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Europe's role in North Africa: development, investment and migration

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Executive summary

AFRICA'S POPULATION IS projected to reach almost 2.5 billion by 2050. Migration from Africa to the EU is relatively stable, at around 500,000 migrants per year, or 0.1 percent of the EU population, yet irregular immigration into the EU has increased recently.

DEVELOPMENT IS OFTEN seen as the way to reduce migration but the development-migration nexus is complex. At low levels of development, migration might increase with rising GDP per capita. This applies to most of sub-Saharan Africa.

BY CONTRAST, NORTH African countries are among the continent's more developed economies. Their geographical positions make them natural partners for the EU. The region is diverse but political instability has been a common feature that in recent years has hindered economic development. Cyclical factors and deep-rooted structural weaknesses have also contributed to weak economic performance. Conditions for business are relatively poor and trade barriers in some sectors have prevented integration either between these countries or into global value chains. We propose five ways in which EU policymakers can contribute to development in North Africa and build partnerships on trade, investment and migration.

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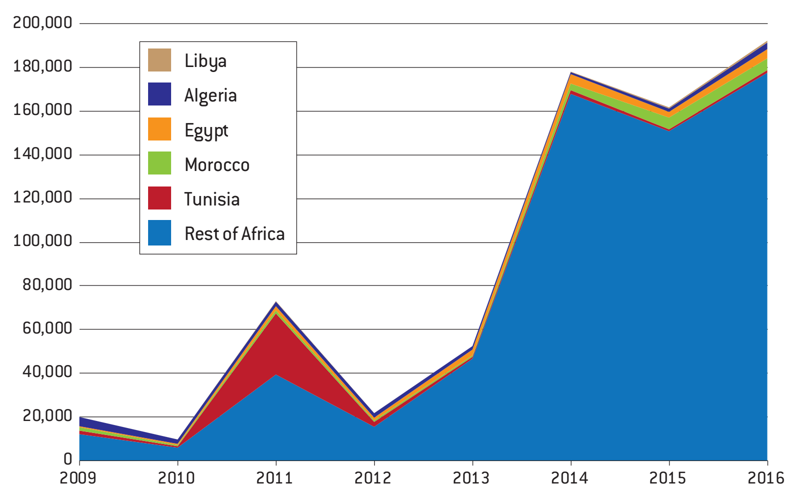
1 Introduction

Africa is the continent with the fastest growing population in the world. Its population is projected to be more than twice its current level by 2050, reaching almost 2.5 billion, which would be 25 percent of world population. Population growth is very high in sub-Saharan Africa, while population growth in the North African countries (NAC, consisting of Algeria, Egypt, Libya, Morocco, Tunisia) has slowed with sharply falling fertility rates. Still, the population of NAC is projected to grow by some 100 million over the next 35 years (see Table A1 in annex).

Higher GDP growth in Africa is a necessary condition for alleviating poverty. It also represents an opportunity for the EU. It is imperative for Africa to accelerate its development to be able to improve living conditions for its rapidly increasing population. For the EU, Africa is a geographically close market, which is in need of much investment. With more growth, there would be more opportunities, including the opportunity to contribute to the green and sustainable development of the continent.

Contributing to the development of Africa is a priority for global policymakers. Sub-Saharan Africa has an average GDP per capita in purchasing power terms of $3500, or only about one tenth of the EU's average GDP per capita. The G20 has been working on a 'compact' for Africa to support private investment and growth on the continent. The EU is playing a lead role in this global effort, partly motivated by the desire to contain immigration. The focus is certainly strongly influenced by the increase in 'boat' immigrants. Irregular border crossings from Africa have increased significantly in the last few years and are now about 200,000 per year. Migrants from Africa come predominantly from sub-Saharan Africa (Figure 1).

Figure 1: Frontex detections of irregular border crossings of African citizens into the EU



Source: Frontex, accessed in March 2017. Note: Data refers to detections of illegal border crossings rather than the number of persons, as the same person might cross the external border several times. However, there is currently no EU system in place able to trace each person's movements following an illegal border crossing. Therefore, it is not possible to establish the precise number of persons who have illegally crossed the external border.

