

**Summary of main joint challenges, taking into account economic, social and territorial disparities as well as inequalities, joint investment needs and complimentary and synergies with other forms of support, lessons-learnt from past experience and macro-regional strategies and sea-basin strategies where the Programme area as a whole or partially is covered by one or more strategies<sup>1</sup>.**

There are significant socio-economic disparities across the Mediterranean programme area. The majority of the Mediterranean Partner Countries have levels of GDP per capita that are between three and five times lower than those of the EU Mediterranean Countries (with the exception of Israel and Turkey). Whilst EUMCs have demonstrated some recovery from the financial crisis in the last five years, the Mediterranean Partner countries have experienced more volatile growth with insufficient productivity gains and innovation. Estimates of GDP percentage change for 2020 show significant falls for all countries, reflecting the impact of the COVID-19 pandemic, specifically the lockdown measures introduced to stop the spread of the virus, upon the economies of the Mediterranean countries. The pandemic has had long-lasting and severe consequences for businesses, jobs, commodity prices, value chains, as well as education and inequality, and a variable or asymmetrical territorial and sectoral impact. The Mediterranean area is expected to be among the regions most affected by the pandemic, as countries with high external debt, heavy reliance on oil exports (oil prices have fallen by more than 50 percent since the start of the year) or tourism likely to experience more intense repercussions and deepening economic inequalities. Developing countries are more likely to have limited capacity to deal with a health crisis of this magnitude as well as limited policy space to absorb the macroeconomic impact.<sup>2</sup> The IMF World Economic Outlook projections predict a 7.1% contraction in output in 2020 in the EU-27 and of 3.3% for the Middle East and North Africa.

Disparities across the programme area are broadly reflected across a range of social and economic indicators. In terms of demography, the EU27 population growth rate is nearly static with just 0.3% increase in the 2014-2019 period, whilst the growth rate of the population of the MPCs for the same period was 9.5% and for Turkey 7%. There are wide disparities however on both shores, with for example, rates on the Southern shore ranging from 3.8% in Tunisia to as high as 20.8% in Jordan, and from -1.9% in Greece to 14.9% in Malta. The MPCs have high crude birth rates and relatively low death rates and young population age structures of their populations, bringing additional challenges in relation to eradicating poverty, achieving equality and ensuring adequate health and education systems.<sup>3</sup> In Tunisia, Morocco, Israel, Algeria and Turkey, under 15s make up almost a quarter of the population, and this rises to more than a third in Egypt and Jordan, and to 38.7 % in Palestine. In comparison, 15.8 % of the total EU-28 population<sup>4</sup> was under 15 years of age in 2018, and this drops to as low as 13.4% in Italy.

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<sup>1</sup> Please note that the reference to the Policy Objectives and to the Specific Objectives has been taken from the current draft of the Interreg Regulation as agreed within the European Council in December 2020. Please note that the Cohesion Policy regulations have not been adopted yet..

<sup>2</sup> ECFIN Spring Forecast 2020

<sup>3</sup> [https://population.un.org/wpp/Publications/Files/WPP2019\\_10KeyFindings.pdf](https://population.un.org/wpp/Publications/Files/WPP2019_10KeyFindings.pdf)

<sup>4</sup> Some data sources consulted refer to the EU-28 (i.e. including the UK) whereas others have been adjusted and removed the UK from historical data to provide EU-27 figures.

The EU's population is ageing as consistently low birth rates and higher life expectancy transform its population structure. A shrinking proportion of people of working age and an expansion in the relative number of those retiring lead to an increased burden on those of working age to contribute to services required by the ageing population. Migration will be increasingly unlikely to counteract natural population decline in the coming years. The share of older people (aged 65 years and above) in the total population of the EU-28 was 19.7 % in 2018, with the highest shares in Italy (22.6 %) and Greece (21.8 %).<sup>5</sup> In the majority of MPCs (not Israel) and in Turkey, on the other hand, older people accounted for less than 10 % of the total population; the lowest shares of older people were recorded in Palestine (3.2 %), Jordan (3.7 %) and Egypt (3.9 %).

Whilst regional inequalities have reduced across the EU-28 in recent years, in many parts of the EU Mediterranean countries regional disparities and inequalities are increasing, and wealth inequality is also worsening in most MPCs. The 20 % of the population with the highest disposable income in the EU-27 in 2018 received 5.1 times as much income as the 20 % with the lowest disposable income, yet in Italy and Spain it is over 6.0 and in some MPCs it is higher than the EU average e.g. in Turkey (8.7) and Israel (6.8). Unemployment rates across the programme area range from 18.6% in 2018 in Jordan and 17.30% in 2019 in Greece to 3.8% in Israel.

Pre-Covid measures of economic insecurity revealed that nearly half of MENA's population (42%) lived on incomes below US\$5.50 per day at 2011 PPP.<sup>6</sup> A growing portion of the population is at risk of poverty, especially vulnerable groups such as the illiterate, rural dwellers, and large families with many dependants. There is a significant rural/urban divide in relation to the quality of and access to services and infrastructure with rural inhabitants having unequal education and employment opportunities.

On the environmental side the programme area is dominated by the Mediterranean Sea. The Mediterranean is one of the largest semi-enclosed seas and is home to approximately 500 million people across Africa, Asia and Europe (app. 150 million in the direct coastal regions). It is connected to the Atlantic Ocean through the Strait of Gibraltar, to the Red Sea by the Suez Canal and to the Black Sea via the Bosphorus.

Its basin area contains almost 2.6 million km<sup>2</sup>, that is approximately 0.82 % of the global ocean surface with an average water depth of 1 500 m. It surrounds 21 states with 224 coastal administrative regions (the number of those of which are fully or partially part of the INTERREG NEXT MED programme 2021-2027 is still to be defined) that share 46 000 km of coastline (EEA, 2014, UNEP/MAP, 2016<sup>7</sup>).

Its landscape is very diverse, resulting in a **great variety of coastal and marine ecosystems** and habitats, including some of the richest fauna and flora. (UNEP/MAP, 2016) mention that the sea is "...recognised as one of the **25 top global biodiversity hotspots** and characterised as an area of

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<sup>5</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php/Population\\_structure\\_and\\_ageing](https://ec.europa.eu/eurostat/statistics-explained/index.php/Population_structure_and_ageing)

<sup>6</sup> <https://www.worldbank.org/en/region/mena/overview>

<sup>7</sup> UNEP/MAP (2016), Integrated monitoring and assessment programme of the Mediterranean sea and coast and related assessment criteria (IMAP), Athens, European Environment Agency, (2014), Horizon 2020 Mediterranean report, Toward shared environmental information systems, EEA-UNEP/MAP joint report, Copenhagen

exceptional biodiversity value, with a large number of endemic species and critical levels of habitat loss."The natural environment, together with the cultural heritage, makes the area very attractive for tourism and recreation with a high potential for soft tourism.

At the same time, the Mediterranean has been a centre of human activity for millennia. It is surrounded by dense human settlement structures, intensive agriculture and transport routes that interplay with the natural environment. Hence the Mediterranean Sea is constantly exposed to multiple pressures, acting simultaneously, cumulatively and in most cases over long periods of time.

