

Inclusive, Resilient and Sustainable Economies

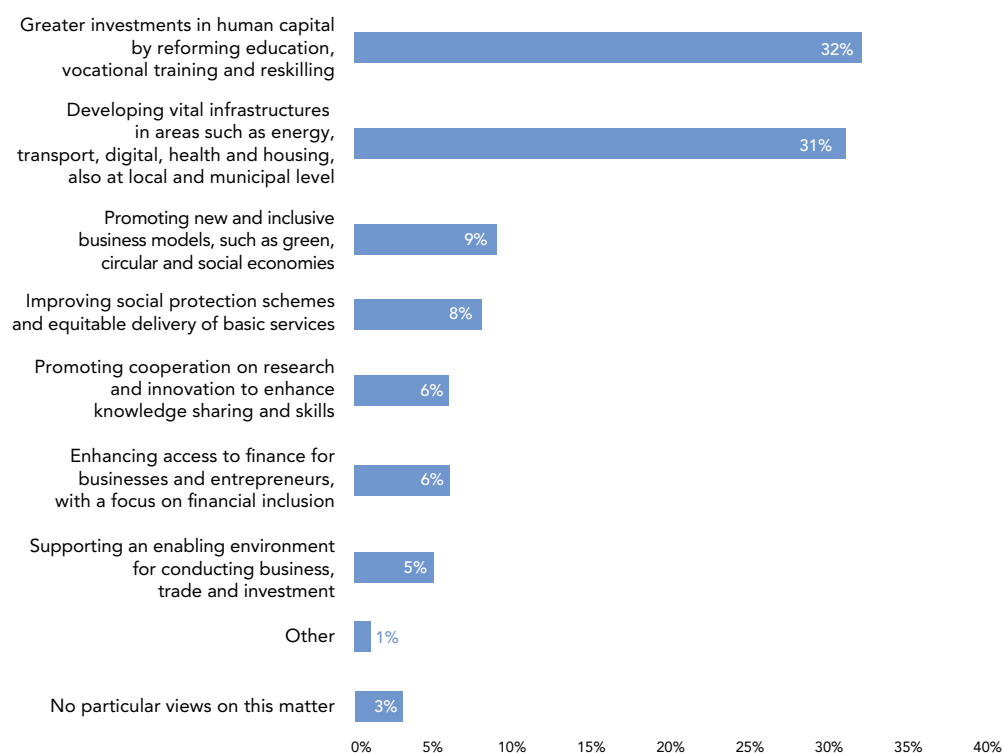
This section of the EuroMeSCo Euromed Survey was mainly focused on how to face the socioeconomic challenges of southern neighbourhood partner countries, in particular in the post Covid-19 context, in order to foster inclusive, resilient, sustainable and connected economies.

Main findings:

- Fostering inclusive economies can be best achieved through a combination of reforms in the field of education, vocational training and re-skilling, with the development of vital infrastructures (such as energy, transport, digital, health and housing).
- A comprehensive recovery plan requires, as a matter of priority, an effort to reform public finances of southern neighbourhood countries. Grants and macro financial assistance are also seen as important, in support of these reforms, to boost the recovery of these countries.
- According to respondents, a key element to stimulate trade relations between the EU and its southern partners should be deepening regional economic integration.
- “Enhance access markets by including services and investment” is also seen as crucial to stimulate regional trade by southern neighbourhood respondents, while “better use of agreements already in place” would be more important according to EU respondents.
- A clear majority of respondents considered that EU Foreign Direct Investment (FDI) should be focused on investments yielding a positive impact on job creation and contributing to sustainable development.
- To effectively support a digitalisation agenda in the southern countries, the EU should first support the adaptation of education and vocational training.

Question 12 turned to the effective ways to foster more inclusive economies in the southern neighbourhood countries. Out of the seven options, respondents considered investments in human capital, i.e. reforming education, vocational training and re-skilling, as first priority, closely followed by developing vital infrastructures (such as energy, transport, digital, health and housing) while the remaining options had a lower percentage of answers (see graph 20).

