

MEDPRO

Newsletter

Thinking Ahead for the Mediterranean



Social reform in the Southern Mediterranean: what is on the horizon for 2030?

Dr. Rym Ayadi, Senior Research Fellow, CEPS and Overall MEDPRO Coordinator

The 2011 uprisings in the southern Mediterranean and the continuing turmoil in the region have shed light on the dire social situation and grievances of the overwhelmingly young population in the region. The lack of genuine social prospects has caused anger and frustration, shaken the foundations of several states, and perhaps, motivated people onto the streets to demand real change and greater participation in the governance of their countries.

Over the last two years, many external observers, analysts, and politicians have all pointed to the danger, if not the outright impossibility, of continuing past trends. National governments and international donors have started to devise new strategies to address the region's many woes in the political, economic, and social fields.

With the completion of the research under work packages 3 and 7, MEDPRO researchers have been delving into the different trends and prospects in demography, education, human capital, inequality and migration with a view to contributing to the debate and to devising policies for social development that are mutually beneficial for the EU and the southern Mediterranean.

By 2030, the region's demographic structures will undergo changes that require new sets of policies in the employment and social fields. Indeed, because the southern Mediterranean countries have witnessed a stabilisation of their fertility rates in recent decades, by 2030 MEDPRO population projections point to an increase in working age populations; a phenomenon known as the 'demographic dividend'.

To reap the benefits of this demographic dividend, education policies will have to change as well. Past reforms in the field of education have concentrated on increasing enrolment rates in order to lower illiteracy rates and narrow the gender gap in access to schooling. Governments' and donors' efforts have been quantitative in nature; the qualitative aspect of education has been somewhat neglected. Today, quantitative objectives in literacy rates and gender gaps have been met and future reform strategies should focus on enhancing education quality. As a matter of fact, data show that human capital levels are quite low compared to similar countries and that skills available in the workforce do not match those demanded by the market.

Enhancing education quality will also be key, with major efforts directed towards the enhancement of teachers' curricula in order to address the skills mismatch in the region. Learning from other emerging countries' experience such as the BRICs could be a useful exercise in this endeavour. Addressing the skills mismatch will be a particular issue for those countries in the region likely to experience the highest demographic dividend. Policies in this direction should be accompanied by measures that increase private returns to education to create a virtuous circle of employment and wealth creation.

Partly as a result of these policies, inequality levels have either increased or remained constant in the region since the 1980s. Besides, education

is by far the most important determinant of the region's patterns of income inequality and access to infrastructure also appears to be an important factor affecting the distribution of opportunities. For example, while the urban population grew at a yearly average of 3% between the 1980s and 2010, the number of hospital beds per capita has remained constant, resulting in major spatial inequalities.

These elements, coupled with an overall poor institutional quality have led to significant migration outflows to the EU, where the region's natives account for 20% of all foreign citizens registered. Given the difficulties of quantifying the extent of illegal migration, migration outflows to the EU might be even greater.

In the current multiple-crisis context, these trends are no longer sustainable and call for decisive political action to devise and implement inclusive policies as a gateway to more sustainable and inclusive socio-economic development paths.

In the field of labour, research into the region and other countries' experience has shown that a series of structural factors negatively affect the participation of women in the labour force. At the same time, the more women participate in the labour force and engage in productive activity, the higher the marginal rates of economic growth. Given the already pressing need for more growth in the region, attention should be paid to adopting policies that address the constraints on female labour force participation. The region's combination of norms and values, as well as its social preferences, certainly play a role in explaining these trends. Policies should therefore be implemented to decisively address this issue.

Efforts in these areas should also be accompanied by adequate measures to address inequality that go beyond a concept based on redistribution. Public expenditure should be redirected towards building roads, transport, social housing and healthcare facilities while implementing policies that target the most excluded social groups; chiefly, youth, since 30% of young adults in the region are excluded from both work and education.

