South-South Global Thinkers Scoping Paper

Investing in the Sustainable Development Goals through South-South and Triangular Cooperation:

Promoting Conducive Policy and Legal Environments in Europe and the Commonwealth of Independent States
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Scoping Paper

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<td>EAEU</td>
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<td>EMDE</td>
<td>Emerging Market and Developing Economy</td>
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<td>FTA</td>
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<td>SDG</td>
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I. Introduction

The Sustainable Development Goals (SDGs) comprise a “universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity”.

Delivering on this call requires substantial financial resources, which the United Nations Conference on Trade and Development (UNCTAD) estimates face an annual shortage of $2.5 trillion. Despite these shortfalls, evidence is emerging throughout the Global South of a major shift in the catalytic drivers of economic growth and human development. The world is witnessing remarkable increases in economic output and major improvements in key human development indicators as well as the rapid expansion of trade, investment and financial, technological and other flows between developing countries. South-South cooperation and triangular cooperation (SSC and TrC) are being increasingly recognized as one of the primary accelerators in current progress towards the achievement of the SDGs. Providers of SSC are scaling up their efforts and contributions to the 2030 Agenda for Sustainable Development. Estimates suggest that the financial component of South-South development cooperation may have grown to $26 billion in 2015.

According to the Organization for Economic Cooperation and Development (OECD) estimates, the share of South-South foreign direct investment (FDI) in total world FDI has grown from some 3 per cent at the beginning of the twenty-first century to around 14 per cent in 2009. The Economist echoed this trend, noting that “28% of new foreign direct investment (FDI) globally in 2016 was from firms in emerging markets—up from just 8% in 2000”. Although FDI is volatile, if global trends continue, much of this private-sector investment will come from investment flows within the Global South. Commenting on these trends, the Director of the Human Development Report Office in the United Nations Development Programme (UNDP) remarked that by 2013, 57 per cent of the mergers of enterprises took place in Southern countries. He further observed that investments in developed countries had declined by 19 per cent but Southern investment was up by 57 per cent.

Investment brings more than finance; it has the potential to be transformative by transferring knowledge, skills, experiences and innovation. The Human Development Report 2013, The Rise of the South: Human Progress in a Diverse World, argues that “Countries of the South are in a position not just to contribute financial resources towards strengthening regional and multilateral processes, but also to bring the substantial experience gained through their human development achievements and pragmatic policies in many of these areas.”

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However, not all investment produces positive development outcomes, and investment does not spread uniformly across developing countries.\(^8\) Therefore, the global community and national governments need a way of understanding, structuring and promoting investments so that they can be directed towards supporting economically, socially and environmentally sustainable outcomes. In being global and universal, the SDGs cannot succeed where any country fails; consequently, pursuing SDGs requires global participation and perspective. SSC is a manifestation of solidarity among peoples and countries of the South that contributes to their national well-being, their national and collective self-reliance, and the attainment of internationally agreed development goals, including those in the 2030 Agenda for Sustainable Development.

The United Nations working definitions of SSC and triangular cooperation\(^9\) highlight a number of important features of this framework. SSC is cooperation to pursue national development objectives that are defined by countries according to their own priorities and national context. This cooperation is pursued in a spirit of solidarity and mutual benefit through exchanges of knowledge and resources, collective action, and broad participation including by government, regional organizations, civil society, academia and the private sector. TrC occurs when a Southern-driven initiative involving at least two developing countries is supported by a Northern country(ies) and/or international organization(s) while maintaining the principles of SSC as the framework for cooperation.

The promotion of South-South investment is imperative to meet a broader goal for long-term economic growth and to achieving the SDGs. To fully optimize the benefits of South-South investments, enabling policies, regulations and right procedures are a necessary precondition that need further analysis. The South-South Global Thinkers initiative supported by the United Nations Office for South-South Cooperation (UNOSSC), UNDP and Yingke Law Firm have come together to produce a series of workshops to identify legal, regulatory and policy frameworks that support the development of productive investment through SSC. The first of these workshops was held in Thailand in August 2017 and focused on South-South investment in Asia;\(^10\) the second workshop was held in the Czech Republic in May 2018.

This scoping paper reflects the discussions held and research agenda established at that second workshop. In the following section, three major discussion themes are presented: (a) global, regional and country trends; (b) public and private partnerships and perspectives; and (c) opportunities and strategies for South-South investment in Europe and the Commonwealth of Independent States (CIS),\(^11\) including a sectoral focus on opportunities in tourism and the digital economy. Those three themes were developed at

\(^8\) [https://pdfs.semanticscholar.org/1bac/21f4e522ac957e935328a875d8963927b217.pdf](https://pdfs.semanticscholar.org/1bac/21f4e522ac957e935328a875d8963927b217.pdf).


