2007: The Year that Saw the First Step towards a Future European Policy on Remittances

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If the contents of this Yearbook were to be sized by the economic importance of the subject of each article, you would now be reading one of the longest ones. It would appear amongst the first pages and would be profusely illustrated. It might well occupy twice the space of the article on foreign investment and many times that of those on development aid and tourism. Its importance might be even greater if, when valuing remittances, the balance contributed by them to the current account was taken into account instead of gross revenues they provide.

Nevertheless, as you can see, this article is the same size as all the rest, as they are not ranked in this way. This, despite the fact that remittances have grown in size since the last edition. This modest increase has also been seen in official initiatives on remittances in the Mediterranean, which have (finally) appeared during the course of 2007, one of the real news items of the past year. However, remittances appeared on the official agenda in a modest, incipient way. But there they are. The main reason for this was a moment of great lucidity, last November, on the part of the countries participating in the first Euro-Mediterranean Ministerial Meeting on Migration, held in Portugal. There, a number of measures to facilitate these flows were agreed, beginning with reducing their price by means of an increase in competition, in addition to the carrying out of a range of analysis and study initiatives. Six months later, none of this has yet been given concrete form, since this is merely a first step, but it is especially promising given that Euro-Mediterranean institutions are beginning to understand the reality of the situation.

This reality is that immigrant remittances in Europe as a whole, and not only the Euro-Mediterranean region, have been the object of scant attention, out of all proportion to their real importance to recipient economies and to the European or Euro-Mediterranean Process in general. This is due to Europe's general lack of interest in migratory matters, which itself arises from a lack of interest in demographic, not to mention human issues in general.

If a Martian tried to analyse intra-European or Euro-Mediterranean relations, he would quickly reach the conclusion that the main factor is the human one. Not only because the main cornerstone of the European Union is the free movement of people, together with goods and capital. Also because the key decisions of the Union and the Commission are taken on a demographic basis, beginning with the political weight allocated to each member state.

Our little green man would clearly see that the shores of the Mediterranean witness the circulation of goods, investments and – above all – people. He obviously would not focus on tourists, who are becoming less and less important since the start of the "Age of fear of Muslims", but rather on immigrants. Of course, to do this, he would have to analyse the region with some kind of cosmic ray that could furnish him with the right statistics, statistics which Brussels has so far proved incapable of providing and which can only be estimated by employing the most *recherché* of procedures.

The plain fact is that this demographic base upon which the EU's decisions are made does not exist. There is no European census, but rather a range of censuses amongst member states, each with its own sources and methodologies, meaning that the results are not comparable. For example, Ireland carries out a conventional census, whilst Sweden performs one based on registered citizens, rather like Spain's *padrón*. Austria combines the register with a sample, whilst Germany adds the conventional method to these two.

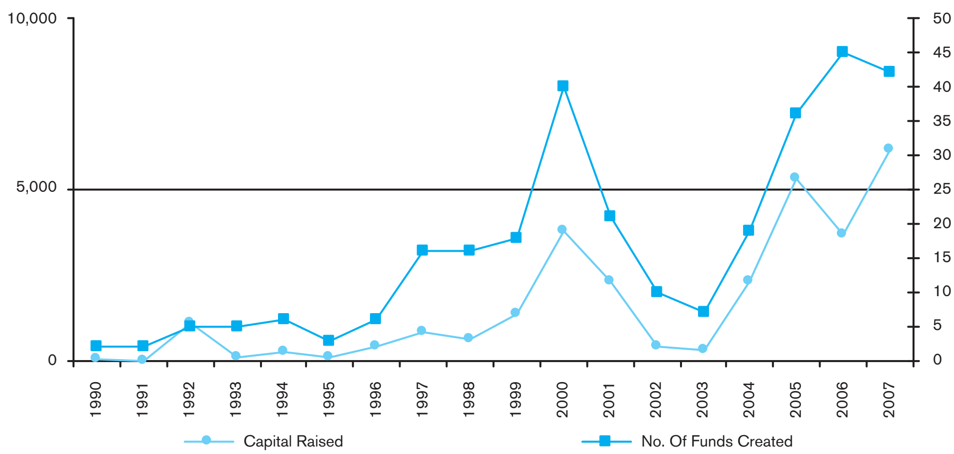
The result of this is that the figure for European population is a convention, not a piece of data: it is an agreement based on trust that lacks any statistical value, even though it is the basis for decisions such as the allocation of subsidies or votes.
This means that the European Union does not know exactly how many citizens it has, although the margin for error for this general heading is acceptable. The problem comes when one tries to break the figure down into its constituent elements: it is here that the margin for error can become huge. For this reason, the EU does not publish statistics on its immigrants. Brussels simply does not know how many citizens benefit from the free movement of people and neither, of course, does it have an accurate number for how many foreigners it plays host to. It does not know this in the statistical sense, or in other words, in the basis of standardised data for the entire region which is periodically updated and which can be broken down by nationality or any other heading.
If we do not know how many immigrants there are, neither can we tell how many citizens from the Southern Mediterranean there are in the north of Europe. This lack of knowledge of the facts has a deep political impact, of which we are violently made aware from time to time. An example is provided by the discovery that immigration has effects beyond the first generation, as could be seen in the integration-related conflicts that took place in France's *banlieues* last year. There, cars were burnt by French youths, born in France, who appear in the statistics like anyone else, when it is obvious they do not see themselves in this way. If we were to apply US-style nomenclature to

