



ECA POLICY BRIEF

Remittances: an important source of external finance in North Africa

Introduction

The 2030 Agenda for Sustainable Development reflects the recognition that migration is a powerful driver of sustainable development, for migrants as individuals, their countries of origin and their countries of destination.¹ Migration brings significant benefits in the form of skills, innovation, technology transfer and investment through remittances. The contribution of migrants to development are highlighted in the Global Compact for Safe, Orderly and Regular Migration, which serves as a platform for significantly increasing that contribution in the future. Although the relationship between diaspora populations and development is increasingly recognized, it remains underexplored in the North African context, where transfers from the diaspora continue to increase.

Indeed, over the past decade, remittances have become a major source of foreign financial revenue in North Africa. They have also been a more stable and resilient source than other forms of foreign currency inflows such as foreign direct investment (FDI) and official development assistance (ODA).

Since the onset of the coronavirus disease pandemic and its overlap with other global crises, North African Governments have been facing greater difficulty in financing development, given their limited fiscal space, high debt levels and constrained access to international

¹ See in particular Goals 4.b, 5.2, 8.5, 8.7, 10.7, 10.c, 16.2 and 17.18.

resources. In this context, with the implementation of a framework that provides adequate structure for investment and innovation, finance from the diaspora could be leveraged to unlock investment in North Africa that could have a major impact on development.

Migration trends in North Africa

Of all the African subregions, North Africa has the largest number of emigrants, which totalled nearly 25.6 million by the end of 2023, compared with 11.47 million in 2017, and 1.67 million in 2010. Egypt had the largest number of nationals working abroad in 2023, reaching 14 million, mainly in Jordan, Kuwait, Saudi Arabia, the United Arab Emirates and the United States of America.²

During the past decade, North African countries have experienced significant migration outflows, which, through remittances, have made an important contribution to the development of those countries. For example, in 2023, an estimated 2.1 million Algerians lived abroad, predominantly in France. Other significant Algerian diaspora communities are found in Canada, Italy and the United States.³ Approximately 5 million Moroccans reside abroad, with the majority living in Europe.⁴ Tunisia has more than 1.5 million Tunisians residing abroad.^{5,6} An estimated 2 million Libyans live abroad, with the largest communities in Egypt, Italy, Tunisia, the United Kingdom and Northern Ireland.⁷

² International Organization for Migration, Global Migration Data Portal. Available at www.migrationdataportal.org/ (accessed on 30 November 2024).

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ The figure provided represents 15 per cent of the total population of Tunisia, which is the highest share living abroad among all countries in the subregion.

⁷ Omer Karasapan, "The impact of Libyan middle-class refugees in Tunisia" (Brookings Institution, 17 March 2015).

It is estimated that around 2 million Sudanese live abroad, the largest communities of which are to be found in Egypt, Saudi Arabia, the United Arab Emirates, the United Kingdom and the United States.⁸ Finally, approximately 200,000 Mauritians reside abroad, with the majority living elsewhere in Africa.⁹

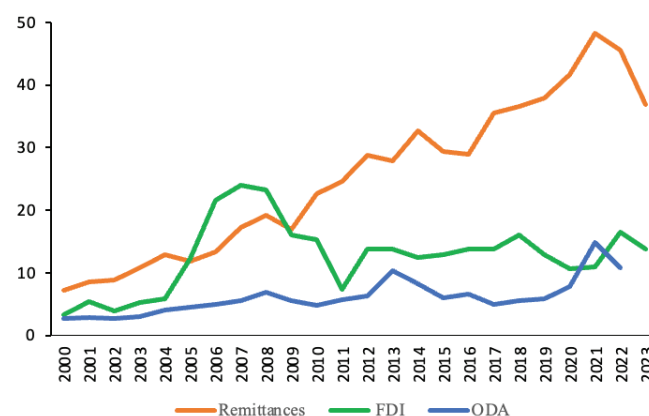
To take full advantage of the contribution that North African migrants can make to the development of their countries of origin, an adequate framework must be put in place for reform initiatives that will encourage investment from members of the diaspora.

Remittances flows: important and resilient sources of foreign income for North Africa

Remittances have become the most important and steadiest source of foreign income for North African countries, exceeding both ODA and FDI (see figure). They account for 70 per cent of total external finance in the subregion, compared with 17 per cent for ODA and 13 per cent for FDI. Over the past decade, remittances from North African migrants have increased by over 100 per cent, reaching nearly \$38 billion in 2023, the highest amount among all subregions of the continent, for which such flows totalled \$100 billion in 2023.¹⁰ It is estimated that the African diaspora as a whole saves \$53 billion annually; the North African diaspora saves 60 per cent of that amount.¹¹ Although most of those savings are currently invested outside Africa, they could potentially be mobilized for African development through financial instruments such as diaspora bonds.

