

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)

**PROSPECTS FOR SOUTH-SOUTH COOPERATION
IN THE ESCWA REGION**

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ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)

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Preface

This study, produced by the Economic Development and Globalization Division of the Economic and Social Commission for Western Asia (ESCWA), reviews the status of South-South cooperation generally and in ESCWA member countries in particular. It represents the first exploration by ESCWA of the potential for greater cooperation between member countries and other countries of the global South, and paves the way for further research.

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Executive summary

South-South cooperation, known in the 1970s as Economic and Technical Cooperation among Developing Countries, has become increasingly important over the last decade. It complements North-South cooperation and aims to promote socio-economic development in developing countries. The underlying idea of South-South cooperation is to strengthen the negotiating power of developing countries, facilitate the transfer of knowledge among countries that face similar developmental challenges, and create stronger economic blocks of developing, least developed and landlocked countries.

The growth in trade among countries of the South averaged 12 per cent per annum between 1995 and 2009. Similarly, the growth in trade between ESCWA member countries and emerging and developing economies averaged 28 per cent per annum between 2001 and 2008. Countries of the Gulf Cooperation Council mainly exported fuels and imported manufactured goods and food, whereas the more diversified economies of the ESCWA region mainly exported manufactured goods and food, and imported fuels. However the prospects for increased trade among ESCWA member countries are constrained by the limited scope in those countries for increased production. Those countries must therefore diversify their economies so that they are better positioned to benefit from increasing trade opportunities with other developing countries in general and with neighbouring countries in particular.

Over the last few years, developing countries have attracted, and have been the source of, increasing amounts of foreign direct investment (FDI). However the share of global FDI that ESCWA member countries attract remains modest; FDI mostly originates in developed countries, and is mostly invested in the oil industry and in real estate. ESCWA member countries must therefore offer greater incentives and must enact policies to encourage developing countries to invest in sectors that bring more added-value to the host economy.

Technological cooperation is a promising area of collaboration for countries of the global South, as this increases productivity and contributes to economic growth. However, most developing countries and, in particular, ESCWA member countries, continue to allocate modest resources to research and development. Efforts should therefore be exerted to promote South-South cooperation with a view to encouraging the transfer of technologies between developing countries.

Arab countries in general, and ESCWA member countries in particular, have achieved considerable progress in terms of fostering development cooperation, demonstrating solidarity with other developing countries, and strengthening bilateral and multilateral relationships. Cumulative loans and grants from Arab countries amounted to US\$144 billion between 1970 and 2009 and over 60 per cent of that amount was provided by Saudi Arabia, the largest Arab donor country. That assistance, over half of which was provided to other Arab countries, helped developing countries finance development projects in various sectors or respond to emerging crises.

There has also been a sharp increase in the movement of labour from developing countries to ESCWA member countries in the past two decades, despite the many restrictions placed on such movement. Gulf Cooperation Council (GCC) countries rely heavily on foreign nationals in their labour force. Those foreign nationals mostly come from Asian countries and from other Arab countries; it is estimated that there are approximately 15 million expatriate workers in GCC countries, over 70 per cent of whom are from Asian countries. Despite attempts by the GCC countries to enforce nationalization programmes, the number of foreign nationals coming to work in those countries continues to increase, although at a slower pace than in previous years.

Best practice from South-East Asia and Latin America indicates that successful South-South cooperation requires sufficient political will, and the active participation of Governments, the private sector and civil society. In that connection, a number of policy recommendations can be made to ESCWA member countries with a view to enhancing South-South cooperation and promoting sustainable development cooperation.

I. INTRODUCTION

In the contemporary world order, where countries are increasingly realizing the importance of region-building and global economic interdependence, focus on development cooperation is inevitable. There is an urgent need for enhanced cooperation, especially among the countries of the global South, through strengthening South-South cooperation (SSC) initiatives. South-South cooperation embraces a multi-stakeholder approach, including non-governmental organizations (NGOs), the private sector, civil society, academia and other actors, and contributes to meeting development challenges and objectives in line with national development strategies and plans.

With the globalization process, the repercussions of any policy or measure taken by industrialized countries can no longer be contained within national borders. It represents both challenges and opportunities for developing countries, particularly least developed ones.

The issue of SSC has gained increasing importance in the past decade. In the late 1970s, it was first known as economic and technical cooperation among developing countries. However, SSC is not a substitute for North-South cooperation, rather it is perceived as a complementary tool for the economic and social development of developing countries.

A. WHAT IS SOUTH-SOUTH COOPERATION?

In the absence of a comprehensive definition of South-South cooperation, the United Nations General Assembly has defined it as “a partnership among equals based on solidarity”.¹ It is a form of solidarity among countries with similar developmental challenges aimed at accelerating the integration of developing countries and least developed ones into the global economy in a way that maximizes their benefits. The United Nations Development Programme (UNDP), which actively promotes SSC, defines the term as “a means of promoting effective development by learning and sharing best practices and technology among developing countries”.²

There are several main areas of cooperation among countries of the South and the focus of SSC has primarily been on regional integration, monetary and financial cooperation, trade, investment, debt management, development assistance, information and communications technology (ICT), technical and technological cooperation, food, agriculture, water, energy, health, education and transport. It can take different forms, including bilateral, multilateral, subregional, regional or interregional. This cooperation emerged from the need of developing countries to share development experience and show responsibility towards each other by giving a helping hand to other developing countries.

The key functions of SSC are as follows:

- (a) Capacity-building;
- (b) Training;
- (c) Research and technology transfer;
- (d) Information and knowledge exchange;
- (e) Advisory support;
- (f) Technical support.

South-South cooperation aims to enable developing countries to become a strong entity with a say in international policies, influence on international policy structure and the capacity to realize sustainable development. The success of such cooperation requires strong political will and a solid partnership between decision makers at the national level with major players from both the private sector and civil society.

¹ General Assembly resolution 64/222 of 21 December 2009.

² www.undp.or.jp/english/partnerships.shtml.

B. WHY SOUTH-SOUTH COOPERATION?

The world is witnessing the ever growing influence of developing countries at the global level, with more than three quarters, or 80 per cent, of the world's population living in developing countries. Indeed, forecasts suggest that current developing and emerging countries are likely to account for nearly 60 per cent of world GDP by 2030.³ The share of South-South trade to global trade increased from 9 per cent in 1990 to 18 per cent in 2009, which is almost a 20-fold increase considering the increase of worldwide trade during the same period.⁴

The main argument in favour of SSC is the replicability of development practices from one developing country to another. In fact, countries of the global South share similar development experiences and are facing similar challenges; chiefly poverty, hunger, health-related issues and environmental deterioration. These similarities emphasize the suitability of the transfer of knowledge and good practice across the developing world. Another argument in favour of SSC is that, in recent years, there has been significant growth in the critical mass of expertise in the South, which is sometimes more cost-effective to mobilize. Many developing countries have acquired substantial knowledge and experience in setting up dynamic institutions for social, economic and technology development, and SSC represents the means to share this knowledge with other developing countries.

There are additional reasons that emphasize the need for SSC, including, among others, the following:

- (a) Declining real prices and loss of market share by developing countries that are dependent on commodities;
- (b) Shifting the focus of research in developed countries to the private sector, which is traditionally averse to technology sharing;
- (c) Receding interest among developed countries in helping developing counterparts.⁵

While the need for capacity-building and technical assistance is a global concern for developed and developing countries alike, this need is more urgent in the case of developing countries and least developed ones. Most least developed countries (LDCs), including those in Africa and the Arab region, are still facing rudimentary development challenges. Within that context, some of the most urgent development challenges in the ESCWA region include poverty, illiteracy, unemployment, gender inequality, poor child and maternal health, child labour, social exclusion and the lack of infrastructural facilities to support such basic amenities as education, health and sanitation, and market access.

Lately, the world has witnessed increased global cooperation aimed at achieving the Millennium Development Goals (MDGs). To that end, intensifying South-South initiatives through inclusive partnerships, sectoral approaches and multi-stakeholder orientation in developing countries and LDCs can be conducive to their attainment. In 2009, the Policy Committee of the Secretary-General stressed that the United Nations had a "strong commitment to South-South cooperation as a critical tool for achieving internationally agreed development goals, including the MDGs".⁶

South-South cooperation has the potential both to spur economic development and to increase the negotiating power of the countries of the South. Only by acting collectively can developing countries play an effective role in attaining development objectives and influencing international decisions. Despite many improvements, more effective use of SSC could create even stronger leverage for the developing world.

³ OECD Development Centre, *Perspectives on Global Development: Shifting Wealth* (2010).

⁴ Ibid.

⁵ Within that context, developed countries are still far from fulfilling their commitment to provide developing countries with 0.7 per cent of their gross national income (GNI) as aid by 2015.

⁶ Report of the Secretary General, *Promotion of South-South Cooperation for Development: a Thirty-year Perspective* (2009).

Creating a stronger economic bloc could enable them to have stronger negotiating power in setting the global development agenda.

In the past decade, developing countries have become a major source of development finance for other developing countries. The biggest providers of development assistance to LDCs have been China, India, Saudi Arabia and Venezuela, each contributing at least US\$1 billion per year.⁷ On the other hand, other emerging economies, including Brazil and South Africa, are contributing through multilateral institutions and mechanisms. The rise of the so-called BRIC countries, namely Brazil, Russian Federation, India and China, gives a whole new perspective to future opportunities for SSC and sets the topic high on the agenda of developing countries, international organizations and civil society in general. Currently, half of the Group of 20 leading economies (G-20) are developing countries.

The recent global economic crisis has emphasized the importance of developing countries in the world economy. It is estimated that in 2009 and as a result of the crisis, between 55 million and 90 million more people lived in extreme poverty than before the crisis. For this and the other reasons outlined above, SSC is particularly important in addressing the consequences of the recession on the progress made in achieving internationally agreed development goals, including the MDGs.⁸ Consequently, SSC is a practical framework for building partnership among countries, with the dual aim of achieving development within national borders and raising the development prospects of other developing countries.

C. SOUTH-SOUTH AND TRIANGULAR COOPERATION

Certain development initiatives are carried out through triangular cooperation (TC), which is a type of development cooperation involving three partners.⁹

The importance of triangular cooperation has been recognized throughout the literature. United Nations declarations have reiterated that such arrangements are very useful in international cooperation. Triangular cooperation entails using the expertise of developing countries and backing it with financial support from developed countries in order to assist other developing countries, especially LDCs and landlocked developing countries.

Some of the benefits of TC include strengthening the policy and institutional framework and promoting the acquisition of technical know-how in international cooperation. Under TC arrangements, donor countries and international organizations have provided complementary inputs to specific programmes or projects and have supported information-sharing, technical and implementational capacity-strengthening in pivotal countries, knowledge-sharing and networking.¹⁰

South-South and triangular cooperation are integral to efforts to provide assistance to developing countries in order to achieve sustainable economic growth, poverty reduction and social development, so that they become less dependent on external aid in the future.

Considering the growing awareness of the need for SSC, ever-increasing challenges for its implementation are becoming evident. At this stage, countries of the South do not have the capacity to address a number of challenges, including knowledge transfer. Consequently, there is still a need for TC to help build links between countries. Developing countries can benefit from assistance from developed

⁷ Report of the Secretary General, *The state of South-South cooperation* (2009).

⁸ Ibid.

⁹ Development Assistance Committee (DAC) donors and providers of South-South cooperation work to implement developmental projects in beneficiary developing countries. See OECD, *Triangular Co-operation: What Do We Know About It?*, prepared for the OECD Policy Dialogue on Development Co-operation (Mexico City, 28-29 September 2009).

¹⁰ UNDP Special Unit for South-South Cooperation, *Enhancing South-South and Triangular Cooperation: Study of the Current Situation and Existing Good Practices in Policy, Institutions, and Operation of South-South and Triangular Cooperation*, (2009).

countries in order to create new institutional foundations that support emerging South-South partnerships. Despite the fact that developing countries have development experience to share with their counterparts, financial restrictions hinder their activities. Triangular cooperation can therefore fulfil the needs of northern donors and southern developing countries.

The first developed country to offer substantial support for South-South cooperation was Japan in 1993, through the Tokyo International Conference on African Development. Recently, the European Union and its Member States, as well as the United States of America, have been providing financial support for different South-South initiatives.

Drawing conclusions from experience of SSC and TC in South-East Asia and Latin America, several factors have contributed to their development, namely:

- (a) The rise of emerging countries that have accumulated considerable experience in the development process and are now making serious commitments to SSC;
- (b) Increasing complementarities between developing countries, thereby reflecting growing intraregional trade and investment flows;
- (c) Recognition of interdependence and rise of regional cooperation.

D. SOUTH-SOUTH COOPERATION AND REGIONAL INTEGRATION

The global trend towards greater trade liberalization has offered new opportunities for trade and investment in developing countries. Countries of the global South must work together first at the regional level in order to promote trade and investment and, subsequently, to build bridges with other developing regions.

