BLUE ECONOMY WITHIN THE MEDITERRANEAN REGION: THE ROLE OF REGIONAL COLLABORATION

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1 BACKGROUND

The Mediterranean Sea is a vital resource for the countries which it borders, providing economic, environmental and social benefits. The Blue Economy, which refers to economic activities that are based on the sustainable use of ocean resources, is particularly important in this region.

The concept of the “Blue Economy” was born in 2012 at the Rio+20 United Nations Conference on Sustainable Development. The core of the debate in the conference was the concept and implementation of a “Green Economy”. Many coastal countries stressed the role of seas and oceans in moving towards sustainable, low-carbon, resource efficient and inclusive development, proposing the term “Blue Economy”. Hence, the UN defines Blue Economy as a Green Economy in a blue world, according to UNESCO-IOC (2021) “Blue Economy develops when economic activity is in balance with the long-term capacity of ocean ecosystems to support this activity and remain resilient and healthy.”

Within the report "The Potential of the Blue Economy" (WB and United Nations Department of Economic and Social Affairs,2017), Blue Economy is defined as " the range of economic sectors and related policies that determine whether the use of oceanic resources is sustainable”. Blue Economy is often associated with specific sectors. The definition of the European Union includes the following sectors: Marine living resources; marine non-living resources; shipbuilding and repair; coastal tourism; port, warehousing and water projects; marine renewable energy; maritime transport; blue bioeconomy, biotechnology and desalination (EU Blue Economy report- EC, 2021).

The significance of the Blue Economy is widely recognised and emphasised by numerous organisations - notably, the 14th Sustainable Development Goal (SDG) specifically focuses on the conservation and sustainable use of life below water, placing direct emphasis on the Blue Economy. In the South Mediterranean region, various initiatives are dedicated to advancing the Blue Economy agenda. However, it is evident that these actions are sometimes fragmented and lacking in coordination, hindering the full realisation of their potential impact.

Hence, regional collaboration is of paramount importance in promoting the Blue Economy in the Mediterranean region. The interconnectedness of the Mediterranean Sea and the shared maritime resources present a compelling case for collaboration between countries. By working together, nations can leverage their collective strengths and resources, to address common challenges and capitalise on opportunities for sustainable economic growth. Collaborative efforts can enhance marine conservation, promote responsible fisheries management, develop marine renewable energy projects, foster innovation in maritime industries, and create synergies in research and knowledge sharing.

Given this context, and to protect the marine environment and its coastal areas, the Mediterranean countries and the European Community adopted the Marine Environment and Coastal
Region of the Mediterranean (Barcelona Convention) in 1976. Signatory countries acknowledged that development and environmental challenges must be addressed together, in order to create a sustainable future for the Mediterranean. Organisations such as Union for the Mediterranean (UfM)\(^1\), Mediterranean Action Plan - UNEP/MAP, Plan Bleu, Regional Marine Pollution Emergency Response Centre for the Mediterranean Sea – REMPEC, MedWet The Mediterranean Wetlands Initiative, The International Maritime Organisation-IMO, General Fisheries Commission for the Mediterranean-GFCM, amongst a number of key regional and international actors can play an important to promote Blue Economy in the region.

In this policy paper, we present an assessment of the Blue Economy in Egypt, Lebanon and Tunisia and explore the role of regional collaboration in the development of blue businesses in the Mediterranean Sea. We will examine the opportunities and challenges associated with this role and propose strategies for maximising the positive impacts of financial markets on the Blue Economy, whilst minimising the negative impacts. The assessment is based on desk research, a survey addressed to INVESTMED\(^2\) beneficiaries and interview sessions with experts carried out in May 2023.\(^3\)

## 2 ASSESSMENT AND CHALLENGES

The Blue Economy in the Mediterranean region provides a substantial amount of innovation and wealth. The Mediterranean Sea has 46,000 km of coastline and unique marine and fish resources, with a total value estimated at €4.7 trillion. Tourism contributed 4.5% of the Gross Domestic Product (GDP) of Mediterranean countries in 2015. The cruise market of the Mediterranean is the second largest in the world, after the Caribbean. 25% of global maritime trade flow is conducted within the Mediterranean region. The Mediterranean Sea contributes to 353,000 direct jobs (Plan Bleu, 2020).