Such a set of policies would undoubtedly help to address migration pressures in a region where 10% of tertiary educated graduates emigrate and where illegal exile is still seen as a last-resort solution to improve socio-economic prospects. Addressing these challenges will be not achieved overnight, but the EU has the potential to support southern Mediterranean countries in their social and economic development. Moving from an approach based on a systematic linkage between migration and security to a strategy based on genuine mobility and shared prosperity could prove a key factor in addressing the region's needs while contributing decisively to the narrowing of the institutional and revenue gaps between both shores of the Mediterranean.



Population and development scenarios for Southern Mediterranean countries 2010-2050



Dr. George Groenewold, WP3 leader, Netherlands Interdisciplinary Demographic Institute (NIDI, The Netherlands)

The core aim of Euro-Mediterranean policy is to favour the emergence of a prosperous, stable and secure zone, and to avoid the emergence of new dividing lines between the EU and southern Mediterranean Countries (SMC). Among other factors, demographic developments exert influence on the outcomes of Euro-Mediterranean relations. Within the MEDPRO framework, four demographic scenarios were devised to describe changes in indicators of demographic behaviour and their implications, should people come to live under different political and economic contexts in the future. Analyses focus on the expected trends in i) population growth at regional and national levels; ii) working age populations and the potential for a demographic dividend in SMCs' economies iii) the elderly population and their potential financial burden on the region's societies. Results show that despite differences in scenario assumptions, differences in estimates of population size for the short term (2010-2030) are not large; an illustration of the inherent population momentum in age-structures. While SMC populations are expected to grow up to 2030 by a number of between 69 and 83 million, EU27 populations will grow by 21 million only. In the long term (2030-2050), additional population growth is foreseen in SMC, between 48 and 62 million people, while it is estimated that in EU27 countries it will grow by only 4 million. SMC appear to vary widely regarding demographic transition profiles and consequently, demographic dividend potentials also vary. The largest two countries, Egypt and Turkey, have quite different demographic dividend profiles. Egypt has a considerable potential for a demographic dividend in the coming decades as the working-age population share will increase from 63% (2010) to peak levels of about 68% during the 2040-2050 period. In the case of Turkey, the working age population share is currently 68% and will reach a peak of 69% by 2025; after which decline sets in. The window of opportunity – the period when working age population shares increase to peak levels – has practically closed for Lebanon and Tunisia. After 2015, working-age population shares will be declining, and quite rapidly for Tunisia after 2035. Projections of the elderly share in the total population show that except for Israel, old age dependency ratios will remain low compared to EU27 levels. However, the number of elderly people in SMCs' populations will grow, implying potentially higher costs than for EU countries due to more fragile political, economic and environmental conditions in the region.

EU migration policy in the wake of the Arab spring: what prospects for EU-Southern Mediterranean relations?



Dr. Sergio Carrera, Senior Fellow, CEPS; Joana Parkin, Researcher, CEPS



In the wake of the Arab Spring, the EU launched a series of new policy frameworks with the aim of renewing the EU's migration policy towards the southern Mediterranean. At the heart of the new strategy are the so-called 'Dialogues for Migration, Mobility and Security' which aim to put into practice the EU's commitment to a stronger engagement and partnership in the region, including a "dynamic mobility policy" that will "support burgeoning democratisation in North Africa". Consequently, autumn 2011 saw Dialogues launched with Tunisia and Morocco, with similar partnerships foreseen with other countries in the southern Mediterranean, namely Egypt, Jordan and, at some point, Libya.

However, the prospects for the EU's new Dialogues to renew EU-Mediterranean relations in the domain of migration are in question. The package presented by the EU to third-country partners is struggling to deliver on its promise, either of opening channels for 'mobility', or of offering a genuine 'partnership'. The Dialogues point to a continuation of the status quo: the 'insecuritisation' of movement; the proliferation of policies that endanger migrants' human rights and weak and imbalanced partnerships between the EU and its neighbours in the southern Mediterranean, framed by a logic of security, short-termism and bilateralism.

