

Concept Note

Virtual Arab Regional Workshop

Investing in the SDGs through South-South & Triangular Cooperation Beyond Covid-19 **Theme: *Promoting conducive policy, enabling business and legal environment, and integration in the Arab States Region***

30 November-2 December 2020

Zoom links to sessions in the Agenda below

I. Background

Over the last decades, growth across the South has been rapid but uneven and not fully tapped. Despite growth in trade, investments and financial flows among developing countries, structural transformation such as policies and enabling environment remains a challenge.

Estimates suggest that the Global South account for more than 25 percent of world trade, increasing in value almost seven-fold, from just \$0.6 trillion in 1995 to \$4.9 trillion in 2017.¹ However due to the COVID-19 pandemic, South-South trade fell 14 percent in 2020 and will most likely decline further. Additionally, in 2019, total foreign direct investments (FDI) originating from developing countries grew significantly, accounting for almost 30 percent of global flows, with 28 percent of South-South investments going to other developing economies.² Regional investment hubs have driven much of the intraregional FDI and South-South FDI. In developing countries, there is also a parallel growth trend of South-South investments and South-South FDI flows that may be mutually reinforcing, meaning that increasing FDI flows may be promoting and facilitating investment flows by strengthening the protection of investments. FDI remains the largest external source of finance for developing economies. However, the COVID-19 pandemic will reverse these figures. Developing countries will see negative FDI growth rates in 2020 ranging from 30 to 45 percent.

The past decades have also seen a wave of South-South cooperation in investment with an increasing number of international investment agreements signed among developing countries as facilitating “tools” to increase investment flow between themselves. Multi-layered and multifaceted network of international investment instruments have been created that includes the signing of international investment agreements (IIAs), bilateral investment treaties (BITs),

¹ United Nations, United Nations Conference on Trade and Development (UNCTAD) (2018), Forging a Path Beyond Borders: The Global South.

² United Nations, UNCTAD, Investment Trends Monitor, January 2020, No. 33, p. 13.

double taxation treaties (DTTs), bilateral and regional preferential trade and investment agreements (PTIAs) and various other multilateral agreements.

Despite the notable progress made so far, achieving the SDGs by 2030 will require enormous financial resources, far exceeding the current allocations made available through governments and multilateral agencies. To achieve the SDGs, annual investment requirements across all sectors have been estimated at around \$5-7 trillion. Current investment levels are far from the scale needed. With global financial assets estimated at over \$200 trillion, financing is available, but most of these resources are not being channelled towards sustainable development at the scale and speed necessary to achieve the SDGs and objectives of the Paris Agreement on climate change.³ Interest and investment in the SDGs are growing and investment in the Goals makes economic sense. Achieving the SDGs could open up US\$12 trillion of market opportunities and create 380 million new jobs by 2030. Bridging this investment gap is crucial and will require increased public and private sector contributions that addresses issues of public-private partnerships (PPP); innovative financing mechanisms and a reorientation of financial markets; development of a new generation of investment promotion institutions and strategies; good governance in business practices; incentivizing SDG-oriented investments; boosting traditional and digital economy growth, and raising investments in research and development.⁷ As such, South-South cooperation plays an instrumental role to address the investment gap for developing countries.

II. Arab States Regional Context

2.1 South-South cooperation in the region

Historically, Arab States have shown increasing support for SSC, as it is seen as a more cost-effective option compared to traditional models of cooperation. This has been indicated by the creation of cooperation grouping and mechanisms, development of financial instruments and funds and regional development banks. Some of the regional and multilateral channels include regional groupings and organizations such as the African Union regional economic communities, the Arab Maghreb Union, the Gulf Cooperation Council (GCC), League of Arab States (LAS), the Greater Arab Free Trade Zone (GAFTA) and Islamic Development Bank (IsDB). Traditionally, more than 80 percent of the region's SSC has involved other Arab States through bilateral, regional or multilateral channels.

