and living conditions; more workers compelled to return home, where they face inferior economic conditions; remittance flows slowing; and, increases in irregular migration occurring in informal markets to meet the demand from employers seeking cheaper labour in countries of destination (Center for Non-Traditional Security Studies, 2009). The World Bank (2009b) projected a decline of

5–8 per cent in remittances in 2009, following the crisis. These estimates were further revised downwards to be in the range of 7–10 per cent in 2009 (World Bank, 2009c). The decline in remittances denominated in nominal US dollars is small relative to the projected fall in private capital flows and official development assistance. Remittances, as described by the World Bank (2009b; 2009c), proved to be more resilient compared to other types of capital flows. The World Bank (2009b) lists a number of reasons for the resilience of remittances in the face of economic downturns in host countries including: (a) nature of remittances that are sent by cumulated flows of migrants over the years, and not only new migrants; (b) remittances constituting a small portion of migrants' income; (c) the “safe haven” factor or “home-bias” can cause remittances for investment purposes to return home during an economic downturn in the host country; and (d) the generous fiscal stimulus packages undertaken by several high-income OECD remittance source countries are likely to increase demand for both native and migrant workers. Such factors seem to have played a positive role in the case of Egypt where remittances have not declined sharply as shown in Figure 6.

The crisis has affected the Egyptian economy where the GDP growth rate was revised downwards from an actual 7.2 per cent in 2007/2009 to an expected 4 per cent in 2008/2009. Foreign Direct Investment (FDI) was down by 50 per cent and the balance of payments turned from a surplus into a deficit in the second quarter of 2008/2009. Radwan (2009) identified that job opportunities decreased by 30 per cent when comparing the second quarter of 2008/2009 (128,000 job opportunities) with the second quarter of 2007/2008 (181,000 job opportunities). Remittances did not experience any decrease in 2008 and experienced a slight decrease in the first quarter of 2009, as shown in Figure 6. The decrease in the second quarter was much more drastic compared to the second quarter in 2008. However, it should be noted that compared to remittance levels in 2007, remittances in the first quarter of 2009 increased and experienced a slight decrease in the second quarter.

Figure 6: Comparison of Egyptian remittances on quarterly basis (2007, 2008 and 2009 Q1, Q2)



Source: Combined from: Central Bank of Egypt (2008), *Annual Report 2007/2008*, Central Bank of Egypt (2009), *The Monthly Statistical Bulletin*, June 2009 and September 2009.

The GOE reacted to the crisis in a similar manner to other governments all over the world by enacting expansionary fiscal and monetary policies. Regarding the fiscal policy measures, the GOE has announced a moderately expansionary budget, including provisions for public-sector wage increases and extra spending on health and education, as it seeks to maintain the momentum of economic growth in the face of the global recession. It allocated a L.E.15 billion support package. The majority of the spending in the plan will go to infrastructure projects, increasing public expenditure by 13.3 billion and including 2.2 billion for scaling up export subsidies. In addition, the GOE has promised a 7 billion

support package for industries and exporters, facing a sharp slowdown compared to last year.

Other measures included lowering import tariffs on about 250 capital and intermediary items by a Presidential decree issued on 29 January, 2009. The decrease aims at supporting local industries and exporters suffering from the negative impact of the global financial crisis. The reduction applies to goods that do not have a local substitute and will benefit the printing, chemical, textiles and engineering industries. The tariff reduction, equivalent to around L.E.1 billion, is part of the fiscal stimulus plan announced by the government.

The GOE also decided to keep energy prices (natural gas and electricity) for industrial users unchanged until the end of 2009, as well as delaying the payment of instalments due for industrial land within 2009 for up to one year.

Regarding monetary measures adopted, the Central Bank lowered its overnight deposit rate by 50 basis points to 10 per cent. In February 2009, the Central Bank reduced the base rate by 100 basis points from 11.5 per cent. The Central Bank also lowered the overnight lending rate by 50 basis points to 12 per cent and the discount rate to 10 per cent. A further reduction of interest rates took place in May. Moreover, the Central Bank reduced the deposit ratio to ensure an expository monetary policy. However, it refused any proposal and intention to devalue the currency, fearing inflationary repercussions.

