

MEDPRO

Newsletter

Thinking Ahead for the Mediterranean



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Towards a long-term sustainable transition for the EU-Mediterranean in 2030

After three years of research, the MEDiterranean PROspects Consortium delivered its 2030 scenarios for the EU-Mediterranean region and presented policy recommendations at the project's Final Conference on February 26th at CEPS in Brussels. The Final Conference closed the series of high-level expert meetings held in Barcelona, Tunis and Cairo between November 2011 and January 2013, at which MEDPRO researchers presented their results and scenarios to an audience of EU institutions, national authorities and civil society representatives with a view to adapting the ensuing policy recommendations.

As demonstrated by the Arab Spring uprisings, and regularly underlined during stakeholder meetings, continuation of past trends is no longer a sustainable option for the region. The challenges ahead are manifold, ranging from countries' institutional structures, economies, energy and environmental systems to their education and social protection schemes.

Reforms are therefore essential to anchor the region in sustainable and inclusive patterns of development. On the institutional side, countries will have to undergo deep reforms to create institutions that can guarantee inclusiveness, transparency and respect for the rule of law and fundamental freedoms. Their economies will have to remain open to trade and foreign direct investment to ensure stable macroeconomic balances. At the same time a new development model is needed, based on inclusiveness and equality. Indeed, despite growth rates higher than world averages, the Arab Spring is a reminder that stability does not equate to sustainability when in-

creasing numbers of people are excluded from economic progress and democratic society.

The region needs a major upgrade of its education and social protection systems: as newcomers arrive on the labour market and the population ages, it is necessary to improve education systems, reform curricula, and minimise the supply-demand skills mismatch. Healthcare infrastructure reform and fostering women's participation in the labour market also need to be addressed.

Energy and environmental challenges are also pressing and manifold. Countries in the region will have to mitigate climate change impacts by developing renewable energy sources, reforming subsidies and upgrading energy infrastructure while adapting to new climatic conditions. Water use will have to be rationalised, biodiversity conserved and agricultural practices revised.

Meeting these challenges will require considerable political will and cooperation at the regional and multilateral levels with the EU and other external actors. While the region is undergoing major geopolitical shifts, the prospective analysis of MEDPRO shows that the EU and the southern Mediterranean region would reap substantial benefits from deepening their relations. A no-action policy would result in a gloomy future for the region, with potential economic losses up to 2030 of at least €5 trillion, with dire consequences for trade, investment and economic and social progress. A more sustainable political and socio-economic future will be anchored in an EU-Mediterranean partnership of equals, within a co-development strategy under which the region would benefit from long-term growth opportunities built on democratic political systems, human mobility, a common space of knowledge and education and a common strategy for energy and environment. MEDPRO scenarios and policy recommendations are summarised in the policy paper co-authored by Rym Ayadi and Carlo Sessa on Scenarios Assessment and Transitions Towards a Sustainable EU-Mediterranean in 2030, to be published on the MEDPRO website.

This last issue of the MEDPRO newsletter includes excerpts from the keynote speeches and addresses delivered during the project's Final Conference.

This newsletter is also the occasion to launch the Euro-Mediterranean Economists Association (EMEA) (www.euromed-economists.org). Founded by MEDPRO Coordinator Dr. Rym Ayadi, in collaboration with Prof. Sami Mouley (University of Tunis al Manar), Dr. Bassem Kamar (International University of Monaco) and Dr. Leonor Coutinho (Europrism Research), EMEA seeks to contribute to the transition process in the region by monitoring political and socio-economic developments and disseminating knowledge on the region through regular meetings and publications.





Opening Speech

Dr. Marcus Cornaro, Deputy Director-General, DG Development and Cooperation (DEVCO)

Ladies and Gentlemen,
dear Colleagues,



“On behalf of Commissioner Stefan Füle, who could not be here with you today, I would like to express my gratitude for the opportunity to open the MEDPRO conference. I’m looking forward to hearing more about MEDPRO scenarios for 2030 for the Mediterranean and I am also curious to hear about the policy implications you are predicating, and about your recommendations to us as EU policy-makers for this region. More than two years have passed since the dawn of the ‘Arab Spring’, starting with the popular uprisings in Tunisia and Egypt.

In this context of transition, MEDPRO selected research areas are of crucial importance for the whole southern Neighbourhood region, and expectations towards the newly emerged leaderships to deliver in precisely these areas are very high.