The EU's failure to deliver on its ambitious political goals voiced in the midst of the Arab Spring can be traced to the institutional configurations at EU level, which drive the development and implementation of policies on the external dimension of migration: namely the continuing dominance of EU home affairs and national ministry of interior officials in the Commission and Council working structures, as well as the marginalisation of the European External Action Service. The potential for the Dialogues for Migration, Mobility and Security to support EU-Mediterranean relations will in part depend on whether this imbalance in EU institutional power relations that frame their development is addressed. The capacities of the EEAS in the EU's external dimension of migration should be upgraded to a coordinating role. This would help establish a more balanced, and accountable framework for migration policies in the region; one that roots human mobility in the EU's broader ENP agenda, and ultimately serves to complement the goals of social and economic development in the southern Mediterranean.

Female labour force participation in the Southern Mediterranean

Dr. Stella Tsani, E3M-Lab, Institute of Communication and Computer Systems, National Technical University of Athens (ICCS/NTUA, Greece)



Among other questions, the MEDPRO research devoted to human capital, social protection and migration asks how changes in patterns of women's labour force participation translate into changes in the total labour force and in patterns of economic development of southern Mediterranean countries. Drawing on existing literature on female labour force participation, these effects have been estimated from partial and general equilibrium perspectives using the GM-E3 framework. Econometric estimations suggest that economic growth and female labour force might present a U-shaped relationship. The estimations further confirm the arguments that female labour force participation rates in the region are lower than the female labour participation rates observed in other developing and developed countries. These results have been employed in a second step in the GEM-E3 model to assess the effects of structural changes, such as the influence of varying degrees of female labour force participation, on economic growth in the MED11 countries. Two alternative scenarios have been modelled. The first scenario has associated the levels of GDP per capita derived from the reference period 2015-2030 to rates of female labour force participation for each of the southern Mediterranean countries. The second scenario associated the removal of region-specific barriers to female labour force participation to higher levels of women's involvement in the labour force. Comparing the outcomes of the scenario-building exercise in a general equilibrium framework shows that lower levels of female labour force participation in the region result in marginally lower levels of economic development. By contrast, removing the regional barriers to the participation of women in the labour force may lead to higher levels of GDP growth over the period and hence to the likelihood of higher economic development in the region.

Human capital, inequality and migration: scenarios for 2030

Alia El Mahdi, WP7 leader, Faculty of Economics and Political Sciences of the Cairo University (FEPS, Egypt)



Research revealed that countries in the Southern Mediterranean region achieved significant progress in terms of accumulated human capital in the last few decades. Gross enrolment rates (GER) in primary level exceed – even in some cases more than double – the secondary level. The gender gap in gross enrolment rates is much higher in secondary and tertiary education than at the primary level. Three scenarios were estimated for 2030: ‘the business as usual’ scenario (QI), the Optimistic and Pessimistic scenarios (QII and QIII respectively). The projections implied different directions and magnitudes of growth in GER among the Southern Mediterranean countries and across various educational levels. The educational attainment levels will be improving, though at different rates, and according to the type of scenario. One of the factors that seemed to play a key role in determining the GER is the percentage of public expenditure on education to GDP. This variable corresponds to the results of the predicted scenarios QII and QIII, where investment in human capital plays a significant role in the increase of available better educated labour and thus the labour productivity as well as total factor productivity (TFP) in general.

The same result has been obtained by the research on the prospects of Human Capital Formation, which indicated that assuming the returns to education remain constant by 2030, increasing educational attainment levels in the SMC are expected to lead to the largest gains in human capital measures in countries where the current returns to schooling are high and attainment levels are low, i.e. Egypt, Morocco, and Turkey.

As regards Euro-Mediterranean patterns of migration, the research revealed that differences in institutional quality between arrival and departure countries were the main predictors of migratory flows: the worse the institutional quality in a MED country, the higher the likelihood for migrants to choose an EU country with good institutional quality. While wealth differentials play a role in migration decisions, their influence is confined to the short term only.

Returns to education in the Southern Mediterranean

Dr. Emrah Arbak, Researcher, CEPS



Measuring human capital is a significant challenge for the economics profession since the main variable, human capital, is not directly observable. In the southern Mediterranean region, the task is further complicated by the general scarcity of reliable data. The MEDPRO research on “Measuring Returns to Education and Human Capital in the Mediterranean” overcomes these challenges and develops a measure of human capital for six Mediterranean countries, including Algeria, Egypt, Israel, Jordan, Morocco, and Turkey. To serve as a basis for comparison, similar measures are also developed for the EU-MED countries France, Greece, Italy, Malta, Portugal, and Spain. A comparison of the findings confirms that human capital levels are relatively low in most of the sampled countries. Israel and Turkey are clear outliers, surpassing even the EU-MED averages.

