# Inclusive Green Economy Transition between Constraints and Opportunities

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The Mediterranean region could be considered a paradox of climate change and green transition, which risks undermining the potential to build a peaceful, secure, prosperous and inclusive space.

The Mediterranean is a hotspot of climate change, as it is one of the most vulnerable regions in the world to the impacts of global warming. From increases in temperatures well above the global mean, longer heat waves, a greater decrease in rainfall and an advance in desertification, to more floods and other extreme weather events. These effects will have severe implications for food and water security, livelihoods, public health, and large coastal cities in many areas (MedEcc, 2019). Particularly vulnerable to the effects of climate change are the SMCs that have high levels of exposure and sensitivity, but also low levels of adaptive capacity. Viewed as a 'threat multiplier', climate change could indeed exacerbate existing ethnic, economic, social or political tensions in several countries.

The Mediterranean is a hotspot of climate change as it is one of the most vulnerable regions in the world, and particularly SMCs that associate high level of exposure and sensitivity to low level of adaptive capacity.

At the same time, the SMCs are exposed not only to the adverse impacts of climate change, but also to global efforts to mitigate it. While the transition to a greener economy is a real business and environmental opportunity, it will also lead to reallocations both between and within economic sectors, with income and job losses especially occurring where dependence on fossil fuel is high and chances for economic diversification are limited. In the MENA, several countries are economically dependent on fossil fuels and, as both the IEA (2018) and IRENA (2020) outline, the low-carbon energy transition poses critical challenges to Southern oil and gas producers, putting strong pressure on their development model based predominantly on hydrocarbon revenues. The economic diversification programmes of countries heavily dependent on fossil fuels, such as Algeria and Libya, are lagging and the surge in energy prices as a consequence of the war in Ukraine is likely to hinder already slow efforts in this direction.

In this context, the EU's Renewed partnership with the Southern Neighbourhood (SN), which considers green transition as a strategic priority, represents an opportunity to face these cascading and intersecting challenges, opening a window of opportunity to relaunch cooperation between both sides of the Mediterranean.

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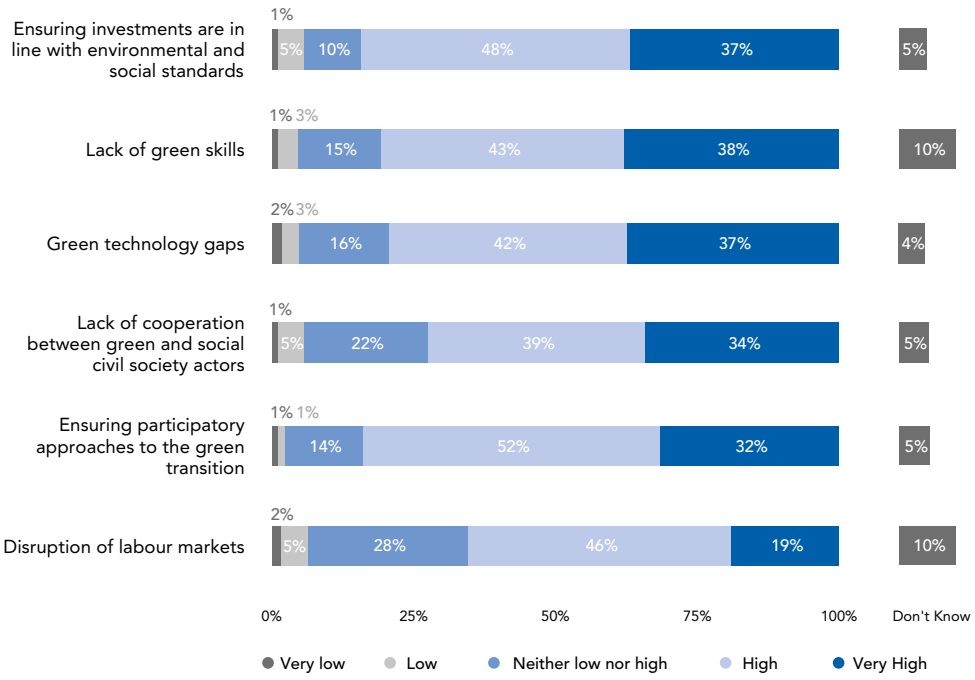
In brief, while the green transition offers a new positive agenda for Euro-Mediterranean relations, it does not automatically lead to the paradigm shift required for an effective and inclusive green transition able to achieve the triple dividend of environmental effectiveness, economic efficiency, and social equity. As the results of the EuroMeSCo Euromed Survey highlighted, the steps to making reality the potential of the green transition in terms of inclusive socio-economic development are identifying the factors that hinder the emergence of the green economy or its drivers; reformulating the EU-SEMCs cooperation along clear strategic priorities; translating priorities into concrete actions to foster an inclusive green transition; and, finally, strengthening cooperation in order to increase resilience to climate change.

