



EUROPEAN COMMISSION
European Research Area



SEVENTH FRAMEWORK
PROGRAMME

Funded under Socio-economic Sciences & Humanities



MEDPRO – Prospective Analysis for the Mediterranean Region



MEDPRO Thinking Ahead for the Mediterranean



Preface

Funded under the European Commission's 7th Framework Programme and coordinated by CEPS Senior Fellow Dr. Rym Ayadi, the MEDPRO project started in March 2010, a few months before the Arab Spring unfurled. The three-year project aims to contribute to the reform process in the political and socio-economic agendas of southern and eastern Mediterranean countries by broadening the level of knowledge on the numerous challenges faced by the region.

This booklet, prepared as background material for MEDPRO's final conference on 26 February 2013, provides an overview of the project's aims, organisational structure, research fields, scientific team and main findings.

It also provides an opportunity to introduce the Euro-Mediterranean Economists' Association (EMEA), which has been established as a follow-up initiative to MEDPRO. Building on MEDPRO's extensive knowledge base, EMEA will track socioeconomic developments in the Southern and Eastern Mediterranean region over the coming years and work to ensure continued attention at the highest political level to maintaining constructive relations between the EU and the Mediterranean region.

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1. Introduction

MEDPRO, short for Mediterranean Prospects, is a project involving a consortium of 17 highly reputed institutions from throughout the Mediterranean region, funded under the EU's 7th Framework Programme for research and coordinated by Dr. Rym Ayadi Senior Fellow at the Centre for European Policy Studies (CEPS), based in Brussels.

At its core, MEDPRO explores the challenges facing the Southern and Eastern Mediterranean region, which is committed to implementing ambitious political and economic reforms while at the same time addressing the most pressing social and environmental issues, such as curbing chronic unemployment, improving living standards, addressing inequality, ending all forms of discrimination and conserving the natural habitat. Addressing these challenges requires political will, good governance, the broadest possible participation, and, above all, a sharp understanding of the driving forces at play. The outcome of the ongoing reforms will ultimately be determined by their relationship with the predominant social, cultural, political and environmental factors. By considering a wide range of interactions, MEDPRO aims to explore a number of alternative scenarios that can be expected to arise by 2030 in the region with a view to laying a sound foundation for future policy on social and economic development, paying special attention, where relevant, to the role and potential contribution of the EU.

Aims and Means

The aim of MEDPRO is to contribute to the reform process in the political, economic and social agendas of the countries in the Southern and Eastern Mediterranean region, by means of increasing the level of knowledge on the diverse set of challenges and developing useful insights into the policy options. MEDPRO delivered the best available scientific underpinning for future policy decisions, both domestically and at EU level within the framework of the Union for the Mediterranean (UfM) – the successor to the Barcelona Process – as well as the EU European Neighbourhood Policy (ENP) Programme.

In order to achieve this aim, the research undertaken is multidisciplinary, bringing together highly respected research institutions from both sides of the Mediterranean and drawing from a pool of highly qualified researchers with diverse backgrounds, regional expertise and proven track records. By undertaking an inclusive analysis of the main development issues for the region, the project provides fresh evidence on the long-term outlook, the cohesion between the different aspects of socio-economic development and the resulting challenges for public policy.

MEDPRO was granted a budget of €3 million to carry out this work.

2. Research Areas

The MEDPRO research programme covers nine areas of study that are highly relevant for the socio-economic development of the region:

- Geopolitics and governance
- Demography, ageing, migration, health and gender issues
- Human capital, social protection, inequality and migration
- Energy and climate change mitigation
- Sustainable development, management of resources and adaptation to global warming
- Economic development and regional integration
- Financial services and capital markets
- Scenario building and impact assessment
- Scenarios for regional integration and cooperation with the EU

These fields of study have been selected to reflect the key challenges facing the region in the coming decades. A multidisciplinary approach enables us to draw up the most promising scenarios for further development in the region and better cooperation with Europe. They are briefly described below.

Geopolitics and Governance

As demonstrated by the Arab Spring, the neo-authoritarian nature of Arab regimes have created serious political challenges that have been until now rather unexplored in the literature. A trend of state failure in which the latter does not fulfil its elementary security and development functions and a growing concentration of political capital among groups opposing incumbent regimes and external actors are two features that have led to revolutionary waves. The aim of this research area is to provide an analysis of these trends while identifying at the same time the factors likely to give rise to them. Scenarios were drawn in which these trends are likely to manifest themselves within specific country contexts. Wider implications for the sustainability of the state within the Mediterranean region are extrapolated.

Work in this field is led by Dr. Nathalie Tocci from Istituto Affari Internazionali (IAI), an Italian research centre specialised in international relations.

Demography, Health and Ageing

The Mediterranean countries under consideration are already in a process of demographic transition with the decline of youth population. This poses serious challenges to policy-makers given



the fact that most of the economies under consideration have failed to provide either employment for the current active workforce and employment prospects for those who will enter the job market in the next decades. Moreover, the low rate of female involvement in the labour force and society is a major issue to be tackled in the coming years in order to provide robust foundations to socio-economic development. Drawing on an analytical framework, work under this area provides a series of population projections according to country-specific methodologies.

Research is led by Dr. George Groenewold from the Netherlands Interdisciplinary Demographic Institute (NIDI), the country's national demographic institute.

Human Capital, Social Protection, Inequality and Migration

Social protection schemes in the region suffer from major weaknesses, including the demographic shifts and rampant unemployment, especially among the youth. These challenges seriously hamper the sustainability of these schemes, where they exist. Moreover, the countries of the Middle East and North Africa continue to lag behind their peers in terms of educational attainment of adult population. Integration of women into the labour force is critically low in most countries in the region, despite significant public investment in education and their correlative increase in enrolment and literacy rates. Research undertaken by the World Bank shows household incomes could rise as much as 25% in the region if women participated in the labour force accordingly to their education levels and age structure. Gender equality, education, and integration are the heart of challenges faced by policy-makers in the region. This research area addresses five main issues:

- The adequacy and sustainability of social protection schemes, the current state and performance of the educational system,
- The current and future educational attainment of adult population,
- The effects on growth and employment of enhancing the use of human capital of women and,
- The prospective analysis of the likely future path of human capital endowment in the Southern and Eastern Mediterranean countries.

The major outcome of this exercise is to give an unprecedented insight into the performance of education in the Southern and Eastern Mediterranean countries through an in-depth analysis of both the current and future state of education and human capital endowment.

Work in this field is led by Prof. Alia El Mahdi from the Faculty of Economics and Political Sciences of the Cairo University (FEPS), who has a strong track record in research on employment policies in the Southern Mediterranean region.

Energy and Climate Change Mitigation

Socio-economic development is also driven by the availability of energy, which is a crucial input and accounts for a significant share of several Mediterranean countries' export revenues. The Mediterranean countries, and in particular Algeria and Libya, are already among the EU's energy suppliers, and in the foreseeable future, their role is expected to increase. The shift to a low-carbon economy can translate into losses in oil and gas revenues while at the same time promoting the development of renewable energy sources, such as solar energy. Moreover, demographic pressures and increased economic activity will translate into a rising demand for electricity, thus creating challenges in terms of supply and climate change mitigation. In order to give practical insights into the options available to policy-makers, this research will undertake four tasks:

- A critical assessment of oil reserves, resources, and infrastructure, taking into account the transit role of the region;
- An assessment regarding the scope for enhancing the region's contribution to the mitigation of global warming through the development of renewable energy sources and energy savings strategies and investments;
- An exploration of several energy supply and demand scenarios and their respective socio-economic and environmental implications and,
- An exploration of different policy scenarios for closer cooperation between the EU and the Mediterranean countries in order to increase mutually beneficial energy exchanges and to launch the region on sustainable energy development paths.

The analysis undertaken here is closely related to MEDPRO's demographic research. Changes in demography will translate into changes in energy demand through both direct and indirect channels. For example, an increase in population will translate into an increase in the demand for energy and water, thus calling for different strategies to preserve both water resources and agricultural production while at the same time protecting local environments.

This research is led by Dr. Manfred Hafner from Fondazione Eni Enrico Mattei (FEEM), an independent Italian research institution with a strong track record in research related to energy and sustainable development.

Management of Environment and Natural Resources

One of the biggest challenges for public policy in the region is to provide long-lasting economic growth so as to guarantee employment and a decent quality of life while at the same time preserving environmental sustainability. Countries in the region already face desertification risks and water scarcity, which contribute to a lower agricultural yield. Many strategies developed in response to this challenge lead to an inefficient allocation of resources. Although food self-sufficiency is a positive development per se, it may also entail a degradation of the environment and living conditions. The introduction of such sustainable management policies not conflicting with each other and preserv-



ing the development potential of the region is therefore crucial. This research will involve two domain specific assessments targeted respectively to agriculture and water resource management including a mapping of current situations on a country basis and assessments of future demand and supply taking into account demographic developments and consequences of climate change.

This research is led by Dr. Francesco Bosello, from Fondazione Eni Enrico Mattei (FEEM), an independent Italian research institution with a strong track record in research related to energy and sustainable development.

Economic Development, Trade, Investment and Sectoral Analyses

The pace of economic growth in the Southern and Eastern Mediterranean has lagged behind other emerging economies during the last two decades: only in the early 2000s there has been an improvement. This lag has translated into social unrest and despair among the workforce, creating major challenges for the governments in the region and fuelling the current revolutionary wave. Imprudent macroeconomic policies have fuelled inflation and poor economic integration has translated into restrictive trade and investment policies, with tariffs in some sectors averaging at the two-digit level. Governments of the region face the challenge of boosting integration and cooperation, developing new activities and strengthening existing ones. This research area first assessed whether fiscal and monetary policies have been growth-inducing and stability-facilitating; then it quantified the potential of the region in terms of trade and investment flows. In this aspect, the research devoted special attention to selected sectors of importance for the Southern and Eastern Mediterranean countries, especially tourism, agriculture and fisheries given that they are the main source of income for the region.

Work under this area is led by Dr. Luc de Wulf from the Center for Economic and Social Research (CASE), a Polish research centre specialised in international and transition economics.

Financial Services and Capital Markets

Financial services and capital markets are at the heart of economic transition as was clearly stated at the 12th Euro-Mediterranean Conference on Economic Transition. A sound financial system can spur growth by mobilising savings, providing funds for infrastructure development and private firms, improving the allocation of resources facilitating risk management and trade as well as enhancing corporate governance practices. Such a system is particularly important for the growth of small and medium-sized enterprises (SMEs), which represent an important source of activity but lack the internal resources to grow. Capital markets in the region are relatively underdeveloped and external financing needs are met almost entirely through bank loans. This research provides quantitative and qualitative prospective analysis of the financial services sector and capital markets development, using all available international and national sources in order to assess the potential for further growth and integration in the financial services sector.

The head of research in this area is Dr. Rym Ayadi, MEDPRO Coordinator and Head of the Financial Institutions and Prudential Policy Unit at the Centre for European Policy Studies (CEPS).

Scenario-Building and Impact Assessment

The partial foresight analysis undertaken in the previous research fields was brought together under a common ‘roof’ of analysis of different scenarios within an internationally consistent framework. To do so, all results of partial findings and scenarios were used in a Computational General Equilibrium (CGE) Model under the GEM-E3 package developed within a multinational project, which was partly funded by the 5th Framework Programme and is now being used by the European Commission and other national authorities. It is dynamic, recursive and driven by accumulation of capital and equipment, and allows for different representations of technological progress. It is based on backward-looking expectations and its features, such as the multiple sector coverage and the links between output and availability of natural resources, will improve the state-of-the-art analysis of the prospects of the Southern and Eastern Mediterranean countries. In particular, MEDPRO used the version of the GEM E3 package developed for the FP6 project CIRCE studying the impacts of climate change on the Mediterranean’s ecological and economic system.

Research in this area is led by Prof. Pantelis Capros from the E3M-Lab of the Institute of Communication and Computer Systems of the National Technical University of Athens (ICCS/NTUA), a research laboratory specialised in state-of-the-art quantitative analysis.

Scenarios for Regional Integration and Cooperation with the EU

Although, the Barcelona Process launched in the wake of the 1993 Oslo accords has been received with unprecedented enthusiasm, its results were not as expected. The political momentum appears to be stagnating and in this aspect, both shores share the responsibility. An understanding of the reasons behind this slow process was absolutely essential as an input into the foresight exercise. Drawing on the lessons from the EU’s enlargement, experience shows that the bases for the continuation of reforms are to be found in the involvement of all actors. In contrast, uncertainties that surround the prospects of the region act as a comparative disadvantage affecting the dynamics at play. Moreover, the linchpin of the economic Euro-Mediterranean Partnership, namely trade liberalisation, has had little effect because efforts were mainly focused on North-South relations while change was less important in the region. The future of Euro-Mediterranean relations and its instruments of cooperation shaped under the Union for the Mediterranean (UfM) should reflect these lessons. Consequently, issues such as regional geopolitical tensions, development of human capital, domestic production of goods and services, sustainability of resource management and environmental pressures are taken into account within this research field. The evolution of the aforementioned factors and the outbreak of the Arab spring translated into the retention of a number of scenarios built within this research area in order to provide a basis for further policy analysis aimed at closer cooperation with the EU under the UfM framework both broadly and per theme.

Research in this area is led by Dr. Rym Ayadi (CEPS) in collaboration with Dr. Carlo Sessa (Istituto di Studi per l’Integrazione dei Sistemi, ISIS).



3. Consortium

The MEDPRO consortium is composed of 17 institutions with proven track records from Europe and the Southern and Eastern Mediterranean region. A brief profile of each institution is given below.

MEDPRO Partner Institutes

- Centre for European Policy Studies (CEPS, Belgium) – Coordinator
- Center for Social and Economic Research (CASE, Poland)
- Cyprus Center for European and International Affairs, University of Nicosia (CCEIA, Cyprus)
- Fondazione Eni Enrico Mattei (FEEM, Italy)
- Forum Euro-Méditerranéen des Instituts Economiques (FEMISE, France)
- Faculty of Economics and Political Sciences, Cairo University (FEPS, Egypt)
- Istituto Affari Internazionali (IAI, Italy)
- E3M Lab, Institute of Communication and Computer Systems of the National Technical University of Athens (ICCS/NTUA, Greece)
- Institut Europeu de la Mediterrània (IEMed, Spain)
- Institut Marocain des Relations Internationales (IMRI, Morocco)
- Istituto di Studi per l'Integrazione dei Sistemi (ISIS, Italy)
- Institut 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, the Netherlands)
- Universidad Politécnica de Madrid (UPM, Spain)
- Center for European Economic Research (ZEW, Germany)



Centre for European Policy Studies, CEPS, Brussels, Belgium

CEPS is an independent membership-driven organisation with more than 120 corporate members and a large number of central banks, diplomatic missions as well as international business organisations in its constituency. CEPS' core business is the conduct of independent policy research on European affairs and the broad dissemination of its findings through a regular flow of publications, multiple research networks, public events and commentaries. It strives to bring new knowledge to the attention of decision-makers and to offer fresh insights into important public policy issues of the day.