The situation in practically the whole of the Arab world remains highly fluid yet important differences have emerged among and between the countries and the regions. While overall significant progress has been made in promoting democratic reforms, many obstacles still need to be overcome in order for these transitions to be successfully consolidated.

Implementing political, economic and social reforms is a long-term challenge, efforts need to be sustained and results can only be assessed in the long term. Our partners that have gone through intense social and political upheaval (Tunisia, Egypt) are young democracies in need of time to set up new governance structures and formulate clear priorities.

EU support to stimulate sustainable economic growth is therefore crucial to the promotion of democratic institutions, provided that the countries of the region contribute to the promotion of a friendly environment for investment, jobs and growth. Let me underline that economics has a deep connection with politics. An economic collapse would imply a political failure of the transitions. Therefore, EU support is more urgent than ever to help transitions move in the right direction.

The emerging leaderships are aware their major challenge is to deliver growth and jobs. There is no quick fix. They will have to manage high popular expectations while devising sustainable development solutions that combine more inclusive development with improving attractiveness for foreign investors.

To illustrate, over 18 million jobs will be needed to absorb unemployed and new entrants to the job market in Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia alone in the next decade. Also, North Africa has one of the highest (exceeding 25%) youth unemployment rates in the world.

But also inequality – another one of your research topics – raises significant concern, as it retards development and creates socio-political instability. Apart from income inequality, there is also concern about territorial disparities and other dimensions of inequality, including those in education, gender and health.”

For more details on the EU response to the Arab Spring see the MEDPRO Final Conference report: <http://www.medpro-foresight.eu/content/medpro-final-conference-brussels>

The EU response to the Arab Spring: A Summary

The Arab Spring prompted a review of EU policies towards the region highlighted in the two Communications “A Partnership for Democracy and Shared Prosperity” and “A New Partnership for a New Neighbourhood”. The EU has increased its financial support to the region by €700 million and has adopted a reinforced recourse to conditionality through the “more for more” principle, meaning that countries implementing more reforms will receive more funding and vice versa, besides setting the Support for Partnership Reform and Inclusive Growth (SPRING) Programme and providing €390 million in additional funding for the region. The EU’s new approach to the southern Neighbourhood revolves around six axes:

1. Civil society: Increased support for the Anna Lindh Foundation, creation of the Civil Society Facility (CSF) and the European Endowment for Democracy (EED) for grassroots organisations.
2. Education, human capital and employment: Support for youth employment programmes and SME development, increase in Erasmus Mundi grants, preparation for a regional programme facilitating B2B exchanges in the southern Mediterranean.
3. Energy-climate change: Backing of the Mediterranean Solar Plan, in collaboration with the UfM; support for Horizon 2020 initiative and support for draft Water Strategy for the Mediterranean.
4. Inclusive economic development and access to finance: €1.7 billion increase in EIB’s lending mandate, extension to the southern Neighbourhood of EBRD’s operating mandate, reorientation of activities towards micro small and medium sized enterprises (MSME) development, €30 million contribution to regional fund for MSME development (SANAD), €1.5 million grant to OECD to support the Investment Security Support Programme in the Mediterranean; work in progress with EIB and other financial institutions on setting a MSME guarantee fund.
5. Market access: Support for the conclusion of Deep and Comprehensive Free Trade Agreements (DCFTAs) with Egypt, Jordan, Morocco and Tunisia; support for mutually beneficial trade concessions.
6. Mobility: Launch of Dialogues on Migration, Mobility and Security with Morocco, Jordan and Tunisia.

H.E. Sergio Piazzi, Secretary General, Parliamentary Assembly of the Mediterranean (PAM)



Mr. President, Distinguished guests, Ladies and Gentlemen,

It is a pleasure and an honour for me to address this important event, and I would like to thank the organisers for the kind invitation. This conference represents an excellent opportunity to raise awareness about the challenges ahead of us, and identify measures on how to work, all together, to face the situation and prepare for the future.

The programme of the Conference is impressive. I am sure that, with such high level speakers, the outcome of the event will be rich in substance and will provide us all with concrete elements to build realistic scenarios.

On my side, I will brief the Bureau and the relevant Committees of our Assembly. I will also ensure an appropriate follow up. PAM is fully aware that the current situation is extremely delicate, and our MPs are committed to contribute to the efforts of the international community. I sincerely believe that cooperation between our two institutions is key to achieve concrete results needed to shape policies and practices.