Additionally, Arab States have engaged in SSC, benefiting from over 110 bilateral, regional and multilateral initiatives since 2005. Arab SSC typically involves Middle Income Countries (MICs) and Least Developed Countries (LDCs). For example, MICs in the North Africa subregion such as Tunisia, Morocco and Egypt figure among the top destinations of SSC initiatives provided by Arab State countries. Outside the region, countries in Africa and Eastern Europe are the main destinations of bilateral Arab SSC⁴. Furthermore, high-income Gulf countries in the region, have

³ <https://www.un.org/sustainabledevelopment/development-agenda/>

⁷ United Nations Conference on Trade and development (UNCTAD), World Investment Report: Investing in the SDGs: An Action Plan, 2014.

⁴ UNOSSC & UNDP, South-South and Triangular Cooperation: Towards Sustainable Human Development in the Arab States, 2017

also been playing a significant role in SSC. These countries were able to offset the waning in Official Development Assistance (ODA) that hindered sustainable development efforts of many MICs and LDCs. These countries, over the past several years have provided substantial financial contribution to conflict-affected countries. This has accounted to approximately 7.4 percent of the global humanitarian aid prior to COVID-19 pandemic.

Moreover, in the region, SSC is mostly facilitated through public-private partnerships and specialized funds⁵ such as the Arab Fund for Economic and Social Development, Arab Monetary Fund, the OPEC Fund for International Development (OFID), the Kuwait Fund for Development and so on. Public-private partnerships and specialized funds are featured among the main instruments used to deliver Arab SSC. For instance, Egypt provided substantial strategic cooperation through the Egyptian Fund for Technical Cooperation with Africa and the Egyptian Fund for Technical Cooperation with the Commonwealth (merged in 2014 into the Egyptian Agency of Partnership for Development). The funds have also extended collaboration with Muslim-majority European States and newly independent States. In Sudan, China and Arab Funds are the major contributors of loans to the country.⁶ Furthermore, Global Islamic Finance and Impact Investing Platform (GIFIIP) launched in May 2016, represents an example of real partnerships. This platform builds on innovation, entrepreneurship and multi-stakeholder collaboration to maximize the scale and effectiveness of development investments. GIFIIP connects Islamic financiers with impact investors and impact enterprises as a way to facilitate innovative business solutions to help address sustainable development challenges.

Despite all the progress made, the potential for SSC in Arab States remains largely untapped. According to IFC (2016), the region is one of the world's least globally and regionally integrated regions in the world. The region has one of the world's lowest levels of FDI and the share of total global exports of non-oil goods is under 2 percent. Intra-regional trade among the Arab States countries is also low, accounting for only 10 percent of the region's trades.⁷ Although crucial for the economy, the private sector only account for 40 percent of the region's GDP compared to an OECD average of 59 percent. Investor's confidence is further worsened by regional instability and political conflicts which is compromising medium-term development.

While some countries in the region have begun to structure funds and other mechanisms to deliver SSC, the overall policy and institutional environment in the region still needs further development. If knowledge about institutional arrangements and funding modalities for SSC remains low, the use of these instruments will remain at a low level. Arab States have made broad and significant advances in addressing many of the policy, institutional and operational challenges to SSC. Models of SSC start to emerge throughout the region, pointing to directions for more systematic approaches to the design, coordination and implementation of SSC as well as enabling Arab States to address their national development challenges.⁸

⁵ United Nations, Role of South-South cooperation and the implementation of the 2030 Agenda for Sustainable Development: Challenges and Opportunities, 2018

⁶ <https://drive.google.com/file/d/0Bw0EzH7Ln1rwTGV1cjVZMEthNk0/view>

⁷ <http://www.oecd.org/mena/mena-countries-need-structural-reforms-to-spur-trade-investment-jobs-and-trust.htm>

⁸ UNOSSC & UNDP, South-South and Triangular Cooperation: Towards Sustainable Human Development in the Arab States, 2017.

2.2 Opportunities and Challenges in South-South Investments

The region needs investment reforms that will help reduce regulatory and administrative constraints and modernize investment policies. Changes are already underway- Tunisia and Egypt are already doing regulatory simplification; Jordan is reforming its public procurement framework and Morocco is planning similar regulatory reform. However, ad hoc initiatives are unlikely to be successful and will require a systematic programme of reforms.⁹ Therefore, Arab Countries will need further economic and structural reforms to boost trade and investment.