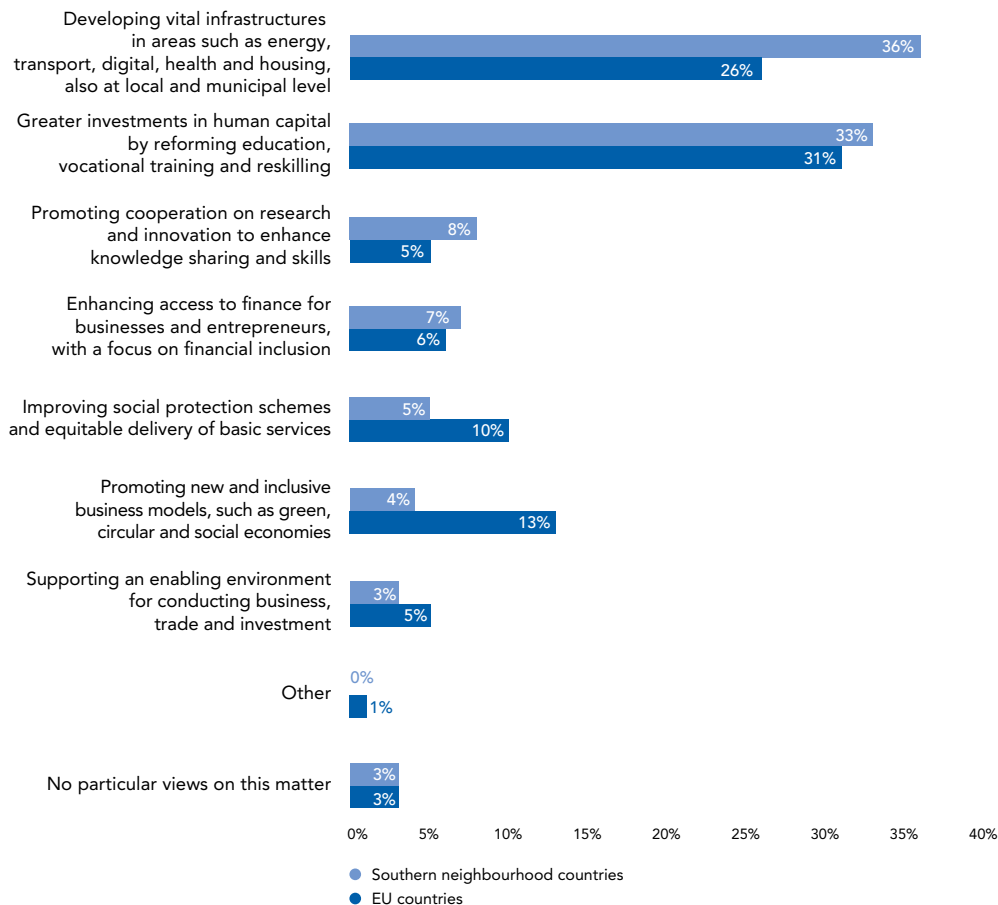
Graph 20: Q.12 Most effective ways to foster more inclusive economies in the southern neighbourhood countries (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

A breakdown of answers shows a number of different patterns. More than a third of southern neighbourhood respondents ranked in first position the development of vital infrastructures, 10 percentage points more than EU respondents. In turn, the first priority for EU respondents was investments in human capital. In the case of “promoting new and inclusive business models, such as green, circular and social economies”, EU respondents tripled the percentage of southern ones and doubled in the case of “improving social protection schemes and equitable delivery of basic services” (see graph 21).

Graph 21: Q.12 Most effective ways to foster more inclusive economies in the southern neighbourhood countries (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

Some open comments to Q.12 cast light on the nexus between inclusive growth and good governance:

It can be noted that economic difficulties are an underlying concern of citizens of the southern neighbourhood, as recent protests in Tunisia in January 2021 show. From a human rights and rule of law perspective, fighting corruption, for instance, is key in fostering resilient and sustainable economy, since this phenomenon undermines good governance and hinders economic development.

— French respondent

The EU considers the private investors as the engine of inclusive growth, decent job creation, efficient provision of public services and goods. Nevertheless, the lack of any mechanism enhancing transparency, accountability and responsibility is the main challenge in this regard.

