

INVESTMENT GAPS AND ECONOMIC OUTLOOK IN AN ERA OF TRANSITIONS IN THE MEDITERRANEAN REGION.

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ECONOMIC OUTLOOK SESSION

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EMEA is an independent research institution and forum of debate that provides innovative, forward-looking thinking and political, socio-economic and financial integrated analyses on the Euro-Mediterranean region and Africa in an emerging multipolar world. It strives to contribute decisively to the transition process in the Mediterranean and Africa amidst an unprecedented global financial and economic crisis and geopolitical uncertainties and conflicts.

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Background

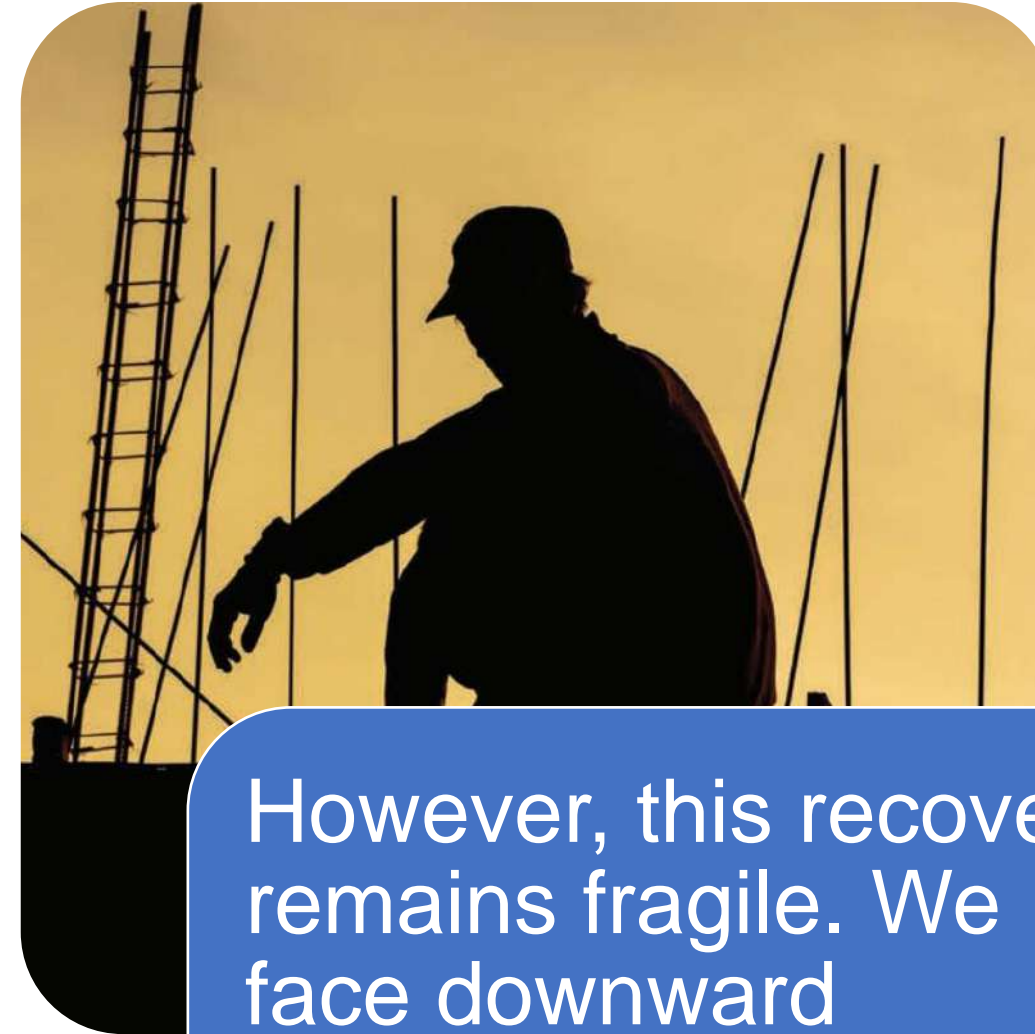
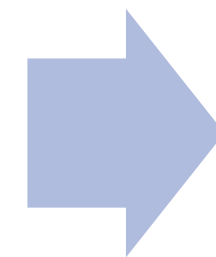
- Pressing economic and developmental challenges faced by the Mediterranean region
- We stand at a critical juncture where geopolitical, economic, and environmental crises have converged, demanding urgent and coordinated action.
- The Mediterranean, a region that bridges three continents, is a vital hub of trade, culture, and economic activity.
- But today, this region is beset by challenges ranging from political instability and conflict to the ever-increasing threats posed by climate change and social tensions.



Economic Outlook: Fragile Recovery



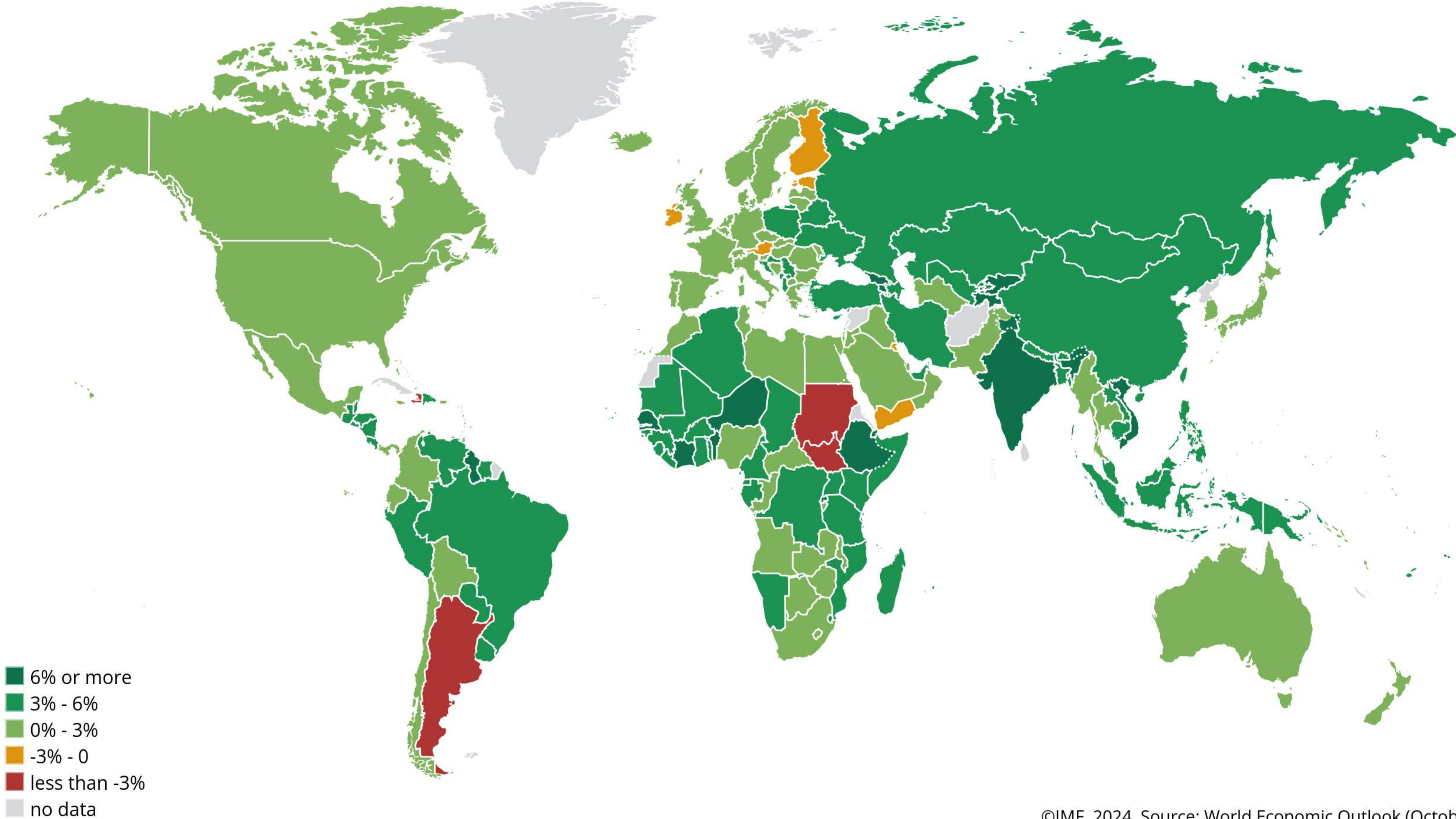
Growth in the wider Middle East and North Africa region is expected to rise to 2.7% in 2024, up from 1.9% in 2023. Much below potential.