Additionally, despite the progress made in mobilizing public and private investments, challenges remain. Both public and private investments need to increase. Ensuring that these investments translate to higher economic growth and employment remain a significant policy challenge for the region. Compared to neighbouring countries, private investments have underperformed significantly in the region. Although policy priorities will vary across the region, cumulatively addressing the barriers to the low returns to investment via robust macroeconomic policies (financial stability, trade openness, access to finance) and structural reforms (role of the state, improving the business environment, attracting FDI, increasing private sector dynamism) will be key. Public investment management to unlock private sector growth will also be critical. There is also a need for private investments in the region to shift away from energy-intensive industries and the hydrocarbon sector towards sectors promoting more sustainable growth and domestic employment.¹⁰

Digital economy is increasingly proving to be a key driver of growth and development. By offering new and more efficient tools, it can create new businesses and entrepreneurial opportunities, enhance sectoral competitiveness, increase connectedness to overseas markets and global e-value chains. One way of increasing regional investment is by embedding digital development strategies into investment policies and strategies to further strengthen private sector engagement in South-South investments. For example, Jordan's digital economy action plan REACH 2025 seeks to integrate the concept of digital transformation across the entire economy, with particular focus on global value chains and niche markets. Other countries in the region such as Egypt, Morocco, Saudi Arabia, Oman and Qatar have also developed similar digital strategies.¹¹ Bahrain in turn is an example of effective introduction of eGovernment applications through its eGovernment Strategy, that has generated increased transparency through citizen's information, participation and trust (SDG16), which in turn increases efficiency and promotes an enabling environment for investment and conducive policies. The United Arab Emirates is also another notable example.

The digital economy revolution has the potential of having a monumental impact in the Arab region. If utilized efficiently, advanced technologies can help address crucial socioeconomic problems such as slow economic growth, unemployment, population displacements, environmental challenges and so on. Therefore, it must be noted that countries' readiness for the digital economy differs greatly based on their infrastructural readiness and economic

⁹ OECD, Better Policies for Inclusive Growth and Economic Integration in the MENA Region, Better Policies Series, 2016.

¹⁰ International Monetary Fund. Investment and Growth in the Arab World. A Scoping Note.2016.

¹¹ UN Economic and Social Commission for Western Asia, Perspectives on the Digital Economy in the Arab Region, 2017.

maturity among many other factors. However, the digital divide persists among many countries in the region, especially in LDCs and conflict affected countries.

2.3 Impact of COVID-19 Pandemic on South-South Investment in the Region

Nevertheless, the COVID-19 pandemic has led to significant social, economic, and health impacts across the world and has created particular difficulties in the tremendously diverse Arab region. The countries, regardless of being oil-rich, middle-income, least developed, and fragile, have called for regional solidarity and enhanced cooperation to tackle multiple challenges within the region including but not limited to the impacts of COVID-19 such as the reduction of tourism and remittance, the drop of oil prices and revenues, the long-standing conflicts and instability, and the widened income inequality. With regard to the economy, reports estimate that the COVID-19 pandemic is expected to lead to an economic contraction of at least 5.7 percent in the Arab region, with the more conflicted countries in the region expected to see stronger contractions of 13 percent. Overall, the loss in real GDP in the region is estimated at around \$152 billion. The decrease in tourism, remittances, and trade has significantly impacted middle-income and low-income countries' abilities to respond to the crisis, while the plunge in both the demand and prices of oil have further aggravated the region by not only affecting oil-rich countries' abilities to provide recovery packages, but also prompting the International Monetary Fund to "lower its Middle East and North Africa economic forecast to its lowest level in 50 years"¹².

According to the Organisation for Economic Co-operation and Development (OECD), Libya and Lebanon are the two countries in the region that are expected to experience the steepest decline in GDP growth of -58.1% and -12% respectively.¹³ In addition, the unemployment rate in the region would increase by 1.2 percent, which translates to the loss of about 1.7 million jobs.¹⁴ Djibouti, for example, has seen rapid, sustained growth in recent years and before the Covid-19 pandemic, with per capita GDP growing at more than 3 percent a year on average and real GDP at 6 percent. Growth is expected to reach 7.5 per cent in 2019, but unfortunately the country's economy declines due to the impact of Covid-19.¹⁵ The Gulf Countries are also now confronting the dual economic shock of falling oil prices and the pandemic, resulting in an economic contraction of 3 to 4 percent (IMF, 2020a). Thus, the FDI inflows could drop significantly this year and during the upcoming years. As such, the impact of Covid-19 has significantly affected both rich countries, middle-income and LDCs in the Arab states.

