

# Using Evidence to Bridge the Untenable Gaps

Dossier

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**Mats Karlsson\***

Director,  
Marseille Center for Mediterranean Integration

Untenable gaps haunt the Mediterranean. Nowhere else in the world is the interdependence between what used to be called 'developing' and 'developed' nations so present and proximate. In this birthplace of high civilization, this challenge has been apparent for generations. For an earlier generation the context would likely have been last century's rebirth of Arab sovereignty, while for today's generation it is surely regional integration as much as national development. The two, regional and national, are now inextricably interlinked. Bridging the economic and social gaps is a challenge to be met on all shores of the Mediterranean in ways still to be invented. Future security, stability and prosperity surely depends on better jobs being generated for the more than 100 million young people who will join the labour force by 2030, four out of five on the southern and eastern shores.<sup>1</sup> Can these gaps be bridged?

Interdependence is there to be managed. Well-handled integration will reinforce national and even local independence, because without joint approaches to policy choice, capacities to face economic realities will be insufficient – with broad impact everywhere, but obviously most strongly so on the southern and eastern sides of this great Mediterranean region. A young generation will not accept anything but larger freedom. And the ultimate means of empowerment for both women and men, indeed

for families and communities, is for young people to find decent jobs.

Arab countries of the Mediterranean command access to knowledge and finance, thanks to their human and financial resources and years of focused reform in many places. However, challenges are growing in complexity on all shores, including the northern one. While some reform is the substance of relatively straightforward choice and persistent work, it must be accepted that integration, demographics, climate change and 21st century social, environmental and economic evolutions present us with challenges to which new answers must be sought, answers that must have a truly regional dimension. Such responses lie both in concerted national policy implementation and in direct multilateral cooperation. For them to be sustainable, their very generation needs to be a common effort. That is why choosing priority questions jointly, seeking answers in common efforts and creating practical institutional arrangements for implementation is a different approach, a truly transformational one.

In its modest way, the multi-partner technical cooperation of the new Center for Mediterranean Integration, based in Marseille, seeks to do exactly that – integration for transformation. This collaboration between Egypt, Jordan, Lebanon, Morocco and Tunisia, and the World Bank and the European Investment Bank, together with France and the City of Marseille, with many other associated partners, has as an objective to contribute to evidence-based public policy choice in the interest of sustainable development and integration in the Mediterranean region.

\* Mr. Karlsson began his career in development in 1983 when he joined the Swedish International Development Agency (SIDA). From 1994 to 1999, he was Swedish State Secretary for International Development Cooperation. He then joined the World Bank as Vice President of External Affairs and United Nations Affairs. In 2002, he served as World Bank Country Director in West Africa based in Accra and then as Country Director for the Maghreb in 2007. Since April 2010, he operates as Director of the CMI based in Marseille. Born in 1956 in Solna, Sweden, Mats Karlsson studied economics and philosophy at the University of Stockholm.

<sup>1</sup> BLANC Frédéric, FEMISE, *Employment Perspectives in the Mediterranean Area*, to be published in 2011, Consortium Med 2030.

## The Gaps

The primary regional challenge for the Mediterranean region is employment generation. No other single piece of national economic statistic is as important as the rate of employment, anywhere. In the Arab Mediterranean countries,<sup>2</sup> levels of employment are among the lowest in the world, with only one in four out of their 180 million inhabitants having a job, creating a 3:1 dependency.<sup>3</sup> Women's participation rate is likewise among the lowest in the world. Only one out of four participate in the labour market, and among those who do, 20% are unemployed.

Adding to the challenge are the estimated 1.8 million people who join the job market each year in these countries, at an annual growth average of 2.7%, while only 1.2 million jobs are created.<sup>4</sup> Across the region, informal employment already accounts for around half of employment in the non-agricultural sectors, placing an even higher burden on efforts to generate new and better jobs. By contrast, the labour force in Europe is expected to stagnate, if not decrease, with exacerbated dependency ratios.

The so-called youth bulge represents yet another formidable challenge for the region. Four out of every 10 among the region's 180 million people are between the ages of 15 and 34. Of these, 15% of men and 47% of women, equal to some 20 million people are neither in the educational system nor in the job market.<sup>5</sup> This means that some 80% of the unemployed are in this age category, making the overall employment challenge largely one for youth, with a very strong gender dimension. The opportunity cost to current and future GDP is of course very significant, and the human and social costs larger still. It must be recognized that, while extraordinarily challenging, this youth bulge is also an opportunity. If the work aspirations and creative strengths

of the youth can be freed, the potential for economic growth, social cohesion and human fulfilment can not be over-estimated.

