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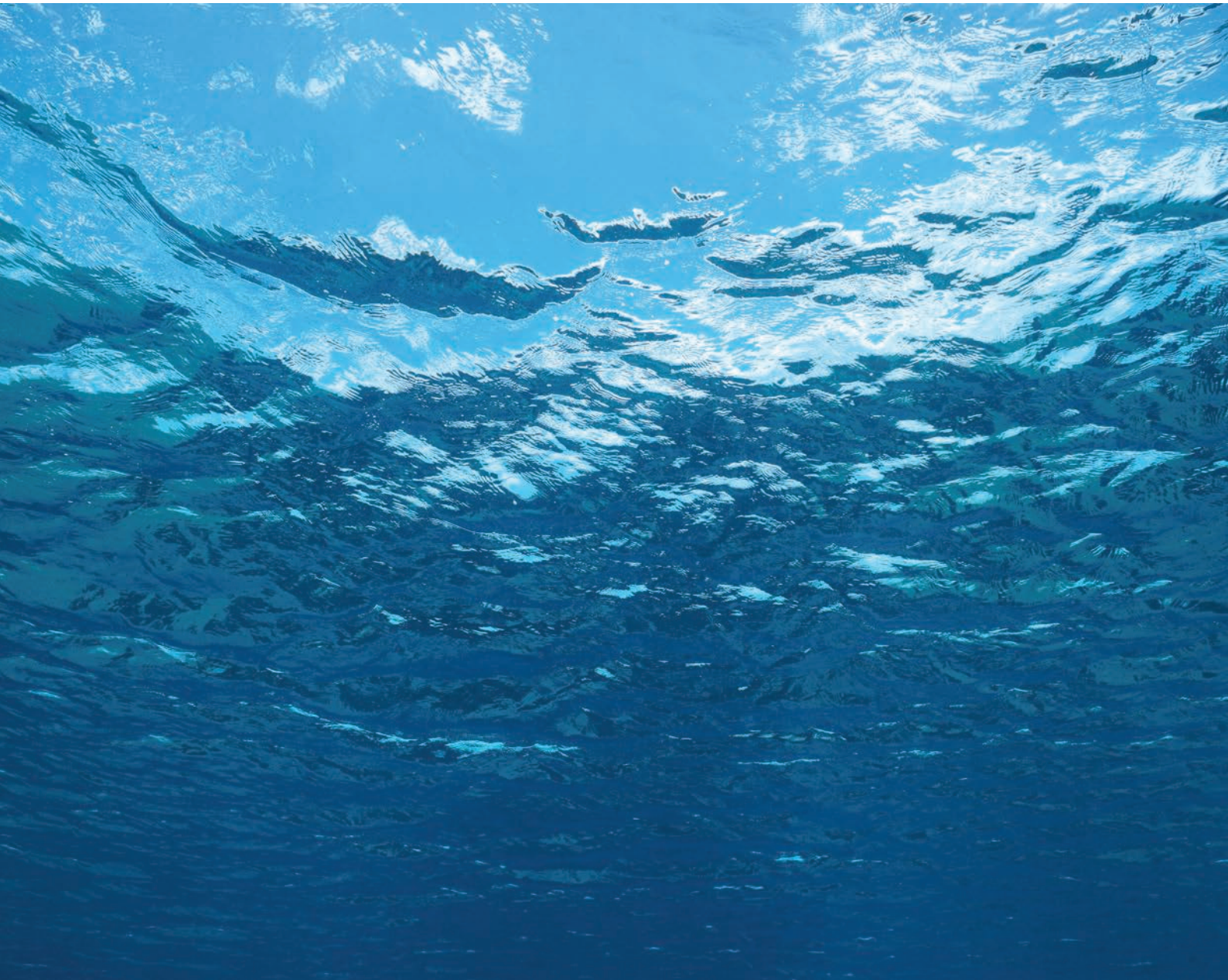
Regional Integration in the Union for the Mediterranean 2025

Progress Report



Regional Integration in the Union for the Mediterranean 2025

PROGRESS REPORT

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Preface by the Union for the Mediterranean

It is with much enthusiasm that we present this second edition of the Progress Report on Regional Integration in the Union for the Mediterranean at this highly symbolic moment, as we mark the 30th anniversary of the Barcelona Process. Fully conscious that no report can encapsulate the current regional socio-economic reality in all its complexity, we entrusted the task of elaborating the UfM Report yet again to the much-esteemed Organisation for Economic Co-operation and Development (OECD), confident in the scientific rigor of its evidence-based methodology and its thorough knowledge of the region. Thanks to the generous support of the German Development Cooperation, this second edition was made possible, and the action-oriented policy recommendations are readily available to guide our strategic compass in one of the world's least economically integrated regions.

This region, which hundreds of millions of people call home, looks very different now than what it looked like back in 2021 when we launched the first edition of this report. Back then, the entire world was still struggling to navigate the repercussions of a global pandemic that caught us all unprepared. Other disruptions followed and swept across the region ever since, including wars, humanitarian and economic crises, technological and environmental disruptions, and like always, regions that are more fragmented economically have consistently proven to be more vulnerable to the ensuing shockwaves.

The integration imperative has always been at the crux of our mission at the Union for the Mediterranean, and yet we see integration not as an end in itself, but rather as means to the greater goal of building a common area of peace, stability, prosperity and security: the very *acquis* of the Barcelona Process. Promoting regional cooperation and integration in the Euro-Mediterranean region takes much more than just a political vision or an economic model. Instead, it is increasingly becoming an art of engaging an ever-expanding ecosystem, mobilizing policymakers and actors, building capacities, mapping realities and deficiencies on the ground, and striving to co-design and co-deliver tangible results in a constantly shifting economic and geopolitical landscape. In this sense, we are neo-romantics in a very Mediterranean way; the kind of romance that does not contradict with pragmatism but rather imbues our efforts with the necessary passion to keep on tackling the vast array of challenges without losing spirit.

The second edition of the Report brings good news and confirms with empirical evidence what we already know: that there are clear reasons for hope, promising trends that can be scaled up and replicated, and pathways of action that call for policy reforms and closer orchestration between and within both shores of the region in order to fulfill the legitimate aspiration of our peoples. To land down our optimism into figures, by 2023, the resurgence in intra-UfM trade was evident, with UfM countries trading nearly twice as much with each other as they did with the rest of the world, totaling over USD 4.4 trillion. Foreign direct investment (FDI) inflows have remained broadly resilient across the UfM region, and major north-south green transition initiatives point to the growing role MENA countries play in the EU's target of importing 10 million megatons of renewable hydrogen per year by 2030.

Conscious of the need for agility and dynamism to tackle the integration-related challenges, the Union for the Mediterranean is undergoing a profound reform process aimed at developing a fit-for-purpose institutional architecture that would be conducive to a more impactful *modus operandi*. We trust that the support from our Member States and our ecosystem would help us deliver further on all areas of priority for the region.

Integration in our region is as old as trade and mobility and, as such, as old as dialogue and cultural exchange. The Silk Road, the Amber Route and the Spice Trail all converged at the shores of our civilizing sea and its hinterland where writing and the alphabet were first invented, where democracy was born and where the world's earliest libraries, academies and universities inspired an unequivocal notion of progress. It is this firm belief in progress that guides our collective efforts towards the integration as logos, ethos and pathos. I invite you to read the Report thoroughly and to reflect on its findings, but more importantly, to find inspiration in the actionable recommendations that it presents.

Nasser Kamel

Secretary General, Union for the Mediterranean

Preface by the OECD

In 2021, the OECD published its first report monitoring regional integration in the Euro-Mediterranean region. This second edition of *Regional Integration in the Union for the Mediterranean* assesses progress made since 2021 - a period marked by the impacts of the COVID-19 pandemic, successive economic shocks, ongoing conflicts in the Middle East, and an increasingly complex geopolitical context. In this challenging environment, our report highlights the opportunities that economic integration offers for countries in the region to achieve stability, peace and prosperity.

The report highlights the OECD's evidence-based analysis on the benefits of economic integration. Manufactured goods now account for a growing share of EU imports from members of the Union for the Mediterranean, exceeding 60% in 2023, with an upward trend in trade in value-added sectors. Further, the economies of the Union for the Mediterranean are building stronger intra-regional trade links and increasingly using inputs sourced from within the region in their exported products. These links foster the development of regional value chains, support quality job creation, and help build economic resilience.

Our study identifies the main opportunities to further accelerate integration progress in the region and provides governments with practical policy recommendations.

Connectivity infrastructure is key to expand trade and investment, and boost skills development in the Union for the Mediterranean. Cross-border transport and energy projects such as the Adriatic-Ionian Motorway and the Euro-Africa Interconnector facilitate travel within the region, support the development of integrated energy markets, help lower the costs of developing infrastructure and attract public and private investments. However, regulatory fragmentation and difficulties in mobilising sufficient investment capital continue to limit infrastructure development, dampen the performance of logistic systems and weaken trade potential. The report recommends a wider use of financial tools such as offtake agreements, equity investments and blended finance to attract private sector investment in infrastructure, helping increase the sustainability of such projects. Strengthening public-private partnerships and ensuring regulatory stability can further mitigate investment risks and support sustainable, cross-border infrastructure development.

The Union for Mediterranean is home to massive human capital potential. Annual migration from the Union for the Mediterranean to the countries that are members of both the Union for the Mediterranean and the OECD (European Union Member States, Türkiye and Israel) increased from around 1.2 million in 2010 to 2.1 million in 2022. Well-managed migration can strengthen regional integration and generate income, supporting higher standards of living for migrants, their countries of origin and the destination countries. Our report recommends prioritising mutually beneficial partnerships and agreements that respond to the needs of origin and destination countries by tackling high unemployment, skills mismatches and intra-regional income level differences. The European Union's Talent Partnerships with Egypt, Morocco and Tunisia facilitate the alignment of foreign skills development with domestic labour market requirements by reinforcing cooperation between European Union Member States and partner countries, while providing mobility, employment and skills training opportunities for non-European Union nationals. The European Union's forthcoming Talent Pool, aimed at facilitating the recruitment of non-European Union nationals by employers in the European Union, will provide further impetus to these efforts once adopted.

This second edition highlights that advancing economic integration in the Union for the Mediterranean region can benefit from renewed ambition and policy action. The OECD will continue to support these efforts with evidence-based analysis and policy best practices, and by fostering regional policy dialogue, in partnership with the Union for the Mediterranean and the European Union, towards a prosperous and sustainable future for the region.

Mathias Cormann

Secretary General, OECD

Foreword

Regional Integration in the Union for the Mediterranean 2025 was produced by OECD Global Relations and Cooperation Directorate (GRC), led by Director Andreas Schaal, and benefited from the financial support of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

The report was prepared with strategic guidance from Carlos Conde, Head of the Middle East and Africa Division (GRC/MEA). The drafting team was led by Mariarosa Lunati, Senior Advisor (GRC/MEA), and included authors from several OECD directorates: Roger Forés Carrión, Giovanni Di Buono, Sarah Kirby, Ghalia Triki (GRC/MEA); Seda Sevgi, Damla Haciibrahimoglu and Cengiz Arikan (OECD Istanbul Centre); Lisa Andersson with advice from Jean-Christophe Dumont (Directorate for Employment, Labour and Social Affairs, ELS); Matej Bilik with advice from Simon Roy (Directorate for Education and Skills, EDU); Mario Cervantes and Tasuku Sasaki, with statistical support from Kei Kato (Directorate for Science, Technology and Innovation, STI). Blanca Moreno-Dodson, international expert and former UN Director, and Ahmed Kamaly, associate professor at the American University in Cairo, Egypt, contributed to the drafting of Chapter 2 and Chapter 3 respectively and provided advice on trade, finance and connectivity. The inputs and advice of Alejandra Medina and Fernando Mistura of the OECD Directorate for Financial and Enterprise Affairs (DAF); Alexia Gonzales Fanfalone, Lauren Crean and Frédéric Bourassa (STI); Nadim Abillama of the International Energy Agency (IEA); and Olaf Merk, Yaroslav Kholodov, and Nick Caros of the International Transport Forum (ITF), were highly appreciated.

The support of Mohammed Elrazzaz, Head of Sector in the Economic Development and Employment Division of the Union for the Mediterranean (UfM) was greatly appreciated throughout the project. The report presents the views of the authors and does not necessarily reflect the opinions of the UfM Secretariat or the GIZ/BMZ or the authorities of the countries concerned. The names used in the report to designate any territory, city or area are without prejudice to the official terminology used by the UfM Secretariat.

The OECD readily welcomed the contributions of Casa Mediterráneo, a public consortium led by the Spanish Ministry of Foreign Affairs, European Union and Cooperation, as well as those of CIHEAM Bari, the Italian Headquarter of the International Centre for Advanced Mediterranean Agronomic Studies, that shared their perspective and experience on the local dimension of regional integration in the UfM.

The preparation of the report involved policy consultations with national and international experts, organised thanks to the logistical support of Nadia Kameleddine, project coordinator (GRC/MEA). The OECD warmly thanks the European Commission Directorate General for the Middle East, North Africa and the Gulf (DG MENA) and the Directorate General for Trade and Economic Security (DG Trade) for their support and contribution during the consultations, along with other participating DGs. The OECD sincerely thanks all those who participated in the policy consultations for their valuable comments. The full list is presented in Annex A.

The drafting team is grateful to William Tompson, Head of the Eurasia Division (GRC/EURASIA), as well as to Umur Gokce, Benoit Dicharry, Stephanie Lizzo, and Hana Aljevic of the Southeast Europe Division (GRC/SEE), led by Marzena Kisielewska for their in-depth review of the draft chapters. The paper also benefited from comments from Jane Stacey and Julie Reimann of the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE); and Silvia Sorescu, Cemre Balaban, and Jane Korinek of the OECD Trade and Agriculture Directorate (TAD).

The final report was edited by Chris Marquardt. It was prepared for publication by Meral Gedik and Emily Derry, with the support of Robert Akam, GRC Communications Lead and Sophie Elliott, GRC/MEA Communications Officer. Great thanks go to Mohammed Baraka, Romane Girard, Isha Kowlessur and Kenza Zakarya for their support with the Arabic and French translations.

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Reader's Guide

The monitoring approach

Regional Integration in the Union for the Mediterranean 2025: Progress Report monitors integration in the Euro-Mediterranean region, with the aim to provide evidence-based policy recommendations that promote integration as a driver of sustainable economic growth and social development. The chapters of the *Progress Report* analyse respectively the five economic integration dimensions in the scope of the monitoring exercise, i.e. trade, finance, infrastructure, movement of people, and research and higher education.

The selection of indicators for each dimension reflects the literature on economic integration and the pertinence of given measures for monitoring integration in the Union for the Mediterranean. The Progress Report builds upon the analysis presented in the first edition, published in 2021, using it as a foundation while updating the analytical framework as needed to consider recent developments and the evolving nature of the regional integration context. The aim is to ensure that the findings remain relevant to inform policymakers across the UfM region. Importantly, the final selection of indicators also results from considerations about geographical coverage and data quality, relevance and availability, and relative ease of interpretation of the results.

Main sources and databases

The report uses data from the OECD and other international agencies with the mandate, resources, and expertise to collect national data on specific indicators. When international databases do not cover one or more UfM countries, but data exist in national databases, these are used as a complement to expand the country coverage, provided that the metadata indicate sufficient consistency with the reference international database.

Geographical scope

The Progress Report focuses primarily on the analysis and data relating to the member states of the Union for the Mediterranean. The analysis is also developed at the level of sub-regions within the UfM.

When possible, data are presented also for the Gulf Cooperation Council (GCC) countries, to reflect their growing geopolitical and economic relevance in the broader Middle East and North Africa (MENA) region and in the relation with the European Union and other UfM members. Accordingly, relevant data for these countries has been incorporated to provide a more comprehensive assessment of cross-regional dynamics, highlighting emerging trends.

The report uses the following definitions of regions and sub-regions.

UfM Euro-Mediterranean region	Albania, Algeria, Bosnia and Herzegovina, Egypt, Israel, Jordan, Lebanon, Mauritania, Monaco, Montenegro, Morocco, North Macedonia, Palestinian Authority, Syria, Tunisia; Türkiye; the 27 member countries of the European Union. Libya has observer status.
MENA	The MENA region within the UfM includes Algeria, Egypt, Jordan, Lebanon, Morocco, Palestinian Authority, Syria and Tunisia.
Broader MENA region	The broader MENA region includes Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Palestinian Authority, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates and Yemen.
North Africa	Algeria, Egypt, Mauritania, Morocco, Tunisia.
Western Balkans	Western Balkan members of the UfM: Albania, Bosnia and Herzegovina, Montenegro, North Macedonia.
Levant	Lebanon, Palestinian Authority, Jordan, Syria.
Central, Eastern and Southeastern Europe (CESEE)	CESEE countries members of the UfM: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia and the Slovak Republic; Albania, Bosnia and Herzegovina, Montenegro, and North Macedonia.
Gulf Cooperation Council (GCC) countries	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

Country codes

The figures in this publication use ISO codes (ISO3) for country names as listed below.

ISO code	Country	ISO code	Country
DZA	Algeria	LBY	Libya
ALB	Albania	LTU	Lithuania
AUT	Austria	LUX	Luxembourg
BHR	Bahrain	MAR	Morocco
BEL	Belgium	MCO	Principality of Monaco
BIH	Bosnia and Herzegovina	MKD	Republic of North Macedonia
BRA	Brazil	MLT	Malta
BGR	Bulgaria	MNE	Montenegro
CAN	Canada	MRT	Mauritania
HRV	Croatia	NLD	Netherlands
CYP	Cyprus	OMN	Oman
CZE	Czech Republic	PSE	Palestinian Authority
DNK	Denmark	POL	Poland
DJI	Djibouti	PRT	Portugal
EGY	Egypt	QAT	Qatar
EST	Estonia	ROU	Romania
FIN	Finland	SAU	Saudi Arabia
FRA	France	SRB	Serbia
DEU	Germany	SVK	Slovakia
LVA	Latvia	SYR	Syria
LBN	Lebanon	ARE	United Arab Emirates

Executive summary

In the year that marks the 30th anniversary of the Barcelona Process promoting Euro-Mediterranean partnership, *Regional Integration in the Union for the Mediterranean 2025* offers findings and insights on the state of integration in the region and recommendations for actionable policies to advance toward shared objectives.

The analysis focuses on developments since 2021, when the first OECD report measuring the progress of integration in the Union for the Mediterranean (UfM) was completed. It shows that integration in the region constituted by the UfM advances but remains below potential across different economic dimensions, due to persistent challenges to the movement of goods, services, capital, people, and ideas. At the same time, this report observes the increasing integration of UfM members with countries in the broader Middle East and North Africa (MENA) region, where Gulf countries, in particular, have become major contributors to foreign direct investment in the UfM region. Indeed, the Union for the Mediterranean is home to more than 800 million people, representing over 10% of the world population in 2024; the history and strategic geographical position of the region make its role for connectivity and global trade, including trade of energy resources, critical.

The state of regional integration in 2025

Intra-regional trade in goods within the UfM has been growing, with evidence of a shift towards higher value-added trade and deepening regional value chains

The trade flows of the UfM region represent a significant share of the world's economy, accounting by 2023 for 31% of global exports, valued at more than USD 7 trillion. Within the region, while the EU remains the dominant trade partner, trade integration among other UfM members, notably Türkiye, the Western Balkan and North African economies, has been deepening especially following the COVID-19 pandemic. This process is evident both for trade in goods and for the integration of UfM-origin value added into the exports of EU and other UfM economies, reflecting closer value chain links across the region that the pandemic may have reinforced. Also, there is a clear shift in trade composition towards higher value-added sectors, such as machinery and chemicals, alongside burgeoning growth in digital trade across the region. This trend is substantiated by the analysis of revealed comparative advantage from 1996 to 2023. Crucially, the analysis reveals a varied trajectory of industrial development at the economy level across the region. While some economies are successfully advancing - with Morocco gaining a competitive edge in high-tech sectors like aircraft parts and North Macedonia in chemical products - others have reinforced their specialisation in more traditional industries. This divergence highlights a more complex competitive landscape featuring varying levels of industrial dynamism within the UfM.

Still, trade agreements among UfM economies predominantly focus on goods, despite the increasing importance of services and digital commerce. Also, the difficulties that some non-EU UfM economies face in conforming to EU sustainability requirements for exports are a challenging issue, affecting the potential for economic diversification and further participation in regional value chains.

Key recommendations

- **Develop new-generation trade agreements that encompass services, investment, digital trade, and regulatory co-operation, alongside efforts to modernise and enforce existing pacts**. Further improving trade facilitation is crucial, requiring enhanced border co-operation - both internal and external, digitalisation, mutual recognition of standards, and increased transparency. Policies should promote economic diversification towards higher-value activities and support the development of regional value chains for both goods and services.

Financial development and integration within the UfM remain fragmented, reflecting economic, institutional, and geographical disparities

Financial sectors across the UfM region remain largely heterogeneous, reflecting differing levels of development and integration. A common feature, however, is the predominance of bank-based financing. Limited access to diversified financing sources and persistent financial constraints are particularly evident in the MENA and Western Balkans sub-regions, where capital markets remain relatively underdeveloped compared to the EU. Moreover, the regulatory environment in several UfM countries continues to hinder the development of financial markets, limiting cross-border investment and innovation in financial services.

Foreign direct investment (FDI) inflows have remained broadly resilient across the UfM region, with notable subregional differences over the period 2013-2023, averaging 2.9 % of GDP in MENA countries and 6.1 % in the Western Balkans. These disparities largely reflect persistent governance challenges, regulatory barriers and political instability that affect investors' confidence, especially in the MENA region.

Remittances inflows, which now exceed FDI and official development assistance in several UfM economies, have become a vital source of external financing.

Key recommendations

- **Governments should implement reforms to strengthen financial markets and institutions.** Further reforms to address financial fragmentation and facilitate cross-border capital flows remain essential, alongside strengthened risk mitigation measures and an enhanced macroprudential policy framework.
- **Promote broader financial sector diversification.** Promotion of alternative financial instruments to complement bank financing, such as equity and corporate bond markets, is crucial to support private sector development.
- **Reduce regulatory restrictions to improve investment frameworks.** Easing restrictions on FDI, streamlining approval procedures, and removing barriers to foreign operators and operations could yield substantial benefits.

Challenges to the development of the connectivity infrastructure in the UfM persist, especially in the Southern shore, dampening the performance of logistic systems and affecting trade potential

The need for greater investment to improve the UfM's connectivity infrastructure, already highlighted in the 2021 Report, remains a priority in particular in the MENA sub-region. Regulatory fragmentation, the complexity of coordinating cross-border projects, and difficulties in mobilising investment capital continue to constrain regional infrastructure development. The dominance of state actors and limited public-private partnerships, particularly in Southern Mediterranean countries, further inhibits private sector involvement and financing.

Southern Mediterranean countries, with a few exceptions, have been slow to develop new transport and energy infrastructure. Digital infrastructure has advanced, but in the Western Balkan and MENA economies, the expansion of broadband infrastructure is limited, also delaying the deployment of smart infrastructure in transport and energy systems.

Yet, improvements in the infrastructure would sustain better performing logistics systems that are key for trade growth and the development of regional supply chains. Also, surface freight transport in the UfM is still heavily dependent on road infrastructure. Developing multimodal transport networks, which integrate road, rail and maritime links, and improve connections with production centres, would help optimising routes and promote sustainability, lowering greenhouse gas. Indeed, UfM countries account for 13.4% of global transport emissions, reflecting a 40% increase since 1990, underscoring the urgent need to accelerate decarbonisation efforts in the transport sector.

Beyond transport, the green transition presents an opportunity for deeper regional integration of infrastructure. Projects such as ELMED and GREGY are paving the way for cross-Mediterranean energy exchange and are establishing MENA as a potential key contributor to Europe's clean energy transition.

Key recommendations

- **Engage in regional co-operation platforms**, e.g., the UfM Regional Platforms on Transport Connectivity and Energy; the Working Group on Trade and Investment of the MENA-OECD Competitiveness Programme and the new OECD Emerging Markets Forum to foster trust, coordination, collaboration as well as policy coherence of connectivity efforts, to align standards and planning across borders and strengthen the continuity of infrastructure networks and supply chains through collaborative frameworks.
- **Advance infrastructure projects that support decarbonisation and improve energy efficiency**. As electricity demand on both sides of the Mediterranean is projected to rise in the coming years, countries across the UfM should seek to support the development of renewable energy infrastructure, especially in the Southern Mediterranean, and the subregion's integration into both local and regional energy grids. Adopting National Logistics Masterplans that incorporate multimodality and a holistic view of transport networks is essential for sustainable economic growth and regional integration.
- **Enhancing broadband infrastructure across the Southern Mediterranean**, expanding high-speed communication infrastructure nationally as well as regionally through projects such as the Medusa Submarine Cable, is crucial to strengthening connectivity between the Northern and Southern Mediterranean.

Mobility within the UfM region has continued to rise, bolstered by demographic pressures, labour market mismatches, and economic disparities

Intra-UfM migration has increased steadily over the past two decades, with flows recovering following the COVID-19 pandemic. In the Southern Mediterranean, a growing working-age population faces persistent youth unemployment and a misalignment between skills and labour market needs. EU initiatives such as Talent Partnerships are meant to facilitate the alignment of foreign skills development with domestic labour market requirements, to the benefit of all the countries involved. The initial implementation of these joint programmes in MENA countries is producing promising outcomes. Scaling up the number of beneficiaries could enhance the impacts on labour markets and the labour mobility management.

Overall, cross-border mobility continues to occur in a context of disparities in visa requirements by UfM countries. Political, social, and environmental challenges have increasingly shaped mobility dynamics across the region. Notably, even though tourism remains a significant contributor to GDP, particularly in non-EU UfM economies, over the period observed regional instability and conflicts have reduced the sector's economic impact.

Key recommendations

- **Enhance the management of labour migration** by closely monitoring emigration flows and prioritising partnerships and agreements that support skills development and respond to the needs of both origin and destination countries.
- **Governments should promote responsible tourism practices** to optimise the use of natural resources, mitigate environmental impacts, and balance tourism growth with long-term sustainability.

Higher education and research are increasingly central to regional integration and international co-operation, yet their development remains significantly unbalanced across the UfM

While the European Union has established robust, well-funded frameworks that support cross-border co-operation, harmonised standards and institutional mobility, Southern Mediterranean countries continue to face structural and financial barriers to meaningful participation. These disparities reflect wider inequalities in levels of investment, infrastructure and institutional capacity, which in turn limit opportunities for co-operation and mutual development. Current patterns of mobility and partnership are largely asymmetrical, dominated by outflows from the South and shaped by EU programmes. Finally, gender dynamics in mobility present a mixed picture: female participation is increasing and sometimes exceeds that of men in certain contexts, but gaps remain, particularly in North Africa countries.

Key recommendations

- **Enhance capacity for regional co-operation by increasing public funding for higher education and research**, especially in Southern Mediterranean countries that spend relatively little in R&D and innovation, while also creating incentives for researchers, universities and businesses to participate in international funding programmes. MENA countries in particular should further invest in doctoral education and young academics to strengthen the research workforce, while also promoting women's careers in academia by improving working conditions and career advancement processes.
- **Governments should promote opportunities for education and research mobility**, as well as virtual exchanges and short-term mobility. Implementation by UfM members of the Global Convention on the Recognition of Qualifications in Higher Education will help improve qualification recognition and information sharing among UfM countries.

Introduction: Towards a positive agenda

The objective of this report is to contribute to the definition of a sound policy agenda to enhance regional integration in the Union for the Mediterranean (UfM). The findings and policy considerations of the report offer support to governments of UfM countries to elaborate actionable policies for advancing economic integration in the Euro-Mediterranean region.

This report focuses on developments since 2021, when this same exercise of monitoring regional integration was first completed. It does so by analysing selected indicators that are both consistent with the state-of-the-art literature on economic integration and pertinent to the specific context of the UfM region. In particular, varied stages of economic developments of the UfM countries, and the existence within the UfM region of an already integrated area - the European Union (EU) -and a group of accession countries to the EU, the Western Balkans.

The context in which the economic integration process occurs among UfM members is complex and constitutes fundamental background for the analysis. Since 2021, the region has been exposed to severe shocks, notably Russia's full-scale invasion of Ukraine with significant economic impact, disrupting supply chains and distressing food and energy security and prices, but also the ongoing conflicts in the Middle East which have increased geopolitical instability such that it affects efforts to build resilience, maintain investment attractiveness and foster socio-economic growth.

In recent years, other developments have also shaped the context underlying the integration process. A major development is the **enhanced role of the Gulf countries in the Euro-Mediterranean**, with intensified exchanges with countries in the Southern shore of the Mediterranean and with EU member states. In 2022, the European Union developed its first strategy for the Gulf region, "the Strategic Partnership with the Gulf", reflecting the increased potential of cooperation with the six Gulf Cooperation Council (GCC) countries on issues of mutual interest, from climate change and energy security, to increasing trade and investment, to green and digital transitions and connectivity; and above all, working together to achieve sustainable peace and stability in the broader MENA region. In line with this strategy, during the first EU-GCC Summit, which took place in October 2024, the parties agreed to further deepen the trade and investment ties between the European Union and the Gulf countries by exploring the possibility of relaunching the negotiations on a regional EU-GCC Free Trade Agreement, which had been stalled in 2008, and by developing, in parallel, appropriate bilateral trade and investment frameworks. In spring 2025, the European Union and the United Arab Emirates formally launched negotiations on a bilateral Free Trade Agreement in a move which exemplifies the current deepening integration between the UfM and the Gulf countries. To acknowledge the intensified relations between GGC and UfM countries, this report has extended its analysis of trends and policy considerations to encompass the Gulf countries.

In terms of economic integration patterns, a second important development concerns **integration efforts at the level of the African continent** and its implications for the North African countries of the UfM and beyond. The implementation of the African Continental Free Trade Area (AfCFTA) aims to promote socio-economic growth development in Africa by boosting intra-African trade and Africa's trading position in the global market. Accordingly, the analysis of trade integration in the UfM region in this report considers the new trade patterns with the African continent.

The importance of connectivity infrastructure to facilitate relations among UfM members has become central. High-quality and sustainable connectivity networks are today seen by policy makers in the UfM region as key to enhancing trade and investment, but also to increasing collaboration for research and innovation and skills development, and **economic diversification in the Southern Mediterranean economies** where this is still a priority. This report explores progress in the infrastructure for transport, energy and digital, and their interrelation, recognising the centrality of connectivity for integration. Also, **the green transition has created additional opportunities for deeper economic integration across the Mediterranean.** The EU's strategic goals on green transformation have accelerated investments in renewable energy and infrastructure, connecting with the abundance of renewable energy potential in Southern Mediterranean countries.

There is recognition, across the region, of the need to better manage migration patterns. This report observes the development of new models for the mobility of people and legal migration opportunities – in particular, the EU skills and talent partnership programmes. These programmes combine the needs of receiving and sending countries of migrants by dedicating resources to skills development and opportunities to return to countries of origin, to avoid the brain drain that affect some of the UfM economies, including a number of EU members.

Strengthening cooperation is fundamental and every effort counts. This report offers a glimpse at how local communities across different UfM countries are working jointly to solve problems and achieve common objectives (Annexes A and B). They show that the ambition of integration in the Euro-Mediterranean can be nurtured at all levels.

In a context marked by ongoing conflicts in the Middle East and geopolitical uncertainty, this report clearly affirms the importance of a positive agenda for economic integration in the Union for the Mediterranean.

Along those lines and building on the 2021 Agenda for the Mediterranean, a New Pact for the Mediterranean has been conceived with the objective of further deepening strategic and political engagement across the two shores of the Mediterranean: not only through political and policy dialogue but also by fostering concrete initiatives of mutual interest. Through a combination of actions, the Pact aims to achieve a partnership of equals and, over time, a common space of peace, prosperity and stability, advancing economic and cultural ties, ultimately having a lasting beneficial impact on people, businesses and societies of the region. The New Pact for the Mediterranean will be presented in autumn 2025.

1 Trade

The first part of this chapter presents an overall analysis of the progress of trade integration since the 2021 Progress Report and introduces policy recommendations. The second part presents, individually, the indicators that support the analysis and recommendations:

- T1. Trade agreements covering goods and services
- T2. Trade facilitation indicators
- T3. Intra-regional trade in goods
- T4. Trade in value added (TiVA)
- T5. Trade and employment
- T6. Digital trade

The role of trade in economic development

International trade has long been recognised as a powerful driver of economic growth. The OECD Convention, signed in 1960, states that expanded world trade is crucial for economic development and better international economic relations. By enabling countries to specialise in goods and services in which they have a comparative advantage, trade can lead to more efficient resource allocation and increased overall productivity. Trade can also promote the diffusion of technology and knowledge, stimulating innovation and economic development. The economic literature has highlighted the positive impact of trade on economic growth, suggesting that trade can help developing countries catch up with developed ones and foster long-run economic prosperity. Also, the competition created by international trade can incentivise countries to develop better institutions, which can further boost economic performance.

However, while trade can bring overall benefits to an economy, it is important to recognise that the gains are not necessarily distributed equally. Consumers benefit from lower prices and a wider variety of goods, while firms exposed to foreign competition may become more productive and innovative – indeed, trade is a determinant of improvements in aggregate productivity. But in some sectors, trade can also lead to job losses and exacerbate existing inequalities. To address these distributional challenges, targeted policies are needed to ensure that trade costs are reduced and the gains from trade are shared more equitably. This can include a broad range of measures, from retraining programmes for workers who lose their jobs due to trade competition, to investments in infrastructure in regions affected by trade liberalisation, to social safety nets to protect vulnerable populations.

Monitoring trade integration in the UfM. The selected set of indicators, T1 to T6, provides an overview of the determinants of regional trade integration. These indicators encompass the effect of trade agreements on goods and services, the evolution of trade facilitation measures, the level of intra-regional trade in goods, the value added by each country in regional trade, the effects on employment and wages in export sectors by gender and industry, and digital trade.

What we have observed since the *2021 Report*

Since the publication of the *Progress Report 2021*, global trade dynamics have undergone significant shifts, reinforcing long-term trends while also reflecting new complexities that shape the integration path of regions. The international trends, coupled with specific regional dynamics, point to developments in trade integration patterns within the UfM. Evidence indicates an increasing EU reorientation towards trade partners within the UfM for both merchandise trade and the integration of UfM-origin value added into EU exports, differently from previous observations in the *2021 Report*.

In parallel to this, many non-EU UfM economies are continuing to build stronger trade and value chain links among them, confirming an ongoing pattern of closer economic ties between different UfM sub-regions. For example, economies in the Western Balkans, North Africa and Türkiye demonstrated consistent growth in their exports to other non-EU UfM partners. Additionally, several UfM economies are increasingly using inputs sourced from within the region in their exported products.

The COVID-19 pandemic significantly quickened the pace of digital trade adoption across the UfM economies, leading to a marked rise in the exchange of digitally delivered services. This includes growth in areas such as computer services, finance and diverse business activities, alongside an increasing emphasis on intellectual property trade.

Furthermore, the composition of the UfM's intra-regional merchandise trade continues to evolve, with evidence of a structural shift towards more technologically advanced industries. Intra-regional trade in machinery and chemicals, for example, has shown robust growth, suggesting greater UfM participation in higher value-added chains.

Regional trade agreements still focus on trade in goods

Trade in the UfM region, specifically cross-Mediterranean and Southern - Eastern Mediterranean exchanges, remains overwhelmingly regulated by agreements on goods. While traditional trade agreements have primarily focused on the exchange of goods, the modern global economy is increasingly driven by the exchange of services. From financial services

and telecommunications to education and healthcare, services have become a vital engine of economic growth. In fact, if in 2023 global trade fell by 5%, services trade increased by 8% (UNCTAD, 2024[1]).

Trade in services is considered in regional frameworks, such as the Agadir Agreement, and in ongoing bilateral negotiations, e.g. EU-Morocco and EU-Tunisia. The EU Stabilisation and Association Agreements (SAAs) with Western Balkan countries reflect a comprehensive approach that goes beyond tariff reduction to facilitate services trade, promote regulatory cooperation, and address critical areas like institutional stability and economic policy alignment. Similarly, Türkiye has incorporated provisions for services trade in its bilateral agreements with key partners in the Western Balkans. This strategic shift reflects a growing understanding of the integral role services play in modern trade relations, aligning with global trends that emphasise the interconnectedness of goods and services trade.

Moreover, non-tariff measures (NTMs) exert a profound influence on international trade dynamics. These measures, encompassing a wide array of technical regulations, standards, customs procedures, and environmental requirements, can significantly impact market access, compliance costs and, ultimately, trade flows. Within the UfM, a notable development is the initiative to harmonise rules of origin for products within the pan-Euro-Mediterranean (PEM) area. This initiative, aimed at simplifying and streamlining trade procedures, has the potential to significantly boost regional trade by reducing administrative burdens and enhancing predictability for businesses.

An emerging challenge is represented by the increase of environmental and social sustainability requirements in trade relations. A clear example is the EU Carbon Border Adjustment Mechanism (CBAM), which aims to prevent the so-called "carbon leakage" (by aligning the carbon costs of foreign producers with those of EU producers) and to uphold the EU's ambitious climate objectives. While its objective is to deter the relocation of production to countries with less stringent environmental regulations, the CBAM may create obstacles for UfM partners that lack the technological or financial capacity to meet the required carbon emissions standards. This could lead to increased export costs and reduced competitiveness for those economies trying to access the EU market, potentially disrupting trade flows and hindering economic development.

Trade facilitation is improving

Analysis of trade facilitation indicators (TFIs) reveals a positive trend across UfM sub-regions, with noticeable improvements in areas such as streamlining of border procedures, advance rulings and internal border agency co-operation, although with significant disparities. The EU, supported by advanced trade facilitation systems, consistently leads in most TFI categories, followed by Israel and Türkiye. The Western Balkans have demonstrated significant progress in areas such as documentary formalities, internal border agency cooperation, and advance rulings. North Africa has also made progress in internal border cooperation and advance rulings, while challenges remain in automation and external cooperation. The Levant sub-region, despite improvements, continues to lag in multiple indicators, highlighting the need for further reforms, particularly in information availability, documents, governance, and border agency cooperation.

Intra-regional integration of trade in goods is advancing

Within the UfM, intra-regional trade flows indicate a general positive trend, with intra-UfM trade nearly doubling exports to the rest of the world in 2023. The EU plays a dominant role in intra-UfM trade, accounting for 94% of the region's internal exports in 2022. The EU has nevertheless seen a noticeable increase in its exports and imports share to and from UfM countries, particularly since 2020, pointing to factors like global efforts towards supply chain diversification and a growing corporate interest in nearshoring strategies to enhance resilience and reduce transit times, all amplified by the experiences of the COVID-19 pandemic.

Beyond the EU dynamics, a steady increase in intra-UfM trade over the past years is observed, and data suggest a reinforcement of the trend since the pandemic. The Western Balkans exhibit a consistent upward trajectory of their share of intra-UfM exports, indicating deepening trade integration with their UfM partners. This growth can be attributed to a combination of factors, including economic reforms, regional trade agreements, and the stabilisation of political and economic conditions in the region. Similarly, Türkiye's and North Africa's export shares to non-EU UfM partners have shown moderate but steady growth. The Levant economies present the highest share of intra-UfM exports – albeit with some volatility in the past decade, likely reflecting the impact of regional instability and conflicts.

Also, the composition of trade reveals evolving sectoral trends. The UfM region is experiencing strong growth in export of machinery and chemicals, indicating a shift towards more advanced industries and suggesting that UfM countries are increasingly participating in higher value-added activities, contributing to improve competitiveness and upscaling of industrial production. Other sectors, such as textiles, show declining trends, highlighting the need for adaptation and innovation to remain competitive in the global marketplace.

The trade relationships of the UfM with other regions are also evolving. Over the past two decades, UfM imports from China have increased considerably. However, the COVID-19 pandemic revealed vulnerabilities in this relationship (particularly for the European Union, Israel and Türkiye), highlighting the need for diversified export markets and targeted support for sectors susceptible to external shocks. Despite this, China remains a crucial trading partner for all UfM sub-regions, with North Africa and the Levant emerging as rapidly growing markets for Chinese goods.

UfM and the broader MENA region. Trade with the Gulf Cooperation Council (GCC) countries presents a dynamic trend. The GCC is an important energy partner for the UfM, as evidenced by increasing imports despite price fluctuations. Energy exports from the GCC include crude oil and natural gas, particularly to Europe and North Africa. However, the relationship extends beyond hydrocarbons. UfM exports to the GCC, primarily manufactured goods, experienced robust growth until 2015, driven by rising demand in GCC markets. The sharp decline in oil prices in 2015 had a significant impact on GCC economies, leading to a subsequent drop in demand for UfM goods. Available data suggest a potential recovery in exports after 2022.

Trade with Sub-Saharan Africa has grown, particularly between 1996 and 2015, with UfM exports to the region nearly doubling, but this trend has slowed since 2015. While imports from Sub-Saharan Africa to the UfM have remained relatively stable, North Africa has emerged as a key player in trade with the region, showing significant increases in both exports and imports. This growing interdependence suggests potential for mutually beneficial partnerships between the two regions and highlights the benefits of further promoting trade facilitation, encouraging investment, and supporting the implementation of the African Continental Free Trade Area (AfCFTA).

Trade in value added: unpacking global value chains

An analysis of trade in value added reveals a gradual strengthening of regional value chains within the UfM, alongside a broader, though highly varied, integration into global production networks. The European Union is the central hub for this regional integration, with UfM countries' value-added contributions to EU exports more than doubling between 2005 and 2019. However, this relationship is evolving; while the EU increasingly uses UfM inputs, most UfM economies have reduced their reliance on EU components. Within the Mediterranean, Türkiye has emerged as the second most significant driver of regional integration, creating strong value-chain links with other partners. This trend extends to trade in services, where a growing interdependence is fostering deeper collaboration, again with the EU and Türkiye as key players.

The positive evolution does not, however, exclude different country-level performances. Morocco, Tunisia and Türkiye stand out for consistently increasing their use of UfM-sourced inputs, showcasing deepening regional ties, with the Türkiye-Morocco relationship being particularly strong. In contrast, other economies show weaker or declining regional integration. For instance, Egypt and Israel have significantly reduced the share of UfM value added in their exports, while Jordan also shows a weaker integration pattern.

Uneven impact of trade on employment across the UfM region

The persistence of high unemployment rates, especially among women and youth in the eastern and southern Mediterranean, suggests an uneven distribution of the economic benefits from trade liberalisation.

Across the UfM, trends in trade-related employment vary significantly. The EU demonstrates stability in export-related employment shares across most sectors, suggesting a diversified export market. Conversely, Egypt shows a general downward trend, and Israel also experiences a decline in export-related employment, despite the continued importance of its service sector. Türkiye, however, shows a general increase in export-related jobs, driven primarily by growth in industry and services.

A persistent gender gap exists in export-related employment across all the analysed UfM economies. In the EU, men consistently hold a larger share of these jobs, particularly in industry and trade. Egypt shows a similar pattern, with a pronounced gender gap in agriculture, industry and trade. Israel also exhibits a clear gender divide, with women concentrated in service sectors and men dominating industry. In Türkiye, despite increased female participation in export-related jobs, a disparity remains, particularly in traditionally male-dominated sectors. This highlights the need for policies that promote gender equality and ensure that the benefits of trade are shared more equitably.

Digital trade as an integration tool

Digital trade is rapidly growing, making up about a quarter of all international trade and presenting the EU as a global leader in the sector. This growth is fuelled by factors like increased internet access and improved digital services. Furthermore, the COVID-19 pandemic accelerated the shift to online transactions, driving an increase in the import and export of digitally delivered trade across all the focused economies. Sectors driving this growth include computer services, finance, telecommunications, and a broad range of business activities.

Within the UfM region, the EU is a major player, with significant exports in business services, computer services, and intellectual property charges. While the Western Balkans sees growth in computer services, Türkiye's focus is on insurance and pension services. North Africa shows strong growth across sectors, particularly computer and business services, driven by rapid digitalisation. Israel's strength lies in its tech sector, with computer services dominating its digital exports. A notable trend across all subregions is the increasing importance of intellectual property rights and licensing, highlighting the growing trade in digital products like software and music.

While digital trade flourishes, the UfM region faces challenges due to limited trade agreements specifically addressing digital trade. This lack of harmonised regulations creates barriers and increases costs. Currently, only agreements between the EU and the Western Balkans, and a bilateral agreement between Türkiye and Serbia, incorporate digital trade provisions. The EU is gradually integrating digital trade chapters into its agreements, starting with Tunisia in the ongoing trade agreement negotiations, focusing on free data flow with strong privacy protections.

Looking forward, what policy action is needed?

This report has identified key challenges and opportunities for trade within the UfM region. Aiming to promote greater economic integration and inclusive growth, the following policy recommendations focus on further advancing and harmonising trade agreements, improving trade facilitation, enhancing competitiveness, fostering integration in regional and global value chains, promoting inclusivity, and advancing digital trade.

Towards a new generation of trade agreements

To address the fragmented trade landscape in the Mediterranean, a focused effort towards harmonisation and deepening of agreements is necessary. This involves promoting a regional approach where countries collaborate to design comprehensive agreements covering goods, services, investment, and regulatory cooperation. Existing agreements such as the Pan-Arab Free Trade Area (PAFTA) and the Agadir Agreement need to be modernised by including provisions for services trade, address non-tariff barriers, and incorporate sustainable development goals. The EU can play a key role by pursuing deeper integration with Southern - Eastern Mediterranean partners, moving beyond a focus on goods to encompass services and regulatory convergence.

Strengthening the implementation and enforcement of existing agreements is equally important. This requires providing technical and financial assistance to countries with limited resources, enabling them to effectively implement and enforce trade agreements. Establishing robust monitoring and evaluation frameworks will help track progress and identify areas for improvement. Additionally, strengthening dispute resolution mechanisms will ensure compliance and address trade-related conflicts effectively.

Tackling non-tariff barriers is vital for fostering smoother trade flows. This can be achieved through enhanced regulatory cooperation, aiming for harmonisation or mutual recognition of standards where possible. Trade facilitation measures, such as simplifying and streamlining border processes, can significantly reduce trade costs. Improved transparency and information sharing on non-tariff measures will help businesses navigate regulatory requirements more easily. In cases such as CBAM implementation, emphasizing capacity building and technical transfer to the most lagged countries would contribute to the adjustment and minimise disruption to trade.

Improving trade facilitation

As the least performing areas of the region, in particular North African and Levant economies, prioritising the cooperation at external borders is crucial. This can be achieved through the implementation of interoperable digital platforms and data sharing systems, streamlining transit procedures, and promoting mutual recognition of standards and certifications. Such measures would reduce border delays, enhance security, and lower transaction costs for businesses, particularly in the Levant region, where external border co-operation lags.

Secondly, strengthening internal border co-operation within UfM economies is essential. This involves enhancing domestic inter-agency co-ordination, information exchange, and joint risk management strategies. Investing in training programmes for border officials and promoting the use of technology for efficient border management are also vital.

Finally, ensuring readily available, accessible and comprehensive trade-related information is paramount. This includes establishing online platforms with up-to-date regulations, procedures, and trade statistics, as well as actively engaging with the trade community to disseminate information and address concerns.

Improving the competitiveness of intra-regional trade

While data suggests a growing recognition of the potential benefits of regional co-operation, challenges persist, including trade imbalances caused by the need for further diversification of exports, particularly among the Southern and Eastern Mediterranean economies.

To enhance intra-UfM trade, a targeted policy approach focusing on key sectors could be beneficial in the short and medium terms and generate spillovers that could stimulate growth across less integrated sectors. The data highlights machinery, chemicals and transport equipment as areas exhibiting strong growth. Policies should prioritise fostering innovation and competitiveness in these sectors through initiatives such as research and development support, skills training and investment in related infrastructure. Furthermore, supporting the growth of small and medium-sized enterprises in these sectors can contribute to both economic growth and social development within the UfM.

Targeting economic diversification and regional value chain development

Based on the evidence of increased use of regional components in the exports of UfM economies, the further development of regional value chains should be facilitated. To that end, encouraging economic diversification, innovation and technological upgrading to climb the value chain is crucial. In turn, this will foster complementarities and economic competitiveness across the region. For countries where production is still concentrated in basic manufacturing, the strategic shift towards higher-value-added activities made by Morocco, Tunisia and Türkiye can provide a successful model.

Furthermore, seizing the potential of the UfM's growing importance in the services sector, particularly through its increased contributions to the EU's service exports requires dedicated support for the development of regional services value chains. This could also encourage the wider legislative and institutional cooperation needed for a truly integrated economic space. Policy makers should prioritise reducing barriers to services trade, encouraging investment, and promoting regulatory harmonisation to unleash the cross-border flow of services.

Investment in efficient and sustainable transport infrastructure and logistics systems is essential. This connectivity infrastructure is the physical backbone that will enable further growth of trade in goods and services. Developing multimodal corridors, improving logistics networks, and digitalising trade procedures are necessary actions to reduce trade costs and ensure the seamless movement of components and finished products (see Chapter 3).

Making trade more inclusive

Given the positive impact of existing trade agreements in promoting trade across the UfM region, there is a strong rationale for continuing the expansion of these agreements to benefit the region. However, to ensure that trade growth contributes more inclusively to labour market improvements, policy reforms are needed. One priority should be the reduction of barriers to women's access to labour markets, including skills development. Another is tackling gender-biased segmentation across industries and occupations. Creating an enabling environment that opens up a broader array of sectors and job opportunities for women is essential for realising a more equitable distribution of trade benefits. This could be achieved by promoting policies that support women's access to traditionally male-dominated sectors, as well as encouraging more inclusive hiring practices across industries.

Additionally, policies should target labour market adjustment costs for existing workers, especially women, to mitigate the challenges of adapting to shifts in export demand. Reducing these adjustment costs would not only support workers in seizing new employment opportunities but would also help to spread the benefits of trade agreements more widely within the labour market.

Fostering regional digital trade

To effectively foster digital trade integration across the UfM, prioritising the development of comprehensive digital trade chapters within existing and future trade agreements is essential. Building upon the WTO E-commerce Agreement negotiations, the framework established in recent EU agreements, or other regional examples such as the Digital Economy Partnership Agreement (DEPA) between New Zealand, Singapore and Chile and the Digital Economy Agreement between Australia and Singapore, these chapters should address critical aspects such as cross-border data flows, consumer protection, and intellectual property rights. This would also enhance convergence in key areas that enable e-commerce, such as paperless trading, electronic contracts, electronic authentication and signatures, regulation of unsolicited commercial messages, online consumer protection, open government data, internet access, transparency, cybersecurity, and electronic transaction frameworks. Harmonising these regulations across the region will streamline the digital trade environment, reduce barriers to entry, and promote greater legal certainty for businesses engaged in e-commerce.

Main findings	Key recommendations
Regional trade agreements (RTAs) in the UfM remain focused on trade in goods, and there are challenges in the implementation of specific RTAs.	Emphasise the development of a new of generation agreements that go beyond traditional goods trade to encompass services, investment, and regulatory cooperation. Modernising and enforcing existing agreements like PAFTA and the Agadir Agreement should be prioritised.
Trade facilitation is improving virtually in every country, but there are still challenges that can benefit from further efforts.	Improving trade facilitation, especially in North Africa and the Levant, requires strengthening both external and internal border cooperation. Externally, this means supporting the interoperability of automated systems such as single windows for trade, streamlining transit procedures, and promoting mutual recognition of standards and certifications. Internally, it involves better domestic inter-agency coordination, information sharing, and technology use. Accessible and comprehensive trade information through online platforms is also crucial.
Intra-UfM trade in goods shows continued positive integration in the region, in particular after the COVID-19 pandemic.	To capitalise on positive integration trends and address trade imbalances, governments should collaboratively implement a regional, multilateral policy approach involving joint efforts to foster innovation and competitiveness across key sectors.
UfM services value-added to the EU's exports is increasing, while EU services value-added in most UfM countries is decreasing, revealing an asymmetrical trade relationship in the region's service sector with potential for further growth.	To leverage the growing importance of services, the UfM should support the development of regional services value chains. This requires reducing trade barriers, encouraging investment in services, and promoting regulatory harmonisation to facilitate cross-border service flows, fostering interdependence and wider cooperation.
The capacity of UfM economies to develop resilient and competitive regional value chains is closely dependent on the quality, efficiency, and sustainability of the region's transport infrastructure and logistics networks.	UfM economies should prioritise strategic investments in efficient, sustainable, and interoperable transport infrastructure as a foundational pillar for supporting and expanding both goods and services regional value chains. This includes developing multimodal corridors, modernizing logistic networks and advancing digitalization (see Chapter 3).
Despite the benefits of trade, high unemployment (particularly among women and youth in some UfM regions) and gender gaps in export-related employment highlight the need for trade policies that promote inclusivity and ensure benefits are shared more equitably.	To address market adjustment costs for women impacted by trade shifts, UfM economies should reinforce gender-responsive social safety nets such as targeted wage insurance and unemployment benefits; offering tailored active labour market programs including demand-driven retraining and digital and entrepreneurial skills development; providing financial support for training and access to finance for female entrepreneurs; and fostering an enabling environment by combating workplace discrimination and strengthening legal frameworks for gender equality.
Digital trade in the UfM is flourishing.	UfM economies should prioritise developing comprehensive digital trade frameworks, drawing on recent ongoing initiatives such as the "stabilised text" of the WTO E-commerce Agreement, the WTO Moratorium on Customs Duties on Electronic Transmissions, and recent EU models. These frameworks should address key areas like cross-border data flows, consumer protection, and intellectual property rights.

T1. Trade agreements covering goods and services

Why this indicator?

Trade flows within a region are influenced by a complex interplay of factors, including conditions like geographical distance, industrial capacity, economic diversification and consumer preferences. However, regulatory effects, particularly those shaped by trade agreements, play a pivotal role in shaping trade dynamics. During the 1990s and early 2000s (Figure 1.1), Euro-Mediterranean regional trade agreements (RTAs) focused on reducing tariffs on agricultural and manufactured goods (Figure 1.2). These agreements have influenced existing trade patterns and economic relations between countries in the region.

Today, trade agreements have become increasingly complex, and their impact extends far beyond tariff reduction. RTAs can influence countries' productive models and domestic policies in several areas. Better understanding of how these agreements shape regional trade integration can help policy makers identify potential challenges, and inform decisions aimed at promoting trade for sustainable development.

Key findings

The trade regulatory landscape across the Mediterranean region can be broadly divided into three categories: the EU bilateral trade agreements with non-EU countries, Southern - Eastern Mediterranean regional agreements, and Türkiye's network of bilateral agreements (Table 1.1). Each set reflects unique policy approaches, integration levels, and areas of focus, collectively shaping the web of trade relationships in the region.

Southern - Eastern Mediterranean Regional Agreements: PAFTA and the Agadir Agreement

Two main regional frameworks govern Southern – Eastern Mediterranean trade: PAFTA and the Agadir Agreement. PAFTA, established in 1998, is an agreement among Arab League countries aimed at fostering intra-regional trade by eliminating tariffs on goods. Its scope remains focused on tariff reduction, without addressing non-tariff barriers, services trade, or intellectual property. This relatively narrow mandate reflects a "first-generation" trade agreement approach, prioritising goods exchange over broader economic integration. Enforcement of PAFTA commitments has also been inconsistent, with members encountering challenges in fully eliminating tariffs and implementing trade facilitation measures (UNESCWA, 2019[2]).

In contrast, the Agadir Agreement, effective since 2007, represents the original objective of the signatory economies to implement a more ambitious regional integration framework. Signed by Egypt, Jordan, Morocco, and Tunisia, the Agadir Agreement not only intended to eliminate tariffs on goods but also promoted deeper economic cooperation by covering aspects like customs coordination, taxation harmonisation, and trade facilitation. The Agadir Agreement recognised the importance of services trade, laying the foundation for a more integrated regional economy that moves beyond goods trade alone.

However, despite their foundational importance, the implementation of both PAFTA and the Agadir Agreement has been slow. Progress has been largely restricted to partial tariff reductions on selected goods, while the more sophisticated provisions designed to foster deeper integration have seen little to no concrete development, especially concerning services trade under the Agadir Agreement. This profound gap between the agreements' objectives and their ongoing implementation is a primary obstacle that prevents the region from unlocking its untapped potential for intra-regional trade, investment, and sustainable growth.

EU bilateral trade frameworks: Association Agreements

The EU trade policy in the Mediterranean region is characterised by a network of bilateral Association Agreements with Mediterranean countries. These agreements, which are integral to the European Neighbourhood Policy (ENP), primarily target tariff elimination on industrial goods, aiming to create a free trade area between the EU and its Mediterranean partners. Most of these agreements focus on goods, generally omitting trade in services and not extensively addressing areas such as investment or intellectual property, pointing to an EU approach of incremental economic integration with partners in the

Mediterranean – an approach that prioritises stability and gradual liberalisation without the deeper commitments required in services trade and regulatory convergence.

EU-Türkiye trade cooperation

The EU-Türkiye trade relationship deserves particular attention. Since the beginning of EU accession negotiations in 2005, Türkiye's relationship with the EU has encompassed a wide range of policy areas beyond trade, with the aim of fostering institutional and regulatory alignment. As an EU candidate country and unlike the other UfM economies, Türkiye entered into a customs union with the EU in 1995. This customs union not only removes tariffs on industrial goods but also requires Türkiye to align its external tariffs with the EU common external tariff.

Over the past decade, the European Commission and the Government of Türkiye have explored modernising the EU-Türkiye Customs Union to broaden its scope to include services, agriculture, and public procurement, improve dispute resolution, and give Türkiye more input on EU trade policy. However, despite technical discussions, formal negotiations are currently stalled.

Türkiye as a major trade partner for UfM countries

Besides its agreements with the EU, Türkiye has also signed numerous bilateral trade agreements with most UfM countries, excluding Algeria, Jordan, Lebanon and Mauritania. Although these agreements are related mainly to the liberalisation of trade in goods, they have recently also targeted services.

Expansion of trade in services

Trade in services is increasingly recognised as vital for economic growth and integration - especially in sectors like tourism, finance, and telecommunications, all of which are important in the Mediterranean region. In the UfM there are two examples of initiatives involving trade in services provisions. The EU has included provisions for services trade in its Stabilisation and Association Agreements (SAAs) with all the Western Balkan countries in the UfM, i.e. Albania, Bosnia and Herzegovina, North Macedonia, and Montenegro. These agreements not only cover trade in goods but also facilitate services trade, promote regulatory cooperation, and address areas like institutional stability and economic policy alignment. These agreements align with requirements in the EU accession path, promoting gradual regulatory convergence with EU standards for goods and services (e.g. Albania and Montenegro). However, a more recent initiative is the EU's Growth Plan for the Western Balkans, launched in late 2023. This plan aims to accelerate the region's socio-economic convergence with the EU by offering some benefits of membership before formal accession. It is built on four pillars: integrating the Western Balkans into parts of the EU's single market, deepening regional economic integration through a common regional market, accelerating fundamental reforms, and providing a new reform and growth facility for 2024-2027.

Similarly, Türkiye has recognised the importance of expanding its trade agreements to cover services. In 2021, Türkiye initiated an update of its existing bilateral agreements with key partners in the Western Balkans (including Bosnia and Herzegovina, Montenegro, and North Macedonia) to include provisions for services trade. This shift reflects Türkiye's strategy to modernise its trade agreements and foster a more comprehensive economic integration with its partners, aligning with global trade policy trends that increasingly value services as integral to trade relations.

Non-tariff measures in the UfM and trade integration

Non-tariff measures (NTMs) play a critical role in shaping international trade dynamics, particularly within regions like the UfM, as they influence market access and compliance costs, and therefore trade flows. NTMs encompass technical regulations, standards, customs procedures, and environmental requirements, each of which can affect the competitive positioning of goods in cross-border trade.

An important development in the UfM region concerns the attempt to harmonise the rules of origin for products set in trade agreements, which could help boost regional trade. On 25 August 2021, the EU Commission issued guidance on the transitional rules of origin in the pan-Euro-Mediterranean (PEM) area. The EU is currently revising 21 origin protocols in the PEM region by introducing an alternative set of non-tariff measures that will apply alongside the existing Regional Convention on Pan-Euro-Mediterranean preferential rules of origin. These amendments will be implemented bilaterally until the revised

Convention is adopted. The new rules, aimed at improving and simplifying the PEM Convention, have been endorsed by most PEM Contracting Parties who wish to benefit from the changes before the revised Convention is finalised.

The EU Carbon Border Adjustment Mechanism

The EU Carbon Border Adjustment Mechanism (CBAM) is a regulatory measure with extensive implications for international trade relations. CBAM, anticipated to become fully effective by 2026, will impose a carbon price on specific imported goods based on their carbon intensity, thereby aligning these imports with the EU's stringent climate objectives. The mechanism is designed to prevent "carbon leakage," a phenomenon whereby production shifts to countries with less stringent environmental regulations, thus undermining efforts of global emissions reduction.

CBAM presents substantial challenges for the EU's trading partners, particularly within the UfM, where many economies may lack the technological or financial capacity to conform to the required carbon emissions limitations. These countries could experience heightened export costs and diminished competitiveness within the EU market, potentially leading to decreased trade volumes and economic disruption.

In light of these challenges, CBAM underscores the necessity of cooperative frameworks and technical assistance to support EU trade partner countries in their transition towards low-carbon standards. Such measures are essential to prevent environmental policies from unintentionally exacerbating economic disparities within the UfM region, and to promote a more equitable adaptation process for all EU trade partners - which, in turn, can have their own climate change objectives and/or national climate action plans.

Conclusion: The Mediterranean's multi-layered trade network

The Mediterranean trade landscape is marked by a variety of overlapping trade agreements that reflect different levels of ambition, from simple goods trade liberalisation to broader economic integration. The EU's Association Agreements and Türkiye's customs union with the EU underscore the northern shore's role as an anchor for trade policy in the region, while agreements like PAFTA and the Agadir Agreement indicate ongoing efforts for integration among Mediterranean economies in the southern shore.

As Türkiye and the EU continue to deepen their trade partnerships, and as the Southern - Eastern Mediterranean seeks to expand trade in services and improve enforcement mechanisms, the region's trade policy framework is likely to evolve towards a more interconnected economic space. However, the varying depth and scope of these agreements highlight the challenges of achieving a unified trade policy across the Mediterranean, underscoring the region's complex and fragmented approach to economic integration.

UfM and the broader MENA region. Formal trade integration between the GCC member states and the countries within the UfM remains limited and occurs primarily through individual bilateral arrangements rather than comprehensive bloc-to-bloc agreements. Notably, the United Arab Emirates has recently advanced its trade liberalisation agenda by finalising Comprehensive Economic Partnership Agreements (CEPAs) with two UfM member countries: Türkiye, which entered into force in September 2023, and Morocco, whose terms were finalised in July 2024. Furthermore, in May 2025, the United Arab Emirates and the European Union (EU), a major component of the UfM, formally launched negotiations on a bilateral Free Trade Agreement (FTA). This bilateral approach runs parallel to the historical pursuit of a region-to-region Free Trade Agreement (FTA) between the GCC and the EU. Initiated formally following a 1989 Cooperation Agreement and intensifying after the GCC established its customs union in 2003, these comprehensive FTA negotiations ultimately stalled in 2008. Nevertheless, during the first EU-GCC Summit, which took place in October 2024, the EU and the GCC countries agreed to explore the possibility of relaunching negotiations on the region-to-region FTA.

What policy action is needed?

- RTAs in the UfM region reveal a fragmented landscape, with a variety of agreements at different levels of integration. This scenario necessitates a strategic shift to enable more efficient integration.
- **New-generation RTAs should prioritise a comprehensive approach**, beyond tariff reductions for goods, encompassing services, investment, intellectual property, and regulatory harmonisation.
- **Streamlining customs procedures and harmonising technical standards** helps to reduce trade costs and enhance competitiveness. This should involve support for capacity building, where needed, to ensure that deeper integration will lead to a fair distribution of benefits.
- To align trade integration with the global climate emergency, **sustainability considerations should be integrated into RTAs**, promoting environmentally sound economic practices and contributing to global climate goals. In particular, UfM countries should work together to adapt to new mechanisms such as the EU's CBAM, ensuring they remain competitive while contributing to the fight against climate change.
- Finally, UfM members should commit to **effective implementation and enforcement mechanisms to guarantee that commitments are upheld** and the full potential of integration is realised.

Definitions

This indicator captures the number and scope (e.g. goods and services) of regional trade agreements (RTAs) reported to the World Trade Organisation (WTO) by its members, alongside selected provisions. RTAs are reciprocal preferential trade agreements between two or more partners.

Source: WTO Regional Trade Agreements database

Further reading

EPRS (2023), *EU carbon border adjustment mechanism Implications for climate and competitiveness, European* Parliamentary Research Service, https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/698889/EPRS_BRI(2022)698889_EN.pdf

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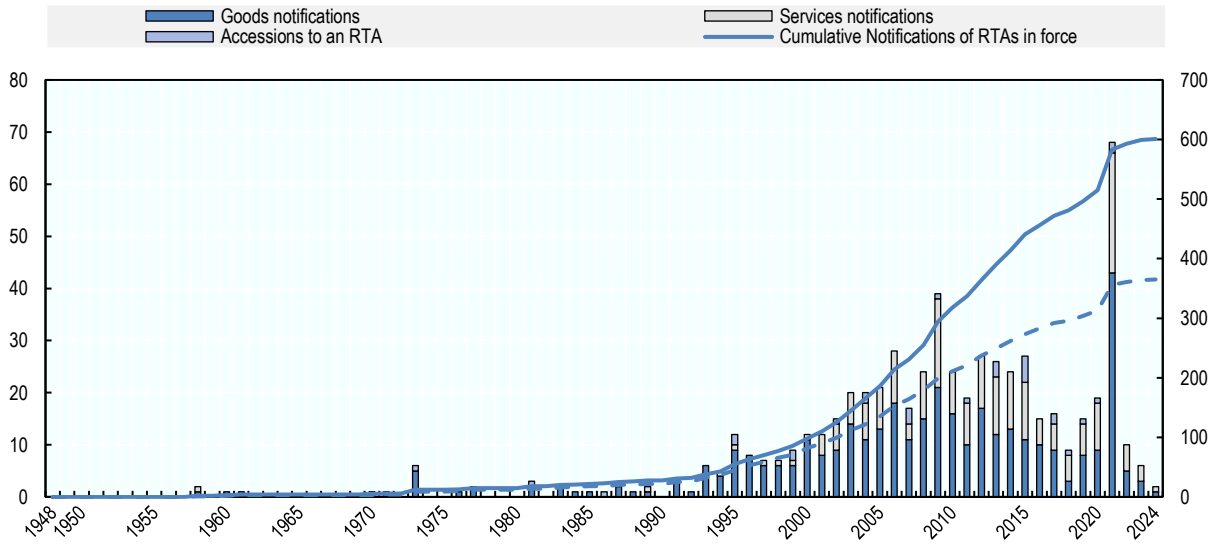
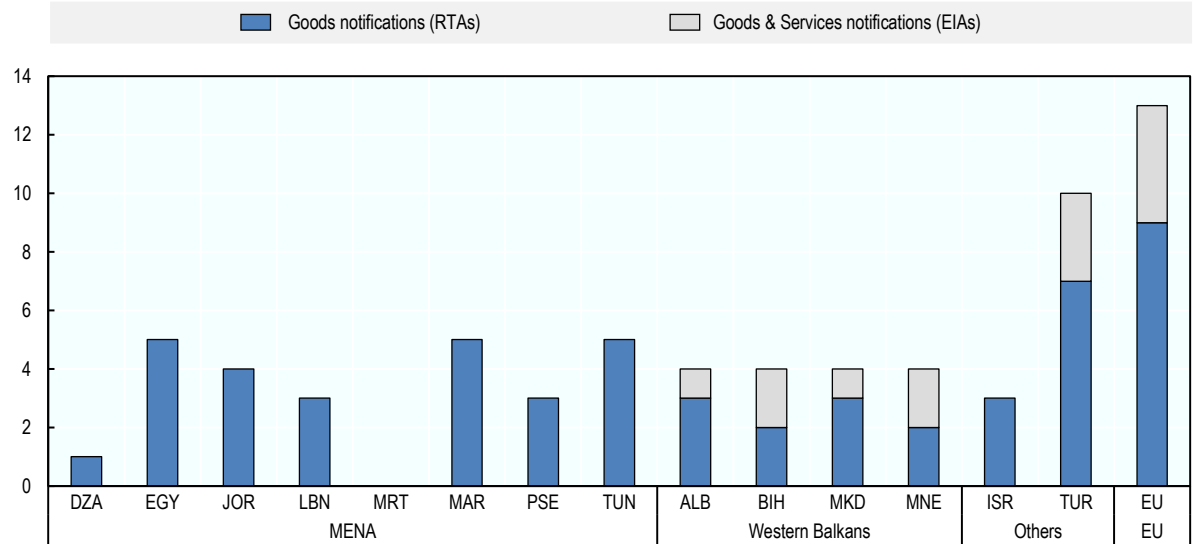
WTO (2007), *World Trade Report: Six Decades of Multilateral Cooperation, What Have we Learnt?*, WTO, https://www.wto.org/english/res_e/publications_e/wtr07_e.htm.

Figure 1.1. Evolution of world's regional trade agreements (RTAs)



Source: WTO, Regional Trade Agreements Information System (RTA-IS), Extracted on 12 March 2024.

Figure 1.2. Trade agreements between UfM countries, 2024



Source: WTO, Regional Trade Agreements Information System (RTA-IS), OECD staff calculations.

Table 1.1. Trade agreements in force within the Euro-Mediterranean region

Agreement	Target	Type of agreement	Date of entry into force	Members
South–South RTAs				
Agadir Agreement	Goods	Free Trade Agreement	2007	Egypt; Jordan; Morocco; Tunisia
Pan-Arab Free Trade Area (PAFTA)	Goods	Free Trade Agreement	1998	Algeria*, Bahrain, Kingdom of; Egypt; Iraq; Jordan; Kuwait; Lebanese Republic; Libya; Morocco; Oman; Palestinian Authority*; Qatar; Saudi Arabia; Sudan; Syria; Tunisia; United Arab Emirates; Yemen
North-South bilateral agreements				
EU-Algeria	Goods	Free Trade Agreement	2005	
EU-Egypt	Goods	Free Trade Agreement	2004	
EU-Israel	Goods	Free Trade Agreement	2000	
EU-Jordan	Goods	Free Trade Agreement	2002	
EU-Lebanon	Goods	Free Trade Agreement	2003	
EU-Morocco	Goods	Free Trade Agreement	2000	
EU-Palestinian Authority	Goods	Free Trade Agreement	1997	
EU-Tunisia	Goods	Free Trade Agreement	1998	
EU-Türkiye	Goods	Customs Union	1996	
Türkiye-Albania	Goods	Free Trade Agreement	2008	
Türkiye-Bosnia Herzegovina	Goods & Services	Free Trade & Economic Integration Agreement	2003 (goods) 2021 (services)	
Türkiye-North Macedonia	Goods	Free Trade Agreement	2000	
Türkiye-Montenegro	Goods & Services	Free Trade & Economic Integration Agreement	2010 (goods) 2022 (services)	
South-South bilateral agreements				
Egypt-Türkiye	Goods	Free Trade Agreement	2007	
Türkiye-Israel	Goods	Free Trade Agreement	1997	
Türkiye-Morocco	Goods	Free Trade Agreement	2006	
Türkiye-Palestinian Authority	Goods	Free Trade Agreement	2005	
Türkiye-Tunisia	Goods	Free Trade Agreement	2005	
European RTAs and bilateral agreements				
Central European Free Trade Agreement (CEFTA)	Goods	Free Trade Agreement	2007	Albania; Bosnia and Herzegovina; Moldova; Montenegro; North Macedonia; Serbia; UNMIK/Kosovo
EU-Albania	Goods & Services	Free Trade & Economic Integration Agreement	2006 (goods) 2009 (services)	

EU-Bosnia and Herzegovina	Goods & Services	Free Trade & Economic Integration Agreement	2008 (goods) 2015 (services)	
EU-Montenegro	Goods & Services	Free Trade & Economic Integration Agreement	2008 (goods) 2010 (services)	
EU-North Macedonia	Goods & Services	Free Trade & Economic Integration Agreement	2001 (goods) 2004 (services)	
UfM - GCC bilateral agreements				
Morocco-United Arab Emirates	Goods	Free Trade Agreement	2003	
Türkiye-United Arab Emirates	Goods & Services	Comprehensive Economic Partnership Agreement & Free Trade Agreement	2023	

* Algeria and the Palestinian Authority are also parties to the PAFTA. However, a formal notification by the parties to the WTO has not yet taken place. While the AfCFTA Agreement entered into force on 30 May 2019, its absence from the WTO RTA database is due to the procedural step of formal notification to the WTO not yet being completed by the AfCFTA members.
Source: WTO Regional Trade Agreements Database, and national sources.

T2. Trade facilitation indicators

Why this indicator?

The WTO Trade Facilitation Agreement, which entered into force in 2017, established multilateral rules aiming to address specific barriers in trade procedures. The agreement offers countries the opportunity to realise economic gains by enhancing the speed and efficiency of border processes.

The trade facilitation indicators (TFIs) assess the progress made by countries in implementing trade facilitation measures. These indicators measure the extent to which countries have adopted and enforced measures designed to streamline and simplify the technical and legal procedures for goods moving in and out of a country for international trade. Analysing performance across these indicators helps policy makers identify areas for improvement.

Key findings

Consistent with positive trends registered in the *2021 Report*, recent years have seen improvements in trade facilitation across virtually all UfM sub-regions (Figure 1.3). By 2024, the average trade facilitation performance registered noticeable improvement across UfM sub-regions, with the best performance in areas such as procedures, involvement of the trade community, governance and impartiality and fees and charges (Figure 1.4).

Overall, trade facilitation, as assessed by the TFI with values from 0 to 2 (best performance), measured highest in the EU, with significant performance observed in Türkiye and Israel (Table 1.2). In the Levant, despite robust improvement since 2017, further development is needed. In North Africa, trade facilitation has continued to improve, highlighting sustained efforts. The Western Balkans remain slightly below the UfM average on trade facilitation but experienced the largest improvement in the region, with a 26% increase since 2017 (Figure 1.5).

Category-Specific Performance

- **A-Information Availability**: The EU and Israel led in information availability, showcasing high transparency and accessibility of trade-related information. The Western Balkans saw a 24% improvement since 2017, while Israel and North Africa also made substantial progress with 15% and 16% improvement, respectively. In contrast, the Levant exhibited the lowest measurable progress, indicating that reforms towards accessible and comprehensive trade information remain limited in this sub-region.
- **B-Involvement of the Trade Community**: Türkiye, (1.88), the EU (1.78) and Israel (1.71) achieved high scores in 2024, reflecting active engagement with the trade community. The Western Balkans have improved by 25% since 2017, reaching a score of 1.46. North Africa saw a moderate advancement of 17% to achieve a score of 1.40 in 2024. The Levant lagged with a score of 1.21 and no recorded growth, indicating a need for greater engagement with trade stakeholders in this region.
- **C-Advance Rulings:** This area saw significant enhancements, particularly for Israel (60%), reflecting efforts to increase regulatory predictability, with a 2024 score of 1.46. The EU (1.90) and Western Balkans (1.64) led in performance, with 6% and 12% improvement, respectively. Türkiye recorded 1.36 with a 15% increase. The Levant, despite a 17% growth, recorded the lowest score at 1.00, highlighting room for further improvement in this area. Despite initial gains, North African countries are the only region showing a decline since 2017. The 6% drop may indicate how the region struggles to translate initial commitments into tangible, sustainable improvements for the trade community.
- **D-Appeal Procedures:** The Western Balkans and the Levant saw notable progress, with increases of 27% and 28%, respectively, reaching scores of 1.45 and 1.35 in 2024. Israel and the EU also performed well, while Türkiye recorded a slight decline of -7%, resulting in a score of 1.40. The Levant evolution indicates progress in providing accessible appeal mechanisms, though the other UfM subregions remain ahead.
- **E-Fees and Charges:** Most UfM subregions performed strongly in this category. The EU led, followed by the Western Balkans (1.80) and Israel, which recorded a slight decline since 2017. Türkiye (1.69) and North Africa (1.63) saw moderate improvements, while the Levant (1.36) saw the strongest growth, reflecting efforts to reduce and simplify trade-related fees across the region.

- **F-Documents:** Türkiye demonstrated exceptional improvements (67%), reaching 1.88, which is among the highest scores in this category. The Western Balkans also achieved significant progress (37%), reaching a score of 1.47 in 2024, indicating significant improvements in document formalities. The EU led with 1.90 with minimal advancement, while scores for Israel (1.63) and the Levant (0.88) improved 8% over the seven-year period.
- **G-Automation**: Automation performance varied widely across the UfM. Israel led with a score of 2.00 and 24% growth, showcasing best-practice levels of customs digitalisation. The EU (1.77) and Türkiye (1.67) also performed strongly, with improvements of 2% and 11%, respectively. North Africa and the Western Balkans achieved moderate scores of 1.06 and 1.33, with growth of 24% and 32%, while the Levant, despite 18% growth, remains lower at 0.84, indicating ongoing challenges in this area.
- **H-Procedures:** Procedures improved significantly in the Levant, with a 62% increase, achieving a score of 1.35 in 2024. The Western Balkans (1.48) and North Africa (1.18) showed moderate improvements of 26% and 24%, respectively. Israel (1.68) and Türkiye (1.65) scored well, while the EU (1.79) led overall, demonstrating consistent procedural efficiency across its member states.
- **I-Internal Border Agency Cooperation:** The Western Balkans recorded the greatest improvement (79%) in internal border cooperation in 2024. Türkiye recorded the highest score (1.80), followed by the EU (1.75), indicating high levels of inter-agency coordination. North Africa (1.02) improved by 42%, although recording lower scores in comparison to subregional counterparts. The Levant (0.82) also recorded modest scores, highlighting variability in internal cooperation across the UfM, yet showcasing a 49% improvement since 2017.
- **J-External Border Agency Cooperation:** External cooperation scores varied across regions. The EU led with a high score of 1.82 and a 9% improvement. The Western Balkans saw moderate improvement (12%) in reaching 0.66, while North Africa improved by 6% to achieve 0.84. Türkiye (1.09) witnessed 33% growth, showing efforts to enhance cross-border collaboration. The Levant and Israel demonstrated lower scores, with scores of 0.59 and 0.64, indicating room for improvement in inter-country cooperation.
- **K-Governance and Impartiality:** The EU (1.99) and Türkiye (1.89) achieved the highest scores in governance and impartiality, reflecting strong systems for ensuring fair trade processes. The Western Balkans improved by 19% with a score of 1.52. North Africa saw a modest growth of 4%, reaching 1.42 in 2024. The Levant (0.87) remains the weakest performer in the region, highlighting governance and impartiality as a key area for improvement in the region, despite having experienced a 28% increase since 2017.

The analysis underscores the overall commitment of UfM countries to trade facilitation reforms. While progress is evident across UfM sub-regions, it is important to continue reforms to achieve uniform trade facilitation standards across the region.

The EU, Israel and Türkiye consistently lead in most categories, reflecting well-established trade facilitation systems. The Western Balkans demonstrate significant progress in specific areas such as document formalities (TFI F), internal border agency cooperation (TFI I), and automation (TFI G), while North Africa showed notable improvements in appeal procedures (TFI D) and internal border agency co-operation (TFI I), though challenges remain in automation (despite the positive improvement) and external cooperation (TFI J).

The Levant, while demonstrating improvements in procedures and internal border cooperation (TFI I), continues to score low across multiple indicators, particularly in border cooperation (both internal and external), automation (TFI G), and governance (TFI G).

Overall, border cooperation (both internal and external) and automation remain challenging across the UfM, with some sub-regions needing targeted support to bridge these gaps.

Looking at the broad MENA region, GCC countries outperform North African and Levant economies in trade facilitation (Box 1.1).

What policy action is needed?

To address the disparities in trade facilitation across the UfM, a multi-pronged approach is required.

- First, **prioritise the cross-border harmonisation of customs procedures and documentation** by implementing interoperable digital platforms and data sharing systems (such as single windows for trade), streamlining transit procedures, and promoting mutual recognition of standards and certifications.
- Second, **strengthen internal border cooperation within sub-regions, particularly in North Africa and the Levant.** This involves enhancing domestic inter-agency coordination, information exchange, and joint risk management strategies. **Invest in training programmes for border officials** and **promote the use of technology for efficient border management**. Furthermore, improve governance and impartiality across the UfM, especially in the Levant, through capacity building initiatives focused on transparent regulatory frameworks, anti-corruption measures, and effective appeal mechanisms.
- Finally, **ensure readily available, accessible and comprehensive trade-related information.** This includes establishing online platforms with up-to-date regulations, procedures, and trade statistics, as well as actively engaging with the trade community to disseminate information and address concerns.

Definitions

Trade facilitation encompasses the entire range of border procedures, from the electronic exchange of shipment data to the simplification and harmonisation of trade documentation, as well as the right to appeal administrative decisions made by border agencies. The OECD indicators are directly linked to the substantive provisions outlined in the WTO Trade Facilitation Agreement.

Source: OECD Trade Facilitation Indicators

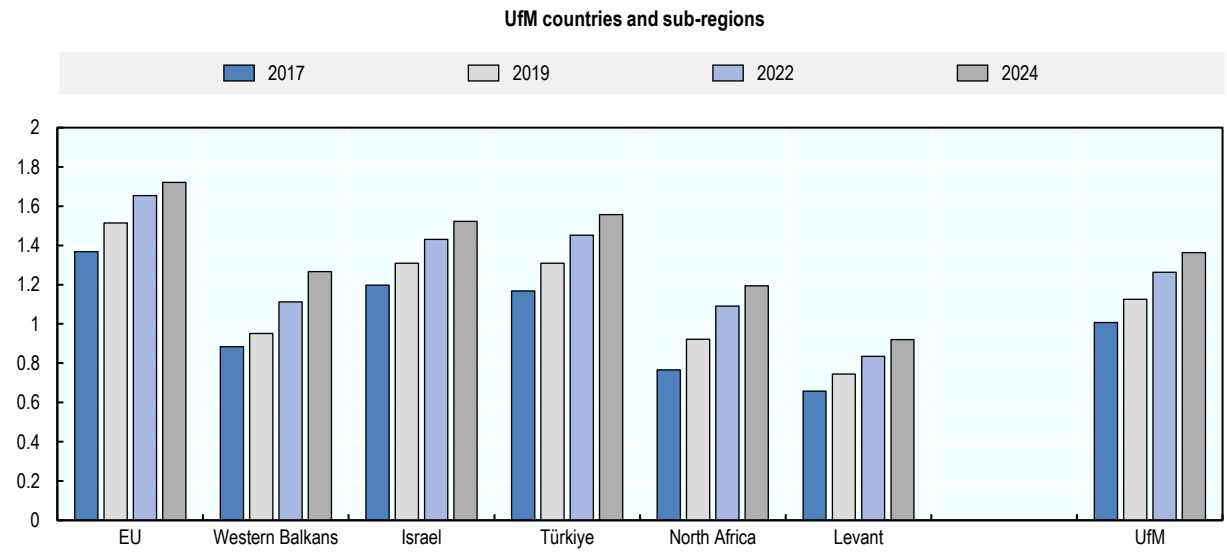
Further reading

OECD (2025), *"OECD Trade Facilitation Indicators: Monitoring Facilitation up to 2025*", OECD Publishing, Paris, https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/03/oecd-trade-facilitation-indicators_0a21eb4a/fd6f27dc-en.pdf

Sorescu, S. and C. Bollig (2022), "Trade facilitation reforms worldwide: State of play in 2022", *OECD Trade Policy Papers, No. 263*, OECD Publishing, Paris, https://doi.org/10.1787/ce7af2ce-en.

Figure 1.3. Trade facilitation performance

0 to 2 (best performance)

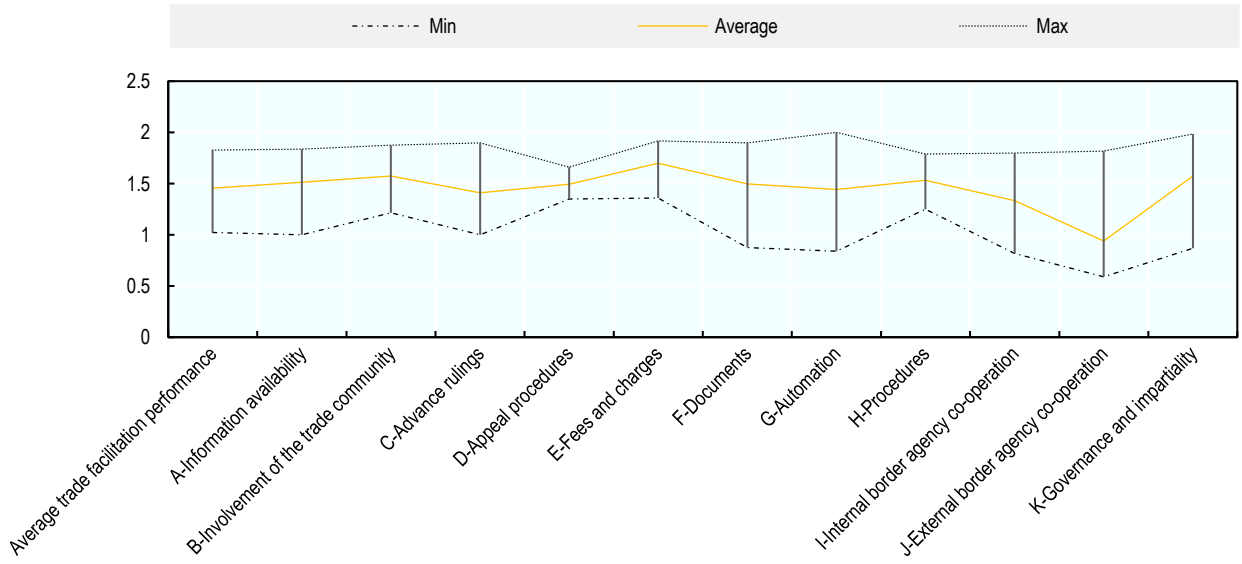


Source: OECD, https://www.oecd.org/en/topics/sub-issues/trade-facilitation.html

StatLink https://stat.link/ovs7ei

Figure 1.4. TFI in the UfM region, by categories, 2024

0 to 2 (best performance), average, minimum and maximum value



Source: OECD, https://www.oecd.org/en/topics/sub-issues/trade-facilitation.html

StatLink https://stat.link/3xtik5

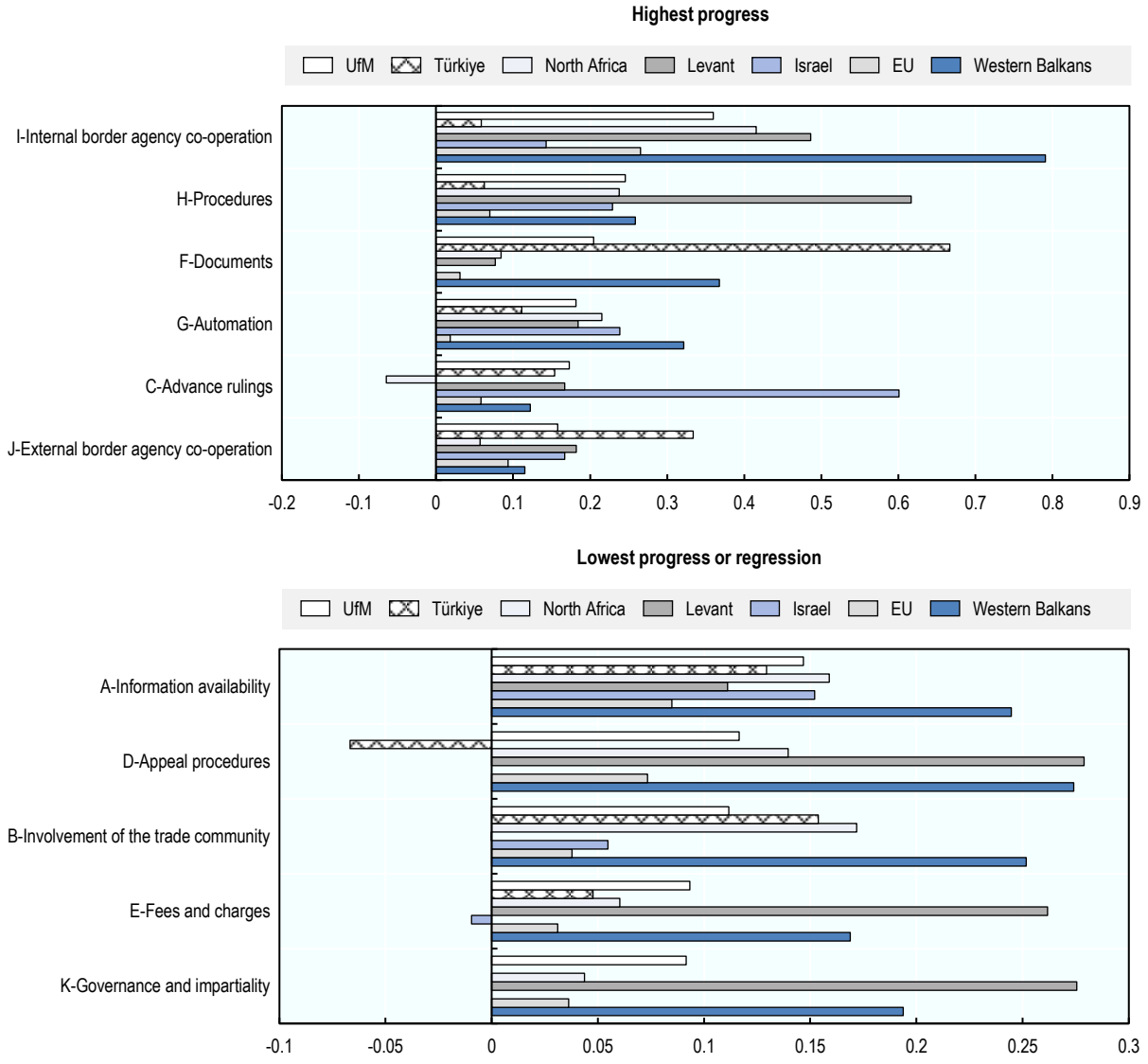
Table 1.2. TFI categories by UfM sub-region, 2024

Category	EU	Western Balkans	Israel	Levant	North Africa	Türkiye
Average trade facilitation performance	1.80	1.40	1.83	1.02	1.26	1.66
A-Information availability	1.82	1.42	1.86	1.00	1.35	1.67
B-Involvement of the trade community	1.79	1.46	1.86	1.21	1.40	1.88
C-Advance rulings	1.90	1.64	1.45	1.00	1.11	1.36
D-Appeal procedures	1.65	1.45	1.92	1.35	1.48	1.45
E-Fees and charges	1.91	1.82	1.92	1.36	1.63	1.77
F-Documents	1.84	1.47	2.00	0.88	1.25	1.88
G-Automation	1.76	1.33	2.00	0.84	1.06	1.67
H-Procedures	1.77	1.48	1.96	1.35	1.25	1.68
I-Internal border agency co-operation	1.65	1.16	1.91	0.82	1.02	1.91
J-External border agency co-operation	1.74	0.66	1.45	0.59	0.84	1.09
K-Governance and impartiality	1.99	1.52	1.78	0.68	1.39	1.89

Note: EU includes selected major economies: Germany, France, Italy, Spain, the Netherlands, Poland, and Sweden.
Source: OECD, https://www.oecd.org/en/topics/sub-issues/trade-facilitation.html

Figure 1.5. Areas of highest and lowest progress between 2017 and 2024

% of growth since 2017



Source: OECD, https://www.oecd.org/en/topics/sub-issues/trade-facilitation.html

StatLink https://stat.link/1kpba0

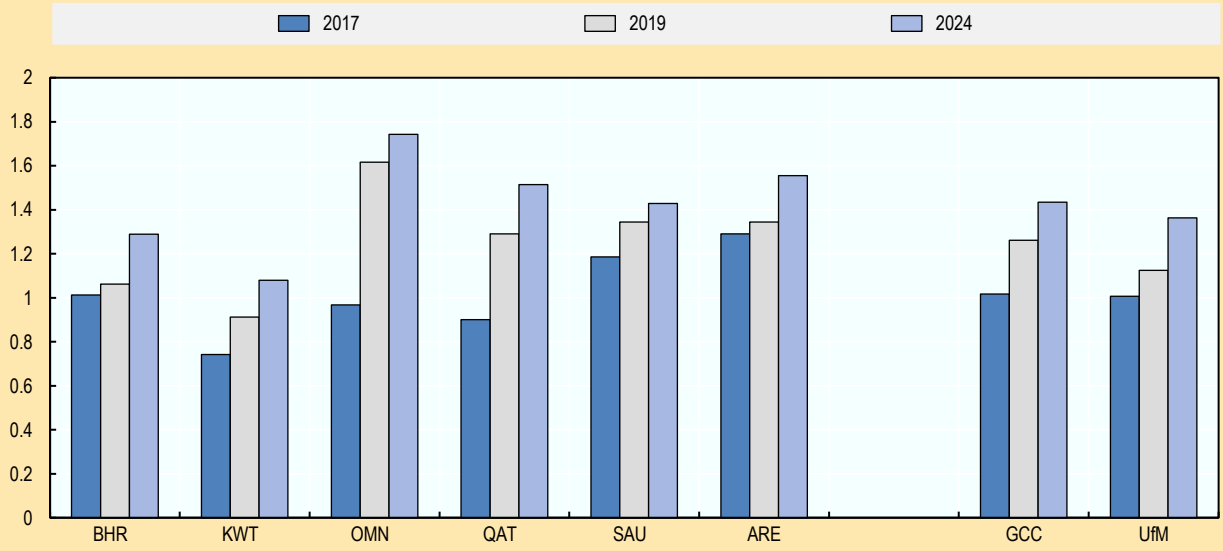
Box 1.1. Trade facilitation in the GCC countries

GCC countries outperform North African and Levant economies in Trade Facilitation, but there is significant potential to converge towards EU partners. Over the past decade, the GCC countries have generally demonstrated positive progress, often leading within the MENA region. While the assumed overall advancement is positive, the latest data highlight that the nature and pace of this progress vary. For instance, Oman's leading average trade facilitation score within the GCC (1.7), notably driven by exceptional performance in Automation (1.9) and Governance and Impartiality (1.89), suggests a highly successful strategic focus on digitalization of trade processes. This indicates that targeted investments in specific trade facilitation pillars can yield significant results, positioning a country favourably.

The United Arab Emirates, while also strong in Automation (1.85), Fees and charges (also 1.85) and Procedures (1.7), have not uniformly addressed all aspects of trade facilitation. The considerably lower scores in External border agency co-operation (0.9) and Internal border agency co-operation (1.1) point to structural challenges. Similarly, Saudi Arabia's positive performance in Fees and charges (1.6) and Automation (1.6) show progress in reducing trade costs and modernizing procedures. However, the persistent weaknesses in both internal and external border agency co-operation (1 and 0.8, respectively) are critical. These areas, lagging substantially behind OECD standards, suggest that despite broader improvements since 2017, these specific collaborative mechanisms remain a key impediment to achieving seamless trade flows and higher overall efficiency. Addressing these is crucial for the GCC to leverage its economic scale more effectively in international trade.

Figure 1.6. Trade facilitation performance, GCC countries and UfM

Average



Source: OECD, https://www.oecd.org/en/topics/sub-issues/trade-facilitation.html

StatLink https://stat.link/oiam8g

T3. Intra-regional trade in goods

Why this indicator?

The analysis of intra-regional trade flows provides valuable insights into the dynamics of economic integration. High levels of intra-regional trade reflect robust cooperation, the removal or reduction of trade barriers, and harmonised trade policy frameworks. By capturing the volume and value of trade between countries, this indicator serves as a proxy for the economic interconnectedness and mutual reliance among member states of the UfM.

Furthermore, intra-regional trade can reflect the development of regional value chains and increased economic interdependence as countries specialise in different production segments – which can, in turn, increase regional competitiveness.

Key findings

The UfM region remains a central global trading partner, contributing over 31% of the world's merchandise exports and amounting to more than USD 7 trillion in goods in 2023. While the total value of exports from the region has tripled since 1996, its share of global exports is today below that of the early 2000s, when it peaked at 40% (Figure 1.7). This shift largely reflects the impact of the global financial crisis on the European economy, and the rise of emerging economies, especially China, increasing their share of global trade in goods.

For UfM member countries, the internal market remained the primary destination for trade in goods in 2023, accounting for 61% of the region's exports (Figure 1.8). This is close to the share observed in the previous monitoring report. Indeed, the importance of the internal market has experienced small fluctuations since 2007, when it peaked at 63% of the UfM's exports after having steadily increased since 1996, when it represented 56%. From the mid-1990s to the early 2000s there was a positive trend of integration within the UfM market. This coincided with a period of expansion in global trade and a wave of new regional trade agreements, which was spearheaded by EU agreements such as the European Neighbourhood Policy but also included initiatives like PAFTA and the Agadir Agreement signed just before the onset of the global financial crisis.

The 2007 financial crisis marked a turning point in the UfM's trade integration dynamics. In the five years following the crisis, trade with countries outside the UfM grew 25% faster than trade within the UfM, signalling increasing reliance on trade partners outside the region. This trend reversed after 2012, as European markets began to recover; intra-UfM trade has continued to grow since then.

By 2023, the resurgence in intra-UfM trade was evident, with UfM countries trading nearly twice as much with each other as they did with the rest of the world, totalling over USD 4.4 trillion (Figure 1.9). This development demonstrates a renewed focus on regional partnerships and strengthening economic ties within the UfM. Additionally, data show early evidence that the COVID-19 pandemic had a positive influence on integration, with the ratio of intra-extra exports experiencing robust growth in the years 2020, 2021 and 2022. This could be attributed to factors such as disrupted global supply chains and a renewed focus on regional partnerships following the pandemic.

Dominance of the EU in the UfM trade market

As expected, the trade data analysed underscores the dominant role of the EU internal market in driving intra-regional trade within the UfM. In 2022, 94% of the region's internal exports, amounting to approximately USD 3.9 trillion, were attributed to trade within the EU common market. This highlights the profound impact of the EU's single market and customs union in fostering deep economic integration amongst its member states. It also raises attention about the role the EU can play in shaping trade integration amongst non-EU economies in the UfM region.

In 2023, trade with non-EU UfM countries represented 3.7% of EU countries total goods exports. Aligned with the general trends in the region, this share has steadily increased since the COVID-19 pandemic, after a historic low point in 2019. Notably, EU exports to other UfM countries were 6% higher in 2023 than 2019, amounting to USD 250 billion (Figure 1.10).

Exports from the EU to non-EU UfM countries include primarily manufactured goods, which consistently account for over 75% of the total trade. While trade in manufactured goods has remained stable over the last thirty years, the specific types of

goods have changed. There has been a shift away from machinery towards greater diversification, including an increase in traded transport equipment, chemicals, and scientific and pharmaceutical products in 2023 (Figure 1.11).

Since 1996, the proportion of EU imports coming from non-EU countries in the UfM has noticeably increased. The trend has fluctuated, experiencing a dip around 2008 and the global financial crisis and again during the Eurozone crisis in the early 2010s. Since 2020, however, the EU has significantly increased imports from non-EU UfM economies.

The observed trends reflect the evolving dynamics of the EU-UfM trade relationship. The EU has long been a significant trading partner for the UfM countries, and the UfM region represents an important source of imports for the EU, particularly in sectors like energy, diverse manufactured products, machinery, transport equipment and agricultural products. While fuels and raw materials still represent one of the EU's main imports from the non-EU countries in the UfM region, the share has significantly declined over the past decades. In 2023, fuels and minerals represented over 25% of the EU's imports from UfM countries (as compared to almost 40% in 2005). This is the result of the increasing relevance of manufactured goods in EU imports from UfM countries, representing over 60% of the total imports in 2023.

Although the EU generally exports more to the UfM region than it imports, this difference is decreasing over time, e.g. USD 228 billion in imports vs USD 250 billion in exports in 2023. Political instability and low diversification across the North African and Levant partners have limited their capacity to export higher-value-added products to the EU and also posed challenges to the creation of regional value chains.

Sub-regional dynamics and integration

The EU continues to serve as the primary export market for the majority of UfM economies (Table 1.3). This is particularly evident in the Western Balkans, where 72% of total exports were destined for the EU in 2023. North Africa also demonstrates significant reliance on the EU market, with 48.6% of its exports directed there. Similarly, for Türkiye, exports to the EU account for 39% of total exports. Israel is less dependent on the EU for exports (27% of total exports), although the EU represents a crucial market. Notably, Levant economies display greater reliance on Israel, which absorbs 7.9% of their exports, compared to 6% for the EU common market.

Overall, the EU's significance as an export destination for the other UfM economies has gradually declined since 2005, except for the Western Balkans (Table 1.4). While this reduction has been modest, it reflects the growing importance of alternative markets. Excluding exports to the EU, non-EU UfM countries exported in 2023 more than 80% of the remaining exports to economies outside the UfM (USD 2700 billion). Intra-UfM export ratios (excluding the EU) have also been increasing for most sub-regions since 1996. This positive trend received important momentum after the COVID-19 pandemic, suggesting some strengthening of regional trade networks, though disparities between sub-regions persist.

- **The Western Balkans**: The share of exports for the Western Balkans demonstrates a consistent upward trajectory, starting at 4.08% in 2005 and peaking at 8.53% in 2023. The steady increase suggests deepening trade integration between this sub-region and its non-EU UfM trading partners. This improvement may be attributed to economic reforms in the Western Balkans, regional trade agreements, and the stabilisation of political and economic conditions post-2000s.
- **Israel**'s share of exports remains relatively stable, hovering between 2.37% and 4.41% over the observed period. This relatively modest but stable pattern possibly relies on Israel's specialisation in high-tech and other niche sectors that serve specific markets.
- **The Levant** has experienced a variable export trajectory, with shares ranging from 7.9% in 2023 to a peak of 16.9% in 2013. A sharp rise occurred between 2006 and 2013, when exports increased from 8.97%, driven by expanding regional trade agreements and integration initiatives. However, the decline from 2013 onwards suggests disruptions, likely linked to regional instability, such as the Syrian civil war and associated economic challenges. By 2023, the export shares had fallen back to levels not seen since 2006 (7.9%), reflecting the lasting economic impacts of regional conflicts.
- **North Africa**'s export share to the non-EU UfM follows a pattern of moderate growth and stabilisation, increasing from 5.6% in 2005 to 10% in 2023. The most significant growth is visible during 2009–2014, where the share rises from 8.3% to 10.1%, indicating strengthened economic integration likely driven by energy and raw materials trade.

The maintenance of shares above 9% after 2014 suggests a stabilised trade relationship, supported by economic diversification and industrial reforms in countries like Morocco and Egypt. However, the region has not experienced the same rapid expansion seen in the Western Balkans, reflecting structural challenges.

- **Türkiye** consistently maintains a high share of total exports, with a slight decline to 8.2% in 2023 after peaking at 9% in 2011. The increase in 2011 reflected Türkiye's role as a regional manufacturing and logistics hub, but the gradual decline in share from 2011 onwards may indicate increasing competition or diversification of export destinations outside the UfM region. Still, Türkiye remains a key export partner, especially given its strategic position as a bridge between Europe, the Mediterranean, and Asia.

Since 2005, exports have intensified particularly within sub-regions, with notable improvements in bilateral trade between non-EU economies. This trend is especially pronounced in the Western Balkans and Levant sub-regions, where countries like Egypt are increasingly relying on Levant economies as key trade partners, while Türkiye continues to expand its presence across the Southern - Eastern Mediterranean. The Western Balkans and North Africa exhibit the most pronounced increases in export shares to non-EU UfM countries. On the other hand, the Levant economies show a marked decline in export shares after 2013. Israel and Türkiye maintain consistent shares, indicative of their established roles in specific sectors and sub-regions within the UfM.

Furthermore, the analysis of traded goods by category offers insights into the emergence of regional value chains in sectors like machinery, chemical industries and transport equipment. Key trends include:

- Fuels and ores exports remain significant, but there are signs of diversification, driven in part by global shifts towards renewable energy.
- Strong growth in exports of machinery and chemicals, indicating diversification to more advanced industries.
- Decline is observed in textiles trade, while agriculture and transport equipment show moderate growth.

What can Revealed Comparative Advantage trends tell us?

The analysis of Revealed Comparative Advantage (RCA) trends from 1996 to 2023 reveals a pattern of shifting specialisation within the UfM internal market (Table 1.5). Data highlight the specific products where Southern - Eastern Mediterranean partners have most consistently increased their competitive edge over time. While some economies have reinforced their advantage in primary commodities or basic manufactured goods, others have successfully experienced a growing competitive position in more complex, higher value-added sectors, suggesting a varied trajectory of industrial development across the region.

Morocco, North Macedonia, and Lebanon demonstrate a particularly promising evolution, gaining a stronger competitive advantage in higher-value-added products. In Morocco, the strengthening RCA in aircraft and spacecraft parts signals a successful and strategic push into a high-technology, capital-intensive industry. North Macedonia also shows a deepening specialisation up the value chain, with a growing competitive advantage in miscellaneous chemical products and furniture. Lebanon's increasing RCA in processed food items, such as milling products and vegetable preparations, indicates a successful transition from basic agriculture to establishing a stronger competitive position in value-added food manufacturing within the UfM market.

Overall, these trends suggest that some sectors will have to adapt to regional and global trends and demands to remain competitive. This is particularly important for the SME sector, which is a major contributor to exports in the UfM (Box 1.3).

UfM and the broader MENA region. The trade relationship between the UfM and the GCC reveals evolving patterns. In 2023, UfM countries exported to GCC countries USD 116 billion and imported USD 121 billion (Figure 1.12). From 1996 to 2015, UfM exports to GCC countries had experienced a robust increase, with UfM manufactured goods leading the region's exports to GCC markets. The sharp drop in oil prices in 2014-2015 impacted GCC economies and its effects can be seen in the significant drop in the demand of UfM goods, which reached a low point in 2021, with the GCC representing roughly 1.4% of the UfM total exports. Data suggest a potential upswing on exports after 2022. Several factors could influence future trade, including ongoing EU-UAE Free Trade Agreement (FTA) negotiations, the renewed efforts to resume the regional EU-GCC FTA

negotiations, the Abraham Accords, and the socio-economic effects of ongoing regional conflicts. These developments warrant close attention as they will likely shape the future of trade integration between the UfM and the GCC.

As a region highly specialised in hydrocarbon exports, UfM imports from GCC countries behave differently. Data show an increasing trend, but experiencing important fluctuations seen in cycles of two to five years, strongly defined by the hydrocarbons global price variance. Nonetheless, data confirm the importance of GCC countries as a strategic energy partner for the UfM economies.

At the sub-regional level (Figure 1.12), the Levant economies exhibit the strongest trade relationship with the GCC, consistently accounting for a significant portion of both imports (14.33% in 2022) and exports (17.98% in 2022). North Africa, while showing growth in trade with the GCC, needs to focus on export diversification and value addition to enhance its integration and manage its growing trade deficit (imports at 10.56% vs. exports at 3.38% in 2022).

Türkiye's evolving trade balance with the GCC indicates a shifting dynamic that requires close monitoring to ensure sustained integration. Meanwhile, Israel's consistently low trade volumes with the GCC point to an untapped potential for integration.

The GCC's growing importance as a supplier to the UfM highlights the need for strategic partnerships and regional cooperation to leverage its resources and promote further integration. These trends underscore the importance of policy initiatives focused on promoting intra-regional trade within the UfM, attracting foreign direct investment, and fostering deeper economic ties with the GCC. This will not only enhance trade integration but also contribute to the broader economic development goals of the UfM region.

What policy action is needed?

- **Establish a targeted policy approach:** To enhance intra-UfM trade, a policy approach focusing on key sectors could generate positive spillover across other sectors. In particular, machinery, chemicals, and transport equipment exhibit strong growth and the potential for regional value chain development.
- **Foster competitiveness:** UfM countries should address challenges to competitiveness in global trade. This would also enable sectors with competitive advantages in the regional market to continue to remain competitive. Policy initiatives could involve support to research and development, innovation, and skills training, and but also investment in connectivity infrastructure.

Definitions

Intra-regional and external trade flows of goods track the volume of goods traded by UfM Member States both within the region and with external partners, including intra-MENA trade, MENA-EU trade, MENA-Western Balkans trade, and MENA-Africa trade.

Databases used include OECD International Trade and Balance of Payments (covering goods and services), UN Comtrade Database (only trade in goods), and UNCTAD Intra-trade and extra-trade (only merchandise trade).

Further reading

AUC/OECD (2023), *Africa's Development Dynamics 2023: Investing in Sustainable Development*, AUC, Addis Ababa/OECD Publishing, Paris, https://doi.org/10.1787/3269532b-en.