Regional integration is a much narrower concept than SSC. It is the first step on the path of cooperation with other countries, given that it is easier and more convenient for geographical and cultural reasons. Historically, it was the preferred modality of cooperation until the arrival of SSC opportunities, which stemmed from the emergence of countries with sufficient development experience to share. In cases where the areas of joint interest are stronger at regional and subregional levels than at the interregional level, regional integration is the preferred strategy to explore.

Consequently, regional integration is important, in that it provides an additional spur to SSC. However, this must not limit the opportunities for cooperation and exchange between countries of the South. In some cases, SSC has much more potential and needs to be given full attention. In many countries with vast experience in South-South cooperation, the recognition of regional interdependence and regional cooperation has led to the further development of South-South initiatives.

E. LITERATURE REVIEW: SSC IN UNITED NATIONS RESOLUTIONS

The United Nations has allocated special attention to SSC since 1972, when the General Assembly formed the Working Group on Technical Cooperation among Developing Countries. In 1976, the United Nations organized a high-level conference on technical cooperation among developing countries in Buenos Aires, which resulted in the Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries, also known as the Buenos Aires Plan of Action.¹¹

In that regard and with increasing attention to greater cooperation among developing countries, a special unit for technical cooperation among developing countries was established within the United Nations under the aegis of UNDP. Among other duties, the unit is responsible for the preparation of biennial reports to intergovernmental bodies on the state of SSC and aims to enhance partnership-building, mutual learning and the mobilization of resources. It has a multilayered, four-pillar and multilateral support architecture: the

¹¹ The decision to convene the Conference was based on General Assembly resolution 31/179 of 21 December 1976; the General Assembly adopted the Buenos Aires Plan of Action in 1978.

High-level Committee on South-South Cooperation of the General Assembly; the Global South-South Development Academy; the Global South-South Development Expo; and the South-South Global Assets and Technology Exchange.¹²

The interdependence and complementarities of SSC and TC are elaborated in the Buenos Aires Plan of Action¹³ which states, the following:

(a) Technical cooperation among developing countries “in no way reduces the responsibility of developed countries to undertake the necessary policy measures, in particular, the increase of development assistance”;

(b) Technical cooperation among developing countries “is neither an end in itself nor a substitute for technical cooperation with developed countries”;

(c) Intensified linkage with the North “is required for the transfer of appropriate technologies and also for the transfer of advanced technologies and other expertise in which they have manifest advantages”.

The United Nations has held several high-level conferences on SSC and the General Assembly has adopted the outcome documents of those conferences, namely the South Summit of the Group of 77 (Havana, 2000); the High-level Conference on South-South Cooperation (Marrakech, Morocco, 2003); the Second South Summit (Doha, 2005); and the High-level United Nations Conference on South-South Cooperation (Nairobi, 2009). South-South and triangular cooperation were placed at the centre of the development agenda of the conferences and the complementarities of the two types of cooperation were highlighted in order to help developing countries achieve the MDGs.

With increasing attention being paid to greater cooperation among the countries of the South, developing countries are requesting the support of the United Nations and its subsidiary bodies to provide greater support to the strengthening of SSC. Consequently, and in addition to the high-level meetings allocated to SSC, several international conferences and summits organized by the United Nations and its subsidiary bodies have stressed the importance of SSC and have called for greater support for it. These include, among others: (a) the Millennium Summit (New York, 6-8 September 2000); (b) the Fourth World Trade Organization Ministerial Conference (Doha, 9-14 November 2001); (c) the Third United Nations Conference on Least Developed Countries (Brussels, 14-20 May 2001); (d) the International Conferences on Financing for Development (Monterrey, Mexico, 18-22 March 2002; and Doha, 29 November-2 December 2008); (e) the World Summit on Sustainable Development (Johannesburg, South Africa, 26 August-4 September 2002); and (f) the World Summit on MDGs (New York, 20-22 September 2010).

Additionally, and as highlighted in a number of resolutions, the General Assembly has called for the integration of SSC into the programme of work of the agencies and subsidiaries of the United Nations; urged Governments, the private sector and civil society to coordinate their efforts in order to strengthen cooperation among developing countries in different areas; and encouraged developed countries to assist in SSC.

The outcome document of the Millennium Summit in 2000 reiterates the commitment to promoting SSC and TC, which is not a substitute for, but a complement to North-South cooperation. It commits signatories to accelerate progress in promoting global public health, including those SSC initiatives in line with national plans and strategies in such sectors as health, education, gender equality, energy, water and sanitation, poverty reduction and nutrition, thereby reducing the rate of maternal, newborn and under-five mortality.

Furthermore, SSC has become an integral part of the work plan of the Group of 77 (G-77) and China, as highlighted by the Caracas Programme of Action, which was adopted by the High-level Conference on Economic Cooperation among Developing Countries (Caracas, 13-19 May 1981).

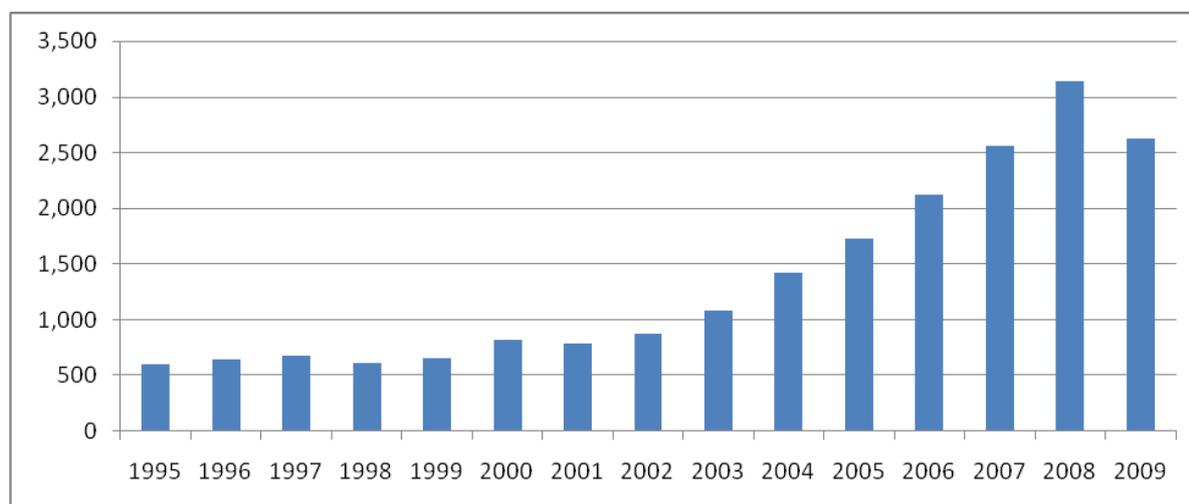
¹² Y. Zhiu, *The Future of South-South Development Assistance and the Role of the UN* (OECD, 2010).

¹³ Available at <http://ssc.undp.org/ss-policy/policy-instruments/buenos-aires-plan-of-action/>.

II. SOUTH-SOUTH TRADE

Trade between the countries of the global South has become one of the most dynamic components of international trade. Over the past 15 years, it has risen at an average annual growth rate of 12 per cent, from US\$600 billion in 1995 to US\$2.6 trillion in 2009. In recent years, global South-South trade has been particularly driven by the emergence of such countries as Brazil, China, India and South Africa.

Figure 1. Total South-South merchandise exports
(Millions of US dollars)



Source: Compiled by ESCWA, based on data from United Nations Statistics Division, available at <http://unstats.un.org/>.

The total amount of trade in the ESCWA region increased steadily during the period 2001-2008, at an average annual growth rate of 21 per cent, but recorded a substantial drop of almost 30 per cent in 2009.¹⁴ The amount of trade with emerging and developing economies grew at an even faster rate of 28 per cent during the same period.¹⁵ It is worth noting the growing share of trade with emerging and developing economies to total trade, which increased from 30 per cent in 2001 to 45 per cent in 2009. This highlights the importance of ever-growing South-South trade relations. Of this 45 per cent, some 21 per cent represented trade with China, which is rapidly becoming one of the major trading partners of ESCWA member countries.

ESCWA member countries can be classified into three groups, namely the GCC economies, more diversified economies (MDEs) and LDCs. Table 1 shows that there was no significant structural change in either of the first two groups of economies in the past decade, judging purely on the structure of imports and exports. Most of the countries are still dependent on petrol or a few commodities.

¹⁴ IMF Direction of Trade Statistics database, available at <http://elibrary-data.imf.org/FindDataReports.aspx?d=33061&e=170921>.

¹⁵ Ibid.

TABLE 1. STRUCTURE OF MERCHANDISE IMPORTS AND EXPORTS
(Percentage of the total)

	Exports										Imports									
	Food		Agricultural and raw materials		Fuels		Ores and metals		Manufactured goods		Food		Agricultural and raw materials		Fuels		Ores and metals		Manufactured good	
	1995	2008	1995	2008	1995	2008	1995	2008	1995	2008	1995	2008	1995	2008	1995	2008	1995	2008	1995	2008
GCC countries																				
Bahrain	..																			
Kuwait	-	-	-	-	95	96	-	-	5	3	16	13	1	1	1	1	2	3	81	83
Oman	5	2	-	-	79	86	2	1	14	7	20	11	1	1	2	3	2	4	70	80
Qatar	-	-	-	-	82	94	-	-	17	5	9	6	1	-	1	1	2	3	87	90
Saudi Arabia	1	1	-	-	88	90	-	-	10	9	17	13	1	1	-	-	4	5	76	81
United Arab Emirates	8	1	-	-	9	65	55	1	28	4	15	7	-	-	4	1	6	5	75	73
More diversified economies																				
Egypt	10	10	6	2	37	44	6	7	40	37	28	17	7	3	1	12	3	9	61	59
Jordan	25	14	2	-	-	-	24	11	49	75	21	17	2	1	13	22	3	3	61	56
Lebanon	20	11	2	1	-	-	8	11	70	34	21	16	2	1	9	22	2	2	66	35
Syrian Arab Republic	12	21	7	1	63	41	1	1	17	35	17	13	3	2	1	33	1	4	76	48
Least developed countries																				
The Sudan	3	5	1	-	95	92	1	-	1	2	29	25	2	1	8	29	1	1	59	45
Yemen	44	3	47	1	-	94	-	1	6	-	24	7	2	-	14	-	-	-	59	68

Source: Compiled by ESCWA, based on World Bank, *World Development Indicators*, available at <http://databank.worldbank.org/ddp/home.do>.

Notes: Two dots (..) indicate that data are not available or are not separately reported.

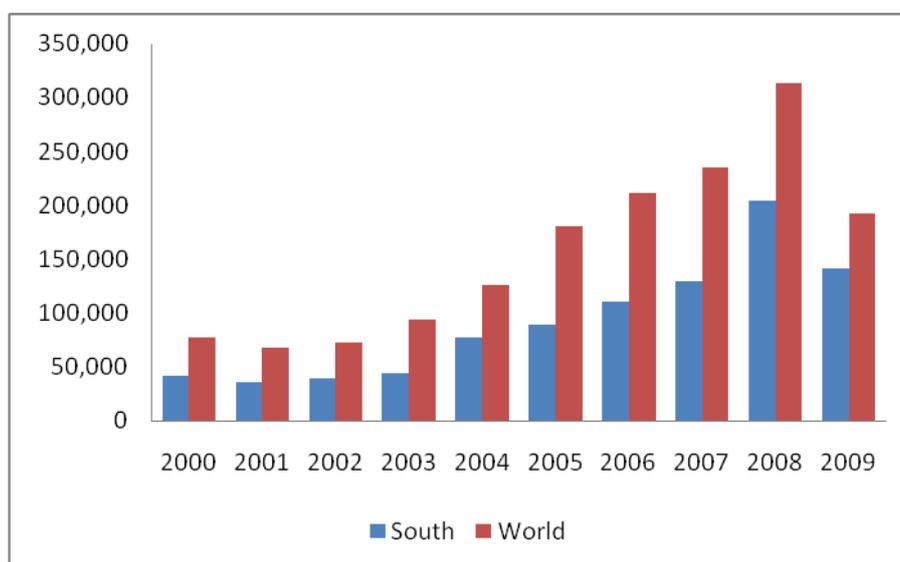
A dash (-) implies a negligible figure or zero.

In 1995 and 2008, the GCC economies were primarily exporting fuels. The share of fuels to total exports has increased over the years and made up an average of 86 per cent of total GCC exports in 2008. While exports from the MDEs were more diversified, they comprised mostly manufactured goods and food, with the exception of Egypt and the Syrian Arab Republic, which also exported fuels. On the other hand, the GCC countries have increasingly been importing manufactured goods and food, while the MDEs mostly imported manufactured goods, fuels and food. The lack of diversification has limited the prospects for South-South trade among the countries of the region, as well as with other developing regions.