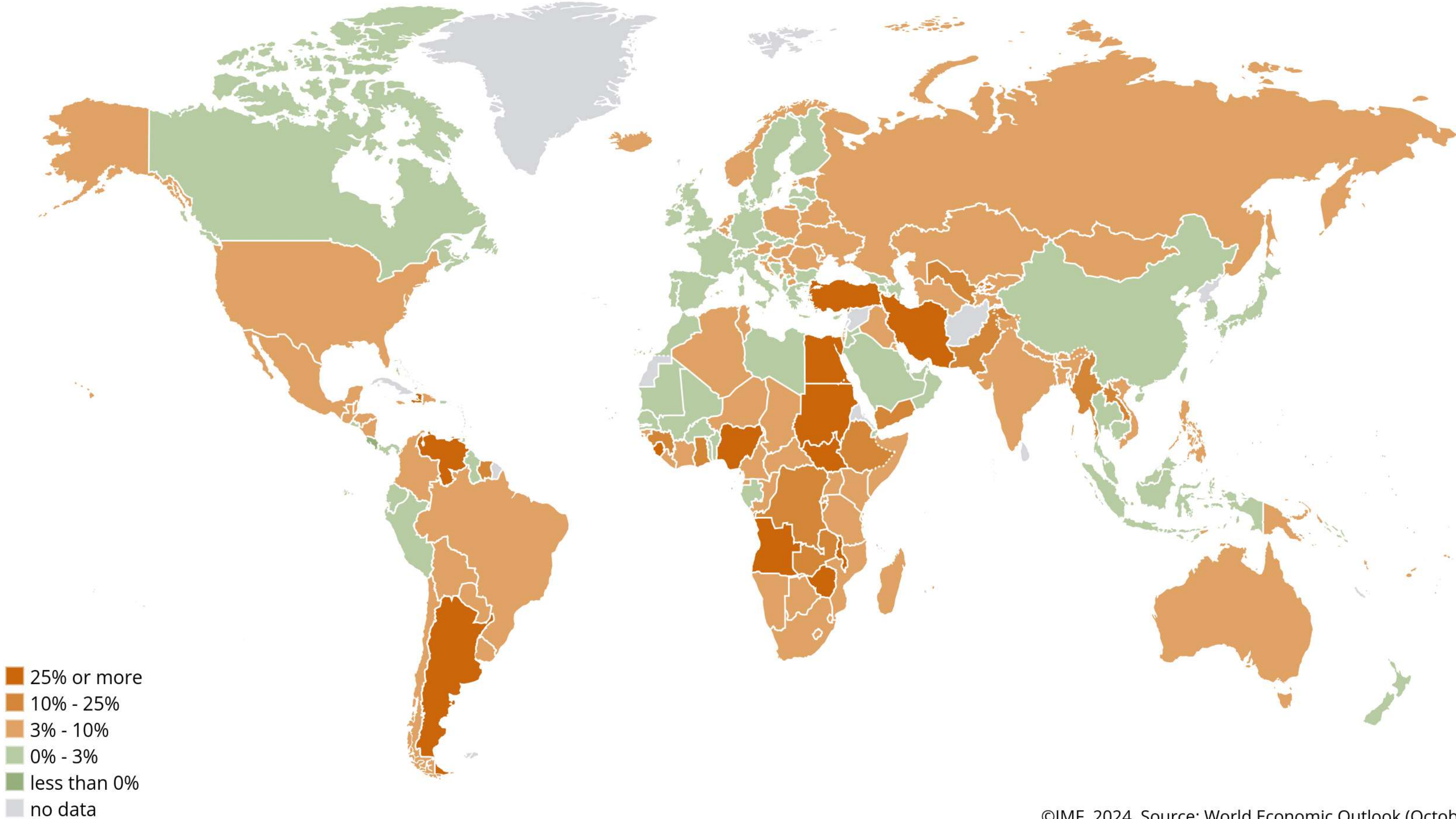


However, this recovery remains fragile. We face downward pressures from reduced oil production and higher prices, ongoing conflicts, and structural inefficiencies across many economies



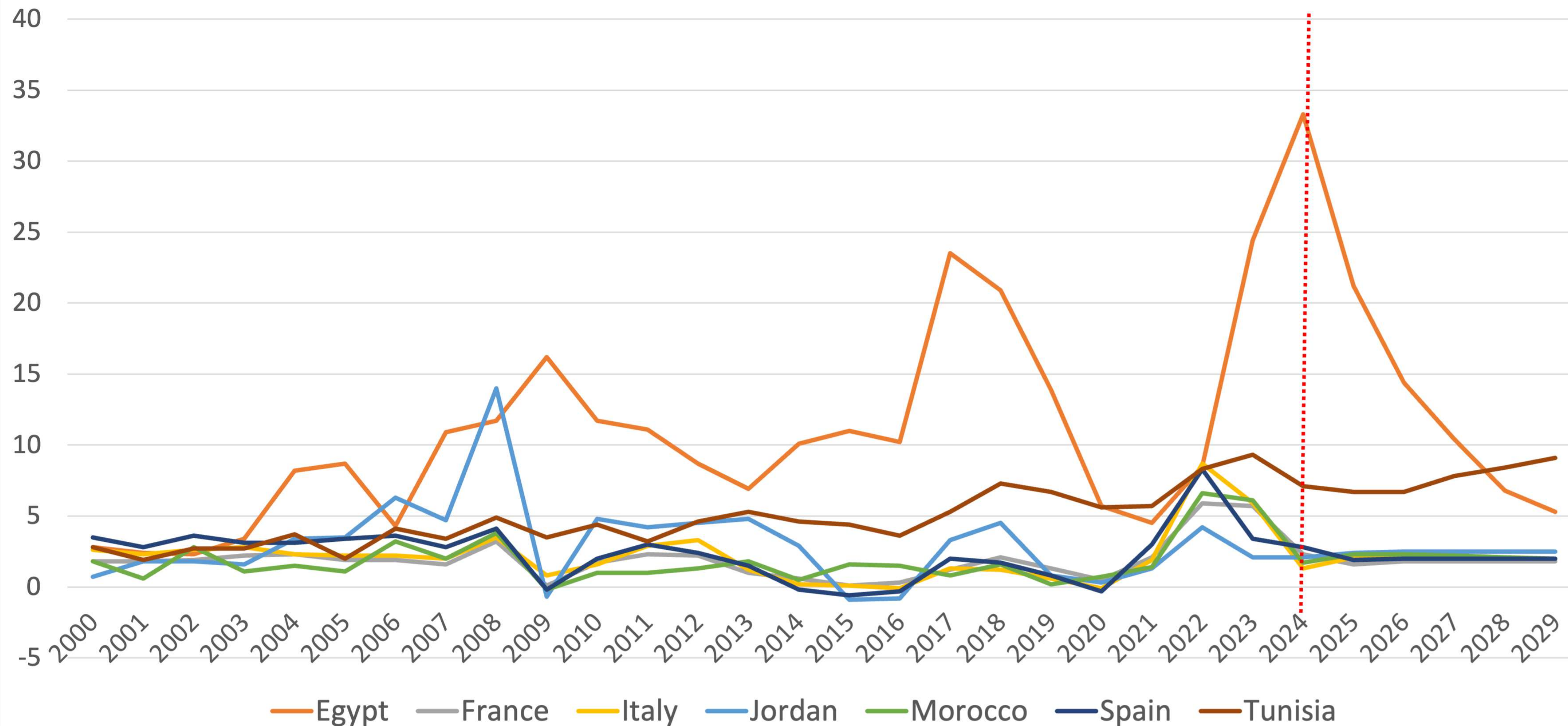
For many countries, the combination of high public debt and constrained fiscal space has further limited their ability to invest in the infrastructure and reforms necessary for sustainable growth.