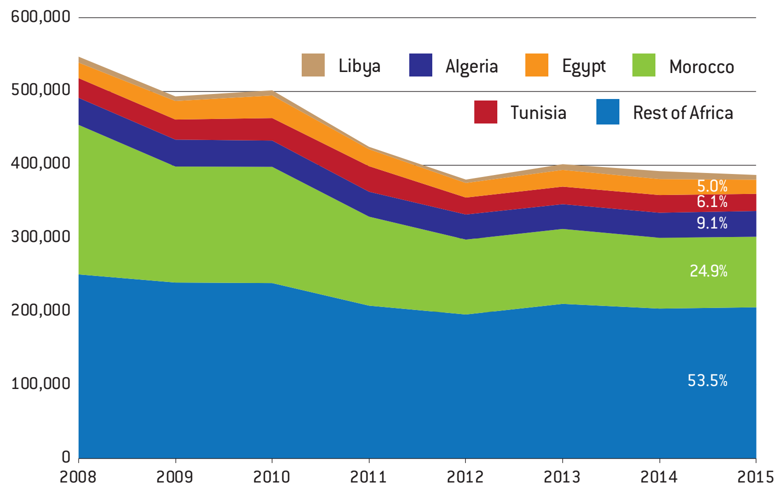
Overall, legal migration from Africa has been rather stable. Figure 2 shows the number of EU residence permits given to migrants from Africa[1]. The numbers have fallen by almost 30 percent (29.4 percent) since 2008. In particular, immigration from Morocco has fallen substantially. Some of the migrants that have arrived in an irregular manner (as measured in

1 Note that the data shown in the figure is not really comparable to the 2016 border crossings, because to obtain a residence permit there is a delay and data on permits is available only up to 2015.

the Frontex data) are not yet recorded in these statistics. The more recent increase in people arriving in boats is related to greater efforts to rescue people at sea[2]. The two data sources partially double count so that one cannot just add the Frontex data to the Eurostat data.

Overall, the number of migrants coming to the EU from Africa seems to be about 500,000 per year, or roughly 0.1 percent of the EU population. Migration from North Africa is falling. North Africa does not play a significant role in irregular border crossings.

Figure 2: First residence permits in EU28 to African citizens by citizenship



Source: Eurostat, table *migr_resfirst*, accessed in March 2017. Note: data refers to the number of first (unique) residence permits granted in an EU28 country to African nationals during the reference year, disaggregated by citizenship, with a minimum duration of 3 months.

Economic development is a critical objective but is not a panacea to reduce migration. The EU and other institutions often refer to development as the key to reducing migration into the EU[3]. **But determinants of emigration and immigration are complex.** Demographic pressures, youth unemployment, job opportunities in the country of destination, the growth of migrant networks and the desire to reunite families all play roles in migration. The recent recession in Europe certainly played a significant role in reducing immigration numbers, as have tighter immigration restrictions.

With rising incomes in sub-Saharan Africa, emigration numbers are likely to increase at first. A significant literature has established that below certain GDP-per-capita levels, an increase in income will increase emigration. Clemens (2014) establishes that up to $7000-$9000 GDP per capita (PPP), increases in GDP increase emigration. The data shows that emigration only starts to fall at higher GDP-per-capita levels. Of 47 sub-Saharan countries for which data is available, only seven are currently above the $9000 GDP-per-capita level (PPP), while 39 have levels below $7000. If a 2 percent annual per capita growth rate is assumed, by 2030, 35 countries would still be below that level. The population of these countries would increase to 1.05 billion[4].

By contrast, North African countries are now in an income range where rising incomes might reduce the incidence of migration. All five North African countries have

2 This has effectively increased the number of people attempting to cross. See EPSC, https://ec.europa.eu/epsc/sites/epsc/files/strategic_note_issue_22_0.pdf.

3 See, for example Mogherini (2017) 'Opening remarks at debate on managing migration along the central Mediterranean route', February, available at https://eeas.europa.eu/headquarters/headquarters-homepage_en/19755/Opening%20remarks%20by%20the%20HRVP%20Federica%20Mogherini%20at%20the%20debate%20on%20managing%20migration%20along%20the%20Central%20Mediterranean%20route.

4 This calculation is for illustrative purposes only because long-term growth projections are uncertain. Nevertheless, the 2 percent real growth rate *per capita* is often labelled an 'iron law', see for example Barro (2015).

income levels at or above the threshold[5]. Reduced incidence of migration does not necessarily mean fewer migrants over the next few years because the population is growing and other factors are at play, such as improved economic conditions in Europe. However, it does mean that, provided a deterioration in political stability is avoided and provided the region's economies continue to grow, large-scale migration from North Africa might become a thing of the past.

The rest of this paper focuses mainly on development in North Africa. The countries of North Africa are direct EU neighbours whose economic and political stability is of great importance to Europe. They remain origin countries for migrants, especially young people who cannot find jobs, and they are major transit countries for migration from sub-Saharan Africa. We consider North Africa a gateway between Africa and Europe. We therefore discuss the current economic and political situations in the countries of North Africa and make a number of policy proposals to European leaders.

