

**Virtual Arab Regional Workshop:  
Investing in the SDGs through South-South and Triangular Cooperation Beyond COVID-19**  
30 November – 2 December 2020

**Day 3: Summary of Discussion**

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

**Ms. Hanaa Mohamed Shehata, Director-General for Cooperation with Canada, Ministry of International Cooperation, Arab Republic of Egypt,** spoke about the role of Egyptian Ministry of International Cooperation (MIC) to: i) develop and strengthen economic cooperation between the Arab Republic of Egypt and other countries, as well as international and regional organizations, ii) propose criteria for obtaining external financing and foreign grants; iii) follow up and monitor national agencies which benefit from foreign financing, iv) manage Egypt's economic relations with international organizations, financial institutions and specialized agencies of the UN. She also highlighted the key aspect of MIC's strategy to promote inclusive, responsive and open development cooperation.

Highlighting government initiatives on building digital economy, Ms. Shehata shared the gender gap accelerator as a good model for cooperation, launched in July 2020 to take proactive action to advance women's economic empowerment. The accelerator supports the efforts of governments and business community towards taking substantive and effective measures to bridge gender gaps and to increase women's participation. Education in Egypt has been reformed to emphasize digital learning, technology and inclusion and to make sure both boys and girls have access to equally education in urban and rural areas. A model initiative would be the establishment of 12 Science, Technology, Engineering and Mathematics (STEM) high schools for boys and girls. A virtual panel titled "Digital Transformation for Economic Recovery launched the "Grow Stronger with Google" initiative to support small business and individuals in Egypt and Middle East and North Africa. Egypt aspires to become the region's entrepreneurial hub that can have a multiplier effect on jobs creation, leading to delivering a circular economy in the future.

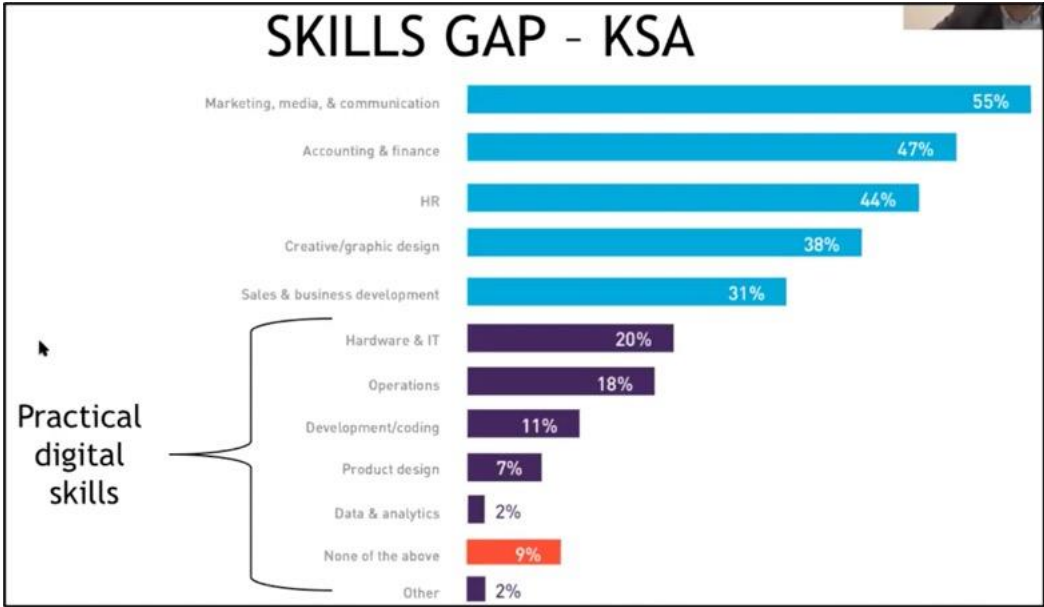
Under the ICT 2030 strategy, the Egyptian government is undertaking a series of investments into capacity funding and training programs, digital government services reforms and infrastructure upgrades. The strategy calls for launching new initiatives to maximize the contribution of ICT sector to Egypt's economic growth by focusing on capacity building, electronics design and manufacturing and technology parts. The strategy also includes a plan for the digital transformation of government services in the areas of education and health care. The Ministry of Communication and Information Technology has an initiative called "Our Future is Digital" and aims to train 100,000 young Egyptians to develop their ICT skills in areas of high market demand including website design, data analysis and digital marketing. The Ministry also has a program through which it engages SMEs in the digital transformation process. It aims to supply government entities with fiber optic/ public cable connections. The process has been completed: 5,300 government buildings will connect some 32,000 buildings at a total cost of 6 billion Egyptian