However, a 2009 study by the World Bank on job markets and mobility showed that the education levels of the burgeoning labour force in Arab Mediterranean countries were not suited to meet the growing labour demand, especially for workers with medium-level skills. This skills mismatch not only affects local labour markets, but also the demand for labour coming from Europe, which will increase over the next fifty years as its population ages.<sup>6</sup> Literacy still remains a major issue in some areas, particularly for women. However, following notable investments and improvements in the quantitative coverage of education systems across the region in recent decades, improving the quality of education and skills training for today's job market remains a key challenge.

## If the work aspirations and creative strengths of the youth can be freed, the potential for economic growth, social cohesion and human fulfilment can not be over-estimated

While indicators vary on how knowledge intensive these economies are, it is clear that the gap is huge. In 2008, per capita ICT expenditures in Europe were \$2185, more than ten times their equivalent in the Middle East and North Africa (MENA), \$178.<sup>7</sup> In 2007, MENA countries employed 683 researchers per million people while in Western Europe, this number was closer to 4000 per million.<sup>8</sup> According to a recent study by the World Bank, only 4% of Arab manufactured exports are technology-intensive.<sup>9</sup>

<sup>2</sup> Morocco, Algeria, Tunisia, Egypt, Palestine, Jordan, Lebanon and Syria. Libya not included for lack of comparable statistics.

<sup>3</sup> EUROPEAN COMMISSION, *Occasional Papers* No. 60, Volume 1 Final Report & Thematic Background Papers, April 2010. p. 13.

<sup>4</sup> AITA, Samir. *Employment and Labor Law in the Arab Mediterranean Countries and the Euro-Mediterranean Partnership. Comparative Study: Morocco, Algeria, Tunisia, Egypt, Jordan, Palestine, Lebanon, Syria*. Madrid: Spanish Agency for International Cooperation, 2008. p. 11 available at [www.pazysolidaridad.ccoo.es/ficheros/documentos/Empleo%20y%20Derecho..%28Versi%F3n%20inglesa%29.pdf](http://www.pazysolidaridad.ccoo.es/ficheros/documentos/Empleo%20y%20Derecho..%28Versi%F3n%20inglesa%29.pdf).

<sup>5</sup> MARTÍN, Iván "Youth Employment in Arab Mediterranean Countries: The Key to the Future," in *Med.2009 Mediterranean Yearbook*. Barcelona: IEMed and CIDOB Foundation, 2009.

<sup>6</sup> WORLD BANK, "The Road Not Traveled: Education Reform in the Middle East and North Africa", in *MENA Development Report*, Washington, DC: The World Bank, 2008. Available at: [http://siteresources.worldbank.org/INTMENA/Resources/EDU\\_Flagship\\_Full\\_ENG.pdf](http://siteresources.worldbank.org/INTMENA/Resources/EDU_Flagship_Full_ENG.pdf)

<sup>7</sup> See World Development Indicators, available at <http://data.worldbank.org/>

<sup>8</sup> United Nations Educational, Scientific and Cultural Organization (UNESCO).

<sup>9</sup> WORLD BANK, *From Privilege to Competition*, Washington, DC: The World Bank, November 2009. p. 61.

These gaps in education quality and the dynamics of knowledge generation clearly represent what are significant binding constraints to economic growth and employment generation. The region, however, faces yet another formidable challenge more severe than in many other regions of the world – water. Furthermore, sustainable management of this key resource will be frustrated by climate change, which is expected to have a greater impact on the Mediterranean region than on almost any other place in the world.

## Choices made in urban development will have a huge impact on national development, job creation and the management of environmental challenges

Water scarcity is already of grave concern in many countries. Per capita water availability in the MENA region is predicted to halve by 2050 even without the effects of climate change. The region has few attractive options for increasing water storage, since close to 90% of its freshwater resources are already stored in reservoirs.<sup>10</sup> Given the demographic trends, the population will almost double (+93 %) between 2000 and 2050. If the effects of climate change are factored in, primarily the reduction in average annual precipitation (for example, perhaps as high as 30-40% in Morocco by 2100), the projected per capita renewable water resources will drop from 1,100 m<sup>3</sup> per capita per year in 2004 to below the 500 m<sup>3</sup> water absolute scarcity mark by 2050.<sup>11</sup> This will put a premium on demand management and on alternative solutions such as reuse and desalination which are largely dependent on new technologies and energy prices.