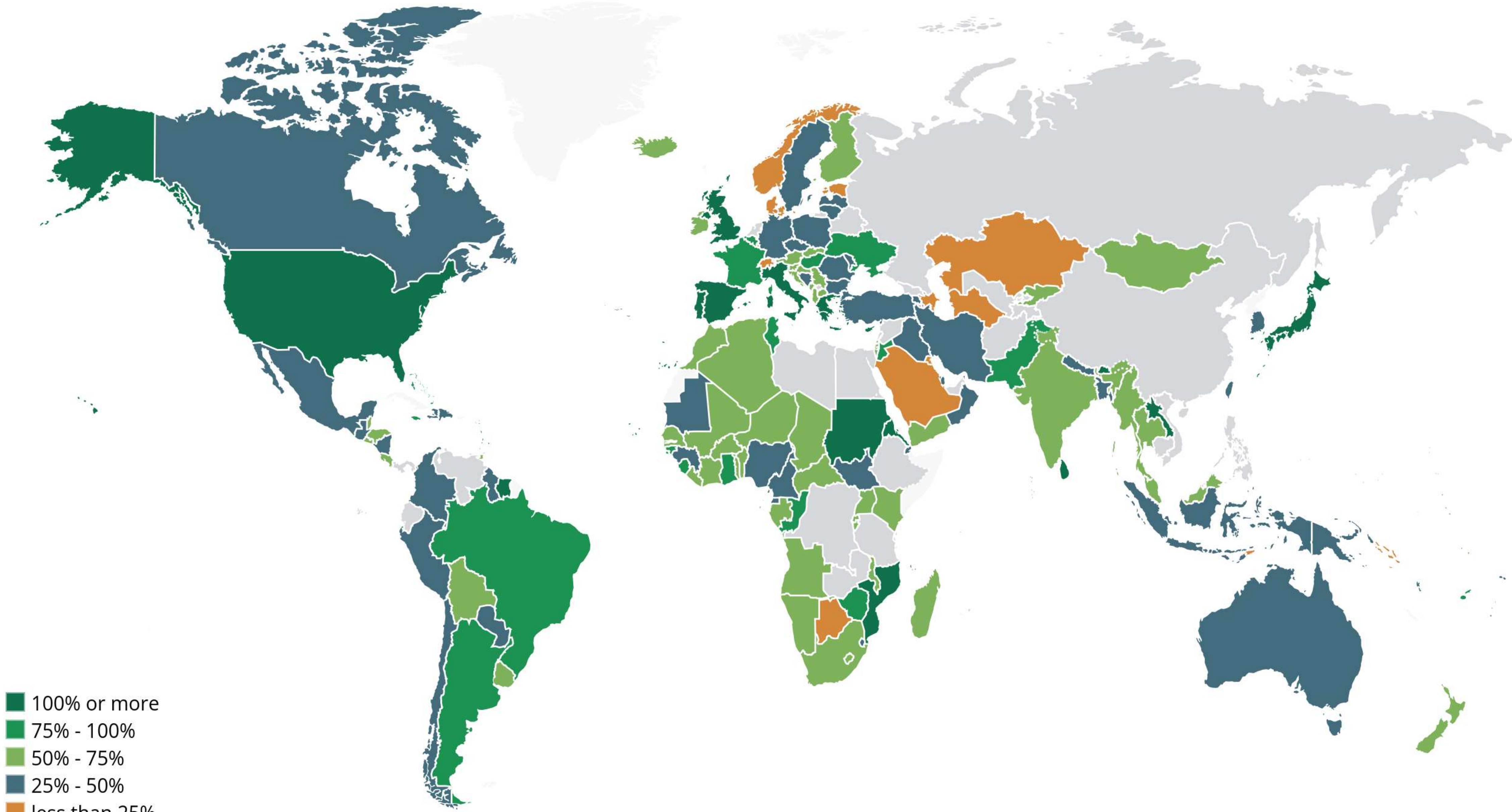
WHILE INFLATION IS EXPECTED TO EASE, PARTICULARLY IN OIL-EXPORTING COUNTRIES, THE FISCAL CHALLENGES REMAIN SIGNIFICANT

Inflation rate, average consumer prices (Annual percent change)



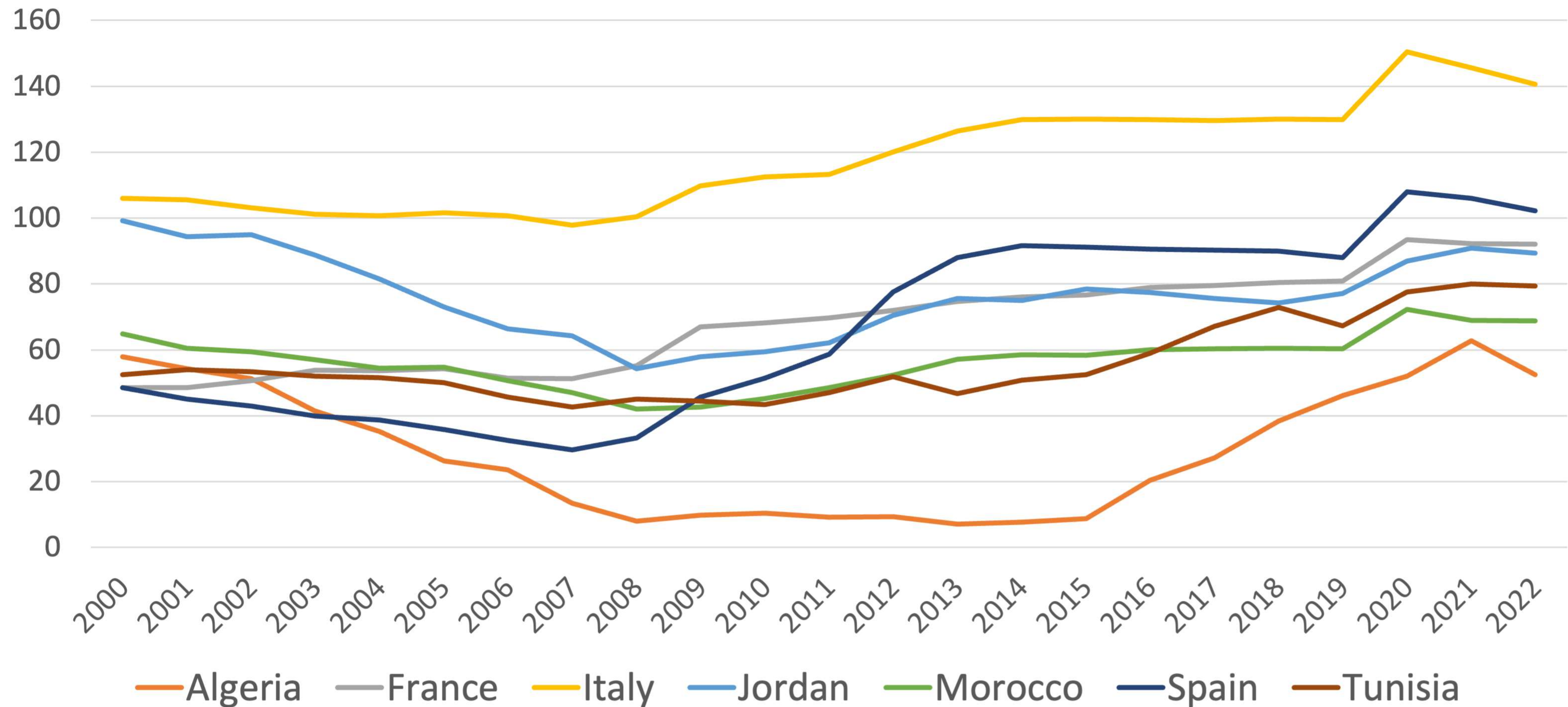
This is where investment, both domestic and foreign, must play a pivotal role.