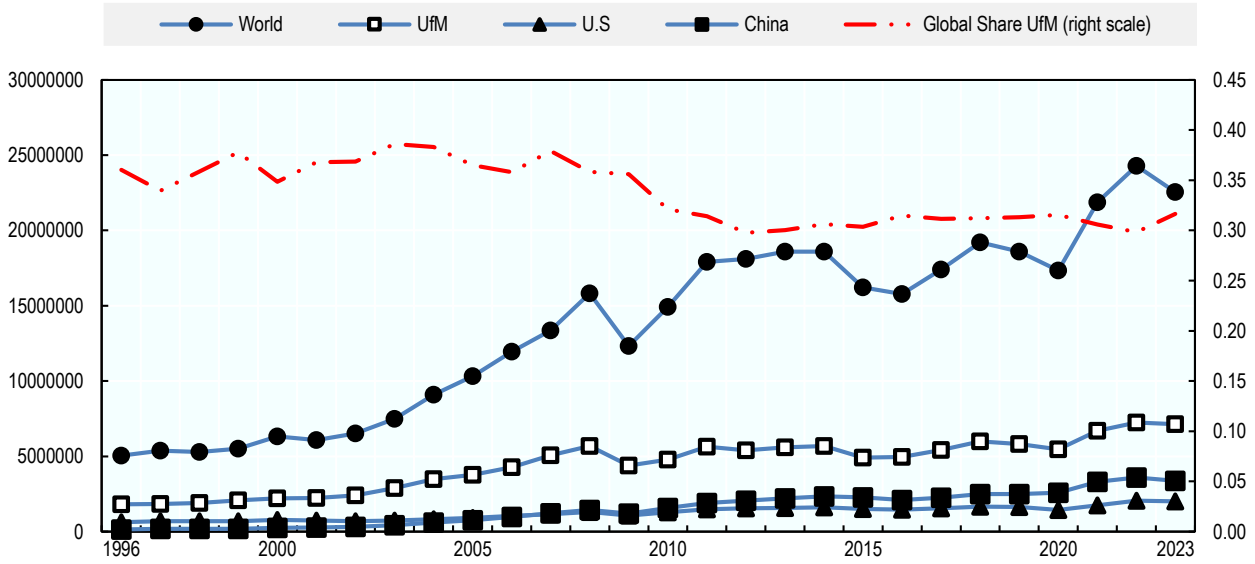
European Commission (2024), *The EU-GCC Dialogue on Economic Diversification Project*, https://www.eeas.europa.eu/eeas/EUintheGCC_en

UNCTAD (2024), *Rethinking development in the age of discontent*, Trade and Development Report 2024, United Nations publication, Geneva), https://unctad.org/publication/trade-and-development-report-2024

WTO (2024), *World Trade Report 2024 Trade and inclusiveness: How to make trade work for all*, World Trade Organization, Geneva, https://www.wto.org/english/res_e/booksp_e/wtr24_e/wtr24_e.pdf

Figure 1.7. The share of the UfM in the world's merchandise exports

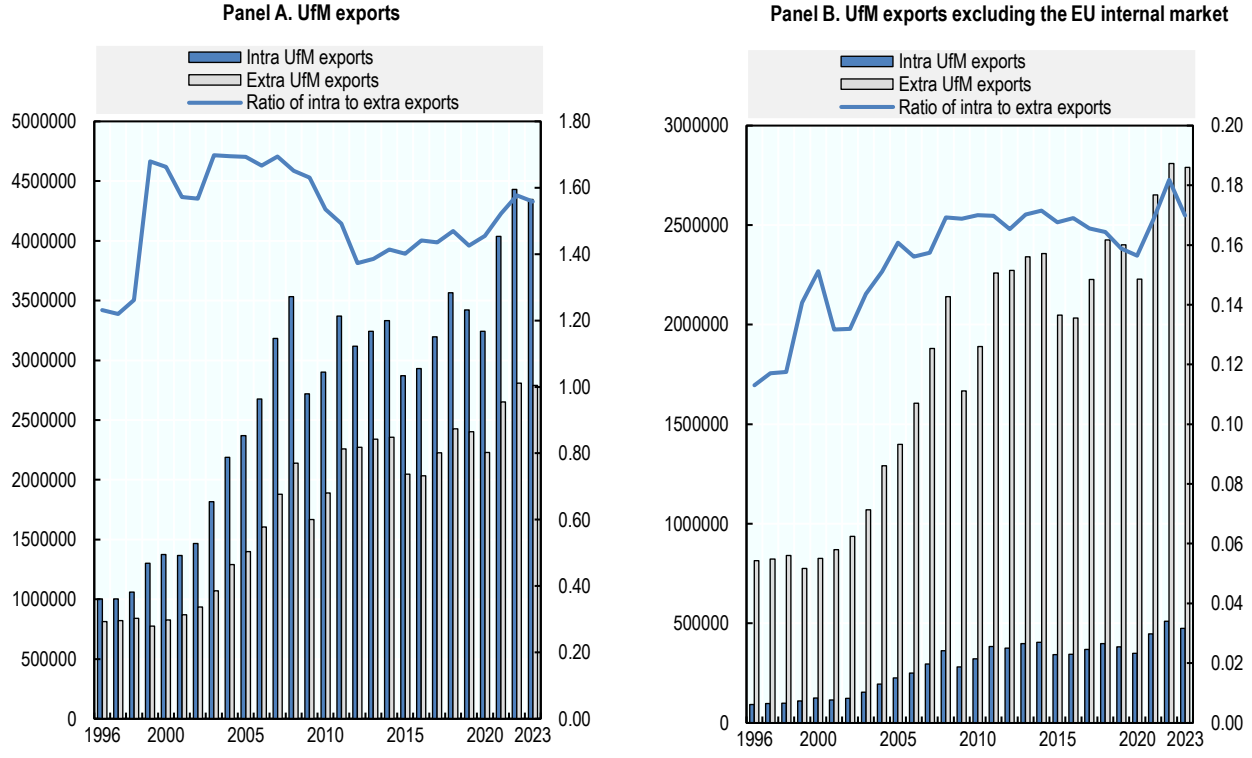
Exports in goods (USD million) left scale; UfM share in world exports (percentage), right scale



Source: UN Comtrade database, https://comtrade.un.org/

Figure 1.8. The ratio of intra-regional exports over extra-regional exports in the UfM

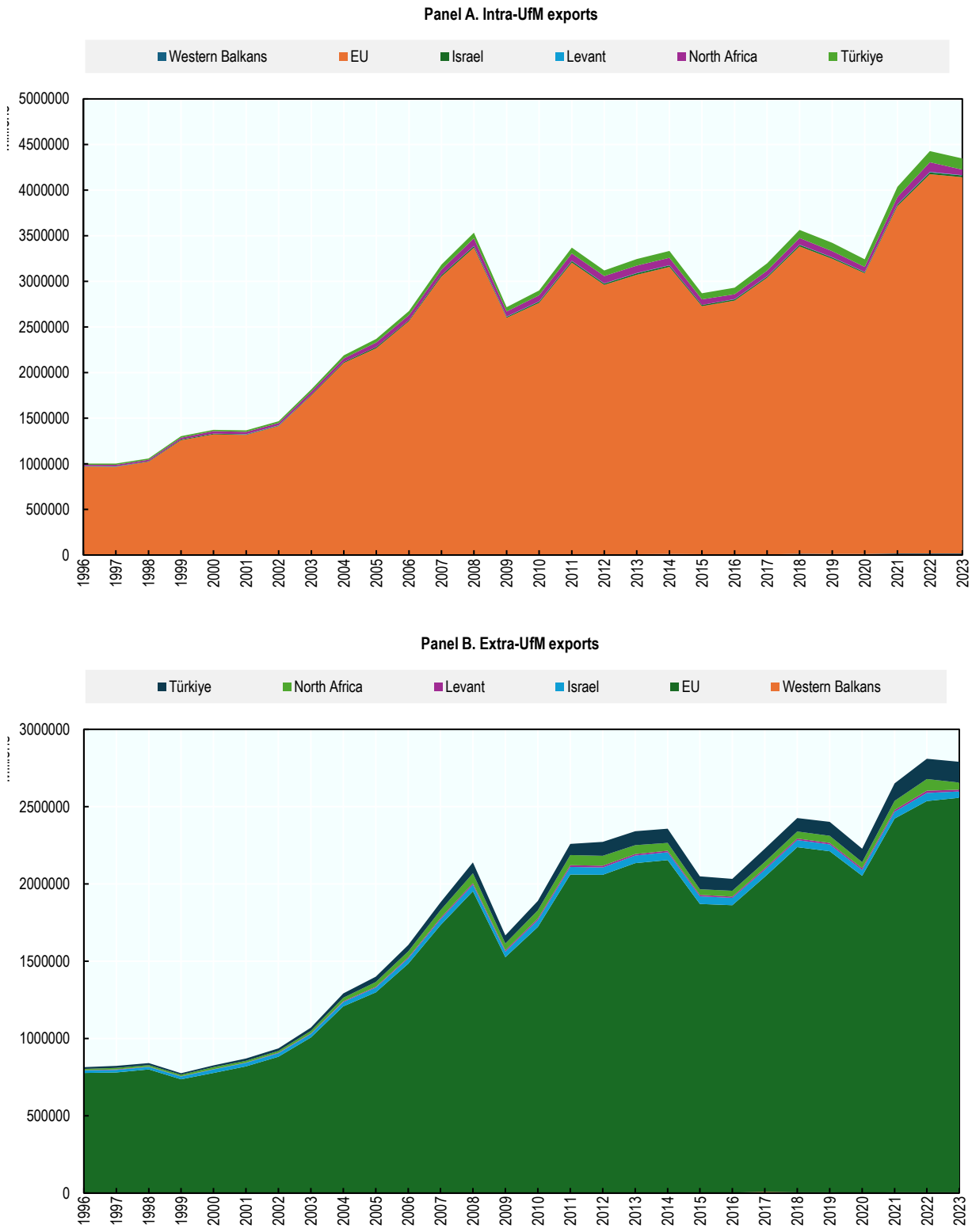
Exports in goods, USD million



Source: UN Comtrade database, https://comtrade.un.org/

Figure 1.9. Total merchandise exports of the UfM area

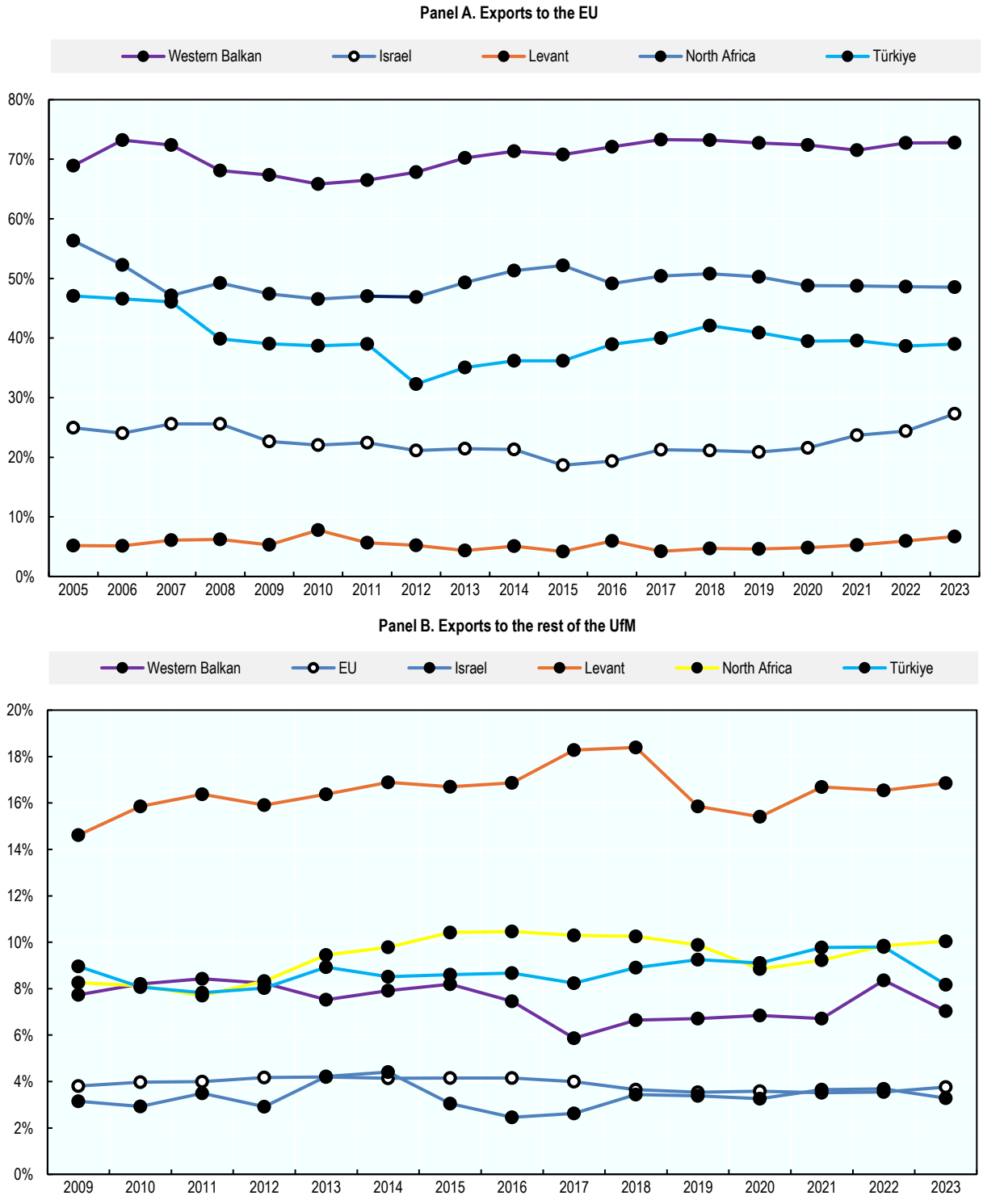
USD million



Source: UN Comtrade database, https://comtrade.un.org/

Figure 1.10. Share in total exports of destination

% of total exports



Source: UN Comtrade database, https://comtrade.un.org/

Table 1.3. Main five export destinations for UfM sub-regions, 2022

% of total exports

UfM Region	1st	2nd	3rd	4th	5th
Western Balkans	EU (72.7%)	Western Balkans (6.0%)	Türkiye (2.1%)	Switzerland (1.4%)	United Kingdom (0.9%)
EU	EU (58.6%)	USA (7.8%)	United Kingdom (4.9%)	China (3.5%)	Switzerland (2.9%)
Israel	USA (25.7%)	EU (24.4%)	China (6.4%)	India (4.6%)	United Kingdom (4.3%)
Levant	GCC (18.0%)	USA (16.7%)	India (10.0%)	Israel (7.9%)	EU (6.0%)
North Africa	EU (48.6%)	USA (5.8%)	Türkiye (4.9%)	S.S Africa (3.9%)	United Kingdom (3.7%)
Türkiye	EU (38.6%)	USA (6.6%)	United Kingdom (5.1%)	North Africa (4.5%)	Russia (3.7%)

Note: GCC refers to the Gulf Cooperation Council countries. S.S Africa refers to Sub-Saharan Africa
Source: UN Comtrade database, https://comtrade.un.org/

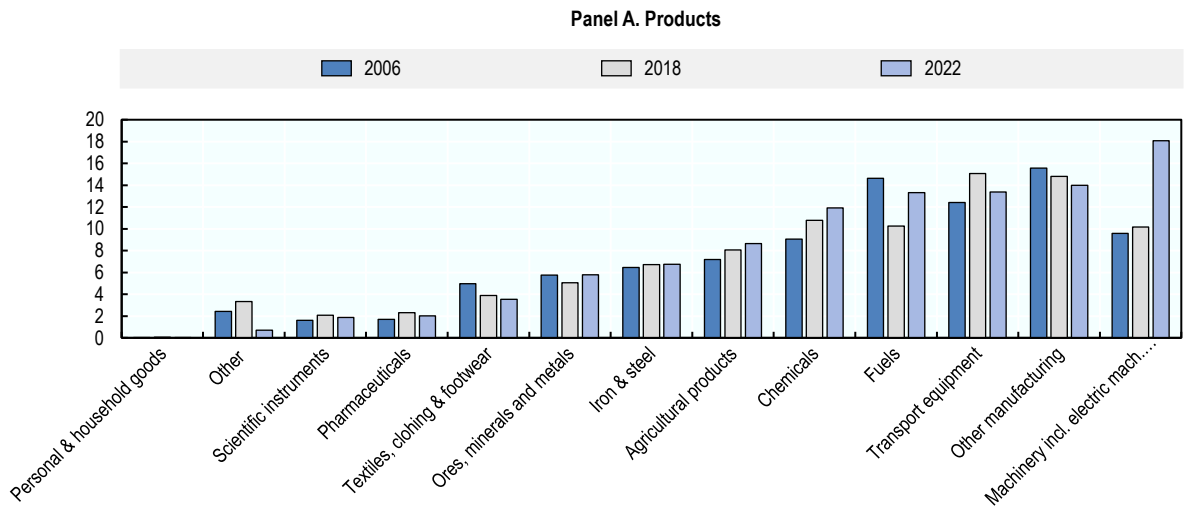
Table 1.4. Evolution of the share in total exports by country between 2008-2017 vs 2021-2022

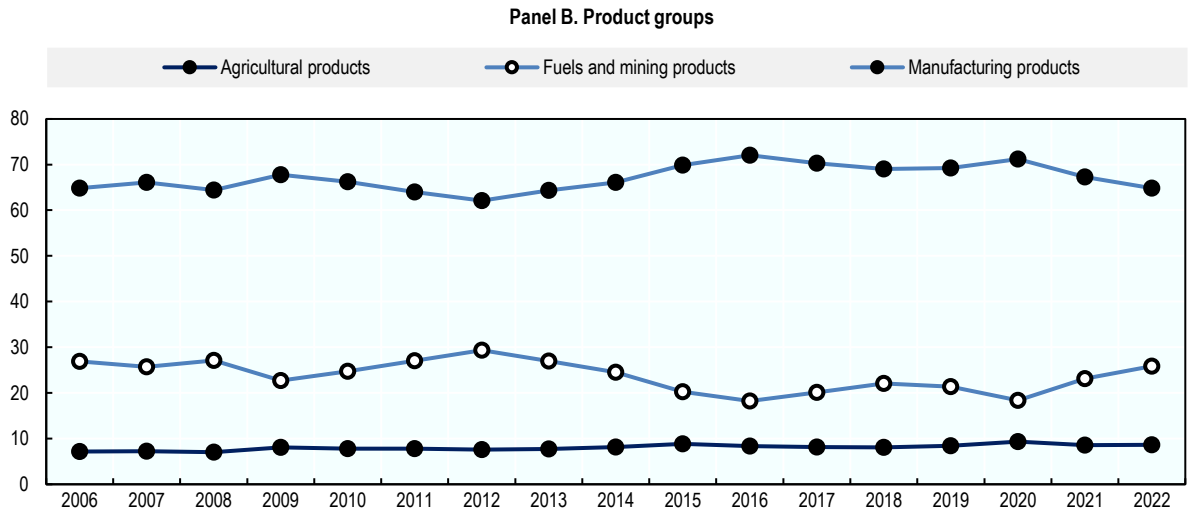
Exports (rows) to partner countries (columns)

Country	Morocco	Albania	Bosnia & Herzegovina	Algeria	Egypt	EU	Israel	Jordan	Lebanon	North Macedonia	Montenegro	Mauritania	P.A	Tunisia	Türkiye
Morocco		-0.10	0.02	-0.71	-0.70	0.02		-0.80	-0.49	13.85	-0.75	0.25	-0.06	-0.29	0.15
Albania	0.33		1.52	22.52	-0.87	-0.06	0.67	-1.00	-0.73	0.97	2.95	-0.91		-0.55	-0.54
Bosnia & Herzegovina	-0.80	-0.40		-0.43	-0.38	0.02	2.52	-0.33	-0.83	-0.23	-0.12	52.03	3.20	-0.58	-0.13
Algeria	-0.12	2.91	-0.99		0.27	-0.03		5.84	1.45	-1.00		0.51	-1.00	0.23	0.16
Egypt	-0.04	0.19	1.01	-0.19		0.08	0.36	-0.51	-0.69	-0.19	5.91	0.25	1.15	-0.41	0.25
EU	0.12	0.05	0.01	-0.55	-0.08		0.06	-0.32	-0.42	0.26	0.00	-0.25	0.84	-0.27	-0.12
Israel	0.17	2.92	-0.22	-1.00	-0.26	0.00		-0.63	-1.00	-0.64	-0.19	-0.96		-0.93	0.05
Jordan	1.39	-0.35	-0.18	-0.33	0.45	0.34	-0.27		-0.67	-1.00		0.29	0.65	-0.49	-0.16
Lebanon	0.01	0.80	-0.93	-0.61	0.64	0.07		-0.31		-0.86	0.83	-0.09		-0.15	-0.20
North Macedonia	5.32	-0.38	-0.47	-0.85	0.43	0.02	0.25	0.55	-0.68		-0.45	0.54	4.79	-0.63	0.34
Montenegro	895.09	0.53	0.80	-0.99	-0.69	-0.20	1.19	-0.54	38.97	0.69				32.59	0.76
Mauritania	1.44	-1.00	-1.00	63.43	-0.75	-0.10	2.31	1.49	-0.98	369.15			-1.00	-0.80	1.57
P.A	0.28			-0.78	-0.96	-0.22	0.01	-0.07	1.47			-0.88		-0.88	1.98
Tunisia	0.22	1.36	0.10	-0.48	-0.24	0.01	-1.00	0.30	0.14	0.17	-0.05	-0.28	0.65		0.61
Türkiye	0.48	0.65	0.25	-0.42	-0.10	-0.02	0.46	-0.29	0.38	0.11	1.04	1.35	-0.02	-0.04	

Figure 1.11. Composition of the intra-UfM exports, by type of commodity

Share of total exports per each product category, exports





Source: UN Comtrade database, https://comtrade.un.org/

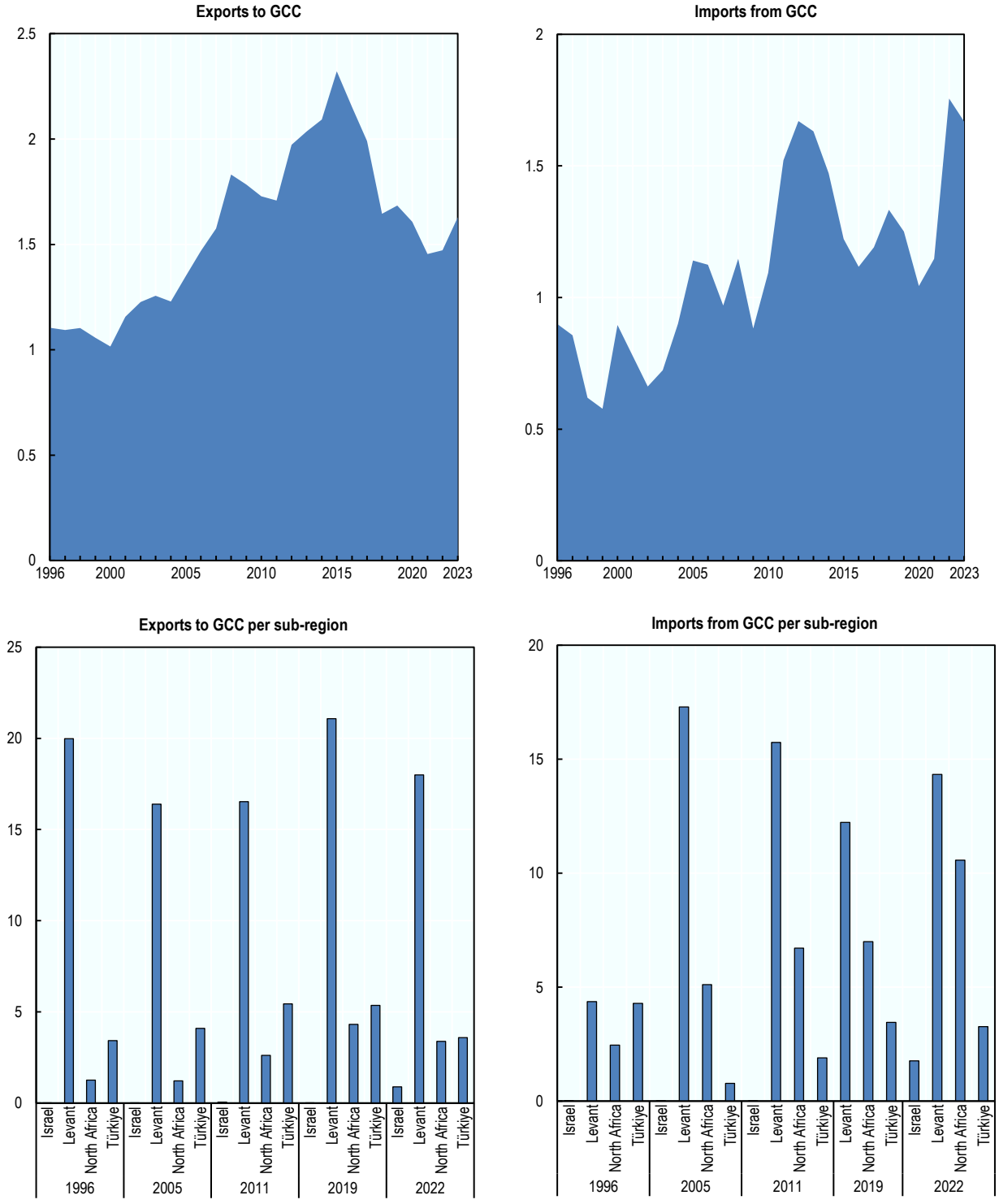
Table 1.5. Exported goods experiencing highest growth in Revealed Comparative Advantage, 1996-2023

	Strongest performer	2nd strongest performer	3rd strongest performer
Morocco	Aircraft, spacecraft, and parts thereof	Edible vegetables and certain roots and tubers	Other made-up textile articles; sets; worn clothing and worn textile articles; rags
Albania	Salt; sulphur; earths and stone; plastering materials, lime and cement	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	Headgear and parts thereof
Bosnia & Herzegovina	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	Arms and ammunition; parts and accessories thereof
Algeria	Sugars and sugar confectionery	Fertilisers	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes
Egypt	Fertilisers	Carpets and other textile floor coverings	Man-made filaments
Jordan	Fertilisers	Lead and articles thereof	Carpets and other textile floor coverings
Lebanon	Lead and articles thereof	Products of the milling industry; malt; starches; inulin; wheat gluten	Preparations of vegetables, fruit, nuts or other parts of plants
North Macedonia	Miscellaneous chemical products	Ores, slag and ash	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings
Montenegro	Ores, slag and ash	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations
Mauritania	Fish and crustaceans, molluscs and other aquatic invertebrates	Cotton	Ships, boats and floating structures
PA	Salt; sulphur; earths and stone; plastering materials, lime and cement	Lead and articles thereof	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof
Tunisia	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	Silk	Other made-up textile articles; sets; worn clothing and worn textile articles; rags

Note: The ranking identifies the top three products per country with the strongest positive linear trend in Revealed Comparative Advantage (RCA) from 1996-2023. The RCA index was calculated for the intra-UfM market.
Source: UN Comtrade database, https://comtrade.un.org/

Figure 1.12. UfM trade with the GCC

Share of total exports per destination



Source: UN Comtrade database, https://comtrade.un.org/

Box 1.2. Trade with other strategic regions: Sub-Saharan Africa and China

UfM economies' trade with China and Sub-Saharan Africa has significantly evolved over the decades, with varying dynamics.

Sub-Saharan Africa

In 2023 the UfM economies exported USD 82 billion and imported USD 75 billion from Sub-Saharan Africa economies (Figure 1.12). Analysis of the provided data suggests a positive integration trend between the UfM and the region from 1996 to 2015. This is evidenced by a twofold increase in the total share of exports from the UfM to Sub-Saharan Africa, rising from 0.7% in 1996 to 1.4% in 2015. This positive trend shifted after 2015, and today, the UfM exports share is 19% lower. Imports from Sub-Saharan Africa experienced a moderate expansion in the early 2000s but have remained relatively stable for the past decade, averaging around 1% of the UfM total imports. Fluctuations in imports from the region may be marked by the price variation of raw materials originating in the region.

Sub-regionally, North Africa has emerged as a key player, with its export share growing more than sixfold from 0.62% to 3.85% during the same period (Figure 1.13). This trend is mirrored in imports, with the total share of imports from Sub-Saharan Africa to the UfM increasing from 1.69% to 8.33%. North Africa leads this trend, with its import share rising from 0.95% to 1.39%.

These trends highlight a growing interdependence between North Africa and Sub-Saharan Africa, suggesting a potential for mutually beneficial partnerships and regional integration initiatives. Policy makers should focus on further strengthening these ties by promoting trade facilitation measures, encouraging investment flows, and supporting the implementation of the African Continental Free Trade Area (AfCFTA). Beyond North Africa, further research into the specific factors driving the observed fluctuations in certain sub-regions, such as the Levant, would provide valuable insights for tailoring policies to maximise the potential of this evolving trade relationship.

China

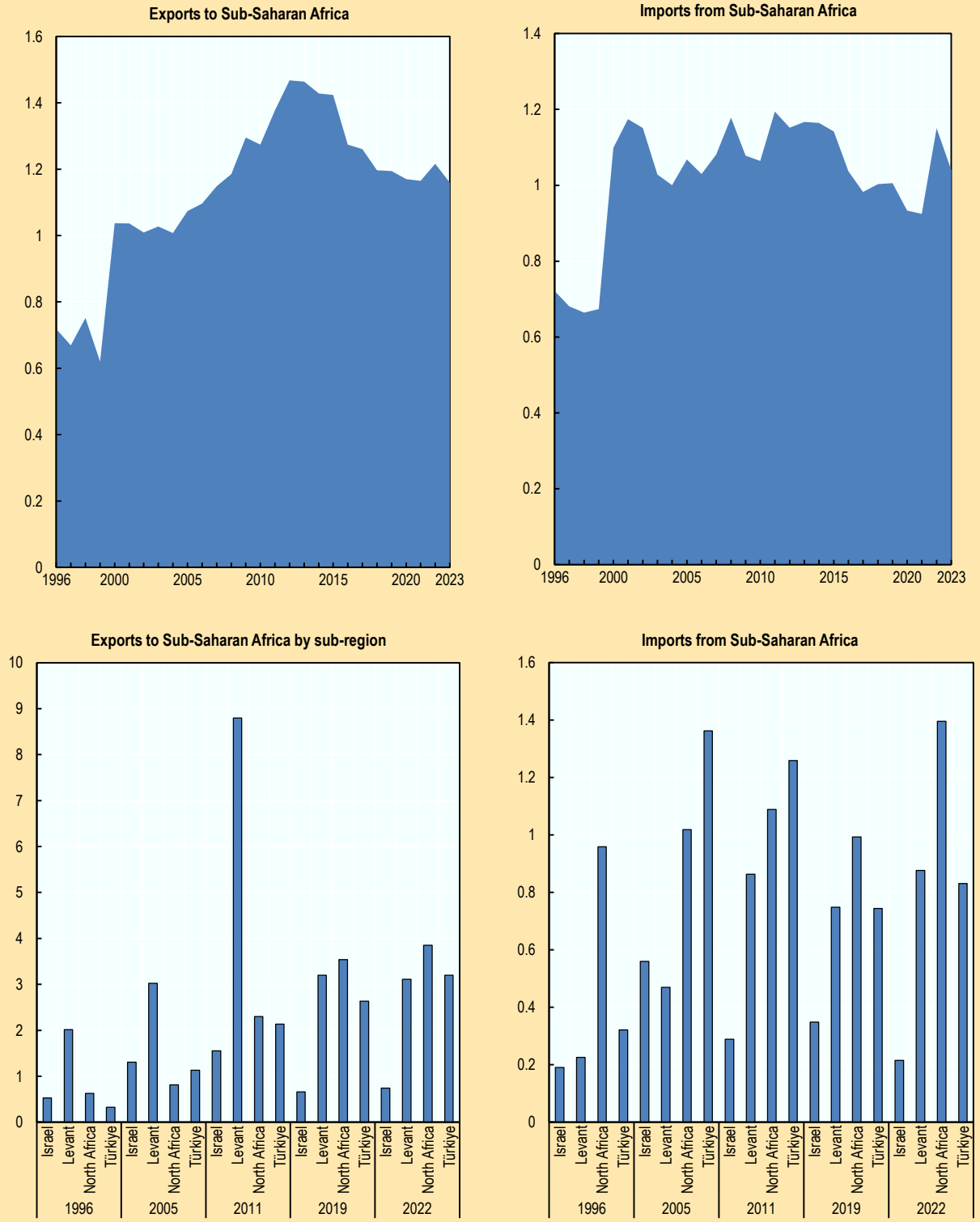
China's trade relationship with the UfM has experienced significant growth over the past two decades, as evidenced by the increasing share of Chinese imports in the UfM's total imports. In 1996, imports from China accounted for 1.9% of the UfM's total imports. By 2022, this figure had surged to 9.2%, marking a substantial increase in trade integration (Figure 1.14). The evolution of UfM exports to China shows an increase as well during the same period, albeit weaker, from 0.9% in 1996 to 3.4% in 2022. While a proper trend is still hard to identify, data suggest that the COVID-19 pandemic had a negative impact on the UfM's exports to China, showing for 2022 a slight decline since the onset of the crisis in 2020. This contrasts with the evolution of Chinese imports share in the UfM, which continued increasing during the same period.

Examining sub-regional trends reveals further insights. The share of Chinese imports has consistently increased for all the UfM sub-regions analysed. While the EU historically represented one of the largest recipients of Chinese goods within the UfM in 1996, North Africa and the levant countries have emerged as a rapidly growing market, with Chinese imports accounting for 13% of its total imports in 2022. Israel and Türkiye also experienced a significant increase in the share of Chinese imports.

In the same period, China consistently increased its relevance as export market for virtually all the analysed UfM sub-regions, with Israel leading the trend, from 0.4% in 1996 to 6.3% in 2022. The sub-regions experiencing a decline in their export share to China after the COVID-19 pandemic were primarily the EU, Israel, and Türkiye, while Levant and North African economies exhibited a more fluctuating pattern. Fostering a resilient and balanced trade relationship with China will require a multifaceted approach that addresses both regional and sub-regional specificities.

Figure 1.13. UfM trade with Sub-Saharan Africa

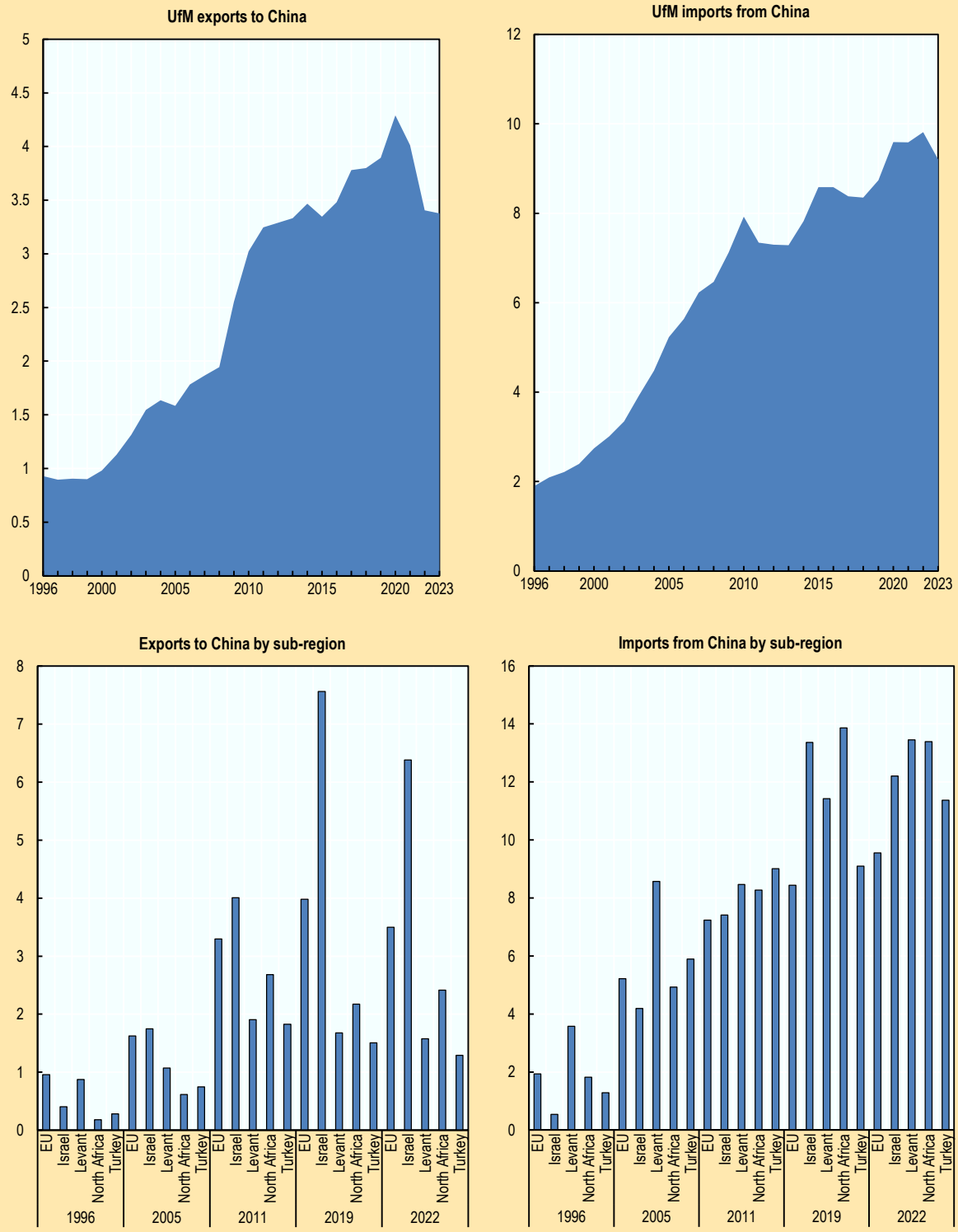
Share of total imports by origin



Source: UN Comtrade database, https://comtrade.un.org/

Figure 1.14. UfM trade with China

Share of total exports per destination/origin of exports



Source: UN Comtrade database, https://comtrade.un.org/

Box 1.3. SME contribution to export performance in UfM countries

Small and medium-sized enterprises (SMEs) represent the backbone of economies in the Union for the Mediterranean, supporting employment and economic growth through their involvement in both domestic and international trade.

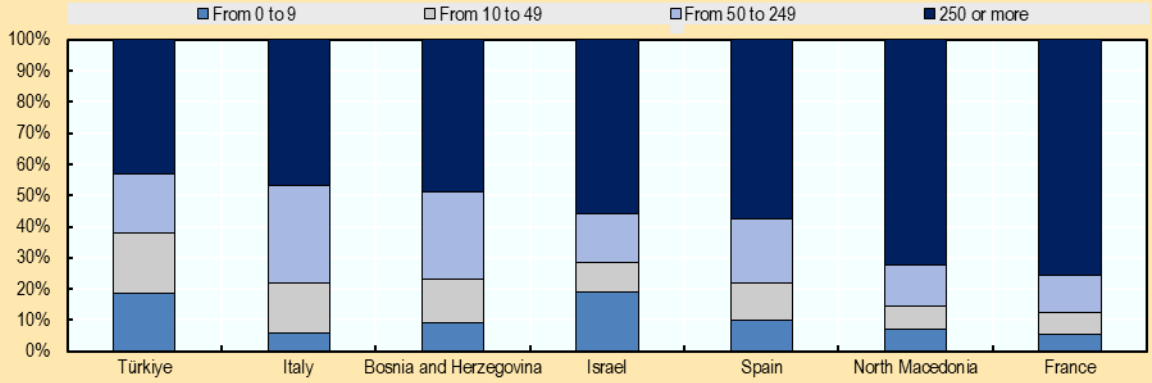
Italy is a notable example, with over half of its total exports (53.1%) in 2024 originating from SMEs. Türkiye shows a similarly high export contribution from SMEs, with 57% of its total exports coming from businesses with fewer than 250 employees. In addition, Türkiye has the highest share of exports coming from micro-enterprises, which account for 18.5% of its total export value.

Spain and Bosnia and Herzegovina also exhibit substantial SME involvement in export, with SMEs accounting for 42.3% and 51.2% of total exports, respectively. Although larger enterprises still make up a significant portion of exports in these countries, SMEs remain an essential part of the export structure, contributing meaningfully to overall trade performance. In contrast, France and North Macedonia report relatively lower SME export contributions, 24.6% and 28.2%, respectively, suggesting a greater reliance on large enterprises to drive export performance in these economies.

In the focused economies, while large enterprises remain important contributors, SMEs' involvement in international trade is crucial for economic diversification and resilience. The varying levels of SME participation in exports across different countries reflect the diverse industrial structures within the UfM region and highlight the importance of policies that foster SME participation in global trade. These should include facilitating access to information on engaging in international trade, ensuring stable regulatory frameworks, and improving financial support to SMEs for export activities (e.g. export guarantees).

Figure 1.15. Trade in goods by enterprise size class, 2024

% of total exports



Source: OECD, https://www.oecd.org/en/data/datasets/trade-by-enterprise-characteristics-tec.html

T4. Trade in value added (TiVA)

Why this indicator?

The OECD TiVA database provides comprehensive data on value added, both domestic and foreign, within the context of global value chains. It offers insights into the services content of exports, participation in global value chains (GVCs) through intermediate imports and domestic value added in partner exports, the global orientation of industrial activity, the origins of value added in final demand, bilateral trade relationships, and the domestic value-added content of imports.

The strategic value of TiVA indicators lies in their ability to reveal where value is created along a production chain. This allows a country to understand the crucial role imports play in its own export success, identify which domestic industries are most competitive, and recognise the significant (and often hidden) contribution of the services sector to its trade performance.

Essentially, TiVA provides detailed information that helps policy makers in the UfM make better decisions. By understanding where value is created and how goods and services flow between countries, they can support economic growth and cooperation in the region.

Key findings

A general observation across the UfM countries is a fluctuating, but generally upward trend in the foreign value-added content of exports. This suggests increasing integration into GVCs, with a greater reliance on imported inputs in the production of exported goods. This trend aligns with the broader globalisation phenomenon of increased interconnectedness in production and trade.

However, the level of this integration varies significantly. As of 2020, the foreign value-added content of exports ranged from a low of 8.6% in Egypt to a high of 33.2% in Tunisia (Figure 1.16). This variance highlights the differing degrees of GVC participation and reliance on foreign inputs across the region.

Sub-regional exposition to GVCs:

- The EU consistently exhibits the highest share of foreign value-added content in exports, reflecting its advanced economy and deep integration in global production networks. The trend shows a slight increase over the period, with the 2020 level at 16.3%, indicating a further intensification of GVC participation.
- Morocco, Tunisia, and Egypt show a general upward trend in foreign value-added content, albeit with fluctuations. This indicates a growing reliance on imported inputs in their export-oriented sectors, such as textiles, automotive components, and electronics. Tunisia consistently shows the highest levels within this group, reaching 33.2% in 2020, suggesting a more integrated position in GVCs compared to Morocco (25.3%) and Egypt (8.6%).
- In the eastern Mediterranean, Israel, Jordan, and Türkiye display a more mixed picture. Israel, with its strong technology sector, shows a declining trend, possibly indicating a shift towards higher domestic value-added creation in its exports, with the 2020 level at 16%. Jordan and Türkiye show fluctuating trends, with Jordan experiencing a notable increase in recent years, reaching 31.3% in 2020, while Türkiye remains relatively stable at 21.6%.
- Regarding the broader MENA region, available data for GCC countries, in particular Saudi Arabia, indicate marginal integration into UfM value chains (Box 1.4).

The EU as a hub for regional production

The data on the origin of value added in EU exports reveals its crucial role as a production hub within the UfM. While the EU predominantly sources value added domestically, it also relies on a small but steadily growing contribution from its Mediterranean partners. This signifies a gradual integration of these economies into EU-led production networks. For instance, in 2005, the value-added originating from the UfM countries present in TiVA amounted to USD 8 billion in EU exports, but by 2019, this figure had more than doubled to USD 21.4 billion. This trend is driven by the EU's large market, advanced technology, and geographical proximity, making it an attractive destination for intermediate goods and a source of final products for the global market.

North African countries like Egypt, Morocco and Tunisia show a slow but steady increase in their contribution to EU exports, primarily in sectors basic manufacturing. Morocco, for example, saw its value-added contribution to EU exports rise from USD 676 million in 2005 to USD 1.9 billion in 2020. Meanwhile, Eastern Mediterranean partners, particularly Israel and Türkiye, exhibit a more dynamic integration pattern, reflecting their growing capacity to provide higher-value inputs, especially in technology and manufacturing. Israel's contribution, for instance, surged from USD 1.4 billion in 2005 to USD 4.1 billion in 2020 (Figure 1.17).

Although the overall contribution of UfM partners remains relatively modest compared to the EU's own value added, the upward trend signifies a strengthening of regional production networks. This integration can potentially lead to mutual benefits, including increased trade, investment, and knowledge transfer, fostering economic growth and development within the region.

UfM trade in value-added sub-regional dynamics

While generally low, there is an overall steady increasing share of UfM-sourced value added in the exports of other UfM economies. This suggests a gradual intensification of regional value chains, with some economies more than others increasingly relying on inputs from their neighbours within the UfM zone (Figure 1.18).

The UfM economies' contribution to other economies' gross exports is in most cases well under 1%. Unsurprisingly, the EU plays a crucial role in the development of the regional value chains. European countries' value added in the UfM economies' gross exports ranges from 1.64% in Egypt to 11.63% in Morocco, highlighting the EU's position as a central node in the UfM trade network. It is important to note that, with the exception of Morocco, every other analysed economy has seen a decrease in the share of EU's value added in their gross exports since 2005. This decrease is most pronounced in Egypt (-59%), Israel (-34%) and Jordan (-27%), while Tunisia has also experienced a 10% reduction. The sharp decline in the EU's value-added contribution to Egyptian exports can be attributed to several interconnected challenges. Among them, significant devaluations of the Egyptian pound likely inflated the cost of European components, incentivising a shift towards more affordable, often domestic, inputs. From a regulatory perspective, persistent non-tariff barriers – a problem amplified by the loss of the EU's GSP tariffs from 2014 – may have also discouraged the seamless integration of EU goods into Egyptian production lines, further diminishing the EU's direct contribution to the final value of exports.

Beyond the EU, Türkiye is the second-biggest economy in the region in terms of added value to UfM partners' gross exports. The country's value added to UfM's gross exports ranges from 0.34% in the EU to 24.48% in Morocco, showcasing the strongest integration among two economies in the whole region. Morocco and Tunisia show a positive integration between them as well with most UfM members. Since 2005, these countries, along with Türkiye, have consistently increased the proportion of their exports that incorporate components sourced from other UfM economies.

Egypt and Israel have experienced a different trend. Apart from Tunisia in the case of Egypt, and Morocco in the case of Israel, these two economies have seen a strong reduction of UfM value added in their final gross exports over the past decades, with reductions ranging from 20% to 70% since 2005. Jordan's integration of UfM-made products into its production is also weaker, but not to the same extent.

Services in trade in value added

Trade in services plays a pivotal role in fostering regional integration, offering a foundation for not only economic collaboration but also wider legislative and institutional cooperation. Unlike goods, services such as finance, telecommunications, education, and tourism create networks of interdependence that transcend physical borders, enabling deeper and more dynamic connections among nations. This interdependence often necessitates highly harmonised legal frameworks and shared standards, fostering trust and collaboration beyond commerce. By facilitating the movement of ideas, expertise, and technology, trade in services can act as a catalyst for addressing shared challenges, such as digital governance, environmental regulations, and workforce mobility. Moreover, as service sectors often intertwine with public policy domains like healthcare and education, they encourage broader legislative dialogues, ultimately strengthening the foundations of regional integration and enhancing collective resilience. In the context of the Mediterranean, trade in services is not merely an economic tool but a mechanism for further promoting stability, cooperation, and shared prosperity.

UfM service trade in value-added sub-regional dynamics

Value added to services across analysed UfM economies amounted USD 14 billion in 2020 (up from USD 7 billion in 2005), despite having declined during the COVID-19 pandemic. In this analysis, the European Union consistently emerges as a cornerstone of the Mediterranean services value chain, with its value-added contributions representing the highest share across most partner countries (ranging from 0.4% in Egypt's total exports to 2.3% in Morocco's).

There are, however, disparities between the evolution of the EU's contributions to other UfM economies and these economies' contributions to the EU's services gross exports (Figure 1.19). While the UfM's share of value-added contributions to the EU's services sector has increased significantly over time, with important growth from Israel (133% increase since 2005), Morocco (93%) and Türkiye (89%), there has been an opposite trend regarding the EU's share of value added to the gross service exports of the region. While still the most relevant by a large margin, the EU's share in the other analysed UfM economies has experienced significant reductions in Egypt (-76%), Jordan (-24%), Türkiye (-15%) and Israel (-9%). Only Morocco (11%) and Tunisia (2%) have further intensified the integration of EU's service value-added to their exports in the past two decades.

The dynamics between the other UfM economies are generally more balanced and overall represent a positive increase in their respective services industries' share of value added in the economies' gross exports. There are of course important differences across the analysed economies in the 2005-2020 period (Figure 1.20).

- Türkiye has confirmed its position as a key player in the Mediterranean services value chains, with contributions to other countries exports amounting over USD 3.6 billion and integrating in its own exports over USD 3.3 billion originating from other UfM partners, showing significant positive increases in both its contributions to regional partners and the integration of regional value-added in its gross exports.
- Tunisia's integration into Mediterranean value chains shows a dual trend, having increased the share of virtually all the analysed UfM economies' service value added in its exports. However, the trend reverses when considering Tunisia's service industry contributions to other economies. Data shows important decreases in the share of gross exports for Morocco (-66%), Egypt (-38%) and the EU (-19%), with moderate reductions also in Jordan (-7%). The country only experiences a positive trend with Türkiye (37%) and Israel (21%).
- Israel maintains its position as the third-largest economy in terms of value-added integrated and supplied within the region, with both flows amounting to approximately USD 3 billion. Morocco follows as the fourth-largest (with USD 1 billion). Both have experienced varied integration over the past two decades, developing particularly strong ties with the EU and Türkiye. This reinforces the role of these two markets as facilitators of regional value chains within the UfM services sector.
- Egypt's performance contrasts with that of its partners. The country has experienced the most significant drop, not only regarding the share of value-added contributions to its own exports, but also with respect to the total volume of trade. Unlike the other economies, the Egyptian economy has experienced an actual reduction of the real value-added since 2005, when it amounted over USD 500 billion, representing roughly half of that amount just before the COVID-19 pandemic.
- Although the Western Balkans are not in the TiVA database, evidence suggests that the 2019 adoption of CEFTA's Additional Protocol 6 has facilitated trade in services. This protocol establishes a legal framework for cooperation and includes comprehensive commitments to liberalize trade, ensuring market access and national treatment for service suppliers (OECD, 2024[3]).

What policy action is needed?

- **Promote economic diversification to accelerate the development of regional value chains**, promoting economic competitiveness, complementarity, and interdependence across the UfM economies. This requires a shift towards higher-value-added activities, particularly in countries currently reliant on basic manufacturing. Policy action should focus on fostering innovation and technological upgrading in sectors with high growth potential.
- Importantly, given the rising importance of services in the global economy, further support for the development of services regional value chains is needed. To capitalise, the potential services trade has to foster interdependence and promote wider legislative and institutional cooperation within the UfM. Policy action should aim to reduce barriers to services trade, encourage investment in service sectors, and promote regulatory harmonisation to facilitate the cross-border flow of services.
- Finally, investment in efficient and sustainable transport infrastructure is vital to support regional value chains. This includes developing multimodal corridors, improving logistics networks, and digitalising trade procedures. Enhanced connectivity and reduced trade costs will facilitate the seamless movement of goods and services within the region, further strengthening regional value chains and promoting economic integration.

Definitions

The OECD Trade in Value Added (TiVA) describes a statistical approach used to estimate the sources of value, by country and industry, added in producing goods and services for export (and import).

Source: https://www.oecd.org/en/topics/sub-issues/trade-in-value-added.html

Data needs

TiVA is not yet available for Algeria, the Western Balkans, Lebanon, the Palestinian Authority and Mauritania.

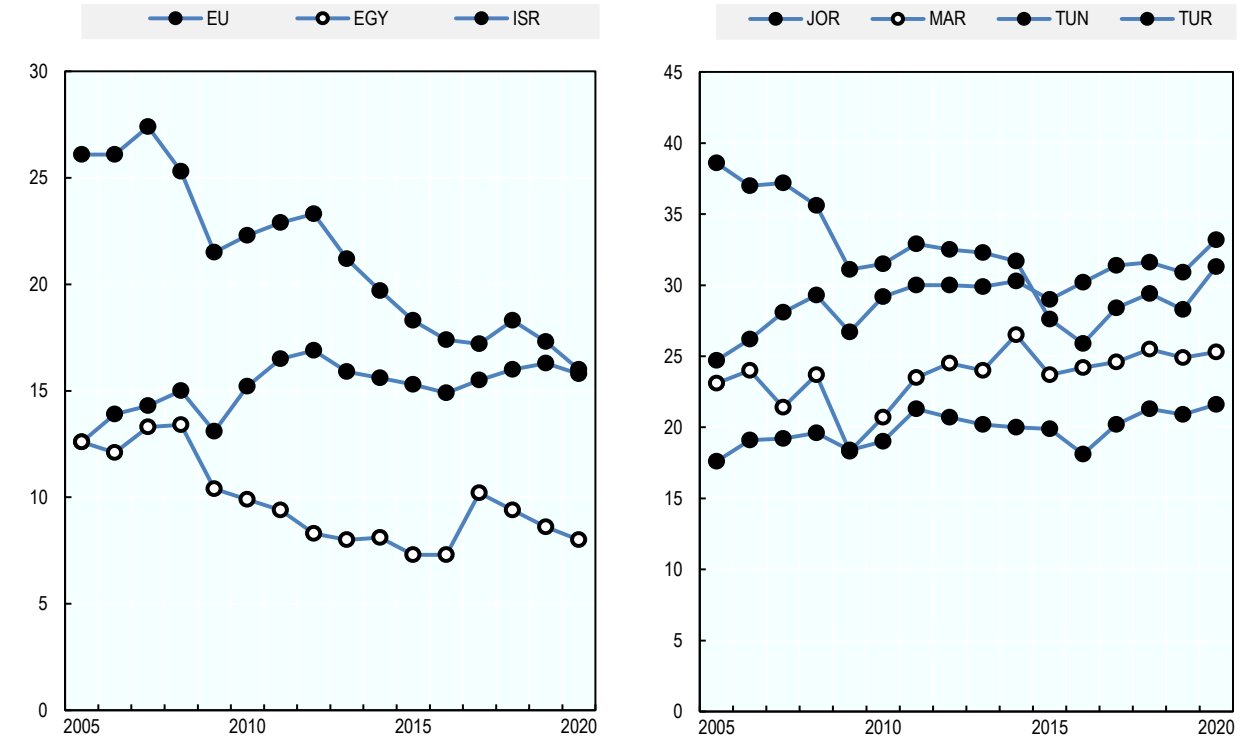
Further reading

Arezki, et al (2020), *Trading Together: Reviving Middle East and North Africa Regional Integration in the Post-COVID,* Era. Middle East and North Africa Economic Update, October 2020. Washington, DC: World Bank. *http://hdl.handle.net/10986/34516*

Bousnina, Rihab and Gabsi, Badr (2022), *Global value chain participation, institutional quality and current account imbalances in the mena region*, Working Paper No. 1556, The Economic Research Forum (ERF), Egypt. https://erf.org.eg/app/uploads/2022/08/1660913876_430_727893_1556.pdf

Figure 1.16. Foreign value-added content of exports, all sectors

Share (%)

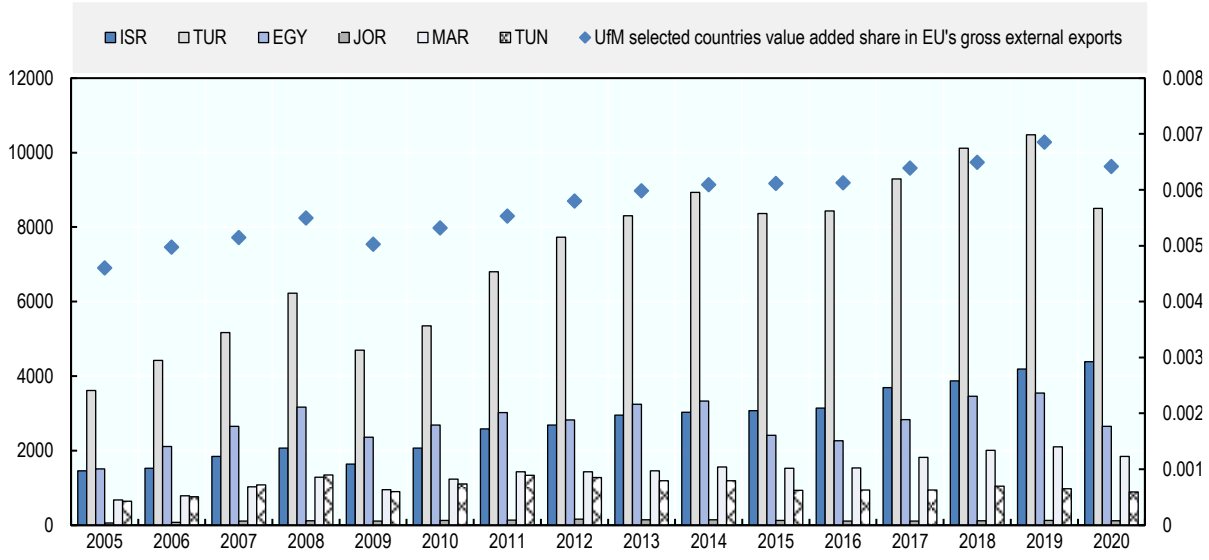


Source: OECD, Trade in Value Added (TiVA) database

StatLink https://stat.link/7c0zvb

Figure 1.17. Foreign value-added contribution of selected UfM countries to the EU 27, all sectors

USD million (left); Share (%) (right)



Source: OECD, Trade in Value Added (TiVA) database

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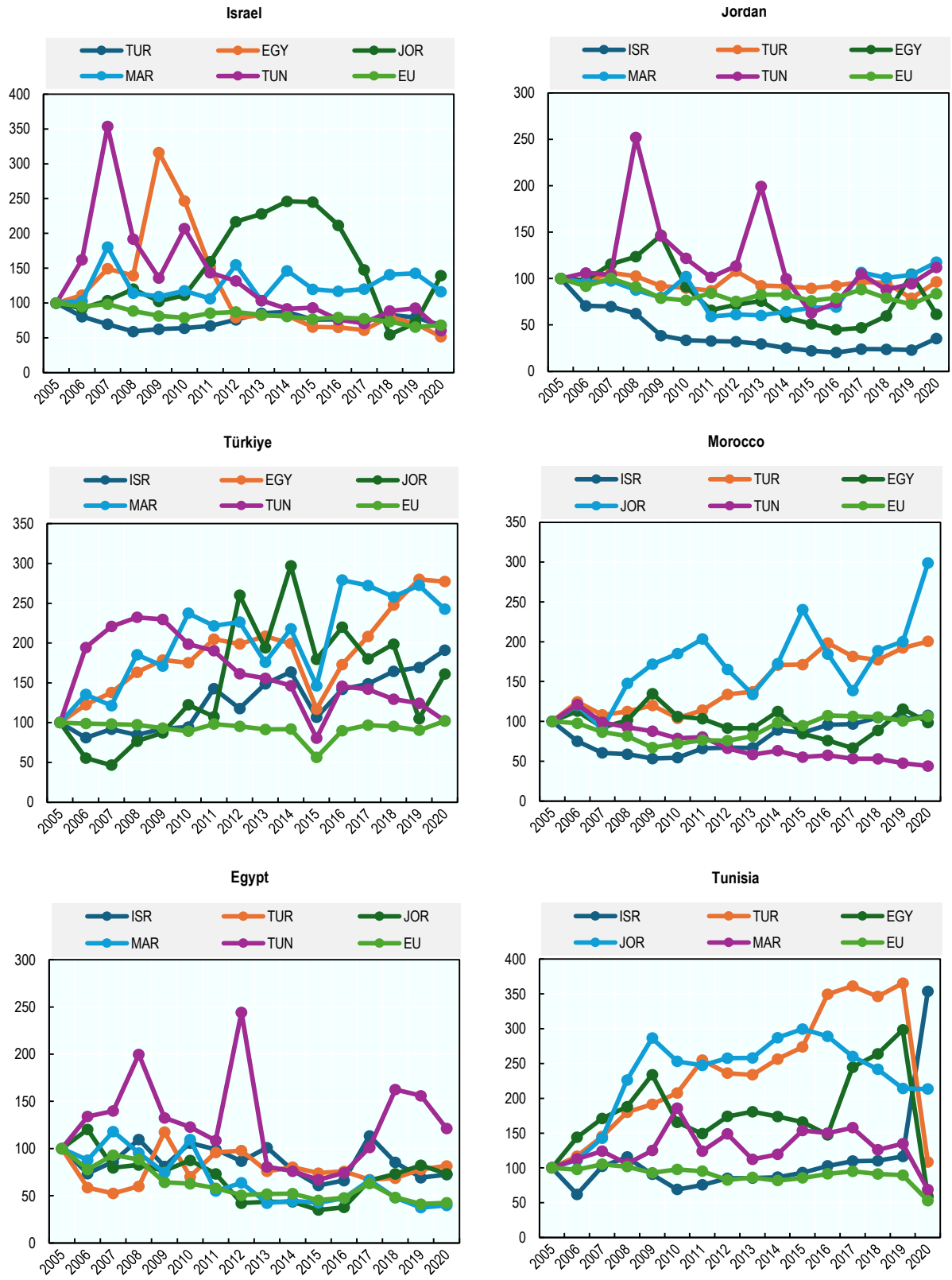
Figure 1.18. Foreign value-added content of exports, all sectors, by country

Share

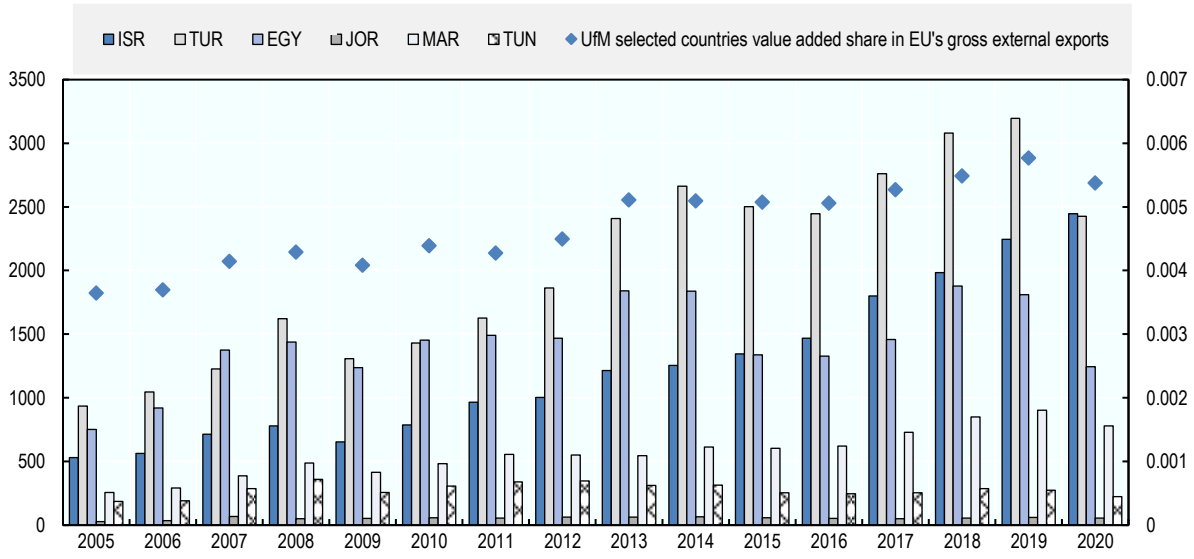


Source: OECD, Trade in Value Added (TiVA) database

StatLink https://stat.link/lbuqmn

Figure 1.19. Foreign value-added contribution of selected UfM countries to the EU 27, total services

USD million (left); Share (%) (right)

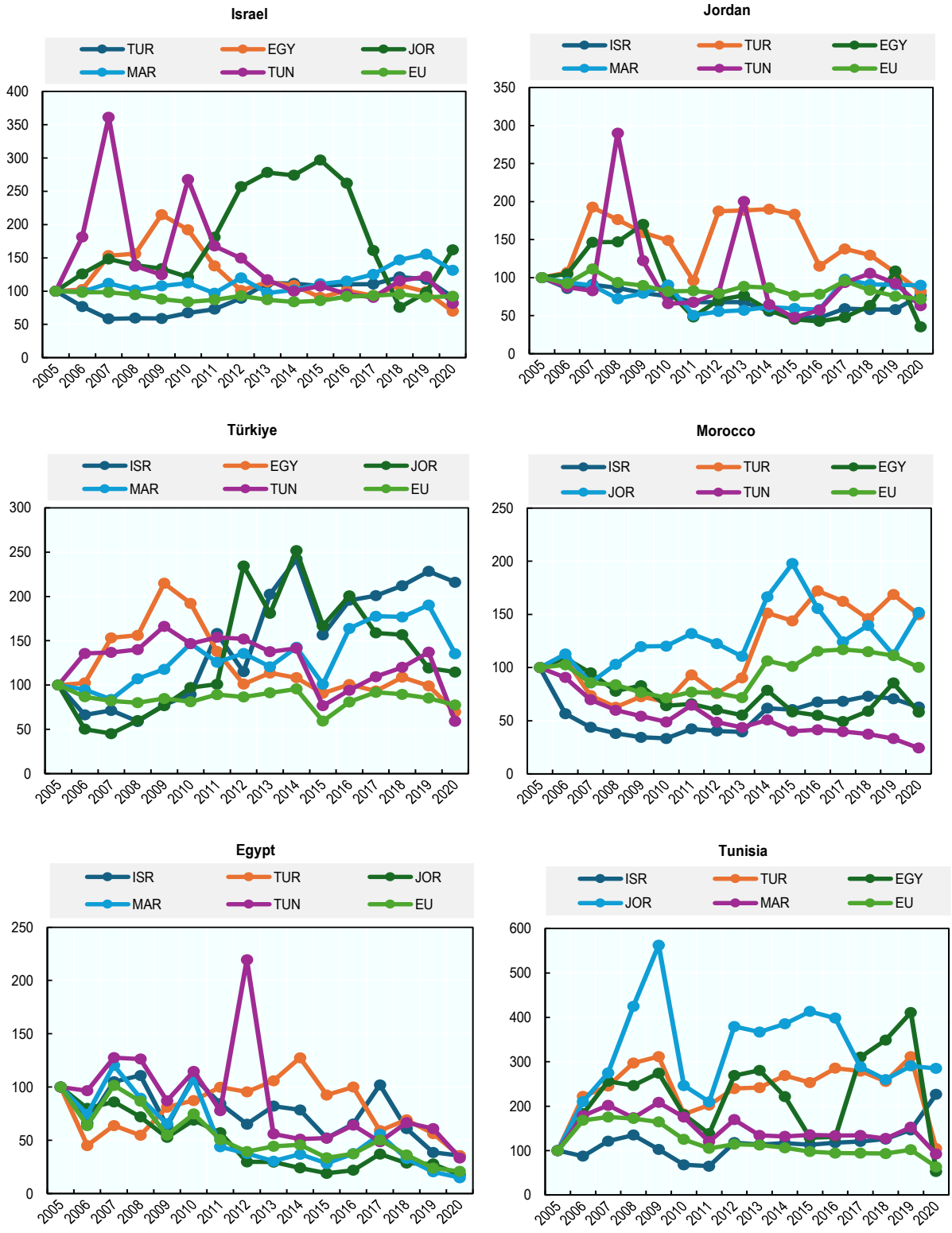


Source: OECD, Trade in Value Added (TiVA) database

StatLink https://stat.link/3lhjwc

Figure 1.20. Origin of value-added from services in gross exports

Share



Source: OECD, Trade in Value Added (TiVA) database

StatLink https://stat.link/97gdek

Box 1.4. UfM and the broader MENA region: Saudi Arabia integration into the value chains of UfM countries

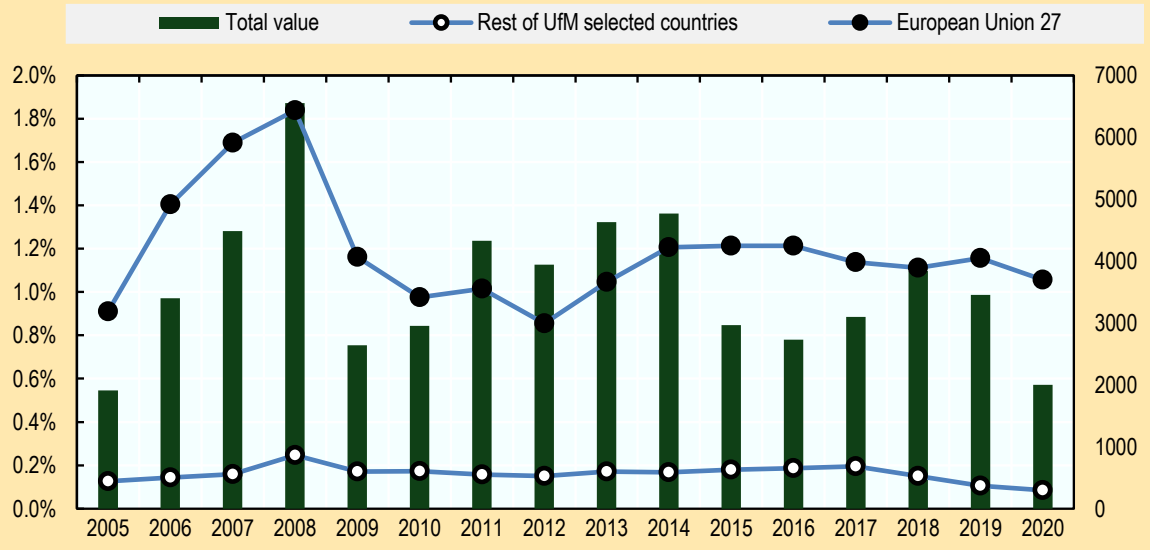
The value-added contribution from selected UfM countries to Saudi Arabia's economy, primarily driven by the European Union, experienced a significant peak in 2008 before the global financial crisis (Figure 1.21). In 2008, the total value-added from these UfM countries reached its maximum for the period at nearly USD 6.5 billion, and their share exceeded 1.8%. Following a sharp decline in 2009, the total value fluctuated considerably in subsequent years, with notable peaks in 2011 and 2014 but generally remaining below the 2008 high and falling to below USD 2 billion in 2020, under the influence of the COVID-19 pandemic. The EU27's share, after its 2008 peak, also fluctuated but followed a generally declining trend, hovering between 1.1% and 1.2% for much of the 2010s before decreasing further towards 2020.

Meanwhile, the contribution share from the aggregated 'Rest of UfM selected countries' remained consistently marginal throughout the period, peaking around 0.25% in 2008 before declining to below 0.1% by 2020. Between 2015 and 2019, Saudi Arabia's energy sector maintained a relatively stable contribution to UfM's exports overall. While its importance increased modestly for Egypt, the EU, Jordan, and Morocco, it declined for Israel, Türkiye, and Tunisia. The COVID-19 pandemic triggered a significant decline in the value-added contribution of Saudi Arabia's energy-related mining and extractive sectors to the region's exports, plummeting from USD 7.3 billion in 2019 to USD 4 billion in 2020.

With regards to the integration of Saudi Arabia into UfM value chains, the analysis of the value-added contribution to the gross exports of selected UfM partners reveals significant variation but a general trend of declining importance over the 2005-2020 period (Figure 1.22). Historically, Saudi Arabia's value-added share was most significant in Jordan (not in the figure), peaking above 10% in 2006, and Morocco's exports, peaking above 2.5% in 2006 and again around 2.6% in 2013, but this share drastically decreased after 2014, falling below 0.7% by 2020. For Türkiye, the Saudi contribution peaked near 1.2% in 2013 after earlier fluctuations but saw a substantial decline, thereafter, ending below 0.4%. Egypt experienced a different trajectory, with the Saudi share peaking later around 1.0% in 2019 after a period of growth from 2016, before seeing a slight dip in 2020. In contrast, Saudi Arabia's value-added contribution to the exports of Israel and the European Union remained consistently low throughout the period, generally staying below 0.5% and often significantly lower (below 0.2% for the EU for most years after 2008).

Figure 1.21. Foreign value-added contribution of selected UfM countries to Saudi Arabia, all sectors

Share (left axis); USD million (total value, right axis)

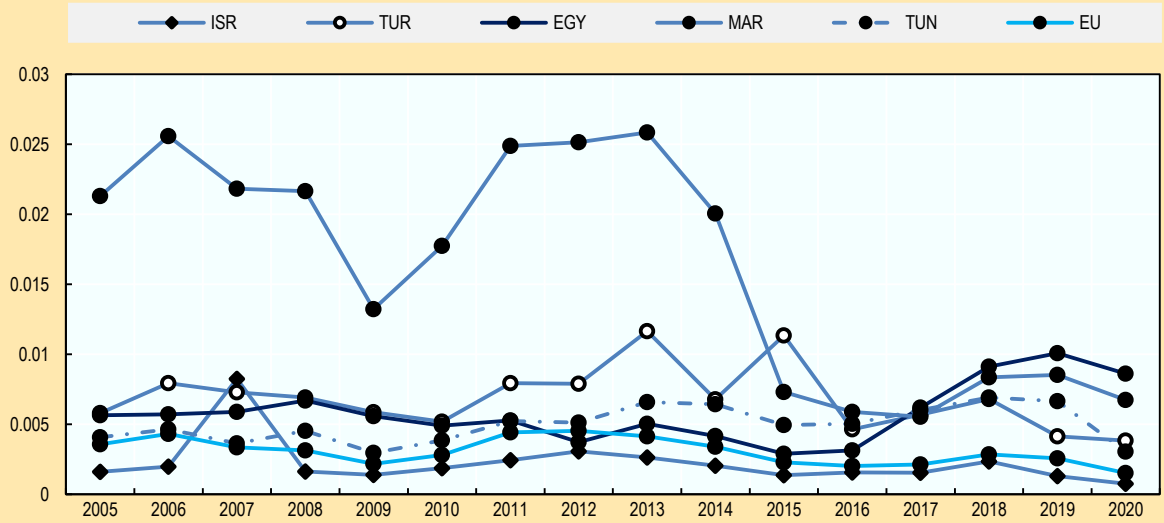


Note: Data for Rest of UfM selected countries cover Israel, Türkiye, Egypt Jordan, and Morocco.
Source: OECD, Trade in Value Added (TiVA) database

StatLink https://stat.link/yfnzsl

Figure 1.22. Saudi Arabia's value added in selected UfM foreign value added in gross exports, all sectors

Share



Source: OECD, Trade in Value Added (TiVA) database

StatLink https://stat.link/o8kn4t

T5. Trade and employment

Why this indicator?

Globalisation and trade liberalisation can have a different impact on workers in UfM countries, depending on the activity sector and possibly also on their gender. The analysis of employment and wages in export sectors explores the links between trade and job creation and observes differences in impact on male and female workers. Understanding these dynamics can help in anticipating future trends, identifying potential skills gaps, and developing effective labour market policies that support both men and women in adapting to the evolving demands of the global economy.

Acknowledging that significant data gaps prevent immediate measurement, this new indicator serves primarily as a call to action for the region's governments and institutions to improve data collection and enable crucial future analysis of these effects.

Key findings

Although the expansion of trade agreements in the UfM region has been accompanied by an increase in trade flows, this has not uniformly translated into improved labour market outcomes. While trade volumes have been rising, the region has continued to face persistently high unemployment rates, especially among women and youth in MENA countries, resulting from several rigidities not related to trade policies or trade flows.

Sectors benefiting from increased trade activity may experience job creation, while sectors unable to adapt to changes in the production and export patterns induced by trade demands may experience job losses.

Overall trends in trade-related labour in selected UfM economies

- In the EU, the share of domestic employment embodied in gross exports is stable compared to other economies (Figure 1.23). Most sectors maintain a relatively consistent level of employment tied to exports throughout the period observed, with 'Industry (Mining, Manufacturing, Electricity, Gas, and Water)' and 'Business Services' showing particular stability for both genders. Slight declines are observed in 'Trade, Transport, and Accommodation & Food' for both genders, and in 'Business Services' for male workers towards the end of the period. This overall stability could reflect a more established and diversified export market in the EU, less susceptible to significant fluctuations.
- Data for Egypt reveal a general downward trend in the share of domestic employment tied to gross exports across most sectors since 2012. This could indicate a move towards more domestic consumption or a decrease in the demand for Egyptian exports. The most significant declines appear in 'Trade, Transport, and Accommodation & Food' for both genders, and 'Business Services'. Sectors demonstrating greater resilience include 'Industry' for both genders, and 'Agriculture, Forestry, and Fishing' for men. The 'Information', 'Finance', and 'Business Services' sector for female workers shows a notable increase in 2017 and 2018, suggesting potential growth in female employment within those specific industries.
- Analysis of Israeli export-related employment from 2012 to 2020 reveals a general downward trend for both men and women, suggesting possible shifts in the nation's economy. Despite this, the service sector remains crucial, with 'Business Services' and 'Trade, Transport, Accommodation & Food' and 'Real Estate' being significant contributors. This highlights the continued importance of services for Israel's export economy.
- Overall, Türkiye experienced a general increase in the proportion of jobs tied to exports across most sectors, with peaks occurring in 2019 and 2020. This growth is driven mainly by 'Industry', 'Business Services' and 'Trade, Transport, Accommodation and Food'. These industries have consistently been the largest contributors to export-related employment, underscoring the relevance of services in generating trade-related employment.

Gender disparities in employment

- Across selected UfM economies, gender disparity in export-linked employment persisted from 2012 to 2020, with men continuing to represent larger shares of export-related employment across most sectors. However, the distribution of men and women across different sectors varied by economy.
- In the EU, gender disparities were most pronounced in the 'Industry (Mining, Manufacturing, Electricity, Gas, and Water)' and 'Trade, Transport, and Communication' sectors. However, disparities in 'Information, Finance, and Business Services' have diminished in recent years, highlighting the potential for greater gender balance in these sectors.
- In Egypt, the 'Agriculture, Forestry, and Fishing', 'Industry (Mining, Manufacturing, Electricity, Gas, and Water),' and 'Trade, Transport, and Communication' sectors demonstrate the largest gender disparities. However, in 'Information, Finance, and Business Services', the gap has narrowed significantly in recent years, indicating increased female participation in roles related to finance and information services.
- In Israel, a clear gender divide is evident, with females concentrated in service sectors like 'Business Services' and 'Information, Finance' and 'Real Estate'. Conversely, males dominate 'Industry', particularly 'Manufacturing', demonstrating traditional labour market divisions. Interestingly, 'Construction' plays a minimal role in export-related activities for both genders. Furthermore, female participation in 'Information & Communication' is growing, while male employment in 'Manufacturing' is declining, pointing towards potential shifts within these sectors.
- In Türkiye, despite an overall increase in female participation in export-related jobs, the disparity between male and female employment remains evident. While some sectors, like 'Business', show a slight rise in female employment share around 2018, others, such as 'Manufacturing' and 'Trade, Transport, and Storage' show minimal progress in closing the gender gap. These results suggest that women in Türkiye are not accessing export-related opportunities at the same rate as men, particularly in traditionally male-dominated industries.

Addressing the persistent data gaps on how international trade directly affects employment and wages remains a challenge for policy makers. As multinational enterprises are the primary conduits for both trade and investment, the OECD FDI Qualities Indicators offer a promising analytical tool to bridge this gap by examining the concrete impact of foreign affiliates (Figure 1.23). The case of Tunisia illustrates this clearly, revealing that while trade-seeking FDI is a crucial source of employment and offers a wage premium for women, it also tends to concentrate female labour in lower-skilled positions with limited opportunities for career advancement.

What policy action is needed?

- Given the potential positive impact of existing trade agreements on promoting trade across the UfM region, there is a strong rationale for continuing to expand these agreements. However, ensuring that trade growth contributes to more inclusive labour markets requires targeted policy measures and strategies.
- **Reduce occupational gender segregation:** One priority should be the reduction of gender-biased segmentation across industries and occupations. Creating an environment that opens up a broader array of sectors and job opportunities for women is essential for realising a more equitable distribution of trade benefits. This could be achieved by promoting policies that support women's access to traditionally male-dominated sectors, as well as encouraging more inclusive hiring practices across industries.
- **Implementing targeted labour market policies:** Policies should address adjustment costs for existing workers, especially women, to mitigate the challenges of shifting export demand. Reducing these costs would not only help workers access new employment opportunities but also ensure that the benefits of trade agreements are distributed more broadly across the labour market.
- **Improving the business environment:** To fully harness the potential of trade for economic and social development, a deeper set of reforms is necessary. These reforms should focus on improving the business environment, reducing barriers to investment, lowering costs for firms to formalise, and enhancing the attractiveness of the private sector in comparison to the public sector. By addressing these structural barriers, the region can foster a labour market where wages and job security are better aligned with private sector opportunities, ultimately maximising the benefits of trade agreements for all workers in UfM region.

Definitions

This indicator is based on the OECD's Trade in Employment (TiM) database. Derived from the Inter-Country Input-Output (ICIO) database, this database provides detailed insights into employment by industry. Data align with output and value-added information in the TiVA database, covering all OECD, European Union, and G20 countries, along with ten additional economies. The TiM database also includes comparable indicators for labour compensation across all 76 TiVA countries.

Source: OECD, Trade in employment by workforce characteristics (TiMBC), 2023 edition (link)

Further reading

OECD (2025), *Trade and Gender Review of Latin America*, OECD Publishing, Paris, https://doi.org/10.1787/c906a2f7-en

Stone, S., P. Sourdin and C. Legendre (2013), "Trade and Labour Market Adjustment", *OECD Trade Policy Papers*, No. 143, OECD Publishing, Paris, https://doi.org/10.1787/5k4c6spvddwj-en.

Box 1.5. The OECD FDI Qualities Indicators: A tool for assessing the impact of investment and trade on inclusive growth

Beyond measuring the volume of capital inflows, understanding the quality and sustainable development impact of foreign direct investment (FDI) is crucial for host economies. The OECD FDI Qualities Indicators provide a framework to help governments assess how FDI contributes to better economic, social, and environmental outcomes. This evidence base helps policy makers design and implement policies to attract and retain investment that fosters inclusive and sustainable growth.

The FDI Qualities Indicators focus on the direct impact of multinational enterprises (MNEs) on key areas such as productivity and innovation, high-quality jobs and skills, gender equality, and decarbonisation. These indicators offer a powerful lens not only on investment but also on the role of international trade. MNEs are the primary conduits of both FDI and trade, integrating host economies into global value chains (GVCs). The wages they pay, the jobs they create, and the skills they develop are direct outcomes of a country's participation in international trade. Therefore, analysing the performance of foreign affiliates provides concrete evidence of how globalisation is affecting wages and employment on the ground.

The case of Tunisia: Linking FDI, trade and women's economic empowerment

The FDI Qualities Review of Tunisia highlights the strong and complex link between FDI, trade integration, and economic outcomes for women.

The operations of foreign affiliates are often concentrated in export-oriented sectors. The review reveals that FDI is a key engine for female employment in Tunisia's manufacturing sector, which is heavily geared towards exports to European markets. Foreign affiliates in sectors such as textiles and apparel, automotive components, and electronics are among the largest formal employers of women in the country, confirming a direct role of trade-seeking FDI in creating jobs for women.

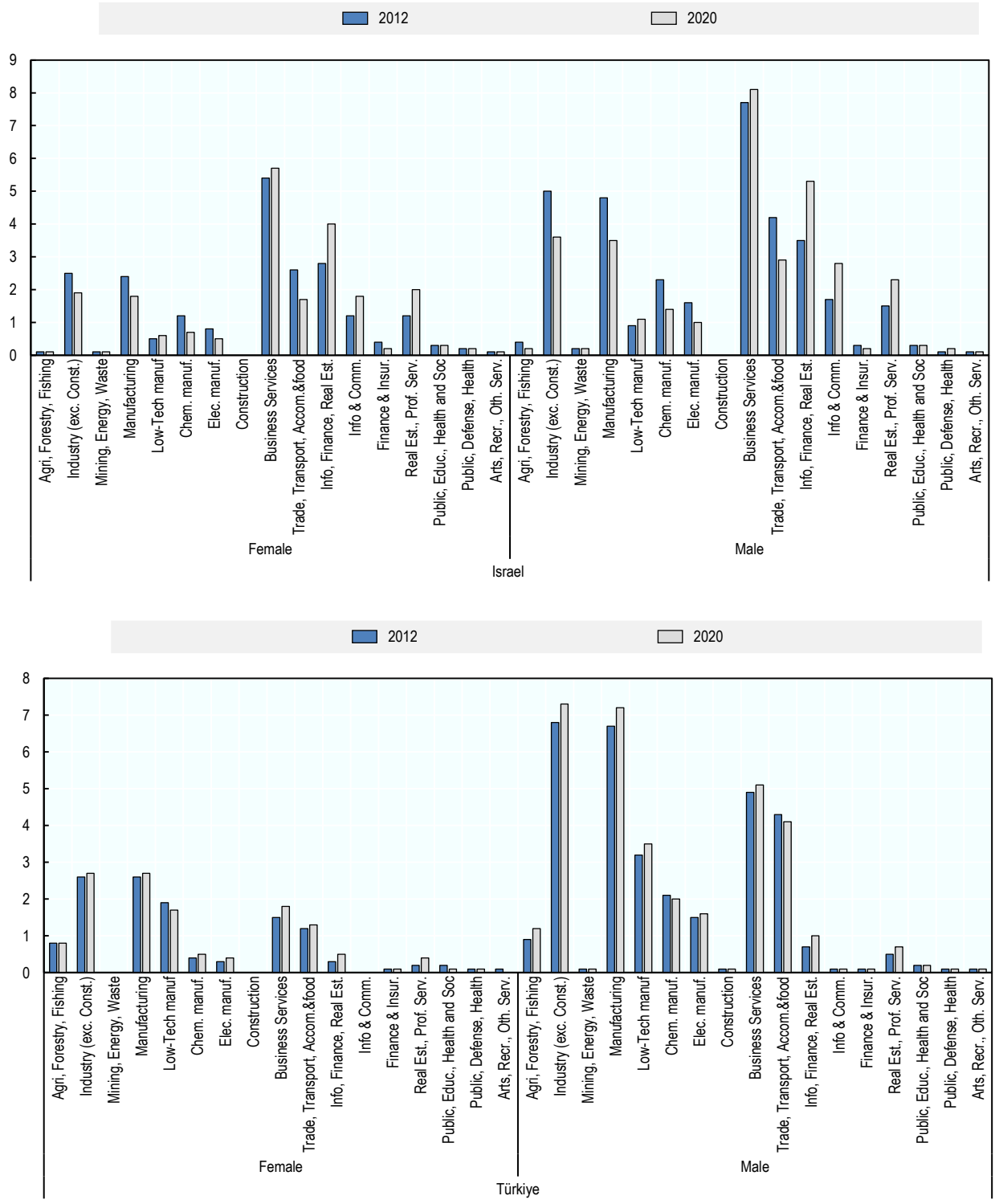
Regarding wages, the review finds that foreign-owned firms can contribute to narrowing the gender pay gap. While a gender wage gap persists across the Tunisian economy, women employed in foreign affiliates tend to earn a significant wage premium compared to their counterparts working in domestic firms. This premium reflects the higher productivity and integration into GVCs that often characterise MNEs.

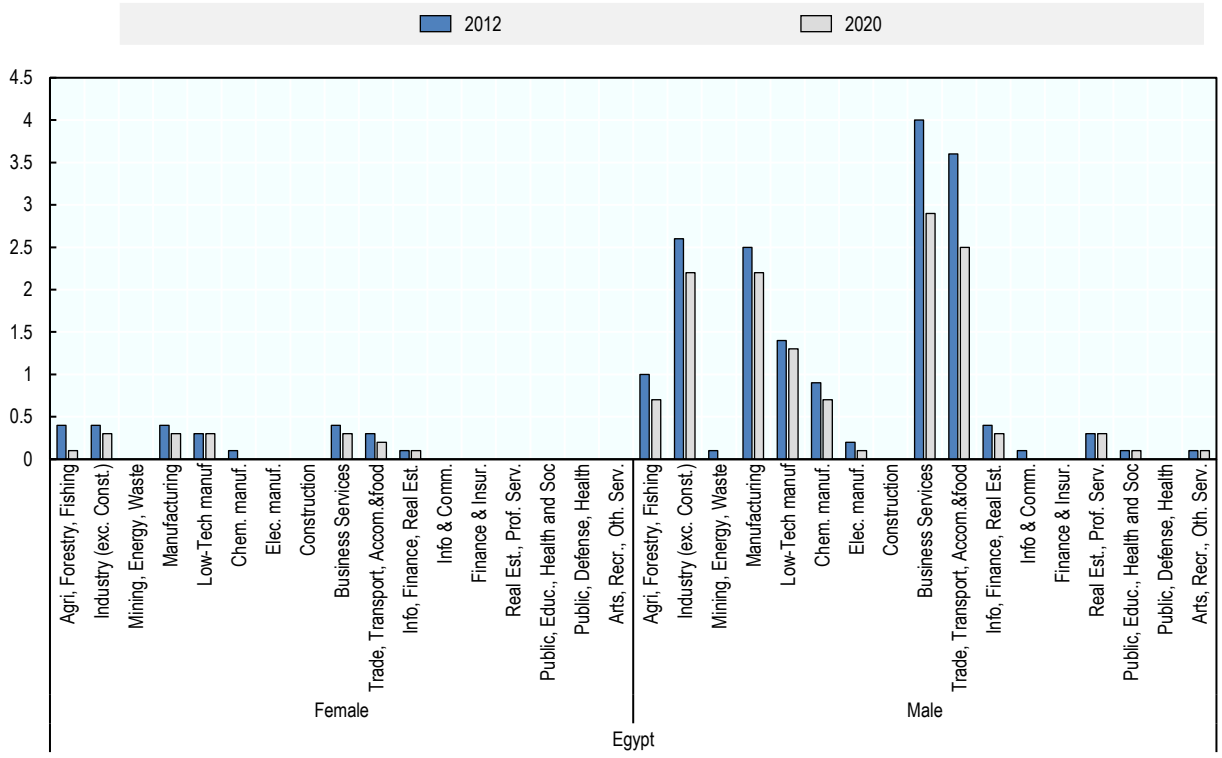
However, the review also points to persistent challenges. A large share of female employment in foreign affiliates remains concentrated in lower-skilled, assembly-line positions, with limited opportunities for career advancement into technical or managerial roles. This occupational segregation suggests the presence of a "glass ceiling" that can limit the full economic empowerment potential of FDI. This underscores the need for policies that not only attract FDI but also actively promote skills development, career progression for women, and investment in higher-value-added activities, thereby maximising the benefits of trade and investment for inclusive growth.

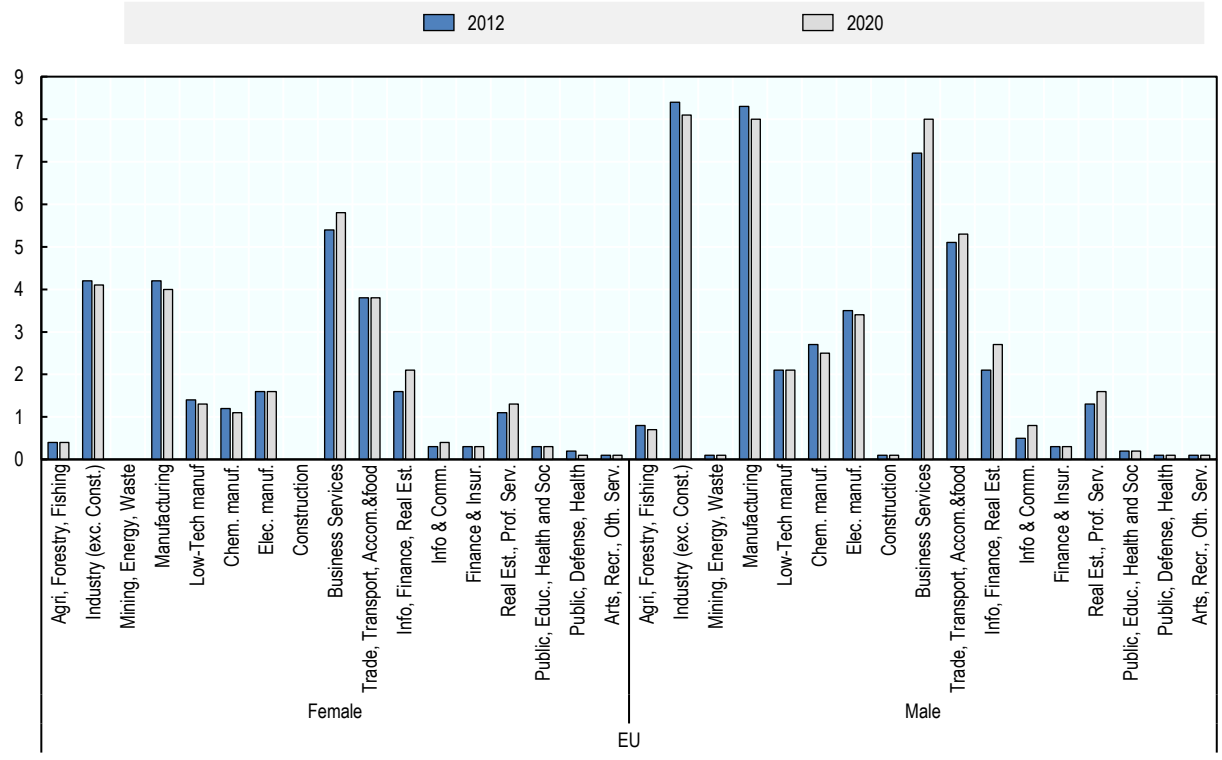
Source: OECD (2024), FDI Qualities Review of Tunisia, OECD Publishing, Paris, and the OECD FDI Qualities Indicators framework.

Figure 1.23. Domestic employment embodied in gross exports

Percentage of employment







Source: OECD, Trade in employment by workforce characteristics (TiMBC) 2023 edition

StatLink https://stat.link/87res6

T6. Digital trade

Why this indicator?

The rapid expansion of digital trade has reshaped global commerce, influencing both traditional and emerging sectors, and the UfM region is no exception. As digital technologies drive new forms of cross-border interactions, mainly trade in services and e-commerce, grasping the scope and scale of digital trade within this region is essential for policy makers seeking to develop effective trade policies and respond to current challenges and opportunities.

The importance of digital trade is evident in both international and regional policy frameworks, such as the ongoing WTO E-commerce Agreement negotiations, the critical discussions surrounding the WTO Moratorium on Customs Duties on Electronic Transmissions, and digital provisions included in numerous trade agreements. Monitoring and assessing digital trade flows allows policy makers to evaluate the benefits these frameworks bring to the region and identify areas where integration can be strengthened, fostering economic connectivity and resilience.

Nonetheless, it is important to note that measuring digital trade is a work in progress (IMF, 2023[4]). Moreover, the absence of partner-disaggregated digital trade flows data in complicates efforts to provide a strong analysis. This data would offer critical support for this assessment, providing a foundation for quantifying digitally delivered services and better understanding digital trade's role in economic development.

Key findings

Digital trade has become a cornerstone of the global economy, accounting for approximately 25% of all international trade (OECD, 2023[5]). The European Union has emerged as a world leader in both exports and imports of digitally deliverable services. For the UfM region, digital trade is particularly significant due to its potential to bridge economic disparities and foster regional integration, promoting innovation and enhancing competitiveness. The E-commerce Agreement currently under negotiation at the WTO offers a valuable framework for facilitating digital trade in the Euro-Mediterranean region. Alongside these negotiations, the long-standing WTO Moratorium on Customs Duties on Electronic Transmissions is a critical element of the global digital trade landscape. This moratorium, which prevents countries from imposing customs duties on electronic transmissions, is a subject of ongoing international debate, particularly concerning its potential fiscal implications (tariff revenue) and its impact on digital industrialization strategies for developing and least advanced economies within the UfM. While proponents argue it fosters digital trade and innovation, concerns exist about its effect on policy space and revenue for emerging digital economies. By establishing clear rules and reducing barriers to cross-border electronic transactions, this agreement can help level the playing field, encourage investment, and create opportunities for businesses and consumers alike.

The UfM countries have experienced a significant expansion in digitally delivered trade flows over the past decade, reflecting the increasing digitalisation of their economies. This expansion has been supported by strengthened digital services, upgraded infrastructure, and an increasing number of internet users across the UfM region.

The COVID-19 pandemic further accelerated digital adoption, especially in less-digitized sectors. For example, a significant portion of digital import and export activities in the UfM countries is driven by services categorized under “Other business activities”. This broad category encompasses a wide range of services, highlighting how digitalization in production and trade is impacting nearly all business activities. Today, cross-border digitally delivered services are the fastest-growing segment of global trade (WTO, 2023).

Moreover, the COVID-19 pandemic amplified a pre-existing trend toward digital trade in international markets, transforming business-to-consumer sales trade (WTO, 2023). In fact, the pandemic spurred a sharp rise in online retail sales and expanded the reach of digital marketplaces (OECD, 2023a; UNCTAD, 2022). The positive trend toward digitally delivered trade is particularly evident in UfM country data, which indicated significant growth beginning in 2019.

Digitally delivered export has experienced a broadly upward trend in UfM economies, with only two exceptions. In Lebanon, digitally delivered flows experienced a marked contraction around 2019-2020, primarily due to a significant decline in financial services, while in Algeria, digitally delivered remained largely stagnant, suggesting limited sectoral advancement (Figure 1.24).

Overall, the primary drivers of digitally delivered exports within the UfM region include computer, financial and telecommunications services. "Other business activities", which encompass a range of activities from research and development to recreational services, also contributed significantly (Figure 1.25).

- In the **Western Balkans** sub-region, strong growth in digitally delivered trade exports has been driven by an expansion in computer services, reflecting both sectoral growth and a rising demand for digital solutions. Meanwhile, the information and communication technology (ICT) sector has emerged as a key driver of economic growth across the Western Balkans, with ICT-sector exports reaching nearly 90% of EU levels (OECD, 2025[6]).
- In **Türkiye**, as measured by TurkStat (Box 1.7), export flows are notably concentrated in insurance and pension services, which account for a substantial share of the country's total digital trade flows.
- Digitally delivered trade exports from **North African** economies have doubled over the past decade, spurred by robust growth across sectors, particularly in computer and business services. These economies are rapidly digitalizing, experiencing a substantial increase of internet users year after year. In Egypt, for example, the number rose sharply from 57% in 2019 to 72% in 2022, highlighting the deepening integration of digital technologies into both daily life and economic activity.
- In **Israel**, the high concentration of digital service exports in computer services highlights the tech sector's significant role in the country's economy.
- The **EU** accounted for approximately 38% of global digitally delivered in 2023, with digital service exports primarily driven by other business services and computer services. Notably, exports of digital financial services and intellectual property charges also make up a substantial share of the total.

An upward trajectory is also evident for digital services imports across most UfM countries (Figure 1.26). This trend is broadly observed across the region, with exceptions in Egypt and Lebanon, where digital trade imports saw a significant decline post-2019.

- In the Western Balkan economies, imports of digitally delivered trade have risen in recent years, driven mainly by "other business activities" and computer services.
- In North Africa and the Levant, digital services imports are driven primarily by sectors such as insurance, pension services, and other business activities.
- The EU showed an upward trend across nearly all import sectors, with a particularly large share in other business activities and computer services.
- Over the period analysed, Türkiye has seen an increase in imports of intellectual property-related charges and computer services, with pension services also representing a significant share of total imports.

Notably, data from all subregions (Figure 1.27) indicates a growing share of digital sector imports related to the ownership and transfer of use rights for digital products, classified as "charges for the use of intellectual property." This trend underscores the increasing significance of trading rights associated with digital products such as music, software, and films (WTO, 2023). Furthermore, the trade of proprietary rights and licensing arrangements plays a crucial role in knowledge transfer and innovation-driven economic development.

Digital trade between countries is significantly influenced by trade provisions and agreements, which establish the regulatory frameworks that facilitate cross-border data flows, digital services, and e-commerce. Among UfM countries, however, **trade agreements with specific digital trade provisions remain limited** (IMF, n.d.[7]). The absence of harmonized digital regulations has led to fragmented regulatory landscapes, heightening compliance costs and creating barriers that hinder digital trade potential across the region. In this regard, efforts are ongoing at the international level to enhance the framework governing electronic commerce (Box 1.6). However, currently, the only UfM agreements incorporating digital trade provisions are those between the European Union and the Western Balkans, along with the bilateral agreement between Türkiye and Serbia.

Notably, the EU has only recently initiated the inclusion of dedicated digital trade chapters in its trade agreements. One example is the digital trade chapter under negotiation in the EU-Tunisia agreement, which aims to establish norms on the free flow of data, coupled with rigorous data privacy protections. These developments indicate the EU's gradual yet increasingly structured approach to integrating digital trade provisions within its regional agreements, aligning with its commitment to data privacy and secure cross-border data flows.

Moreover, since 2022 the EU has begun establishing stand-alone **"digital partnerships",** such as those with Japan, South Korea, and Singapore, which may serve as models for broader cooperation on digital issues. This digital partnership model represents an innovative approach to digital trade that differs from the commitments typically included in traditional EU trade agreements. It addresses a wide spectrum of critical digital issues (such as privacy, cybersecurity, and data governance) while also incorporating specific provisions for digital trade, including paperless transactions, electronic invoicing, digital identities, and online consumer protection (Jacques Delors Institute, 2023).

In parallel, other countries have also started negotiating digital economy agreements. Notably, the Digital Economy Partnership Agreement (DEPA) between New Zealand, Singapore and Chile and the Digital Economy Agreement between Australia and Singapore.

In general, as digital trade gains importance – in terms of both economic impact and associated security considerations – there is growing anticipation that dedicated digital chapters will become more common in trade agreements, reflecting a commitment to developing a cross-country level playing field in the digital domain. In addition, as recently demonstrated by an OECD study, digital trade chapters in trade agreements can double their impact on trade exchanges, with data protection, consumer protection, source code, and cybersecurity potentially delivering the largest gains.

What policy action is needed?

- **Prioritise the development of comprehensive digital trade chapters** in trade agreements. Building upon the WTO's E-commerce Agreement negotiations and on the framework established in recent EU agreements, these chapters should address critical aspects such as cross-border data flows, consumer protection, and intellectual property rights.
- **Harmonise regulations across the UfM:** Harmonising digital regulations across the region will streamline the digital trade environment, reduce barriers to entry, and promote greater legal certainty for businesses engaged in e-commerce.

Definitions

In line with the OECD definition of e-commerce (OECD, 2011), digitally ordered trade is the international sale or purchase of a good or service, conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders. Digitally delivered trade is defined as all international trade transactions that are delivered remotely over computer networks.

The WTO "Digitally delivered services" trade dataset contains WTO estimates on services traded through computer networks, such as the Internet, apps, emails, voice and video calls, and digital intermediation platforms.

Source: WTO Digitally delivered services trade data set, https://www.wto.org/english/res_e/statis_e/gstdh_digital_services_e.htm

Further reading

IMF, OECD, UNCTAD, World Bank and WTO (2023), *Digital trade for development*, Geneva, https://www.wto.org/english/res_e/publications_e/dtd2023_e.htm

OECD (2023), *Going Digital Toolkit*, Paris, OECD. https://goingdigital.oecd.org/

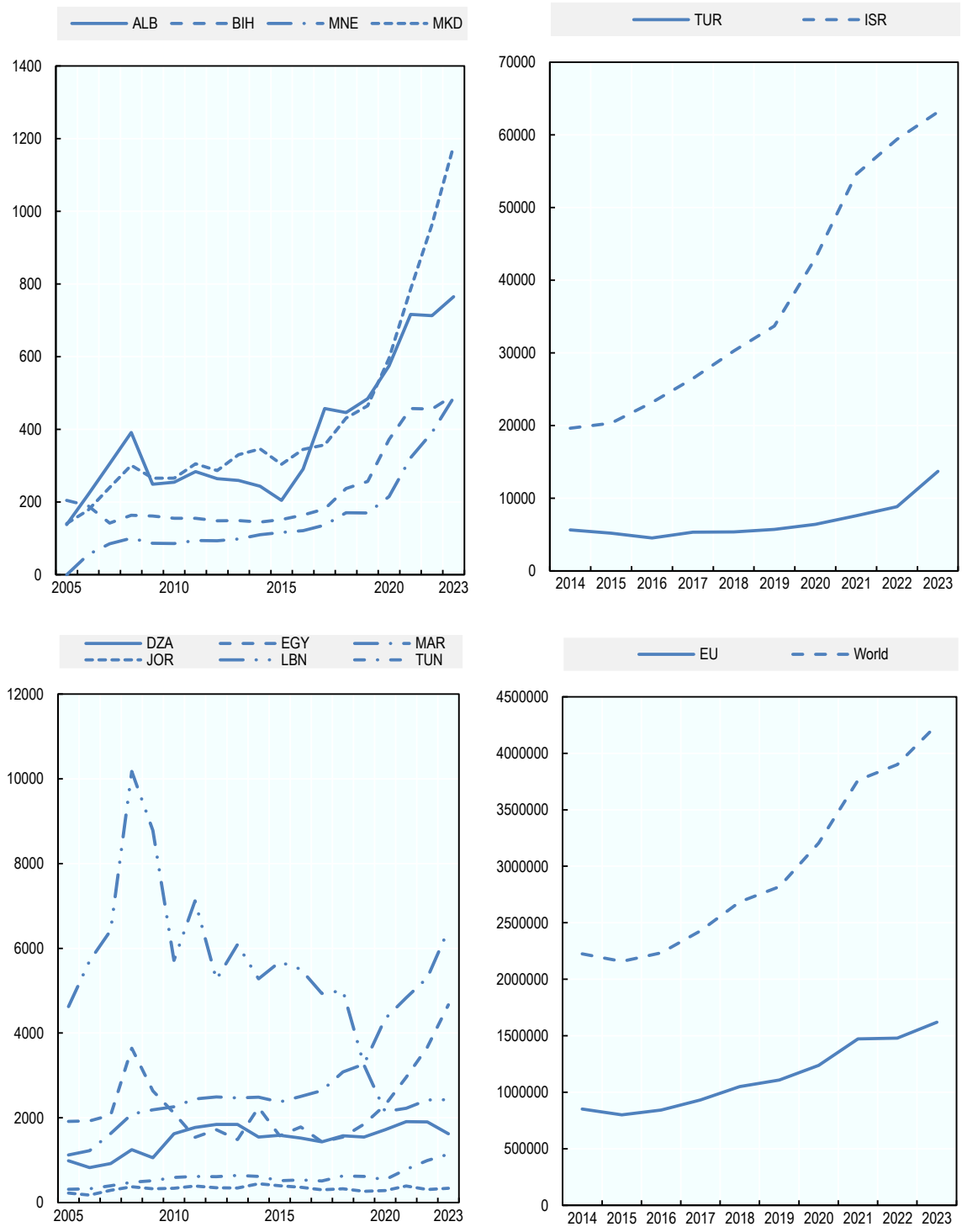
Box 1.6. WTO agreement on electronic commerce

In 2024, World Trade Organization (WTO) members reached a historic agreement on the first-ever global framework governing electronic commerce. The process towards the agreement started at the 11th Ministerial Conference in 2017, where 71 WTO members launched exploratory work on e-commerce trade negotiations, with 76 members formally agreeing to start these talks in 2019. By June 2024, 91 WTO members, representing over 90% of global trade, were engaged in the initiative, which remains open to all WTO members. The negotiated E-commerce Agreement establishes essential ground rules for digital trade, promoting seamless transactions across borders through provisions on electronic signatures and invoicing, while strengthening consumer protections. It also aims to foster a reliable and cost-effective international digital trade landscape through coordinated efforts on cybersecurity – and, critically, it prohibits customs duties on electronic transmissions. By including targeted measures to support developing countries, the agreement also strives to widen participation in digital trade, reflecting the WTO's commitment to fostering an equitable and inclusive global digital economy.

It should be noted that the EU's approach to the negotiation of the e-commerce agreement was deeply linked to its efforts on data protection. Indeed, the EU seeks to permit data flows only when they are aligned with the high data protection standards set by its General Data Protection Regulation (GDPR). This was evident in its proposal for the WTO rules on electronic commerce, where the EU advances a distinctive approach that emphasizes the protection of privacy as a fundamental right. This model reflects the EU's commitment to upholding robust privacy standards in digital trade, ensuring that cross-border data exchanges do not compromise individual privacy protections.

Figure 1.24. Total exported digitally delivered services

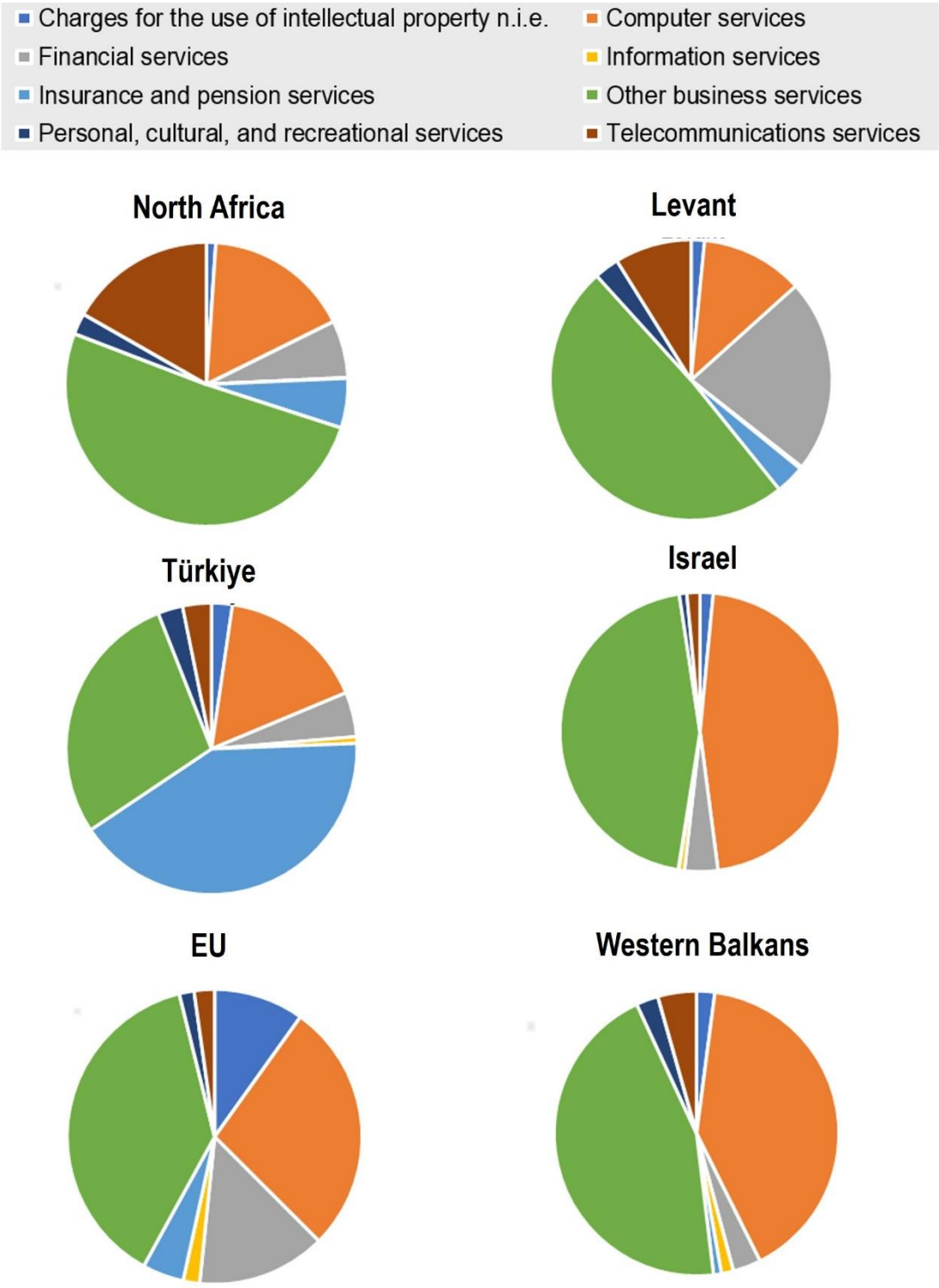
USD million



Source: Digitally delivered services trade dataset, Word Trade Organisation (WTO).