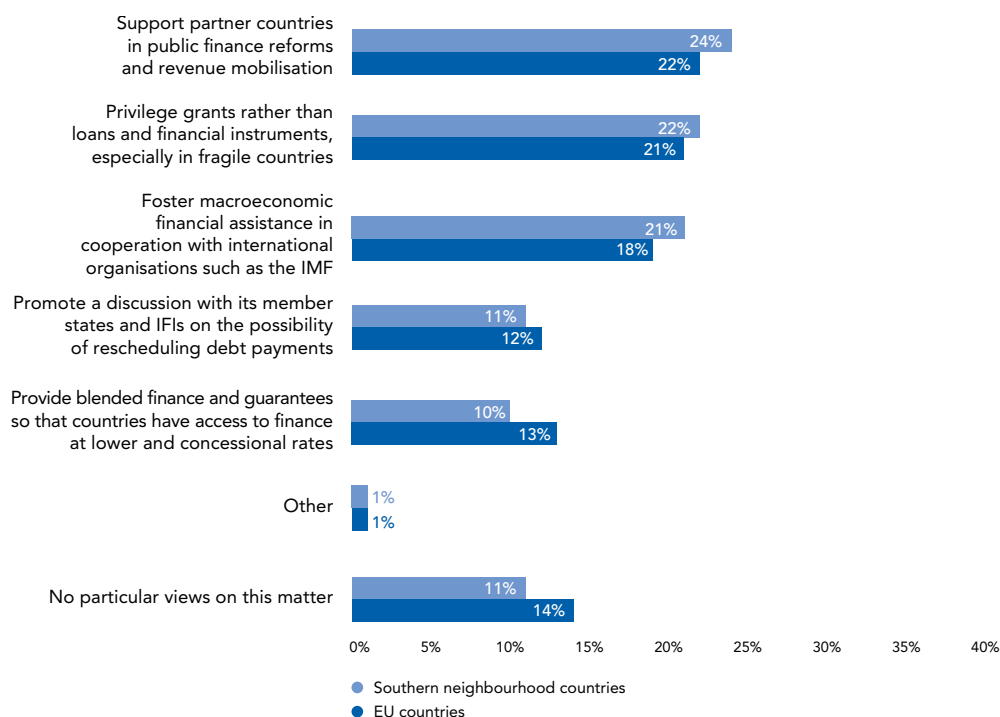
— Arab NGO Network for Development, Lebanon

Inequalities stem primarily from differential access to opportunities. To re-establish the capacity of societies to provide equal opportunities to their citizens, functional service provision is an overarching condition but needs to be accompanied by effective policies limiting rent-seeking and power grabbing by elites.

— Italian respondent

Question 13 dealt with EU priorities to develop a comprehensive recovery plan and confront new challenges in southern neighbourhood countries. The most popular option among respondents relates to the role of the EU in supporting public reforms and revenue mobilisation in southern neighbourhood countries. Close behind are two options referring to EU financial assistance mechanisms.

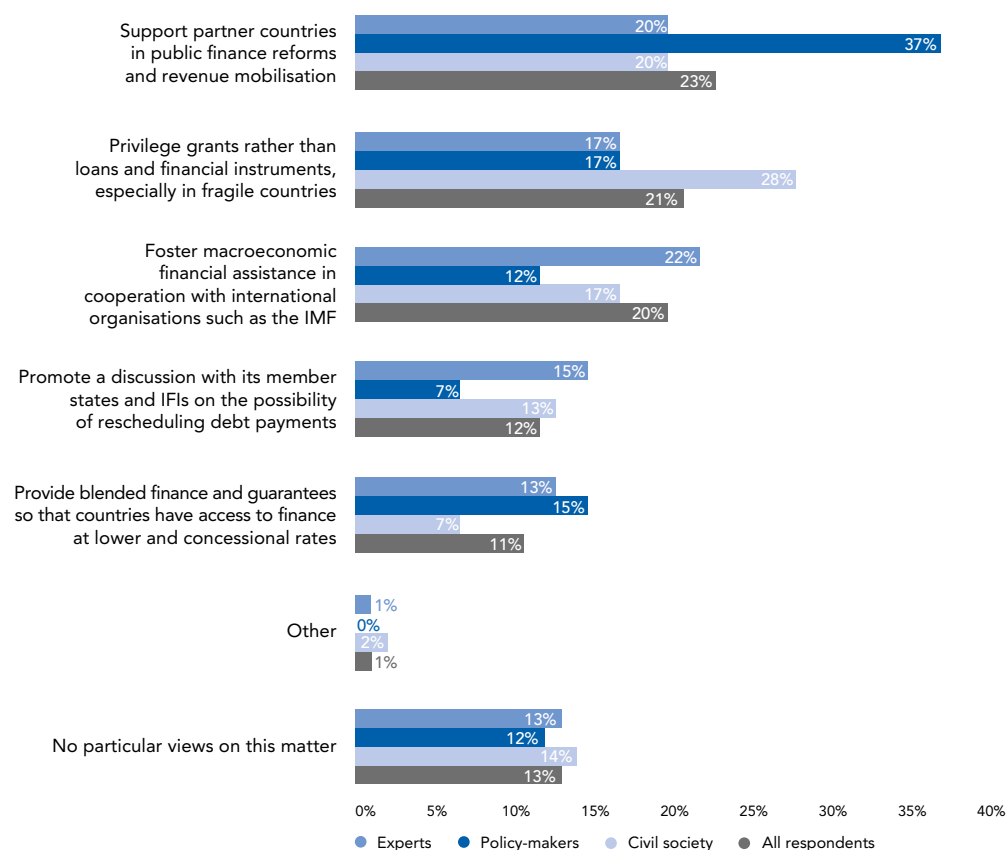
Graph 22: Q.13 European Union priorities to develop a comprehensive recovery plan and confront new challenges in Southern Mediterranean Countries (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