- 100% or more
- 75% - 100%
- 50% - 75%
- 25% - 50%
- less than 25%
- no data

Central Government Debt (Percent of GDP)



Source: IMF, Global Debt Monitor

Green Energy Investment: Urgent Need



Climate Vulnerability

Mediterranean highly susceptible to climate change impacts. Rising temperatures and water scarcity threaten economies.

Investment Gap

Renewable energy investment short. Coordinated efforts boost funding and improve regulations.

Opportunities

Green transition creates jobs and reduces oil dependence. Morocco leads in solar energy production.

Key risks in the Mediterranean and their location for SSP5-RCP8.5 by 2100



Source: IPCC
 Figure FAQ CCP4.1.1
 / Key risks across the Mediterranean region by 2100. The symbols above the map highlight risks enhanced by climate change which apply to the entire region with high confidence. Other risks are localised in the map.

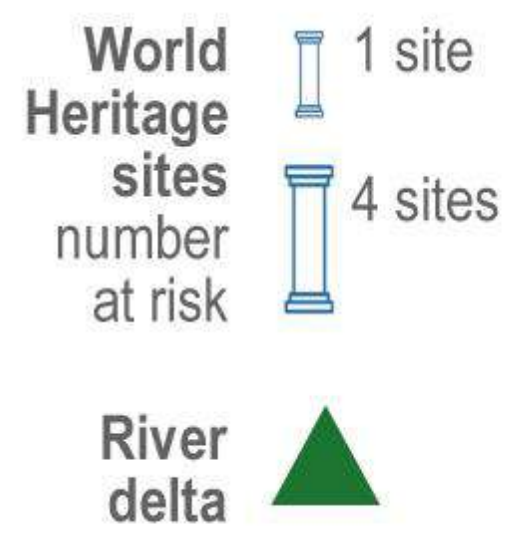
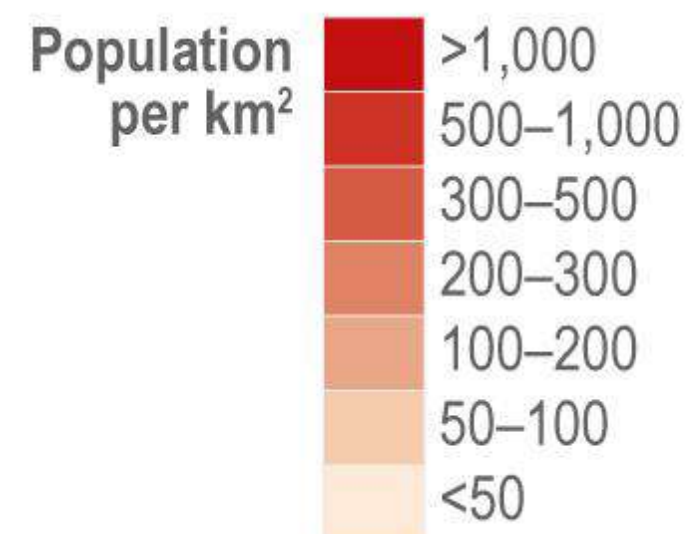


Figure 4. Average Number of Climate Policies per Country among EMDEs: Cross-Regional Differences

