



Forum Euro-Méditerranéen des Instituts de Sciences Economiques

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FEMISE ANNUAL CONFERENCE 2019

SUSTAINABLE DEVELOPMENT: DRAWING AN IMPACTFUL EU-MED ROADMAP¹

Brussels, 13-14 June 2019

Marivaux Hotel Congress & Seminar Centre

Concept Note

I. Context

"The Sustainable Development Goals are a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet", UN SDGs.

Despite their differences, world's regions are affected by a combination of challenges (some of which can be called 'crisis') that are slowing down their Sustainable Development in different ways. These include socio-economic instabilities, climate change, soil erosion, water scarcity, increased forced migration, inequalities, lack of governance reforms and an overall lack of inclusiveness, which pose concrete threats for future generations.

In response, all 193 UN member States agreed to implement the UN's Agenda 2030 and to adopt the seventeen Sustainable Development Goals (SDGs) as guiding principles for their policies and to imbed them in their national planning. The SDGs promise that "**No one will be left behind**" through the adoption of the UN's Agenda 2030, is a universal policy treaty that member States are committed to adopt in order to solve these global crises.

The Southern Mediterranean Countries (SMCs) are no exception, and achieving the SDGs is a timely and indispensable initiative for this region that is at a crossroads in achieving its transition and where economic and social stabilities are prerequisite for its development. The SDGs constitute an ambitious plan of inclusiveness that involves all stakeholders (international organisations, States, civil society, NGOs etc.). As the SMCs have committed to these SDGs, several priorities for the region have emerged, among which: ensure the availability of energy, ensure food security and water resources, mitigate the impact of climate change, combat desertification and promote shared water management, achieve gender equality and empower women.

Consequently and according to the SDGs monitoring tools, some initiatives and projects have been



¹ This conference is organised with financial support from the European Union through the FEMISE project on "**Support to Economic Research, studies and dialogues of the Euro-Mediterranean Partnership**", Views expressed are those of the authors and speakers and do not reflect the position of the European Union.

implemented in the region that go from granting access to clean water for all, to reducing carbon emissions, to establishing green economy projects, to improving quality of education, to providing decent jobs for youth and women, to providing training for trade (UNCTAD), etc.

According to the Sustainable Development Solutions Network (SDSN) in their "*SDGs Index and Dashboard Report of 2018*"² most of the SMCs are ranked between 68 (Algeria) and 97 (Egypt) over 156 countries³. While all SMCs have achieved good progress in reducing poverty, the remaining goals need to be addressed, among them 5 goals which are most alarming and require quick actions: food security, health issues, gender equality, sustainable economic growth and decent work and sustainability of marine resources.

The progress is slow and is often faced with challenges at the institutional, economic and social levels. While most of the solutions need to come from within, there are many opportunities that could be found in collaborations and partnerships. The international community is providing support for the region to achieve these goals. The EU Neighbourhood partnership for example through the External Investment Plan (EIP) aimed at providing support to boost investment and contribute to achieve the SDGs.

It is within this framework that the theme of the FEMISE Annual Conference of 2019 is setup on:

“Sustainable Development: Drawing an Impactful EU-Med Roadmap”

The objectives of this conference are threefold:

- (1) First to take stock of what the South-Med region has achieved in the past few years in terms of development;
- (2) Second to highlight some of the main challenges they are still facing; and
- (3) Third to propose a road-map on how to move forward towards achieving sustainable development.

The conference plenary sessions will address the FEMISE four main thematic pillars and will link them to the SGDs, taking into account their interlinkages, offering a platform for dialogue between the different stakeholders from the European Commission, international and regional experts, policy makers, researchers, members of the civil society and relevant NGOs from both shores of the Mediterranean.

II. Plenary Sessions

Plenary I. EU-Med Neighbourhood and Trade Integration

Trade is a main catalyst of economic growth that enhances the efficient use of resources through specialization (composition effect) and has a positive spillover effect on social issues such as job creation and reduction of poverty (Rose 2018; Dollar 1992; Sachs and Warner 1995). At the same time, despite the still on-going debates about the relation between trade and environment, it is clear that, if used correctly, trade can enhance the absorption of new and cleaner technologies (technological effect) and has proven in some cases to be a resilience tool to some environmental shocks (Reilly & Hohmann 1993).