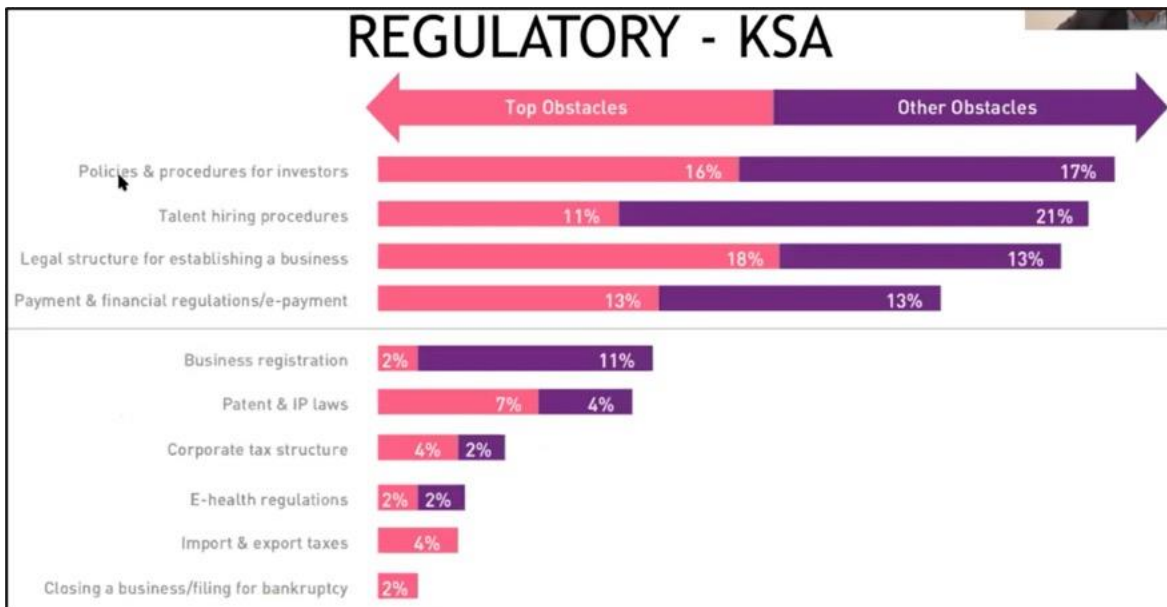
pounds. The Ministry of Communication and Information Technology is also developing a digital tool that will allow citizens to obtain/ renew licenses and request national service call centers using a one-time password system.

A new administrative capital, which is 50 miles East of central Cairo, is expected to house a majority of central government offices. The government is planning for the new administrative capital to be a smart city and is investing heavily in the new city's telecommunication and ICT infrastructure. The new administrative city will include applied research Centers for technology, technical training for software and applications development and data design. As for prospects for exporters, Egypt has smart city solutions, e-education, software finance applications, artificial intelligence, cybersecurity and telecommunication infrastructure. In order also to attract increased investment, a data privacy protection law was approved by the parliament in August 2020.

**Mr. Omar Christidis, CEO and Founder, ArabNet** introduced ArabNet as a platform focused on tech innovation and entrepreneurship in the MENA region. It delivers conferences, research reports and insights, in addition to working with corporations on their own innovation activities.

Based on six pillars ( finance, culture, supports, human capital, market and policy) for an enabling ecosystem for startup, Mr. Christidis highlighted three main ecosystem challenges: i) **Talent** meaning practical skills for digital economy (coding, data analytics, product design/ development, etc.) ii) **Regulation** i.e. e-signatures/ e-transactions laws, procedures for opening/ shutting companies, investments laws (stock options, LP-GP structures, etc.), iii) **Market access** i.e. cross border expansion and market entry. This was further illustrated by examples from Kingdome of Saudi Arabia (KSA):





He further highlighted that governments are major players in the Middle East in reshaping the economy and are focused on the digital sector. Initiatives by governments include: Kuwait set up a 7 billion dollar project “the Kuwait National Fund for SMEs development, Bahrain Economic Development Board has set-up 100 million dollars Alwaha Fund of Funds and also Jordan has a 100 million dollar Innovative Startup and SMEs Fund (ISSF) fund of fund structure. These government initiatives have been taken to promote this space. The big players include the UAE Mubadala, which is the government's investment arm has set up a number of entities including Hub 71 to turn Abu Dhabi into a center. Saudi Arabia established Masha’at, the SMEs Authority with tremendous mandate to improve the local ecosystem. Two fund of fund structure the Saudi venture capital company in Jeddah and the public investment fund which has been making active investments globally in this space

For success, the government SME programs should have: i) focused program with clarity on mission/objectives (to regulate, operate or fund?); ii) an achievable plan with a phased approach; iii) leadership continuity; iv) focus on areas that the private sector can’t fix; v) arm’s length relationship with government- - implemented through public-private partnerships; and vi) Transparency, measurement and reporting are critical.