As indicated in the area has a total population of more than 500 million. Population is rapidly rising in the southern shore of the Mediterranean, whereas the population in the north is nearly static with just 0.3% increase since 2014. Taking into account the performance of the countries in terms of resource consumption efficiency and the GDP growth trends, population rise is expected to have a serious impact on natural resources.

A large number of relevant strategic documents like the Report on the State of the Mediterranean Marine and Coastal Environment (UNEP/MAP 2012), the Horizon 2020 Mediterranean report (EEA, 2014), the Mediterranean Strategy for Sustainable Development 2016-2025 (UNEP/MAP, 2016), the Mediterranean Quality Status Report (UNEP/MAP, 2017) and numerous scientific papers identify a number of **key features of the environmental issues** of the area. These are:

- The area is characterised by its **diverse landscape**, a **semi-closed marine environment** with **very long circulation pattern** ranging between 80 and 100 years and an **uneven distribution of resources** across the northern and the southern coasts. These are factors unaltered over a short period (although climate change will affect them).
- The area is characterised by **population growth on the southern coast** and stability or slight decline in the northern coast. On both coasts there is an **increasing demand for resources** for maintaining or acquiring a desired lifestyle.
- The area is a place of intense human activity, namely **urban expansion and sprawl, extension of activities in the marine ecosystem** like transport, fishing, leisure, renewable energy sources (RES) exploitation, increase in solid waste production, energy demand, water consumption and waste water discharges. Many of these human activities are not rigidly controlled especially in the MPC.
- As a consequence, the environment is subject to both diffuse and point source pollution and contamination, alterations in hydrography, sea-floor integrity, marine litter, marine noise, invasive non-indigenous species, overexploitation of fish stocks, nutrient releases and eutrophication, land/sea take and habitat fragmentation and degradation etc.
- The Mediterranean region and in particular its **coastal zones are severely affected by extreme climatic events** (e.g. storm surges), coupled with human-induced pressures (e.g. uncontrolled building on coasts), resulting in growing vulnerability. However, there is currently little knowledge on how coastal zones in the Mediterranean region could evolve under the effects of climate change (and thus develop methodologies that can assess the resultant vulnerabilities and risks).
- The area has a big potential for the green economy, however there is still low adoption and adaptation of green technologies. The economic crisis of the previous decade and the COVID-19 outbreak hit the area hard, further limiting the capacity to transform the economy

and protect the environment. Climate change impacts, increasing international tensions and the likelihood of future global diseases and pandemics render the area vulnerable.

- On the positive side there is on the one hand a rising global demand for high quality, sustainable offerings (tourism, agriculture, fisheries) and on the other an increasing environmental awareness and strengthening of the civil society organizations paired with a global environmental agenda (UN SDG, EU Blue economy Green Deal etc.). These positive elements can set the frame for action.
- Last but not least a recent development that will have an impact on the environment in the Mediterranean is the delimitation of Exclusive Economic Zones (EEZ) among littoral states. While the discussion often focus on the exploitation of mineral resources in the seabed, the proclamation of EEZs concerns the use of all marine resources, the reduction of pollution from land-based activities, combatting marine living resources over-exploitation and reducing physical alteration and/or destruction of marine habitats. In the past Mediterranean states have been reluctant to define EEZs, putting emphasis on freedom of navigation, naval mobility and access to fisheries. Hence the Mediterranean has a high percentage of “high seas” very close to the coasts with little control over marine resources and free-riding leading to environmental degradation. Environmental protection requires a high degree of coordination. The proclamation of EEZs is expected to have a positive impact on the environment.

Environmental issues (energy, climate change, water, waste and biodiversity) discussed below are backed-up by data from Eurostat, the United Nations (<https://unstats.un.org/sdgs/indicators/database/>), the World Bank (<https://databank.worldbank.org/source/world-development-indicators>) and in specific cases the national statistics institutes.

### **Lessons learnt:**

Experience of implementing smart and social growth objectives under the ENPI CBC MED 2007-2013 and the ENI CBC MED 2014-2020 led to the following conclusions:

- Activities established must contribute to creating a strong programme legacy. Projects must be able to identify long term impacts and sustainability beyond the end of the programming period.
- RD&I and entrepreneurial support and training, whilst incorporating a transnational / international element, must be well-connected to the local / regional territory, reflect indigenous factors and respond to Mediterranean challenges. This is especially true with interventions that aim to improve the integration of vulnerable groups into the labour market which must be highly targeted in terms of geography and issue to be addressed.
- Digitalisation aspects have tended to be incorporated in a horizontal, cross-cutting fashion i.e. contributing to the achievement of broader project objectives and programme thematic objectives, rather than being the primary project aim. Nevertheless, the impact of COVID-19 suggests that a more comprehensive approach could be considered.

- Tourism projects have tended to be incredibly diverse in the approaches and focus. Consideration should be given as to whether a more strategic approach can be taken to tourism under the 2021-2027 programme, or whether tourism can be dealt with horizontally across the programme priorities.
- A stronger justification for focusing interventions on specific sectors is necessary.
- Governance aspects have to date been integrated horizontally in the programme and through targeted efforts to facilitate broad inclusion of MPC applicants, cooperation with other Mediterranean Programmes and other relevant initiatives as well as with local governance structures and partners. Most projects have not addressed governance aspects directly, but through their partnership composition it is clear from various governance levels and stakeholder groups are well integrated. If ISO1 is to be a self-standing objective interventions will vary from those undertaken to date and have a far stronger governance focus.

Experience with the implementation of environmental projects under the ENPI CBC MED 2007-2013 and the ENI CBC MED 2014-2020 led to the following conclusions:

- It is important to define very clearly the **level of the intervention** and the induced change, i.e. is it **technical, regulatory or behavioural**. Failure to do so, leads to blurry interventions and little impact on the environment;
- Positive impacts on the environment itself **take time**, effects beyond the level of the intervention defined above are not visible immediately; their absence should not be misinterpreted as failure. One should distinguish between results induced by the projects (immediate, short term results) and effects “in real life” (long term results). Objectives and indicators need to reflect this dimension.
- **Communities of practices** are essential; environmental problems are similar everywhere. Environmental experts and engineers can find a common language fairly easily. The same applies to the inclusion of agencies and stakeholders which are responsible for introducing technical solutions. More often than not, they are challenged by the same problems.
- Environmental interventions **can be expensive**. Programmes like the ENI CBC MED 2014-2020 have limited funds. Infrastructure investments occur usually as small scale pilot applications. Cross links between funds, programmes and projects are important. A systematic approach to guarantee the uptake and the mainstreaming (for example through national funding) is necessary.
- Last but not least, environmental institutions tend to be too much content-oriented. **Communication** is a key factor, especially in the definition of target groups and the “next step” expected from them.