In order to deepen the analysis of South-South trade in the ESCWA region and its impact on regional economies, the current study focuses on two ESCWA member countries, one from the GCC countries (Saudi Arabia) and one from the MDEs (Egypt).

Figure II shows that Saudi Arabian trade with the South has increased steadily, both in absolute and relative terms.

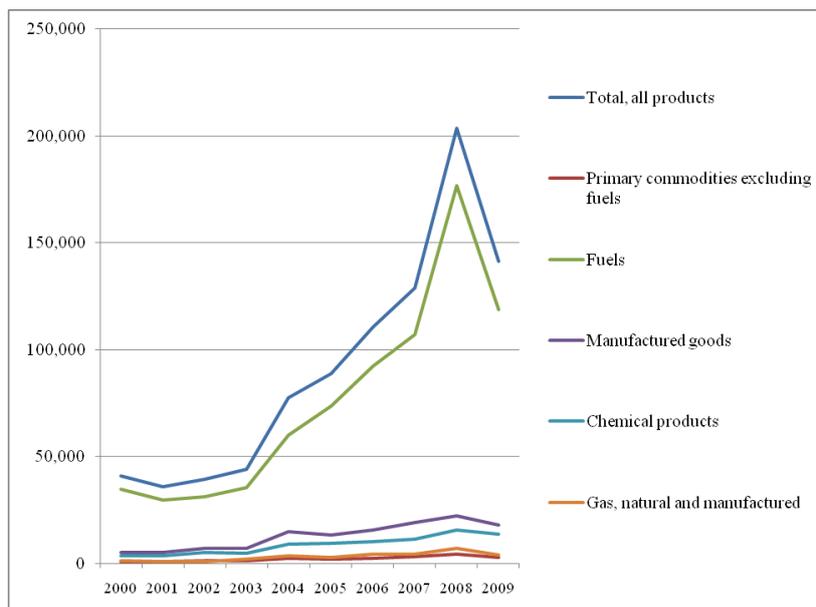
Figure II. Saudi Arabian merchandise exports to the world and to the South
(Thousands of US dollars)



Source: Compiled by ESCWA, based on data from United Nations Statistics Division, available at <http://unstats.un.org/>.

Merchandise exports from Saudi Arabia to other developing countries grew from US\$41 billion in 2000 to US\$141 billion in 2009. The average annual growth rate of its exports to the South in the period 2000-2008 was 25 per cent, compared with an average annual increase of 20 per cent in total exports. Analysing the structure of Saudi Arabia’s merchandise exports, fuels constituted a major share at some 84 per cent. Its relative share has been quite stable in recent years, whereas other exports have not diversified significantly. As figure III illustrates, Saudi Arabia’s exports were “pulled” by its fuel exports. Manufactured goods and chemical products retained their traditional share as well. However, in absolute terms, given that petroleum prices increased in the period observed and that exports are shown in total value rather than volume, other exports can be deduced to have increased in total volume. Consequently, Saudi Arabia witnessed a steady growth of South-South trade that was neither caused by nor resulted in a significant degree of diversification in output.

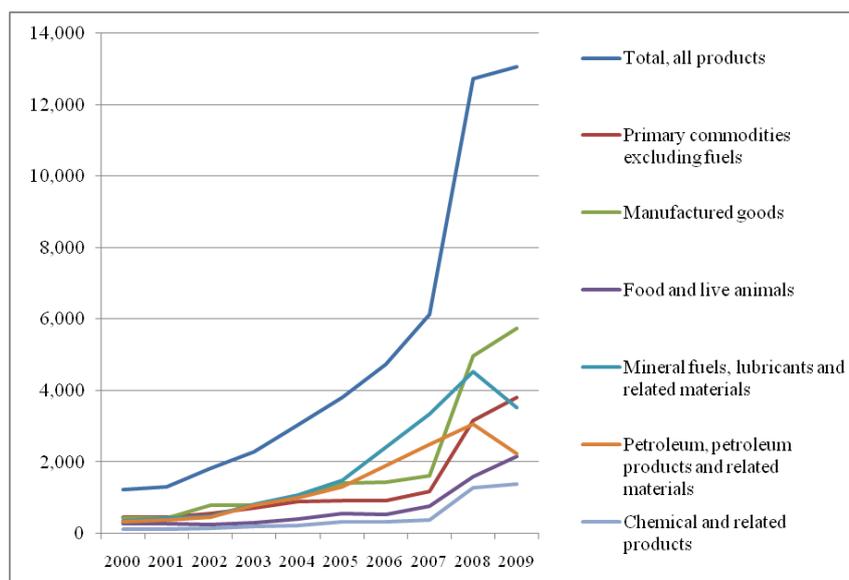
Figure III. Saudi Arabian exports to the South, selected sectors
(Thousands of US dollars)



Source: Compiled by ESCWA, based on data from United Nations Statistics Division, available at <http://unstats.un.org/>.

On the other hand, the situation in Egypt implies a positive degree of correlation between economic diversification and South-South trade. Figure IV shows that Egypt's total exports were more diversified, particularly in 2008-2009, when manufactured goods constituted the largest share, increasing from US\$422 million in 2000 to US\$5.7 billion in 2009. Egypt's total exports to the South have increased sharply since 2006 and have also become more diversified. Figure IV indicates that Egypt's main exported goods from 2005-2008 were mineral fuels and related materials; and in 2008 and 2009, the share of manufactured goods increased. Primary commodities, excluding fuels, have been increasing since 2005 and still constitute an important share of Egypt's total exports, accounting for 29 per cent in 2009.

Figure IV. Egyptian exports to the South, selected sectors
(Thousands of US dollars)



Source: Compiled by ESCWA, based on data from United Nations Statistics Division, available at <http://unstats.un.org/>.

Nevertheless, both cases show that ESCWA member countries have been exporting products at a lower level of production chain and importing products with more value-added. This raises the issue of stagnant productivity and wages, and the long-term growth of their economies is therefore in question. Even though many countries are trying to diversify their economies, import rates remain largely static and productivity growth is minimal or even negative.

Moreover, data imply that the share of manufactured goods in GDP is still comparatively low in the region. In many countries it is less than 10 per cent, with the exception of Bahrain (12.2 per cent), United Arab Emirates (13 per cent), Egypt (15.7 per cent) and Jordan (16.8 per cent).¹⁶ In other developing countries, such as Brazil, Turkey and the Republic of Korea, it reaches 25 per cent and above. That implies that prospects for trade of ESCWA member countries are relatively limited considering their productive capacities. There is an urgent need to invest in productive capacities in order to diversify the economy, and create manufacturing and export capacity. The amount of intraregional trade among GCC countries, at 6 per cent, also implies that without diversification, ESCWA member countries cannot expect to experience many gains from trade.

A fair amount of research confirms that the exports of a country have an influence on its long-term growth prospects. Countries that have realized this link have moved towards sectors that are more intensive in terms of technology and skills, and have the potential for spillover effects to the rest of the economy.¹⁷ That implies that for the region as a whole, structural change is needed in order to reach sustainable growth, which involves changing the production structure whereby low value-added goods are substituted for high value-added products.

It is believed that trade among developing countries offers a wide range of opportunities for specialization, efficiency gains and diversification. However, in order to sustain development, diversification is not enough. Each country needs to work on upgrading its human capital and increasing value-added by producing and exporting high value-added manufactured products. This is exactly where SSC comes into its own as a means of increasing productivity by transferring technology and know-how, and by investing in human capital.

Intraregional trade, which is part of South-South trade, grew from US\$28.5 billion in 2001 to US\$148 billion in 2008, at an average annual rate of 26 per cent.¹⁸ While intraregional trade has been increasing in absolute terms over the past six years, its share of total regional trade has remained static at some 11 per cent. This is a very low share when, in the same year and in stark contrast, intraregional trade in the MERCOSUR and ASEAN regions reached some 16 and 25 per cent respectively.¹⁹ Despite the physical proximity and cultural as well as historical links, intraregional trade has limited growth potential, considering productive capacity in the ESCWA region, and the emergence of economies such as that of China.

Analysing the structure of MDE imports and exports, the concept of vertical integration arises as an opportunity for more intra-industry trade. Thus, it is more beneficial for countries to diversify their manufactured goods and use the leverage of geographical proximity with each other by splitting the production process across countries. In this manner, countries could potentially produce final goods that are more complex and potentially more competitive in international markets. MDEs are well positioned in that regard, given that both their imports and exports focus on food and manufactured goods, as those are the sectors where mutual benefits can be found and used as a basis for further collaboration.

¹⁶ Arab Monetary Fund database, available at www.amf.org.ae.

¹⁷ UNCTAD, *Strengthening Productive Capacities: A South-South Agenda* (2010).

¹⁸ IMF Direction of Trade Statistics database.

¹⁹ MERCOSUR (the Southern Common Market) is an economic and political agreement between Argentina, Brazil, Paraguay and Uruguay; the Association of Southeast Asian Nations (ASEAN) comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.

Moreover, SSC initiatives could help developing countries in general and ESCWA member countries in particular to make their voices heard at the World Trade Organization (WTO). This could be accomplished in several ways, including by promoting TC and sharing know-how; enhancing capacity-building aimed at local expertise and capabilities; sharing experience of good practice and exchanging information; and providing training and technical assistance in order to enhance national negotiation skills at WTO. This last point is particularly relevant, given that almost 30 developing countries are currently negotiating WTO membership. SSC initiatives can also help to promote the WTO principle of non-discrimination, which contributes to more integrated and coherent linkage between the countries of the global South.

South-South cooperation and its impact on the emergence of strong economic blocs in the South could help developing countries and LDS to strengthen their solidarity to voice together any cause of common concern. This applies equally to WTO ministerial sessions, especially in the negotiations of the Doha Development Agenda. Within that context, SSC has empowered and strengthened the countries of the global South to voice important issues of mutual concern in the Doha Development Agenda, including implementation-related issues and concerns, market access, trade facilitation, non-agricultural market access, special and differential treatment, dispute settlement, textiles and clothing, technical assistance for LDCs, trade-related investment measures, subsidies and countervailing measures, and technology transfer.

While SSC propagates more trade between the economies of the South as a means of increasing economic growth, this could have a negative impact on the economies of ESCWA member countries if the more industrialized economies of the South, such as China and India, have significant competitive advantage in the particular goods that the ESCWA region exports. However, more SSC could also equate to increasing knowledge on how to expand the manufacturing sector and on move away from oil dependency in certain ESCWA member countries, thereby benefiting them.

ESCWA member countries have an urgent need to increase productivity and diversify their economies in order to make more space for South-South trade. Productivity levels in the ESCWA region vary between the GCC countries, the MDEs and the LDCs. The first group of economies has very high levels of real GDP per worker (measured in constant prices, by unit of labour).²⁰ The MDEs reach around one third or one quarter of the average productivity of the GCC countries, while the LDCs barely reach one eighth of that. In some of the fastest growing economies in the region, productivity growth has even been negative.

TABLE 2. REAL GDP PER WORKER, MEASURED BY UNIT OF LABOUR, CONSTANT PRICE

	1995	2000	2005	2006	2007
GCC countries					
Bahrain	42 270.60	43 883.60	51 988.70	55 489.80	..
Kuwait	91 742.81	70 894.50	80 548.60	82 067.70	82 182.30
Oman	62 791.20	64 533.80	61 866.63	63 127.58	66 283.65
Qatar	79 497.70	113 492.40	121 173.60	126 709.00	145 434.00
Saudi Arabia	64 090.50	57 897.50	58 532.95	57 080.75	56 051.33
United Arab Emirates	73 200.50	66 576.60	75 868.16	80 019.24	82 142.28
More diversified economies					
Egypt	14 600.64	15 739.90	16 728.55	17 170.67	17 931.11
Jordan	16 421.94	16 173.86	17 001.37	17 369.27	18 142.60
Lebanon	21 170.00	21 465.75	21 808.60	21 309.25	21 396.95
Syrian Arab Republic	7 715.40	8 355.50	8 270.70	9 253.70	9 137.80
Least developed countries					
The Sudan	3 654.30	5 175.55	6 453.42	6 895.52	7 357.97
Yemen	3 929.50	5 050.41	4 761.10	4 859.69	4 626.74

²⁰ Based on labour productivity estimates from the Penn World Tables, available at <http://pwt.econ.upenn.edu/>.

TABLE 2 (continued)

	1995	2000	2005	2006	2007
Selected other developing economies					
Brazil	18 623.48	17 660.80	17 892.28	18 360.91	18 920.97
Turkey	15 462.71	18 381.11	20 507.78	21 530.29	22 722.74
Venezuela	29 000.37	25 604.17	24 430.18	25 370.13	26 113.93

Source: Compiled by ESCWA, based on Penn World Tables.