There were announcements of several layoffs and a reduction in employment. In this regard the Minister of Manpower and Emigration urged the employers to preserve employment. The Minister announced that L.E.1.8 million out of the emergency fund (established following Labour Code 12/2003) would be given to six companies that were affected by the crisis, helping them to recover from the negative impact of the crisis and ensuring that there would be no layoff of labour; 4,792 employees benefited from this financial support (El-Ahram Newspaper 10/9/2009). The Social Fund for Development announced that it has designed a specific plan to manage migrants return as a result of the crisis (based on an interview with the managing directors of Social Fund for Development, available at <http://news.egypt.com/ar/permalink/115152.html>). However, by August 2009, the ministers of Economic Development and Finance announced that Egypt had begun to escape from the recessionary repercussions of the global crisis.

Interviews showed that no specific actions have been undertaken by the MME to deal with the impact of the crisis on migration and/or remittances. Reasons for lack of actions undertaken included the fact that the crisis had a minor impact on remittances and returned migration, especially as the first quarter of 2009 showed a slight decrease compared to the first quarter of 2008, therefore, there was no need for action. Interviews with officials from the Ministry of Foreign Affairs identified that information available from ministries abroad showed an insignificant decline in terms of returned migrants, and that such insignificant figures were concentrated mainly in the Gulf area. However, as identified by interviews, such a lack of impact of the crisis so far on remittances could be a replication of what happened during the Gulf War when emigrants increased their remittances, fearing adverse circumstances in Iraq and Kuwait. Afterwards, there was a decline in remittances. So far it is not clear which scenario is likely to prevail, a temporary no-effect, or a permanent no-effect on remittances. Moreover, in many cases migrants, even if laid off, remain for a while in the receiving country hoping that things will improve. This could be a reason behind the insignificant effect of the crisis on return migration.

Conclusion and policy Implications

The vision and policies on how to deal with migration in Egypt are still not fully developed. Despite some emigration policies have been adopted they remain uncoordinated among the relevant stakeholders, whereas immigration policies are relatively weak, and highly restrictive. There is no clear national plan in place where ministries can coordinate to regulate migration and provide assistance to Egyptian migrants abroad. In the 1970s policies were clear, aiming mainly at encouraging migration; however, they did not adapt to the change in demand and supply-side conditions. Demand-side conditions in the EU and Arab countries became more anti-immigration, or substituted Egyptian migrants with other nationalities such as Asian migrants resulting in demand being squeezed. On the supply side, the Egyptian education system deteriorated over time, producing less qualified labour (Nassar, 2007) which when, coupled with increasing push factors for migration, resulted in over supply characterized by relatively less skills compared to the 1970s. The squeeze in demand and over supply implied more irregular migration, and no policies were modified or new policies introduced to manage emigration. There is an urgent need to adopt, disseminate and implement a clear defined strategy of migration in Egypt. Such strategy should build on the collaboration of different stakeholders including concerned ministries.

Migration should be dealt with in a wider context. For example, the low rate of return on education implies that dealing with migration requires tackling other areas, not only employment, emphasizing that migration has many roots in the society. Moreover, the Government might, and it is a rational decision from an economic point of view, leave the flows of migration untouched, as this helps to strengthen the social safety net domestically and combat unemployment. This indicates that the issue of regulating migration and lessening irregular migration requires extending collaboration on creating an efficient social safety net in Egypt by both the government and the migrants' receiving countries. Geographical concentration of migrants' destinations should also be taken into account when designing migration policies. Such an observation is of paramount importance as it sets the priorities by focusing on such geographical areas. The reason for this is, it is difficult to tackle migration associated problems on a wide scale and, therefore, it is better to begin in areas where the problems are concentrated, whether on the sending side or receiving end. Such features and trends of migration flows should be taken into consideration when drawing up any migration policy. For example, it is evident from the above review that migration to the Gulf is not separate from migration to Europe and that closing the door to Europe or the Gulf leads to a shift of migration flows to the other.