Address:
Place du Congrès 1,
Brussels, Belgium
Phone:
+32 2 229 39 11
E-mail: info@ceps.eu
Website: www.ceps.eu



Center for Social and Economic Research (CASE)

CASE is an independent, non-profit economic and public policy research institution founded on the idea that evidence-based policy-making is vital for the economic welfare of societies. Established in 1991 in Warsaw, CASE scholars and researchers assisted policy-makers during the early years of transition before turning their attention to the challenges inherent to the enlargement process and the EU's key policy challenges in a globalised world. Among others, CASE is a partner of the European Network of Economic Policy Research Institutes (ENEPRI), the European Forecasting Network (EUROFRAME) and ERAWATCH. CASE has coordinated several large, multi-institution research projects covering various aspects of economic transformation in Central and Eastern Europe, the Newly Independent States (NIS) and European integration. Currently, CASE is coordinating 'EU's Eastern Neighbourhood: Economic Potential and Future Development' (ENEPO), an EC-financed, multi-year research project on European Neighbourhood Policy and its relationship to the economic development of the NIS. CASE also participated, as part of the EUROFRAME consortium in the DG ECFIN-contracted project on the European Forecasting Network (2004-2007), which focused, among others, on EMU enlargement as one of the special policy topics.

Address:
Sienkiewicza 12
00-010 Warsaw, Poland
Phone:
+48 22 622 66 27
E-mail: case@case-research.eu
Website:
www.case.com.pl



Cyprus Center for European and International Affairs (CCEIA)

The CCEIA is a long-established research centre focusing on economic, political, social and security issues. It is currently affiliated with the University of Nicosia. The CCEIA operates independently and is governed by a board of directors from the local academic and business community. The CCEIA has published a sizeable body of literature on economic convergence, financial liberalisation, macroeconomic policy, economic adjustment to EU membership, regional security issues, the Cyprus problem and the economics of conflict resolution. Current main research areas are: Euro-Mediterranean policy dialogue, macroeconomic policy coordination, demographics and social security issues, demographics and political implications, euro adoption and macroeconomic stability.

Address:
Makedonitissis 46
Nicosia, Cyprus, 2417
Phone:
+357 228 416 00
Website:
www.cceia.unic.ac.cy



Fondazione Eni Enrico Mattei (FEEM)

Fondazione Eni Enrico Mattei (FEEM) is a non-profit, nonpartisan research institution devoted to the study of sustainable development and global governance. Officially recognised by the President of the Italian Republic in 1989 and in full operation since 1990, FEEM has grown to become a leading research centre, providing timely and objective analysis on a wide range of environmental, energy and global economic issues. FEEM's mission is to improve through research the quality of decision-making in public and private spheres. This goal is achieved by creating an international and multidisciplinary network of researchers working on several innovative programmes, by providing and promoting training in specialised areas of research, by disseminating research results through a wide range of outreach activities, and by delivering directly to policy-makers via participation in various institutional fora. FEEM has a long experience achieved by participating in several international projects and networks dealing with energy and climate change in the Mediterranean area, such as the EU-funded CIRCE (Coordinated Impact Research for Climate change and the Environment, EC FP6, 2006-2010); NEED (New Energy Externalities Development for Sustainability, EC FP6, 2004-2008) and SECURE (Security of Energy Considering Its Uncertainty, Risk and Economic Implications, EC, FP7, 2008-2010).

Address:
Palazzo delle Stelline,
Corso Magenta 63,
20123 Milan, Italy
Phone:
+39 02 520 369 34
E-mail: letter@feem.it
Website: www.feem.it



Forum Euro-Méditerranéen des Instituts de Sciences Economiques (FEMISE)

FEMISE is an EU-Mediterranean network that gathers more than 76 members of economic research institutes, representing the 37 partners of the Barcelona Process. Created in 1997, FEMISE is a French non-profit association, coordinated by the Institut de la Méditerranée (IM, France) and the Economic Research Forum (ERF, Egypt). It was established in June 2005, after eight years of operation under an informal network. The main objectives of FEMISE are to conduct policy research, to make recommendations with respect to economic relations between Europe and its Mediterranean partners and to disseminate its research output for the benefit of public, private, national and multilateral institutions. One of the main tasks of the network is to undertake socio-economic research on topics defined as priorities for the future of the Euro-Mediterranean region. Since its inception in 1997 within the framework of the EU-Med

Address:
CMCI
2 rue Henri Barbusse
13 241 Marseille cedex 01
France
Phone:
+33 491 31 51 95
E-mail:
contact@femise.org
Website:
www.femise.org

partnership and the European Neighbourhood Policy, the network conducted more than 80 research projects along with a series of Annual Reports on the Euro-med Partnership. Through its website, Research Reports and Annual Reports on Euro-med Partnership have been widely distributed, showing the quality of the network's research. Since 2005, FEMISE has also organised an annual conference, where more than 100 economists from the both sides of the Mediterranean share their points of view on the region's evolution.



Address: Faculty of
Economics & Political
Science – Cairo Univer-
sity – Giza – Egypt
Phone: +202 35 728 055
+202 35 728 116
+202 35 736 608
+202 35 736 605
cefrs3@yahoo.com
www.feps.eun.eg

Faculty of Economics and Political Sciences (FEPS)

The FEPS is a higher education organisation affiliated with Cairo University. It is specialised in three main fields: economics, political science and statistics with minor specialisations in management and computer science. It has three language departments: Arabic, English and French. One of its research centres, the Centre for Economic and Financial Research and Studies (CEFRS), focuses on economic and financial fields. In this respect, the Centre holds seminars, conferences and training programmes with the aim to benefit numerous target groups, including students, graduates, policy-makers, journalists and media. It also provides consultancy work. Fields of experience among many others are: gender budgeting, fiscal decentralisation, poverty report and the effects of the financial crisis.



Istituto Affari Internazionali

Address:
Via Angelo Brunetti
9 - 00186 Roma
Italy
Phone:
+39 063 224 360
E-mail: iai@iai.it
Website: www.iai.it

Istituto Affari Internazionali (IAI)

The IAI was founded in 1965 by Altiero Spinelli as a non-profit organisation. It is Italy's major research centre in the fields of international politics, security and economics, as well as being Italy's research institution with the most developed international network capabilities. The main objective of the Institute is to promote an understanding of international relations through inter-disciplinary and policy-oriented research, meetings and publications. It belongs to the several European and transatlantic networks. Its main areas of interest are: Italian foreign policy, European integration, the Mediterranean and Middle East, transatlantic relations, international security and international political economy. With respect to the Mediterranean, in 1994, the Institute has played a pivotal role in establishing and developing the Mediterranean Study Commission (MesCo) known today as EuroMesCo.



E³M - Lab

E3M Lab at the Institute of Communication and Computer Systems of the National Technical University of Athens (ICCS/NTUA)

The E3M-Lab is a research laboratory operating, since 1988, within the ICCS/NTUA. E3M-Lab specialises in the fields of energy systems analysis, economics, macroeconomics and environmental economics by using and developing large-scale mathematical models based on advanced techniques of applied econometrics, operations research and computer-based information systems. E3M-Lab maintains data, prepares forecasts and scenario analyses for the energy systems and markets of 35 European countries. Since 1988, the E3M-Lab has developed scenarios and forecasts included in the series of publications of European Commission's former DG TREN "Energy Outlook for the EU" (the most recent publication is DG TREN "Trends to 2030", published in 2004). The two main energy models developed and maintained for all EU member states are MIDAS (econometric-engineering model used for the medium-term) and PRIMES (energy market equilibrium engineering-economic model). For the MEDPRO project, ICCS applied the GEM-E3 general equilibrium model (<http://www.gem-e3.net/>) and in particular, the model version already developed for the integrated FP6 research project CIRCE (<http://www.circeproject.eu/>) studying the impacts of climate change on the Mediterranean economic and ecological system.

Address:
Iroon Politechniou Street
15 773 Zografou
Campus Athens
Greece
Phone:
+30 21 077 236 29
E-mail:
kapros@central.ntua.gr
Website:
www.e3mlab.ntua.gr



Institut Europeu de la Mediterrania (IEMed)

The European Institute of the Mediterranean (IEMed), founded in 1989, is a consortium comprising the Catalan Government, the Spanish Ministry of Foreign Affairs and Cooperation and the Barcelona City Council. It incorporates civil society through its Board of Trustees and its Advisory Council formed by Mediterranean universities, companies, organisations and respected individuals. In accordance with the principles of the Euro-Mediterranean Partnership's Barcelona Process, and today with the objectives of the Union for the Mediterranean, the aim of the IEMed is to foster actions and projects that contribute to mutual understanding, exchange and cooperation between the different Mediterranean countries, societies and cultures as well as to promote the progressive construction of a space of peace and stability, shared prosperity and dialogue between cultures and civilisations in the Mediterranean. By adopting a clear role as a think tank specialised in Mediterranean relations based on a multidisciplinary and networking approach, the IEMed encourages analysis, understanding and cooperation through the organisation of seminars, research projects, debates, conferences and publications.

Address:
Calle Girona, 20
08010 Barcelona
Spain
Phone:
+34 93 244 98 50
E-mail: info@iemed.org
Website:
www.iemed.org



Institut Marocain des Relations Internationales (IMRI)

IMRI is an independent think tank specialised in international affairs research. IMRI conducts research with a particular focus on the Maghreb-Mediterranean region and organises working groups and outreach activities on political and economic issues shaping public debates. IMRI has conducted several multidisciplinary research projects both internally and in cooperation with Moroccan and international partners on a wide range of issues such as: employment, gender equality, migration, trade, fiscal policy, small and medium-sized enterprises, poverty, modelling and micro-simulation, survival models, and impact assessments of social and economic policies.

Address:
219, Avenue des FAR,
Casablanca 20 000,
Morocco
Phone:
+212 22 44 64 47
E-mail: imri@menara.ma
Website: www.imri.ma



Istituto di Studi per l'Integrazione dei Sistemi (ISIS)

ISIS is an Italian private research and consulting firm active since 1971 at both national and international levels in the areas of information and decision support systems, mathematical modelling and operational research. Its methodology and tools are applicable to the entire range of sectors and economic activities in which planning and policy designs are aspects of strategic importance. ISIS has accrued particular expertise in the areas of transport, energy, environment and local finance. ISIS has also extended its range of activities to the areas of quality of services and the production of specialised software for the purposes of quality control of public services. In addition, ISIS has established a network of alliances currently active in European countries. This network is the result of years of participation in international projects which have been carried out under combined efforts and agreements. ISIS is equipped with information resources in line with the most up-to-date modern technologies and has always demonstrated proactive support for interactive and user-friendly software tools.

Address:
Via Flaminia, 21 00196
Rome - Italy
Tel: +39 06.3212655
+39 063612920
www.isis-it.com



Institut Tunisien de la Compétitivité et des Etudes Quantitatives (ITCEQ)

ITCEQ was founded in 1973 as a non-administrative public body under the aegis of the Ministry of Development and International Cooperation of the Republic of Tunisia. It is a research centre specialised in quantitative studies and competitiveness. Its activities draw



27, rue du Liban - 1002
Tunis- Belvédère, Tunisia
Tel : (216 71) 802 044
<http://www.ieq.nat.tn>
ieq@mcdi.gov.tn

on the framework of the country's development objectives through the conduct of research for the benefit of public and private bodies notably in the fields of the determinants of the competitiveness of the tunisian economy, macroeconomic and financial analysis and the creation of specific indicators and databases.



Istituto Agronomico Mediterraneo di Bari (MAIB)

The Mediterranean Agronomic Institute of Bari (MAIB), established in 1962, is the Italian affiliate of the Centre International des Hautes Etudes Agronomiques Méditerranéennes (CIHEAM) an inter-governmental institution founded under the auspices of the OECD and the Council of Europe. The main activities of the Institute are advanced education, training, research, consulting and international cooperation in the fields of irrigated agriculture, integrated pest management, organic farming and sustainable agriculture development. The Division of Land and Water Resources Management conducts research activities in the fields of water resources management, water saving and land conservation mainly in the Mediterranean environment. Since early 2007, the MAIB is an associate member of the Euro-Mediterranean Center for Climate Changes. In the period 2002-2006 MAIB has coordinated two EU-funded Mediterranean-wide Thematic Networks: Land Degradation and Soil Conservation Management to Support Sustainable Development in the Mediterranean context (MEDCOASTLAND – <http://medcoastland.iamb.it>) and Water Saving in Mediterranean Agriculture (WASAMED – <http://wasamed.iamb.it>) involving more than 80 Mediterranean partners.

Address:
Mediterranean
Agronomic Institute
Via Ceglie, 9 - 70010
VALENZANO (Bari)
ITALIA
Tel. +39/080/4606204 -
4606281 - 4606111
<http://www.iamb.it>
iamdir@iamb.it



Palestine Economic Policy Research Institute (MAS)

The Palestine Economic Policy Research Institute (MAS) was founded in Jerusalem in 1994 as an independent non-profit institution to contribute to the policy-making process by conducting economic and social policy research. Ten years and over 100 publications later, MAS strives to apply the highest standards of intellectual independence, relevance and methodological excellence in its economic and social research and analysis, and its sustainable socio-economic development in Palestine. MAS is dedicated to producing sound and innovative policy research of relevance to the economic

Al-Ahlieh College Street,
Ramallah P.O. Box 2426
Jerusalem - P.O. Box 19111
+972-2-2987053/4
www.pal-econ.org

and social development in Palestine, with the aim of assisting policy-makers and fostering public participation in the formulation of economic and social policies.



Netherlands Interdisciplinary Demographic Institute (NIDI)

Founded in 1970, NIDI was affiliated with the Royal Netherlands Academy of Arts and Sciences (KNAW) in 2003 and is the only social science institute of the Academy. NIDI is the national demographic institute of the Netherlands. Its mission is to build and maintain a knowledge infrastructure for population issues in order to address the challenges that demographic developments pose to individuals and society. Population growth and decline, mobility and population distribution, population ageing and population diversity, life course dynamics, intergenerational relations, and health and longevity are but a few of the dimensions of the ever-changing landscape of population issues that make up the population challenge. Demographic research is needed to address this challenge and to study population trends and their impacts on economic development, the environment, social networks, social cohesion, health and care systems, retirement and social security issues, family life and wellbeing. NIDI has a long-standing expertise in research including studies in the various EU Framework Programmes, among which the most recent include MicMac (Bridging the micro-macro gap in population forecasting; – DG Research, SP23-CT-2005-006637) and MIMOSA ((Modeling of statistical data on migration and migrant populations) – DG ESTAT, 31300.2006.002-2007.766).