Note: Two dots (..) indicate that data are not available or are not separately reported.

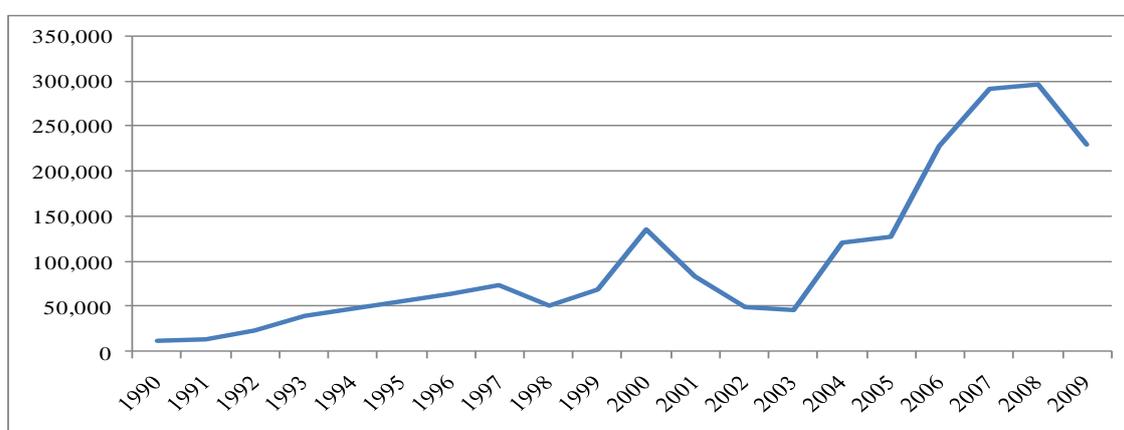
In order to increase labour productivity, SSC needs to have the capacity to transfer technology and know-how from other developing countries that have achieved higher levels of productivity and that have a good track record of cooperation in these fields and, moreover, from ESCWA member countries themselves.

Within that context, using SSC to create technical and management support centres, especially for manufacturing sectors and small and medium-sized enterprises, could present a means of increasing productivity. Such centres can provide assistance and support in developing strategic partnerships as well as in product development. This could also help to increase FDI, since quality foreign investors are drawn to countries that have the ability to improve output through productivity gains.

III. SOUTH-SOUTH FOREIGN DIRECT INVESTMENT

To a great degree, FDI can contribute to industrial development through the transfer of capital, technology and expertise, which can speed up the industrial development process.²¹ In recent years, the developing world has been increasing its global share in both FDI inflows and outflows; this share is expected to continue to grow, both as a destination and as a source of FDI. In fact, developing and transition economies were the source of most of the global FDI in 2010. Almost 70 per cent of their investments went to other emerging economies, compared with developed countries, whose share was around 50 per cent.²² Flows of FDI from developing countries reached US\$316 billion in 2010, which represents an increase of 23 per cent from the previous year. This was largely due to an increase of some 20 per cent in outward FDI from South Asia, East Asia and South-East Asia, particularly from China, Hong Kong, Republic of Korea, Malaysia and Taiwan. Inflows of FDI from China increased by more than US\$10 billion and Chinese companies have continued to acquire overseas assets in a wide range of industries and countries.²³

Figure V. FDI outflows from the economies of the South
(Millions of US dollars)



Source: Compiled by ESCWA, based on data from United Nations Statistics Division, available at <http://unstats.un.org/>.

The main source of FDI inflows to the ESCWA region are developed economies, with a noticeable increasing trend in inflows from such developing countries as China, India and the Republic of Korea. Currently, while investments from other developing countries remain very modest, there are positive signs of their increase in the future. The flow of FDI to a developing country from another developing country can be more effective, given the similarities in their socio-economic and institutional conditions and, therefore, is more likely to speed up the development process.

Taking into consideration the growing share of developing and emerging economies in global FDI outflows, ESCWA member countries need to consider special incentives aimed at attracting such flows. This can be achieved by signing bilateral investment agreements between developing countries or including investment in existing cooperation agreements between countries of the South. Despite rapid growth, a significant share of outward FDI stock is not covered by South-South agreements.²⁴ This implies that there is significant potential for further South-South cooperation in this field.

²¹ UNCTAD, *Strengthening Productive Capacities: A South-South Agenda* (2010).

²² UNCTAD, *Global Investment Trends Monitor*, No. 6 (April 2011), available at http://www.unctad.org/en/docs/webdiaeia20114_en.pdf.

²³ United Nations News Centre, *Developing Economies Emerge as Main Source of Foreign Direct Investment – UN Report* (2011).

²⁴ UNCTAD, *South-South Cooperation in International Investment Agreements* (2005).

Intraregional FDI still represents a minor share of total FDI in the region. Nevertheless, major investor countries from the ESCWA region, particularly Saudi Arabia and the United Arab Emirates, are traditionally present in the markets of other ESCWA member countries. Adopting policies to promote intraregional FDI represents both a way of increasing FDI in the region and promoting more regional integration, which in turn could lead to increasing opportunities for South-South cooperation within the region in terms of sharing know-how and technology.

One of the main issues regarding FDI in the ESCWA region is the structure of the investment. Most FDI targets the oil and real estate sectors and, therefore, does not lead to an increase in productivity or a transfer of technology. Consequently, as they diversify their economies and move away from oil, ESCWA member countries could use the experience of other developing countries. South-South cooperation could be a modality for transferring knowledge and experience from other countries in attracting FDI and using it to diversify the economy. One good example is Malaysia and its huge influx of FDI in the manufacturing sector. Malaysia has introduced many incentives, including tax breaks, tax deductions for exporters and expanded investment tax allowances. It has moved successfully into the group of newly industrialized economies as a result of its manufacturing growth via FDI. Malaysia has become more competitive across a broad range of manufactured goods and managed to switch to higher value-added manufacturing products.²⁵

ESCWA member countries need to go one step beyond traditional incentives for attracting FDI. They must create a more conducive environment for FDI by focusing more on providing assets, infrastructure and capabilities aimed at supporting the successful commercialization and marketing of technological innovations. South-South cooperation provides an opportunity to benefit from the experience of countries that have already achieved this step. Given the lack of investment in research and development activities in the ESCWA region, member countries should also consider modalities aimed at creating business and technology incubators and public-private partnerships in order to promote innovation. This could be achieved through SSC and is an additional incentive for FDI.

Additionally, ESCWA member countries need to seek a broader management of FDI in terms of policy coordination. Regional arrangements could be a way to do so without joining the “race to the bottom” whereby Governments simply cut regulations and offer incentives in a bid to attract capital. This kind of regional cooperation is especially important for attracting FDI to the manufacturing or service sector, where there is greater likelihood of countries in the same region competing for the same capital.

²⁵ Wilson, P. The Export Competitiveness of Dynamic Asian Economies 1983-1995 in *Journal of Economic Studies*, 27(6) (2000).

IV. SOUTH-SOUTH TECHNOLOGICAL COOPERATION

Technological cooperation is an area with high potential for SSC. Given its long-term impact on economic growth and productivity, ESCWA member countries need to engage in more cooperation with other developing countries which possess relevant and appropriate technologies that could be transferred and replicated in this region. Advances in science and technology are regarded as vital in meeting the MDGs.

In 2002, the G-77 hosted a conference on SSC in science and technology. The resulting declaration urged developing countries to increase funding for education, science and technology to 2.5 per cent of their gross national product by 2010. However, most developing countries have fallen short of that target.

TABLE 3. RESEARCH AND DEVELOPMENT EXPENDITURE, SELECTED ESCWA MEMBER COUNTRIES AND SELECTED DEVELOPING COUNTRIES
(Percentage of GDP)

Country	2000	2001	2002	2003	2004	2005	2006	2007
Egypt	0.19	..	..	..	0.27	0.25	0.26	0.23
Jordan	-	..	0.34	..	..	..	..	..
Kuwait	0.13	0.18	0.18	0.14	0.13	0.10	0.08	0.09
Saudi Arabia	..	..	..	0.06	0.05	0.04	0.04	0.05
The Sudan	0.47	0.44	0.39	0.34	0.29	0.29	-	-
China	0.90	0.95	1.07	1.13	1.23	1.34	1.42	1.44
India	0.77	0.75	0.74	0.73	0.77	0.80	0.80	0.80
Malaysia	0.47	..	0.65	..	0.60	..	0.64	..
Brazil	1.02	1.04	0.98	0.96	0.90	0.97	1.00	1.10
East Asia and Pacific (developing only)	0.74	0.81	0.93	1.02	1.12	1.09	1.30	1.44
Latin America and Caribbean (developing only)	0.59	0.58	0.57	0.56	0.56	0.62	0.63	0.68

Source: Compiled by ESCWA, based on World Bank, *World Development Indicators*.

Note: Two dots (..) indicate that data are not available or are not separately reported.

Table 3 clearly shows that ESCWA member countries lag far behind in comparison with certain other developing countries. For example, in 2007, China invested 1.44 per cent of GDP on research and development, and Brazil invested 1.10 per cent, whereas Egypt invested a meagre 0.23 per cent. The table also indicates that the ESCWA region has allocated little importance to research and development over the years. There is huge potential for this area to be addressed from the South-South perspective. ESCWA member countries could be involved in collaborative research and training schemes, both within the region and with other developing countries. South-South technological cooperation could be cost-effective, particularly given the similar levels of development, climatic conditions and cultural proximity.

Table 4 clearly shows that when the percentage of high technology exports to total manufactured exports is taken as a measure of technological progress, the countries in the ESCWA region appear to be lagging far behind the leading developing countries. The selected ESCWA member countries have almost no high-technology exports, compared with the Republic of Korea, which had around 32 per cent of its manufactured exports in the high technology goods group in 2009.²⁶

²⁶ High-technology products are goods with high research and development intensity, such as those in the aerospace, computer, pharmaceutical, scientific instrument and electrical machinery industries.

TABLE 4. HIGH-TECHNOLOGY EXPORTS, SELECTED ESCWA MEMBER COUNTRIES
AND SELECTED DEVELOPING ECONOMIES
(Percentage of manufactured exports)

Country	2006	2007	2008	2009
Bahrain	0	0	..	..
Egypt	1	0	1	
Jordan	1	1	1	1
Kuwait	0	0	0	..
Saudi Arabia	1	1	0	0
China	30	30	29	31
India	5	5	6	9
Malaysia	54	52	40	47
Republic of Korea	32	33	31	32

Source: Compiled by ESCWA, based on World Bank, *World Development Indicators*.

Note: Two dots (..) indicate that data are not available or are not separately reported.

One of the options under the umbrella of SSC could be the use of business incubators to facilitate technology transfer among small and medium-sized enterprises. India, for example, has a vast experience in this field and could be a helpful partner.

Many developing countries have knowledge and technologies in the areas of agriculture, health, sanitation, finance and manufacturing, among others, that could be replicated in other developing countries. Technological transfer could be of particular importance for the LDCs in the ESCWA region, namely the Sudan and Yemen, which still need to make improvements in education and training, infrastructure, labour productivity and unemployment. Such countries experience both limited technological transfer and restricted ability to absorb new technologies. Other developing countries therefore need to invest in capacity-building in order to enable the LDCs to incorporate new techniques into the production process.

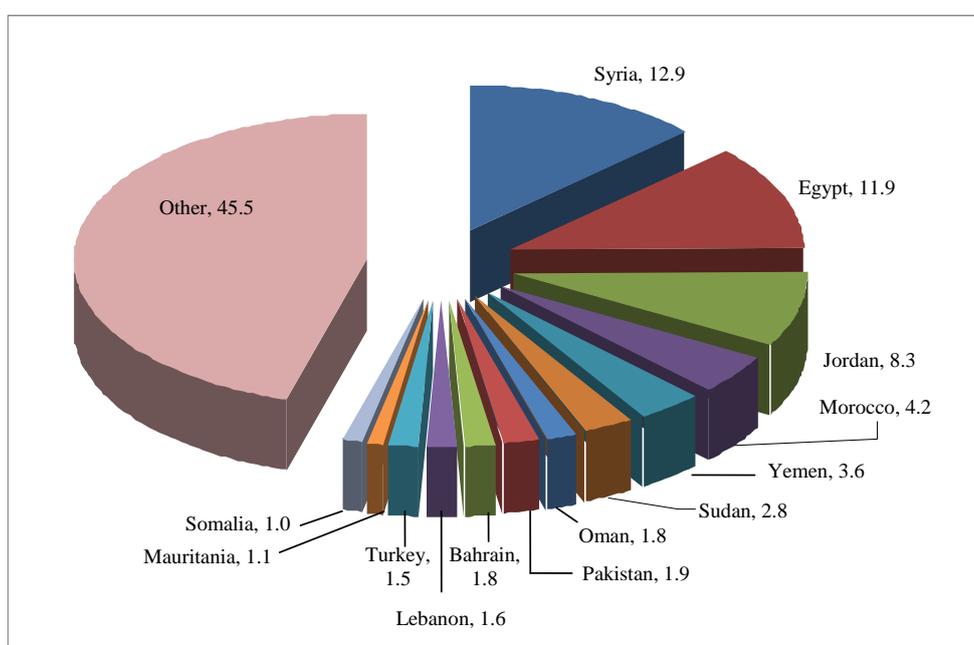
The Sudan and Yemen still hold high levels of specialization in such primary sectors as agriculture, fishery and unprocessed commodities. In order to promote development and poverty reduction in these countries, there is a clear need to promote technological transfer and innovation, with the goal of moving forward in the manufacturing sector at the higher end of the technology scale.