Interviews undertaken identified a need to integrate migration policies into the overall general domestic and foreign government policies, especially as migration cannot be dealt with as a separate problem, and that its roots are embedded in many other areas, such as educational policy, social solidarity, etc. At present, its status in Egypt is viewed as the responsibility of the Ministries of Foreign Affairs and Manpower and Emigration, whereas the reality is that it is a national issue and cannot be handled by these two ministries alone (reflecting a need to deal with it using a root cause approach). It is argued that Egypt suffers from an institutional deficiency, where there is a lack of coordination among ministries, and an absence of clear cut policies to maximize the benefit from emigrants, immigrants, and remittances. A more consistent approach to migration should be adopted, aiming to maximize its benefits whilst undertaking necessary procedures to do so, including a better educational system and a better business environment. Migration in Egypt is viewed as a by-product of the weak inefficient educational system, and modest efforts were made to provide vocational training that upgrades the skills of emigrants. Moreover, migration is viewed as a safety valve that lessens the impact of unemployment, but it is not fully accompanied by the right measures to sustain the flows of migration.

Consequently, any political friction with one of the Egyptian labour receiving countries puts Egypt at a disadvantage, with the threat of sending migrants back home and disrupting its labour market. Egyptian migrants have suffered several human rights abuses in receiving countries because the government lacked adequate tools to deal with these problems.

Since expectations of high flows of migration, as was the case in the past, are now modest, the GOE should start designing programmes and projects that aim to provide Egyptian migrants with a competitive edge. These types of programmes should not only focus on the technical skills, but should also include programmes for better cultural adaptation and improving the ability of migrants to better integrate on legal, political, and cultural fronts. That is in addition to the necessary vocational training programmes needed to upgrade skills of potential labour market entrants.

As for international cooperation, the issue of migration would be better dealt with in a bilateral context, whereas regional agreements (e.g. Arab agreements or EU Association Agreement) provide the general framework. The temporary migration model of Egyptians migrating to Arab countries seems to predominate and is substituting the permanent migration model of Egyptians migrating to the EU. The Barcelona and ENP Frameworks are multilateral frameworks that set the scene, but the details should be left to bilateral negotiations, as each country has its own specific features. The model of the two agreements signed with Italy seems to be the one that fits best, provided it is backed up by supply side policies aimed at enhancing the skills of potential migrants, as well as policies aimed at attracting Diaspora and Egyptian migrants while furnishing a conducive and productive business environment. These agreements have been able to strike a balance between serving the needs of Egypt as well as Italy. However, the inability to fulfill the quota signals the need for deeper cooperation in terms of Italians, as well as other Europeans, establishing training centres in Egypt to train Egyptians in the skills their countries require. In terms of international agreements with Arab countries, more emphasis should be placed on labour rights, especially in the light of the existing trend of substituting Asian for Arab expatriates in general and Egyptian expatriates specifically (Girgis, 2002).

Finally, there is a need to establish programmes that make use of returned migrants in terms of their experience accumulated over years. As argued before, Wahba (2003) identified a need to benefit from return migrants' experience as they have a positive impact on the Egyptian economy. Specific programmes, in terms of selected job opportunities and use of remittances, can be established aiming at benefiting from the skills that certain migrants have acquired abroad. The design of programmes linking Diaspora with their home community, through investment and trade, should be enhanced. There are several programmes, designed in countries less developed than Egypt in this regard, that have proved to be a success. The case of Diaspora from Ghana residing in Europe, and their success in exporting fruits from Ghana to Italy, is worth following (Pandya, 2007). The role of NGOs and cooperatives is highly appreciated in this regard, whether initiated in collaboration with the government or as self-established programmes.

