Virtual Arab Regional Workshop:
Investing in the SDGs through South-South and Triangular Cooperation Beyond COVID-19

30 November – 2 December 2020

Day 2: Summary of Discussion

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

Mr. Noureddine Tabete, Advisor to the Ambassador General Director of the Moroccan Agency for International Cooperation, highlighted three key points. Firstly, Morocco's human-centric approach to tackle the COVID-19 pandemic. Morocco opted for a total lockdown prioritizing citizens' safety when the number of confirmed cases was still low. This human-centric decision drove the following actions for crisis management: 1) creation of the Strategic Monitoring Committee to supervise actions taken in responding to the pandemic from social, economic and health points of view; 2) creation of a special fund to deal with the unexpected financial and economic impacts of the pandemic on many sectors, including the informal sector: monthly grants were provided to those who lost their jobs or those in the informal sector; and 3) the enforcement of the health sector as the main sector impacted by the pandemic and acquisition of required material to address the pandemic including building of hospitals. A report including the impact of the pandemic on the economy and development will be developed by the committee in January 2021.

Secondly, within the South-South cooperation framework, Morocco has supported more than 20 African countries during the pandemic by providing needed medical material and equipment, sharing knowledge and best practices. This has resulted in good impacts and been welcomed by all the other countries in the Africa.

Lastly, Morocco's strategy to address the pandemic and to provide support to the impacted sector and economy. On top of the 3-4 billion dollars allocated to address the pandemic, Morocco has allocated around 12 billion dollars to the generalization of health insurance and assistance for everyone including those in informal sectors who were not covered by the health insurance, and to the informal sector families who has lost the job. Morocco has been actively involving the private sector which was impacted by disruption of international transportation and trade through public-private partnership.

Ms. Lin (Linda) Yang, Executive Chairwoman of Yingke Global Board of Directors, Global President of Yingke China Center, China highlighted the close cooperation between China and Arab countries especially under the framework of the Belt and Road Initiative. The China-Arab States Cooperation Forum and the China Arab States Expo are the two main platforms.

China has a large amount of investment in the Arab region especially in the infrastructure sector. In 2018, US$40 billion was invested in the Arab region to enhance its infrastructure condition, which helped the development of local economy as well as the creation of job opportunities and contributed to the sustainable development and South-South cooperation. In 2015, the Government of Ningxia Hui Autonomous Region signed a framework agreement with the Government of Duqm Special Economic Zone (SEZ) in Oman to develop an industrial park of about 11.72 square kilometers and the total investment was around US$ 10 billion. The main industries in the park include petrochemical engineering, construction material, renewable energy, automotive assembling, e-business, along with some facilities like training centers, schools, hospitals and hotels. This park has created a great amount of job opportunities and more than 17 companies have launched businesses in the park. There are series of incentives to attract international investors, such as no income tax for 30 years, free flow for capital, the establishment of fully foreign owned companies. Similar industrial park models can be found in other countries such as Egypt.

Emerging industries like 5G, cloud computing, big data, biochemistry and agriculture are also attracting Chinese investors. An agricultural cooperation example is the one led by the Chinese scientist Mr. Yuan Longping who successfully developed technology on growing rice in saline-alkali land. Started in January 2018, Mr. Yuan has cooperated with a local company in Dubai that provided land and a big data center while China provided equipment, technical services and the team. After several rounds of tests, it has successfully grown rice for the first three hectares of land as demonstration. This project can be replicated in other Arab countries where land is not rich and is alkaline. This Chinese agricultural technology can be introduced to increase rice productivity and contribute to achieving zero hunger and securing food supply chains especially in light of the pandemic.

However, challenges are faced by international investors. Due to the pandemic, many countries in the region have adjusted their policy which make foreign investment more difficult, such as constraints imposed on the maximum shares hold by international investors or on particular industries. Certain countries have political instability and issues related to rule of low. Despite the above challenges, the development digital economy could be an opportunity for the region.