While hampering critical agriculture yields, climate change is also expected to exacerbate urban chal-

lenges. While MENA already has one of the most urbanized populations in the world, urbanization is likely to exceed two-thirds by 2030. That corresponds to an additional 84 million urban inhabitants by 2030, nearly coinciding with the total population growth, projected at 91 million.<sup>12</sup> And most cities are located directly on the Mediterranean, giving the region the highest coastal concentration in the world. Moreover, as already noted, the age profile will be younger still. This means that choices made in urban development will have a huge impact on national development, job creation and the management of environmental challenges.

Finally, looking at the economic fundamentals, we see a large economic gap. On average, GDP per capita in MENA adjusted for purchasing power parity has actually declined relative to the EU since 1995.<sup>13</sup> At present, the growth and dynamism in the private sector remains insufficient, still emerging from a culture of decades of state-led development approaches. Private investment rates have on balance been less responsive to reforms than elsewhere, and export diversification has lagged behind other regions, especially in resource-rich countries. Private investment rates during the period 1990-2007 were sluggish and uneven, exhibiting much less dynamism and competitiveness than in other emerging economies.

### Evidence-Based Public Policy Choice and Integration

The statistics above illustrate the untenable existing gaps, but they fail to capture the current dynamic, the actual progress made by various countries nor the future potential embedded in current efforts. A different emphasis could be made by documenting such progress and potential, evident in many places.

Another emphasis still would be to show the current reality of interdependence, its promises and risks.

<sup>10</sup> WORLD BANK, *World Development Report 2010: Development and Climate Change*, Washington, DC: The World Bank, 2010, p. 6. available at <http://siteresources.worldbank.org/INTWDR2010/Resources/5287678-1226014527953/WDR10-Full-Text.pdf>

<sup>11</sup> WORLD BANK, *Climate Change Adaptation in the Water Sector in the Middle East and North Africa: A Review of Main Issues*. Technical Note prepared by Mediterranean technical Assistance Programme (METAP), "Promoting awareness and enabling a policy framework for environment and development integration in the Mediterranean with a focus on Integrated coastal Zone Management". Available at <http://siteresources.worldbank.org/EXTMETAP/Resources/Sardinia-METAP-Climate-Change-AdaptationMENA.pdf>

<sup>12</sup> UNITED NATIONS *World Urbanization Prospects, the 2007 revision*, New York: United Nations, 2008. Available at [www.un.org/esa/population/publications/wup2007/2007WUP\\_Highlights\\_web.pdf](http://www.un.org/esa/population/publications/wup2007/2007WUP_Highlights_web.pdf)

<sup>13</sup> See *From Privilege to Competition: Unlocking Private-Led Growth in the Middle East and North Africa*, Washington, DC: The World Bank, November 2009, p. 61. Available at [http://siteresources.worldbank.org/INTMENA/Resources/Privilege\\_complete\\_final.pdf](http://siteresources.worldbank.org/INTMENA/Resources/Privilege_complete_final.pdf)

However, the purpose of highlighting the employment challenge, together with some underlying factors – quality of education, dynamics of knowledge generation, declining water availability, vulnerability to a changing climate, the urbanization surge, the youth bulge, stagnant private sector investment – is to suggest priority areas for future engagement.

What we need is more evidence to back up what needs to be done, what works and what, specifically, needs to be done together. What is a striking experience, I have found, whether in government, in independent analytics or in international organizations, is that whichever dossier one opens, whichever sectoral issue is to be faced, the national challenge is coupled with an “integrational” one. In other words, what should be obvious at a national level – looking at the evidence before one chooses course – has parallel implication in a regional context, as national solutions have to be complemented by supporting multilateral ones.

In contrast to a couple of decades ago, countries’ ability to manage macro challenges is generally much stronger, but the recent financial crisis has confirmed the need for international monitoring and engagement. Economic diversification based on improved competition and productivity is a universal objective, necessarily pursued through openness to trade, investment and technological innovation and dissemination. Without such progress, sustainable growth in employment cannot be expected. Moreover, in sector after sector, evidence suggests that improvements and innovation depend on regional arrangements, from promoting solar power to enhancing the quality of higher education.