In view of the challenges above, the necessity of South-South cooperation is expressed louder than ever to build strong recovery, achieve subsequent development, and strengthen regional integration among Arab States, particularly low and middle-income and fragile countries.

¹² The Impact of COVID-19 on the Arab Region: An Opportunity to Build Back Better. United Nations, 2020.

https://www.un.org/sites/un2.un.org/files/sg_policy_brief_covid-19_and_arab_states_english_version_july_2020.pdf

¹³ Organisation for Economic Co-operation and Development (OECD), Investment in the MENA region in the time of COVID-19 https://read.oecd-ilibrary.org/view/?ref=134_134467-ydi12subjo&title=Investment-in-the-MENA-region-in-the-time-of-COVID-19

¹⁴ United Nations Economic and Social Commission for Western Asia (ESCWA), COVID-19 Economic Cost to the Arab Region, 2020

<https://www.unescwa.org/sites/www.unescwa.org/files/escwa-covid-19-economic-cost-arab-region-en.pdf>

¹⁵ <https://www.worldbank.org/en/country/djibouti/overview>

The promotion of South-South investment in the Arab region is now more imperative than ever to meet a broader goal for the region's long-term economic growth and to achieving the SDGs. Impact investment is also vital approach to support the Arab States in the achievement of their national priorities. It is also great opportunity for the region to build regional integration of innovativeness, competitiveness and inclusiveness. To fully optimize the benefits of South-South investments, enabling policies, regulations and appropriate and relevant procedures are a necessary precondition. Additionally, access to information and a clear understanding of legal and policy environments among SSC partners can also promote optimum scaling up of South-South investment. Lastly, the absence of objective and systematic research and evaluation on the impact of South-South investments and the impacts of digitization means that there may be a missed opportunity for evidence-based policy formulation and implementation.

III. Objectives of the Workshop

To this end, UNOSSC and UNDP, in partnership with the Middle East and North Africa Public Administration Research Think Tank Network (MENAPAR TTN), are organizing a virtual regional workshop entitled "Investing in the Sustainable Development Goals through South-South and Triangular Cooperation: Promoting conducive policy, enabling legal and business environment, and integration in the Arab States Region". Similar events were held in [Asia](#), [Europe and CIS](#) and Latin America, under the umbrella of the [South-South Global Thinkers: the Global Coalition of Think Tank Networks for SSC](#), which scoped the contributions of South-South investments in the respective regions. The objective is to:

- Analyze the regional South-South investment trends in concomitance with the global pandemic effects and its related policy, legal and business environment, as well as regional integration trends.
- Scope the contributions of South-South investment in the SDGs in the Arab region; identify the challenges and good practices in institutional, policy and legal frameworks that can facilitate greater South-South investments in the region;
- Identify mitigation policies in time of crisis and scenario planning to respond to crises and disasters affecting the region as a way to lessen the impact on South-South investments.
- Identify regional integration efforts, funding mechanisms and frameworks that are facilitating South-South investments for the achievement of the SDGs through financial sustainability, trade, transport, sustainable energy, innovation and technology.
- Stimulate the knowledge sharing and learning from lessons acquired across the region during the first and second waves of COVID-19.
- Areas of discussion will also include different types of development financing available, including the Islamic Financing.
- Discuss the importance of embedding digital development into investment policies and Governmental digital development strategies that can further strengthen and enhance South-South investments in the region, while taking into consideration the digital divide between countries in the region.

The discussions and outcome of the event will feed into the formulation of a research agenda that aims to inform better policymaking to promote and strengthen investment policies. The end product is the development of a comprehensive research on "SSC Trade, Investment and

Regional Integration” which compiles inputs from previous similar South-South investment workshops held jointly by UNOSSC and UNDP in Africa, Asia, Europe and CIS and Latin America. Finally, the event will contribute to the development of a repository of financing mechanisms that exist in the region, which aims to facilitate partnerships between governments, development partners, IFIs, academia, civil society and think tanks to support more SDGs aligned public policies. This can also be supported through the utilization of South-South Galaxy- a digital knowledge sharing and partnership brokering platform, enabling knowledge exchanges and dialogues.