While there are no major differences between the patterns of answers from respondents from the EU and from southern neighbourhood countries, a breakdown by type of institutions reveals a greater dispersion of answers (see graph 23). 37% of the policy-makers taking part in the Survey chose “support partner countries in public finance reforms and revenue mobilisation” as their first option. In turn, the first option for almost one third of civil society respondents was “privilege grants rather than loans and financial instruments, especially in fragile countries”. The patterns of the answers from experts (academic, think tank and media) are closer to the average results, although the top answer was “foster macroeconomic financial assistance in cooperation with international organisations such as the IMF”.

Graph 23: Q.13 European Union priorities to develop a comprehensive recovery plan and confront new challenges in Southern Mediterranean Countries (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

Very consistently with other results of the Survey, in their comments respondents reiterated the necessity to fight corruption as a requirement to make the recovery possible and sustainable, and encourage the EU to be very cautious when providing assistance:

Any further financial assistance to governments should be assertively conditional on reform and extremely tight auditing, otherwise it not only helps finance corrupt political leadership but also blocks the way before any reforming agents.

— Daraj (independent digital media platform), Lebanon

The EU has to stress the fight of corruption and transparency to assure these financial supports, and that grants will be implemented in specific sustainable projects. Corruption is the major issue in the southern countries, which impedes realizing a great development.

— Algerian respondent

Some respondents were even more specific in this regard, inviting the EU to concentrate its support on local governments and civil society:

Financial support needs to reach private sector and local government not through central government – as most are ridden by inefficiencies. Capacity-building on tracking finance against private sector projects and local government projects is needed.

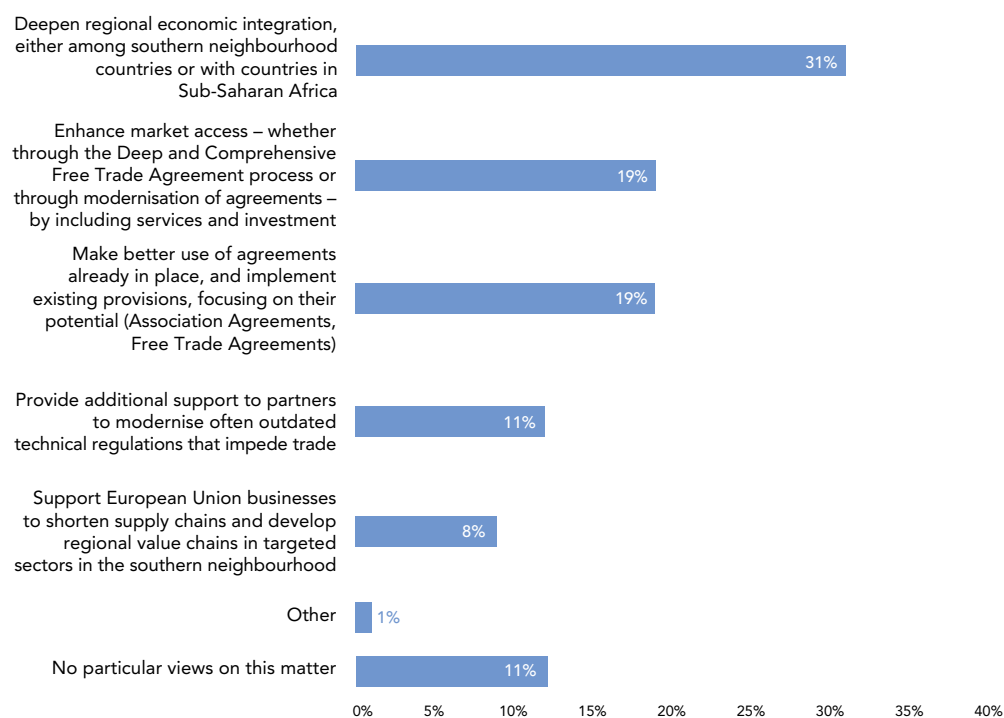
— The Mediterranean Growth Initiative / ELIAMEP