## Barriers to Inclusive Green Economies

Over the past decade, the green economy has emerged as an important policy framework to deliver more resilient, resource efficient, low-carbon, and inclusive societies. There are significant differences and asymmetries in the capacity of the Mediterranean economies to sustainably address such a transition across different countries and sectors. However, progress towards an inclusive green and low-carbon Mediterranean region remains limited and constrained by a number of barriers that still need to be addressed.

The EuroMeSCo Euromed Survey results show that to effectively guide and stimulate the green transformation and to promote the sustainable development of the region, it is first necessary to analyse and clarify the barrier factors of the green transition.

**Graph 1:** Q.19 To what extent are the following elements a challenge for an inclusive green transition?




**Source:** Compiled by the IEMed based on the results of the 13th Euromed Survey

The investment in modern, smart and clean infrastructure is a critical factor for green transition in the region. The green transition entails pursuing green investments in those sectors that have been developed unsustainably as part of the brown economy. To achieve this, a common language and a clear definition of what is 'sustainable' is needed. An important step towards this direction is represented by the EU Taxonomy for Sustainable Activities.

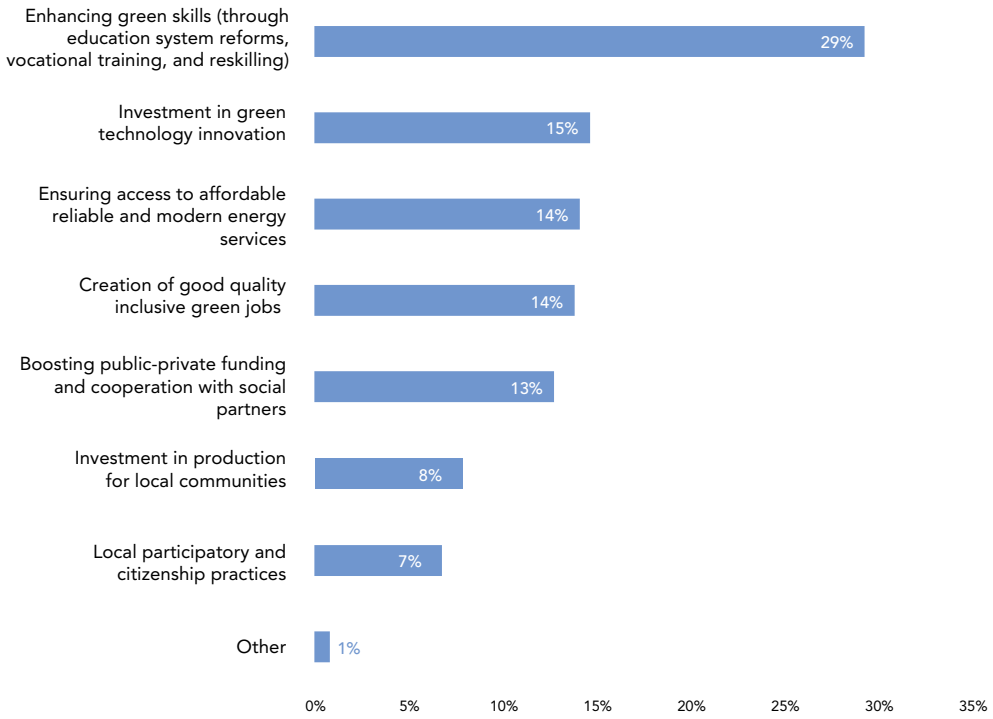
The Taxonomy has the ambition to become the reference point for green finance, not just in Europe but also at the global level (Platform on sustainable finance, 2022). The importance of directing investments towards sustainable projects and activities, sharing best practices and coordinating efforts on environmentally sustainable investments (such as green taxonomies, environmental and climate disclosures, and standards and labels for green financial products) also emerges in the EU's New Agenda for the Mediterranean. Moreover, these views are shared by both the EU and the SMCs respondents of the Euromed Survey that considered the need to ensure investments in line with environmental and social standards as a key element for an inclusive green transition.