The main challenges of the programme area are:

### **Priority Objective 1**

#### **Challenge: Boosting innovation and R&D**

Innovation performance continues to increase at a steady pace within the EU, on average by 8.9% since 2012, with growing convergence between Member States with some of the largest increases seen in Malta, Portugal and Greece. With the exception of France and (recently) Portugal, which are strong innovators, all other EUMC's are moderate innovators on the European Research and Innovation Scoreboard. Generally, Europe is considered to face an innovation deficit, defined as a lack of success in diffusing/commercialising inventions and translating them into new markets and growth opportunities. MENA's investment in innovation has tended to be weak, with poor performance against GERD, R&D intensity, patents applications, and number of scientific journal publications.

Expenditure on research and development in terms of GDP percentage<sup>8</sup> in the programme area is generally low, but with notable variations and an uneven level of innovation culture. R&D expenditure and human capital are linked to GDP growth: a recent study on innovation in six countries in the MENA region (including Turkey, Tunisia and Egypt) concluded that a 10 per cent increase in R&D expenditure increased GDP by 4 per cent.<sup>9</sup> There are differing trends in Gross domestic expenditure on R&D (GERD) as a percentage of GDP, which increased in Cyprus, Egypt, Israel, Greece and Turkey, but significantly reduced in Spain, Italy and France in the period 2008-2015 (with a decline of nearly 30% in real terms in the case of the former and 22% in the case of the latter two countries).<sup>10</sup> R&D intensity at regional level in the eligible programme area is less than 1% (compared to 2.04% EU average), with only the French regions showing a figure greater than 2%,<sup>11</sup> reflecting the existence of clusters of scientific and technological excellence concentrated around company research facilities, science parks and universities.<sup>12</sup>

Meanwhile, whilst almost one third (32.7 %) of the total labour force aged 15-74 people in the EU-28 were employed in science and technology occupations in 2017, some of the lowest shares were recorded in Greece (21.5 %) and Spain (24.1 %). The lowest levels of Human Resources in Science and Technology (HRST) in the EU are found in Mediterranean regions and similarly, MENA countries graduate fewer students in STEM per year compared to other regions and need greater investment in STEM subject skills (Science, Technology, Engineering and Mathematics) to prepare the younger generation for labour market demands.<sup>13</sup>

Research and Innovation (R&I) are critical levers to ensure a sustainable and inclusive recovery. Health, digital, socio-economic and climate-related research and innovation are critical for preparedness, resilience and competitiveness.

Transnational Cooperation needs to:

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<sup>8</sup> [Gross domestic expenditure on R & D \(GERD\)](#) includes research expenditure made by business, higher education institutions, government and private non-profit organisations.

<sup>9</sup> <https://www.emerald.com/insight/search?q=Noha%20Sami%20Omar>

<sup>10</sup> <http://www.oecd.org/sti/scoreboard.htm>

<sup>11</sup> <https://www.emerald.com/insight/search?q=Noha%20Sami%20Omar>

<sup>12</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Research\\_and\\_innovation\\_statistics\\_at\\_regional\\_level#Research\\_and\\_development\\_intensity](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Research_and_innovation_statistics_at_regional_level#Research_and_development_intensity)

<sup>13</sup> [https://www.iai.it/sites/default/files/menara\\_wp\\_23.pdf](https://www.iai.it/sites/default/files/menara_wp_23.pdf)

- Stimulate cooperation between academia and business and international collaboration in common areas of specialisation, ensuring research focused upon business priorities and needs and strengthening the R&D capacities of research organisations and business.
- Address and respond to societal issues related to health and climate change and contribute to the green and digital transformations, increasing regional resilience.
- Promote the exploitation and commercialisation of research outcomes and the uptake of all types of innovation, including eco- and social innovation.

**Challenge: Improve SME competitiveness, internationalisation, innovation and entrepreneurship**

Micro, Small and Medium Enterprises (MSMEs) have the potential to be key drivers in a more sustainable and inclusive model of economic growth and employment. Across the programme area, MSMEs represent more than 90% of enterprises, and create more than 80% of jobs. The area needs to develop a more vibrant private sector and more supportive business environment with adequate development services including access to finance and to management and entrepreneurial training and skills. Exporting is a precursor to strong business growth and innovation yet operating internationally is a challenge for many traditional family-owned businesses. Weak management, a scarcity of specialized, skilled and competent employees, weak networking and export promotion activities in the international market, and inadequate vocational training are barriers to international operation and SME engagement in global value chains. Greater numbers of fast-growing start-ups need to be created, productivity and output levels raised, especially in MSMEs, in order to tackle the decent work deficit in the region and lead to more robust, inclusive and poverty-reducing growth. However, following the coronavirus pandemic restrictions, MSMEs may also be among those worst affected by the slowdown in economic activity, particularly in developing countries where entrepreneurs often lack a safety net and belong to the most vulnerable groups of society.

The participation of SMEs in innovation activities varies greatly, with the highest share of innovating SMEs in the total SME population at 66% in Portugal. The proportion of innovative SMEs increased in Greece, France, and Portugal in recent years but fell in Cyprus, Malta, and Spain. Cyprus and Malta stand out as having some of the highest start-up intensities in the EU and a top start-up ecosystem at a global level, with Israel from the MPCs demonstrating the highest percentage of innovative SMEs and Morocco one of the lowest<sup>14</sup>. Meanwhile opportunities for entrepreneurship and starting a business are perceived to be highest in Israel, Cyprus, Turkey and Lebanon, and lowest in Greece and Spain; although Spain is a top performer in the Ease of Doing Business Ranking alongside France, Israel, Portugal and Turkey. Libya and Algeria are the poorest performers from the programme area.

In the Southern Mediterranean, female entrepreneurship lags far behind men's, with only 1 in 8 MENA women creating their own business compared to 1 in 3 men.<sup>15</sup> Women entrepreneurs are more likely to be from low or low-middle income groups without a university education that enter self-employment through economic necessity rather than opportunity. Digitalisation is however

<sup>14</sup> [https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review_en)

<sup>15</sup> [https://www.oecd.org/mena/competitiveness/MENA\\_Competitiveness\\_brochure\\_EN\\_lr.pdf](https://www.oecd.org/mena/competitiveness/MENA_Competitiveness_brochure_EN_lr.pdf)

helping MENA women to overcome obstacles to their entry into the labour force, enabling them to launch start-ups from home and engage online to reach new markets.

Transnational Cooperation needs to:

- Contribute to the development of a more supportive business environment and improved entrepreneurial and management skills and self-employment opportunities.
- Improve the internationalisation of business activity and stimulate / provide opportunities for networking and collaboration internationally and with other innovation stakeholders.
- Increase SME innovativeness and competitiveness.

## **Priority objective 2**

### **Challenge: Reduce fossil fuel dependency**

**On the energy sector** the 2016 UfM Ministerial Declaration on energy underlines the need for the use of renewable energy and energy efficiency. Clean energy and the transition to a low carbon economy is also one of the Green Deal thematic fields. While there have been many efforts for lower carbon economy in the EU, the Mediterranean remains an area highly dependent on fossil fuels. MPC have a dependency of more than 90% while most EUMCs are also highly dependent.

Energy demand is rising in the area due to the population growth, lifestyles (e.g. vacation homes), urban sprawl and climate change (building cooling becomes more important, while the building stock is old and has poor passive and active energy efficiency characteristics). While energy supply is less of an issue in 2020, energy efficiency still is.