V. SOUTH-SOUTH OFFICIAL DEVELOPMENT ASSISTANCE

Official development assistance (ODA) is one of the main areas in which Arab countries have achieved successful milestones in terms of enhancing South-South cooperation. In fact, Arab ODA is one of the major sources of SSC among Arab countries on the one hand, and between Arab countries and other developing countries on the other hand. More than half of Arab aid is channelled towards other Arab countries, thereby indicating a strong feeling of solidarity between Arab countries and expressing the willingness of Arab donors to build stronger ties and to enhance cooperation between Arab countries.

Arab aid has long constituted an important source of financing for several developing countries. The aid provided by Arab countries and institutions takes the form of grants or concessional loans, with extended periods of repayment and a significant grace period. Around 60 per cent of aid from Saudi Arabia, which represents the largest Arab donor country, takes the form of grants, with the remaining 40 per cent registered as loans.²⁷ Equally, by mid-2011, Kuwait had extended 53 grants worth more than US\$1 billion in total, to 31 countries, of which US\$971 million had been received by 12 Arab countries.

Figure VI. Recipients of total ODA from Arab donors, 1970-2009
(Percentage)



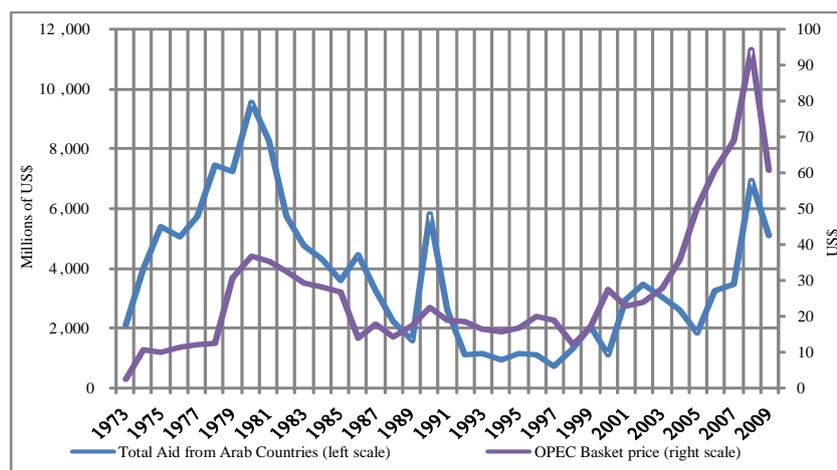
Source: Compiled by ESCWA, based on World Bank, *World Development Indicators*.

Arab countries are ranked among the top developing donor countries, and aid from these countries and institutions results from the accumulation of excess reserves stemming from the increase in oil prices. In fact, Arab donor countries were the first group of developing countries to provide financial assistance to other developing countries; the cumulative aid in the form of “soft loans” or grants amounted to US\$144 billion between 1970 and 2009. This practice emerged in oil revenues in the 1970s and peaked in 1980-1981, when Arab donor countries were able to accumulate large excess reserves from the considerable increase in oil revenues.²⁸ Consequently, there is a strong correlation between the volume of Arab ODA and international oil prices (see figure VII).

²⁷ World Bank, *Arab Development Assistance: Four Decades of Cooperation* (2010).

²⁸ Ibid.

Figure VII. Arab aid and oil prices, 1973-2009



Source: Compiled by ESCWA, based on data from the Organization of the Petroleum Exporting Countries (OPEC), World Bank and Arab Monetary Fund.

Saudi Arabia, Kuwait and the United Arab Emirates are the major providers of aid in the Arab region, given their revenues stemming from accumulated reserves of oil and gas. The combined share of these three countries represents around 91.7 per cent of total Arab aid, of which 67.2 per cent comes from Saudi Arabia alone.²⁹ Oil and gas revenues in those three countries represented between 75 and 95 per cent of total Government revenues during the period 2001-2009.³⁰

Each of these three countries has established an independent authority or aid agency to channel aid, namely the Saudi Fund for Development (SDF), the Kuwait Fund for Arab Economic Development (KFAED) and the Abu Dhabi Fund for Development (ADFD). In addition to these national funds, the three countries are major contributors to four regional development funds, namely the Arab Fund for Economic and Social Development (AFESD), the Arab Bank for Economic Development in Africa (BADEA), the OPEC Fund for International Development (OFID) and the Islamic Development Bank (IDB).

Algeria, Iraq, the Libyan Arab Jamahirriya, Oman and Qatar were also donor countries during the same period. However, their share of total Arab aid was either not significant or has decreased lately, and some have become recipients of aid in the past decade.

Arab donor countries extend their developmental cooperation and financial assistance to developing countries according to their priorities, with the main objective of assisting them in the implementation of the MDGs, particularly to alleviate poverty and improve the living standards of their citizens. Donor countries and funds have financed a large number of projects in different sectors, and diverse priorities have been tailored to the needs of each country, thereby enhancing SSC. Accordingly, Arab aid can take the form of support to the economies of recipient countries or financing for developmental projects. The LDCs are also given particular attention and are among the main beneficiaries of Arab aid.

Around 67 per cent of cumulative Arab aid, or some US\$96 billion, is channelled from national and regional development institutions. In 1975, nine leading Arab development institutions collaborated to establish the Arab Coordination Group, aimed at coordinating aid efforts among Arab donors, avoiding duplication and enhancing cooperation between the institutions. The Group meets on a biannual basis and includes the following funds:

- (a) National institutions, namely ADFD, KFAED and SDF;

²⁹ Arab Monetary Fund, *Joint Arab Economic Report* (September 2010).

³⁰ ESCWA calculations, based on the annual reports of the respective central banks.

(b) Regional institutions, namely AFESD, BADEA, OFID, IDB, the Arab Gulf Programme for United Nations Development (AGFUND) and the Arab Monetary Fund (AMF).

Table 5 summarizes the main characteristics of the development funds within the Arab Coordination Group.

TABLE 5. MAIN CHARACTERISTICS OF THE DEVELOPMENT FUNDS WITHIN THE ARAB COORDINATION GROUP

Fund	Member countries	Establishment year	Starting operation year	Beneficiary countries	Major sectors	Types of Development Aid					
						Loan	Grant	Technical assistance	Private sector	Trade facility	Other ^{a/}
Kuwait Fund for Arab Economic Development (KFAED)	Kuwait	1961	1962	All developing countries	Transportation and telecommunications, electricity, agriculture and agro-industry, water and sewerage, manufacturing	x	x	x	x		
Saudi Fund for Development (SFD)	Saudi Arabia	1974	1975	All developing countries	Transportation and communications, energy, agriculture, education and health	x	x			x	
Abu Dhabi Fund for Development (ADFD)	United Arab Emirates	1971	1974	All developing countries	Transportation and telecommunications, electricity and water, agriculture and agro-industry, industry	x	x	x	x		x
Arab Fund for Economic and Social Development (AFESD)	All Arab countries	1968	1972	Arab countries	Energy, transportation and telecommunications, agriculture	x	x	x	x		x
Islamic Development Bank (IDB)	56 countries	1975	1975	Islamic countries	Transportation and telecommunications, social sectors, public utilities, industry and mining, agriculture and agro-industry	x	x	x	x	x	x
OPEC Fund for International Development (OFID)	13 OPEC Seven Arab member countries	1976	1976	All developing countries	Transportation and telecommunications, energy, agriculture and agro-industry, education	x	x	x	x	x	x
Arab Bank for Economic Development in Africa (BADEA)	18 Arab countries	1973	1975	Non-Arab African countries	Infrastructure and environment, agriculture and rural development	x	x	x		x	x
Arab Gulf Programme for United Nations Development (AGFUND)	GCC countries	1981	1981	NGOs	Health, water, education		x				
Arab Monetary Fund (AMF)	All Arab countries	1976	1977	Arab countries	Balance of payments support, structural adjustment	x		x		x	x

Source: Compiled by ESCWA, based on various sources.

Note: ^{a/} "Other" includes training and research, export credit insurance guarantees, debt relief, emergency and reconstruction relief, scholarships and balance of payments support.

Recipient countries identify their own needs and submit proposals to the most appropriate fund according to the priority and sector involved. Aid provided by these nine institutions takes the form of soft loans or grants, some 38 per cent of which are directed to Arab countries, 30 per cent to Asian countries and 22 per cent to African countries.³¹ In terms of sectoral distribution, the transport and telecommunication sector captured 32.2 per cent of this aid; followed by the health, education and housing sectors, with 31.7 per cent; and the energy sector, with 21 per cent.³²

KFAED alone provided accumulative assistance to 104 countries, including 16 Arab countries, from 1961 until mid-2011. It extended 800 loans with a total value of US\$15.5 billion (see table 6); and 291 grants worth some US\$391 million, of which 83 grants were made to Arab countries, with a total value of US\$17 million.

TABLE 6. GEOGRAPHICAL AND SECTORAL DISTRIBUTION OF KFAED CUMULATIVE LOANS, 1961 TO MID-2011
(Millions of US dollars)

Region	Agriculture	Transportation	Energy	Industry	Water and sewage	Communications	Social services	Development banks	Other	Total	Percentage
Central Asia and Europe	60.4928	453.213	8.7924	67.4186	17.34	313.092	32.3	20.74	..	973.389	6.26
Latin America and the Caribbean	51.8262	288.895	..	3.026	..	34.8228	..	..	..	378.57	2.44
East Asia, South Asia and the Pacific	356.592	1011.89	..	953.006	425.7	56.8072	148.92	5.0796	65.79	3023.79	19.46
Arab region	1128.73	2118.37	294.63	2774.17	616.128	782.218	336.26	417.588	30.3892	8498.48	54.70
West Africa	208.247	838.396	18.2614	186.606	20.4	162.717	51.51	..	42.84	1528.98	9.84
Central, South and East Africa	76.0172	647.363	22.1306	193.688	69.1662	73.9976	20.74	14.8784	16.6532	1134.63	7.30
Total	1881.9	5358.12	343.815	4177.91	1148.73	1423.65	589.73	458.283	155.672	15537.8	100.00
Percentage	12.11	34.48	2.21	26.89	7.39	9.16	3.80	2.95	1.00	100.00	

Source: Kuwait Fund for Arab Economic Development database, available at www.kuwait-fund.org/.

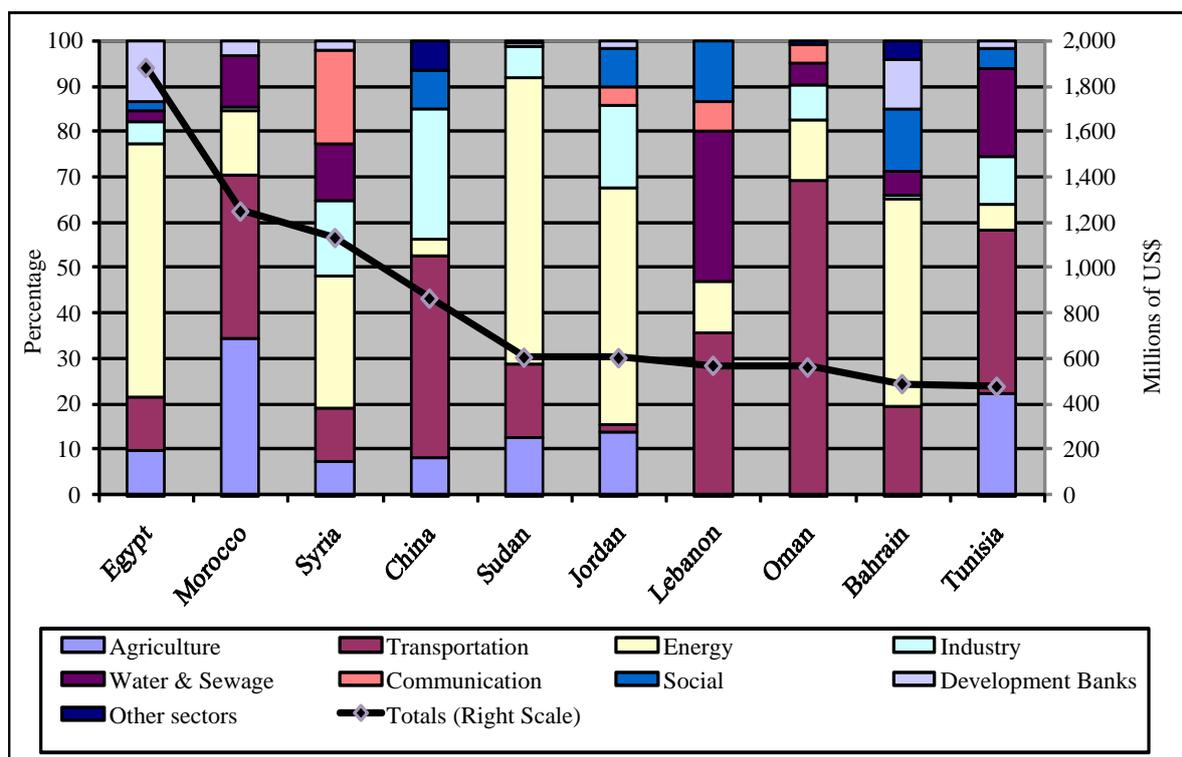
Note: Two dots (..) indicate that data are not available or are not separately reported.