For more details and full speeches, see the MEDPRO Final Conference page: <http://www.medpro-foresight.eu/content/medpro-final-conference-brussels>

The Parliamentary Assembly of the Mediterranean (PAM)

The Parliamentary Assembly of the Mediterranean (PAM) is the forum where parliaments of the region come together to achieve the common objectives of creating the best political, social, economic and cultural environment for the citizens of the member states. PAM is a regional interstate organisation, an Observer at the General Assembly of the United Nations with specific international juridical status. It was founded in 2005 in Amman (Jordan) and designed to act as the dedicated instrument of parliamentary diplomacy in the Mediterranean region. The Assembly gathers Members of Parliament of 29 countries and plays a fundamental role as complement to the work of other regional and international bodies entrusted with the responsibility of fostering security, stability and peace in the Mediterranean. The Assembly houses three Standing Committees on Political and Security Cooperation; Economic, Social and Environmental Cooperation; and Dialogue among Civilisations

and Human Rights in addition to ad hoc committees and special task forces. Over a short period, PAM has established itself as the main actor in parliamentary diplomacy in the region, and its commitment to the founding principles and its Charter is guaranteed by the continued support of all its member parliaments. Through PAM, political dialogue and understanding between the member states and their citizens is strengthened by fostering mutual confidence among Mediterranean states; promoting peace and, presenting opinions and recommendations to national parliaments and governments, regional organisations and international fora.

Dr. Fathallah Sijilmassi, Secretary General, Union for the Mediterranean (UfM)



“Given the current geopolitical context in the region and beyond, the Union for the Mediterranean (UfM) is of great importance; and it is important to note that despite the comments that can be made, Euro-Mediterranean Affairs were given priority well before the institution’s creation in 2008.

Almost five years after its creation, where does the UfM stand today?

After several years of institutional work, the operational structure of the institution, the Secretariat General, was finally set in Barcelona in 2010. Its mandate is based on four pillars: regional cooperation, a project- focused approach, close cooperation with the EU and international donors and civil society.

It is important to add that, despite the current economic and financial turmoil, the UfM does not lack resources: in fact, there are more resources than projects to finance. A non-negligible share of these resources comes from Gulf Cooperation Council (GCC) countries and, given their cultural, historical, and economic ties to the Arab world, they should have a presence in the UfM’s institutional setting.

While the UfM cannot solve the region’s woes, through its coordinating role it can nevertheless make a decisive contribution to the future sustainability of the region. In current times, such a role is essential, because people in the region are expecting something from the bureaucrats that we are.”

For more details and full speeches, see the MEDPRO Final Conference page: <http://www.medpro-foresight.eu/content/medpro-final-conference-brussels>

Europe and the Arab Revolu- tions: The Quest for a New EU-Mediterranean Paradigm

Senén Florensa President European Institute of the Mediterranean (IEMed, Barcelona)



The EU-Arab and EU-Mediterranean dimension of the Neighbourhood Policy towards the South should be singled out for specific attention, so as to allow the Mediterranean Partner Countries (MPCs) to be effectively integrated into the large area of economic, social and political progress that the European Union has brought throughout the different stages of its development.

The prosperity and progress that have encompassed Central and Eastern Europe in the last 20 years must likewise spread to the new democratic countries of the Arab world. For Eastern Europe this transformation took ten years of turmoil and recession since 1989, and then ten years of growth. We have to be prepared for a similar cycle from 2010 to 2020 in the Arab world. This would mean ten years of skinny cows (of which we are about to begin the third year), before the fat cows come.

This singling out of EU-Mediterranean policy was initiated with the creation of the Union for the Mediterranean (UfM) as the expression of the partnership between Europe and the MPCs from the Arab world and Israel. Until the new democratic governments of the Arab world can be consolidated and the new opportunities for peace in the Middle East become clear, it will be difficult to build and promote the UfM’s political institutional structure beyond the ministerial meetings. The summits will continue to be problematic, but both the Foreign Affairs and sectoral ministerial meetings should be held regularly, in order for the projects and a greater agreement to prosper.”