\(^11\) The geographical scope has been limited to a total of 31 countries and territories that are part of the ECIS region which includes: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyzstan, Latvia, Lithuania, Montenegro, Poland, the Republic of Moldova, Romania, the Russian Federation, Serbia, Slovakia, Slovenia, Tajikistan, the former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine and Uzbekistan.
the August workshop in Thailand; however, the emphasis in the two regions differed on a number of key issues including the centrality of regional cooperation, the prominence of special economic zones (SEZs), the role of human capital development and conceptual issues pertaining to the framing of SSC. Those differences and their complementary areas of broad agreement are discussed in part four of the second section of this paper. The final section concludes by suggesting directions for future research developed collaboratively by the members of the South-South Global Thinkers think tank networks.

It is hoped that the discussions in Thailand and the Czech Republic reflected in these scoping papers will feed into the formulation of a research agenda that aims to inform and thus improve policymaking to promote and strengthen South-South investment policies. The research agenda will also identify policy and legal issues that are enabling or hindering Southern countries to engage in SSC within their regions.
II. Discussions on Investing in the Sustainable Development Goals through South-South and Triangular Cooperation: Promoting Conducive Policy and Legal Environments in Europe and the Commonwealth of Independent States

The discussions during the second workshop, held in the Czech Republic, were framed by two financing shortfalls: one relating to the resources available to national governments and international organizations and the other to the estimated level of financing needed to meet global goals. In the context of the workshop, those two financing gaps were discussed in terms of the resources required to meet the SDGs and the financing needed for infrastructure development. Those two gaps are interrelated. For example, infrastructure development can support growth, human well-being and environmental sustainability by enhancing connectivity or providing water treatment facilities. In the first category, financing for the SDGs includes a broad range of investments such as those targeting investments for social projects, while financing for infrastructure typically involves physical infrastructure, including sanitation, logistics and telecommunications infrastructure. Of the two, the development of SSC is more advanced for infrastructure development, with many institutions and programmes such as the Global Infrastructure Facility and the Asian Infrastructure Investment Bank focusing substantial resources on infrastructure development. By contrast, initiatives aimed at social or green investments have heretofore been more limited and less coordinated.

In response to those gaps, speakers concurred that the constraint to overcoming those funding shortfalls was not a lack of global resources but rather the distribution of those resources, which are held primarily in the private sector. In order to close those gaps, private-sector capital must be incentivized, directed and provided with a conducive policy and legal environment. Looking only at the infrastructure gap, even one of the world’s most ambitious infrastructure development programme, China’s Belt and Road Initiative (BRI), which aspires to promote infrastructure and interconnectivity in over 70 countries across Asia, Africa and Europe, will require substantial involvement of private capital to supplement the $40 billion Silk Road Fund if the estimated $1 trillion annual demand for infrastructure across developing and emerging economies is to be approached. While there is private participation in infrastructure (PPI), estimated at $93.3 billion in 2017, over half of that is concentrated in Asia, and it is clear that there is much work to be done to increase the engagement of private capital in meeting the SDGs and infrastructure gaps in Europe and the CIS. The graph below depicts both the volatility of the regional distribution of investment in infrastructure projects and the recent decline in the share of emerging-market and developing-economy (EMDE) investment received by the countries of Europe and Central Asia.

12 It is estimated that financing needs for the 2030 Agenda is between $5 trillion and $7 trillion annually.
In order to increase the role of private capital in support of the SDGs and infrastructure demands, there were two questions that drove the discussion in the first section of the workshop and served as the overarching background for the workshop themes: how to attract private investment, and how to align those resources with the development agenda of the countries and regions in which they are invested to support the attainment of the SDGs. With respect to attracting private investment, a number of challenges were identified, including the complex nature of social and infrastructure projects, the security of the investment capital, the bankability of the project and the structure of returns. Regarding how to direct investment into sectors and projects aligned with national development agendas, public concerns included debt and social and environmental sustainability. In terms of risk management, private investors tend to be more risk adverse; however, it is also the duty of governments to minimize and mitigate the public risks undertaken in pursuit of development. Innovative policy tools and legal frameworks must be sought to manage and share the balance of private and public risks at all levels of policy intervention – local, national, regional and global – if the global commitments to a sustainable and flourishing world without poverty are to be met.

In the following discussion sections, the two questions of how to attract and direct investment are explored through cross-cutting discussions from three sessions: (i) global, regional and country trends in South-South investment; (ii) public-private partnerships (PPPs); and (iii) opportunities and strategies for South-South investment. The focus then shifts to a comparison of the nature of the discussions in the Czech Republic with that of the previous workshop in Thailand in 2017. While the discussions were wide-ranging and fascinating in their detail and heterogeneity, the primary consensus of this workshop was on the substantial commitment to work together under the frameworks of SSC and TrC in a highly detailed and contextually rich way. That included working hard to collect
and analyse case studies and experiences from across national and regional contexts and, in particular, to share the hard-won knowledge of missteps, failures and policies that produced substantial unintended consequences rather than focusing primarily on successes. The discussants and participants were clear that while it was difficult to share those lessons, they had the best chance for accelerating mutual learning and were an indispensable part of the SSC and TrC empirical record for formulating better evidence-based policy for development.