² Sachs, Jeffrey et al. (2018), Global Responsibilities. Implementing the Goals - SDG Index and Dashboard Report 2018, New York, Bertelsmann Stiftung and Sustainable Development Solutions Network (SDSN), <http://www.sdgindex.org/reports/2018>

³ The SDG index measures the country's position between the worst (0) and the best or the target (100) compared to a baseline

Although reforms were undertaken during the last decade, the SMCs still face challenges achieving global and regional integration. In 2017, the region's trade represented less than 5% of global imports and exports and was still dominated by raw materials. Intra-regional exports account for less than 8% of total exports. The region is still suffering from the aftermath of the 2008 crisis in terms of FDI inflows, while trade barriers are weakening trade integration, and adding constraints to achieving the related SDGs.

The renewed framework, the European Neighbourhood Instrument (ENI), is designed to be a more effective and flexible instrument that is better tuned to the needs of the neighbours. It would be interesting to reflect on how this new framework could also contribute to achieving SDGs in the region.

Some of the questions that could arise would be: What were the real effects of the Association Agreements on partners' countries? Some countries are looking into a Deep Comprehensive and Free Trade Agreement (DCFTA)? Are these countries ready yet and what implications for SDG's? Why has the South-South integration remained weak despite efforts to boost the partnerships? Relations with Africa are offering a wide range of opportunities for both the South Med and the EU, how can this better explored and aligned with SDG's?

Plenary 2: Private Sector and Innovation Contributing to Growth and Job Creation

The socio-economic instabilities that resulted in the wave of protests in 2011 have highlighted the vulnerabilities of South-Med economies and the fact that the growth rates of previous years are not a reflection of a real development. Moreover, despite progress in structural transformation and in diversifying their economies, many SMCs are still relying on the production of their basic sectors, raw materials, agriculture, etc. Initiatives to enter value chains and increase innovative and high tech exports will mark progress for these economies.

The private sector participation has been on the slow affected by instabilities: lack of political stability, corruption, unreliable infrastructure and inadequate access to finance were among the common challenges according to the latest enterprise survey by the World Bank. The overall environment is not conducive enough to create the needed jobs so unemployment in the region has reached some of its highest levels, with more than 30% youth unemployment and more than 18% female unemployment (ILO Stats, 2018). Other than its role in 'dynamising' and modernizing the economy, the private sector can have a role in boosting and funding the SDGs, creating a balance and partnerships with the public sector.

Introducing innovative approaches to find solutions to stagnant economies can present a way out of the vicious circle. Despite their existence in many SMCs, the National Innovation Systems (NIS) in the region are still in their early stages. As an overall, the performance of innovation is still below its potentials. High tech-exports represent less than 4.5% of total manufactured exports (compared to 11% in Latin America) and the ranking of these countries are still low in the Global Innovation index.

Again, some reforms have been implemented by several SMCs (see World Bank report Doing Business 2018), using creative approaches such as "new ventures employing disruptive technologies in renewable energy, public transportation, and mobile health", but more is still needed to combat corruption and creating enabling policies to support growth, competitiveness and productivity. Sustainability is good for business and encourages new areas for investment such as renewable energy and sustainable cities. Last but not least, to unlock opportunities, business must bridge the investment gap needed to achieve the Global Goals by 2030.

Some of the questions that could arise in this context are: What are the priorities of stabilising these economies? What specific issues to tackle to encourage more participation of the private sector and encourage SMEs to be more innovative (and hence more productive)? What incentives to move from informal to formal markets? How to encourage innovation and establish efficient innovation ecosystems in line with SDG's?

Plenary 3: Climate Change, Water and Sustainable Development Linkages

The South Med region is very vulnerable to climatic hazards. Declining soil productivity has affected the agricultural sector, leading to growing food insecurity and high dependence on world prices, which constitutes an additional burden, as these countries rely heavily on imports to feed their populations. Furthermore, there is an increased concentration of populations and industries along coastal areas that are particularly vulnerable to climate change. It is therefore imperative that the countries develop their adaptation and environmental resilience to threats and start developing contingency plans for potentially displaced populations.

The issue of water resources remains (and will be) paramount for the SMCs. The southern shore of the Mediterranean is one of the regions' most affected by the water deficit, which exceeds 80% in the majority of South-Med countries. Renewable drinking water resources per capita in the South Med countries decreased by almost 30% between 1997 and 2014. In addition, the agricultural sector uses most of the water resources, while the Southern and Eastern Mediterranean countries are among the most affected by water stress. Desertification is accelerating, as is soil salinization, impacting agricultural production.