Allocate grants and budgets for civil society organisations to take part in the development of economic reforms in the states. Civil society support is very important to guarantee transparency and accountability by the governments.

— Palestinian Center for Media, Research and Development

Question 14 was focused on what should be done to stimulate trade relations between the EU and its southern partners. Out of the five possible options, nearly one third of participants were of the opinion that this would be achieved through a deepening of regional economic integration, either among southern neighbourhood countries or with countries in sub-Saharan Africa.

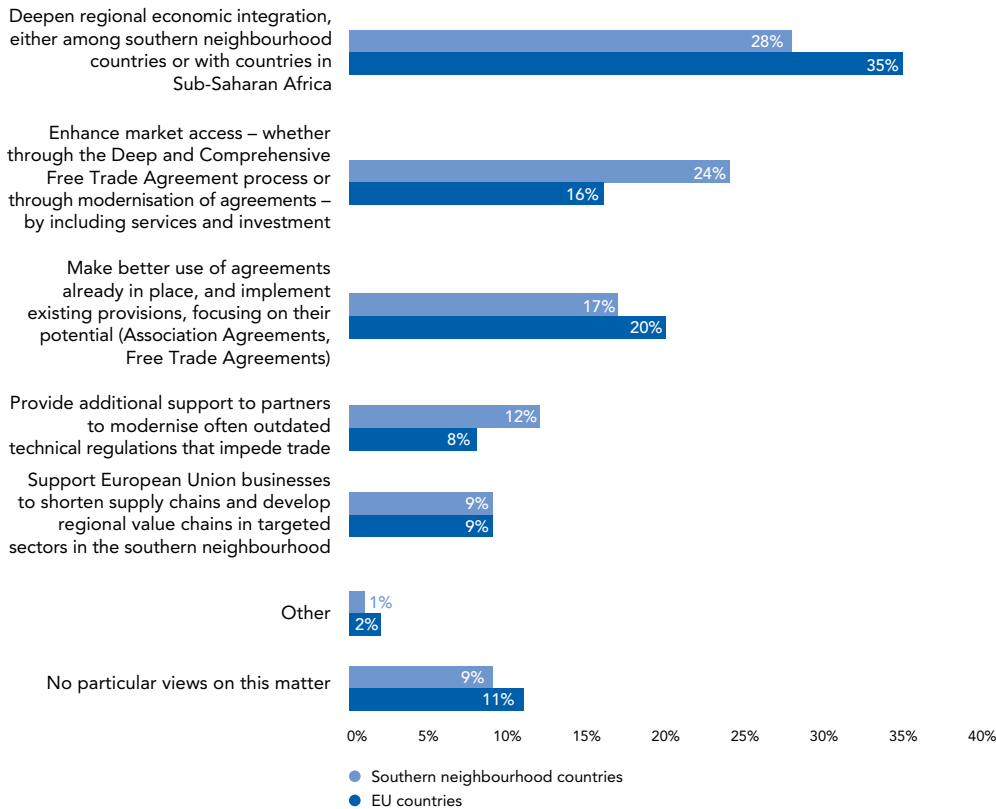
Graph 24: Q.14 What should be done to stimulate trade relations between the European Union and its southern partners? (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

Results broken down according to the geographical origin show a slightly nuanced picture (see graph 25). Respondents from southern neighbourhood countries are less keen than their southern counterparts to “make better use of agreements already in place” and keener on “deepening regional integration...” or “enhance market access” (their second most frequently identified option as number one).