2.1 South-South Investment for SDGs: Global, Regional and Country Trends

This section describes three types of trends: emerging investment patterns including inflows and outflows in developing regions of Europe and the CIS; regional and global cooperation initiatives; and the uneven adoption of SSC and TrC in the region.

Globally, flows of FDI between countries of the Global South have been increasing rapidly and remain the largest external source of finance for developing economies. They make up 39 per cent of total incoming finance in developing economies as a group.\(^\text{15}\)

In the countries of the CIS and Georgia\(^\text{16}\), which are classified as economies in transition, the UNCTAD World Investment Report 2017 notes that FDI inflows “almost doubled to $63 billion [in 2016], while in South-East Europe, inflows retreated slightly to $4.6 billion”.\(^\text{17}\) South-East Europe, specifically, is seeing increased investment from China, mostly in the form of construction projects that are targeted towards upgrading infrastructure.\(^\text{18}\) A number of countries located along the major economic corridors, which include countries of Europe and the CIS as well as Georgia, have started to attract a significant amount of FDI from China as a result of their active participation in the BRI.

In addition, a number of countries in Europe, the CIS and Georgia are providing development cooperation support to the region (and in some cases providing official development assistance (ODA) globally). For example, in 2015, the ODA portfolio of Turkey was equivalent to $3.92 billion.\(^\text{19}\) The Russian Federation has also emerged as a provider country, among others within the context of the Group of 20.\(^\text{20}\) Countries in the Europe and the CIS (ECIS) region have also boosted their engagement with multilateral organizations by launching trust funds to support development activities within the region and beyond.

The region comprising Europe and the CIS is a region of intersecting and overlapping historical, political and economic regions. While the emphasis on the potential of the BRI frequently cut across regions in response to the infrastructure gap, the question of legal standards to facilitate that investment focused heavily on navigating and shaping the

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16 Georgia officially left the Commonwealth of Independent States in August 2019.
20 Ibid.
interlocking, overlapping and competing regional interests in Europe and the CIS. Selected economic and political cooperation blocks in Europe and the CIS that were referenced by the participants are depicted in the figure below. According to a UNOSSC report, “Several regional cooperation frameworks, such as the Regional Cooperation Council (RCC) and the South-East European Cooperation Process, support regional integration, European Union integration, good governance and economic growth in the Balkans.” In addition, a United Nations report observed that “association agreements concluded with the EU by Georgia, Republic of Moldova and Ukraine and containing free trade agreements [FTAs] have influenced the directions of trade of those countries, leading to some trade fragmentation in the CIS area.”

In addition to there being a complex and overlapping policy environment within Europe and the CIS, the region has a number of partnerships outside the region that have a bearing on policy formulation and investment promotion, including with the United States of America, China, and several countries in North Africa and the Middle East. For example, a participant at this workshop described the impact of various regional partnerships, including Hungary’s traditional cooperation with the States of the Western Balkans, the revival of the Visegrad Group, the influence of the European Union, and Hungary’s outreach beyond the region to North Africa, the Republic of Korea and China. Although these partnerships are rooted in different historical experiences and have different structures, the focus in Hungary is on seeking extensive partnerships and opportunities for economic, energy and cultural collaborations. In the context of these interwoven institutions, the question was raised as to how countries could effectively cooperate to meet their shared goals while retaining something distinct to enhance their competitiveness.

A Region of Intersecting and Overlapping Regional Blocks

Source: Compiled by Frank Scheffler and Sarah Hager. Sarah Hager was a participant at the event representing the Institute of New Structural Economics (INSE).

23 The figure is not comprehensive in nature. It includes only selected blocks and countries discussed by the workshop participants.
For instance, the record of inner-regional trade and development within the Western Balkans was introduced by a participant who described the regular summits of the Prime Ministers of the States of the Western Balkans and the regional priority to attract industrial, export-oriented FDI. Even within the region, however, the participant described challenges to multilateral policy reform arising from the countries’ desire to safeguard their own national interests and investments.

As can be seen from the figure above, the region is characterized by many regional groupings and organizations, some of which are able to shape development agendas for entire subregions, such as the European Union with its accession and neighbourhood policies. Several regional cooperation frameworks, such as the Regional Cooperation Council (RCC) and the South-East European Cooperation Process, support regional integration efforts, European Union integration, good governance and economic growth in the Balkans. Some countries have adjusted their foreign and domestic policies towards European integration. Others are considering Eurasian integration as an alternative, with the Eurasian Economic Union (EAEU) established in 2015 and now bringing together five countries. New organizations and groupings have also appeared, indicating new and/or revived alliances in the region. Among the more recently founded organizations is the Cooperation Council of Turkic Speaking States (Turkic Council), which aims to promote comprehensive cooperation among Turkic-speaking States.