At the other extreme, in Algeria and Jordan the private returns to education are almost flat, implying that earnings do not respond significantly to education levels and that human capital levels are relatively low. Egypt and Morocco compare more favourably, with the earnings of an average worker being approximately two to three times the base salaries, i.e. earnings of a worker with no experience or skills. This implies that well-educated countries do not necessarily achieve a higher human capital development. For example, although Greece, Spain, and Portugal have relatively well-educated populations, the estimations reveal that the three countries are at best comparable to the southern MED averages. The findings are most relevant for the southern MED countries since the region has embarked on a massive educational policy in recent decades to improve educational attainment levels. Instead of a purely pro-attainment approach, the aim of future policy should be to address the factors that weaken the link between schooling and economic gains, including quality of education, skilled workers’ market prospects, public hiring and skills mismatches. The results call for a more sophisticated approach to education reform than simply sending more students to school. Most importantly, all of the countries in the region should investigate more deeply the binding constraints on the development of human capital levels. In particular, policies geared towards increasing private returns to schooling are likely to succeed in generating a virtuous circle of job creation, innovation, and wealth generation.

Inequality in Southern Mediterranean Countries

Dr. Heba El Laithy, Faculty of Economics and Political Science of the Cairo University (FEPS, Egypt)



One of the streams of MEDPRO’s research under WP7 analysed the trends, determinants, and future scenarios of inequality in the region. Using per capita consumption as a measure of welfare, location, educational attainment and employment status have been identified as the most important factors affecting the level and distribution of welfare. In particular, educational attainment was found to be a considerable explanatory factor in the observed patterns of income distribution. The correlation between education and welfare has important implications for policy, especially for its distributional impact: changes in employment structure and productivity can improve income distribution. Income polarisation was also studied in the region: since a large body of empirical literature finds that the likelihood of conflict in a country is positively related to polarisation, governments in the region ought to increase public expenditure on infrastructure, health and education, given their positive effects on income distribution via a positive impact on total factor productivity and growth.

A benefit incidence analysis was performed, and the inequality adjusted human development index (IHDI) was used to take into account the distributional effects of human development. Analysis shows that rather than income inequality, the region suffers more from inequalities in human development, urging a refocus of social policies on the distribution of opportunities. The popular uprisings in several countries have called for dramatic changes in political and social institutions while signalling the importance of equitable and coherent social protection strategies, among which are reforms in social security schemes. Two scenarios, optimistic and pessimistic, were used to project future paths up to 2020 and 2030. The optimistic scenario assumes that per capita consumption grows at a rate of 2% per annum, while change in per capita consumption is -2% under the pessimistic scenario. The impact of positive growth is increasing inequality and shrinking the size of the middle class. More precisely; the Gini coefficient increases from 37,8 to 40,7; the ratio of consumption of the richest to the poorest quintile increases from 6.9 to 8.1, and the middle class represents 72% of overall population, whereas it represented 79% in the baseline year. This result shows that richer groups benefit most from this growth path. An opposite direction is observed for the pessimistic scenario.



MEDPRO Events Reports

MEDPRO Athens meeting: Between May 31st and June 1st, MEDPRO researchers gathered in Athens to finalise the project's reference and alternative scenarios.

MEDPRO summer school: On July 12th and 13th MEDPRO and the Centre Ernest Lluch at the Consorci Universitat Internacional Menéndez Pelayo de Barcelona (CUIMPB) organised a seminar on the trends, tensions and prospects of Euro-Mediterranean relations. The seminar was directed to students and sought to familiarise them with the political, demographic, economic and environmental challenges

Marseilles meeting: Researchers gathered in Marseilles on 20th and 21st September to finalise MEDPRO reference and alternative scenarios, elaborate on the policy implications for the EU and southern Mediterranean countries and produce policy recommendations.