Graph 25: Q.14 What should be done to stimulate trade relations between the European Union and its southern partners? (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

Open comments mentioned the importance of considering coherence and fairness in trade agreements:

Increase and deepen first sub-regional integration (Maghreb) then regional integration (Arab Free Trade Zone) and encourage triangular integration (EU-Arab Countries-African Union). It is not necessary to create new mechanisms or organisations or fora. Just improve the performance of those in existence. Free trade agreements with the EU should be encouraged with safeguards for the less-developed economies. Offshoring some European industries in the southern region creates prosperity and stability in the region and prosperity and security in Europe.

— Belgian respondent

Les accords de libre-échange proposés laissent les pays du Sud dont les économies sont fragiles incapables de faire face à la concurrence des économies européennes.

— Moroccan respondent

The EU should be able to convince (reluctant) member states to offer increased trade preferences to southern neighbours (notably by softening its rules of origin restrictions) and envision for the medium term the creation of a common trade and investment area with the South. This would unlock a huge development and investment potential that would create the platform for future investments by joint EU-southern neighbours companies in the sub-Saharan African market.

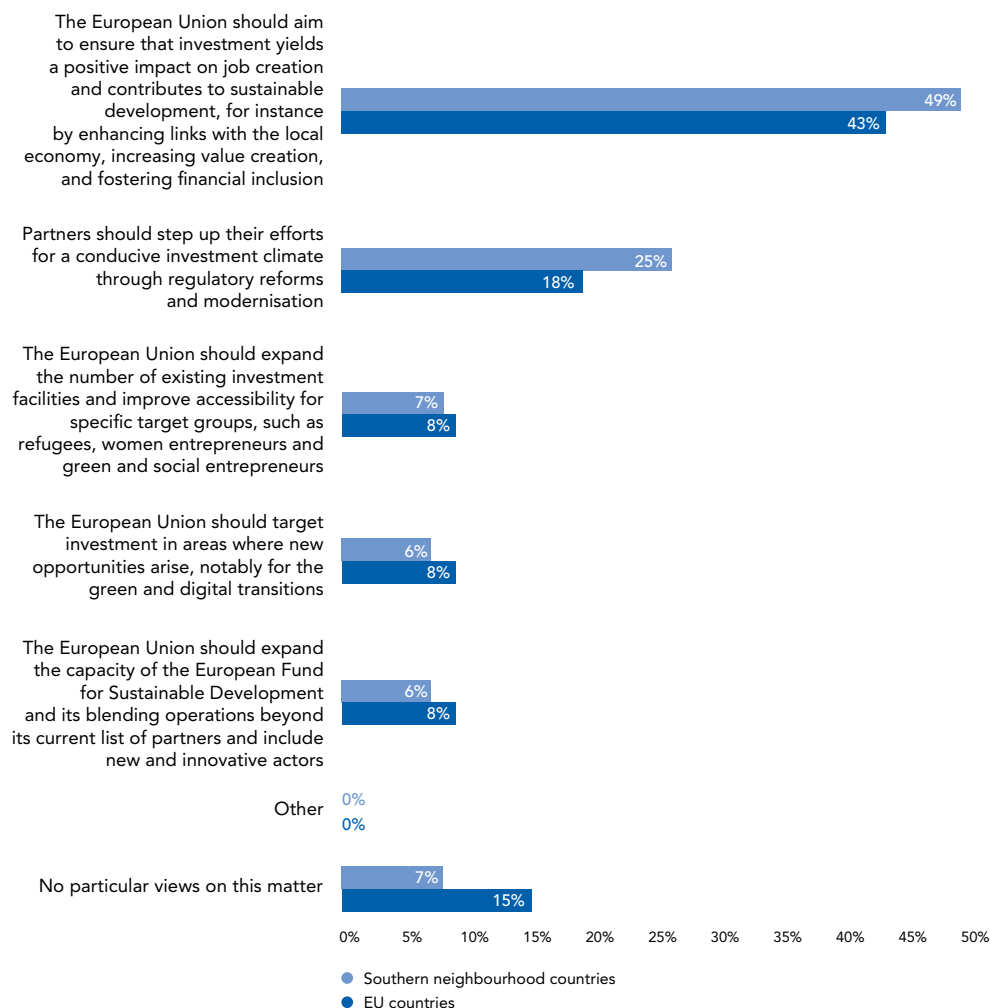
— Italian respondent

Policy coherence for development is a legal obligation for the EU according to article 208 of the Lisbon Treaty. Particularly important in this regard are EU trade and investment policies that should have clearly defined development objectives through contributing to development of productive sectors and employment generation. In this context, stimulation of trade initially requires ex-ante and ex-post rights-based and sustainability impact assessments. It is important to note that the other priorities listed (including DCFTAS, EU businesses engagement, etc.) have been criticized and opposed by civil society groups in the region.