CAPITAL INVESTMENT TAKES OFF IN MEDA COUNTRIES

ANIMA's Med Funds study represents the most important attempt to date to understand the Mediterranean capital investment industry: from Morocco to Turkey and from its origins in the 1990s, to its current growth phase.
The years 2005-2008 have indeed seen capital investment lift off in the region (Chart 21), a trend that carries some weight at the heart of an industry that now regards MEDA countries as an economic unit (25% of funds identified target a variety of countries from the Maghreb and Mashreq)
Whilst there were practically no investment funds in the region (Israel excepted) at the start of the current decade, ANIMA has identified 320 funds there today that are active or in the process of being launched. 139 funds were recorded outside Israel and 181 in that country (Table 31). These funds have raised around US$ 31 bn since 1990 – sums available for investment in the region's businesses – of which US$ 16.8 bn between 2005 and 2008 (US$ 11.2 bn for MEDA excluding Israel).
Over the same period, 94 new funds have seen the light of day (excluding Israel), which is a rise of 67% compared to the preceding fifteen years. Half the funds included in the count raised by corporations based in MEDA countries, while their counterparts in the US and in Gulf countries raised 23% and 22% respectively of the US$ 31 bn concerned. Funds based in Europe fall way behind (3% of total amounts raised) and the current trend is of growing involvement in the region by the Gulf (45 active funds managing US$ 6.8 bn).
35% of the funds are general ones (multi-sector, opportunity-led approach to the market) and 31% focus on information technologies and innovation (particularly, though not uniquely at the heart of the Israeli capital risk industry). As regards investment stages, the majority of funds (outside Israel) intervene during a business's development phase and in LBO transactions. A growing proportion nevertheless engages in the initial phases of MEDA enterprises' life – nearly US$ 1 bn going into start-ups and venture capital, especially in recent years.
Despite significant differences that vary depending on the country, the standard profile of funds is as follows:

- US$ 105 million managed on average: an increasing sum, perhaps "excessively" high for the region (there is an increasing number of mega-funds);

CHART 21 **Funds Created and Capital Raised Each Year, 1990-2007 (Millions of US$)**



Source: ANIMA

them, they would be Maghrebi-Europeans or African-Europeans, which would provide one with a better idea of their importance. However, obviously, French statistics do not ask questions about matters that may appear racially-motivated, as if they did not exist, even though these Maghrebi-Europeans cross the Straits of Gibraltar in the summers as Moroccans to see their families or send them remittances or feel out of place because of their identity.

Euro-Mediterranean remittances exist because that is the nature of Euro-Mediterranean relations

We are unaware just how significant immigration is in Europe, although we know that significant it is. We know that the first group of immigrants in almost all European countries of some size has its origins in the region – Moroccans in Spain and France after the Portuguese, Turks in Germany with the Polish, Albanians in Greece, and other important groups such as the Tunisians in Italy. But this is a very vague intuition which cannot be accompanied by accurate data, since the authorities have still not managed to take immigration on board, even though it has been a phenomenon in Europe for years.

One consequence of this immigration, which is present although only guessed at, is the remittances that irrigate the European and Euro-Mediterranean system, and which constitute its most genuine characteristic. I say this because it is the only totally spontaneous characteristic, in that it is a phenomenon that is not linked to the institutions in its origin (how immigrants

TABLE 31 **Funds by Region and Receptor Country (ANIMA Survey)**

Host Area	Host Country	Funds (number and %)		Capital Raised (rise, US$ Million, and %)	
Euro-MENA	Euromed	4	1%	463	1%
	MEDA-11	14	4%	1,781	6%
	MENA	44	14%	6,983	23%
	MENA + emergings[a]	4	1%	190	1%
Total Euro-MENA		**66**	**21%**	**9,417**	**30%**
Maghreb	Algeria	1	0.3%	2	.01%
	Algeria/ Morocco/ Tunisia	16	5%	1,579	5%
	Libya	2	1%	52	0.2%
	Morocco	18	6%	846	3%
	Tunisia	9	3%	64	0.2%
Total Maghreb		**46**	**14%**	**2,543**	**8%**
Mashreq	Egypt	10	3%	611	2%
	Jordan	5	2%	432	1%
	Lebanon	2	1%	36	0.1%
	Syria	1	0.3%		
Total Mashreq		**18**	**6%**	**1,079**	**3%**
Other MEDAs	Israel	181	57%	16,740	54%
	Turkey	9	3%	1,218	4%
Total Other MEDAs		**190**	**59%**	**17,958**	**58%**
Total		**320**	**100%**	**30,997**	**100%**