Of the top 10 recipient countries of loans from KFAED, which received around 54 per cent of loans in total, nine were Arab countries, headed by Egypt with US\$1.9 billion, followed by Morocco and the Syrian Arab Republic with US\$1.2 and US\$1.1 billion respectively. The energy sector was the largest recipient (31.7 per cent), followed by the transportation sector (25.7 per cent) and the agricultural sector (at 12 per cent).

³¹ Compiled by ESCWA, based on various sources.

³² Ibid.

Figure VIII. Sectoral distribution of the 10 major recipients of KFAED loans, 1961 to mid-2011



Source: Compiled from the KFAED database.

On the other hand, SDF extended 489 loans to 77 developing countries and co-financed 302 projects with a total value of US\$5.6 billion between 1975 and 2010. The cumulative total of loans extended by the SDF reached US\$8.9 billion to finance 472 development projects and economic programmes (see table 7).

TABLE 7. GEOGRAPHICAL AND SECTORAL DISTRIBUTION OF SDF LOANS, 1975-2010
(Millions of US dollars)

	African countries	Asian countries	Other regions	Total	Percentage
Transportation and communication	1 214	1 428	47	2 688	30.31
Agriculture	1 008	388	2	1 399	15.77
Energy	452	1 327	30	1 808	20.39
Social infrastructure	988	1 100	60	2 148	24.22
Industry and mining	341	177	0	518	5.84
Other sectors	152	126	30	309	3.48
Total	4 154	4 547	169	8 869	100.00
Percentage	46.83	51.26	1.90	100.00	

Source: Compiled by ESCWA, based on SDF annual reports (various years), available at <http://www.sfd.gov.sa/>.

The main Arab recipient countries were Algeria, Egypt, Lebanon, Morocco, the Sudan and Yemen; in Asia, they were Afghanistan, Azerbaijan, China, Maldives, Pakistan, Sri Lanka and Tajikistan; and in Africa, the main recipient countries were Côte d'Ivoire, Ethiopia, Mali, Malawi and Senegal.

The transportation and communication sector captured the largest share, with around 30.3 per cent of cumulative loans, encompassing the construction of roads, railways, sea ports and airports. It was followed

by social infrastructure, with some 24.2 per cent of cumulative loans, covering projects on water and sewage, education, health and urban development. The energy sector captured around 20.4 per cent of cumulative loans, followed by agriculture, with some 15.8 per cent.

Similarly, between 1971 and 2010, ADFD financed 293 projects in 56 developing countries worth US\$7.2 billion. Arab countries captured the lion's share of this aid. In line with the commitment of ADFD to help developing countries to realize sustainable economic development, this aid was relatively fairly distributed among sectors, targeting projects in the real economy and the social sectors. Compared with other funds, ADFD allocated a larger share to the industrial and agricultural projects that create numerous job opportunities and reduce poverty; and to social projects in health, education and housing, which have a positive impact on quality of life.

Figure IX. Sectoral distribution of ADFD projects, 1971-2010
(Percentage)

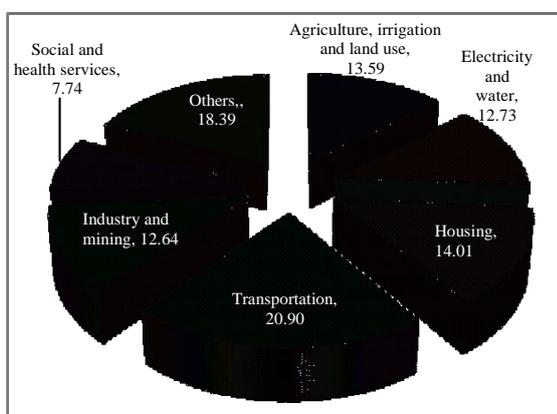
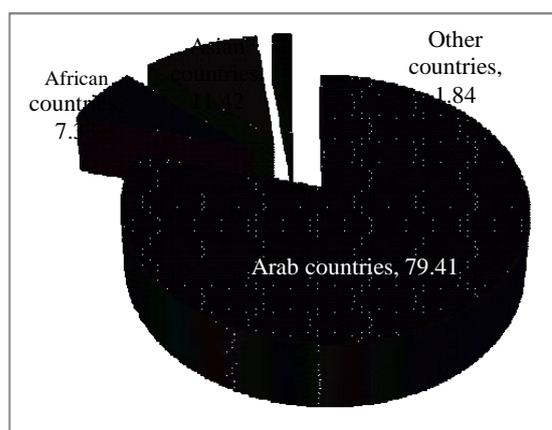


Figure X. Geographical distribution of ADFD projects, 1971-2010
(Percentage)



Source: Compiled by ESCWA, based on ADFD annual reports (various years), available at www.adfd.ae/.

As part of efforts aimed at assisting in the economic development of developing countries, Arab countries and funds contributed to the debt relief and debt rescheduling of several countries. In 1991, Saudi Arabia cancelled approximately US\$6 million of debt to 10 African countries, among which were two Arab countries, namely Egypt and Morocco. In May 2009, Saudi Arabia and Kuwait, along with AMF, BADEA, OFID and IDB, rescheduled US\$569 million of debt as part of the Heavily Indebted Poor Countries Initiative and US\$535 million as part of the Multilateral Debt Relief Initiative.³³ In 2009, KFAED contributed to the debt relief of four African countries, namely Burundi, Central African Republic, Guinea and Togo. Other funds contribute to balance of payments and budget support, in particular AMF, BADEA, OFID and ADFD. In 2009, SDF announced that it would deposit US\$200 million in Pakistan to provide the Government with budget support.

Moreover, with the emergence of the financial, food and fuel crises, in addition to the threat from global warming, Arab funds have shifted part of their assistance to developing countries in order to address the challenges resulting from these crises by supporting the sectors that have a greater impact on development and poverty alleviation, particularly the agricultural sector, water, education and health; and by financing the programmes of development banks and social funds.

As part of efforts aimed at assisting other developing countries to respond to different crises, Arab funds have financed a number of projects, stressing the spirit of solidarity. For example, in 2007, KFAED

³³ World Bank, *Arab Development Assistance: Four Decades of Cooperation* (June 2010).

financed the rehabilitation and development of the poultry industry in Egypt, with a project worth US\$88 million, in the light of the avian influenza epidemic, the concomitant threat to public health and the substantial losses facing that sector. Equally, SDF allocated US\$20 million in 2009 to finance a project for waste management in Lebanon. In 2008 and 2009, as a means to solve the energy crisis and to face the financial crisis and the accompanying recession, KFAED financed the construction of two new power stations in Egypt aimed at meeting increasing local demand for electricity and using locally available sources of natural gas. In addition, ADFD announced its commitment to extend US\$50 million worth of loans per year over the next seven years to the International Renewable Energy Agency (IRENA) in order to finance renewable energy projects in developing countries.

To limit the spread of the food crisis and the increasing wheat gap in Arab countries, ADFD increased its financing to the agricultural sector, which resulted in the launch of a large agricultural project in Northern Sudan.

Arab funds have also been keen to assist developing countries facing war and natural disasters. For example, SDF extended several loans to the Maldives in 2008 to help them overcome the adverse effects of the tsunami that year; in 2010, it granted Pakistan US\$133 million to cover expenses related to the reconstruction of areas damaged by the earthquake, which came in addition to a previous grant to that country, worth US\$100 million, aimed at helping internally displaced persons. Moreover, following the war between Israel and Lebanon in 2006, Arab countries and funds allocated significant amounts to the reconstruction of Lebanon, including, for example, a grant by KFAED worth US\$300 million to rebuild 24 villages and more than 11,000 housing units in affected areas of the country, 54 projects in various sectors nationwide, and the construction of schools, hospitals and emergency centres.

While the construction of roads captured the largest share of Arab aid, an examination of the projects covered by the loans highlights their developmental aspect. The construction of roads supports social development, given that it improves the transportation system, promotes tourism and offers the beneficiary areas a wider exposure of their agricultural and industrial products to other regions by facilitating trade. In that regard, KFAED extended a loan worth US\$20 million to the Syrian Arab Republic in 2008 for the construction of a road in the north-eastern and central parts of the country. Similarly, SDF extended a loan to Guinea in 2008 to upgrade the road linking the country to its neighbour, Senegal, which is expected to improve traffic, decrease maintenance costs on vehicles, boost trade and limit the isolation of vast areas, thereby contributing to the socio-economic development of the local population.

Equally, projects in the water and sewerage sector captured a significant share of Arab aid. Such projects have a significant social impact, given that they improve access to purified water, enhance irrigation processes and boost agriculture. For instance, KFAED financed a project worth US\$51 million in 2010 in the Syrian Arab Republic aimed at rehabilitating and expanding water systems in Damascus and neighbouring areas. Moreover, in 2008, it granted a loan to the Sudan to construct a water dam and a hydropower station, with the aim of meeting increasing demands for power at lower costs. The project will help to control the water flow from the Nile and encourage the irrigation of vast agricultural lands, thereby contributing to the economic development of the Sudan. Similarly, SDF co-financed the construction of a water dam in Mauritania in 2008, which is set to benefit an estimated 2.2 million people in surrounding towns and villages, and the construction of a hydroelectric power station in a northern area of Sudan.

The health and education sectors also benefited from Arab aid, albeit to a lesser extent. The contribution of the funds in that regard focused on building schools and hospitals, and providing equipment. There was no assistance for training or in formulating curricula. For example, KFAED financed the construction and equipment of two institutes for technological studies in Tunisia in 2006, with a loan worth US\$20 million. Similarly, SDF signed three agreements in 2009 with the Ministry of Planning and International Cooperation in Yemen to co-finance, to the tune of US\$150 million, the establishment of a faculty of medicine, a faculty of science and two hospitals, including a teaching hospital; in the same year,

ADFD granted Yemen around US\$5 million to finance the establishment of the National Centre for Tumours.

Furthermore, Arab funds have implemented specific projects targeting the poor and most vulnerable. For instance, SDF allocated US\$500 million of soft loans in 2008 to developing countries to finance energy projects as part of the initiative launched by King Abdullah Bin Abdul Aziz under the Oil for Poor Initiative, as a means of helping low-income countries to overcome fluctuating oil prices. Similarly, ADFD signed a memorandum of understanding in 2009 with Grameen Bank in Bangladesh to cooperate in fighting poverty in developing countries.³⁴

³⁴ Grameen Bank is a microcredit institution, established in Bangladesh by Muhammad Yunus. Grameen Bank and Professor Yunus were joint winners of the Nobel Peace Prize in 2006.

VI. LABOUR MOVEMENT AND SOUTH-SOUTH COOPERATION

Labour movement between developing countries in general, and between developing countries and Arab countries in particular is not a coordinated effort; rather, it is driven by market demand and sectoral requirements. While it contributes to strengthening SSC, its main objective is domestic development, in that it helps to develop the labour recipient country, rather than contributing to the development of the labour-sending countries.

Unlike development cooperation, labour movement between developing countries faces a number of restrictions. Several Arab countries, particularly GCC countries, rely heavily on expatriate labour and have put in place a series of regulations aimed at decreasing the number of expatriates in the long term. In the past decade, those countries have started to implement a number of regulations to control the flow of expatriates and are constantly reviewing the laws governing labour movement.

Arab countries can be categorized into the following three groups in terms of labour movement:

- (a) Labour-exporting countries, including Egypt, Iraq, Palestine, the Syrian Arab Republic, the Sudan and Yemen;
- (b) Labour-importing countries, including all six countries of the GCC subregion;
- (c) Labour-importing and exporting countries, including Jordan and Lebanon.