Special efforts should be devoted to dealing with remittances. Empirical literature did not reach a clear cut conclusion regarding the impact of remittances on economic development. In fact, the conclusion reached is that it all depends on how remittances are allocated or invested in the recipient economy (van Dalen et. al, 2005). Gallina (2006) pointed out the need to develop a strategy aimed at better utilization of remittances to contribute effectively to economic development. In fact, Egypt, as well some other Mediterranean countries, still lacks such a mechanism. There exist no special facilities for investing the savings of emigrants when they return home, or their remittances when abroad. This is one of the areas to which the EU devotes attention and can contribute positively to the economic situation on both sides of the Mediterranean. It is an area where

a root cause approach should be adopted, where facilitation of transfer of such investments on both sides, and the allocation of investment opportunities for migrants in Egypt, should be made feasible.

As for aspects of decent work, including social security, they seem either absent or only available on paper, without effective means of implementation, as was revealed by interviews. Special attention should be given to these issues, missing in both Egypt and the receiving countries.

Below are pinpointed some of the main issues that require to be tackled urgently, in collaboration with the EU:

Controlling irregular migration

Controlling irregular migration is a priority, especially after recent catastrophes involving a large number of irregular migrants who died on their journey, or were subject to inhuman conditions, shown explicitly in the media. These catastrophes are not the responsibility of one particular ministry. According to the officials interviewed, the responsibility is shared among different ministries, including Defence, Interior, Education and Investment. In other words, it is a phenomenon affecting the whole of Egyptian society. Therefore, it is extremely difficult for one or two ministries to handle the issue since the roots of the problem are the responsibility of many ministries. The new project, jointly implemented by the Ministry of Housing and New Urban Communities and the Vocational Education and Training Reform Project (which follows the Ministry of Trade and Industry), that will start training Egyptian labour in 20 different professions in the field of construction using international criteria, will increase the chances of potential migrants having legal working contracts in the EU. This type of project is of great importance, provided that it is correctly implemented. However, making irregular migration harder, by putting sanctions into the law against brokers, is being considered. Massive media campaigns are also being undertaken among potential communities vulnerable to irregular migration in order to raise their awareness of the risks associated with it. Border controls are also being strengthened. The recent MME efforts, by opening up six new migration information centres in different governorates, represent an effort that should be recognized and replicated.

Related to the issue of irregular migration, the GOE considers the legalization of irregular migration, already existing in EU countries, as a major challenge. As for externalization of EU migration policy in this regard, the interviews revealed that the Egyptian point of view is not against it, but only agrees on what is relevant and beneficial to Egypt's interests. For example, Egypt differed from Morocco in terms of the readmission agreement signed with Italy; where Morocco accepted that all irregular migrants from Morocco will return back there, Egypt agreed only to irregular migrants who are Egyptians returning. Morocco also accepted joint security forces to secure their borders, whereas Egypt viewed this as interference in its national sovereignty and only agreed on training of Egyptian authorities and providing them with technical assistance (e.g. Bio-metric technology to identify the nationality of irregular migrants).

Dealing with EU changing policies

The interviews revealed that the change of EU policies in the field of migration is too fast, and often lacks pragmatic steps for implementation. The issue was dealt with in the context of Barcelona, and then in the ENP. However, tangible results of negotiations are still to be seen.

Migration should be viewed as a shared responsibility between Egypt and receiving countries. For example, on the external level, the Association Agreement includes provisions obliging Egypt to cooperate on issues related to migration, whereas on the internal level the government has a moral and legal obligation to protect its citizens from the hazards of migration. The external and internal obligations coincide. The interviews asserted that the EU still deals with the issue of migration from a purely security perspective. Egyptian officials interviewed, argued that such EU perspective should change and deal with issue of migration from a developmental perspective. In other words, the remote control approach of the EU should change to a root cause approach dealing with the roots of the problem in Egypt. One interview identified that the recent Lisbon conference, which took place in 2007, signaled that the EU could change its approach, when the terms co-management and co ownership used by EU officials in dealing with migration, implied a shift to root cause instead of remote control approach. Egyptian officials emphasize three main aspects when dealing with the EU migration file, namely; (1) ensuring that EU doors are open for legal migration from Egypt; (2) emphasizing the developmental dimension of any cooperation with the EU by getting them engaged in training Egyptian migrants; and (3) cooperating with the EU on programmes for combating irregular migration.