— Arab NGO Network for Development, Lebanon

Question 15 proposed different options to boost EU FDIs in southern neighbourhood countries. Options ranked as first and second options concentrated a very significant percentage of answers. Almost half of respondents chose as their top option the answer referring to the objectives of FDIs (job creation and contribution to sustainable development). The second most frequently given option as the top answer was the creation of a favourable investment climate through regulatory reforms and modernisation.

Graph 26: Q.15 What should be done to boost European Union Foreign Direct Investment to southern neighbourhood countries? (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

Open comments to the question introduced proposals on possible targets of EU direct investments:

Il faut envisager un appui fiscal aux entreprises qui investissent dans les pays de Sud, en particulier quand il s'agit d'activités économiques haut de gamme.

— Finnish respondent

As much as I am supportive of projects that prioritise empowerment of specific target groups including women, refugees, green and social entrepreneurs, I believe that such an outcome could be a natural result of a more strategic planning undertaken at a macro level.

— Daraj (independent digital media platform), Lebanon

Cooperation actors and regional authorities could support foreign direct investments through the mobilisation of their network of expertise in countries of the southern Mediterranean.

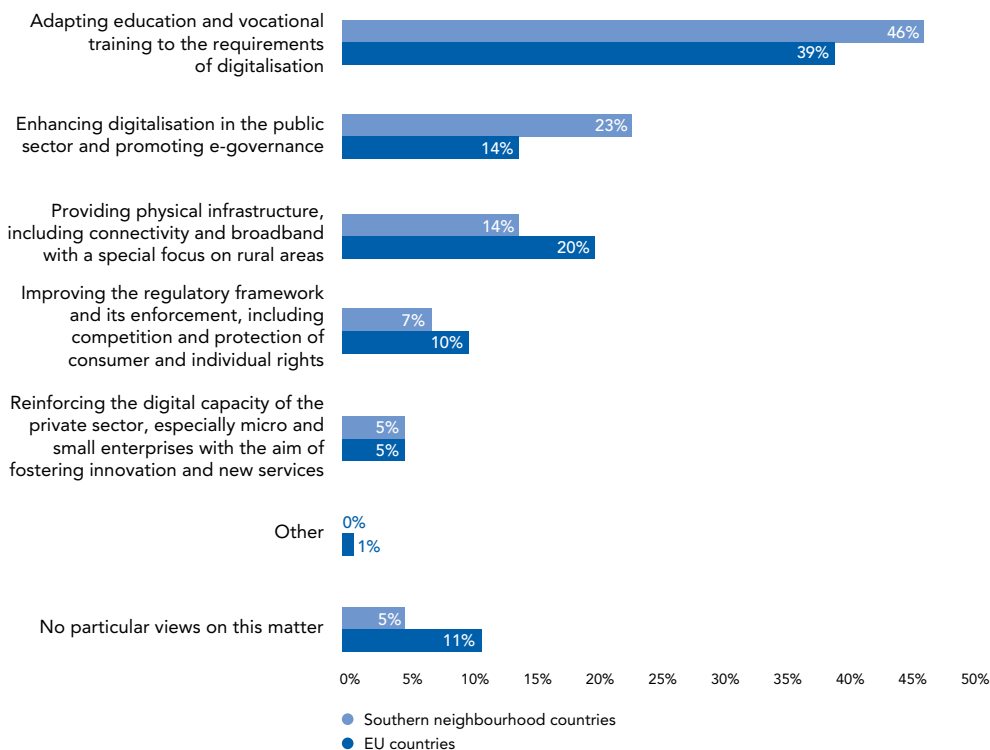
— Région Provence-Alpes-Côte d'Azur

It is important to note that priorities of blending should not be pursued, as pooling public resources and using ODA to subsidise private companies most often owned and domiciled in OECD countries would not bring additionality and address development needs of the partner countries.

— Arab NGO Network for Development, Lebanon

The final question of this section, **Question 16**, concerned how to effectively support a digitalisation agenda in the southern countries. “Adapting education and vocational training” was the first option chosen, doubling the percentage of answers of “digitalisation in the public sector and promoting e-governance”, which was the second. However, the second option for respondents from EU countries was different. In this case it was “providing physical infrastructure, including connectivity and broadband with a special focus on rural areas”, an option that came third among southern neighbourhood respondents (see graph 27).