Some regional groupings have also established dedicated development banks and funding facilities for promoting cooperation among the partner countries. Overall, regional groupings provide platforms for countries to discuss common challenges and identify common interests; they establish fairly strong coordination mechanisms by area of cooperation and are able to pool resources for implementing regional projects. Occasionally, however, regional groupings tend to have overlapping objectives and areas of cooperation. To address that challenge, more effective interaction and allocation of funds could be realized through avoiding replication of efforts, introducing mechanisms for synergy among regional organizations and strengthening the capacities of regional networks.

Moreover, in the ECIS region and Georgia, the idea of SSC has an uneven foothold in policy circles. A few examples serve to illustrate the point. In Kyrgyzstan, the idea of the SDGs had taken root but the idea of SSC remains fragmented. Mention was made of how the Government had established a committee on the SDGs, chaired by the Prime Minster, to systematically handle SDG implementation but the idea of SSC was not established, and a national coordination mechanism was called for. Going further, several participants from the region mentioned that, given the lack of attention to SSC in key national documents and related policy frameworks, coordination mechanisms do not exist in most countries in the region. Most countries also tend to provide fragmented information on their contributions to SSC, making it difficult to calculate accumulated statistical information on SSC. Additionally, it was pointed out that some countries from the region do not consider themselves members of the Global South owing to the lack of clarity regarding the terminology used and lack of awareness of the concept of SSC. This anecdote points
to conceptual issues regarding SSC that are addressed in the final section on directions for future research.

2.2 South-South Investment: Public-private Partnerships and Perspectives

While SSC can take inspiration from many sources and be conducted under many structures, investment in general and private investment in particular are driven by the rules of the market. The session on South-South investment during this workshop examined issues surrounding the use of public-private partnerships (PPPs) as a means of overcoming funding shortfalls in support for the SDGs. First, it examined the question of how traditional PPPs might be reoriented to be better aligned with development goals. There followed a consideration of the investor perspective, including the challenges for private-sector partners participating in PPPs, which culminated in a short discussion of the risks of those arrangements for both government and private partners.

Participants at the event raised the question of whether traditional PPP modes and practices were suitable for meeting the challenges raised by the SDGs. To deliver on the SDGs, the benefits of investment and infrastructure development needed to reach low- and middle-income countries and rural areas. In order to support those Goals, a participant outlined five qualities of SDG-supporting PPPs, which were dubbed “people-centric”: (a) expand access to essential services; (b) enhance resilience and environmental sustainability; (c) meet the traditional criterion of value for money to make economic sense; (d) promote replicability and development without the need for investors to be involved in further measures; and (e) fully involve all stakeholders. That point was furthered by indicating that a range of innovative financing options could be used to make investing more targeted towards the SDGs, such as engaging smaller investors through crowdfunding and remittances, impact investing, and social or green bonds.

Supplementing the framing of how to improve existing models of PPPs was a dialogue with lawyers from the private sector that provided a general framing for the legal structures related to investment challenges and opportunities. Participants shared the idea that investors face many challenges when they want to enter into a PPP agreement or foreign partnership. They often lack information on the destination target and knowledge about how to be in a partnership with a local entity or how to comply with local laws and regulations. That situation is complicated by low government capacity and coordination in some Global South countries, particularly if they are also inexperienced in receiving FDI. For example, a participant described a case where both the investor and the government lacked experience: the local government had provided inaccurate information about an energy purchase guarantee from the national government that was not in place; as a result, after several years of negotiations, the entire deal needed to be restructured.

That example points to the risk that pertains to the government and to private partners in a PPP. Investors seek stability and predictability of conditions and are held back by perceptions of risk arising from lack of familiarity or information, making it difficult to estimate risk for long-term, complex projects. That idea was supported by the case described earlier. Thus, it is important to build capacities at the level of government, civil society, academia and the private sector and provide them with sufficient knowledge
and know-how regarding processes, policies, laws and mechanisms relating to South-South investment projects. That will raise awareness and contribute to mitigating risks for partners engaged, whether from the private sector or national counterparts.

2.3 Strategies and Opportunities for South-South Investment in Europe and the Commonwealth of Independent States

The donor landscape in the region has changed drastically over the past decades. Many traditional donors have left the region or downsized their engagement and shifted their focus to least developed countries, with the exception of the European Union, which continues to provide considerable amounts of financial and technical support to all the countries in the region.