Substantial regional heterogeneity in terms of climate policies

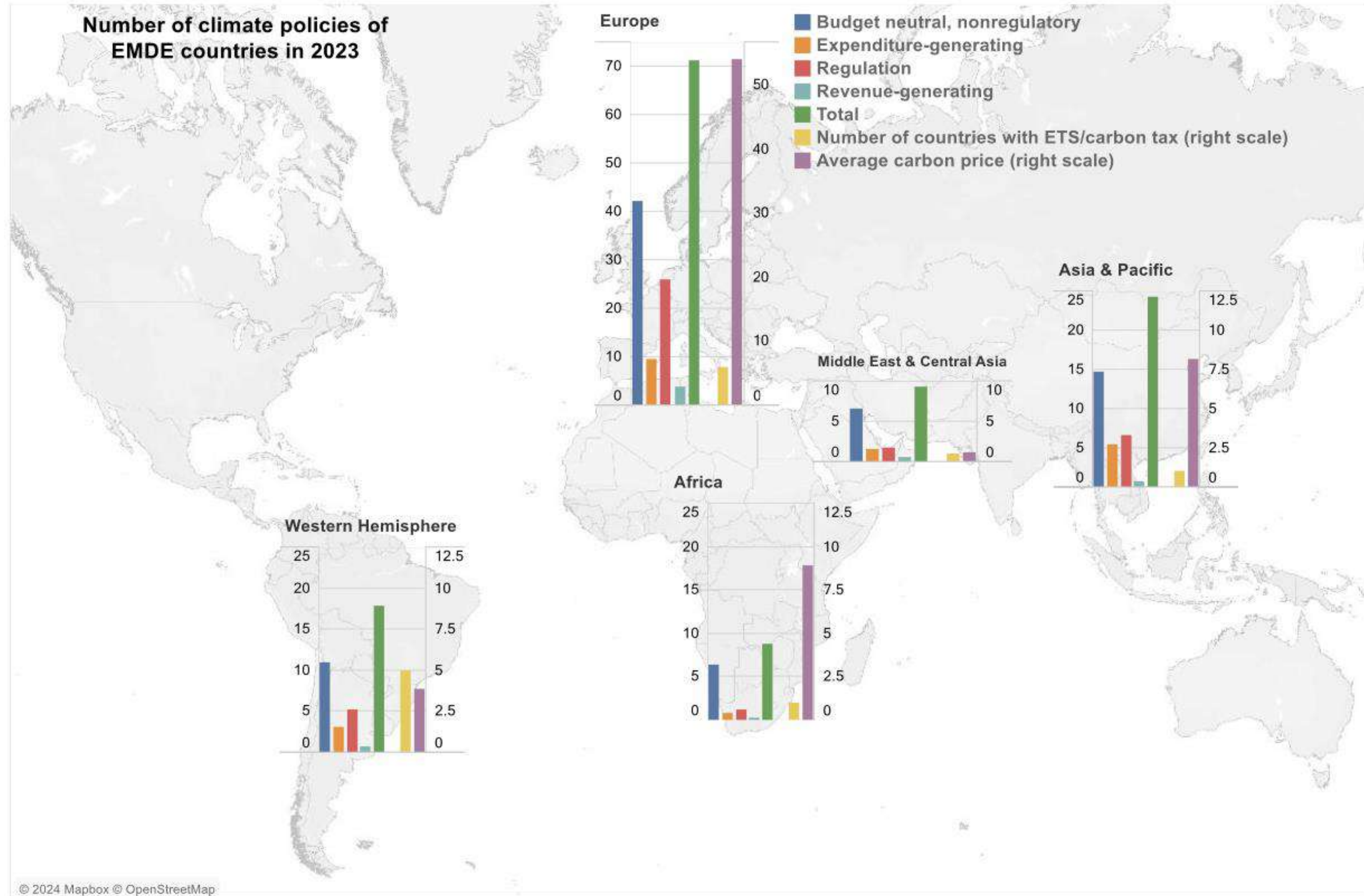
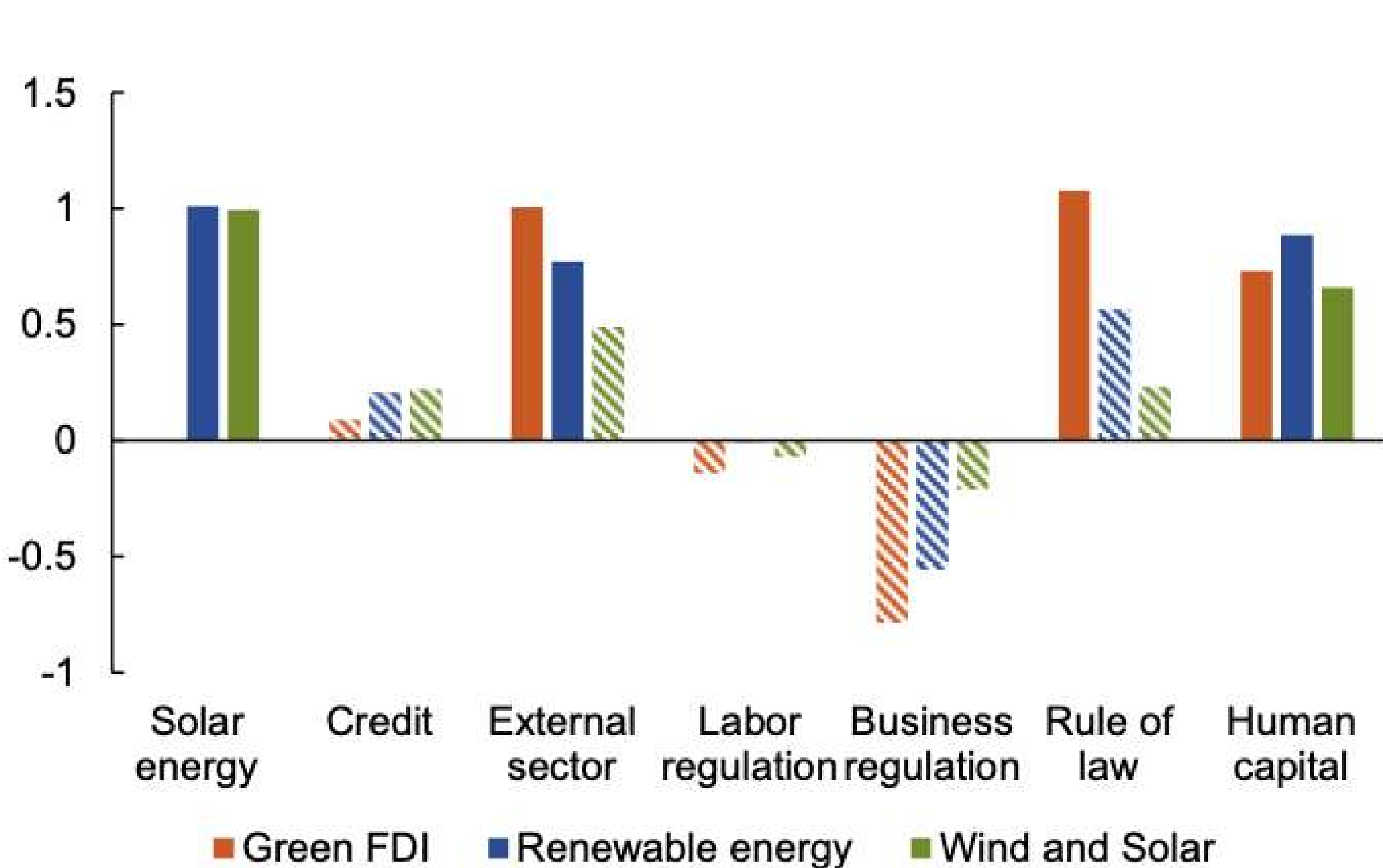
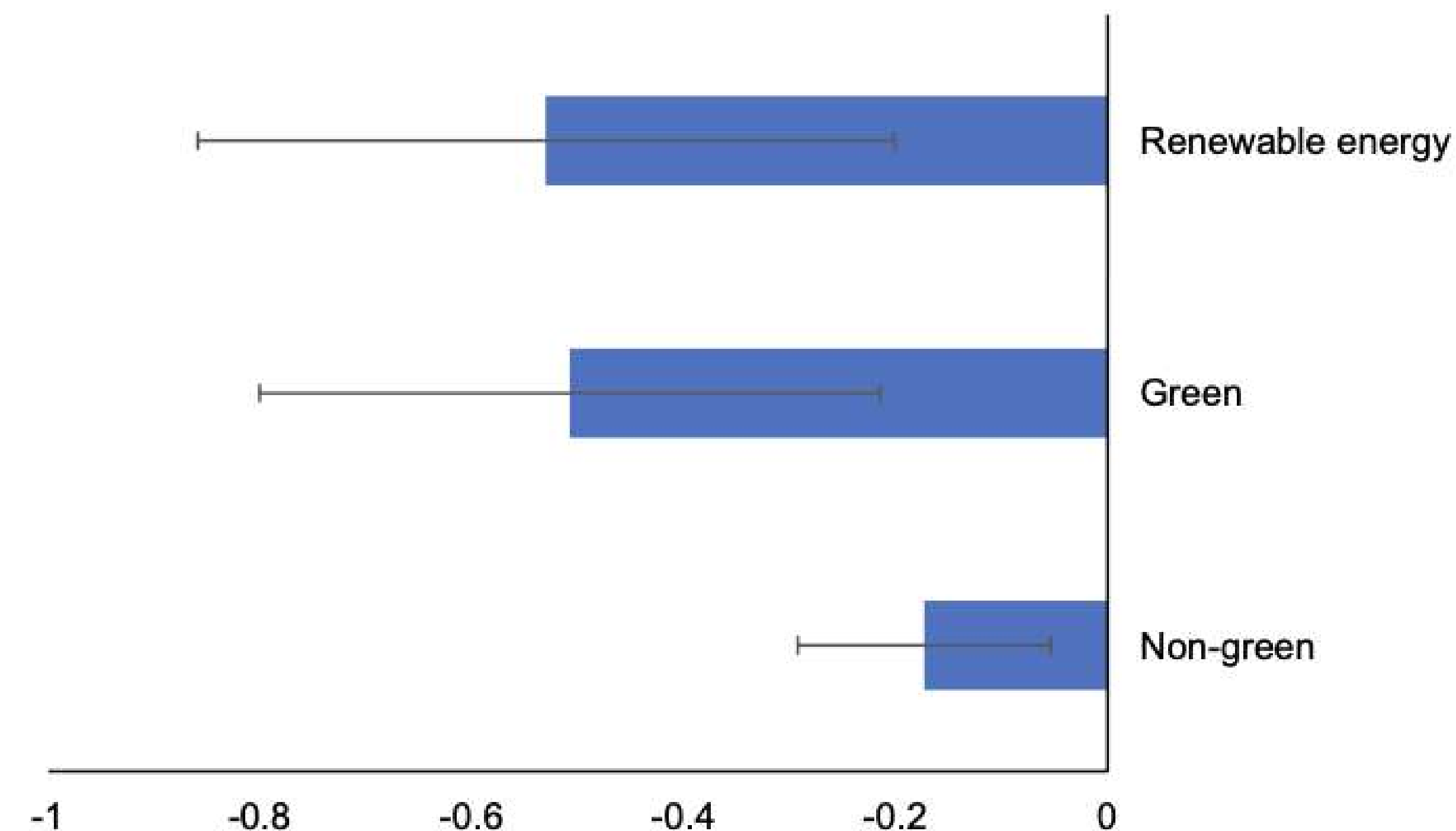


Figure 6. Green FDI Inflow to EMDEs in US\$ Billion

1. Structural Factors and Green FDI



2. Political Distance and Green FDI



Sources: Financial Times fDi Markets; ESMAP (2020); Climate Policy Database; World Development Indicators; Budina and others (2023); and CEPII's BACI database.