The EU should revisit its approach of trying to include new issues as brain drain and remittances (as if it was a type of aid) on the agenda of negotiations. However, on the other side Egyptians should start enhancing the level of coordination between the different entities in Egypt and creating some sort of national vision on migration that incorporates a coordinated role among different ministries and other agencies in Egypt.

Even after the signing of the agreement with Italy concerning regulation of migration flows there, the number of actual migrants, who were sent from Egypt, remained low (160–200 migrants) out of a quota of 7,000 (5,000 of those 7,000 were actually irregular migrants who benefited from the agreement by legalizing their status). The reason, as asserted in the interviews, was the lack of skilled labour able to fulfill the requirements of Italy. This implies that one of the main challenges is the upgrading Egyptian migrants' skills to meet the expectations of receiving countries.

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Annex 1: Articles of the Association Agreement related to Migration

EU & Egypt, Association Agreement, Title VI, Chapter 1: Dialogue and Cooperation on Social Matters

Article 63:

- 1 The Parties shall conduct regular dialogue on social matters which are of interest to them.
- 2 This dialogue shall be used to find ways to achieve progress in the field of movement of workers and equal treatment and social integration of Egyptian and Community nationals legally residing in the territories of their host countries.
- 3 The dialogue shall notably cover all issues related to:
 - a. migrant communities' living and working conditions;
 - b. migration;
 - c. irregular migration;
 - d. actions to encourage equal treatment between Egyptian and Community nationals, mutual knowledge of cultures and civilizations, the furthering of tolerance and the removal of discrimination.

Article 65

With a view to consolidating cooperation between the Parties in the social field, projects and programmes shall be carried out in any area of interest to them.

Priority will be given to:

- a. Reducing migratory pressures, notably by improving living conditions, creating jobs, and income generating activities and developing training in areas from which emigrants come;
- b. Promoting the role of women in economic and social development;
- c. Bolstering and developing Egyptian family planning and mother and child protection programmes;
- d. Improving the social protection system;
- e. Improving the health care system;
- f. Improving living conditions in poor areas;
- g. Implementing and financing exchange and leisure programmes for mixed groups of Egyptian and European young people residing in the member States, with a view to promoting mutual knowledge of their respective cultures and fostering tolerance.

EU & Egypt, Association Agreement, Title VI, Chapter 2: Cooperation for the Prevention and Control of irregular immigration and other consular issues

Article 68:

The Parties agree to cooperate in order to prevent and control illegal immigration. To this end:

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- each of the member States agrees to readmit any of its nationals illegally present on the territory of Egypt, upon request by the latter and without further formalities once such persons have been positively identified as such;
 - Egypt agrees to readmit any of its nationals illegally present on the territory of a member State, upon request by the latter and without further formalities once such persons have been positively identified as such.

The member States and Egypt will also provide their nationals with appropriate identity documents for such purposes.

In respect of the member States of the European Union, the obligations in this Article shall apply only in respect of those persons who are to be considered their nationals for Community purposes.

In respect of Egypt, the obligation in this Article shall apply only in respect of those persons who are considered nationals of Egypt in accordance to the Egyptian legal system and all the relevant laws concerning citizenship.

Article 69: After the entry into force of the Agreement, the Parties, at the request of any of them, shall negotiate and conclude bilateral agreements with each other, regulating specific obligations for the readmission of their nationals. These agreements shall also cover, if deemed necessary by any of the Parties, arrangements for the readmission of third country nationals. Such agreements will lay down the details about the categories of persons covered by these arrangements as well as the modalities of their readmission.

Adequate financial and technical assistance to implement these agreements will be provided to Egypt.

Article 70:

The Association Council shall examine what other joint efforts can be made to prevent and control illegal immigration as well as deal with other consular issues

EU & Egypt, Association Agreement, Title VII, Financial Cooperation

Article: 72

In order to achieve the objectives of this Agreement, a financial cooperation package shall be made available to Egypt in accordance with the appropriate procedures and the financial resources required.