There was also a clear overall consensus between EU and participants from the Southern neighbourhood that there can be no green transition without green skills.

The transition to new green and decarbonised economic systems implies, in fact, a transformation of the structure of the economy towards less-polluting and more resource-efficient economic activities and these changes are difficult to implement if there is a lack of green skills.

Respondents from both shores consider the shortage of green skills as the main constraint to the green transition in the Mediterranean. The transition to new green and decarbonised economic systems implies, in fact, a transformation of the structure of the economy towards less-polluting and more resource-efficient economic activities and these changes are difficult to implement if there is a lack of green skills. New mindsets and new skills will be needed, not only for people entering the labour market, but for people of all ages and stages in life. Consequently, skills and training will have to adapt to the emergence of environmentally friendly technologies in a wide range of professions, which means big changes in education, training and lifelong learning.

**Graph 2:** Q.20 What should be the main EU-SMCs cooperation priority for a green and inclusive agenda?




**Source:** Compiled by the IEMed based on the results of the 13th Euromed Survey

Enhancing green skills and competences is considered a necessary condition to ensure a positive impact of the green transition on the labour market.

At the same time, the green transition will have a profound impact in terms of employment, since green policies also imply the obsolescence of some technologies and products, which translates into the obsolescence of some jobs and human capital, affecting the structure of labour demand. This may lead to a significant transformation of the labour market, creating both new opportunities and new risks for workers. In particular, green policies will contribute to job creation in a number of 'green' economic sectors. At the same time, job loss is especially likely to occur in

'brown' sectors, whose activities will be replaced by green sectors. Both the EU and SMCs respondents ranked the lack of green skills at the top of the barriers to the inclusive green transition, while the issue of labour market disruption ranked last. These results should be read not in terms of people attributing a greater importance to green skills than the disruption of the labour market, but in terms of an awareness that enhancing green skills and competences is considered a necessary condition to ensure that the overall impact of the green transition on the labour market will be positive.

In conclusion, green skills, by supporting the green transformation of all economic sectors and giving employees the ability to work in green sectors, are considered a key driver of a just transition. Therefore, to facilitate the green transition in the Mediterranean region, adequate and effective investment in education, training and skills will be key.

Civil society participation can strengthen the outcome of a truly inclusive green transition, bringing new insights and innovative practices through local and traditional knowledge. In addition, it can help anticipate emerging issues and support effective policy implementation by fostering trust among stakeholders. The prerequisite to ensuring a participatory approach to green transition, as well as to promoting the cooperation between green and social civil society actors has been also underlined by the Survey participants, especially by the SMCs respondents, highlighting the relevance of the issue especially in the Southern shore, where the demand for transparency and inclusive social participatory processes have continued to increase since the Arab Spring (Subramoni, 2022). It is therefore vital that governments include social dialogue and build a participatory approach to the low-carbon and green transition to avoid the risk of political instability.

Another constraint to an inclusive green transition in the region highlighted in the Survey is the green technology gap, which mainly affects the SMCs.