The diminishing of financial resources has created a challenge in the region. With many countries facing constraints on their national budgets and reduced financing options, cost-effective solutions are urgently needed. Countries of the Europe and the CIS region share similar transition experiences and common development challenges along with sociocultural, religious, linguistic, historical and/or political characteristics that contribute to the useful sharing of investments, resources and expertise.

In order for the potential of investment to have an impact on the challenges involved in meeting the SDGs, strategies for facilitating South-South investment in the context of multiple funding actors and regional relationships are being developed or explored. Strategies are needed to use the different strengths of potential sources of capital, to increase regional cooperation, and to maximize the opportunities for investment in sectors that meet the development objectives of the countries. This section first looks first at some of the strategies raised by the participants before considering sector-wide opportunities raised in the individual country contexts. While the infrastructure gap – particularly in energy and connectivity – remained a central focus, sector-specific sessions were held on the development potential, opportunities and initiatives related to tourism and a digital economy.

Strategies are needed in order to make the most of the different competencies of potential funding actors. A participant at the event discussed the roles of different funding sources – national public resources, global public resources, and national and global private resources – in supporting investment strategies. Strategies for national public resources should include strengthening the tax regimes and related policies and improving public spending, while the role of global public resources, which represents a smaller share than FDI, should catalyse new development resources. As noted earlier, the participation of national and global private resources is essential to fill the infrastructure gaps, and strategies for investments should address the business climate, develop local capital markets and mitigate investment risks.

Several participants from the region identified several areas on which South-South investments could be focused, including energy, infrastructure, transport and agriculture, since those are development priorities that are shared across the region. Some of the countries in the region are rich in hydrocarbons. Others have substantial potential with regard to renewable energy. Thus, energy transport networks and energy efficiency
need to be further improved. Additionally, in Central Asia, land and water management are interconnected. Cross-boundary water management remains a high priority for the countries, and attention is given particularly to prevention of conflicts in water distribution. Considering the increasing competition for transboundary water resources, joint action and strategies are needed at the regional level.

Some countries in the ECIS region also suffer from transport seclusion. Improving road infrastructure is a development priority for the landlocked Central Asian countries to enhance their connectedness to regional and global markets. For example, the export of agricultural produce, which is an economic pillar for many countries in the region, relies on well-functioning and maintained road and rail infrastructure. Therefore, investment opportunities in these areas can lead to increased productivity, create jobs and ensure food security.

Additionally, several speakers mentioned the impacts of ongoing and past conflicts in the region and their implications for South-South investments. Thus, supporting conflict-sensitive development as well as peacebuilding efforts remains an important development priority for many countries affected in the region.

Several examples were shared by participants regarding how countries in the regions are coming together to address their common challenges and priorities. One participant referenced Georgia’s strategy, which has taken a strong regional approach to SSC and the national adoption of SDGs. Georgia was described as having strong political support for forging partnerships and sharing experiences that it had gained during political reform. In particular, the strengths in public administration and anti-corruption reforms introduced by the Government are aimed at improving the business environment for partners and investors.

Another participant indicated the interconnectedness of the SDGs, which requires an integrated approach in order for them to contribute to sustainable development. For example, in Bosnia and Herzegovina, sectors related to energy, mining and tourism presented opportunities for investment. In order to promote those opportunities, low tax rates and favourable legal environments were put in place in the context of the European Union process.

At the regional level, a participant at the workshop described how the Western Balkans were increasingly working together with several institutions in the region to pool global public resources, national public resources and private resources. Examples included cooperation with the United Nations Educational, Scientific and Cultural Organization (UNESCO) for cultural and tourism development; the Berlin Process with the European Union, which combines funding for concrete joint projects with institutional cooperation; and South-South cooperation efforts within the Western Balkans such as the Regional Youth Cooperation Office.

Several countries and partners that are not part of the region have become funding partners and have started to provide support to the region, in particular Arab countries, China, and Turkey. China has emerged as a key partner in Central Asia, which demonstrates vital interregional aspects of South-South and triangular cooperation. China is influencing
the region through its foreign policy initiatives, especially the BRI, and it has become a major development actor. The Islamic Development Bank, through its “reverse linkage” initiative, has promoted the sharing and scaling up of best practices among the member States.

Not all strategies have been successful, however, and, in particular, the limitations of FTAs were also discussed. Several participants pointed out the ongoing challenges related to the Central European Free Trade Agreement (CEFTA) despite its contribution to modest increases in regional trade. Political and social constraints have limited the success of CEFTA in realizing its potential to create a unique destination for investment. There are concerns in the Western Balkans about States protecting their own national interests and the limitations of free trade, which does not necessarily contribute to infrastructure, institutional and human development.