Financial cooperation shall focus on:

- promoting reforms designed to modernize the economy;
- upgrading economic infrastructure;
- promoting private investment and job-creating activities;
- responding to the economic repercussions for Egypt of the gradual introduction of a free trade area, notably by upgrading and restructuring industry and enhancing Egypt's export capacity;
- accompanying measures for policies implemented in the social sector;
- promoting Egypt's capacity and capabilities in the field of the protection of intellectual property rights;
- where appropriate, supplementary measures for the implementation of bilateral agreements to prevent and control illegal immigration;

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- Accompanying measures for the establishment and implementation of competition legislation.

Annex 2: European Neighbourhood Policy Action Plan

Priority Actions

Strengthen cooperation on migration-related issues, including the effective joint management of migration flows, legal and irregular migration, readmission, facilitation of the legal movement of individuals, equal treatment and social integration for legal migrants, and asylum issues.

2.4. Migration, social integration, justice and security

e) Migration issues (legal and irregular migration, readmission, visa, asylum)

- Develop a comprehensive and balanced dialogue with Egypt on various migration-related issues, including legal migration, seasonal migration, status of Egyptian migrants and workers residing legally in Europe, brain drain, asylum, movement of people, control of irregular migration and return, visa.
- Monitoring and analysis of the migration phenomenon: synergy with the Euro-Med initiatives on research on migration and the Consortium on Applied Research on International Migration (CARIM) in particular.
- Promote the possibilities of Egypt to benefit from the Community programmes and the AENEAS programme aimed at providing technical and financial assistance to third countries in the areas of migration and asylum in particular.
- Promote the discussion between Egypt and the EU and its member States on the economic, political, social and cultural dimensions of the migration issues, in addition to its security dimension.
- *Ensure an effective management of migration flows*
- Exchange of information and experiences on legal migration, entry and stay, integration, reunification of family, inventory of existing routes and commitments made by member States.
- Enhance cooperation to facilitate the legal movement of people between Egypt and the EU through strengthening of the concerned institutions dealing with the promotion of employment, capacity building, as well as providing information about the employment opportunities for labour migrants in the EU, risks of smuggling and trafficking of migrants; ensuring fair treatment of legal Egyptian migrants, and facilitate the flow of remittance transfers.
- Exchange of information and promotion of cooperation on transit migration.
- *Cooperate in combating illegal immigration into Egypt and the European Union*
- Exchange of information and experiences on migratory movements, illegal migration including the scale of illegal immigration into and via Egypt.
- Pursue and support efforts to prevent and counter irregular migration into Egypt and

-
- the European Union.
 - Develop a dialogue and cooperation to curb irregular migration flows, including in the regional context.
 - *Improve cooperation regarding readmission*
 - Develop the cooperation between Egypt and EU on readmission, including
 - negotiating readmission agreements between the parties, building on Article 69 of the Association Agreement, taking into account the human dimension, socioeconomic
 - aspects and accompanying measures.
 - Cooperation on consular affairs and issuing of travel documents.
 - *Facilitate the movement of persons*
 - Cooperate in the field of improving the movement of persons, including to
 - facilitate the uniform visa issuing procedures for certain agreed categories of persons as stated in the Association Agreement and in accordance with the acquis.
 - Cooperate to improve security of travel documents and visa in conformity with
 - *ICAO standards.*
 - *Asylum issues*
 - Exchange information and best practices in the field of asylum policy, refugee status determination, and legislation, and cooperate on the inter-linkages between
 - migration and asylum.

Annex 3: List of Interviews

Amb. Gamal El-Din Bayoumi (Chief negotiator of the Association Agreement with the EU)

Amb. Nihad Abdel Latif (Chief negotiator of the Action Plan of the ENP)

Amb. Ali Mourad (ex Assistant to Head of Counselor Affairs, Ministry of Foreign Affairs)

Counselor Serif Eissa (Office of the Minister, Ministry of Foreign Affairs)

Ms. Magda Abdel Rahman (Advisor to Minister of Manpower and Emigration on Migration)

Mr. Bassam Azzab (rep of HSBC bank)

Mr. Khaled Ibrahim (rep of Bank Misr)

Mr. Abdel Moneim EL Husseiny (rep of Arab Bank)