Under the current situation, international investors' confidence in the Arab market is more critical than usual in order to attract international investment which would also help post-pandemic recovery and help achieve the SDGs. The Arab region should compete for the attention of international investors through optimization of its investment environment. Policymakers should work out the most appropriate policy for international investors. For example, reduce regulatory and administrative constraints and modernize investment policy. Due to the diversity in political, economic and social conditions, and gaps existing in expertise and equal access to solution and services, it is of great importance for policymakers to cooperate with each other, share experiences, knowledge and practices in order to work out the right policy. Policy implementation is the most difficult part which reflects the level of rule of law of the receiving countries. Key concerns on policy implementation include the efficiency of approval on investment, obtaining working visa, importing of machines and material, the easiness on repatriation dividends and the fairness on dispute resolution, etc.

Ms. Leena Al Olaimy, Social Entrepreneur, Cofounder & Executive Chairperson of 3BL Associates, Bahrain shared perspectives from entrepreneurial sector.

She highlighted Bahrain's many initiatives in attracting inward investment in both large companies as well as creating startups hub in Bahrain. Outward investment still remains an untapped opportunity. She talked about the regulatory measures taken by the Central Bank of Bahrain which allowed startups and fintech firms to come to Bahrain to set up and test an innovative banking and financial solutions. Within the private sector, Bahrain allowed 100 per cent foreign ownership, unlike some Gulf countries, making the country a free zone. The government has made an effort to provide subsidies to Bahraini companies as well as foreign companies pre-COVID-19, which have been paused temporarily. There are many different programs available to a business set up in Bahrain such as access to subsidies to train local employees, and payments to subsidize the wages of local employees for the first three years.

She further added that recently, there has been an increased focus on trade or going international, making businesses more export oriented, and focused on regional scaling and growth. Last year, Export Bahrain was introduced to helps companies to capture global market opportunities. It included training programs, export market intelligence and two programs that can contribute to South-South and triangular investment including: i) Export financing which provides short-term export financing tools, approves export deals and contracts at competitive rates. Essentially, the financing covers the operation costs of exporting; ii) De-risking mechanism which is a subsidized export credit insurance that protects Bahraini exporters from a range of risks that could arise, like a foreign buyer defaulting on payment or being unable to pay.

Among the issues, she also highlighted lack of awareness of the opportunities. She further explained that the quoted 2.5 trillion dollars annual investment gap to achieve the SDGs will require engagement with private sector and public-private partnerships. She also highlighted the Public-Planet Partnerships initiative which is a set of tools and values that was created to enable the "Public" to integrate the "Planet" in its innovations and activities.

There are many innovators, working with nature such as BeeOdiversity and Tree-conomics. For business investing in hospitals or health care facilities, there are opportunities to leverage and invest reforestation or afforestation while improving healthcare outcomes.

Dr. Ali Adnan Ibrahim, Global Head of Sustainability & Social Responsibility, Al Baraka Banking Group, Bahrain, highlighted the financial services sector perspective, sharing that the sector is increasingly becoming more aware of environmental challenges and is contributing by playing its role in dealing with social and economic inequalities; he also spoke of the role banks can play in future in terms of providing opportunities for businesses and private sector for achieving SDGs. He further highlighted that in responding to SDGs, there has been massive surge in green bonds issuance in the financial services sector. On the other hand, the banks are increasingly developing their asset base in terms of financing for the renewable sector. The Group has 12 subsidiaries in 17 countries across the globe and are present in almost every country in North Africa, South Africa and then almost every country in the Levant region and in Pakistan and Turkey as well. With presence in three continents, there are interesting opportunities to share.

On the export credit, he highlighted that this should be seen as an opportunity to enhance trade across countries where this is still a lot of potential to be tapped. The Group, with trade finance just over 1 billion dollars, is aspiring to be the Bank of choice for trade finance in countries it operates in because of its linkages across three continents. Most of the trade finance is happening within the SME sector, corporate sector where most of the jobs are. Aligning itself with the SDGs, Al-Baraka Group, announced its initiative called "Al-Baraka Goals" which aims to create jobs, finance health care, education and sustainable energy, and developed five year targets, pledging around 822 million dollars. In fact, it has achieved the target of SDG financing one year ahead of time.

In response to the questions related to the tools being used, he explained that credit committees use social value and sustainability as criteria for customers' credit and risk rating of its customers. For example, preference is given to those creating more permanent jobs or aligned with sustainable energy, education and healthcare. In this regard, he appreciated their partnership with UNDP at the global level to train their financing teams on the 2030 Agenda and SDGs to enable them to perform these functions in an informed manner.