Tunis meeting: The MEDPRO research team shared the scenarios and policy recommendations with the local authorities and civil society high level representatives at the High Level Stakeholders Meeting in Tunis on 05 and 06 November 2012.

Forthcoming Events

Cairo meeting: Between the 8th and 9th of December, MEDPRO research team will travel to Cairo (Egypt) for a two-day High Level Stakeholders Meeting to present the outcomes of the research, the different scenarios and ensuing policy recommendations.

MEDPRO Dissemination

MEDPRO Coordinator speaks at conferences. As part of the dissemination of MEDPRO research MEDPRO Coordinator Dr. Rym Ayadi gave a number of speeches in recent months at high-level meetings. On April 1-3, Dr. Ayadi spoke at the Euro-Med conference on research and innovation in Barcelona on changing science in changing societies, on April 25 at the Deauville high-level partnership event in Paris on a blueprint for MSME financing in the Mediterranean; on April 27 at the Annual Realités forum on the future of the Mediterranean in Tunis; and on May 10-11 at the European Savings Banks Group in Marrakech on the future of access to finance in the Mediterranean.

Links to external networks. The MEDPRO coordinator established a new collaboration for dissemination with SCOOP, which is an FP7 programme providing monthly policy-oriented summaries of the latest research findings originating from FP6 and FP7 programmes.

MEDPRO Publications

Papers published from April to September 2012

free download at www.medpro-foresight.eu

Measuring Returns to Education and Human Capital in the Southern Mediterranean;

Emrah Arbak; Technical Report

Population Scenarios for South Mediterranean Countries: 2010-2050; George Groenewold;

Jop De Beer; Corina Huisman; Report

EU Migration Policy in the wake of the Arab Spring: What prospects for EU-Southern Mediterranean Relations?;

Sergio Carrera, Leonhard Den Hertog; Joanna Parkin; Technical Report

MEDPRO in a Nutshell

Title	MEDPRO – Prospective analysis for the Mediterranean Region
Funding Scheme	Collaborative Project (CP): small or medium-scale focused research project
Coordinator	Dr. Rym Ayadi Centre for European Policy Studies (CEPS)
Duration	1 April 2010 – 31 March 2013 (36 months)
Contact e-mail	medpro@ceps.eu
Short Description	MEDPRO explores the challenges the countries in the South Mediterranean region, from Morocco to Turkey, will have to cope with in the coming decades. The project will undertake a foresight analysis to consider the interactions between development and Euro-Mediterranean cooperation in the fields of geopolitics; demography; education; social protection; energy; climate change; trade and finance. The outcome of this exercise will be to provide the best scientific underpinning for future policy decisions to be taken at both domestic and EU level within the European Neighbourhood Policy (ENP) and Union for the Mediterranean frameworks (UfM).
Partners	16 (13 countries)
Consortium	Centre for European Policy Studies, CEPS , Belgium; Center for Social and Economic Research, CASE , Poland; Cyprus Center for European and International Affairs, CCEIA , Cyprus; Fondazione Eni Enrico Mattei, FEEM , Italy ; Forum Euro-Méditerranéen des Instituts de Sciences Economiques, FEMISE , France ; Faculty of Economics and Political Sciences, FEPS , Egypt; Istituto Affari Internazionali, IAI , Italy; Institute of Communication and Computer Systems, ICCS/NTUA , Greece; Institut Europeu de la Mediterrania, IEMed , Spain; Institut Marocain des Relations Internationales, IMRI , Morocco; Istituto di Studi per l'Integrazione dei Sistemi, ISIS , Italy; Institut Tunisien de la Compétitivité et des Etudes Quantitatives, ITCEQ , Tunisia; Mediterranean Agronomic Institute of Bari, MAIB , Italy; Palestine Economic Policy Research Institute, MAS , Palestine; Netherlands Interdisciplinary Demographic Institute, NIDI , Netherlands; Universidad Politécnica de Madrid, UPM , Spain; Centre for European Economic Research, ZEW , Germany
Website	www.medpro-foresight.eu
EC Funding	2,647,330€
EC Scientific Officer	Dr. Domenico Rossetti Di Valdalbero (Project Officer)