The Survey revealed that there are still several barriers to adopt a green growth agenda in the Mediterranean region, which require new forms and new areas of cooperation between the European countries and the SMCs. The priorities where strengthening Euro-Mediterranean cooperation are the subject of the next section of this qualitative analysis.

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## The EU-SEMCs Cooperation Priorities for a Green and Inclusive Agenda

The green transition is a top priority for the EU, which has positioned itself as a global leader of the green economy transition as reflected in its ambitious goals laid out in the EU Green Deal. However, as the policy document states, the Green Deal is not just a commitment to mainstream sustainability and decarbonisation inside EU borders, but also a commitment to encourage action across the world, especially amongst its immediate neighbourhood, through strong environment, energy and climate partnerships.

However, there are several conditions required to make the green transition project work as a shared policy goal. The challenges of the green transition cannot be addressed by the same unidirectional and top-down approaches that informed the previous EU neighbourhood policies. The North-South cooperation within the Barcelona Process was characterised by significant asymmetry, since the cooperation model was conceived as a simple extension of the decisions and objectives formulated within the EU to the SMCs. To avoid these old mechanisms, it is necessary to rethink conventional approaches, establishing stable and effective ways to cooperate and coordinate initiatives based on a continuous two-way dialogue able to guarantee shared objectives, solutions, and responsibilities on a win-win logic.

As also highlighted by the EuroMeSCo Survey, a central element of the EU-SMC cooperation for a green and inclusive agenda should be enhancing green skills (see graph 3). All respondents, especially those from the SMCs, consider cooperation in green skills investment and development as a key factor to enabling an inclusive green transition. Cross-Mediterranean programmes focused on green transition should promote green skills in close cooperation with the private sector and in partnership with other international organizations, such as the United Nations Industrial Development Organization (UNIDO) and the International Labour Organization (ILO), to align skill development and training assistance programmes with greening national strategies. In 2017, the Union for the Mediterranean (UfM) Roadmap for Action argued that strengthening human capital is the key force for stability and security in the region and that education and youth mobility are an essential part of the answers to the challenges faced by the Mediterranean (UfM, 2017). In particular, cross-regional non-formal exchanges or learning projects, such as local or international volunteering projects, youth gatherings, or international youth exchanges, may provide young people with the opportunity to meet with other peers and cultures in the region and to become more aware of common challenges and solutions that can help in this regard. An important step could be reaching a common agreement on green skills under the flagship of the European Skills Agenda in order to identify priorities and concrete actions. Such an initiative could lay the foundation for joining forces among countries towards strengthening green skills in education and training (Elmasllari, 2022).