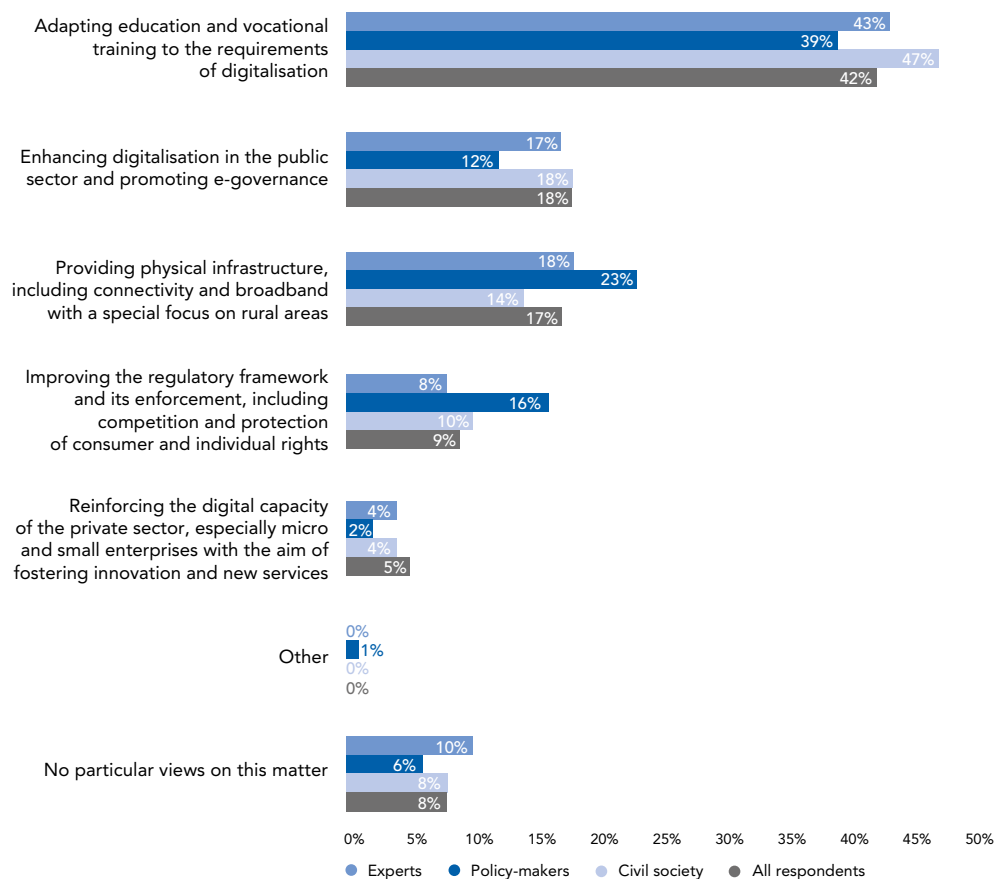
Graph 27: Q.16 Most effective ways to support a digitalisation agenda in the southern neighbourhood countries? (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

A breakdown of answers by institutional affiliation shows that policy-makers ranked “providing physical infrastructure” in second place and “improving the regulatory framework” in third place. These percentages are quite differentiated from the rest of the answers (see graph 28).

Graph 28: Q.16 Most effective ways to support a digitalisation agenda in the southern neighbourhood countries? (Ranked as first option)



Source: Compiled by the IEMed based on the results of the EuroMeSCo Euromed Survey

In their open comments, respondents stressed the importance of matching digitalisation with good governance:

Corruption is a big obstacle for digitization, especially in the public sector. Therefore, a successful digitalization goes in parallel with enhancing good governance.

— Lebanese respondent

The development of IT infrastructures should not lead to giving authoritarian regimes more power to tap into communications and monitor their populations, in particular rights defenders who dare speak out against human rights abuses.

— EuroMed rights

The EU should take into consideration the digital divide and preparedness of partner countries prior to promoting a digitalization agenda. Giving an immediate role to private sector without transparency and monitoring mechanisms and without ensuring safeguards for protection of human rights would endanger outcomes. In this context the EU should establish a regional hub bringing together civil society, academia, private sector and partner countries that undertakes a mapping and an overview of digital solutions in the southern partner countries.

— Lebanese respondent