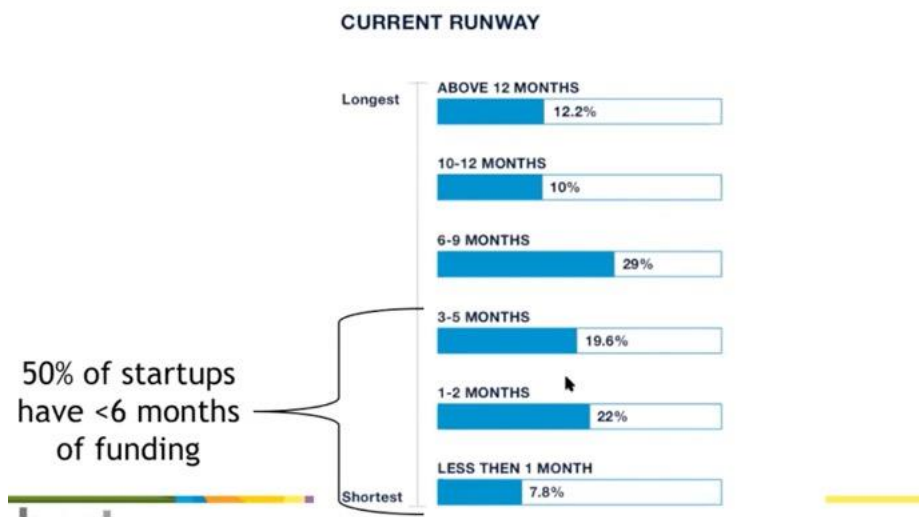
He further highlighted the challenges and opportunities with regard to South-South cooperation as Regulatory Harmonization across borders (especially for e-commerce, fintech, e-health, e-education) to allow startups to scale quickly. Otherwise, each market entry process becomes equivalent to starting a new company. Also, consider the potential for passporting to allow companies to be able to scale quickly across the regions and capture bigger opportunities.

Market Access Programs such as South-South soft landing programs can support access to markets. Lastly, the Cultural Shift i.e., the perception by the government and enterprise that

companies/products from the Global North are better. There is need to have incentives for corporates and governments to work with suppliers from the global South. Lastly, there is need to address the emerging nationalist sentiment around the world and this could be a significant barrier for market entry for companies.

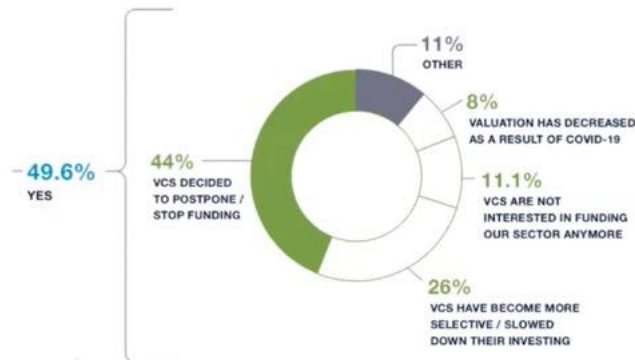
Further explaining the impact of COVID-19 on businesses and startups and digital innovators in the Middle East region, based on a survey of 250 companies, he highlighted that there has been a shift in consumer behavior towards online (from e-commerce to virtual learning and virtual doctor visits). Startups have been hit badly and need immediate support

## COVID IMPACT ON STARTUPS



## COVID IMPACT ON STARTUPS

**HAS YOUR LATEST FUNDING ROUND BEEN AFFECTED BY THE PANDEMIC?**



A few industries have flourished such as Insta-shop, which is a grocery delivery service acquired for 360 million dollars, Noon Academy an online education platform which has raised \$13 million,

and Nana direct which is also a grocery delivery platform in Saudi Arabia that has raised \$18 million. Talking about the recovery program ideas, he focused on two points. One is a reskilling program and education for employment. Second, a Save Our Startups (SOS) Fund which provides short-term liquidity injection and market access growth support for struggling startups.