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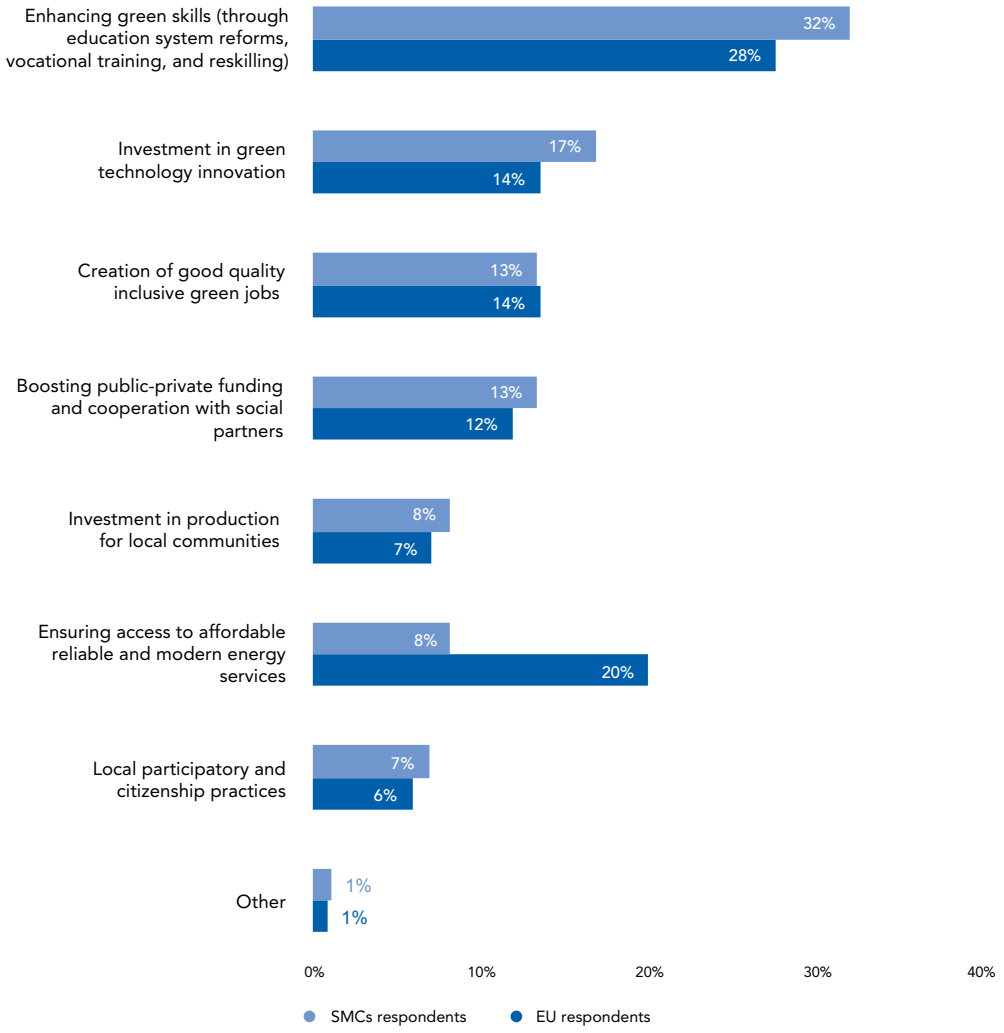
**Graph 3:** Q.20 What should be the main EU-SMCs cooperation priority for a green and inclusive agenda?




**Source:** Compiled by the IEMed based on the results of the 13th Euromed Survey

Less important than green skills in terms of cooperation, but still considered among the main priorities by the respondents of the Survey is investing in green technological innovation. The transition to a climate-neutral and environmentally sustainable economy will require significant investments in every sector, including renewable energy and energy efficiency, climate-smart agriculture, green transportation, biodiversity loss and pollution, the protection of natural capital and the support to the circular and blue economy, as well as for human capital and social issues related to the transition. As stated by the Joint Communication, the European Commission has already

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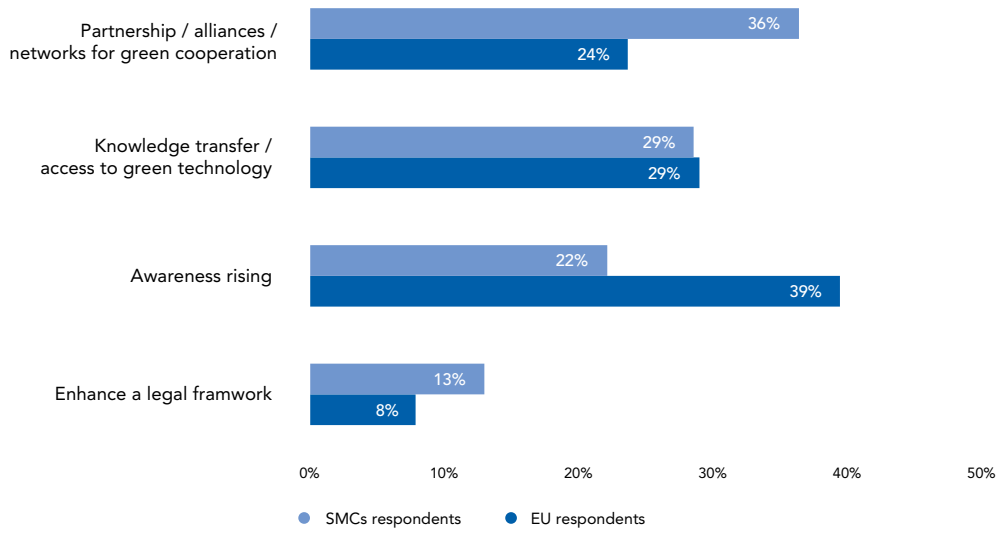
proposed mobilising 7 billion euros in green investments to foster sustainable development in the region, mainly through the Neighbourhood, Development and International Cooperation Instrument (NDICI), which foresees both bilateral and regional initiatives. The strong cooperation between national and international institutions, the greater involvement of the private sector and the development of green initiatives will be crucial elements for green investments in the SMCs. There are two main ways the Euromed cooperation can increase green investments in the SMCs: help to improve the enabling environment, conditions that affect the viability of sustainable investments, including policy and governance frameworks, as well as programs or initiatives that help finance flow; promote the mobilisation of the right incentives to attract green investments in strategic infrastructure for green transition, in particular energy, water and transport.