He added that while the financial market and derivatives market numbers show availability of funds in the system, there is still need for its realignment. Banks as well as the regulators are becoming more aggressive in terms of encouraging the licenses. He also explained that there is gradual progress towards greening the financial system (GFS) which is an initiative of the Central Bank of France that 72 central banks are now part of.

Mr. Ahmed Osman, Chairman, International Council for Small Business highlighted that COVID-19 has hit the small business owners globally in a very aggressive way. The economies have gone through a standstill and now it is our role to support all small and medium enterprise (SME) owners in the Arab world, in the South or all around the world to help them return to normal economic activity.

Although many think there are fewer startups and SMEs than there used to be in the Arab world, 90 per cent of the backbone of the local economy is built around micro, small and medium enterprises (MSMEs). According to the Brookings Institute, there was a sharp decline in startups across all industries globally in 2019 and this pattern has been continuing over the last decade. Despite the buzz around entrepreneurship and SME development, there still is a problem - as the percentage of startups grows smaller and smaller, the true economic growth engine becomes less significant. According to 2015 United Nations estimates, that in order to generate 45 million new jobs each year for new entrants to the labor market and to provide jobs for those who have lost their jobs due to financial or economic crisis, the world must create 600 million jobs by 2030. These numbers have significantly increased or even doubled due to COVID-19.

One segment that can benefit from the public-private partnerships (PPPs) includes collaboration between startups and regional and local governments. To fuel innovation to commercialize research and development (R&D), startups need to be a lot more viable. The creation of public-private venture capital funds or SME development funds can contribute to the localization of technology and the deepening the industrial revolution within Southern countries. New tech startups globally tend to accept funding from PPPs which has been seen as a model adopted widely and aggressively in North America.

Resource-strapped companies often look for government support programs to provide the resources and these companies promise job creation and economic growth in return. The challenge remains that PPPs often evolve more by launching new businesses than sustaining those companies or even scaling them up in the long term. South-South or Pan-Arab PPPs funds need to be created to strategically support the growth of startups. These funds should provide qualified entrepreneurs the access to capital and, more importantly, the business guidance in areas such as programming, coding, cybersecurity, commercial assistance as well as business development services. Exports within Southern countries and the population within these countries are great, which can offer lots of opportunities for entrepreneurs. Given the great potential of exporting and working abroad, it is imperative to provide support to the ecosystem around startups and SMEs to ensure business owners receive the correct assistance to be able to scale up. Helping startups grow into healthy mature companies over the long run is much more sustainable than immediately fostering them through early stages then releasing them into the wild. PPPs can offer a way to build healthier talent pipelines and these can be used to support startups or different types of companies. PPPs can also be used to support green startups.

All partners and stakeholders are called on to create PPP funds or funds to invest in healthcare, education, technology and industrial startups. It is also encouraged to create global capacity building initiatives, teaching future skills such as artificial intelligence (AI), coding, data analytics, and other skills that are needed by the fourth industrial revolution. The International Council for Small Business (ICSB) has created a knowledge hub as a model for stakeholders to adopt as well. ICSB has launched over 15 knowledge hubs across five continents since June 2020.

Last but not least, it is of great importance to promote PPP investments in women-led companies which are key to aligning with the 2030 agenda and the sustainable development goals to ensure that no one is left behind.

Mr. Ahmed Faruk Diken, **Senior Technical Cooperation Coordinator (MENA & Europe), Reverse Linkage, Country Strategy and Cooperation Department, Islamic Development Bank** provided an overview of Bank's work in promoting South-South cooperation and investments in the region. Highlighting Bank's "Reverse Linkage" approach, he explained that it is an enhanced technical cooperation mechanism whereby member countries exchanged their knowledge, expertise, technology and resources to their capacities and device solutions for their autonomous development, including the private and public sector.