In light of the above, SSC can provide benefits to address the above-mentioned challenges by tapping into the expertise and experiences of countries in the region; facilitating substantial results with limited financial resources; and tapping into dedicated funding sources to foster regional cooperation. Most importantly, to strengthen South-South investment in the region, there is a need to address cross-border issues, a need that could be met by developing joint policies and strategies that would enable South-South investments and the implementation of joint projects that pool financial resources.

### 2.4 Tourism Potential for South-South Investment

During the workshop, a session on tourism was conducted, with the primary emphasis on sharing knowledge and experiences in developing tourism products and raising awareness of the potential of tourism to contribute to achieving the SDGs in the developing countries. Speakers discussed the potential for tourism to support transformation, the opportunity for tourism to contribute to rural development, and cases of national and regional tourism development from Kazakhstan and the Turkic Council.

By 2030, it is estimated that 57 per cent of international tourist arrivals will be in emerging economies. Tourism is often regarded as a potential driver of rural development, particularly by enabling capital to reach areas of a country that lack an industrial base. For instance, a representative from the private sector described how revenues from tourism have contributed to poverty alleviation in rural China. In addition, he called attention to the rising number of Chinese tourists travelling abroad, amounting to 130 million people with spending power of over $160 billion. He stressed the need to develop tourism products and delivery platforms that would appeal to their tastes.

At the individual country level, the case for Kazakhstan as a tourism destination was presented. One participant provided insight into the positioning of the tourism offering for Kazakhstan, including its emphasis on ecological and ethnic tourism. In developing those products, the participant spoke of the need for cooperation between countries from the South to attract investments.

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In addition to that national approach, the Turkic Council had developed a thematic tourism product, the Silk Road Joint Tour Package, with the support of the United Nations World Tourism Organization. A representative described how that joint tourism project was contributing to human capital development with the Ministry of Culture and Tourism of Turkey by conducting vocational training for employees in the tourism sector from Azerbaijan, Kazakhstan and Kyrgyzstan. In total, more than 1,000 employees had been trained, half of whom were female. That project aims to support the development of Silk Road tourism.

The above examples provide anecdotal evidence of how tourism-related activities have contributed to improved infrastructure, job creation and training opportunities for local populations and have revived and supported traditional customs. Services in general and retail services in particular are often accessible to smaller domestic investors and thus are often encouraged on the basis of this local participation. Tourism also supports the upgrading of infrastructure and facilities to meet the standards expected by foreign tourists. For these reasons, many Southern countries have developed strategies for tourism development, many through regional cooperation initiatives that enhance the tourism product and distribute gains between partners.

### 2.5 Digital Economy and its Contribution to South-South Investments

Another topic discussed during the workshop was the digital economy, which is becoming an important driver of economic growth and development. The UNCTAD World Investment Report 2017: Investment and the Digital Economy, argues that the digital economy “can provide a boost to competitiveness across all sectors, new opportunities for business and entrepreneurial activity, and new avenues for accessing overseas markets and participating in global e-value chains”.

In addition to being used directly in business and trade, digital technologies may also be deployed to improve governance and government service delivery. The digital economy presents opportunities for SSC and TrC; however, there is still much to be done to develop the international norms and regulatory frameworks to support digital expansion.

The opportunities and challenges associated with the digital economy are important for developing countries, especially when engaging in South-South investments. Also according to the UNCTAD report, “the adoption of digital technologies has the potential to transform the international operations of MNEs [multinational enterprises] and the impact of foreign affiliates [i.e., Southern partners] on host countries”. Yet investments in digital infrastructure and the digital economy can be affected by a myriad of policy and legal challenges, “including the needs to bridge the digital divide [between countries], minimize potential negative social and development impacts, and deal with complex internet-specific regulatory issues. … The digital economy has important implications for investment,” which “is crucial for digital development” in Europe, the CIS, and Georgia.

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25 A digital economy is the application of Internet-based digital technologies to the production and trade of goods and services.


27 Ibid.

28 Ibid.
and other regions and “calls for targeted investment policies” to realize this potential.\textsuperscript{29}

A participant from UNCTAD indicated that digitalization was entering every aspect of life, including production, consumption and distribution. The participant went on to describe opportunities for developing countries in increasing the value of manufactured exports and in upgrading global value chains, job creation in digital services, product customization, and market access through e-commerce. However, those benefits were not without challenges and risks. There was discussion of an increasing digital divide in both manufacturing exports and the share of e-commerce. A participant mentioned that China and the United States of America together comprise the majority of the global e-commerce market, with over 40 per cent going to China and over 20 per cent to the United States. That point was echoed in discussions in which it was observed that digitalization also has the potential to exacerbate existing inequalities. In addition, digitalization carries risks, including security risks and social risks in terms of job losses and exclusion if individuals are not able to develop employable skills for the digital economy.