Note: Panel 1 shows coefficients of a regression of the fixed effects derived from the exercise in Figure 5 on structural factors. For renewable energy and solar and wind, regressions also control for solar energy potential. To ease comparison, all right-hand-side variables are normalized to lie between 0 and 1. Solid bars are significant at the 90 percent level. Panel 2 shows coefficients of gravity regressions that control for political distance among other country-level and bilateral variables. Bars represent the coefficient for geopolitical distance. See online Annex 3 for more details. FDI = foreign direct investment.



Transport Hub

Mediterranean central to global commerce. Urgent modernization needed for ports, rail, and roads.

Investment Needs

3-4% of GDP annual increase required to maintain competitiveness. Public-partnerships can bridge the gap.

Economic Impact

Improved infrastructure enhances competitiveness. Resilient transport networks crucial for regional stability.

Digital Transition and AI

1

Digital Revolution

Already transforming the global economy region can not afford to lag behind

2

AI Opportunities

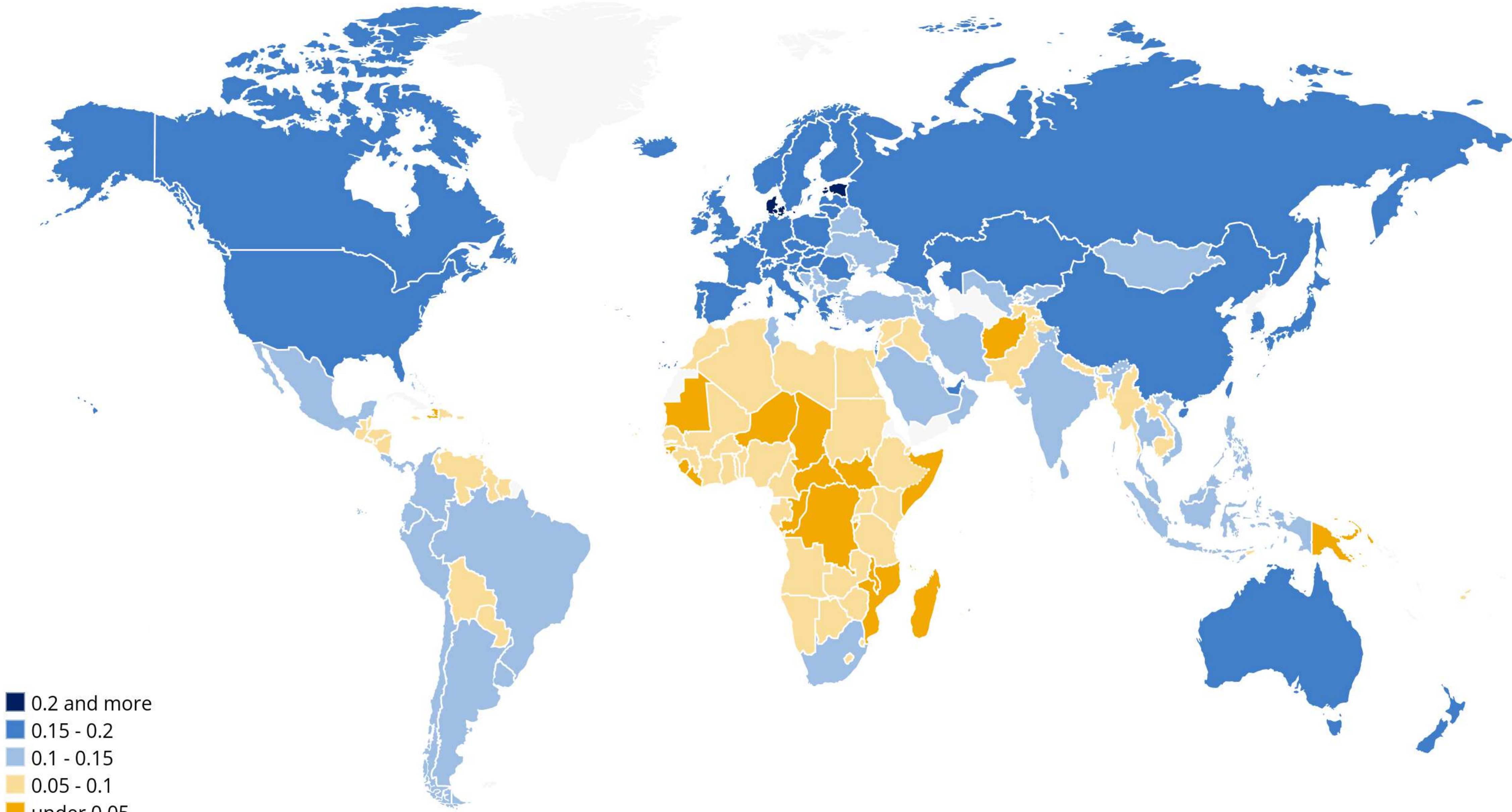
Potential to boost productivity and drive innovation across across industries. Ex. water management optimization in optimization in drought-prone areas

3

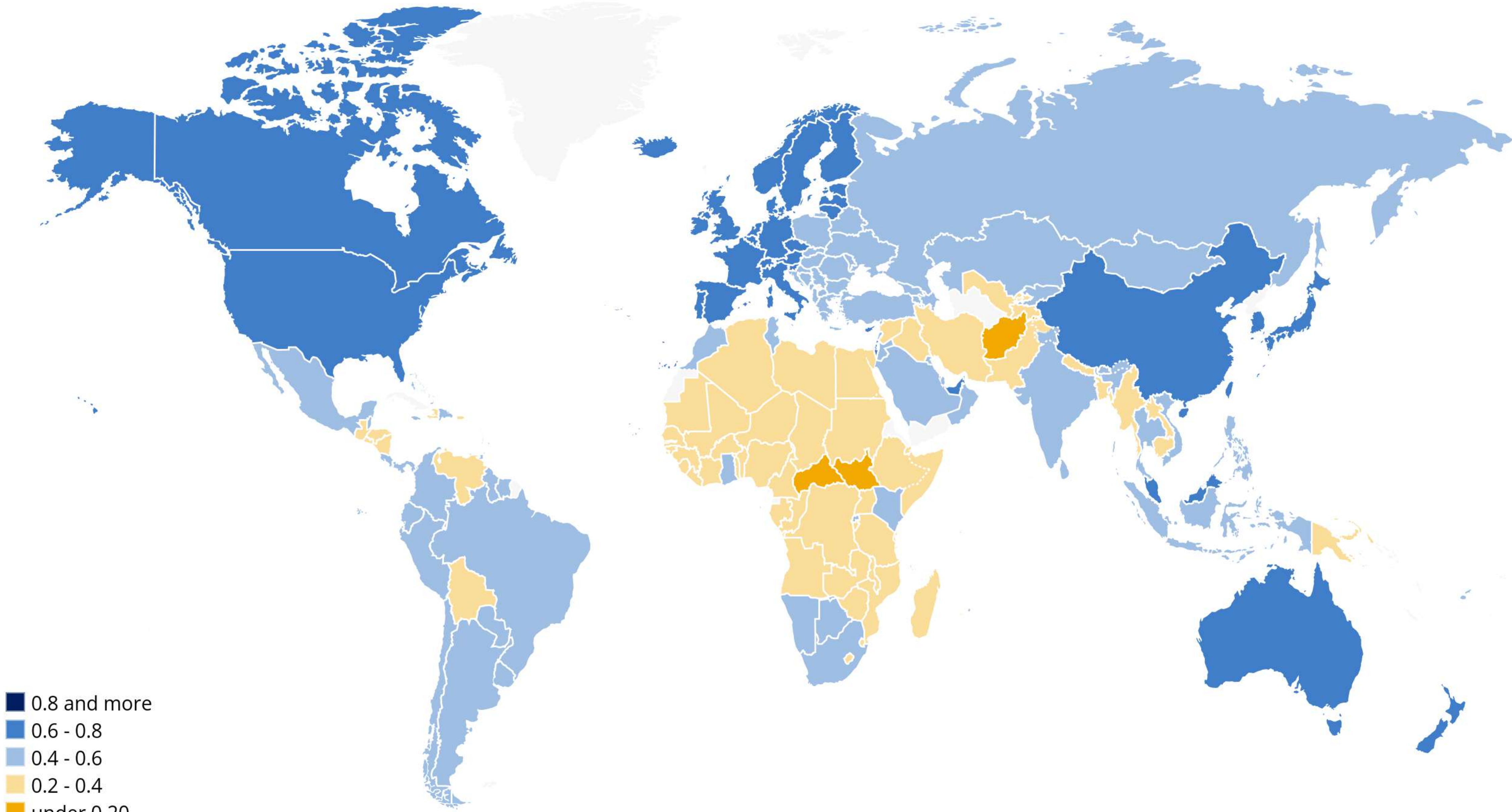
Digital Divide

uneven access to technology, low internet penetration rates, and inadequate digital infrastructure