Figure 1.25. Exported digitally delivered services by sector, 2023

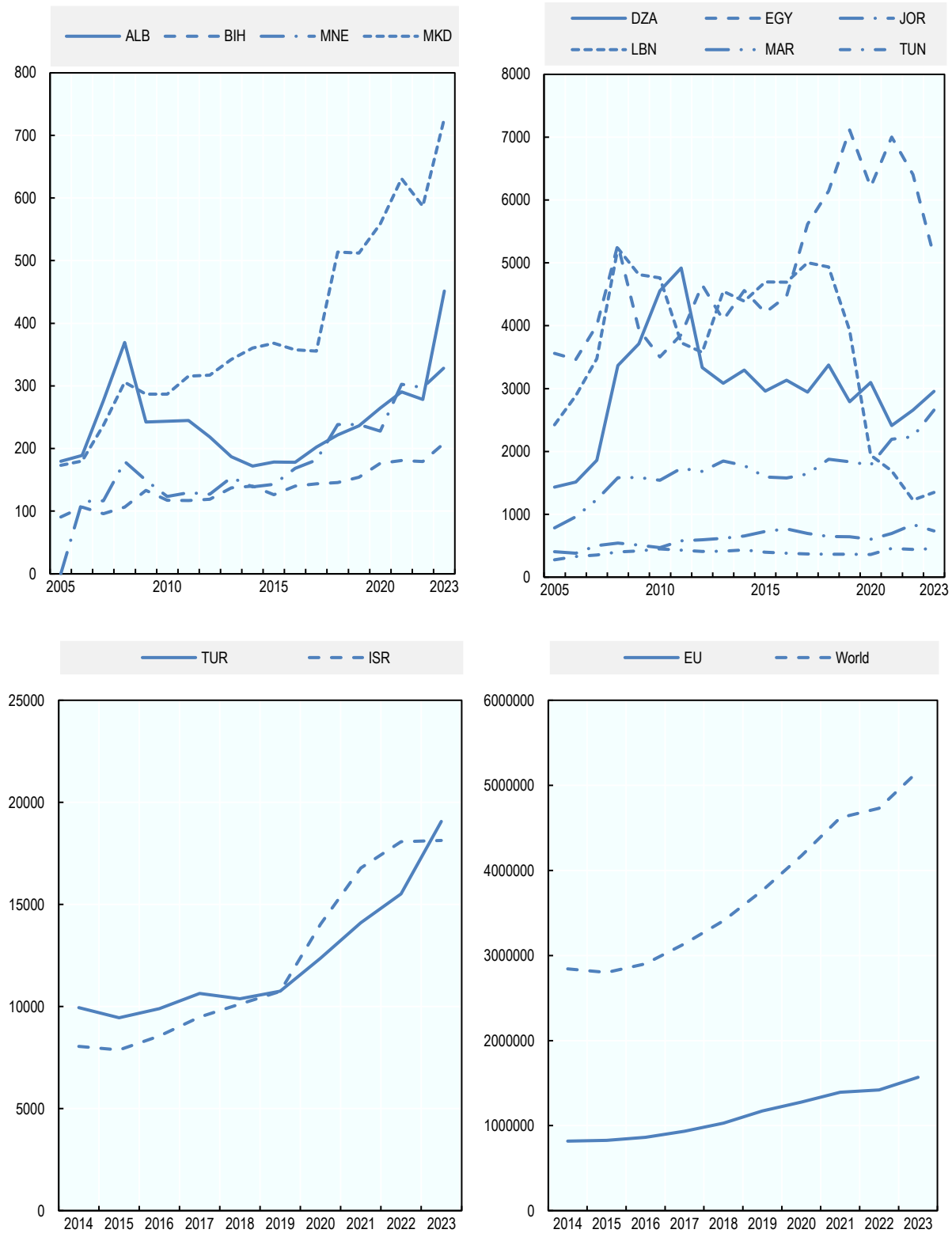
Sectors as share of the total value, USD million



Source: Digitally delivered services trade dataset, Word Trade Organisation (WTO).

Figure 1.26. Imported digitally delivered services

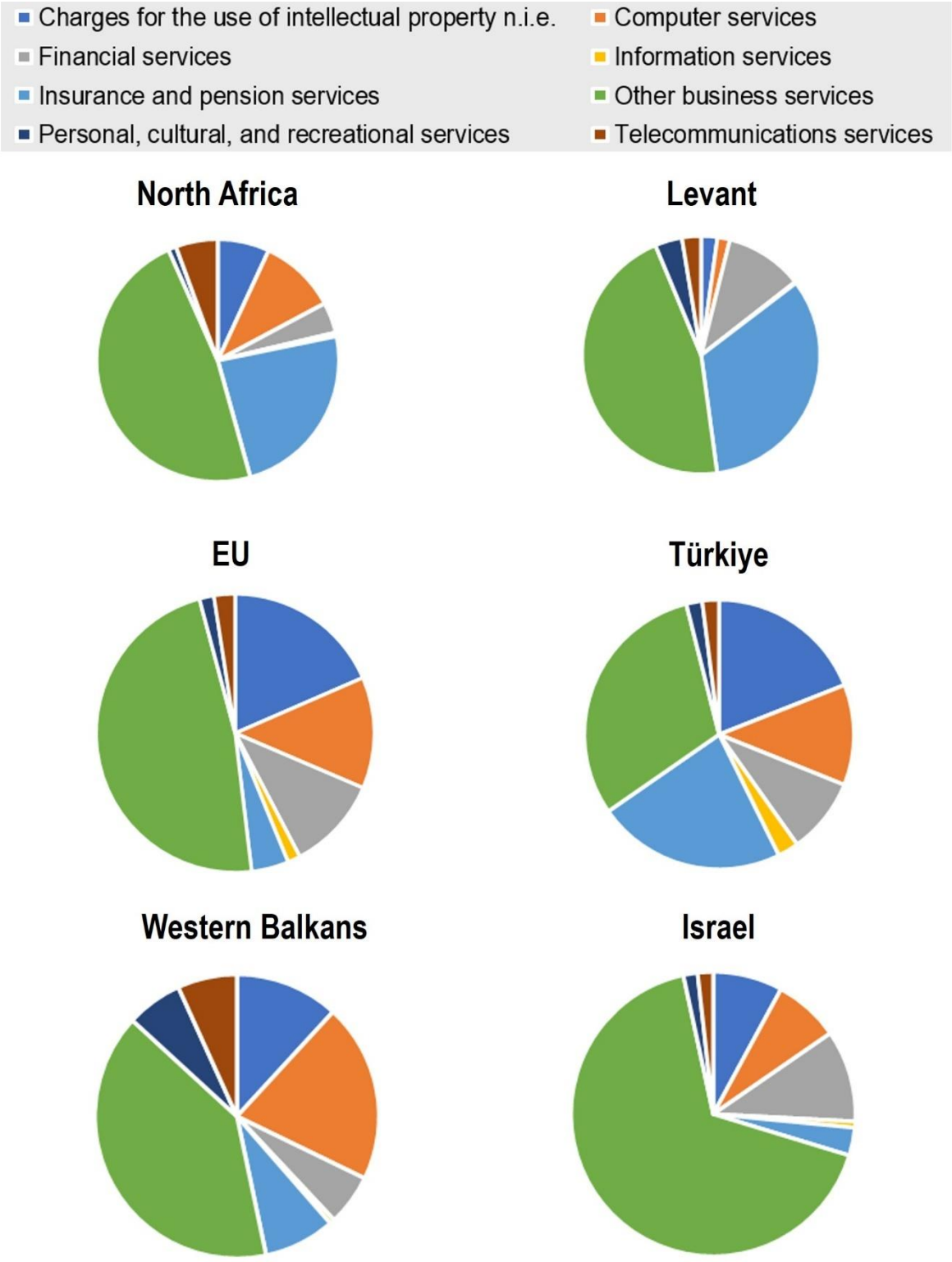
Total, USD million



Source: Digitally delivered services trade dataset, Word Trade Organisation (WTO).

Figure 1.27. Imported digitally delivered services by sector, 2023

Sectors as share of the total value, USD million



Source: Digitally delivered services trade dataset, Word Trade Organisation (WTO).

Box 1.7. Measuring digitally ordered merchandise trade in Türkiye

In Türkiye, official statistics on international trade in goods, produced jointly by TurkStat and the Ministry of Trade, rely on administrative records and cover both the general and special trade systems. These statistics do not specify the share of merchandise trade digitally ordered. To meet the growing demand for timely data on digital trade, a pilot study was initiated to estimate digitally ordered trade in goods, as defined in the OECD *Handbook on Measuring Digital Trade.*

The methodology for measuring digitally ordered trade draws upon three primary data sources.

- **Customs declarations**. These were revised to include a question explicitly identifying digitally ordered transactions. Additional quality checks address inaccuracies, such as the misclassification of non-digital trade involving aerospace products and live animals. These steps ensure a higher standard of accuracy in the collected data.
- **Electronic trade customs declarations (ETCDs)**. Introduced in 2012, ETCDs facilitate the rapid processing of trade transactions at the micro-level, particularly for exports and imports under specific value and weight thresholds. Enhanced legal and IT infrastructure has improved the availability and reliability of ETCD data, which includes origin, destination, value, and product classifications.
- **Postal services**. For this source, efforts are underway to harmonise import and export declaration processes with ETCD standards. While postal-related data compilation is still in development, these efforts aim to improve the capture of digitally ordered trade through this channel.

Initial findings from the pilot study, focusing on ETCD data, indicate that the monthly average value of digitally ordered exports in Türkiye is approximately USD 110 million, representing 0.58 % of total exports. These transactions account for 41 % of total export transactions, with an average transaction value of USD 78. For imports, the monthly average value of digitally ordered goods is USD 16 million, accounting for 0.07 percent of total imports. These transactions represent 21.3 % of total import transactions, with an average transaction value of USD 55.

Source: OECD, Handbook on Measuring Digital Trade, 2023

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2 Finance

The first part of this chapter presents the overall analysis of progress in financial integration since the 2021 Progress Report and introduces the policy recommendations. The second part presents, individually, the indicators that support the analysis and recommendations:

- F1. Financial market development
- F2. Banking system
- F3. Portfolio investment flows
- F4. Remittance flows and costs
- F5. FDI position and flows
- F6. FDI regulatory restrictiveness
- F7. FDI contribution to gender equality in employment and wages

The role of well-developed and integrated financial markets

In recent decades, financial market development and cross-border financial integration have grown rapidly in relation to global GDP. A strong consensus has emerged regarding the positive impact of a well-developed financial system on economic growth. A well-functioning and integrated financial market can enhance access to capital, reduce costs and risks for both creditor and borrowers, and enable a more efficient allocation of resources by broadening investment opportunities. As markets become more integrated, financial institutions benefit from economies of scale, leading to increased efficiency and risk management. Developed capital markets complement the banking system, providing additional sources of financing for investments that banks may be unwilling or unable to fund.

Financial development and integration are influenced by political, legal and institutional determinants These factors influence international financial flows, convergence in asset prices across countries, and foreign penetration in the domestic banking sectors - all key characteristics of global and regional financial integration.

In particular, financial liberalisation has long been considered a cornerstone of financial integration. Empirical evidence demonstrates a positive correlation between capital account openness and economic growth.

Financial integration, however, is not sufficient to ensure the domestic corporate sector access to financing. SMEs often lack the resources needed to fully capitalise on cross-border financial opportunities. It is thus crucial to foster strong local banks and capital markets by upgrading the financial market infrastructure, developing a strong domestic investor base and facilitating access to financing supported by a sound regulatory framework.

Monitoring financial integration in the UfM. The selected set of indicators (F1-F7) focuses on the overall depth and access of financial markets, banking, capital markets, remittances flows and costs, and foreign direct investment (FDI), with an added gender dimension.

Official development assistance (ODA) flows can contribute to financial integration by promoting economic development, but they are not per se an indicator of financial development or integration and therefore were not considered for the monitoring exercise.

What we have observed since the *2021 Report*

The level of financial integration and development within the UfM varies significantly across subregions and countries. These disparities can be attributed to several factors, including differences in GDP per capita, subregional positioning, and the structure and openness of financial markets. For instance, the European Union (EU) exhibits one of the most advanced financial systems globally, although full integration remains incomplete. On the other hand, financial markets in the Western Balkans and the Middle East and North Africa (MENA) regions face challenges such as limited depth, access, and openness, arising from longstanding structural and institutional constraints.

A common characteristic of UfM financial markets is their continued reliance on banking systems as the principal mechanism for capital allocation in both EU and non-EU UfM sub-regions. This also reveals a shared imperative to diversify financing sources in response to global competitiveness challenges. The EU's Capital Markets Union initiative exemplifies the push for a more integrated and dynamic financial system, an ambition that remains critical for other UfM sub-regions.

Financial markets in the UfM continue to be fragmented

The fragmented nature of financial markets within the UfM underscores the need to bridge gaps in institutional harmonisation and financial access. In the Western Balkans, the absence of robust capital markets limits alternatives to bank-based financing, highlighting a shared struggle to broaden financial intermediation. Similarly, in MENA, market segmentation inhibits cross-border capital flows and restricts foreign bank penetration.

Geopolitical risks further complicate the landscape, particularly in MENA. Elevated sovereign borrowing costs, risk premiums, and tightening external financing conditions have heightened vulnerabilities. These factors have exacerbated net portfolio

outflows and discouraged investment, particularly in highly indebted countries. Additionally, the heavy reliance on domestic funding across fragmented markets intensifies the sovereign-bank nexus, creating systemic risks. These dynamics underline the necessity of coordinated risk mitigation strategies that transcend national borders.

Attracting Foreign Direct investment

UfM economies continue to attract significant FDI flows, demonstrating resilience and competitiveness. However, regional disparities persist. The EU's single market facilitates robust intra-regional investment and serves as a benchmark for integration.

In the Western Balkans, proximity to the EU, competitive labour markets, and nearshoring opportunities highlight untapped investment potential. Leveraging these strengths could significantly boost the region's economic integration and dynamism.

In the MENA subregion, although the EU-27 remains the primary source of foreign investment, FDI inflows have underperformed, hindered by perceptions of weak governance, a skills gap, and a lack of private sector competition. In Morocco and Egypt, notable efforts to open capital accounts and remove FDI restrictions are successfully attracting capital inflows and foreign investments to the region, despite external shocks and constant turmoil.

Remittances remain critical

Remittances across the UfM group, have exceeded FDI and ODA (World Bank, 2023[1]), becoming a vital source of external financing, particularly in times of various crises (COVID-19, earthquakes, global shocks, conflict).

Remittances should be seen as a critical vehicle to promote financial integration within the UfM group, given the many intra-UfM channels of transmission across countries. In Lebanon and Jordan, remittances account for about 35% of GDP, underscoring the critical role of the diaspora in those economies. The other MENA countries and the Western Balkans are also predominantly net recipients of remittances which represent more than 5% of GDP, with the exceptions of Mauritania, Algeria, and North Macedonia.

Remittance flows are conditioned by the existence of rigidities in the financial markets and lack of financial instruments in the recipient countries, as well as the costs imposed on such transactions. Improvements in those two areas would be conducive to increasing remittance flows and their economic and social impact across countries and sub-regions.

Contextual approaches to financial market development

The diverse experiences of UfM countries affirm that financial market development and integration are deeply intertwined with broader economic and institutional reforms. The EU's progress in regulatory harmonisation offers valuable lessons, while the gradual liberalisation seen in MENA and the Western Balkans highlights the importance of context-specific approaches.

Measures designed to address these structural challenges - such as diversifying financial instruments, modernising regulatory frameworks, and fostering cross-border cooperation- will be essential to overcoming fragmentation. Tailored solutions that reflect national and regional contexts can enhance market efficiency and resilience, paving the way for a more cohesive UfM financial system. This, in turn, will better position the region to navigate global economic transitions and support inclusive, sustainable growth.

In addition, significant international developments, including the post-COVID-19 economic recovery, tighter global monetary policies, Russia's full-scale invasion of Ukraine, and the ongoing conflict in the Middle East, have had a profound impact on UfM countries. These challenges could hinder progress in economic growth and reforms, particularly in the MENA and Balkan regions. While these countries have taken steps in recent years to support financial market development and improve access to finance, there remains considerable potential to implement further reforms that could stimulate private investment and enhance productivity. Strengthening reform efforts is crucial. In particular, fostering greater competition and reducing market distortions will be vital for reviving productivity growth and ensuring sustainable economic development.

Looking forward, what policy action is needed?

Given the diverse economic and geopolitical contexts within the UfM group, any dimension of financial integration process at the regional level must necessarily be grounded on the ability of each individual country to maintain orderly financial sector development, as well as macroeconomic stability and the capacity to attract and retain foreign direct investments and capital flows.

Banking, capital markets and remittances

Given the dominance of banking finance in the UfM region, strengthening macroprudential frameworks is crucial to mitigate risks, especially in countries with high sovereign debt levels. In addition, governments in the UfM region should promote broader access to finance by incentivising banks to increase lending to the private sector, particularly for SMEs.

In the MENA sub-region, countries should prioritise **reducing the banking sector's exposure to public debt**, as excessive reliance on domestic sovereign debt increases vulnerabilities and elevates credit costs for households and businesses. Furthermore, improving the governance of state-owned banks and fostering a level playing field are critical to limiting the preferential treatment often afforded to state-owned enterprises (SOEs), thereby promoting fairer competition. In this regard, the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* provide robust standards for good practices, offering a framework to enhance the competitiveness, efficiency, and transparency of SOEs while enabling them to manage their responsibilities more effectively.

Actions can be taken to expand digital banking infrastructure, enhance financial literacy, and address gender disparities in banking services. In this context, **improving financial literacy** is essential for educating households and businesses on managing finances, navigating loan applications, and understanding financial products, thereby increasing their confidence in engaging with formal financial institutions.

Regarding capital account openness, **eliminating current restrictions on capital flows**, as set out by the OECD Code of Liberalisation of Capital Movements (OECD, 2024[2]), would help to foster capital market developments and market liquidity. However, evidence suggests that for foreign capital inflows to boost a country's economic growth, it is essential first to increase financial depth and improve the quality of institutions that regulate the financial system.

Strengthening integration within the UfM between non-EU markets and the EU could significantly enhance cross-border capital flows and improve liquidity, particularly for UfM economies with less developed financial markets. A more integrated EU financial market would serve as a conduit for greater capital mobility and resource allocation across borders, offering substantial benefits for growth and financial stability across the UfM region.

Advance the EU financial integration to bolster productivity and competitiveness within the bloc. At the European Union level, significant efforts are underway to advance the integration of the European capital markets, with the recently launched European Savings and Investments Union plan. This initiative is widely recognised as a pivotal step towards reducing market fragmentation, broadening the diversification of financial sources, and fostering increased cross-border capital flows. The creation of an integrated and more accessible European financial market could play a crucial role in catalysing liquidity and capital inflows, and potentially generating positive spillovers towards other UfM economies and enhancing regional financial resilience.

Foster capital market integration and harmonisation with the EU in Western Balkans. Given these ongoing efforts at the EU level, it would be essential for Western Balkan countries in the UfM that are candidates for EU accession to work closely with their EU counterparts in modernising their financial sector frameworks and laws. In doing so, they should advance reforms to bring the legal and financial systems in line with the EU Acquis Communautaire, facilitating closer integration and cooperation. They should also implement key EU regulations, such as the Undertaking for Collective Investment in Transferable Securities (UCITS) to standardize investment fund rules (currently adopted only in Montenegro), adopt the Markets in Financial Instruments Directive II (MiFID II), the Markets in Financial Instruments Regulation (MiFIR), and the pan-European platform for securities settlement TARGET2.

Diversify the financial sector in MENA countries by developing capital markets. This is necessary to expand access to finance and attract foreign capital and reduce cross-border capital restrictions. Equity and corporate bond markets should be

further developed in the sub-region, to be better aligned with regional and global markets. The establishment and development of domestic institutional investors such as insurance corporations and asset backed pension schemes could further support capital markets in the MENA countries.

To promote additional financial sector linkages within MENA and with the rest of UfM countries, individual countries should seek consistency in regulatory reform. Issues related to banking supervision, restrictions on risk management, and transparency of rules, among others, should be part of a technical regional dialogue among MENA countries.

Meanwhile, those countries with more advanced financial markets could become poles of attraction. Jordan, Egypt, Morocco and Türkiye are well positioned to become financial centres in the region, issuing cross-border equity and corporate bonds. This would require a certain degree of diversification in their financial markets, expanding beyond their current bank-dominated systems to include a wider range of financial actors and/or instruments that can best support cross-border investments and coordination of regulatory systems.

As cross-border barriers are progressively reduced and alignment with international regulatory standards is strengthened across the MENA sub-region, the foundation for deeper integration with other UfM economies, including Türkiye and EU member states, will be significantly reinforced. This progression creates an opportunity to promote cross-border banking and encourage a greater presence of European banks in MENA markets, enhancing financial interconnectedness and accelerating broader economic integration.

UfM and the broader MENA region. It is important to highlight the significant role of Gulf Cooperation Council (GCC) economies in exporting capital, especially within the MENA region. In this regard, reducing cross-border restrictions between GCC and UfM countries would further promote capital flows. Improving regulatory convergence, reducing capital controls, and enhancing measures to manage capital flows in times of volatility, can streamline financial transactions between these countries.

Focus on capacity building. For Mauritania and other MENA countries with emerging financial infrastructures, capacity-building should be prioritised in order to lay the foundation for financial sector development. In these contexts, technical assistance and cooperation from EU countries, with bilateral partnerships with individual EU members, can play a pivotal role in supporting timely, context-specific financial reforms.

Finally, regarding **remittances** across the UfM group, it would be essential to harmonise the costs of the legal transactions below 5%, in line with World Bank recommendations, and promote transparency of transfers. In addition, recipient countries should provide incentives to allocate remittance flows to productive capital investments, together with FDI and ODA, with the goal of maximising their effectiveness and impact on development (Box 2.5).

UfM and the broader MENA region. Remittances flows coming from the GCC countries to MENA are of vital importance, especially for Egypt, Jordan, and Morocco. There is significant potential to enhance the efficiency and accessibility of cross-border payments. Expanding access to banking and digital payment systems in both GCC and MENA countries would make it easier and more affordable for expatriates at the GCC to send money to their families. In addition, adopting innovative technologies, like blockchain, to reduce transfer costs would enhance the impact of remittances in the recipient economies. Overall, promoting trade and investment between the GCC and MENA countries would create a more integrated economic environment, indirectly boosting remittance flows.

Foreign direct investment

Release restrictions on foreign equity, simplify approval mechanisms, and eliminate barriers for foreign operators and operations (OECD, 2015[3]). This can significantly enhance the attractiveness of UfM countries to foreign investors, due to the Mediterranean region's geographical position, the vast scale of the market, competitive salaries, and prospects of a closer integration between the EU and neighbouring countries.

Western Balkans countries should continue to benefit from their strategic positioning to continue attracting FDI and to become a nearshoring hub for the EU. By aligning with EU financial and banking regulations, they would create a more attractive environment for investment.

Türkiye continues to attract substantial FDI. With its deepening financial ties to the Persian Gulf states and Asia, Türkiye is well-positioned to serve as a strategic bridge for fostering greater economic and financial integration with MENA countries. This unique role underscores its potential to enhance regional connectivity, drive cross-border investments, and support economic development across neighbouring economies.

Reinforce the legislative framework for investment in MENA. Increasing the predictability and transparency of investment laws should help to reduce regulatory obstacles that can hinder investment and economic diversification. Policy measures should be implemented to improve investor protections, including intellectual property rights; remove restrictions to repatriation of foreign investments and the enforcement of contractual rights; and strengthen dispute resolution mechanisms to offer investors clear, reliable pathways for addressing conflicts.

In addition, specific measures could be implemented to boost investment attractiveness and drive economic diversification. For example, fiscal incentives could be tailored to promote investment in sectors like manufacturing and information and communication technology (ICT) and reduce over-reliance on sectors such as oil, gas, construction, and mining.

Given their geographical position, MENA countries should leverage multilateral trade agreements and the African Continental Free Trade Agreement framework, particularly the Investment Protocol currently under negotiation, to create an accessible regional market.

Finally, Mauritania should continue unfolding its potential as a recipient of new greenfield investments, particularly in the renewable energy sector.

UfM and the broader MENA region. GCC countries are major contributors to FDI greenfield investments in the UfM region. The possibility of linking the GCC-EU investment and partnerships, recently enhanced by joint plans, with the rest of the UfM could provide a great opportunity to increase investment flows in the region. Combining European know-how and technology with GCC financial capabilities and diversification ambitions could help invigorate the necessary and long-awaited integrated development process in the Mediterranean region. Moving forward, existing partnerships between GCC and EU countries could lead to positive spillovers in the MENA economies boosting economic and industrial diversification in the sub-region.

Main Findings	Key recommendations
Financial market development	
In the UfM region, countries feature notable disparities in financial market development, with significant sub-regional heterogeneity.	Increasing the depth of financial markets and improving access to them are necessary goals for advancing financial integration in the UfM.
In the MENA sub-region, the segmentation of financial markets is partly responsible for the relatively low levels of access and depth of the financial sector.	Strengthening integration within non-EU UfM markets and with the EU could significantly enhance cross-border capital flows and improve available financing, particularly for UfM economies with less developed financial markets.
Banking, capital markets and remittances	
The high volatility in portfolio capital inflows and outflows in UfM countries reflects the effects of past and ongoing regional crises, as well as exogenous global shocks.	Improving macroeconomic stability and putting measures in place to mitigate asset price volatility.
The banking sector in the MENA constitutes the primary source of financing, but it is highly protected and allows limited cross-border activities. The gender gap is particularly relevant in terms of bank accounts owners.	Expanding access to banking for households and MSMEs would foster private sector activity. In addition, the financial sector should be further diversified by developing capital market financing. Financial literacy would create confidence and mobilise savings towards capital investments.
Banks in the MENA sub-region are highly exposed to sovereign debt.	Reducing banking sector exposure to public debt would reduce risks and vulnerabilities.
Western Balkan countries exhibit lower levels of capital account openness than EU member countries. No noticeable improvements in financial markets depth and access have been observed since 2017.	Prioritising banking and capital market integration and harmonisation with the EU should be a priority in Western Balkan countries.
Countries in the UfM, particularly in the MENA and the Western Balkans sub-regions, should strengthen their financial infrastructure.	Building capacity should be prioritised to lay the foundation for financial sector development. In these contexts, technical assistance and cooperation from EU countries, with bilateral partnerships with individual EU members, play a crucial role.
Remittances represent a significant source of external financing for UfM countries in the MENA and Western Balkans sub-regions.	Facilitating the transfer of remittance flows through the banking sector should help recipient families to enter the formal financial sector. Reducing costs and taxation on the transfers should act as an incentive.
Remittance flows should also be considered in connection with other capital flows that are being mobilised in the Western Balkans and MENA sub-regions.	Creating specific financial instruments designed to channel remittance flows into the capital market could help increase the impact of remittances on local economies.
Foreign direct investment	
Countries in the UfM, particularly in the MENA have higher FDI restrictions.	Releasing restrictions on foreign equity, simplifying approval mechanisms, and eliminating obstacles to foreign operators and operations could have tremendous benefits in attracting investments from foreign companies into the UfM countries.
FDI inflows in the MENA sub-region have underperformed, hindered by perceptions of weak governance, skills gap, and lack of private sector competition.	Reinforcing the legislative framework for investment in MENA, by enhancing predictability and transparency of investment laws would help to reduce regulatory obstacles that can hinder investment and economic diversification.

F1. Financial market development

Why this indicator?

Financial market development stands out as a vital indicator due to its comprehensive reflection of an economy's structural strength and growth potential. A well-functioning financial market ensures reliable access to financing, reduces borrowing costs, and optimises resource distribution, thereby enhancing economic dynamism and productivity.

From the perspective of financial integration in the UfM, it is relevant to consider the development of the financial market, including depth, access and efficiency, in the different economies of the region, as a pre-requisite to successfully promoting and enhancing financial integration in the overall region. While quantitative indicators provide valuable insights into structural aspects of financial systems, qualitative factors - such as the reforms enacted and the policies implemented - play an equally critical role in shaping the evolution and development of financial markets.

Key findings

In the UfM region, countries feature notable disparities in financial market development, with significant sub-regional heterogeneity. Notably, the Balkans and Middle East and North Africa (MENA) countries display lower levels of financial market depth and access, compared to UfM countries in Western Europe (Figure 2.1, Figure 2.2). To be noted, the analysis of this indicator is limited to data only available until 2021 and therefore does not include further developments that may have occurred since then.

The EU exhibits the highest level of financial market access and depth in the region, making it the most developed and integrated sub-region within the UfM. However, critical reforms aimed at further easing cross-border capital flows are still in progress and remain at the forefront of political debate. Further development and integration of European financial markets are considered a priority goal as the European Commission advances with the implementation of the Savings and Investments Union (Draghi, 2024[4]). This initiative is considered crucial in overcoming remaining financial fragmentation and mobilising capital within the EU market, to support the green and digital transitions. An integrated European capital market would also have beneficial spillover effects in partner economies in MENA and Balkan countries outside the EU.

Türkiye's financial market is aligned more closely with EU countries, even scoring above the EU average in terms of financial market depth. Israel compares to the EU average in terms of financial market depth.

The Western Balkan countries, despite their geographical proximity, are not yet integrated into the larger EU capital markets and continue to rely predominantly on domestic capital markets and banking systems. Despite positive economic growth and moderate increases in GDP per capita, financial markets in these countries remain less developed relative to their EU counterparts in terms of depth and access. These differences in financial market development highlight the need for further reforms and deeper efforts to promote more robust financial sector development and ensure sustainable improvements in market access at the regional level, over the long term.

- Notably, in 2021 Western Balkan countries scored near zero on both the financial market depth and financial market access indexes, ranking below all other sub-regions within the UfM.

In the MENA sub-region, despite some incremental improvements, countries continue to exhibit low levels of financial depth and access. Their financial system reflects a strong concentration in favour of banking services over non-banking alternatives. Indeed, equity and corporate bond markets in MENA are significantly underdeveloped compared to other countries at a similar development stage.

In addition, MENA countries suffer from a predominant role of the state in economic affairs, where SOEs and political affiliates often enjoy privilege access to credit, especially from state-owned banks (Senbet, 2020[5]), distorting the level playing field between state-owned enterprises and privately-owned companies. MENA countries offer financial assistance to SOEs through various channels. This support may come in the form of direct subsidies and transfers, equity injections for bailouts or restructuring, and efforts to reduce debt or resolve arrears. Governments may also extend direct loans or engage in "on-lending" where the state borrows funds and then lends them to SOEs.

- For example, in Egypt, there are more than 700 SOEs with combined assets of around 50% of GDP (OECD, 2024[6]). Subsidies to SOEs account for about 1.3% of GDP (OECD, 2024), excluding implicit subsidies like reduced capital costs, lowered dividends, guarantees, or bailouts.
- In Tunisia, the public debt of 50 SOEs (out of 111) to state banks represented 59.2% of total debt due to banks (World Bank, 2024[7]).

Although, MENA countries have recently registered some progress in terms of GDP per capita, improvements in the depth of financial markets are stagnating. Persistent issues, such as inadequate financial infrastructure indicate that these economies are still trailing in financial market development.

- Notably, the only country showing a modest increase in the financial market depth index is Lebanon, which records the highest value among the peers at 0.32 in 2021.
- The rest of MENA countries remained below the 0.2.

MENA countries show a very low level of financial market access as well. As noted in the previous UfM report (OECD, 2021[8]), none of the MENA countries exceeded the 0.5 threshold for financial market access (see Graph 2.2 below). Morocco and Jordan, followed by Egypt, exhibited the highest levels within the region. However, the remaining countries in the MENA region continued to display significantly lower financial market access, with indices close to 0.

In recent years, several countries in the MENA region have embarked on structural reforms to address weaknesses in their financial markets and institutions. These reforms are designed to align with international standards, attract greater foreign investment, and strengthen domestic markets to reinforce the banking sector and expand access to financial services.

In Morocco, the government has outlined its ambitions through the "New Development Model," a strategic framework underpinning the 2021–2026 government programme. This model places investment at the heart of economic revitalisation efforts. In 2022, the government introduced a significant initiative with the adoption of the new Investment Charter (*Charte de l'Investissement*.) This framework seeks to stimulate business investment through financial incentives and measures to enhance the business environment, as noted by the OECD (OECD, 2024[9]).

- The Investment Charter sends a strong signal of Morocco's commitment to reform, focusing on investment support mechanisms, improving the business climate, and establishing unified investment governance at the regional level. The reform aims to attract approximately MAD 30 billion in private investment from domestic and foreign investors (OECD, 2024[9]).
- To support the implementation of the new Investment Charter, a National Investment Commission was established in 2022 with expanded powers. This body now approves investment agreements between the state and investors, designates "strategic status" to key projects, and oversees the alignment of these investments with the country's broader economic development objectives.

In Jordan, the Central Bank is advancing efforts to strengthen the resilience of the banking system, which plays a pivotal role in the country by enhancing its supervisory framework and aligning prudential regulations, including asset classification, with the Basel Core Principles. Additionally, the Central Bank, in collaboration with the government, is developing comprehensive guidelines and instructions for Emergency Liquidity Assistance. Efforts are also underway to further enhance the effectiveness of the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework, ensuring continued compliance with international standards.

- In parallel, Jordan has taken significant steps to advance structural reforms as part of its Economic Modernisation Vision. This ambitious initiative seeks to foster a stable and conducive environment for business and investment, underpinning sustainable economic growth and increased private sector participation.

In Egypt, reform designed to enhance access and depth of financial markets and attract foreign investment remain a key policy focus. This includes initiatives targeting the legislative framework, such as the 2017 Investment Law, which lifted most ownership restrictions for foreign nationals, alongside broader macroeconomic reforms under an IMF-supported programme aimed at stabilising the economy and improve macroeconomic conditions.

In addition, recent legislative reforms in Egypt have strengthened the regulatory framework, including significant amendments to the Companies Law, Bankruptcy Law, and Customs Law.

- One of the most notable advancements is the ratification of the Bankruptcy Law in 2021, a landmark reform that decriminalises bankruptcy for firms. This law allows businesses to restructure and continue operations during insolvency proceedings, drawing comparisons with the United States' Chapter 11 Bankruptcy Code. By reducing the stigma and risks associated with insolvency, this reform is expected to enhance credit availability, fostering greater bank lending to firms. Additionally, expedited insolvency resolution processes are widely acknowledged as critical drivers of economic growth (OECD, 2024[6]).

Complementing these reforms, the Central Bank of Egypt (CBE) is implementing its Financial Inclusion Strategy for 2022–2025 (OECD, 2024[10]). This strategy prioritises improving financial literacy, strengthening the financial capabilities of consumers and micro, small, and medium-sized enterprises (MSMEs), and enhancing the capacity of financial sector personnel. It also includes "train-the-trainer" programmes to ensure the widespread dissemination of financial expertise. Collectively, these efforts are pivotal to establishing a more inclusive, resilient, and growth-oriented financial system that underpins Egypt's broader economic development objectives.

Box 2.1. The role of payment systems in financial development

A modern payment infrastructure is fundamental to foster financial development as it enhances the speed and reliability of transactions, reduce costs, and improve access to financial services, which are critical for both businesses and individuals.

A noteworthy development in this area is the Agreement for the Creation of an Instant Payment System in the Western Balkans. The initiative, signed in January 2025, led by the Bank of Italy in collaboration with the Central Banks of Albania, Bosnia-Herzegovina, Kosovo, Montenegro, and North Macedonia, aims to extend the functionality of TIPS (TARGET Instant Payment Settlement), the euro system's platform for real-time payment settlements, to these countries.

Under this agreement, the Bank of Italy will supply an instant payment system to the Western Balkans, based on a clone of the TIPS service. This new platform will enable real-time payment processing in the local currencies of the participating countries and will include a bilateral link to integrate payments between the TIPS-served areas and the Western Balkans. Scheduled to become operational within 18 months, the initiative provides a technologically advanced and cost-effective solution to enhance financial integration in the region.

By replicating the success of the TIPS, this initiative is expected to play a pivotal role in improving the efficiency and interoperability of payment systems, thereby fostering greater financial and economic cohesion between the Western Balkans and the Euro system.

What policy action is needed?

- **Increase the depth of financial markets and improve access to them** to improve financial integration in the UfM. Reforms should aim to at overcome financial fragmentation and further ease cross-border capital flows.
- **Diversify financial systems in the MENA countries** to promote alternative instruments for investors and develop capital markets as a complement to bank financing, such as equity and corporate bond markets.
- **Encourage financial literacy among households and companies** to stimulate demand for financial securities and direct savings into the capital markets.
- **Create a better level playing field for private sector activities** by eliminating privileged access to finance for SOEs.

Data limitations

While the analysis provides valuable insights into financial market development across UfM countries, it is important to acknowledge certain limitations. The data used in this indicator extend only until 2021, and therefore do not account for significant global events that have since unfolded. Key developments, such as the post-COVID-19 economic recovery, tight monetary policy, the impact of Russia's full-scale invasion of Ukraine, and the conflicts in the Middle East, are likely to have substantial implications for the development of financial markets in the region.

Higher inflation and interest rates have severely hindered financial market access, widening disparities in financial market developments within the UfM group of countries. For example, rising borrowing costs have substantially increased pressure on issuance by central governments in MENA sub-region where gross borrowing declined by 10% in 2023 pushing refinancing risks up – in Egypt the decrease is equivalent to 26% of GDP (OECD, 2024[11]). These conditions, especially in lower-income economies where affordability and market liquidity are already constrained, negatively impacted market liquidity and development. As a result, countries that were already facing challenges in their financial sectors may experience additional new pressures and an urgent need to reform.

Furthermore, in the MENA region, ongoing conflicts are exerting additional strain on countries such as Lebanon and Egypt. This could not only stall progress in financial market development but also lead to broader economic instability, with potential spillover negative effects across the UfM region.

Definitions

The IMF's Financial Market Development Index measures the depth, access, and efficiency of financial institutions and financial markets. It is based on the Financial Institutions Access Index and Financial Markets Depth, which summarise how developed financial institutions and financial markets are in terms of their **depth** (market size and liquidity); **access** (ability of individuals and companies to access financial services); **efficiency** (the ability of institutions to provide financial services at low costs with sustainable revenues and the level of activity of capital markets).

Overall, "financial market development" refers to the ability of markets to function as intermediaries and stimulate growth by reducing information and transaction costs. It is driven by an increased demand for capital from companies and households, and supply of capital by investors, along with macroeconomic stability achieved through appropriate polices.
Source: IMF Financial Development Index Database https://data.imf.org/?sk=f8032e80-b36c-43b1-ac26-493c5b1cd33b

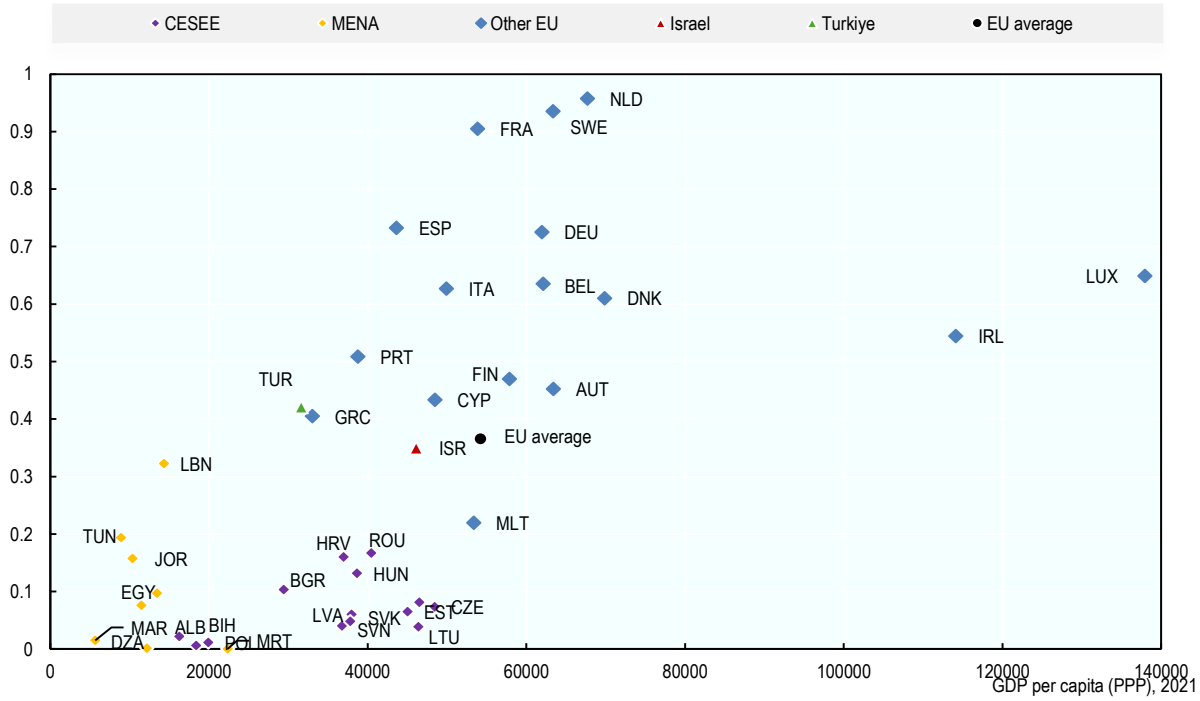
Further reading

Alter, A., Hlayhel, B., Kroen, T., and Piontek, T. (2024), *Financial Stability in A Higher-for-Longer Interest Rate Environment The Case of the Middle East and North Africa*, International Monetary Fund, https://www.imf.org/en/Publications/WP/Issues/2024/04/05/Financial-Stability-in-a-Higher-for-Longer-Interest-Rate-Environment-The-Case-of-the-Middle-546920

International Monetary Fund (2022), Monetary and Capital Markets Department, *The Sovereign-Bank Nexus in Emerging Markets*, Global Financial Stability Report, USA, https://www.imf.org/en/Publications/WP/Issues/2022/11/11/The-Sovereign-Bank-Nexus-in-Emerging-Markets-in-the-Wake-of-the-COVID-19-Pandemic-524070.

Figure 2.1. Financial market depth in UfM countries

0 (lowest level) to 1 (highest level); GDP per capita, 2021

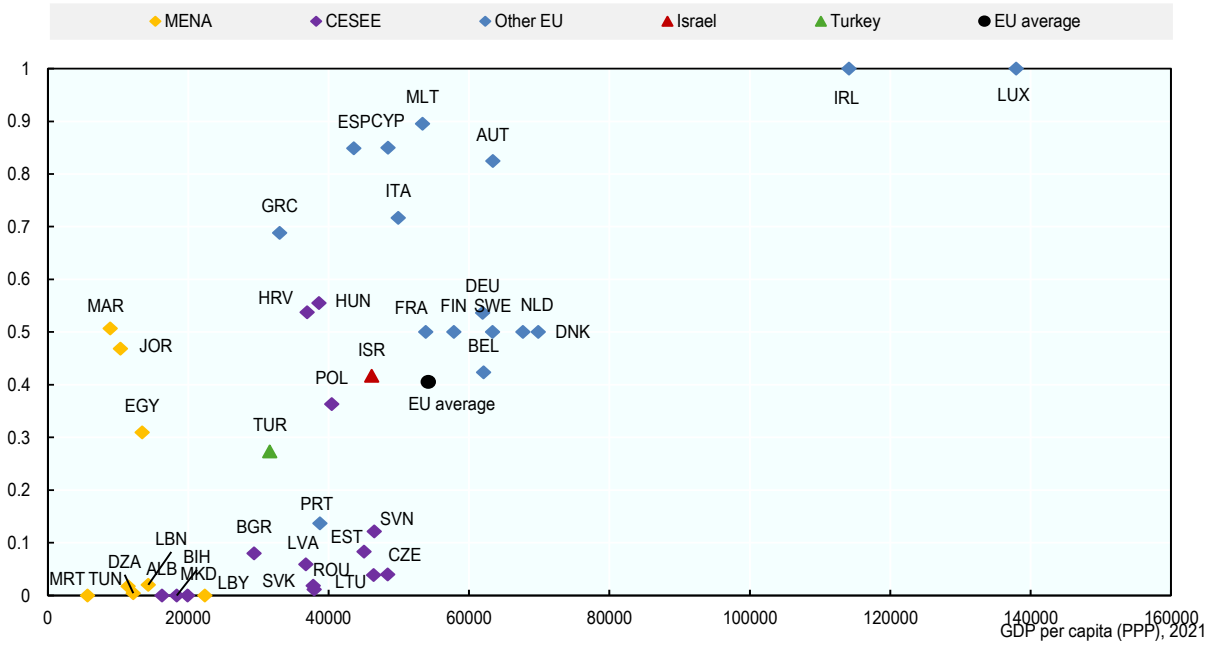


Note: GDP per capita is based on purchasing power parity (PPP) constant 2021 US dollars. Data for Montenegro are not available.
Source: Author based on the IMF Financial Development Index database and World Bank data. Financial Development - Story - IMF Data

StatLink https://stat.link/94u0fd

Figure 2.2. Financial market access in UfM countries

0 (lowest level) to 1 (highest level); GDP per capita, 2021



Note: GDP per capita is based on purchasing power parity (PPP) constant 2021 US dollars. Data for Montenegro is not available
Source: Author based on the IMF Financial Development Index database and World Bank data, Financial Development - Story - IMF Data

StatLink https://stat.link/ilrm90

Box 2.2. Developments in Islamic finance

Islamic finance provides a range of financial products and services comparable to those in the conventional financial sector but operates under distinct principles. Islamic banks adhere to the precepts of shari'ah (Islamic law), which prohibit the charging of interest (*riba*), speculative transactions (*maysir*), and investment in activities deemed non-compliant, such as gambling or the sale of alcohol (OECD, 2021[8]). Islamic finance has an established presence in the broader MENA region, particularly in the Gulf Cooperation Council countries (GCC), as well as in Southeast Asia. It is expanding also in Sub-Saharan Africa, Western Europe, and Central Asia, in jurisdictions with significant Muslim populations.

The distribution of Islamic finance assets reflects the industry's growing global reach. In 2023, the GCC region accounted for more than half of total global Islamic finance assets, underscoring its dominant role in the sector. This position is primarily supported by the region's well-established Islamic banking sector, which continues to expand. Additionally, the GCC has witnessed the further development of market of *sukuk* (Sharia-compliant financial certificates representing ownership in underlying assets) and increased interest in Islamic insurance, although these segments remain comparatively smaller. Other regions, including Sub-Saharan Africa, Europe and Central Asia, and Asia, represent smaller but expanding markets. While their current shares remain modest, they offer significant potential for growth, supported by increasing awareness and demand for shari'ah-compliant financial products in largely untapped markets (Figure 2.3).

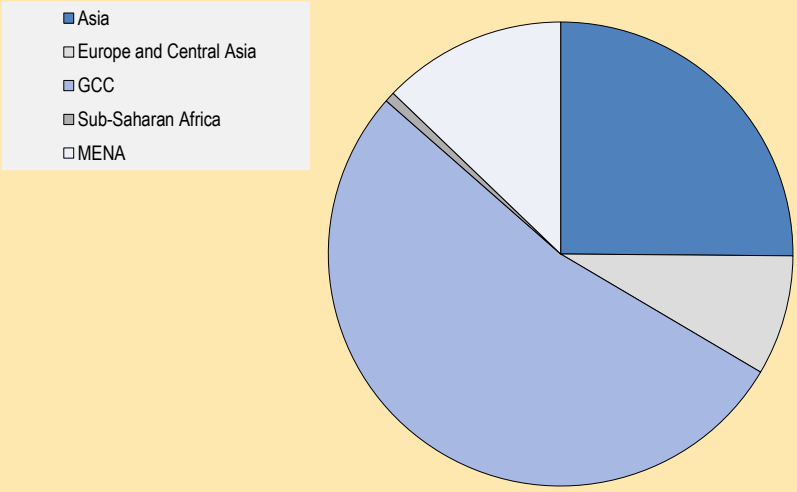
The Islamic banking sector has demonstrated strong growth and resilience over the past five years despite global economic challenges. Financing growth has been primarily driven by the household, real estate, wholesale, and construction sectors, which have benefited from improved economic conditions during the post-pandemic recovery.

Among the fastest-growing markets, Islamic banks in the GCC region recorded an annual asset growth rate of approximately 8.4% at the end of 2023. This expansion was supported by non-oil sector growth, a robust labour market, and fiscal policies that encouraged investment and economic activity. Key contributors to financing growth included the real estate, household, construction, and manufacturing sectors.

In the broader MENA region (excluding the GCC), Islamic banking assets grew at a more moderate pace, increasing by 3.17 %year-on-year in the fourth quarter of 2023. Growth in this region remained largely aligned with that of conventional banks. However, oil production cuts, rising inflation, and trade imbalances in oil-importing economies constrained overall performance (Islamic Financial Services Board, 2024[12]).

Figure 2.3. Islamic finance by world region, 2023

Percentage of the total

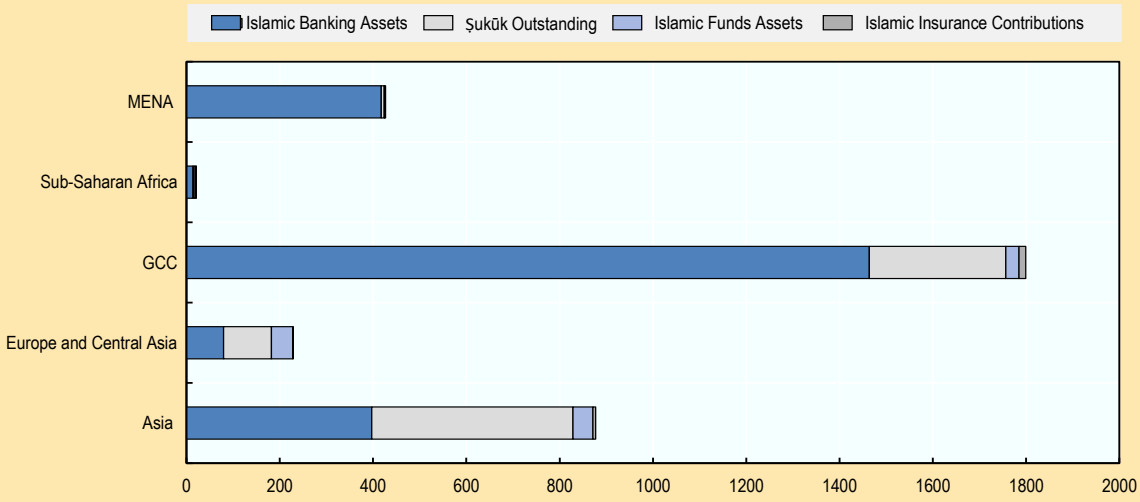


Source: Islamic Finance Service Board, Stability Report (2024). *Islamic Financial Services Industry: Stability Report*, https://www.ifsb.org/wp-content/uploads/2024/09/IFSB-Stability-Report-2024-8.pdf.

Islamic capital markets, particularly sukuk issuance, continue to be a key driver of growth in the industry. Total sukuk outstanding reached USD 850 billion in 2023, reflecting a 2.45%year-on-year increase. Sovereign and quasi-sovereign issuances accounted for 52.51% of total sukuk issuances, up from 50.41% in 2022. Positive trends were observed across the GCC, Europe and Central Asia, and Asia. The East Asia and Pacific and GCC regions remained the primary hubs for sovereign sukuk issuances. Notably, 2023 saw several debut sovereign issuances, including from Egypt and the Philippines, reflecting broader adoption and acceptance of Islamic financial instruments (Islamic Financial Services Board, 2024[12]) (Figure 2.4).

Figure 2.4. Islamic finance by type of asset and region, 2023

USD million



Source: Islamic Finance Service Board, Stability Report 2024.

F2. Banking system

Why this indicator?

Analysing the banking sector within the UfM region is pivotal for understanding the overall financial sector and its integration dynamics. Given the crucial role of banks as primary financial intermediaries, their performance and stability significantly affect financial stability, capital flows, financial inclusion, foreign investments, and overall economic resilience.

Key indicators, such as the ratio of bank-assets-to-GDP, shed light on the size and depth of the banking sector relative to economic output, highlighting the capacity of banks to mobilize and allocate resources efficiently within the economy. Capital adequacy ratios are also important to assess the liquidity and solvency of existing banks.

Domestic credit to the private sector, on the other hand, offers another vital perspective, as it measures banks' capacity to extend financing to businesses and households - a fundamental driver of economic growth and inclusion. The analysis of these indicators helps understanding the role of banks in supporting financial sector development and fostering greater integration across the UfM region.

Key findings

The banking sector is the dominant component of the financial landscape in the UfM economies. In the EU, although banks are still the most important actor in the financial sector, non-bank financial institutions and capital markets are growing in importance, driven by initiatives aimed at diversifying funding sources and enhance financial stability. However, capital markets in the EU remain less developed than in the United States and the United Kingdom.

In the Western Balkans and the MENA sub-regions, alternatives to bank-based financing are more limited. Banks account for approximately 90% of total financial assets in most countries within the Western Balkans sub-region, as of 2022, compared to around 50% of total financial assets held by banks in the Euro Area (OECD, 2024[13]).

The banks' assets-to-GDP ratios in the Western Balkans remain comparatively low relative to both EU and MENA economies, suggesting potential for banking expansion in the sub-region (Figure 2.5).

- Egypt, Jordan, and Morocco are exceptions, with ratios of bank assets to GDP around 100% in 2021, a relatively high level by emerging market standards (OECD, 2024[6]).

Regarding capital adequacy ratios, despite some regional differentiation, the banking sector in the UfM generally appears to be well-capitalized and liquid.

Western Balkan banks are notably conservative in credit provision, with outstanding loans from commercial banks at approximately 43.6% of GDP in 2021, significantly below the EU average of 63.4% (OECD, 2024[13]).

In the MENA region, banks are broadly well-capitalised and continue to generate profits, although vulnerabilities persist. Capital adequacy ratios across the sub-region consistently exceed regulatory minimums, even as most COVID-19-related relief measures have been withdrawn (IMF, 2024[14]). Overall, profitability has rebounded in MENA since the pandemic, with banks showing positive return-on-asset (ROA) levels, except for Lebanon, which recorded a negative ROA in 2021 due to periods of prolonged economic distress (Figure 2.6).

Deposits are the primary funding source for banks in the MENA sub-region, which brings structural risks; the potential for sudden withdrawals in response to regional instability raises the risk of liquidity shortages.

In addition, banks in the sub-region remain heavily exposed to domestic sovereign debt, creating vulnerabilities. In economies where banks hold substantial shares of domestic sovereign debt, heightened exposure to interest rate risk and deteriorating sovereign credit conditions could pose spillover risks to financial sector stability (Deghi et al., 2022[15]) (World Bank, 2024[16]). Additionally, the sector faces risks from interest rate volatility and potential monetary policy tightening since inflationary pressures are still threatening the region and the global economy.

Bank lending to the government can crowd out financing for the private sector through two primary channels. First, when governments engage in significant deficit finance by borrowing from banks, this drives up interest rates, raising the cost of

capital for the private sector. Second, banks tend to favour investing in government bonds, which are perceived as safer assets, rather than extending credit to private enterprises, which are viewed as riskier ((Ayadi, 2015[17]); (Shetta and Ahmed, 2016[18]). Moreover, state-owned banks and pension funds may be subject to "moral suasion" from governments, encouraging them to purchase government bonds rather than lending to the private sector, thereby further constraining access to credit for businesses (EIB, 2022).

Limited access to finance acts as a constraint for private business sector activity. For instance, in Egypt, Algeria, and Albania, domestic credit to the private sector is approximately 30% of GDP (significantly below the EU average of 80%) underscoring a major constraint on financial access and economic growth. Conversely, countries like Jordan, followed by Morocco and Tunisia, have private sector credit-to-GDP ratios closer to the EU benchmark, reflecting more developed and competitive banking systems that support broader financial access for businesses and households.

Morocco has seen improvements in banking sector competition in recent years, driven by regulatory reforms, liberalization efforts, and an increased presence of foreign capital (OECD, 2024[19]).

Regional data for the UfM group shows a decline in private sector credit in 2023 compared to 2020 (Figure 2.7). This contraction is largely attributable to tighter global and national monetary policies as well as relatively high interest rates, which have constrained lending activity across much of the UfM region. Credit constraints have been further aggravated by the spillover effects of high interest rates in the Euro area, which have dampened lending activities by European banks in the region. This is particularly significant given that many European banks are active in non-EU countries within the UfM. For instance, cross-border banking operations by French and Italian banks, which have a strong presence in Morocco and Egypt, have been directly affected by the interest rate policies of the European Central Bank. Similarly, this dynamic play a critical role in the Western Balkans, where credit markets are closely interconnected with the European Union, especially with Germany, Austria, and Italy. This trend underscores the impact of monetary tightening on financial sector development and reinforces the need for strategic policy adjustments to support sustained financial access and resilience amidst shifting macroeconomic conditions.

Access to finance remains a significant constraint also for individuals across the UfM region, with the EU maintaining the highest levels. Data on the proportion of adults with a formal bank account reveal notable disparities both between and within sub-regions (Figure 2.8). In the Western Balkans, Bosnia and Herzegovina shows a relatively high level of financial inclusion, with account ownership rates approaching those in the EU.

In contrast, MENA countries record substantially lower account ownership levels, with less than 50% of adults holding a formal bank account.

Gender disparities in financial access are also particularly pronounced, with account ownership rates significantly lower among women compared to men. This gender gap underscores ongoing barriers to financial inclusion and highlights the need for targeted measures to improve access to financial services for underserved populations.

UfM and the broader MENA region. Banks from GCC countries present in the UfM region seek to tap into new markets, diversify their portfolios, and reduce their reliance in their regional market. They are leveraging their strong financial markets due to their substantial oil revenues, to expand their footprint in Europe, MENA, Türkiye and the Balkans. GCC banks are forming strategic partnerships with European banks that can help them expand their reach and offer a range of services to European clients. In addition, they bring expertise in Islamic finance offering Sharia-compliant financial products that cater to a niche market in Europe, MENA, and Türkiye. Although MENA countries face liquidity constraints and funding challenges, as well as regulatory complexities that impact the operations and profitability of GCC banks, the growth of Islamic finance in the region is acting as a facilitator for GCC investments. For example, Al Baraka Bank, based in Bahrain, is offering Islamic banking services in Tunisia. Similarly, improving relations between the GCC and Turkey have boosted investment in Türkiye 's Islamic banking system. Emirates NBD and Kuwait Finance House (KFH) have a significant presence in Türkiye. In addition, Qatar National Bank (QNB) and Burgar Bank from Kuwait remain also active there. Despite being particularly affected by the economic volatility of the Turkish economy and the economic challenges involved, these banks continue to see its market potential and seek to further diversify.

What policy action is needed?

- **Strengthen macroprudential frameworks** to mitigate risks in the banking system across the region, particularly where reliance on sovereign debt and deposits heightens liquidity and interest rate vulnerabilities.
- In MENA and the Western Balkans, governments should incentivise financial institutions to increase lending to the private sector, with a focus on SMEs.
- **Promote financial inclusion**, particularly in the MENA region, by expanding digital banking infrastructure, enhancing financial literacy programmes, and addressing gender disparities in access to banking services.
- **Enhance governmental collaboration to promote regulatory convergence** within the UfM and with the GCC to reduce operational barriers and support the regional expansion of financial institutions.

Definitions

The ratio of bank assets to GDP is calculated based on total assets held by deposit money banks as a share of GDP. Assets include claims on the domestic real nonfinancial sector which includes central, state and local governments, nonfinancial public enterprises and private sector. (*Deposit money banks comprise commercial banks and other financial institutions that accept transferable deposits, such as demand deposits*).

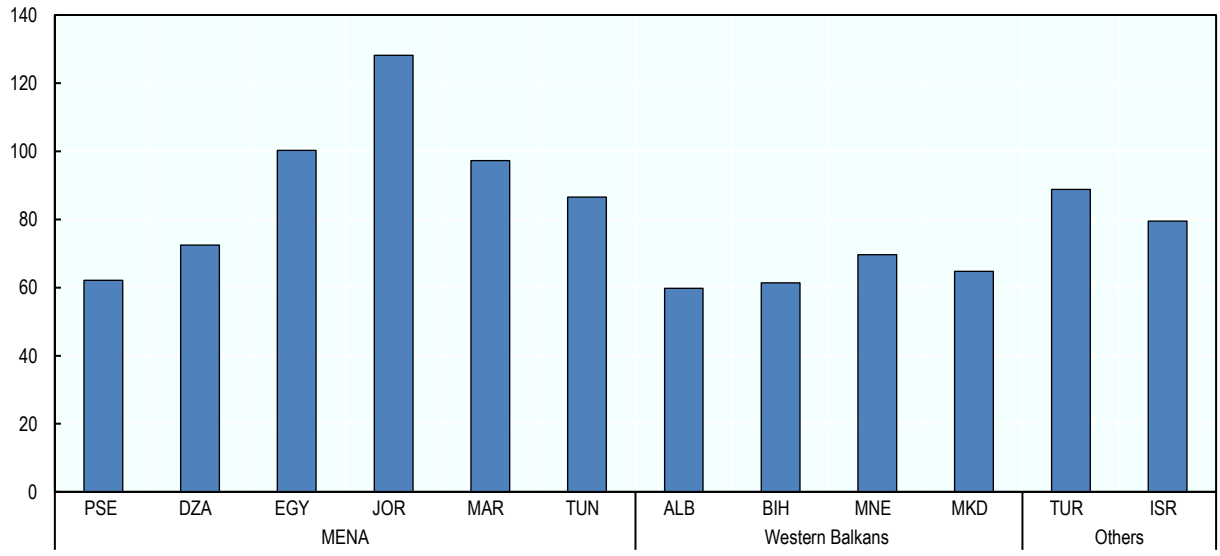
The bank return-on-assets (ROA) ratio measures the profitability of a business in relation to its total assets. The ROA is a company's net income over its total assets.

The share of people aged 15+ with a bank account is the percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution, female (% age 15+).

Domestic credit to private sector by banks, as a share of GDP, refers to the financial resources provided to the private sector by other depository corporations (deposit taking corporations except central banks), such as through loans, purchases of nonequity securities, and trade credits and other accounts receivable, that establish a claim for repayment. For some countries these claims include credit provided to public enterprises.

Figure 2.5. Bank assets to GDP ratio, selected UfM countries, 2021

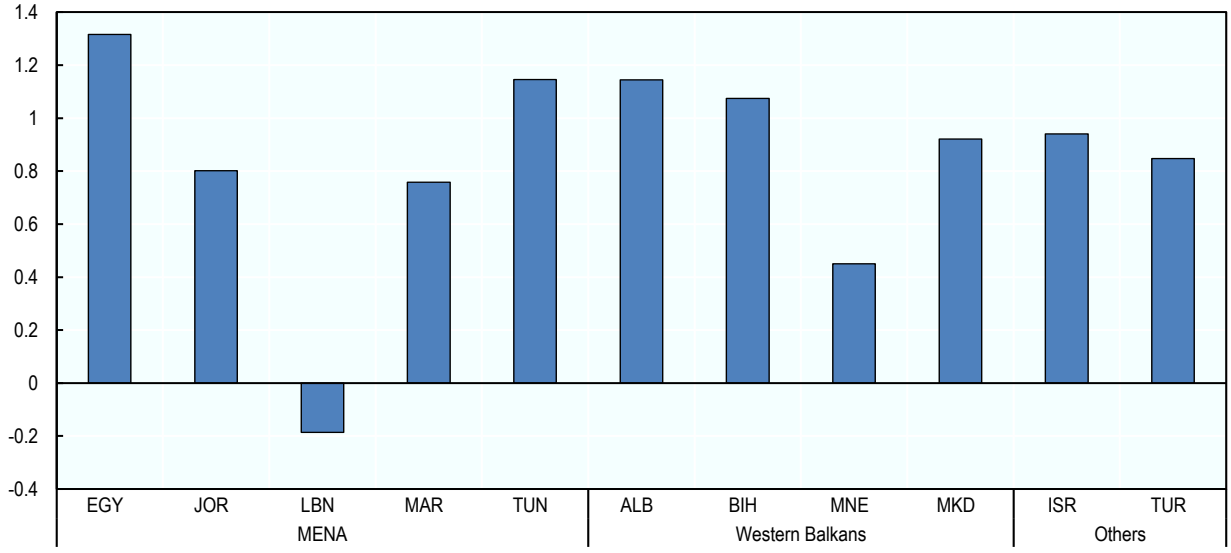
Percentage of GDP



Source: World Bank, Global Financial Development, https://databank.worldbank.org/source/global-financial-development

Figure 2.6. Banks return on assets, 2021

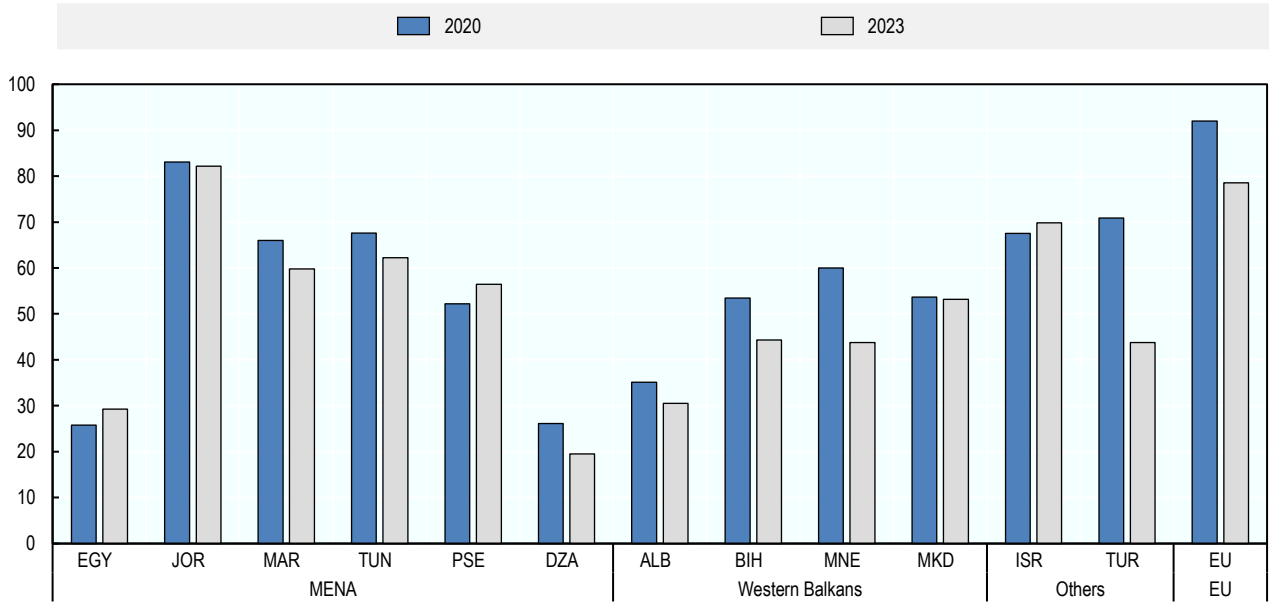
Percentage (after tax)



Note: Data for the Palestinian Authority are missing.
Source: World Bank, Global Financial Development, https://databank.worldbank.org/source/global-financial-development

Figure 2.7. Domestic credit to private sector by banks

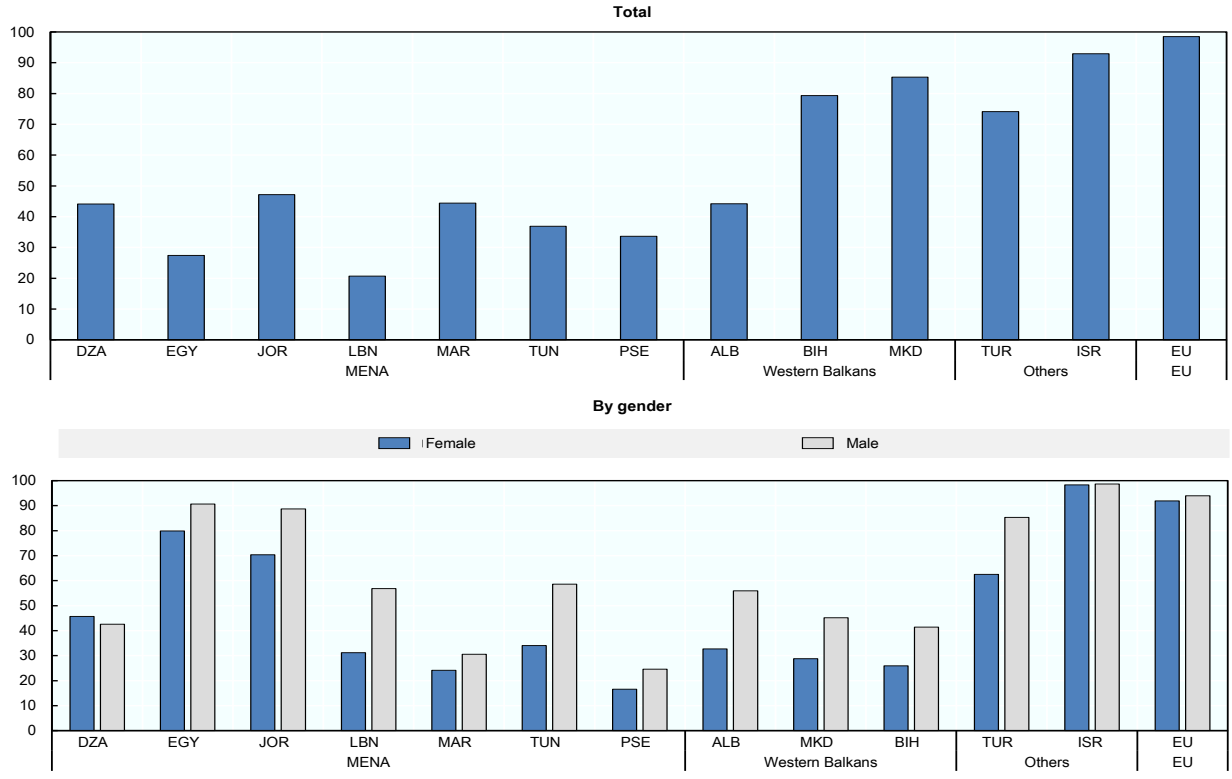
Percentage of GDP



Source: World Bank, Global Financial Development, https://databank.worldbank.org/source/global-financial-development

Figure 2.8. Share of people aged 15+ with a bank account, 2021

Percentage of population aged 15+



Source: World Bank, Global Financial Development, https://databank.worldbank.org/source/global-financial-development

Box 2.3. Development of the banking sector in MENA

Among the countries in the area, Egypt, Morocco and Jordan represents interesting examples providing relevant insights on the banking system in the MENA sub-region.

In **Egypt** the total assets of the banking sector grew to EGP 11.2 trillion by the end of 2023, reflecting a growth rate of 32.7%, slightly lower than the 35.1% recorded in the previous fiscal year. These assets accounted for approximately 91% of the financial system's total assets and around 130% of the nominal GDP as of December 2022 (Central Bank of Egypt, 2023[20]). The banking sector in Egypt relies mainly on deposits as its source of funding, which reached EGP 8.6 trillion by December 2022, contributing to a 76% increase in the sector's financial position. Household deposits, in both local and foreign currencies, make up roughly 60% of total deposits, providing a stable funding base for the banking sector.

Credit risk remains a critical challenge, as it constitutes the largest portion of risk-weighted assets and contingent liabilities. To address credit and concentration risks, Egypt has implemented several reforms in line with international best practices for credit risk management. These include maintaining capital requirements for credit risk as per Basel's Pillar I and holding additional capital reserves in line with Pillar II. Notably, the country's non-performing loan (NPL) ratio decreased to 3.2% (Central Bank of Egypt, 2023[20]). However, a key characteristic of Egypt's banking sector is its high exposure to the public sector, which is expected to remain elevated, as Egyptian banks continue to serve as the primary source of government financing.

Morocco has one of the most developed banking sectors in Africa. Domestic credit to the private sector as a percentage of GDP is the highest in the MENA sub-region, reaching 83% in 2023 (World Bank). Morocco's advanced banking system has allowed its largest banks to expand significantly across Africa, often supporting the growth of large Moroccan corporations. Moroccan banks currently operate in around 35 African countries, with cross-border exposure accounting for over 20% of their assets and contributing to a third of their profits (EBRD, 2023[21]). The sector's profitability has been further boosted by higher lending rates and continued credit growth, as well as the abundant availability of low-cost current and savings accounts, which account for around 77% of total deposits and grew by 3.3% in 2023. This development created a momentum contributing to an increase in net interest income (IMF, 2024[22]).

Morocco is also moving forward with a series of policy reforms aimed at strengthening the resilience of its banking sector. Bank Al-Maghrib, the country's central bank, has further strengthened the micro prudential framework by improving the methodology for its twice-yearly macro stress tests, expanding the mapping of systemic risks, and incorporating new macroprudential tools, particularly those related to the real estate market and systemically important banks (Bank Al-Maghrib, 2023[23]).

Looking ahead to 2024, Bank Al-Maghrib plans to implement the Net Stable Funding Ratio (NSFR) to ensure that banks maintain a minimum level of stable funding to meet short-term obligations. In addition, the Internal Liquidity Adequacy Assessment Process (ILAAP) under Basel Pillar II will be implemented to ensure that banks have sufficient high quality liquid assets to withstand periods of financial stress (Bank Al-Maghrib, 2023[23]).

In **Jordan** the banking sector is large and dominates the financial system. Banks' domestically consolidated assets amounted to 97% of financial sector assets, and 180% of GDP, at end-2021. Notably, in Jordan cross-border interconnectedness through ownership links is significant. On a domestic consolidation basis, loans make up half of total assets, securities account for 22%, of which the bulk is Jordanian government securities, while the rest is mostly cash and cash-like instruments. On the liability side, the share of deposits is 77%, other liabilities are limited, while equity accounts for 13% (IMF, 2023[24]). In recent years the Central Bank of Jordan implemented a new supervisory framework introducing key elements of Basel III capital requirement framework (IMF, 2023[25]).

F3. Portfolio investment flows

Why this indicator?

Portfolio flows provide information on the level of financial integration, from the perspective of capital markets. Inward portfolio flows (liabilities) represent the volume of portfolio investment coming into UfM countries (including MENA, EU and non-EU countries) from the rest of the world. Outward portfolio flows (assets) represent the volume of portfolio investment from local investors in all UfM countries towards other economies outside the group.

While the level of portfolio inflows constitutes a clear indicator of the attractiveness and openness of capital markets in the recipient country, portfolio outflows respond to several factors related to the countries of origin of foreign investors, as well as exogenous shocks at the regional and global levels, as illustrated below.

Key findings

Portfolio investment flows in the UfM region also show relevant heterogeneity by sub-region and country, given the different levels of development of capital markets and their degree of restrictiveness.

Among the UfM countries, Türkiye stands out as a significant recipient of capital inflows, both in absolute terms and as a percentage of GDP, followed by Israel (Figure 2.9). In addition, the data show that portfolio capital inflows in the Western Balkans, as a percentage of GDP, are comparable to those in the MENA sub-region (Figure 2.10,

Portfolio investment flows are highly sensitive to domestic and global shocks. During the period analysed (2013-2023), countries within the UfM region, particularly the MENA sub-region and Türkiye, exhibited significant volatility in portfolio capital inflows. These trends were marked by sharp peaks and troughs, reflecting fluctuations in investor sentiment and heightened sensitivity to national financial market conditions.

The years following the 2008 global financial crisis and the 2011 Arab Spring recorded negative net portfolio investment flows. Similar dynamics were observed following the COVID-19 pandemic, with inflows declining sharply, though some countries experienced modest recovery starting in 2022.

- Egypt experienced substantial fluctuations in portfolio investment during the period analysed, recording its highest level - equivalent to 9% of GDP - in 2017. This was largely driven by increased investment confidence following significant economic reforms and an improved macroeconomic outlook (World Bank, 2017[26]). However, Egypt also experienced pronounced negative inflows, particularly during 2021-2022, when foreign investors repatriated more funds than they invested. This capital flight was driven by the worsening economic crisis, compounded by the COVID-19 pandemic and the global repercussions of the war in Ukraine. Domestic factors, including abrupt exchange rate movements and elevated uncertainty, further contributed to this trend.
- As in Egypt, Lebanon, followed by Tunisia, recorded negative capital inflows due to their significant macroeconomic vulnerabilities, exacerbated by international crises. In particular, capital inflows in Lebanon recorded a dramatic decline equivalent to15% of GDP in 2022. The other countries of the subregion have positive flows on average, with some positive peaks of around 3% of GDP for Morocco and Jordan.

The Western Balkan economies - Albania, Bosnia-Herzegovina, Montenegro, and North Macedonia - - also exhibited frequent fluctuations in capital inflows (Figure 2.10). Montenegro experienced a notable peak in portfolio inflows (11% of GDP) in 2020, before declining -9% in 2021. The COVID-19 pandemic triggered significant capital outflows from these economies, and the war in Ukraine has since impeded recovery, keeping inflows close to zero. Albania, however, demonstrated a marked recovery in capital inflows between 2022 and 2023, highlighting its relative resilience compared to others in the sub-region.

The scale of the reduction in portfolio inflows following the COVID-19 pandemic and the war in Ukraine was exceptional, exceeding the declines observed during previous global crises, such as the 2008 global financial crisis. The COVID-19 shock differed from earlier episodes of capital flow volatility in that it represented a simultaneous, exogenous global disruption to both demand and supply, with impacts of unprecedented magnitude. This negative shock was exacerbated by escalating international tensions stemming from the war in Ukraine, rising inflation, and the concurrent energy and food crises. These

factors collectively led to a record low in net portfolio inflows for MENA countries, further impacted by the conflict in the Middle East.

Lastly, the analysis of portfolio capital outflows from the countries in the study between 2013 and 2023 provides useful insights into the movement of investment capital from domestic to foreign portfolios. These outflows reflect investor sentiment, economic conditions, and the degree of global financial integration of each country.

According to the European Central Bank, euro rea investors reduced their holdings of securities issued by residents of the United States and the United Kingdom significantly in 2022. Notably, capital outflows from offshore financial centres and emerging market economies were mainly driven by disinvestments in securities issued by China, Mexico and Russia (Lane, 2024[27]).

- At the end of 2023, the total portfolio investment of the EU amounted to EUR 12.0 trillion, with almost half invested in the United States and the United Kingdom and a consistent portion directed towards offshore centres. This pattern is consistent across all asset classes, including liabilities, equities, and securities, and has remained stable in recent years. This is consistent with data from the previous years, as the United States and United Kingdom represent two of the main recipients of global portfolio capital flows. Moreover, for debt securities, euro area holdings were concentrated in securities issued by US residents (36%), the United Kingdom (18%) and EU Member States and non-euro area institutions (16%).

Israel stands out with significantly larger portfolio capital outflows compared to the other countries analysed, reflecting its higher degree of integration into global financial markets (Figure 2.12).

In the Balkans, where portfolio capital outflows have historically been limited, the data reveal a sharp increase in outflows starting in 2021. Montenegro, in particular, saw its portfolio capital outflows rise to 7% of GDP in 2023 (Figure 2.13).

Most countries in the MENA region exhibit low levels of portfolio outflows, indicating their limited integration or participation in global financial markets. For example, Jordan recorded a consistent negative value in portfolio outflows (as a percentage of GDP), signalling a sustained reduction in the foreign investment positions of Jordanian investors.

What policy action is needed?

- **Improve macroeconomic stability** by introducing specific measures to mitigate extreme stock price volatility. Also, as capital markets options expand and become more sophisticated measures designed to improve financial literacy would help to create confidence and mobilise savings towards capital investments.
- **Streamline cross-border restrictions and differences in financial regulations and capital control practices** within the UfM to further promote capital flows. Specific measures to manage capital flows in times of volatility could also be considered.

Definitions

Portfolio capital inflows are calculated based on the *Net incurrence of liabilities* in the portfolio investment section of the Balance of Payments. This includes all cross-border transactions and positions involving debt or equity securities, excluding those associated with direct investment or reserve assets. A positive value for the Net incurrence of liabilities indicates that non-residents are purchasing more domestic financial assets than they are selling.

Portfolio capital outflows are calculated based on the net acquisition of financial assets in the portfolio investment section of the Balance of Payments. A positive value under Net Acquisition of Financial Assets reflects that residents are purchasing more foreign financial assets than they are selling.

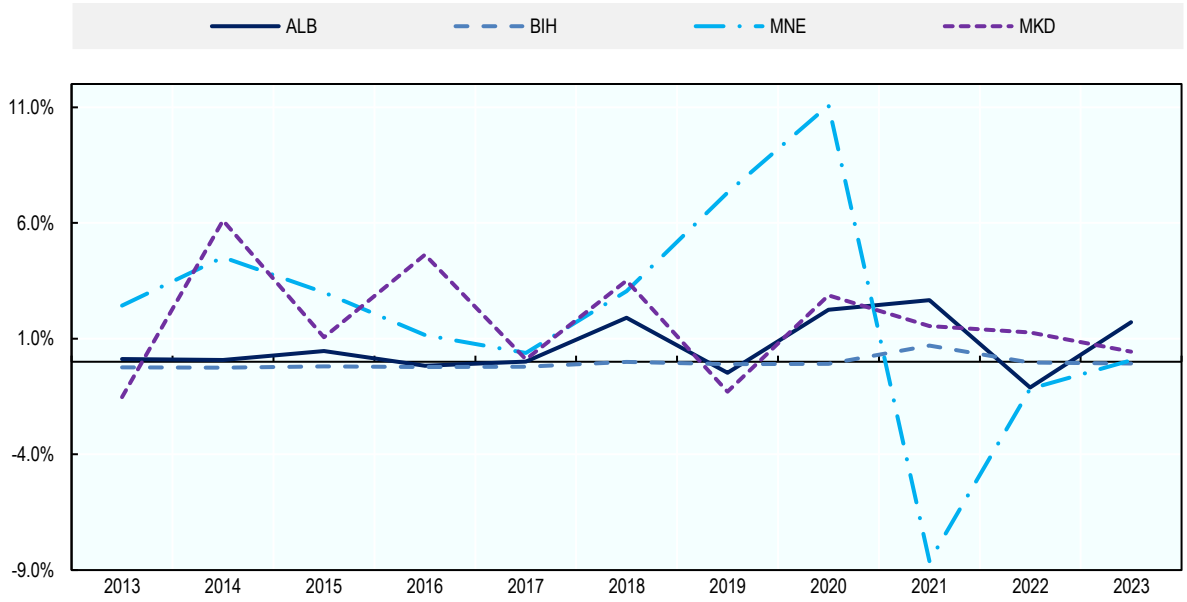
Figure 2.9. Portfolio capital inflows: MENA, Israel and Türkiye, 2013-2023

Percentage of GDP

Note: Algeria is not reported as the value is too close to zero. Data for Mauritania are unavailable.
Source: Authors, from the IMF Balance of Payments and International Investment Position, https://data.imf.org/en/datasets/IMF.STA:BOP and World Bank World Development Indicators | DataBank

Figure 2.10. Portfolio capital inflows: Western Balkans, 2013-2023

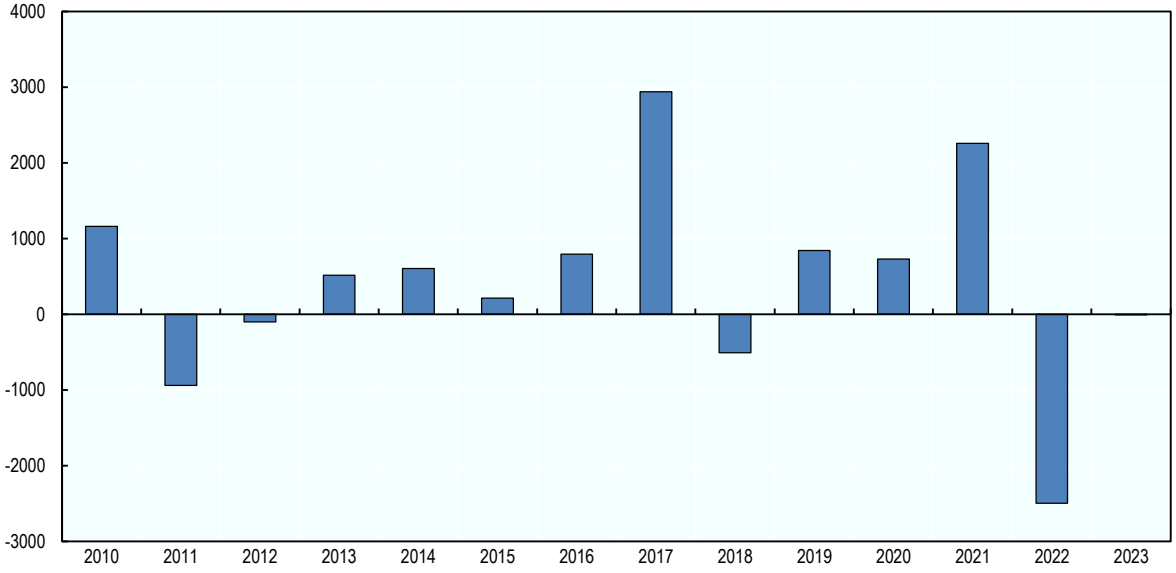
Percentage of GDP



Source: Authors, from the IMF Balance of Payments and International Investment Position, https://data.imf.org/en/datasets/IMF.STA:BOP and World Bank World Development Indicators WDI - Home

Figure 2.11. Total portfolio capital inflows: UfM MENA and Western Balkan countries 2010-2023

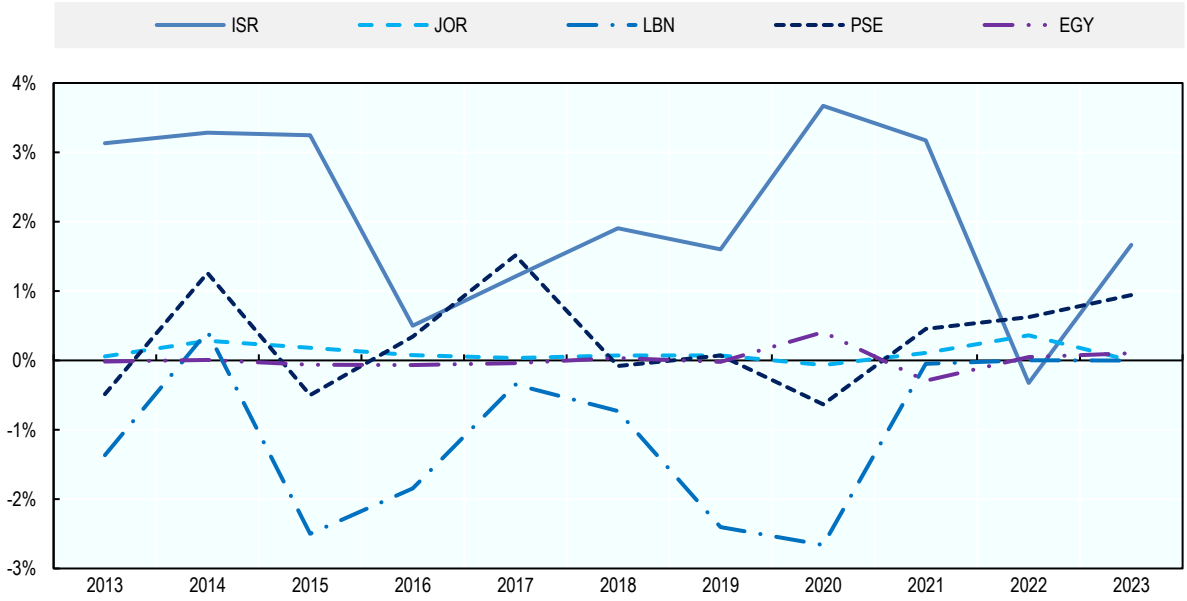
USD million



Source: Authors, from the IMF Balance of Payments and International Investment Position, https://data.imf.org/en/datasets/IMF.STA:BOP

Figure 2.12. Portfolio capital outflows, selected countries, 2013-2023

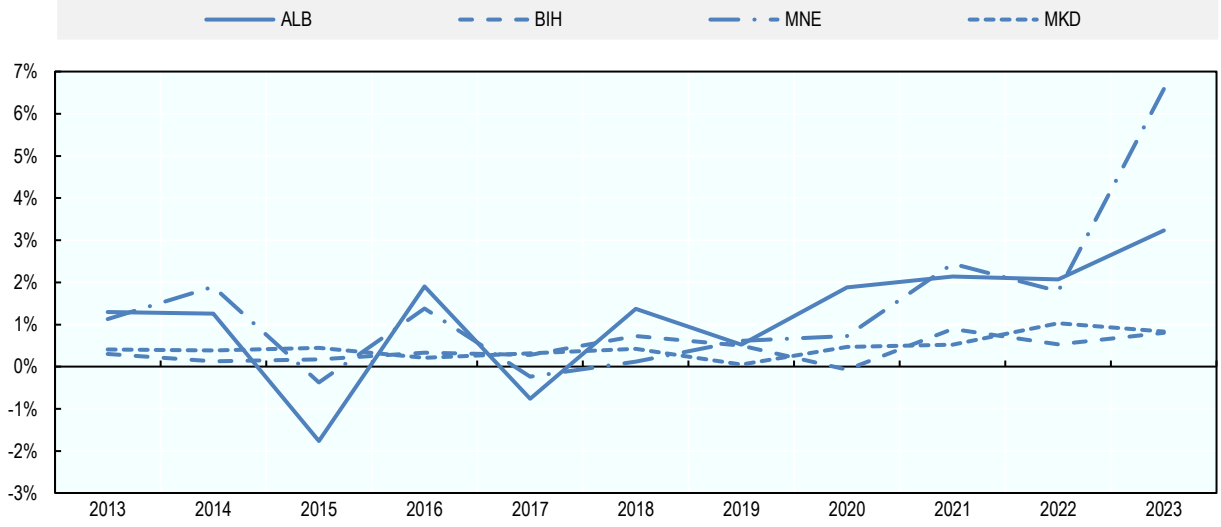
Percentage GDP



Note: Algeria, Morocco, Tunisia and Türkiye, and Mauritania are not reported as the value is too close to zero.
Source: Authors, from the IMF Balance of Payments and International Investment Position, https://data.imf.org/en/datasets/IMF.STA:BOP and World Bank World Development Indicators | DataBank

Figure 2.13. Portfolio capital outflows: Western Balkans, 2013-2023

Percentage of GDP



Source: Authors, from the IMF Balance of Payments and International Investment Position, https://data.imf.org/en/datasets/IMF.STA:BOP and World Bank World Development Indicators | DataBank

Box 2.4. Stock market capitalisation in the MENA countries

Financial liberalisation in the Middle East and North Africa (MENA) region, which began in the early 1990s, has included efforts to revitalise domestic stock markets to attract greater international participation in listed companies. On average, the market capitalisation of the countries analysed in 2021 was around 35% of GDP.

Notably, Jordan had the highest market capitalisation in 2011, at almost 90%, but this has since fallen significantly to almost 40%.

Morocco, on the other hand, has maintained a relatively stable and upward trend in its stock market capitalisation as a percentage of GDP, with one of the highest ratios in the region. Between 2011 and 2024, Morocco's stock market performance reflected improved investor confidence, driven by factors such as a stable exchange rate and consistent real GDP growth.

Tunisia and Lebanon have also shown an upward trend over the same period, although they remain below the regional average at around 20%. Algeria has the lowest market capitalisation of the countries studied, with figures close to zero.

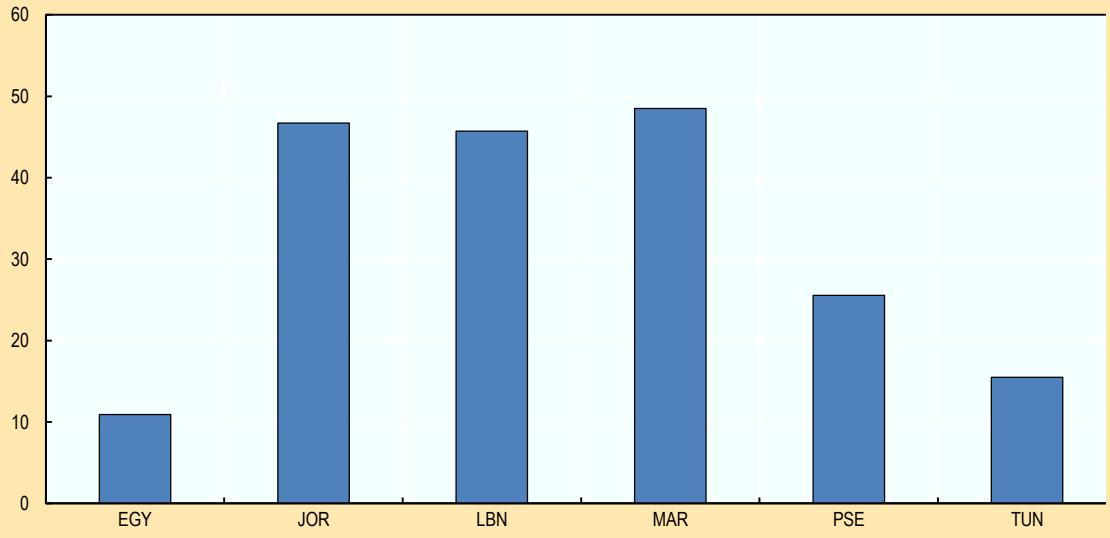
Egypt, however, presents a different case, as its stock market has experienced significant volatility and a sharp decline in capitalisation, reflecting the complex financial challenges facing the country.

Despite the financial sophistication and increasing global integration of MENA equity markets such as those in Egypt, Morocco and Tunisia, these markets remain vulnerable to regional and international financial crises. This vulnerability stems from weak regional economic integration, coupled with deeper financial and economic linkages with more advanced economies, making them particularly sensitive to external shocks (Neaime, 2016[28]) (Cherif and Dreger, 2016[29]).

A large body of empirical evidence and literature suggests that stock market development can play a key role in promoting economic growth by stimulating investment and improving the efficiency of capital allocation. However, for this potential to be fully realised, it is crucial that a sound regulatory framework is in place, as well as measures to mitigate extreme stock price volatility - conditions that are not yet fully met in the MENA region.

Figure 2.14. Stock market capitalisation of domestic listed companies, 2024

Percentage of GDP



Note: Algeria is not included as value is too close to zero. Data for Lebanon refers to 2021.
Source: Global Financial Development | DataBank (worldbank.org).

F4. Remittance flows and costs

Why this indicator?

Remittances are generally understood as financial or in-kind transfers made by migrants to family members and relatives in their countries of origin.

Remittance flows and costs represent a relevant dimension of financial integration in the UfM region as they shed light on a form of capital exchange that is particularly significant in term of GDP and economic magnitude for MENA and Balkan countries. While the volume of remittances is primarily determined by the presence of immigrants from a net remittance-receiving country in a net remittance-sending country, it also depends on the existence of financial structures allowing such transfer of money and on the costs imposed by such structures.

Key findings

Remittances represent a significant source of external financing for lower- and middle-income countries, with a rising trend in recent years, peaking at USD 657 billion in 2023 at the global level (World Bank, 2024[30]). Notably, remittances have exceeded both ODA and FDI, which dropped to USD 388 billion in the same year (Figure 2.16). This trend is also evident in UfM countries, where the decline in FDI inflows - resulting in a negative value in 2023 - has been offset by a rise in remittances, which have become a solid and reliable source of external financing (Figure 2.15).

Through the allocation of the migrant labour force in foreign, more productive markets, countries of origin capture income gains that they would not have access to otherwise. Remittance flows are thus the result of a cross-border reallocation of labour and represent a regional distribution of gains generated in the remittance sending economy.

The recent increase in remittances can be explained by the substantial recovery of developed economies after COVID-19, where migrants are an important share of the labour force (World Bank, 2023[31]). Moreover, the World Bank KNOMAD (World Bank, 2021[32]) report pointed out that at least some of the increases in recorded inflows must be attributed to the shift many senders and recipients made from informal to formal remittance channels as a result of the movement restriction imposed during the pandemic.

The UfM countries in the MENA and Western Balkans sub-regions are predominantly net recipients of remittances. Intra-UfM remittance flows are considerable, with 11 out of the 13 countries analysed having at least one other UfM member as a significant remittance-sending partner. The exceptions are Egypt and Jordan, though both still receive substantial remittance inflows from UfM countries, particularly from Europe.

When examining remittances as a percentage of GDP between 2019 and 2023 in selected MENA and Western Balkan countries, the data reveals some notable trends (Figure 2.15).

- In most countries, remittances account for a substantial share of GDP, exceeding 5% in almost all cases. Exceptions include Mauritania and Algeria, where remittances contribute less than 1% of GDP, and North Macedonia, where they still represent3% of GDP.
- Economies in the MENA sub-region where remittance inflows constitute a much more significant proportion of GDP include Lebanon, the Palestinian Authority, and Jordan. In 2023, remittances accounted for approximately 35% of GDP in Lebanon, around 20% in the Palestinian Authority and 10% in Jordan, underscoring the vital role of the diaspora in sustaining these economies.
- Similarly, in the Western Balkans, remittances serve as an important source of external financing. In Albania, Montenegro, and Bosnia and Herzegovina, remittances exceeded 10% of GDP in 2023, representing a larger share than FDI inflows and highlighting their critical importance to these economies.

In absolute terms, the top recipient of remittance flows between 2020 and 2023 were Egypt and Morocco, where inflows exceeded USD 10 billion.

- Egypt has the highest level among the focus economies, peaking at USD 31 billion in 2021 and then declining to USD 19.5 billion in 2023. This significant drop may be linked with the widening gap between the official exchange rate and the parallel market, which may have resulted in a substantial share of remittances being unrecorded in official statistics.
- Morocco's remittance inflows reached USD 11.7 billion in 2023, maintaining an upward trend over the past seven years. Remittance flows have consistently outpaced FDI inflows, providing a critical source of income for Moroccan families, particularly during the COVID-19 pandemic and the September 2023 earthquake. According to data from Morocco's Exchange Office, the pace of remittance inflows increased following the earthquake (Bettin and Zazzaro, 2018[33])

Overall, most remittance inflows to both the MENA region - especially North Africa - and the Western Balkans originate from the EU27. The scale and distribution of these remittance flows largely mirror migration patterns, as countries that host larger expatriate communities from a specific country tend to be the primary sources of remittances for that country. For example, within the UfM, France is the dominant source of remittances for Algeria, Morocco, and Tunisia, while Italy serves as the main source for Albania and Egypt.

- North African countries are the largest recipients of remittances from the EU. In 2022, the highest remittance flows from EU-27 Member States to North Africa were from France (USD 4.7 billion), Italy (USD 2.0 billion), Spain (USD 1.9 billion), Belgium (USD 589 million), and Germany (USD 531 million). Morocco received USD 6.0 billion in remittances from the EU-27 in 2022, underscoring the country's significant migrant diaspora across multiple EU Member States. This strong remittance flow highlights the deep economic and social linkages between Morocco and the European Union (Kalantaryan and Mcmahon, 2021[34])

A key element in analysing remittance flows is the cost of transferring money. The data on the average costs of sending remittances to the countries analysed reveals a significant decline over recent years. Between 2019 and 2023, the cost of sending 200 USD fell in nearly all examined countries.

- Notably, seven of the assessed economies have achieved average remittance costs below the 5% target set by the World Bank and United Nations, which represents a key global policy objective. Despite these positive trends, remittance costs remain relatively high in certain countries, such as Algeria, Albania, and Lebanon.

The cost of sending remittances varies based on regional and national factors in both sending and receiving countries. These include the development of financial markets and institutions, the level of competition, regulatory frameworks, and the number of service providers operating in the market. For instance, in EU sending countries, the period from 2016 to 2021 witnessed a consistent reduction in remittance costs. This was largely driven by enhanced competition, spurred by the introduction of the EU's Payment Services Directive 2, the broader availability of digital financial solutions, and expanded distribution networks. A notable example is the Italy-Morocco remittance corridor, where the number of service providers increased from 12 in Q1 2015 to 19 in Q1 2021 (ICMD, 2021[35]).

National and regional decision-making and cooperation can play a critical role in increasing the volume of remittances transferred through formal channels. For example, the Western Balkans economies are gradually integrating into the EU Single Euro Payments Area (SEPA), which is expected to reduce the cost and improve the efficiency and reliability of cross-border transfers. This development could have a positive impact on remittance inflows, by lowering transaction costs and facilitating more seamless financial connectivity.

Reducing transaction costs and strengthening the role of financial institutions in cross-border exchanges are effective measures to encourage the use of formal remittance systems. Enhanced cooperation within the UfM to lower remittance costs would not only facilitate remittance flows and improve household incomes for migrants' families but also foster financial literacy and inclusion through greater interaction with banks and other financial institution.

UfM and the broader MENA region. The GCC region remains a critical hub for remittances to MENA countries, especially for Egypt, Morocco, and Jordan. In this regard, enhancing financial inclusion in both the UfM and GCC countries, adopting innovative technologies to lower transfer fees, and offering incentives to expatriates in the Gulf region to channel remittances into productive uses in the MENA recipient countries could further benefit the UfM region. Actions between host and recipient countries, in line with UfM policies, could enhance revenue streams and growth in MENA countries.

What policy action is needed?

- **Reduce the existing rigidities in the financial markets of remittance-receiving countries.** In addition, harmonise transfer rules across the UfM countries to further enhance financial integration.
- **Facilitate the transfer of remittance flows through the banking sector,** with the goal of helping recipient families enter the formal financial sector and establish a credit record. In addition, governments could consider providing incentives for the migrants sending the funds to invest in their country of origin through special financing instruments such as tax-exempt bonds.
- **Enhance the payment infrastructure systems** to facilitate transfers and promote financial inclusion. It would also be necessary to keep the costs of the transactions below 5% in the whole UfM region and to ensure transparency of transfers in a safe and legal manner.
- **Consider remittances in relation with other capital flows** being mobilised in the region. In fact, they should be seen as an additional factor conducive to the diversification of capital markets and the mobilisation of funds for productive investments. In this respect, dialogue with the business associations of the diaspora living in EU countries should be encouraged to stimulate investments in their countries of origin. Further analysis is needed, country by country, to explore how remittance flows are being channelled towards consumption, investments, imports and other uses.

Definitions

The IMF defines remittances as comprising two components: (a) "Compensation of employees," which refers to income earned by temporary migrant workers in the host country, including those employed by embassies, international organisations, and foreign entities, and (b) "Personal transfers," which include cash or in-kind transfers made or received by residents (whether migrants or non-migrants) to or from individuals in other countries (IMF, 2009).

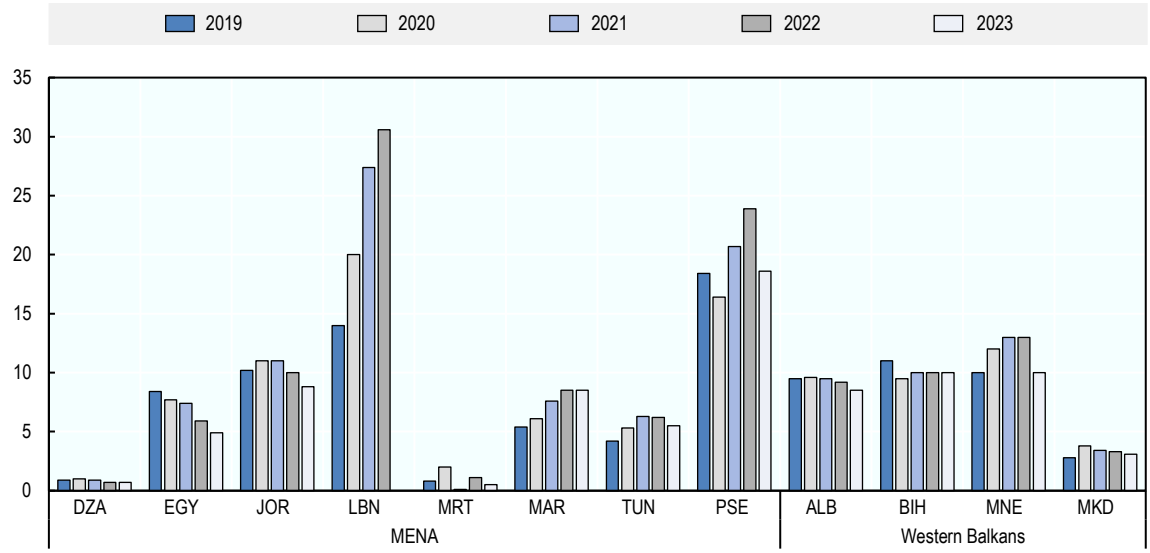
Further reading

Kalantaryan, S. and McMahon, S. (2021), *Remittances in North Africa: Sources, Scale and Significance*, Publications Office of the European Union, Luxembourg, https://doi.org/10.2760/085524.

Ratha, Dilip;Chandra, Vandana;Kim, Eung Ju;Plaza, Sonia; Shaw, William, *Leveraging Diaspora Finances for Private Capital Mobilization,* Migration and development brief; KNOMAD Trust Fund Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/099740408142422676

Figure 2.15. Remittances, 2019-2023

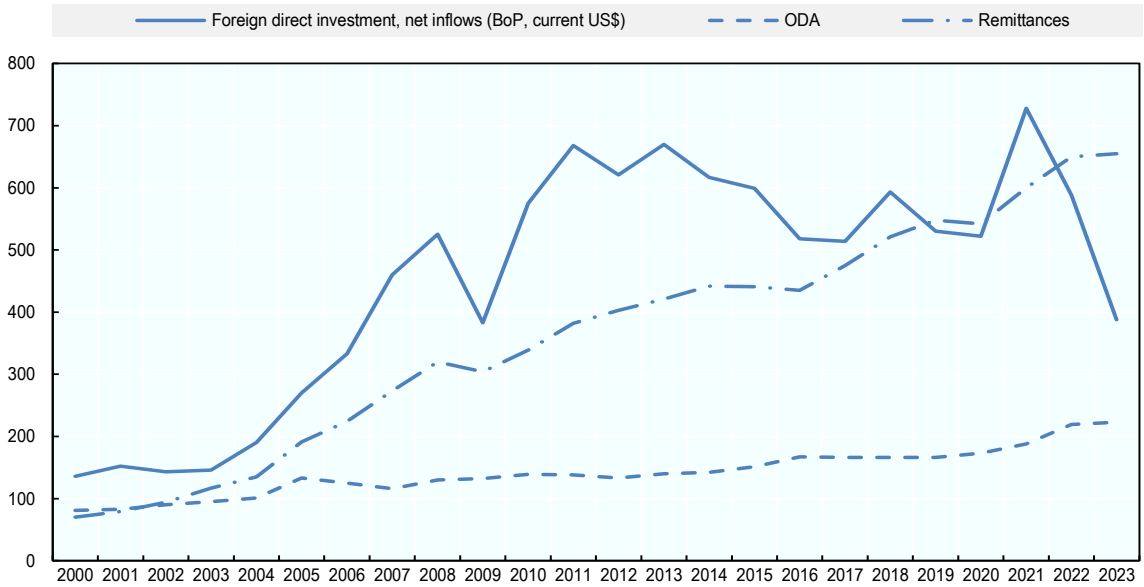
Percentage of GDP



Note: Data for 2023 not available for Lebanon.
Source: World Bank World Development Indicators.

Figure 2.16. Global trends for remittances, FDI and ODA, 2000-2023

USD billion



Source: Authors, from the World Bank and OECD ODA.

Table 2.1. Remittance flows and costs analysis in MENA and Western Balkan countries

Countries	Flows, USD million	Key corridors	Cost (%) 2019 to send 200 USD	Cost (%) in 2023 to send 200 USD
Albania	2 036	Italy, Greece	6.9	5.6
Algeria	2 824	France	10.8	7.8
Bosnia and Herzegovina	1 868	Croatia, Serbia, Germany	3.6	3.8
Egypt	19 532	Saudi Arabia, United Arab Emirates, Kuwait	4.9	3.3
Jordan	4 485	Saudi Arabia, United Arab Emirates, Kuwait	3.9	3.3
Lebanon	6 696	Saudi Arabia, USA, Germany	6.9	5.2
Mauritania	109	France	N/A	N/A
Montenegro	805	Germany	N/A	N/A
Morocco	11 750	France, Italy	5.1	4.1
North Macedonia	109	Germany	7.0	2.1
Tunisia	2 650	France, USA, Italy	9.5	5.5
Türkiye	868	Germany	2.9	2.3
Palestinian Authority	3600	Jordan, Syria	5.7	1.9

Source: World Bank, Average transaction cost of sending remittances to a specific country (%) - Egypt, Arab Rep. | Data (worldbank.org)

Box 2.5. Remittances flows and the potential of diaspora bonds

Remittance flows represent an important source of financing in the UfM economies, often accounting for a significant share of GDP and serving as a lifeline for households in these countries. These flows play a crucial role in sustaining consumption, alleviating poverty, and supporting economic stability. However, the low investment-to-GDP ratios observed, particularly in MENA countries, indicate that a substantial share of remittance inflows has been diverted toward financing consumption surges and rent-seeking activities, rather than being allocated to foster long-term economic growth or private sector expansion. Consequently, the potential of remittances to catalyse investment and drive sustainable economic development remains largely untapped. Leveraging remittances for broader developmental impacts requires innovative financial tools. One such mechanism to channel remittance flows into financial markets and productive investments is diaspora bonds.

Diaspora bonds represent a key mechanism for leveraging diaspora finances into private capital mobilisation, mobilizing foreign currency financing at a lower cost compared to borrowing from institutional investors. Diaspora bonds are typically issued in small denominations, targeting a broad base of individuals, many of whom may lack extensive investment experience. While the distribution costs for these bonds can exceed those associated with traditional sovereign bonds marketed to institutional investors, advancements in mobile and digital platforms offer a cost-effective means of streamlining distribution (World Bank, 2023[1]).