Visiting address:
Lange Houtstraat 19
NL-2511 CV The Hague
The Netherlands
Mail address:
P.O. Box 11650
NL-2502 AR The Hague
The Netherlands
Telephone:
+ 31 70 356520
www.nidi.nl
info@nidi.nl



Universidad Politecnica de Madrid (UPM)

The UPM is one of the leading Spanish universities in teaching and research activities covering all fields of engineering and architecture. It is carrying out the largest number of EU-funded projects in Spain. The School of Agronomy (Escuela Técnica Superior de Ingenieros Agrónomos, ETSIA), as part of the UPM, is a well-known institution for research in the fields of biotechnology, plant and animal sciences, rural engineering, agro-industry, and agricultural economics. The Department of Agricultural Economics within the ETSIA is engaged in a number of national and international projects in agricultural policy, agri-food systems, rural development, agri-environmental policies, natural resources and has extensive experience in these fields.

Address:
E.T.S.I.AGRÓNOMOS.
Universidad
Politécnica de Madrid.
Ciudad Universitaria s/n.
28040 Madrid, Spain
www.etsia.upm.es



ZEW

Zentrum für Europäische
Wirtschaftsforschung GmbH
Centre for European
Economic Research

Address:

Zentrum für Europäische
Wirtschaftsforschung
GmbH
L 7 1 68161 Mannheim
Postfach 103443 68034
Mannheim, Germany
Tel: +49/ (0)621-1235-01
www.zew.de
info@zew.de

Centre for European Economic Research (ZEW)

The Centre for European Economic Research (ZEW) in Mannheim is a non-profit and independent institute with the legal form of a limited liability company (GmbH). Founded in 1990 on the basis of a public-private initiative in the Federal State of Baden-Württemberg in co-operation with the University of Mannheim, ZEW is one of Germany's leading economic research institutes, and enjoys a strong reputation throughout Europe. ZEW works in the field of user-related empirical economic research. It takes a predominantly microeconomic and micro-econometric approach to research and co-operates closely with other disciplines whenever required. In this context, the research institute distinguished itself, inter alia, in the analysis of internationally comparative questions in the European context. One of the main research fields is dedicated to Environmental and Resource Economics.

4. Team

Between 2010 and 2013, over 100 researchers originating from Southern and Eastern Mediterranean countries participated in MEDPRO. To ensure an outstanding level of coordination between MEDPRO's research areas and streamlining the foresight analyses, the project created the Scientific Bureau and the Scenario Building Committee, both composed of senior researchers from the partner institutes.



Dr. Rym Ayadi

Scientific Coordinator of MEDPRO, Scientific Bureau, CEPS team leader
CEPS

Phone: +32 2 2293932 E-mail: rym.ayadi@ceps.eu

Dr. Rym Ayadi is the Coordinator of MEDPRO and member of the Scientific Bureau

Dr. Rym Ayadi is Senior Research Fellow and Head of Research of the Financial Institutions, Prudential Policy and Tax Unit at the Centre for European Policy Studies since 2001. She holds a PhD in economics and finance at the University Paris Dauphine. Previously, she was an economist at the French banking association in Paris and at the European Commission in Directorate General Economics and Financial Affairs. She also lectured on industrial economics and game theory at the University of Lille II and at the University Paris Dauphine in France and on international financial institutions and markets and financial and risk analysis at the International Business School of the Isle of Man. Rym Ayadi has authored several books and papers on financial market regulation and integration in Europe. Recently, she has developed a particular interest for South Mediterranean Region and Africa with a focus on business and financial markets development, SME financing, foreign direct investment and trade. She acted as a senior expert in several projects on the regions e.g. the Euro-Mediterranean Charter development and evaluation, EU-Mediterranean Partnership evaluation, banking and financial markets developments and regulation in economies in transition, competition policy and economic integration in the Mediterranean region. She managed several projects on financial services, trade, enterprise, consumer and foreign policies funded by the European Union institutions; she is senior expert of several expert groups set up by the European Commission on financial services policies and external advisor to the European Parliament on banking regulation, crisis management and Euro-Med relations. She is “Rapporteur” for several high-level CEPS working parties, Vice President of the European Financial Inclusion Network (EFIN), a European network that promotes mutual learning on financial inclusion and invited lecturer in several European universities.



Dr. Samir Abdullah

Scientific Bureau, MAS team leader

MAS

A Palestinian national with a Ph.D. in economics. Since December 2009, he has served as the Director General of the Palestine Economic Policy Research Institute (MAS), a position which he previously held from 2004-2007. Prior to joining MAS, Dr. Abdullah served as the Minister of Planning and Minister of

Labour in the Palestinian Government from June 2007 to May 2009. Dr. Abdullah started his career in the academic field as an Assistant Professor in 1984, and was promoted to Associate Professor in 1990. During his work he conducted numerous research papers on the Palestinian economy. He is also affiliated with many boards and institutions, including the Board of Directors of the Palestine Monetary Authority (PMA) in the period 2006-2011.



Javier Albarracin Corredor

Scenario Building Committee

IEMed

Responsible for Socioeconomic Development Department at the European Institute of the Mediterranean (IEMed), he was head of the Middle East and North African region at the Consortium for Foreign Trade Promotion of Catalonia (COPCA), belonging to the Catalan Ministry of Innovation, Universities and

Enterprise, and held direct responsibility for the offices in Morocco, Egypt, Turkey, United Arab Emirates and Iran. He was Researcher at the University Institute of European Studies (IUEE) of the Universitat Autònoma de Barcelona (UAB) analysing relations of the EU with the Mediterranean and economic trends in the area. In 1998-99, he worked for the Spanish Foreign Trade Institute (ICEX) in the Spanish Commercial Office in Istanbul (Turkey).

Dr. Saloua Ben Zaghrou

Scientific Bureau, ITCEQ team leader

ITCEQ

Phone: + 216 71 80 20 44, E-mail: sbenzaghrou.iej@mcdi.gov.tn

Mrs. Saloua Ben Zaghrou-Bahri, born in Tunis (1946), is the Director of the Tunisian Institute of Competitiveness and Quantitative Studies (ITCEQ). She graduated from the Sciences' Faculty of Tunis and from the School of Statistics and Economic Administration of Paris (ENSAE). Her expertise covers a wide range of issues among which: education economics (in cooperation with Algier's Center for Research in Applied Economics, CREA), exchange rate policy, monetary and financial policy, banking economics, knowledge economics, macroeconomic, VAR and general equilibrium modelling (especially for the ITCEQ within impact assessment studies and scenario analysis). Dr. Ben Zaghrou takes part in national consultations on employment and productivity and is member of the National Council on Statistics and of the Committee on stock market indexes.



Dr. Frederic Blanc

Scientific Bureau, Scenario Building Committee, FEMISE team leader
FEMISE

Phone: +33 4 91 31 51 95, E-mail: f.blanc@femise.org

Dr. Frederic Blanc is currently the General Manager of Femise, the Euro-Med network of economic institutes, supported by the European Commission. He is also Chief Economist at the Institut de la Mediterranee (since October 2001, French NGO located in Marseilles which coordinates the Femise network jointly with ERF since 1997). He holds a PhD (1996) and was a A. von Humboldt fellow (post-doc in 1997 in Frankfurt am Main, Goethe Universität); he then entered the Institut de la Mediterranee in 1997. He took the responsibility of the Femise project in 2001 and became Team Leader in 2005, when the Femise was transformed into a NGO. A contributor to all Femise Euromed reports of which the 2009 reports on Mediterranean countries Facing the Crisis, he also contributed to Plan Bleu – EIB study, “Climate change and energy in the Mediterranean” (2008), coordinated the Femise research on “the Challenge of the employment in the Mediterranean Countries (2007) and contributed to the World Bank Institute’s research on Knowledge Economies in Mena Region with Prof. Reiffers (2003) and to IFRI report for European Commission DG Trade, “The World Trade in 21st century” (2002).



Dr. Francesco Bosello

Scenario Building Committee
FEEM

Phone: +39 041 2711459 / +39 02 50321147, E-mail: francesco.bosello@feem.it

Graduated at the Ca’ Foscari University of Venice, he received a Masters degree in economics from the University College of London and a Doctoral degree in economics from the University of Venice. He is presently assistant professor of economics at the University Statale of Milan, associate researcher at the Fondazione Eni Enrico Mattei (FEEM) of Milan and affiliate scientist at the Euromediterranean Centre for Climate Change (CMCC). His main interests are focused on climate-change policy and modelling with particular emphasis on negotiation aspects of international environmental agreements and on optimal policy design considering adaptation and mitigation options. He is currently involved in EU projects like CIRCE, SESAME and CLIMATECOST aiming at climate change economic impact assessment in the Mediterranean region.



Prof. Pantelis Capros

Scientific Bureau, Chair of Scenario Building Committee, ICCS/NTUA team leader
E3M Lab at ICCS/NTUA

Phone: +30 210 772 36 29 / 41, E-mail: kapros@central.ntua.gr

Prof. Pantelis Capros heads the E3MLab of ICCS. He is a Professor of Energy Economics and Operation Research at the Department of Electrical and Computer Engineering of the National Technical University of Athens. He has built and used a variety



of large-scale mathematical models and has more than 20 years of professional experience in the domains of energy and economic policy. For the MEDPRO project, E3MLAB will use and apply the GEM-E3 general equilibrium model, in particular, the model version developed earlier for the integrated FP6 research project CIRCE studying impacts of climate change on the economic and ecological systems in the Mediterranean.



Prof. Marek Dabrowski

Scientific Bureau, CASE team leader

CASE

Phone: +48 22 622 66 27, E-mail: Marek.Dabrowski@case-research.eu

Marek Dabrowski is Professor of Economics and President of CASE, Member of the Board of Trustees of the Institute for the Economy in Transition in Moscow, Member of the Executive Committee of the Association of the Comparative Economic Studies, Member of the Scientific Committee of the European Journal of Comparative Economics, and Member of the Consulting Board of the 'Economic Systems' Journal. Formerly, he served as First Deputy Minister of Finance (1989-1990), Member of Parliament (1991-1993) and Member of the Monetary Policy Council of the National Bank of Poland (1998-2004). Since the late 1980s, he has been involved in policy advising and research in several European and Asian countries.



Dr. Luc De Wulf

Scenario Building Committee

CASE

Phone: +48 22 622 66 27, E-mail: lukdewulf@gmail.com

Luc De Wulf, a Belgian national, obtained his economic degree at the Katholieke Universiteit van Leuven, Belgium, and a PhD in Economics from Clark University, Worcester, Massachusetts. After a two-year teaching assignment at the American University of Beirut, Lebanon, he joined the International Monetary Fund, where he worked both in the Fiscal Affairs and the Asian Departments. He transferred to the World Bank in 1988, where he worked in both the African and Middle Eastern Departments as macro economist with a focus on fiscal and trade issues. Upon his retirement from the World Bank in 2000, he worked as consultant with the Trade Department and WBI. In that capacity he managed the Diagnostic Trade Integration Studies for Mauritania and Senegal, and supported a variety of customs modernisation initiatives financed by the World Bank and other bilateral development agencies. He is the author of numerous scientific articles that appeared in professional journals. More recently he co-edited with Jose Sokol, two books: *Customs Modernization Initiatives* (World Bank 2004) and *Customs Modernization Handbook* (World Bank 2005). The latter publication is available in English, French, Spanish, Arabic, Russian, Chinese and Vietnamese.



Prof. Kemal Dervis
Adviser to the Scientific Bureau
Brookings Institution

Prof. Kemal Dervis is former head of the United Nations Development Program and current Vice President and Director of Global Economy and Development at the Brookings Institution. As a specialist in development issues and with a deep insight into the policy issues of the Mediterranean countries, Prof. Dervis is associated with this project to provide advice in the formulation of the general and strategic directions of MEDPRO, and to contribute to the review of geopolitical issues and the formulation of policy conclusions in consultation with the members of the Scientific Bureau.



Prof. Alia El Mahdi
Scientific Bureau, FEPS team leader
FEPS

Phone: +202 35 735 055, E-mail: rualia2@yahoo.co.uk

Prof. El Mahdi has been Dean of the Faculty of Economics and Political Science at Cairo University since August 2008, and Professor of Economics, Cairo University since 1995.

Her main areas of specialisation are macroeconomic analysis and labour market research. During the last 20 years, she has been heavily involved in conducting economic surveys. The fields of research varied and included several topics such as labour market research projects, micro and small enterprises surveys, empirical studies on industrial enterprises especially in the areas of textiles and electronics, industrial complexes/clusters. In the last seven years, she became engaged in socio-economic household surveys and socio-economic and political polls.



Ambassador Senen Florensa I Palau
Scientific Bureau, IEMed team leader
IEMed

Phone: +34 93 244 98 50, E-mail: sflorensa@iemed.org

A diplomat and ambassador, he holds a degree in Economic Science (1971) and in Law (1972) from the Universitat de Barcelona. He studied for his doctorate in Economics at the Université Paris I Panthéon-Sorbonne (1973-1974); as a Fulbright scholarship holder at New York University, Ph. D. Program (1974-1976), and at the Universidad Complutense de Madrid, where he presented his doctoral thesis in 1979. He also received a diploma in International Studies from the Diplomatic School of the Spanish Ministry of Foreign Affairs and Cooperation. He has also been Director of Studies at the Diplomatic School of the Spanish Ministry of Foreign Affairs and Cooperation and Professor of International Economics and Development at the Universidad Complutense de Madrid.



Dr. George Groenewold

NIDI team leader

NIDI

Phone: +31 70 35 65 260, E-mail: groenewold@nidi.nl

Dr. George Groenewold is a demographer at the Netherlands Interdisciplinary Demographic Institute (NiDi). Before, he worked at FAO (Regional Advisory Services for the Middle East and West Asia) providing support to institutions in the region on population and development issues in the context of rural development. At NiDi, his research covers, among other subjects, international migration from African and Middle Eastern countries to Europe. He also carries out training missions in the region on demographic analysis, including population projection methods and software applications.



Dr. Manfred Hafner

Scientific Bureau, FEEM team leader

FEEM

Phone: +39 02 520 369 87, E-mail: manfred.hafner@feem.it

Dr. Manfred Hafner has more than 20 years international experience in the energy sector and in particular in the Mediterranean region. He presently coordinates energy policy activities at the Fondazione Eni Enrico Mattei (FEEM); is President for Europe, MENA, Russia and CIS at International Energy Consultants (IEC); and teaches energy economics, markets and policy at the Ecole des Mines de Paris, the Institut Français du Pétrole, HEC-Paris and the Florence School of Regulation. Until early 2008 he was for many years the Scientific Director of OME (Observatoire Méditerranéen de l'Energie – a think tank and association of some 35 major energy operators in the Euro-Mediterranean area). Dr. Hafner has consulted extensively on energy issues for industry, governments and international organisations and coordinated several large research projects for the European Commission. He holds master degrees in energy engineering, economics and policy from the Technische Universität München (Germany), the Institut Français du Pétrole (France), the Université Paris2/Panthéon Assas (France) and the University of Pennsylvania (USA). He also holds a PhD from the Ecole des Mines de Paris. He speaks English, French, German, Italian, Spanish and Russian.