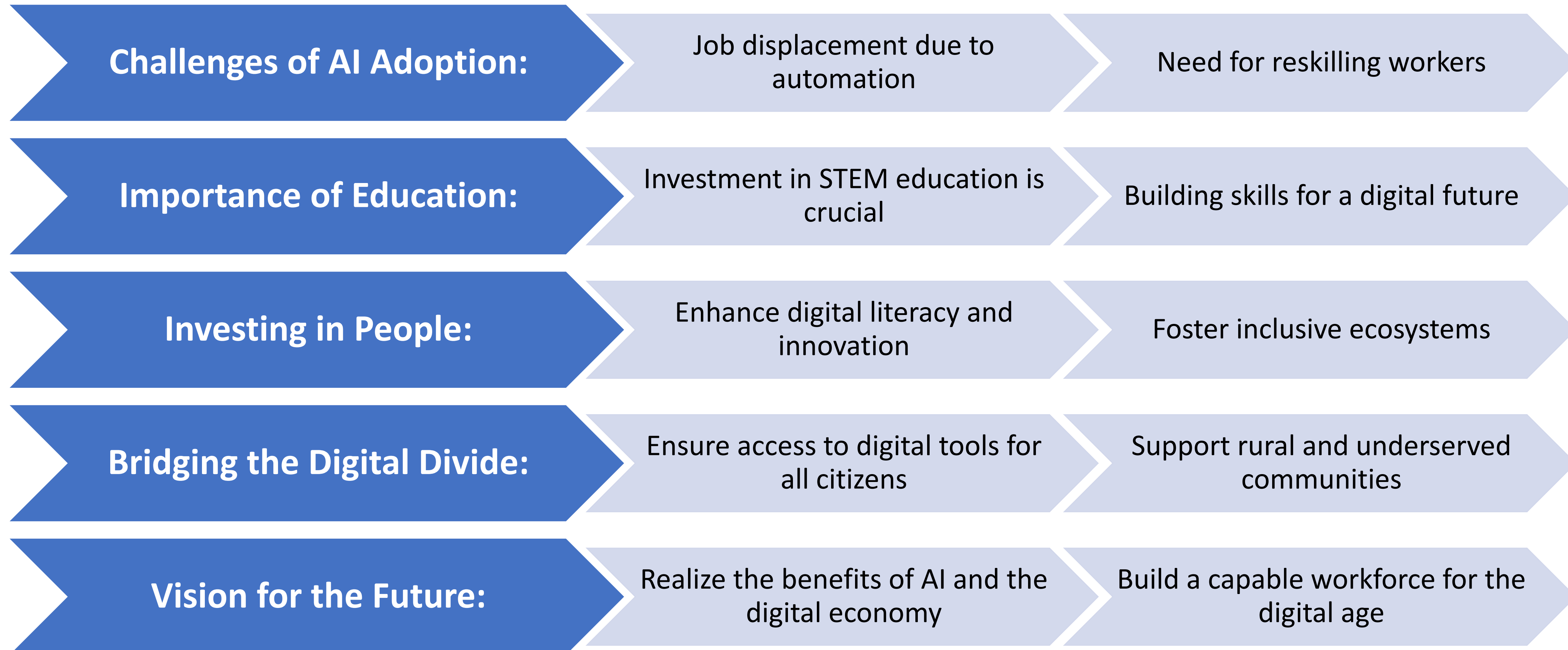


- 0.2 and more
- 0.15 - 0.2
- 0.1 - 0.15
- 0.05 - 0.1
- under 0.05
- no data



- 0.8 and more
- 0.6 - 0.8
- 0.4 - 0.6
- 0.2 - 0.4
- under 0.20
- no data

Embracing digitalization in the Mediterranean: Challenges and Opportunities



Embracing digitalization in the Mediterranean: Challenges and Opportunities

Challenges of AI Adoption:

1. Job displacement due to automation
2. Need for reskilling workers

Importance of Education:

1. Investment in STEM education is crucial
2. Building skills for a digital future

Investing in People:

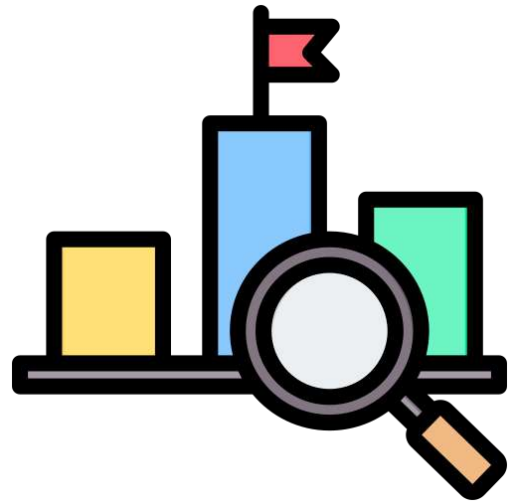
1. Enhance digital literacy and innovation
2. Foster inclusive ecosystems

Bridging the Digital Divide:

1. Ensure access to digital tools for all citizens
2. Support rural and underserved communities

Vision for the Future:

1. Realize the benefits of AI and the digital economy
2. Build a capable workforce for the digital age



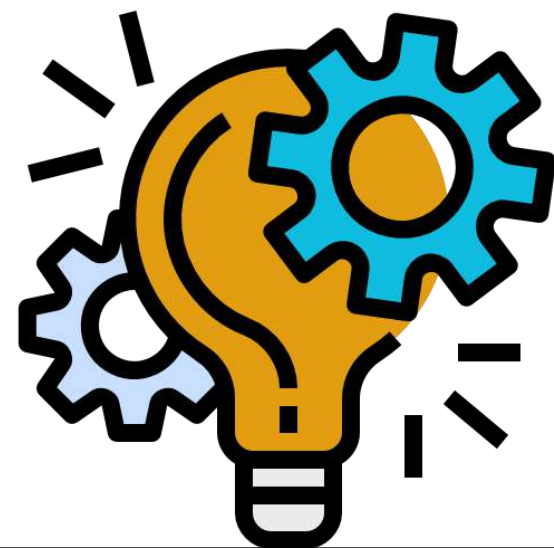
•Current Landscape

- High public debt levels
- Rising interest rates limit fiscal flexibility
- Struggles to fund critical infrastructure and social services



•Role of International Financial Institutions & FDI

- Essential for supporting development
- Need for attractive investment environments:
 - Stable regulatory frameworks
 - Reduced bureaucratic hurdles
 - Enhanced transparency