Arab expatriates are present in a wide range of countries. Those in Europe and North America are mainly highly-skilled workers and most choose to settle in their host countries, looking for permanent residency and keeping a minimum connection with their home countries. Other expatriates go to countries in Africa and are mainly business people who establish businesses and keep a strong connection with their home countries. A third group of expatriates go to other Arab countries and this group includes both the highly skilled and labourers who settle in those host countries, but retain a strong connection with their home countries.

Historically, in the 1970s and before, the GCC countries had a preference for Arab expatriates, owing to cultural and linguistic links. Arab expatriates brought with them the experience gained in their home countries and contributed significantly to the establishment of educational and health sectors, among others. However, in the 1980s, a significant number of Arab expatriates were replaced by counterparts from Asia as a result of the political and social problems that were created by some Arab expatriates, and the number of Asian workers saw unprecedented growth. In other countries, Arab expatriates increased at a slower pace than Asian immigrants. In addition, labour demand in the GCC countries shifted from low to high-skilled labour in the 1990s, which increased the demand for labour from countries in South-East Asia that could provide both levels of labour. Moreover, part of the increase in the number of expatriates from South-East Asia stemmed from the increase in demand for domestic workers who were not available from other Arab countries.

Several resolutions and recommendations adopted by the Arab Labour Organization and the League of Arab States called on GCC countries to give priority to the Arab labour force over other nationalities. In that regard, in the 1970s and early 1980s, Qatar and the United Arab Emirates signed various agreements with Arab countries, including Egypt, Morocco, the Sudan and Tunisia, to provide workers. However, these resolutions and agreements were not highly enforced, as several other issues were taken into consideration in the selection of workers. In that respect, the share of Arab expatriates in the GCC relative to counterparts from other countries decreased from 72 per cent in 1975 to 56 per cent in 1985 and 32 per cent in 2002-2004. In 2004 alone, there were 12.5 million expatriates in the GCC countries, of whom 3.2 million were from other Arab countries, 3.3 million from India, 1.7 million from Pakistan, and 0.7 million from each of

Bangladesh, the Philippines and Sri Lanka. Among Arab expatriates, Egyptians amounted to 1.5 million, followed by 0.9 million Yemenis and 0.5 million Jordanians/Palestinians.³⁵

TABLE 8. EXPATRIATE WORKERS, SELECTED ARAB COUNTRIES

	Year	Number of expatriate workers	Characteristics
Bahrain	2007	511 864	• 49% of population
Jordan	2008	303 325	• 70% of which are Arab mainly Egyptians
Kuwait	2008	2 350 000	• 81% of workforce • More than 50% of expatriates are from South Asia, and around 40% are Arabs
Lebanon	2008	107 561	• 74% of which are from Asia
Oman	2008	900 000	• 31% of population • Mainly Asian, in particular Indians
Qatar	2011	1 475 600	• 87% of population
Saudi Arabia	2010	8 000 000	• 54% of workforce
United Arab Emirates	2007	4 399 000	• 85% of workforce • Indians and Pakistanis together form around 50% of the population.

Source: Compiled by ESCWA, based on data from the Arab Labour Organization and the Economist Intelligence Unit.

The number of foreign workers in the GCC countries increased from 9 million in 1990 to 13 million in 2005.³⁶ The World Bank estimates the number of expatriate workers in the GCC countries to be around 15 million, of whom some 11 million are from Asia, particularly India and Pakistan; and 4 million from Arab countries, particularly Egypt, Jordan, the Sudan and the Syrian Arab Republic. There are around 1.6 million Egyptian workers in the GCC and some 184,000 Jordanian workers.³⁷

In terms of unskilled labour, workers from Asian countries, particularly Bangladesh, India, Pakistan and the Philippines, are most in demand given, that they generally accept lower wages, are more fluent in English, come alone (unlike Arab expatriates, who bring their families with them, and are easier to discharge).

The GCC countries are trying to implement policies and regulations that limit the inflow of expatriate workers and are promoting nationalization policies with regard to employment. This environment contradicts some of the agreements, particularly the recommendations adopted by the League of Arab States. Moreover, it goes against SSC in terms of labour movement, owing to the system of sponsorship, the nationalization policies and the lack of labour unions for expatriates in certain countries. Additionally, other specific rules that have been adopted by some countries hinder SSC in the area of labour movement, including, among others, a law announced in 2006 by the United Arab Emirates to limit the number of years of service of unskilled labourers to six years; and a bid by Saudi Arabia, announced in 2003, to reduce the number of foreign workers by more than half by 2013. Bahrain tried to implement a 1 per cent levy on salaries to finance the establishment of an unemployment insurance scheme and another tax on the employment of expatriates. While these plans and laws are not heavily enforced, they still put pressure on expatriates in the subregion.

³⁵ Kapiszewski, *Arab Versus Asian Migrant Workers in the GCC Countries* (2006), presented to the United Nations Expert Group Meeting on International Migration and Development in the Arab Region, (Beirut, 15-17 May 2006).

³⁶ Laipson and Pandya, *On the Move: Migration Challenges in the Indian Ocean Littoral* (2010).

³⁷ Millman and Parkinson, Transfer of Jobs to Asian Workers Feeds Discontent, in *Wall Street Journal* (4 March 2011).

Nationalization programmes aim to replace the expatriate work force with GCC nationals, and employment quotas have been established to that end. However, these quota figures are not currently enforced, as GCC countries fear they could lose their competitiveness and still rely on the expatriate work force. In addition to that, workers of certain nationalities need to obtain security clearance from the host country before obtaining a residency card, which puts another pressure on expatriates.

Labour movement has both positive and negative consequences. From the perspective of labour-receiving countries, labour inflows contribute to the development and economic growth of the host country, given that a large proportion of these expatriates perform activities that are not performed by nationals. However, this is accompanied by large remittances from expatriates to their home countries, which represent a significant capital outflow from the recipient country. It also contributes to the increasing unemployment rates among nationals.

In 2009, Saudi Arabia was ranked second in the world, after the United States of America, in terms of workers' remittances, with around US\$26 billion. The Russian Federation was ranked fourth, with more than US\$18 billion, and Kuwait was tenth, with around US\$10 billion.³⁸

From the perspective of labour-sending countries, labour outflow contributes to decreasing unemployment, and the remittances sent by workers play a major role in boosting host countries in terms of financing household expenditure and real estate, and establishing small domestic enterprises. Remittances also constitute an important source of foreign exchange for recipient countries, contribute to decreasing balance of payment deficits, improve the living standards of expatriates' families and increase domestic consumption, all of which has a positive impact on growth. However, labour outflows of highly-skilled labour constitute a brain drain for some Arab countries and pose a significant challenge for them.

In 2009, China and India were the largest recipients of workers' remittances in the world. In the Arab region, Lebanon was the largest recipient, with US\$7.6 billion, followed by Egypt, with US\$7.1 billion.³⁹

In 2000, remittances from Saudi Arabia to Bangladesh represented more than 70 per cent of total remittances received that year. Similarly, remittances from Kuwait, Saudi Arabia and the United Arab Emirates to Sri Lanka represented around 67 per cent of total remittances in 2008.⁴⁰ On the other hand, remittances from Arab countries to Egypt and Lebanon represented some 45 per cent of total remittances received by each country in 2005, 65 per cent for the Syrian Arab Republic and 85 per cent for Jordan.⁴¹

The future of labour inflow depends on several factors, including the status of the economies of the GCC countries, the enforcement of nationalization policies, the availability of skilled nationals and the prevailing market wage rate.

³⁸ World Bank, *World Development Indicators*, available at <http://databank.worldbank.org/ddp/home.do>.

³⁹ Ibid.

⁴⁰ Al-Kawaz, *The Impact of Workers' Remittances on Macroeconomy: Case Study of Kuwait, Saudi Arabia and UAE*, presented to the Expert Group Meeting on the Role of Workers' Remittances in Development Finance (Beirut, 28-29 September 2010).

⁴¹ Arab Monetary Fund, *Joint Arab Economic Report* (2006).

VII. BEST PRACTICE IN SOUTH-SOUTH COOPERATION

Table 9 presents some of the best practice in SSC from different parts of the world. The review set forth below provides some ideas for developing SSC in the ESCWA region.

TABLE 9. BEST PRACTICE IN SOUTH-SOUTH COOPERATION FROM ACROSS THE WORLD

Sector	Pivotal country	Project description
ICT	China	<ul style="list-style-type: none"> • Providing assistance to Uganda for ICT backbone • Providing fibre-optic links in the Democratic Republic of the Congo
ICT and education	India	Establishing the following: <ul style="list-style-type: none"> • Kofi Annan Centre for Excellence in ICT in Ghana • Technology centre at the Harare Institute of Technology and Bulawayo Polytechnic in Zimbabwe • Cyber City in Mauritius
	Republic of Korea	<ul style="list-style-type: none"> • Improving ICT education at the College of Engineering and Technology in Tanzania
Education	India	<ul style="list-style-type: none"> • Pan-African E-Network Project encompassing 53 countries of the African Union, aimed at helping Africa in capacity-building by imparting quality education from the best Indian universities, as well as by providing telemedicine services through online medical consultations between African medical practitioners and Indian medical specialists in various disciplines
	Japan and Kenya	<ul style="list-style-type: none"> • Project aimed at upgrading skills and competencies of teachers of mathematics and science in Niger (a follow-up to the Education Development Project aimed at achieving the MDG on universal education). The training was provided in Kenya and funded by the Japan International Cooperation Agency (JICA)
Energy	India	<ul style="list-style-type: none"> • Assistance to Bhutan in exploiting its hydroelectric power generation potential by assisting in the construction of Chukha and Tala hydroelectric projects, among others, which export surplus power to India
	China	<ul style="list-style-type: none"> • Project (Lighting up Rural Africa) launched together with the United Nations Industrial Development Organization (UNIDO) aimed at setting up 100 mini/micro-hydropower projects in selected African countries. The activity is planned to benefit 80,000 people
Agriculture	India	<ul style="list-style-type: none"> • Equipment and expertise for agricultural development provided to Burkina Faso, Ghana, Mali, Senegal and Suriname
	Turkey	<ul style="list-style-type: none"> • Development of modern greenhouse practice in Uzbekistan. Turkey financed the construction of a 5000 m² greenhouse and training for Uzbek experts. Uzbek farmers visited Turkish greenhouses in which this type of production is heavily used

TABLE 9 (continued)

Sector	Pivotal country	Project description
Health	India	<ul style="list-style-type: none"> India has built hospitals in Afghanistan, Ethiopia, Laos, Maldives and Nepal. India is also extending health services throughout the South Asian Association for Regional Cooperation region through telemedicine networks
	France and Tunisia	<ul style="list-style-type: none"> The Government of Nigeria entered a South-South and triangular cooperation agreement with France and Tunisia aimed at strengthening the capacity of district health services, setting up mobile teams to offer health services and improving awareness campaigns across the country
Manufacturing	China and India	<ul style="list-style-type: none"> An initiative by UNIDO to assist African cotton-producing countries by improving their productive capacities in cotton processing through SSC with China and India, organizing study tours and trade fairs, and establishing pilot cotton-processing centres for training purposes
Small and medium-sized enterprises (SMEs)	Japan and Thailand	<ul style="list-style-type: none"> Setting up the “One Village Industrial Cluster”. The underlying concept (initially introduced in Uganda and Ethiopia) is that the village promotes a distinctive industry or product in order to attain national or even global market access. It is believed to be a good strategy to improve the productive capacity and market performance of SMEs in beneficiary countries
Water management	Republic of Korea	<ul style="list-style-type: none"> Improving the economic, social and nutritional well-being of the people living within the project area by preventing flood waters from inundating the towns and villages by installing water control facilities. The Republic of Korea financed the project with a grant, prepared the original technical plans and trained local technicians who are to run the facilities
	Morocco	<ul style="list-style-type: none"> Knowledge exchange with Mauritania has been a catalyst for closer cooperation of bilateral donor agencies and multilateral development banks in the water and sanitation sector
Water	Turkey	<ul style="list-style-type: none"> Opening up water wells and donating drilling equipment to Ethiopia, intended to overcome the water-supply and related sanitation problems
Training	India	<ul style="list-style-type: none"> Establishing vocational training centres, SMEs and entrepreneurship development centres in Cambodia, Indonesia, Laos, Senegal, Viet Nam and Zimbabwe; a vocational training centre for women in Afghanistan; a machine tools centre in Nigeria; SME development in Tanzania; and a plastic technology centre in Namibia Creating the first UNIDO Centre for South-South Industrial Cooperation, aimed at developing project proposals that target the developing countries of the South, especially the LDCs
	China	<ul style="list-style-type: none"> Creation of 20 regional centres of excellence in a variety of technical fields, aimed at transferring their knowledge to other developing countries with the support of UNDP

Source: Compiled by ESCWA using examples from JICA and UNDP, *Networking and Learning Together: Experiences in South-South and Triangular Cooperation in Asia* (November 2008); Economic and Social Commission for Asia and the Pacific, *South-South and Triangular Cooperation in Asia-Pacific: Towards a New Paradigm in Development* (December 2009); and UNDP Special Unit for SSC, *Enhancing South-South and Triangular Cooperation* (2009).