Diaspora investors are often willing to accept lower returns for several reasons: they face reduced risks from devaluation or local currency conversion, as they are more likely to use local currency for personal or investment purposes; governments may offer diaspora members preferential treatment, such as access to land or other assets, reducing the perceived risk of default; and diaspora investors, particularly those with lower incomes in host countries, may find these bonds more attractive than traditional investment options like low-yielding bank deposits.

Issuing diaspora bonds also diversifies funding sources while fostering stronger connections with the diaspora, which can further support trade, foreign direct investment, and the transfer of skills and technology. Globally, successful examples include Israel's long-standing issuance of diaspora bonds since 1951, which has raised over USD 50 billion, and India, which mobilized USD 11 billion across three issuances in 1991, 2000, and 2003. The Philippines has also tapped its overseas workers for bond financing, while Nigeria raised USD 300 million in 2017 to fund infrastructure projects (World Bank, 2023[1]). Nigeria's diaspora bond was notable for its innovative structure, targeting both diaspora and non-diaspora investors, and achieved 130 percent oversubscription despite a low interest rate of 5.6%. To mitigate exchange rate risk and enhance appeal, the bond was denominated in U.S. dollars and registered in UK and U.S. jurisdictions (AUC/OECD, 2021[36]).

Despite their potential, the scale of diaspora bond issuances remains small relative to the significant volume of remittance inflows, leaving considerable untapped potential. In Africa, for example, only five countries—Ethiopia, Ghana, Kenya, Nigeria, and Rwanda - representing just 12% of African migrants, have issued diaspora bonds since 2000, with mixed results (AUC/OECD, 2021[36]). To successfully harness diaspora savings, countries must carefully design bond structures, secure regulatory approval in high-income jurisdictions where significant diaspora populations reside and ensure competitive pricing. International institutions can play a vital role by supporting the assessment of diaspora savings potential and developing innovative risk-mitigating instruments to bolster investor confidence and enhance the attractiveness of these bonds.

F5. FDI position and flows

Why this indicator?

Foreign Direct Investment (FDI) positions (stocks) and flows are key indicators for assessing a region's financial development and level of integration into the global economy. High FDI stocks indicate sustained foreign capital inflows, which play a vital role in capital formation, project development, and economic growth. On the other hand, FDI flows measure new investments during a defined period, revealing a country's ability to attract or retain foreign investment during that time. These flows directly reflect investor confidence in a region's economic stability, governance, and regulatory environment, making them essential for evaluating the long-term sustainability, resilience, and financial development of a region.

Key findings

Regarding FDI stocks and flows across the UfM countries, there are marked structural differences between sub-regions, alongside notable intra-group variations.

As expected, EU Member States hold significantly higher FDI stocks, supported by robust domestic markets, advanced financial infrastructure, and a stable regulatory environment. Intra-EU investment remains strong, fuelled by cross-border capital flows facilitated by the single market and harmonized regulations (Figure 2.17).

- Historically, the EU has been a major recipient of global FDI; however, inflows sharply declined from USD 266 billion in 2021 to USD -85 billion in 2022, before recovering to USD 59 billion in 2023 (UNCTAD, 2024[37]). Despite these fluctuations, greenfield investment growth has remained positive, accounting for approximately 25% of global greenfield investments.

The Balkan countries have remained net recipients of inward FDI, recording growing FDI inflows from 2005 to 2023 (Figure 2.19). FDI inflows as a share of GDP in these economies have consistently outpaced those of many UfM countries, reflecting sustained progress in removing statutory barriers to foreign investment, alongside a conducive business climate and strategic geographic positioning (Figure 2.18).

In fact, the primary sources of FDI in the Western Balkans economies are EU members, particularly Austria, Germany, and Italy. These countries have been increasing their investments in the region, as geographical proximity and competitive labour costs facilitate the nearshoring process of some value chains in sectors such as medical equipment and automotive manufacturing.

However, FDI inflows are still mainly focused on non-export-oriented sectors. For example, manufacturing accounts for less than 10% of FDI inflows in Albania and Montenegro as most investments are directed toward real estate (OECD, 2024[13]). A more sector-specific approach that leverages the economies' competitive advantages will be necessary. In this regard, the war in Ukraine in 2022 reignited political attention toward the stalled EU accession process for the Western Balkans. The comprehensive reform programs resulting from the accession processes, along with the anticipated deeper integration with the EU, are expected to enhance the attractiveness of these countries, leading to a rise in foreign investment.

The MENA region remains a net recipient of FDI, with intra-UfM investment dominating in most countries. The exception is Egypt, where extra-UfM investment, particularly from the United Kingdom, plays a more important role (Figure 2.19).

A regional breakdown of inward FDI stocks indicates that the EU-27 remains the primary source of investment in the MENA region, complemented by significant contributions from the United States (Figure 2.20). Gulf economies are also emerging as key investors, with substantial investments in Morocco (USD 11 billion), Algeria (USD 2.2 billion), and Tunisia (USD 1 billion) in 2023. Asian investments have also been present in almost all countries that are the focus of our analysis. Intra-MENA FDI flows remain limited, even among neighbouring countries, mirroring lagging regional integration.

Unlike other emerging and developing economies, FDI inflows in the MENA region have consistently underperformed, hindered by persistent structural challenges such as weak governance, corruption, insufficient competition, skills gaps, and a lack of private sector dynamism. These issues have been further exacerbated by oil price fluctuations and political instability due to the 2011 uprisings (OECD, 2021[38]) and subsequent external shocks. As a result, by 2023, FDI inflows in nearly all

countries analysed are lower than in 2005. Yet, the strategic geopolitical location of certain MENA countries continues to preserve their market potential for foreign investment (Figure 2.22).

- Egypt has consistently attracted FDI inflows, averaging 7 USD billion per year between 2005 and 2023. However, the data show two major downturns: one corresponding with the January Revolution in 2011, when inflows registered a negative figure (USD -480 million), and the second during the economic crisis of 2020-2021. This trend was reversed in 2023, following a new investment law (2018) which provides a wide array of guarantees to new investments, a comprehensive macroeconomic adjustment program, and the beginning of a public divestment program. Furthermore, greenfield investment in Egypt remains strong, reaching USD 41 billion in 2021. Egypt is currently upgrading its FDI strategy, in collaboration with the World Bank, to monitor progress over time under a Monitoring and Evaluation Framework. A dynamic and interactive investment map is also being used to help investor navigate through different opportunities,
- Morocco has demonstrated the ability to attract relatively high levels of FDI, bolstered by proactive investment policies and a more favourable business environment. Regional centres have been established across the country, operating along four main axes: governance and the business environment; transparency and visibility of the investment promotion agency; local incentives; and adequate positioning for every region. The Moroccan Investment and Export Development Agency promotes investments and establishes targets, considering benchmarks from other countries. Between 2005 and 2022, Morocco experienced stable FDI inflows, suggesting a relatively lower-risk and conducive investment climate.
- Algeria, with a comparable FDI stock, continues to attract investment, primarily due to its substantial energy resources. Algeria is the only country with a substantial amount of FDI coming from North Africa (USD 725 million) in 2022.
- Lebanon has also introduced investment plans to attract FDI, mainly in infrastructure and technology, as well as additional measures to improve transparency by publishing all existing investment projects.
- Tunisia has undertaken several efforts to lift restrictions for foreign investors and make the country a talent driven destination by capitalizing on the know-how and skills existing in the country. In this respect, the Tunisia's Investment Promotion Agency has aligned its investment promotion targets with the SDGs, giving priority to those investments that respect environmental goals and providing fiscal incentives to implement the green transition, while assessing more rigorously the sectoral impact of new investments.

In terms of sectoral concentration, FDI flows in the region are predominantly directed towards non-tradable goods and capital-intensive sectors such as real estate, construction, mining, and energy (primarily oil and gas). In contrast, a relatively small share of FDI has been allocated to the manufacturing sector. Evidence indicates that these capital-intensive sectors have made only a limited contribution to productivity growth and job creation (OECD, 2021[38]).

UfM and the broader MENA region. FDI from GCC countries in UfM economies is increasing substantially, particularly in Europe and the MENA subregion, where geographic proximity and cultural ties enhance cooperation. These investments are aimed at boosting economic diversification and supporting efforts to reduce oil dependence in GCC economies.

What policy action is needed

- Reduce FDI restrictions, simplify approval mechanisms and eliminate obstacles to foreign investments to further attract investors interested in the large potential Mediterranean market and relative competitive.
- It is essential that recipient countries establish their own requirements in terms of contributions of new investors to generating fiscal revenues, job creation, technology and know-how transfers, and overall spillover effects into local and national companies.

Definitions

FDI *stock* (position) represents the total value of FDI at a specific point in time, cumulative value of all past and ongoing investments by foreign entities in a country (inward FDI stock) or by domestic entities abroad (outward FDI stock).

Inward FDI measures investment by non-resident investors in the reporting economy. *Outward* FDI measures investment by residents of the reporting economy in partner economies.

FDI *flows* measure cross-border direct investment during a given period of time, usually a year or a quarter.

Greenfield investment has been defined as expenditures, regardless of the source of funding to establish new business Tunisia has aligned its investment promotion targets with the SDGs, giving priority to those investments that respect environmental goals and providing fiscal incentives to implement the green transition.

Further reading

World Bank (2023), *The Western Balkans Should Leverage Foreign Direct Investment to Integrate in Global Value Chains*, Washington, DC. https://blogs.worldbank.org/en/psd/western-balkans-should-leverage-foreign-direct-investment-integrate-global-value-chains

Box 2.6. Sustainable investment in MENA

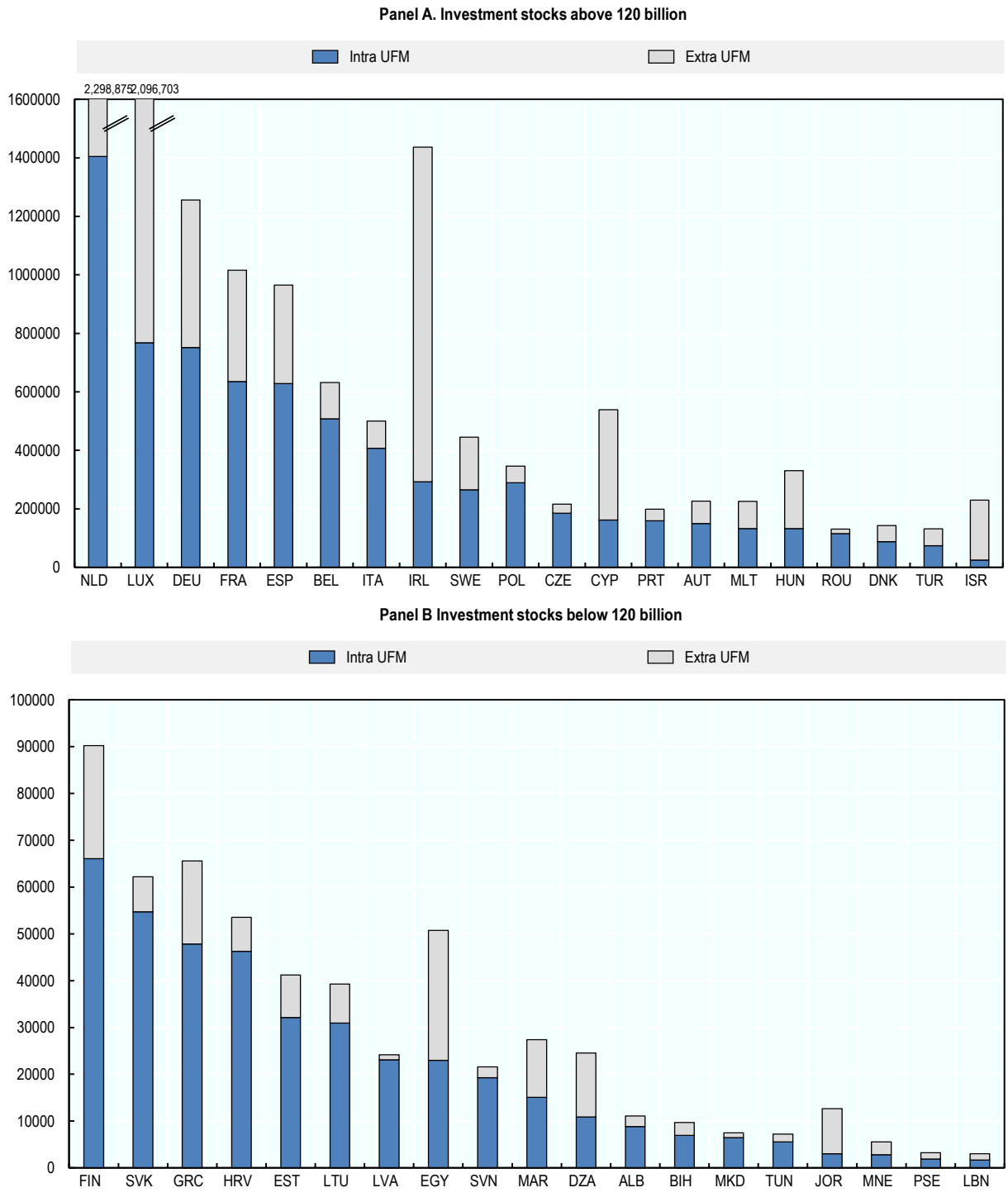
The 2023 *OECD Africa's Development Dynamics* report highlights that the majority of foreign investment in the region has been directed towards sectors with detrimental environmental impacts (AUC/OECD, 2023[39]). Despite North Africa contributing only 1.5% of global carbon dioxide (CO2) emissions—on par with Southern Africa and Latin America and the Caribbean in per capita emissions—over half of these emissions stem from power generation and transport, sectors that have attracted considerable private financing. For instance, more than half of the USD 14 billion allocated through OECD export credit agencies from 2012 to 2021 was directed towards the energy sector, followed by industry (27%) and transport and storage (19%).

Due to the significant natural resource reserves of Algeria, Libya, and Mauritania, around three-quarters of FDI in the energy sector over the past decade has targeted coal, oil, and gas projects. Between 2010 and 2020, only USD 21 billion of the USD 78 billion invested in the energy sector was allocated to renewable energy, with the remainder going to fossil fuels. A similar pattern was observed in Jordan, where renewables accounted for 10% of greenfield FDI in the energy sector between 2003 and 2018, while 90% was directed toward fossil fuels and nuclear energy (OECD, 2022[40]).

Only in recent years the region has become a destination for global green megaprojects. In 2023, Mauritania announced the largest greenfield project worldwide: a USD 34 billion green hydrogen initiative, equivalent to several times the country's GDP. Egypt has also secured agreements for green energy projects totalling USD 10.8 billion, while Morocco is planning a USD 2 billion hydrogen project (UNCTAD, 2024[37]).

Figure 2.17. Inward FDI stocks in UfM countries, 2023

USD million

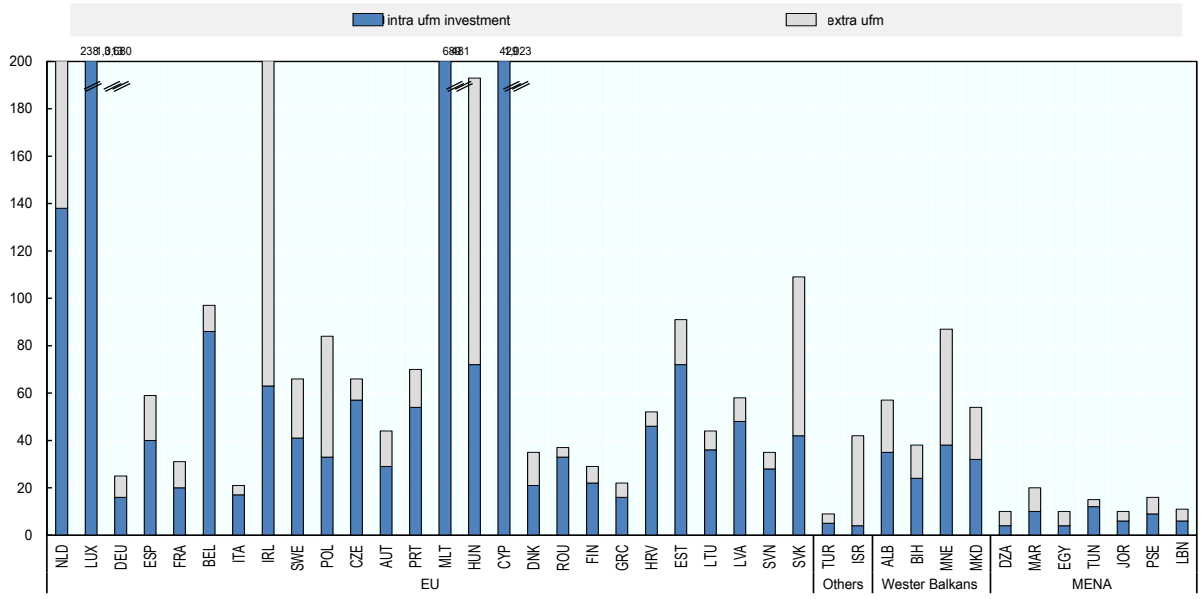


Note: FDI stocks (or positions) are a measure of the total level of direct investment at a precise point in time, usually at end year or quarter, reflecting the accumulation of investment in or by the reporting economy. Countries are ranked in order of decreasing share of intra-UfM investment position.

Source: Authors, based on IMF Coordinated Direct Investment Survey, https://data.imf.org/en/datasets/IMF.STA:DIP and the OECD FDI flows.

Figure 2.18. Inward FDI stocks in UfM countries, 2023

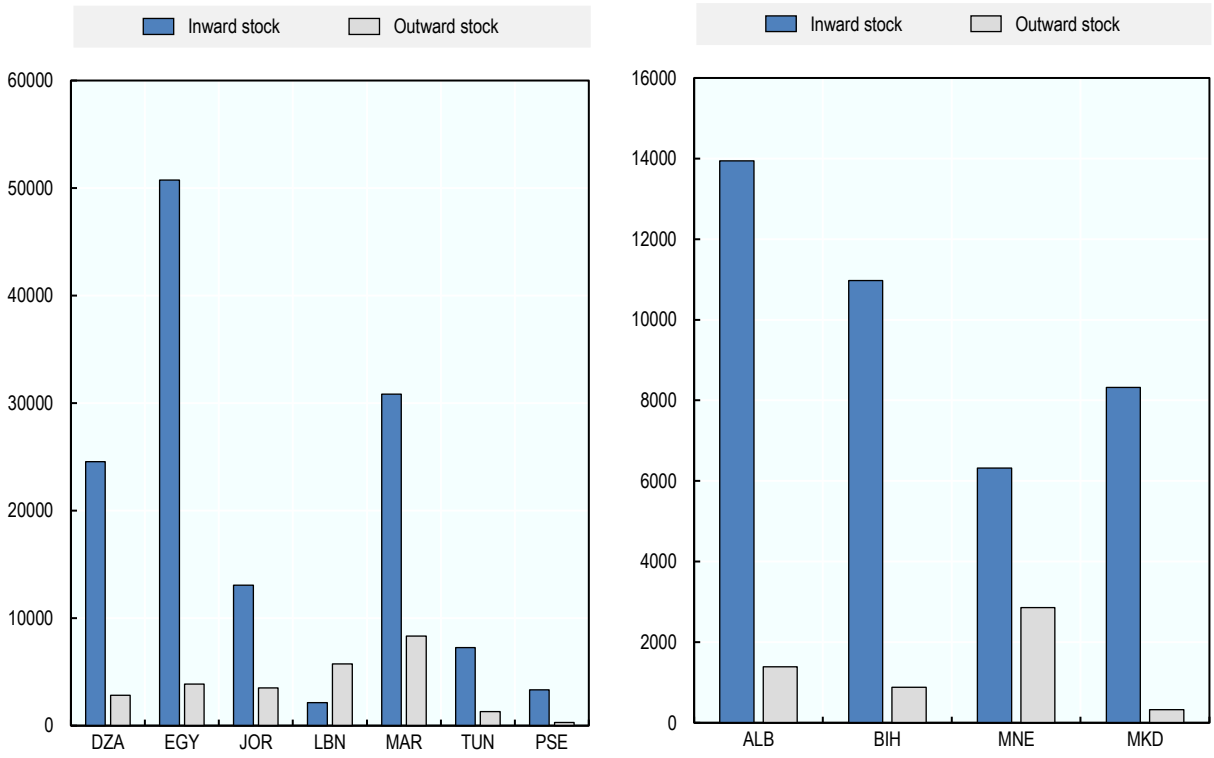
Percentage of GDP



Source: Authors, based on IMF Coordinated Direct Investment Survey, https://data.imf.org/en/datasets/IMF.STA:DIP, and the OECD FDI flows

Figure 2.19. Inward and outward stocks in UfM countries, by sub-region, 2023

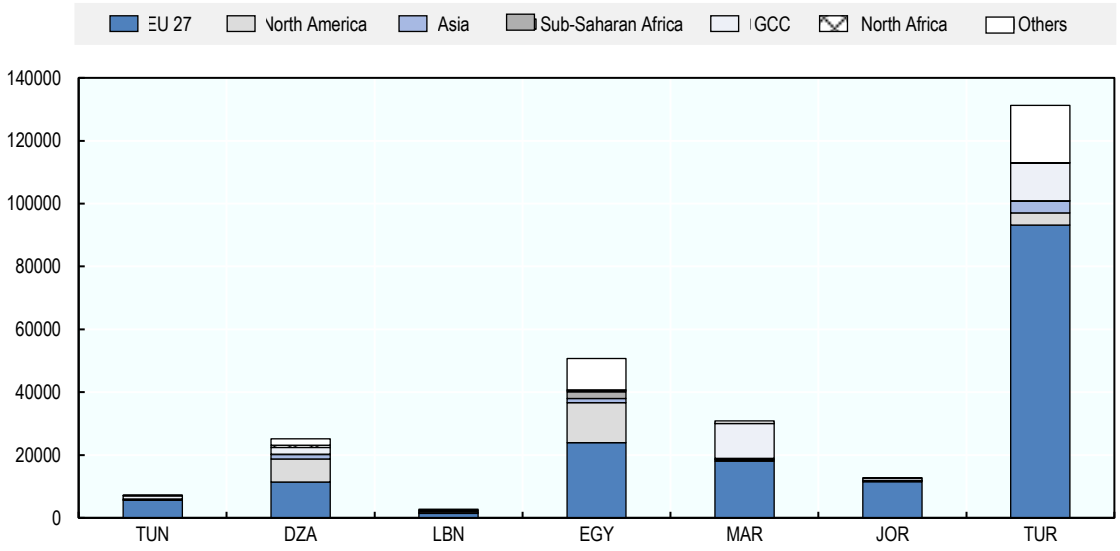
USD million



Source: Authors, based on IMF Coordinated Direct Investment Survey, https://data.imf.org/en/datasets/IMF.STA:DIP.

Figure 2.20. Inward FDI stock by partner region, 2023

USD million



Source: Authors, based on IMF Coordinated Direct Investment Survey, https://data.imf.org/en/datasets/IMF.STA:DIP

Box 2.7. South-South cooperation: GCC investments

The Gulf Cooperation Council (GCC) countries are emerging as significant sources of investment at the global and regional scale. Companies based in the Gulf, for example, have intensified their activities across the African continent, pledging 73 greenfield FDI projects worth over USD 53 billion in 2022 alone (FDI Intelligence/Financial Times, 2024[41]).

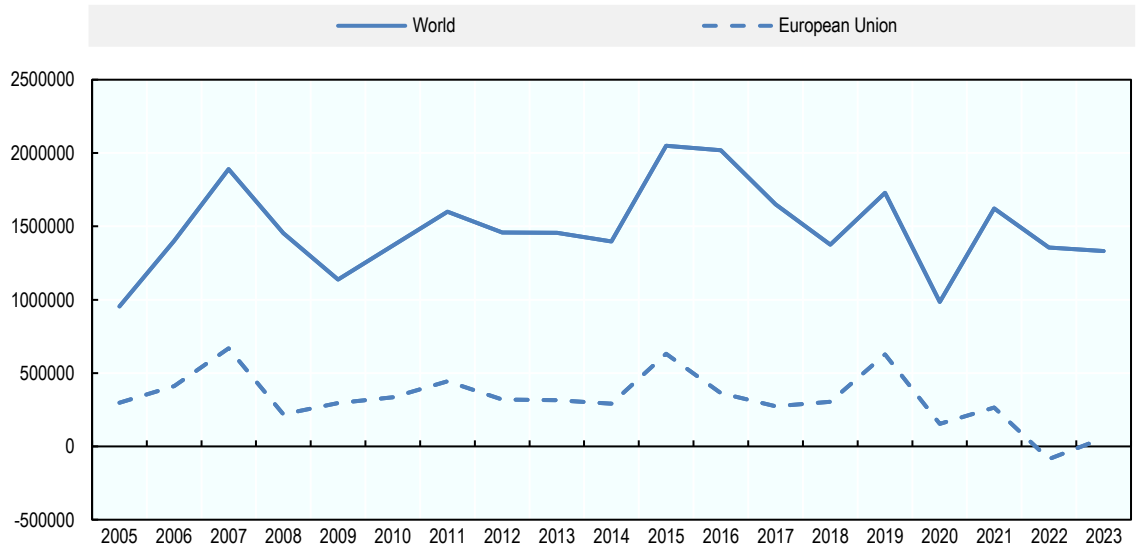
The impact of GCC investments is particularly pronounced within the MENA sub-region. The United Arab Emirates (UAE) is the largest investor, accounting for more than half of all greenfield investments originating from MENA countries in the last two decades followed by Bahrain, Saudi Arabia, and Qatar (OECD, 2021[38]). GCC investments are concentrated in real estate and construction projects -GCC firms have been responsible for 70% of all real estate and construction investments over the last two decades.

In recent years, the GCC countries are increasingly channeling their investments into emerging technologies linked to the green transition, reflecting their strategic push to diversify from hydrocarbons. These investments are fostering greater intra-regional cooperation, generating positive spillovers in terms of technology transfer, sustainable development, and economic diversification. For instance, in 2023, Saudi Arabia's ACWA Power signed a framework agreement to develop a green hydrogen project in Egypt's Suez Canal Economic Zone. The initiative, with an investment exceeding USD 4 billion, aims to produce 600,000 tons of green ammonia annually in its first phase. Similarly, the Abu Dhabi National Energy Company plans to allocate USD 1.6 billion toward renewable energy projects in Morocco. In Mauritania, the UAE's Infinity Power has signed a memorandum of understanding (MoU) for a USD 34 billion green hydrogen project, marking another significant GCC-backed venture. Additionally, investments are expanding into the digital economy, with a particular focus on data centres. UAE-based Gulf Data Hub has signed an MoU to develop three data centre complexes in Egypt, underscoring the region's growing interest in digital infrastructure.

The most recent and significant investment from a GCC country is the United Arab Emirates' 35 USD billion pledge under a landmark agreement with Egypt in 2024. As part of this investment, the UAE secured development rights for the Ras El Hekma peninsula, with plans to establish a large-scale residential and tourism complex. This investment has played a pivotal role in mitigating Egypt's near-term balance of payments pressures during a period of heightened macroeconomic stress. By bolstering foreign exchange reserves, the funds have provided critical support for rebuilding external buffers, facilitating the liberalization of the exchange rate regime, and advancing key reforms under Egypt's IMF-supported program.

Figure 2.21. FDI inflows to the EU and at the global level

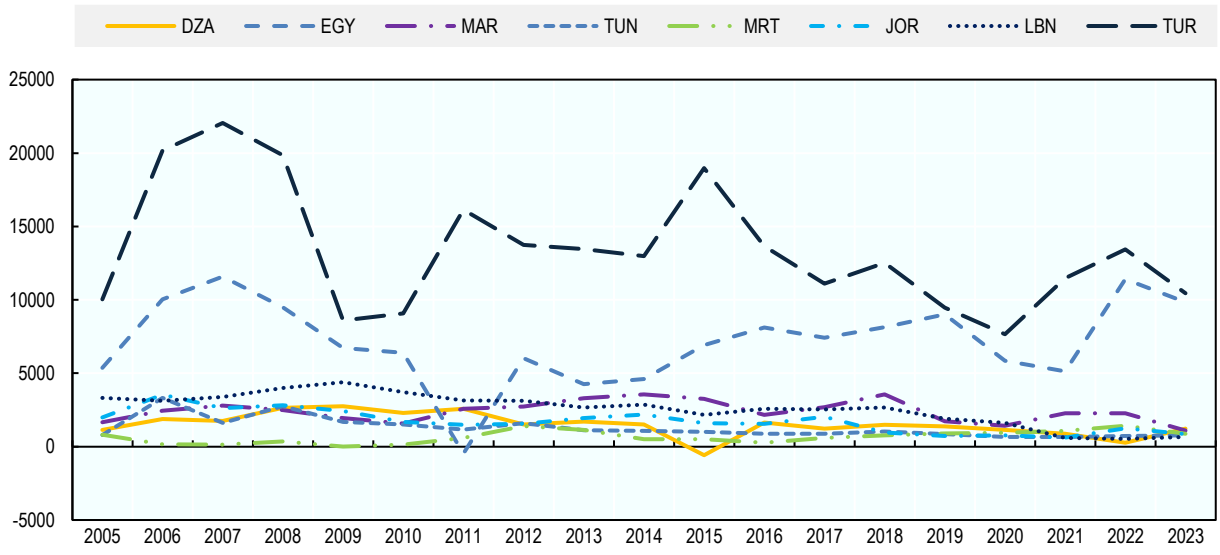
USD million



Source: Authors, based on UNCTAD, World Investment Report, https://unctad.org/topic/investment/world-investment-report

Figure 2.22. FDI inflows to MENA countries and Türkiye, 2005-2023

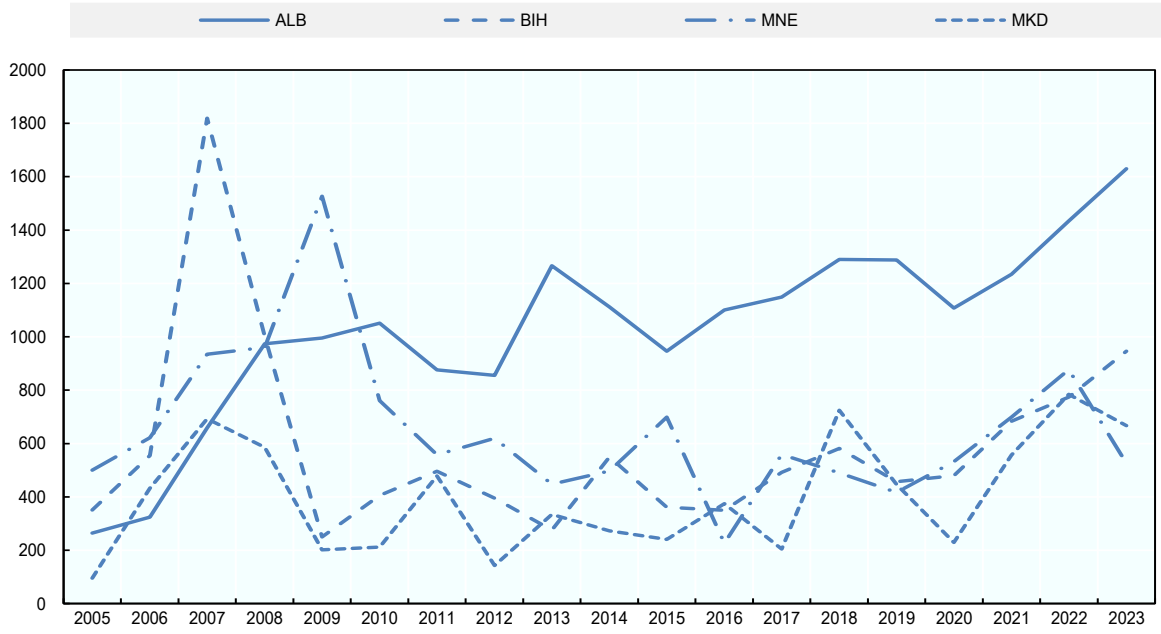
USD million



Source: Authors, based on UNCTAD, World Investment Report, https://unctad.org/topic/investment/world-investment-report.

Figure 2.23. FDI inflows to the Western Balkan countries, 2005-2023

USD million



Source: Authors, based on UNCTAD, World Investment Report, https://unctad.org/topic/investment/world-investment-report

Table 2.2. Value of announced greenfield FDI projects, by destination, 2013–2023

USD million

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
European Union	99 221	78 392	95 457	105 112	132 493	181 885	178 509	150 811	227 166	265 275	262 327
Albania	62	50	137	34	13	219	57	343	249	170	1 049
Bosnia and Herzegovina	827	976	3 089	822	639	737	532	465	356	693	1 905
Montenegro	852	1 136	43	614	49	2 009	572	581	103	140	1 702
North Macedonia	591	852	354	339	135	917	287	137	1 025	623	592
Israel	1 987	375	250	1 096	7 133	6 561	1 066	1 647	27 964	1 832	662
Algeria	4 173	1 111	779	7 353	1 357	9 270	959	80	818	240	691
Egypt	4 978	18 000	16 038	41 823	40 317	13 628	14 229	2 119	14 190	108 072	41 904
Morocco	2 588	5 253	3 970	6 607	3 931	5 115	3 352	2 826	3 797	15 590	20 362
Tunisia	283	2 077	309	340	744	615	2 645	429	298	407	412
Mauritania	8	1 373	-	21	37	-	158	7	379	55	34 000
Jordan	11 237	1 532	297	2 776	599	291	2 122	256	412	383	11 014
Lebanon	69	1 127	35	39	70	121	287	27	0	12	16
Türkiye	15 237	4 314	5 394	8 401	9 291	15 984	3 746	4 754	4 715	4 233	13 255

Source: Authors, based on UNCTAD, World Investment Report, https://unctad.org/topic/investment/world-investment-report

Box 2.8. Financial integration through nearshoring and investment treaties

The COVID-19 pandemic and escalating geopolitical tensions have prompted a strategic reassessment of global supply chains, with near shoring and friend-shoring emerging as key strategies for strengthening resilience and reducing dependency on distant markets. Near-shoring, which involves relocating supply chains closer to core markets, and friend-shoring, which focuses on deepening trade and investment ties with reliable partners, are increasingly seen as effective ways to enhance economic stability and improve the predictability of trade flows.

The geographical proximity of MENA countries and the Western Balkans to the European Union offers valuable opportunities to leverage these trends, particularly in sectors such as manufacturing, logistics and energy. Both the MENA region and the Western Balkans could significantly benefit from deeper financial integration to support near-shoring and friend-shoring objectives. The Western Balkan economies, in particular, have demonstrated consistent success in attracting foreign direct investment (FDI), supported by favourable business conditions and efforts to align regulatory frameworks with international standards. The continued high levels of FDI inflows can be attributed to the region's strategic connectivity, attractive tax incentives, and relatively low labour costs, which have made the Western Balkans an increasingly appealing investment destination for EU companies, especially after the COVID-19 pandemic (OECD, 2024[13]).

However, maintaining investment attractiveness and mobilising investment will require improvements in infrastructure, governance and education systems, as well as the integration of small and medium-sized enterprises (SMEs) into global value chains. Fostering workforce upskilling and promoting innovation in high-value sectors are essential steps to unlock the region's potential as a near-shoring destination.

Despite progress in regional economic cooperation, significant obstacles persist, particularly in relation to investment protection, regulatory consistency, and the alignment of financial standards across countries. Fragmented governance structures and inconsistent regulatory frameworks continue to hamper effective financial integration between the EU, MENA, and Western Balkan economies.

Investment treaties, especially those with strong financial integration provisions, can play a key role in addressing these challenges. MENA and Western Balkan countries have been active in signing bilateral investment treaties (BITs) and treaties with investment provisions (TIPs). Together, these countries have concluded 383 BITs and TIPs currently in force, with an additional 96 agreements signed but not yet operational. However, many of the existing agreements are outdated and do not sufficiently address modern issues related to financial integration, investment protection, or regulatory alignment (UNCTAD Investment Policy Hub, 2025[42]).

The OECD has stressed the importance of modernising investment agreements to include provisions on financial services, efficient dispute resolution mechanisms, and enhanced investor protections to create a more predictable and transparent investment environment (OECD, 2021[38]). Updating these frameworks could significantly improve the investment climate, facilitate cross-border capital flows, and strengthen economic resilience.

F6. FDI regulatory restrictiveness

Why this indicator?

The attractiveness of an economy to foreign investors is influenced by several factors, including market size, economic structure, and the policies and institutions that contribute to create a suitable and transparent business environment. For foreign investors, the regulatory framework governing their entry and operations in the host country is crucial. Many countries impose certain legal or regulatory restrictions on FDI, often aimed at protecting specific domestic industries or sectors.

Key findings

On average, MENA economies impose greater restrictions on foreign investors' entry and operations compared to peer UfM economies (Figure 2.24). In fact, restrictiveness scores for the FDI indicate higher levels of openness in Western Balkan and EU economies than in MENA economies.

- Morocco stands out as an exception within the region, maintaining a high level of openness across all sectors, including financial services.
- Since 2018, there has been a noticeable reduction in FDI restrictions in Lebanon and Algeria, though these countries still exhibit higher levels of restrictiveness compared to other UfM economies.

Western Balkan countries perform similarly to the EU average overall.

In the financial sector, restrictions on banking activities remain notably higher than in other financial services, such as insurance or securities trading. One exemption is Jordan, which has one of the lowest levels of restrictions in the financial sector compared to its peers in the MENA region (Figure 2.25). This is attributed to the advanced development of Jordan's banking sector, one of the most established in the region (OECD, 2021[38]).

- Otherwise, despite banks being the primary source of financing for both individuals and businesses in MENA countries, the banking sector remains highly protected, limiting cross-border activities and restricting the penetration of foreign banks.
- Opening the banking sector to foreign investments can offer several potential advantages. The presence of foreign banks can improve access to foreign capital and create new financing opportunities. In times of instability, foreign banks can help mitigate cross-border capital flight by providing a safe alternative for foreign investors to move their capital from domestic banks to locally based foreign ones. However, the successful integration of foreign banks into domestic markets, and the maximization of these benefits, depend on a robust legal framework.
- This also requires modernized legislation covering areas such as bankruptcy, risk management, accounting, capital requirements, and lending. Many countries have made efforts to implement international standards in these areas, though the degree of adoption varies.

The FDI restrictions examined refer primarily to discriminatory measures explicitly laid down in regulations or legislation. However, additional de facto barriers to foreign investment may also exist. These include institutional or informal barriers such as excessive red tape or corruption, inconsistent enforcement of regulations, market distortions due to state ownership in strategic sectors, preferential treatment of certain firms, insufficient competition, skills shortages, inadequate infrastructure, political instability, poor governance and weak regional integration.

UfM and the broader MENA region. In recent years the GCC countries have attracted substantial FDI inflows and are increasingly attracting EU investors especially in Saudi Arabia, Qatar and Oman. However, European investors find various obstacles in the region. These include barriers related to the predominance of the public sector in the business and job markets, ownership requirements, length and cost of legal procedures, investment screening processes, difficulties for foreign companies to participate in procurement bids, restricted financial markets, and difficulties in hiring locally. For example, in Saudia Arabia, the FDI restrictiveness index has improved since 2018, but it was still at 0.3 in 2023, comparable to Algeria and Jordan, as opposed to 0.1 in Türkiye and Israel, and almost no restrictiveness in the EU.

What policy action is needed?

- **Foster coordination of reforms between MENA countries** to harmonise legislation and regulations applied to foreign investors.
- **Eliminate de facto institutional and informal barriers**, notably with respect to excessive red tape or weak governance, market distortions due to state ownership in strategic sectors, preferential treatment of certain firms, and skills shortages.

Definitions

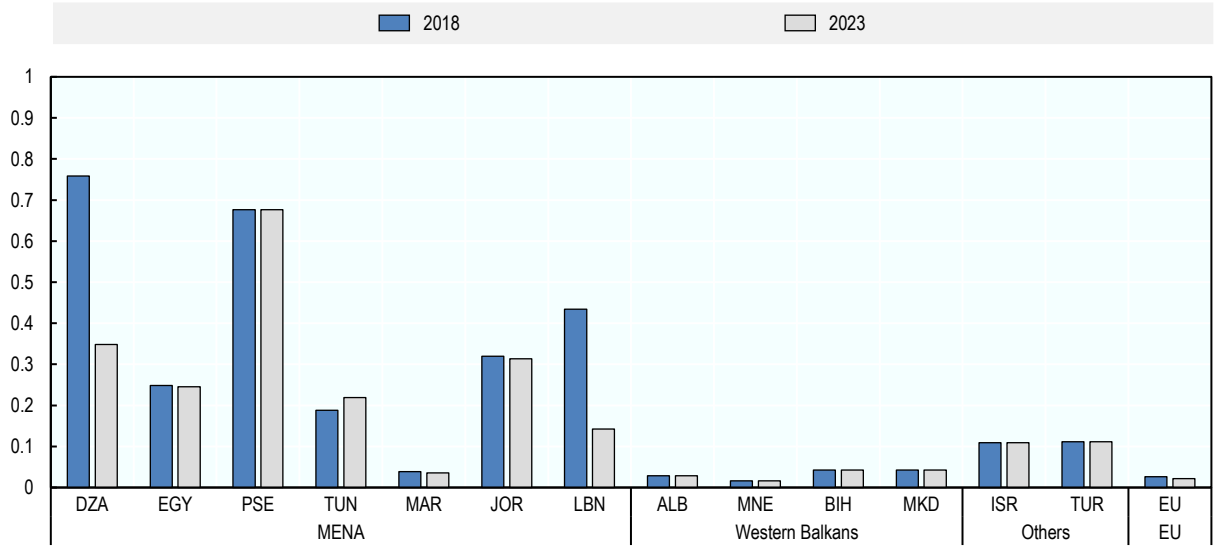
The OECD FDI Regulatory Restrictiveness Index assesses the openness or restrictiveness of countries toward foreign investment by measuring statutory barriers across four key dimensions: i) foreign equity limitations, ii) screening and prior approval requirements, iii) restrictions on key foreign personnel, and iv) other operational constraints on foreign enterprises. The index helps to explain differences in FDI attractiveness between economies. It should be interpreted in the light of other factors such as the implementation of FDI regulations, the presence of state ownership in key industries, the size of the domestic market.

In the financial sector, the index evaluates restrictions within banking, insurance, and other financial activities, including securities and commodity exchanges, brokerage, investment advisory services, trust and fund management, financial leasing, credit activities, factoring, and venture capital.

Source: https://www.oecd.org/en/data/indicators/fdi-restrictiveness.html

Figure 2.24. FDI restrictiveness, 2023

Index 0 (no restriction) to 1 (closed)

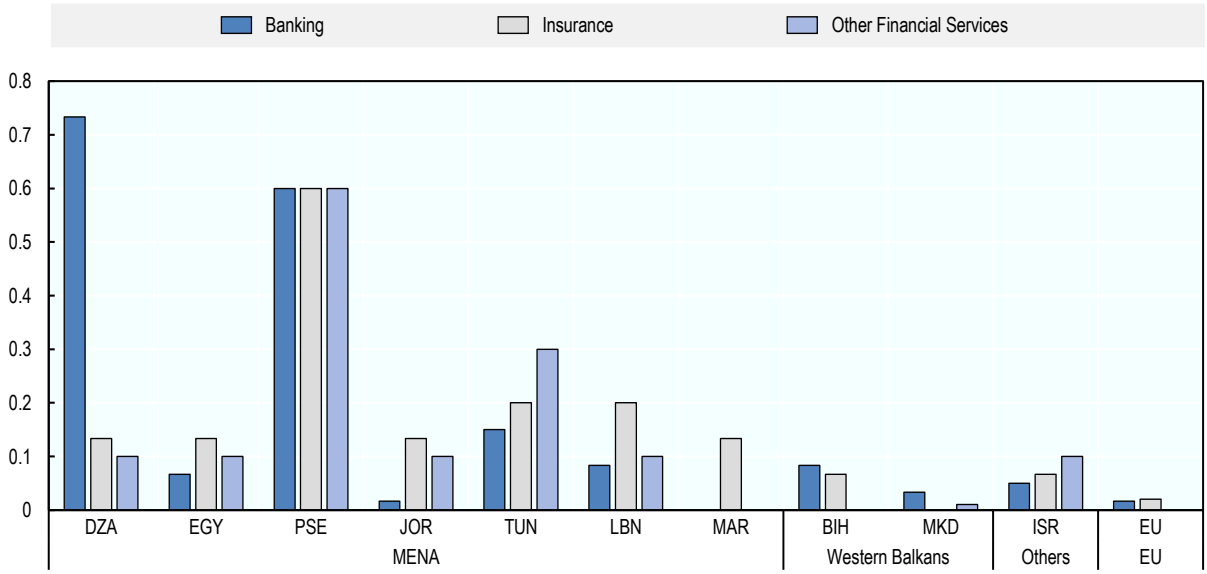


Note: Data for Cyprus, Mauritania and Malta are missing
Source: OECD FDI restrictiveness Index.

StatLink https://stat.link/n9h3z4

Figure 2.25. FDI restrictiveness in the financial sector, 2023

Index 0 (no restriction) to 1 (closed)

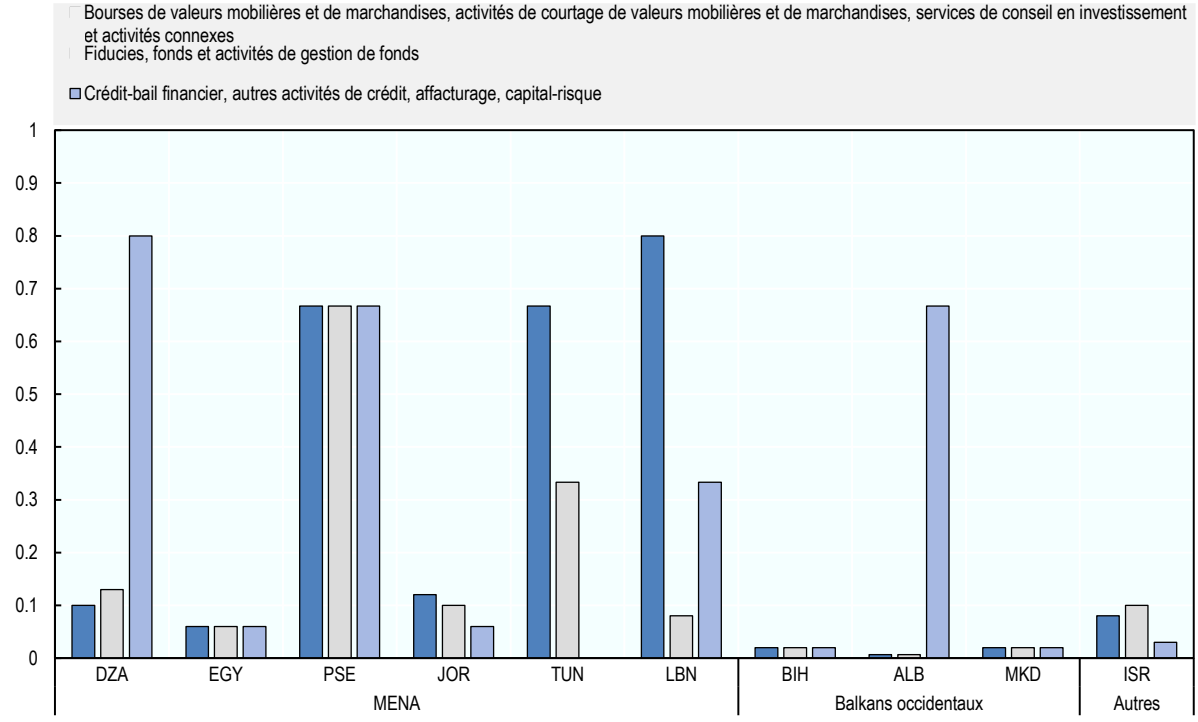


Note: For Cyprus, Mauritania, and Malta data are missing. For Montenegro, Albania and Türkiye the value is 0. Other Financial Services include securities and commodity exchanges, securities and commodity brokerage, investment advisory services and related activities; trusts, funds and fund management activities; financial leasing, other credit activities, factoring, venture capital.
Source: OECD FDI restrictiveness Index

StatLink https://stat.link/2a174q

Figure 2.26. FDI restrictiveness by financial assets, 2023

Index 0 (no restriction) to 1 (closed)



Note: For Cyprus, Mauritania and Malta data are missing. For the EU Morocco, and Montenegro and the value is zero.
Source: OECD FDI restrictiveness Index

StatLink https://stat.link/39n2cr

F7. FDI contribution to gender equality in employment and wages

Why this indicator?

Foreign direct investment can have a significant impact on gender equality in host countries by supporting the development of sectors with higher female participation, notably services (e.g. professional services, hotels and restaurants, information and communications). The operations of foreign affiliates of multinational enterprises can introduce good practices shaping the employment and working conditions of local women. Beyond direct employment, FDI can also affect gender outcomes in domestic firms indirectly through business linkages, competition and labour mobility.

Key findings

The analysis of greenfield FDI data in MENA countries reveals a concentration of investment in sectors with lower female employment and wider gender pay gaps (Figure 2.28).

- A significant portion of FDI in this sub-region is directed toward construction, the mining and energy sectors, and manufacturing (OECD, 2021[38]). In contrast, smaller shares of FDI are allocated to services and other sectors with a higher representation of women.
- The data from MENA countries further indicate that the gender pay gap is, on average, wider in manufacturing and services, but narrower in sectors like construction, mining, and energy—industries that employ fewer women but a higher proportion in skilled roles (Montinari, 2023[43]).

The OECD's 2022 FDI quality review for Jordan noted that over the past two decades, about 70% of greenfield FDI flows to Jordan has gone to energy, namely oil and gas, and real estate services, two sectors with a labour force where men predominate. About 20% of greenfield FDI flows went to the manufacturing sector and only 10% went to market services such as finance, ICT, transport and tourism (OECD, 2022[40]).

- Greenfield FDI in manufacturing tends to be concentrated in industries with a relatively high proportion of female employees, especially in the clothing and textile sector. This pattern is common in several MENA countries with large food and clothing industries, such as Tunisia and Egypt. In general, there is a positive correlation between greenfield FDI in manufacturing and female employment in countries with a comparative advantage in low value-added industries. These industries typically rely on low-cost labour, including a significant number of female workers (IMF, 2018[44]).
- In Jordan, greenfield FDI in manufacturing is also concentrated in industries with a higher share of firms with female managers and main owners. These are the same industries that employ a higher proportion of female workers, namely food, clothing and textiles. This suggests that these FDI-intensive industries create jobs for women not only in low-skilled, labour-intensive positions such as assembly work, but also in higher-skilled jobs such as management.

The study shows that foreign investors in Jordan outperform domestic firms on several performance measures, but not always in terms of gender equality. While foreign firms tend to have a higher proportion of female employees, they are less likely to have female top managers and female main owners than domestic firms. Similar results are also found in Egypt and Tunisia (OECD, 2022[40])

A parallel study on Tunisia shows that FDI flows are relevant in sectors with relatively high female employment, such as textiles and electrical/electronics.

- Female employment in Tunisia's manufacturing sector is relatively high compared to other MENA countries; and even higher in foreign-owned firms. although women are often employed in lower-skilled positions
- In foreign-owned firms, women make up 58% of the workforce, higher than in domestic firms, where 37% of employees are women (OECD, 2024[45]).

All these elements suggest that, while FDI can have a positive impact on female participation in the labour force, its contribution remains limited. FDI is only one of many factors influencing female employment and wage disparities between males and females. The degree to which FDI fosters gender equality in employment and wages is also influenced by the presence of national policies promoting gender equality and supporting women's economic empowerment, particularly in contexts with low female labour force participation.

What policy action is needed?

- **Integrate gender-related provisions within their investment legislation** to better balance investor rights and obligations. This approach would align national laws with international standards for responsible business conduct, such as those outlined in the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD, 2023[46]).
- **Consider the implementation of policies such as labour regulations on minimum wages, employment protection, social security, maternity and childcare support, sexual harassment, and flexible working arrangements**, as they also affect the quality of jobs created and supported by FDI.
- **Promote policies aimed at increase access to education and health care** to develop an active and well-educated female labour force.

Further reading

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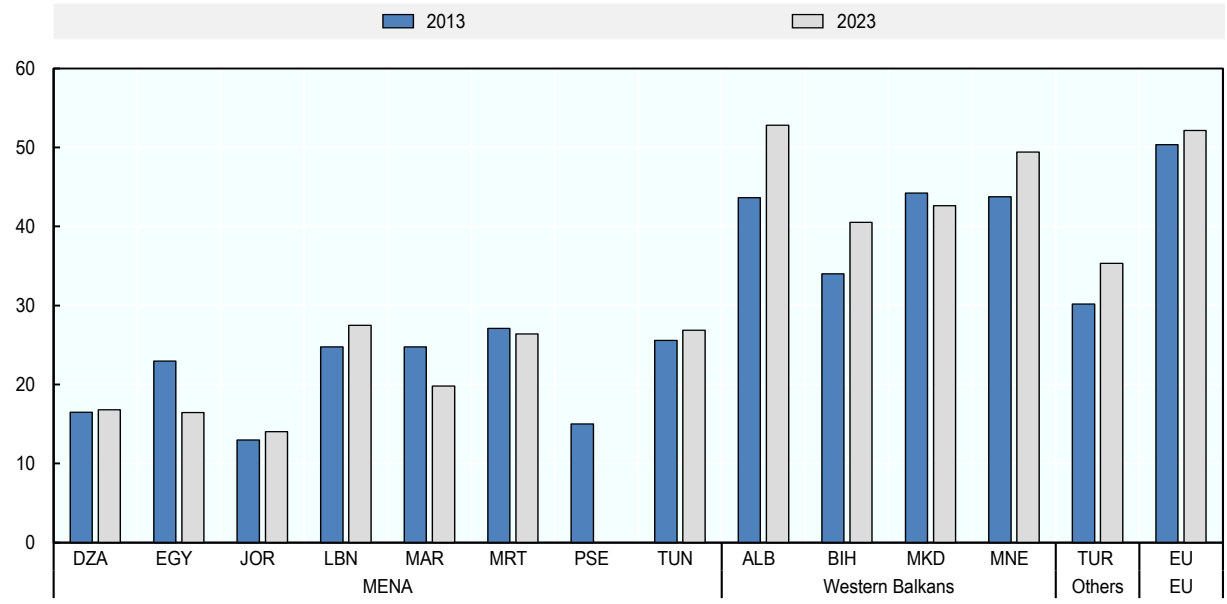
Figure 2.27. Female participation in the labour force in selected UfM countries

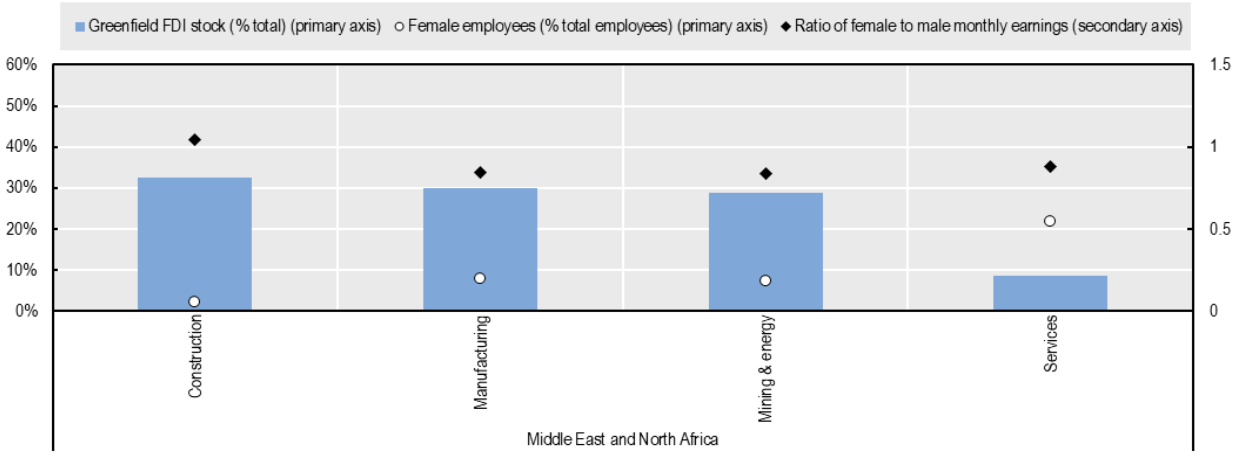
Percentage of the total labour force



Source: World Bank, https://genderdata.worldbank.org/en/indicator/sl-tlf-acti-zs

Figure 2.28. Greenfield FDI and ratio of female to male earnings

By percentage of female employees



Source: OECD elaboration based on fDi Markets' greenfield FDI tracking database (2022), https://www.fdimarkets.com; and ILOSTAT Labour statistics (2022), https://ilostat.ilo.org/data.

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3 Infrastructure

The chapter has two parts. The first part presents the overall analysis on progress of connectivity infrastructure since the 2021 Progress Report and introduces policy recommendations. The second part outlines the indicators that support the analysis and recommendations/

- I1. Cross-border projects in transport
- I2. FDI regulatory restrictiveness in the transport sector
- I3. Logistics Performance Index (LPI)
- I4. Liner Shipping Connectivity Index
- I5. Import and export dwell time
- I6. Cross-border projects in energy
- I7. FDI regulatory restrictiveness in the electricity sector
- I8. Electricity trade flows
- I9. Electricity generation
- I10. Renewables in installed electricity capacity
- I11. Fixed broadband subscriptions
- I12. Mobile broadband subscriptions

The role of infrastructure integration

Well-developed and interconnected infrastructure networks are key enablers of regional integration. By improving transport links, energy grids and digital connectivity, member countries of the Union for the Mediterranean (UfM) can reduce transaction costs, enhance supply chain efficiency, facilitate people mobility and knowledge exchange, and ultimately create more robust economic ties that contribute to overall growth and economic development.

The 2021 UfM Ministerial Declaration on Energy and 2023 Ministerial Declaration on Transport establish commitments to the development of sustainable, resilient and inclusive energy and transport infrastructure, acknowledging the benefits of infrastructure integration for the region's prospects. Both declarations affirm the importance of adopting a regional approach to infrastructure development, underscoring the salience of regional cooperation and multistakeholder engagement for improving connectivity. Also, the declarations reflect a growing recognition of the need for clean, affordable and secure infrastructure connectivity in line with the Paris Agreement and the UN Sustainable Development Goals (SDGs), e.g. SDG 7 on ensuring access to clean and affordable energy.

Monitoring infrastructure integration in the UfM. This chapter analyses three types of infrastructure: ***transport, with a focus on freight transport; energy;*** and ***communication networks***. It also explores regulatory issues affecting foreign direct investment (FDI) in infrastructure and network performances. Selected indicators are used to monitor progress in the development of transport infrastructure (I1-I5), energy infrastructure (I6-I10), and digital infrastructure (I11-I12) in the UfM, to identify policy priorities for improving connectivity in the region.

What we have observed since the *2021 Report*

In general, the analysis found that improvements have been made since the *Progress Report 2021,* with continuing disparities in infrastructure development and access across the UfM region. The Southern Mediterranean countries, with a few exceptions, have been slow to develop new transport and energy infrastructure, despite strong potential in the energy sector. Also, digital infrastructure has advanced, although the introduction of broadband has been slower within the MENA and Western Balkan countries.

Infrastructure integration displays steady improvements, yet connectivity remains fragmented

Maritime transport remains the main channel for trade across the region. Although many major ports are located in the Northern Mediterranean, ports in Morocco and Egypt have also become important hubs, and there are opportunities to develop new port infrastructure across the Southern and Eastern Mediterranean. Several countries are making substantial investments to strengthen their port infrastructure. Morocco aims to expand port infrastructure to leverage its strategic geographical position as a key logistics hub and maritime hub in Africa and the Mediterranean (*2030 National Port Strategy*); and Egypt has already linked its industrial development plans and energy transition to the improvement of Suez Canal and accompanying port infrastructure. Development of a high-speed rail network connected to main ports is a priority in both countries as well as in Jordan. Algeria has set up an ambitious plan to improve port infrastructure and invest in high-speed railways.

Indeed, surface freight transport in the UfM is still heavily dependent on road infrastructure. This highlights the need for diversified, multimodal networks that can integrate rail and maritime routes and enhance efficiency and cost-effectiveness, thereby optimising routes and reducing transit times. Multimodal networks also promote sustainability and reliability, lowering greenhouse gas emissions and building resilience in supply chains. Overall, UfM countries account for 13.4% of global transport emissions, reflecting a 40% increase since 1990, underscoring the urgent need to cooperate to accelerate decarbonisation efforts in the transport sector.

Deploying broadband network infrastructure is needed to support diverse use cases and provide high-quality communication services. The development of new fixed and mobile broadband networks is important for the digitalisation of the transport and energy sectors, enhancing efficiency and reducing costs.

The analysis confirms that in the MENA region and Western Balkan countries, improvements in the overall performance of the logistics systems are needed, as efficient logistics (e.g. multimodality of transport, automation of custom formalities) is critical for facilitating trade and improving export competitiveness, especially for small and medium-sized enterprises seeking access to regional and global markets.

The green transformation faces challenges

The green transformation represents a compelling opportunity for deeper economic integration across the Mediterranean, connecting the abundance of renewable energy potential in the Southern Mediterranean encouraged by the energy diversification and security goals of Northern Mediterranean countries. The EU's strategic goals on green transformation have accelerated investments in renewable energy and infrastructure, including solar, wind and green hydrogen projects.

Major initiatives such as the Elmed interconnection between Tunisia and Italy and the GREGY project between Egypt and Greece represent important milestones in accelerating pan-Mediterranean cooperation around green energy. These projects point to the role MENA countries play in the EU's target of importing 10 million megatons of renewable hydrogen per year by 2030. The European Union's broader goal of achieving climate neutrality by 2050, underpinned by its Critical Raw Materials Strategy, emphasises the importance of long-term strategic partnerships with neighbouring regions.

At the same time, the drive towards cross-border energy markets coexists with an urgent need for structural reforms within MENA economies. Long-standing energy subsidies have led to inefficient consumption patterns, undermined fiscal resilience, and delayed the transition to sustainable energy systems - in a context where domestic energy demand is projected to rise, driven by demographic, economic growth, industrialisation and climate change. Improving energy efficiency and reforming pricing frameworks will be crucial to supporting MENA's transition to green energy and boosting the region's potential to decarbonise its domestic energy consumption (and possibly turn into a net renewable energy exporter in the longer term).

Reforms to ease FDI restrictions have progressed but challenges remain, especially in MENA

The investment gap in infrastructure remains significant, particularly in Southern Mediterranean and Western Balkan countries, where infrastructure development is underfunded and concentrated in a few key areas.

Both MENA and Western Balkan countries have implemented statutory reforms to improve the investment climate for foreign investors. However, North Africa countries continue to maintain stringent FDI regulations in the transport sector. In addition, institutional or informal barriers to investment, inconsistent enforcement of statutory rules, and distortions caused by state ownership in key sectors (and special regulatory treatment received by particular firms) have been identified as sources of discrimination cutting across some sectors in MENA (OECD, 2021[1]).

The Western Balkans have made significant progress in fostering a more favourable business climate for FDI by reducing investment restrictions and aligning regulatory frameworks more closely with EU benchmarks. The region can benefit from increased FDI to bridge the infrastructure gap (OECD, 2024[2]). Cooperation with EU institutions is pivotal, through initiatives such as the Economic and Investment Plan for the Western Balkans for 2021–2027, which aims to mobilise EUR 9 billion to accelerate the green and digital transitions and enhance regional integration.

Sub-regional connectivity at a glance

The **EU27** exhibits high levels of connectivity across transport, energy and communication infrastructure, supported by initiatives like TEN-T and significant investments in cross-border energy interconnectors. The war in Ukraine, by disrupting energy supply chains, highlighted the EU's need for diversified energy sources. In this context, the EU's robust framework for trade facilitation, digitalisation and multimodal infrastructure has helped maintain resilience.

Transport infrastructure in the **MENA** region is advancing, with Morocco and Egypt making significant progress. Flagship projects such as the Trans-Maghreb Highway and the expansion of maritime and rail networks are improving regional connectivity. Relatively open investment regimes have positioned both countries as emerging hubs for logistics and green energy. Notably, green hydrogen is gaining in strategic importance, with investments targeting the Suez Canal Zone for green fuel production and the Tanger Med–Hamburg port partnership to facilitate hydrogen exports (OECD, 2024[3]). To minimise costs, co-locating renewable energy generation, hydrogen production and transport infrastructure remains essential (OECD, 2022[4]).

Green infrastructure projects in MENA can support employment, skills development and technology transfer, though power supply reliability remains a constraint in parts of the region. Broadband access also remains limited. While the Medusa submarine cable will improve connectivity, further investment in high-quality fixed and mobile networks is needed.

Transport and energy networks in the **Western Balkans** are expanding, with increasing integration with the EU and key rail and energy interconnections with the neighbouring countries. In the transport sector, although FDI restrictiveness is already low, infrastructure gaps persist, increasing costs for businesses and reducing trade efficiency. While financial support from EU institutions remains critical, further efforts are needed to streamline regulatory burdens and improve project implementation (OECD, 2025[4]). Energy infrastructure in the region presents high regulatory barriers and reliance on coal-based energy. Initiatives under the Green Agenda for the Western Balkans are advancing decarbonisation and green energy investments (Box 3.8). Digital infrastructure has improved with increased investments, though high broadband costs continue to limit uptake, particularly in rural areas.

Türkiye plays a crucial role in regional connectivity, supported by advanced multimodal transport systems linking Europe and Asia. In the energy sector, Türkiye serves a central hub, with major infrastructure projects linking the regional electricity networks. FDI restrictiveness in transport and energy is relatively low, though challenges remain in digital infrastructure expansion. Ongoing efforts to improve mobile broadband and strengthen energy interconnections are set to reinforce Türkiye's position in the UfM. The country has also effectively leveraged public–private partnerships (PPPs) to mobilise private investment in infrastructure.

UfM and the broader MENA region. Finally, while not members of the UfM, in the broader MENA region the Gulf Cooperation Council (GCC) countries, particularly Saudi Arabia and the United Arab Emirates, are emerging as key logistics hubs, due to shifting global trade patterns and changing energy demands. As trade intensifies eastward along the New Silk Route, the Gulf is leveraging its geography and capital to invest in infrastructure across the Middle East, Africa and Asia, reflecting a strategic interest to diversify its economy beyond oil. The GCC region shows increasingly strong logistics, trade and investment capabilities, with results surpassing those of both UfM average and non-EU UfM countries across many infrastructure indicators analysed in this report.

Looking forward, what policy action is needed?

Regional and bilateral infrastructure projects require the involvement of multiple stakeholders and are often sensitive to domestic and foreign policy issues. Also, infrastructure projects have strong public good characteristics and require large-scale capital mobilisation, where the distribution of costs and benefits across borders is more complex. Limited public-private partnership in energy and transport projects, combined with strong state presence in some UfM countries (particularly in MENA), may crowd out private sector financing.

The reforms within UfM countries should aim at addressing the gaps in both hard infrastructure (e.g. ports, railways) and soft infrastructure (e.g. regulatory frameworks).

Engage in regional cooperation platforms

Governments should further engage in regional cooperation platforms to foster trust, coordination and collaboration as well as policy coherence of connectivity efforts in the region, to align standards and planning across borders and strengthen the continuity of infrastructure networks and supply chains through collaborative frameworks.

The UfM formal multilateral platforms (e.g. the UfM Regional Platform on Transport Connectivity and UfM Regional Platform on Energy) play a key role in facilitating dialogue and cooperation in the Euro-Mediterranean region, a role even more important in the current geopolitical context of ongoing conflicts.

Platforms such as the Working Group on Trade and Investment of the MENA-OECD Competitiveness Programme and the new OECD Emerging Markets Forum (EMF) (Box 3.5) can also be instrumental in facilitating effective dialogue for policy makers across different regions, allowing them to learn and share best practices on connectivity.

Cooperation efforts could lead to well-functioning regional economic corridors that not only facilitate efficient transport across regions but also boost trade generation and economic integration. Though still not realised to their full potential, good

examples include the Trans-Caspian Transport Corridor in Central Asia, the Lobito Corridor in Africa and the Bioceanic Corridor in Latin America.

Foster cross-border projects and regional infrastructure initiatives, especially between EU and North African ports, to streamline logistics, lower transshipment costs, and improve regional competitiveness. Increasing direct shipping connections will support more efficient trade within the Mediterranean and neighbouring regions.

Encourage sharing of knowledge and good practices across regions to help countries adopt successful practices and align with international standards for connectivity infrastructure. For instance, peer learning via training programmes and collaboration in the use of advanced digital tools can enhance the skills of personnel in ports and customs in MENA, fostering operational efficiencies.

UfM and the broader MENA region. *Infrastructure partnerships between the EU and the GCC that* also involve other non-EU UfM countries and beyond, such as the strategic India-Middle East-Europe Economic Corridor (IMEC), are helping to fill infrastructure gaps.

UfM and GCC countries should continue collaborating, especially through the EU Global Gateway, to build sustainable and high-quality connections among them, by upgrading existing infrastructure and creating green logistics and regional transport solutions. These would benefit less advanced UfM countries still lacking the necessary infrastructure to participate in, and fully benefit from, the ongoing transformation of the region.

Improve logistics and digital connectivity

Adopt National Logistics Masterplans containing quantifiable targets aligned with national and regional long-term economic development plans and visions. A well-developed logistics master plan that incorporates multimodality and a holistic view of urban, national and regional transport networks is essential for sustainable economic growth and regional integration. Such plans should aim at ensuring last-mile connectivity across various modes of transport - road, rail, maritime, and air - allowing for efficient movement of goods and people. They should ideally include investment strategies that account for both hard and soft infrastructure (enabling an integrated logistics network) and be designed with a coordinated approach in consultation with the private sector.

Invest in multi-modality of transport. Strategic investments in multimodal hubs can reduce congestion and lower logistics costs. Linking ports with inland areas through robust infrastructure will enhance last-mile transport connectivity, stimulate local economies, and facilitate smoother trade flows across different transportation modes.

Sustained investments to modernise port infrastructure, upgrade ports technologies and expand capacity are essential to improving competitiveness. By advancing infrastructure and digital governance in key ports, UfM countries can strengthen their positions within global maritime logistics networks.

Promote digital customs platforms, automation and advanced data systems to reduce delays and increase transparency. Key investments include single-window customs systems, blockchain, AI, and Big Data infrastructure to streamline operations. Adopting the EU and World Customs Organization (WCO) standardised single-window systems can significantly improve trade facilitation for countries lagging in digital customs, as it streamlines the submission of all necessary information through one entry point. Improved trade facilitation measures will bear fruit at a faster pace compared to the development of hard infrastructure, which involves long-term planning and financing strategies.

In addition, countries should seek to harmonise their regulatory frameworks to support digital services and trade. In the Western Balkans, the Systematic Electronic Exchange of Data (SEED) system, supported by the EU and the WCO, enables the automatic exchange of customs data between customs administrations. The system allows officials to easily visualise data and perform detailed analysis of exchanged records (WCO, 2024[5]) and could serve as a good practice for other countries in the region.

Enhance broadband connectivity across the Southern Mediterranean. Expanding high-speed communication infrastructure both nationally and regionally through projects such as the Medusa Submarine Cable is crucial to strengthening connectivity between the Northern and Southern Mediterranean.

Collaborate on decarbonisation and green transition

Work together to advance infrastructure projects that support decarbonisation and improve energy efficiency. As electricity demand on both sides of the Mediterranean is projected to rise in the coming years, countries across the UfM need to accelerate power efficiency to contain the growth and discourage inefficient power consumption. They should also seek to support the deployment of additional power generation capacity (including renewables) while enhancing grid infrastructure to cope with rising demand, especially in the Southern Mediterranean. At the same time, the sub-region's electricity integration should be promoted by supporting market harmonisation and cross-border power interconnections.

Prioritise decarbonisation of the transport sector. Key strategies include accelerating electrification across all transport modes - including expanding electric vehicle charging infrastructure and smart grids, promoting a modal shift from road to rail, expanding green logistics practices such as the EcoPorts network (successful examples are Morocco's Tangier Med and Türkiye's Asyaport and Marport) while advancing on harmonising rules and procedures with a view to implementing shared regional practices aligned with global standards.

Align skills with the demands of the green transition. Southern Mediterranean countries require a workforce trained in the development, installation and maintenance of renewable infrastructure. To address the labour market needs of the green transition, regional governments in the region should develop tailored curricula and skills development programmes within technical and vocational schools. This will require strong collaboration between industry stakeholders, educational institutions, labour associations and governments to ensure that training programmes are aligned with labour market demands and emerging industry standards.

UfM and the broader MENA region. GCC countries should be encouraged to further invest in climate adaptation and mitigation in the Mediterranean region at large, by promoting investment projects that involve collaboration with all UfM countries in addition to cooperation with the EU.

Improve investment conditions across the Southern Mediterranean

Increasing openness to FDI and promoting fair, competitive markets remain crucial for mobilising the private capital needed to fund large-scale development projects.

In the context of its programmes and initiatives in the Mediterranean, the European Union can assist partner countries in developing and implementing regulatory frameworks and policy measures that attract investment, by offering them technical support, sharing best practices and providing financial incentives. Effective policies should focus on fostering open, transparent and predictable investment conditions, while aligning with the regional aspirations for green and digital transitions.

In the energy sector in particular, implementing policies that incentivise investments in the renewables sector can enable faster deployment of renewable technologies and reduce countries' dependence on imported fuels in power generation, especially for net energy importers. Countries should encourage a broad range of stakeholders including the financial sector, local businesses and multinational companies looking to decarbonise their operations and supply chains. The collaboration between Southern Mediterranean countries and the EU would complement and help advance current and planned electricity interconnection projects at the sub-regional and Euro-Mediterranean levels.

Leverage innovative financing instruments. The European Union can also help countries to leverage innovative financing instruments, such as offtake agreements, equity investments, and risk-sharing frameworks that help de-risk projects, improve bankability, and enhance investor confidence, thereby catalysing capital inflows into large-scale infrastructure development. Offtake agreements, which involve long-term purchase commitments between buyers and project developers, can provide revenue certainty, reduce market risk, and improve the creditworthiness of infrastructure projects. Scaling up alternative financing approaches, including blended finance and PPPs, can crowd in private sector participation while ensuring fiscal sustainability and long-term project viability for the development of resilient, regionally integrated infrastructure networks.

Lower regulatory restrictiveness to encourage investment in the growing digital economy. An environment that encourages investment in broadband infrastructure ultimately stimulates competition, improves service availability and reduces costs for digital subscriptions for businesses and individuals. Reducing regulatory barriers to deployment, while

maintaining fair competition and preserving investment incentives, will further support efficient infrastructure development, ensuring expansion of network coverage and broader access to high-quality broadband services.

Increase private participation in public infrastructure to help close the significant investment gap to improve and expand transport infrastructure. Initiatives are geographically concentrated in a few UfM countries such as Egypt and Morocco in MENA and Bulgaria and Albania in Southeast Europe. PPPs should be affordable, represent value for money and be transparently treated in the budget process. Private investment in infrastructure can bring about much-needed technological know-how, cost effectiveness, and efficient and sustainable mechanisms for the transport operations within the region.

Ensure efficiency and transparency of the state-owned enterprises (SOEs) that play a significant role in managing and operating key transport infrastructure, including ports, railways and airlines, across many UfM member countries. For instance, Morocco's National Railways Office (ONCF) oversees the country's railway network, while Egypt's National Authority for Tunnels manages metro and railway projects. Similarly, Algeria's Société Nationale des Transports Ferroviaires (SNTF) operates the national railway system. These enterprises are instrumental in implementing national transport strategies and infrastructure projects (Box 3.3). It would be important that no single entity is responsible for building, operating and monitoring transport projects. Countries should ensure that SOEs operate efficiently, transparently and on a level playing field with private enterprises (OECD, 2024[6]).

Main findings	Key recommendations
Transport	
Countries that establish national transport strategies aligned with industrial and development plans register significant progress in connectivity.	Adopt National Logistics Masterplans containing quantifiable targets aligned with national and regional economic development plans and visions to improve the overall logistics performance at the national and regional levels.
Surface freight transport infrastructure remains overly reliant on road networks, especially in the Western Balkans and MENA, underscoring the need for improving multimodality, particularly through rail and maritime routes.	Improve multi-modality and hinterland connectivity by increasing investments in rail and maritime infrastructure to reduce dependence on road networks.
Maritime transport is the backbone of trade in the region, with ports in the Northern Mediterranean dominating trade flows. However, Türkiye, Morocco and Egypt are emerging as important hubs in the Southern Mediterranean.	Upgrade existing ports in line with demand from shippers and shipping companies with regard to capacity, maritime access and service level. Increase the frequency of the direct shipping lines among neighbouring Mediterranean countries.
There has been an increase in cross-border projects in all modes of transport. The EU Global Gateway continues to be an important facilitator of connectivity in the Southern Mediterranean.	Pursue the implementation and completion of cross-border infrastructure projects with a focus on regional connectivity and multimodality, such as the Trans-Mediterranean Transport Network (TMN-T).
Digital infrastructure that improves connectivity for transport and trade remains largely fragmented across the UfM region. Some countries lag in implementing digital customs systems.	Simplify and harmonise custom procedures. Implement EU and WCO-standardised single window systems to enhance trade facilitation by enabling traders to submit all required information through a single, unified platform.
Timeliness and dwell times continue to pose major challenges in the region. In some countries, instead of improving, logistics performance has deteriorated, leading to longer delays and extended dwell times, which negatively affect overall efficiency.	Target investments in infrastructure development and process optimisation, integrating sustainable and green principles, to reduce bottlenecks and enhance time efficiency in transportation, particularly in non-EU UfM countries
The investment gap in the UfM transport sector remains significant, particularly in MENA where infrastructure development is underfunded and concentrated in a few key areas; in Western Balkan countries the issue is project selection, approval and implementation. This limits the expansion of multimodal networks and hinders regional connectivity and trade integration.	Facilitate private sector participation (through both FDI and PPPs as well as blended finance) in infrastructure projects to mobilise capital, promote innovation and address financing gaps, particularly in underdeveloped transport systems. Promote adoption of good practices in project implementation.
Despite noted improvements, FDI regulatory restrictions in the UfM transport sector persist.	Draw on good practices in the region, reducing FDI regulatory restrictions through simplifying and harmonising FDI regulatory frameworks.
UfM countries account for 13.4% of global transport emissions, reflecting a 40% increase since 1990, underscoring the urgent need to accelerate decarbonization efforts in the sector.	Pursue a holistic approach to multimodality and setting quantifiable reduction targets at the national level accompanied by regional cooperation that integrates urban and non-urban systems. Explore the possibility of establishing a dedicated UfM Transport Decarbonisation Taskforce to harmonise policies, foster dialogue and collaboration, and track the implementation of decarbonisation strategies in the region.

Main findings	Key recommendations
Energy	
Ongoing and proposed cross-border energy projects are aiming to create mutually beneficial partnerships between EU countries and countries across the Western Balkans and MENA. Significant potential remains for expanding renewable energy production in the Southern and Eastern Mediterranean.	Enhance efforts to attract both public and private investment in renewables through implementing financial incentives (e.g. off-take agreements), fostering public- private partnerships (PPPs), and carrying out regulatory reform.
The Mediterranean region's geopolitical and institutional landscape has been a challenge for investment in and implementation of renewable energy projects.	Tailor infrastructure projects to the institutional realities of the UfM region, especially in the pursuit of large multilateral projects. Future projects must not only prioritise mutual economic benefits but also incorporate mechanisms for mitigating political tensions and fostering cooperation among diverse stakeholders.
In the Western Balkans, multiple countries (except for Albania) continue to rely on coal and peat fuel sources to meet their energy demands.	Reduce reliance on coal, invest in renewables, and reform energy policies to align with the EU's decarbonisation goals and support the green transition.
Electricity imports and exports across the UfM show considerable variation among sub-regions, reflecting various levels of energy reliance and different market preferences.	Strengthen regional electricity markets and infrastructure to enhance energy security, stabilise electricity prices, and improve supply predictability and intra-regional connectivity.
In the Levant, countries exhibit high renewable energy potential; however, high dependence on energy imports has created vulnerability to supply shocks.	Develop renewable infrastructure in Jordan, Israel, and the Palestinian Authority to enhance energy security.
Broadband infrastructure	
Fixed broadband subscriptions have witnessed a modest increase across UfM economies, despite challenges to broadband infrastructure deployment in some Southern Mediterranean and Western Balkan countries.	Deploy new fixed broadband infrastructure, particularly in the MENA sub-region, to improve broadband connectivity. Prioritise supporting "future-proof" technologies, such as fibre, which will be better able to support the performance and capacity demands placed on the network both now and in the future.
Across the Mediterranean, active mobile broadband subscriptions have surpassed fixed broadband subscriptions, indicating greater accessibility and lower costs. However, mobile broadband subscriptions vary across the UfM and its sub-regions.	Improve the affordability and accessibility of both fixed and mobile broadband services through policies promoting market competition and broadband expansion, including in rural and underserved communities to ensure inclusive access.

I1. Cross-border projects in transport

Why this indicator?

Cross-border projects indicate the level of transport cooperation between regional actors through concrete projects in the UfM region and help to reflect on the modes of transport targeted by infrastructure development.

The selection of projects was guided by their strategic importance in advancing regional integration and the availability of relevant documentation (Table 3.1). Projects that include evidence of environmental compliance and demonstrate clear socio-economic benefits, such as reductions in emissions and congestion, biodiversity protection, and improved regional connectivity, have been highlighted where such information is available.

Key facts

Cross-border transport projects are helping improve connectivity and ease travel across the Mediterranean region (Table 3.1). However, recently completed and planned projects underscore continued dependence on road infrastructure in Western Balkans and the need to strengthen multimodal transport across borders. Two projects mentioned in the first edition of the UfM report have now been completed: the Adriatic-Ionian Motorway Project and Central Section of the Trans-Maghreb Highway.

In **the Western Balkans,** two projects are part of the Trans-European Transport Network (TEN-T) Mediterranean Core Network Corridor and its extension:

- The **Adriatic-Ionian Motorway project**, to connect Central and Northern Europe with the Balkan Peninsula (Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Albania and Greece).
- The **Vorë-Hani i Hotit railway line** will rehabilitate a 120 km railway line from Vora to Hani Hotit (on the border with Montenegro) and will link Albania to the European railway network.

Also, the Klepalo border checkpoint, which links Strumyani in Bulgaria and Berovo in North Macedonia, aims to alleviate cross-border congestion and boost regional development. The Corridor 8 railway project, part of the Global Gateway initiative, will improve the rail infrastructure along TEN-T Core Network Extension to the Western Balkans. The Eastern Section (Phase III) will link the city of Kriva Palanka to the Bulgarian border and include the electrification of 88 km of track between Kumanovo and the border.

Transport projects across North Africa seek to improve sub-regional connectivity by rail, road and sea.

- New road infrastructure projects between Morocco, Mauritania, Algeria, Tunisia aim to ease travel across North Africa. Planned and completed projects include the Trans-Maghreb Highway (Algeria-Tunisia), Morocco's Continental Highway Project (Tindouf-Zouerate Road) and a new road linking Es-Smara to Mauritania.
- The Annaba-Tunisia Railway will connect Annaba, Algeria, to Tunisia.
- The European Commission, through the Global Gateway Africa-Europe Investment Package, identified 11 strategic corridors to connect the EU with Africa through an ambitious engineering project starting with the Cairo-Khartoum-Juba-Kampala corridor, which will link Egypt with Central and East Africa and could support minerals trade (Box 3.1).

The Trans-Mediterranean Transport Network (TMN-T)

- The TMN-T was developed to facilitate Euro-Mediterranean cooperation and integration in the transport sector in alignment with the TEN-T. The TMN-T includes various transport modes and multimodal transport corridors to enhance connectivity and sustainable transport systems. The final map of the TMN-T has not been finalised yet, as the process of political validation is still ongoing. Potential extension of the network to inner Africa and Asia will be discussed once the TMN-T is finalised and adopted (UfM, 2023[7])

Finally, the EU and the GCC are partnering in transport projects that involve non-EU UfM countries, notably the India–Middle East–Europe Economic Corridor (IMEC). The United Arab Emirates is the lead investor country on the GCC side (Box 3.2).

The decarbonisation of transport is an increasingly urgent priority for the Euro-Mediterranean region. As a major source of emissions, the sector's transformation is essential to advancing climate objectives and sustainable connectivity. Decarbonising transport is a complex, long-term undertaking that entails a fundamental rethinking of how goods and people move, calling for sustained commitments from governments, industries and citizens to develop integrated, low-carbon transport networks that enhance regional connectivity while reducing environmental impact. The financing of sustainable infrastructure is major endeavour that requires innovative financial solutions (Box 3.3).

What policy action is needed?

- **Strengthen regional cooperation with a focus on multimodality** through frameworks like the TMN-T and the Global Gateway initiative to align priorities, pool resources, and harmonise technical standards across countries. Regional coordination mechanisms should focus on reducing project delays, addressing logistical bottlenecks, and improving institutional governance for effective execution.

Further reading

Trans-European Transport Network (TEN-T) - European Commission (europa.eu) https://transport.ec.europa.eu/transport-themes/infrastructure-and-investment/trans-european-transport-network-ten-t_en

Table 3.1. Cross-border projects in transport

Project	Beneficiaries	Timeframe	Description	Cost
Central Section of the Trans-Maghreb Motorway Axis	Algeria-Morocco-Tunisia	Ongoing	The Central Section of the Trans-Maghreb Motorway Axis aims to boost trade and connectivity in North Africa, fostering regional development in the Maghreb. Significant segments are operational. Algeria has completed the last section, linking Drean to the Tunisian border. Tunisia has developed the motorway from the Libyan border to Bou Salem, ensuring connectivity across its eastern region. The highway project connecting Bou Salem to the Algerian border remains under preparation, with feasibility studies ongoing but no construction yet initiated.	EUR 670 million
Adriatic-Ionian Highway*	Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Albania and Greece	Ongoing	The Adriatic-Ionian Motorway project is part of the Trans-European Transport Network (TEN-T) Mediterranean Core Network Corridor connecting Central and Northern Europe with the Balkan Peninsula. Significant parts of the corridor are under construction in. Albania. Montenegro is developing a project for section linking Bar to the Albanian border.	EUR 255 million
Halkali-Kapikule Railway Line*	Türkiye	3rd phase of construction as July 2023 (Ongoing)	The Halkalı–Kapıkule Railway Line, spanning 229 km from Istanbul to the Bulgarian border, has made significant progress. The Çerkezköy–Kapıkule section (153 km) is 84.5% complete and is expected to be finished by 2025. The Ispartakule–Çerkezköy section (67 km) 11% complete and is planned for completion by 2028. The Halkalı–Ispartakule section (9 km) is 80% complete and is also expected to be finished by 2025.	EUR 1.26 billion
Continental Highway Project (Casablanca-Rabat) Section*	Morocco	2026 (Expected completion)	The Continental Highway project, spanning 60 km, aims to alleviate traffic issues, particularly for the 2030 World Cup in Morocco.	USD 494 million
Tindouf-Zouerate Road	Algeria-Mauritania	2024 (Under Construction)	The Tindouf-Zouerate project, launched in February 2024, involves an 840 km road connecting Algeria and Mauritania, facilitated by Algerian companies.	Not specified
Es-Smara to Mauritania Route	Morocco-Mauritania	2018 (Announced) - Under construction in	Morocco has commenced building a new road from Es-Smara to Mauritania, initially announced in September 2018. Despite a six-year delay, construction is now progressing, with Royal Armed	Not specified

Project	Beneficiaries	Timeframe	Description	Cost
		2024	Forces engineers currently preparing the site for the next construction phase.	
Trans-Maghreb Railway	Morocco-Algeria-Tunisia	2016 (Signed) – Ongoing (African Development Bank Group)	The project includes modernisation of existing railway corridors connecting Casablanca to Tunis and construction of missing railway links from Annaba (Algeria) to Jendouba (Tunisia). The main objective is to increase connectivity and boost trade in the Maghreb region, with possible expansion to Libya and Mauritania.	USD 4 billion
Klepalo Border Checkpoint	Bulgaria-North Macedonia	2021-2027 (Ongoing)	The Klepalo border checkpoint, linking Strumyani in Bulgaria and Berovo in North Macedonia, aims to alleviate cross-border traffic and boost regional economic development. Financed by the Interreg VI-A IPA Bulgaria-North Macedonia programme, implementation began in 2024.	USD 9 million
Corridor VIII Rail - Eastern Section*	Bulgaria-North Macedonia	2023-2030 (Ongoing)	The Corridor VIII project, part of the Global Gateway initiative, involves the construction of a 24 km railway line between Kriva Palanka and the Bulgarian border, as well as the electrification of 88 km of track between Kumanovo and the border. Its goal is to improve connectivity within the region (Sofia-Skopje) and with the European Union.	EUR 569 million
Vorë-Hani i Hotit railway line*	Albania	Ongoing: 2022 (Announced); 2024 (Signed)	The Vorë-Hani i Hotit railway line project involves the rehabilitation of a 120 km railway line from Vora to Hani Hotit, on the border with Montenegro. The project rests on the indicative extension of the Core TEN-T Mediterranean Corridor and will link Albania to the European railway network.	Approx. EUR 415 million
Corridor Vc Motorway*	Bosnia and Herzegovina	2014–2030 (Expected completion)	The 330km Corridor Vc motorway will connect the Adriatic port Ploče (Croatia) with Budapest (Hungary) via BiH. Some parts of the route are operational, with the aim to open the section from Sarajevo to northern border with Croatia in 2026. The construction of the southern part (Mostar-Pocitelj) and the 11 km Prenj tunnel face significant concerns about the environmental and social consequences.	EUR 4.5 billion
Corridor VIII Railway*	Albania-North Macedonia	2023 (Ongoing)	The project will rehabilitate 136 km of railway Durrës-Rrogozhinë-Lin and construct 2.8 km of railway to the North Macedonia border as part of the Pan-European Corridor VIII, which connects southern Italy to the Black Sea in Bulgaria via Albania and North Macedonia. The 33.5 km Durrës-Rrogozhinë section is planned to be completed by the end of 2028.	EUR 356.6 million
High-speed Rail Line Madrid-Casablanca	Morocco-Spain	2024 (Project preparation), 2025 (Expected start)	The high-speed train will transport passengers on the Madrid-Algeciras-Tangier-Casablanca route, through the newly constructed Gibraltar tunnel, in 5.5 hours. The project should be completed within five years as part of preparations for the 2030 World Cup.	Not specified
Jordanian Railway Network	Jordan	2013-2030 (Expected completion of the first phase)	This project will expand the Jordanian railway system by 509 km and connect it with the Mediterranean region. In the first phase, the rail link between Aqaba Port and the Shidiya phosphate mine will be built. The second phase includes connecting the South Terminal of Aqaba Port with the Syrian border. Later stages will focus on rail connections with Türkiye, Europe and the Gulf Cooperation Council.	EUR 2.11 billion

* The projects provide publicly available and disclosed information regarding their environmental compliance and projected socio-economic impacts such as reductions in emissions and congestion, preservation of biodiversity and improved connectivity.
Source: Authors' compilation from various sources.

Box 3.1. Global Gateway and infrastructure development in the UfM

The European Union Global Gateway is an ambitious initiative to support global infrastructure development, with a budget of up to EUR 300 billion for the period 2021–2027. The focus is on connectivity projects in sectors such as digital, climate and energy, transport, health, education and research. Its primary objectives are to foster economic resilience, enhance global trade flows, and offer a value-driven alternative to infrastructure financing, with an emphasis on transparency, environmental sustainability, and social inclusion.

The EUR 300 billion funding is composed of several streams: EUR 135 billion through the European Fund for Sustainable Development Plus (EFSD+), including EUR 40 billion in EU guarantees (EUR 26.7 billion via the European Investment Bank and EUR 13 billion through a dedicated EFSD+ window targeting national and development finance institutions). An additional EUR 18 billion will be provided in grants under other EU external assistance programmes, and EUR 145 billion is planned through investments by EU member states' financial and development institutions. The EU funding model combines grants, soft loans, and guarantees to attract private sector investments and amplify their impact. Partner countries are required to uphold the rule of law; maintain high standards of human, social and workers' rights; and respect international norms, including intellectual property protections.

The Global Gateway includes investments in transportation networks (railways, ports, highways) to streamline the movement of goods and people, and digital infrastructure (such as fibre optic networks and data centres) to bridge the digital divide. Furthermore, projects on renewable energy plants and interconnectors aim to accelerate the green transition and bolster energy security.

The EU Global Gateways fund and support key projects in UfM countries:

- **In Morocco**, Global Gateway funds include the rehabilitation of the ONCF rail network with enhanced safety and flood protection, the construction of a P2X hydrogen power plant, and the extension of 37 km of the tramway network in the Rabat-Salé-Témara region to improve urban mobility.
- **In Mauritania**, the initiative supports the construction of a data centre in Nouakchott and a submarine cable as part of the EU-AU Data Flagship, strengthening Africa's data economy and sovereignty with secure, green infrastructure.
- **In Tunisia**, the funding covers the 1.7 GW renewable energy programme, including the construction of 100 km of power transmission lines. Additionally, the Elmed electricity interconnection will build a 200 km submarine cable between Italy and Tunisia, facilitating cross-border electricity trade and reducing CO2 emissions by over 200 tonnes annually.
- **In Egypt**, key projects include the GREGY project, which constructs a 950 km submarine cable to connect Egypt and Greece, enabling the transfer of clean energy. The modernisation of the Alexandria Area Regional Electricity Control Centre will enhance network management, while the Tanta-El Mansoura-Damietta railway upgrade involves re-signalling and the creation of a freight link to Damietta port.
- **In Jordan**, the initiative supports projects such as the Aqaba Electric Bus Project, which will introduce 20 electric buses and charging infrastructure, and the rehabilitation of the As Salt Sewage Treatment Plant with the construction of a biogas plant. The West Irbid Wastewater Treatment Plant will expand the wastewater network, improving sanitation in the region.
- **In Israel**, the Global Gateway funds the Euro-Asia Submarine Electricity Interconnection Cable, a 1 208 km cable connecting Israel, Cyprus and Greece for the transmission of renewable energy, enhancing energy security and clean energy integration.
- In **Albania**, the funding supports a 12.9MW floating solar power plant in Vau i Dejës, the first hybrid floating solar and hydropower plant in the Western Balkans, as well as the construction of a 21.5 km Tirana by-pass, which connects key motorways and forms part of the Adriatic-Ionian Highway.
- Finally, in the **Western Balkans** and **Türkiye**, the initiative supports critical raw materials exploration, partnerships with private investors for co-financing climate-smart solutions, and the Trans-Balkan Electricity Corridor, which involves the construction of an 84 km double circuit transmission line from Serbia to the Bosnia and Herzegovina and Montenegro borders, part of a 488 km corridor linking several countries.

Box 3.2. Transport partnerships between UfM and GCC countries

The India–Middle East–Europe Economic Corridor (IMEC) project, launched during a G20 meeting in September 2023, envisions the development of an innovative ship-to-rail transit network connecting India, the United Arab Emirates, Saudi Arabia, Jordan, Israel, and Europe. The project will supplement existing maritime and road transport routes and is expected to reduce transport costs, increase the speed of cargo shipment and improve route security. The Memorandum of Understanding on the IMEC outlines also plans for participating countries to facilitate the installation of infrastructure along the railway corridor - including cables for electricity and digital connectivity as well as pipelines for the export of clean hydrogen.

Another important example of transport partnerships between the EU and the United Arab Emirates is the joint investment in in the Istanbul Canal project, which aims to create a new shipping route parallel to the Bosphorus Strait. Türkiye's efforts to modernise its infrastructure through PPPs make it an attractive destination for GCC investments focused on leveraging Türkiye's role as a bridge between Europe and Asia.

Lastly, the United Arab Emirates continues to play a prominent role in regional infrastructure development. In Egypt, efforts are focused on the development and management of maritime and dry ports, including a landmark 50-year concession agreement signed between the Suez Canal Economic Zone and Abu Dhabi Ports Group to establish a 20-square-kilometre logistics and industrial zone east of Port Said. In Jordan, the Abu Dhabi Developmental Holding Company (ADQ) is supporting a wide-ranging agreement to advance infrastructure across sectors such as energy, technology and tourism.

Box 3.3. Financing sustainable infrastructure

A recent G20/OECD report highlights that integrating resilience into infrastructure planning is both a strategic and economic necessity (OECD, 2024[8]). Resilient infrastructure extends asset lifespans, enhances investment stability, and generates net-positive economic returns over time. However, multiple obstacles continue to limit the mobilisation of capital for sustainable infrastructure projects. Regulatory and policy challenges, such as inconsistent frameworks and fragmented governance structures, create uncertainty and discourage private sector participation. Unclear government commitments to sustainability policies further heighten investment risks. High upfront capital costs, particularly in renewable energy infrastructure, pose an additional obstacle, especially for developing economies. Furthermore, investors often perceive sustainable infrastructure projects as high-risk due to long payback periods, policy uncertainties, and concerns over technological obsolescence. A lack of transparency regarding climate-related risks further complicates investment decisions, as investors struggle with the complexity of these risks and the absence of standardised data and metrics (OECD, 2024[9]).

OECD work identified priority areas for scaling up finance for climate-resilient infrastructure: promoting transparency and awareness, integrating climate resilience into public funding, strengthening regulatory frameworks for privately owned infrastructure, and improving risk financing arrangements.

Greater transparency on climate-related risks helps investors incorporate physical climate risks and potential future costs into decision-making. To this aim, infrastructure standards and labels play an important role in making climate resilience more visible.

Public funding mechanisms for infrastructure may need to be adapted to facilitate the mainstreaming of climate resilience into investment planning. Key areas for reform include budget allocations, project appraisals and procurement processes. Public-private partnerships (PPPs), which involve long-term contracts where the private sector delivers and finances public infrastructure while sharing associated risks, offer an effective model for mobilising private capital in this context.

Greater attention to responsible business conduct (RBC) can help avoid and address adverse impacts of infrastructure and attract quality investments. RBC due diligence helps infrastructure companies understand which adverse impacts they risk creating and identify priority responses based on meaningful stakeholder engagement. Governments can exemplify RBC

in frameworks for PPPs and state-owned enterprises. This can help bring on board foreign and domestic private investors committed to RBC, as their investments are essential resources for sustainable infrastructure development.

For well-balanced risk-sharing mechanisms to incentivise effective risk management, de-risking instruments include public guarantees and credit enhancements to improve project creditworthiness, political risk insurance to protect investors from losses due to government intervention, and blended finance approaches that combine public and private capital. Green bonds and sustainability-linked loans are increasingly being used to tie investment returns to sustainability performance indicators.

Source: OECD Guidelines for Multinational Enterprises on Responsible Business Conduct; Recommendation on the Role of Government in Promoting Responsible Business Conduct

I2. FDI regulatory restrictiveness in the transport sector

Why this indicator?

Foreign direct investment is instrumental in supporting the transition to sustainable transport, especially in countries that may lack the financial resources needed to invest in cleaner and more resilient transport infrastructure. Through regulatory openness, these regions can harness FDI to improve mobility and economic access but also contribute to long-term sustainability goals.

Key findings

The overall FDI restrictiveness of the transport sector across the UfM displays notable regional variations (Figure 3.1).

In recent years, MENA countries have allocated significant resources to strengthening their legal and regulatory frameworks for investment (see Chapter 2). Reforms have focused on enhancing transparency and predictability, streamlining investment-related authorisation processes, and simplifying administrative procedures to minimise discretion in the application of rules. Despite these recent improvements, some challenges remain, including restrictions in the transport sector with regard to surface, air and water (Figure 3.1, Figure 3.2, Figure 3.3, Figure 3.4). Foreign equity limits and ownership caps are still prevalent in the region (OECD, 2024[3]).

Progress in reducing restrictiveness had been limited to a few cases. Notably, Algeria, Jordan, Lebanon and the Palestinian Authority have improved their regulatory frameworks from 2018 to 2023, with Lebanon achieving the highest decrease in transport restrictiveness across air, maritime, and surface transport. Despite progress, in Algeria the level of FDI restrictiveness in the transport sector remains high.

The Western Balkans stand out for their openness to FDI with levels comparable to the EU-27 and OECD, underscoring the potential of targeted policy reforms in fostering a more open and competitive investment environment across UfM regions (OECD, 2024[2]).

FDI in the transport sector, as in other strategic network industries such as energy and telecommunication, tends to face restrictions across all countries primarily due to national interest considerations. Even within the EU, where overall FDI restrictiveness in many sectors is near zero, the transport sector - particularly air travel - maintains higher levels of regulation and control. Indeed, the EU has a framework for FDI screening meant to ensure that, while remaining open to investment, the EU is equipped to protect its essential interests, e.g. investment of third countries into strategic transport infrastructure such as ports (Investment screening - European Commission).

Among transport subsectors, air travel demonstrates the highest average restrictiveness across all sub-regions in the UfM; by contrast, surface (excluding pipelines) and water transport tend to show slightly lower levels of regulatory barriers (Figure 3.2, Figure 3.3, Figure 3.4).

The region's investment gap in infrastructure persists and requires alternative financing strategies involving the increased involvement of private sector infrastructure investment.

Public-private partnerships (PPPs) serve as a critical mechanism for financing infrastructure projects, especially in nations with limited domestic capital markets. PPPs can complement traditional FDI by providing an alternative pathway for attracting foreign investment into the transport sector, facilitating development while addressing financial constraints. The World Bank, confirming the significant correlation between PPP regulatory reforms and PPP investments in particular for transport sector, indicates that there have been an important number of PPP regulatory framework reforms since June 2019 – mostly in MENA, followed by Europe and Central Asia (ECA) and Eastern and Southern Africa (AFE) (World Bank, 2024[10]).

Connectivity infrastructure in the broader MENA region

Data on restrictiveness of FDI are available for Saudi Arabia. While the trend appears positive, with reduction over time, the value remains substantially high, placing it among the highest in the UfM countries, alongside Algeria and Tunisia.

What policy action is needed?

- **Improve regulatory frameworks to attract FDI:** Simplify and harmonise investment regulations to create a more transparent and predictable environment for FDI in the transport sector, particularly in MENA countries.
- **Establish transparent and non-discriminatory investment approval procedures** to minimise bureaucratic obstacles and ensure consistent rule application.
- **Promote sub-regional alignment with international regulatory best practices,** supported by technical assistance and capacity-building initiatives, which could enhance effectiveness and foster progress.
- **Streamline PPP schemes** to foster private investment in transport infrastructure while increasing involvement of the private sector in consultation processes during the preparation of national and regional transport master plans.

Definitions

The OECD FDI Regulatory Restrictiveness Index provides data on how open or restrictive countries are towards foreign investment. The index measures statutory restrictions across four dimensions: foreign equity limitations, screening and prior approval requirements, rules for key foreign personnel, and other operational restrictions on foreign enterprises. The scores range from 0 (completely open) to 1 (completely restrictive), allowing for a comparative analysis of different countries' investment environments.

The Index includes data on FDI restrictiveness within the transport sector, which is broken up into three categories: surface (excluding pipelines), air and water transport.

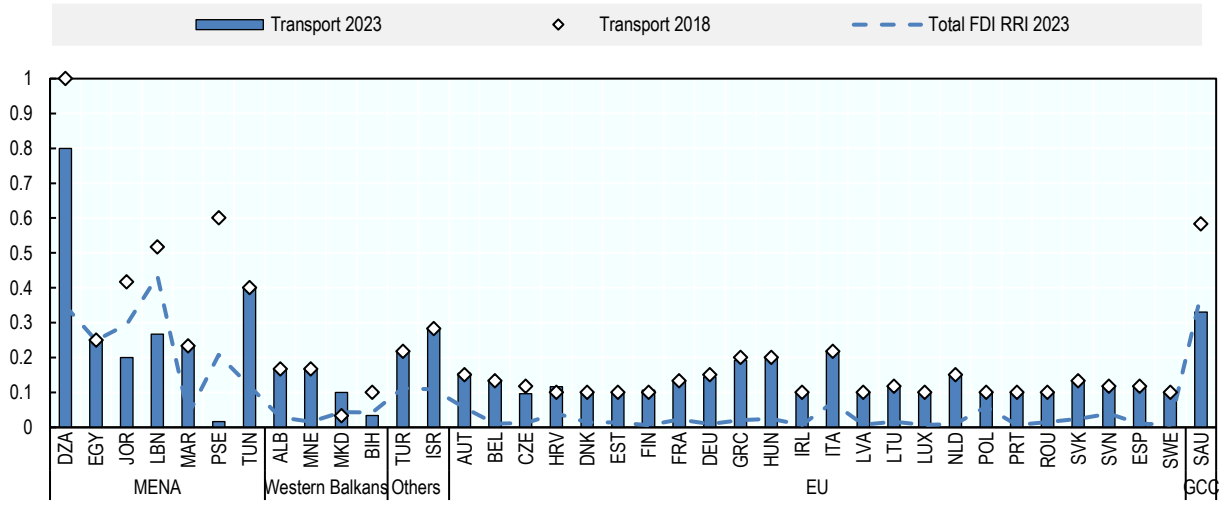
Source: https://www.oecd.org/en/data/indicators/fdi-restrictiveness.html

Further reading

OECD (2024), Towards More Sustainable Investment Frameworks: Evaluating the Feasibility of Sustainable Investment Facilitation Agreements with Southern Neighbourhood Countries, OECD Publishing, Paris, https://doi.org/10.1787/411468b9-en.

Figure 3.1. FDI Restrictiveness, total and in the transport sector, 2023

Total, 0 = open; 1 = closed

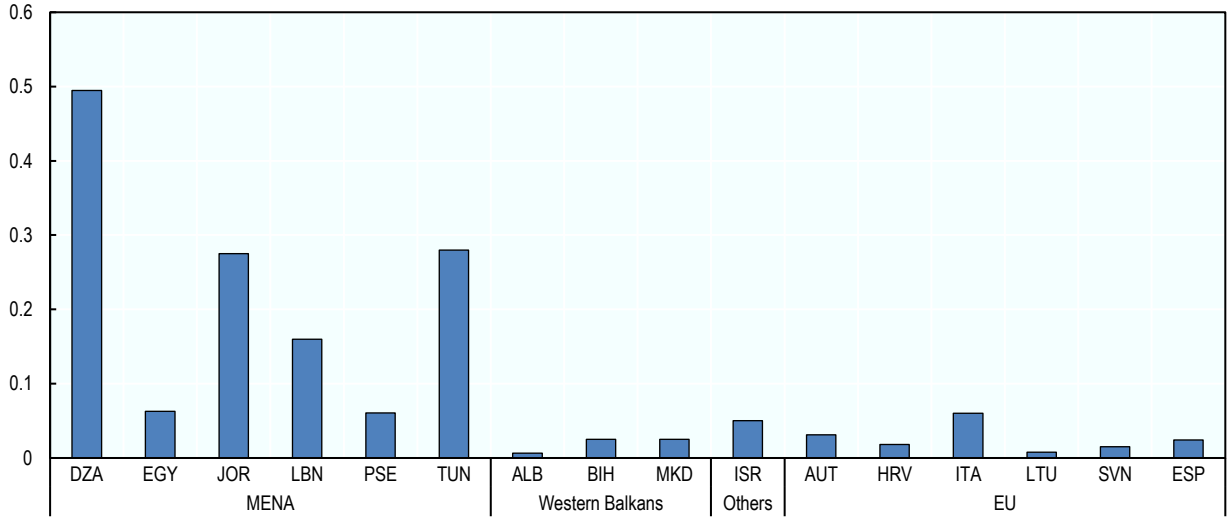


Note: Data for Saudi Arabia are presented in light of the increasing investment flows between GCC and UfM countries. Saudi Arabia is the only GCC country for which the FDI Restrictiveness Index is currently available.
Source: OECD FDI Regulatory Restrictiveness Index, https://www.oecd.org/en/data/indicators/fdi-restrictiveness.html

StatLink https://stat.link/dehc90

Figure 3.2. FDI Restrictiveness, surface transport sector, 2023

Total, 0 = open; 1 = closed

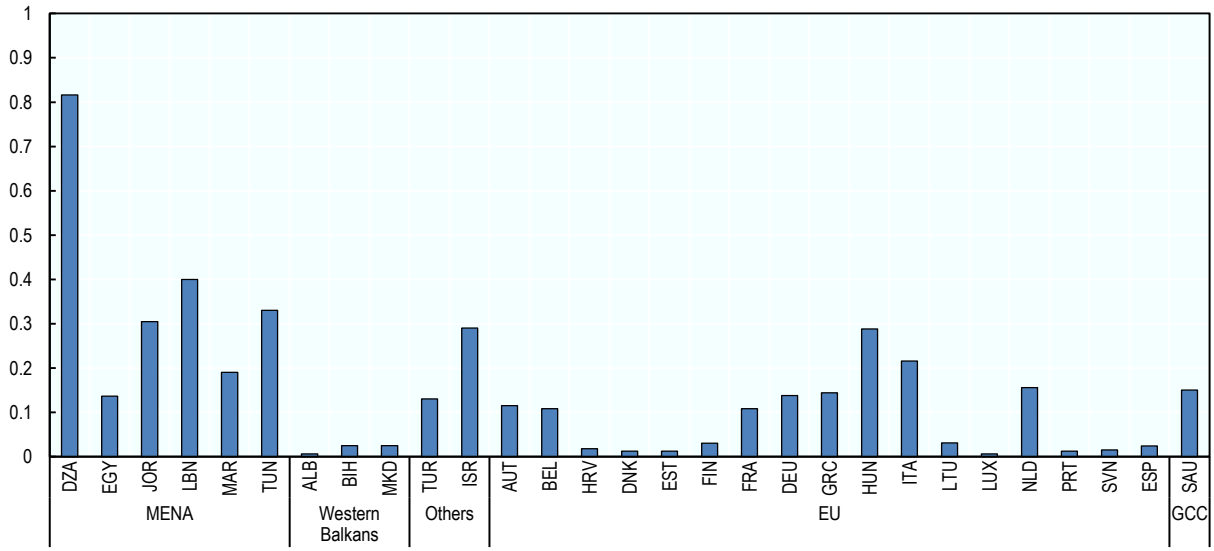


Note: For Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Latvia, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovak Republic, Sweden, Türkiye, Montenegro, and Morocco, the value is 0.
Source: OECD FDI Regulatory Restrictiveness Index, https://www.oecd.org/en/data/indicators/fdi-restrictiveness.html

StatLink https://stat.link/ujyi9e

Figure 3.3. FDI Restrictiveness, water transport sector, 2023

Total, 0 = open; 1 = closed

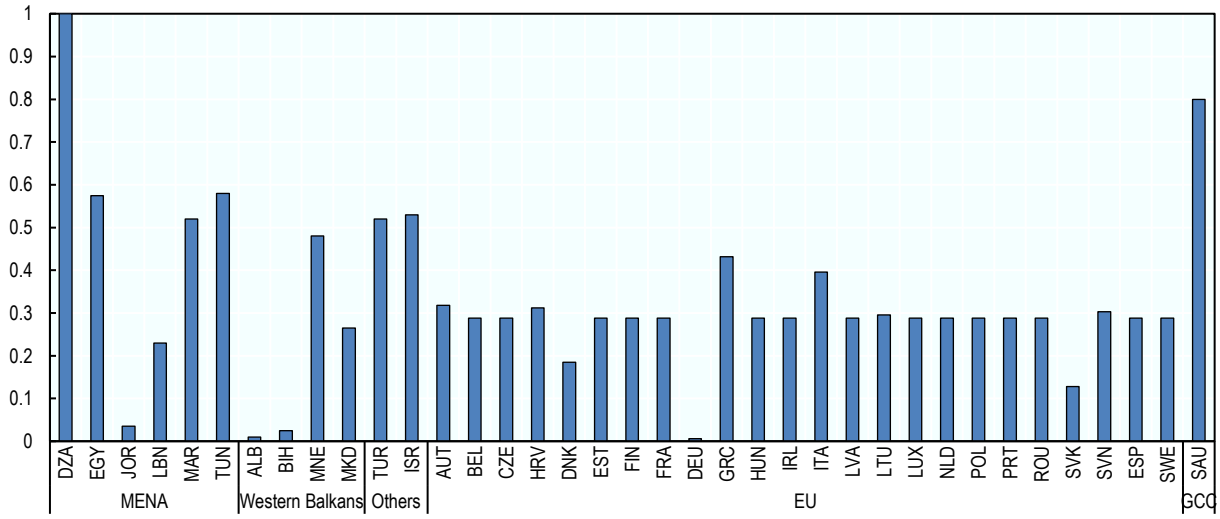


Note: For Czechia, Latvia, Poland, Romania, Slovak Republic, Sweden, Montenegro, and Palestinian Authority, the value is 0.
Source: OECD FDI Regulatory Restrictiveness Index, https://www.oecd.org/en/data/indicators/fdi-restrictiveness.html

StatLink https://stat.link/wihvoq

Figure 3.4. FDI Restrictiveness, air transport sector, 2023

Total, 0 = open; 1 = closed



Note: For Palestinian Authority the value is 0.
Source: OECD FDI Regulatory Restrictiveness Index, https://www.oecd.org/en/data/indicators/fdi-restrictiveness.html

StatLink https://stat.link/5k18ve

I3. Logistics Performance Index (LPI)

Why this indicator?