Identifying barriers, as well as priorities in terms of cooperation for the inclusive green transition in the region should inevitably be accompanied by concrete actions to make the green transformation effective.

## EU-SMCs Concrete Actions to Foster an Inclusive Green Transition in the Region

The Survey respondents have identified a series of concrete actions that the Euromed cooperation should undertake to make an inclusive green transition effective.

**Graph 4:** Q.21 What concrete actions should EU-SMCs cooperation prioritise to foster an inclusive green transition? (Categories developed from open-ended answers)




**Source:** Compiled by the IEMed based on the results of the 13th Euromed Survey

As the figure shows, most respondents attached particular importance to three actions: awareness; partnership, alliance and network; knowledge transfer and access to green technology. However, it is necessary to highlight that the weight attributed to each element varies according to whether we consider the European respondents and those from the SMCs. In particular, the participants coming from the SMCs give more importance to the implementation of partnerships and alliances. Enhanced regional integration on green transformation areas and strong multi-stakeholder partnerships will be key to smooth transitions to a low-carbon and green future. The creation of strong partnerships and alliances should cover several domains and should be established at different levels: regional, sub-regional and national. These alliance should include: sectoral partnerships to act collectively on issues such as climate change, natural resources management, biodiversity loss, etc.; a financial partnership to foster multi-actor alliance with financial institutions to align financial flows to national climate and green priorities; a green technology partnership to enhance innovation and technology exchanges and connect providers and seekers of environmentally friendly technologies; knowledge partnerships with academia, think tanks, civil society organisations and youth networks to promote knowledge sharing and the exchange of best practices and ideas for effective green actions.

Enhance regional integration on green transformation areas and strong multi-stakeholder partnerships will be key to smooth transitions to a low-carbon and green future.

On the other hand, respondents from both shores share the importance of knowledge transfer and access to green technology to accelerate the transition. The EU should have a key role in advancing green technologies in the SN, overcoming the conventional linear models of 'technology transfer' that have dominated the spread of technology until now and adopting a more systemic and holistic model of 'technology sharing'. To achieve this objective, the EU should ensure not only the access, but also the effective use of technology in the SMCs, assessing and priotising their technology needs; building the capacity of the local labour force to adapt, disseminate, maintain and replicate the technological innovation generated abroad; developing strategic partnerships with different stakeholders in the value chain; taking into consideration the technological knowledge of the SMCs' local communities and integrating it with technological advances and innovation of the EU (Della Ragione, 2022).

Finally, even if perceived with less relevance by the respondents, strengthening the legal framework is a prerequisite for green transition. A structural challenge for many SMCs remains the enforcement of environmental laws and regulations. As economic and political stability is a prerequisite for the growth and execution of environmental law, the economic crisis triggered by the Covid-19 pandemic associated to the public discontent against governments which affects several SMCs, will only delay and detract the environmental agenda.