**Dr. Khalil Al Amiri, CEO & Partner, KPI Associates,** elaborated on key pillars that need to be developed in the region in order for the private sector to take advantage of the opportunities of the digital economy. This includes , not just network but also security infrastructure, payment infrastructure, digital public services that enable private sector companies to develop businesses and blockchain data centers.

The other pillar is information data i.e., the public sector in the region needs to open up and unlock valuable data. For example, during the COVID-19 pandemic, an initiative in Tunisia which was successful, used radio data scans to round up patients and to detect through classification techniques those who are likely to have the virus. He further emphasized that using these kinds of innovation requires training algorithms on datasets which are available in the public sector. For the public sector to be more open to unlock the data will require developing standards and guidelines and capacity of the authorities human and technical responsible for data privacy.

In addition, he highlighted availability of talented skilled labor. There is need to train human resource and improve ability of the research and academic institutions to impact and create wealth and help startups. This is one area which can be benefit from South-South Cooperation, such as through student exchanges. Integration across the region was also emphasized as a pillar i.e., creating favorable environments across the region for thriving digital businesses. Trade across borders needs to be simplified through agreements and standards, better incentives provided for capital to flow and better coordination mechanisms.

**Dr. Meixiang Zhou,** Deputy Director-General, Finance Centre for South-South Cooperation (FCSSC), Hongkong, China talked about the work of the organization that deals mainly with developing green industrial parks, providing financial services, capacity building and serving as a think tank and incubating social initiatives. In her presentation, she highlighted the three aspects i.e., financial services, knowledge sharing and capacity building and initiatives such as the Djibouti Port Initiative. The Fund was set up with the African Export Import Bank with an initial amount of 100 million US dollars and aims to reach 1 billion years dollars, focusing on China-African trade export and import via logistical infrastructure, cross border e-Commerce, connectivity infrastructure, agri product processing and manufacturing. The fund will also invest in a few industrial and logistical parks in African countries from 2021.

FCSSC has been using blockchain technology and digital currency to donate 250,000 masks to West African States. It also linked various China-Africa and Arab clients intending to raise funds and support accessing China based big e-commerce players e.g., Alibaba. It also supported knowledge sharing and capacity building through number of high-level international conferences and the establishment of South-South Galaxy platform for knowledge sharing and partnership brokering with the UNOSSC. Among the challenges, she highlighted business continuation related

to public health and military emergency events, cross country conflicts in the region and changing consumer behavior due to diverse culture and religious beliefs.

**Dr. Myriam Ramzy Michel**, Assistant Professor of Economics, Faculty of Economics and Political Science, Cairo University, presented the insights from Africa on how digitalization matters for trade integration in Africa.

She highlighted that digitalization leads to the emergence of new types of cross border e-commerce, trade in digital goods and services such as digital music, e-books and Internet banking, health insurance and online education. It also creates trade in creative industries, such as previously non-tradable services like advertising, marketing design, research and development. Digitalization can also enhance already existing types of trade especially trade in goods that are time sensitive such as agriculture goods. Digital market platforms could provide farmers with more reliable information on market conditions, the fair prices and the potential growing diseases and help them tracking their product along the supply chain. The digitalization could reduce the cost of engaging in international trade. The automation of custom procedures would have a significant impact on custom efficiency as it will reduce corruption and it also avoid lengthy and bureaucratic procedures.

She elaborated that digital technologies are considered as a sustainable tool to recover from the COVID-19 pandemic. She also presented the relationship between the business to consumer e-commerce index and online shopping showing how prepared the economy is to support online shopping. The positive correlation is mainly characterized by the reliability of its postal services, also reflected in the low integrated post development index for the region. The Arab states are doing relatively better than the African states due to regional ICT penetration. In addition, she also highlighted issues related to lack of confidence in online platforms due to limited regulatory and enforcement capacity and limited awareness of consumers about online shopping and online payments.

Regarding the challenges and opportunities for South-South integration in the digital era, she highlighted inadequate digital infrastructure, the lack of ICT skills, the problematic policy and regulatory issues, limited user adoption by small businesses as well as by consumers of digital technologies and the traditional challenges to cross border trade such as complicated custom procedures, corruption, expensive logistics and the deficient adequate infrastructure ports. In terms of opportunities for South-South Investments, she highlighted promoting capital cooperation to boost cross-border e-commerce, promote technical cooperation and cooperation in standards and regulations to allow smooth performance of cross boarder e-commerce platforms.