The main goal of Blue Economy is to balance economic activity with the long-term capacity, resilience and health of the oceans, in order to face the environmental, economic and social challenges ahead. The Blue Economy is focused on countries with coasts and aims to make sustainable Green

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\(^1\) UfM (https://ufmsecretariat.org/) established in 2012, is an intergovernmental Euro-Mediterranean organisation bringing together the European Union and 15 countries of the Southern and Eastern Mediterranean

\(^2\) We are grateful to the entrepreneurs who responded to the INVESTMED policy paper survey: https://docs.google.com/forms/d/e/1FAIpQLSc-WT0Jxu9NhpWvY48dRWwWvr5h6Vhd3WM71uMH1Oa91OZrRg/viewform?pli=1

\(^3\) We are thankful to Alessandra Sensi from UfM and Alessandro Miraglia and Giorgion Mosangini from MedWaves for their time and participation in the expert interview sessions.
Economy principles more applicable to them. Hence, a sustainable Blue Economy is achieved when economic activity is in balance with the long-term capacity of ocean eco-systems to remain healthy and resilient. It consists of a set of tools, used to develop policies in a way that simultaneously promotes ocean health and economic growth in a socially equitable manner (WB, 2017).

Coastal tourism stands as a prominent sector within the Blue Economy of the Mediterranean region, playing a vital role in its economic landscape. With a substantial portion of the employed population actively engaged in this industry, tourism holds significant weight in the region. Data from UfM reveals that, in 2015, tourism contributed to a remarkable 11.5% of total employment in the Mediterranean region. This statistic underscores the substantial influence and dominance of the tourism sector, indicating its pivotal position in the economies of the Mediterranean countries.

Moreover, the Mediterranean Sea serves as a vital conduit for global maritime trade, facilitating approximately 25% of the world's maritime trade flow. This significant trade activity within the region contributes to the creation of approximately 353,000 direct jobs (UfM), underscoring the crucial role played by the Mediterranean Sea in supporting economic growth and livelihoods in the region.

Plastic pollution amongst maritime litter poses a serious threat to the region. According to UfM reports 730 tons of plastic enter the Mediterranean Sea every day! Whilst waste recycling, repair and re-use practices are prevalent in the Mediterranean region, the adoption of up-cycling and eco-design approaches for a zero-waste economy remains limited. This indicates that a shift in the production and consumption model towards sustainability is not yet widely embraced. To encourage this transformation, it is essential to promote and communicate eco-design, zero-waste concepts, as well as the circular economy framework.

Given the economic and social importance of the Mediterranean Sea, it is now imperative for all countries in the region to actively collaborate and prioritise the protection, sustainable management and responsible utilisation of this valuable marine resource. Such collaboration is crucial to ensure the long-term prosperity of the region, safeguarding the ecological integrity of the Mediterranean Sea and its diverse ecosystems. By working together, sharing knowledge and implementing effective policies, countries can harness the potential of the Blue Economy and promote sustainable economic development, whilst preserving the natural beauty and resources of the Mediterranean region for future generations.

In recent years, sustainable and responsible investment has received increasing attention from investors and stakeholders. Whilst ESG criteria and EU taxonomy are currently the most trusted means

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4 [https://ufmsecretariat.org/what-we-do/water-environment/]
of evaluating a company’s environmental impact, their approach is limited, mainly focusing on aspects related to climate change and carbon emissions, overlooking the importance of oceans preservation and Blue Economy. Many economic activities directly linked to the oceans are considered highly polluting (such as the shipping industry), or a great threat to biodiversity preservation (industrial fishing).

The challenges facing the Blue Economy in the Mediterranean region are significant and diverse. In the South-Mediterranean region in particular, these include the over-exploitation of marine resources, destruction of marine habitats, pollution and unsustainable fishing practices. Additionally, there is a lack of capacity to harness the job creation and growth potential of the Blue Economy, and an undervaluation of natural capital. Isolated sectoral management of maritime activities, disparities in research and development, and the impact of invasive species (such as the Lionfish in the Mediterranean Sea) also pose significant challenges.

Furthermore, the absence of social safety nets for workers and no trade union, inactive marine archaeology centres, weak institutions and poor governance further exacerbate the challenges facing the Blue Economy. Coastal resort building and pollution add additional complexities to the already multi-faceted challenges. In the case of Lebanon, the post-Beirut blast trauma and reconstruction should also be brought forward (for recommendations on enhancing social coverage, see Ayadi et al. 2023).

**Challenges and risks associated with the role of financial markets in the blue economy.**

As an example, the pursuit of short-term profits by investors and financial institutions can lead to unsustainable practices and contribute to the degradation of the marine ecosystem. Additionally, there may be limited awareness amongst investors and financial institutions of the opportunities and risks associated with the Blue Economy in the Mediterranean Sea, in spite of numerous opportunities for regional growth and development in the Blue Economy. For example, the region has significant potential for renewable energy generation from offshore wind, wave and tidal power. There is also growing interest in sustainable aquaculture and marine biotechnology, which could create new opportunities for blue businesses in the region.