Logistics capacity not only promotes economic integration but also stimulates economic activity and growth. Across the Mediterranean, logistics capabilities vary significantly.

The Logistics Performance Index (LPI) is an important tool for assessing logistics efficiency, which is critical for trade. Research suggests that each additional day of delay at customs can reduce trade by approximately 1% (Djankov, Freund and Pham, 2006[11]) and that improvements in logistics can stimulate trade more effectively than tariff reductions alone (Gonzalez, Guasch and Serebrisky, 2008[12]).

The effects of enhanced logistics vary based on a country's income level. Low-income countries with improved logistics infrastructure often experience accelerated trade growth, reaping gains that can outpace those of wealthier nations (World Bank, 2018[13]). For middle- and high-income countries, logistics improvements are particularly influential in boosting import volumes, enhancing their ability to respond efficiently to consumer demand (Celebi, 2019[14]).

Key findings

The logistic performance of the UfM region improved slightly, with an average score rising from 3.3 in 2018 to 3.4 in 2023, although regional and country-specific disparities persist (Figure 3.5).

The EU maintained strong performance, with notable progress in Latvia, Malta and Greece. Some decline was observed in Germany, Czech Republic and Hungary, which may be attributable to global supply chain disruptions as well as the war in Ukraine.

Egypt, Türkiye and Israel made significant strides, signalling a convergence with EU countries. In contrast, Algeria and Mauritania showed stagnant performance and continue to face logistics challenges, especially regarding trade-transport infrastructure. Limited data from Morocco, Lebanon, Jordan and Tunisia hinder a comprehensive understanding of the MENA region's most recent dynamics in terms of logistics developments.

The Western Balkans and Central, Eastern and South-Eastern Europe (CESEE) regions demonstrated notable progress, particularly in Bosnia-Herzegovina and North Macedonia. Albania, however, continues to face challenges, with issues most pronounced in the quality of logistics services and tracking and tracing of consignee.

Overall, non-EU UfM countries saw improvement from 2018 to 2023, but targeted interventions to elevate logistics performance are needed, particularly in timeliness and quality infrastructure. The UfM average lags behind the OECD average in LPI scores, though they remain above the global average of 3.0 (Figure 3.6).

Connectivity infrastructure in the broader MENA region

In 2023, the GCC countries achieved an average LPI score of 3.5, marking a notable improvement from 3.2 in 2018. This latest regional average is slightly higher than the UfM average of 3.4 and significantly higher than the non-EU UfM sub-regional average of 2.9 (Figure 3.5).

The United Arab Emirates continues to lead the GCC, with consistently strong LPI scores in both 2018 (4.0) and 2023 (3.96), underscoring its stable and advanced logistics performance. In 2023, the United Arab Emirates scored above 4.0 across all LPI subcomponents, except for customs and international shipments (3.7 and 3.8, respectively).

Across the six LPI subcategories, the greatest progress was observed in Quality of Logistics Services, followed by International Shipping, Customs, and Infrastructure. Timeliness showed the least progress and was the only indicator where more countries experienced setbacks than gains. This can be partly attributed to global and regional dynamics during the survey period, which led to longer dwell times and increased uncertainty. It is worth noting that Timeliness already had the highest baseline score, making further marginal improvements more challenging compared to other indicators (Figure 3.7, Figure 3.8).

Lastly, logistics performance is significantly influenced by trade facilitation and streamlined procedures, which help align transport infrastructure, customs operations, and shipping efficiency across borders - ultimately reducing connectivity gaps.

This harmonisation is particularly impactful for North–South Mediterranean integration, as progress in Southern countries increasingly reflects alignment with European Union logistics standards (Box 3.4).

What policy action is needed?

- Prioritise **upgrading of transportation networks,** including roads, ports and rail systems, to address delays and improve timeliness, particularly in non-EU UfM countries.
- Encourage private sector involvement in the development and management of infrastructure to improve logistics services, increase operational efficiency and ensure cost-effective shipping solutions.
- **Strengthen regional logistics services** through harmonised logistics standards accompanied by well-developed national transport systems to improve overall logistics performance and further connectivity in the region. In addition, simplifying and modernising customs procedures through digital solutions, such as electronic filing systems and AI-driven analytics, can significantly increase efficiency and reduce bottlenecks.
- **Promote sustainable logistic systems** in the region for long-term success. Invest in green logistic practices to reduce environmental impact and mitigate the risk of disruption of supply chains that could arise from detrimental impact of climate change.
- **Strengthen workforce skills** through targeted training programmes and certification standards to facilitate consistent and efficient logistics operations. Regional cooperation is essential, with initiatives such as UfM-specific forums, joint benchmarking, and cross-border programmes to harmonise practices.

Data limitation and developments

Key countries of interest, including Morocco, Jordan, Tunisia and Lebanon, are absent from the latest 2023 dataset, making it impossible to draw comparisons with 2018. Additionally, the impact of regional tensions in the Eastern Mediterranean is not reflected in the LPI. The survey period (May–October 2022 for the dwell time and September-November 2022 for the LPI survey) coincided with the aftermath of the war in Ukraine as well global supply chain disruptions. These may have affected the logistical performance of Northern UfM countries located near the conflict zone or with substantial trade ties to the region prior to the crisis.

Definitions

The World Bank Logistics Performance Index (LPI) overall score reflects perceptions of a country's logistics performance based on six dimensions: i) the efficiency of the customs clearance process, ii) quality of trade- and transport-related infrastructure, iii) ease of arranging competitively priced international shipments, iv) quality of logistics services, v) ability to track and trace consignments, and vi) frequency with which shipments reach the consignee within the scheduled time. The index ranges from 1 to 5, with a higher score representing better performance. The LPI dataset features 139 countries as of 2023; for the first time, it includes shipment speed indicators derived from big data.

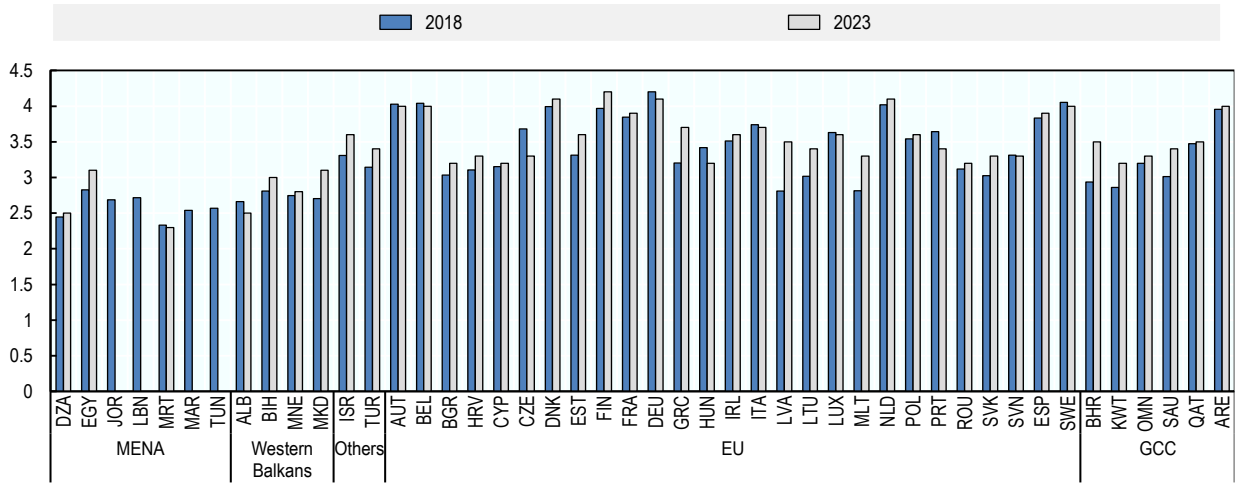
Source: World Bank Logistics Performance Index Surveys. http://www.worldbank.org/lpi

Further reading

https://www.cerl.fr/en/logistics-performance-index-of-the-world-bank-europe-in-the-lead/

Figure 3.5. Logistics Performance Index, by country

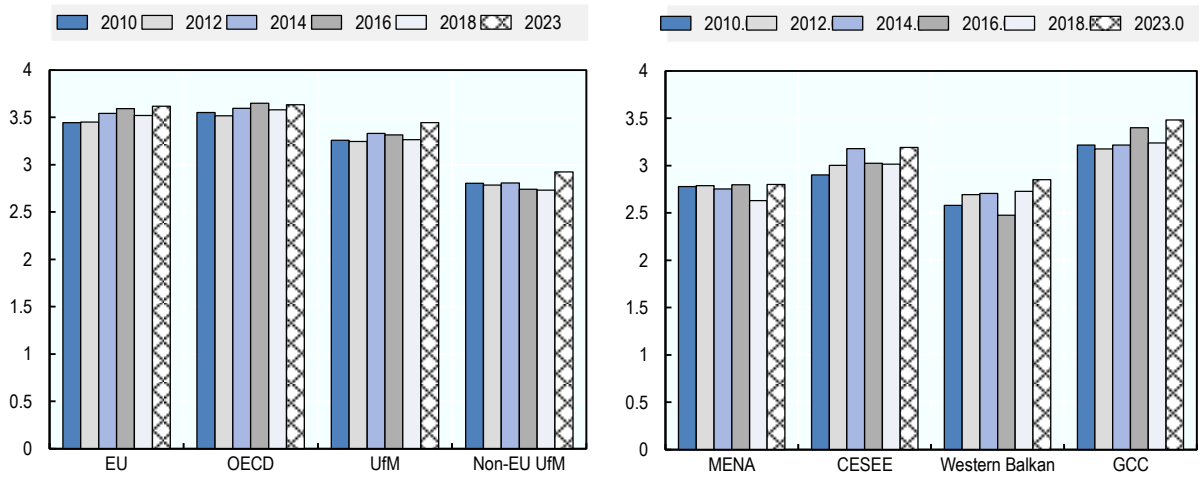
From 1=low to 5=high



Source: World Bank Logistics Performance Index, http://www.worldbank.org/lpi

Figure 3.6. Logistics Performance Index, by country group

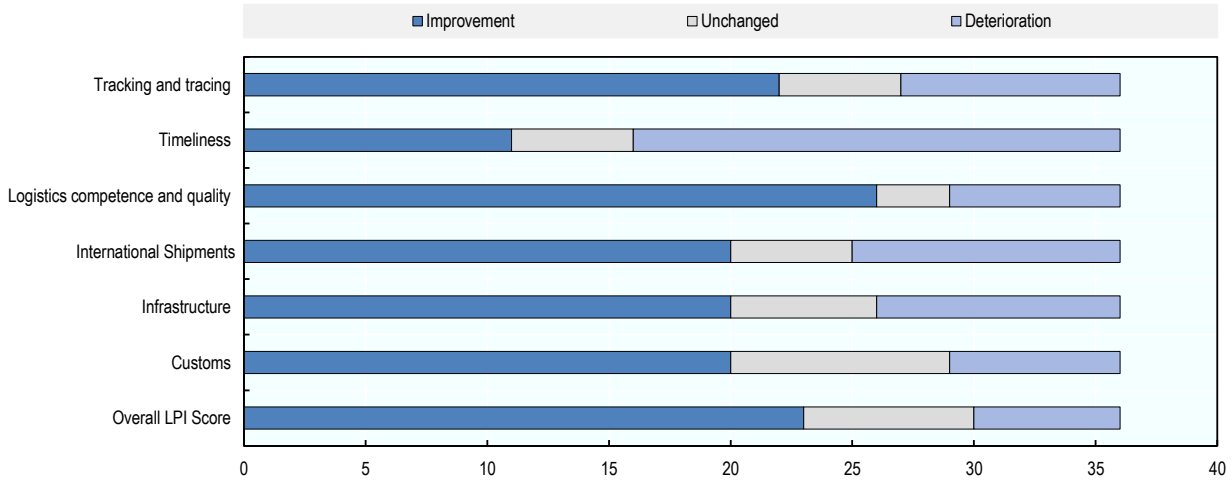
From 1=low to 5=high



Source: World Bank Logistics Performance Index, http://www.worldbank.org/lpi

Figure 3.7. Evolution of LPI from 2018 and 2023, UfM countries

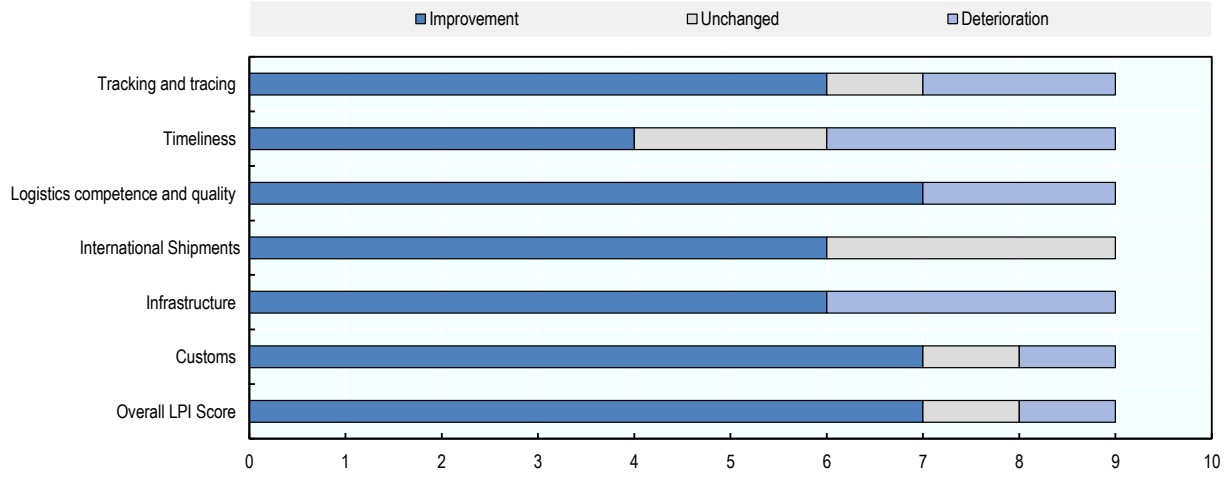
Number of countries that registered an improvement (or a deterioration) of their LPI



Source: World Bank Logistics Performance Index, http://www.worldbank.org/lpi

Figure 3.8. Evolution of LPI from 2018 and 2023, non-EU UfM countries

Number of countries that registered an improvement (or deterioration) of their LPI



Source: World Bank Logistics Performance Index, http://www.worldbank.org/lpi

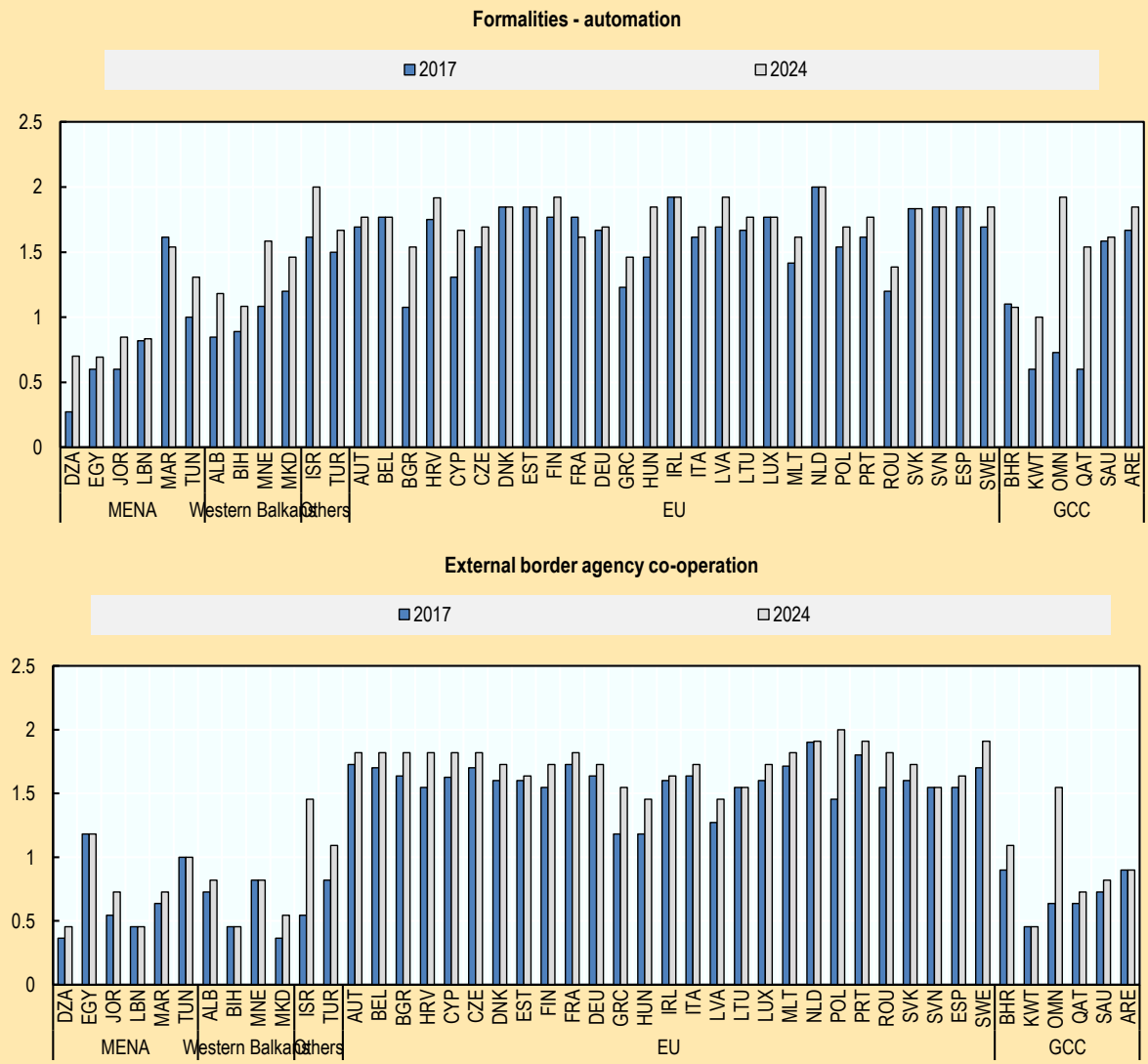
Box 3.4. Logistics and trade facilitation measures

Trade facilitation (see Chapter 1. Trade) directly impacts the efficiency and cost of moving goods across borders. Trade facilitation policies and procedures that streamline trade processes make it easier and cheaper for businesses to engage in international trade. Among the measures they assess, the OECD Trade Facilitation Indicators (TFIs) include:

- **Formalities – Automation** assesses how digital tools and electronic systems streamline trade procedures. Automation reduces paperwork, speeds up processing, and lowers administrative costs while enhancing transparency and minimising corruption risks. It also ensures regulatory consistency and strengthens risk management through real-time data exchange.
- **External Border Agency Cooperation** measures how well border agencies collaborate internationally to ensure efficient trade, security and regulatory alignment, reducing costs and strengthening risk management.

Figure 3.9. Trade facilitation: automation and border agency cooperation, by country

0 to 2 (best performance)



Source: OECD Trade Facilitation Indicators database.

StatLink https://stat.link/5opkhy

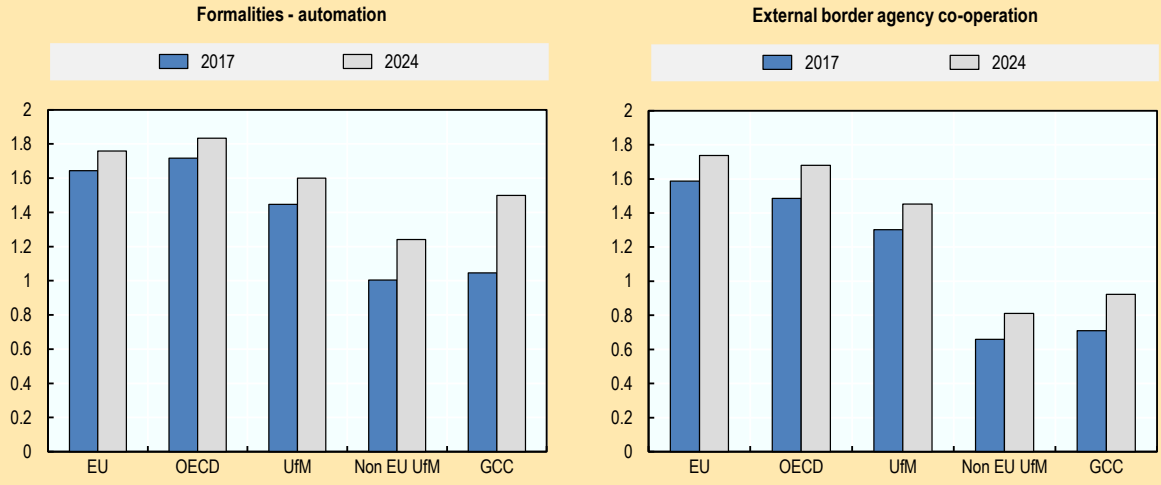
EU member states consistently achieve high scores in both border cooperation and automation, setting a benchmark for effective trade facilitation. This success is largely attributed to advanced digitalisation efforts, such as the EU Customs 2020 programme, which has streamlined customs procedures and enhanced communication between border agencies through systems like the Single Window. These systems facilitate the seamless sharing of information, significantly reducing the time needed for goods to clear borders. The MENA region and the Western Balkans show lower scores on similar indicators, underscoring the need for targeted interventions and capacity-building initiatives.

While countries like Morocco, Türkiye and Israel have progressed in automation, their lower performance in cooperation highlights that technological advancements alone are insufficient and strengthening international cooperation frameworks is also needed.

In the broader MENA region, GCC countries made marked progress, and the group average for both automation in trade formalities and external agency cooperation is slightly higher than the non-EU UfM average (Figure 3.10). The improved performance in automation reflects regional advancements in digitalisation.

Figure 3.10. Trade facilitation: automation and border agency cooperation, by country group

0 to 2 (best performance)



Source: OECD Trade Facilitation Indicators database.

StatLink https://stat.link/x4lv3t

I4. Liner Shipping Connectivity Index

Why this indicator?

Around 80% of the volume of international trade in goods is carried by sea, and roughly two-thirds of seaborne trade by value is containerised and transported by regular liner shipping services (UNCTAD, 2024). The Liner Shipping Connectivity Index (LSCI) is meant to capture a country's integration level into global containerised liner shipping networks. It measures the number of ship calls, deployed ship capacity, number of services, maximum ship size deployed and number of companies.

Key findings

Liner shipping connectivity improved in the UfM region from 2020 to 2024, despite ongoing regional disparities (Figure 3.11).

The EU continues to lead the UfM region in maritime connectivity, but there has been a noticeable shift towards the southern part of Europe. While ports in Belgium, Germany and the Netherlands (such as Rotterdam, Antwerp and Hamburg) maintain high levels of connectivity, Southern European ports, particularly in Spain, Portugal and Italy, have significantly enhanced their standing. The major Spanish ports of Valencia, Algeciras, and Barcelona now rank among the best connected in Europe. This improvement is attributed to continuous investments in port capacity, digital governance (González-Cancelas et al., 2024[15]) and higher maritime transport infrastructure spending compared to the EU average.

Türkiye, Morocco and Egypt have also made substantial strides, benefiting from sustained investments in major port infrastructure. Tanger Med (Morocco), Alexandria (Egypt), Ambarli, Aliaga, Gemlik, and Mersin (Türkiye) have emerged as among the best connected in the UfM, underscoring their growing role in global trade.

These shifts are mirrored in the route-level analysis of port connectivity (Figure 3.12). While the Northern Route retains dominance due to its long-established infrastructure and integration into global trade networks, ports in North Africa and the West Mediterranean have gained ground, driven by strategic investments and improved competitiveness. The Eastern Mediterranean has achieved remarkable progress, particularly through developments in Türkiye and Israel, although recent geopolitical tensions in the region have left a discernible mark on the LSCI scores of all countries of the sub-region (Figure 3.13).

Lithuania recorded the highest percentage increase in LSCI within the same period, driven by significant investments in the Port of Klaipeda, which included deepening port channels and integrating green technologies like green hydrogen production and onshore power supply (Port of Klaipeda, 2024[16]) (EIB, 2022[17]). Romania and Bulgaria also recorded substantial improvements, with EU-funded projects promoting the enhancement of port capacities and logistics efficiencies. Latvia's progress may be linked to strategic upgrades in its port infrastructure and improved digital systems. While the war in Ukraine has affected major Baltic ports, Estonia's drop in ranking might reflect the competitive pressures from neighbouring ports which have advanced more rapidly in infrastructure and technology.

Connectivity infrastructure in the broader MENA region

From 2010 to 2024, the GCC average in the LSCI increased and eventually surpassed the UfM average, reflecting overall improvements in maritime connectivity across the GCC region. (Figure 3.11).

The GCC countries are seeking to position themselves as international trade hubs by capitalizing on the region's strategic location at the intersection of three continents. To this end, they have invested heavily in port and facility development to enhance competitiveness. Current port expansion plans demonstrate a strong commitment to increasing capacity, optimizing infrastructure use, and modernizing operations through streamlined procedures and automation (UNCTAD, 2023[18]). In 2024, the number of major gold seaports in the region surpassed 25, with key ports such as Jebel Ali Port (Dubai, UAE), King Abdulaziz Port (Dammam, Saudi Arabia), and Hamad Port (Umm Al-Houl Free Economic Zone, Qatar) standing out as regional leaders in terms of capacity and global rankings (CPPI Report 2024).

Compared to other countries in the region, Bahrain and Kuwait have lower LSCI scores, as they operate fewer seaports and have relatively lower overall port capacity (Figure 3.13).

This evolving landscape demonstrates a gradual rebalancing of connectivity within the UfM, driven by dynamic investments and the shifting focus of maritime trade networks.

What policy action is needed?

- **Ensure sustained investments in port infrastructure**, focusing on upgrading facilities in line with demand from shippers and shipping companies in terms of capacity, maritime access and service level.
- **Promote cross-border initiatives for infrastructure projects** to streamline logistics between EU and North African ports, leveraging the existing bilateral trade success. Increasing the frequency of direct shipping lines will reduce transshipment costs and improve regional competitiveness.
- **Strengthen connectivity between the Mediterranean and neighbouring regions such as GCC and Africa,** both of which present significant long-term growth potential. The UfM can play a key role in supporting strategic port linkages and logistics corridors that facilitate access to emerging markets via vital trade and transit routes.
- **Facilitate the green and digital transformation** of ports, ensuring that technological investments not only improve efficiency but also promote environmental sustainability. This aligns with global standards for reducing emissions and improving energy efficiency in port operations.

Data limitation and developments

In 2024, the LSCI calculation was revised to adjust the impact of vessel size on the final index measurement: 100 now refers to the average score of all ports, while previously the country or port that received the highest score in the reference year of 2006 was assigned a value of 100, to serve as benchmark to assign values to other ports and countries.

It is worth noting that in the LCSI, the weighing of the underlying indicators is dominated by the effect of container ship increases, which can make the cross-country comparisons of LSCI challenging (ITF, 2024).

Definitions

The Liner Shipping Connectivity Index (LSCI) has six components: i) the number of scheduled ship calls per week in the country; ii) deployed annual capacity in twenty-foot-equivalent units (TEU): total deployed capacity offered at the country; iii) the number or regular liner shipping services from and to the country; iv) the number of liner shipping companies that provide services from and to the country; v) the size (in TEU) of the largest ship deployed on services from and to the country; and vi) the number of other countries that are connected to the country through direct liner shipping services (defined as a regular service between two countries; it may include other stops in between, but the transport of a container does not require transshipment).

The index is generated as follows: For each component, the country's value in Q1 2023 is divided by the average value for the component, and then the average of the six components for the country is calculated. The average across components for a given country and quarter is then multiplied by 100. This results in an average LSCI of 100 in Q1 2023.

Source: https://unctadstat.unctad.org/datacentre/reportInfo/US.LSCI

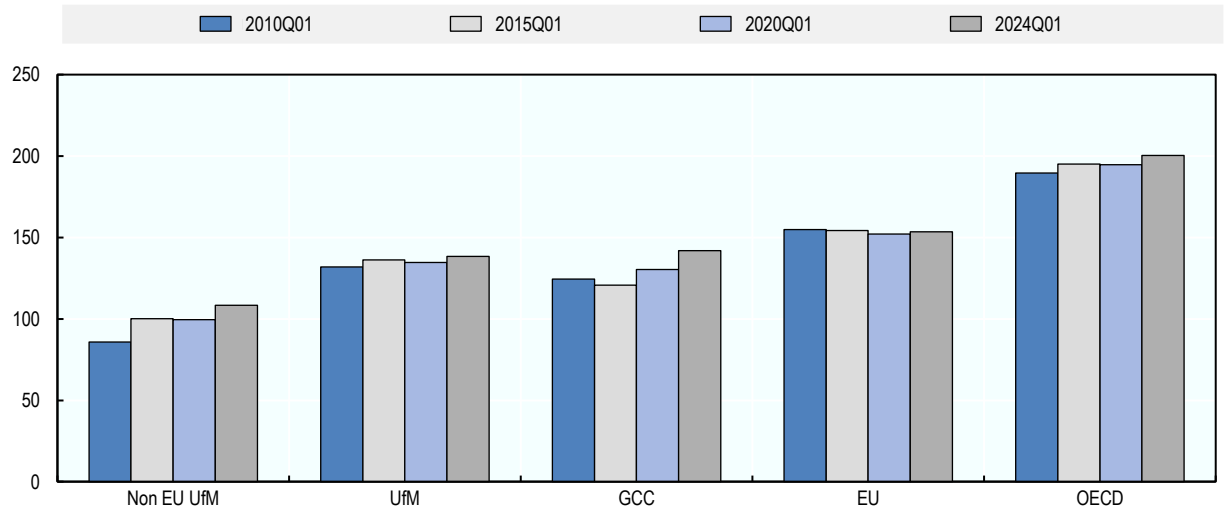
Further reading

ITF (2024), *Transport System Resilience: Summary and Conclusions*, ITF Roundtable Reports, No. 194, OECD Publishing, Paris, https://doi.org/10.1787/d90b86ac-en.

T. Pallis, T. Notteboom and J-P. Rodrigue (2024), *Regional analysis of Liner Shipping Connectivity: What does the revised LSCI reveal?* UNCTAD Transport and Trade Facilitation Newsletter N°101 – First Quarter 2024, https://unctad.org/news/regional-analysis-liner-shipping-connectivity-what-does-revised-lsci-reveal

Figure 3.11. Liner shipping connectivity, selected country groups

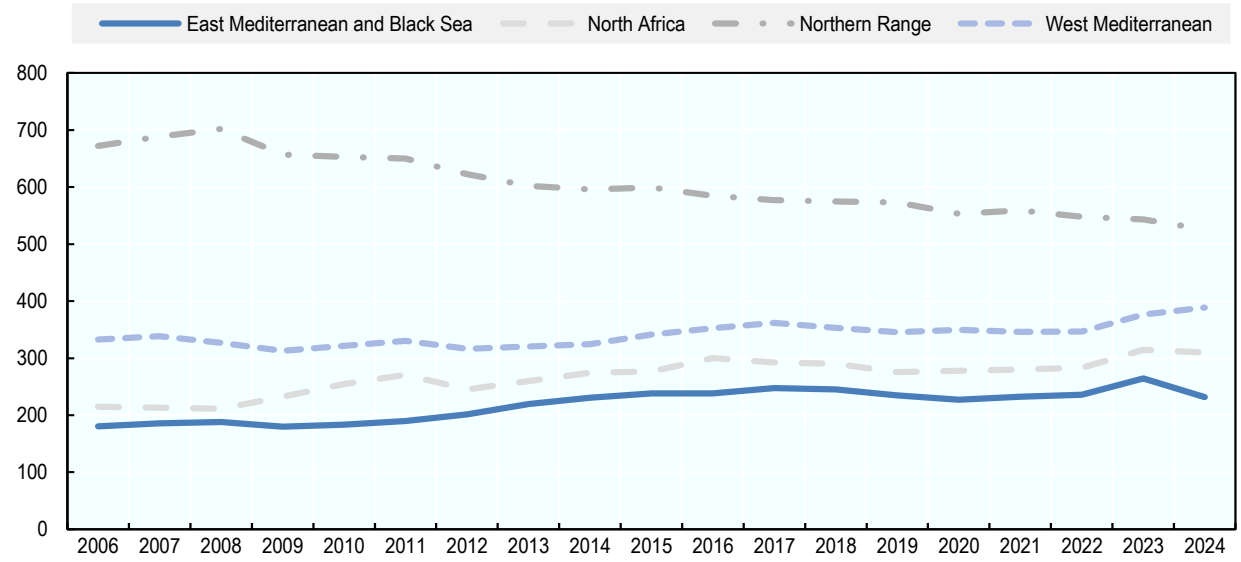
2023 Q1 = 100



Note: The index for each country group is calculated by averaging the values of the member states' indexes available in the database.
Source: https://unctadstat.unctad.org/datacentre/dataviewer/US.LSCI

Figure 3.12. Port LSCI scores, selected sea routes

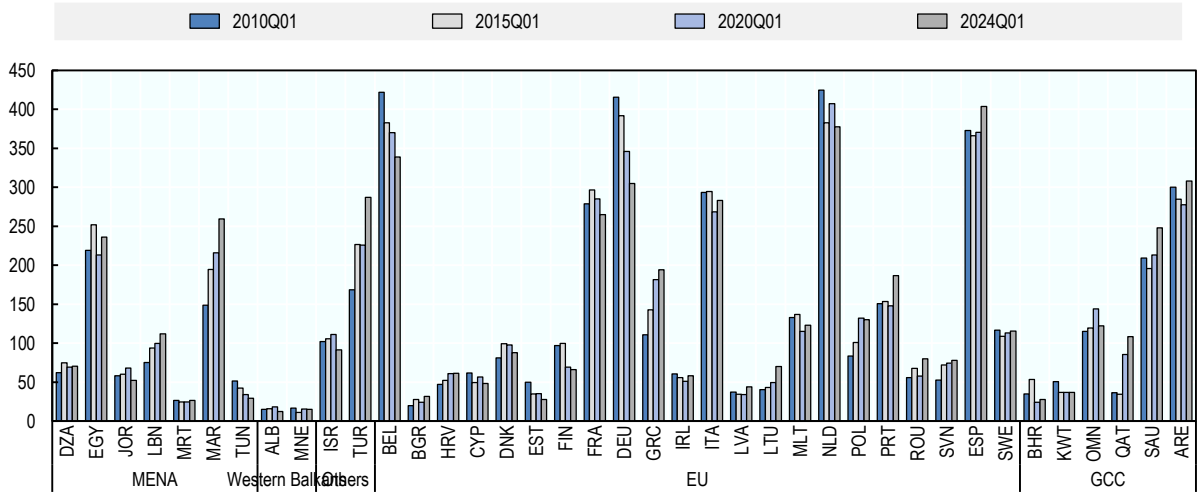
2023 Q1 = 100



Notes: Top 40 UfM ports with the highest port LSCI as of 2024 Q3: i) Northern Range: Netherlands, Rotterdam Belgium, Antwerp, Germany, Hamburg, Bremerhaven, Poland, Gdansk, Germany, Wilhelmshaven, Poland, Gdynia, Slovenia, Koper, Sweden, Gothenburg; ii) Eastern Mediterranean: Türkiye, Ambarli, Aliaga (Nemrut), Gemlik, Mersin; Malta, Marsaxlokk; Türkiye, Izmit Korfezi, Iskenderun, Tekirdag; Israel, Ashdod, Haifa; Lebanon, Beirut; iii) North Africa: Morocco, Tanger Med; Egypt, Alexandria, Egypt, Port Said, Morocco, Casablanca, Egypt, Damietta; iv) West Mediterranean: Spain, Valencia, Algeciras, Barcelona; France, Le Havre; Greece, Piraeus; Italy, Genoa; France, Fos; Italy, Gioia Tauro; Portugal, Sines; Italy, La Spezia; Spain, Las Palmas; Italy, Salerno; France, Dunkirk; Portugal, Leixoes, Lisbon.
Source: UNCTAD Port LSCI https://unctadstat.unctad.org/datacentre/dataviewer/US.PLSCI

Figure 3.13. Liner Shipping Connectivity Index (LSCI), by country

2023 Q1 = 100



Source: https://unctadstat.unctad.org/datacentre/dataviewer/US.LSCI

Table 3.2. Port Liner Shipping Connectivity Index (LSCI), by UfM port

Ranking of major UfM ports

	2024Q1			2020Q1		
	Port LSCI	UfM Ranking	World Ranking	Port LSCI	UfM Ranking	World Ranking
Netherlands, Rotterdam	956.2	1	9	1025.4	1	7
Belgium, Antwerp	893.2	2	12	955.1	2	9
Germany, Hamburg	643.0	3	20	699.6	3	15
Spain, Valencia	585.9	4	22	498.7	4	25
Morocco, Tanger Med	574.2	5	25	449.5	9	35
Spain, Algeciras	535.3	6	32	476.0	6	31
Spain, Barcelona	498.8	7	34	448.8	10	36
Greece, Piraeus	476.6	8	37	466.8	7	32
France, Le Havre	476.3	9	38	489.9	5	27
Türkiye, Ambarli	454.8	10	42	321.4	13	49
Germany, Bremerhaven	430.1	11	44	460.4	8	33
Italy, Genoa	425.2	12	46	424.8	11	38
Egypt, Alexandria	343.4	13	53	268.9	17	70
Türkiye, Aliaga (Nemrut)	336.1	14	54	232.4	24	93
Italy, Gioia Tauro	313.9	15	58	284.2	16	63
France, Fos	296.3	16	65	309.2	14	56
Türkiye, Mersin	295.0	17	68	303.4	15	60
Türkiye, Gemlik	283.2	18	72	232.9	23	91
Portugal, Sines	282.4	19	73	197.2	29	110
Malta, Marsaxlokk	279.1	20	74	265.4	18	71
Egypt, Port Said	273.0	21	76	366.7	12	45

Source: https://unctadstat.unctad.org/datacentre/dataviewer/US.PLSCI

I5. Import and export dwell time

Why this indicator?

Import and export dwell time in port or inland terminals are key indicators of logistics performance. The import dwell time depends on factors such as goods clearance, removal and logistics services and terminal performance. Similarly, the export dwell time reflects efficiency of the domestic logistics.

Some shippers use ports as temporary storage to buffer their supply chains and ensure that goods are available despite delays. High dwell times may therefore reflect strategic decisions to stabilise operations, manage uncertainty, reduce inventory costs, or match deliveries to market demand, challenging the assumption that they indicate inefficiency. But high dwell times can also create uncertainty in exports, disrupt just-in-time supply chains, and increase costs for businesses and consumers.

Countries with high variability in dwell times might benefit from targeted improvements in specific areas of their logistics and customs processes.

Key findings

In UfM countries the average consolidated export dwell time varies from 1.8 to 15 days; in landlocked countries in particular, the time can be more than 10 days (Figure 3.14). The average consolidated import dwell time varies from 3.3 to 25 days (Figure 3.15). The variation can be caused by factors such as low port capacity, documentation and customs procedures (MAERSK, 2023[19]).

Some countries, like Malta for imports and Mauritania for exports, have unusually long delays that stretch the overall waiting times. This makes their average waiting time longer than is typical for most shipments. Also, the significant variability in import dwell times for countries like Malta and Algeria suggests that the import process is unpredictable, potentially due to logistical bottlenecks or varying customs and other requirements (ITF, 2016[20]).

Across all regional groupings, import dwell times exceed export dwell times (Figure 3.16), due to more complex customs procedures or additional checks for imports (IMF, 2020[21]). The non-EU UfM region exhibits the highest average dwell times for imports, although with large differences across countries reflecting specific infrastructural and logistical challenges and/or regulatory complexities.

Connectivity infrastructure in the broader MENA region

The average export dwell time in GCC countries is 4.6 days, faster than the UfM average (7.9), and even more compared to non-EU UfM countries (6.5). Import processes in the GCC average 5.1 days, which is significantly shorter than in UfM countries (and non-EU UfM countries (11.2 and 12.5 days respectively). Variability in export and import processing is relatively low in the GCC region (Figure 3.16).

What policy action is needed?

- **Streamline customs and regulatory procedures** by harmonising standards and introducing risk-based inspections to expedite low-risk cargo. Investment in infrastructure is also critical, with a focus on expanding port and terminal capacity.
- **Automate port operations, adopt real-time tracking technologies, mandate e-documentation** to streamline processes, and implement port single window systems. Digitalisation plays a key role in reducing the dwell times. Successful models of single window systems include Morocco's PortNet, Egypt's Nafeza, and Türkiye's Liman Tek Pencere, which enable efficient electronic document exchange among stakeholders.

Data limitation and developments

In the *Progress Report 2021*, the median time in port (UNCTAD) was used as indicator of a port's efficiency. As data for recent years are not available for many UfM countries, dwell time data are used in this edition; the data series is publicly available only for the period from May 1 to October 31, 2022.

Definitions

Dwell time is the time spent at the same location (as defined by UNLOCODE) from container arrival to departure from this location. Dwell time applies to both ports of export or import, or inland terminal facilities.

Import dwell time is the duration from when a cargo container or goods arrive at the port or terminal until they are cleared by customs and transported to their final destinations.

Export dwell time is the duration from when a cargo container or goods arrive at the port or terminal for export until they are loaded onto a vessel for international shipment.

Consolidated import and export dwell times are the sum of dwell times at port and at intermediate inland locations after ship's unloading (imports) or before container's loading on ship (exports). The consolidated time reflects the average amount of time that cargo spends in ports or terminals before it is released.

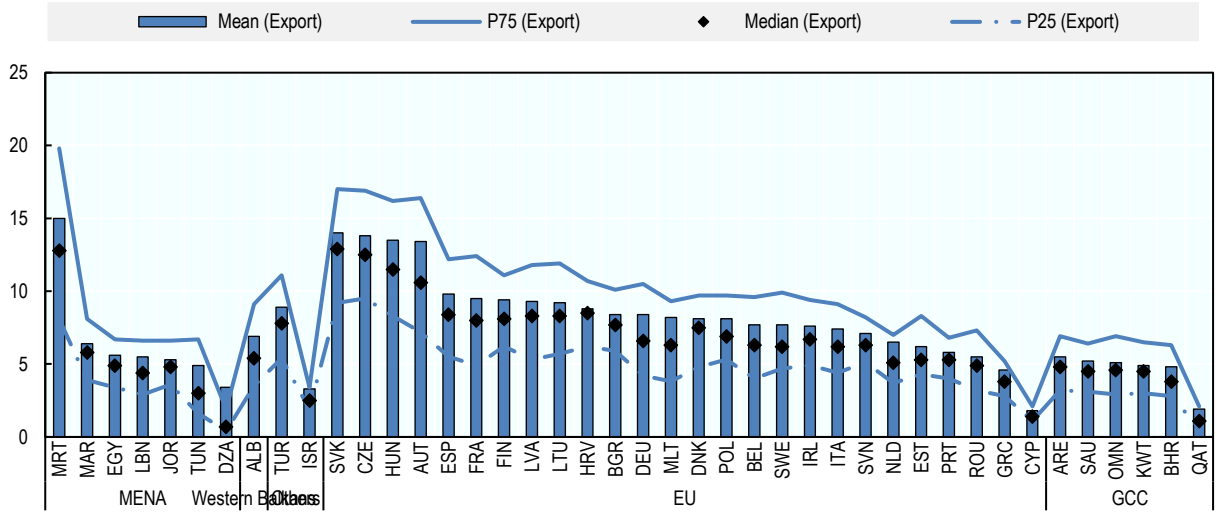
Source: LPI 2023 report (worldbank.org)

Further reading

Trade Effects of the New Silk Road (wto.org); Why Dwell Time Matters (worldbank.org)

Figure 3.14. Export dwell time, by country

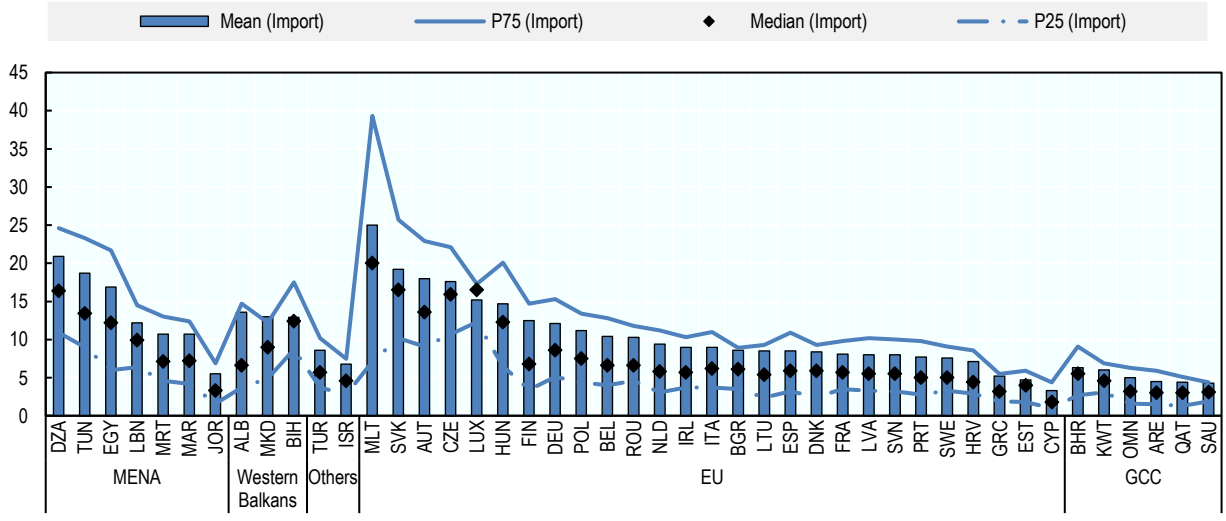
Consolidated dwell time for export (days), from May to October 2022



Source: https://lpi.worldbank.org/sites/default/files/2023-04/LPI_2023_report.pdf; https://lpi.worldbank.org/international/tracking-data

Figure 3.15. Import dwell time, by country

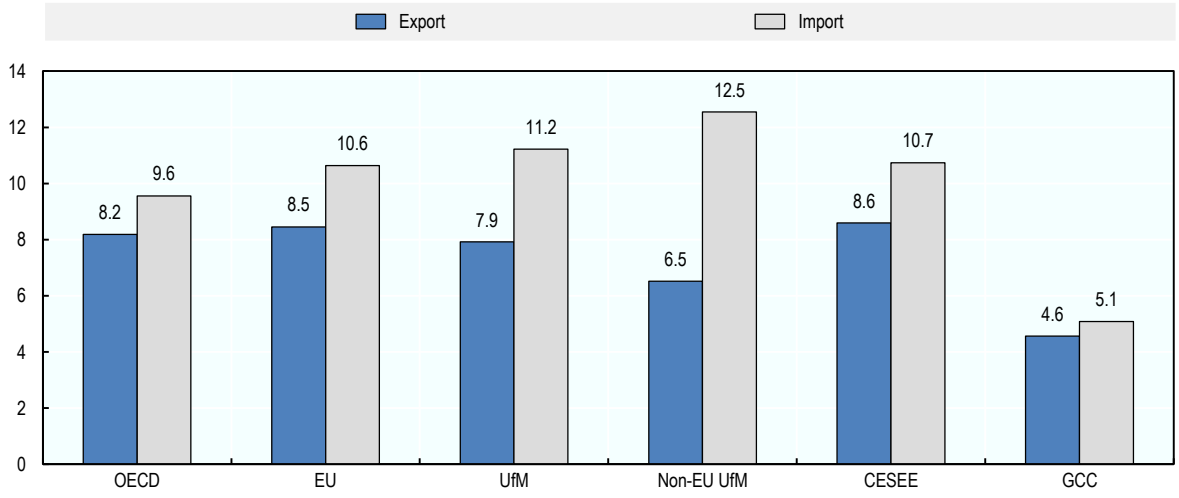
Consolidated dwell time for import (days), from May to October 2022



Source: https://lpi.worldbank.org/sites/default/files/2023-04/LPI_2023_report.pdf; https://lpi.worldbank.org/international/tracking-data

Figure 3.16. Export and import dwell time (mean), selected country groups

Days, from May to October 2022



Source: https://lpi.worldbank.org/sites/default/files/2023-04/LPI_2023_report.pdf; https://lpi.worldbank.org/international/tracking-data

Box 3.5. Developing a scoreboard to measure economic corridors' connectivity

Economic corridors are vital for enhancing trade connectivity, fostering economic integration, and improving supply chain resilience. As global trade evolves, well-integrated corridors help reduce costs, optimise logistics, and support regional development. Given growing interest in supply-chain resilience and efficiency, economic corridors have emerged as policy-driven initiatives that combine infrastructure investments and policy co-ordination to enhance connectivity and link production zones to global markets.

The efficiency of economic corridors can be significantly enhanced through the effective use of data. Without reliable data and robust statistics, it becomes difficult to measure progress or identify areas for improvement. In the absence of concrete facts, evaluations risk being subjective and cannot effectively support evidence-based policymaking.

To address this challenge, the OECD has developed a new tool, a *Connectivity Scoreboard,* designed to assess the development of economic corridors' connectivity using a comprehensive set of indicators. This approach was presented during the inaugural Emerging Markets Forum, held on 10 April 2025 in Istanbul and co-hosted by the Ministry of Trade of Türkiye and the OECD.

The preliminary scoreboard, which features over 40 indicators, represents the first systematic attempt to measure corridor connectivity. It provides standardised metrics, drawn from a range of international sources, to help policymakers monitor progress, identify bottlenecks and refine strategic priorities.

The scoreboard evaluates economic corridors across three key dimensions: Hard connectivity (physical infrastructure), Soft connectivity (policies, regulations, border efficiency, and the investment climate), and Performance and outcomes (trade and transport flows, cost-effectiveness, timelines, and reliability).

The OECD has applied the methodology to the Trans-Caspian Transport Corridor. This corridor links Central Asia and the South Caucasus to Europe via Türkiye and integrates rail, road, and maritime transport, offering an alternative to overland routes such as the Northern Corridor through Russia.

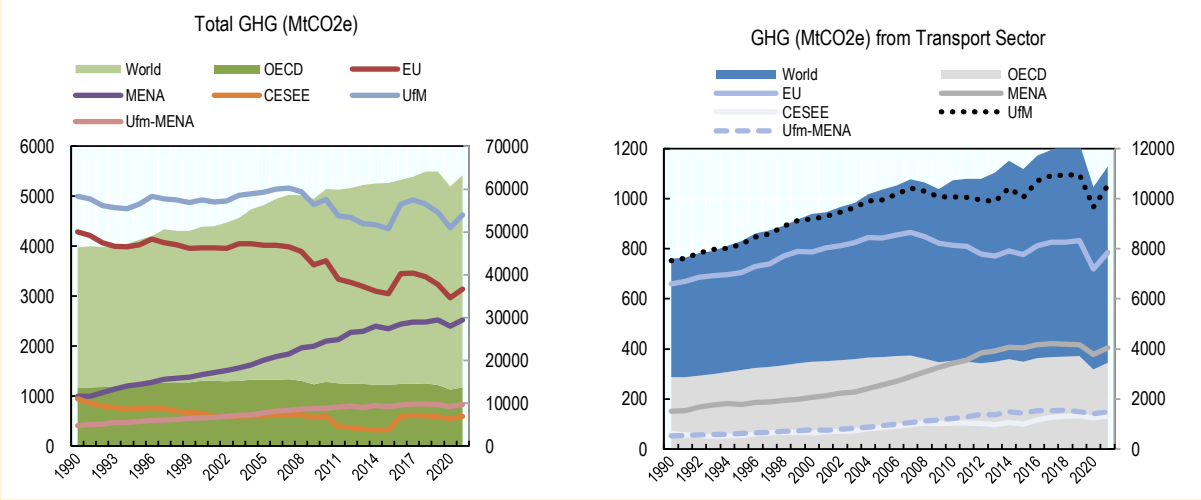
Source: Information about the connectivity scoreboard is available at the OECD EMF website.

Box 3.6. Decarbonisation of transport in the UfM Region

The global transport sector is responsible for around 23% of global energy-related CO2 emissions. In the absence of immediate action, this could rise to 40% by 2030 (ITF, 2023[22]). All components of the transport sector - road, rail, shipping, air, and pipeline transport - are off-track with respect to the Net Zero Emission Scenario 2030 (IEA, 2023[23]). From 1990 to 2021, the share of greenhouse gas (GHG) emissions from UfM countries in the global total decreased from 15.3% to 9.3%, primarily due to significant reductions in emissions originating from EU member states (Figure 3.17). While the share of UfM countries in global transport sector emissions also declined, it still accounts for 13.4% of the global total - marking a 40% increase compared to 1990 levels. The EU has not achieved marked reductions in transport-related emissions, while UfM countries in MENA, Central and Southeast Europe, and the Western Balkans, although contributing a smaller share of global transport emissions, have consistently recorded increases. This underscores the critical need for intensified efforts in UfM countries to reduce transport related GHGs.

Decarbonising the transport sector is a large-scale and long-term endeavour that demands substantial national policy changes, policy dialogue among stakeholder groups, clear targets and a reliable tracking of progress. The complexity of this task lies in the need to transform established infrastructure, adopt new technologies, and shift societal behaviours – all while ensuring economic stability and addressing environmental challenges.

Figure 3.17. Total and transport-related GHG emissions,1990-2021



Source: Climate Watch, Historical GHG Emissions, https://www.climatewatchdata.org/ghg-emissions?end_year=2021&start_year=1990, 2024

I6. Cross-border projects in energy

Why this indicator?

Cross-border energy projects support the development of integrated energy markets within the UfM, enhancing supply diversification and energy security. The pooling of resources for cross-border projects helps lower the costs of developing energy infrastructure and attract public and private investments.

Cross-border energy projects play a pivotal role in enhancing energy security across the UfM and increasing the connectivity of Southern and Eastern mediterranean economies.

The selection of energy projects (Table 3.3) focuses on cross-border initiatives that involve countries from at least two of three sub-regions: EU, MENA, and Western Balkans.

Key findings

Several ongoing and proposed projects aim to create mutually beneficial partnerships, connecting the energy grids of EU countries to countries across the Western Balkans and MENA sub-regions. New initiatives highlight the potential for Southern Mediterranean countries to play an important role in regional energy transitions, positioning themselves as future suppliers of renewable energy to the EU. However, given North Africa's growing electricity demand, driven by climate change, economic development, and population growth, it is unlikely that the region will be in a position to export significant amounts of renewable electricity to the EU until the medium term (Box 3.7).

Ongoing projects between EU and MENA countries include the Elmed Interconnector and the Euro-Africa Interconnector (Table 3.3). The Elmed Interconnector will connect the Tunisian and Italian electricity grids, enabling energy trade and integrating Tunisia's renewable energy supply into the European Power Network. Meanwhile, the Euro-Africa Interconnector, stretching 1,396 km with a capacity of 2 000 MW, will become the world's largest interconnector, connecting Egypt, Cyprus and Greece. In addition, a feasibility study has been conducted for a Green Hydrogen Corridor between Morocco and Italy, as one of the projects parts of Italy's "Mattei Plan". The "Green Corridor" project will aim to transport green hydrogen from Morocco to Trieste, Italy. This initiative could mark a significant step forward in advancing hydrogen transportation and fostering sustainable energy connections in the region.

Montenegro, Bosnia and Herzegovina and Serbia are collaborating with Italy to develop an interconnection project that will connect the Western Balkans to the EU electricity grid. The project will export renewable energy from the Western Balkans to Italy and establish Montenegro as a key regional energy hub. Additionally, Croatia and Bosnia and Herzegovina are developing a gas interconnector to enhance Bosnia's energy security, increase access to gas, and diversify gas routes.

There is significant potential to enhance renewable energy production and energy efficiency in the Southern and Eastern Mediterranean. Also, cross-border electricity trade within the North Africa represents an ongoing challenge that reflects a lack of market reforms, notably in electricity markets. This challenge by itself limits opportunities for investments, especially in renewable energy.

What policy action is needed?

- **Accelerate the transition to renewable energy in the Southern Mediterranean**: Southern Mediterranean countries should collaborate with EU counterparts to increase renewable energy investments by extending funding and enhancing policy frameworks and regulatory environments. Countries should also focus on promoting knowledge-sharing and technological innovation.
- **Harness the renewable energy potential of North Africa:** North African countries should enhance efforts to attract both public and private investment in renewables through promoting financial incentives, fostering PPPs, carrying out regulatory reforms and increasing market openness.
- **Mitigate investment risks:** UfM countries should promote diverse and risk-sharing financial instruments, such as offtake agreements, equity investments and blended finance, to enhance infrastructure bankability and attract private

capital. Strengthening PPPs and ensuring regulatory stability can further mitigate investment risks and support sustainable, cross-border infrastructure development.

- **Learn from past projects:** The Mediterranean Solar Plan (MSP) underscores the difficulties of multilateral cooperation in the region, highlighting challenges including the absence of functioning energy markets and low penetration. Future projects should prioritize economic benefits, shifting regional and domestic energy needs, as well as mechanisms for fostering cooperation among diverse stakeholders.

Table 3.3. Cross-border projects in energy

Project	Countries	Timeframe	Description	Costs
Gazoduc	Morocco-Nigeria	2024	The Gazoduc project aims to connect Nigeria and Morocco, facilitating regional economic integration with an estimated capacity of 30 billion m³ of natural gas per year.	USD 25 billion
Green Hydrogen Corridor	Morocco-Italy	2024 - Feasibility Study Planned	The "Green Corridor" project aims to transport green hydrogen from Morocco to Trieste, Italy, representing a milestone in European hydrogen transportation.	Not specified
SoutH$_2$ Corridor	Algeria, Tunisia, Italy, Austria, Germany	Expected 2030	The SoutH$_2$ Corridor project is a 3,300 km dedicated hydrogen pipeline corridor. Renewable hydrogen would be largely produced in North Africa, for which the partners have collected signed letters of support from producers intending to produce c. 2,5 million tonnes per annum (mtpa) of renewable hydrogen. It would then flow north, serving the hard-to-abate demand clusters of Italy (e.g. Augusta, Taranto and northern Italy), Austria (e.g. Styria, Vienna and Linz) and Germany (e.g. Burghausen and Ingolstadt). This corridor will have a capacity of 4 million mtpa (the equivalent of 133.2 terawatt-hours (TWh) per year), which means that the SoutH$_2$ corridor could provide 40% of the REPowerEU import target.	USD 2.5 billion
Euro-Africa Interconnector	Egypt, Cyprus, Greece	Ongoing-2028/2029 *(Expected completion of Stage 1)*	The Euro-Africa Interconnector project involves developing a 2 000 MW electricity interconnector spanning 1 396 km, making it the world's largest.	USD 3 billion
EuroAsia Interconnector	Israel, Cyprus, Greece	2026	The EuroAsia Interconnector foresees the construction of a 1 200 km undersea cable from Israel to Crete via Cyprus. The interconnector is a multi-terminal, high-voltage, direct-current scheme that will connect the transmission networks of Greece, Cyprus and Israel. It will comprise three converter stations with sea-electrodes, interconnected by cables. At full deployment, the 500 kV interconnector will allow the transfer of 2 000 MW. Its total offshore length is 1 208 km (310 km from Cyprus to Israel, 898 km from Cyprus to Crete), while its onshore length is 25 km.	USD 1.6 billion
Energy Interconnection	Italy-Montenegro-Serbia-Bosnia and Herzegovina	Ongoing	The Energy Interconnection Project involves a 455 km cable line (433 km underwater) connecting Italy and Montenegro, along with a 400 kW transmission line between Serbia and Bosnia and Herzegovina. It aims to export renewable energy from the Western Balkans to Italy and establish Montenegro as a key regional energy hub.	USD 1 billion
Elmed Interconnector	Tunisia-Italy	Ongoing	The Elmed Interconnector Project is a new, 600 MW sub-sea high-voltage direct current (HVDC) link between Tunisia and Sicily, spanning 200 km. It connects the Italian and Tunisian electricity grids, facilitating electricity trading and supporting Tunisia's renewable energy integration with the European power network.	USD 600 million
Mediterranean Solar Plan	North Africa	Ongoing	The Mediterranean Solar Plan is a planned project to build a 20-gigawatt (GW) power plant to produce solar energy in North Africa by 2020. The ultimate objective is to develop renewable energy and electricity transmission capacity in the Euro-Mediterranean region.	Not specified
Gas Interconnection	Croatia – Bosnia and Herzegovina	2024 (Under Construction)	The gas interconnection between Croatia and Bosnia and Herzegovina enhances Bosnia's energy security, diversifies gas routes, and increases gasification. It is expected to have a capacity of up to 1.5 billion m3 annually.	EUR 169 million

Source: OECD compilation.

Box 3.7. The quest for renewable energy in MENA region

Renewable energy has become an increasingly vital source of energy for MENA countries aiming to reduce CO_2 emissions and lessen reliance on fossil fuels, notably in the electricity sector. As one of the regions most affected by climate change, MENA faces significant challenges to its energy systems, with energy demand rising due to economic development and population growth, but also to climate-related phenomena such as extreme heat. The electricity sector reflects the region's broader energy challenges in response to the trends just mentioned. For instance, extreme heat can impact electricity transmission efficiency and damage transmission infrastructure, causing risks to electricity supply. Similarly, extreme temperatures reduce output from open-cycle gas turbines or solar photovoltaic (PV) power cells; and other phenomena, such as dust storms and wildfires, constitute hazards affecting power and, more broadly, energy systems.

Given these considerations, MENA countries will need to adapt to changing climate conditions and develop infrastructure that is both water efficient and heat resilient to ensure sustainable transitions. In recent years, Morocco and Egypt have emerged as leaders in the development of renewable electricity infrastructure in North Africa. However, with power demand projected to rise, especially for cooling and for water desalination, these countries must also adopt climate-resilient solutions to ensure stability within their power and more generally energy sectors.

Morocco aims to increase the share of renewable power capacity from 17.6% in 2020 to 52% in 2030 (Morocco Climate Change Plans) using a mix of wind, hydropower and solar sources, such as the Noor Ouarzazate Solar Complex, one of the world's largest solar power plants. However, changes in climate and water availability will require more efforts to adapt. Morocco's renewable electricity output is already being affected by declining precipitation levels and more frequent droughts, which decreased hydropower output from 3,631 GWh to 1,290 GWh between 2010 and 2020 (IEA, 2023). In response, the country is shifting towards less-water-intensive technologies, such as pumped hydropower storage and natural gas combined-cycle power plants.

Egypt has developed an ambitious plan to diversify its energy mix in favour of renewable sources, presented in the *National Agenda for Sustainable Development Updated Vision 2030* (2023). The Benban Solar Park, in Aswan Governorate, the fourth-largest solar power plant in the world, is an example of Egypt's collaboration with international partners to meet its goals in terms of the share of renewable energy in total energy generation. Climate change is affecting the country's electricity supply, 84% of which comes from natural gas, a non-renewable source: higher temperatures affect electricity output from some types of gas-fired plants, which require airflow to cool turbines. As heatwaves become more frequent and intense, output from gas-fired electricity generation could decline.

Box 3.8. From coal to renewables: the Green Agenda for the Western Balkans

Leaders of Western Balkan economies (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia) have committed to a 2050 target for climate neutrality and environmental sustainability. Announced at a summit in Sofia, Bulgaria, in 2020, the Green Agenda for the Western Balkans provides a framework for mainstreaming climate policy and reforming the energy and transport sectors in the region. The agenda contains five main pillars: decarbonisation and climate resilience, circular economy, depollution (air, water, soil), sustainable food systems and rural areas, biodiversity protection and restoration of eco-systems. Since 2021, the European Commission has committed EUR 1.25 billion to support the Green Agenda in the form of technical assistance and investments in energy efficiency, renewable energy, and environmental management. The renewable energy pillar aims to harness the region's solar, wind and geothermal energy potential, while expanding existing hydropower power capacity.

A key aspect of this approach is the phasing out of coal energy sources, which will impact both direct and indirect employment in the coal sector. Implemented from December 2020 to 2023, the Initiative for Coal Regions in Transition in the Western Balkans sought to address these challenges and prepare countries and communities for the transition away from coal energy sources.

Sources: Initiative for coal regions in transition in the Western Balkans and Ukraine - European Commission (europa.eu)

Box 3.9. Energy diversification: a nexus between UfM and GCC countries

European companies are increasingly investing in the renewable energy sector in GCC countries, attracted by their rich solar and wind resources. These investments support the GCC's strategic goal of shifting from non-renewable to renewable energy, while also driving crucial technological transfer and human capital development in the region. For example, the NEOM Project led by Saudi Arabia aims at creating a futuristic city powered by renewable energy, combining significant investments from GCC countries and partnerships with European firms for technology and infrastructure development.

On the other side, reflecting their ambition regarding energy diversification, the GCC countries have invested in renewables energy projects across Europe and MENA. For example, Saudi Arabia's Public Investment Fund is involved in several European projects, including solar plants in Spain. Egypt and Jordan are already recipients of GCC investments to finance solar and wind farms.

Furthermore, the region aims to become the world's largest hydrogen producer and a key exporter to Europe. To achieve this, Saudi Arabia, Oman and the United Arab Emirates have initiated partnerships with European companies to develop large-scale green hydrogen projects and supply green energy to Europe.

Sources: see for example https://www.sefe.eu/en/newsroom/press-releases/sefe-and-saudi-acwa-power-partner-to-deliver-200000-tonnes-of-green-hydrogen-annually-to-germany-and-europe; https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/739228/EPRS_BRI%282022%29739228_EN.pdf

I7. FDI regulatory restrictiveness in the electricity sector

Why this indicator?

Foreign direct investment in the electricity sector is essential for driving infrastructure development, enhancing energy security, and facilitating knowledge transfer between countries. In the UfM region, particularly among Southern and Eastern Mediterranean countries, openness to investment in renewable energy infrastructure can empower these countries to build and integrate into regional energy markets. FDI plays a key role in making energy transitions feasible in countries and regions that lack the financial resources to develop or modernise the infrastructure necessary for sustainable energy-transition.

Key findings

FDI restrictiveness in the electricity sector varies across the UfM (Figure 3.18). On average, EU countries exhibit the lowest FDI restrictiveness scores for electricity generation and distribution, with complete openness to FDI observed in several countries.

The level of FDI restrictiveness for renewable and non-renewable electricity generation are identical within countries, suggesting similar regulatory environments for both energy types (Figure 3.19). Restrictiveness levels are highest among MENA countries, such as Lebanon, Algeria and Egypt.

For electricity distribution, Jordan has the lowest restrictions while Algeria and Israel exhibit the highest regulatory scores, indicating potential barriers to improving and expanding electricity distribution networks as well as renewables expansion (Figure 3.20). More specifically, distribution networks often need to be adapted for renewables due to decentralised grid structures and variability in electricity generation. The Western Balkans maintain a highly open regime regarding FDI, with low levels of restrictiveness that closely align with EU standards.

Overall, improving the conditions for FDI investment in the electricity sector can help advance progress towards energy transitions, especially in the MENA region (Box 3.10). A more supportive investment climate could help enhance energy security while also achieving greater economic resilience and environmental sustainability in the long term.

Connectivity infrastructure in the broader MENA region

In Saudi Arabia, the analysis reveals relatively high levels of protection for the entire electricity sector and its distribution. However, the trend for the total electricity sector decreased by more than half between 2018 and 2023.

In terms of restrictiveness on renewable electricity generation, Saudi Arabia has the second-highest value after Lebanon compared to the UfM countries.

What policy action is needed?

- **Streamline regulatory frameworks to attract FDI:** Simplifying investment regulations will help foster a transparent and predictable environment for FDI in the electricity sector, especially for MENA countries. To achieve this goal, the EU can offer technical assistance, share best practices, and provide financial incentives for countries to align regulatory frameworks with international best practices. This collaboration would complement and help advance current and planned electricity interconnection projects at the sub-regional and EuroMed levels.
- **Promote electricity sector-specific investment incentives:** Governments should develop targeted initiative, such as feed-in tariffs (FiTs), power purchase agreements (PPAs), and green bonds to attract FDI to the electricity sector. In some cases, notably in Algeria, financial sector reforms would be required in order to facilitate investment attractiveness in renewable power.
- **Reform electricity subsidies to support sustainable energy markets:** Phasing out inefficient fossil fuel energy subsidies will align with market rates, attract renewable energy investment, and create competitive and sustainable markets while mitigating impacts on vulnerable populations. This is especially important in the MENA region where energy subsidies can contribute to distorted energy markets.

Definitions

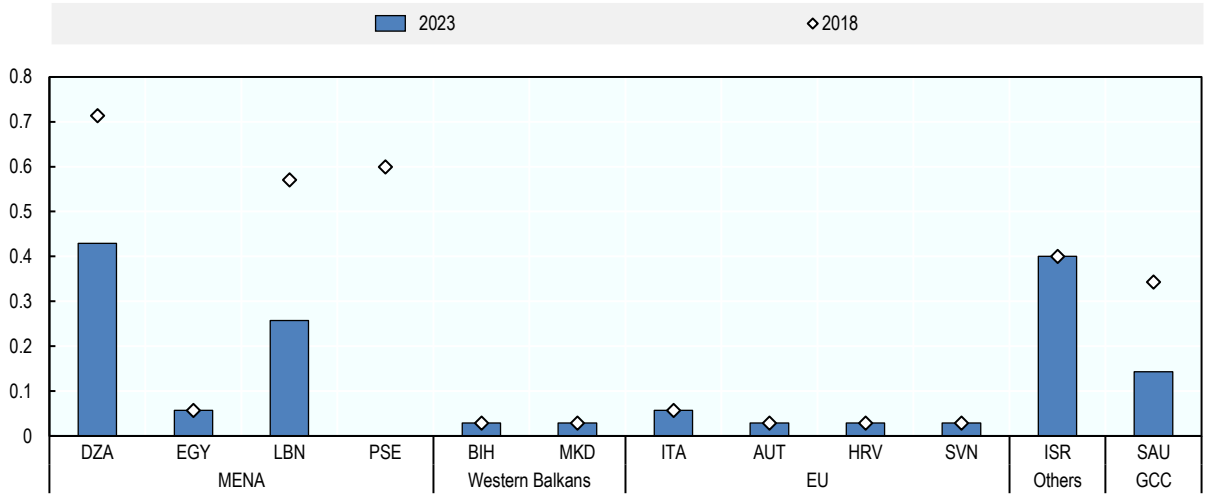
The OECD FDI Regulatory Restrictiveness Index provides data on how open or restrictive countries are towards foreign investment. The index measures statutory restrictions across four dimensions: foreign equity limitations, screening and prior approval requirements, rules for key foreign personnel, and other operational restrictions on foreign enterprises. The scores range from 0 (completely open) to 1 (completely restrictive), allowing for a comparative analysis of different countries' investment environments.

The Index includes data FDI restrictiveness within the electricity sector, both for electricity generation and distribution. Electricity is broken up into two categories: renewable energy (e.g. hydroelectric, biomass and solar) and non-renewable energy (i.e. coal, gas, oil, and nuclear power).

Source: https://www.oecd.org/en/data/indicators/fdi-restrictiveness.html

Figure 3.18. FDI Restrictiveness, total electricity sector, 2018 and 2023

0 = open; 1 = closed



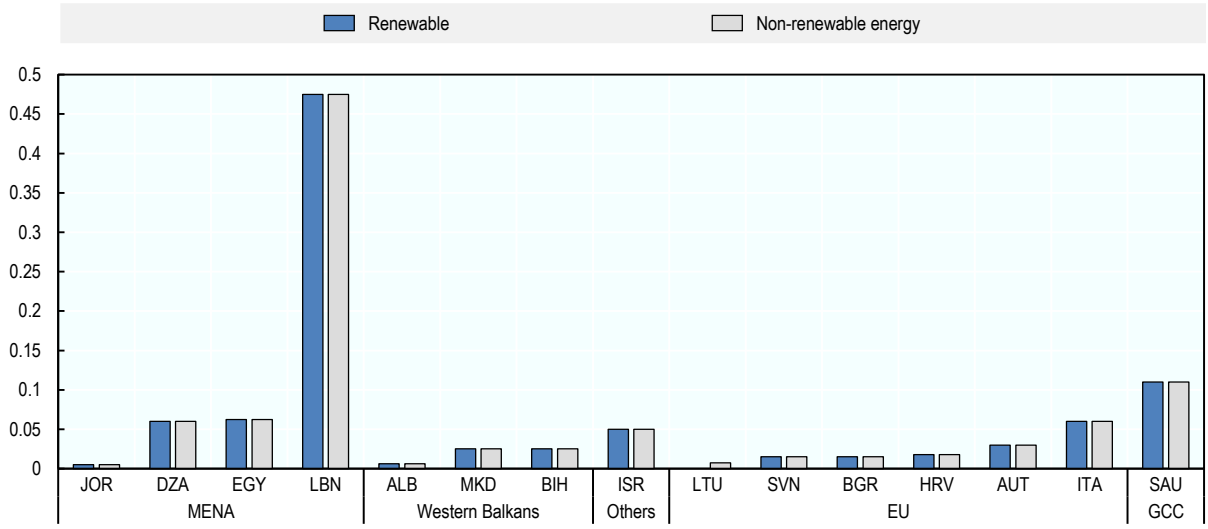
Note: For Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Latvia, Luxembourg, Netherlands, Poland, Portugal, Slovakia, Spain, Sweden, Türkiye, Albania, Montenegro, Jordan, Morocco and Tunisia the restrictiveness score is 0. Data for Saudi Arabia are presented, in light of the increasing investment flows between GCC and UfM countries. Saudi Arabia is the only GCC country for which the FDI Restrictiveness Index is currently available.

Source: OECD FDI Regulatory Restrictiveness Index, https://www.oecd.org/en/data/indicators/fdi-restrictiveness.html

StatLink https://stat.link/bqo5fd

Figure 3.19. FDI Restrictiveness, renewable electricity generation selected UfM economies, 2023

0 = open; 1 = closed

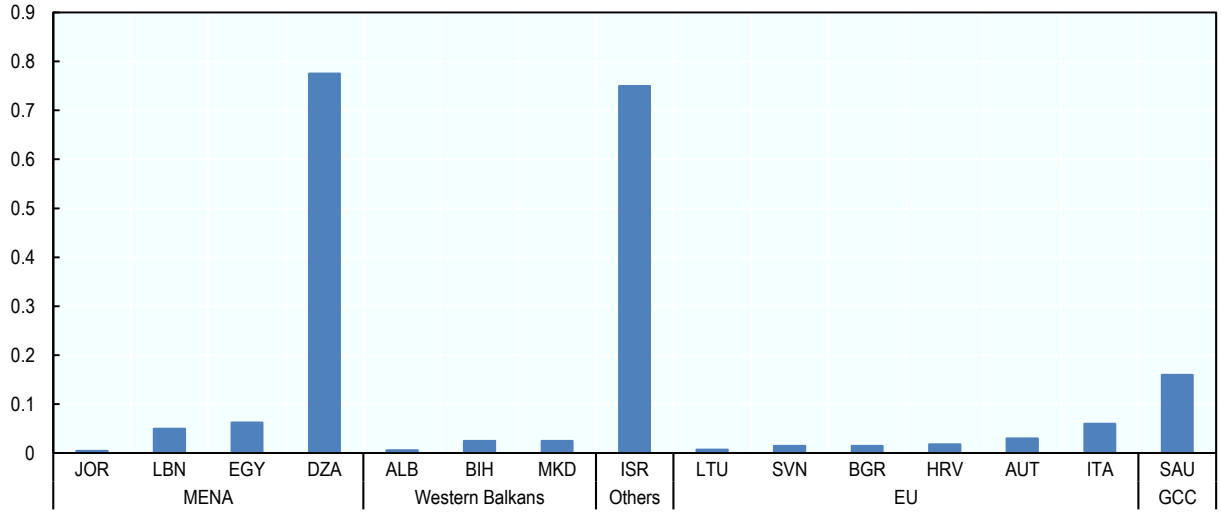


Note: For Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Latvia, Luxembourg, Netherlands, Poland, Portugal, Slovakia, Spain, Sweden, Türkiye, Montenegro, Morocco, Romania, Palestinian Authority and Tunisia, the restrictiveness score is 0.
Source: OECD FDI Regulatory Restrictiveness Index, https://www.oecd.org/en/data/indicators/fdi-restrictiveness.html

StatLink https://stat.link/vhnqxp

Figure 3.20. FDI Restrictiveness, electricity distribution, selected UfM economies, 2023

0 = open; 1 = closed



Note: For Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Latvia, Luxembourg, Netherlands, Poland, Portugal, Slovakia, Spain, Sweden, Türkiye, Montenegro, Morocco, Romania, Palestinian Authority and Tunisia, the restrictiveness score is 0.
Source: OECD FDI Regulatory Restrictiveness Index, https://www.oecd.org/en/data/indicators/fdi-restrictiveness.html

StatLink https://stat.link/y2hctm

Box 3.10. FDI in the renewable sector

Foreign direct investment (FDI) plays a pivotal role in accelerating energy transitions, providing financial and technological resources necessary for green growth. As countries strive to modernize their energy and electricity sectors, understanding the factors that encourage FDI in renewable energy becomes essential, particularly for countries with limited financial means to develop or upgrade the infrastructure necessary for the energy transitions.

FDI in renewable energy comes from both industry actors and external investors. From 2012 to 2021, companies engaged primarily in sectors outside of energy accounted for about 70% of cross-border merger and acquisition (M&A) deal values and 11% of announced greenfield investment in renewables (OECD, 2022). Notably, the top contributors to greenfield investments during this period were France, Germany, Italy and Spain, representing 41% of total investments. Wind and solar power emerged as the energy sources driving investment. Significantly, greenfield investment in renewable energy has been increasing since 2012, often surpassing fossil fuel investments. In 2020, greenfield investments in OECD countries peaked at USD 82 billion, amounting to 21% of total greenfield investment projects announced in OECD countries. Russia's war on Ukraine has accelerated the need for energy diversification in terms of mix and source.

Assessing the drivers of energy FDI, the OECD finds that, in addition to typical determinants of FDI (such as market size, growth potential, regulatory restrictions to market access), climate-related policies are key factors in attracting green investment. For instance, feed-in tariffs (FITs), which incentivise investment in low-carbon technologies by offering long-term contracts that guarantee a fixed price for the generated power, are positively associated with the number of FDI projects in renewable power. This suggests that investment incentives play an important role in supporting green investment.

On the other hand, countries with stricter FDI regulations tend to attract fewer renewable energy projects, suggesting that high regulatory restrictiveness could impact the pace of the green transitions. In fact, statutory restrictions on FDI limit market reach and increase transaction costs for investors, prompting them towards markets with fewer regulatory barriers. According to the OECD's FDI Regulatory Restrictiveness Index (RRI), a reduction of 0.01 points in regulatory restrictiveness could lead to a 1% increase in greenfield projects and a 4% rise in the number of M&A deals.

Still, the impact of these factors on investment decisions varies depending on investor origins. Firms coming from outside the energy sector appear to have less interest in energy policies when undertaking greenfield projects in renewable power but are influenced more by other conditions, such as favourable investment environments and strategic interests. More specifically, generosity of FITs or stricter carbon prices appear to have no effect on this type of investor. Instead, some non-energy firms undertake greenfield projects in renewables to power core activities in a country where they have already established operations. For instance, in October 2021, German logistics company DHL announced plans to develop a solar energy project to support its operations in Dubai. As a result, investors interested in powering their activities abroad may be less affected by countries' climate policies.

Source: Trends, investor types and drivers of renewable energy FDI | OECD

I8. Electricity trade flows

Why this indicator?

Analysis of electricity trade flows in the UfM region provides a picture of power interconnection and interdependence among countries. As electricity demands continue to grow, especially in the MENA sub-region, diversifying electricity trade flows can help enhance electricity security and promote economic growth. The growth of renewable energy capacity across the MENA sub-region creates opportunities for greater integration of electricity markets between the North and Southern Mediterranean.

Electricity trade flows can be influenced by several factors, including policy changes, trends in demand, and adequate infrastructure, as well as geopolitical stance/direction.

Key findings

Cross-border electricity trade across the UfM shows considerable variation among sub-regions, reflecting various levels dependence and different market preferences.

Within the Western Balkans sub-region, electricity exports remained relatively stable between 2010-2019, with a small decrease in exports observed in 2022. The sub-region continues to export electricity within itself, to the EU, and with other non-UfM countries (Figure 3.21).

In the Levant, electricity exports are notably low compared to other UfM countries, largely due to limited natural resources in comparison with UfM countries in North Africa. The region is heavily dependent on electricity imports, with the Palestinian Authority in particular relying on Israel for most of its electricity (Figure 3.22). Furthermore, the reduction in electricity imports for the Levant in 2022 can be attributed to a decrease in the Palestinian Authority's electricity imports from Israel.

In North Africa, exports fluctuated between 2010 and 2022. In 2010, most exports served interregional demand. However, between 2019 and 2022, the region diversified its export markets, supplying electricity to the EU, the Levant, and other non-UfM countries. Significantly, the level of exports to the EU witnessed a decline during this period, most probably due to increased domestic demand (Figure 3.23).

For imports, trade flows witnessed a drop in 2019 but recovered to 2010 levels by 2022. Import dynamics shifted significantly: by 2022, intra-North Africa imports were higher than imports from EU countries.

What policy action is needed?

- **Strengthen regional infrastructure and electricity markets** to boost energy security, stabilise electricity prices, and improve supply predictability.
- **Diversify electricity trade flows in the Levant**: Develop renewable infrastructure in Jordan, Israel and the Palestinian Authority to enhance energy security and strengthen the export market. These countries could also explore opportunities for electricity trade, leveraging Jordan's growing renewable energy capacity, particularly for wind and solar power. However, cooperation on electricity trade between these countries is likely contingent on the start of a political peace process.
- **Facilitate the green transition in the Western Balkans**: Reduce reliance on coal, invest in renewables, and reform energy policies to align with EU decarbonizations goals and support the green transition.
- **Leverage North Africa's potential as an exporter:** North African countries should harness their renewable potential to meet domestic demand while positioning themselves as key exporters of clean energy to Europe. However, this will require collaborative investments to scale up electricity generation from renewables.

Definitions

The *electricity trade flows* indicator measures electricity imports and exports of electricity across the UfM region in terms of both value (in USD) and kilowatt-hours.

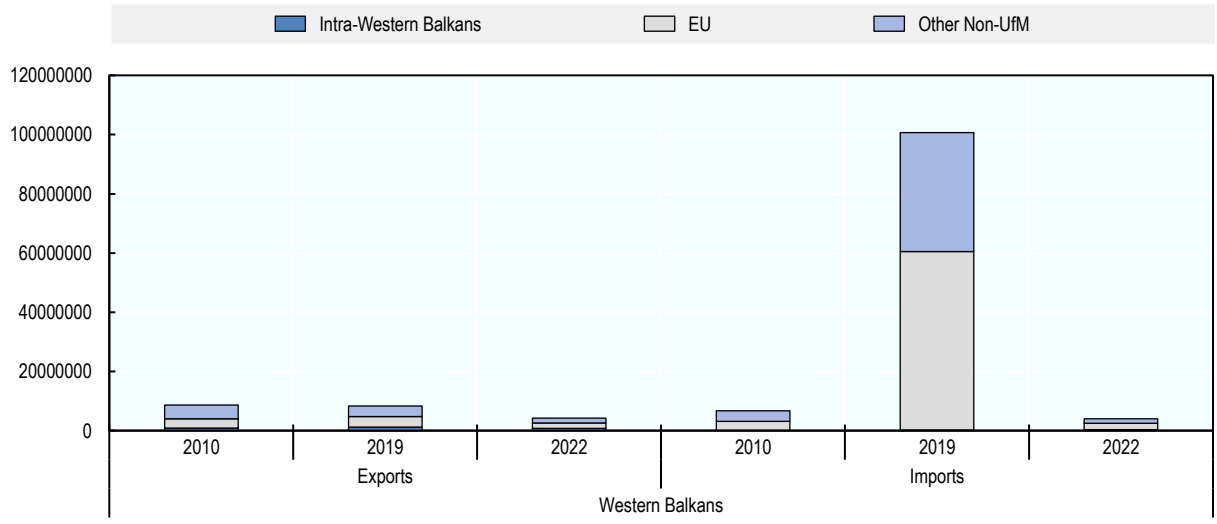
Imports and exports in kilowatt-hours specify the physical flow of electricity, highlighting the level of energy interconnection and reliance among countries.

Regional breakdowns are used to analyse trade flows, providing a deeper understanding of market dynamics and integration across the UfM.

Source: UNCOMTRADE

Figure 3.21. Electricity imports and exports in the Western Balkans

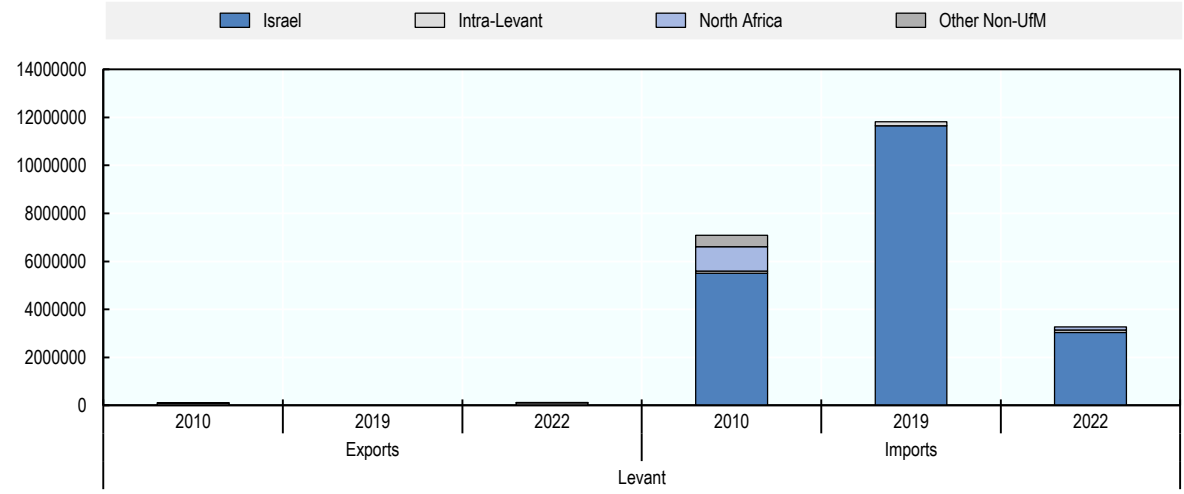
Kilowatt-hours



Note: Data for the Western Balkans refer to 2021.
Source: UNCOMTRADE

Figure 3.22. Electricity imports and exports in the Levant

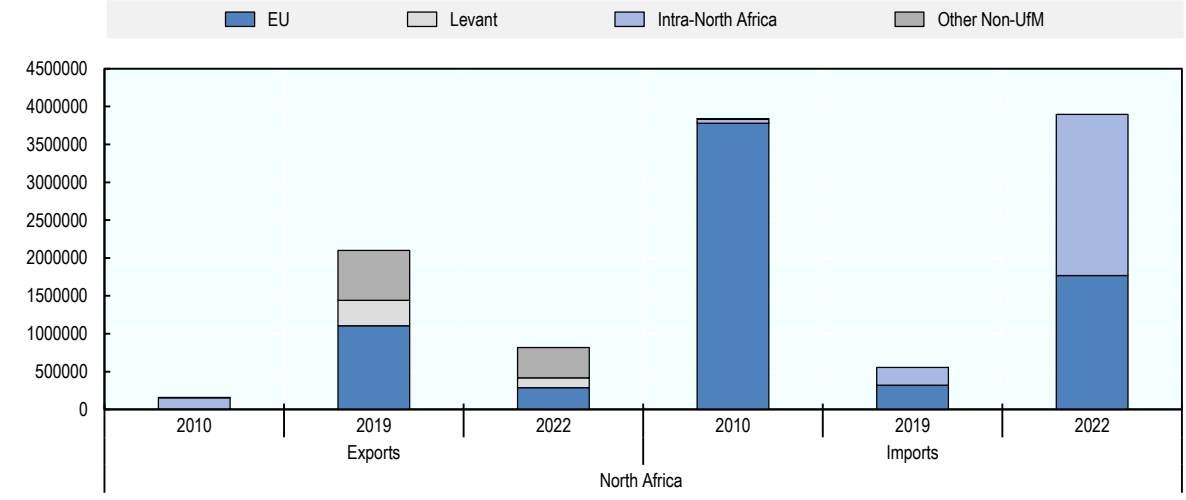
Kilowatt-hours



Note: Data on imports from Israel reflect the Palestinian Authority's high reliance on electricity imports.
Source: UNCOMTRADE

Figure 3.23. Electricity imports and exports in North Africa

Kilowatt-hours



Source: UNCOMTRADE

I9. Electricity generation

Why this indicator?

Electricity generation provides insight into levels of electricity self-sufficiency across the UfM region, particularly in light of rising demand, especially in the Southern Mediterranean. As demands increase in response to economic conditions, social trends, environmental factors, and technological advancements, maintaining a reliable and sustainable electricity supply is pivotal.

Also, while the energy sector currently accounts for the largest share of global CO2 emissions, it is also leading the transition to net-zero emissions, with the electricity sector playing a leading role. This is largely due to the deployment of renewable energy sources, such as wind and solar, for electricity generation.

Key findings

Electricity generation levels have remained stable across the UfM in recent years. Electricity generation per capita remains limited across North Africa and the Levant, reflecting ongoing challenges in domestic resource availability and infrastructure development (Figure 3.24). This is consistent with electricity import data, which highlights the sub-regions' considerable reliance on external sources to meet demand. In absolute terms, resource-rich countries such as Algeria and Egypt continue to lead in electricity production (Figure 3.26). However, Egypt's growing domestic electricity demand and declining natural gas production – the primary source of its electricity – have impacted its capacity to export. Jordan and the Palestinian Authority, despite lower total generation, excel in the share of renewables in their final energy consumption.

In fact, in the MENA region, where electricity demand grew by over 200% between 2000 and 2023, this reliance poses challenges to meeting the region's rapidly increasing energy needs.

Per capita energy consumption in MENA countries remains comparatively low relative to other UfM economies (Figure 3.25). This pattern reflects the structural complexities of their economies, characterised by a limited industrial base and an income-constrained population. In the Western Balkans, electricity generation per capita is relatively high, particularly when considering the small population size of these economies. Across the sub-region, coal remains the dominant source of electricity generation, with the notable exception of Albania. Hydropower plays a significant role in the regional energy mix, accounting for 36.5% of total renewable energy supply and 40% of overall electricity generation (Figure 3.27). Albania stands out as relying primarily on hydropower for electricity generation; this makes it particularly vulnerable to hydrological variations, as the economy has had difficulty sourcing sufficient energy from other sources (OECD, 2024[24]).

Connectivity infrastructure in the broader MENA region

Electricity generation in the resource-rich GCC economies is notably elevated. This reflects both the abundance of energy resources and relatively low population levels. As a result, per capita electricity generation in these countries is several multiples higher than in most UfM member states. A similar pattern is evident in the data for per capita electricity consumption, where the GCC economies present the highest level among the countries analysed.

Overall, the current trends in energy generation in the UfM, alongside the increasing share of renewables, demonstrate that higher levels of electricity generation do not typically coincide with a greater share of renewable generation. Instead, countries with limited electricity generation capacity (due to scarce fossil-fuel sources) are now turning to renewable energy sources. This transition is often bolstered by support from development finance institutions and foreign investment (e.g. the European Clean Industrial Deal and Green Agenda for the Western Balkans)

What policy action is needed?

- **Accelerate the deployment of renewable energy sources for electricity generation:** Boost renewable energy generation to reduce CO2 emissions and meet rising electricity demands across UfM countries.
- **Develop a unified regional energy market:** Create a unified regional energy market to optimize energy distribution, reduce costs and attract investment.
- **Improve regional alignment:** Harmonise regulatory frameworks, energy policies, grid standards and capacity mechanisms across the UfM countries.
- **Improve energy equity across the UfM:** Ensure affordable and reliable electricity access, especially in rural and underserved regions, to promote social inclusion and sustainable economic development.

Definitions

Electricity generation, measured in gigawatt-hours (GWh), is defined as electricity generated from fossil fuels, nuclear power plants, hydropower plants (excluding pumped storage), geothermal systems, solar panels, biofuels, wind, etc.

Renewable energy sources include solar, wind, hydropower, geothermal, ocean energy, and biomass.

Per capita electricity generation is calculated by dividing the total electricity generation by the population of the country or region.

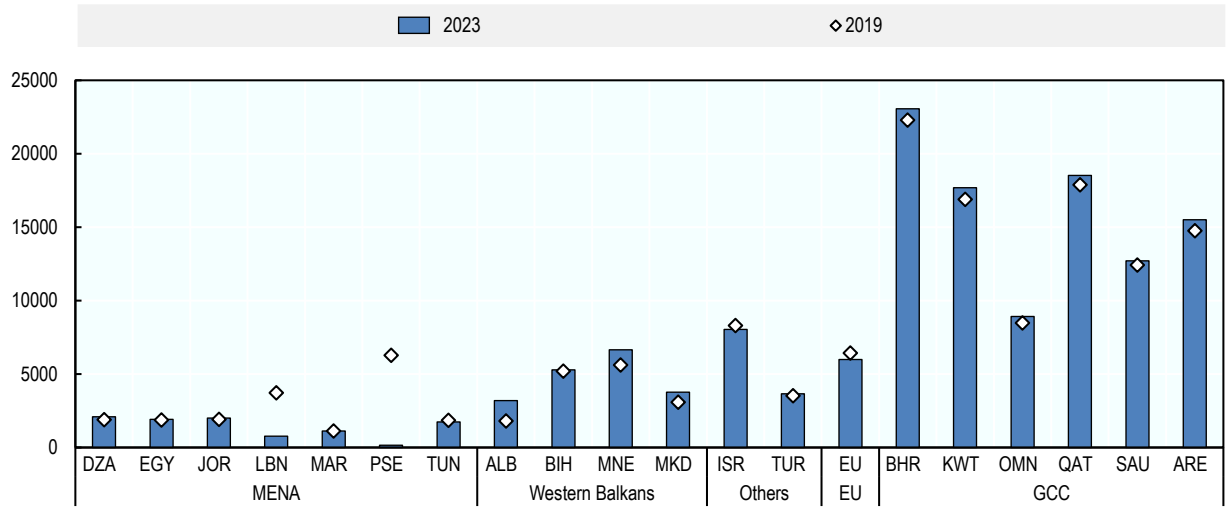
Source: IEA and IRENA

Further reading

IEA (2024), *Renewables 2024*, International Energy Agency, Paris https://www.iea.org/reports/renewables-2024

Figure 3.24. Per capita electricity generation, 2019 and 2023

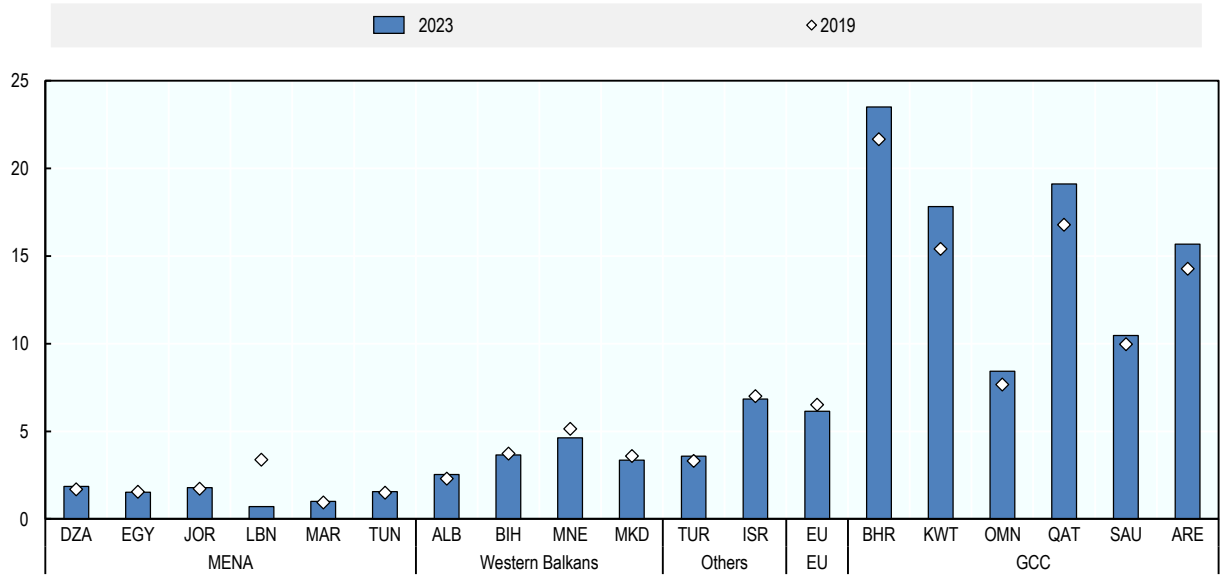
Kilowatt hours (KWh)



Note: Data for Jordan and Palestinian Authority refer to 2022.
Source: World Data dataset

Figure 3.25. Per capita electricity consumption, 2019 and 2023

Megawatt hours (MWh)

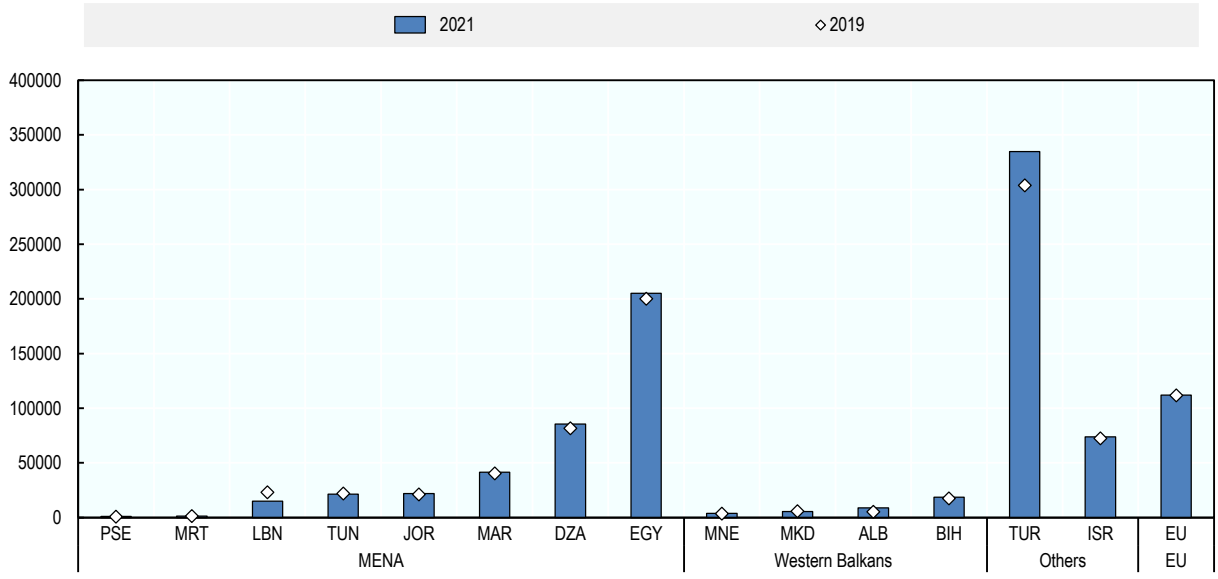


Note: Data for Palestinian Authority not available. Data for the GCC countries refer to 2022.
Source: International Energy Agency (IEA)

StatLink https://stat.link/df9shz

Figure 3.26. Electricity generation, 2019 and 2021

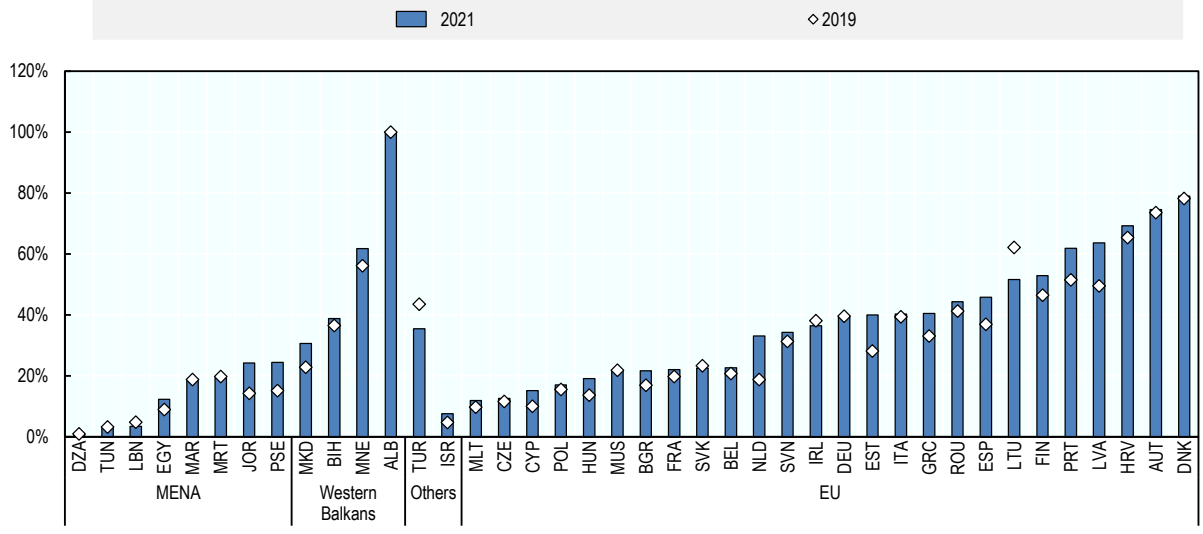
Gigawatt-hours (GWh)



Source: International Energy Agency (IEA)

Figure 3.27. Renewable electricity generation, 2019 and 2021

Share of renewables in electricity generation, gigawatt-hours (GWh)



Source: International Energy Agency (IEA)

I10. Renewables in installed electricity capacity

Why this indicator?

A robust installed capacity is essential for ensuring a reliable electricity supply and reducing vulnerability to power shortages. This is crucial in a region exposed to geopolitical factors that can disrupt energy supply.

The share of renewables in installed electricity capacity highlights the potential of renewable energy across the UfM region. Strong renewable installed capacity supports industrial growth and attracts FDI. Small and medium-sized enterprises can benefit from stable electricity supply and prices, including transitions to more sustainable energy sources.

Key findings

Renewable energy installed capacity varies significantly across the UfM region. From 2020 to 2023, many UfM countries experienced a rise in the share of renewable electricity in their power mix (Figure 3.28), driven by heightened awareness of climate change and multilateral agreements promoting energy transitions both in the EU and globally. The most significant growth was seen in Lithuania, Estonia, Hungary, Poland, Lebanon, and the Palestinian Authority. These successful experiences can help other countries in the region assess how to increase renewable power capacity.

In the EU, the average share of renewables in installed electricity capacity for 2023 reached 54%. However, the share varies between around 20% to 80% of installed capacity across the Union, reflecting the unique electricity capacity mix in each EU member state as well as the continued reliance on fossil fuels.

Across the MENA sub-region, the share of renewables in installed electricity capacity varies widely, from 0.5% to 90%. This is mainly due to substantial differences in natural resource wealth, particularly for natural gas. From 2020 and 2023, Lebanon, Mauritania and the Palestinian Authority experienced the largest growth in their respective renewable shares in installed electricity capacity. Several solar and on- and offshore wind projects are helping to diversify the region's electricity supply. The uptake of solar power in Lebanon was largely due to the country's electricity crisis and overwhelmingly consists of off-grid rooftop solar PV, largely led by private initiative rather than the result of government policy.

In the Western Balkan sub-region, the overall share of renewables remained stable between 2020 and 2023. Notably, North Macedonia achieved an 8 percentage-point increase (IRENA, 2024[25]). The critical challenge for the sub-region will be to continue to transition away from coal and peat towards more sustainable energy sources.

Overall, current trends in renewable capacity across the UfM highlight the challenges and opportunities inherent in sustainable energy transition. While the EU leads the region, infrastructure development and innovation in Albania, Montenegro and the Palestinian Authority demonstrate that transitions are possible, and even crucial, amidst diverse economic and conflict contexts.

Yet, key clean energy technologies, fundamental for the green transition, are increasingly vulnerable to the growing frequency and intensity of extreme heat events. For instance, solar panels and wind power systems, typically designed for optimal performance at around 25°C, experience reduced efficiency during heatwaves. In the MENA sub-region, rising temperatures are placing additional strain on energy systems already struggling to meet an increasing domestic demand. In this context, the IEA has underscored the role of climate-resilient technologies in strengthening green energy production while supporting the region's emissions reduction targets. A climate-resilient energy transition addresses three interconnected objectives: expanding clean energy, enhancing energy security, and improving climate change adaptation. Such measures help safeguard critical services, including air conditioning and healthcare, during extreme weather events (IEA, 2023).

Some countries have taken important steps in this direction. Egypt's National Climate Change Strategy *2050* integrates climate resilience into infrastructure projects and aims to diversify power generation technologies. Similarly, Morocco has established a sectoral plan that includes a comprehensive assessment of climate impacts, the development of specialised strategies for high-risk areas, an evaluation of diversification effects on the energy mix, and a shift towards water-efficient and heat-resilient technologies.

What policy action is needed?

- **Optimise the use of existing renewable electricity installed capacity:** Improve renewable integration into electricity grids and enhance energy storage for more efficient energy use, storing excess energy during periods of high renewable generation and releasing it when demand peaks.
- **Facilitate investments in expanding domestic renewable electricity generation capacity** to help reduce dependence on external sources and enhance energy security. This will also allow countries to assume a more active role in the regional economy and energy markets.

Definitions

Renewable energy sources include solar, wind, hydropower, geothermal, ocean energy, and biomass and fuels.

Electricity installed capacity, measured in gigawatt-hours (GW), is defined as the net maximum electrical capacity installed at the year end.