Jawad Kerdoudi

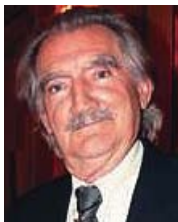
Scientific Bureau, IMRI team leader

IMRI

Phone: + 212 522 44 64 47, E-mail: imri@menara.ma

After graduating from HEC Paris in 1965, Jawad Kerdoudi was recruited by the Bureau for Exports Commercialization of Morocco which at that time had the monopoly on Moroccan exports of agricultural products. After a successful career, he became

chief officer of the bureau in Hamburg (Germany) and New York (United States) while at the same time being Consul General of the Kingdom of Morocco. He came back to Morocco where he held various executive positions within the Bureau of Exports Commercialization and its holding company. After being in charge of wine exports, he retired in 2002 and created the Moroccan Institute of International Relations (IMRI) in 2003, a think tank devoted to the analysis of changing international relations. Jawad Kerdoudi also teaches international trade at the graduate level in Rabat and Casablanca. He is the author of several books on Moroccan external trade, on the Spanish model in addition to regular articles and commentaries in the Moroccan media.



Jørgen Mortensen

Scientific Bureau

CEPS

E-mail: jorgen.mortensen@ext.ceps.eu

Jørgen Mortensen is Associate Senior Research Fellow at the Brussels-based Centre for European Policy Studies (CEPS). He graduated in economics and statistics from the University in Copenhagen in 1963. After a brief period as administrator at the Central Statistical Office he took up a post as junior economist at the Organisation for Economic Co-operation and Development (OECD) in Paris. From 1973 to 1988 he was a senior economist (Head of Division) in the Directorate-General for Economic and Financial Affairs of the European Commission. Since 1989 he has been a freelance researcher, mainly associated with CEPS. Jørgen Mortensen has written or edited numerous research reports and books on issues as economic and social cohesion in the European Union, the financing of retirement provision, portability of pension rights, the role of intellectual capital in the economy, intangibles in business accounting and, more recently, on various aspects of demographic ageing and its consequences for labour markets, retirement and health care provision.



Prof. Jean Louis Reiffers

Scientific Bureau

FEMISE

Phone: +33 4 91 31 51 95, E-mail: jl.reiffers@femise.org

Jean Louis Reiffers is « Professeur Agrégé » in International Economics at the University of Toulon-Var and Associate Professor at Euromed Management. He is president of the Second Chance School, president of the Scientific Council of the Institut de la Méditerranée and coordinator of the FEMISE's scientific council. Jean Louis Reiffers obtained his PhD in international economics and finance in 1969. He then became “Professeur Agrégé” in 1970 and Dean as well as Vice President of the Aix-Marseille II Faculty of Economics. In 1970 and for the next 10 years, Prof. Reiffers was Director of the Centre of Economics and International Finance (CEFI/CNRS). He was

also adviser to the French Minister of Education, Edith Cresson. With the help of Marseilles' regional authorities, he created in 1993 the Institut de la Méditerranée, of which he became president of the scientific council in order to contribute to the definition of the wide Euro-Mediterranean region. In 1995, he was appointed by the European Commission as president of the working group on education and training. He then contributed to setting up the first Europe's Second Chance School, as he had proposed earlier in the white paper on education. He has been president of the school since 2001. In 1997, in collaboration with Cairo's Economic Research Forum, he created the FEMISE network of which he is president of the scientific council. The FEMISE network gathers today 85 research institutions from the Euromed process. He is author of numerous books and manages the annual reports on the Euromed Partnership published by FEMISE.



Dr. Domenico Rossetti di Valdalbero

European Commission Scientific officer

Domenico Rossetti di Valdalbero is Principal Administrator at the European Commission, Directorate-General for Research. During the last ten years, he has been responsible for the EU research related to “Energy-Economy-Environment” models, to world energy and technology outlooks (2030-2050), and to the quantification of energy external costs (social and environmental costs). Currently, he is responsible for the European forward-looking studies, mostly Foresight and Forecast. In the economic and social sciences research, he is in charge of the topics related to the “economy of services” and to the “post-carbon society”. Dr. Rossetti is author of more than 100 scientific and general articles (in English, French, Italian and Spanish) concerning EU studies, research, energy, environment and technological development. He wrote two books entitled “The Power of Science” (2010) and “Mapping European integration through its Cities” (2009). Dr. Rossetti is Secretary General of the Belgian section of the European Union of Federalists (UEF.be). He received his PhD in economics from Paris Dauphine University. He also studied European and international affairs at the Catholic University of Louvain (UCL) and “Science-Society-Technology” issues at Maastricht University.



Sally Scott

Administration and management

CEPS

Phone: +32 2 229 39 11, E-mail: sally.scott@ceps.eu

Head of Finance and Administration at CEPS, Ms Sally Scott holds an MBA from the Open University. She is responsible for the financial and administrative coordination of all the research contracts at CEPS. She has extensive experience in managing FP5 and FP6 research projects, including the financial management of an Integrated Project, and of working with partners from across Europe. She is responsible for the administrative management of MEDPRO.



Dr. Carlo Sessa

Scenario Building Committee, ISIS team leader

ISIS

Phone: +39 06 361 29 20, E-mail: csesta@isis-it.com

Carlo SESSA is President of ISIS – Institute of Studies for the Integration of Systems of Rome. Before joining ISIS in 1983, he conducted research at NYU, where he worked with Nobel Prize winner Wassily Leontieff. He was the Coordinator of several EU research projects, in the 5th, 6th and 7th Framework Programmes, in the fields of transport, urban issues and environment. In this context, he organised several participatory foresight exercises, involving panels of experts and citizens.



Dr. Nathalie Tocci

IAI team leader

IAI

Phone: +39 06 322 43 60, E-mail: n.tocci@iai.it

Nathalie Tocci (BA Oxford, MSc and PhD LSE) is Senior Fellow at the Transatlantic Academy, Washington and the Istituto Affari Internazionali, Rome. She is also Associate Editor of *The International Spectator*. She has held previous research positions at the Centre for European Policy Studies and the European University Institute. Her research interests include European foreign policy, conflict resolution, transatlantic relations and the European neighbourhood, with a particular focus on Turkey, Cyprus, the Mediterranean and the South Caucasus. Nathalie is the winner of the 2008 Anna Lindh award for the study of European foreign policy. Her book publications include: *Cyprus: A Conflict at the Crossroads* (with T. Diez eds) 2009, *The EU and Conflict Resolution: Promoting Peace in the Backyard*, 2007, *EU Accession Dynamics and Conflict Resolution: Catalyzing Peace or Consolidating Partition in Cyprus?*, 2004, *Towards Accession Negotiations: Turkey's Domestic and Foreign Policy Challenges Ahead* (with A. Evin eds) 2004.



5. Publications

Over three years of research, the MEDPRO team has delivered three series of outputs in the form of Technical Reports, Reports and Policy Papers.

- Technical Reports are the project's main mean for dissemination of results. They are prepared by the individual participating institutes and some were submitted to academic journals, as well as to interested policy-makers for in-depth comprehension.
- Reports summarise results under each research area. In addition to specific reports, a final report summarising the methods, activities, main findings and recommendations will be produced at the end of the project.
- Policy Papers review the major findings and recommendations in each field. They present policy-relevant outcomes and aim at providing further policy guidance to both stakeholders and researchers.

The full texts and abstracts of all MEDPRO publications can be downloaded from the MEDPRO website (www.medpro-foresight.eu) and the CEPS website (www.ceps.eu).

Abstracts for these publications are presented on the following pages, organised by research area.

Geopolitics and Governance



The Southern Mediterranean: Between Changes and Challenges to its Sustainability

Silvia Colombo

MEDPRO Technical Paper No.1

Forecasts about the Mediterranean in terms of economic, social and human development are premised on a critical assumption: the continuation, *mutatis mutandis*, of the status quo in political and governance terms. Indeed over the last decades, not only have the regimes in the southern and eastern Mediterranean demonstrated a remarkable resilience, but also the states have enjoyed a situation of overall stability achieved through a number of skilfully arranged reform measures. Yet this status quo does not appear to be sustainable in the decades ahead because of the cumulative effect of the multiple challenges confronting the countries of the region. By drawing a critical distinction between short-term stability and long-term sustainability, this paper argues that in the long run it will become increasingly difficult to sustain the current configuration of state power against the backdrop of deteriorating socio-economic conditions and above all of increased domestic unrest. This paper explores the changes that have taken place in the last two decades and that have contributed to creating the current situation of apparent stability. Then, it moves on to assess the conditions under which this situation may become unsustainable owing to the emergence of challenges in the political, economic, social and external domains. This exercise aims at presenting a number of stylised scenarios on the future of the region.

The author, Silvia Colombo, is a specialist in Mediterranean and Middle East issues at the Istituto Affari Internazionali (IAI) in Rome.

Morocco at the Crossroads: Seizing the Window of Opportunity for Sustainable Development

Silvia Colombo

MEDPRO Technical Paper No.2

The question of state sustainability is highly relevant in the case of Morocco. The recent upheavals in the Maghreb and the Middle East, alongside the growing problems of poor education and high unemployment are likely to bring to the surface the unsustainable elements of Morocco's status quo. The central issues concern the quality of institutions, reforms aimed at promoting the rule of law, curbing corruption and overhauling the judiciary.



This paper will argue that while institutional quality is a pre-requisite for successful and sustainable socio-economic performance, this cannot be achieved unless major reforms in the political system are carried out. There is a window of opportunity to accelerate reforms and to address the acute centralisation of Moroccan politics and decision-making, the lack of accountability of the monarchic institutions, as well as the fragility of representative bodies, such as parties and trade unions. Seizing this opportunity could spare Morocco a period of instability, while also assuring continuity in the transition that began in 1999, when the new king came to power.

Tunisia: Changes and Challenges of Political Transition

[Maria Cristina Paciello](#)

[MEDPRO Technical Paper No.3](#)

For 23 years, a combination of harsh repression and impressive socio-economic development in Tunisia ensured a certain level of stability of Ben Ali's regime. However, on 14 January 2011, after several weeks of anti-government protests, the President fled the country, revealing the fallacy of the 'Tunisian model'. While the departure of Ben Ali is an important step towards Tunisia's political change, the fate of its democratic transition remains uncertain. In light of these changes and challenges, this paper first assesses the factors underpinning the former stability of Ben Ali's regime; it then investigates the causes of its underlying unsustainability, culminating in the anti-government popular uprising in December 2010-January 2011 and the removal of Ben Ali; finally the paper evaluates the prospects for a real democratic transition in Tunisia, by highlighting the main political and socio-economic challenges that confront the country.

Maria Cristina Paciello is researcher for Istituto Affari Internazionali (IAI) in Rome and lecturer in Economic and Political Geography of Development at La Sapienza University of Rome.

Egypt: Changes and Challenges of Political Transition

[Maria Cristina Paciello](#)

[MEDPRO Technical Paper No.4](#)

Hosni Mubarak's regime and its power system enjoyed remarkable stability for over 30 years. On 11 February 2011, however, after 18 days of mass protests, the Egyptian president was forced to step down, revealing the unsustainability of the political and economic system that had ensured his continuity for so long. While the revolution of January 25th led to a major success – the fall of Mubarak – Egypt's political future is still opaque and exposed to a number of risks. This paper first highlights the factors underpinning the former stability of Mubarak's regime; it then assesses the causes of its underlying unsustainability, leading to the popular anti-government mobilisation in January-February 2011 and the removal of Mubarak; finally the paper evaluates the prospects for a genuine democratic transition in Egypt, by looking at the main political and socio-economic challenges facing the country.

Maria Cristina Paciello is researcher for Istituto Affari Internazionali (IAI) in Rome and lecturer in Economic and Political Geography of Development at La Sapienza University of Rome.

Israel and Palestine and State (Un)Sustainability

Paolo Napolitano

MEDPRO Technical Paper No.5

This report explores the concept of state (un)sustainability in Israel and Palestine. The starting point sees conflict resolution as an independent variable for any change and progress in the area, in terms of a political, just and credible agreement between the two parties, which will then play a decisive role in the development of the Mediterranean region. These developments and prospects for a solution are then evaluated on the basis of state (un)sustainability, a broad notion that refers to the possibilities for long-term development at the political, social and economic levels.

The very nature of Israel's democracy and its relations with its Arab minority, the challenges related to the establishment of a viable and sustainable Palestinian state, and the regional dimension of all the actors involved are considered in order to evaluate future scenarios in this context. Three scenarios are tested: sustainability, which corresponds to the end of the conflict and the establishment of two viable and independent states with a tangible improvement in political and economic indicators; unsustainability, which refers to the perpetuation of the political status quo and the progressive deterioration of all political, economic and social indicators; and finally, weak stability, which entails the achievement of a sterile political stability, able to sustain the present status quo but unable to confront the main challenges for the future of the country(ies).

Paolo Napolitano is a PhD candidate in Political Science and International Relations, University of Turin.

Syria and Lebanon: Diverging Paths of State Unsustainability

Silvia Colombo

MEDPRO Technical Paper No.6

Any analysis of the prospects for stability and sustainability in the states of Syria and Lebanon reveals the strong ties that exist between these two countries and the impact of external influences on their overall development. Their trajectories, while starkly divergent in terms of the challenges confronting them at present, converge on a path of long-term unsustainability.

Lebanon is in the midst of yet another transition phase, triggered by the collapse of Hariri's government in January 2011. The current situation might be described as one of deteriorating status quo; the state is performing poorly in terms of its delivery of fundamental public services and its institutional legitimacy is tenuous in the face of emerging para-state structures and latent (occasionally active) violence.



In Syria, challenges to the sustainability of the state have evolved dramatically since the beginning of 2011, and are now nearing a tipping point. In view of the mounting unrest and violence in the country, the future prospects for its economic and political development are dim. More ominously, the risk of widespread conflict, with sectarian overtones, cannot be discounted.

Algeria's Failed Transitions to a Sustainable Polity: Coming to yet another Crossroads

Hakim Darbouche

MEDPRO Technical Paper No.7

Algeria is so far the only country in North Africa not to have experienced sustained mass protests calling for political change. The government in Algiers has by no means remained indifferent to the groundbreaking events in neighbouring countries, but it is responding to this sweeping wave of change at its own pace. This paper argues that, despite its apparent stability, the Algerian polity suffers from underlying currents of instability that risk undermining the long-term sustainability of the state. It identifies the failure of the country's political and economic transitions and its implications as the most serious challenge confronting the Algerian state today. Unless a) the process of democratic transition that was initiated in 1989 is refined and put back on track, leading to the advent and consolidation of the rule of law, popular enfranchisement and total civilian control of the military; and b) the efforts to diversify the economy away from hydrocarbons are intensified and made more coherent, Algeria will remain susceptible to future instability. This is all the more pertinent given that the country is heading towards a crossroads where the issue of generational transition will also become imperative for the current leadership to deal with.