Looking at indicators such as the “Final energy consumption in households per capita (Kilogram of oil equivalent)” or the “Greenhouse gas emissions per capita (tonnes of CO<sub>2</sub> equivalent per capita)” it can be seen that the per capita consumption emissions in the EUMCs are decreasing, in average by 4 percentage points from 2012 to 2017. This is partly due to efficiency improvements but also due to economy contraction and migration of industrial activities to the periphery. On the southern part of INTERREG NEXT MED, the emissions are on the rise as economic activity expands although the per capita emissions declined by 5% and are at about 40% of the EUMC average.

Energy productivity (Euro per kilogram of oil equivalent) in the EUMCs (and GDP divided by primary energy production (thousand tonnes of oil equivalent) as a proxy in the MPCs ) shows however an important qualitative difference in EUMCs and the MPC; the efficiency in the EUMCs increases steadily due to the focus on services and the fact that it was already at a mature stage. The “Euro per kilogram of oil equivalent” indicator increased by 5% from 2012 to 2017. In the MPCs the overall energy consumption is rising. This is a logical trend taking into account the development stage of the MPCs but it also offers a great opportunity for energy efficiency investments.

Overall the share of renewable energy in gross final energy consumption is rising throughout the area (by app. 30% in the EUMC and 2% in the MPC), indicating that the investments in the field are paying out. The picture among countries however shows considerable differences of the share of renewable shares and the trends. While in the EUMCs the share spans between 7% and 30% with

most values being in the 10-20% range, MPCs show significant differences with four countries having levels comparable to the EUMCs and the rest having a low or practically non-existent share. The reasons are numerous with the availability of cheap fossil fuels and the institutional framework on renewable energies being the most decisive. In general the share of renewables in the MPC is approximately one third of the EUMC.

Looking at the international financial flows in support of clean energy in the MPCs the following rule applies: countries with considerable renewable energy shares are beyond the stage of expansion and in the phase of maturity; investments are focusing on countries with lower shares.

**Summing up** the countries in the INTERREG NEXT MED area are highly dependent on fossil fuels to cover their energy needs. This dependency paired with poor energy efficiency and a growing young population in the south create a dynamic mix. Marginal energy consumption decline and decoupling in some states do not suffice to reverse the trend. The renewable energy sources potential offers some relief but will not be sufficient either. The area needs a rethinking of its energy priorities and the alternatives for a low carbon economy. This rethinking ranges from strategical decisions on the framework to small scale applications and adaptations of existing technical solutions.

Transnational cooperation hence needs to:

- increase awareness on needs and opportunities of a low carbon economy and the long term consequences of fossil fuel dependency;
- increase cooperation and exchange between research institutions, government, businesses and local stakeholders on low carbon technologies with emphasis on energy efficiency and renewables and in accordance with the Green Deal thematic elements;
- Increase capacity of local stakeholders to think strategically on the one side and implement and adapt technical solutions at a local level on the other;
- Increase energy efficiency of public building and public housing stock for demonstration purposes
- Increase uptake of clean and renewable energy sources and enlarge their share in the energy mix

Increase opportunities and jobs for the local economy in low carbon investments to achieve sustainable local economy cycles. **Challenge: prepare for the climate change impact**

**Climate change** remains a big issue in the area. Climate change mitigation aspects (i.e. reduction of CO<sub>2</sub> emissions, renewable energies, energy efficiency) are relatively well addressed under energy efficiency policies. Climate change adaptation remains a challenge and its importance is not yet fully understood.

The Mediterranean climate is characterised by a strong summer-winter rainfall contrast, which increases when going from the north to the south and from the west to the east. Precipitation occurs mainly during winter and autumn while summer is very dry and prolonged. According to the Intergovernmental Panel on Climate Change (IPCC), by 2050 a temperature increase of 2-3°C paired with summer rainfall decrease up to 35% can be expected.

Sea warming is identified by the European Environment Agency as a key climate-change related pressure on the Mediterranean Sea. A water temperature average increase of 0.74°C is expected in 2030-2040 which could reach 1.5°C in the some areas. Marine ecosystems are already affected; increases in water temperature cause changes in salinity and circulation, the spread of non-native species, irregular migration and reproduction patterns, mass species mortalities, more frequent weather events and increases in sea levels. These developments have an impact on wildlife but also on several commercial species. Related ocean acidification will lead to changes in the number and abundance of marine organisms. Ocean acidification thus represents another stress on marine environments.

While climate change mitigation aspects are usually well documented in relation to energy issues, information on climate change adaptation is poor. However, the 19th meeting of Contracting Parties (COP19) of the Barcelona Convention endorsed in 2016 the 'Regional Climate Change Adaptation Framework for the Mediterranean Marine and Coastal Areas'. The document aims at building a common regional strategic approach to increasing climate resilience and adaptation capacity.

The analysis of the preparedness of each country in relation to climate change adaptation is an extremely difficult task, since adaptation measures (in contrast to concentrated mitigation measures) spread over policy domains like architecture, spatial planning, business support, water management etc. An effective climate change adaptation strategy requires performing multilevel, multisector governance; in most Mediterranean countries governance indices do not fare very while, while the Mediterranean is one of the regions to be affected severely.

A useful, albeit proxy, indicator related to climate change adaptation is the "level of water i.e. freshwater withdrawal as a proportion of available freshwater resources (%)". The higher the index, the harder the country will be hit if water becomes scarcer due to climate change as resources will be depleted rapidly in a "business as usual" scenario. EUMC withdraw app. 35% of their available freshwater resources (Malta being a remarkable outlier), while in the MPC the share is app. 80% if some outliers are ironed out. In plain words, any moderate deterioration of the water household will put the MPC on an unsustainable path water-wise.

In general, exploitation is on the rise in most countries. In the south the situation is more precarious; many MPC are already exploiting resources at a rate it cannot be replenished and are quite vulnerable. Even in countries where the share is low, the trend is upwards. This development is a combination of poor resources in the first place, negative hydrological balances, reliance on water demanding agriculture for exports, growing population and obsolete infrastructure.

Last but not least, health threatened pandemics are an reoccurring event related among others to climate change; as temperatures rise, habitats of viruses and pathogens affecting animals and humans expand and reach new, previously unaffected areas with little or no immunisation. The programme area is highly dependent on sectors like tourism and agriculture that are sensitive to this development. Hence any adaptation strategy should also consider this type of threat especially due to the fact that the impact reaches the area quite rapidly compared to other climate change related threats such as water level rise.

**Summing up**, the INTERREG NEXT MED area will be hit hard by climate change with extreme reduction of rainfalls in the summer season. While climate change mitigation is on the agenda, climate change adaptation is addressed piecemeal. There are attempts for common regional strategic approach to increasing climate resilience and adaptation capacity but they are in an early stage. The area needs to introduce a multi-level, multi-sector, participatory and cross-border approach in adapting to climate change.