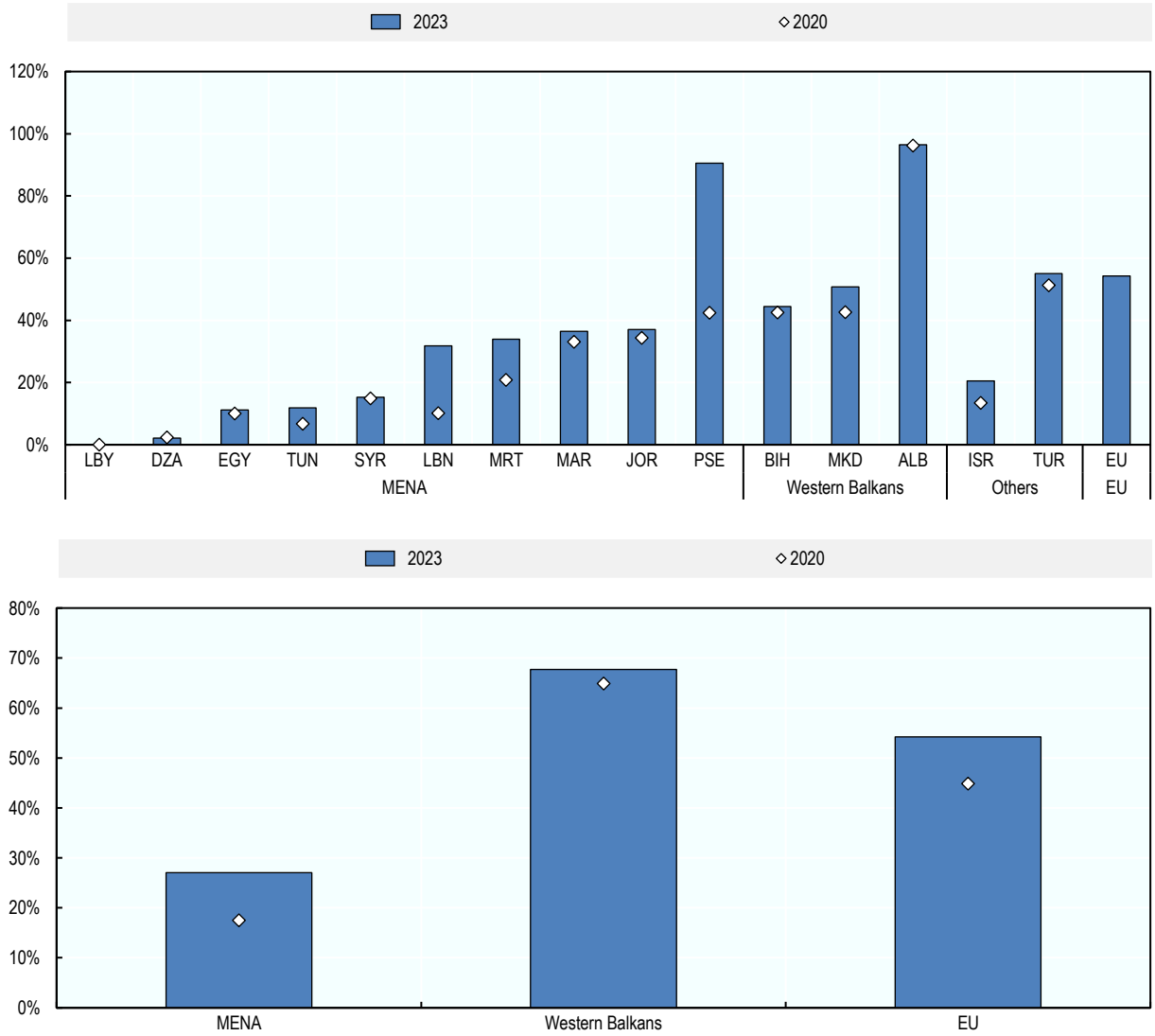
Source: IEA and IRENA

Further reading

IRENA (2024), *Renewable capacity statistics 2024*, Abu Dhabi, https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2024/Mar/IRENA_RE_Capacity_Statistics_2024.pdf

Figure 3.28. Renewables in electricity installed capacity, 2020 and 2023

Share of renewables in electricity installed capacity (GW)



Source: International Renewable Energy Agency (IRENA), Renewable capacity statistics, Data

I11. Fixed broadband subscriptions

Why this indicator?

The development of fixed broadband infrastructure is essential for digital transformation and building a competitive and inclusive regional economy within the UfM. Broadband connectivity allows for efficient communication; supports digital services, applications and e-commerce; and helps create new business opportunities for companies and entrepreneurs (Box 3.11). By connecting businesses, governments and individuals online, broadband can help reduce trade barriers, streamline supply chains and enhance cross-broader activity. Fixed broadband can also help promote social inclusion and reduce digital divides by enabling access online to services such as education and healthcare.

Key findings

Fixed broadband subscriptions have witnessed an increase across UfM economies, despite challenges to infrastructure deployment in some Southern Mediterranean and Western Balkan countries. The OECD Broadband statistics (OECD, 2024[26]) show that (Figure 3.29):

- The number of fixed broadband subscriptions varies across the UfM and within its sub-regions but has generally increased since the *2021 Report,* which presented data for 2018.
- Within the EU, there was an average of 37 subscriptions per 100 inhabitants in 2023, with a range of 26.1-48.6 subscriptions.
- In the Western Balkans, variations in the number subscriptions are less pronounced across countries, with a range of 22.5-32 subscriptions per 100 habitants in 2023.
- Compared to Western Balkan and EU countries, MENA countries record a lower number of fixed broadband subscriptions per 100 inhabitants on average (7.8), with significant variation across countries (0.3-14.1).
- For OECD countries, the average fixed broadband subscriptions per 100 inhabitants is 35.8, ranging from 17.6 to 47.

The percentage of fibre connections of all fixed broadband subscriptions has risen across the UfM in recent years, with significant growth in Jordan, Estonia, Slovenia, Malta and Israel (Figure 3.27). For OECD countries, this percentage rose from 28% to 42.5% between 2019 and 2023.

This increasing share of fibre enables more robust online activities, such as streaming and video calls. Additionally, greater presence of fibre-optic cables supports enhanced mobile broadband connectivity, especially as 5G technologies expand across the region. Next generation mobile networks, such as 5G, are increasingly built on fixed network infrastructure, stressing the strong complementarity between the two. It is becoming critical to deploy fibre further into fixed networks to support increases in speed and capacity to connect small cells ("network densification"). Fixed networks can be used to more effectively take on the 'heavy lifting' of the increasing demands on wireless networks, especially where radio spectrum is scarce.

However, the growth of fibre has been uneven across the UfM region, with slower development in the MENA and Western Balkan sub-regions (OECD, 2024[26]). Initiatives like the Medusa submarine cable aim to improve connectivity across the MENA region (Box 3.12). Yet, their success also depends on the effectiveness of national policies in fostering the deployment of communication network infrastructure, such as extending fibre deeper into domestic networks.

Connectivity infrastructure in the broader MENA region.

There is substantial variation in fixed broadband subscriptions among the GCC countries. The United Arab Emirates and Saudi Arabia have numbers similar to those of EU countries, while the others GCC countries have less than half of subscriptions per 100 inhabitants. Notably, Kuwait has the lowest number of fixed broadband subscriptions of all the analysed economies, alongside Mauritania.

What policy action is needed?

- **Expand high-quality fixed-broadband infrastructure:** Governments should deploy new broadband infrastructure (particularly in the MENA sub-region) to address regional disparities, and implement policies that encourage investment in resilient, scalable infrastructure, expand network coverage, and enhance high-capacity networks to ensure widespread availability of broadband services.
- **Prioritise "future-proof" technologies for fixed networks:** Governments should encourage the deployment of "future-proof" technologies, such as fibre, to meet current and future needs in terms of speed, capacity and performance.
- **Improve regulatory frameworks and policies:** Governments should reduce barriers to broadband deployment through effective regulations and policies that encourage infrastructure investment, while ensuring competition and preserving investment incentives. They should also promote access for all to affordable, advanced broadband services, ensuring accessibility for all, regardless of location, gender, or socio-economic status.
- **Promote competitive connectivity and expand broadband infrastructure**: Governments should develop non-discriminatory policies and regulations that promote end user choice for connectivity at competitive prices, to drive lower costs of communication services and improve quality of service – particularly in North African countries, where single providers continue to dominate.

Definitions

Fixed-broadband subscriptions refer to fixed subscriptions to high-speed access to the public internet (a TCP/IP connection) at downstream speeds equal to, or greater than, 256 kilobits per second (kbit/s).

This includes cable modem, DSL, fibre-to-the-home/building, other fixed (wired)-broadband subscriptions, satellite broadband and terrestrial fixed wireless broadband. The indicator is measured in number of subscriptions per 100 inhabitants.

The total is measured irrespective of the method of payment. It excludes subscriptions that have access to data communications (including the Internet) via mobile-cellular networks. It should include fixed WiMAX and any other fixed wireless technologies. It includes both residential subscriptions and subscriptions for organisations.

Source: OECD and ITU

Further reading

OECD (forthcoming, 2025), *Bridging Connectivity Divides*, OECD Publishing, Paris.

OECD (2022), *Broadband Networks of the Future*, OECD Publishing, Paris, https://doi.org/10.1787/755e2d0c-en.

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OECD (2024), *OECD Digital Economy Outlook 2024*, Volume 2, Chapter 2, OECD Publishing, Paris, https://doi.org/10.1787/3adf705b-en.

OECD (2021), *Recommendation of the Council on Broadband Connectivity, OECD Legal Instruments*, OECD Publishing, Paris, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0322.

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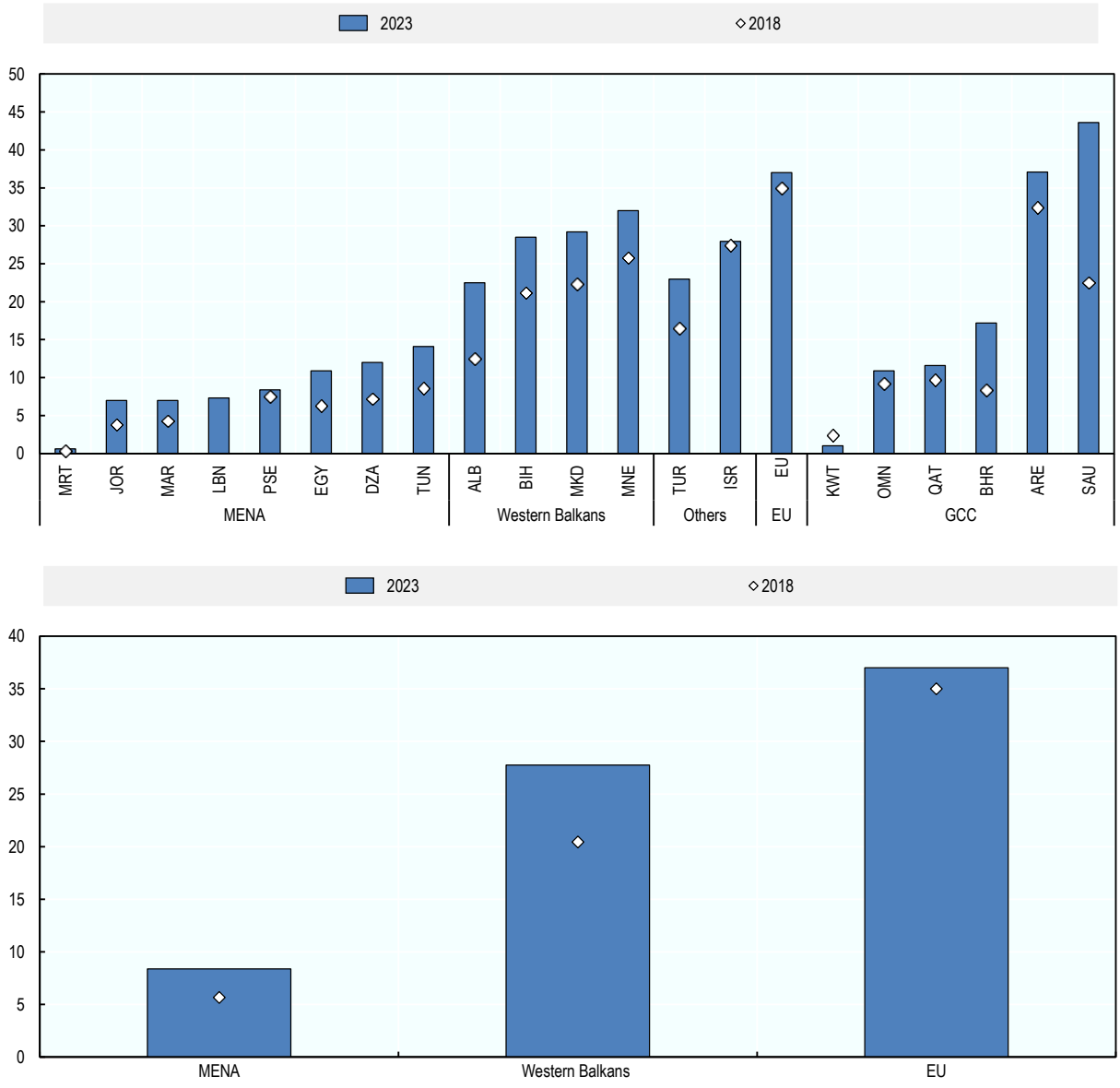
Figure 3.29. Fixed broadband subscriptions, 2023

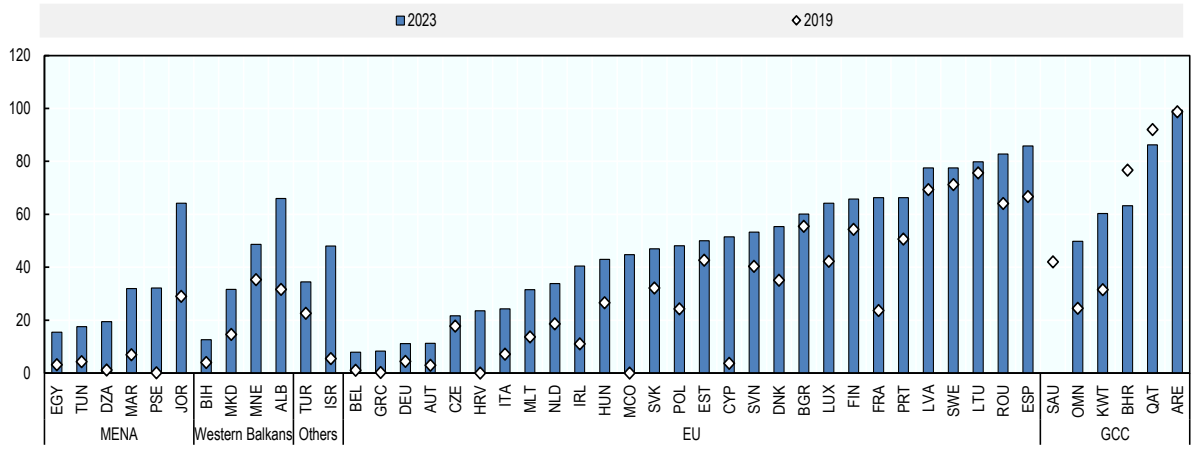
Subscriptions per 100 inhabitants



Note: For Mauritania, Morocco, Lebanon, North Macedonia, and Luxembourg, 2023 data refer to 2022.
Source: ITU. OECD (2024[26]), "Broadband statistics", https://www.oecd.org/en/topics/broadband-statistics.html (accessed on 8 January 2025)

Figure 3.30. Fibre over fixed broadband

% of fibre connections in fixed broadband subscriptions



Note: Data unavailable for Palestinian Authority, Lebanon, Libya, Mauritania and Montenegro.
Source: ITU, OECD (2024[26]), "Broadband statistics", https://www.oecd.org/en/topics/broadband-statistics.html (accessed on 8 January 2025).

StatLink https://stat.link/mgjdws

Box 3.11. How broadband connectivity supports infrastructure integration and trade

Developments in the ICT sector and the rollout of new fixed and mobile broadband technologies are helping to reduce costs and increase trade efficiency - both for services, which can be delivered via digital networks, and goods, which can be ordered online and delivered as parcels. Broadband connectivity reduces trade costs by providing better access to information, lowering transaction costs, improving customs and logistics efficiency, and reducing the need for business travel.

The benefits of broadband connectivity are also reflected in both domestic and international trade across countries at different economic development levels. Overall, reaping the benefits of broadband connectivity depends on countries' access to fixed and mobile broadband infrastructure services as well as their respective regulatory environments. Differences in the regulatory environments between lower-, middle- and high-income countries can help explain differences in the impact of broadband connectivity between these economies, particularly where infrastructure is already well developed. The benefits may be more pronounced for higher-income economies (López González, Sorescu and Kaynak, 2023[27]).

According to the World Trade Organization (WTO), a 10-percentage-point increase in the number of active mobile broadband subscriptions per capita reduces trade costs by around 2%. The WTO identifies two principal channels through which digitalisation lowers costs: reducing communication and information costs and easing differences in customs procedures and regulations. The WTO studies suggest that having an open regulatory environment (as measured by a low OECD Digital Services Trade Restrictiveness Index (DSTRI) score) amplifies the effect of broadband connectivity by reducing trade costs for services. Furthermore, economies with the lowest DSTRI scores show a 60% larger reduction in trade costs from improved broadband connectivity compared to economies with median restrictiveness scores. These results are more pronounced for digitally deliverable services (80%), which eliminate the costs associated with transport.

Source: WTO, Better Together: How Digital Connectivity and Regulation Reduce Trade Costs (wto.org);
OECD Digital Services Trade Restrictiveness Index | Market openness Indicators.

Box 3.12. The Medusa project: addressing disparities in broadband connectivity

The Medusa submarine cable project (estimated EUR 342 billion) aims to connect the northern and southern shores of the Mediterranean, linking Portugal, Spain, Morocco, France, Algeria, Tunisia, Italy, Libya, Greece, Cyprus and Egypt. The Medusa cable is projected to be operational between 2025 and 2027, making it one of the most extensive submarine cables in the Mediterranean (see map: https://www.submarinecablemap.com/). An extension of the cable to West Africa is already being envisioned, starting with Dakar, Senegal.

Partially funded by the EU and EIB, Medusa will operate as a "carriers' carrier", leasing infrastructure to telecom companies which will then deliver internet and telecom services to customers. This neutral model has been strategically chosen to allow multiple telecom operators to share the same infrastructure without direct competition. The benefits of enhanced internet capacity in the different North African countries will also depend in the degree of openness to foreign investment and business environment. High costs of fixed broadband access may persist in countries with the dominance of single telecom supplier; for instance, there is a lack of market competition for fixed internet in Morocco (Telecom Maroc), Tunisia (Tunisie Telecom), and Egypt (Telecom Egypt, which controls 80.1% of the market in Egypt).

Source: EU and EIB's support helps accelerate the MEDUSA high-speed digital connection under the Mediterranean Sea - European Commission (europa.eu); EU-Africa: Global Gateway Investment Package - European Commission (europa.eu); New Mediterranean cable set to bring 5G internet to North African countries | Middle East Eye

I12. Mobile broadband subscriptions

Why this indicator?

Mobile broadband allows consumers and businesses to access information and engage in professional and individual activities online (e.g. education, healthcare, economic and business development, public services) regardless of geographic location, wherever there is mobile network coverage.

Mobile broadband provides access to a mobile network (3G, 4G, 5G) via a device, such as a smartphone. Importantly, mobile networks depend on fixed networks, in terms of both backbone and backhaul capacity and offloading mobile traffic via Wi-Fi networks. Therefore, upgrading to future-proof fixed technologies, such as fibre, supports future performance increases in speed and capacity across all next generation technologies, including mobile networks. Mobile networks have physical infrastructure, from basic access networks (e.g. mobile towers/base stations) to next-generation networks like 5G (network densification through "small cells", or compact cellular base stations that can be installed on streetlights, utility poles, buildings, etc.).

The number of mobile broadband subscriptions per 100 inhabitants provides a picture of mobile broadband connectivity across the region.

Key findings

UfM countries have witnessed an increase in mobile broadband subscriptions in recent years. Across the Mediterranean, active mobile broadband subscriptions surpass fixed broadband subscriptions, indicating greater accessibility of mobile broadband technology. However, mobile broadband subscriptions vary across the UfM and within its sub-regions (Figure 3.31).

- In 2023, EU countries averaged 120 subscriptions per 100 inhabitants, with figures ranging from 86.2 to 202, while OECD countries averaged 134, ranging from 86 to 203.5 subscriptions per 100 inhabitants (OECD, 2024[26]).
- The Western Balkans reported an average of 84.2 subscriptions per 100 habitants in the same year.
- Within the MENA region, mobile broadband subscriptions remain lower than those in the Western Balkan and EU countries, with an average number of 76 subscriptions per 100 inhabitants in 2023. However, this average masks considerable disparities within the region, with subscription rates ranging from 21.8 to 118 subscriptions.

Overall, disparities in access to broadband (measured in terms of subscriptions per 100 inhabitants) across the UfM are less pronounced for mobile broadband than for fixed broadband.

Connectivity infrastructure in the broader MENA region. GCC economies generally display high numbers of active mobile broadband subscriptions, broadly in line with EU countries – with the exception of the United Arab Emirates, which has the highest active subscription of all the analysed countries.

What policy action is needed?

- **Accelerate the rollout of 5G technologies:** Expand 5G coverage in the Western Balkan and MENA sub-regions to improve mobile broadband connectivity.
- **Foster multi-stakeholder dialogue on broadband expansion:** Engage governments, consumers, network operators, and regulatory authorities to identify areas where mobile broadband expansion is needed most.
- **Expand mobile broadband access in rural and underserved areas:** Prioritise mobile broadband expansion in areas where connectivity remains limited.
- **Foster market competition to lower consumer costs:** Promote policies that encourage market competition and incentivise telecom operators to offer affordable, high-quality mobile data plans.
- **Support digital skills training:** Pair broadband expansion with digital skills training, focusing on ICT skills to boost economic growth and meet changing labour market needs. The EU can support digital skills training programmes in Mediterranean Partner Countries through the EU Digital for Development Policy.

Definitions

Mobile broadband subscriptions are mobile subscriptions that advertise data speeds of 256 kbit/s or greater. The subscription must allow access to the Internet via HTTP and must have been used to make a data connection via Internet Protocol (IP) in the previous three months. Standard SMS and MMS messaging do not count as an active Internet data connection even if they are delivered via IP. This indicator is measured in number of subscriptions per 100 inhabitants (OECD definition).

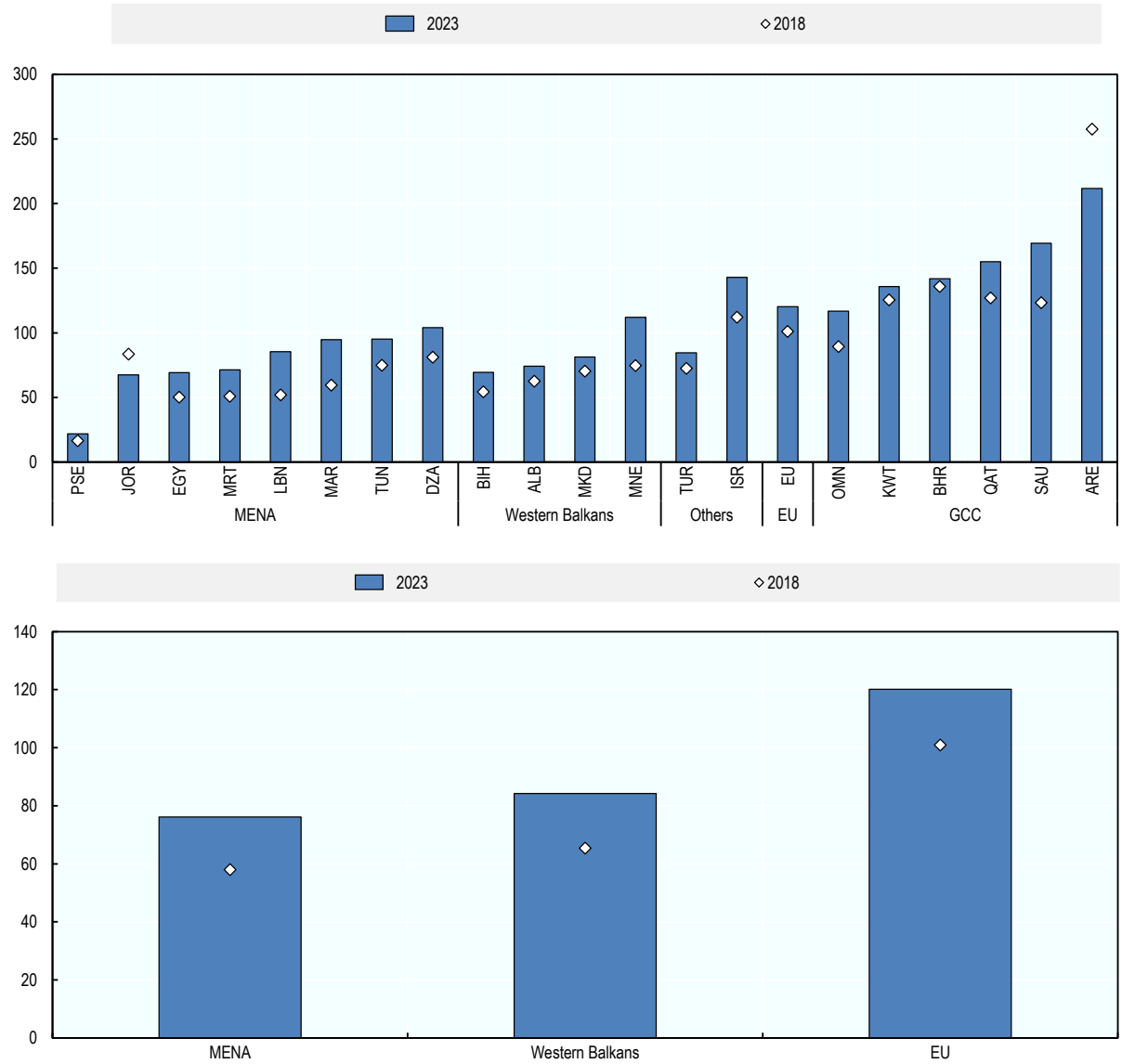
Source: OECD and ITU

Further reading

OECD (2019), *The Road to 5G networks*, OECD Publishing, Paris, https://www.oecd.org/en/publications/2019/07/the-road-to-5g-networks_057e02f4.html

Figure 3.31. Active mobile-broadband subscriptions, 2018 and 2023

Subscriptions per 100 inhabitants



Note: EU countries are displayed in blue, Western Balkans in green, MENA in purple, Israel and Türkiye in yellow. For Mauritania and Lebanon data from 2022 is shown.

Source: ITU and OECD

StatLink https://stat.link/p4sq1v

Box 3.13. Digitalisation and transport infrastructure: SNCF digital freight

In 2017, the French rail network SNCF launched the "Digital Freight Train," in partnership with Traxens, a French company developing shipping container tracking solutions. The Digital Freight Train is based on Internet of Things (IoT) technology. IoT smart sensing solutions, which in this case are being used to improve shipping organisation and transport services, depend on a high-quality communication network to support them.

SNCF and Traxens have deployed an on-board network of digital sensors and relay boxes that deliver remote tracking and monitoring services. The sensors send data to freight stakeholders, increasing the reliability and predictability of shipments. For example, it is possible to monitor train mileage, determine geographic location in real time, and program alerts for when shipments reach strategic locations, such as loading and unloading sites. These services also help increase the safety and quality of shipments, allowing the monitoring of transport conditions, with parameters for pressure and humidity inside tank wagons. For security, various functions such as wagon load status recognition or detection of operating incidents increase rail transport safety. Additionally, sensors optimise wagon maintenance, by allowing for monitoring of mileage, shocks, and equipment wear.

Since 2020, SNCF Gares & Connections, an SNCF subsidiary, has also worked to enhance station connectivity, deploying sensors and probes that transmit data on the status of electrical panels, boarding gates, lifts, and other station technologies. 700 stations across France were equipped with this smart technology in 2024, with plans to further expand the Smart Station project.

To implement these and related initiatives, SNCF collaborates with a variety of public and private sector partners, including start-ups, industry professionals, academic institutions and local communities.

Sources: La digitalisation du ferroviaire au service des clients | Groupe SNCF (groupe-sncf.com) ; Digitalisation accélérée des gares grâce à "Smart Station" | Gares & Connexions (garesetconnexions.sncf)

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4 Movement of people

The first part of this chapter presents an overall analysis on patterns of mobility of people since the 2021 Progress Report and introduces policy recommendations. The second part presents the indicators that support the analysis and recommendations:

- M1. Migration flows
- M2. Migration stocks
- M3. Mobility agreements, frameworks, and projects
- M4. Tourism
- M5. Visa requirements for tourism and business

The role of human mobility in regional integration

The movement of people is an important driver of economic and social development and has been recognised from the outset of the Barcelona Process in 1995 as a key component of integration in the Union for the Mediterranean (UfM) region. Mobility opportunities for jobs, education, business, and tourism allow for the exchange of knowledge, skills, and human capital between countries.

The Mediterranean region, indeed, has long served as a hub for human movement, facilitating the exchange of culture, goods, and ideas across its shores. At the fifth UfM Ministerial on Employment and Labour of May 2022, ministers reaffirmed commitments to promoting connected economies and creating jobs that work for people, also responding to youth and gender specific issues.

Monitoring people mobility in the UfM. Characterised by diverse economic, socio-cultural, and demographic conditions, UfM member countries exhibit varying patterns and forms of mobility. These can be described using two main categories:

- *Migration*, in which a person settles in the country of destination, whether temporarily or permanently. Motives include labour migration, family migration, and migration for education purposes.
- *Travel*, a form of mobility that does not involve settlement in the country of destination. This category encompasses tourism, as well as some forms of business-related mobility or student and/or research mobility, e.g. attending a conference.

Taking into consideration the evolution of regional and global patterns in mobility and related legal and policy frameworks, this chapter examines the current state of mobility across the Euro-Mediterranean region. It aims to identify opportunities for enhanced regional integration and sustainable economic growth through different types of cross-border movements, offering a perspective on both the complexities and potential of human mobility in the region. In light of this, the report does not analyse forced and irregular migration in UfM countries, including climate-related displacement (Box 4.1), despite recognising its importance in shaping effective migration policies.

The set of indicators (M1 to M5) analysed in the chapter monitors recent trends in migration flows and stocks (M1 and M2), the mobility agreements and frameworks that regulate the movement of people (M3), mobility for tourism (M4), and the visa policies for tourism and business travel (M5). While migration flows and stocks are not considered a direct measure of regional integration, these indicators offer important insights into the dynamics of intra-regional migration and serve as basis for formulating recommendations that strengthen the integration potential of intra-regional mobility.

What we have observed since the *2021 Report*

The UfM region has a longstanding history of intra-regional movements both within and across its sub-regions. Current migration and mobility patterns are shaped by a range of structural and socio-economic factors, including demographic dynamics, labour market mismatches and economic disparities between countries of origin and destination.

Intra-regional migration has continued to increase despite the pandemic

Intra-UfM migration has been on the rise in the last two decades. Despite the disruption in cross-border mobility during the pandemic, intra-UfM migration stocks continued to grow by 6% between 2021 and 2024. The region is now hosting close to 35 million intra-UfM migrants. Intra-EU migration continues to be the most important source of intra-regional migration, but migration from all sub-regions towards the EU has also been on the rise since 2021.

While migration can help address intra-regional labour and skills imbalances, the loss of skills in origin countries remains a concern

While migration can have positive development impacts through, among other things, better labour allocation across the region and remittance and diaspora investments in countries of origin, continued high level of emigration from the Western Balkans and the MENA region has led to concerns over *brain drain* and loss of workers in key sectors.

In the EU, the aging population and shrinking labour force are reinforcing the historical role of migration in filling labour market gaps. In 2023, the European Commission reported skilled worker shortages across multiple sectors with high-, medium-, and low-skilled job vacancies on the rise. Sectors facing persistent labour shortages include construction, manufacturing, information and communication technology (ICT), transportation, professional services, health and long-term care.

In response to these challenges, several new bilateral and multilateral agreements and frameworks have been introduced to support intra-regional labour migration, notably through a focus on training and attraction of skills and talent from abroad through Talent Partnerships, between the EU and Morocco, Egypt and Tunisia.

In the Western Balkans, high unemployment - coupled with structural challenges and development gaps relative to neighbouring EU countries - continues to drive migration pressures. Continued high levels of emigration over the past decade has resulted in one-fifth of the population now living abroad, creating development benefits in terms of remittances and diaspora investments but also challenges in terms of reduction in labour and skills supply in the local labour markets (OECD, 2023).

In the Southern Mediterranean, a growing working-age population faces high youth unemployment and a mismatch between skills and labour market needs. Despite increasing enrolment in tertiary education, the growth of economically dynamic sectors remains insufficient to provide opportunities for educated youth.

UfM and the broader MENA region: In recent years, the conditions in several Southern Mediterranean countries resulted in increased migration pressure and continued high out-migration to destination countries in the Gulf Cooperation Council (GCC) region, especially from Egypt. The number of migrants from MENA countries in the GCC region has almost tripled, driven by sustained labour demand in the construction, healthcare, technology, and services sectors. However, recent trends indicate a partial shift from low-skilled migration towards higher-skilled immigration, reflecting evolving labour market needs in the GCC countries.

Increased collaboration through Talent Partnerships to address skills needs in countries of origin and destination

In an attempt to address these skills challenges in countries of origin and destination, the first EU Talent Partnerships focused on North African partners, notably Egypt, Morocco and Tunisia. These partnerships aim to address EU labour market needs, while also offering employment opportunities for third-country nationals and skills development in countries of origin.

Further to this, the UfM region has endured multiple political, social, and environmental challenges impacting human mobility in recent years. During the COVID-19 pandemic the region witnessed widespread reductions in cross-border mobility. More recently, regional conflicts have also affected human mobility. Regional geopolitical developments and the impact of climate change could further increase the number of people in the region seeking to migrate to improve their safety and economic security in the coming years.

Tourism is an important engine for regional growth and economic recovery

Tourist flows and the visa policies that facilitate them further exemplify the interconnectedness of UfM countries. While migration involves long-term population movements driven by socio-economic and structural factors, tourism represents temporary mobility that makes a substantial contribution to regional economies.

The tourism sector accounts for a significant share of GDP across the region - particularly in non-EU UfM economies, where tourism often outpaces its relative importance in EU countries. Following the COVID-19 pandemic, tourism was a vital driver

of economic recovery in UfM countries, with its contribution to GDP surpassing pre-pandemic levels in many regions. However, persistent challenges, including regional conflicts, have dampened economic impact of tourism in Lebanon, Jordan and Israel.

Concerning the impact of tourism on employment, between 2019 and 2023 employment in tourism-related jobs has shown a stable trend overall. Where available, data on female employment in tourism industries also indicate stability of full-time jobs. However, it is worth noting that in several countries, the stability observed can hide high shares of informal jobs in the tourism sector; these jobs, many of which were lost during the COVID-19, are possibly not captured by pre- and post-pandemic data.

Tourism visa policies within UfM sub-regions exhibit considerable variation, with the EU and Western Balkans generally benefiting from visa-free access, while the Southern Mediterranean continues to be under visa obligation for the EU. Recent policy developments, including the implementation of e-visas and visa-on-arrival provisions, signal efforts to facilitate regional travel. However, the introduction of new visa requirements, such as for Lebanese nationals travelling to Tunisia, highlights ongoing complexities. These mixed policies underscore the challenges in improving tourism visa policies across the region, with some progress in facilitating mobility, but also remaining hurdles.

Looking forward, what policy action is needed?

Human mobility has the potential to drive regional integration and economic and social development at both individual and national levels in the UfM region. Divergent demographic trends present opportunities for enhanced collaboration between these regions, especially when it comes to labour allocation and skills development. However, challenges to cross-border mobility persist. In the realm of visa policies, disparities in visa requirements continue to hinder intra-regional mobility, particularly in the Southern Mediterranean. Meanwhile, large outflows of workers risk depriving the sending countries of critical human capital needed for innovation, productivity, and economic diversification. Furthermore, migrants often lack access to skills development opportunities, and skills recognition remains a barrier to labour market integration in destination countries.

To address these challenges and harness the economic and social development potentials of mobility, this chapter proposes several recommendations to strengthen migration management, facilitate visa processes for travel and business, and promote responsible tourism practices.

Monitor migration flows and the impact of emigration on skills and labour shortages. Monitoring emigration flows, especially the skills profiles of migrants, is crucial to identifying and addressing potential labour and skills shortages in countries of origin. Yet, most origin countries lack systems to systematically assess how emigration affects their domestic workforce.

Strengthen diaspora policy. UfM countries can further leverage diaspora investments by strengthening the diaspora policy framework, especially given the scale of remittances and diaspora communities in the region.

Prioritise mutually beneficial partnerships and agreements. UfM countries should prioritise solutions that meet the needs of origin and destination countries, as well as those of workers and employers. These solutions should include measures designed to integrate and include skilled migrants, and to improve skills matching.

Balance tourism growth with long-term sustainability. Promoting responsible tourism practices can optimise natural resource use and mitigate environmental impacts. This includes integrating renewable energy into tourism activities, such as transport, and diversifying tourism offerings to promote alternative tourism (e.g. ecotourism, cultural tourism, rural tourism, off-season tourism) to alleviate the pressures of seasonality and reduce environmental stress on coastal areas. The strong rebound of tourism after the pandemic has brought renewed challenges for some destination areas, where is causing concerns for its environmental and social impact. Key related challenges include strain on infrastructure, such as transport networks, health services, and resource management systems, as well as increased emissions contributing to climate change.

Promote sustainable and inclusive job creation in the tourism sector. To foster economic growth while protecting natural and cultural heritage, countries should prioritize the development of sustainable tourism initiatives that create decent jobs and benefit local communities. This can be achieved by promoting new tourism opportunities that emphasize local culture, biodiversity, and sustainability. Additionally, countries should consider implementing capacity-building programs and raise awareness of sustainable practices to equip business owners and employees with the skills needed for jobs in the tourism sector.

Facilitate regional mobility by easing visa requirements and digitalising application procedures. UfM governments should ease visa restrictions, particularly between the EU, Southern Mediterranean, and Western Balkan countries, by introducing targeted exemptions for low-risk travellers and simplifying procedures through electronic visas and travel authorisations. These efforts should be supported by improved digital infrastructure and transparent, multilingual platforms to enhance accessibility and promote regional tourism, cultural exchange, and economic integration.

Main findings	Key recommendations
Migration	
Intra-UfM migration flows have seen a rapid recovery post-COVID to exceed pre-pandemic levels in 2023. Well-managed migration can strengthen regional integration and generate income and development benefits for migrants as well as countries of origin and destination. However, challenges related to skills and labour shortages in countries of origin driven by out-migration need to be monitored and addressed.	Enhance the management of labour migration by closely monitoring emigration flows and their impact on labour and skills supply in countries of origin, to anticipate potential shortages and adapt education and skills policies accordingly.
Significant migration from the Western Balkan and MENA economies towards the EU has led to growing diaspora populations. Leveraging the development potential of diaspora investments and return migration is still an untapped potential in UfM origin countries.	Continue to develop diaspora policies that favour investment and knowledge transfers and facilitate the return and reintegration of migrants and diaspora members interested in returning. This should be accompanied by investment in systems to monitor the impact of these policies.
European Union initiatives such as the Skills and Talent Mobility Package (2023) have been developed to make the EU more attractive to talent outside the EU.	Prioritise partnerships and agreements that address the diverse needs of both origin and destination countries, as well as workers and employers. To achieve this goal, countries should seek to involve a range of stakeholders in the policy-making process.
Skills mobility partnerships (SMPs) and bilateral agreements are creating opportunities for skills training and employment in critical EU sectors facing labour shortages and creating scope for skills development in countries of origin.	Adopt a whole-of-government approach and foster collaboration across diverse stakeholders to ensure the comprehensive and sustainable implementation of SMPs.
Visa policies	
Within the EU and Western Balkans, citizens enjoy visa-free travel; however, across the Southern Mediterranean subregion, important barriers remain to intra-regional mobility.	Consider introducing targeted visa exemptions for specific low-risk traveller markets to streamline travel mobility and attract more visitors. This approach would be particularly beneficial for tourism industries in the Southern Mediterranean and Western Balkans, boosting regional tourism and cultural exchange.
For non-EU citizens seeking to travel to the EU and vice-versa, considerable variation in visa requirements exists.	Develop centralised, multilingual and user-friendly online platforms that provide accurate and up-to-date information on visa policies, entry requirements, and travel updates.
Some countries, such as Albania and Türkiye, have introduced e-visas to streamline visa application processes, aligning with global trends towards digitalisation.	Broader implementation of electronic travel authorizations (eTAs) or e-visas could help simplify and expedite application processes. Enhancing broadband connectivity and digital infrastructure, especially in the Southern Mediterranean and Western Balkans, can help ensure that online application platforms are accessible for all travellers.
Tourism	
Tourism has recovered to or surpassed pre-pandemic levels in several countries, although tourism growth has also contributed to concerns about unbalanced tourism and its associated pressures on local communities and the natural environment.	Promote responsible tourism practices to help optimise natural resource use and mitigate environmental impacts, including on local communities. Such measures could include integrating renewable energy into tourism activities (such as accommodation and food service activities and attractions) and diversifying tourism offerings to promote alternative tourism (e.g. ecotourism, cultural tourism, rural tourism, off-season tourism). This would also help to alleviate the pressures of seasonality and reduce environmental stress on coastal areas.
Tourism contribution to employment has been stable and witnessed minimal improvement in recent years, despite recovering tourism levels across the UfM region.	Foster sustainable and inclusive employment in the tourism sector to support economic growth – while safeguarding natural and cultural heritage. Emphasise opportunities that leverage local culture and biodiversity, complemented by capacity-building initiatives and awareness programmes to enhance stakeholders' skills and promote sustainable practices.
Data collection has seen minimal improvement across UfM countries, with the Covid-19 pandemic posing significant challenges for accurate data monitoring and reporting.	Improve tourism data monitoring and reporting remains crucial to understanding the true scope and impact of these activities on UfM economies and labour markets as well as on the environment and local communities.

M1. Migration flows

Why this indicator?

Migration plays a significant role in shaping the economic, political and social dynamics of regional cooperation and integration. This indicator provides an overview of recent trends in migration flows to and within the UfM region. It disaggregates the flows by origin region to provide a picture of the number and characteristics of the main migration patterns and trends.

Key findings

Annual intra-UfM migration flows to UfM-OECD destination countries (EU-27, Türkiye and Israel) have been on the rise since 2010, except for the pandemic year 2020. Migration to UfM-OECD countries increased from around 1.2 million in 2010 to 2.1 million in 2022. The decrease in migration during 2020 was followed by a rebound in 2021 to reach levels exceeding pre-pandemic levels in 2022 (Figure 4.1). The continued increase in intra-UfM migration flows over time is consistent with a general trend of increasing migration towards the OECD. In 2023, migration to OECD countries reached record levels for the second year in a row (OECD, 2024), placing migration management high on the political agenda in many UfM member countries. Both push and pull factors are driving the increase in recent migration flows.

In the light of increasing labour demand in UfM migrant destination countries in the EU, several recent agreements have been signed between UfM countries to facilitate the recruitment of labour migrants. An example is the recently ratified agreement between Greece and Egypt regarding employment of seasonal workers in the agriculture sector and a bilateral agreement between Italy and Tunisia regulating labour migration (see also section M.3). Germany has indefinitely extended the *Western Balkans Regulations*, which were originally set to expire in 2023; these regulations allow citizens of the six Western Balkan economies (Albania, Bosnia-Herzegovina, Kosovo*, the Republic of Northern Macedonia, Montenegro and Serbia) to obtain temporary work visas upon receiving a job offer from a German employer. Germany also increased the annual quota for these visas from 25 000 to 50 000.

Migration within UfM is also driven by structural and socio-economic challenges in origin countries, such as high unemployment, skills mismatches and intra-regional development and income differences. Recent evidence from opinion surveys in countries in MENA (Arab Barometer) and Western Balkan (Balkan Barometer) economies also points to continued interest in emigration. On average, around 35-40% of respondents stated that they consider emigrating in the future, with the highest interest among respondents in Tunisia (46%), Albania (44%), Jordan (42%) and Montenegro (42%).

A significant share of intra-UfM migration is intra-EU migration. In 2022, 1.39 million new intra-EU migrants were recorded, corresponding to 63% of total intra-UfM flows (Figure 4.2). Between 2021 and 2022, migration flows from all origin regions increased, with the largest relative increase in emigration from UfM-OECD countries outside the EU (up 20%), driven by an increase in flows from Türkiye followed by increased emigration flows from the Balkan region (up 12%) (Figure 4.2).

The top countries of migrant origin in 2022 include Romania, Morocco and Syria. Alongside Romania, Italy, Germany and Poland are the most important origin countries of intra-EU migration. Compared to 2021, the inflow of migrants from Türkiye and Morrocco was especially on the rise (Figure 4.3). While Moroccan migrants are mainly going to Spain, France, and Italy, migrants from Türkiye are largely moving to Germany. Between 2021 and 2022, migration flows from Türkiye to Germany doubled (OECD, 2024).

A look at the gender distribution show that female migrants constituted between 33% and 42% of intra-UfM migrant flows in 2022, depending on the region of origin (Figure 4.4). The share of female migrants was the lowest for OECD-UfM countries outside the EU (Israel and Türkiye), with 33% female migrants, followed by migrants from MENA with 39.5% female migrants. This can be compared to the share of female migrants in the overall migrant flows to all OECD countries, which stood at 42% in 2022 when excluding migration from Ukraine. A lower share of female migrants in recent migration flows from the MENA region is also consistent with a lower share of female migrants in the overall stock of migrants from the MENA region in UfM destination countries, as shown in section M2 (Figure 4.9).

Intra-regional migration flows are diverse in terms of reasons for migration. Figure 4.5 provides an overview of the reasons for which first residence permits (of at least 12 months) were issued to citizens of UfM Balkan and MENA countries in EU-27. Family migration accounts for the largest share of permits for citizens of both origin regions, accounting for 57% of all permits issued for migrants from the MENA region and 49% of permits for Western Balkan migrants in 2023. However, comparing changes in the composition of permits since 2019 reveal some important differences. While the importance of family migration has increased since 2019 for migrants of Western Balkan countries, the opposite is true for citizens of MENA countries where the share of family permits has decreased in favour of permits for employment and education reasons. This may partly be driven by recent policies to create more legal pathways for labour migration from North Africa to the EU, as discussed in section M3.

Continued high level of emigration from countries outside the EU, notably MENA and Western Balkan countries, have led to concerns about labour and skills shortages in migrant origin countries, especially when it comes to emigration of the highly skilled or workers in key sectors such as the medical sector (OECD, 2022[1]; Socha-Dietrich and Dumont, 2021[2]) or particular professions such as engineers and ITC specialists. Over time, the characteristics of migrants from the MENA and Western Balkan regions have undergone a significant shift with respect to the educational attainment of migrants, from being predominately low-skilled to being more evenly represented across education levels. This is part of a general trend of continuous increase in the level of education of migrants residing in the OECD. While this provides some opportunities for human capital and skills transfers (see Box 4.2), it also presents challenges to countries of origin. To address these challenges, it is important to carefully monitor patterns and characteristics of emigration flows and subsequent implications for local labour markets and economies. To date, few origin countries in the region have implemented systematic monitoring of emigration flows and in-depth data collection of characteristics of emigrants (OECD, 2022).

What policy action is needed?

- **Monitor migration flows to predict labour and skills shortages**. To prevent emigration from aggravating labour and skills shortages in migrant origin countries, it is important to monitor the patterns and characteristics of emigration flows, especially when it comes to the skills composition of migrants. This will allow timely identification of potential labour and skills shortages and adapt education and skills policies and strategies. To date, few countries of origin have systems in place to systematically monitor the implication of emigration on local labour and skills supply.
- **Strengthen data collection related to characteristics of emigrants.** Better data regarding the education and skills characteristics of emigrants is key to aligning labour migration and skills anticipation policies and help strengthen skills circulation and accumulation stemming from migration.

Definitions

This indicator measures permanent migration flows to and from UfM countries. The information is based on the OECD *International Migration Database* (IMD), which captures annual legal migration flows to OECD countries.

It should be noted that although irregular migration flows exist, such flows are challenging to measure as no reliable and comparable data are available on irregular entries of foreign nationals. Therefore, the data on actual migration flows to UfM-OECD countries might be underestimated.

Also, the data in the IMD have not been harmonised at the international level and should therefore be interpreted with some caution.

OECD data on migration flows and migrant population can be retrieved from the OECD Databases on Migration.

Data on first residence permits by reason and citizenship are based on Eurostat data.

Further reading

OECD (2024) *International Migration Outlook*, OECD Publishing, Paris, https://www.oecd.org/fr/publications/2022/03/les-emigres-marocains-dans-les-pays-de-l-ocde_b2d049e5.html

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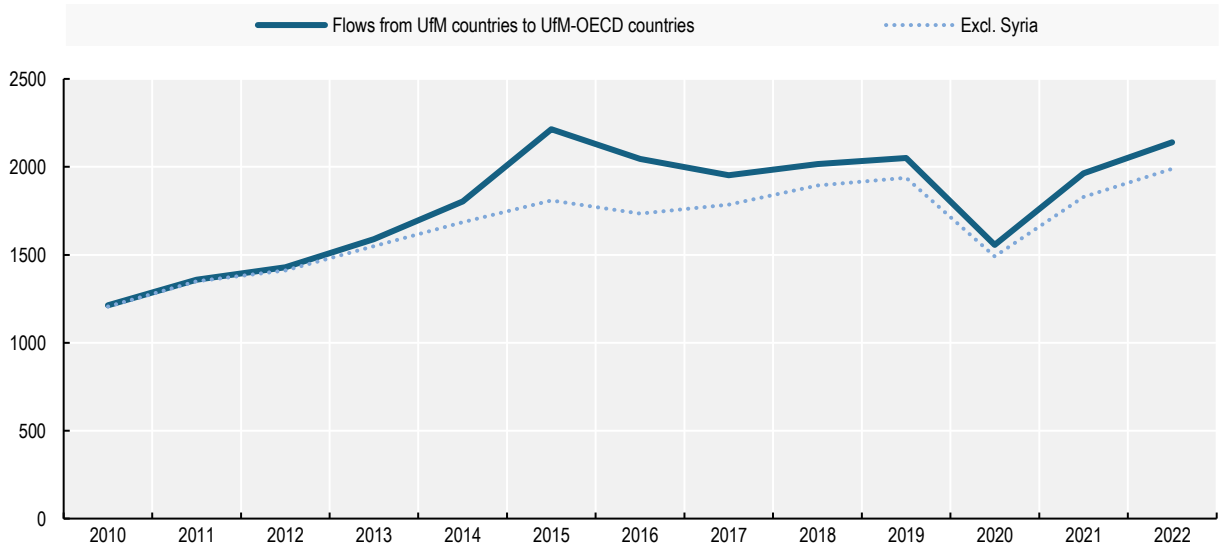
Arab Barometer (2024), *Migration in the Middle East and North Africa*, https://www.arabbarometer.org/wp-content/uploads/AB8-Migration-Report-EN.pdf

Socha-Dietrich, K. and J. Dumont (2021), "International migration and movement of doctors to and within OECD countries - 2000 to 2018: Developments in countries of destination and impact on countries of origin", *OECD Health Working Papers*, No. 126, OECD Publishing, Paris, https://doi.org/10.1787/7ca8643e-en

Figure 4.1. Migration flows to UfM destination countries, 2010-2022

Migration flows of UfM nationals to UfM-OECD countries (in thousands)

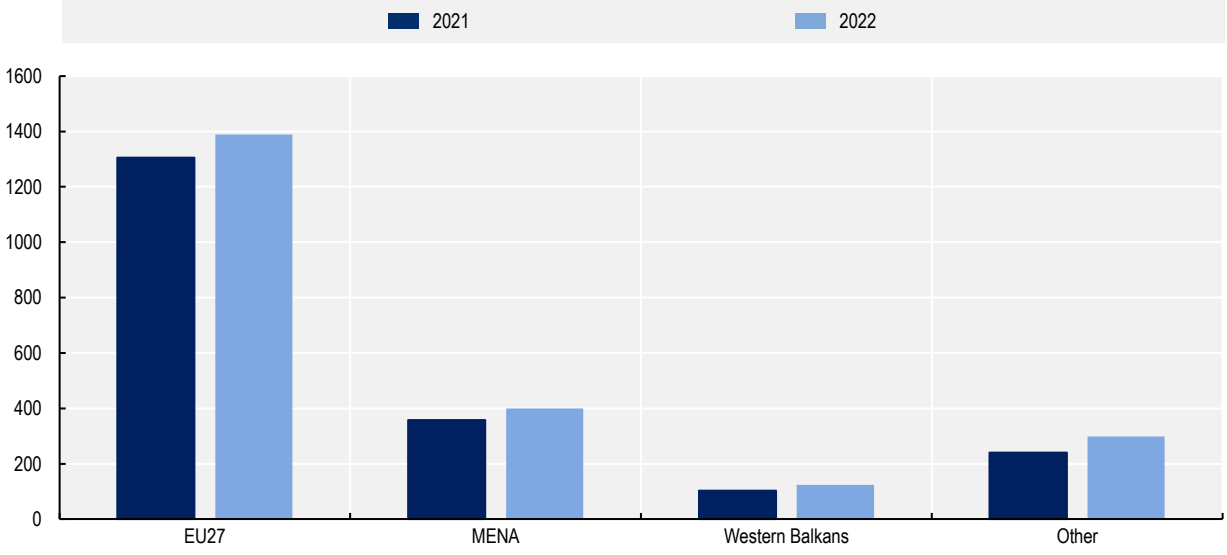


Note: Migration flows include migration from UfM countries to UfM-OECD countries (EU-27, Israel, and Türkiye).
Source: OECD International Migration Database.

StatLink https://stat.link/h84ibl

Figure 4.2. Migration flows by region of origin, 2021 and 2022

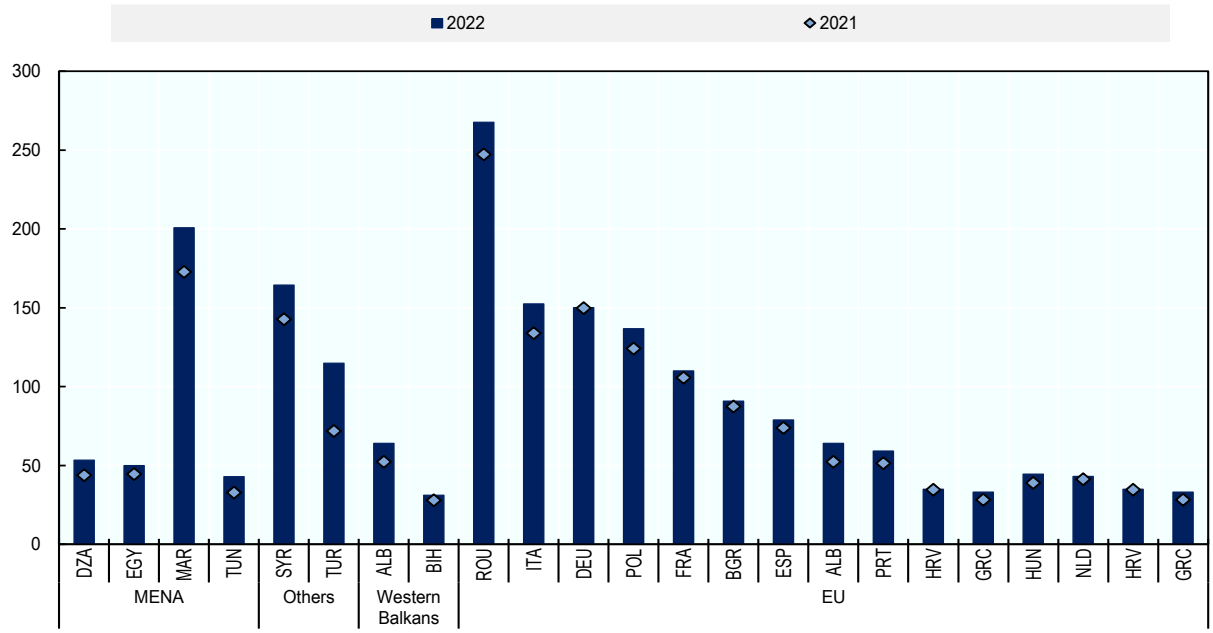
Migrants from UfM countries to UfM members of the OECD (in thousands)



Source: OECD International Migration Database.

StatLink https://stat.link/3c6yvj

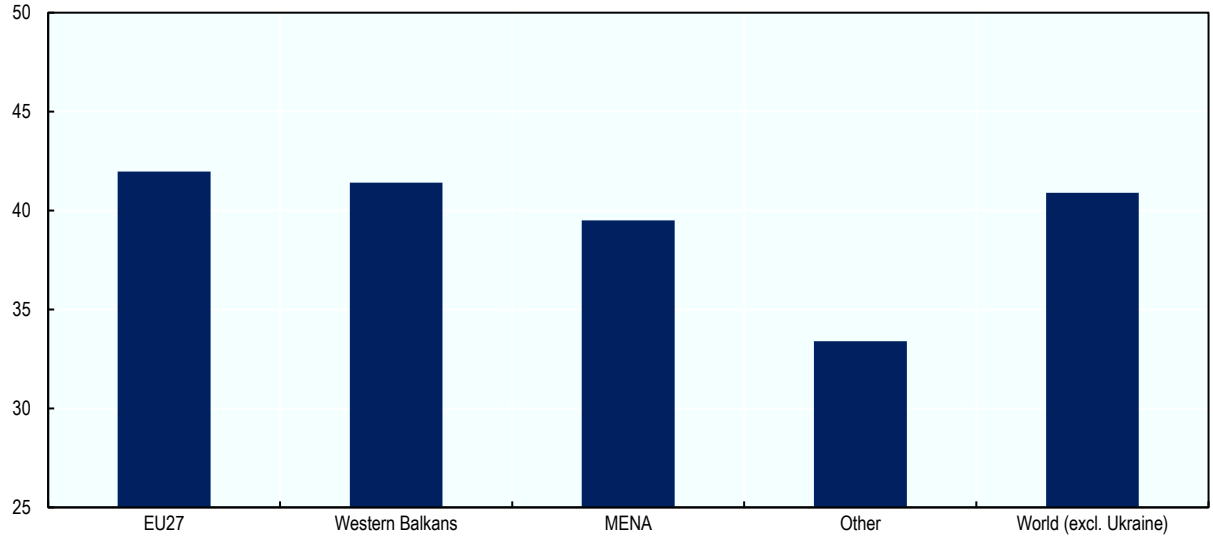
Figure 4.3. Top 20 UfM countries of origin of new immigrants to the UfM-OECD, 2021 and 2022



Note: Migration flows include migration from UfM countries to UfM-OECD countries (EU-27, Israel, and Türkiye). Migration flow series to Germany and Poland are adjusted to exclude short-term immigrants.
Source: OECD International Migration Database.

StatLink https://stat.link/etf3vu

Figure 4.4. Share of women among flows from UfM regions to OECD (%), 2022



Note: Migration flows include migration from UfM countries to all OECD countries. "Other" include Türkiye and Israel. "World excl. UKR" include the migration inflow to OECD countries from all origin countries except Ukraine.
Source: OECD International Migration Database.

StatLink https://stat.link/m8vo6l

Box 4.1. Irregular and forced migration

Regional geopolitical developments and political and social instability continue to constitute important drivers of forced migration in the UfM region, significantly increasing the number of persons migrating to other UfM countries and potentially redirecting labour migration flows. For instance, the displacement of Ukrainians in neighbouring EU countries could shift migration and work opportunities for workers from the Southern Mediterranean due to increased job competition, changes in labour market needs, and shifts in immigration policies. More recently, the ongoing conflict in the Middle East and political instability across the Sahel and Sub-Saharan Africa have contributed to increased forced migrations and could affect mobility across the region.

In 2023, more than 274,800 migrants reached Europe across the Mediterranean and Atlantic Ocean irregularly, many traveling largely by sea from Libya and Tunisia to Italy and from Türkiye to Greece. Preliminary data for 2023 suggests a 35% increase in irregular arrivals from the previous year and indicate the highest levels since 2016 (ICMPD, 2024[3]).

Climate change is also reshaping migration patterns across the region. The increase in severe weather events and climate disasters caused 305,000 new displacements in the Middle East and Africa in 2022, a 30% increase compared to the previous year (IDMC, 2023[4]). Floods, storms, and droughts threaten water and food security as well as human health and security. Most recently, earthquakes in Türkiye, Syria, and Morocco in 2023 as well as floods in Valencia, Spain in November 2024 led to internal displacements, with the largest impacts being borne by the most vulnerable populations within these countries. If faced with continued challenges for meeting basic needs or rebuilding, families and individuals may look to migrate.

Amid these evolving patterns of forced displacement, growing attention is being given to refugee entrepreneurship as a means of fostering socio-economic inclusion, with displaced individuals increasingly contributing to local economies by building businesses, bridging markets, and generating employment opportunities despite persistent legal, financial, and social barriers (Union for the Mediterranean, "Seminar on refugee entrepreneurship", 2024).

Labour migration frameworks are adapting to address the needs of refugees. For instance, the EU Talent Pool pilot focused specifically on the integration of Ukrainian refugees into labour markets in the EU (OECD, 2024[5]; EURES, n.d.[6]).

M2. Migration stocks

Why this indicator?

Migration can help balance demographic and socio-economic imbalances and contribute to growth and development in both countries of origin and destination. From a country-of-destination perspective, immigration can help countries with aging populations meet labour and skills shortages. From a country-of-origin perspective, emigration can alleviate pressure on the labour market and drive development through remittances and diaspora investments. This indicator monitors the evolution of the stock and characteristics of UfM-born migrants.

Key findings

The stock of intra-UfM migrants has been on the rise in the last two decades and the UfM region is hosting close to 34 million intra-UfM migrants, up from 19 million in 1990 (Figure 4.5). Most of these migrants originate from EU countries, but the stocks of intra-UfM migrants from MENA and the Western Balkans have been growing. The largest relative increase in migrant stocks originates from the countries in the Western Balkans.: the region saw a 157% increase (from 1.1 million to close to 2.8 million migrants) over the period 1990-2024, while migration from the MENA region increased by 112% (from 4.8 to 10.4 million).

Migration from EU countries represented in 2024 more than half of the UfM migrant stock (54%), down from 59% in 1990. The share of migrants from the MENA and Western Balkan countries increased in the same period. Migration from the MENA region now constitutes 30% of the UfM migrant stock, up from 27% in 1990, while the share of migrants from the Western Balkans has increased from 6% to 8%.

The main UfM regions of emigration outside the EU (MENA and Western Balkans) are faced with sustained high emigration rates, mainly towards a number of EU countries (notably France, Italy, Spain and Germany), driven by economic and social challenges such as weak job creation and high employment rates, especially among youth. Among the countries in the Western Balkans, migrant stocks are primarily originating from Bosnia and Herzegovina and in more recent years from Albania (Figure 4.6).

The stock of emigrants from the MENA region has witnessed rapid growth since 1990, with Morocco and the Palestinian Authority being the main sending countries in the region (Figure 4.7).

Emigration rates differ significantly across different UfM migrant sending regions. The Western Balkans face demographic changes that encompass both an ageing population and a trend of declining birth rates across the entire region (none of the economies has a fertility rate above that needed for generational replacement) (Wankiewicz, 2025, "The vanishing Balkans: The region's demographic crisis"). The demographic changes, coupled with large waves of emigration in recent decades, resulted in a significant share of the population residing abroad. In 2024, around one-fourth of the population in the UfM Western Balkan countries had emigrated- a significant increase from 1990, when the emigration rate stood at around 10%.

Meanwhile, the MENA region is experiencing rapid population growth with more stable emigration rates over time, at around 4% (Figure 4.8).

The role of intra-regional migration in relation to other migration destinations varies across countries.

- Migrants originating from Albania, Algeria, Morocco, and Tunisia rely heavily on intra-UfM migration, with more than 90% of the migrants residing in another UfM country (Figure 4.9).
- A majority of migrants from the Palestinian Authority, North Macedonia and Bosnia and Herzegovina also reside in other UfM countries.
- However, a few UfM origin countries rely more on migration to destination countries outside the UfM region, notably the United States and Canada but also Australia.

UfM and the broader MENA region: In the past two decades, migrants from MENA countries have also increasingly emigrated to the Gulf Cooperation Council (GCC) region (Figure 4.10 and Figure 4.11). The GCC countries continue to be major destinations for workers from MENA countries, mainly Egypt and Lebanon, driven by labour demand in the construction, healthcare, technology, and service sectors. The number of migrants from MENA UfM countries in the GCC region almost tripled between 2000 and 2024, from 1.4 million to 3.9 million - driven mainly by migration from Egypt, which has seen a

sharp increase in the migration stock in GCC countries since 1990, from 1.2 to 3.2 million in 2024. It is interesting to note that between 1990 and 2024, the relative increase in migration stocks from Egypt to GCC countries is comparable to the relative increase in intra-UfM migration, although the absolute migrant stock of Egyptians in UfM destination countries is lower, which indicates that the two migration corridors are complementary rather than substitutes. While previous migration flows to the GCC states were dominated by low-skilled labour, there has been a noticeable increase in high-skilled immigration, particularly in fields like engineering, IT, finance, and education. This shift reflects efforts by the GCC countries to diversify their economies under initiatives like Saudi Arabia's Vision 2030 and the UAE's long-term development goals. For example, recent data indicates that middle- and high-skilled migration to Saudi Arabia has been growing faster than low-skilled migration since the COVID-19 pandemic (De Bel-Air, 2024[7]). The migration from the UfM MENA countries towards the GCC countries is heavily male dominated, with only around 30% of female migrants. This is in line with the overall pattern of migration to the GCC countries, which is also characterised by a high share of male migrants.

The gender dimension of UfM intra-regional migration is diverse and varies according to the origin region. While female migrants constitute around half or more of the migrant stocks from the Western Balkans, among the UfM MENA countries male migrants are over-represented in migrant stocks from all countries but Algeria. Similarly to the migration stocks in GCC countries, only about 30% of the migrants from Egypt are women (Figure 4.12).

Recent evidence further shows that migrants from UfM origin countries available in OECD data often face barriers in terms of labour market integration. Migrants from North Africa and the Western Balkans in OECD countries have on average lower labour market participation rates and are more likely to be over-qualified compared to the overall foreign-born population (OECD, 2022[8]; OECD, 2022[1]; OECD, 2018[9]).

While the emigration of working age individuals may have negative implications for the labour market and economy of origin countries, as discussed in section M1, migration can also positively contribute to the economies of origin countries through financial and knowledge transfers from migrants and the diaspora (Box 4.2).

What policy action is needed?

- **Invest in diaspora strategies and policies**. Against the backdrop of significant remittance flows and large diaspora populations, there is considerable potential for UfM countries to strengthen regional integration and enhance the positive impacts of migration by continuing to develop diaspora policies and programmes. Evidence regarding the effectiveness of existing programs remains limited, highlighting the need for more systematic monitoring and evaluation of diaspora investment efforts.
- **Facilitate and leverage the return and reintegration of regular migrants**. UfM countries can facilitate regular emigrants' return and reintegration into the labour market by providing incentives for return and facilitating investments and entrepreneurial activities among return migrants.

Definitions

This section is based on United Nations Department of Economic and Social Affairs (UN DESA) migration statics. The UN DESA database includes estimates of international migrant stocks by age, gender and country of origin and destination worldwide, over the years 1990-2024. The estimates are based on official statistics on the foreign-born or foreign citizens.

Emigration rates are defined as the ratio between the number of emigrants from a specific country living abroad and the total sum of the resident population of this country and emigrants living abroad.

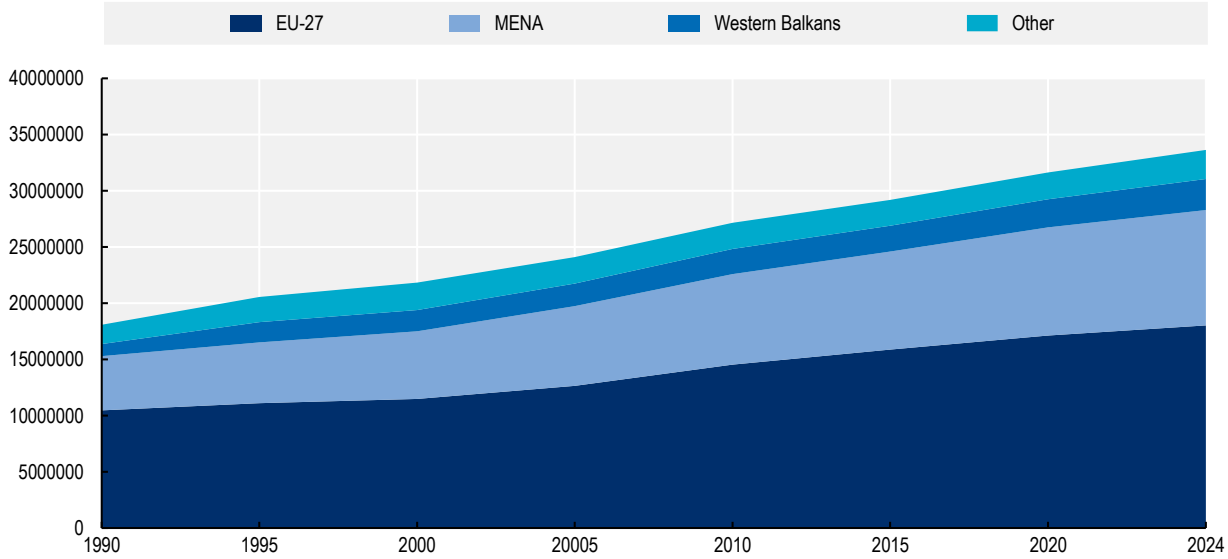
Further reading

OECD (2018), *Talents à l'étranger : Une revue des émigrés tunisiens, Talents à l'étranger*, OECD Publishing, Paris, https://doi.org/10.1787/9789264308855-fr.

OECD (2022), *Labour Migration in the Western Balkans: Mapping Patterns, Addressing Challenges and Reaping Benefits Mapping Patterns, Addressing Challenges and Reaping Benefits*, OECD Publishing, Paris, https://doi.org/10.1787/af3db4f9-en.

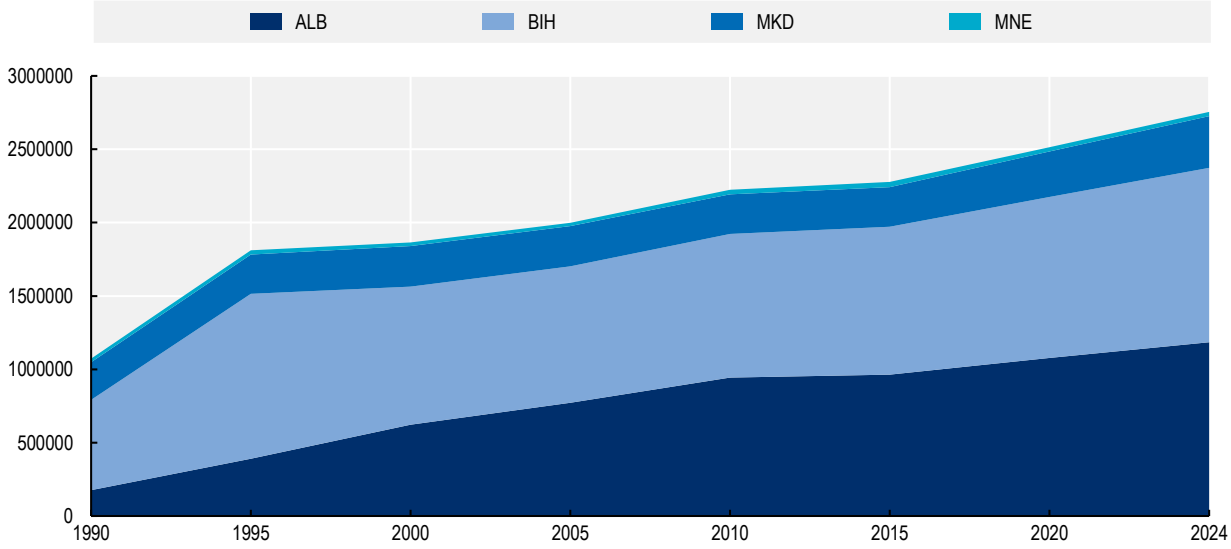
OECD (2022), *Les émigrés marocains dans les pays de l'OCDE : Quelles nouvelles dynamiques?,* OECD Publishing, Paris, https://doi.org/10.1787/9789264264304-fr.

Figure 4.5. Stock of intra-UfM migrants, by region of origin, 1990-2024



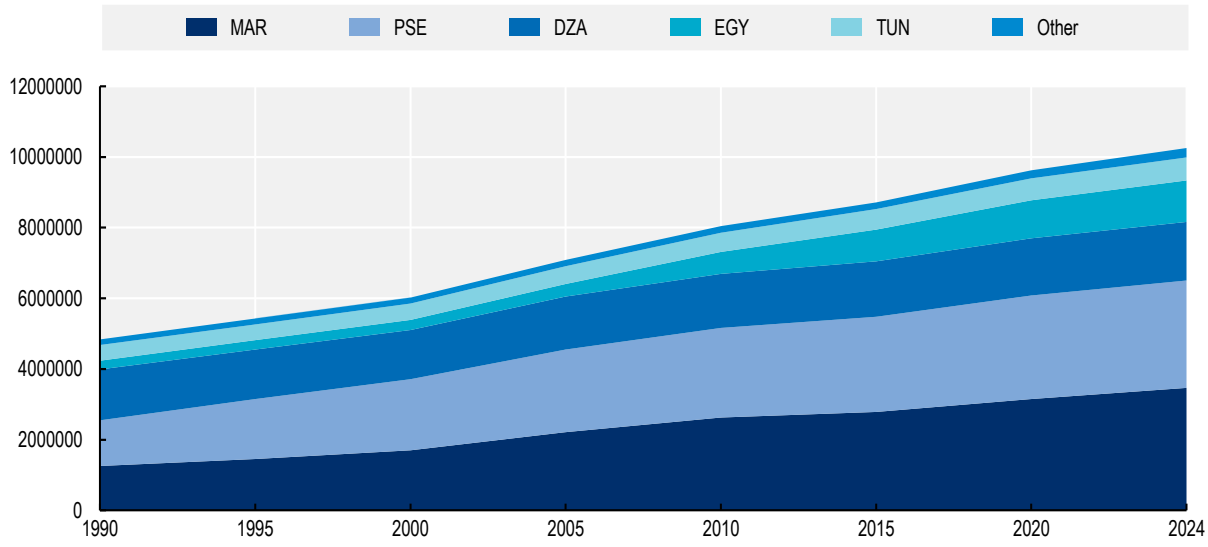
Note: The graph includes the stock of migrants from a UfM country residing in another UfM country (excluding observer and suspended countries).
Source: UN DESA 2024 International Migrant Stock database.

Figure 4.6. Migrant stocks from the Western Balkans to UfM destination countries, 1990-2024



Note: UfM destination countries include all UfM countries (excluding observer and suspended countries).
Source: UN DESA 2024 International Migrant Stock database.

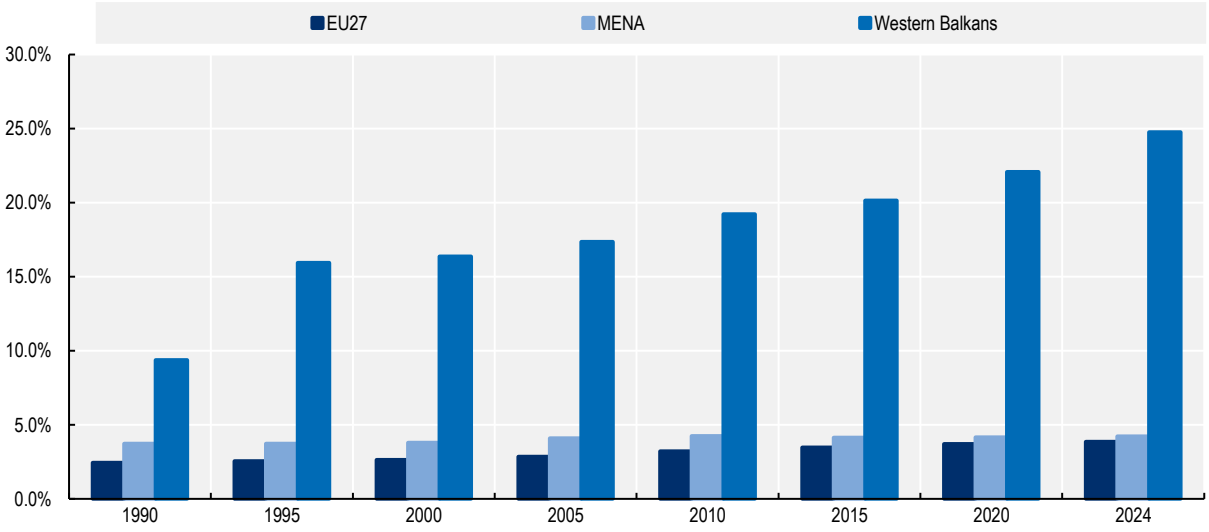
Figure 4.7. Migrant stocks from the MENA region to UfM countries, 1990-2024



Note: UfM destination countries include all UfM countries (excluding observer and suspended countries). The category "other" include Lebanon, Jordan and Mauritania.
Source: UN DESA 2024 International Migrant Stock database.

Figure 4.8. Emigration rates, by region of origin, 1990-2024

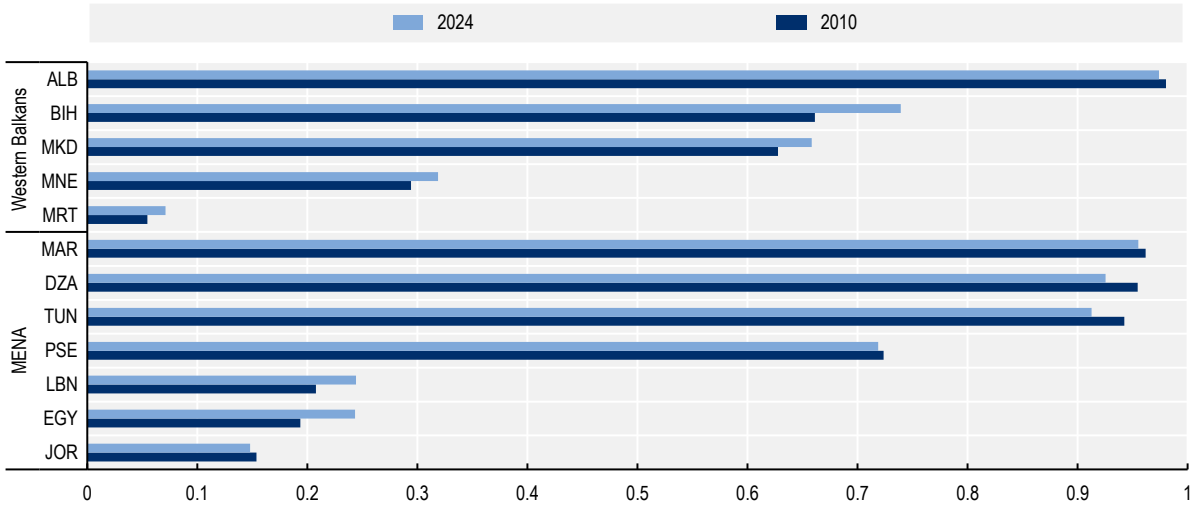
Number of migrants as share of total population residing in origin country and abroad



Note: *Emigration rate* is defined as the number of migrants (in any destination country) divided by the sum of the migrant population and the population residing in the economy of origin.
Source: UN DESA 2024 International Migrant Stock database.

Figure 4.9. Share of migrants in UfM countries, 2010 and 2024

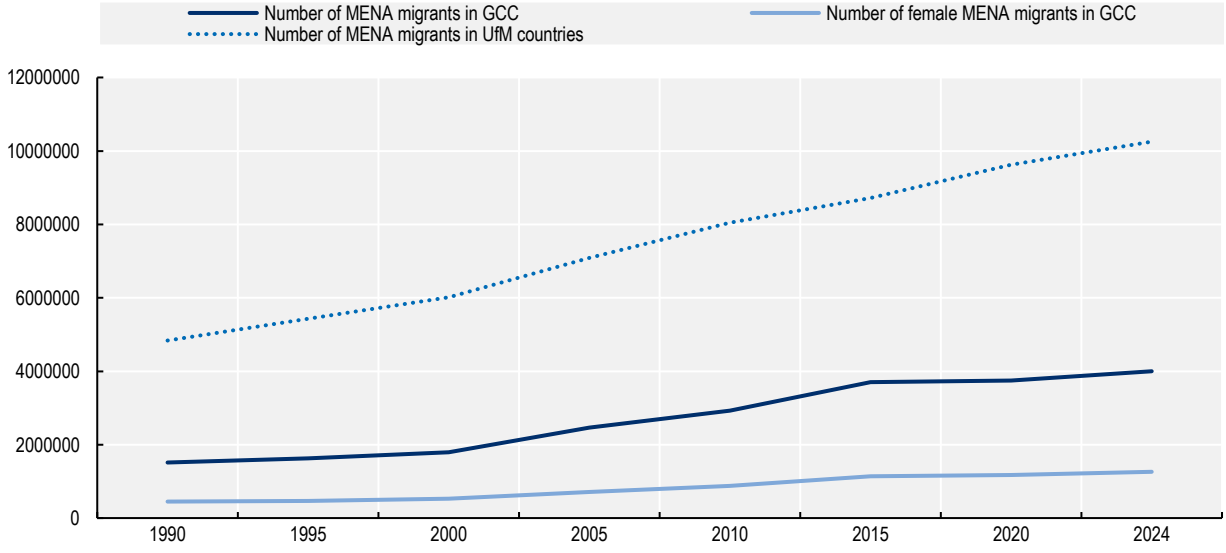
Share of migrants in UfM countries in relation to migrants in all destination countries



Source: UN DESA 2024 International Migrant Stock database.

Figure 4.10. Migration from MENA countries to the Gulf Cooperation Council region, 1990-2024

Number of migrants and number of female migrants originating from UfM MENA countries in the GCC region

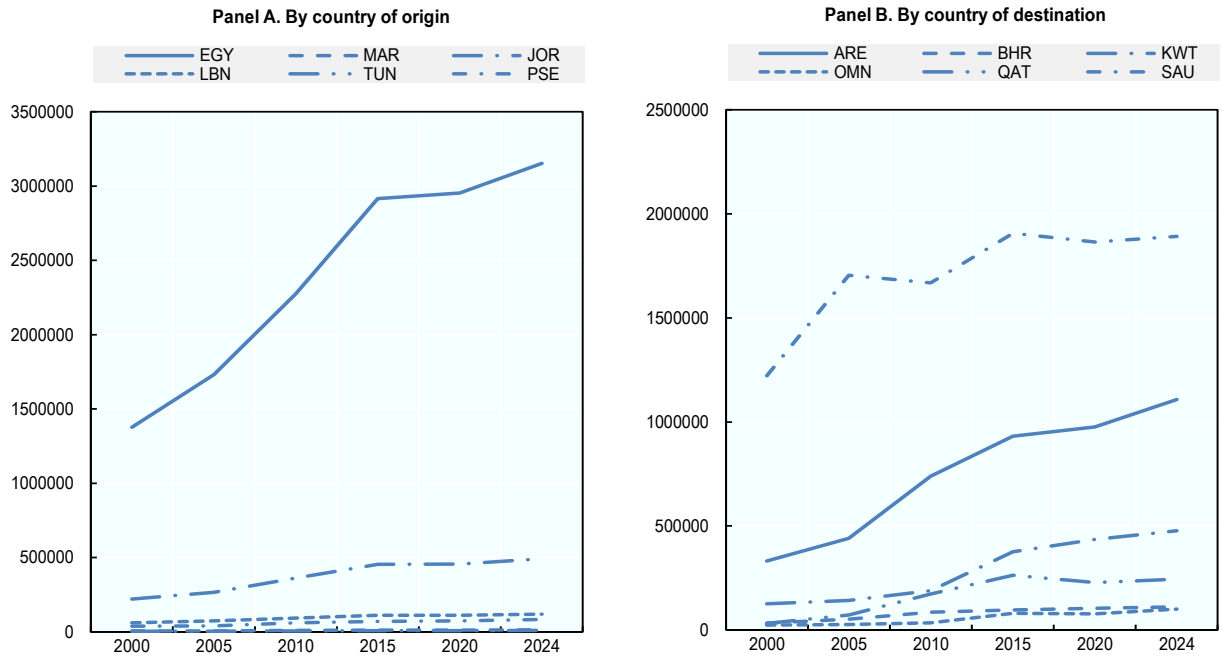


Note: The Gulf Cooperation Council region includes the following six countries: Bahrain, Kuwait, Oman, Saudi Arabia, Qatar, and the United Arab Emirates (UAE).

Source: UN DESA 2024 International Migrant Stock database.

Figure 4.11. Migration from MENA to GCC, by origin and destination country, 2000-2024

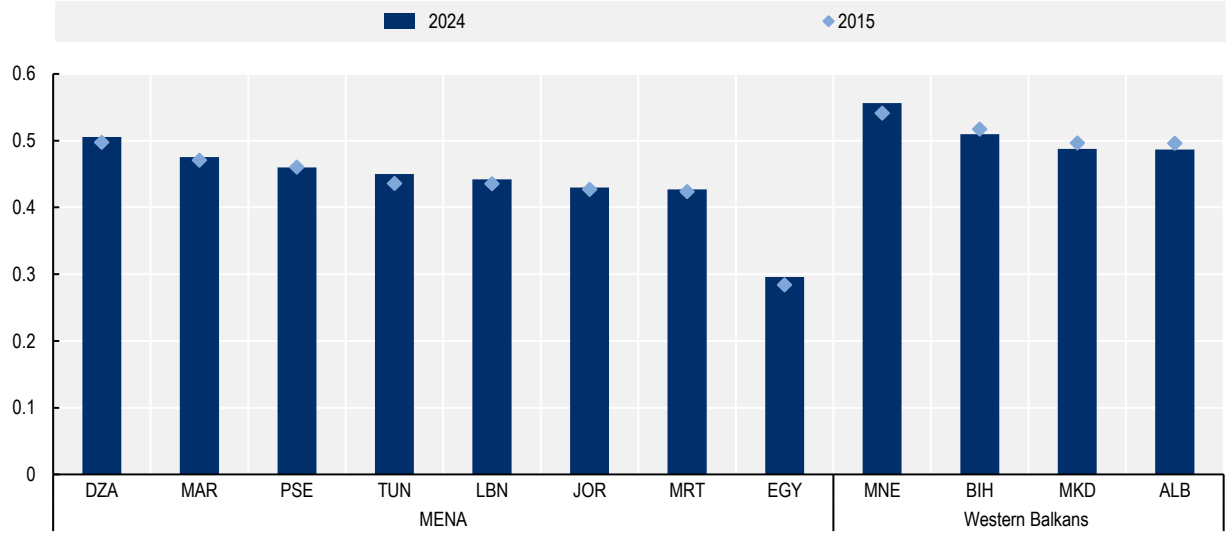
Number of migrants from UfM MENA countries to the GCC region, by country of origin (left panel) and country of destination (right panel)



Note: The Gulf Cooperation Council region comprises six countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE).
Source: UN DESA 2020 International Migrant Stock database.

Figure 4.12. Share of women among total migrants, 2010 and 2024

Share of female migrants in relation to all migrant (all destination countries)



Source: UN DESA 2024 International Migrant Stock database.

Box 4.2 The role of diaspora populations

Migration has the potential to be an important force in addressing demographic imbalances and labour shortages in countries of destination as well as contributing to social and economic development in countries of origin. Migrants can help fill labour shortages in destination countries with aging populations and support development in their origin countries through remittances, diaspora investments, and knowledge and skills transfer.

The first and most direct development impact of migration on countries of origin is remittances. As shown in Chapter 2, UfM countries in MENA and Western Balkans are receiving large inflows of remittances, which can contribute to development at household, regional and national levels.

Besides remittances, a highly skilled diaspora can contribute to knowledge and technology diffusion and increased financial investments and trade by reducing transaction costs and information asymmetries. Initiatives to harness the development impacts of the diaspora are already underway in UfM countries in the Western Balkan and MENA sub-regions, but are at various stages of implementation (OECD, 2022[1]; ICMPD, 2024[10]). A foundation for a successful diaspora policy is building trust and communication channels with the diaspora. Many origin countries have established mechanisms to connect with the diaspora, such as platforms, registries and interactive portals that identify the diaspora population. Providing different networking services through these platforms has proven particularly important, to help build relationships with the diaspora and allow the diaspora to connect with each other and with the private and public sector in the origin countries.

To further enhance knowledge exchange and transfers, some countries have established specific scientific research networks and platforms to draw from the knowledge and expertise of diaspora members in academia. An example from the Western Balkans is the Serbian Science and Diaspora Collaboration Programme. The programme was established in 2019 with the aim of providing financial incentives for local research-and-development institutes to collaborate with the Serbian diaspora, participate in knowledge exchange, and build their human resource capacity through short-term visits of researchers from Serbia to diaspora experts. Egypt has established a Science Hub to promote exchange of skills and knowledge and is also planning to set up a digital platform to enable diaspora academics to support the implementation of national strategies for higher education and scientific research.

Other policies and programmes focus on strengthening the financial contributions and investments of the diaspora by providing financial instruments such as tailored loans and diaspora bonds and supporting diaspora investment and entrepreneurship activities. Egypt and Jordan have issued diaspora bonds in the past to mobilise funds to complement public resources and other blended finance instruments to support public investment projects. In the Western Balkans, there are several initiatives involving the mapping of diaspora businesses and the organisation of business forums targeting diaspora representatives to encourage more diaspora investments.

Finally, return migration can also help offset some of the negative impacts of emigration on origin countries while contributing to the transfer of productive skills and knowledge. Examples of policy to assist in the return and reintegration process include simplifying and removing regulatory and administrative barriers that inhibit return migration and helping return migrants to smoothly reintegrate into the labour market or pursue entrepreneurial activities.

Despite some examples of progress and innovation in the development of diaspora and return migration initiatives, gaps persist in the diaspora policy frameworks, notably with regard to the institutionalisation of diaspora engagement. While several UfM countries in the MENA and Western Balkan sub-regions have taken steps to create specific institutional bodies to coordinate the work on diaspora engagement, there is generally a lack of holistic government strategies, and the monitoring and evaluation of policies and programmes is often weak. Furthermore, data gaps related to diaspora and return migration persist, particularly in capturing return migration patterns and characteristics.

Sources: (OECD, 2022[1]; ICMPD, 2024[10])

M3. Mobility agreements, frameworks, and projects

Why this indicator?

A combination of regional and bilateral agreements, frameworks, and projects plays a key role in framing and fostering patterns of human mobility across the Mediterranean. Mobility *agreements*, signed between two or more countries (or the EU), aim to regulate and manage migration between the signatory countries; mobility *frameworks*, such as skills mobility partnerships (SMPs), provide strategic blueprints for achieving the objectives outlined in mobility agreements; and many new *programmes and projects* serve as the practical implementation of these frameworks, translating goals of formal agreements into tangible outcomes that support regional integration and development.

This indicator seeks to provide insights into how mobility agreements, frameworks, and projects interact, and how they balance the often-complex dynamics of regional security with the promotion of shared interests.

Key insights and trends

Over the past two decades, EU, Western Balkan and Southern Mediterranean countries have increasingly sought to collaborate on mobility partnerships and agreements, with a strong focus on migration management and improving legal opportunities for labour and education mobility. Table 4.1 outlines agreements signed between the EU or EU member countries and other non-EU UfM countries with respect to migration and labour mobility. Although mobility partnerships and readmission agreements signed over the last 15-20 years continue to play an important role in EU relations with the Southern Mediterranean and Western Balkan countries, these agreements have more recently been complemented by new EU frameworks and funding schemes aiming to enhance mutually beneficial partnership between EU and non-EU partner countries.

Within the Western Balkan and Southern Mediterranean sub-regions, countries have fewer subregional agreements on migration management but maintain agreements and memorandums of understanding (MoUs) focusing on mobility for labour and educational exchange opportunities. For instance:

- In 2021, Albania and North Macedonia signed agreements on the free movement of trade, people, and services to advance regional cooperation and economic development.
- In March 2024, Albania, North Macedonia and Serbia fully opened their labour markets to one another as part of the Open Balkan initiative (OECD, Western Balkans Competitiveness Outlook 2024: Regional Profile).

Analysis of the Western Balkans highlighted that limited labour mobility may be partly linked to uneven and insufficient measures to include and integrate skilled migrants (OECD Western Balkans Competitiveness Outlook 2024: Regional Profile).

Within the Southern Mediterranean sub-region, mobility of people has been the focus of several regional and bilateral travel agreements. For instance, Egypt and Jordan, along with other Southern Mediterranean countries (Table 4.2), have visa waiver agreements for their citizens, allowing for visa-free travel between their respective countries; and in May 2024, Tunisia and Algeria signed a twinning agreement on cooperation in the tourism sector (The Maghreb Times, n.d.[11]).

Outside of travel, the Southern Mediterranean countries cooperate bilaterally on mobility for education and labour.

- In 2021, Morocco and Mauritania signed an MoU based on the exchange of professional skills, experiences, programmes, and studies in employment-related fields.
- In 2023, Egypt and Jordan agreed on an executive programme for technical cooperation in vocational training for 2023-2024.
- Jordan and Algeria have signed both an economic and a cultural agreement aiming to improve cooperation in areas including labour and employment as well as education.

However, while the Southern Mediterranean shows significant bilateral cooperation on mobility, there is a lack of comprehensive, sub-region-wide collaboration on the movement of people to address patterns of human mobility at the regional level.

Mobility agreements

In response to persistent labour shortages and a shrinking labour force, the European Commission has sought to enhance mobility in the Mediterranean region, aligning new frameworks and initiatives with existing agreements.

In 2020, the EU New Pact on Migration and Asylum sought to reimagine mobility in the region, with a focus on creating new legal pathways for labour migration, skills matching, and labour shortages.

Since the early 2000s, the EU has been promoting circular migration as a tool to address both labour market needs in destination countries and several sensitive issues linked to permanent settlement of migrants. The design of circular migration programmes has been driven by a "triple win" objective for origin and destination countries as well as migrants themselves. The implementation of the programmes, however, has resulted also in cases detrimental to migrants' rights and working conditions, especially for low-skilled, seasonal workers in sectors such as agriculture or construction. Approaching circular migration schemes through the prism of SMPs could contribute to enhancing cooperation on skills development in a way that reconciles origin-country demand and destination-country demand to incentivise return and make mutually beneficial circularity a reality. Projects like the one implemented by Belgium and Tunisia (Box 4.3) reflect this approach.

Starting in 2021, the EU began to recast directives for the EU blue card, as well as short- and long-term residence permits. These initiatives aim to streamline visa application processes and improve working conditions for low, middle, and highly skilled workers. For low and medium-skilled workers in particular, the revised Single Permit Directive, Directive 2024/1233, streamlines the application procedure and single permit for the right to work and reside in the EU. The single permit is designed to give a broad range of non-EU nationals, including those in low and medium-skill level jobs, equal treatment in working conditions, social security, recognition of qualifications, and tax benefits (EU Commission, 2024). Notably, seasonal workers and holders of long-term residence permits are not included under this directive but are instead covered under the Long-term Residents Directive (2003/109/EC) and the Seasonal Workers Directive (2014/36/EU).

Skills Mobility Partnerships

Typically, SMPs include five components - formalised state cooperation, multi-stakeholder involvement, training, skills recognition, and migration/mobility - and can be implemented through bilateral or multilateral agreements, programmes, and pilot projects (OECD, 2023). SMPs may also incorporate vocational training in the country of origin or destination, internships in the destination countries, or scholarships. Key target sectors include healthcare, ICT, and agriculture.

As part of the EU Pact on Migration and Asylum, the Skills and Talent Package and the Skills and Talent Mobility Package, the EU has **launched Talent Partnerships and adopted a proposal to set up a Talent Pool**, giving a new impetus to bilateral mobility partnerships.

The Talent Partnerships aim to provide a comprehensive policy framework, as well as funding support, to address skills shortages in Europe while fostering mutually beneficial partnerships between EU countries and partner countries.

To date, EU Talent Partnerships have been launched with three MENA countries (Egypt, Morocco and Tunisia) as well as Pakistan and Bangladesh (Table 4.3). These partnerships reinforce cooperation between EU Member States and partner countries to help address the EU's labour market needs, while also providing employment and skills training opportunities for third-country nationals.

Among EU Member States, focusing on two specific examples:

- Italy is one of the key participants in Talent Partnerships and is also engaging in bilateral discussions and agreements with Egypt, Morocco and Tunisia. In Egypt, the Italian Ministry of Foreign Affairs and the Egyptian government aim to create an Italian Egyptian Employment Centre, intended for the vocational training of workers in the tourism and hotel sectors in both Egypt and Italy. Also, through the THAMM programme (see below) Italy has mobilities with Tunisia and Morocco, notably aimed at training 2,000 Tunisian construction workers and 500 Moroccan workers, respectively, in the mechatronics sector.
- Germany is also present in Egypt, where an Egyptian-German Centre for Jobs, Migration, and Reintegration was established in 2020. This aims to empower Egyptian youth through their migration or reintegration journeys, with

support from the EU as a key partner in fostering sustainable development and inclusive opportunities. It provides a 360-degree approach to migration, and it serves as an advisory centre, supporting pathways of labour mobility, tackling sustainable reintegration, and offering viable socio-economic alternatives to irregular migration.

Once adopted, the **Talent Pool** will be the first EU-wide platform aiming at facilitating international recruitment and providing job opportunities for jobseekers from third countries residing outside the EU and possessing the skills required to work in EU-wide shortage occupations at all skills levels.

Migration and mobility play an important role in the **Strategic and Comprehensive Partnerships** agreed between the European Union and Tunisia in 2023 and Egypt in 2024. These mutually beneficial partnerships address the needs of both parties. In the MOU between the EU and Tunisia, "both Parties agree to promote legal pathways for migration, including seasonal employment opportunities, to stimulate international mobility at all skills levels and to strengthen cooperation on skills development in a mutually beneficial manner". In the EU-Egypt joint declaration, it is foreseen that mobility schemes such as the Talent Partnerships will be developed to assist with matching skills and labour market needs, including through labour mobility seasonal worker schemes.

The **EU-funded "Towards a Holistic Approach to Labour Migration Governance and Mobility in North Africa" (THAMM) programme** aims to foster regular migration and mobility from North African countries. It aims at improving the governance for labour migration and the protection of migrant workers in North Africa by supporting the development and implementation of coherent and comprehensive policy frameworks, guided by relevant human rights and labour standards and based on reliable data and evidence. In addition, it contributes to preparing, putting in place or improving regular migration and mobility schemes in cooperation with selected North African countries, namely Egypt, Morocco and Tunisia, and EU Member States, in particular Germany, Italy, Belgium and France. The initial phase of the programme, starting in 2019, was funded under the EU Trust Fund for Africa. Under the Neighbourhood, Development and International Cooperation Instrument (NDICI)-Global Europe, since 2021 an additional EUR 23 million has been allocated to this programme, thereby solidifying the EU's commitment to fostering legal migration, enhancing mobility, and aligning labour market needs between North African countries and Europe.

Mobility of Mediterranean youth

Several initiatives have addressed mobility of young people, strengthening the link between migration and development objectives. Box 4.3 provides examples of current and past projects between EU and non-EU UfM countries. The projects adopt a whole-of-government approach and incorporate activities such as pre-departure orientations, language learning, technical/job-specific training, soft skills workshops, and job search support for participants upon their return. These activities not only address specific labour market gaps but are also designed to promote the integration and employability of third-country nationals (TCNs), contribute to the development of countries of origin, and mitigate potential brain drain.

Promoting jobs and inclusive economies

At the fifth UfM Ministerial on Employment and Labour in 2022, the EU launched the **Regional Team Europe Initiative (TEI) on "Jobs through Trade and Investment in the Southern Neighbourhood"** with the aim to address the challenges of decent employment across the region, especially for young people and women. This initiative supports a holistic approach to job creation in the Southern Neighbourhood, by bringing together initiatives that link trade, investment, and entrepreneurship policies and outcomes with job creation. It contributes to the implementation of the EU's 2021 Agenda for the Mediterranean and its economic and investment plan, and also to the shared priorities under the UfM Ministerial Declaration on Employment and Labour of 2022, by addressing key issues including:

- High levels of unemployment, especially for women and young people.
- Skills mismatch between labour market demands and the qualification of graduates entering the job market.
- Job concentration in few sectors and geographic regions, with a lack of jobs supporting the green and digital transitions.

The EU, participating EU Member States, their respective development agencies, as well as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) will mobilise around EUR 2.8 billion to promote innovative approaches to employment creation in the Southern Mediterranean by boosting sustainable investments and trade, vocational training and skills programmes, and inclusive entrepreneurship.

As part of the TEI, the "UfM Hub for Jobs, Trade, and Investment" provides technical assistance and small grants aiming at promoting job creation, trade and sustainable investment in the region. Together, the TEI and the UfM Hub contribute to job creation in the Southern Neighbourhood, help address the root causes of migration by supporting economic development and social stability in participating countries, and indirectly contribute to labour mobility.

What policy action is needed?

- **Prioritise mutually beneficial partnerships and agreements.** Migration agreements should prioritise solutions that meet the diverse needs of both origin and destination countries and workers and employers. Measures to include and integrate skilled migrants should also be promoted. To achieve this goal, countries should seek to involve a range of stakeholders in the policy-making process; the involvement of the private sector can help increase the scale of investments and improve skills matching.
- **Adapt programmes to the twin transition.** Partnerships should strive to up-skill workers for employment in sectors that support digitalisation and the green transition.
- **Invest in technical and vocational education and training (TVET) programmes.** By investing in existing TVET infrastructure in origin countries, EU partners can improve the efficiency of talent partnerships and fulfil labour needs while improving education offerings in origin countries. Skills development and training programmes should be developed to benefit both domestic and regional labour markets.
- **Strengthen monitoring and communication on labour market conditions.** Improving the monitoring and sharing of labour market needs between UfM countries can help address information deficits for jobseekers and employers and increase job search efficiency. Additionally, improving information channels can help identify where investments in skills training would be beneficial.
- **Facilitate reintegration of upskilled workers** by facilitating multi-stakeholder engagement and designing strategies to promote the successful reintegration of workers in their country of origin. Specific policy options could include entrepreneurial training, advisory services, and provision or facilitation of access to finance to start a business.

Definitions

A ***mobility partnership*** is a cooperative framework aimed at enhancing legal migration, facilitating the movement of people, and incentivising cooperation in sectors such as labour, education, and development.

A ***readmission agreement*** between the European Union and a non-EU country is a formal treaty with the goal of facilitating the return and readmission of people who are irregularly staying in an EU country to their country of origin or transit. These agreements are part of the EU's strategy for managing migration and combatting irregular migration.

Further reading

OECD/EMN (2022), *Skills Mobility Partnerships: exploring innovative approaches to labour migration,* OECD Publishing, Paris, https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/migration/2022-March-Joint-EMN-OECD-Inform-Skills-Mobility-Partnerships.pdf

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Di Salvo, M. (2022), *Talent Partnerships and Future Skills Needs, EuroMeSCo Policy Report No 47,* Centre for European Policy Studies (CEPS) and European Institute of the Mediterranean (IEMed), Brussels and Barcelona, https://www.ceps.eu/wp-content/uploads/2022/03/EuroMesCo-Policy_Report_Talent-Partnerships.pdf. :contentReference

Table 4.1. Agreements on people mobility between EU countries and other UfM members

2025	EU-Jordan	Strategic and Comprehensive Partnership
2024	EU, Egypt	Joint Declaration on the Strategic and Comprehensive Partnership between Egypt and the European Union, with specific areas of cooperation such as migration and mobility, security, demography and human capital, and water issues. This agreement builds on previous cooperation agreements.
2024	EU, Mauritania	Mobility Partnership modelled on EU-Tunisia agreement in 2023. The Partnership has five pillars: creating job opportunities (especially for young people and women), protection and asylum, promoting legal migration, reinforcing cooperation to prevent irregular migration, and strengthening border management (EU Commission, 2024).
2023	EU, Tunisia	Memorandum of Understanding on a strategic and global partnership between the European Union and Tunisia, covering five priority areas: macroeconomic stability, economy and trade, green energy transition, people-to-people contacts, and migration and mobility.
2023	Morocco, Portugal	Bilateral agreement on labour migration framework
2023	Greece, Egypt	Bilateral agreement on labour force
2022	Algeria, France	11 cooperation agreements signed in areas including industry and technology, startups and innovation, higher education and scientific research, labour and employment, and tourism (Anadolu Ajansi, 2022), building on previous agreements.
2021	France, Morocco	Labour mobility agreement
2021	Italy, Tunisia	Existing bilateral labour mobility agreements strengthened in 2021
2019	EU, North Macedonia	Mobility partnership
2019	EU, Bosnia and Herzegovina	Mobility partnership
2019	EU, Montenegro	Mobility partnership
2016	EU, Albania	Mobility partnership
2014	EU, Tunisia	Mobility partnership
2014	EU, Jordan	Mobility partnership
2013	EU, Morocco	Mobility partnership
2008	EU, Montenegro	Readmission agreement
2008	EU, Bosnia and Herzegovina	Readmission agreement
2008	EU, North Macedonia	Readmission agreement
2006	EU, Albania	Readmission agreement
Multilateral agreements		
2022	EU, Albania, Bosnia and Herzegovina, Montenegro, North Macedonia. *Note: non-UfM member states signatories include also Kosovo and Serbia*	The EU Action Plan on the Western Balkans seeks to address irregular migration through five pillars: strengthening border management along the routes, ensuring swift asylum procedures and supporting reception capacity, fighting migrant smuggling, enhancing readmission cooperation and returns, and achieving alignment of visa policy (europa.eu, 2022). *Note: All UfM Western Balkan countries have signed readmission agreements with the EU.*
2014	EU, Tunisia, Egypt	Khartoum Process, the EU-Horn of Africa Migration Route Initiative, established in 2014 to address issues related to labour mobility, migration, and human trafficking. Note: non-UfM countries signatories include Djibouti, Ethiopia, Eritrea, Kenya, Libya, South Sudan, Somalia, and Uganda.

Note: The list is non-exhaustive.

Table 4.2. Multilateral and bilateral agreements on mobility among non-EU UfM countries

2024	Tunisia, Algeria	Twinning agreement on cooperation in tourism.
2022, 2023	Algeria, Jordan	Bilateral cultural agreement focused on educational exchange (Jordan News Agency, 2022). Bilateral economic agreement that aims to advance existing cooperation and explore opportunities in sectors such as energy, mining, tourism, culture, agriculture, transport, handicrafts, healthcare, labour and employment, and social security (Arab News, 2023).
2022	Morocco, Mauritania	Updated bilateral agreement on vocational training (discussions took place around the 5th UfM Ministerial conference on Employment and Labour in Marrakech).
2021	Morocco, Mauritania	MoU based on the exchange of professional skills, experiences, programs, and studies in employment-related fields.
2021	Albania, North Macedonia	MoU on movement of people as part of the Open Balkan Initiative, an economic and political zone established between the three Balkans Countries. The initiative is designed to facilitate trade, ease student and worker mobility, and encourage regional integration. *Note: Serbia, a non-UfM member, is also a signatory country.*
2020	Western Balkan economies	The Common Regional Market initiative is a regional economic integration effort that aims to facilitate the free movement of people, good, services, and capital across the Western Balkans.
2022	Western Balkan economies	The Western Balkans 6 (WB6) foreign ministers approved three regional agreements: i) Freedom of Movement with Identity Cards; ii) Recognition of Higher Education Qualifications; and iii) Recognition of Professional Qualifications for Doctors of Medicine, Dentists and Architects.
2023	Western Balkan economies	The WB6 economies signed an MoU for the mutual recognition of professional qualifications with the aim of improving professional mobility

Table 4.3. EU frameworks on labour and mobility with third countries

2023	The **Skills and Talent Mobility Package** (follow up to the 2020 Pact on Migration and Asylum and the 2022 Skills and Talent Package) includes a series of new initiatives, including the Talent Pool, to make the EU more attractive to talent from outside EU and to facilitate mobility within. **Talent Partnerships** (announced in the New Pact on Migration and Asylum – see below) provide a comprehensive policy framework as well as funding support, to boost mutually beneficial international mobility based on better matching of labour market needs and skills between the EU and partner countries.
2020	The **New Pact on Migration and Asylum** provides a set of new rules managing migration and establishing a common asylum system. It also includes initiatives and measures promoting labour migration pathways.
2011, recast 2024	The **Single Permit Directive** (2011/98/EU and (EU) 2024/1233) establishes a simplified application procedure and one single permit for the rights to both work and stay in the EU. The Directive also gives many non-EU nationals working in the EU the right to be treated equally to EU nationals in many respects, including social security, working conditions, recognition of qualifications and tax benefits.

Note: Several EU countries maintain bilateral agreements with Southern and Eastern Mediterranean countries (regarding pensions, healthcare, and social security contributions) as well as double taxation agreements (DTAs). These agreements are tailored to destination and origin country considerations and needs. For instance, Germany has agreements with Albania, Montenegro, North Macedonia, and Bosnia and Herzegovina on pension coordination, healthcare benefits, and avoidance of double social security contributions for temporarily posted workers.

Box 4.3. Mobility initiatives for Mediterranean youth

Several initiatives have sought to address the mobility of young third-country nationals (TCNs) to work or gain professional experience in a host organisation in an EU country.

Y-Med. Implemented in Italy since 2017 by International Organization for Migration (IOM) missions in Italy, Egypt, Libya, Morocco, and Tunisia, Y-Med is designed to facilitate internship opportunities for students of North African countries and support their integration into the labour markets of their countries of origin. Y-Med also inlvolved soft-skills training focused on areas such as time management, interpersonal communication, workplace culture, and teamwork, The first edition facilitated internships for Moroccans in Italian companies in Morocco, and the following editions gave students and graduates from North African countries the opportunity to complete internships in Italy. Upon completion of the internship and return to their countries of origin, the project supports interns with job placement training and assistance to enhance employment chances. As of 2023, Y-Med had involved a total of 78 interns from four countries and 44 Italian companies based in Morocco and in Italy (Veneto and Lazio).

Mediterranean Network for Training Orientation to Regular Migration (MENTOR). The MENTOR project, co-funded via the EU Migration Partnership Facility, provides opportunities for young graduates from Morocco and Tunisia to complete internships in Italy. The first phase, from 2017 to 2018, facilitated three-month internships for 19 young graduates in the cities of Milan and Turin. Interns were chosen based on merit, specifically their skills profiles and professional and entrepreneurial projects. Following return to their countries of origin, interns were provided with mentoring and coaching support to implement their professional or entrepreneurial projects, aiding their integration into local labour markets. In 2021, a second phase of the project aimed to provide 50 young Moroccan and Tunisian nationals with six-month internships in Milan, Monza-Brianza, and Turin.

Vocation apprenticeships and professional internships. A Belgian-Tunisian skills mobility partnership, this project was implemented over a 22-month period in 2018-2019 by IOM Tunisia and Belgium, with support from the respective country governments and various public and private partners. The initiative provided 31 Tunisian students and university graduates with the opportunity to carry out six-month internships in Belgium and benefit from job-seeking support upon their return to Tunisia. The majority of participants found employment in Tunisia or Belgium upon completion of the project. A Belgian company established a sister company in Tunisia providing employment opportunities to Tunisian nationals.

Pilot Project Addressing Labour Shortage through Innovative Labour Migration Models (PALIM). Co-funded via the EU Migration Partnership Facility, the PALIM project was implemented by the Belgian Development Agency (Enabel) in cooperation with public and private actors in Morocco and Belgium from March 2019 to April 2021 for 26 months. The project provided training in ICT, soft skills development, and predeparture sessions on work and life in Belgium to 120 young Moroccan graduates, with the goal of placing participants in Flemish and Moroccan labour markets to address needs in both countries.

Due to mobility disruptions caused by the COVID-19 pandemic, the international mobility part of project could not be implemented. Instead, two matching platforms for Belgian and Moroccan employers were developed to facilitate job placement of trained talent in ICT companies in Belgium and Morocco.