[a] Funds aimed at emerging nations generally, showing particular interest in MEDA

- 9 years of existence of fund and a mean investment period per project of 5 years;
- a portfolio containing 6 enterprises on average (a relatively modest figure attributable to the fact that the majority of funds are recent);
- a relatively high investment ticket of US$ 7.4 million (US$ 1.9 million average at the lower end). This point highlights the existence of an equity gap in the bottom tranches (between US$ 0.1 and 2 million) and represents a problem for many SMEs and VSBs;
- expected return on funds (21%) to meet the topmost expectations harboured by investors.

ANIMA, in order to ensure a sustained productive impact of capital investment in the region, sets out a certain number of recommendations:

- reinforcing capital investment regionalisation (establishing a Euro-Mediterranean Association for capital investors and multiple replication of regional funds);
- facilitating a wider development of SMEs (rating of businesses, guarantee funds, structures for arbitration);
- reinforcing financing targeted at the start-up phases (lower value tickets, venture capital funds, Business Angels);
- broadening exit opportunities – especially IPOs (development of capital markets, cooperation between geographical stock exchanges);
- promoting good practice: management companies' social responsibility, limitation of purely speculative deals (over-geared and/or purely opportunistic LBOs).

For further information:
Med Funds Survey: an Overview of Private Equity in the MEDA region
www.animaweb.org/uploads/bases/document/AIN_Etude_MedFunds_Fr_21-4-08.pdf

TABLE 30	Remittances Sent from the EU in 2006		
(in thousands of millions of euros)			
	To outside the EU	**Within the EU**	**Total**
Immigrant remittances	19.1	7.0	26.1
Net compensation of employees	3.0	15.4	18.4
Total	22.1	22.4	44.5

Source: Remittance flows to and from the EU, Eurostat 2007.

arrive), development (how the remittances reach the south) and end. Euro-Mediterranean remittances exist because that is the nature of Euro-Mediterranean relations.

Thus it is we know that Morocco receives more remittances than foreign investment and tourist income (of the genuine sort, from foreign tourists, since Morocco counts as tourist income the funds Moroccan emigrants bring with them when they return to the country for their holidays). And there our knowledge ends, since Morocco is the only Southern Mediterranean country to offer serious statistics on the remittances it receives.

Remittances in the Euro-Mediterranean region, easily outstrip the contributions made by the European Investment Bank or the MEDA programme, and even the sum total of all the EU's instruments

In the other countries, remittances are a reality as clear as immigration is in Europe, but there is the same vagueness when it comes to quantifying them. This can be seen in the other great step taken by Europe with regards to remittances in 2007: a report by Eurostat – the European body responsible for producing statistics – on remittances send within and outside of the Union, which totalled no less than €44,500 million for 2006 (Eurostat, 2007).

Of these, half are sent to non-EU countries and the other half move within Europe. However, in a move reminiscent of the humour of the Marx brothers, the report does not reveal which countries might be receiving these remittances, although it does indicate which countries they leave. Reading it thus calls for great faith in the author's abilities and even his powers. However, this does not mean that the statistical value of the document is merely anecdotal, because this is the first time that an official EU body has put into figures the remittances sent from the Union.

Even this significant figure may fall short of the mark, if one were to add the figures for remittances that move through non-official circuits and which do not, therefore, appear in official tallies. What is important about these remittances is their destination, which Eurostat appears to be unaware of. Almost all of them go to developing countries – not the world's poorest, but rather to low or low-to-medium-income ones. This concentration allows one to deduce that remittances are, today, the main channel for transferring resources from the European Union to these countries. In the Euro-Mediterranean region, they easily outstrip the contributions made by the European Investment Bank or the MEDA programme, and even the sum total of all the EU's instruments.

With regard to the main flow of income received by poor countries from the rich, the first Euro-Mediterranean Ministerial Meeting on Migration, held in Portugal last November, reached three specific agreements: a large seminar on the transfer of funds and the opportunities that this may provide in the field of micro-credits, the construction of a Euro-Mediterranean web site to centralise information on remittances and to analyse the possibilities of providing financial support for immigrants legally resident in Europe to co-finance their investment projects in their countries of origin.

One must not fall into the trap of dismissing this programme as insufficient in light of the importance of remittances. It is merely a first step towards a future policy to preserve these flows and take advantages of the opportunities they offer. Of course, one should also be aware of the significant work that lies ahead of us to put this into practice.

References

EUROSTAT, "Remittance flows to and from the EU", Methodologies and working papers, prepared by Mustaq Hussain, 2007.