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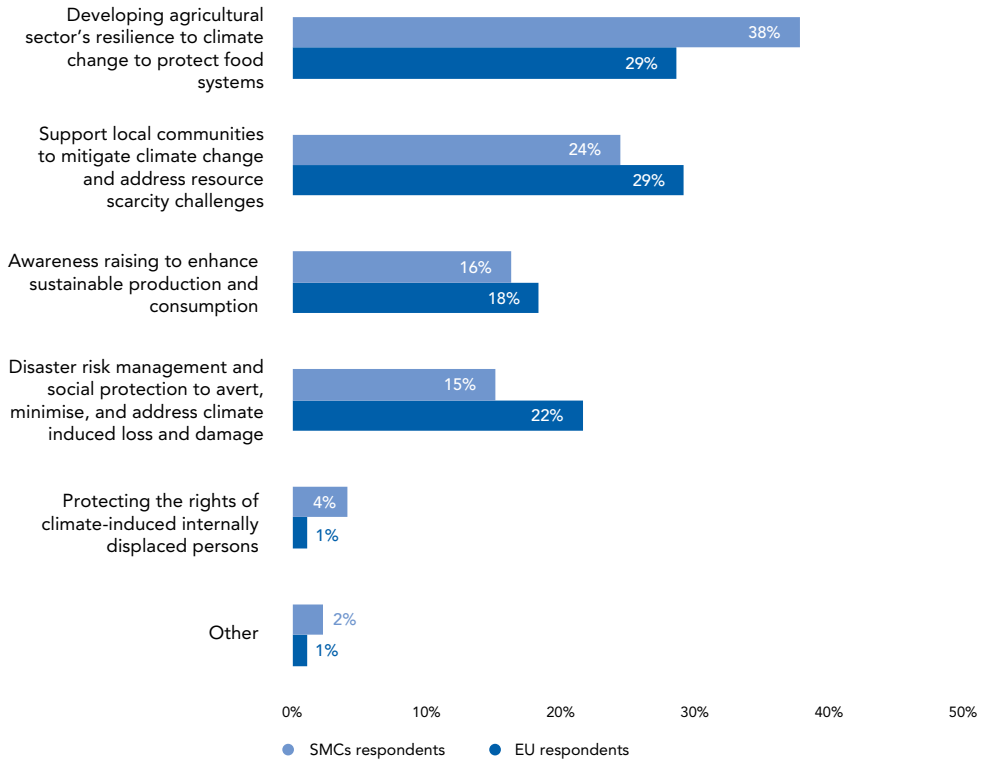
## EU-SMCs Cooperation Priorities to Increase Resilience to Climate Change Social Impacts

According to the MedECC report (2020), in the Mediterranean region current risks to human population, economies and ecosystems will increase as a result of climate change impacts. Droughts, wildfires, soil degradation, desertification, sea level rise, heat waves, river flooding, and other pressures can seriously challenge the resilience of both biophysical and human subsystems. Addressing these risks, adapting to change and increasing the resilience of Mediterranean socio-ecological systems will be crucial for ensuring sustainable development in the region. Therefore, developing joint, region-wide, and integrated adaptation approaches that treat risks and hazards in a holistic manner is of utmost importance.

The Survey results show several cooperation priorities to increase resilience to climate change social impacts. The first refers to the agricultural sector and the need to increase the resilience of food systems.

**Graph 5:** Q.22 What should be the main EU-SMCs cooperation priority to increase resilience to climate change social impacts?

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The relevance of the topic is linked to the fact that the agricultural sector is particularly sensitive to climate variability and shocks. Furthermore, instability and price volatility in the global agricultural markets may exacerbate the local impacts of climate change, because most Mediterranean countries are net importers of cereals and fodder/feeding products. Furthermore, the ongoing conflict in Ukraine continues to exacerbate food security and nutrition issues, with high and volatile energy, food and fertiliser prices, restrictive trade policies, and supply chain disruptions. Transitioning towards sustainable food systems and strengthening the resilience of Mediterranean agri-food systems to risks such as rising temperatures, increasing evaporation, lack of precipitation, extreme weather events, sea-level rise, are crucial for a longer-term response. Innovations and modern techniques/technologies can strengthen food system resilience, improve resource efficiency, and secure social equity, thus contributing to the achievement of sustainable food security (Capone et al., 2021).