Hakim Darbouche is Research Fellow at the Oxford Institute for Energy Studies.

State (un)Sustainability in the Southern Mediterranean and Scenarios to 2030: The EU's Response

Nathalie Tocci

MEDPRO Policy Paper No.1

In this first MEDPRO project Policy Paper, author Nathalie Tocci considers the concept of sustainability and how it is central to any understanding of Mediterranean politics. Too often confused with stability in policy debates in the Mediterranean region and the West, Tocci argues that not only are these two concepts distinct, with sustainability being broader and deeper than stability, but stability, as interpreted with regard to the regimes in the region, has often run counter to the very conditions that underpin state sustainability. In order to avoid the weakening and failure of EU-MED cooperation, Tocci urges the EU to overcome its political and institutional inertia, and to develop a truly credible Mediterranean policy pursued alongside other state and non-state actors at both the regional and global level.

Nathalie Tocci is Deputy Director, Istituto Affari Internazionali, Rome



Demography, Health and Ageing

Population Scenarios for South Mediterranean Countries: 2010-2050

George Groenewold, Joop de Beer and Corina Huisman
MEDPRO Report No.2

This report describes four population growth scenarios for 11 countries in the Southern and Eastern Mediterranean region, using the MEDPRO economic-political development framework to consider how indicators of fertility, mortality and international migration might change if people in these countries were to live in different macroeconomic and political contexts. The paper also reflects on the results obtained in light of recent political developments in the region.

The authors of this report, George Groenewold, Joop de Beer and Corina Huisman are Senior Researchers at the Netherlands Interdisciplinary Demographic Institute (NIDI) in The Hague.

Demography, Health and Ageing: Policy Recommendations

George Groenewold, Joop de Beer and Corina Huisman
MEDPRO Policy Paper | Forthcoming

Four population scenarios were derived describing changes in indicators of demographic behaviour on the basis of different future political-economic contexts. The focus of this policy brief is on expected trends in: (1) population growth at regional and national levels; (2) working age populations in view of demographic dividend potential for the economy; and; (3) population of elderly persons in view of the future financial burden this group might impose on societies. The results show that different economic-political development scenarios do have large effects on population growth, at least up to 2030. This is due to the so-called population momentum effect in the relatively young age-structures of most countries. In the short term, up to 2030, and depending on which economic-political scenario unfolds, these countries are expected to grow from 280 million people to a figure between 362 and 349 million people. In that same period, EU27 populations will grow by 21 million only from about 500 to 521 million people. Between 2030 and 2050, additional population growth is foreseen in Southern and Eastern Mediterranean Countries between 48 and 62 million people, while EU27 populations are expected to grow with only 4 million during that period. SMCs appear to vary widely regarding demographic transition profiles so that demographic dividend potentials also vary. For instance, Egypt has considerably demographic dividend potential ahead in the coming decades as the working age population shares will rise from 63%



(2010) to a peak level of about 68% by 2045. In Turkey however, the working age population share is already high (68%) and near the expected peak level of 69% (by 2025) after which a decline will set in. The window of opportunity - the period when working age population shares rise to peak levels and remain at a high level - is starting to close for Lebanon and Tunisia although levels will remain high up to 2035 after which a decline sets in due to ageing of these populations. Ageing implies an increase of the economic burden to economies as elderly generally do not contribute any longer to economies as they did during their working age years. Old-age dependency ratios, the share of elderly in relation to the working age population, are still low compared to EU27 ratios but will increase after 2035. Should SMCs remain politically, economically and environmentally fragile in the coming decades, these lower dependency ratios will impose a relatively higher social and financial burden to societies than the high dependency ratios in EU countries

The authors of this report, George Groenewold, Joop de Beer and Corina Huisman, are Senior Researchers at the Netherlands Interdisciplinary Demographic Institute (NIDI) in The Hague.



Human capital, Social Protection, Inequality and Migration

Measuring Returns to Education and Human Capital in the Southern Mediterranean

Emrah Arbak
MEDPRO Technical Paper No.17

Measuring human capital has been a significant challenge for economists because the main variable of interest is intangible and not directly observable. In the Southern and Eastern Mediterranean region the task is further complicated by the general scarcity of comparable and reliable data.

This study overcomes these challenges by relying on a unique international survey that covers most of the region and by deriving a market-based measure that uses returns to education and various labour market factors as guidance. The results show that private returns to schooling are relatively low in most Southern and Eastern Mediterranean countries (SEMCs). Israel and Turkey are clear outliers, surpassing even the EU-MED averages. In Algeria and Jordan, the returns are

almost flat, implying that earnings do not respond significantly to education levels. Despite high attainment levels, Greece, Spain and Portugal also perform badly; only marginally surpassing some of the bottom-ranked SMC, providing evidence of problems in absorption capacity. The baseline scenarios for 2030 show substantial sensitivity to current estimates on returns to education. In particular, improving attainment levels can produce measurable gains in the future only when the returns to education are already high. Such is the case for Egypt, Morocco and Turkey, which substantially improve their human capital stocks under the baseline scenarios, surpassing several EU-MED countries with little or no room for improvement.

Emrah Arbak was Researcher at the Centre for European Policy Studies (CEPS) in Brussels and is now Financial Economist at the National Bank of Belgium.

Female Labour Force Participation and Economic Development in Southern Mediterranean Countries: What scenarios for 2030?

Stella Tsani, Leonidas Paroussos, Costas Fragiadakis and Ioannis Charalambidis
MEDPRO Technical Paper No.19

This paper investigates the relationship between female labour force participation rates and economic growth in Southern and Eastern Mediterranean countries. A two-step methodology involving econometric estimations and the use of a general equilibrium model was used for this purpose.

The econometric estimations suggest that there is a U-shaped relationship between economic growth and female labour force participation rates and they indicate the presence of region-specific barriers impeding women's entry into the labour force in southern Mediterranean countries.

The econometric results were fed into a general equilibrium model, the GEM-E3-MEDPRO, which was used to simulate two alternative assumptions on developments in female labour participation rates in the region up to 2030. The first of these simulated changes in female labour force participation rates arising from income level trends projected for the period 2015–2030 in southern Mediterranean countries. The second assumed the lowering of region-specific barriers which deter female labour force participation.

The results of these simulations suggest that lower female labour force participation rates may lead to marginally lower economic growth in the region, while the removal of region-specific barriers to female labour force participation may encourage economic growth. This has important policy implications, suggesting that policies intended to remove such barriers could help to promote the growth of the region's economies.

Dr. Stella Tsani, Dr. Leonidas Paroussos, Dr. Costas Fragiadakis, Dr. Ioannis Charalambidis and Researchers at the E3M Lab of the Institute of Communication and Computer Studies of the National Technical University of Athens (Greece) and Prof. Pantelis Capros head of the E3M-Lab.



Education and Social Protection Systems in Southern and Eastern Mediterranean Countries

Alia el Mahdi, Ola el Khawaga and Ashraf el Araby

MEDPRO Technical Paper No.20

This report assesses the current status of the education and social protection systems in 11 southern and eastern Mediterranean countries. It compares these countries using various education indicators and attempts to highlight the main differences in the social protection systems among the countries using qualitative analysis. The report finds that despite the differences among the countries, they share a common feature: when measured by the UN Development Programme's Human Development Index (HDI), their inequality-adjusted values are significantly lower than their HDI values and ranks when not taking inequality into account. Nevertheless, significant improvements have been achieved in all the quantitative indicators for education, while the qualitative performance is still modest in the majority of the countries studied. As to the social protection aspect, the research reveals that various social protection programmes are being adopted in the 11 countries. As most of their financing is covered by government budgets, however, this places a high fiscal burden on them. Yet few of the countries (Turkey being the most notable) are trying to improve the sustainability of their social insurance schemes.

Alia el Mahdi is Professor of Economics, Faculty of Economics and Political Science, Cairo University; Ola el Khawaga is also Professor of Economics, Faculty of Economics and Political Science at the same university; Ashraf el Araby is Assistant Professor of Economics at the National Institute of Planning in Cairo.

Inequality in the Southern Mediterranean: A Survey of Selected Countries

Heba El Laithy

MEDPRO Technical Paper No.23

This paper addresses the issues of current levels of inequality: their trends, determinants and future scenarios, demonstrating that welfare levels are measured by per capita consumption. Location, educational attainment and employment status have been identified as the key factors affecting levels of welfare and its distribution. A benefit incidence analysis was performed to investigate benefits of different deciles of per capita expenditure from education and health services. The inequality patterns in countries under investigation present significant variations; countries such as Turkey, Morocco and Tunisia show relatively high inequality while others, such as Egypt or Syria, show moderate to low inequality. Inequality in human development was addressed using the inequality-adjusted human development index (IHDI), introduced by Global HDR 2010. The average loss in the HDI due to inequality in all Arab countries under investigation is about 20%. Two reference scenarios (optimistic and pessimistic) were used to project future paths up to 2020 and 2030. The impact of positive growth is increasing inequality and a shrinking middle class. Results show that the rich benefit most from this growth path. The opposite trend is observed for the pessimistic scenario.

Heba El Laithy is Professor of Statistics at the Faculty of Economics and Political Science, Cairo University

Human Capital, Inequality and Migration in Southern and Eastern Mediterranean Countries: Identifying Longterm Trends and Responding to Challenges

Rym Ayadi, Alia El Mahdi and Sergio Carrera
MEDPRO Policy Paper | Forthcoming

The future demographic structures in the Southern and Eastern Mediterranean region will undergo changes that require new sets of policies in employment and social fields due to the projected increases in the working age population. Past trends in education, human capital, skills mismatch, unemployment, migration and increasing levels of inequality point to malfunctioning social policies; if these trends continue they will turn the ‘demographic dividend’ to a ‘demographic penalty’. Against this backdrop, this MEDPRO Policy Paper delves into the long term trends in the demographic, social and migration fields to propose policy recommendations for the Southern and Eastern Mediterranean and the EU that aim to promote sustainable patterns of socioeconomic development. Enhancing education quality, creating well-planned income distribution policies as well as reforming the EU’s current approach to migration feature among the main recommendations proposed by the authors.

Dr. Rym Ayadi is MEDPRO Coordinator and CEPS Senior Fellow Head of the Financial Institutions and Prudential Policy Unit, Prof. Alia El Mahdi is Professor of Economics at the Faculty of Economics and Political Sciences of the Cairo University (Egypt); and, Dr. Sergio Carrera is CEPS Senior Fellow and Head of the Justice and Home Affairs Unit.

Energy and Climate Change Mitigation

Carbon Market Opportunities in Southern Mediterranean Countries

Noriko Fujiwara, Monica Alessi and Anton Georgiev
MEDPRO Technical Paper No.8

To date, Southern and Eastern Mediterranean countries have hosted a limited number of projects under the Clean Development Mechanism (CDM). There are three challenges to the participation of middle income countries in future carbon markets: the limited size of future demand for offsets or credits; restrictions on the use of CDM credits in Phase III of the EU Emissions Trading Scheme; and the lack of prompt preparation for the start of new market-based mechanisms. This study examines existing and emerging activities in Southern



Mediterranean countries that could fit into new market based mechanisms. It explores options for the evolution of mechanisms and discusses the merits of post-2012 carbon funds in bridging the gap between the end of the first commitment period of the Kyoto Protocol and the entry into force of a new international agreement.

Noriko Fujiwara is Head of Climate Change and Research Fellow, Monica Alessi is Programme Manager, Climate Change and Anton Georgiev is Associate Researcher at CEPS.

Outlook for Oil and Gas in Southern and Eastern Mediterranean Countries

Manfred Hafner, Simone Tagliapietra and El Habib El Elandalousi

MEDPRO Technical Paper No.18

The aim of this report is to elaborate the MEDPRO Energy Reference Scenario for oil and gas supply and demand up to 2030 for southern and eastern Mediterranean countries. The report gives an assessment of:

- Oil and gas reserves by country
- Oil and gas production, domestic demand and export scenarios by country;
- The existing and planned infrastructure for oil and gas exports.

Finally, the report presents some insights on the future role of the Mediterranean as an oil and gas transit region.

Manfred Hafner is Research Fellow at the Fondazione Eni Enrico Mattei (FEEM) in Milan (as well as a Professor at Johns Hopkins University SAIS, at Sciences Po Paris and at Skolkovo Moscow School of Management). Simone Tagliapietra is Researcher at FEEM in Milan. El Habib El Andaloussi was formerly Energy Programme Officer at UNEP Plan Bleu in Sophia Antipolis, Valbonne, and later joined the EU-funded project “Paving the Way for the Mediterranean Solar Plan”. He was also associated with FEEM. This report has been prepared by FEEM in close cooperation with UNEP Plan Bleu.

Outlook for Electricity and Renewable Energy in Southern and Eastern Mediterranean Countries

Manfred Hafner, Simone Tagliapietra and El Habib El Elandalousi

MEDPRO Technical Paper No.19

The aim of this report is to elaborate the MEDPRO Energy Reference Scenario for electricity demand and power generation (by energy source) in the Southern and Eastern Mediterranean countries up to 2030. The report assesses:

- The prospects for the implementation of renewable energy in the Southern and Eastern Mediterranean countries over the next decades. The development of renewable energy is a cornerstone of the Southern and Eastern Mediterranean countries’ efforts to improve security of supply and reduce CO₂ emissions;
- The prospects for regional renewable-energy plans (the Mediterranean Solar Plan, DESERTEC

and Medgrid); and

- The development of electricity interconnections in the region and the possible integration of Mediterranean electricity and renewable markets (both south–south and south–north).

Energy Efficiency: Trends and Perspectives in the Southern Mediterranean

Frédéric Blanc

MEDPRO Technical Paper No.21

This paper has two objectives. First, it attempts to establish the potential of policies on energy efficiency and energy demand-side management in the southern Mediterranean region. Second, by examining past trends in energy intensity and trends up to 2030, it analyses the prospects and costs of such policies, compared with expected developments in the price of energy resources. Based on both analyses and on prospects for growth, it seems that energy intensity in the Mediterranean should fall perceptibly by approximately 13% in the next 20 years. But given the programmed energy mix, this will not limit emissions of CO₂, which are likely to increase by more than 90%.

The paper first presents the rationale for demand-side management policies. After a general discussion of concepts, it tackles the question of instruments and measures for implementing such policies, before posing the question of the cost-efficiency approach for monitoring the measures the authorities introduce. Secondly, the paper assesses energy consumption and energy efficiency in the countries of the southern Mediterranean and the ways in which their main economic sectors have changed in recent decades. The third section outlines the demand management measures introduced and, taking Tunisia and Egypt as examples, estimates the cost of such policies. The fourth and last section offers a forecast analysis of energy consumption in the Mediterranean up to 2030, highlighting probable trends in terms of final consumption, energy intensity, energy mix and emissions of CO₂. The section concludes with estimates in terms of cost, comparing objectives for lower intensity, results in terms of resource savings and the types of costs this approach represents.