Developing digital capabilities provides opportunities for both SSC and TrC to help to make the most of resources to reduce the digital divide. For instance, one participant proposed national data ownership combined with regional data-sharing to enhance scalability. In addition, there is a role for TrC. For example, Brazil and China are working with the European Union to develop 5G mobile technology to further enhance their respective e-commerce markets. A participant from the former Yugoslav Republic of Macedonia described how that country focused on increasing the pace of digital development and linked digitalization with SDGs and investment promotion. The integrated approach taken by the former Yugoslav Republic of Macedonia includes policy to improve the transparency of the investment climate, develop human capacity in digital skills, and increase digital infrastructure such as broadband connectivity. As a supplement to that national approach, the need to draw attention to the opportunities for developing technology-sharing mechanisms within the Global South was highlighted.

Digital platforms may also be used to support the improvement of governance and government. A participant from Azerbaijan presented a case study that illustrated the potential of PPPs in the digital economy to increase service delivery and enhance capabilities. The participant described how Azerbaijan had created a one-stop shop for government service delivery and worked to be an innovator as well as a services delivery platform. Similarly, a participant presented a case from India, where the Government had launched a national e-governance plan. In order to realize those benefits, participants pointed to the need for international participation to define the global regulation for digital economies; however, questions were raised about which rules would govern those economies as individual countries and collectively.

\textsuperscript{29} Ibid.
2.6 Comparison with the Asia Workshop

While the workshops in Thailand and the Czech Republic followed the same thematic outline, the issues raised reflected different experiences in both the Asia and the ECIS regions. That was a powerful validation of the differing and similar dynamics, strategies and priorities for South-South investments. On the one hand, there was substantial agreement on the need to ask conceptual questions, such as the following query that arose in both workshops: what, if anything, should be the difference between South-South investment flows and North-South investment flows? Some differences in FDI could be identified, such as the recent increase in South-South investment and the potential increased likelihood of success since models and practices developed in the Global South are better suited to being transferred to other Southern countries. However, in both cases, the dynamics of the market were understood to be the principal logic of investment. Similarly, the importance of China as a rising Southern development partner and outbound investor featured prominently in both workshops. Furthermore, both workshops featured discussions of how PPP could be used to improve government partner capacity and delivery of public services and promote social well-being. Finally, the centrality of evidence-based, mutual learning to the development of SSC strategies and practices to shape South-South investment was recognized at both workshops.

On the other hand, there were clear differences in the discussion when the specific policy tools and experiences were discussed. That was particularly apparent in the sessions dealing with PPPs and SEZs. On the topic of PPPs, the discussions in Thailand tended to approach the topic more from the angle of trade and economics while the discussions in Prague were directed more towards the legal frameworks for South-South investment partnerships. On SEZs in Asia, multiple country experiences were provided in detail, including those of Bangladesh, Cambodia, China, Indonesia, Myanmar, Nepal and Timor-Leste. The discussion of SEZs dominated the strategies and opportunities session of the workshop. By contrast, the discussions of SEZs seemed to be less central to contemporary experiences in Europe and the CIS. In the place of a cross-country comparison of SEZs and their contribution to SDGs, the aforementioned discussions with a specific sectoral focus and the means of regional cooperation were more predominant in the strategies and opportunities section in the ECIS region.
III. Directions for Future Research

On the second day of the workshop in Prague, members of think tank networks from the Global South-South Thinkers initiative came together to reflect on the discussions of the previous day and identify topics that needed further research. The setting of the collaborative research agenda built on the rich discussions from the day before, expanding and examining the views and assumptions from the discussants while bringing new insights from across the globe.

The discussion started with a focus on the foundational idea of SSC that even when countries are lacking in some resources, they have rich development experiences that can be shared. At the end of the introductory discussion, think tank representatives agreed to the need to develop country case studies on South-South investment and its contributions to the SDGs that are contextual and balanced between stories of success and failure. Those methodological comments were further expanded, and two themes arose that might guide further research: the importance of taking a multidisciplinary, contextually attuned approach, and conducting research that is pragmatic and decision oriented. At the heart of those discussions was the recognition that for many countries, data were limited, and while valuable experiences and knowledge existed, they often were not in a form that would enable consideration by policymakers and investors for mutual learning and decision-making. In that context, it was important to take seriously the diverse approaches that allowed for broad participation, including by the private sector and communities receiving investments. That included, inter alia, a historical approach, case studies, oral histories and various forms of stakeholder engagement that worked against the imposition of externally generated, top-down norms and solutions in favour of approaches that captured the complexity and nuances of the many Southern voices and the wide international community.