One major issue that hinders the growth of blue sectors is the absence of a standard metric to measure the impact of blue investments. This is a critical matter that needs to be addressed, in order to attract more investment in the Blue Economy and ensure that it contributes to sustainable development. The lack of a standard metric to measure the impact of blue investments is due to the complexity of the marine environment and the range of economic, social and environmental impacts
that blue businesses can have. The diversity of blue businesses, ranging from fisheries to tourism, also complicates the development of a single metric to measure impact.

To address these challenges and unlock the potential of the Blue Economy in the Mediterranean region, a multi-stakeholder approach is required. A coordinated effort from policymakers, the private sector, civil society, and regional and international organisations is essential to ensure sustainable growth and development in the Blue Economy. Financial markets can also play a vital role in supporting the development of blue businesses, by providing access to capital, encouraging investment and supporting innovation in the sector.

3 PROPOSALS

To address the issue of the absence of a metric for blue investment, stakeholders in the Blue Economy must work together to develop a standard metric that considers the range of economic, social and environmental impacts of blue investments. This metric should take into account factors such as job creation, income generation, ecosystem services, biodiversity preservation and carbon emissions and sequestration.

To capitalise on these opportunities and address the challenges facing the Blue Economy in the Mediterranean Sea, there is a need for coordinated and integrated approaches to ocean management. This includes the development of policies and regulations that promote sustainable practices, as well as investments in research and development, infrastructure, and education and training.

Accelerating the creation of a nature market, enabling investment in biodiversity to be measured, we must first identify and establish new measures, such as "Biodiversity credit" and "Nature credit". Existing measures are often inadequate for attributing positive outcomes to biodiversity goals. In general, our economic activity tends to be destructive, so we can potentially assess the activity being less destructive (less harmful to biodiversity by measuring externalities) and apply MVR (Measurement, Reporting, and Verification) approaches to biodiversity credit, similar to that used for Carbon Credits.

5 Nature-based solutions is one of the key topics elaborated in the UfM 2030 GreenerMed Agenda: [https://ufmsecretariat.org/wp-content/uploads/2022/03/220304-Presentacio%CC%81n_Final_Light.pdf](https://ufmsecretariat.org/wp-content/uploads/2022/03/220304-Presentacio%CC%81n_Final_Light.pdf)
Claes et al. (2022) also stress the importance of oceans in nature markets.
Consider the impact of regulation. Whilst the EU’s agenda on sustainable transition currently addresses climate change, it lacks consideration of biodiversity, which creates a regulatory barrier for sustainable funds looking to invest in biodiversity preservation. To overcome this barrier and facilitate investments in biodiversity, it is crucial that biodiversity indicators are included within the EU taxonomy. This would enable investors to identify and evaluate biodiversity-related activities in a systematic and transparent manner - and ultimately support the development of biodiversity-focused investment products.

It is essential to recognise the challenge of greenwashing, where companies make exaggerated or misleading claims about their environmental credentials. This can lead to confusion amongst investors, who may unknowingly invest in unsustainable activities or products that are marketed as green. Regulators play a crucial role in defining the label of “sustainable” and promoting the disclosure of relevant data. By creating clear and standardised definitions of what constitutes sustainable, regulators can help to prevent greenwashing and promote transparency in the market. However, the definitions should not stigmatise innovation in sustainable activities or penalise efforts in sustainable activities beyond the standard framework.

We should strive to create definitions that are flexible enough to accommodate new and innovative approaches to sustainability, whilst also providing clear guidance on what constitutes sustainable activity. We should encourage and reward businesses that are taking bold steps towards sustainability, as they are the ones that will drive real progress in this area. It is important to recognise the need for balance between establishing clear guidelines and allowing for innovation and progress.

Overall, whilst the current situation for blue businesses in the Mediterranean Sea is complex, there is significant potential for growth and development in this sector. However, this potential can only be realised through concerted efforts to address the challenges facing the region and to promote sustainable and responsible practices in the Blue Economy.
4 POLICY RECOMMENDATIONS

In the policy note, we detail a set of recommendations to boost the Blue Economy both at country and EU level. At country level, we recommend:

1. **Apply biodiversity protection measures and sustainable fishing practices**: Countries should prioritise the implementation of robust biodiversity protection measures, including the establishment of marine protected areas and the enforcement of sustainable fishing practices. This can be achieved through the development and enforcement of comprehensive fisheries management plans, promoting responsible fishing techniques, and implementing effective monitoring and surveillance systems. Additionally, capacity building programmes and training should be provided to fishermen, to enhance their understanding of sustainable fishing practices and the importance of biodiversity conservation. Also, to promote Sustainable Tourism Practices, both applied at the regional level.