Frédéric Blanc is General Manager of the FEMISE network.

Prospects for Energy Supply and Demand in the Southern and Eastern Mediterranean: Scenarios for 2010–30

Panagiotis Fragkos and Nikos Kouvaritakis

MEDPRO Technical Paper No.22

The aim of this technical report is to quantify alternative energy demand and supply scenarios for ten southern and eastern Mediterranean countries up to 2030.

The report presents the model-based results of four alternative scenarios that are broadly in line with the MEDPRO scenario specifications on regional integration and cooperation with the EU. The report analyses the main implications of the scenarios in the following areas:

- Final energy demand by sector (industry, households, services, agriculture and transport);



- The evolution of the power generation mix, the development of renewable energy sources and electricity exports to the EU;
- Primary energy production and the balance of trade for hydrocarbons;
- Energy-related CO₂ emissions; and
- Power generation costs.

Dr. Panagiotis Fragkos and Dr. Nikos Kouvaritakis are Researchers at the E3M Lab of the Institute of Communication and Computer Studies of the National technical University of Athens (Greece) Prof. Pantelis Capros is head of the E3M-Lab.

The Relationship Between Energy and Economic and Social Development in the Southern and Eastern Mediterranean

Emmanuel Bergasse, Wojciech Paczynski, Marek Dabrowski and Luc Dewulf
MEDPRO Technical Paper No.23

This report aims to identify, explain and detail the links and interactions in Southern and Eastern Mediterranean Countries (SMCs) between energy supply and demand and socio-economic development, as well as the potential role of energy supply and demand policies on both. Another related aim is to identify and analyse, in a quantitative and qualitative way, the changing role of energy (both demand and supply) in Southern and Eastern Mediterranean economies, focusing on its positive and negative impact on socio-economic development.

This report investigates:

- The most important channels through which resource wealth can contribute to or hamper economic and social development in the analysed region
- Mechanisms and channels of relations between energy supply and demand policies and economic and social development
- The burdens of energy subsidies and ‘oil syndrome’ are of particular relevance for the region. An integrated socio-economic development and energy policy scenario approach showing the potential benefits and synergies within countries and the region is developed in the final part of the report.

Authors Emmanuel Bergasse, Wojciech Paczynski, Marek Dabrowski and Luc Dewulf are Research Fellows at CASE (CASE - Center for Social and Economic Research) Warsaw, Poland.

A New “Euro-Mediterranean Energy Roadmap” for a Sustainable Energy Transition in the Region

Manfred Hafner and Simone Tagliapietra
MEDPRO Policy Paper No.3

Today SEMCs face a range of pressing socio-economic challenges including solving the problems

of poverty and large structural unemployment, in the context of fast demographic growth. Energy is an essential commodity enabling socio-economic development. The current energy situation in SEMCs is characterised by a rapid increase of energy demand, low energy efficiency and low domestic energy prices due to extensive universal consumption subsidy schemes, the latter exerting undue pressure on the countries' public finances. As the current energy situation does not appear sustainable and poses several risks to the prospects of socio-economic development of the region, this MEDPRO Policy Paper proposes the creation of a “Euro-Mediterranean Energy Roadmap” to anchor the region into a sustainable energy transition.

This Policy Paper has been produced by Dr. Manfred Hafner and Simone Tagliapietra from FEEM with contributions from Emmanuel Bergasse (CASE, Poland), Frederic Blanc (FEMISE, France), Noriko Fujiwara (CEPS), Pantelis Capros (E3M Lab, ICCS/ NTUA, Greece).

Management of Environment and Natural Resources

Economic and Climate Change Pressures on Biodiversity in Southern Mediterranean Coastal Areas

Francesco Bosello, Paulo A.L.D. Nunes and Laura Onofri
MEDPRO Technical Paper No.24

This paper establishes and measures key biodiversity and ecosystem health indicators and the number of world heritage sites in coastal areas at global level. It then estimates – econometrically – the indicators' influence on the provision of tourism values through the marine ecosystem function as a harbour of biodiversity, and as a provider of amenity values and marine cultural identity. The report then focuses on the MEDPRO region, providing some estimates of the potential impact of climate change on these services for a given temperature increase scenario. Finally, the effect on ecosystem-related tourism is computed for the four MEDPRO social economic scenarios. The analysis is enriched by some quantification of the potential costs of adaptation.

Authors Laura Onofri, Paulo A.L.D. Nunes and Francesco Bosello are researchers at the Fondazione Eni Enrico Mattei, Milan, Italy.



Economic Impacts of Climate Change in the Southern Mediterranean

Francesco Bosello and Fabio Eboli

MEDPRO Technical Paper No.25

This report analyses the potential economic impacts of climate change on 11 southern and eastern Mediterranean countries through the effects of changes on the coastal ecosystem and on agriculture. The impacts are quantified through bottom-up studies assessing the consequences of the deterioration of the coastal ecosystem and protected areas for tourism arrivals, and the effects on yields of major crop families by mid-century. These data are then used as inputs into a world CGE model that quantifies the impact on GDP, sectoral production and prices. The results point to a generalised, albeit moderate loss in the region's GDP, ranging from -0.1% to -0.25% in 2050. The countries that are more adversely affected are Tunisia (-0.26%/-0.41% of GDP in 2050) and Morocco (-0.04%/-0.14% of GDP in 2050). High losses (-0.13%/-0.36% of GDP in 2050) are also highlighted for the 'Middle East' aggregate (including among others Jordan, Syria, Palestine, Lebanon and Israel), which together make up 26.5% of the region's GDP. Negative impacts are more perceptible at the sectoral level. In the Reference Scenario, the average production loss for the agricultural sector is -0.5% in 2050, with a peak of -1.4% in Tunisia, while that of the service sector is -0.45% in 2050 with a peak of -0.9% in the Middle East. In general, GDP losses linked to tourism activity are greater than those related to agriculture, although this is not the case for Tunisia or Morocco.

Francesco Bosello is Associate Researcher at the Fondazione Eni Enrico Mattei and Assistant Professor of Economics at the University of Milan and Fabio Eboli is Senior Researcher at the Fondazione Eni Enrico Mattei in Milan.

Adaptation to Climate Change in the Southern Mediterranean: A Theoretical Framework, a Foresight Analysis and Three Case Studies

Daniel Osberghaus and Claudio Baccianti

MEDPRO Technical Paper No.26

Adaptation to climate change in southern and eastern Mediterranean countries is particularly relevant because of the strong expected effects on the region and the sensitivity of important sectors like agriculture and tourism to climate change. This work analyses qualitative scenarios with the support of insights from the theoretical literature and information collected from case studies about Tunisia, Egypt and Turkey. We deal with several dimensions of adaptation, including the role of the government, equity, uncertainty and linkages with mitigation. In general, we conclude that inaction is not a viable option and this report shows how adaptation policy should be designed. We identify major areas of intervention, from removing barriers to private adaptation to the fostering of international cooperation.

Daniel Osberghaus and Claudio Baccianti are researchers at the Centre for European Economic Research (ZEW) in Mannheim.

This paper includes contributions from Aurélie Domisse, Beyhan Ekinici, Christian Hengesbach, Max Pohl and Daniel Ruhnow, interns and research assistants at ZEW.

Report on Crop Water Requirements and Irrigation Water Requirements in Southern and Eastern Mediterranean Countries

Nicola Lamaddalena

MEDPRO Technical Paper | Forthcoming

The goal of this report is to calculate crop water requirements, net irrigation requirements and relative yields under various climatic conditions of Southern and Eastern Mediterranean countries: Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, Syria, Lebanon, Palestine, Turkey and Israel, each represented with three or four locations with its own soil and climatic conditions. In the report crop response to water was tested for spring and winter durum wheat, barley, maize as representatives of Graminaceae, for citrus, grape, olives and peach as perennial cultures and orchards, for pepper, tomato, potato and water melon as horticultural crops, and for sunflower (oil crop), sugar beet (sugar crop), cotton (fibre crop) and fava bean (leguminose). The output of the simulations are crop water requirements under various irrigation management conditions (i.e. full irrigation-optimum, deficit irrigation practices, or rainfed); net irrigation requirements; and, relative yield of the crops obtained in respect to water deficit that crops suffer. Based on water requirements under each scenario, the report proposes different irrigation strategies for the different locations.

This Technical Paper was written by Dr. Nicola Lamaddalena from the Mediterranean Agronomic Institute of Bari (IAMB, Italy).

Assessment of Economic and Climate Change Pressures on Agricultural Activity in Southern and Eastern Mediterranean Countries and of Possible Adaptation Strategies as well as Sustainable Agricultural Practices

Consuelo Varela-Ortega, Paloma Esteve, Irene Blanco, Gema Carmona, Jorge Ruiz and Tamara Rabah

MEDPRO Technical Paper | Forthcoming

Social and political developments as well as future climate projections envisage dramatic implications for the agricultural and water sectors that will endanger economic development and might lead to natural resources degradation and social instability. This study aims to assess the socio-economic and environmental effects of different societal and human development scenarios and climate change in the water-scarce region. To address the complex interactions of the human and water systems, the study has developed a two-stage modelling methodology. Firstly, it proposed a panel data based econometric analysis of water use trends and 2030 future projections under the four different scenarios (developed in MEDPRO) across all the countries under study in the project. To cope with water resources variability and a changing social environment, different scenario-based adaption measures have been analysed for each country. Secondly, to complement the country-wide econometric analyses, the study focuses on three specific case studies in



a selection of countries (Syria, Jordan and Morocco). For each country an economic mathematical programming model has been integrated with a hydrology model. This is to assess, with more detail, the effects on the agricultural sector, including water policies (such as the application of water tariffs and quotas) as well as climate impacts. The modelling integration, at aggregated national scale, permits us to evaluate the effects on farm income, labour use, cropping strategies and water consumption. While results on water withdrawals show that climate as well as socio-economic projections in the different scenarios may have clear differential effects across countries in the region and over time, in all countries closing the gap between water supply and demand will require a combination of water investments under the different MEDPRO scenarios.

This Technical Paper was written by Prof. Consuelo Varela-Ortega, Paloma Esteve, Irene Blanco, Gema Carmona, Jorge Ruiz and Tamara Rabah from the Universidad Politécnica de Madrid (UpM, Spain).

Perspectives in Resource Management and Climate Change Adaptation in the Southern and Eastern Mediterranean

Francesco Bosello, Nicola Lamaddalena, Daniel Osberghaus and Consuelo Varela Ortega
MEDPRO Policy Paper | Forthcoming

The Mediterranean region is one of the world's climate change hotspots and the heart of drastic socioeconomic and human transformations. Recent research confirms that temperature increases will be higher compared to the global average; precipitations are projected to decline, and the probability of extreme drought to increase. Final vulnerability however, depends also on sensitivity and adaptive capacity which are highly country specific and differentiated particularly between the Northern and the Southern shore of the Mediterranean. Against a rather low vulnerability of Euro-Mediterranean countries, with losses ranging from the -0.25% to the -1.4% of GDP for temperature increases above the 4°C, stands a much higher vulnerability of Southern Eastern Mediterranean countries (SEMCs). Particularly, the area will experience adverse impacts on crop production driven by an increasing water scarcity which worsens ongoing processes of desertification and water overuse, pollution, salination in a context of increasing demand. Another less obvious, but relevant channel of potential negative economic impacts in SEMCs is the climate-induced loss of biodiversity. In addition to threaten ecosystem life-support services it can impact negatively tourism attractiveness. This Policy Paper focuses specifically on these aspects and discusses some potential policies apt to alleviating or reverting negative consequences.

This MEDPRO Policy Paper was written by Francesco Bosello (FEEM), Nicola Lamaddalena (IAMB), Daniel Osberghaus (ZEW), Consuelo Varela Ortega (UPM) with contributions from Claudio Baccianti (ZEW), Irene Blanco (UPM), Fabio Eboli (FEEM), Paloma Esteve (UPM), Roula Khadra (IAMB), Laura Onofri (FEEM), Paulo A.L.D. Nunes (FEEM), Alessandra Scardigno (IAMB).



Economic Development, Trade, Investment and Sectoral Analyses

The EU-Turkey Customs Union: A Model for Future Euro-Med Integration

Subidey Togan

MEDPRO Technical Paper No.9

This paper studying the 1995 EU-Turkey Customs Union (CU) reveals that the CU has been a major instrument of integration of the Turkish economy into the EU and global markets, offering powerful tools to reform the Turkish economy. Turkish producers of industrial goods are protected by tariffs from external competition to exactly the same extent as EU producers, and they face competition from duty-free imports of industrial goods from world-class pan-European firms. In return, Turkish industrial producers have duty-free market access to the European Economic Area, which was recently extended to certain Mediterranean countries. Trade liberalisation achieved through the CU has thus successfully moved the Turkish economy from a government-controlled regime to a market-based one, and Turkish producers of industrial goods have performed remarkably well. The paper further shows that market access conditions for Turkish producers are determined, in addition to tariffs, by standards, conformity assessment procedures, competition policy, industrial property rights and contingent protectionism measures. The CU also offered Turkey the opportunity to establish new institutions, and modernise and upgrade rules and disciplines required for the elimination of technical barriers to trade, and for the implementation of the EU's competition, industrial property rights, and contingent protectionism policies.

Subidey Togan is Professor of Economics and the Director of the Centre for International Economics at Bilkent University. He is also a Research Fellow at the Economic Research Forum (ERF) and a member of Forum Euro-Mediterranée des Instituts Economiques (FEMISE).

Determinants of Growth and Inflation in Southern Mediterranean Countries

Leonor Coutinho

MEDPRO Technical Paper No.10

Despite significant economic reforms in many EU neighbouring countries in the Southern and Eastern Mediterranean, their growth performance has on average been subdued. This study analyses the differences in growth performance and macroeconomic stability across Mediterranean countries, to draw lessons for the future. The main findings are that these countries should benefit from closer ties with the EU that result in higher levels of trade and FDI inflows, once the turbulence of the 'Arab Spring' is resolved, and from the development of financial markets and infrastructure. They will also benefit in keeping inflation under control, which will depend in great part on their ability to maintain fiscal discipline and sustainable current accounts. One of the main challenges for the region will be to implement structural reforms that can help them absorb a large pool of unemployed without creating upward risks to inflation.



Leonor Coutinho is a Senior Researcher at Europrism Research (Cyprus) and a Special Scientist at the University of Cyprus.