Transitioning towards sustainable food systems and strengthening the resilience of Mediterranean agri-food systems at risks, are crucial for a longer-term response.

Another main priority identified by the Survey is the need to support local communities to mitigate climate change and address the scarcity of natural resources. Local communities can implement effective practical actions to prevent, mitigate or reduce the exposure to climate impacts. To support sustainable and resilient communities, national governments and regional institutions should launch community grant programmes to increase resilience to climate change.

In several SMCs, instability combined with poor water management can become a vicious cycle that further exacerbates social tensions.

Adapting to the impact of climate change in the Mediterranean is a key issue for water management, especially in the SMCs, where water security is at severe risk due to strong human pressure associated with the impact of climate change. In several SMCs, instability combined with poor water management can become a vicious cycle that further exacerbates social tensions. Against a backdrop of increasing water scarcity, the SMCs need to revisit their water management systems and risk prevention strategies in order to reduce vulnerability, losses and damages in the short, medium and long term. This requires technical adjustments, but moreover policy, institutional and behavioural changes. Because of the essentially local nature of the water issues and intervention responses, local communities and institutions will be empowered, contributing to behavioural change on the use of water resources. In addition, given the scale and commonality of the challenges and the transboundary nature of climate change and shared water resources, collective action and partnerships are also essential. Partnership approaches to enhance knowledge-sharing and financial resources, provide opportunities for effective synergies in innovation and learning, allowing countries to learn together, sharing data, best practices, and innovations as well as to have access to the necessary financial resources.

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With regards to financial support for climate change mitigation and adaptation initiatives to the SMCs, donors include both bilateral and multilateral climate funds. France and Germany are key bilateral donors to the region, supporting both single country and regional programmes, while Egypt and Morocco represent the main recipients of donor support. Many donors, including the EU, also channel their support through the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and multilateral climate funds, such as the Clean Technology Fund and the Green Climate Fund. The Islamic Development Bank also plays

a key role in climate change initiatives. As shown by a study on this topic (Cooper, 2020), there is more financial support for mitigation than for adaptation projects, especially in the field of renewable energy, such as the Clean Technology Fund's support for the Noor Plan in Morocco and the European Bank for Reconstruction and Development's Renewable Energy Financing Framework in Egypt.

For water management, partnership approaches enhancing knowledge-sharing, can provide opportunities for effective synergies for innovation.

A point of criticism towards the green transition in the Mediterranean is the overfocus on renewable energy, energy efficiency and technological innovation, overlooking the interconnections between the current climate crisis and material use, as well as the great potential of Sustainable Consumption and Production (SCP) and the Circular Economy. In many countries of the MENA region (e.g., Lebanon, Jordan, Palestine, Egypt and Libya), the concept of the green economy is relatively new and incentives for companies to adopt circular principles are very limited. Regional policy measures should be implemented to support the creation and the development of green and circular economy businesses in the Mediterranean. A step in the right direction is represented by The Regional Action Plan on Sustainable Consumption and Production (SCP) in the Mediterranean, the first intergovernmental agreement that has established a regional action framework to promote the shift towards a more sustainable and circular economy, consumption patterns with lower environmental footprints, and greener production methods. It is structured around key economic sectors that are the main sources of environmental pressures on Mediterranean ecosystems (UN Environment/MAP, 2017).

Another issue that is affecting the Mediterranean region is strictly related to migration waves, whose push factors are increasingly represented by the so-called unconventional variables in the choice to emigrate, such as environmental deterioration and the effects of climate change, phenomena that threaten the livelihood and well-being of the populations of the Southern shore. This phenomenon requires the identification of common strategies at the Euro-Mediterranean level in the management of migrations which consider that often people are forced to migrate, and their mobility is an adaptation strategy that allows them to minimise harm for themselves and/or improve their overall lives.

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