Discussions followed on conceptualizing and operationalizing South-South investments. The idea was discussed that SSC and South-South investment are not the same thing but are interlinked. A researcher indicated that cooperation builds capacities and capacities attract investment. Cooperation can take many forms and have many objectives, while investment has a minimum criterion of involving the allocation of resources with the expectation of returns. While the principles of SSC are well established, including solidarity, mutual benefit and respect for national priorities, how these are operationalized in investments has not been established. This issue reflects ongoing debates about the roles of the State, markets and international organizations in pursuing the SDGs. Within the context of the workshop, those debates focused on questions about the nature of SSC and South-South investments and how the core tenets of SSC could be operationalized in South-South investments. In identifying the gaps and opportunities for South-South investments, the members of the think tank networks raised the research questions that are set forth in the following section. The research to be generated from those questions will aim at assisting Southern national counterparts to make informed and strategic decisions on their South-South investments.
3.1 Research Questions about the Nature of SSC and South-South Investment

As mentioned in the previous section, members of think tank networks raised the following research questions, including:

● How are the terms “Global South” and “SSC” understood and practiced by countries and various stakeholders?
  ○ Who are the members of the Global South? To what extent does the practice of SSC capture the realities of countries in the Global South? Do the leaders and citizens of these countries see themselves as members of the Global South in a meaningful way that produces outcomes? What about alternative regional concepts such as East-East cooperation or “a second South within the South”? What is a “Southern voice” in international policy debates?

● How can we bring about a future of change through policy and cooperation?
  ○ What challenges should be addressed at the national, bilateral, multilateral and global policy levels to enhance or enable South-South investments? How can capacities be developed to tackle challenges today and in the future? What new institutions are needed to tackle the changing nature of challenges in an age of digitalization and climate change?

3.2 Research Questions about the Operationalization of the Tenets of SSC in South-South Investment

● How can SSC and South-South investment include and benefit the most disadvantaged members of the Global South?
  ○ How can smaller and more disadvantaged countries be linked with and benefit from the larger and more influential countries in the Global South? How can investment gains be shared with less attractive rural regions within a country? How can the imposition of rules from outside, including the rules of developed countries and strong players of the Global South, be resisted and restated in terms of cooperation and mutual benefit? How can investment be channelled into the most at-risk areas, such as conflict-prone areas and areas at risk for natural disaster?

● How can SSC and TrC support the development of “green finance”?
  ○ What are the best strategies to promote the development of local “green markets”? What alternative financing instruments may be able to finance and stimulate “green growth”? What job skills are needed for a green economy and how can they be promoted? How can green finance be integrated into mainstream markets rather than existing as a special interest portfolio? How can green investments be incorporated into national investment promotion?
3.3 Research Questions about Risk and Risk Mitigation of South-South Investments

- **How can we manage the risks of South-South investment flows?**
  - What are the environmental, social and financial public risks associated with South-South investment? How can countries cooperate to avoid a race to the bottom in the pursuit of investment? What legal and regulatory frameworks can support countries in maintaining their priority sectors and projects in the face of potential investments that are at odds with these goals?

- **How can cooperation and investment support countries in dealing with global risks?**
  - What are the risks associated with increasing global digitalization? What kinds of investment can promote environmental, social, digital and economic resilience? Does investment have a role to play in tackling humanitarian issues such as migration, minority rights and food security?

3.4 Research Questions about Capacity Development and the Distribution of Benefits from South-South Investments

- **What human capacities will be needed for the future in the Global South?**
  - How can the skills training and market demand for labour be brought together? What digital skills will enhance the competitiveness of developing countries? How can the growing number of youth be provided with opportunities for productive work? What jobs will be created and eliminated as a result of advancing digital technologies?

- **How can we ensure that South-South investment produces benefits for local communities?**
  - What policies support the transfer of technology and skills to local populations? What kinds of investment and cooperation support the development of government capabilities and institutional capacities?

3.5 Research Questions about Competitiveness in the Global South

- **What policies and incentives produce the “right kind” of investments?**
  - What are the roles of industrial policy tools such as SEZs and PPPs in attracting sustainable investment? How can Governments and regional blocks work together to direct investment into priority sectors including for infrastructure development, industrial capacity and digitalization? How can investments positively impact countries and regions that are most in need of development?
IV. Conclusion

This scoping paper opened with the observation of two gaps – the financing gap for SDGs and the financing gap for infrastructure – and raised two corresponding questions: how could investment be attracted and how could it be directed? In examining those questions, the workshop discussion explored the global, regional and country trends driving that investment and the opportunities for Governments to shape its allocation and implementation. It then looked at the issues pertaining to public and private partnership and the opportunities and strategies for South-South investment in the ECIS region.

Reflecting on those discussions, the network members of South-South Global Thinkers collaboratively defined a number of future research directions, including questions about the nature of SSC and South-South investment; the operationalization of the tenets of SSC in the practice of investment; and the policy tools and cooperation needed to shape the future by mitigating risk, developing capacities, distributing benefits and enhancing competitiveness. Cross-cutting and overlaying these various research questions was the affirmation of the commitment to pursue the achievement of the SDGs in a way that is inclusive of the private sector and the communities receiving the investment.