Shallow vs. Deep Integration in the Southern Mediterranean: Scenarios for the Region up to 2030

Ahmed Farouk Ghoneim, Nicolas Péridy, Javier Lopez Gonzalez and Maximiliano Mendez Parra
MEDPRO Technical Paper No.13

This research develops a quantitative analysis aimed at simulating the trade effects of various integration scenarios between the EU and its Mediterranean Partners (MPs). Results for shallow integration show that the completion of tariff removal is expected to produce limited gains, except in Algeria. However, further steps toward deep integration would lead to much more significant gains. In this regard, the elimination of non-tariff barriers is expected to increase EU exports to MPs up to 60%. In addition, MPs' imports and exports to the EU could also considerably increase due to an improvement of logistics performance in these countries.

Ahmed Farouk Ghoneim is Professor at the Faculty of Economics and Political Science, Cairo University (Egypt) and CASE Fellow; Nicolas Péridy is Professor of Economics, Université du Sud Toulon-Var (France); Javier Lopez Gonzalez, Maximiliano Mendez Parra are affiliated to Sussex University (United Kingdom).

Manufactured Exports and FDI in Southern Mediterranean Countries: Evolution, Determinants and Prospects

Khalid Sekkat
MEDPRO Technical Paper No.14

This paper investigates the evolution and determinants of manufactured exports and foreign direct investment (FDI) in 11 Southern and Eastern Mediterranean countries over the period 1985–2009 as well as their prospects under different scenarios pertaining to the development of the determinants. The econometric analysis confirms the role of exchange rate depreciation, the openness of the economy and the quality of institutions and infrastructure in fostering manufactured exports and FDI inflows in the region. The assessment of the prospects suggests that a scenario of deeper integration with the EU entails superior performance for manufactured exports and FDI compared with either the status quo or less integration with the EU but greater integration within the region.

Khalid Sekkat is Professor of Economics at the University of Brussels and Research Fellow at FEMISE in Marseille.

Tourism in the Mediterranean: Scenarios up to 2030

Robert Lanquar
MEDPRO Report No.1

Over the last two decades Morocco, Occupied Palestinian Territory, Syria, Tunisia and Turkey have recorded the highest growth rates in inbound world tourism. In the same period, domestic tourism in these countries also increased rapidly. Southern and Eastern Mediterranean Countries'

tourism performance has been astonishing, given the security risks, natural disasters, oil prices rises and economic uncertainties in the region. Even the last financial crisis had no severe impact on this growth, which confirmed the resilience of tourism and the huge potential of Southern and Eastern Mediterranean countries in this sector. This trend came to an abrupt halt in early 2011 during the Arab Spring, but could well resume when the situation stabilises.

This paper looks at whether this trend will continue up to 2030, and provides four different possible scenarios for the development of the tourism sector in Southern and Eastern Mediterranean countries for 2030: i) reference scenario, ii) common sustainable development scenario, iii) polarised (regional) development scenario and iv) failed development - decline and conflict – scenario. In all cases, international and domestic tourism arrivals will increase. However, two main factors will continue to influence the development of the tourism sector in Southern and Eastern Mediterranean countries: security and adjustment to climate change.

What Prospects for Transport Infrastructure and Impacts on Growth in Southern and Eastern Mediterranean countries?

Robin Carruthers

MEDPRO Report No. 3

Lack of adequate infrastructure is a significant inhibitor to increased trade of the countries of the Mediterranean region. Bringing their transport infrastructure to standards comparable with countries of a similar per capita GDP will be costly but worthwhile. We compare the current quantities of six types of transport infrastructure with international benchmarks, and estimate the additional quantities needed to reach them. We also estimate the cost of that infrastructure and express it as a percentage of GDP. Finally we make tentative estimates of how much trade might be generated and how this might impact on GDP. All the estimates are made for each Southern and Eastern Mediterranean country and for each of four scenarios. The highest need for additional infrastructure will be for airport passenger terminals (between 52% and 56%), whereas the lowest need was for more unpaved roads (between 7% and 13%). The investment (including maintenance) cost would be between 0.9% of GDP and 2.4% of GDP, although the investments in some countries would be between 1.4% and 4.5% of GDP. The impact on non-oil international trade would be substantial, but with differences between imports and exports. The overall trade balance of the Southern and Eastern Mediterranean region would be an improvement of between 5.4% and 17.2%, although some countries would continue to have a negative balance. A final assessment was made of the benefit ratio between the increase in GDP and the cost of transport investment. This varied between about 3 and 8, an indication of the high return to be expected from increased investment in transport infrastructure.

This MEDPRO Report is authored by Robin Carruthers from CASE.

Scenarios for the Agricultural Sector in the Southern and Eastern Mediterranean

Saad Belghazi

MEDPRO Report No.4

The paper builds predictive scenarios for the agricultural sector of Southern and Eastern Mediter-



anean countries. First, it assesses the performance trends of the region's agricultural sector with a focus on production, consumption and trade patterns, incentives, trade protection policies and trade relations with the EU and productivity dynamics and their determinants. Second, it presents four scenarios based on the main value chains of the agriculture sector of Southern and Eastern Mediterranean countries: animal products, fruits and vegetables, sugar and edible oil, cereals and fish and other sea products. The outcome of the prospective analysis shows that the best scenarios for the region are the EU-Med Union and alliance scenarios.

The report is authored by Saad Belghazi, from Institut Marocain des Relations Internationales (IMRI, Morocco).

Economic Development, Trade and Investment in the Southern and Eastern Mediterranean Countries: Policy Recommendations

Marek Dabrowski and Luc De Wulf

MEDPRO Policy Paper No.4

Persistent high unemployment, growing income disparities, unequal level playing field in business, corruption and nepotism, poor governance, conspicuous consumption of a small elite and lack of political voice have been led to a broad discontent and to the Arab Spring revolutionary events in 2011-12. While it is too early to assess the impact of the revolutionary wave on the region's economies, there are several measures that governments in the region can implement to facilitate growth. This Policy Paper concludes the work under the area of economic development, trade, investment and sectoral analysis of MEDPRO by putting forward a number of macroeconomic institutional and industrial policy recommendations for the region.

Authors Dr. Marek Dabrowski and Dr. Luc De Wulf have supervised the research under this field and are both based at CASE.

Financial Services and Capital Markets

Challenges Arising from Capital Account Liberalisation in the Countries of the South Mediterranean Region

Sami Mouley

MEDPRO Technical Paper No.11

This report confirms the importance of commercial openness and macroeconomic performance (i.e. the control of inflation and stability of current account balance and exchange rate) on growth dynamics in the south Mediterranean countries. In particular, the positive impact of capital account liberalisation is conditioned by the imperative reinforcement of institutional quality, country

risk reduction, and government stability. An examination of the Tunisian case shows that only sectors subject to tariff dismantlement within the framework of the Association Agreement with the EU appear to benefit from capital account liberalisation.

Furthermore, the report shows that a scenario of capital account liberalisation requires the anticipation of monetary policy reaction functions. It follows that the mechanisms for interest rate adjustment, or inter alia, the interest rates' reaction to price fluctuations, are weakly volatile. In turn, the analysis shows that an active control of inflation mismatches occurs essentially through exchange rate corrections, thus highlighting the greater interest central banks have in exchange rate stability over real stability. A capital account liberalisation scenario would hence impose a tightening of monetary policy.

The report is in French with Executive Summaries in English and French.

Author Sami Mouley, Professor, University of Tunis and the Institut Tunisien de la Compétitivité & des Etudes Quantitatives – ITCEQ.

The Role of Monetary Policies and Macroeconomic Convergence in the Development of Financial Systems in Southern Mediterranean Countries

Sami Mouley

MEDPRO Technical Paper No.12

This MEDPRO Technical Report shows that the monetary and exchange rate policies conducted by central banks in the Southern and Eastern Mediterranean region display apparent homogeneity in their operational frameworks, albeit with some specificities and differing degrees of advancement. While central banks state that price stability is their ultimate objective, failures to control interest rates as operational objectives of monetary policy result in monetary authorities resorting to quantitative approaches to monetary policy, meaning that monetary aggregates and credit targets are being used as intermediate targets of monetary policy. An econometric exercise limited to Maghreb countries (Algeria, Morocco, and Tunisia) has been conducted to analyse the potential scenarios of convergence and monetary policy coordination. Given the high structural heterogeneity and the slow pace of real convergence due to weak commercial integration in the Maghreb, results nevertheless show alternative dynamics in the integration of effective nominal exchange rates, as well as a complete convergence dynamic in exchange rate policies. Partial convergence of monetary policies regarding the stabilisation of inflation rates remains an open option for a transitional phase where financial integration is low.

The report is in French with Executive Summaries in English and French.

Author Sami Mouley, is Professor at the University of Tunis and the Institut Tunisien de la Compétitivité & des Etudes Quantitatives – ITCEQ.

The Dynamics of Bank Efficiency in the European Union and the Southern and Eastern Mediterranean: Is there Convergence?

Barbara Casu-Lukac and Alessandra Ferrari

MEDPRO Technical Paper | Forthcoming

It is a long-held belief among economists and policy-makers that financial development can help foster



economic development through an improved allocation of savings and investment opportunities; (ii) the entry of foreign banks, which in turn fosters (iii) an influx of new capital; (iv) product and process innovation; (v) increased competition and (vi) an increased efficiency of the domestic banking system. The emerging consensus in the literature, however, is that, for financial development to be beneficial, certain conditions need to be met, including an adequate and operational regulatory structure, a well-defined supervisory authority, legal systems that reinforce property and creditor rights, restrained control of government over the financial system and macroeconomic stability. To achieve these objectives, governments in the Southern and Eastern Mediterranean countries have embarked in reform programmes, but evidence shows they have been less comprehensive and far reaching compared to other developing and transition countries. Against this backdrop, this paper seeks to assess the dynamics of bank efficiency for a large sample of countries located in the European Union and in the Southern and Eastern Mediterranean region over the period 1997 - 2010. The first part of the study examines the dynamics of efficiency for the banking industries of the sample countries via the estimation of stochastic frontiers, while recognizing the heterogeneous nature of banking technology across countries. The second part of the analysis assesses whether the banking systems in the sample countries are converging towards the same efficiency and technology. The paper concludes that the policy agenda for policymakers in the region should prioritise reforms that promote bank efficiency and financial sector stability simultaneously.

Dr. Barbara Casu-Lukac is Reader in Banking at Faculty of Finance, Cass Business School, City University, London; Alessandra Ferrari is Senior Lecturer Department of Economics, University of Reading, United Kingdom.

The Determinants of Financial Development across the Mediterranean

Rym Ayadi, Emrah Arbak, Willem Pieter de Groen and Sami Ben-Naceur
MEDPRO Technical Paper | Forthcoming

Casual observation shows that that the financial systems in the Southern and Eastern Mediterranean are unable (or unwilling) to divert the financial resources that are available to them as funding opportunities to private enterprises. Using a sample of Northern and Southern Mediterranean countries for the years 1985 to 2009, this study empirically assesses the reasons underlying such conditions. The results show that strong legal institutions, good democratic governance and adequate implementation of financial reforms can have a substantial positive impact on financial development only when they are present collectively. Moreover, inflation appears to undermine banking development, but less so when the capital account is open. Government debt growth appears to strongly weaken credit growth, which confirms that public debt “crowds out” private debt. Lastly, capital inflows appear to primarily have an income effect, increasing the incomes and thereby national savings and thus increasing the availability of credit.

Dr. Rym Ayadi is MEDPRO Coordinator and Head of the Financial Institutions and Prudential Policy Unit of CEPS; Dr. Emrah Arbak is former Researcher at CEPS; Willem Pieter de Groen is Researcher at CEPS and Sami Ben-Naceur is FEMISE Fellow.

Financial Development, Bank Efficiency and Economic Growth across the Mediterranean

Rym Ayadi, Emrah Arbak, Willem Pieter de Groen and Sami Ben-Naceur
MEDPRO Technical Paper | Forthcoming

The paper has looked at the relationship between financial sector and economic growth using a sample of Northern and Southern Mediterranean countries for the years 1985 to 2009. It included several variables to measure the development of the financial sector in order to account both for quantity and quality effects. The results indicate credit to private sector and bank deposit are in many specifications negatively associated to growth meaning that there are problems of credit allocation in the region and weak financial regulation and supervision. On the stock market side, the results seem to indicate that stock market size and its liquidity are playing a significant role in growth, especially when the quality of institution is low. Investment whether domestic or in the form of FDI contribute significantly to economic growth. Better institutions and low inflation are key growth factors. Initial GDP has a persistently and significantly negative impact on growth, which implies that poorer countries are catching up richer countries in terms of economic growth.

Dr. Rym Ayadi is MEDPRO Coordinator and Head of the Financial Institutions and Prudential Policy Unit of CEPS; Dr. Emrah Arbak is former Researcher at CEPS; Willem Pieter De Groen is Researcher at CEPS and Sami Ben-Naceur is FEMISE Fellow.

Benchmarking the Financial Sector and Designing 2030 Financial Sector Scenarios for the Southern and Eastern Mediterranean

Rym Ayadi, Emrah Arbak, Willem Pieter de Groen and Sami Ben-Naceur
MEDPRO Technical Paper | Forthcoming

This paper aims at devising scenarios for the development of the financial system in the Southern and Eastern Mediterranean region for the 2030 horizon. The simulations indicate that bank credit to private sector, meta-efficiency and stock market turnover could reach at best respectively 108, 78 and 121 percent if Southern and Eastern Mediterranean countries adopt the best practices in Europe. These scenarios are much higher those of the present levels in the Southern and Eastern Mediterranean region but still lower than the best performers in Europe. More specifically, improving the quality of institutions, increasing per capita GDP, opening further capital account and lowering inflation are needed to enable the financial system in the region converge to those of Europe.

Dr. Rym Ayadi is MEDPRO Coordinator and Head of the Financial Institutions and Prudential Policy Unit of CEPS; Dr. Emrah Arbak is former Researcher at CEPS; Willem Pieter de Groen is Researcher at CEPS and Sami Ben-Naceur is FEMISE Fellow.



Convergence and Integration of Financial Sectors in the Southern and Eastern Mediterranean Countries

Rym Ayadi and Willem Pieter de Groen

MEDPRO Technical Paper | Forthcoming

The Southern and Eastern Mediterranean countries have faced substantial reforms in their financial sectors in recent years. This paper develops a number of indicators to assess and track the evolution of the adequacy of banking regulations using publicly available and comparable surveys for a large sample of countries since the early 2000s. To allow comparability across the Mediterranean, seven distinct regulatory areas are identified for assessing the various dimensions of regulatory adequacy. These cover definition of banking, licensing requirements, capital requirements, independence and power of supervisor, presence of safety nets, disclosure and availability of credit information.

Dr. Rym Ayadi is MEDPRO Coordinator and Head of the Financial Institutions and Prudential Policy Unit of CEPS; Willem Pieter de Groen is Researcher at CEPS.