High Opportunity for Mediterranean Executive Recruitment (HOMERe). The HOMERe project, also co-funded via the EU Migration Partnership Facility, was implemented in two phases: the first phase running from 2015 to 2017 and a second phase running from 2019-2020. This project has facilitated six-month internships for student and recent graduates from Morocco, Algeria, Tunisia, Egypt, Lebanon, Cote d'Ivoire, and Türkiye at French companies operating in the two North African countries. Providing more than 500 short-term mobility internships (to date) with companies involved in transnational activities in the Med region, the project sought to develop technical competences that would facilitate the integration of participants into their country's labour market by improving the employability of interns. Half of participants found first employment opportunities after the project, either in the enterprise where they interned or in another.

Towards a Holistic Approach to Labour Migration Governance and Mobility in North Africa (THAMM). THAMM is an EU co-funded regional programme that supports partner institutions in North Africa in formulating and implementing

migration policy and fostering regional cooperation. As part of its mission, THAMM has developed three pilot mobility schemes, implemented by the German Corporation for International Cooperation (GIZ), Enabel, and the French Office for Immigration and Integration (OFII):

- In 2019, THAMM-GIZ introduced migration pathways for young Egyptians, Moroccans, and Tunisians to work and access vocational training in Europe.
- In 2020, THAMM-Enabel was implemented as a continuation of the PALIM project, training mid to highly skilled talents from Morocco and Tunisia to work in demand sectors in countries of origin or Belgium.
- In 2022, THAMM-OFII began with the aim of increasing circular migration between Tunisia and France, using the Tunisian National Agency for Employment and Self-Employment (ANETI) to match job seekers.
- In 2024, a new phase of THAMM+ was initiated, aiming to strengthen the employability of potential migrant workers and improve regular and sustainable labour mobility pathways, leading to decent work opportunities between Egypt, Morocco, Tunisia and EU member states. It is implemented by the International Labour Organization (ILO), GIZ, IOM, and the Italian Agency for Development Cooperation.

Mediterranean New Chance (MedNC). Started by the UfM and coordinated by the European Institute for Cooperation and Development (IECD), this project aims to enhance cooperation between institutions and organisations working towards the socio-professional integration of youth across the UfM region. Through its network of public, private, and civil society actors, the project implements capacity-building activities and promotes the exchange of best practices and innovative educational and training methods to improve youth employability, in particular for women and NEETs (those who are not in education, employment or training). As of 2023, MedNC has provided support to over 55,000 young people, connecting 340 schools and centres across 10 Mediterranean countries (Algeria, Egypt, France, Italy, Jordan, Lebanon, Morocco, Portugal, Spain and Tunisia).

Sources and further reading: https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/migration/2022-March-Joint-EMN-OECD-Inform-Skills-Mobility-Partnerships.pdf; https://www.oecd.org/en/publications/engaging-with-employers-in-skills-mobility-partnerships_9e6da0ff-en.html; Making Migration Work: An Analysis of Skills-based Mobility Schemes for Mediterranean Youth | IOM Publications Platform; EURES-Coms toolkir 2021-2024 (europa.eu) ; The Y-Med Project | IOM Egypt; Mediterranean New Chance (MedNC) - UfM

Box 4.4. From skills mismatch to skills partnerships: the case of Tunisia

In 2023, 35% of Tunisian firms considered that the workforce was inadequately trained (World Bank Enterprise Survey). Employers also expressed concerns about the lack of job candidates with strong social skills, work ethic, and problem-solving abilities. Recognising the existence of a skills mismatch in the labour market, in recent years the Tunisian government has emphasised the need for coherent policies on skills training to address the country's high unemployment, particularly among youth. Initiatives like the Talent Partnership, supported in the implementation by the THAMM programme and a new national employment strategy, have been developed to address the skills mismatch and support the development of competencies that benefit both local and global markets.

Sources: Discussions at the thematic meeting of the OECD Working Party on Migration "Future-Proofing Labour Markets: The role of skills mobility and partnerships", 19 June 2024; World Bank, Beyond Diplomas - Decoding the Skills Mismatch Perceived by Tunisian Employers (worldbank.org)

M4. Tourism

Why this indicator?

Tourism remains an important driver of economic growth. It plays a key role in stimulating economic activity, creating jobs, generating income and foreign exchange, promoting regional development, and supporting local communities. Understanding the tourism sector's contribution to GDP and employment in the UfM can enable policymakers and stakeholders to develop more targeted and sustainable tourism policies and management strategies (Box 4.5).

Key findings

In all the UfM economies, tourism represents a significant share of total GDP, with a minimum of 5% in North Macedonia and Algeria and peaks in Montenegro and Albania, where it contributes approximately 25% to GDP (Figure 4.13).

Data for 2023 show that the contribution to GDP is higher than pre-pandemic levels across almost all the UfM countries.

In several non-EU UfM economies, tourism contributes more to GDP than the EU average. This highlights the high importance of the tourism sector for the overall economic performance in these countries.

However, the ongoing conflict in the Middle East has impacted tourism flows in the countries of the MENA region – as evidenced by a significant decline in Lebanon, where tourism's contribution to GDP has dropped substantially, and in Israel, where data indicate a decrease compared to previous years.

UfM and the broader MENA region: The contribution of tourism to GDP in the GCC countries is in line with the EU level at around 10%, showing a stable trend during the reference period. In terms of contribution of tourism to employment, data show a stable trend among the UfM countries with limited variation across years. In several countries, this stability is likely to be related to informal workers in the tourism sector, who are not visible in statistics when employed and whose job losses are therefore not accounted for. Data from 2023 show comparable values to pre-pandemic level (Figure 4.14).

The share of people employed in the tourism sector is high in UfM countries, averaging around 15% across the region. The share is similar also in the GCC economies. Montenegro, where the share of people employed in the tourism sector is the highest, also experienced the largest decrease from 2019 to 2023, with the share dropping from 35% to below 25%.

Notably, the female share of employment in tourism industries remained relatively stable in 2019-2022 (Figure 4.15).

Recently, recognising the economic significance of the tourism sector, countries have placed greater focus on ensuring its long-term sustainability. In this regard, new frameworks have been introduced to enhance the assessment and monitoring of the sector, with particular emphasis on sustainability, resilience, and its wider socio-economic impacts (Box 4.6, Box 4.7, Box 4.8).

What policy action is needed?

- **Support sustainable tourism development:** To enhance tourism's contribution to GDP and employment while balancing trade-offs, countries should adopt forward-looking national strategies to develop sustainable tourism. This includes the diversification of tourism offerings, where possible, that emphasise local culture and nature, thereby attracting new visitors, reducing overdependence on traditional attractions, and ensuring a more equitable distribution of tourism's economic benefits.
- **Empower local businesses and SMEs and support adoption of sustainable practices:** Countries should provide targeted incentives, such as training and financial support, to strengthen the capacity of small businesses in the tourism sector, with a focus on enterprises led by women and minority or vulnerable groups; this can help boost employment, ensure tourism revenues benefit local communities, and foster inclusive economic development. Countries should also implement initiatives that help local businesses and SMEs adopt more sustainable practices, e.g. investment schemes for businesses to reduce electricity and water consumption and waste production.

Definitions

The United Nations World Tourism Organization (UN Tourism) collects data on the contribution of tourism to GDP and employment using countries' Tourism Satellite Accounts (TSAs). Not all UfM countries have adopted the TSA framework, a joint initiative established by UN Tourism, OECD, the United Nations Statistics Division (UNSD), and Eurostat.

Tourism direct GDP provides a measure of the economic contribution of tourism as a percentage of total GDP. It includes all forms of tourism: inbound tourism, domestic tourism and outbound tourism.

Tourism share of employment tracks the percentage of a country's labour force contributing to the tourism sector. This includes activities such as accommodation services, food and beverage services, transportation, travel agencies and reservation services, and other accommodation and tourism activities.

UNWTO (2023), Methodological Notes to the Tourism Statistics Database, https://doi.org/10.18111/9789284424160; and Travel & Tourism Economic Impact Research (EIR) Reports | WTTC Research Hub

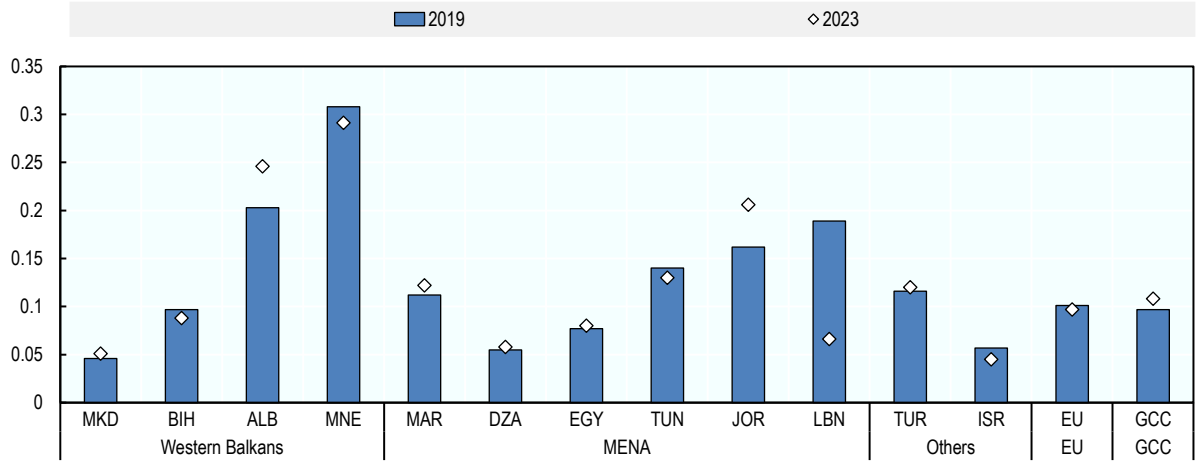
Further reading

Eurostat (n.d.), Annual Data for Employment by Sex and Age for Selected Tourism Economies (EU 27 and Euro Area 20), Eurostat Database, European Commission, Luxembourg, https://ec.europa.eu/eurostat/cache/metadata/EN/employ_esms.htm.

Eurostat, https://ec.europa.eu/eurostat/cache/metadata/EN/employ_esms.htm

Figure 4.13. Tourism total share of GDP, selected UfM economies and GCC, 2019 and 2023

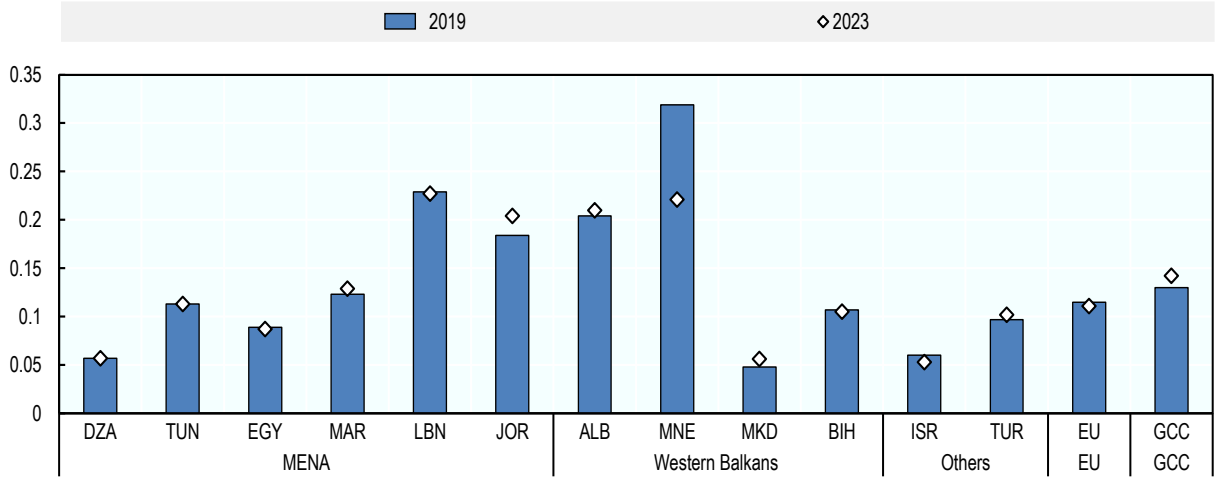
Tourism sector as a percentage of GDP



Note: For the Palestinian Authority data are missing. The WTTC includes not only the direct impacts but also the indirect and induced impacts when calculating contributions to GDP. This methodology typically results in higher figures compared to those derived from the dataset developed by UNWTO (see Box 4.5).
Source: WTTC

Figure 4.14. Tourism total share of employment, selected UfM economies and GCC, 2019 and 2023

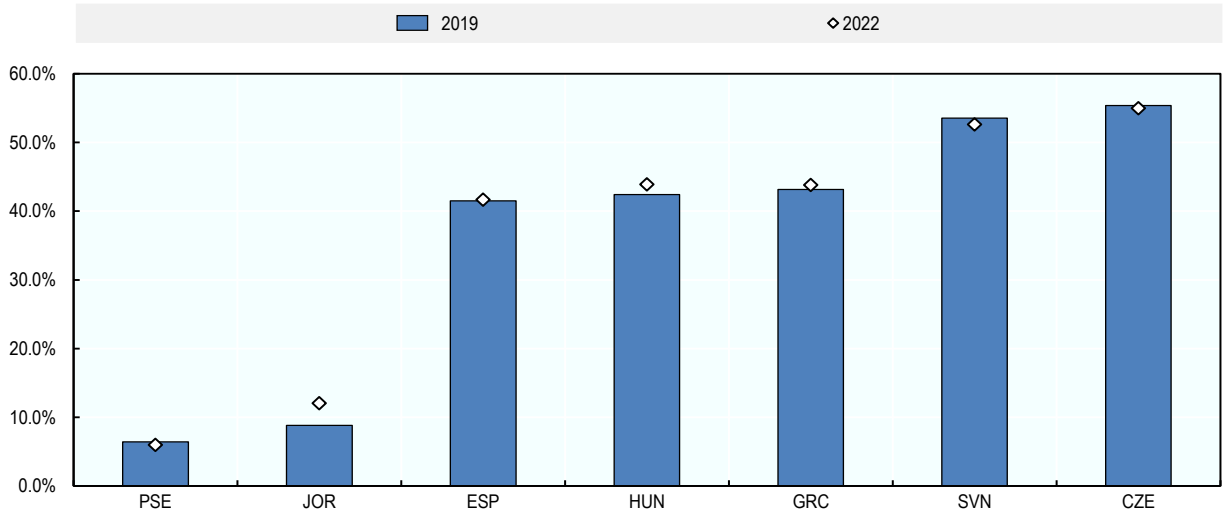
Employment in tourism sector as a share of total employment



Note: For the Palestinian Authority data are missing. The data provided by the WTTC includes not only the direct impacts but also the indirect and induced impacts when calculating contributions to employment. This methodology results in higher figures compared to those derived from the dataset developed by UNWTO (see Box 4.5).
Source: WTTC

Figure 4.15. Female employment in tourism industries, selected UfM economies, 2019 and 2022

Share of female employment in full-time equivalent jobs



Note: For Czechia, Hungary, and the Palestinian Authority, 2022 data refer to 2021. Number of full-time equivalent jobs by status in tourism industries refers to the total number of work hours contributed by employees, normalised to a standard full-time workload.
Source: UNWTO and ILO.

Box 4.5. Measuring the economic impact of tourism

Tourism represents an important economic sector in the UfM countries in terms of both GDP and employment. However, measuring the contribution of tourism to the economy is challenging. UN Tourism (UNWTO) and the World Travel & Tourism Council (WTTC) maintain databases that provide valuable insights into tourism's economic impact on GDP and employment, but their respective methodology and analytical scope differ significantly, leading to variations in the reported figures by the two organisations.

UN Tourism collects data on tourism's direct impact on GDP and employment through the Tourism Satellite Account (TSA) framework. The data represent the immediate economic effects of international visitor expenditure (for GDP) and the direct jobs within the tourism industry (for employment) without factoring in broader economic linkages through indirect and induced effects. In contrast, WTTC seeks to supplement existing official data on travel and tourism with estimates by also estimating the indirect and induced impacts of tourism, including the broader economic activity generated through the tourism supply chain and other sectors indirectly linked to tourism. The wider scope results in higher percentages compared to data from UN Tourism on direct effects, and as such data is not compatible (see table below).

Table 4.4. Comparing data on tourism

Countries	Tourism as per cent of the GDP, 2019		Tourism employment as per cent of the total, 2019	
	WTTC	UNWTO	WTTC	UNWTO
Algeria	5.5%	1.8%	20.4%	9%
Albania	20.3%	3.8%	6%	4.3%
Israel	5.7%	2.58%	18.4%	2.7%
Tunisia	14%	4.49%	9.7%	8.7%

Note: UNWTO and WTTC base their definitions on the *International Recommendations for Tourism Statistics 2008 (UN)*, which serves as a common reference for their respective methodologies.

Box 4.6. New frameworks for assessing sustainability of tourism

Recent policy developments have emphasised not only the economic ramifications but also the sustainability of the tourism sector. New frameworks have been developed to assess and monitor various aspects of the tourism sector, with a focus on sustainability, resilience, and socio-economic impact. The *OECD Tourism Trends and Policies 2024* publication provides examples of international initiatives focused on indicator frameworks:

- *European Tourism Indicators System (ETIS)*: This voluntary tool includes 43 core indicators supplemented by additional metrics. It aims to assess the sustainability of European tourism destinations (EC, 2016).
- The *EU Tourism Dashboard,* introduced in response to the pandemic, comprises 19 indicators and 13 descriptors. These elements aim to support and monitor the green and digital transitions as well as the socio-economic resilience of the tourism sector. The framework leverages data available across EU member states as its foundation (European Commission, 2023).
- *UN Tourism Indicator Proposal*: As part of the work on the Statistical Framework for Measuring the Sustainability of Tourism (SF-MST), UN Tourism proposed an initial set of 30 indicators during the 4th Expert Group Meeting in September 2023 (UN Tourism, 2023).
- *World Economic Forum Travel and Tourism Development Index*: The Index prioritises resilience and sustainable development over competitiveness. A dedicated pillar, Travel and Tourism Sustainability, encompasses 24 indicators across environmental, socio-economic, and demand sustainability themes (WEF, 2024).
- *World Travel and Tourism Council Global Footprint Dashboard*: This tool evaluates the economic, social, and environmental impacts of the tourism sector across 11 core measures and 7 Sustainable Development Goals (SDGs) relevant to tourism. It facilitates benchmarking across countries and regions, while also offering historical data to track progress over time (WTTC, 2024).

Box 4.7. Greening the tourism sector in the Mediterranean

Prior to the Covid-19 pandemic, tourism in the Mediterranean was experiencing rapid growth, contributing to overtourism in key destination cities, beaches, and historical sites. The increase in tourist arrivals placed pressures on these areas, leading to overcrowding, environmental degradation, and strain on local resources.

The gradual recovery of tourism following the pandemic has intensified these concerns. Issues such as water scarcity, coastal erosion, and rising sea levels have become more significant, posing challenges to traditional tourism activities. Furthermore, the development of dense coastal tourism infrastructure has contributed to waste pollution and the degradation of the natural environment, which could diminish the region's competitiveness as a tourism destination.

In 2016, the Mediterranean Action Plan (UNEP/MAP) of the Barcelona Convention for the protection of the Mediterranean Sea, ratified by 22 Mediterranean countries, endorsed a Mediterranean Strategy for Sustainable Development (MSSD). This regional strategy integrates sustainable tourism as a strategic objective to be reached by 2025. However, the Barcelona Convention's limited mandate towards environmental issues has impeded significant progress with the sector. Furthermore, a proposal to develop a regional sustainable tourism framework has not yet been advanced, although the tourism sector is included in the Sustainable Consumption and Production Regional Action Plan (SCP RAP) due to be implemented by southern Mediterranean countries by 2026.

Since the Covid-19 pandemic, the Mediterranean region has witnessed a strong recovery in international travel, presenting an opportunity to reshape the tourism sector in line with the objectives of the green transition. To ensure that the region's tourism sector continues to support economic growth and development, particularly in the Southern Mediterranean region, countries can explore tourism strategies that prioritise long-term environmental sustainability with a high-quality traveller experience. This could include integrating renewable energy into tourism activities, such as transportation and diversifying tourism offerings to include alternatives like ecotourism, cultural tourism, rural tourism, off-season tourism.

These strategies can help alleviate the pressures of seasonality and reduce environmental stress on coastal areas, helping to enhance the sector's viability and competitiveness in the future.

In February 2021, the UfM Member States adopted the Ministerial Declaration on Sustainable Blue Economy, which defined ten areas for cooperation, including coastal and maritime tourism.

Financing sustainable tourism in Egypt

In November 2024, the International Finance Corporation (IFC) and Orascom Development Egypt (ODE) announced a partnership to enhance sustainability in Egypt's tourism sector through a $155 million Sustainability Linked Loan (SLL). The initiative focuses on improving energy and water efficiency and reducing greenhouse gas emissions across hotels in El Gouna. The project aims to cut non-renewable energy consumption by up to 50% and reduce water use by at least 20%, in line with Sustainable Development Goal (SDG) target 12.2 on resource efficiency.

Additionally, the SLL will support hotel renovations and help refinance existing debt, contributing to Egypt's broader economic and climate goals. The partnership also aims to generate over 1.5 million new jobs in the tourism sector over the next decade. Overall, efforts to green the tourism sector will not only help reduce CO2 emissions and protect the local environment but also lower the industry's operating costs, enhancing Egypt's economic competitiveness and fostering long-term sustainable growth in the sector.

Sources: The Future of Mediterranean Tourism in a (Post) Covid World. Back to Mass Tourism or Leapfrog towards Sustainability? : IEMed ; Resource Efficiency in Tourism; IFC and Orascom Development Partner to Boost Green Tourism in Egypt; Tourism - SwitchMed

Sustainable tourism initiatives in Portugal

In response to tourism growth and overcrowding of popular destinations, the Portuguese government developed a *Sustainable Tourism Plan 2020-23*. As part of the plan, Turismo de Portugal established two initiatives to support private sector adoption of sustainable tourism strategies:

- Launched in 2021, the 360 Tourism Enterprises Programme aims to accelerate tourism businesses' integration of Environmental, Social, and Governance (ESG) criteria into their operations. The programme provides technical assistance including ESG-focused training on management and reporting, access to diverse financing options, sector-specific ESG performance indicators and monitoring instruments to track progress.
- The Upgrade Programme targets employees of MSMEs with specialised training courses focused on digitalisation and sustainability. The programme also includes a monitoring component for offering personalised support to micro and small businesses as well as individual entrepreneurs, providing guidance for implementing digital transformation and sustainability projects.

Together, these initiatives seek to advance sustainable tourism growth across the Mediterranean by providing technical resources and skills-training opportunities that equip business to meeting evolving market demands.

Additionally, Portugal's *Tourism Strategy 2027* sets eight strategic goals for sustainable tourism development across three pillars: economic, social, and environmental. To measure progress, Turismo de Portugal developed 43 indicators, around these three dimensions of sustainability and 11 thematic areas (see table below). Data are currently available for 37 of the 43 indicators.

Economic	Social	Environmental
Seasonality	Accessibility	Environmental management
Economic Benefits	Pressure	Energy management
Employment	Tourist satisfaction	Water management
	Local satisfaction	Solid waste management

Sources: 360º Tourism Companies Programme, Upgrade - Tourism Schools of Portugal, O.N.E - Strengthening the evidence base for a sustainable tourism future in Malta

Box 4.8. Green and digital transitions for island tourism: Astypalea Smart and Sustainable Island

To accelerate the green transition and build the resiliency of island communities, the European Union has selected 30 islands and island groups from ten European countries to participate in the *30 Renewable Islands for 2030* initiative. The programme, running from 2023-2026, aims to provide technical support to 30 islands and island groups to advance efforts towards energy independence and 100% renewable energy sources by 2030.

On the Greek island of Asytpalea, one of the selected EU islands, the municipality, the Greek government and Volkswagen Group are collaborating to achieve full electrification of the island's transport system and 100% decarbonisation by 2050. As of 2022, only 8% of the island's energy demand was covered by renewable energy (primarily solar), with the majority of demand supplied by diesel units. As part of the *30 for 2030* initiative, PPCR, the renewable subsidiary of the Greek Public Power Corporation (PPC), was awarded the installation of a hybrid renewable-energy station in 2023. The project will be completed in two phases. In the first phase, a solar panel station of 3.5 MW combined with 10 MWh batteries will cover 61,2% of the island's power demand. Other activities planned under the project include the development of a microgrid in the Maltezana settlement, the second most populated area on the island; and a "smart" marina, with 20 kW of photovoltaics and batteries and electrification of tourist boats.

This green transformation is part of a broader strategy to position the island as a model for integrating renewable energy and sustainable practices into both local life and tourism. By transitioning to renewable energy and electric transport, the island not only reduces its carbon footprint but also sets an example for other Mediterranean islands and coastal destinations looking to balance tourism sector and environmental stewardship.

Source: PPC Renewables - Home; The Journey Begins 30 Renewable Islands for 2030 - Ready, Set, 30! | Clean energy for EU islands; Astypalea | Clean energy for EU islands

M5. Visa requirements for tourism and business

Why this indicator?

Visa policies are an important factor that can both facilitate and hamper the mobility of people across the Mediterranean region. Designed to balance security needs with mobility for tourism and business, these policies can influence the choice of tourism destinations (and business hubs), the duration of stay, and the contribution of travel to GDP, among other factors.

Key findings

Between EU and non-EU UfM countries, considerable variation exists in the types of visas countries require. For non-EU nationals seeking to travel to EU countries for tourism and other non-migration purposes, only Albania, Bosnia and Herzegovina, Israel, and Montenegro have partial or full access to EU countries without any visa needs (Table 4.5).

For EU-citizens seeking to travel to non-EU countries, EU passport holders can either travel visa-free or obtain a visa upon arrival, with the exception of Algeria (Table 4.6).

- Algeria remains the only country requiring EU citizens to obtain a visa before arrival.
- In Egypt, Jordan, Lebanon, and Mauritania, EU citizens can obtain a visa upon arrival (VOA).

For intra-subregion travel, visa policies vary across UfM sub-regions. Within the EU and Western Balkans, citizens enjoy visa-free travel; however, across the Southern Mediterranean subregion, barriers remain to intra-regional mobility. Despite this, multiple developments with respect to visa requirements have occurred between Southern Mediterranean countries in recent years (Table 4.7):

- The use of e-visas has been implemented for Algerian, Egyptian, and Palestinian nationals travelling to Türkiye.
- Turkish travellers are now permitted to obtain a visa upon arrival in Egypt.
- For Lebanese nationals, a visa is now required for travel to Tunisia.
- Moroccan and Algerian nationals do not need a visa to travel to the other country; however, the airspace between the two countries is closed.

These developments demonstrate mixed results for the easing of visa requirements, as some countries have sought to ease visa processes through e-visa and VOA policies, whereas other countries have introduced new visa requirements.

Between the Western Balkans and Southern Mediterranean countries, visa policies vary, with unilateral openness enjoyed by some countries. For Southern Mediterranean citizens seeking to travel to the Western Balkans (Table 4.8):

- Israel and Türkiye enjoy visa-free access to the Western Balkans.
- For MENA countries, visas are required for travel to the Western Balkans.
- Albania is the only Western Balkan country offering the use of pre-arrival e-visas to MENA countries, with the exception of Algeria.

For Western Balkans citizens travelling to the Southern Mediterranean (Table 4.9):

- Algeria and Morocco visas are required for all Western Balkans citizens.
- Albanian and Bosnia and Herzegovina citizens enjoy visa-free or VOA access to some Southern Mediterranean countries.
- Montenegrin and Macedonian citizens enjoy visa-free or VOA access to Southern Mediterranean countries, apart from Algeria and Morocco.

UfM and the broader MENA region. Visa requirements for GCC citizens traveling to UfM countries vary significantly. For the EU member states, only the United Arab Emirates (UAE) benefits from a full visa-free policy, while citizens of the other GCC countries generally need to obtain a visa prior to entry. Within the MENA region, Egypt, Jordan, Lebanon, Morocco, Tunisia, and Turkey grant visa-free access to most GCC citizens. In the Western Balkans, only citizens of Kuwait and the UAE enjoy

visa-free access. Notably, the UAE stands out as the only GCC country with visa-free access to nearly all UfM countries included in the analysis, with the exception of Mauritania.

In terms of visa policies for UfM citizens traveling to GCC countries, EU nationals enjoy visa-free access to the UAE and Oman, while for the remaining GCC countries, a visa on arrival or an e-visa is typically required. For most countries in the MENA region, the GCC requires travellers to obtain an e-visa prior to entry.

What policy action is needed?

- **Ease requirements for intra-regional travel:** Although progress has been made in facilitating visa-free travel between EU and Western Balkan countries, there remains considerable scope for easing visa requirements between the EU and Southern Mediterranean countries and between the Western Balkans and Southern Mediterranean countries. Countries should consider introducing targeted visa exemptions for specific low-risk traveller markets to streamline travel mobility and attract more visitors. This approach would be particularly beneficial for tourism industries in the Southern Mediterranean and Western Balkans, boosting regional tourism and cultural exchange.
- **Improve communication on visa policies:** Countries should develop centralised, multilingual online platforms that provide detailed information on visa policies, entry requirements, and travel updates, making it easier for potential travellers to access accurate and up to date information.
- **Streamline visa application procedures:** UfM countries that require visas for security reasons should consider implementing electronic travel authorizations (eTAs) or e-visas to simplify and expedite application processes. To ensure online applications platforms are accessible, governments should invest in enhancing broadband connectivity and digital infrastructure, especially in the Southern Mediterranean and Western Balkans, ensuring that all travellers can access online services.
- **Strengthen data collection and sharing:** Improved data collection on tourism and business travel remains crucial for measuring the scope and impact of these activities on UfM economies.
- **Optimise the use of digital technology** in visa processes to enhance accessibility and efficiency.

Definitions

A *visa policy* refers to a set of rules and regulations implemented by a country to control the entry of foreign nationals into its territory. The information on visas presented in this report is based on the *Henley Passport Index*. The Index assumes that the passport holder is an adult citizen travelling alone and seeking a short stay (between three days and several months) rather than a transit stay, and that entry to the destination is for tourist or business purposes.

The database collects information on whether: i) no visa is required; ii) travellers can obtain a VOA, a visitor's permit, or an eTA when entering the destination; iii) travellers need a traditional visa, government-approved e-visa, or government approval for a VOA prior to departure.

An *e-visa* is a digital version of a traditional visa applied for through an online application. An *electronic travel authorization* (eTA) is a digital travel permit for tourism or business purposes that often involves a simpler application process than traditional and e-visas and is typically used for short-term visits. A visitor permit, or visitor visa, is often required for stays exceeding 90 days and can be used for tourism, study, or business purposes.

Source: https://www.henleyglobal.com/passport-index.

Further reading

OSCE (2021), *Gender Responsive Short-term Visa Policies, Poland*, https://www.osce.org/odihr/496321

World Tourism Organization (2024), *Tourism Visa Openness Report 2023*, UNWTO, Madrid, https://doi.org/10.18111/9789284425044.

Table 4.5. Visa requirements for non-EU citizens of the UfM travelling to EU countries

As of April 2024

Country of destination \ Country of origin	ALB	DZA	BIH	EGY	ISR	JOR	LBN	MRT	MNE	MAR	MKD	PSE	TUN	TUR
AUT														
BEL														
BGR														
HRV														
CYP														
CZE														
DNK														
EST														
FIN														
FRA														
DEU														
GRC														
HUN														
IRL														
ITA														
LVA														
LTU														
LUX														
MLT														
NLD														
POL														
PRT														
ROU														
SVK														
SVN														
ESP														
SWE														

Note: Green cells indicate visa-free access. Light red cells indicate that incoming citizens require a visa prior to entering the country.
Source: Henley & Partners 2024, *Henley Passport Index*, https://www.henleyglobal.com/passport-index.

Table 4.6. Visa requirements for EU citizens travelling to non-EU countries of the UfM

As of April 2024

Country of destination \ Country of origin	AUT	BEL	BGR	HRV	CYP	CZE	DNK	EST	FIN	FRA	DEU	GRC	HUN	IRL	ITA	LVA	LTU	LUX	MLT	NLD	POL	PRT	ROU	SVK	SVN	ESP	SWE
ALB																											
DZA																											
BIH																											
EGY																											
ISR																											
JOR																											
LBN																											
MRT																											
MNE																											
MOR																											
MKD																											
PSE																											
TUN																											
TUR																											

Note: Green cells indicate visa-free access. Yellow cells indicate a visa-on-arrival policy. Light red cells indicate that incoming citizens require a prior visa to enter the country.
Source: Henley & Partners 2024, Henley Passport Index, https://www.henleyglobal.com/passport-index.

Table 4.7. Visa requirements between Southern Mediterranean countries

As of April 2024

Country of destination \ Country of origin	DZA	EGY	JOR	ISR	LBN	MRT	MAR	PSE	TUN	TUR
DZA										
EGY										
JOR										
ISR										
LBN										
MRT										
MAR										
PSE										
TUN										
TUR	e-visa	e-visa						e-visa		

Note: Green cells indicate visa-free access. Yellow cells: visa-on-arrival policy. Light red cells: incoming citizens require a visa prior to entering the country. Light red cells with "e-visa": incoming citizens can apply for an e-visa prior to departure.
Source: Henley & Partners 2024, *Henley Passport Index*, https://www.henleyglobal.com/passport-index.

Table 4.8. Visa requirements for Southern Mediterranean citizens traveling to Western Balkans

As of April 2024

Country of destination	Country of origin: DZA	EGY	JOR	ISR	LBN	MRT	MAR	PSE	TUN	TUR
ALB		e-visa	e-visa		e-visa	e-visa	e-visa	e-visa	e-visa	
BIH										
MKD										
MNE										

Note: Green cells indicate visa-free access. Light red cells: incoming citizens require a visa prior to entering the country. Light red cells with "e-visa": incoming citizens can apply for an e-visa prior to departure.
Source: Henley & Partners 2024, *Henley Passport Index*, https://www.henleyglobal.com/passport-index.

Table 4.9. Visa requirements for Western Balkans citizens traveling to Southern Mediterranean

As of April 2024

Country of destination	Country of origin: ALB	BIH	MKD	MNE
DZA				
EGY				
JOR				
ISR				
LBN				
MRT				
MAR				
PSE				
TUN				
TUR				

Note: Green cells indicate visa-free access. Yellow cells: visa-on-arrival policy. Light red cells: incoming citizens require a visa prior to entering the country.
Source: Henley & Partners 2024, *Henley Passport Index*, https://www.henleyglobal.com/passport-index.

Table 4.10. Visa requirements GCC countries citizens traveling to UfM countries

As of May 2025

Country of destination	Country of origin: BHR	KWT	OMN	QAT	SAU	UAE
EU						
DZA						
EGY						
JOR						
ISR						
LBN						
MRT						
MAR						
PSE						
TUN						
TUR						
ALB						
BGR						
MNE						
MKD						

Note: Green cells indicate visa-free access. Light red cells indicate that incoming citizens require a visa prior to entering the country.
Source: Henley & Partners 2024, *Henley Passport Index*, https://www.henleyglobal.com/passport-index

Table 4.11. Visa requirements for UfM countries citizens traveling to GCC countries

As of May 2025

Country of destination	Country of origin: EU	DZA	EGY	JOR	ISR	LBN	MRT	MAR	PSE	TUN	TUR	ALB	BGR	MNE	MKD
BHN		e-visa	e-visa	e-visa	e-visa	e-visa	e-visa	e-visa	e-visa	e-visa			e-visa	e-visa	e-visa
KWT															
OMN		e-visa	e-visa	e-visa			e-visa	e-visa	e-visa	e-visa		e-visa			
QAT		e-visa	e-visa	e-visa	e-visa		e-visa	e-visa	e-visa	e-visa		e-visa			
SAU															
UAE		e-visa	e-visa	e-visa		e-visa	e-visa	e-visa	e-visa	e-visa	e-visa				e-visa

Note: Green cells indicate visa-free access. Light red cells indicate that incoming citizens require a visa prior to entering the country. Yellow cells indicate Visa at the arrival policy.
Source: Henley & Partners 2024, *Henley Passport Index*, https://www.henleyglobal.com/passport-index

Box 4.9. Student mobility in the Mediterranean

Student mobility within the Mediterranean region is governed by distinct visa policies that differ from requirements for tourism and business travel.

In the EU, students from other EU countries who are pursuing an education qualification abroad benefit from visa-free travel. However, they may be required to register their residence with local authorities after three months. For students from non-EU countries, including those from the Southern Mediterranean and Western Balkan regions, a long-stay visa is required – with the exception of Iceland, Norway, Switzerland, and Liechtenstein. To obtain a long stay-visa, non-EU students are typically required to submit proof of admission, sufficient funds, health insurance, and accommodation.

Outside of the EU, intra-regional mobility is less streamlined. In the Western Balkans, countries such as Albania, Montenegro and Bosnia and Herzegovina require student visas for non-nationals. In the MENA region, a long-term visa is mandated for all international students. Lastly, for Türkiye and Israel, student visas are required for all international students.

This variation in student visa requirements, especially the more stringent criteria for non-EU students, underscores the diverse regulatory frameworks governing student mobility across the region. These policies, along with the financial costs and processing time for visa applications, can impact student's ability to access education opportunities and move between countries.

Note: Student mobility under the Erasmus+ framework is explored in Chapter 5.
Sources: Travel & Study | EEAS; https://www.campusfrance.org/en/the-different-types-of-visas#:~:text=stay%20student%20visa-,If%20you%20are%20not%20a%20national%20of%20a%20European%20Economic,for%20more%20than%203%20months.
Eligible countries - Erasmus+

Box 4.10. Visa openness and reciprocity trends

Visa openness policies facilitate the mobility of people for tourism purposes to support the growth of the tourism sector. Designed to balance security needs with openness, these policies can influence travellers' choice of tourism destinations and duration of stay and, in turn, impact the contribution of tourism to GDP, among other factors.

Significantly, emerging economies are driving trends towards increasing visa openness globally. Within the UfM, Southern Mediterranean and Western Balkan countries are playing a vital role in driving tourism visa openness, although openness varies among these countries.

UN Tourism reports that levels of reciprocity in visa policies have declined over the past 10 years. Furthermore, current trends in unilateral visa openness demonstrate that reciprocal policies may not be necessary or beneficial in all cases.

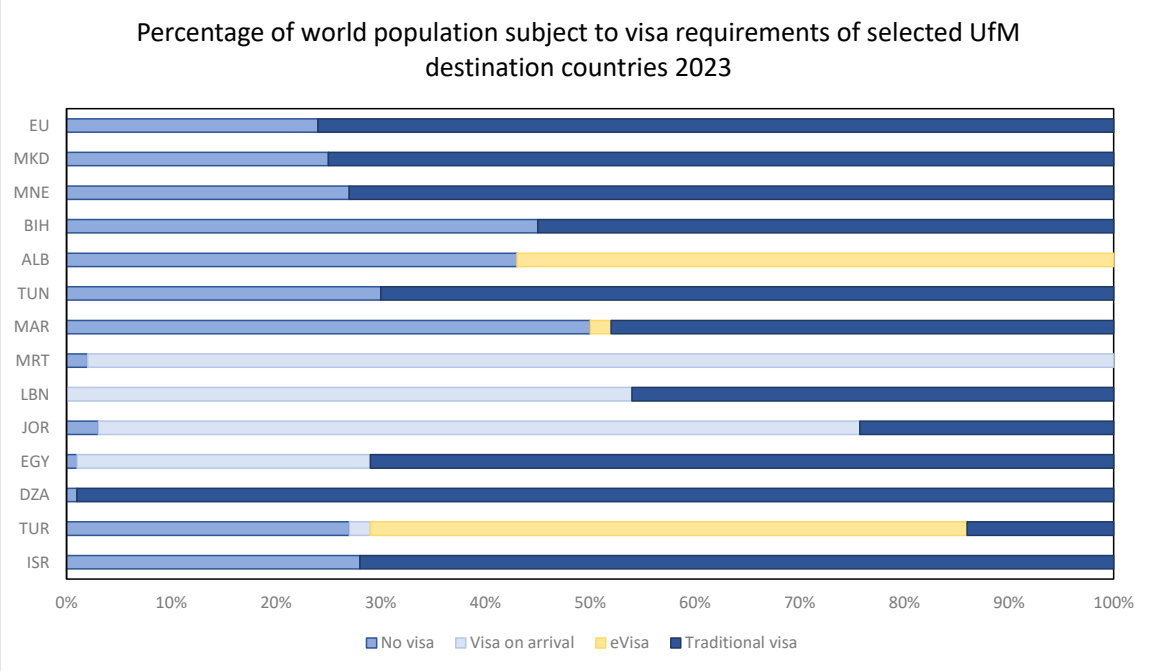
In 2023, 42% of visa policies were reciprocal compared to 71% in 2008, 54% in 2013, and 51% in 2015. The proportion of reciprocally closed policies, where both countries require traditional visas, fell from 57% to 17% between 2008 and 2023.

Between emerging and advanced economies globally, emerging economies have unilaterally removed visa requirements in 17% of country pairs, while advanced economy counterparts continue to require a traditional visa.

These figures reveal a trend towards unilateral visa openness and an inclination for destination countries to facilitate entry for international visitors without reciprocal policies.

Figure 4.16. World population subject to visa requirements of MENA countries

Percentage, 2023



Source: UNWTO Tourism Visa Openness Report 2023.

Box 4.11. Digitalisation and electronic travel authorisation

Within the UfM, the use of e-visas remains limited to Southern Mediterranean and Western Balkan destination countries, including Albania, Morocco, and Türkiye. However, the EU will implement a new electronic travel authorisation system, the European Travel Information and Authorisation System (ETIAS), in late 2026.

The ETIAS will require short-term travellers from over 60 formerly visa-exempt countries to obtain digital authorisation or be denied entry at the Schengen Zone border. Among non-EU UfM countries, Albania, Bosnia and Herzegovina, and Montenegro will be required to obtain an ETIAS prior to departure. The objective of ETIAs is to identify potential security threats and risks posed by travellers from visa-exempt countries; it is not yet clear how this could impact tourism to the EU. Notably, nationals required to have visas to travel to any of the 30 European ETIAS countries are ineligible for an ETIAS travel authorisation and must follow pre-existing visa application processes.

The EU will also implement a new Entry/Exit System (EES) that will help enhance ETIAS efficiency and provide reliable data on short-term (up to 90 days within any 180-day period) travel inflows and outflows. This system is expected to start in October 2025 and will record the identity information, type of travel document, biometric data, and date and place of entry/exit of third-country nationals, in full respect of fundamental rights and data protection. All EU countries, with the exception of Cyprus and Ireland, will require EES biometrics at the border.

Sources: ETIAS - European Union (europa.eu); Entry-Exit System - European Commission (europa.eu)

Box 4.12. Restrictions to the mobility of persons and trade in services

Efforts to ease barriers to services trade can yield significant benefits by reducing trade costs for firms that provide services and enhancing productivity in manufacturing. Although cross-border movement of people does not account for a large share of services trade, it is nonetheless essential - especially for trade in business services, an important channel for knowledge transfer.

The OECD Services Trade Restrictiveness Index (STRI) provides a measure of the restrictiveness of an economy's regulatory and policy framework with respect to trade in services. Five types of policy measures are considered in the Index: restrictions on foreign entry; *restrictions to movement of people*; barriers to competition; regulatory transparency; and other discriminatory measures.

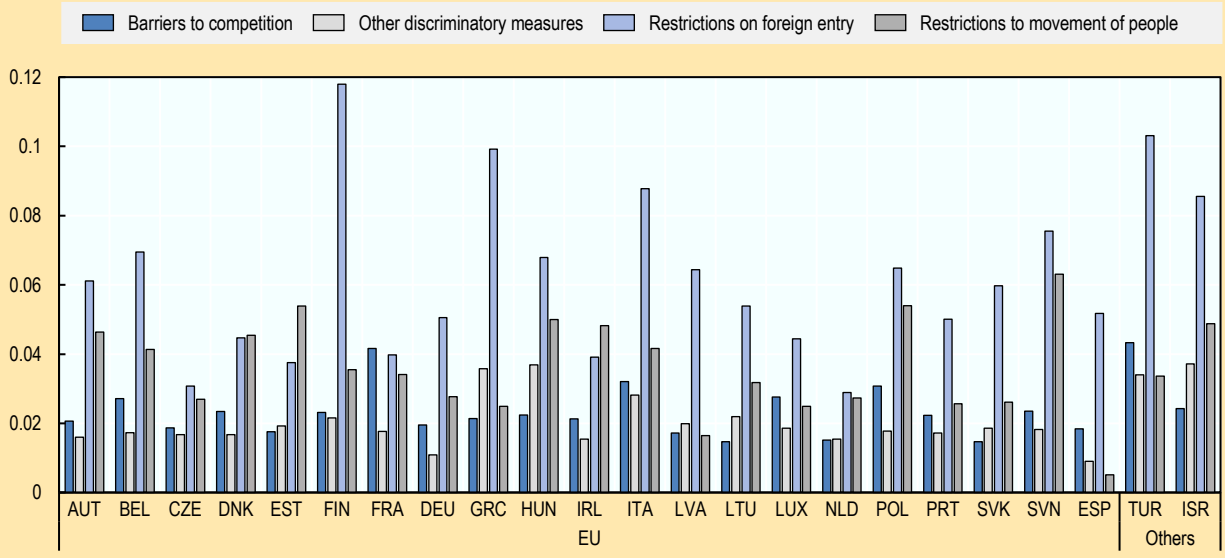
Restrictions on the movement of people, including foreign service providers (e.g. professionals like consultants or engineers), remain the second-higher barrier to trade in services, after restrictions on foreign entry. Liberalisation in 2023 included policies affecting trade in services, such as lifting of remaining travel restrictions after the COVID-19 pandemic.

The most restrictive sectors are air transport, legal services, and accounting and auditing services. Among these sectors, service trade restrictions affecting the mobility of people can involve labour market tests, limitations on duration of stay for contractual services suppliers, restrictions on acquiring land and real estate, and local presence required for cross-border supply. For legal services and accounting and auditing services, requirements such as taking local examinations or obtaining a licence or authorisation to practice can impede trade in services.

By contrast, physical infrastructure services - especially architecture, construction, and engineering - have benefitted from liberalisation.

Figure 4.17. STRI in Fumi OECD members, 2023

From 0 (open) to 1 (close)



Note: The OECD Services Trade Restrictiveness Index (STRI) provides annually comparable information on regulations affecting trade in services across 50 countries and 22 sectors from 2014 to 2023; https://www.oecd.org/en/topics/services-trade-restrictiveness-index.html
See also: Benz et al. (2023), Right here, right now? New evidence on the economic effects of services trade reform, OECD Trade Policy Paper, April, n°271, https://doi.org/10.1787/1159657f-en.
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5 Research and Higher Education

The first part of this chapter presents the overall analysis of progress in collaboration for research and higher education since the 2021 Progress Report and introduces the policy recommendations. The second part presents the indicators that support the analysis and recommendations:

- R1. Government expenditure on tertiary education as a share of GDP
- R2. Gross expenditure on R&D as a share of GDP
- R3. Gross expenditure on R&D from abroad
- R4. Researchers and academic personnel
- R5. Co-publication
- R6. Co-patenting
- R7. Tertiary-level student mobility
- R8. Funding and participation in the Erasmus+ Programme
- R9. Learners and staff mobility supported by the Erasmus+ Programme
- R10. EU researcher mobility programmes
- R11. Funding and participation in Horizon programmes

Regional integration in higher education and research as a developmental strategy

Regional integration in higher education, research and innovation continues to play a pivotal role in fostering economic development, and mutual understanding across the Euro-Mediterranean region. This chapter of *Regional Integration in the Union for the Mediterranean 2025* examines the state of integration in the region's research and higher education systems, building upon the analysis presented in the inaugural report in 2021 to provide an updated and expanded analysis of regional integration efforts. It assesses the current research and higher education landscape, identifying key trends, persistent challenges, and emerging opportunities for co-operation and regional integration. A selected set of indicators have been chosen to monitor three key dimensions of integration in research and higher education:

- **National and International Resources**, captured by public, private and foreign expenditure on higher education and research, as well as investment in the research and academic workforce.
- **International Collaboration,** as expressed by the number of research, education and other projects, their results captured by data on co-publications and co-patenting.
- **International Mobility**, as reflected in student degree mobility as well as short-term learning, teaching and research mobilities.

Taken together, these indicators provide a picture of the capacity of UfM countries to pursue regional and international collaboration and exchange in higher education and research and offer a basis for discussion of policy options and considerations. That said, they are not a direct measure of regional integration and should be interpreted with caution. In some cases, data are not available for all UfM countries or may not be fully comparable due to variations in definitions and methodologies across countries.

What we have observed since the 2021 report

Higher education and research have historically always had a global dimension because they involve flows of people and knowledge between countries. The more recent internationalisation in higher education and research still has global elements, but it has been concentrated in and among actors in particular regions of the globe, such as the European Union, North America and Southeast Asia.

In recent years, initiatives promoting the integration of research and higher education in the UfM region have served to demonstrate the value of regional cooperation in tackling challenges common to countries in the Mediterranean – including those created by climate change, such as desertification and water management.

At the same time, since the COVID-19 pandemic crisis, new global tensions have emerged related to trade conflicts, security and technological competition (including export control of technology) that are making research cooperation and student mobility more challenging, including in the Euro-Mediterranean region.

In this context, the disparities of integration between UfM subregions and countries remain largely dependent on factors such as the structure and openness of education and research systems, subregional positioning, and differences in GDP per capita.

The European Union still exhibits one of the most integrated higher education and research areas in the world, with legal, financial and institutional mechanisms designed to facilitate European integration in research (European Research Area) and higher education (European Education Area) supported by funding programmes like Erasmus+ and Horizon Europe. Parallel to these efforts, EU countries (alongside with number of other states, including the Western Balkans and Türkiye) are pursuing a series of treaties, agreements, shared guidelines and structures that have developed the European Higher Education Area. The financial support for, and harmonisation of, policies in the areas of study structure, credit accumulation and transfer systems, recognition, and quality assurance have facilitated unprecedented levels of individual mobility and co-operation.

Despite these extensive efforts, however, the integration level of higher education and research and development is unequal, with unbalanced student and staff mobility patterns and uneven distribution of research funding inside Europe.

Meanwhile, higher education and research systems in the Middle East and North Africa (MENA) are integrated neither with Europe nor among themselves, and the mobility is primarily outwards.

Further work is needed to promote research and higher education links within the Euro-Mediterranean region, especially to strengthen South-North links and connections among Northern African and Middle East countries. This will require actions to a) mobilise sufficient human and financial resources, b) support collaboration between organisations and individuals and c) further facilitate mobility in study, teaching and research.

Financial and human resources for research and higher education in the UfM countries

There are significant differences in the levels of public and private expenditure for research and development (R&D) and higher education among UfM countries. The level of investment affects the state of infrastructure and personnel, which in turn impacts potential for co-operation and integration. The level of funding for higher education and research from foreign governments and international funding programmes (e.g., Erasmus+, Horizon Europe) varies, but is especially lacking in some Southern Mediterranean countries.

Despite slight increases in funding for higher education and research, regional differences persist. Trends over the last decade show that while some UfM countries have steadily increased their investment, others have not kept pace. Southern Mediterranean and Western Balkan countries in the UfM generally invest far less compared to the EU-27 average. This is also closely correlated to the ability of countries to attract private and foreign funding for R&D. EU countries benefit greatly from significant Erasmus+ and Horizon Europe funding that supports international research, joint projects and mobilities. The Western Balkans and Türkiye are better connected to the EU programmes and are increasingly benefiting from them, while there remain barriers to more significant participation from Southern Mediterranean countries. These trends confirm the need to boost public funding for research and higher education, as well as need to pursue policies to attract more private and foreign investment. The EU should also consider opening its flagship funding programmes to deeper participation by non-EU UfM countries, while being mindful of reducing administrative and regulatory hurdles to participation.

The level of financial investment is also reflected in R&D and academic workforce. There are significant differences in the number of researchers and academics relative to the overall student population. It will be crucial to invest into education of future researchers and academics, and to expand a highly qualified workforce. Gender disparity among R&D and academic personnel is evident, with males generally outnumbering females, especially with increasing seniority. This disparity suggests a need for policies to promote diverse and inclusive working conditions and career progression in research and academia.

More broadly, the region is facing unequal levels of development of research and higher education in terms of infrastructure, support structures and personnel. Further regional integration will require investment in national capabilities in higher education and researcher training as well as the development of national policy-making capacities, evidence collection, and various public agencies.

International co-operation of researchers and higher education institutions

While the Western Balkans and Türkiye are increasingly integrated with the EU in research and higher education, the participation of organisations from Southern Mediterranean countries is lacking. The participation of research organisations and higher education institutions in Erasmus+ and Horizon Europe varies. These programmes are primarily oriented towards European integration and more explicitly engaging Western Balkans as EU candidate states. Under both programmes, instruments like the Partnership for Research and Innovation in the Mediterranean Area (PRIMA) in Horizon Europe and third country participation in Erasmus+ remain relatively limited and result in unbalanced partnerships and mobilities. Greater effort should be considered to promote co-operation among Southern partners and balanced partnerships with EU countries.

Although the level of co-patenting and co-publication in UfM is relatively strong, there are significant gaps between EU members and other countries. Progress has been slow. Strengthening research infrastructure and investing in the

research workforce could help to improve conditions for international collaboration. Some use of mobilities as well as institutional partnerships could help researchers to expand their international networks and facilitate future collaborations.

Research organisation, higher education institutions and individuals in them require capacity building to implement co-operation projects and to be internationally competitive. Even within the EU, there is a great variability in the institutional capacities across and within higher education and research systems. Many institutions would benefit from capacity-building initiatives designed to enhance internal capabilities for international outreach, facilitate applications for larger international projects, and build administrative capacity to manage and sustain ongoing international engagement. Capacity-building projects should have an ambition to develop more mutual partnerships rather than promoting dependency over time.

Study, teaching and research mobilities

The number of UfM students pursuing studies in another UfM country and elsewhere is growing. More countries are also emerging as major study destinations, with rapid growth in inbound mobility to Türkiye, Germany and the Netherlands. However, individual mobility flows have remained mostly asymmetrical. South-North student mobility dominates among UfM countries, with the largest flows going towards Western Europe (France, the United Kingdom, Netherlands, Germany), whereas South-South mobility flows (between countries of the Southern Mediterranean) remain modest. While no longer a member state of the UfM, the United Kingdom remains the most frequent destination for students from the UfM countries.

UfM participation in Erasmus+ is increasing individual mobility, but with regional variance and imbalances. The share of Erasmus+ individual mobilities – in other words, learners and staff – involving higher-education institutions from non-EU UfM countries taken together has slightly increased in recent years. The increase was due mainly to larger participation of students and staff from Western Balkans and strong participation from Türkiye. Within the Erasmus+ mobility scheme, asymmetricity in mobility flows results partially from restrictions placed on outbound mobility of short-cycle, bachelor's and master's-level students towards institutions in countries not associated with the programme. In the context of the UfM, this concerns all countries in the Southern Mediterranean.

There have been some advancements towards greater female participation, in Erasmus+, and female learners and staff are sometimes even the majority. However, gender gaps remain, particularly in North African countries.

UfM and the broader MENA region. In the broader MENA region, the GCC countries stand out as economies based on natural resources whose governments have realised the importance of knowledge and technology in diversifying their economies. In this context, the indicators in this chapters highlight the expansion of existing networks and platforms for cooperation in research and mobility of students between GCC and UfM countries. In addition, international scientific co-publishing in fields related to the digital and green transitions has increased in both UfM and GCC countries.

Regarding international co-patenting, data show stagnation, due in part to industrial structure and legacy industries and weak capacity in GCC to commercialise domestic research and engage in international technology partnerships.

Looking forward, what policy action is needed?

In the UfM, the area of higher education and research has struggled to attract the political backing and commitment necessary to promote greater integration. The first UfM Ministerial Meeting on Research and Innovation took place in June 2022; a ministerial meeting on higher education was proposed to take place in the fall of 2023 but was postponed.

Despite the lack of political support and many challenges facing higher education and research in the region, improvements in co-operation and increased mobility are evident. However, even if co-operation in higher education is possible at the individual and institutional levels, the pursuit of regional integration will require continued efforts to remove barriers to co-operation, address the disparities in investment and capability among UfM countries, and support and strengthen linkages.

To that end, considerable potential remains for reforms that could stimulate closer co-operation and integration. A regional focus on policy for higher education, research and innovation should further the integration of the capital, labour, product and services markets in the UfM area and make it easier for higher education institutions, research organisation and companies to interact across borders, while also ensuring healthy competition.

The UfM and European Commission can make full use of both existing instruments (such as the actions of the Erasmus+ and Horizon Europe programmes), and existing institutions – such as EU representations in non-EU countries, national Erasmus+ offices, embassies of member countries, and offices of international co-operation bodies, such as Campus France or the German Academic Exchange Service (DAAD).

Supporting national policy making and implementation

Many UfM countries also need to make reforms to consolidate and improve their higher education and research systems. The Western Balkan economies, through their EU accession processes, are implementing several reforms and harmonising their higher education and research systems with their EU peers. These efforts are supported by EU technical assistance and their participation in number of bodies.

Similar conditions are not present in the Southern Mediterranean countries. The UfM has here an important role in supporting national reforms. One of the main instruments is the meetings of the Senior Officials on Higher Education. Those meetings could help to bridge some of the smaller regulatory and technical differences between countries, and they could explore the possibility of convening further Ministerial meetings to secure political support for more intensive co-operation projects and larger policy changes. The Erasmus+ programme is already supporting the local Higher Education Reform Experts (HERE) networks in a number of these countries, which creates fertile ground for supporting policy reforms reflecting the local context.

An important policy assistance role is also played by international organisations (as exemplified by the OECD Review of Higher Education and OECD Review of Innovation Policies of Egypt) or by national development organisations such as DAAD, the German Academic Exchange Service.

Key findings	Policy recommendations
Mobilising financial and human resources for research and higher education	
Despite slight increases of public funding for higher education and research in some countries, there is insufficient stability to further invest in higher education institutions and research organisations.	Provide a predictable and stable funding framework for investing in higher education and research.
The level of private and foreign contributions to R&D is very low in most non-EU UfM countries.	Create incentives for businesses and foreign partners to increase their investment in R&D.
The academic and research talent pool is insufficient in many UfM countries, limiting potential for future advancement.	Invest in doctoral education and young academics, strengthening research and the academic workforce.
The participation of women in research and academic careers seems to decrease with seniority.	Promote women's careers in research and academia by creating suitable working conditions and career advancement process.
Supporting international co-operation between researchers and higher education institutions	
Higher education institutions and research organisation have variable level of internal capacities to apply for and participate in complex international projects, which limits their international collaboration.	Provide capacity building for researchers and institutions in countries with low participation in international funding programmes to enhance their ability to apply for international projects and to effectively collaborate and to disseminate their work.
Organisations and individuals operating in a context of less developed infrastructures face difficulties in connecting with suitable partners for international co-operation.	Facilitate institutional and individual collaboration through networking of researchers and academics, using science and education diplomacy, liaison offices and other personnel.
Organisations outside the EU face additional requirements and limited available funding from existing EU funding mechanisms through Erasmus+ and Horizon Europe programmes.	Remove barriers to participation in and expand support for collaborative projects, especially with the Southern Mediterranean, through existing instruments in Erasmus+ and Horizon Europe. Consider developing a form of Erasmus+ accreditation, build on the Erasmus Charter for Higher Education, for higher education institutions in third countries. Such accreditation would allow to assess institutional capacities, financial management and alignment with Erasmus+ programme, and in exchange streamline participation.
Promoting more balanced study, teaching and research mobilities	
Students and staff face burdensome visa requirements and processes in some countries, limiting mobility.	Streamline visa processes for students, teaching and research staff, working with higher education institutions to provide assistance to individuals.
The flow of students from EU towards Southern Mediterranean countries is low.	Consider removing restrictions on Erasmus+ student mobility towards third countries not associated with the programme
There is limited South-South study or research mobility.	Consider developing an alternative mobility scheme for study, teaching and research in the Southern Mediterranean. Explore opportunities to promote more virtual exchanges and short-term mobilities.
There are persistent challenges with recognition of acquired education between countries and unequal provision of information about higher education systems.	Adopt the Global Convention on the Recognition of Qualifications concerning Higher Education to improve recognition of qualifications and information sharing between UfM countries.

R1. Government expenditure on tertiary education as a share of GDP

Why this indicator?

Tertiary education includes both academic and advanced vocational education (ISCED levels 5 to 8) and is vital for developing specialised skills and knowledge.

This indicator does not directly reflect the level of regional integration. However, in general, higher education is positively correlated with higher incomes and the growth in the number of highly skilled workers contributes to improved research and development capabilities, as well as advancement in country's productivity. These factors are expected to enhance a country's appeal to attract investment from foreign stakeholders (see indicator R3).

Strengthening higher education can make a country more attractive to international students and researchers, and equip its own students with the necessary skills to pursue higher education abroad. This is expected to improve the mobility of international students and researchers, as discussed in Indicators R7 and R8. Therefore, this indicator reflects the effort of each country to improve their potential for regional collaboration.

Key findings

This Indicator shows considerable variation for UfM countries (Figure 5.1). For example, Tunisia and Algeria seem to allocate a higher percentage of their GDP to tertiary education compared to other MENA UfM countries. Conversely, some countries in the region, such as Egypt and Lebanon, have lower investment levels, which may affect their ability to develop a skilled workforce and compete globally.

The trend from 2017 to 2021 shows that while some UfM countries have steadily increased their investment in tertiary education, others have not kept pace. This divergence underscores the need for targeted policy interventions to boost funding for tertiary education.

In terms of regional comparison, MENA and Western Balkan UfM countries generally invest less in tertiary education compared to the EU-27 average (Figure 5.2). This investment gap can affect the region's overall competitiveness and integration efforts. Countries with better-resourced higher education institutions are in a better position to attract international students, compete for research grants and engage in cross-border educational collaborations. Conversely, countries with lower investment levels may find it difficult to provide competitive educational offerings and retain domestic talent.

The public investment gap in tertiary education among UfM countries presents challenges for regional integration in higher education. The variance in funding levels creates gaps between higher education institutions, which is a factor in outward mobility of student and staff and can make symmetrical collaboration between institutions challenging. Addressing these disparities can help to promote more-balanced student mobility and foster stronger educational and research collaborations across the region.

What policy action is needed?

- **Develop a long-term plan for educational investment.** Strengthening higher education requires stable and predictable funding, so it is important to establish a strategy for sustained investment in education that is not limited by short-term fiscal conditions. Higher education institutions should have flexibility in allocating available resources, allowing them to respond to emerging priorities.
- **Promote collaboration between business and academia.** Encouraging a greater contribution from the private sector towards education and research could expand the resources available to upgrade educational infrastructure and compete for best teaching staff. Furthermore, when companies and universities collaborate on educational programs and research projects, it can improve labour market outcomes for graduates as well as application of research.

Data limitation and developments

For some countries, the lack of recent data makes it difficult to observe changes in educational investment. Additionally, as the latest available data are from 2021, the extent to which they capture the impacts of COVID-19 on higher education remains uncertain. This report attempts to make estimates for countries without available international data by consulting government budget allocations.

Definitions

The **International Standard Classification of Education (ISCED)** is the reference classification for organizing education programmes and related qualifications by education levels and fields. For example, ISCED level 5 is equivalent to short-cycle tertiary education (which is typically designed to prepare students to enter the labour system), while ISCED level 8 is equivalent to a Doctoral level of education.

Source: ISCED 2011, https://uis.unesco.org/sites/default/files/documents/international-standard-classification-of-education-isced-2011-en.pdf

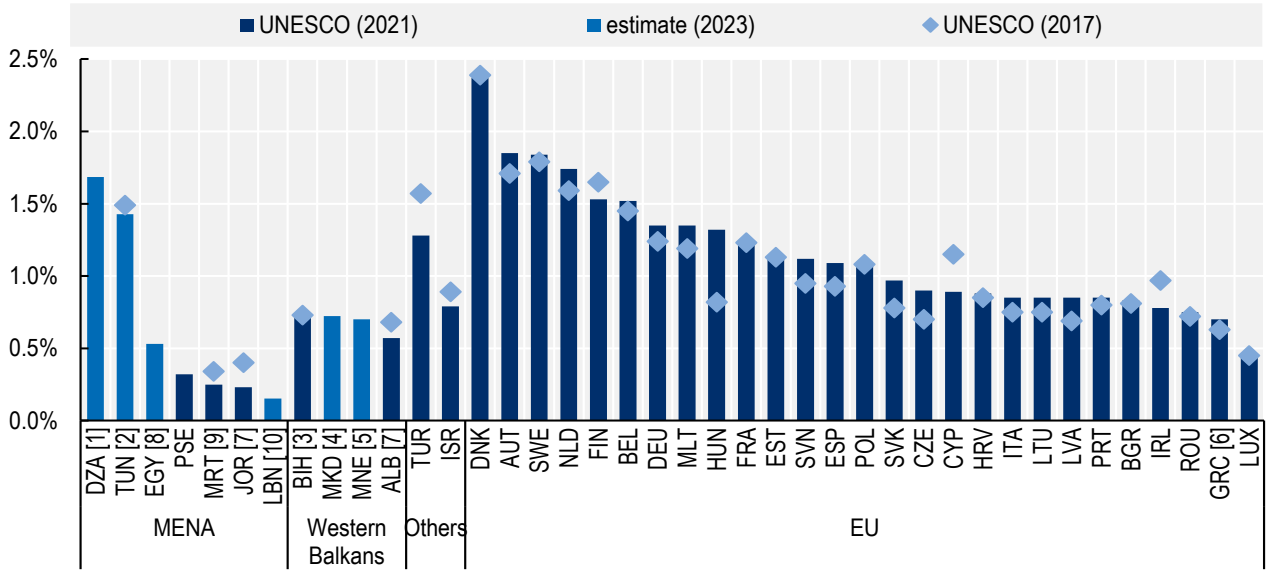
Further reading

OECD (2020), *Resourcing Higher Education: Challenges, Choices and Consequences*, https://doi.org/10.1787/735e1f44-en.

OECD (forthcoming), "Review of Higher Education in Egypt".

Figure 5.1. Government expenditure on tertiary education by UfM members

as a share of GDP, 2015, 2021 and 2023

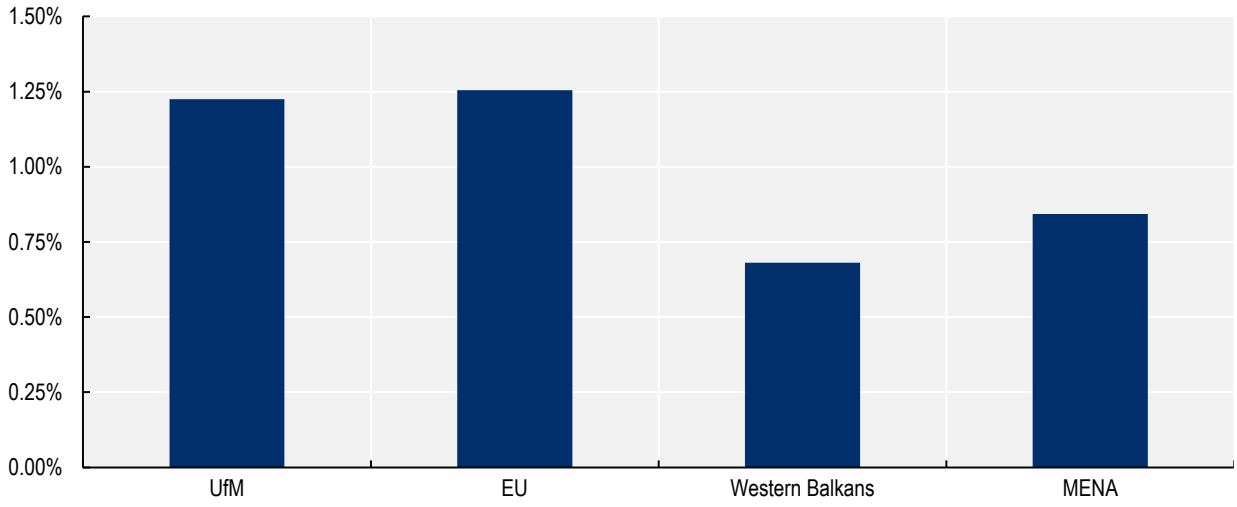


Note: Countries are ranked in ascending order based on latest level of government expenditure on tertiary education (ISCED levels 5 to 8).
Sources: For countries with no recent data available in UNESCO database, estimates were calculated by OECD based on government budget allocations to tertiary or higher education in 20223 and GDP in the same year as reported by the World Bank in the World Development Indicators – GDP, current LCU (local currency) (2024[1]). Otherwise, country sources are as follows:
1. Estimate for Algeria based on the Finance Act for 2023 (Secrétariat Général du Gouvernement, 2022[2]), item: *Enseignement supérieur et recherche scientifique* (Higher education and scientific research).
2. Estimate for Tunisia based on the Finance law for the year 2023 (Présidence du Gouvernement, 2022[3]), item: *27- Mission de l'Enseignement Supérieur et de la Recherche Scientifique* (Higher education and scientific research mission). Tunisia comparison is from UNESCO database for year 2015.
3. Data for Bosnia and Herzegovina is from 2022 and 2018.

4. Estimate for North Macedonia is based on the Budget of North Macedonia 2023 – Part 1 (Ministry of Finance, 2022[4]), item7094: Higher education.
5. Estimate for Montenegro is based on the Law on budget for year 2023 (Ministry of Finance, 2023[5]), item: 19 035 *Visoko obrazovanje* (Higher education).
6. Latest available data for Greece is from 2019 and 2017.
7. Albania, Jordan, Monaco: data are from 2022 (not available for 2021).
8. Estimate for Egypt is based on the OECD Review of Higher Education in Egypt (OECD, forthcoming[6]).
9. Data for Mauritania is from 2021 and 2016.
10. Estimate for Lebanon is for 2022, based on the Budget Law 2022 (Ministry of Finance, 2022[7]), item: 941(٩٤١. التعليم الجامعي. University Education).
Source: UNESCO (2025[8]), Government expenditure on education as a percentage of GDP, https://databrowser.uis.unesco.org/browser/EDUCATION/UIS-EducationOPRI/gov-exp-prc (accessed on 4 March 2025).

Figure 5.2. Government expenditure on tertiary education by UfM region

as a share of GDP, latest available year



Source: OECD calculation based on the latest available data on government expenditure on tertiary education (ISCED levels 5-8), expressed as a percentage of GDP from all UfM members countries, except Morrocco, as shown in Figure 5.1. Calculation used GDP (constant 2015 USD) matching the year of the latest available data on government expenditure on tertiary education. GDP data were sourced from the World Development Indicators reported by the World Bank (2024[9]).

R2. Gross expenditure on R&D as a share of GDP

Why this indicator?

Gross expenditure on R&D (GERD) as a percentage of GDP measures a country's commitment and effort to boost innovation and technological development.

Although this indicator does not directly reflect the level of regional integration, the degree of innovation development in a country is a crucial factor that influences foreign investment, collaborative R&D and the movement of people. Therefore, this indicator is also useful for measuring each country's potential for regional integration.

Key findings

In 2023, Israel invested 6.35% of its GDP in R&D, significantly higher than other UfM countries. Sweden and Belgium followed with 3.60% and 3.32%, respectively. This indicates a robust focus on research and innovation in these countries (Figure 5.3).

From 2015 to 2023, countries like Israel and Belgium saw substantial increases in their R&D expenditure, reflecting a growing emphasis on innovation by the business sector which accounts for more than half of total R&D investments in most advanced economies. In contrast, countries like Bulgaria and Montenegro displayed relatively low and stagnant investment levels, with Bulgaria at around 0.79% and Montenegro at 0.49% of GDP in 2023. This disparity suggests that some UfM countries may struggle to compete globally due to limited R&D investments by the private sector as well as government.

The regional comparison for 2023 shows that the EU-27 median R&D expenditure was 1.58% of GDP, significantly higher than the median for MENA 0.68%, North Africa 0.66%, Levant 0.57% and Western Balkans 0.29% (Figure 5.4). This highlights a substantial investment gap that could impact the UfM region's overall innovation capacity and economic growth – particularly because in less advanced economies, businesses generally fund and perform a smaller share of R&D than the government sectors.

As shown in the Figure 5.4, while the Western Balkans exhibit low levels of GERD, it is highlighted the limited R&D expenditure from the private sector in this region (OECD, 2025[10]). Additionally, Western Balkans lacks infrastructure such as science parks and sufficient human resources, including researchers, which has been pointed out as a factor making it more difficult for R&D investments to translate into innovation compared to EU-27.

Investing in R&D is essential for fostering innovation, driving economic growth, and improving living standards. Countries with higher R&D expenditure are better positioned to develop new technologies and industries, creating high-quality jobs and supporting long-term economic development. For UfM countries, enhancing R&D investment is crucial for boosting regional competitiveness and fostering integration through collaborative research efforts.

What policy action is needed?

- **Increase government investment in R&D**. This is the most fundamental and important policy, especially for upstream research in the public sector that would otherwise not be funded by the market. Key measures include expanding subsidies and grants on a competitive basis, and broadening low-interest loans for small and medium-sized enterprises (SMEs) to improve their access to finance for R&D.
- **Enhance business investment in R&D.** Key policies in this regard include tax incentives for R&D investments, creating demand for pre-commercial technology development through public procurement, and promoting joint development with universities. Additionally, simplifying and increasing the transparency of administrative procedures, eliminating corruption in the business sector, and strengthening intellectual property enforcement (such as measures against counterfeiting) will create an environment where companies can invest with confidence, contributing to the long-term growth of R&D investment.
- **Enhance the absorption capacity of local businesses.** Key initiatives include expanding investments in research infrastructure and human resources, as well as promoting the dissemination of advanced technologies through public-private partnerships (PPPs). These efforts will strengthen the absorption capacity of the private sector and enable effective utilisation of EU innovation and various international cooperation programs.

Data limitation and developments

Some UfM countries lack continuous data on which sectors supply GERD. Additionally, there are no comparable data across UfM countries on how GERD is allocated. If such data were available, it would be possible to conduct a detailed analysis of GERD trends according to each country's level of innovation. Such an analysis could provide valuable insights into the policies that should be adopted based on the economic development stage of each country.

Definitions

Gross domestic spending on research and development (R&D) is the total expenditure (current and capital) on R&D in a country. Research and development comprise both a) creative work undertaken on a systematic basis to increase the stock of knowledge and b) the use of this knowledge to devise new applications.

This indicator includes R&D carried out by all resident companies, research institutes, universities, and government laboratories. It includes R&D funded from abroad but excludes domestic funds for R&D performed outside the domestic economy.

Expressed as a percentage of GDP, this indicator is measured in 2015 USD constant prices and adjusted using purchasing power parities (PPPs).

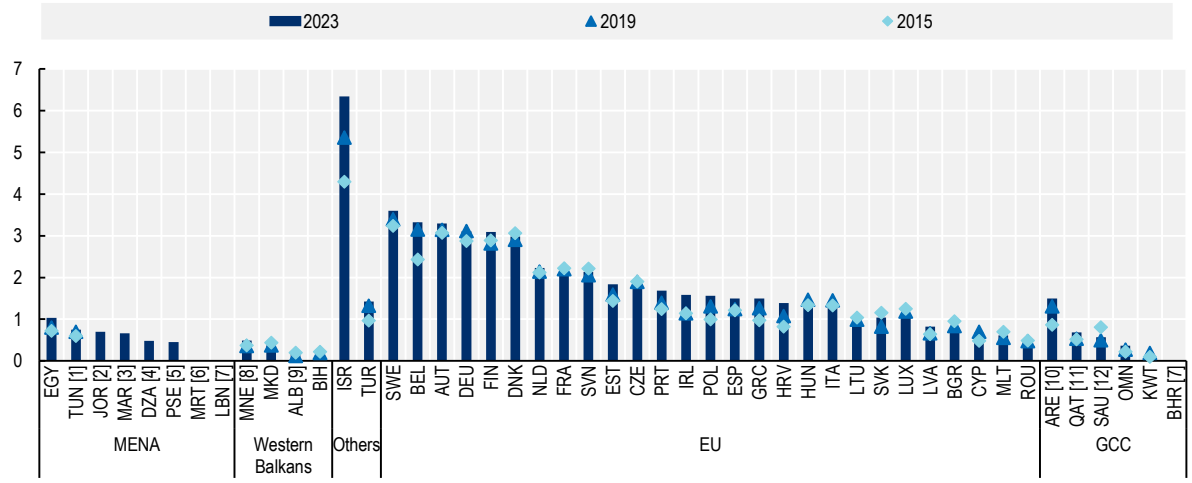
Source: OECD (2015), Frascati Manual 2015: Guidelines for Collecting and Reporting Data on Research and Experimental Development, The Measurement of Scientific, Technological and Innovation Activities, https://doi.org/10.1787/9789264239012-en.

Further reading

OECD (2023), OECD Science, Technology and Innovation Outlook 2023: Enabling Transitions in Times of Disruption, OECD Publishing, Paris, *https://doi.org/10.1787/0b55736e-en*.

Figure 5.3. Gross domestic expenditure on R&D (GERD), UfM and GCC

as a percentage of GDP, 2023 or the latest available year



Note: The OECD is not responsible for the quality or accuracy of the information reported in the non-OECD databases. The datasets may contain errors and omissions and may not be fully comparable each other.

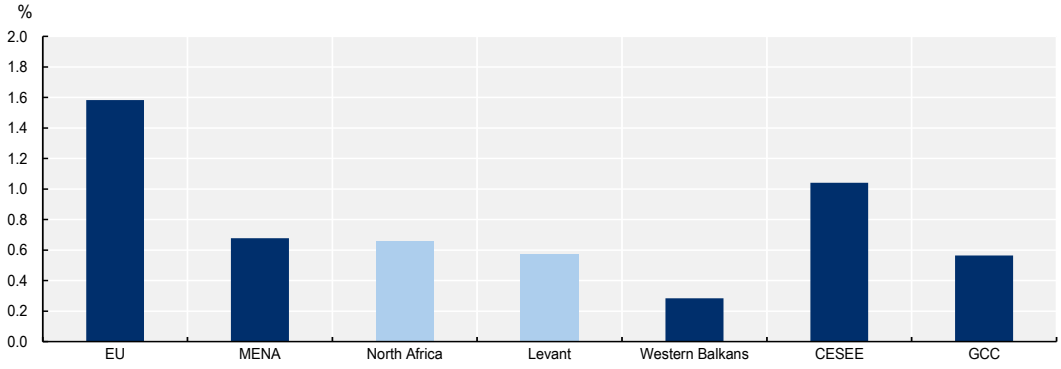
1. For Tunisia, 2023 and 2019 refer to 2019 and 2017, respectively
2. For Jordan, 2023 refers to 2016, and data in 2019 and 2015 are missing.
3. For Morocco, 2023 refers to 2010, and data in 2019 and 2015 are missing.
4. For Algeria, 2023 refers to 2020, and data in 2019 and 2015 are missing.
5. For Palestinian Authority, 2023 refers to 2013, and data in 2019 and 2015 are missing.
6. For Mauritania, 2023 refers to 2018, and data in 2019 and 2015 are missing.
7. For Lebanon and Bahrain, all data in 2023, 2019 and 2015 are missing.
8. For Montenegro, 2023 refers to 2020.
9. For Albania, 2023 refers to 2022.
10. For United Arab Emirates, 2023 refers to 2021.
11. For Qatar, 2023 and 2019 refer to 2021 and 2018, respectively.
12. For Saudi Arabia, 2019 and 2015 refer to 2020 and 2013, respectively.

Source: For OECD members, Croatia, Bulgaria and Romania: The OECD Main Science and Technology Indicators, http://oe.cd/msti.
For Albania, Bosnia and Herzegovina, Cyprus, Malta, Montenegro, North Macedonia: OECD (2025[10]), Economic Convergence Scoreboard for the Western Balkans 2025, https://doi.org/10.1787/bc0babf3-en.
For other countries: The UNESCO Institute for Statistics (UIS) Database, http://data.uis.unesco.org/.

StatLink https://stat.link/zp4efi

Figure 5.4. Regional median value of gross domestic expenditure on R&D (GERD), by UfM region and GCC

as a percentage of GDP, 2023 or the latest available year



Note: The latest available year for each country is the same as in Figure 5.3. MENA: The data for Lebanon are missing. GCC: The data for Bahrain are missing.

Source: OECD calculation based on the OECD Main Science and Technology Indicators, http://oe.cd/msti, OECD (2025[10]), Economic Convergence Scoreboard for the Western Balkans 2025, https://doi.org/10.1787/bc0babf3-en, and the UNESCO Institute for Statistics (UIS) Database, http://data.uis.unesco.org.

StatLink https://stat.link/fr3eib

R3. Gross expenditure on R&D from abroad

Why this indicator?

Gross expenditure on R&D (GERD) funded from abroad refers to the portion of a country's R&D activities that is financially supported by international sources. This indicator reflects the degree of international collaboration and the ability of a country to attract foreign investment into its research and development sector. It is expressed as a percentage of the total GERD.

GERD financed from abroad is correlated with trade and value chain integration. The further apart countries are in trade, the less integrated they will be in terms of R&D financing.

Key findings

The data reveal significant variation among UfM countries in their reliance on foreign R&D funding. In 2021, Israel stands out with the highest proportion of GERD financed from abroad at 2.68%. This high percentage underscores Israel's strong integration into the global research community and its ability to attract substantial international funding for its R&D activities.

Czechia and Austria also show high levels of foreign R&D funding, with 0.61% and 0.56% respectively. These countries have demonstrated an ability to draw significant international investment by connecting to global value chains, which in turn supports their domestic research initiatives and fosters innovation locally.

Between 2018 and 2021, several UfM countries experienced notable increases in the percentage of GERD funded from abroad (Figure 5.5). For instance, Slovenia's foreign R&D funding increased from 0.46% to 0.56%, and Finland saw an increase from 0.38% to 0.42%. These trends indicate a growing internationalization of research activities and enhanced global collaboration.

Conversely, countries like Türkiye have relatively low levels of foreign R&D funding, with only 0.02% of GERD financed from abroad in 2021. This suggests the need for policies aimed at promoting international R&D partnerships and attract more foreign investment into R&D intensive sectors.

Investing in R&D through international collaboration can yield significant benefits. Countries with higher foreign R&D funding often have more dynamic research environments, leading to greater innovation and technological advancements.

What policy action is needed?

- **Make the domestic environment more attractive to foreign investors.** Macroeconomic stabilisation, including employment growth and price stability, is a fundamental prerequisite for gaining the trust of foreign stakeholders in the domestic environment. Furthermore, improved transparency of laws, regulations, and business practices (e.g. combating corruption, creating a highly competitive business environment, and ensuring fairness in the treatment of domestic and foreign companies) will enhance investors' predictability of the effects of R&D investment and give them a sense of security. In addition, the development of infrastructure to meet foreign companies' needs and the enhancement of higher education to foster highly skilled human resources will increase the attractiveness of the country as an investment destination. Reducing barriers that specifically restrict R&D investment (e.g. regulations on importing scientific instruments) is also important.
- **Incorporate the results of such R&D investments into the global value chain.** Reducing trade barriers and actively promoting technology transfer in the source country will help maximise the impact of R&D investments.

Data limitations

Data regarding GERD financed from abroad for non-OECD countries are extremely limited, with a significant number of UfM countries lacking available data.

Definitions

Gross expenditure on R&D (GERD) funded from abroad is the total expenditure (current and capital) on R&D in a country that is financed from abroad.

Source: OECD (2015), Frascati Manual 2015. Guidelines for Collecting and Reporting Data on Research and Experimental Development, https://doi.org/10.1787/9789264239012-en.

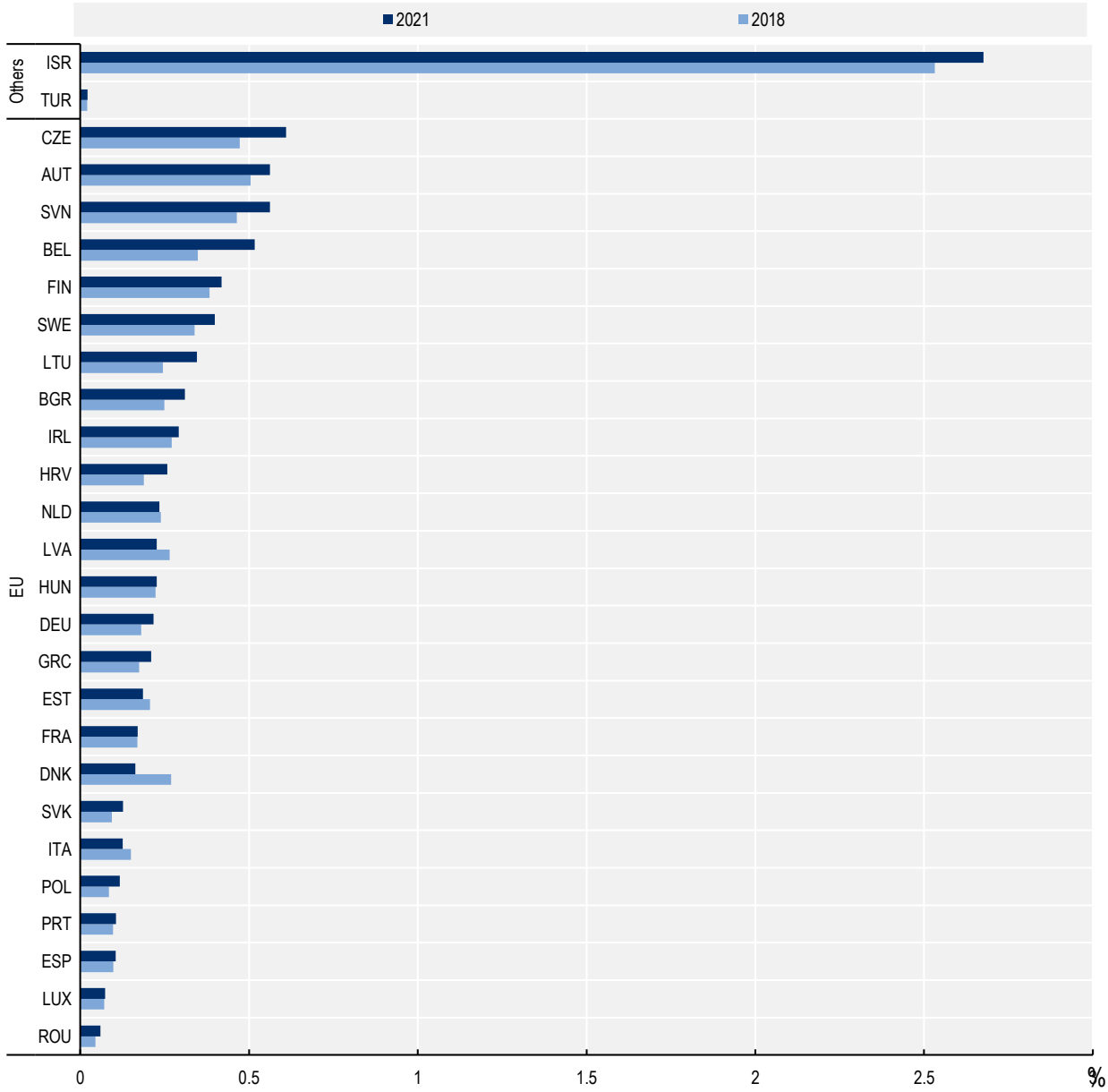
Further reading

Science, Technology and Innovation Scoreboard | OECD

OECD (2025), *Attracting FDI in regions*, *https://doi.org/10.1787/085c06a1-en*

Figure 5.5. GERD financed by the rest of the world, selected UfM countries

as a percentage of GDP, 2018 and 2021



Note: For Denmark, data for 2021 refer to 2019. For Luxembourg, Denmark, Sweden, and Belgium, data for 2018 refer to 2017.
Source: OECD calculations based on OECD Research and Development Statistics Database, http://oe.cd/rds

StatLink https://stat.link/ly3u8m

R4. Researchers and academic personnel

Why this indicator?

Researchers are critical indicators of a country's capacity for innovation and technological advancement. This measure reflects the total number of individuals engaged in R&D activities per million inhabitants, highlighting the human capital available for research and development.

Similarly, academic personnel are a key resource for quality higher education. The measure of number of students per academic staff is a proximate indication of academic workforce relative to the overall student population.

Key findings

In 2021, Sweden and Denmark led with 8,131 and 7,679 researchers per million inhabitants, respectively, indicating a robust research environment and strong investment in human capital for R&D. However, some countries still lag in R&D personnel numbers. For example, Türkiye had 2,270 R&D personnel per million inhabitants in 2021, a significant increase from 1,456 in 2017, but still low given the country's population and the need for enhanced efforts to build human capital in research and development (Figure 5.6).

From 2017 to 2021, several UfM countries showed growth in R&D personnel. Portugal, for example, increased its researchers from 4,363 to 5,475 per million inhabitants, and Greece saw growth from 3,254 to 4,262 per million inhabitants. These trends indicate a positive movement in some countries towards strengthening research capacities and fostering a more dynamic research environment.

Gender disparity in researchers is evident, with males generally outnumbering females. For instance, in Sweden, Austria. Germany and Czechia, the number of male researchers significantly exceeds the number of females. This disparity suggests a need for policies aimed at promoting gender equality in the research sector to ensure a diverse and inclusive R&D workforce.

In a majority of UfM countries, the number of students per academic staff decreased between 2017 and 2022. However great variance remains, with Türkiye (44.9 students per academic), Greece (40.8), Morocco (34.7) and Jordan (32) having particularly high ratios, while Austria (6.8) and Germany (6.9) being on the low side (Figure 5.7).

When compared to Indicators R1 and R2, it can be observed that, with a few exceptions, countries that invest more in tertiary education and/or GERD tend to have a greater success in building a larger R&D and academic workforce. Therefore, to increase the R&D and academic talent pool, it is essential to increase investments in education - particularly higher education - to raise the general education level of the domestic labour force, as well as to boost investments in R&D and higher education.

What policy action is needed?

- **Provide financial aid to prevent dropouts among students and young researchers.** By providing financial support to students who are forced to abandon their degree pursuits for economic reasons, as well as to early-career researchers and graduate students facing future financial insecurity, it is possible to prevent them from discontinuing their studies, academic or research careers.
- **Improve the current underrepresentation of women in the R&D and academic workforces.** Efforts should focus on eliminating inequalities in treatment, increasing female participation in higher education, and promoting inclusivity in the R&D and academic workforce.

Data limitation and developments

This indicator is only about researchers, as in some member countries there is a lack of data on R&D personnel in detail, such as by sector (researchers, technicians, others), affiliation (educational institutions, businesses, government, others), degree, or gender. Such data would provide clearer insights into which policy areas should be prioritised.

The number of students per academic staff is only a proximate calculation based on headcounts of students and academic staff. The measure as used by OECD considers also that some students and academics are only part-time, but this is not the case in this indicator due to unavailable data.

Definitions

Researchers are professionals engaged in the conception or creation of new knowledge, products, processes, methods and systems, as well as in the management of the projects concerned. This indicator is measured by the number of full-time equivalent researchers per one million inhabitants; data are available as a total and broken down by gender.

R&D personnel: The number of R&D personnel is provided in both headcounts and full-time equivalent on R&D.
Source: OECD (2015), Frascati Manual 2015, https://doi.org/10.1787/9789264239012-en.

Academic staff: These are personnel whose primary role is teaching and/or research, and who hold academic rank (e.g. professor, associate professor, assistant professor, instructor, lecturer). The count considers headcount or full-time equivalent.
Source: https://uis.unesco.org/en/glossary-term/number-classroom-teachers-and-academic-staff

Number of students per academic staff: Number of students in tertiary education over number of academic staff in given year.

Further reading

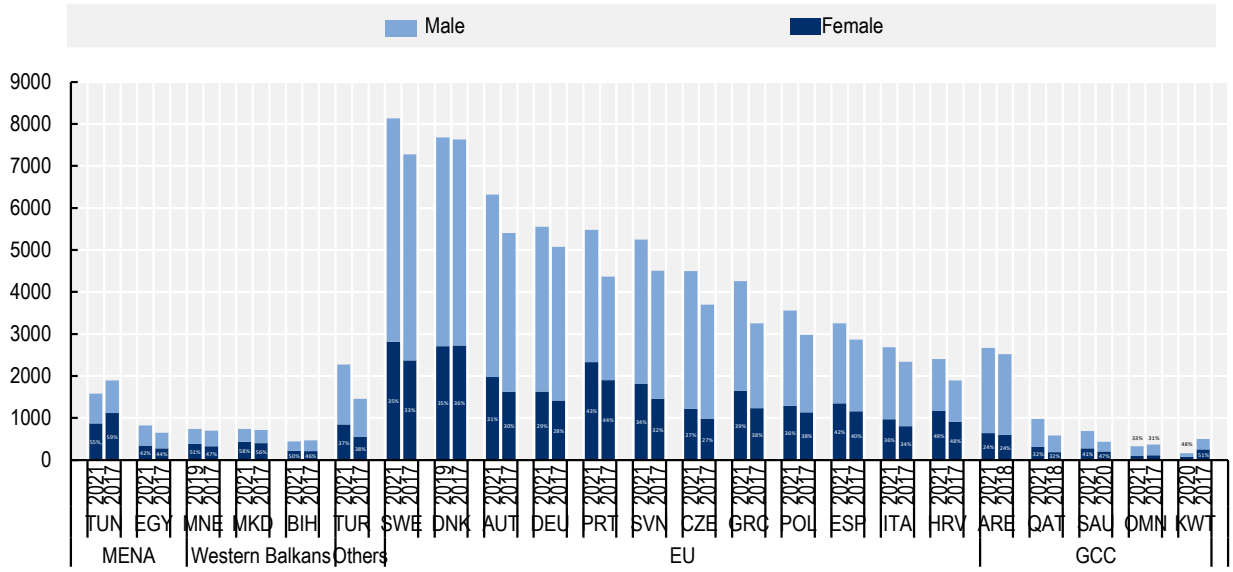
OECD (forthcoming), Review of Higher Education in Egypt.

OECD (2024), The state of academic careers in OECD countries: An evidence review, https://doi.org/10.1787/ea9d3108-en.

OECD's Research and Innovation Careers Observatory https://www.oecd.org/en/networks/research-and-innovation-careers-observatory.html

Figure 5.6. Total R&D personnel per million inhabitants by gender, selected UfM and GCC countries

2017 and 2021



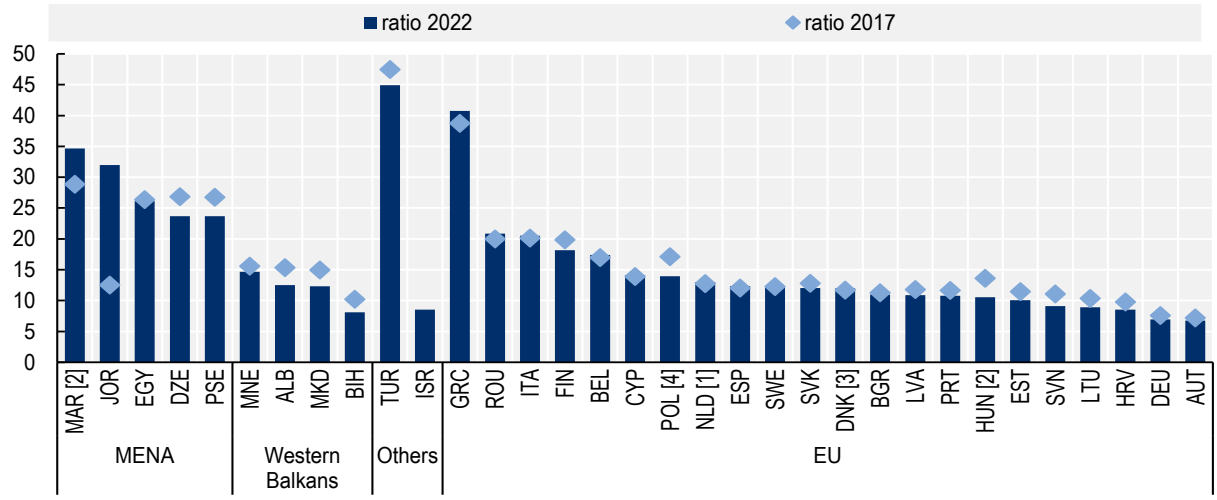
Note: OECD MSTI database and the UNESCO Institute for Statistics Database have limited coverage of UfM countries. Denmark and Montenegro refer to 2019 and 2017 data, United Arab Emirates and Qatar refer to 2018 data. Saudi Arabia refers to 2020 data. Kuwait refers to 2020 data.

Source: OECD calculation based on the OECD Main Science and Technology Indicators, http://oe.cd/msti and the UNESCO Institute for Statistics (UIS) Database, http://data.uis.unesco.org/

StatLink https://stat.link/ekho7f

Figure 5.7. Number of students per academic staff in tertiary education

2017 and 2022



Note: Calculated by the OECD Secretariat, number of enrolled students in tertiary education over number of academic staff in given year.

1. Netherlands data for 2022 from 2021
2. Hungary and Morocco data for 2017 from 2016
3. Denmark data for 2017 from 2018
4. Poland data for 2017 from 2015

Source: OECD calculations based on: UNESCO (2024[11]), Enrolment by level of education, https://data.uis.unesco.org/index.aspx?queryid=3811; UNESCO (2024[12]), Number of teachers by teaching level of education, https://data.uis.unesco.org/index.aspx?queryid=3800

StatLink https://stat.link/qwxzhm

R5. Co-publication

Why this indicator?

Co-publication refers to scientific articles authored collaboratively by researchers affiliated with institutions in different countries. This indicator highlights the extent of international collaboration and integration in scientific research.

Co-publication enhances research quality by combining expertise, resources, and perspectives from diverse researchers. It fosters innovation by facilitating the exchange of ideas and methodologies, leading to more robust and impactful research outcomes. For UfM countries, increasing co-publication rates can improve their global research standing, attract more international collaborations, and contribute to regional integration.

This indicator is closely associated with international collaboration in research within STEM fields; in other non-STEM fields (such as law), co-authorship is less commonly practiced.

Key findings

Figure 5.8 shows the diversity of international collaboration partners in each UfM member country. The United States stands out as one of the primary collaborators for many countries. In Francophone countries such as Morocco, Algeria and Lebanon, France emerges as the dominant partners. Meanwhile, Egypt and Tunisia maintain strong ties with Saudi Arabia. On the other hand, in the Western Balkans, there is a notable trend of robust international cooperation with neighbouring countries like Serbia and Croatia, which are relatively more developed and belong to the same language group than the four Western Balkans members of the UfM (except for Albania).

The fields of Environmental Science and Computer Science are particularly notable for international collaboration. A significant percentage of scientific publications in Environmental Science involve international collaboration, reflecting the global nature of environmental research (Figure 5.9 Panel A). Similarly, there are high levels of collaboration in Computer Science (Panel B), demonstrating the importance of cross-border co-operation in advancing technological research. In contrast, both Saudi Arabia and the UAE exhibit exceptionally high co-authorship rates across all fields compared to most of UfM countries, reflecting a strong overall inclination among researchers in both countries toward international collaboration.

What policy action is needed?

- **Ensure a sufficient pool of qualified researchers.** Actions aimed at increasing the number of R&D personnel, particularly researchers as defined in the Frascati Manual 2015, are needed (see Indicator R4), as are efforts to promote international exchanges of researchers (R10). Other efforts include the development of domestic research facilities, hosting foreign researchers, supporting domestic students in obtaining degrees from overseas institutions, and harmonising the recognition of degrees.
- **Boost financial support for international collaborative research.** Horizon Europe, discussed in Indicator R11, serves as a prime example, but introducing competitive funding for international collaboration at the national level would also be effective.
- **Set clear, transparent rules for IP and securing tech collaboration.** It is crucial to establish transparent and clear rules regarding intellectual property management and the conduct of collaborative research on technologies with potential security implications, also to avoid excessive concerns over national technological sovereignty.

Data limitation and developments

Most information on co-publications is made available by fee-based commercial databases like the Scopus bibliographic database, which references and describes a list of scientific publications (authors, affiliations, identifiers, keywords, etc.). The Scopus database does not capture all research publications; rather, it focuses on English-language journal articles published in North America and Europe.

Definitions

Co-authorship of research publications provides a direct measure of collaboration in science. Research publications may have a single author or two or more co-authors. Co-authorship may involve researchers in the same institution, in the same country, or in two or more countries. These indicators help to understand how knowledge is created among researchers and how collaboration in science is changing.

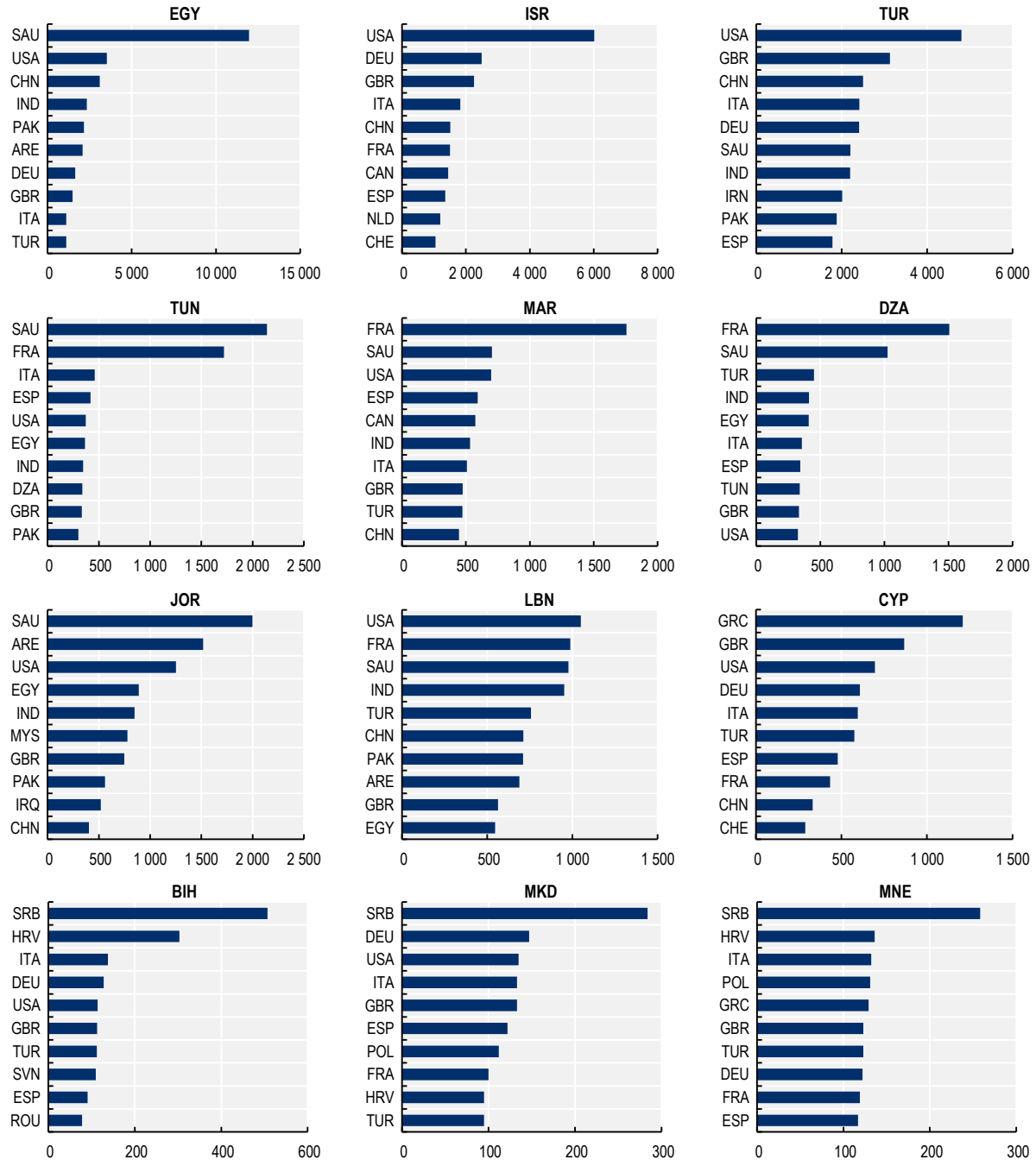
Source: OECD Bibliometric indicators of international co-operation database

Further reading

OECD Science and bibliometric indicators https://www.oecd.org/en/data/datasets/science-and-bibliometric-indicators.html

Figure 5.8. Top 10 overall collaborators among selected UfM economies

Whole counts of scientific publications involving international collaboration, 2023



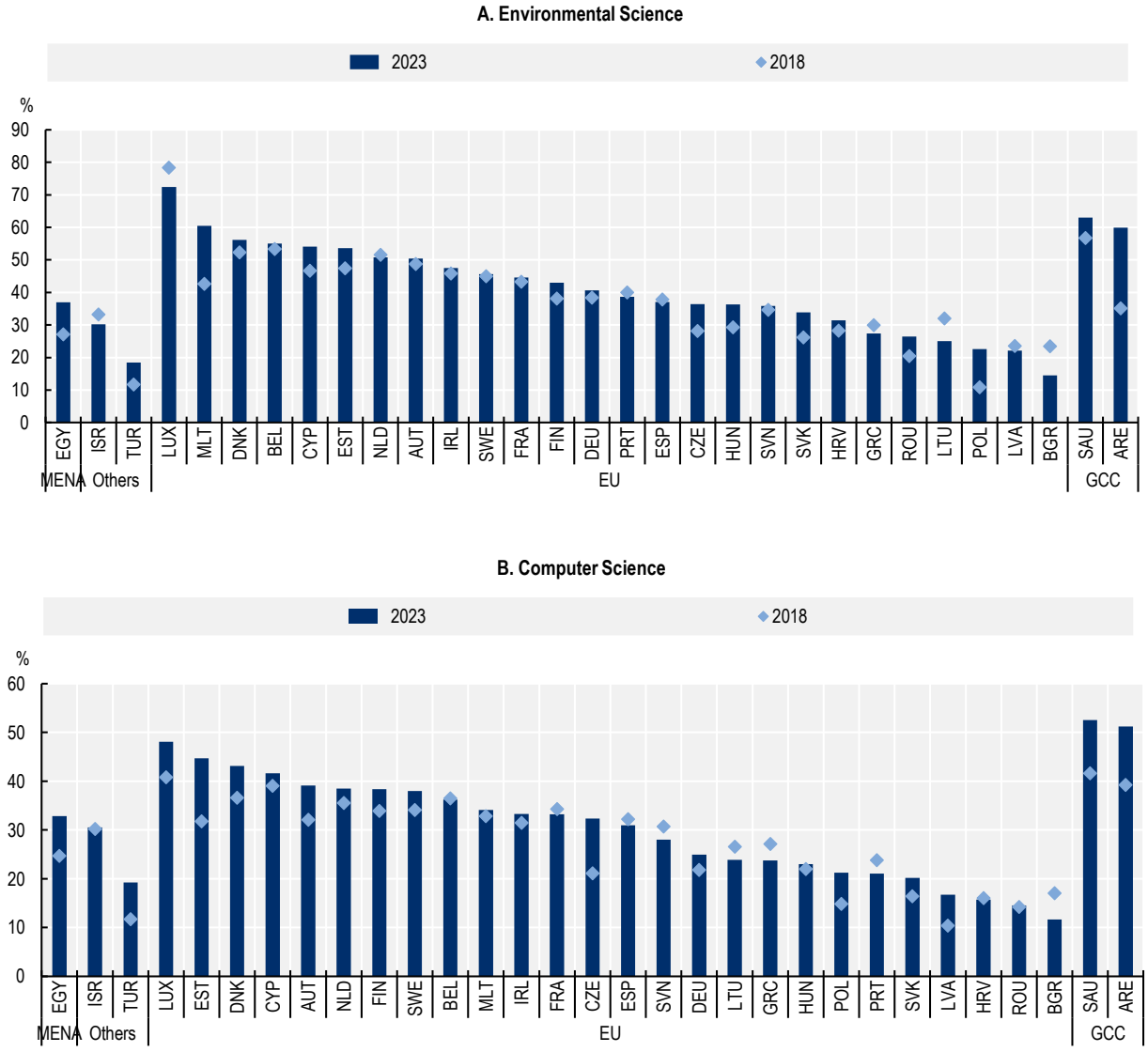
Note: *International collaboration* refers to publications co-authored among institutions in different countries. Estimates are computed for each country by counting documents for which the set of listed affiliations includes at least one address within the country and one outside. A threshold has been set and only 10 or more collaborations between two countries are presented. Publications refer to citable publications only (articles, reviews and conference proceedings). Publications are attributed to countries on the basis of the authors' institutional affiliations. Whole counts give equal weight of one to each of the documents authoring units.

Source: OECD calculations based on Scopus Custom Data, Elsevier, Version 1.2025, April 2025.

StatLink https://stat.link/bj5ilr

Figure 5.9. Scientific publications involving international collaboration, selected fields

Percentage



Source: OECD calculations based on Scopus Custom Data, Elsevier, Version 1.2025, April 2025.

StatLink https://stat.link/9mijae

R6. Co-patenting

Why this indicator?

Co-patenting refers to patents jointly filed by inventors from different countries. This indicator provides insights into international collaboration in innovation and the integration of research efforts across borders. It is measured by the number of Patent Cooperation Treaty (PCT) co-applications, reflecting the extent of shared intellectual property between collaborating countries.

The number of patent applications should increase as a result of progress in innovation. Therefore, measures aimed solely at increasing the number of applications, such as reducing application fees, may improve this indicator, but they do not necessarily lead to more active innovation.

Key findings

On average, the collaboration on R&D activities between EU-27 countries and non-EU UfM countries remains stable from 2011 to 2020The number of PCT co-applications between 2011 and 2020 remained almost constant in both the first and second halves, which indicates that the co-operative relationship between the two parties is stable (Figure 5.10). France stands out as the primary partner by a significant margin, followed by collaborations with Germany, Sweden and Italy, playing a central role in the knowledge sharing among UfM. Considering that among the non-EU countries, Algeria, Lebanon, Morocco and Tunisia, which have relatively higher numbers of applications, are all Francophone, this suggests that linguistic proximity plays a substantial role in deepening collaborative research relationships. This robust collaboration underscores the strong research and development ties between European innovation hubs and Southern Mediterranean countries.

In the Southern shore, Israel and Türkiye are leading in collaboration with EU-27 countries, and Lebanon, Morocco, Tunisia and Egypt also demonstrate notable co-patenting activity (Figure 5.12). The amount of the applications generally corresponds to the GDP per capita of each country and is thought to reflect the level of research, the capacity for knowledge absorption and the attractiveness of the market.