2 The current state of the North African economies

The NAC economies are diverse, making generalisations hazardous. The countries that span the southern coast of the Mediterranean share Arabic as the principal language and Islam as the principal religion. But they are otherwise diverse. Egypt, Morocco, and Tunisia still have large parts of their populations in agriculture (as much as 40 percent in Morocco) and depend on a variety of service and manufacturing activities, remittances and tourism for their foreign exchange. By contrast, Algeria and Libya are wealthier oil-and-gas state-driven economies. At plausible rates of extraction, Algeria's proven oil and gas reserves could become exhausted in two generations whilst Libya's will last into the foreseeable future.

All the NACs rank low on the UN's Human Development Index, but with important differences. For example, adult female illiteracy is 42 percent in Morocco, but only 15 percent in Libya. Morocco has the world's largest reserves of phosphates. But the country is completely dependent for energy on oil and gas imports, as is Tunisia, while Egypt's energy trade is roughly balanced. The Maghreb economies are closely tied to Europe, but Egypt's more significant ties are to the Gulf countries.

Economic growth has not been sufficient to absorb the bulge in the young labour force. Prior to the Arab uprisings in 2011 and 2012, the North African economies saw an extended period of moderate economic growth. This was not, however, sufficient to absorb the large cohorts of young people entering the labour force, nor to meet the high expectations of the growing number of educated men and women. Table 2 illustrates the sharp deceleration of growth in recent years, and also illustrates the narrowing gap between GDP growth and the growth in the population of working age, despite the fact that the latter has also slowed. The unemployment problem in the region remains grave and is not adequately conveyed by official statistics which only cover parts of the formal economy.

The sharp slowdown of the North African economies in recent years is primarily the result of political instability. Various surveys illustrate that political instability has been the main cause of the sharp decline in tourism and foreign investment across most of the region (De Lima *et al*, 2016). Domestic divisions in North Africa were long kept under control by authoritarian governments, but now that they are out in the open, it is evident that they run deep, are complex and will not be quickly resolved. These differences are fundamental and

5 The precise threshold in the data should be treated with caution as it could shift in the future.

Table 1: An overview of main economic variables

	Algeria	Egypt	Libya	Morocco	Tunisia	Sub-Saharan Africa	EU28	Year (source)
Population (mln)1	39.7	91.5	6.3	34.4	11.3	962.3	510.1	2015 (UNESCO)
Population aged 15-34 (mln)1	13.9	31.5	2.1	11.8	3.7	329.1	119.8	2015 (UNESCO)
Old-age dependency ratio (%)2	9.1%	8.5%	6.9%	9.3%	11.0%	5.7%	29.4%	2015 (World Bank)
Fertility rate (births per woman)2	2.9	3.3	2.5	2.5	2.2	5	1.5	2014 (World Bank)
Adult literacy rate (15+)3	79.6%	75.8%	91.4%	71.7%	81.1%	64.4%	99.2%	2015 (UNESCO)
Mean years of education4	7.6	6.5	7.3	4.4	6.8	4.8 (avg)	11.4 (avg)	2014 (UNDP)
Youth employment ratio (female, 15-24)5	5.8%	9.6%	7.4%	14.0%	13.9%	45.2%	32.2%	2016 (ILOSTAT)
Youth employment ratio (male, 15-24)5	35.3%	33.9%	29.2%	41.1%	30.4%	51.0%	36.2%	2016 (ILOSTAT)
Unemployment rate5	11.2%	12.0%	19.2%	10.0%	14.8%	7.2%	8.6%	2016 (ILOSTAT)
Youth unemployment rate (15-24)5	26.6%	33.4%	48.1%	20.6%	35.7%	11.1%	18.7%	2016 (ILOSTAT)
GINI coefficient (0-100)6	34.2	46.4	-	39.6	36.7	42.5 (avg)	29.8 (avg)	2015 (SWIID)
Ease of Doing Business (rank)7	156	122	188	68	77	141 (avg)	30 (avg)	2017 (World Bank)
GDP (constant 2010 USD bln)2	190.2	247.7	28.4 (2011)	113.2	48.1	1661.6	17878.7	2015 (World Bank)
GDP per capita (constant 2011 USD PPP)2	13822.6	10250	11023.4 (2011)	7364.8	10769.9	3488.3	35622.2	2015 (World Bank)
GDP per capita growth (2011 USD PPP)2	1.2%	2.2%	-	2.6%	2.6%	1.3%	1.4%	1990-2015 avg (WB)
Gross savings (% of GDP)8	43.6%	12.6%	-	27.2%	14.7%	18.1%	21.3%	2011-15 avg (IMF)
Total investment (% of GDP)8	44.6%	15.2%	22.3%	33.6%	23.1%	20.8%	19.9%	2011-15 avg (IMF)
Current account balance (% of GDP)8	-0.9%	-2.6%	-3.6%	-6.4%	-8.4%	-2.7%	1.4%	2011-15 avg (IMF)
FDI net inflows (% of GDP)2	0.7%	1.2%	4.0% (2006-10)	3.0%	2.2%	2.5%	3.6%	2011-15 avg (WB)
Personal remittances received (% of GDP)2	0.1%	6.3%	0% (2007-11)	6.9%	4.8%	2.4%	0.6%	2011-15 avg (WB)
ODA net loans and grants (% of GDP)9	0.1%	1.0%	0.6%	1.7%	1.8%	3.0%	-	2011-15 avg (OECD)