2. **Targeted programmes with regional support for businesses addressing imminent threats to the Mediterranean Sea, such as plastic pollution or invasive species**: Plastic pollution and invasive species pose a significant threat to marine ecosystems and the Blue Economy. Therefore, it is crucial to implement targeted programmes that support businesses involved in tackling these issues, (An example would be programmes and campaigns to control the Lionfish population in the Mediterranean). These programmes can provide financial assistance, technical support and access to resources for these targeted initiatives. Collaborative efforts at the regional level can facilitate knowledge sharing, good/best practices exchange and joint initiatives to address high priority issues.

3. **Support for sustainable blue practices**: To encourage businesses and individuals to adopt sustainable practices in the Blue Economy, it is essential to introduce mechanisms that provide recognition and incentives. One approach is the identification and attribution of blue labels for businesses and products that adhere to sustainable practices and demonstrate environmental stewardship. These labels can help consumers make informed choices and promote market demand for sustainable products and services. Additionally, governments can provide tax cuts, subsidies and other financial incentives to businesses that prioritise sustainability in their operations. These measures will create a favourable environment for the adoption of sustainable blue practices and encourage economic actors to contribute to the preservation of marine resources and the overall health of the Blue Economy.

At the EU level:
4. **Enhance regional collaboration amongst key regional actors**: The EU should prioritise strengthening collaboration with key regional actors, such as the Union for the Mediterranean (UfM) and the United Nations (UN). This collaboration can foster knowledge sharing, joint initiatives and coordinated efforts to address common challenges and promote sustainable blue economic practices. Through partnerships, the EU can leverage expertise and resources to develop comprehensive strategies and action plans that encompass the entire Mediterranean region and beyond.

5. **Introduce new funding opportunities**: To stimulate the growth of the Blue Economy, the EU should explore innovative financing tools. One such tool could be the development of EU Blue bonds, which are specifically designed to fund sustainable blue projects and initiatives. Blue bonds can attract investment from both the public and private sectors, providing a stable and long-term financing mechanism for Blue Economy projects. These bonds need to avoid any greenwashing attempts, without discouraging innovation in the blue sector. Therefore, a pre-requisite for development of such bonds is the development of a standard multi-disciplinary metric for blue investment. Additionally, the EU can explore the concept of a nature market, where ecosystem services and conservation efforts are monetised, creating financial incentives for sustainable practices and conservation.

Through collective action, the Mediterranean countries can unlock the full potential of the Blue Economy, promote prosperity and preserve the rich marine ecosystem for future generations.

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5 REFERENCES


ABOUT INVESTMED

Mediterranean MSMEs face important challenges in terms of competitiveness, sustainability, internationalization and capacity to innovate while urgent measures are needed to tackle common environmental challenges and untap the potential of both natural and cultural heritage to contribute to sustainable growth and economic development. Against this backdrop, the INVESTMED project aims at addressing both economic and environmental challenges, by supporting new, sustainable business opportunities for young people and women in three Mediterranean Partner Countries: Egypt, Lebanon and Tunisia.

The INVESTMED Project (InNoVativE Sustainable sTart-ups for the MEDiterranean) is co-funded by the European Union under the ENI CBC Mediterranean Sea Basin Programme 2014-2020. INVESTMED has a duration of 30 months, with a total budget of €3.8 Million, of which €3.4 Million (90%) is funded by ENI CBC MED. It has 8 partners from Tunisia, Spain, Lebanon, Greece, Egypt, and Italy:

- Union of Mediterranean Confederations of Enterprises, BUSINESSMED (TU)
- Euro-Mediterranean Economists Association, EMEA (ES)
- European Institute of the Mediterranean, IEMed (ES)
- Beyond Group / Irada Group S.A.L, BRD (LE)
- Institute of Entrepreneurship Development, IED (GR)
- Libera Università Maria SS. Assunta, LUMSA (IT)
- Confederation of Egyptian European Business Associations, CEEBA (EG)
- Spanish Chamber of Commerce, CCE (ES)

INVESTMED will have an impact on MSMEs, start-ups and recently established enterprises where staff will be trained and coached to become more sustainable and competitive and financially supported via an open competition. Specific business incubation services will also be established for sustainable start-ups as well while relevant public authorities will benefit from capacity building and exchange of best practices to facilitate access and protect IPR for MSMEs.

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