Remittances remain a crucial source of external finance in the subregion (see table). As a share of gross domestic product, the top 3 countries in the subregion in 2023 were Morocco (8.6 per cent), Egypt (6.1 per cent) and Tunisia (5.6 per cent). Egypt received the greatest share of remittances in the subregion in 2023 (58 per cent). It ranked first in Africa and fifth worldwide in remittance inflows, with a total of \$19.5 billion in 2023, compared with \$28.3 billion in 2022 and a record \$31.5 billion in 2021. Remittances to Morocco increased by 5.2 per cent

Figure: Total remittances, official development assistance and foreign direct investment in North Africa, 2000–2023 (Billions of United States dollars)



Source: World Bank, World Development Indicators database (accessed on 30 November 2024).

to \$11.8 billion in 2023, placing it second in the region, with \$2.7 billion going to Tunisia and \$1.9 billion going to Algeria. Remittances are used mostly towards spending on education, healthcare, housing and improving overall living standards.¹²

Remittances to North Africa fell by 18 per cent in 2023, primarily owing to a sharp decline in flows to Egypt, where growth in the gap between foreign exchange rates in the official and parallel markets likely caused remittances to be diverted to unofficial channels.¹³ Following the unification of exchange rates in March 2024, there have been signs of recovery in flows through official channels. The increase in remittance flows to the subregion has supported the current accounts of countries that have been dealing with food insecurity, drought, supply chain disruptions, floods and debt-servicing difficulties. Remittances to the subregion were projected to increase by more than 5 per cent in 2024 as compared with their 2023 levels.¹⁴

Remittances from Egyptians in the first nine months of the 2024 increased by 42.6 per cent to about \$20.8 billion, compared with around \$14.6 billion for the same period in 2023.¹⁵ It is expected that remittances to Egypt will continue to increase following the implementation of reform measures in March 2024, involving, among other

⁸ Global Migration Data Portal.

⁹ International Organization for Migration, "L'OIM lance un portail pour localiser la diaspora mauritanienne", 1 June 2017.

¹⁰ United Nations, Office of the Special Adviser on Africa, "Remittances in Northern Africa: fact sheet", January 2024.

¹¹ World Bank, "Harnessing the diaspora's resources to boost African development", 16 June 2011.

¹² World Bank, World Development Indicators database (accessed on 30 November 2024).

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Central Bank of Egypt, "Remittances from Egyptians abroad recorded USD 20.8 billion during January /September 2024", 25 November 2024.

Table: Remittances to North African countries as a percentage of gross domestic product, 2010 and 2019–2023

	2010	2019	2020	2021	2022	2023
Algeria	0.1	0.9	1.0	1.0	0.8	0.8
Egypt	5.7	8.4	7.7	7.4	5.9	6.1
Mauritania	..	0.8	2.0	0.1	1.1	1.0
Morocco	6.4	5.4	6.1	7.7	8.5	8.6
Sudan	2.5	1.6	1.8	3.3	2.9	0.9
Tunisia	4.5	4.3	5.4	6.3	6.3	5.6

Source: World Bank, World Development Indicators database (accessed on 30 November 2024). Data on Libya are not available.

things: the use of digital channels for money transfers in the formal sector; the launch by banks of savings products and funds that are exempt of commission when held by members of the country’s diaspora; and the liberalization of the exchange rate.¹⁶

According to Bank Al Maghrib, the flow of remittances from the Moroccan diaspora reached \$ 5.7 billion in the first half of 2024. This figure represents an increase of 1.8 per cent compared with the same period in 2023. The bank forecast that remittances would grow by 1.9 per cent in 2024 as a whole, followed by a more robust 5.3 per cent increase in 2025, reaching an all-time high of \$12 billion dollars in 2025.¹⁷

Tunisia is relying on the continued growth of diaspora remittances, which have overtaken the tourism sector in economic importance in recent years. According to the Central Bank of Tunisia, remittances from the country’s expatriates increased by almost 6.15 per cent in 2024, totalling nearly 8.13 billion dinars (\$2.611 billion) by the end of December of that year. This increase reflects the continued commitment of the Tunisian diaspora to support their country of origin, particularly in an economic context marked by global uncertainties. These transfers have helped to maintain the country’s foreign exchange reserves at a level equivalent to 122 days of imports.¹⁸

Remittances are essential to the subregion’s economies as a source of foreign exchange and a source of support for families. There are significant challenges to channelling those remittances into productive investments that can

drive long-term economic development. Remittances can be leveraged to raise additional finance for development in the subregion. Doing so will help Governments in the subregion to accelerate reforms that will attract investment from North African diaspora communities and increase their involvement in economic development.

Way forward

Over the past decade, remittances have become a vital and resilient tool for development and supported macroeconomic stability in North Africa. Despite facing various challenges, such as regulatory barriers and the proliferation of informal transfer channels, North Africa is witnessing a rise in initiatives aimed at mobilizing the diaspora and enhancing the development impact of remittances. Indeed, strengthening the link between remittances and development constitutes an important opportunity for the subregion. Taking advantage of that opportunity will require policies and tools that are adequately tailored to leverage the contribution of remittances to investment.

In this context, the Economic Commission for Africa is implementing a programme¹⁹ under the theme “Strengthening the migration-development nexus in Africa” from 2024 to 2028 in the Comoros, Côte d’Ivoire, Ghana, Egypt, Lesotho and Tunisia.

The aims of the programme are:

- to provide technical support to Governments in their efforts to strengthen national capacity to mobilize remittances for the development of countries of origin and to integrate those efforts into national development strategies, policies, plans and programmes; and

16 Dilip Ratha and others, Remittances Slowed in 2023, Expected to Grow Faster in 2024, Migration and Development Brief, No. 40 (Washington, D.C., World Bank, June 2024).

17 Bank al-Maghrib, Revue Mensuelle de la Conjoncture Economique, Monétaire et Financière (Rabat, August 2024).

18 Central Bank of Tunisia, “Statistiques: indicateurs monétaires et financiers quotidiens” (accessed on 30 November 2024).

19 The programme is being implemented by the Commission’s Subregional Office for North Africa.

- to help Governments build effective regulatory and institutional frameworks that reflect their national context and global experience, with a view to

developing products and tools that are targeted towards mobilizing investment from diaspora communities.