Source: see the Annex. Note: (avg) stands for simple average across the sub-Saharan or EU28 countries, when aggregate measures were not available. All GDP figures are expressed in real terms (constant US$). The GDP per capita growth rate is computed as compound annual growth rate (CAGR) between 1990 and 2015.

concern whether the state should be secular or governed by religious laws, the prevalence of different religious groups, whether men and women should play an equal role in society, if countries should be republics or monarchies, and who – the central government or a specific tribe or geographic region – should have control over natural resources. The ongoing civil wars in Iraq, Libya, Syria and Yemen, and the uncertainty about the willingness and capacity of the United States and of European powers to engage in the region, following previous failed interventions, greatly add to the political uncertainty in North Africa. The long-standing hostility between Morocco and Algeria, which separates Morocco from the rest of North Africa geographically, and the fear of potentially contagious political instability throughout North Africa and beyond to the Levant clearly have not helped the cause of economic growth and integration.

Table 2: GDP and population growth

	GDP growth		Population ages 15-64 growth	
	2000-2011	2011-2016	2000-2011	2011-2016
Algeria	3.8%	3.5%	2.3%	1.3%
Egypt	4.6%	3.0%	2.6%	1.6%
Libya	-4.7%	-	2.0%	-0.1%
Morocco	5.0%	3.2%	1.8%	1.5%
Tunisia	3.6%	2.6%	1.8%	0.8%
Sub-Saharan Africa	5.5%	3.5%	2.9%	3.0%
European Union	1.4%	1.1%	0.2%	-0.3%

Source: World Bank databases. GDP: World Development Indicators and Global Economic Prospects. Population: Health Nutrition and Population Statistics: Population estimates and projections. Notes: GDP and population for year 2016 are projections. GDP is at constant 2010 US$. Growth rates are calculated as compound annual growth rates (CAGR).

The outside environment has not helped the NAC economies in the recent past. The collapse of oil prices severely affected Algeria and Libya but has also helped partially redress external deficits in Morocco and Tunisia. Lower oil prices also meant that government deficits in Egypt, Morocco and Tunisia improved because they facilitated reforms that reduced expenditure on energy subsidies. The persistent slow growth and recession in the Mediterranean countries of Europe, as North Africa's main export markets, have certainly reduced North Africa's growth rate since 2008[6]. The sharp slowdown in world trade after the crisis also contributed to the growth deceleration.

However, beyond political divisions, one-time shocks and cyclical effects, there are structural impediments that account for North Africa's weak economic performance. Despite free trade agreements that span the region, a salient feature of the North African economy is the nearly complete absence of intraregional trade. To a great extent this reflects the lack of complementarity in production structures and the region's modest income and size compared to neighbouring Europe, to which North Africa is gravitationally attracted. But even North Africa's trade pattern with Europe is of the traditional kind, reflecting the exchange of finished goods and raw materials, rather than components as part of international value chains.

NACs have failed to integrate in international value chains. One can point to three main reasons for North Africa's failure to become part of international value chains. **First**, Algeria and Libya are energy exporting economies whose labour cost (as proxied by their income per capita) is far higher than that of countries with comparable levels of skill and institutional development that are well integrated into value chains (such as Vietnam). **Second**, the envi-

6 Zachmann *et al* (2012) called for a strategy to broaden the relations of the NACs with other countries of the EU in order to reduce dependency on a relatively slow-growing part of the EU.

ronment for doing business, including in aspects important for the operation of value chains, such as ease of trading across borders and the ability to enforce contracts, scores relatively low (and worse than Romania or Mexico) (see Table 3). **Third**, North Africa appears to have suffered disproportionately from competition from eastern Europe. With EU enlargement, European production chains – involving both trade and FDI – extended east instead of south.

Table 3: 2017 Ease of doing business rankings, selected countries

	Ease of doing business	Trading across borders	Enforcing contracts
Algeria	156	178	102
Egypt	122	168	162
Libya	188	114	143
Morocco	68	63	57
Tunisia	77	92	76
Romania	36	1	26
Mexico	47	61	40
Vietnam	82	93	69

Source: World Bank 2017 Ease of Doing Business report. Note: Data refers to the world ranking of the selected countries.