The key points raised in table 9 can be summarized as follows:

- (a) Policymakers in beneficiary countries actively sought cooperation and were committed to projects;
- (b) Pivotal countries mobilized resources from across a broad spectrum, including both the private and public sectors;
- (c) Given that many of the projects were demand-driven, a broad range of stakeholders in beneficiary countries participated in their implementation;
- (d) Partnerships with international organizations, civil society and the private sector helped to boost the impact of collaboration.

Analysing best practice and some of the many success stories in this field, it is important to draw conclusions in terms of common denominators of all these examples, as this can provide guidelines for similar projects in the ESCWA region. Most SSC projects focus on building infrastructure, from water and energy supply to ICT. This confirms that SSC is oriented as a long-term concept that goes further than the traditional means of assisting under-developed or developing countries. Indeed, as its definition implies, SSC is a mutually beneficial relationship between cooperating countries. The country receiving the assistance benefits from the provision of best practice and thus speeds up the development process and avoids common pitfalls in the process. On the other side of the SSC relationship, countries that provide the assistance, the so-called pivotal countries, open new markets and find new supply opportunities, thereby creating a favourable climate for providing goods and services in the future.

As stated above, many international organizations take part in SSC and TC projects. Many United Nations agencies and programmes, including UNIDO and UNDP, participate in and even guide the implementation of such projects worldwide. This cooperation is beneficial, given that the United Nations can provide expertise, training, means of knowledge transfer and sometimes even logistical support.

Additionally, case studies show that many projects have been realized through a larger regional, subregional or interregional framework. Consequently, SSC contributes to improving both economic and social prospects in beneficiary countries, and to promoting the cooperation framework between countries.

VIII. GUIDELINES FOR INVOLVING STAKEHOLDERS IN SOUTH-SOUTH COOPERATION

Historically, SSC has been promoted by Governments as a way of showing solidarity with least developed and developing countries. This model has evolved over the years and is now dynamic in its involvement of multiple stakeholders, including the private sector, Government, civil society organizations, and research and development institutions.

Many international forums call for the establishment of a more transparent and inclusive governance system for SSC, including Governments of both donor and receiver countries and civil society representatives. While Governments usually play a central role in most South-South arrangements, such non-governmental actors as private enterprises and public institutions and agencies also figure prominently, especially in investment arrangements.

A. ROLE OF THE UNITED NATIONS SYSTEM IN SOUTH-SOUTH COOPERATION

The United Nations system has traditionally been involved in South-South initiatives through its funds and subsidiary bodies. Several United Nations entities have well-defined South-South policies and programmes. These include the following:

(a) By linking country and regional programmes, UNDP promotes South-South cooperation. It provides such services as global advocacy and policy analysis, policy advice and support and sharing of best practice for greater cooperation;

(b) Through its Special Programme for Food Security, the Food and Agriculture Organization of the United Nations organizes missions by experts from 20 advanced developing countries to work directly with farmers in other developing countries;

(c) The United Nations Conference on Trade and Development (UNCTAD) provides technical assistance and supports developing countries in multilateral trade and bilateral/multilateral negotiations. It also organizes intergovernmental deliberations on South-South economic cooperation and integration;

(d) The programmes of UNIDO cover investment and technology promotion, strengthening industrial capacity, export promotion, trade facilitation, food safety, environmental management and information networks;

(e) The World Health Organization promotes cooperation in health-related issues among developing countries.

B. ROLE OF ESCWA

The emphasis given to SSC at recent United Nations conferences underscores the need for its continued support by the entire United Nations system. Regional commissions can coordinate SSC at the policy level across their respective regions.

In line with its mandate, ESCWA plays a key role in promoting regional integration between its member countries, which represents a particular aspect of SSC. The Commission can act as a platform for meetings, deliberations and for sharing knowledge and expertise; it can provide its member countries with a forum to coordinate policies and discuss common interests. It has the ability to bring all parties together and help to enhance policy harmonization in line with internationally agreed development goals, while respecting local “ownership” of the development process.

Moreover, ESCWA plays a crucial role in providing capacity-building for its member countries, particularly in terms of negotiating bilateral and multilateral agreements with both developed and other developing countries. More specifically, as a regional commission, ESCWA can initiate studies to support member countries in enhancing their preparedness for multilateral trade negotiations, WTO accession and for enhancing regional integration. This can be done by organizing deliberations on such key regional issues as defining comparative advantage at both intergovernmental and multi-stakeholder levels.

With regard to current opportunities for SSC there is a clear need to enhance capacity for primary data collection and to conduct extensive surveys across the region in order to identify the current position, thereby highlighting potential areas of cooperation.

As an important initial step, ESCWA could develop guidelines for SSC implementation, based on the experience of other countries. It could then establish a unit to provide technical support to Governments to implement guidelines for SSC and enhance coordination between pivotal and recipient countries. The unit could also be responsible for compiling data and creating a directory of best practice in the region.

In order to promote and strengthen SSC, ESCWA could be involved in organizing annual conferences on such cooperation between member countries. This could develop into a forum for officials from national institutions and others to meet, exchange experience and information, and propose new initiatives.

While many ESCWA member countries are already involved in SSC, either as donors or recipients, there is no precise measure of development cooperation in the region owing to a lack of institutional infrastructure and coordination. ESCWA could therefore assist the region in setting up an inter-governmental body with a mandate to ensure the coherent implementation of policies on trade, investment, agriculture, industrial environment and other issues. This body could monitor whether such policies were in line with poverty reduction, gender equality and other important indicators for achieving equitable and sustainable development.

Finally, there is also a need for international comparability of SSC statistics. Regional commissions need to be involved in creating and harmonizing definitions of development cooperation. Given the different costs of living and expertise in diverse countries, regional commissions could also develop conversion factors in order to show the amount of SSC in internationally comparable prices.

C. ROLE OF PIVOTAL COUNTRIES

Countries that provide TC programmes usually have institutions in place to coordinate the process properly. Examples of this include the Thailand International Cooperation Agency, Turkish International Cooperation and Development Agency and Korea Overseas International Cooperation Agency. These agencies need to develop data-reporting guidelines for adoption by Governments and non-governmental agencies. Such agencies could also be involved in gathering information from other stakeholders, such as academic institutions and NGOs, about their involvement in SSC, particularly where it relates to the creation or technology transfer of productive capacity.

A more systematic approach to SSC delivery is underway in major developing countries. For example, Malaysia has a well-defined framework, policy, instruments to implement that policy and a fully established agency, the Malaysian South-South Corporation Berhad.

D. ROLE OF RECIPIENT COUNTRIES

There are several activities that recipient countries can carry out in order to promote and help expand SSC. These countries need to designate a Government agency to coordinate SSC activities that can monitor and evaluate development cooperation projects and provide feedback for improvement. Such agencies must assume ownership of the programmes, thereby ensuring efficient and effective development cooperation.

Moreover, such agencies need to be encouraged to collect data and share information on South-South initiatives undertaken by different countries.

South-South initiatives must be aligned with national development policies and undertaken in accordance with priority-based programmes, with a focus on operational efficiency that can be ensured by setting mutually agreed measurable standards.

E. ROLE OF CIVIL SOCIETY

Civil society is an important stakeholder in the SSC process. Civil society organizations need to be involved in creating national development and poverty-reduction strategies, which in turn can be used to guide the South-South initiatives which a country needs to undertake. Civil society needs to call for greater transparency and mutual accountability of all parties involved in South-South initiatives, and must be involved in assessing the effectiveness of aid and development.

On the other hand, cooperation of civil society organizations from different developing countries also constitutes a way of expanding SSC. Regional exchanges in Latin America, for example, are currently very active and represent an emerging form of SSC and knowledge exchange.⁴²

Civil society organizations have been struggling to make SSC a vehicle for horizontal knowledge exchange. These organizations, together with media and academia, have tried to ensure that the mistakes made in other forms of international cooperation will not be repeated in South-South practices. SSC can be transformed into South-South learning and serve as a tool for generating policy and institutional change, presents an important opportunity for civil society organizations.

⁴² World Bank Institute, *South-South Cooperation and Knowledge Exchange: A Perspective from Civil Society* (2010), available at <http://wbi.worldbank.org/wbi/devoutreach/article/532/south-south-cooperation-and-knowledge-exchange-perspective-civil-society>.

IX. CONCLUSIONS AND RECOMMENDATIONS

The main objective of this study has been to raise awareness of the different dimensions and potential of SSC. It does not promote it as a solution to developmental issues. Rather it seeks to broaden the understanding of users on its potential in several sectors in the ESCWA region, propose ideas to a variety of stakeholders about their involvement in the process, and propose recommendations for strengthening future cooperation.

South-South cooperation can play a pivotal role in employment generation and poverty alleviation, and in terms of attaining inclusive and sustained economic development through technical assistance and building local capacity. The national development policies of partner countries must therefore be flexible and based on a demand-driven approach in order to incorporate SSC initiatives and derive sustainable benefits from them.

Such cooperation requires inclusive partnerships and the development of innovative financing methods. Moreover, South-South initiatives need to follow certain fundamental principles, including country ownership, use of comparative advantage and the development of an integrated institutional framework for ensuring sustainability in all developmental endeavours.

There is an increasing awareness in the international community that many LDCs can neither fulfil their development needs, nor meet development goals owing to the lack of an empowered institutional system. Consequently, development cooperation initiatives within the region are inevitable.

Based on the status of South-South cooperation in the ESCWA region and the sectors reviewed in this study, a number of recommendations can be formulated to enhance SSC, both between ESCWA member countries and with developing countries in other regions.

The main recommendations resulting from this study are as follows:

- (a) To increase coordination between South-South members in order to promote cooperation in various economic fields;
- (b) To establish an institution that can carry out policy coordination and oversee the implementation of various SSC agreements, thereby consolidating economic cooperation between South-South members;
- (c) To encourage United Nations regional commissions to give greater focus to South-South issues in their agendas as part of promoting regional and interregional cooperation and integration;
- (d) To increase the involvement of regional development banks and funds in promoting SSC;
- (e) To study the possibility of establishing a South-South development bank to finance interregional projects;
- (f) To enhance research, particularly at the sectoral level, on how best to promote closer SSC;
- (g) To increase the number of meetings at various levels aimed at speeding up SSC;
- (h) To encourage greater involvement of the private sector in promoting SSC;
- (i) To urge ESCWA to act as a focal point for the promotion of SSC until the establishment of a separate institution for that purpose;

(j) To enhance data collection mechanisms in member countries, given that accurate data are essential for the formulation of appropriate policies aimed at promoting SSC;

(k) To encourage member country Governments to introduce SSC in national programmes and strategies so that it becomes an integrated part of the vision of the State;

(l) To guide South-South trade so that it focuses on capacity-building, product diversification and higher added value in order to increase the competitiveness of traditional sectors and achieve horizontal and vertical diversification;

(m) To formulate trade agreements that enable member countries to enter foreign markets by lowering or cancelling tariff barriers and by reducing non-tariff barriers;⁴³

(n) To encourage ESCWA member countries to increase their development impact in order to attract more FDI, thereby requiring both sending and recipient countries to adopt policies and collaborative agreements at the Government level aimed at enhancing the impact of FDI on the host economy;

(o) To encourage ESCWA member countries to use FDI inflows to develop productive capacity and take full advantage of knowledge and capital gains. There is room for SSC in assisting member countries to deal with structural issues and in supporting export-oriented FDI;

(p) To provide incentives to oil-rich countries in the ESCWA region which have investment funds to invest in the region, especially in the LDCs. Developing countries which have funds to invest should adopt preferential treatment for investments made in other developing countries, which could take the form of, for example, tax exemptions for investment in priority sectors, investment guarantees or partnership programmes for technology transfer;

(q) To cooperate in knowledge-sharing, training and technology transfer, which constitute an important part of overall SSC. Developing countries have the potential to provide help to other developing countries, especially the LDCs, by sharing technology and innovation, by providing training and sharing experience;

(r) To establish a “technology bank” for the LDCs aimed at gathering technologies from developing countries and transmitting them to the LDCs. This could allow the LDCs of the ESCWA region to acquire certain technologies that are urgently needed in order to combat their vicious cycles of unemployment, poverty and poor health;

(s) To increase and strengthen the participation of civil society and the private sector in SSC in order to enhance various South-South and triangular initiatives;

(t) To engage expatriate workers in training programmes in order to develop their skills and acquire new methodologies, thereby promoting their contribution to the development of their home countries upon their eventual return.

⁴³ Similar to the practice of “Duty-Free Quota-Free” products from the LDCs.