IV. Target Participation

The workshop will be attended by 80-100 participants, which will include representatives from governments, the private sector, development agencies, IFIs, academia, civil society and think tank networks from the region. Speakers from other regions will also be invited to share their country experiences and regional and interregional perspectives.

V. Proposed Agenda

The workshop will span over a three-day period with one 2-hour session each day. Arabic-English and English-Arabic interpretations will be arranged during the workshop.

Time	Agenda Item
Day 1, Monday, 30 November 2020 Zoom Link: https://undp.zoom.us/j/87112201185	
Opening session	
08:30 – 09:00	<p>Moderator: Ms. Xiaojun Grace Wang, Deputy Director, UNOSSC</p> <p>Welcome Remarks by:</p> <ul style="list-style-type: none"> – H.E. Dr. Sheikh Abdulla Ahmed Al Khalifa, Undersecretary, International Affairs, Ministry of Foreign Affairs, Kingdom of Bahrain – Mr. Adel Abdellatif, Director a.i., UNOSSC – Mr. Khaled Abdel Shafi, Deputy Director a.i., Regional Bureau for Arab States, UNDP – Dr. Raed Bin Shams, President, Middle East and North Africa Public Administration Research Think Tank Network (MENAPAR TTN)/ President of Bahrain Institute of Public Administration (BIPA)
Session 1: South-South Investments for SDGs: Country and Regional Trends, Experiences & Perspectives	
09:00 – 11:00	<p>Moderator: Mr. Zanofer Ismalebbe, Regional Chief, Division for Arab States, Europe and the CIS, UNOSSC</p> <p>This session will discuss how South-South investments have contributed to the implementation of the SDGs and national priorities in the Arab region by sharing country examples. This session will also focus on main regional and interregional economic cooperation institutions in the Arab region and identify regional integration efforts highlighting various models and regional cooperation mechanisms as means for South-South Investments. Speakers will provide country perspectives and examples of practices and initiatives that worked and did not work; and</p>

provide insights on policy and legal issues, management of diverse resource flows, and present future needs and priorities for South-South investment (e.g., Science, technology and innovations, structural transformation etc.). Speaker will share regional mechanisms, models and strategies for cooperation and opportunities and challenges in South-South investment.

Panel Discussion: (7-8 mins per speaker)

- **Global Perspectives**

1. **Dr. Anida Yupari Aguado**, Economic Affairs Officer, Office of the Secretary General, United Nations Conference on Trade and Development (UNCTAD)

- **Regional Perspectives**

1. **Ms. Roula Majdalani**, Director, Sustainable Development and Productivity Division, United Nations Economic and Social Commission for Western Asia (UNESCWA)
2. **Dr. Bahgat Abu El Nasr**, Director General of the Arab Economic Integration Department (AEID), League of Arab States
3. **Mr. Khaled F. Alkhaled**, Regional Manager for International Organization, Kuwait Fund for Arab Economic Development, State of Kuwait
4. **Dr. Ahmed Ghoniem**, Professor, Faculty of Economy and Political Science, Cairo University
5. **Dr. Heidi Saidi**, Director General, Arab Institute for Training and Research in Statistics (AITRS)

- **Country Perspectives**

1. **H.E. Amb. Imad Zuhairi**, Director General, Palestine International Cooperation Agency, State of Palestine
2. **Mr. Malek Al-Breazat**, Head of Department of Cooperation with Arab and OIC Institutions, Ministry of Planning and International Cooperation, Hashemite Kingdom of Jordan
3. **Ms. Rima Younes Khatib**, Deputy Director, Foreign Affairs Department, Banque du Liban (Central Bank of Lebanon), Lebanese Republic
4. **Mr. Ahmed Mohamed Abro**, Deputy Director of Social and Cultural Department, Ministry of Foreign Affairs and International Cooperation Republic of Djibouti