Transnational cooperation hence needs to:

- Increase awareness on the climate change impact on environment, economy and society, beyond the mitigation context;
- Increase cooperation and exchange between research institutions, government, businesses and local stakeholders on climate change mainstreaming and climate change proofing;
- Increase capacity of local stakeholders to mainstream climate change adaptation and introduce climate change proofing in their fields of responsibility;
- Increase the use of climate change adaptation tools and approaches at the regional and local level (climate change proofing, emergency and contingency plans, adapted spatial planning etc.);
- Increase cooperation, exchange, foresight ability and capacity among civil protection authorities, academia and businesses to mainstream adaptation, risk management and disaster response in their activities.

### **Challenge: match water demand and water resources**

**In the water sector**, the area is heavily affected by unevenly distributed water resources (nearly two thirds are in the north), increasingly polluted water bodies, aquifers threatened with depletion, and inefficient distribution systems. Trends indicate that demand will grow due to population growth while climate change will have a negative impact on water availability.

On the water extraction side and taking into account that resources are scarce in some regions, the EU MC have relatively stable demand (or decline) while in the MPCs demand grows or is stable; a logical development considering population trends.

Looking at the fresh water abstraction per capita Greece, Turkey and Spain have the highest per capita abstraction (1000, 700 and 670 m<sup>3</sup>/capita and year respectively) due to the water intensive crops cultivated. The quality of the water transportation infrastructure also plays a role, since it defines demand at the extraction end by constant consumption.

Moving to water, usage, the situation can be seen as satisfying. In all countries, the share of the population using safely managed drinking water services and the share of the population using safely managed sanitation services are relatively high in most countries (over 90% in most cases). Countries lagging behind and countries catch up and constantly improve. Safe water supply shares are usually higher than sanitation as it is faster to implement and considered more crucial.

Waste water collection and treatment show a similar picture. Most countries (app. 90% in the EUMC and 85% in the MPC) have a high level and the rest is catching up rapidly. It should be noted that

lower shares in some countries do not indicate the lack of a system but might be due to decentralised water treatment structures. However the gap to a satisfying level is still significant and should be seen also in connection to the population dynamics and the metropolisation of some urban areas in the south. Uncontrolled discharges, groundwater and coastal areas overload with nutrients and hazardous spills are and will remain an issue.

**Summing up**, the INTERREG NEXT MED area is heavily affected by unevenly distributed water resources, increased pollution, inefficient distribution and poor waste water management. Countries faring well depend more on the availability of water resources than an integrated water management. While the supply networks meet demand they suffer from big losses and inefficiency. Wastewater treatment is also incomplete and not overall effective. Population dynamics and the metropolisation of some urban areas in the south are expected to aggravate the problems. The area needs to address water management throughout the water cycle.

Transnational cooperation hence needs to:

- Increase awareness on the water cycle and its needs at every step and help identify the areas where investments bring the biggest benefit on the long run;
- Increase cooperation and exchange between research institutions, government, businesses and local stakeholders on integrated water management and help identify interdependencies and the proper mix of responses and in accordance with the Green Deal thematic elements;
- Increase capacity of local stakeholders, utility providers and households to introduce, enhance and sustainably operate water efficient infrastructure and end-user devices;
- Increase the introduction of integrated mechanisms for water quality in all sectors (related to efficiency, pollution control and reduction, treatment, recycling and reuse),
- Increase opportunities and jobs for the local economy in water efficiency investments.

### **Challenge: manage the transition towards a circular economy**

The EU has been promoting the concept of **circular economy**. **A circular economy is aiming at eliminating waste and promoting the continuous use of resources.**

While EUMCs show some tendencies of decoupling economic growth and resources use, many MPCs are still highly material resources dependent. In many cases, EUMC demonstrate a good performance because industrial production and related waste production and hazardous activities moved from the intensively regulated north to the south.

Even where waste management is implemented, rebound effects still apply. Landfill disposal remains a mainstay in the region. (Household) waste separation and handling, if implemented, is usually at the gathering points with implications on costs and the quality of the separated fractions (apart from metal). Organic waste remains a large fraction in Mediterranean countries (especially in urban areas in poorer countries, in rural areas it is recycled on the spot); and due to its high water share it is heavy and cumbersome to transport. Landfill disposal is literally wasting energy potential

and creates various nuisances (attraction of rodents, odour, run-offs etc. which can be extremely disturbing in the Mediterranean climate).

Average waste production per person and year was 4,9 tonnes in the EU in 2014. The majority comes from activities such as construction and demolition, mining, quarrying and manufacturing. Household and municipal waste is an average of 411 kg per person and year.

Waste generation per capita and year in the MPC remains low compared to the EU MC (with the exception of Israel). However, it is rapidly increasing. This fact, paired with population trends, puts a serious burden on future waste management.

Regarding consumption patterns one observes considerably higher per capita values in the north and relative stable trends (app 13 tonnes of resources pro capita and year). In the north many countries show reduction mainly due to the effects of the economic crisis and not due to a transformation of their production. In the south the highest values are observed in Israel and Turkey due to their “western” life style and their industrial output (13 and 18 compared to an MPC average of app 10 tonnes of resources pro capita and year).

Linked to consumption is the generation of waste; overall the trend is rising. In the EUMCs Cyprus and Malta show extreme increases of up to 35% in the period 2012-2016. However, those being small countries, the change might be due to the reorganisation of waste collection systems rather than an increase in waste generation per se. Also a qualitative change is happening not evident in the tables; organic matter becomes a smaller share while the waste mix slowly resembles “north European patterns” (more packaging materials and more electronics). In average the EUMC generate 3,5 tonnes per capita and year.

In the MPCs the waste per capita generation is guided by population dynamics. Per capita waste generation rises slowly but as a general trend, the waste production in the MPC is increasing due to the growing population.

While waste production is increasing, treatment facilities also grow. Treatment is usually limited to collection, compression and eventually water removal. Advanced treatment, like recycling and composting, remains low (app. 30% in the EUMC and substantially lower in the MPC with Israel leading with only 15%).

Last but not least, final disposal is far from satisfying. Landfills (often uncontrolled) are still the mainstay of waste disposal in many EUMC (average 35%). The situation is similar or worse in the MPC. Regarding the special conditions on the Mediterranean, marine litter stemming from land activities is a significant problem with implications for biodiversity and economy, tourism in particular (see below) that needs also to be addressed.

An aspect relevant to the circular economy in the Mediterranean is tourism. The area features a combination of attracting features (climate, coastlines and water swimming quality, landscapes, cultural heritage, etc.) making it the most popular tourist region in Europe and one of the largest tourist areas globally.

In 2017 more than 230 million people, mainly from western and northern Europe visited the area, 90% staying in the EU MC. The destinations of the tourists are unevenly scattered with areas like

Cataluña, the Balearic Island, Provence-Alpes-Côte d'Azur, Veneto and the Dalmatian coast being prominent hot spots.

Tourism sustainability was not the prime aim in the past; everything was about quantitative expansion coupled with high-density facilities and energy intensive activities. This has negative consequences on the sustainable management of coasts, biodiversity and water resources, to name a few examples. While not fully exploited yet, soft tourism and seasonal and location variation (coastal and hinterland) are becoming more important. Tourists, usually from affluent northern countries, show (i) increased consumption patterns and (ii) seasonal peaks. These two phenomena can create permanent damage in the infrastructures and the ecosystems. Related to the economy and tourism is the issue of marine litter, i.e. any persistent, manufactured or processed solid material discarded, disposed of or abandoned in the marine and coastal environment. Main sources of marine litter are land based sources and vessel-based. The majority of marine litter is plastic waste with variable floatability and hence variable dispersion. 200.000 tonnes of plastic are discarded in the area annually.