The fact that this indicator remains unchanged indicates a stable cooperation between EU-27 and non-EU UfM partners, but it also implies that the pace of progress is slow. Co-patenting activities reflect the strategic partnerships between both regions in advancing technological innovation, which facilitate the transfer of knowledge, skills, and technologies and enhance the innovation ecosystems in both regions. For non-EU UfM countries, co-patenting with EU partners is crucial for accessing advanced technologies, improving research capabilities, and driving economic growth through shared intellectual property. Therefore, further policy measures are necessary to advance the evolution of the partnership.

In contrast to their high rates of co-authored publications shown in indicator R5, the number of international co-patent applications in the GCC countries remains largely comparable to that of UfM countries, with little to no growth observed over the past decade. While this may suggest that international collaboration in the GCC is progressing at the research level but lagging at the industrial or commercialisation level, the available data are insufficient to draw conclusions about the underlying causes.

What policy action is needed?

- **Establish a business environment that encourages industrial R&D, which leads to increased patent filings.** This would involve:
  - Measures to enhance competition between companies, such as relaxing the regulatory and administrative burdens that hinder the entry of new businesses and reducing preferential treatment for state-owned enterprises.
  - Policies to promote R&D investments, such as financial support through government subsidies and the expansion of Government Venture Capital, as well as tax incentives for companies undertaking R&D activities.
  - Reducing trade barriers and creating an environment that makes it easier for domestic research outcomes to enter international markets.
  - Lowering patent fees for small firms and universities, and creating a business environment that encourages industries to engage in R&D and file patents.

- **Harmonise the domestic intellectual property system with global standards.** This includes not only rules like protection scope and procedures, but also operational factors such as examination speed, quality, and enforcement against counterfeits. Such harmonisation increases the appeal of filing patents in the country.

Data limitation and developments

The date on the number of patent applications typically has a time lag of several years between filing and publication, so the effects of recent policies are not fully reflected. Moreover, data for several countries are not available from OECD Patent Statistics database.

Additionally, international applications are usually pursued only for obtaining patent rights in multiple countries. Therefore, R&D collaborations that are expected to focus on a few specific countries may not be captured by this indicator.

Finally, although the number of patents being filed is rising inexorably, patent quality has declined by 20% over the past twenty years, slowing the time to market for true innovations and reducing the potential for breakthrough inventions (OECD, STI Outlook 2023).

Definitions

The Patent Cooperation Treaty (PCT): PCT is a scheme that allows applicants to achieve the same effect as filing in multiple countries with a single application procedure. However, to obtain valid patent rights in each country, the applicant must complete the necessary procedures in each country within a specified period by submitting the required documents. As of November 2024, the PCT is available in 158 states.

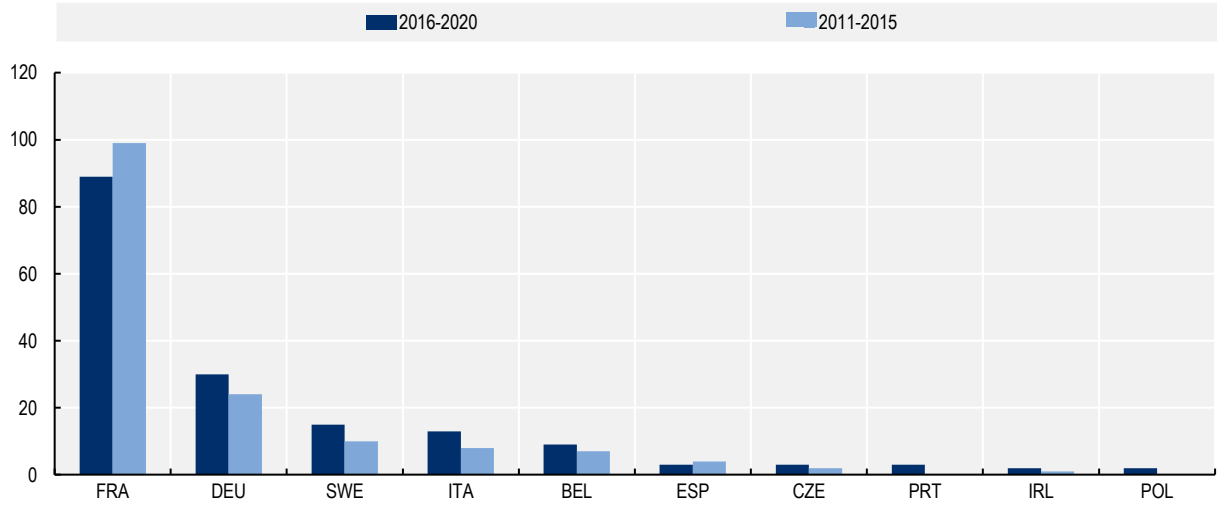
Source: https://www.wipo.int/pct/en/pct_contracting_states.html

Further reading

Ben Westmore, 2013. "R&D, Patenting and Growth: The Role of Public Policy," OECD Economics Department Working Papers 1047.

Figure 5.10. Co-inventions of EU-27 with selected UfM countries, 2011-20

Number of PCT co-applications

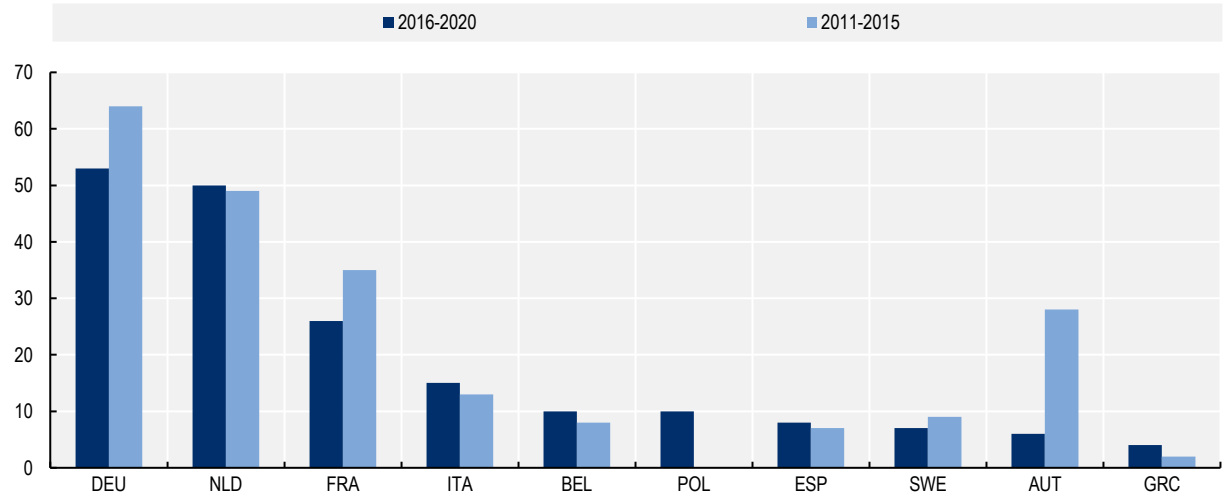


Note: Data refer to the number of PCT co-applications between selected UfM countries (Algeria, Bosnia and Herzegovina, Egypt, Jordan, Lebanon, Morocco, North Macedonia and Tunisia) and EU countries. The figure shows the top 10 EU members counterparts in PCT co-applications. Data for Albania, Mauritania, Montenegro, Palestine Authority are not available in the OECD database.
Source: OECD, Indicators of international co-operation, OECD Patent Statistics (database), https://doi.org/10.1787/data-00507-en

StatLink https://stat.link/t1pcz8

Figure 5.11. Co-inventions of EU-27 with GCC countries, 2011-20

Number of PCT co-applications

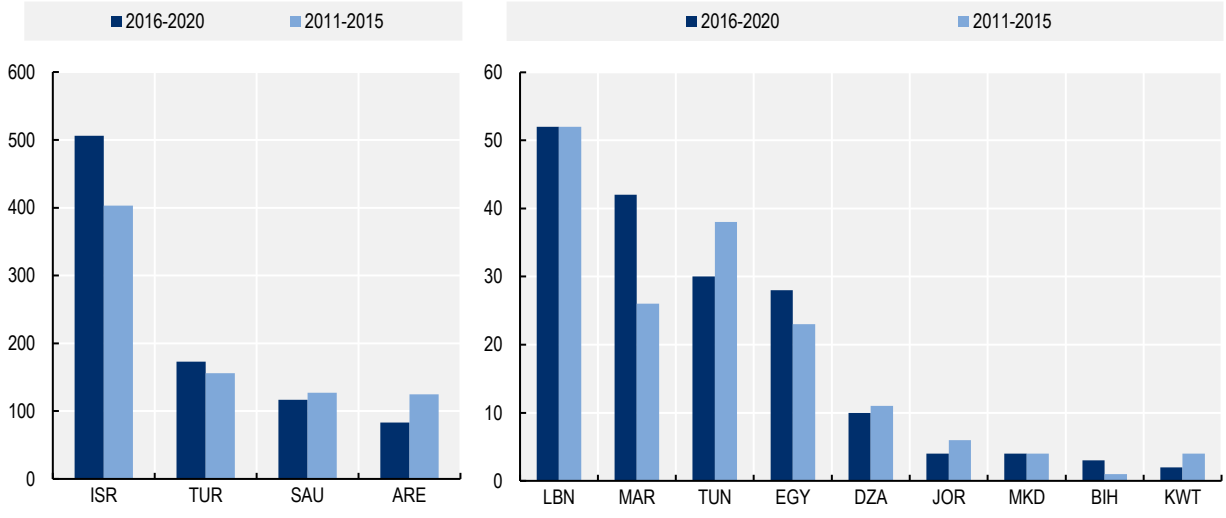


Note: Data refer to the number of PCT co-applications between GCC countries (Kuwait, Saudi Arabia and United Arab Emirates) and EU countries. The figure shows the top 10 EU members counterparts in PCT co-applications. Data for Bahrain, Oman, Qatar are not available in the OECD database.
Source: OECD, Indicators of international co-operation, OECD Patent Statistics (database), https://doi.org/10.1787/data-00507-en

StatLink https://stat.link/3ngjrt

Figure 5.12. Co-inventions of selected UfM and GCC countries with EU-27, 2011-20

Number of PCT co-applications



Note: The chart shows the numbers of PCT co-applications between EU-27 countries and selected UfM countries (Algeria, Bosnia and Herzegovina, Egypt, Israel, Jordan, Lebanon, Morocco, North Macedonia, Tunisia and Türkiye) and GCC countries (Kuwait, Saudi Arabia and United Arab Emirates). Data for Albania, Mauritania, Montenegro, Palestinian Authority, and Bahrain, Oman, and Qatar are not available in the OECD database.
Source: OECD, Indicators of international co-operation, OECD Patent Statistics (database), https://doi.org/10.1787/data-00507-en

StatLink https://stat.link/y6qru2

R7. Tertiary-level student mobility

Why this indicator?

Tertiary-level student mobility is crucial for enhancing educational experiences and promoting cultural exchange, with the potential to promote wider international co-operation. For UfM countries, high student mobility supports regional integration by building networks of knowledge and facilitating the exchange of ideas and best practices.

Key findings

Increased intra-UfM student mobility. Between 2017 and 2022, the number of mobile students between UfM countries increased from 0.6 million to 0.77 million. In 2022, about 65% of all mobile students from UfM countries stayed within the UfM, primarily in EU countries (60%). Outside the UfM, the United Kingdom attracted about 11% of mobile students from the UfM, the United States 5% (data from 2021) and other countries combined 23%. Outbound mobility has particularly increased in the Southern Mediterranean countries and Türkiye (Figure 5.13).

Increasing inbound mobility towards UfM countries. Of 39 UfM countries with available data, in 34 inbound mobility of international students increased between 2017 and 2022. The average net flow ratio for UfM countries (inbound students less outbound students) remained positive, increasing from 1.8% to 2.8% of the tertiary student population; however, great variance remains (Figure 5.14). In the broader MENA region, United Arab Emirates and Qatar have the largest net flow ratios. Both countries have made it a policy priority to attract large numbers of international students.

A dominant pattern of South-to-North mobility within the UfM but increasing diversification of destinations. Within the UfM, France and the United Kingdom (before leaving EU) have historically been the most important destination countries for mobile students. But in recent years, Germany, the Netherlands and Türkiye have also seen the number of inbound students increase rapidly. 11 EU countries at least doubled and another five increased by at least 50% the number of mobile students coming from non-EU UfM countries between 2017 and 2022. Figure 5.15 shows the main destinations for mobile students from the non-EU UfM countries.

Similarly, while UNESCO lacks a country breakdown for students coming to the United Arab Emirates, the data on inbound students to Qatar and Saudi Arabia suggest that GCC countries are becoming an important destination for some MENA UfM countries, especially Egypt, Jordan and the Palestinian Authority (Figure 5.15).

The gender distribution among inbound mobile students shows a slight predominance of female students in majority of countries – a pattern that reflects the underlying tertiary education student population. Overall, about 48% of inbound mobile students are female in UfM countries with available data, while 56% of student enrolment in tertiary education is female. Predominantly in North African countries, the female share of inbound mobile students is below 40% (Figure 5.16).

Student mobility tends to be greater at the doctoral (PhD) level; in OECD countries, about one-quarter of all doctoral candidates are international (OECD, 2024[13]). This includes many EU UfM countries, which have high dependence on international PhDs. Many supply and demand factors at the individual, institutional, national and global levels drive patterns of international PhD mobility. These include personal research ambitions, lack of PhD programmes in the home country and funding opportunities abroad. This encapsulates some of the prevailing issues in MENA UfM countries.

What policy action is needed?

- **Streamline visa processes to enhance mobility**. Establishing mutual recognition of qualifications and improving information sharing would facilitate student movement between UfM countries. In this regard, working towards wider adoption of the UNESCO Global Convention on the Recognition of Qualifications concerning Higher Education could facilitate better recognition of qualifications. However, under current conditions the mobility towards EU remains primarily option for those with sufficient financial resources. Policy could also consider employing scholarship and loan schemes to equalise opportunities for students.
- **Promote gender equality in mobility** via the implementation of initiatives to address gender disparities in international student flows, particularly in North African countries with lower female participation.

Data limitation and developments

The UNESCO dataset is the most complete measure of student degree mobility, but it has its limitations. Despite some countries having reported data up to 2023, only mobility data from 2022 are consistently reported with few exceptions noted. The total number of outbound mobilities is estimated by UNESCO. The presented figures should be understood as indicative of trends and estimated counts rather than precise headcounts of mobile students.

Figure 5.13 and Figure 5.15 rely on data reported about mobile students by country of origin. Algeria, Israel, Lebanon, Montenegro, Netherlands, and the Palestinian Authority do not report this information. Data for the Netherlands were added by the OECD from their national statistics. Data could not be located for other countries.

Definitions

Mobile students in international data are students who are either "international" or "foreign".

Foreign students are those who are not citizens of the country in which they are enrolled and where the data are collected.

International students are those who left their country of origin (country of upper-secondary education or prior education, or usual residence) and moved to another country for the purpose of study.

Further reading

Chapter B4. in OECD (2024), *Education at a Glance 2024: OECD Indicators*, https://doi.org/10.1787/c00cad36-en.

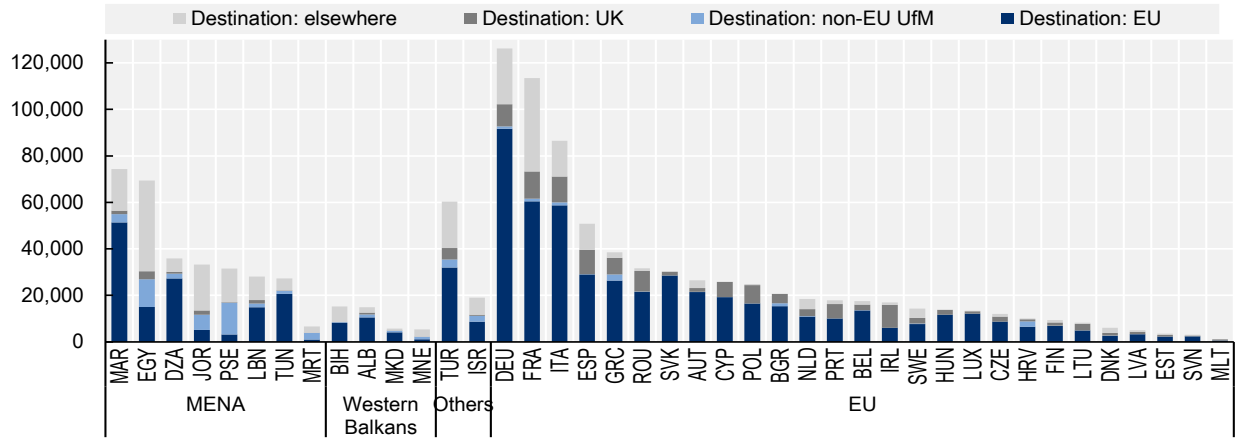
Chapters 5-7 in OECD (2022), *International Migration Outlook 2022*, https://doi.org/10.1787/30fe16d2-en.

OECD (forthcoming), Review of Higher Education in Egypt

UNIMED (2021). *The Internationalisation of Higher Education in the Mediterranean, Current and prospective trends*. Barcelona: UfM, https://ufmsecretariat.org/publication-speech/internationalisation-of-higher-education-mediterranean/

Figure 5.13. Outbound international mobility of tertiary level students from UfM countries by country of destination, 2022

Total number of tertiary students from each country studying abroad (outbound students)



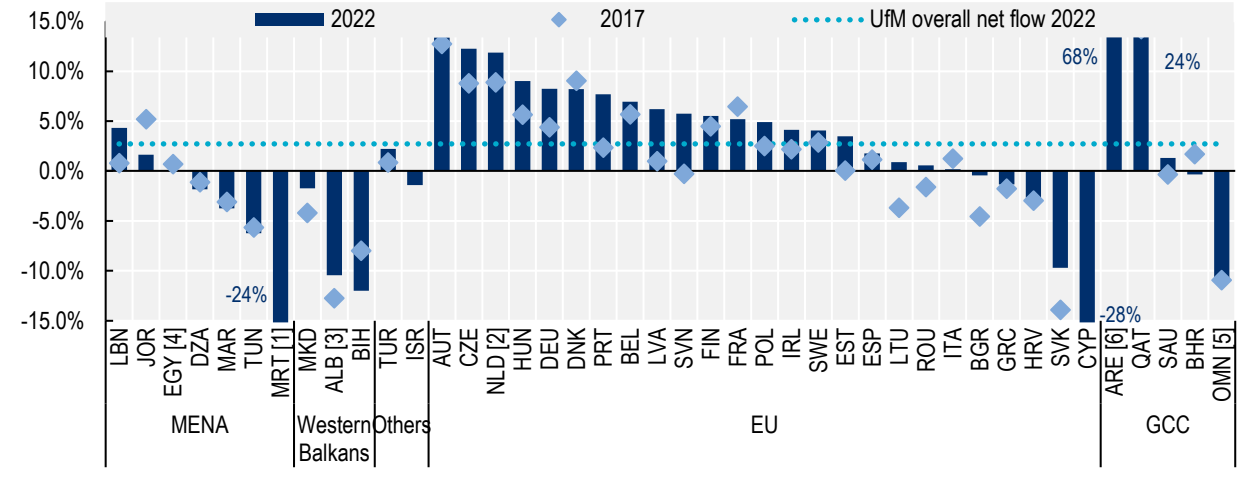
Note: Algeria, Israel, Lebanon, Montenegro, Netherlands, and Palestinian Authority do not have available information in UNESCO data about inbound students by the country of origin. Data for the Netherlands were added by the OECD from their national statistics.

Source: OECD calculations based on data from UNESCO (2024[14]), Inbound internationally mobile students by country of origin https://data.uis.unesco.org/index.aspx?queryid=3806 and data for the Netherlands from Nuffic (2024[15]), Countries of origin, https://www.nuffic.nl/en/subjects/facts-and-figures/countries-of-origin.

StatLink https://stat.link/3qkxv9

Figure 5.14. Net flow ratio of internationally mobile students at tertiary level

Inbound – outbound



Note: Total number of tertiary students from abroad (inbound students) studying in a given country minus the number of tertiary students from that country studying abroad (outbound students), expressed as a percentage of total tertiary enrolment in a given country.

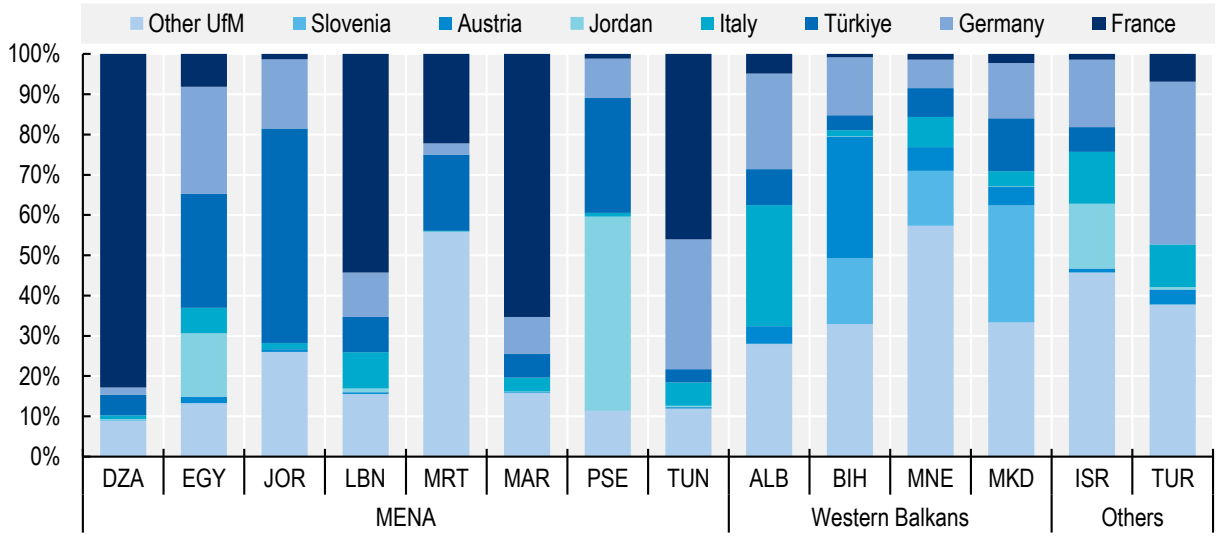
No data available for Montenegro and the Palestinian Authority. Luxembourg, Monaco, and Malta excluded due to small tertiary education enrolment, below 20 thousand students.

1. Mauritania no data for 2022, calculated based on 2020.
2. The Netherlands no data for 2022, calculated based on 2021.
3. Albania no data for 2017, calculated based on 2018.
4. Egypt no data for 2017, calculated based on 2016.
5. Oman no data for 2022, calculated based on 2021.
6. United Arab Emirates calculated based on 2016 and 2020.

Source: OECD calculations based on: UNESCO (2024[11]), Enrolment by level of education, https://data.uis.unesco.org/index.aspx?queryid=3811; UNESCO (2024[14]), Inbound internationally mobile students by continent of origin, https://data.uis.unesco.org/index.aspx?queryid=3804; UNESCO (2024[16]), Outbound internationally mobile students by host region, https://data.uis.unesco.org/index.aspx?queryid=3807

StatLink https://stat.link/sg12lz

Figure 5.15. Main UfM destinations for internationally mobile tertiary-level students from non-EU UfM countries in 2022

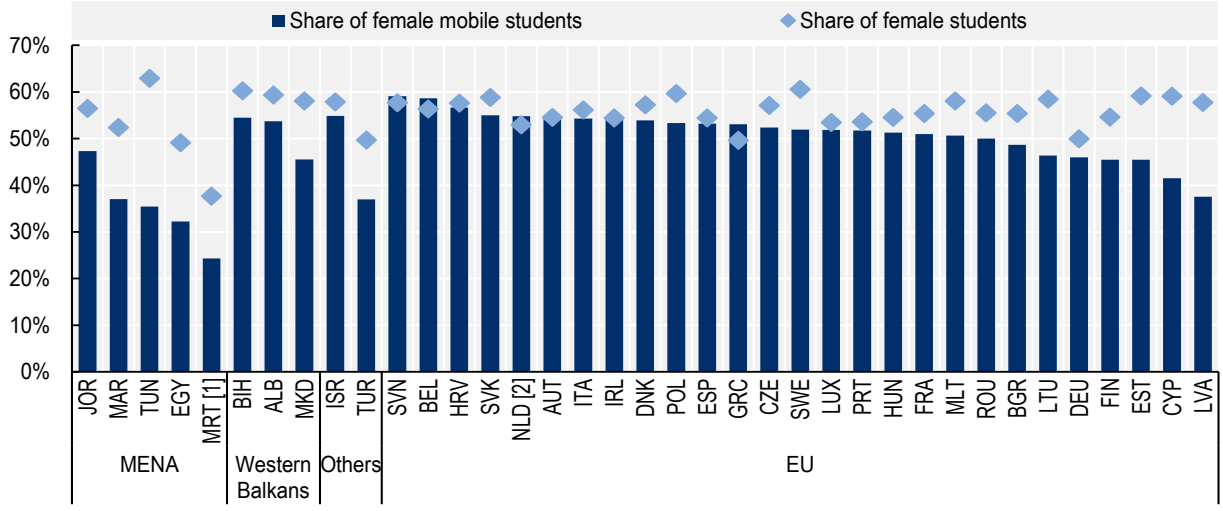


Note: Algeria, Israel, Lebanon, Montenegro, Netherlands, and Palestinian Authority do not have available information in UNESCO data about inbound students by the country of origin. Data for the Netherlands were added by the OECD from their national statistics.
Source: OECD calculations based on data from UNESCO (2024[14]), Inbound internationally mobile students by country of origin https://data.uis.unesco.org/index.aspx?queryid=3806 and data for the Netherlands from Nuffic (2024[15]), Countries of origin, https://www.nuffic.nl/en/subjects/facts-and-figures/countries-of-origin.

StatLink https://stat.link/gd6zo5

Figure 5.16. Share of female inbound mobile students and female enrolment in tertiary education

2022



Note: No data available on female inbound mobile students for Algeria and Lebanon.
1. Mauritania no data for 2022, calculated based on 2020.
2. The Netherlands no data for 2022, calculated based on 2021.
3. UfM total excludes Algeria and Lebanon
Source: OECD calculations based on: UNESCO (2024[11]), Enrolment by level of education, https://data.uis.unesco.org/index.aspx?queryid=3811; UNESCO (2024[14]), Inbound internationally mobile students by continent of origin, https://data.uis.unesco.org/index.aspx?queryid=3804

StatLink https://stat.link/9npu7h

R8. Funding and participation in the Erasmus+ Programme

Why this indicator?

The Erasmus+ Programme is one of the EU's most prominent policy initiatives and is playing an increasing important role in the EU's external and neighbourhood policy.

Erasmus+ is the largest funding programme in the UfM area supporting international co-operation in higher education. The primary focus of the programme is to facilitate the mobility of individuals, students, and staff. Erasmus+ also offers other actions supporting co-operation between higher education institutions and other organisations.

The majority of Erasmus+ funding goes to organisations in the EU countries, and only a limited portion to non-EU countries formally associated to the programme (in the UfM, North Macedonia and Türkiye). The programme has about 8% of the total budget for the EU multiannual financial framework (MFF) 2021-2027 allocated for activities with third countries not associated with the programme. The whole Southern Mediterranean region (as defined by the European Commission) is allocated 17% of this budget for mobilities and 10% for capacity building in higher education. The Western Balkans receive 19% for individual mobilities and 12% for capacity building (European Commission, 2021[17]).

The increase of funding for, and participation from, Western Balkan countries can also be attributed to the greater emphasis on the region in EU external policy, as shown in the 2018 commitment to provide these countries with prospective EU accession and a doubling of Erasmus+ Programme funding for the region (2018[18]). Recently, Erasmus+ has been mentioned in the new Agenda for the Mediterranean and a number of bilateral agreements with the MENA UfM countries.

Key findings

Allocated funding for higher education Erasmus+ activities has slightly increased in the Western Balkans, while falling significantly in MENA UfM countries (Figure 5.17). The overall budget for the Erasmus+ Programme, including the budget dedicated for third countries, was increased in the EU MFF 2021-2027 compared to the previous funding period. However, the funds allocated, and the share of funding received, for activities in higher education in non-EU UfM countries declined in 2021-2023, when an average of 3.8% of allocated Erasmus+ funding went to non-EU UfM countries each year, compared to 5.3% in the previous MFF period, 2014-2020. The European Commission has clarified that some of the Erasmus+ resources previously allocated for higher education have been diverted towards activities in vocational education and training, as well as youth actions.

Strengthening participation from Türkiye, recovering participation from the Western Balkans and a decline in the MENA UfM countries. The Covid-19 pandemic and the start of the new MFF period influenced participation in the Erasmus+ programme in 2021 for organisations in countries not associated to the programme. Since then, participation from, and funding for, the Western Balkans seems to have recovered and increased in Türkiye. Participation from, and funding for, the MENA UfM countries in 2022 and 2023 halved compared to 2015-2020 (Figure 5.17).

Organisations from the Western Balkans are involved in an increasing number of proposed and selected projects. Organisations from Albania and Montenegro are participating in more projects in the new MFF period (2021-2027) compared to the previous MFF period (2014-2020). In the MENA UfM countries, meanwhile, the number of proposed projects in the current MFF is below the expected number based on previous MFF, and the number of selected projects dropped significantly. Only Jordanian and Palestinian organisations participated in proportionally more proposed projects than in the previous MFF period (Figure 5.18).

One of the primary Erasmus+ instruments in UfM countries is capacity-building projects. Nearly one-third of all capacity-building actions in higher education in the Erasmus+ programme included non-EU UfM countries (386 projects involving organisations from at least one of the non-EU UfM countries in the period 2014-2023). In the new MFF, this share appears to be decreasing slightly, as fewer selected projects include organisations from the MENA UfM countries.

What policy action is needed?

- **Strengthen relevant support structures.** Participation in Erasmus+ actions require significant administrative and organisational capacity, as well as knowledge of the various actions. In the current MFF, a new action was introduced, Erasmus Mundus Design Measures, to support the development of an Erasmus Mundus Joint Master's degree. Similar actions can be taken to support organisations in countries associated and not associated with the Erasmus+ programme. Further efforts could also be made to strengthen national support infrastructures (e.g. national Erasmus+ offices) in all UfM countries.
- **Give organisations easier access to the programme as they gain these organisational and administrative capabilities.** One option is to develop a form of an Erasmus+ accreditation. This will offer higher education institutions simpler participation in Erasmus+ if they meet requirements on quality assurance, financial management and institutional transparency.
- **Continue to promote science and education diplomacy at the national level**, using instruments like liaison offices and personnel to enable and facilitate institutional and individual collaboration.

Definitions

The net funding allocation and number of organisations participating in Erasmus+ programme includes projects on individual mobility, co-operation among organisations and institutions and Jean Monnet activities (aimed at promoting education and research in the field of European integration.

The participation refers to the number of proposed and selected projects in the area of higher education, Capacity building and Erasmus Mundus, by country associated with applying or implementing organisation.

Further reading

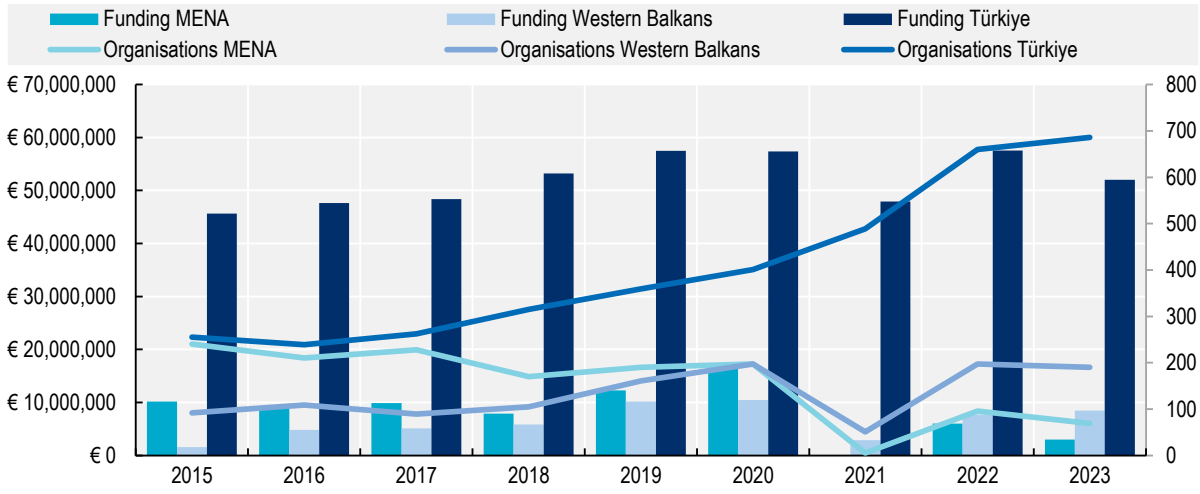
OECD (forthcoming), Review of Higher Education in Egypt

OECD (forthcoming), Policy brief: Policies to support and promote transnational collaboration in higher education

UNIMED (2021), The Internationalisation of Higher Education in the Mediterranean, Current and prospective trends (Barcelona: UfM), https://ufmsecretariat.org/publication-speech/internationalisation-of-higher-education-mediterranean/

Figure 5.17. Funding and participation in Erasmus+ Programme, by selected UfM regions

Allocated funding and number of participating organisations by call year, 2015-2023



Source: OECD calculations based on data from the European Commission (2024[19]), Erasmus+ data dashboard https://webgate.ec.europa.eu/eacdashboard/sense/app/c553d9e9-c805-4f7a-90e4-103bd1658077/sheet/42a81cd6-257e-44c1-9106-944e4713c9c7/state/analysis (accessed on 2 July 2024).

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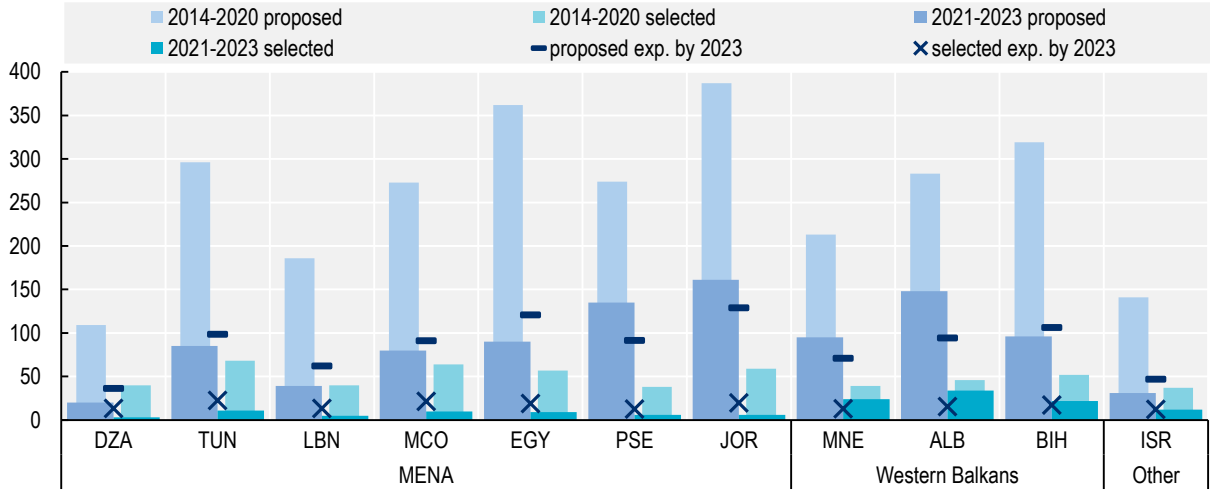
Figure 5.18. Proposed and selected Erasmus+ higher education-related projects, by involvement of organisations from selected UfM countries

Number of projects. Comparison between two MFF periods (2014-2020 and 2021-2023), contrasted with the expected number of projects by 2023



Note: Ordered by the number of selected projects per proposed projects, separately for each region. Data includes projects in activities KA211 Capacity building and KA231 Erasmus Mundus. The number of proposed and selected projects was adjusted between two periods (2014-2020 and 2021-2023) to calculate how many projects were on average proposed and selected per year. As almost no calls for projects were conducted in the years 2014 and 2021, those years were omitted from the calculation of expected projects by 2023. The number of projects proposed and selected in the previous MFF was divided by three, this two-years average of previous MFF is shown as expected project count by 2023.
Source: OECD calculations based on data from the European Commission (2024[20]), Erasmus+ 2023 country factsheets for higher education https://ec.europa.eu/assets/eac/erasmus-plus/factsheets/2023/int2023.html (accessed on 25 July 2024).

StatLink https://stat.link/vdw5fu

R9. Learners and staff mobility supported by the Erasmus+ Programme

Why this indicator

Erasmus+ mobility initiatives allow both students and staff to gain experience from studying, teaching or training in another country, creating links between institutions.

Studies have indicated that a mobility experience can improve employment perspectives for participating students, especially the chance of working internationally, and participants from non-programme countries have reported a large impact on their academic development. For staff, mobilities improve their collaboration networks, and mobile staff have been found to use more innovative teaching methods (European Commission, 2018[21]).

Learners and staff mobility are the core activities within the Erasmus+ Programme, with nearly 70% of the budget for higher education being dedicated to supporting mobilities (European Commission, 2024[22]).

Key findings

More Erasmus+ mobilities involve non-EU UfM institutions than in past. In 2022, about 10.6% of all Erasmus+ higher education student and staff mobilities involved an institution from a non-EU UfM country, a slight increase from 7.9% in 2017. Türkiye is consistently the most frequent participant among these countries (6.9% of total Erasmus+ mobilities in 2022). The Western Balkans increased their share of participation from 0.8% in 2017 to 2% in 2022 and MENA UfM increased its share from 1% to 1.5% between 2017 and 2022 (Table 5.1).

Staff are more likely to participate in Erasmus+ mobilities involving a non-EU UfM country. While 77% of all mobilities in Erasmus+ are learners, most mobilities involved staff in the Western Balkans (71%) and MENA (61%) (Table 5.1). This is likely explained partly by restrictions placed on student mobilities towards countries not associated with the programme (only doctoral students are eligible for outbound mobility towards external countries besides Western Balkans).

The Western Balkans are benefitting from a closer association to the EU through increasing mobilities. The outbound mobility data captured in Figure 5.19 show a significant increase in mobilities involving the Western Balkans in the new MFF period (2021-2027).

Mobility patterns among UfM MENA countries are more varied (Table 5.1), with some countries matching their pre-2020 levels in terms of outbound Erasmus+ mobility (Jordan, Lebanon, Morocco) and Algeria and the Palestinian Authority even increasing modestly, while the rest have experienced declining numbers (Egypt, Israel, Tunisia). Relative to the total number of enrolled students in MENA UfM, the level of the participation from the region remains very limited.

Mobility varies by study fields. Compared to the student population overall, STEM students from the Southern Mediterranean and Türkiye are nearly twice as likely to participate in Erasmus+ mobility, while in the Western Balkans, a similar pattern is seen for ICT students. Students in fields linked to regulated professions (e.g., education, health and wellness), are the least likely to participate in mobility.

Greater female participation. Overall, more females than males participate in Erasmus+ mobilities (63% of mobile learners and 57% of staff in 2022 were females). No UfM country had fewer than 50% of females among outgoing students. Among staff, only four countries sent less than 40% females – the share considered for gender balance. On the receiving side, there are also more inbound females overall, with no UfM country receiving less than 40% females (Figure 5.20).

What policy action is needed?

- The policy considerations discussed under Indicator R8 have already covered measures that could simplify organisational participation in the Erasmus+ programme. Under the current rules, the Erasmus+ mobility scheme has certain restrictions on the outbound mobility of short-cycle, bachelor's and master's-level students for institutions in countries not associated with the programme; in the context of the UfM, this concerns all MENA countries. It might be relevant to review these restrictions and their impact on the scope of possible participation in mobilities.

- The Erasmus+ programme remains focused on EU mobility, however, which restricts its ability to adjust to the priorities of third countries. In addition to Erasmus+, countries around the Mediterranean could consider initiating a lean-management-based mobility scheme that would supplement the Erasmus+ programme, inspired by CEEPUS (Table 5.1). This scheme could promote more mobility between countries in Northern Africa, the Middle East and Southern Europe. The starting point for such a programme in the Mediterranean region could be existing networks of institutions, such as UNIMED, bringing together higher education institutions possessing the desire and capacity to participate. In the initial phases, the programme could focus on exchanges that do not require transfer of credits or recognition of education, and that take place outside the academic terms – for example, intensive courses such as winter and summer schools, training courses and meetings involving both staff and students.
- Within both the Erasmus+ programme and more UfM-focused mobility schemes, countries could also explore virtual, fully online, hybrid or blended exchanges, as well as joint programmes and courses that would include digitally enabled components.

Definitions

A learner or *student* is a person who pursues mobility for the purpose of study or training.

The figures capture the number of individuals from institutions in the given non-EU UfM country or region that participated in Erasmus+ programme, in individual mobility (KA1) in the field of higher education.

The start of the new MFF period in 2021 resulted in more-limited funding allocations for higher education in third countries not associated with the programme. This has reduced funding for most non-EU UfM countries.

Further reading

OECD (forthcoming) Review of Higher Education in Egypt

UNIMED & ESN (2023) The Future of Higher Education in the Mediterranean - The Student's Perspective. https://www.esn.org/news/future-higher-education-mediterranean-students-perspective

Table 5.1. Erasmus+ mobilities by participant category

	2017				2019				2022			
	Staff (% of all)		Learner (% of all)		Staff (% of all)		Learner (% of all)		Staff (% of all)		Learner (% of all)	
All mobilities	78 767		328 407		107 794		347 923		98 572		322 393	
involving Türkiye	3 841	4.9%	20 159	6.1%	6 692	6.2%	22 660	6.5%	8 780	8.9%	20 381	6.3%
involving Western Balkans	1 863	2.4%	1 557	0.5%	3 262	3.0%	2 048	0.6%	6 023	6.1%	2 461	0.8%
involving MENA UfM	2044	4.9%	2081	0.6%	3919	6.2%	2776	0.8%	3938	4.0%	2472	0.8%
Involving Israel	892	2.4%	523	0.2%	1585	3.0%	714	0.2%	1370	1.4%	738	0.2%
involving non-EU UfM	8 408	10.7%	23 959	7.3%	14 852	13.8%	27 835	8.0%	18 908	19.2%	25 601	7.9%

Source: European Commission (2023[23]), Erasmus+ mobility data, https://erasmus-plus.ec.europa.eu/resources-and-tools/factsheets-statistics-evaluations/statistics/for-researchers?facets__permanent%7Cfield_eac_topics=1998 (accessed on 13 May 2024).

Box 5.1. Central European Exchange Program for University Studies (CEEPUS)

The CEEPUS programme was initiated by the group of government ministers in 1992, shortly after the fall of the Iron Curtain. The programme was intended to create a framework for multilateral academic co-operation, which was missing because, except for Austria, no countries were part of the EU and the early Erasmus programme. CEEPUS was founded by six countries – Austria, Bulgaria, Hungary, Poland, Slovak Republic and Slovenia – that were later joined by other countries in the region. Since 1995, more than 2 000 higher education institutions have participated in CEEPUS and more than 89 000 exchanges have been supported (2023 data). Even after three decades of existence, the number of applications is rising, as well as the number of awarded mobilities.

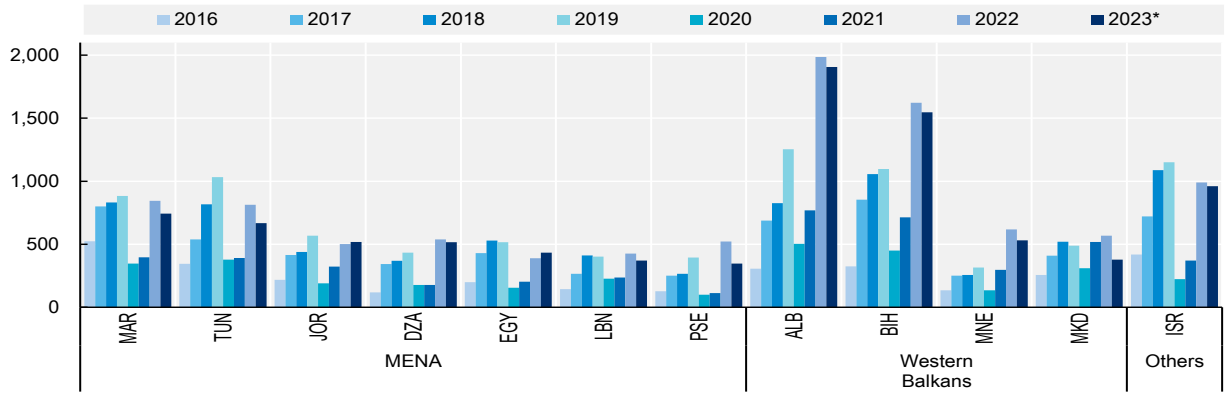
The objective was to create a programme that has lean management and allows for easy participation. The programme was established by multilateral agreement between countries, using a simple governance structure. Participation takes place through multilateral networks of institutions or of their constituent parts (e.g. faculty, department). Each country regularly publishes a list of eligible institutions; those institutions then need to guarantee exemption of CEEPUS students from tuition fees and mutual recognition of acquired education. There is no transfer of funds between institutions and countries, the "currency" that is being exchanged is one scholarship month. Each participating country pledges at least 100 scholarship-months per academic year and provides grants to incoming students and staff, with amounts adjusted to the local cost of living. There is small, central CEEPUS office in Vienna and national centres in each of the 15 member countries.

The programme has also evolved from primarily a student exchange to focusing more on teaching and doctoral-level mobilities. While most participating countries are also engaged in the Erasmus+ programme, CEEPUS remains relevant. It not only offers opportunities for study and teaching exchanges, but also facilitates connections between higher education institutions and supports various short-term mobilities.

Source: CEEPUS (2023[24]), Report 2023, https://www.ceepus.info/files/ceepus3/CEEPUS_Report_2023_V05.pdf (accessed on 13 January 2025); Sorantin (2020[25]), CEEPUS: Active Methods in Setting up a New Regional Academic Exchange Program. https://doi.org/10.1515/edu-2020-0132

Figure 5.19. Individual outbound mobility in the Erasmus+ Programme from non-EU UfM countries

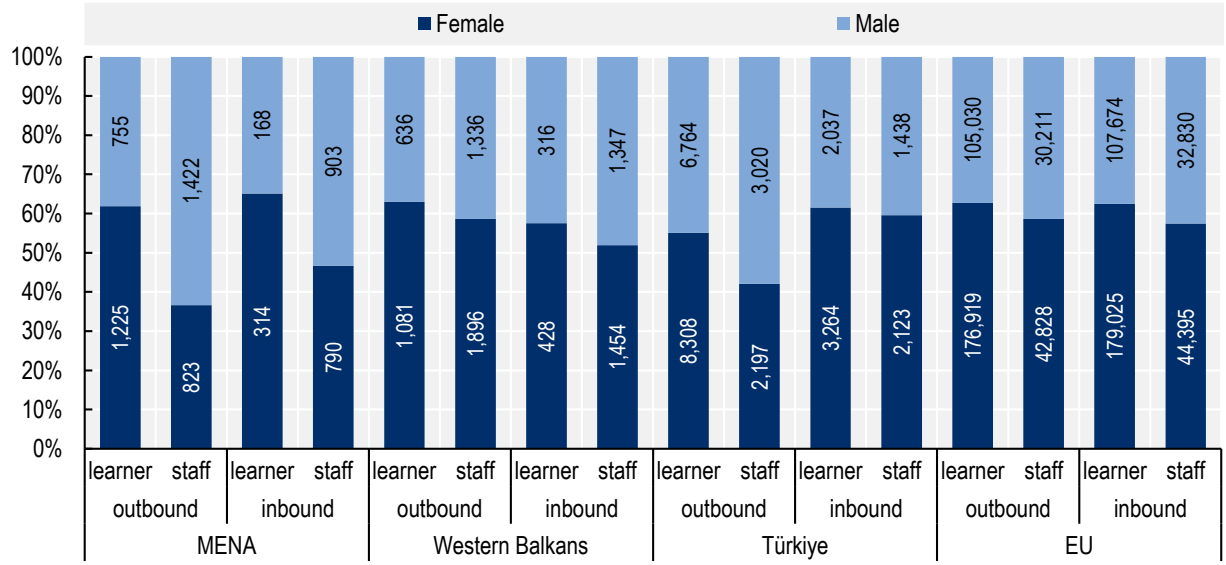
Total outbound mobility of learners and staff to another UfM country for the purpose of study, training or teaching, 2016-2023



Note: Türkiye is omitted due to high number of mobile individuals. Monaco and Mauritania are omitted due to very low participation.
* Data for 2023 are provisional and can further increase as projects are completed and reporting is finalised.
Source: OECD calculations based on data from the European Commission (2024[19]) Erasmus+ data dashboard: https://webgate.ec.europa.eu/eacdashboard/sense/app/c553d9e9-c805-4f7a-90e4-103bd1658077/sheet/42a81cd6-257e-44c1-9106-944e4713c9c7/state/analysis (accessed on 2 July 2024).

StatLink https://stat.link/qb078d

Figure 5.20. Erasmus+ participants by gender, 2022



Note: About 0.1% of participants have undefined gender due to their small number; these participants are omitted from this figure.
Source: European Commission (2023[23]), Erasmus+ mobility data, https://erasmus-plus.ec.europa.eu/resources-and-tools/factsheets-statistics-evaluations/statistics/for-researchers?facets__permanent%7Cfield_eac_topics=1998 (accessed on 13 May 2024).

R10. EU researcher mobility programmes

Why this indicator?

Established in 1996, the Marie Skłodowska-Curie Actions (MSCA) are the European Union's flagship funding programme for doctoral education and postdoctoral training of researchers. The programme supports the mobility of researchers between countries, sectors and disciplines to acquire new knowledge, skills and competences. The analysis of researcher mobility programmes, particularly the MSCA, can reveal significant trends in researcher mobility between UfM countries.

Key findings

The data on *research and innovation staff mobility* between selected UfM members and other countries in the context of the MSCA provide valuable insights into mobility patterns. The destinations of researchers traveling from the selected UfM members are diverse (Figure 5.21 Panels A, C, E, G, I, K). France, Germany, Italy and Spain are the most popular destinations. Greece is often chosen as a destination by researchers from Algeria, Jordan and Tunisia. Although the total number of visitors over the timeframe analysed remains limited, it is evident that there is a relatively balanced exchange of researchers across the UfM region.

Analysis of *incoming* mobility to the selected countries reveals a different pattern (Figure 5.21 Panels B, D, F, H, J, L), with very low numbers of researchers from other countries. In the cases of Egypt and Jordan, ten times more researchers go abroad than come to the country (Panels D, F). This asymmetry further confirms the unbalanced nature of staff and student mobilities already observed in indicators R7 and R9, with net flows towards the EU. It is worth noting that, even if mobilities are not balanced, they still facilitate knowledge exchange and contribute to capacity building in both sending and receiving countries.

Moreover, in terms of incoming mobility, there is a tendency for movement to be concentrated from specific countries when compared to the opposite direction. For example, in Algeria, researchers from Tunisia account for more than half of the total incoming researchers (Panel B). Similar patterns are observed in Egypt with researchers from Lithuania (Panel D), in Morocco with researchers from Spain and France (Panel H), and in Tunisia with researchers from Algeria (Panel J). This may reflect geographical and cultural proximity, as well as the historical background of past international cooperation. While further developing these relationships, enhancing each country's own research capabilities can make a country a more attractive partner for others, thereby contributing to greater diversity in international collaboration.

Finally, there is a considerable level of reciprocal researcher flow among Algeria, Morocco and Tunisia (Panels A, B, H, I, J), indicating that so-called South-South cooperation is also progressing to some extent.

What policy action is needed?

- **Strengthen R&D investment within each country.** This would not only enhance local researchers' capacity to absorb international knowledge, but also increase the attractiveness of domestic research institutions to foreign researchers.
- Capacity building for non-EU UfM countries and their research organisations is necessary. Some efforts in this regard have already been made, according to the MSCAdvocacy website; however, these are not yet sufficient, and further action is required to achieve a more comprehensive approach.
- **Simplify administrative procedures.** Streamlining the application process itself, including visa requirements, can lower the barriers to participation in international programmes.

Data limitation and developments

Available data are limited, and many participating countries of UfM do not have country-specific data on MSCAdvocacy. Moreover, while the Horizon Dashboard provides data at the research institution level, data at the individual researcher level are not available. The development of data that allows for cross-country comparisons would enable the identification of the necessary measures to promote the effective use of this initiative. Furthermore analysing these data in conjunction with indicators R5 and R6, would allow to assess the impact of utilising this initiative on outputs, such as publications and patents.

Further reading

https://www.mscadvocacy.eu/mscadvocacy-report-presents-msca-participation-trends-across-26-countries-and-regions/

https://www.mscadvocacy.eu/strengthening-msca-in-the-mpc/

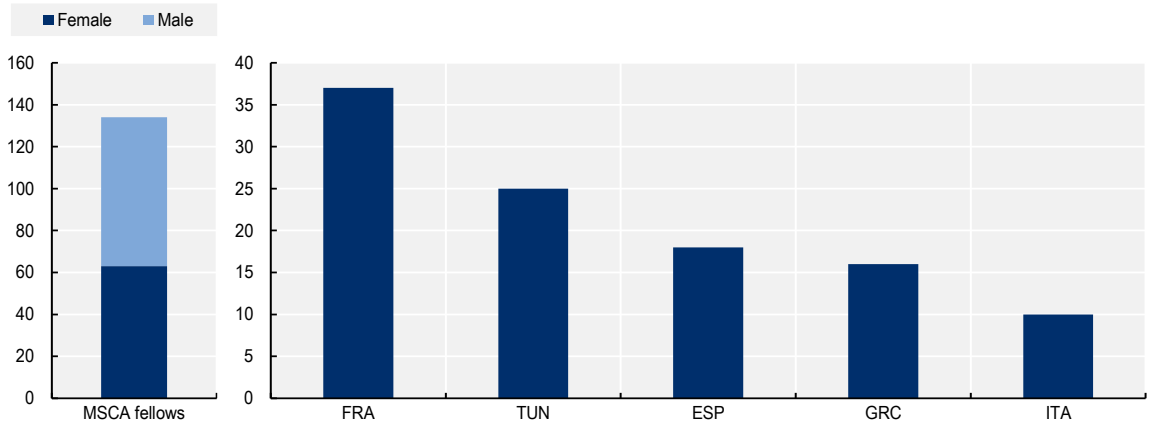
https://marie-sklodowska-curie-actions.ec.europa.eu/about-msca

MSCAdvocacy, "Qualitative monitoring 1 MSCA Participation -Overview and comparison: EU bilateral R&I cooperation with countries & regions-" https://www.mscadvocacy.eu/qualitative-monitoring-report/

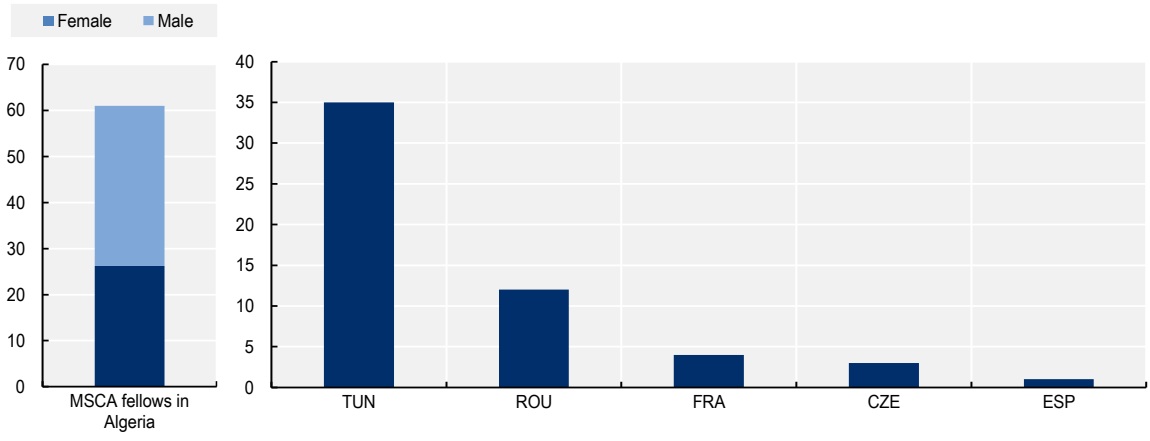
OECD's STIP Compass: International mobility of human resources https://stip.oecd.org/stip/interactive-dashboards/themes/TH55

Figure 5.21. Research and Innovation Staff Mobility between selected UfM countries and other countries in the Marie Skłodowska-Curie Actions under Horizon 2020

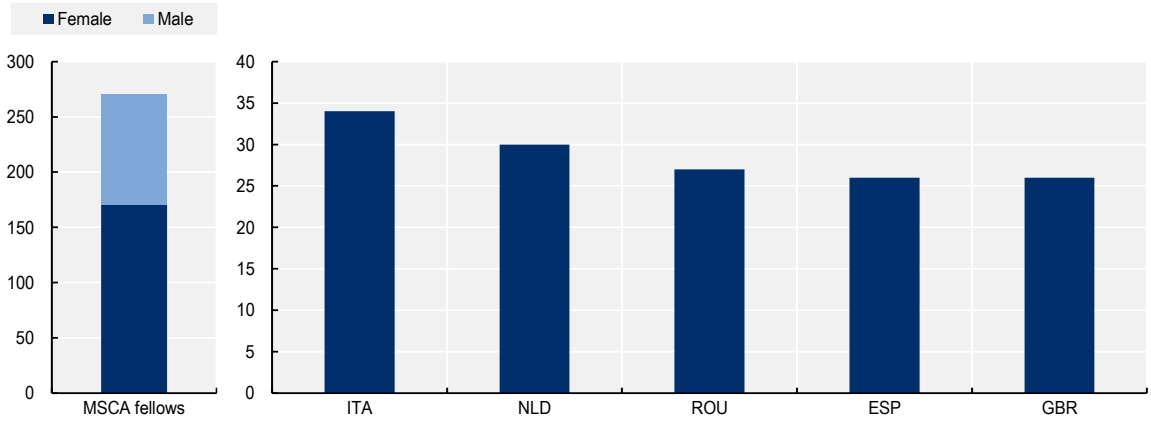
A. Staff members from Algeria, and grouped by the sending organisation country (top 5)



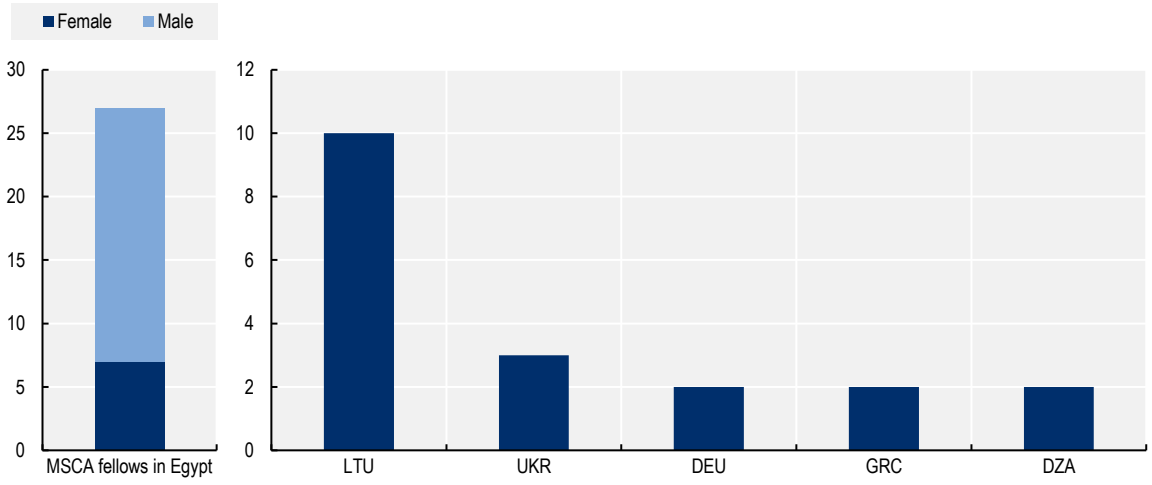
B. Staff members going to Algeria, and grouped by the host organisation country (top 5)



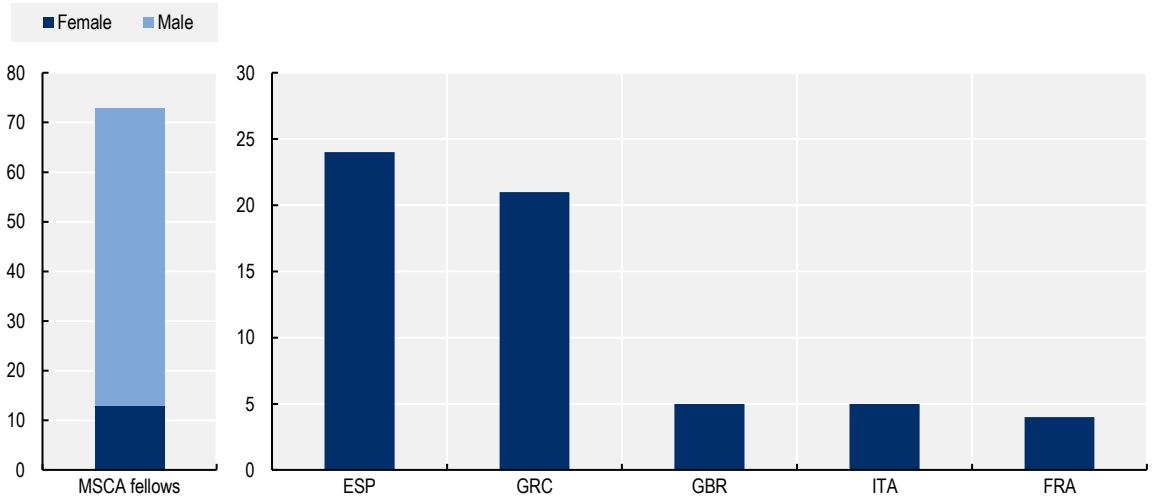
C. Staff members from Egypt, and grouped by the sending organisation country (top 5)



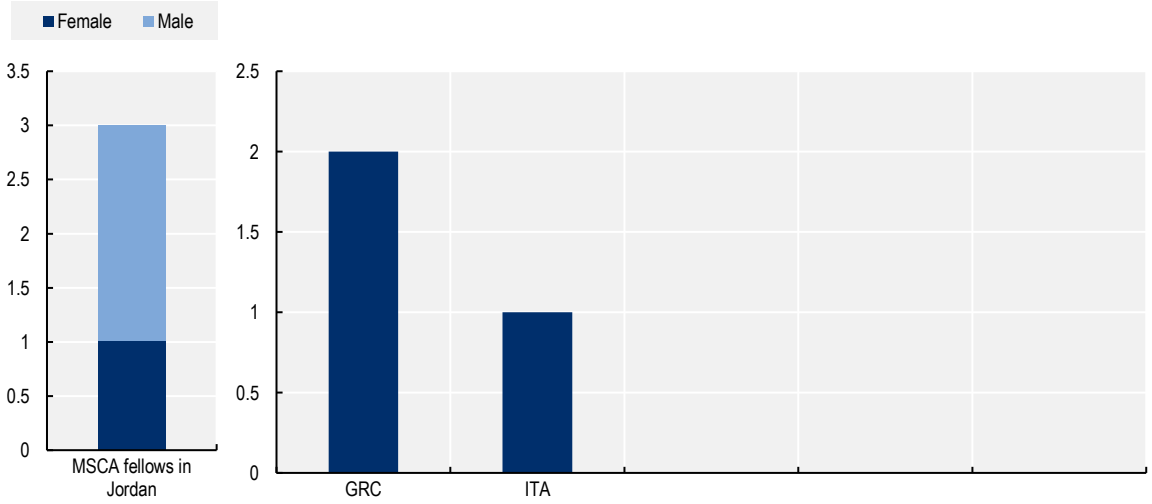
D. Staff members going to Egypt, and grouped by the host organisation country (top 5)



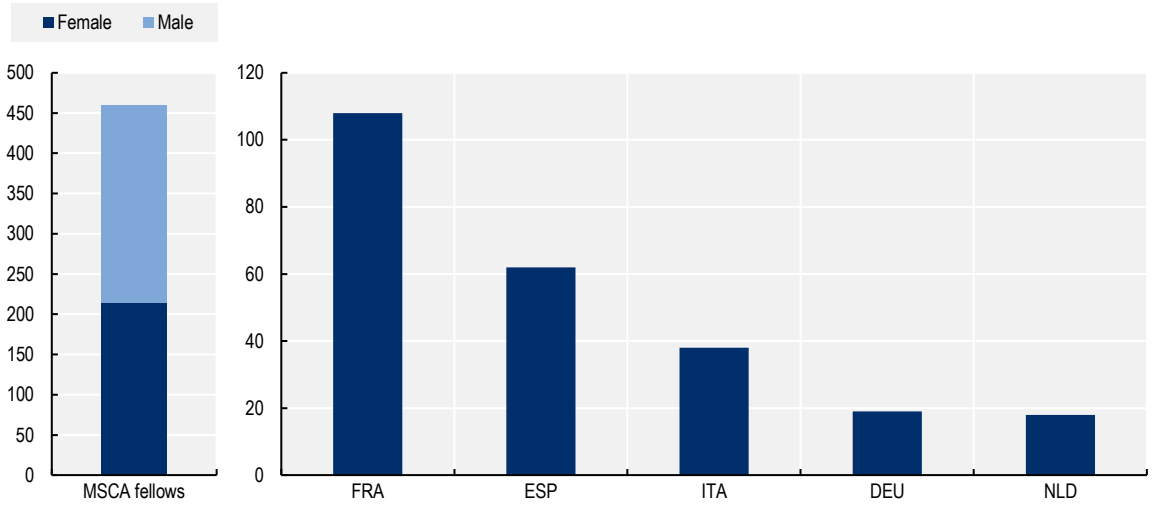
E. Staff members from Jordan, and grouped by the sending organisation country (top 5)



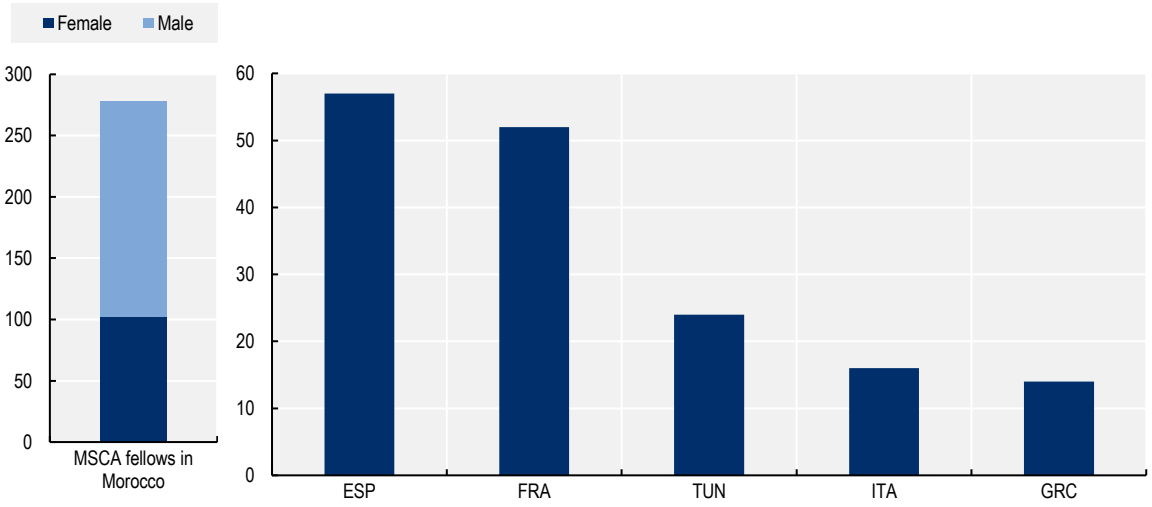
F. Staff members going to Jordan, and grouped by the host organisation country (top 5)



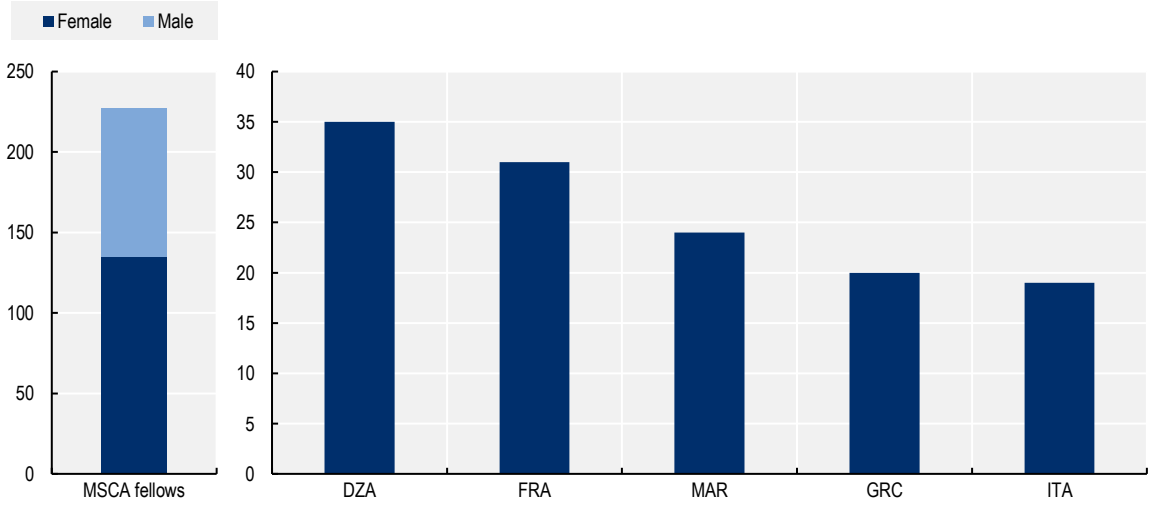
G. Staff members from Morocco, and grouped by the sending organisation country (top 5)



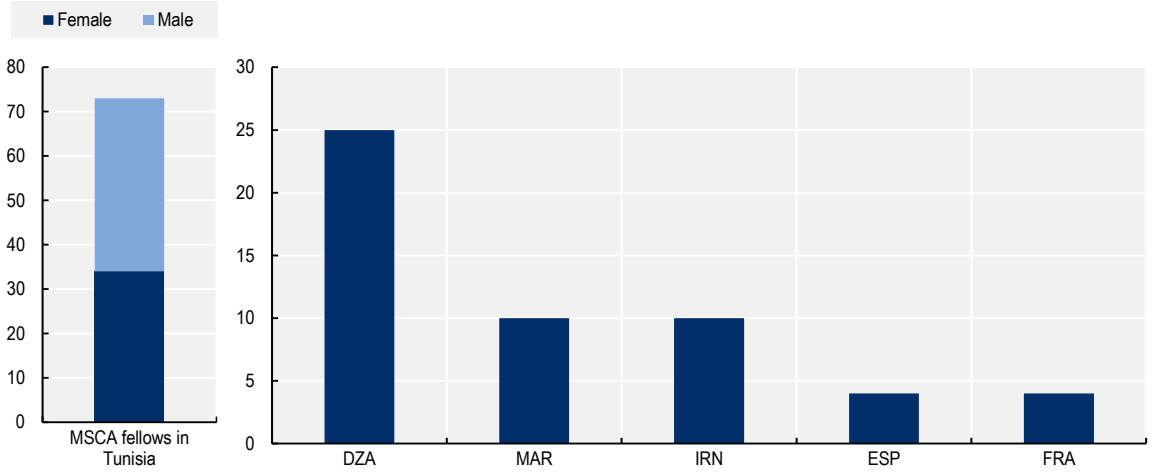
H. Staff members going to Morocco, and grouped by the host organisation country (top 5)



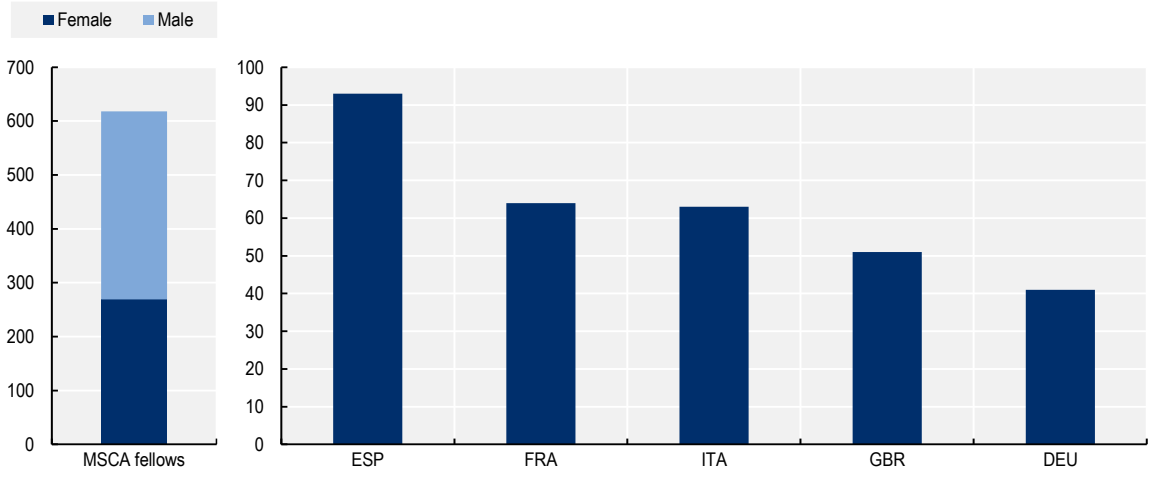
I. Staff members from Tunisia, and grouped by the sending organisation country (top 5)



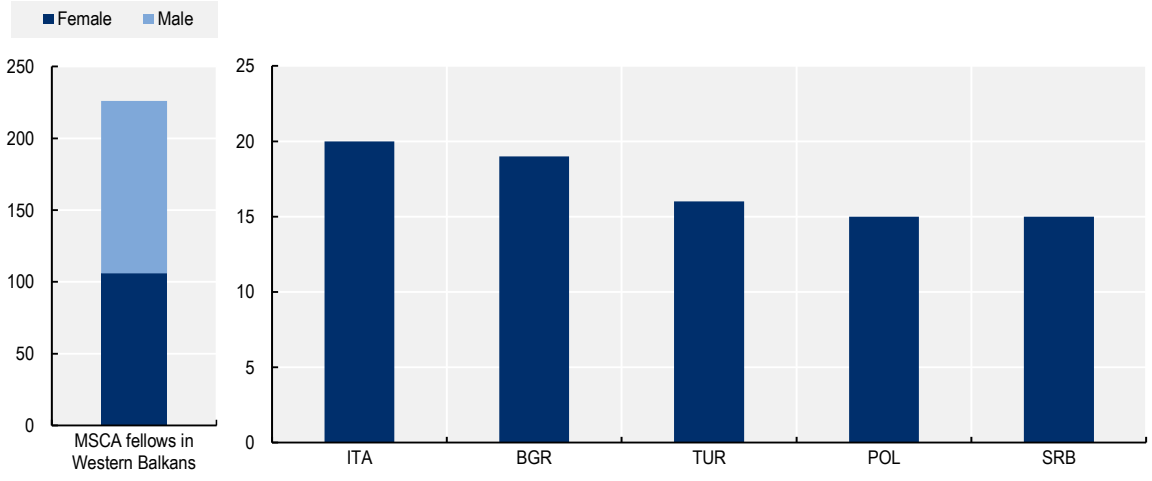
J. Staff members going to Tunisia, and grouped by the host organisation country (top 5)



K. Staff members from Western Balkans, and grouped by the sending organisation country (top 5)



L. Staff members going to Western Balkans, and grouped by the host organisation country (top 5)



Note: Data for Western Balkans includes non-UfM countries, namely Kosovo and Serbia.
Source: MSCAdvocacy, Egypt factsheet, Marie Skłodowska-Curie Actions, https://www.mscadvocacy.eu/global-coverage/

R11. Funding and participation in Horizon programmes

Why this indicator?

This indicator measures the amount of funding from the Horizon 2020 and Horizon Europe programmes received by associate and third countries as well as the number of countries participating in specific research co-operation programmes.

Key findings

There are significant differences between UfM countries in terms of funding and participation in the Horizon 2020 and Horizon Europe programmes (Figure 5.22). In most countries, projects under Horizon Europe have been implemented at a faster pace than under Horizon 2020 in terms of both funding and participation, reflecting steady progress in regional collaboration. In terms of funding, Tunisia stands out with the highest level of funding, receiving over EUR 13.9 million, followed by North Macedonia and Bosnia and Herzegovina (Panel A). Regarding signed grants and participations, North Macedonia ranks first, followed by Tunisia and Morocco (Panel B, C).

Due to structural differences in thematic classifications between Horizon 2020 and Horizon Europe, direct comparisons of participation trends over time are not possible. However, data show that participation levels vary significantly by thematic area across countries (Figure 5.23). In climate-related themes (Panel A), Morocco, North Macedonia, Bosnia and Herzegovina, and Tunisia show strong participation among non-EU UfM countries. For digital-related projects (Panel B), Bosnia and Herzegovina, North Macedonia, Morocco, Egypt, and Lebanon show high levels of participation among the non-EU participants.

The thematic distribution of participation reveals diverse research priorities across the region. While some countries like North Macedonia, Tunisia and Morocco show strong involvement across multiple themes, others such as Lebanon appear to have more focused areas of expertise. Overall, the varying levels of participation and funding also suggest opportunities for further enhancing research capacity and collaboration in some UfM countries.

Data on gender balance under Horizon 2020 and Horizon Europe, although not disaggregated by country, offer insights into the participation of women in the Framework Programme (FP) projects (Table 5.2). The proportion of female coordinators and researchers involved in FP projects has shown a slight upward trend over time, but significant room for further improvement remains.

As noted in Indicator R8, the variation in funding and participation highlighted by the data suggests differences in administrative and organisational capacities of higher education institutions and research organisations in each country.

What policy action is needed?

- **Capacity building for countries and organisation to participate more effectively in European programmes**. This includes support for developing expertise in research fields eligible for funding, as well as guidance on the procedures for applying for international programmes.

  The PRIMA programme is one example of the positive impact Horizon 2020 and Horizon Europe have had on the Mediterranean region. PRIMA, which established a framework for collaboration between research organisations in the region (Box 5.2), has been successfully extended until 2027, and a new extension should be considered.
- **Focus on enhancing R&D capabilities in technical fields that address global challenges.** Recipient countries should focus their resources on strategic technology fields, such as those related to the twin green and digital transitions, to be eligible for international collaborative projects. It is effective to strategically select the sectors for educational investment and R&D funding, as highlighted in Indicators R1 and R2.

Data limitation and developments

Horizon 2020 evolved into the subsequent Horizon Europe in 2021, and therefore, continued monitoring is necessary. Additionally, by aligning this with Indicators R5-6, it is expected that the outcomes generated by this funding can be analysed, allowing for the assessment of the impact on technology transfer and, ultimately, on regional integration.

Definitions

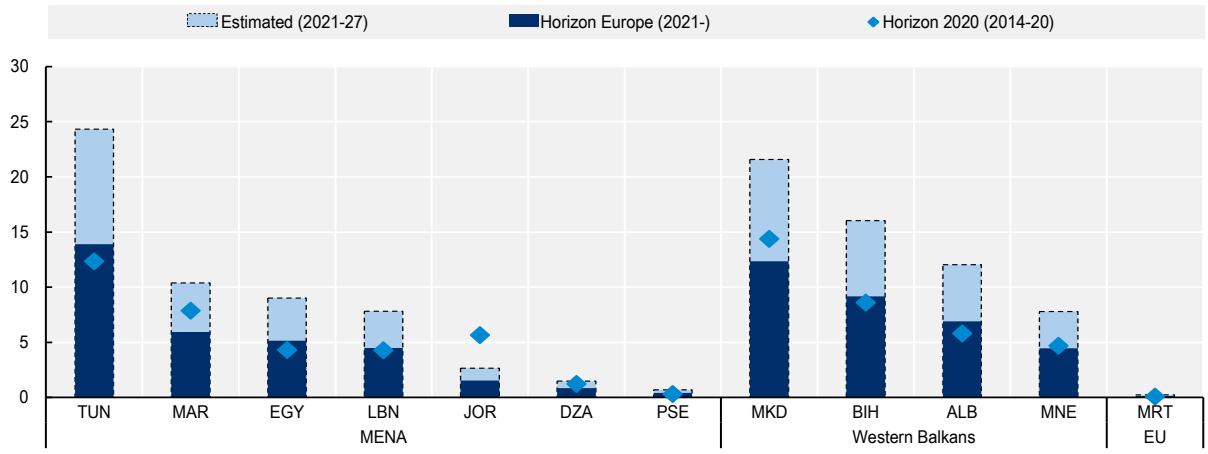
Horizon 2000 was the EU's research and innovation funding programme from 2014-2020, with a budget of nearly €80 billion. Its successor is Horizon Europe, whose funding for the period 2021-2027 is EUR 93.5 billion. Horizon Europe tackles climate change, helps to achieve the UN's Sustainable Development Goals and boosts the EU's competitiveness and growth.
Source: https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe/strategic-plan_en

Further reading

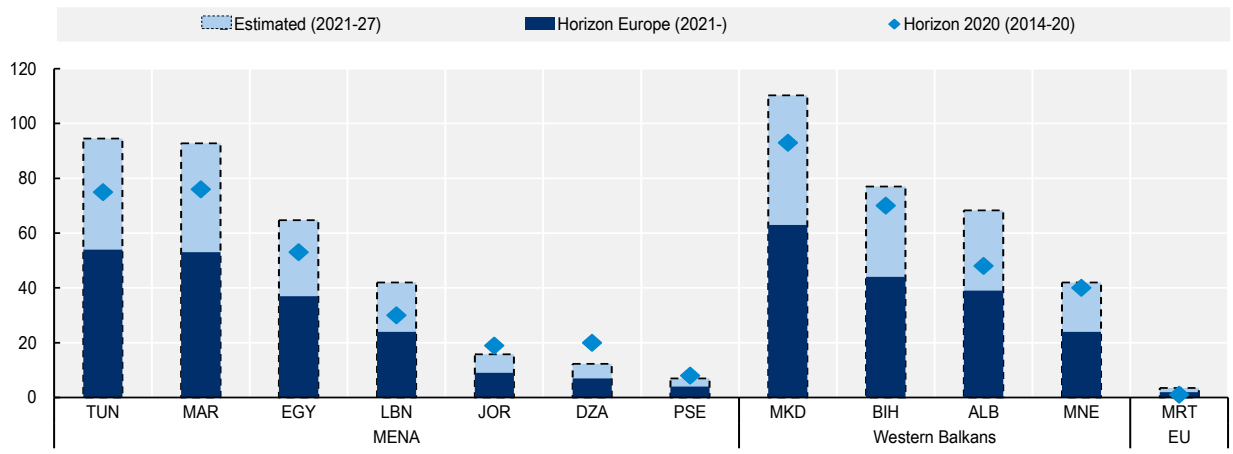
Veugelers, R. and M. Cincera (2016), The Impact of Horizon 2020 on Innovation in Europe

Figure 5.22. Funding and participation of selected UfM countries under Horizon 2020 (2014-2020) and Horizon Europe (2021)

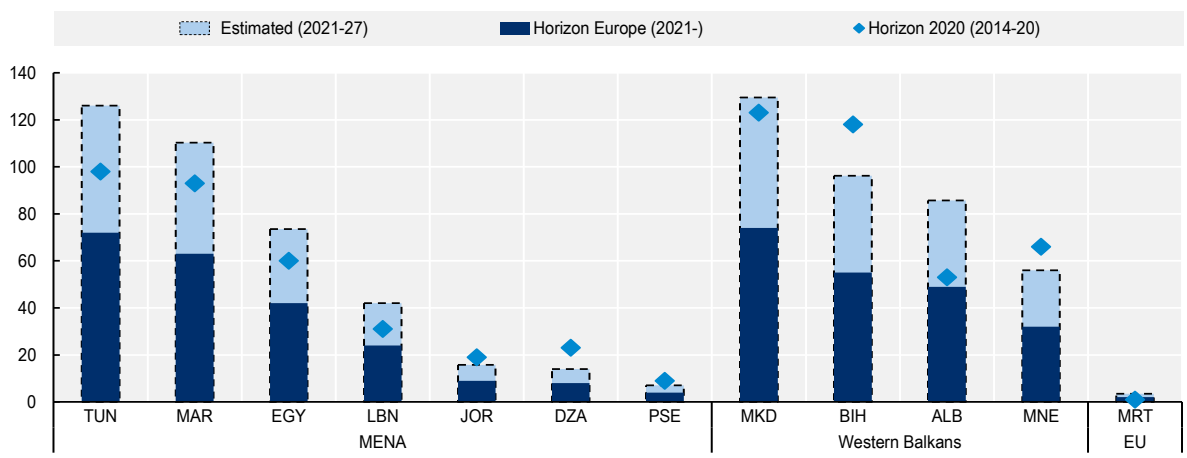
A. Net EU contribution



B. Signed grants



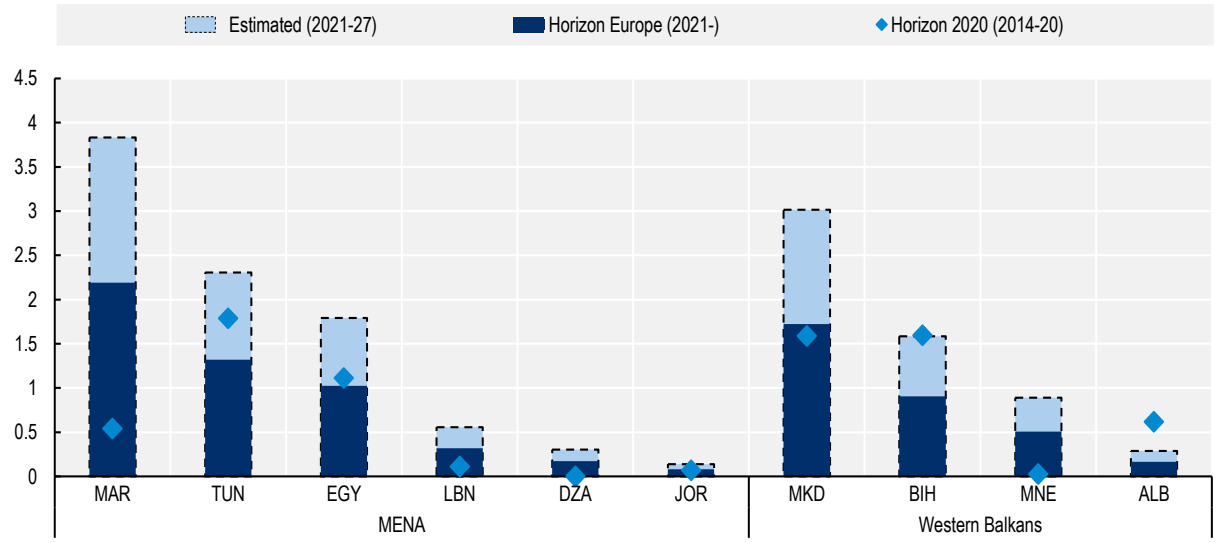
C. Participations



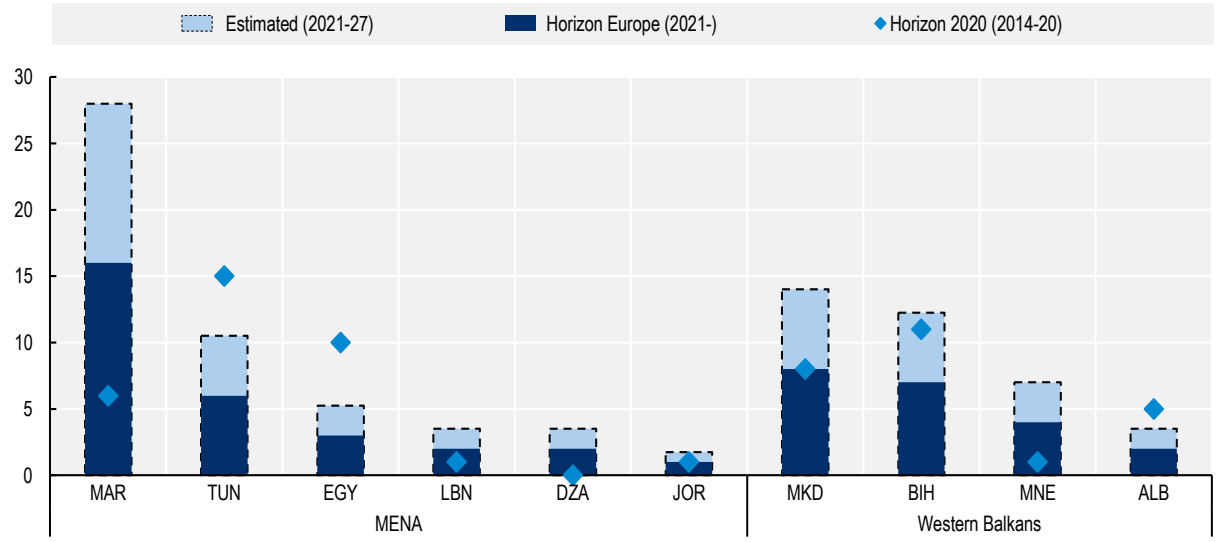
Source: Horizon Dashboard, https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/horizon-dashboard.

Figure 5.23. Funding and participation of selected UfM countries under Horizon 2020 and Horizon Europe, by theme

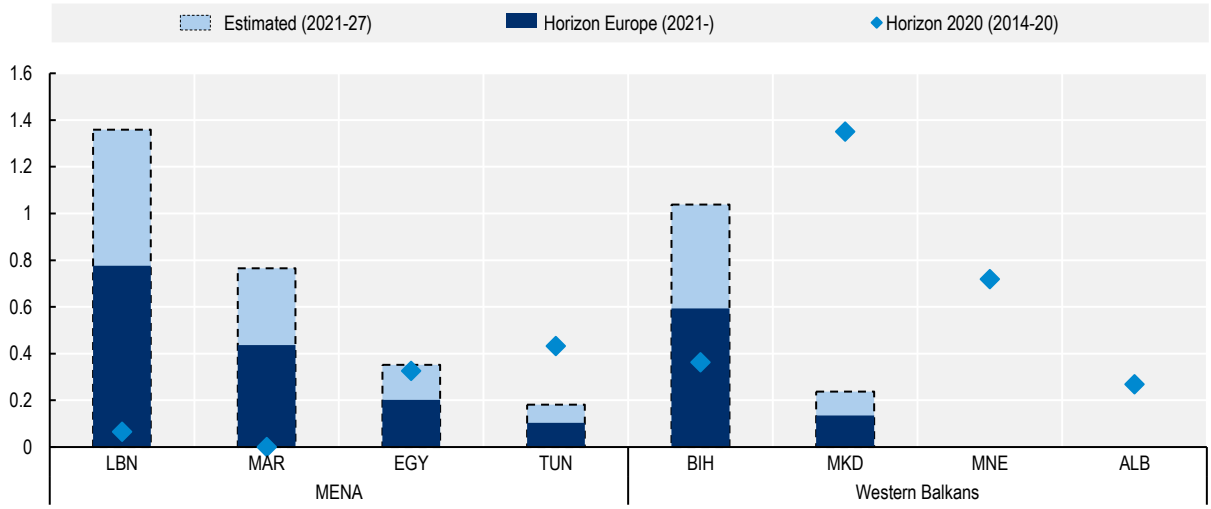
A-1 Climate-related theme, net EU contribution



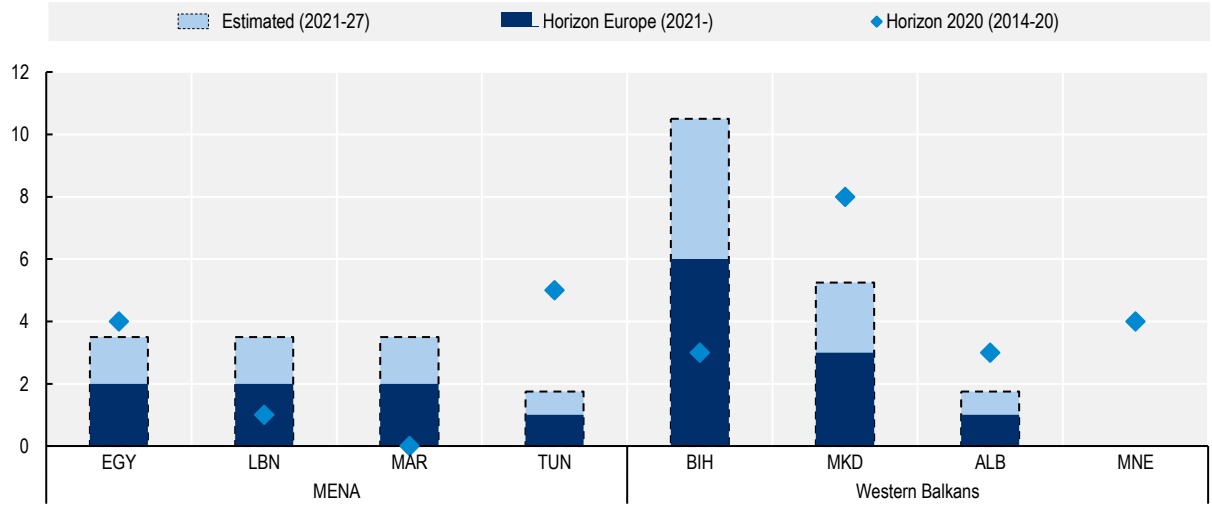
A-2 Climate-related theme, participations



B-1 Digital-related theme, net EU contribution



B-2 Digital-related theme, participations



Note: In Horizon 2020, climate-related projects were categorized under the pillar "Climate action, environment, resource efficiency and raw materials", whereas in Horizon Europe, such projects are included under "Climate, Energy and Mobility". As the scopes of the two pillars are not fully aligned, the figures may not be entirely comparable.
For Panel A, Mauritania. Monaco and Palestinian Authority are excluded since they had no participation in Horizon 2020 nor Horizon Europe.
For Panel B, Algeria, Jordan, Mauritania. Monaco and Palestinian Authority are excluded since they had no participation in Horizon 2020 nor Horizon Europe.
Source: Horizon Dashboard, https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/horizon-dashboard

Table 5.2. Performance of gender-related indicators under Horizon 2020 and Horizon Europe

As of 6 January 2025

Indicator	Horizon 2020 (2014-20)		Horizon Europe (2021-)	
	No.	%	No.	%
Women expert evaluators in evaluation panels	32 415	42%	13 947	45%
Women participating in expert groups	N/A	43%	112	51%
Women coordinators in FP projects	8 687	24%	5 009	31%
Women researchers in FP projects	417 230	37%	75 114	38%

Note: There was a change in methodology between Horizon 2020 and Horizon Europe: in Horizon Europe, researchers participating in multiple projects are counted just once. This does not have a large influence on the share of women researchers, but it means absolute numbers are not comparable between the two programmes.
Source: European Commission (2024[22])

Box 5.2. Catalysing regional scientific co-operation in the UfM: the example of PRIMA

The Partnership for Research and Innovation in the Mediterranean Area (PRIMA) (EU, n.d.[26]) programme aims to build research and innovation capacities through collaborative international research that focuses on developing innovative solutions to common problems in the Mediterranean area, notably sustainable water management, farming systems, and the food value chain. PRIMA's reach extends to 20 countries, encompassing both EU Member States and Southern Mediterranean countries. The EU Member States are Croatia, Cyprus, France, Germany, Greece, Italy, Luxembourg, Malta, Portugal, Slovenia, Spain, and Bulgaria (a newcomer). The Southern Mediterranean countries are Algeria, Egypt, Israel, Jordan, Lebanon, Morocco and Türkiye. This diverse participation highlights the programme's inclusive approach, bringing together countries with varying levels of development to collaborate on shared challenges and opportunities.

In terms of funding, PRIMA has secured a total of EUR 700 million from 2018 to 2027. This substantial investment includes contributions from Horizon 2020 (EUR 220 million), Horizon Europe (EUR 105 million), and national funding agencies (EUR 374 million). The robust financial backing underscores the significant commitment from both European and national stakeholders to support PRIMA's mission of driving research excellence and sustainable development in the Mediterranean region.

Since its inception in 2018, the PRIMA programme has funded more than 230 research and innovation projects, and managed to invest EUR 350 million with the participation of 2 290 final beneficiaries (research organisations, universities, enterprises, NGOs, SMEs, and policymaking/governmental bodies). All those are co-operating and co-creating innovative and technological solutions to address the pressing demands of the Mediterranean states.

By involving stakeholders from different sectors and backgrounds, PRIMA projects leverage a wide range of expertise, resources, and perspectives. This collaborative approach not only enhances the quality of research and innovation but also fosters a sense of ownership and commitment among stakeholders, leading to more sustainable and long-lasting outcomes. PRIMA's commitment to stakeholder engagement is evident in its efforts to organise awareness and information events, involve local communities in project activities, and provide capacity-building opportunities for researchers and practitioners.

A key element of PRIMA is the involvement of the private sector, captured in the programme aim that 30% of the beneficiaries are small and medium-sized enterprises.

Source: OECD based on input from PRIMA.

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Annex A. Participants in policy consultations

The methodological approach to the preparation of the report involved a series of consultations with policymakers, national and international experts, private sector representatives, and international organisations. These discussions served to review and refine the policy recommendations, with participants providing valuable feedback on the draft documents distributed in advance of the meeting.

The OECD expresses its sincere gratitude to the experts who contributed their insights, advice and expertise. National experts: **Albania**: Elira Demiraj, Secretariat of European Integration, Prime Minister's Office. **Algeria**: Ahmed Chaalal, Université Oran 2. **Egypt**: Mahmoud Amin and Rasha Galal, Embassy of Egypt to Belgium; Mohamed Farid Saleh, Egyptian Financial Regulatory Authority; Mohamed Rezk, Academy of Scientific Research and Technology; Walaa Sheta, Science Technology and Innovation Funding Authority; Shaimaa Bahaa din, Federation of Egyptian Industries. **France**: Carla Florentiny and Emeline Lallau, Ministry of Foreign Affairs; Antoine Weexsteen, Ministry for Higher Education and Research. **Germany**: Jan Van Üüm, Andra-Maria Popa and Elke Stewering, Federal Ministry of Research, Technology and Space. **Jordan**: Adel Bino, Jordan Securities Commission. **Italy**: Giovanni Di Dio and Elisa Filippetti, Ministry of Labour and Social Policies; Filippo Vergara, Bank of Italy; Lavinia Monti, Ministry of University and Research; Francesca Capone, Scuola Superiore Sant'Anna; Fulvio Esposito, Italian Representative, OECD Committee for Scientific and Technological Policy. **Morocco**: Ahmed Khalid Benomar, Ministry of Economy and Finance; Nezha Elouafi, Ministry of Foreign Affairs, African Cooperation, and Moroccan Expatriates; Hicham El Habti, Université Mohammed VI Polytechnique; Nezha Hayat, Autorité Marocaine du Marché des Capitaux. **Portugal**: Maria Maia, Ministry of Education, Science and Innovation; Rosário Costa, Fundação para a Ciência e a Tecnologia (FCT). **Spain**: Enrique Alberola, Bank of Spain; Ignacio Garcia Fennol and Inmaculada Figueroa, Ministry of Science, Innovation and Universities; Manuel Montobbio, Permanent Representation of Spain to the OECD; Marta Blanco, Confederación Española de Organizaciones Empresariales, CEOE; Natalia Martín De Oro, CEOE. **Slovenia**: Darinka Vrečko and Jernej Širok, Ministry of Higher Education, Science and Innovation. **Tunisia**: Nabil Arfaoui, Ministry of Trade and Export Development; Fatma Marrakchi Charfi, Université de Tunis el Manar. **Türkiye**: Umur Alsancak, Ministry of Transport and Infrastructure; Bahar Güçlü, Permanent Delegation of Türkiye to the EU. Special thanks to the **OECD Group of National Experts on Higher Education**.

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Annex B. The local dimension of regional integration in the UfM: Cooperation between Alicante and Oran

This Annex presents an example of the local dimension in the process of regional integration in the Union for the Mediterranean that captures how cities and municipalities contribute their views to integration; and, in turn, it can highlight the opportunities of cooperation opened by regional integration.

Alicante and Oran: A strategic partnership for economic, cultural, and educational advancement

prepared by Casa Mediterráneo

Alicante, a historic port city on Spain's Mediterranean coast, has long served as a critical maritime gateway between Europe and North Africa. Its strategic geographic location, coupled with its robust port infrastructure, has fostered strong socio-economic and cultural ties with Algeria, particularly with the city of Oran. This cooperation, spanning decades, has become a vital channel for trade, cultural exchange, and educational collaboration between Spain and Algeria. The Alicante-Oran connection stands as a model of cross-border cooperation, integrating historical relationships with contemporary needs in both economic and cultural spheres.

Historical context and maritime significance

The strategic relationship between Alicante and Algeria has deep roots. Since the 19th century, a migration movement from south Spain to Algeria took place; after Algeria gained independence from France in 1962 there was a movement of return, and residents in Algeria, particularly those of Spanish descent, migrated to Spain, establishing a firm socio-cultural and economic bond between the two regions. Over time, Alicante emerged as a central hub for the movement of people, goods, and ideas, strengthening its historical connection with Algeria.

In the late 20th century, Alicante was instrumental in connecting Spain with Algeria through maritime routes, notably the ferry services operating between the two cities. Though other Spanish ports such as Almería and Valencia eventually began to offer links to Algeria, Alicante remained a critical maritime entry point, reflecting its historical role as a bridge between Europe and North Africa.

Trade and transportation: Economic underpinnings of cooperation

The Alicante-Oran ferry route, operated by companies like Baleària and Algérie Ferries, is the backbone of economic interaction between the two cities. With weekly sailings, this maritime connection enables the transportation of goods, vehicles, and passengers across the Mediterranean in just eight hours. This route facilitates key economic exchanges, particularly in sectors such as agriculture, consumer goods, and construction materials, driving trade between Spain and Algeria. In 2023, the trade volume between Spain and Algeria exceeded 3 EUR billion, with Alicante's port playing a pivotal role in this exchange.

Alicante exports a variety of products to Algeria, including machinery, foodstuffs, and chemicals, while Algeria supplies Spain primarily with hydrocarbons and raw materials. This bilateral trade enhances Alicante's status as a gateway for North African goods and promotes local business growth and tourism. By maintaining this robust maritime link, Alicante continues to be a vital economic partner for Algeria in the Mediterranean region.

Migration: The role of Spain as a destination for Algerian nationals

Spain has become the second-largest destination for Algerian migrants in Europe, following France. According to recent data, approximately 81,675 Algerians reside in Spain, with 15,357 living in the Valencian Community, particularly in Alicante. The proximity of Spain to Algeria, coupled with economic opportunities, particularly in agriculture and service industries, has driven this migration trend. Alicante's significant Algerian population contributes to the city's socio-cultural diversity, strengthening the bonds between the two nations.

This growing Algerian diaspora in Alicante has further solidified the city's connection to Algeria, both socially and economically, facilitating deeper ties in education, business, and cultural exchange.

Institutional framework and governance

The cooperation between Alicante and Oran is bolstered by formal agreements, such as the sister-city agreement signed in 1985, which serves as a foundation for collaboration in areas like urban planning, cultural exchange, and tourism development. Regular meetings between the two cities' municipal authorities ensure continued alignment on shared goals.

Several key institutions play vital roles in advancing cooperation between Alicante and Oran:

- Casa Mediterráneo – Based in Alicante, this institution fosters cultural, academic, and diplomatic ties between Spain and Algeria, organizing events that promote mutual understanding.
- Chambers of Commerce – Both Alicante and Oran's business organizations contribute to advancing economic collaboration through trade fairs, business delegations, and networking events.
- University Collaboration – The University of Alicante and the University of Oran have maintained long-standing partnerships in areas such as marine sustainability, cultural studies, and educational exchange. The University of Alicante, in particular, has been a hub for Algerian students, further cementing academic ties between the two regions.

Cultural and informal collaboration

Beyond formal institutional frameworks, Alicante and Oran enjoy rich cultural exchanges that help deepen bilateral relations. Cultural festivals, people-to-people diplomacy, and educational programs strengthen ties between the two cities and their respective populations. In Alicante, several cultural associations, such as Cultura Árabe Alicante and the Asociación El-Djazairia, play an important role in promoting Algerian culture through events, language courses, and performances. Additionally, Casa Mediterráneo regularly hosts cultural events that celebrate Algeria's rich heritage, including exhibitions, culinary festivals, and traditional music performances. These informal channels provide flexibility and innovation in addressing local needs, contributing to greater understanding and respect between the two communities.

Strengthening Cooperation: Recommendations by Casa Mediterráneo

Despite the successes, cooperation between Alicante and Oran faces challenges. Differences in legal and regulatory frameworks between Spain and Algeria can create administrative hurdles, hindering the seamless implementation of joint projects. Disparities in financial resources also pose challenges, particularly for cultural and educational initiatives. Furthermore, shifts in political leadership in either country can impact the continuity of bilateral cooperation, making sustained political will essential.

The cooperation between Alicante and Oran has yielded several positive outcomes, including increased trade, educational collaboration, and cultural exchange. However, challenges such as logistical barriers, funding constraints, and political factors have occasionally hindered the full potential of this partnership. Moving forward, strengthening infrastructure, simplifying administrative procedures, and increasing community engagement will be essential for deepening ties between the two cities.

To further enhance collaboration between Alicante and Oran, several strategies are recommended:[1]

- **Joint Coordination Committee** – A dedicated body should be established to oversee and monitor the progress of joint projects, ensuring that both cities remain aligned on shared goals.
- **Harmonization of Administrative Processes** – Simplifying regulatory procedures and improving communication channels between Alicante and Oran will reduce bureaucratic barriers and encourage smoother cooperation.
- **Increased Funding and Multilateral Support** – Engaging international organizations, such as the OECD and the Union for the Mediterranean (UfM), to provide technical expertise and financial support will help ensure the sustainability of collaborative projects.
- **Enhanced Community Engagement** – Involving local stakeholders in the planning and implementation of initiatives will help foster ownership and long-term success.

The strategic partnership between Alicante and Oran exemplifies the potential of cross-border collaboration in the Mediterranean region. By building on existing frameworks and addressing governance challenges, both cities can continue to enhance their cooperation, serving as a model for regional collaboration that fosters economic growth, cultural exchange, and sustainable development.

Note

[1] These recommendations are proposed by Casa Mediterráneo and do not engage the OECD or UfM.

Annex C. The local dimension of regional integration in the UfM: Cooperation between coastal communities in the Mediterranean

This Annex presents an example of cooperation between local communities in the Mediterranean facilitated by an international organisation. The CIHEAM Bari is the Italian branch of the International Center for Advanced Mediterranean Agronomic Studies (CIHEAM), founded in 1962 under the auspices of the OECD and the Council of Europe, engaged in higher education, research and international cooperation applied to rural and coastal development.

The Mediterranean integration through coastal communities' dialogue

prepared by Ciheam Bari

The prosperity of the Mediterranean area hinges on the ability of its peoples to converge on a common goal, a shared interest. Interest, what resides in the middle, just like a sea that bizarrely divides to unite. A table that in separating them, is gathering all the diners close together. Letting them get acquainted with each other. This note chronicles the communities that, through the waters of the Mediterranean, have discovered an opportunity to get to know and come together, to become familiar with one another while searching for their own, integrating identity.

Dialogue of knowledge

Since 2006, CIHEAM Bari has been dialoguing from Tricase, at the entrance of the Otranto Channel in the heart of the Mediterranean, with coastal communities from the entire basin, nurturing discussion among them for the creation of new forms of integrated sustainable development through cooperation, research and training initiatives, thus restoring hope in a particularly economically and socially vulnerable area.

Continuous community meetings, both in-person and online, have led to a joint request for the activation of a specialised advanced training course aimed at officials and technicians from the Ministries of Agriculture and Fisheries of Mediterranean and Indian Ocean countries, not neglecting the requests for participation coming from countries bordering the Atlantic Ocean. Based on this, a 10-week Advanced Training Course on Sustainable Development of Coastal Communities (now in its fourth Edition) has been launched, aiming at strengthening technical capacity, develop and implement integrated management policies, strategies and tools, offering a comprehensive view of Blue Transformation explored through a cross-sectoral approach, according to the "Tricase model".

Dialogue of experiences

Long before the pandemic crisis made remote connections normal, WEBPORT was conceived by CIHEAM Bari as part of the NEMO programme, with the support of the Italian Ministry of Foreign Affairs and International Cooperation and of the Italian Agency for Development Cooperation.

WEBPORT is a virtual landing and remote meeting platform that fosters dialogue, discussion and exchange of experiences and knowledge among coastal communities. They are the real protagonists of WEBPORT and contribute to making the Mediterranean a true sea of dialogue, a door that is always open to local-based political and social decisions.

Today, WEBPORT is lived and animated by the coastal communities of Tricase in Italy, Tyre in Lebanon, Marsa Matrouh in Egypt, Zarzis in Tunisia, Algiers in Algeria, Nador in Morocco, Porto Palermo in Albania, Lamu in Kenya and Herceg Novi in Montenegro.

This dense network of interactions has since served as the basis for the design and implementation of concrete initiatives for coastal development and Mediterranean regional integration, such as the Blue Land initiative aimed at defining, developing and implementing a participatory and ecosystem-based model for the protection and safeguard of marine and coastal resources, habitats, biodiversity and Ecosystem Services, with pilot initiatives were activated in the three pilot areas of Ada Bojana (Montenegro), Porto Palermo (Albania) and Tricase (Italy).

Regional Integration in the Union for the Mediterranean 2025

Progress Report

Regional Integration in the Union for the Mediterranean 2025 offers fresh insights and compelling analysis on the evolving state of integration across the Euro-Mediterranean region. Building on the inaugural 2021 edition, this second report tracks key developments and proposes targeted, actionable policy recommendations to reinforce cooperation and achieve common goals. It measures progress across core dimensions, notably trade, finance, mobility of people, research and higher education, infrastructure for transport and energy, with digital infrastructure featured as a new dimension for 2025. This edition also deepens the focus on connectivity and the digital and green transitions, and widens the geographic lens beyond the UfM members to include the Gulf Cooperation Council countries, recognising the growing co-operation between the two regions.

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