For more details and full speeches, see the MEDPRO Final Conference page: <http://www.medpro-foresight.eu/content/medpro-final-conference-brussels>

Towards closer EU-Arab regional cooperation

Alar Olljum, Advisor, European
External Action Service (EEAS)



“One important lesson from the challenges in the region is this: many challenges are regional in nature and require regional approaches and solutions. Our bilateral policy framework and instruments need to be complemented by cooperation with regional organisations. One such organisation is the League of Arab States (LAS). Our cooperation with the Arab League was expanded following the Libya crisis, where the League played a crucial role. The Arab League is also deeply engaged in finding a solution to the Syria crisis. The EU has provided technical support to the Arab League, strengthening its capacity to handle crisis management, for example by establishing a Crisis Room in the Arab League headquarters in Cairo.

Last fall, the cooperation between the EU and the LAS took a significant leap forward. The foreign ministers of the EU and LAS Member States met in Cairo for an intense and productive political dialogue on issues like the Middle East and Syria, and other important topics related to developments in the region. They agreed a joint declaration with a number of important statements on these and other issues. Moreover, they endorsed a work programme for the next couple of years of concrete technical cooperation between the EU and the LAS in the fields of energy, culture, the empowerment of women, civil society, legal affairs, humanitarian assistance, crisis management and electoral processes.

Not many believe that the transition to democracy, stability and prosperity will be an easy, straightforward journey. We must be prepared for setbacks, some of which may be more serious than others. This is why the EU is committed to stay the course and be a partner of the Arab world in the longer term.

While we certainly are not the only partner, the EU sees its added value in supporting the aspirations of the Arab people both for freedom and dignity and for economic prosperity.”

For more details and full speeches, see the MEDPRO Final Conference page: <http://www.medpro-foresight.eu/content/medpro-final-conference-brussels>

Dr Anneli Pauli, Deputy Director-
General for Innovation and European
Research Area European Commis-
sion, DG Research and Innovation



“Ladies and gentlemen, the Mediterranean is one of the world regions most likely to suffer from water stress and desertification. It is very prone to climate change impacts. It is among the most sensitive areas in terms of population migrations; it is also a territory where the world’s three monotheist religions meet and to which the origins of our civilisation can be traced. It is a very diverse and “fertile” area, with a lot of untapped potential.

We have seen today the divergences but also the convergences, interactions and common interests that will form the basis of an ever closer Euro-Mediterranean cooperation by 2030. Both the EU member states and the southern Mediterranean countries should be outward-looking and forward-looking. We should not be inward-looking and backward-looking. 2030 is almost tomorrow. We have to face many common challenges together, urgently starting with economic growth and job creation. It goes without saying that these require a strong impetus from education, research and innovation. Following the European Council Decision on 9 February, the Multi-Annual Financial Framework 2014-2020 is now on track. This is good news for Europe but also for our Mediterranean partners and for our researchers on all sides of the Mediterranean Sea.”

For more details and full speeches, see the MEDPRO Final Conference page: <http://www.medpro-foresight.eu/content/medpro-final-conference-brussels>



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

A deep interest, spurred by the Arab Spring and the willingness to contribute decisively to the transition process in the southern and eastern Mediterranean, encouraged MEDPRO Coordinator and the project's partners to establish the Euro-Mediterranean Economists Association.

Mission:

The Arab uprisings have created new uncertainties and challenges in the Mediterranean region. A profound transition process of varying magnitudes is underway, whose 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 rethink and implement specific strategies to cope with the new realities unfolding in the region.

Aimed at contributing to an understanding of these new realities, 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 region with the aim of promoting sustainability and regional economic integration. It will strive to contribute to the rethinking of Euro-Mediterranean policies in a multi-polar world.

Goals:

- To monitor and to contribute to the reform processes in political, economic and social domains
- To identify trends, signals and analyse 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

MEDPRO in the news

On the occasion of the Final Conference, MEDPRO featured in several news stories in EU-Mediterranean media. ANSAMED published several articles on the proceeds of the Conference on EU's new approach to the Southern Neighbourhood, the Union for the Mediterranean and the role of Gulf Cooperation Council (GCC) countries, the Parliamentary Assembly of the Mediterranean (PAM) as well as the region's role in renewable energy production and the financial implications of MEDPRO scenarios. MEDPRO Coordinator Dr. Rym Ayadi gave an interview to Econostrum on the MEDPRO scenarios. She recalled that the research showed that the EU and the southern Mediterranean would both benefit from enhanced and deeper cooperation that southern and eastern Mediterranean countries (SEMCS) should move forward with economic, social and institutional reforms.