•Strategic Focus

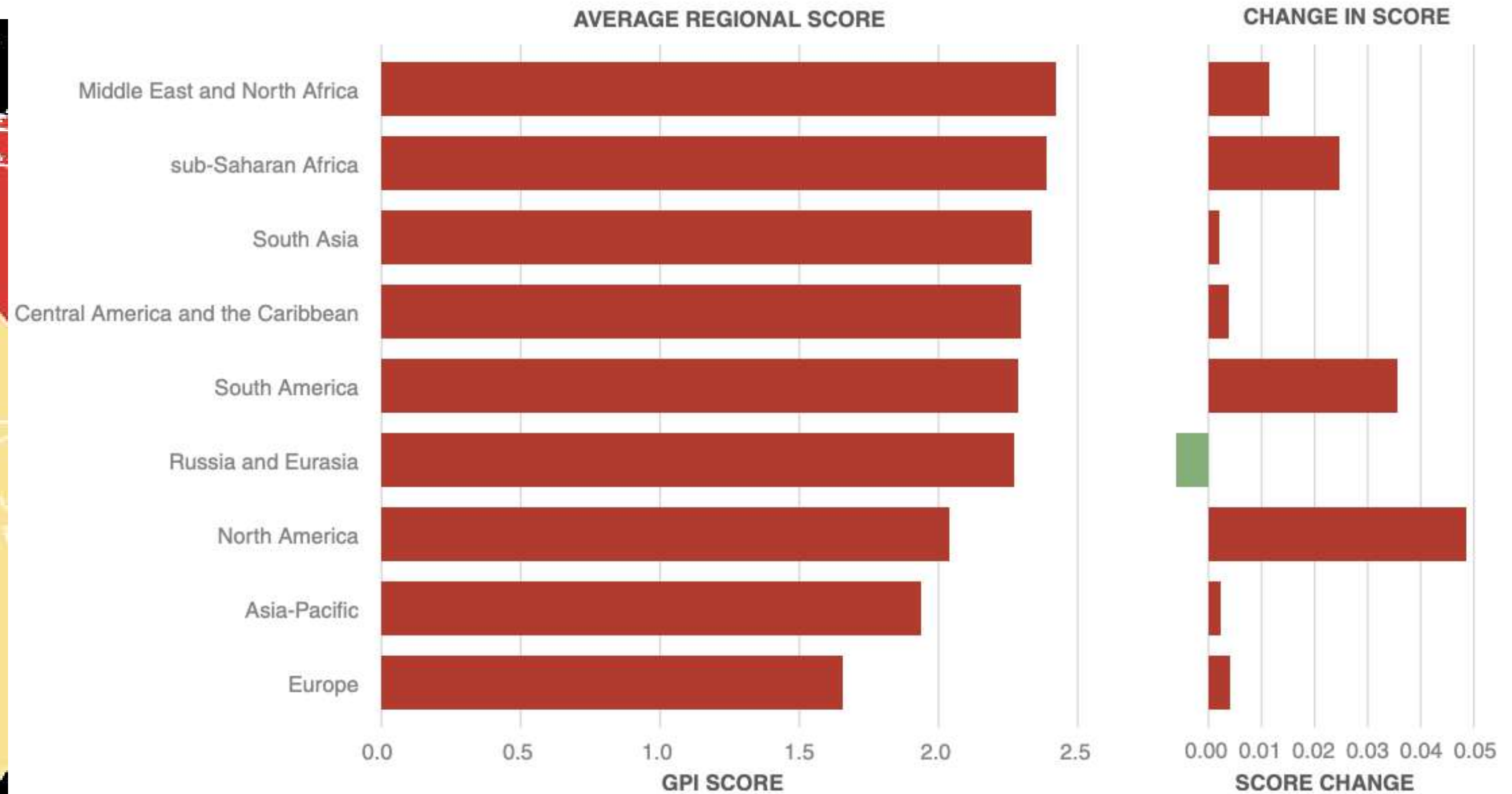
- Implement effective debt management strategies
- Prioritize long-term investments in: Healthcare, Education, Infrastructure

Growing political risks/instability



Regional GPI results, 2024

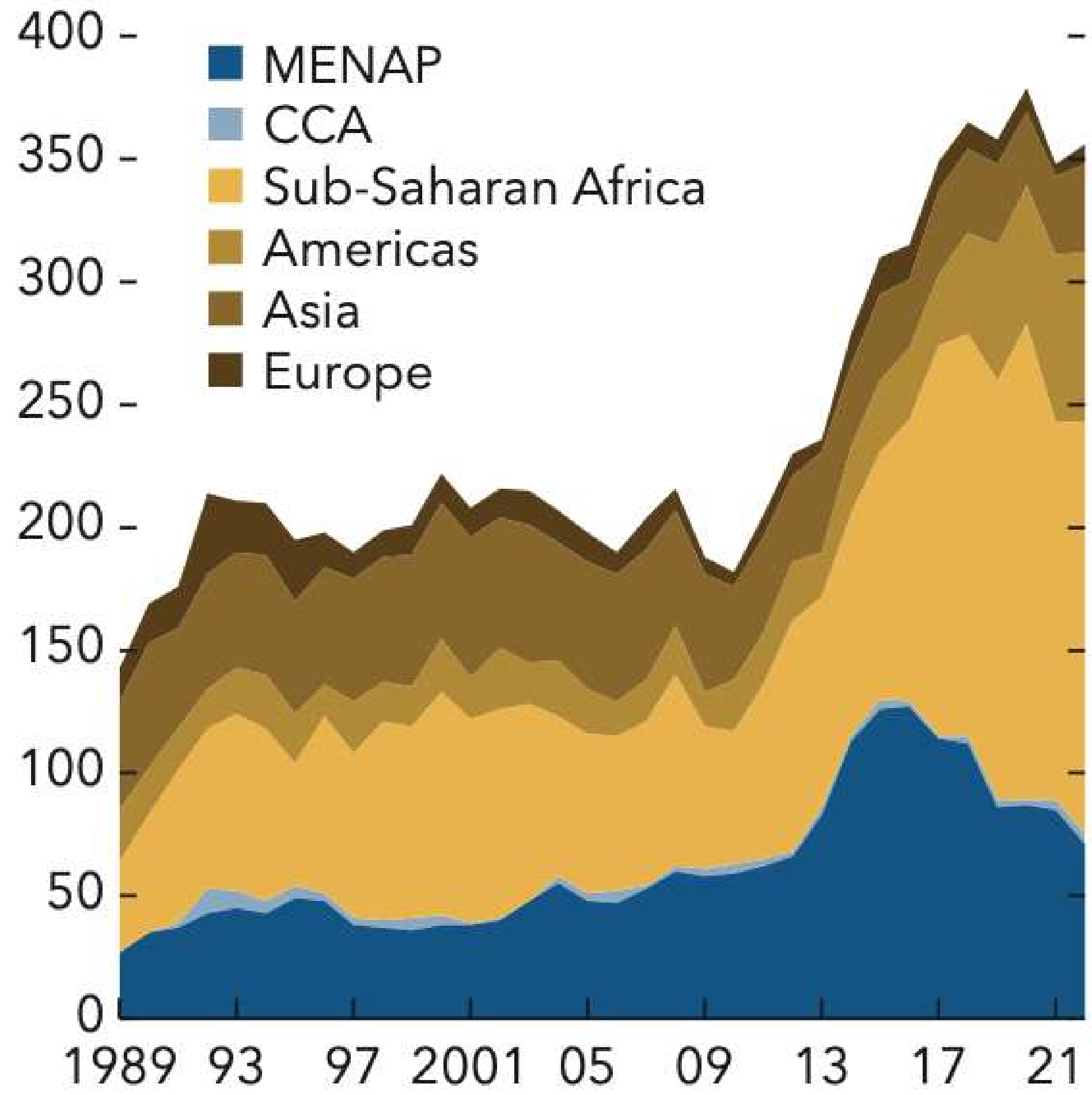
Every region other than Russia and Eurasia recorded a deterioration in peacefulness.



Source: IEP

- Rising number of conflicts all around the world

1. Conflicts by Region (Number)



Source: IMF, World Economic Outlook 2024



Mediterranean's challenges are formidable, but not insurmountable

Addressing investment gaps



- In green energy, infrastructure, human capital, or digital transformation—leading to a more resilient and sustainable future

Rebuild trust



- Trust & confidence which are pillars for peace and stability


Strategic Partnerships



- Align goals between governments, businesses, and international partners. Foster collaboration for regional development.

THANK YOU FOR YOUR ATTENTION

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