**Summing up**, the INTERREG NEXT MED area is in a **transition regarding circular economy**. Many countries moved away from traditional ways of production to industrial structures. However the cycle of recycling and re-use is not fully in place. Countries with high recycling rates have also high consumption rates, thus negating any recycling wins (rebound effects). Resource consumption and disposal follows a cycle of consumption, disposal, treatment and re-use or final disposal. The area needs to intervene in every stage of this cycle and reduce the load along the chain with the ultimate goal of minimising final disposals. Tourism plays an important role in this field, as it is a sector where target clients are welcoming sustainable practices.

Transnational cooperation hence needs to:

- Increase awareness on the resources consumption cycle and the priority for reduction, re-use and recycling and for environmentally-friendly production/consumption patterns;
- Increase cooperation and exchange between research institutions, government, businesses and local stakeholders on integrated waste management and in accordance with the Green Deal thematic elements;
- ;
- Increase capacity of local stakeholders, utility providers, businesses and households to introduce, enhance and sustainably operate integrated recycling and waste management systems based on a 4Rs approach (Reduce, Reuse, Recycle and Recover);
- Increase opportunities and jobs for the local economy in waste management added-value investments;
- Increase cooperation with bodies responsible for nature protection and biodiversity management with focus on marine litter prevention and mitigation
- Increased capacity in the tourism sector to introduce and promote circular economy products and offerings.

## **Challenge: Protect and embrace the huge diversity of terrestrial and marine ecosystems**

**Regarding biodiversity**, the area has a huge diversity of ecosystems, terrestrial and marine and a very high rate of endemic species. This biodiversity is however under pressure both from internal factors (such as human activity) but also from external drivers (such as climate change and invasive species).

A specific issue in the Mediterranean Sea is fisheries impact on the environment; the fish stocks in the region are not in a good condition, while fisheries become more efficient. Aquaculture is only partially compensating overexploitation.

On the terrestrial side, the forest coverage and biomass, an important factor of biodiversity, shows a significant difference between north and south (app. 37% coverage in the EUMC compared to 5% in the MPC). While in the north “forests” cover a large part of the country (and are growing, mainly due to land abandonment and urbanisation), their share in the south is very small with rising numbers in a few countries. Climate change is going to have a heavy impact on the quality of the forests in the next decades, while forest fires will become more frequent.

Regarding biodiversity protection, at EU level, the Birds the Habitats Directive (adopted in 1995) require EUMCs to protect important habitats and species by establishing protected areas known as Natura 2000 sites but also national protection regimes apply.

Natura 2000 has led to an important increase of protected areas in the EUMCs. The share of protected areas in the MPCs is growing but the overall status quo is lower than in the EUMCs (protected area in the EUMC is app. 20 times larger than in the MPC, whereas app. 26% of the total EUMC area is protected compared to 8% in the MPC).

At the terrestrial side, where protected areas were established earlier, the EUMCs have a stable and developed network of areas but the south is rapidly catching up.

At the marine side, things are much more dynamic since many marine protected areas were established only recently. The areas are rapidly increasing in the EUMCs and are still relatively low in the MPCs. However while establishment is advancing, control and enforcement overall lag behind (Table 44).

Comparing the share of protected areas to the total country area and the territorial waters, the larger share of protected areas in the EUMCs compared to the MPCs becomes evident. However, management of those areas remains problematic. Only a few areas have a fully-fledged management plan and even less effectively implement it.

**Summing up**, The INTERREG NEXT MED area has a **huge diversity of terrestrial and marine ecosystems**. In the last decades the network of protected areas on sea and land expanded considerably also thanks to the EU NATURA 2000 and Marine Protected Areas frameworks. However the protected areas are **not endowed with adequate resources** for proper management, protection, control and enforcement of the protection status. The area needs to reconsider the role of the protected areas and invest in managing them together with the local communities whose existence depends on them and their resources.

Transnational cooperation hence needs to:

- Increase awareness on the value, ecosystem services and management approaches of biodiversity and protected areas;
- Increase cooperation and exchange between research institutions, government, businesses and local stakeholders in environmental and biodiversity protection, ecosystem services provision and management and in accordance with the Green Deal thematic fields;
- Increase capacity of local stakeholders, businesses and citizens to be involved in protected areas management and participate in decision making, including marine areas,;
- Increase capacity of state authorities and the civil society for proper management, protection, control and enforcement of the protection status , including marine areas,;
- Increase capacity in the tourism sector to integrate biodiversity and ecosystem services in its products and offerings;

Increase capacity of local and regional authorities to design, implement and maintain green infrastructures in the urban context and in relation to climate change adaptation and disaster risk management.

#### **Priority Objective 4**

##### **Challenge: To improve job creation and foster a high-employment economy.**

One of the biggest challenges in the Programme area is the need to ensure new entrants to the labour market can be absorbed. The majority of the Mediterranean countries have high rates of unemployment, especially amongst the young and women. Levels of economic growth and the pace of job creation for new labour market entrants are too low, and often not geared toward high productivity jobs. Young people, women and rural populations face similar challenges including decent work deficits, low labour force participation and a difficult transition from school to work. Economic growth rates in MPCs are expected to remain too low to effectively reduce unemployment, especially youth unemployment, with 70% of the working age population under 30 years of age, corresponding to 2.8 million young people entering the labour market every year. Meanwhile, all countries are predicted to see significant increases in their unemployment rates in 2020 as a result of COVID-19, from a c.2% increase in Egypt, Cyprus and France, to a more than 5% increase in Spain, Portugal, Greece and Israel.

Female participation in Mediterranean economies averages 37.5% but ranges from 13.5% in Algeria to 26% in Tunisia, to between 41% and 59.6% in the EUMCs and Israel. Despite high growth rates and better education, MPC's women levels of participation in the labour force have increased little in the last three decades. Whilst in the majority of EUMCs the gender gap was c. 10 percentage points difference between male and female participation (only France and Israel demonstrate figures significantly lower than this) in MPCs the gap was in excess of 40 percentage points. There

is a strong correlation between women's economic participation and a country's economic growth and well-being, and by equalising the labour market participation of women in MENA – the lowest in the world at only 24% compared to 62% in OECD countries – with that of men, the region's GDP could increase by more than 10% over the next decade.<sup>16</sup>

The youth unemployment rate is 3 times higher in Mediterranean countries than the adult unemployment rate, and youth unemployment rates in MPCs have been the highest in the world for the past 25 years, peaking in 2016 at 30.4 per cent<sup>17</sup>. Youth unemployment is higher amongst males in some of the Northern Mediterranean countries (Cyprus, France, Malta) and amongst females in all the southern Mediterranean countries and Turkey, reaching as high as 82% in Algeria and 67.8% in Libya. Many young people turn to informal work with more than three-quarters of employed youth working without written contracts in Egypt, Jordan, Lebanon and Tunisia.