## **Economic diversification based on improved competition and productivity is a universal objective, necessarily pursued through openness to trade, investment and technological innovation and dissemination**

How then should policymakers and stakeholders approach the integrational imperative? There are the major frameworks – the Union for the Mediterranean, the League of Arab States, the Arab Maghreb Union, the European Union, and specifically its

Neighbourhood Partnerships. In the experience of such cooperation, there is certainly a shared desire to be more specific and concrete, wanting to see major results. While results depend on many factors, it is clear that national and local governments, independent institutions, and the private sector seek information, research, experience, in short, evidence, to back critical policy or investment decisions. In this age of multi-faceted interconnectedness, it is not only the quality of the search engine that will determine whether the answers are found – particularly as many questions still need to be more clearly defined before solutions can be found. The very act of formulating these questions has become a joint challenge.

The Organization for Economic Co-operation and Development (OECD) has since its inception brought together what is an economically diverse group of upper and increasingly emerging middle-income countries to discuss matters of policy relevance, sharing experiences and reviewing progress among peers. That spirit of knowledge management is one that I believe can inspire Mediterranean countries towards increased collaboration, building upon ongoing efforts within the auspices of regional and sub-regional initiatives taking place, specifically on sectoral bases. Certainly, there is scope to strengthen this work.

### **The Center for Mediterranean Integration**

It is in this context that the Center for Mediterranean Integration (CMI) was created. Drawing from a number of ideas and an existing World Bank office in Marseille, consultations were held and by June 2009 a consensus existed to create something different – a multi-partner collaboration to facilitate access to best knowledge, enhance sustainable development and make policies converge towards greater integration.

Its current members are Egypt, Jordan, Lebanon, Morocco and Tunisia, with the European Investment Bank, administered by the World Bank and strongly supported by France and the City of Marseille. Many other partners join in the creation, financing and running of the programs of the CMI, from the United Nations (Plan Bleu, UNDP) to the European Training Foundation of the European Union.

The idea is to go beyond past practices of unidirectional technical assistance, which assumed that

there are responses to specific questions which a government seeking development should implement. Rather, the idea is precisely to focus on interdependence, look at the experience jointly, seek out what might be a priority regional good, and develop solutions collaboratively, whether to be implemented within a nation or by international cooperation. Currently, the CMI is engaged in 14 specific programs organized in five clusters:

- Skills, employment and labour mobility
- Knowledge economy, innovation and technology
- Environment and water
- Urban and spatial development
- Transport and logistics.

The CMI is a platform where different partnerships can come together for greater synergies. The CMI does not seek any sole leadership role, but wants to support existing and coming priority programs, by offering them a place to meet and seek inspiration and outreach. We believe that integration is itself a professional challenge and we want our programs to be good at it.<sup>14</sup> Our approach is one of a network among networks, rather than as a traditional project manager. Recently, we have worked with education leaders in the Arab Mediterranean countries who are seeking to create an objective tool to measure and monitor the governance and quality of universities. On youth, we facilitated the convening of several Ministers from the region in charge of youth and social affairs to discuss with a hundred members of youth organizations and stakeholders what youth really want, what really works and what could be

scaled up to promote employment, participation and civic engagement.

We have brought together experts who seek to assess the impact of migration management measures, an area surprisingly underdeveloped.

Twice, environmental prosecutors from all around the Mediterranean have convened to discuss how to bring some teeth into the existing environmental legislation.

Climate researchers have joined to begin to create a scientific basis to assess the impacts on human mobility and displacement.

Three analyses have explored the urgent issue of urban vulnerability and studied the likely impact of climate change on Alexandria, Tunis, and Casablanca.

A guidebook with issues to consider for those working at technological parks has been launched.

We are currently rallying forces to look at the economic value lost to the degradation of the ultimate context for this integration, the Mediterranean Sea itself.

This is the nature of engagement we seek – pragmatic, useful analysis, jointly generated. We are at the beginning of a journey – three years is our initial term – and we believe there is space for such technical work to support what is ultimately a major challenge, enhancing not competing with what others do. Perhaps if the Center can provide a platform to help improve the way evidence is sought of what needs to be done jointly and how, it will have contributed slightly to the process of convergence towards a Mediterranean in prosperity – based on good, decent jobs.

<sup>14</sup> More information is available at [www.cmimarseille.org](http://www.cmimarseille.org).