Some of the questions that could arise: Where are we on the assessment of the economic and social effects of climate change to be expected in the Mediterranean countries? Can we take stock of the main measures put in place to deal with climate change and evaluate their effectiveness? How have countries, territories and sectors adapted to address the scarcity of water? What would be the gains of a Mediterranean energy policy? How can Med cities become more sustainable? How can environmental policies be compatible with macroeconomic policies of oil-exporting countries? What is the most efficient approach to align the national priorities with the SDGs and the Paris Declaration?

Plenary 4: Inclusiveness: Inequalities, Youth, Social Entrepreneurships and Refugees.

The South-Med region has made some progress in terms of addressing the social needs of its people: life expectancy has increased, infant mortality decreased, the number of educated people and health coverage have progressed. However, progress has not been fast enough in many areas and the region is still suffering from severe inequalities of all kinds (with regards gender, age, territorial, etc.). The unemployment rate for women is systematically higher than that for men with a regional average of 17% and 11% respectively. Women remain relatively more vulnerable to poverty (especially in rural areas), and do not have the same opportunities as men. Only 24% of women of working age participate in the labour market. A recent FEMISE study showed that the wage gap between men and women has increased to more than 27% for the same job (40% in some high level jobs).

Young people are also a particularly vulnerable population in all South-Med countries. The unemployment rate for 15-24 year olds is 27% on average in South-Med countries (compared with 14% for middle-income countries), with graduates of higher education affected the most (31% in Egypt, 42% in Tunisia and 48% in Palestine). The skills-employment mismatch limits the creation of sustainable jobs and instead promotes more vulnerable informal employment. The educated

youth is a huge untapped resource that, with the right environment, can achieve a lot of benefits from these “reserves of entrepreneurial energy” generating social, economic and environmental innovations.

Moreover, despite progress achieved on reducing poverty, according to the Multidimensional Poverty Index, a significant proportion of the population is still vulnerable to poverty specially in rural areas.

Such lack of inclusiveness has pushed millions from the Region to migrate to find better opportunities elsewhere. Also, the conflicts inside and outside the region have led millions to cross borders to find shelter in neighbouring countries, adding more pressure on already struggling economies (e.g. Jordan and Lebanon). In 2015, the foreign population (migrants and refugees) represented 40.9% of the total population in Jordan and 34.1% of the total population in Lebanon.

Last but not least, the lack of general trust towards institutions appears to be also a topic not to be neglected. The desire to achieve more democratic and transparent systems was at the heart of the demands of the Arab Spring. The Arab barometer surveys show a general lack of public trust in institutions and that people see corruption as a growing phenomenon.

All in all, this translates into the fact that the South Med Region has a lot to do to ensure the inclusiveness of all members of its society. Promoting a culture of diversity and inclusiveness is an important challenge but will have a measurable impact on the whole economy. This includes integrating youth, women and refugees into the economy in a way that would reflect their potentials and expertise and to grasp their best possible contributions and impact.

Social entrepreneurship (SE) can also offer a solution to such complex social inequalities and economic instabilities. Blending a lucrative business together with social impact is possible and, provided current obstacles are overcome, SE seems to be a great opportunity that is particularly attractive for the youth. Meanwhile, government policy and regulation have an important role to play. Legislative frameworks should be up-to-date and fit for purpose, and should include adequate labour and family laws as well as efforts to improve access to finance for all members of the population.

Some of the questions that could arise: What are the measures put in place to increase women participation and empowerment in the South Med countries? What is the economic cost of inadequate training of labour supply? What educational policy to put in place? Can social entrepreneurship be a tool to meet the goals of inclusive growth? What experiences, success stories, failures, limits, blocking points for its development ? How to reduce youth unemployment ? How is migration affecting the region ? What is the impact of refugees on host economies ? what priorities of institutional reforms to achieve progress in relevant SDGs?

III. Structure of the Conference

The conference will consist of three main parts:

- (1) Four Plenary sessions
- (2) Three Thematic Sessions that include the presentation of the preliminary outputs of on-going research projects funded by FEMISE (through the European Commission)
- (3) The General Assembly for Members of the Association