Rising youth unemployment and growing number of NEETs (young people Not in Employment, Education and Training) reflect not only a lack of jobs, but often poor-quality education and mismatches between skills and labour market requirements. 21% of the population in Mediterranean countries are NEETs with the highest rates in Palestine (33%) and Turkey (26%) and the lowest (under 10%) in Portugal and Malta. Key factors affecting youth employment in the private sector are levels of education and training and skill mismatches between qualifications and labour market requirements. Lower educational attainment is a significant risk factor for disengagement from the labour market; however, unemployment rates are high in the programme area also amongst individuals with a tertiary level of education.<sup>18</sup>

Inequalities in the labour market reflecting educational, gender, age and race are being exacerbated by the global pandemic, with low-skilled workers, especially amongst women, youth and migrants, and informal workers, more exposed to lay-offs and less protected.<sup>19</sup> Unemployment rates are expected to rise across the board but will depend upon not only the size and effectiveness of policy measures, but pre-existing vulnerabilities (e.g. high share of temporary contracts) and different sector specialisations (e.g. tourism). The most economically disadvantaged regions are likely to be more susceptible to job losses as a result of COVID-19, with the labour market pain being borne disproportionately by the young, the low-paid, the inhabitants of lagging regions, and those with poor job security. Varying access to tools and technology threaten to deepen educational inequalities whilst schools are closed and remote learning is required. Children with limited learning support or access to technology at home or in rural areas with poor connections are disadvantaged.<sup>20</sup> Women are also paying a far greater price during the pandemic, which is having consequences for women and girls that have the potential to slow improvements in gender equality.<sup>21</sup>

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<sup>16</sup> [https://www.oecd.org/mena/competitiveness/MENA\\_Competitiveness\\_brochure\\_EN\\_lr.pdf](https://www.oecd.org/mena/competitiveness/MENA_Competitiveness_brochure_EN_lr.pdf)

<sup>17</sup> UNDP Regional Bureau for Arab States, 2013

<sup>18</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=European\\_Neighbourhood\\_Policy\\_-\\_South\\_-\\_labour\\_market\\_statistics#Activity\\_rates](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=European_Neighbourhood_Policy_-_South_-_labour_market_statistics#Activity_rates)

<sup>19</sup> <https://www.un.org/development/desa/en/news/policy/june-wesp-monthly-briefing.html>

<sup>20</sup> <https://www.unicef.org/press-releases/unequal-access-remote-schooling-amid-covid-19-threatens-deepen-global-learning>

<sup>21</sup> [https://www.un.org/en/un-coronavirus-communications-team/put-women-and-girls-centre-efforts-recover-covid-19?mc\\_cid=9ed1fe2726&mc\\_eid=905a32c197](https://www.un.org/en/un-coronavirus-communications-team/put-women-and-girls-centre-efforts-recover-covid-19?mc_cid=9ed1fe2726&mc_eid=905a32c197)

The Territorial Analysis identified the need for managed mobility on the borders of the EU and Neighbourhood countries due to the continuing migration crisis in the Mediterranean, with MENA home to 58 per cent of the world's refugees and nearly half of the world's internally displaced populations.<sup>22</sup> These groups should be targeted also in an integrated manner under the relevant investments / activities relating to this challenge.

Transnational Cooperation needs to:

- Provide more and better jobs to women and young people and other disadvantaged groups.
- Improve the incorporation of unemployed people, new entrants and migrants to the labour market.
- Reduce inequalities in and varying access to education and employment opportunities.
- Address skill mismatches between supply and demand and anticipate and respond to changing skills needs.
- Improve social inclusion and territorial cohesion, including economic and social integration of migrants.
- Enable increasing participation and service provision by social economy organisations.

**Challenge: Improve regional resilience through improving digital access and ability including improving health care capabilities**

ICT is the single most important driver and enabler of innovation and growth and has significant potential to reduce disparities across regions and states and achieve SDG targets. Digital technologies enable massive gains in productivity as they speed up and improve the way new innovative products and services are conceived, developed, produced and accessed. The digital economy creates new opportunities for trade and development, helps smaller businesses and entrepreneurs to connect with global markets more easily, find new ways to generate income and achieve greater financial inclusion.<sup>23</sup> Despite different levels of internet penetration, the number of internet users and type of internet use is increasing every year across the programme area and all EU countries improved their digital performance over the last year.

There remain major inequalities in digital skills across the programme territory along a number of lines, notably socio-economic status, race, gender, geography, age and educational background. Affordable access to different ICTs is essential for people and enterprises to take active part in the evolving digital economy and reap development gains from it. Relatively low levels of literacy and digital competencies are important obstacles to digital transformation, particularly in rural areas, whilst the inequalities between those with and without digital skills will increase without inclusive and equitable education and lifelong learning for all. Varying weaknesses are apparent across the

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<sup>22</sup> <https://www.unicef.org/mena/media/5246/file/MENAGen2030-EnglishSummary.pdf.pdf>

<sup>23</sup> [https://unctad.org/en/PublicationsLibrary/ier2017\\_en.pdf](https://unctad.org/en/PublicationsLibrary/ier2017_en.pdf)

programme area, from low overall connectivity and business use of e-commerce in Greece to low levels of basic and advanced digital skills in Italy, Cyprus and Greece<sup>24</sup>. In 2017, just 8% of businesses in MENA had a digital presence and only 1.5% of MENA's retail sales were online. Nevertheless, the MENA area has significant digital potential, having some of the best educated, unemployed people in the world: highly skilled university graduates currently make up almost 30 percent of the unemployed pool of labour in MENA. The digital economy presents an opportunity to create the additional jobs needed in the Mediterranean region, and governments need to encourage digital businesses to form and thrive by creating the right business environment and reducing or removing burdensome business regulations.<sup>25</sup> ICTs could also be used more effectively to engage citizens in the design of public policies as well as in the design, delivery and evaluation of public services, and to aid different parts of the public sector to work together and share resources.<sup>26</sup>

The COVID-19 pandemic has amplified all aspects of the digital transformation and highlighted the opportunities provided by digital tools during a crisis. Digital connectivity in the time of COVID-19 has become a lifeline for individuals, governments and businesses to ensure continuity of economic and social activities in light of social distancing and lockdown. Governments need to ensure continuity of public services through enabling citizens to make use of digital technology, promote e-learning initiatives to ensure education continuity and develop e-health initiatives that relieve the pressure on health services and ensure more equitable access.<sup>27</sup> However, digital divides remain and unequal access to quality broadband connectivity and IT equipment has increased social inequality between those who have been able to secure business continuity and observe social distancing and those disadvantaged groups, including refugees, without adequate access to the Internet or whose occupation cannot be undertaken remotely.

Health is a key factor in regional development and competitiveness and the reduction of economic and social inequalities. Health can be addressed in relation to RD&I (health technologies and innovation), ICT (e-health) and social inclusion (equality of access between geographical areas and social groups), as well as in relation to improving public administration capabilities such as transnational coherence and training / learning in health systems and adaptation to COVID and post-covid scenarios. ICT and digitalization can enhance healthcare through the introduction of telehealth technology, powered by the internet, that can enable patients to have face-to-face virtual consultations with specialists and to have their treatment plans monitored from a distance without the need for physical contact, relieving congested health-care facilities and avoiding the need for travel for remote patients and any risk of further infection.