- **Open Discussion (20 mins)**

Session 2: South-South Investment — Public-Private Partnerships and perspectives

8:30 – 10:30

Moderator: Ms. Yuko Suzuki NAAB, Global Policy Adviser, Effective Development Cooperation Effectiveness Group, Bureau for Policy and Programme Support, UNDP

The session will discuss the incentives and challenges of South-South Investments along with risk management in the context of conflict and political instability, climate change, and inequality. This session will also identify policy and legal issues that are enabling or hindering countries to engage in SSC within and beyond the region. Both public and private sector perspectives will be shared. It also will also provide insights, tools and capacities required to contribute to achieving the SDGs and to identify SDG investment opportunities in Low-income and Least Developed countries. This session will also take into account the impact of COVID-19 on PPPs.

Panel Discussion: (10 mins per speaker)

– **Country Perspectives**

1. **Amb. Mohamed Methqal**, Director General, Moroccan Agency for International Cooperation, Kingdom of Morocco
2. **Ms. Manal Omer Ali**, Ministry of Finance and Economic Planning, Republic of the Sudan

– **Private Sector and NGO Perspectives**

3. **Ms. Linda Yang**, Executive Chairwoman of Yingke Global Board of Directors, Global President of Yingke China Center, China
4. **Ms. Leena Al Olaimy**, Social Entrepreneur, Cofounder & Executive Chairperson of 3BL Associates, Bahrain
5. **Dr. Ali Adnan Ibrahim**, First Vice President, Head of Sustainability & Social Responsibility, Al Baraka Banking Group B.S.C. Bahrain
6. **Mr. Ahmed Osman**, Chairman, International Council for Small Business

– **IFI Perspectives**

7. **Mr. Ahmed Faruk Diken**, Senior Technical Cooperation Coordinator (MENA & Europe), Reverse Linkage, Country Strategy and Cooperation Department, Islamic Development Bank

– **Think-Tank and Academia Perspectives**

8. **Dr. Bader Almalallah**, Director General, Arab Planning Institute, Kuwait (tbc)

– **Open Discussion (20 mins)**

Day 3, Wednesday 2 December 2020

Zoom Link: <https://undp.zoom.us/j/88995679538>

Session 3: Digital Economy and Its Contribution to South-South Investments

08:30 – 10:30

Moderator: Mr. Stefano Pettinato, Resident Representative, UNDP Bahrain

This session will discuss the opportunities and challenges associated with the digital economy, especially when engaging in South-South investments. The session will also discuss the importance of embedding digital development into investment policies and strategies that can further strengthen and enhance South-South investments in the region and provide new avenues for accessing overseas markets and engaging in global e-value chains. The session will also take into account the digital divide between countries in the region and provide perspectives on regional efforts that can tackle this issue. Good practices and challenges from the region will be shared, in light of the COVID-19 pandemic.

Panel Discussion: (10 mins per speaker)

– **Government Perspectives:**

1. **Ms. Hanaa Mohamed Shehata**, Director-General for Cooperation with Canada, Ministry of International Cooperation, Arab Republic of Egypt
2. **Mr. Maslah Abdullahi Wahlie**, Director of Arab and Islamic Cooperation Department, National Coordinator on South-South Cooperation, Ministry of Planning and International Cooperation, Federal Republic of Somalia

– **Private Sector and NGO Perspectives**

3. **Mr. Omar Christidis**, CEO and Founder, ArabNet
4. **Dr. Khalil Al Amiri**, CEO & Partner KPI Associates
5. **Dr. Meixiang (Michel) Zhou**, Deputy Director General, Finance Centre for South-South Cooperation, Hongkong, China

– **Think-Tank and Academia Perspectives**

6. **Dr. Myriam Ramzy**, Assistant Professor of Economics, Faculty of Economics and Political Science, Cairo University

– **UN perspectives**

7. **Ms. Farah Choucair**, Project Manager and Technical Specialist, UNDP Lebanon

– **Open Discussion (20 mins)**

– **Closing remarks**

- **Ms. Xiaojun Grace Wang**, Deputy Director, UNOSSC
- **Ms. Margarete Thomas**, Chief, Effectiveness Group, UNDP

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