Trade has not been a strong engine of growth for the region and trade agreements have not delivered. Gravity models, which predict countries' trade flows as a function of their economic size and distance, suggest that the volume of trade between the European Union and the Middle East and North African (MENA) countries could be 3.5 to 4 times larger than it is, were the two regions to reach the EU's level of integration (Ferragina *et al*, 2005). Intra-regional trade within MENA is also low relative to that predicted by gravity models and worse than that in sub-Saharan Africa. In part, this is because the trade agreements Algeria, Egypt, Morocco and Tunisia have with the EU have by and large failed to deliver on their promises.

Four reasons the results of trade agreements have been so disappointing: **First**, prior to the current set of EU-Med trade agreements, the North African countries already had largely free access to European markets for manufactured goods – which account for the lion's share of their trade – and they also enjoyed a small margin of preference relative to most other large exporters under GSP (Generalised Scheme of Preferences) arrangements. Therefore, the impact of the agreements on exports to the EU was naturally small. **Second**, a variety of impediments – including subsidies, quotas, reference prices and seasonal barriers – continue to hobble exports in the sectors in which North Africa has a revealed comparative advantage, notably agriculture (a large source of value added and even greater source of jobs in North Africa). **Third**, restrictive rules of origin and limited cumulation further restrict the North African countries' effective access to the EU market. **Fourth**, the aid flows associated with the EU trade agreements with North Africa are small compared to the needs. EU funds were primarily oriented to the accession countries, which naturally benefitted from increased public and private investment and from the discipline of adopting the EU *acquis*.

3 Contributing to development in North Africa and steering migration – an EU policy agenda

For North Africa to achieve lasting and significantly higher growth, both public and private investment is needed. Public investment can build infrastructure and provide education and health services. However, public resources cannot be the main driver of a modern, competitive economy. The main issue in the region is not so much the quantity of capital but the quality of the environment in which capital is deployed. Algeria and Libya have large resource endowments that, rationally exploited, can enable high savings. And the region's low dependency ratio (a very large working age population compared to the number of old people and children) allows or should allow for an adequate savings rate and the ability to self-fund significant investments (Table 1). The critical question is then how to improve conditions for private investment. These conditions depend on the willingness of the NACs to reform, not on the EU. However, the EU can help provide some anchors to reform, even though it cannot replicate the strategy employed towards central and eastern Europe, where institutional reform was linked to eventual EU membership[7].

We see five framework conditions that are of particular importance.

1. **Political stability and greater security are critical factors.** This falls largely outside the remit of finance ministers and economists, but political stability in the region is a prerequisite for achieving development and managing migration. Without greater political and security stability, for example in Libya, it will be difficult to tackle migration pressures. The EU should put in place a comprehensive policy that combines foreign policy tools with development policies, granting of market access and financial initiatives.
2. **Improving access to markets**. Trade is important for boosting productivity, raising living standards and boosting long-term growth. Open trade in itself, however, is not enough. Strengthening the business environment and improving skills – discussed below – are preconditions for deriving the full benefits from trade. However, much more needs to be done to facilitate the region's trade intra-regionally and with the EU. Services sectors remain protected, and even as tariffs have come down, many non-tariff barriers to trade exist. In agriculture, trade is still impeded by tariff and non-tariff barriers, including by the use of various kinds of quotas. While effectively applied tariff rates have fallen overall (see Figure A2), they remain comparatively high in some sectors. Foreign direct investment and access to land is impeded in numerous ways.

   The EU has started negotiations on a Deep and Comprehensive Free Trade Agreement (DCFTA) with Tunisia and Morocco (negotiations with Morocco have been suspended since 2013). The DCFTA is intended to go further than traditional free trade agreements by establishing a framework for economic development that opens markets and also achieves extensive harmonisation of laws, norms and regulations, aligning key sectors to EU standards. The DCFTA is also intended to provide for freedom of establishment in services and non-services sectors on condition that the EU *acquis* is implemented. While laudable, it is unclear whether the DCFTA initiative as currently structured can provide the impetus to reform that is needed in the NACs. Recognising that EU accession is not envisaged, consideration should be given to DCFTAs that demand more of the NACs on the reform front but also offer more in the form of market access and development funds. A platform for dialogue between the private and public sectors could help establish a way forward.

7 Sapir and Zachmann (2011) discuss lessons for the Southern Mediterranean that could be taken from the EU's experience in eastern Europe.