MEDPRO Publications

Ayadi, Rym, *"Financial Sector Development and Integration in the Southern and Eastern Mediterranean: Towards a long-term sustainable transition"*, Policy Brief, Financial services and capital markets.

Ayadi, Rym and Salim Gadi, *"The Euro-Mediterranean Partnership and Development Assistance: Past Trends and Future Scenarios"*, Technical Report, Scenarios for regional integration and cooperation with the EU.

Ayadi, Rym and Alia el Mahdi, *"Human Capital, Inequality and Migration in Southern and Eastern Mediterranean Countries: Towards a coherent policy agenda"*, Policy Brief, Human capital, social protection, inequality and migration.

Bosello, Francesco, Nicola Lamaddalena, Daniel Osberghaus and Consuelo Varela Ortega, *"Perspectives in Resource Management and Climate Change Adaptation in the Southern and Eastern Mediterranean"*, Policy Brief, Management of environment and natural resources.

Ayadi, Rym, Emrah Arbak, Sami Ben-Naceur and Willem Pieter De Groen, *"Benchmarking the Financial Sector in the Southern and Eastern Mediterranean Countries and Projecting 2030 Financial Sector Scenarios"*, Technical Report, Financial services and capital markets.

Varela-Ortega, Consuelo, Paloma Esteve, Irene Blanco, Gema Carmona, Jorge Ruiz and Tamara Rabah, *"Assessment of Socio-Economic and Climate Change Effects on Water Resources and Agriculture in Southern and Eastern Mediterranean countries"*, Technical Report, Management of environment and natural resources.

Casu, Barbara and Alessandra Ferrari, *"Dynamics of Bank Efficiency in the EU and Southern Mediterranean: Is there a Convergence?"*, Technical Report, Financial services and capital markets.

Groenewold, George and Joop de Beer, *"Population Scenarios and Policy Implications for Southern Mediterranean Countries, 2010-2050"*, Policy Brief, Demography, health and ageing.

Ayadi, Rym, Emrah Arbak and Willem Pieter De Groen, *"Convergence and Integration of Banking Sector Regulations in the Euro-Mediterranean area"*, Technical Report, Financial services and capital markets.

Ayadi, Rym, Sami Ben-Naceur, Willem Pieter De Groen and Emrah Arbak, *"Financial Development, Bank Efficiency and Economic Growth across the Mediterranean"*, Technical Report, Financial services and capital markets.

Belghazi, Saad, *"Scenarios for the Agricultural Sector in the Southern and Eastern Mediterranean"*, Report, Economic integration, trade, investment and sectoral analyses.

Ayadi, Rym, Emrah Arbak, Sami Ben Naceur and Willem Pieter De Groen, *"Determinants of Financial Development across the Mediterranean"*, Technical Report, Financial services and capital markets.

Dabrowski, Marek and Luc De Wulf, *"Economic Development, Trade and Investment in Southern and Eastern Mediterranean Countries: An Agenda towards a Sustainable Transition"*, Policy Brief, Economic integration, trade, investment and sectoral analyses.

Carruthers, Robin, *"What prospects for transport infrastructure and impacts on growth in southern and eastern Mediterranean countries?"*, Report, Economic integration, trade, investment and sectoral analyses.

Hafner, Manfred and Simone Tagliapietra, *"A New Euro-Mediterranean Energy Roadmap for a Sustainable Energy Transition in the Region"*, Policy Brief, Energy and climate change mitigation.

Osberghaus, Daniel and Claudio Baccianti, *"Adaptation to Climate Change in the Southern Mediterranean: A Theoretical Framework, a Foresight Analysis and Three Case Studies"*, Technical Report, Management of environment and natural resources.

Bergasse, Emanuel, Wojciech Paczynski, Marek Dabrowski and Luc Dewulf, *"The Relationship between Energy and Socio-Economic Development in the Southern and Eastern Mediterranean"*, Technical Report, Energy and climate change mitigation.

Bosello, Francesco and Fabio Eboli, *"Economic Impacts of Climate Change in the Southern Mediterranean"*, Technical Report, Management of environment and natural resources.

Onofri, Laura, Paulo A.L.D. Nunes and Francesco Bosello, *"Economic and climate change pressures on biodiversity in southern Mediterranean coastal areas"*, Technical Report, Management of environment and natural resources.