**Ms. Farah Choucair**, Project Manager of Arab Development Portal and Technical Specialist on Hate Speech and Social Cohesion, Regional Programme, Regional Bureau for Arab States, UNDP focused on the macro picture and highlighted that UNDP is uniquely positioned to access the mix of representatives from think tanks, networks of entrepreneurs, governments and finance centers and hence can provide a more panoramic view. Digital transformation is embedded in

the core of UNDP strategy as it is perceived to offer new means of addressing complex global challenges; however, it is also mindful that the same technologies can also fuel even greater inequality, both between countries and within countries.

Digital transformation cannot happen without targeted national and sectoral policies to design pro-poor and inclusive policies and should use SDGs as framework of action and accountability. She emphasized the need to ensure that growth contributed by digital economy trickles down and addresses inequality, unemployment and poverty, leaving no one behind. UNDP has launched a research project with Economic Research Forum (ERF) in the form of a series of policy papers and country papers to look into the impact of digital transformation along the three dimensions of poverty, inequality and unemployment, especially in light of the COVID-19 and the urgency of overcoming the digital divide.

The research project is exploring the impact of women as a labor force (both as employer and employee). She further highlighted the difficulty in finding interested and relevant female researchers from the region and the need to think differently to address this research gap in the Arab region. Education is an area of importance as all the work on inequality show the crucial role of access and quality of education. The 2019 UNDP Human Development Report also shows the Arab region as the most unequal region in terms of the impact of inequality in access to education and inequality in general. Another area is skills base and the extent to which digitalization has actually trickled down to ensure that more in the labor force become relevant in a digital transformation. During COVID-19, it may not be feasible for all sectors to work from home and research will assess the impact on the employed population in these sectors. The research will also look into the impact of digital transformation through two interlinked channels i.e., the role of digital transformation and strengthening the service delivery and regulatory arm of the state. She also reiterated the issues related to data as also evident from low Statistical Capacity Index for the Arab region. At the level of e-governance, digital transformation continues to reduce to e-services rather than a process of transforming the bureaucratic arm of the state and providing support other sectors and production.

From the South-South cooperation perspective, there is a need to think of innovative solutions to support and encourage collective investments to achieve economies of scale, exploring new mechanisms of investment, sharing nodes with economic enterprises from other emerging economies from the global South. She concluded on the note that it is now critical time for Arab region to talk about Smart Rural the Centers.

**Ms. Xiaojun Grace Wang, Deputy Director, UNOSSC,** In her concluding remarks, Ms. Wang thanked UNDP, MENAPAR, BIPA and the honorable patronage of the Ministry of Foreign Affairs of the Kingdom of Bahrain. She mentioned that the workshop was organized within the framework of the South-South Global Thinkers Initiative, a global coalition of think-tank networks around the global South with involvement from developed countries' think tanks to advance thought leadership on SDGs and on South-South cooperation. She also acknowledged generous financial support from Finance Center for South- South Cooperation, Hong Kong and Yingke

Group for their substantive contribution. The 33 speakers represented a variety of stakeholders and also regional diversity, with a good gender balance. She shared the following three messages:

Firstly, the hope for the wider recognition of strong trend of South-South investment and the important role of South-South cooperation in generating more and better investments in developing countries and in the region. With the negative impact of the pandemic, there is hope for recovery for a resilient bouncing back of South-South investment. The discussion enabled stocktaking of availability of various global policy frameworks that enabled developing countries to work together such as WTO GSTP and the BAPA+40 Outcome Document. Also, regionally there are over 100 bilateral multilateral mechanisms aimed at facilitating better investment flows. She also highlighted concrete initiatives being actively advanced by countries shared during the three-day workshop.

Secondly, the workshop focused on the priorities such as policies and legal frameworks and efforts from partners to focus on moving forward. The First priority is about SDGs and its interconnectedness. The strategy should focus on the megatrend issues and looking forward. It talked about strategy in terms of challenges to be addressed that involves infrastructure change, both physically and digitally, how to connect countries creating regional public goods especially connecting LDCs in the region, and security challenges as shared by Lebanon and Sudan. The event discussed three major modalities i.e., policy coordination such as China-Arab forum, Turkish-Arab forum, Japan-Arab forum etc. aiming to achieve policy dialogue, policy coordination; financing of South-South Cooperation i.e., how the funds are organized within the region and beyond. The most powerful modalities for South-South cooperation are about knowledge and expertise and human resources support e.g. reverse linkage program from Islamic Development Bank.

Lastly, the discussion also brought forward the need for shift of mindset, behavior insights in policy making, and cultural change.