3. **Promoting good governance and strengthening the institutions that underpin private entrepreneurship.** The NACs generally rank low in terms of ease of doing business, good governance, competition and rule of law. Improvements in all these areas are essential for economic growth[8]. The EU can deploy official development aid and lending programmes to support these reform efforts. Recent initiatives include, for example, increased support from the European Investment Bank to provide funding at preferential rates[9]. Project-based funding from the EIB, EBRD and the World Bank contributes financial resources and, more importantly, technical expertise and encouragement of reforms that have been shown to work elsewhere[10]. Official Development Assistance net loans and grants to the five NACs range from 0.1 percent of GDP in Algeria to 1.8 percent in Tunisia[11]. Before expanding such programmes, a rigorous evaluation of the most effective approaches should be undertaken, focusing especially on the catalysing effects of such interventions. International Monetary Fund programmes in Egypt, Morocco and Tunisia, and the ongoing surveillance and technical assistance programmes throughout the region, also play significant roles in promoting growth and stability-friendly reforms.
4. **Reforming education and containing youth unemployment.** Youth unemployment has been an important drag on these countries' performances, a source of dissatisfaction and unrest, and an important factor behind decisions to emigrate. The difficulty young people face to enter the NAC labour markets has detrimental effects on their future employability because of the depreciation of skills and their life-time income. This affects labour markets and hinders inclusive growth and leads to the loss of entire generations. With the exception of Morocco, all other countries in the sample have about double the level of youth unemployment than observed in EU28[12]. The level of youth unemployment is particularly high for women, in some cases twice as high as that for men, and has typically deteriorated since 2010 for both genders. Importantly, the highly educated are more likely to be unemployed – a factor that points to a grave misallocation of resources (Dine, 2012).

   Demographics is one of the factors driving youth unemployment. Whether growth is driven by capital intensive sectors also matters for employment, as does the tax system and labour market institutions. Also, poor education and inadequate skills reduce the employability of the young. Lastly, the MENA economies are characterised by high informality and their relatively small formal labour markets favour incumbents to the detriment of new entrants, mostly the young.

   A credible strategy to tackle youth unemployment must therefore go beyond the general reform agenda (improving the business environment, the rule of law and market access) and focus on reducing the gap between the formal and the informal sectors. Containing the reservation wage[13] by moderating wage increases in the public sector, in particular in rentier economies, is also important. These are necessary conditions that need to be complemented by targeted programmes to correct the pronounced skill mismatch between graduates and what employers demand (McKinsey 2011). Programmes that provide on-the-job training are equally important.
5. **Step-up collaboration on containing migration pressures from sub-Saharan Africa.** As sub-Saharan Africa develops and the size of its young population increases, emigration pressures are likely to mount in the next 20 years. The destination of emigrants will be determined by numerous factors, including the opportunities in Europe, in North Africa and the Middle East. North African countries themselves will increasingly become a destination for migrants. There is no alternative to encouraging the integration of markets

8 Bouis *et al* (2016), for example, document that product market reforms, such as opening up regulated sectors such as telecoms to competition, can yield substantial benefits in GDP.

9 Annual EIB lending in the framework of the economic resilience initiative is around €1.6 billion annually.

10 De Lima *et al* (2016). See Table A2 for an overview.

11 See Figure A1 for a description of ODA to North Africa by donor.

12 See, for example Boot *et al* (2016).

13 The lowest wage rate at which a worker would be willing to accept a particular type of job.

within Africa and improving the conditions for investment in sub-Saharan Africa as the long-term solution to Africa's problems, and also to create potentially vast new markets for both the EU and the NACs. Research shows that one of the most effective ways to deploy public resources is to enhance the education of girls, which tends to accelerate the demographic transition, sharply reducing the fertility rate, and contributes to improved health and education outcomes among children.

Development policies need to be combined with a strategy on migration. The EU and its members have an active development policy in sub-Saharan Africa, and the G20 initiative tries to further leverage private investment. However, more attention should be paid to migration policies[14] and how they can be made to work better for the countries of origin, for Europe and to enhance the welfare and safety of the migrants themselves. The EU should explore partnership frameworks on migration with the countries of North Africa. Promoting development, granting greater access to EU markets, including for services workers, enhancing collaboration related to university education and providing temporary work opportunities for highly-skilled workers could all be elements of a 'compact' on migration. Programmes that strengthen the economic links between the North African countries and their emigrants based in Europe (diasporas) can also facilitate trade, investment and the return of migrants. Readmission agreements could be established. Moreover, the EU could establish admission centres in the region that would grant a certain number of legal immigration permits to sub-Saharan African nationals wishing to migrate to the EU[15]. Such a policy could also help disrupt the business model behind illegal human trafficking.

Overall, the EU should strengthen its partnership with North Africa and offer increasing links in trade, investment and cross-border service provisioning. The aim of that policy compact would be to establish stability, foster growth and build a prosperous neighbourhood, within which collaboration on migration is recognised as an important aspect.

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14 Belloc (2015) argues that development policies often neglect their impact on migration.

15 There is considerable academic debate about how to allocate immigration visas. Possible solutions range from approaches based on humanitarian needs, qualifications and chances of labour-market integration in the destination countries, to random allocation or even auctioning of visas.