Since the introduction of this mechanism in 2014, the portfolio of over 30 projects worth over $130 million is facilitating the exchange of expertise, technology and resources. Reverse linkage has proven to be a versatile tool which allows us to work in a variety of sectors which includes agriculture and food security, renewable energy, health, education and water resources management. The South-South cooperation initiatives are usually funded through grants as well as through in-kind resources, however, loans are also now provided for large-scale development projects

An example includes supporting sub-Saharan member countries in improving access to electricity in rural areas through Moroccan expertise and renewable energy technologies. IsDB is now also engaging the private sector in the reverse linkages projects given its significant resources, both in technical and financial terms, for solving development challenges. Noticeable initiatives include establishment of funding mechanisms with financial contribution of $45 million from member countries. The Bank signed an agreement with an energy sector private company in Malaysia to set up a $30 million reverse linkage fund that provides financial and technical resources to help ISDB member vocational training centers in the oil and gas sector to boost employment, among other benefits. A similar agreement was made in Malaysia to support SMEs. IsDB has also received pledges of up to $88.6 million US for reverse linkage interventions for expansion of the network of developers outside the member countries.

Among many other initiatives, the Bank's latest partnership initiatives with UNOSSC on Arab states South-South and triangular cooperation initiative was launched in October 2020. The initiative aims to support the Arab states showcase their experience and achievements in addressing their national development challenges and contributing to the SDGs. In conclusion, he reiterated IsDB's commitment towards South-South cooperation to solving poverty and hunger, improving health and education enhancing infrastructure and climate change.

Dr. Ashraf Elaraby, **Advisor to the Arab Planning Institute in Kuwait and the National Planning Institute in Egypt** highlighted the dynamics of the region as three or four heterogeneous groups, with traditional classification based on income. There are also Arab countries having security issues and middle income, low income, least developed countries and others. There are economic problems that Arab countries encounter that couldn't be rectified. Dr. Elaraby emphasized the issue of the financing gap that needs to be bridged for achieving the SDGs. As oil is the main product which controls export investment in most Arab countries, this has caused issue of budget deficit. Even the oil rich countries are facing a deficit. Countries are borrowing more, internally and externally, and as a result there is more debt in the most Arab countries, particularly the middle income countries. Hence the partnership between the public and private sector is very suitable for Arab countries

He further highlighted that the Arab region can benefit from these investments in the international market, also diversifying the investment portfolio.

Ms. Manal Omer Ali, Manager Assistant, Ministry of Finance and Economic Planning, Republic of the Sudan, highlighted that the Sudanese government engaged its private sector in a five-year program of economic reform (2015-2019) in which 80 per cent of the state's projects were allocated to the private sector. These projects will be implemented and operated by the private sector and project assets are returned to the state after it iscompleted. The Government of Sudan is also preparing policies for public-private partnerships, training the Sudanese on partnership mechanisms according to international standards, and creating an institutional framework. In 2017, the Sudanese government allowed the private sector to open international financing windows for projects on electricity, minerals, oil, agriculture, industry and infrastructure. The Sudanese Ministry of Finance has also approved the partnership between the public-private sectors, based on the "bot" system, to bridge the gap in financing the infrastructure of countries for a contractual period of 20 years, after which the ownership reverts back to the government.

On the policy level, the Sudanese Council of Ministers approved the draft law on public-private partnerships. The law allows the private sector to obtain more regular and additional guarantees from the state, and to establish programs to attract investments around the world.

Other initiatives include a dedicated Public-Private Partnership Unit, established at the Ministry of Finance and Economic Planning, which works to attract projects in the field of infrastructure, transportation and electricity, within the framework of technical assistance to the African Economic Commission (ECA). Another example is the Joint South-South Cooperation Program between FAO and China, which supports the National Agricultural Investment Plan in Sudan, addressing the challenges of food security, malnutrition and rural poverty in areas of fragility by supporting and assisting vulnerable groups, especially women, to protect livelihoods through development initiatives.

Among the challenges hindering investment South-South cooperation in Sudan, she highlighted challenges including the lack of comprehensive national policies, data collection and compilation and support from political leadership. There is also the absence of a coordinating authority for South-South cooperation and weak capabilities of national cadres, and the lack of knowledge of South-South and triangular cooperation. She further added that unbalanced development in the various regions of Sudan, in addition to civil conflicts and wars, has been a major challenge. She also highlighted factors driving South-South cooperation such as national sovereignty and independence, mutual accountability and transparency and, last but not least, political stability.