Transnational Cooperation needs to:

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<sup>24</sup> DESI overall index, calculated as the weighted average of the five main DESI dimensions: 1 Connectivity (25%), 2 Human Capital (25%), 3 Use of Internet (15%), 4 Integration of Digital Technology (20%) and 5 Digital Public Services (15%) <https://ec.europa.eu/digital-single-market/en/desi>

<sup>25</sup> <https://blogs.worldbank.org/developmenttalk/digitizing-succeed-mena>

<sup>26</sup> <https://www.oecd.org/mena/governance/digital-governance-mena.pdf>

<sup>27</sup> <https://blogs.worldbank.org/arabvoices/digital-transformation-time-covid-19-case-mena>

- Build on continual improvements in ICT coverage, usage and e-services and potential for digital job creation and digital transformation.
- Reduce digital gaps in relation to accessibility and ability (across sectors, regions and population groups) and reduce inequalities in access to health and digital provision.
- Improve regional resilience through promoting e-commerce, e-government, e-learning and tele/e-health.
- Improve transnational learning and adaptation in relation to health care capabilities and preparedness.

### **Challenge: Tourism transition**

Tourism plays an important role in the economies of Mediterranean countries, offering employment and economic growth potential. The Mediterranean is the world's leading tourism destination in terms of both international and domestic tourism with more than 563 million International Tourist Arrivals (ITAs) representing 30% of total global receipts in 2018, having increased from 58 million arrivals in 1970, and with half of these arrivals in coastal areas. By 2018, the ninth year in a row of sustained growth, the sector was contributing to close to 10% to EU GDP and represented 30% of global receipts.<sup>28</sup> In North Africa in 2018, tourist arrivals increased by 10% over the previous year and receipts by 4%; the figures were 5% and 4% respectively for the Middle East countries.<sup>29</sup>

Nevertheless, the sector has an uneven spatial distribution between and within countries and localised impacts, as well as a temporal dimension, strongly affected by seasonality and specific events. The exponential growth of tourism in the region has at times led to concentration of activities in single locations and touristic “monocultures” that have been detrimental to environmental quality, cultural heritage, social fabric and the long-term sustainability of the sector and the regions affected. Diversification will overcome dependency on low added value temporary work and ensure economic activity and employment are less seasonal in nature.

Meanwhile, the outbreak of COVID-19 and subsequent lockdown has put the global tourism industry under unprecedented pressure. The World Tourism Organisation (UNWTO) forecast a decline of international tourism of 60% to 80% in 2020 compared to the previous year and a c.70% decline in output.<sup>30</sup> The economic and social impact is likely to be the greatest in territories reliant on tourism, hospitality and culture sectors, specifically upon international tourism and visitors. Low-paid jobs in the tourism sector and low-income countries have been / continue to be disproportionately impacted, and the predominance of MSMEs in the sector has further exacerbated impacts at the local level. The new challenges faced by the sector, including perceptions around “safe destinations” requires a different approach that builds on the understanding of the transformative impact of COVID-19 and seeks to establish a more sustainable post-pandemic tourism sector.

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<sup>28</sup> European Commission, Tourism and transport in 2020 and beyond

<sup>29</sup> <https://www.e-unwto.org/doi/pdf/10.18111/9789284421152>

<sup>30</sup> European Commission, Tourism and transport in 2020 and beyond

The Mediterranean area needs to exploit the economic potential of tourism and culture to reduce disparities, promote convergence and to contribute to the economic recovery of the programme area. The tourism sector is well-placed to promote socio-economic empowerment and non-discrimination by creating business, employment and entrepreneurial opportunities that are led by and incorporate women, youth, indigenous people and migrants and that break down barriers of inequality and contribute to poverty reduction and improving the livelihoods of communities.

Cultural heritage must be accessible to be inclusive, and a people-centred approach that demonstrates awareness of the multifaceted nature of barriers to accessibility and widens engagement through developing inclusive cultural spaces, technologies and learning programmes should be promoted. The sector must enable and ensure that persons with disabilities or in situations of limited mobility are able to acquire skills, participate in cultural life and contribute to creative industries.

Transnational Cooperation needs to:

- Promote the integration and empowerment of less favoured groups, their employment in decent work and wider community engagement.
- Encourage the joint development, innovation and diversification of tourism initiatives, strategies, products, services, brands and promotion, especially in specialist or niche areas based upon community involvement, local supplies and products, territorial assets such as protected landscapes and their conservation and cultural heritage.
- Ensure professional development, education and training and hence a skilful entrepreneurial workforce in tourism and cultural heritage and stronger, better quality tourism management/governance.
- Contribute to a transition towards a more resilient and sustainable tourism and promote cross-sectoral links and synergies and diversification of the tourism value chain.
- Develop an inclusive cultural heritage and creative industry sector, with inclusive spaces, technologies, learning and employment opportunities.

### **Interreg Specific Objective 1**

#### **Challenge: better cooperation governance**

The Mediterranean basin is an area of global strategic importance with a series of transboundary challenges that requires strategic concerted joint action. Multi-level and transnational cooperation amongst actors around the basin are hampered by disparities of institutional and administrative capacity, organisational development and learning and levels of socio-economic development . There is limited identification and exploitation of good practices and of cooperative actions that

identify and address common problems and their solutions, and room for improvement in terms of exploiting synergies across different initiatives, programmes and projects. Increasing the capacities of the programme authorities and beneficiaries to cooperate within the framework of the programme as well as across other Mediterranean initiatives is required to enable greater programme impact and capitalisation upon the results.

The programme area has a complex policy framework; it benefits from a wealth of different cooperative initiatives and programmes, with varying regional, bilateral and thematic focus, timeframes and aims and objectives. Reinforced cooperation across the Mediterranean territory requires that synergies and complementarities are identified and promoted across the different initiatives and actors to achieve a higher impact, added value and efficiency in the allocation of resources, and more integrated interventions. Multi-programme and cross-project coordination are required in relation to planning and design, implementation and communication in order to encourage synergy and avoid overlap or duplication.

The COVID-19 pandemic and the consequences of climate change brings a whole new set of challenges that are potentially not yet fully understood and to which preparedness and resilience must be found. Cooperation and increased trust between citizens, administration and science are likely to be the key to mitigating the risks and uncertainties and transforming the responses and their impact.

Transnational Cooperation needs to:

- Improve multi-level, multi-sectoral and transnational cooperation and coordination among public authorities, stakeholders and civil society.
- Enhance policy coordination and the identification and solution of common challenges.
- Increase institutional capacity of public administration and stakeholders to implement territorial strategies.
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- Increase inter-programme and cross-project coordination and encourage integrated and synergistic design, implementation and communication across Mediterranean initiatives.
- Build trust and encourage inclusive participation, people to people actions and strengthen stakeholder engagement.
- Enhance transnational preparedness and resilience to COVID-19 and other trans-boundary challenges and crises.