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Annex

Detailed sources used in Table 1

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5. ILOSTAT, ILO modelled estimates, Nov. 2016.
6. SWIID 2016, Standardized World Income Inequality Database. Note: higher values imply higher income inequality.
7. World Bank, Ease of Doing Business 2017.
8. International Monetary Fund, World Economic Outlook Database, October 2016.
9. OECD International Development Statistics, Aid (ODA) disbursements to countries and regions (Table DAC2a), accessed in March 2017.

Table A1: Current and projected populations

Current and projected African population (thousands)								
	1980	1990	2000	2010	2020(p)	2030(p)	2040(p)	2050(p)
Libya	3,191	4,398	5,337	6,266	6,700	7,418	7,980	8,375
Tunisia	6,368	8,233	9,699	10,639	11,835	12,686	13,166	13,476
Morocco	20,072	24,950	28,951	32,108	36,444	39,787	42,148	43,696
Algeria	19,338	25,912	31,184	36,036	43,008	48,274	52,496	56,461
Egypt	43,370	56,397	68,335	82,041	100,518	117,102	134,428	151,111
Total North Africa	92,339	119,891	143,506	167,090	198,505	225,267	250,219	273,119
10-year change	-	27,552	23,615	23,584	31,415	26,762	24,952	22,901
% change	-	29.8%	19.7%	16.4%	18.8%	13.5%	11.1%	9.2%
Rest of Africa	385,626	511,723	670,558	877,017	1,141,598	1,454,034	1,812,811	2,204,417
10-year change	-	126,097	158,834	206,460	264,581	312,436	358,777	391,606
% change	-	32.7%	31.0%	30.8%	30.2%	27.4%	24.7%	21.6%
Total Africa	477,965	631,614	814,063	1,044,107	1,340,103	1,679,301	2,063,030	2,477,536
10-year change	-	153,649	182,449	230,044	295,996	339,198	383,729	414,506
% change	-	32.1%	28.9%	28.3%	28.3%	25.3%	22.9%	20.1%

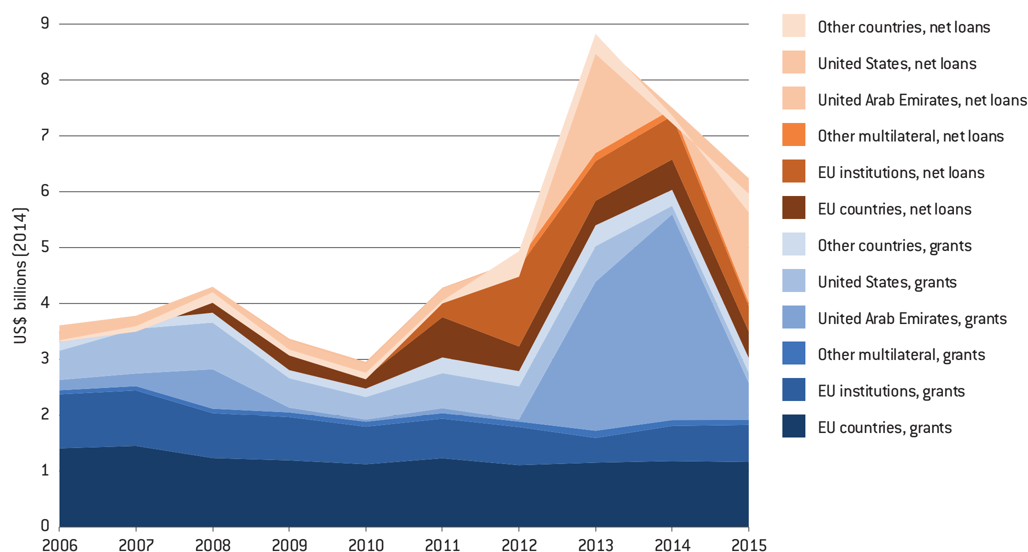
Source: UNDESA Population Division, World Population Prospects, 2015 Revision, accessed in March 2017. Note: projections according to the UNDESA medium fertility variant.

Table A2: Overview of the activities of major multilateral development banks in the region