MSMEs Access to Finance in the Southern and Eastern Mediterranean: The Case for a Euro-Mediterranean Guarantee Initiative

Rym Ayadi and Salim Gadi

MEDPRO Technical Paper | Forthcoming

Micro Small and medium sized enterprises (MSMEs) in the Southern and Eastern Mediterranean suffer more from credit constraints than their counterparts in middle and high-income economies. Given their contribution to employment and growth, similarly as in other regions, policy-makers have developed credit guarantee schemes (CGS), in order to facilitate small companies' access to debt capital. CGS are risk-sharing mechanisms under which a guarantor ensures the lender against a share of the possible losses he incurs when extending a loan. Despite the maturity of some schemes, credit to small companies in most countries in the region continues to lag behind. This paper builds on the results of an exclusive questionnaire addressed to CGS executives of Southern Mediterranean schemes between May and June 2011. It argues that the creation of a Euro-Mediterranean Guarantee Initiative (EMGI) would be a key step to alleviate MSMEs access to finance in the region. First, the paper reviews the conditions of MSMEs' access to finance in the South and Eastern Mediterranean and provides a description of the political background for such initiative; second, it assesses CGS characteristics and performance; thirdly, it introduces the EMGI, the objectives it should pursue as well as its potential impact.

Dr. Rym Ayadi is Coordinator of the MEDPRO Project and Head of the Financial Institutions and Prudential Policy unit of CEPS and Salim Gadi is MEDPRO Research Assistant at CEPS.

Financial Sector Development in the Southern and Eastern Mediterranean Countries: An Agenda for Longterm Reforms

Rym Ayadi

MEDPRO Policy Paper | Forthcoming

Drawing on the research conclusions under this field of study, this paper explores longterm reforms to enhance the financial sectors' contribution to growth in the region. Among other findings, the Policy Paper underlines the need to support to small companies' access to finance, through an enhancement of the financial infrastructure and regulatory convergence with the EU and the creation of a Euro-Mediterranean Guarantee Initiative (EMGI) gathering credit guarantee schemes from both shores of the Mediterranean.

Dr. Rym Ayadi is MEDPRO Coordinator and Head of the Financial Institutions and Prudential Policy Unit of CEPS

Scenario Building and Impact Assessment

Assessment of the Macroeconomic Scenarios for the Euro-Mediterranean in 2030

Leonidas Paroussos, Kostas Fragkiadakis,
Ioannis Charalampidis, Stella Tsani and Pantelis Capros

MEDPRO Report | Forthcoming

This report documents the work completed for the scenario*building and impact assessment of the MEDPRO project. The goal of this research field is to simulate alternative economic development scenarios for the Euro-Mediterranean region which focus on cooperation policy. The research work for this purpose included extensive data collection, model calibration and scenario construction using the GEM-E3-MEDPRO model, a computable general equilibrium model derived from the standard GEM-E3 model and extended for the MEDPRO project. The scenarios simulate the implementation of policies associated with: i) Euro-Mediterranean cooperation (QII), ii) the development of global policy of the Mediterranean countries i.e. opening up and cooperation with the rest of Middle East countries and other developing countries like China (QIII) and iii) a deterioration of the political climate in the region (QIV). The scenarios are compared to the reference scenario (QI) which assumes continuation of current Euro-Mediterranean policies.

The report is authored by Dr. Leonidas Paroussos, Dr. Kostas Fragkiadakis, Ioannis Charalampidis, Dr. Stella Tsani and Professor Pantelis Capros of the E3M Lab of the Institute for Communication and Computer Studies of the National Technical University of Athens (ICCS/NTUA, Greece).



Report on the Economic and Structural Database

Leonidas Paroussos, Kostas Fragkiadakis, Ioannis Charalampidis, Stella Tsani and Pantelis Capros
MEDPRO Report | Forthcoming

The aim of this report is to provide an overview of the economic and structural database compiled for the MEDPRO project. The research has developed an extensive database which includes figures on governance, development indicators, infrastructure, finance, environment, energy and agriculture in addition to other data for the countries studied in MEDPRO.

The database and the report were produced by the E3M Lab of the ICCS/NTUA.

Report on the Quantitative Reference Scenario

Leonidas Paroussos, Kostas Fragkiadakis, Ioannis Charalampidis, Stella Tsani and Pantelis Capros
MEDPRO Report | Forthcoming

The aim of this report is to document the development of the reference scenario of the GEM-E3-MEDPRO model. The development of the reference scenario is of primary importance since in general equilibrium models the deviations from the reference scenario are the key for policy evaluation. The GEM-E3-MEDPRO model has been extended in order to consistently evaluate the impact of the Euro-MED integration and of different cooperation policies.

The report and the reference scenario were produced by the E3M Lab of the ICCS/NTUA.



Scenarios for Regional Integration and Cooperation with the EU

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

Sergio Carrera, Joanna Parkin and Leonhard den Hertog
Technical Paper No.15 | 07/08/2012

The outbreak of the Arab Spring and the unrest, revolution and war that followed during the course of 2011 have forced the EU to acknowledge the need to radically re-think

its policy approach towards the Southern and Eastern Mediterranean, including in the domain of migration. Migration and mobility now feature as key components of High Representative Catherine Ashton's new framework for cooperation with the region (Partnership for Democracy and Shared Prosperity), while the EU has declared its intention to strengthen its external migration policy by setting up "mutually beneficial" partnerships with third countries – so-called 'Dialogues for Migration, Mobility and Security' – now placed at the centre of the EU's renewed Global Approach to Migration and Mobility (GAMM). However, the success of this approach and its potential to establish genuine cooperative partnerships that will support smooth economic and political transformation in North Africa hinge on the working arrangements and institutional configurations shaping the renewed GAMM at EU level which has long been marked by internal fragmentation, a lack of transparency and a predominance of home affairs and security actors.

This paper investigates the development of the Dialogues for Migration, Mobility and Security with the Southern Mediterranean in a post-Lisbon Treaty institutional setting. It asks to what extent has the application of the Lisbon Treaty and the creation of an "EU Foreign Minister" in High Representative Ashton, supported by a European External Action Service (EEAS), remedied or re-invigorated the ideological and institutional struggles around the implementation of the Global Approach? Who are the principal agents shaping and driving the Dialogues for Migration, Mobility and Security? Who goes abroad to speak on the behalf of the EU in these Dialogues and what impact does this have on the effectiveness, legitimacy and accountability of the Dialogues under the renewed GAMM as well as the wider prospects for the Southern Mediterranean?

Sergio Carrera is Senior Research Fellow and Head of the Justice and Home Affairs Section of the Centre for European Policy Studies (CEPS) in Brussels. Joanna Parkin is Researcher in the same section. Leonhard den Hertog is Marie Curie PhD Fellow, of the Universities of Cologne & Edinburgh (EXACT Project on EU External Relations).

What Scenarios for the Euro-Mediterranean in 2030 in the Wake of the Post-Arab Spring?

Rym Ayadi and Carlo Sessa

MEDPRO Policy Paper No.2 | 21/10/2011

In the wake of the Arab Spring, the Southern Mediterranean region has reached a turning point in its history, presenting many opportunities and challenges for the EU. In this MEDPRO Policy Paper, Rym Ayadi and Carlo Sessa explore various possible scenarios that could play out in EU-Mediterranean relations over the next two decades but find, lamentably, that the EU has set itself on a 'business as usual' course, leaving the region open to further polarization and the involvement of other external players.

Rym Ayadi is CEPS Senior Fellow and Overall Coordinator of MEDPRO and Carlo Sessa is President of ISIS (Italy).



The Euro-Mediterranean Partnership and Financial Assistance: Past Trends and Future Scenarios

Rym Ayadi and Salim Gadi

MEDPRO Policy Paper | Forthcoming

The 2011 uprisings in the Southern Mediterranean have put the region at the forefront of current policy developments, questioning the future of their domestic political systems and the future of the EU partnership with its Southern and Eastern Neighborhood. Against this backdrop, this paper analyses and assesses EU's development assistance to the region since 1995 and provides insight for the future of the Euro-Mediterranean Partnership. First, the paper reviews the policy and financing frameworks governing Euro-Mediterranean relations; second, it examines the determinants of Official Development Assistance (ODA), third, it analyses the impact of EU's ODA to the Southern Mediterranean against the objectives set in the different policy frameworks governing Euro-Mediterranean relations; and fourth, it assesses EU's response to the changes in the region and section five provides four prospective views on the future of Euro-Mediterranean relations.

Dr. Rym Ayadi is Coordinator of the MEDPRO Project and Head of the Financial Institutions and Prudential Policy unit of CEPS and Salim Gadi is MEDPRO Research Assistant at CEPS.

Scenarios and Transitions towards a Sustainable Euro-Mediterranean in 2030

Rym Ayadi and Carlo Sessa

MEDPRO Policy Paper | Forthcoming

In the aftermath of the Arab Spring events, the Mediterranean region has reached a turning point in its history, presenting as many opportunities as challenges for the EU. In this MEDPRO Policy Paper, Rym Ayadi and Carlo Sessa examine various possible scenarios that could play out in EU-Mediterranean relations over the next two decades and offer recommendations towards long-term sustainable transitions.

Rym Ayadi is CEPS Senior Fellow and Overall Coordinator of MEDPRO and Carlo Sessa is President of ISIS (Italy).

Events, Website and Newsletters

MEDPRO researchers have ensured a high level of coordination to integrate their respective results in the project's qualitative and quantitative prospective framework. Besides, the results have also been disseminated in various other forms and discussed with stakeholders.

Scientific Workshops

Scientific workshops were held periodically between 2010 and 2012 to ensure coordination between the different streams of research as well as the integration of findings into the qualitative and quantitative prospective frameworks. A total of 7 scientific workshops were held across the Euro-Mediterranean region. MEDPRO's kick-off meeting in Brussels (April 2010) gathered the project's researchers and European Commission Scientific Officer to discuss preliminary ideas in their respective areas and define a roadmap for the projects work. Later, in June 2010, MEDPRO partners specialized in demography health, ageing, inequality and migration gathered in Cairo to discuss a common approach to these closely-related fields. As the research progressed in all fields, MEDPRO partners met in Milan (November 2010), Rome (February 2011), Brussels (September 2011), Athens (May 2012) and finally in Marseilles (September 2012).

High-Level Stakeholders Meetings

As part of MEDPRO's prospective analysis framework, researchers presented their preliminary results to audiences composed of experts in MEDPRO research fields with a view to discuss the project's scenarios and policy recommendations with local authorities and representatives of civil society in the EU and the Southern Mediterranean. Three series of two-day meetings were held in Barcelona (November 2011), Tunis (November 2012) and Cairo (January 2013). MEDPRO Coordinator Dr. Rym Ayadi invited H.E. Ridha Saidi, Minister of Economic Affairs of Tunisia; H.E. Osama Kamal, Minister of Petroleum and Natural Resources of the Arab Republic of Egypt; Ambassador Gamal Bayoumi, Former Diplomat and President of the Federation of Arab Investors. The meetings were also attended by high level officials from the European External Action Service (EEAS); the United Nations Development Program (UNDP); national ministries, and public bodies.

Summer School

In July 2012, MEDPRO partnered with the Centre Ernest Lluch of the Consorci Universitat Internacional Menendez Pelayo in Barcelona to organise a two days seminar targeted at students on the future of Euro-Mediterranean relations. The summer school not only presented MEDPRO's research findings, but also gathered renowned experts in the fields of migration, environmental research, as well as Southern Mediterranean economic and political analysts with a view to disseminate firsthand knowledge on the region, its evolution and the challenges ahead.

Website and Newsletters

As a central part of MEDPRO's dissemination and communication with the wider audience, a trilingual website (www.medpro-foresight.eu) was set detailing the projects, objectives, means, partners; while notifying about publications and events. Also the MEDPRO team regularly produced a newsletter available for download on the website, informing the audience about the research results, next steps and MEDPRO activities.



Follow-up of MEDPRO: The Euro-Mediterranean Economists Association (EMEA)

A deep interest galvanized by the Arab spring and the willingness to contribute decisively to the transition process in the Southern and Eastern Mediterranean encouraged MEDPRO Coordinator Dr. Rym Ayadi and the project's Partners to found the Euro-Mediterranean Economists Association.

Mission:

The wave of recent Arab uprisings has created new uncertainties and challenges in the Mediterranean region. A profound transition process of varying magnitudes is underway. Its outcome will be determined by the interaction between a number of political, socio-economic and geopolitical factors calling both on governments and external actors to redesign and implement new and specific strategies able to cope with the new realities unfolding in the region.

Aimed at contributing to an understanding of the changing realities in the region, the Euro Mediterranean Economists Association- EMEA brings together leading economists and high-level experts to think for the future of the Euro - Mediterranean. It serves as a leading forum for debate on the political and socio-economic reforms in the south and east Mediterranean with the aim of promoting sustainability and regional economic integration. It will strive to contribute to the rethinking of the Euro-Mediterranean policies in view of the new dynamics of a multi-polar world.

Goals:

- To monitor and to contribute to the reform processes in the political, economic and social agendas
- To identify trends, signals and analyze uncertainties and prospects
- To provide recommendations on the future of regional integration and Euro Mediterranean policies
- To disseminate new political and socio-economic thinking and views through a regular flow of publications and public events
- To develop a network of excellence of economists and high level experts in the Euro-Mediterranean region

Activities:

- Develop an observatory of socio-economic reforms and prospects
- Develop a Euro Mediterranean Economic Council-EMEC

Publications:

- Edited volumes
- Policy papers
- White papers
- Commentaries
- Newsletters
- Roundtables
- Annual conference

For more information visit: www.euromed-economists.org



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About MEDPRO

MEDPRO – Mediterranean Prospects – is a consortium of 17 highly reputed institutions from throughout the Mediterranean funded under the EU’s 7th Framework Programme and coordinated by the Centre for European Policy Studies based in Brussels. At its core, MEDPRO explores the key challenges facing the countries in the Southern Mediterranean region in the coming decades. Towards this end, MEDPRO will undertake a prospective analysis, building on scenarios for regional integration and cooperation with the EU up to 2030 and on various impact assessments. A multi-disciplinary approach is taken to the research, which is organised into seven fields of study: geopolitics and governance; demography, health and ageing; management of environment and natural resources; energy and climate change mitigation; economic integration, trade, investment and sectoral analyses; financial services and capital markets; human capital, social protection, inequality and migration. By carrying out this work, MEDPRO aims to deliver a sound scientific underpinning for future policy decisions at both domestic and EU levels.

Title	MEDPRO – Prospective analysis for the Mediterranean Region
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).
Mediterranean Countries Covered	Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia and Turkey.
Coordinator	Dr. Rym Ayadi, Centre for European Policy Studies (CEPS)
Partners	17 (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 Politecnica de Madrid, UPM , Spain; Centre for European Economic Research, ZEW , Germany.
Budget and Funding	Total Budget: €3,088,573 EC-DG RESEARCH Contribution €2,647,330
Duration	1 April 2010 – 31 March 2013 (36 months)
EC Scientific Officer	Dr. Domenico Rossetti Di Valdalbero, DG RESEARCH
Website	www.medpro-foresight.eu
Contact e-mail	medpro@ceps.eu