	Activities in the Mediterranean neighbourhood countries (MENA/SEMED/FEMIP)
World Bank	World Bank lending to the MENA region in FY2013 amounted to US$2.1 bn ($1.8bn from IBRD, $249mn from IDA and $56.4mn in special financing for the West Bank and Gaza). IBRD/IDA lending increased to $2.8bn in FY14, $3.5bn in FY15 and $5.2bn (€4.7bn) in FY16. The increase in FY16 occurred particularly in Egypt and Iraq. Around 20% of the lending is for climate change initiatives, reaching $1.2bn in 2016. The FY17 Q1 lending (July-September) is expected to account for close to $1bn, including the Emergency Crisis Response Project for Yemen, Lebanon and Jordan.
EBRD	In 2012-2016 invested over €5bn in more than 100 projects in Egypt, Jordan, Morocco and Tunisia. Lebanon is becoming a shareholder and country of operations in the near future. In 2016 invested €1.7bn in the SEMED region, 5.6% of the total (€30bn), with large majority in loans and the rest (~20%) in equity investments. 75% of EBRD's lending to SEMED countries is to the private sector, although also PPPs. Main industries of investment: Bank FI (22.6%), Energy (22.3%), Infrastructure (20.1%). SEMED receives around 20% of EBRD's SME funding and more than 28% of the microfinance portfolio.
EIB	Committed €9.6bn for lending activity for the 2014-2020 period in FEMIP countries (Southern Neighbourhood). Total lending of €14.6bn from 2007 to date. Already signed €1.6bn in 2014, €1.4bn in 2015 and €1.6bn in 2016, i.e. 19% of EIB's non-EU activity (€8.4bn). Total EIB's lending in 2016 was €84bn. 2007-2016: 27.7% of activities in Egypt, 26% in Morocco, 23% in Tunisia. 2007-2016: 30% of activities in Energy (target of 35% for outside-EU lending for climate action by 2020), 16% in Transport and 15% in SME financing. Its lending activity is project-linked, financing of the fixed asset component, up to 50% of total project costs. Direct loans only for amounts above €25 mn and maturities extend up to 25 years. EIB's Economic Resilience Initiative: additional lending of €4.2bn over the next five years in the Southern Neighbourhood, of which: €1.5bn of additional lending to the public and private sector within existing frameworks; €900m additional lending on especially favourable terms to the local public sector; €1.8bn for higher risk, higher impact financing to support the private sector.

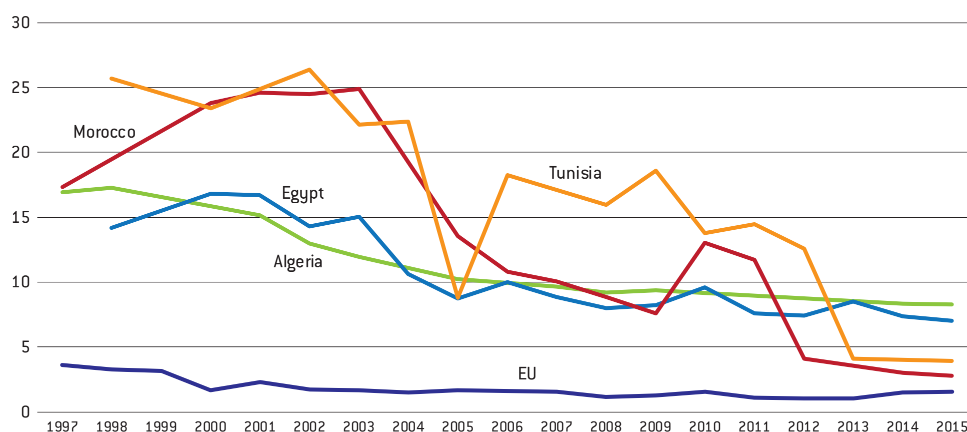
Source: Institutional reports, websites and presentations, accessed in March 2017. SEMED is the EBRD acronym for the Southern and Eastern Mediterranean region. FEMIP stands for Facility for Euro-Mediterranean Investment and Partnership, which brings together all the instruments implemented by the EIB in support of economic development in the Mediterranean partner countries, namely Algeria, Egypt, Gaza-West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and in the future Libya. International Bank for Reconstruction and Development (IBRD).

Figure A1: Total grants (blue) and ODA net loans (orange) to North Africa, by donor



Source: OECD International Development Statistics, Aid (ODA) disbursements to countries and regions [Table DAC2a], accessed in March 2017. Notes: ODA (Official Development Assistance) net loans display disbursement minus repayment. To be classified as ODA, a loan must be provided at concessional financial terms, ie including at least a 25 percent grant component.

Figure A2: Overall effectively applied tariff rates, % (AHS), weighted by partner/product flows



Source: World Bank staff estimates using the World Integrated Trade Solution (WITS) system, based on data from United Nations Conference on Trade and Development's Trade Analysis and Information System (TRAINS) database and the World Trade Organization's (WTO) Integrated Data Base (IDB) and Consolidated Tariff Schedules (CTS) database. Notes: Weighted mean applied tariff is the average of effectively applied rates weighted by the product import shares corresponding to each partner country. Effectively applied tariff rates at the six- and eight-digit product level are averaged for products in each commodity group. If a preferential tariff exists (and is available), it has been used as the effectively applied tariff (otherwise, MFN applied). Missing data, (1999-all countries, 2010-2013 for Algeria) were replaced by linear interpolation.