

United Nations Development Programme



Arab States Region Initiation Plan

- Project Title:** Strengthening Arab States' capacities to tackle Poverty and Inequality
- Expected RPD Outcome:** Outcome 1: Poverty and inequality reduced through enhanced regional cooperation
- Expected RPD Outputs:**
- 1.2. Capacities developed for progressive expansion of inclusive regional economic integration (regional specific)
 - 1.3. Social protection services and systems strengthened across sectors with increased investment (Strategic Plan 1.2)
 - 1.4. Public and private financing for the achievement of the Goals expanded at regional, and national levels (Strategic Plan E3)
 - 1.5. Access to basic services and financial and non-financial assets and services improved to support productive capacities for sustainable livelihoods and jobs to achieve prosperity (Strategic Plan 1.3)
- Initiation Plan Start/End Dates:** 1 August 2022 - 31 December 2023
- Implementing Partner:** UNDP
(Collaboration foreseen with LAS, UN ESCWA, ILO, UfM, AfCFTA, OECD, IMF, ERF).

Brief Description

Through the new Regional Programme (2022-2025) and this Project Initiation Plan (PIP), UNDP-RBAS aims to advance regional cooperation and policy dialogue on pro-poor, inclusive and sustainable growth. This will require system-wide transformation at the local, country and regional scales, linking together regional economic integration, MSME development, digital transformation for sustainable livelihoods, inclusive social protection systems, decent employment opportunities, and impact investments.

Modern trade instruments and infrastructures can foster integration in global value chains, economic diversification, and more inclusive and sustainable economic opportunities. This PIP will promote regional economic integration through trade (Goals 1, 9 and 17), supporting national, regional, and subregional institutions to modernize policies, processes, and practices. In the medium-term and in collaboration with other partners, UNDP aims to foster access to markets, cross-border trade corridors, and integrated value chains to generate inclusive economic opportunities.

Regional integration and inclusive growth can also be promoted by a vibrant MSME ecosystem which has become central in the post-shock recovery phases. This PIP acknowledges their crucial role in the region and, hence, aims to make them more central in UNDP's programs.

Most MSMEs operate informally and generate informal jobs that are vulnerable to shocks. Therefore, tackling MSME challenges would also require tackling informality challenges in the region and the role of social protection to this effect.

Development finance will enable countries to align their finance strategies, policies and budgets to the SDGs and the Paris Agreement, and mobilize domestic and international, public, and private resources via impact standards. This PIP will support governments, institutional investors and the private sector to work better together and enable country exchanges to scale up impact investments and innovative financing instruments.

The COVID-19 pandemic has also demonstrated that the local scale and digital skills and tools are key enablers to increase access to information, services, government support, finance, markets, and networks. UNDP will therefore support local, regional and national institutions' collaboration to create an enabling environment for local development, digital entrepreneurship and finance, reducing the digital divide and closing skills gaps. To articulate the above, this PIP is designed to deliver five inter-related outputs:

1. A new regional integration project through in-depth analysis of key issues prepared
2. A holistic approach to MSME support as an engine of inclusive growth, economic transformation, and innovation integrated
3. UNDP analytical and policy dialogue capacity on informal economy, social protection reforms strengthened
4. Policy and programmatic work on impact investments in the region advanced
5. A regional integrated approach to local development designed.

Programme Period: 1 Aug 2022 - 31 Dec 2023

Atlas Project Number: 00145650

Atlas Output ID: 00132875

Gender Marker: GEN2

Total resources required: US\$ 995,460

Total allocated resources: US\$ 211,800

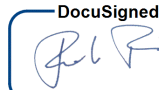
• Regular US\$ 211,800

Unfunded budget: US\$ 783,600

Agreed by UNDP:

Paola Pagliani

Regional Programme Coordinator, RBAS

DocuSigned by:

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I. PURPOSE AND EXPECTED OUTPUT

Despite the high diversity in the countries in the region, the Arab States are characterized by high inequality, and persistent poverty in parts of the region. The total number of extremely poor living with less than US\$1.9 PPP a day in 12 Arab countries in 2021 is estimated at 41.8 million and the number people living with less than 3.2US\$ per day would be 120 million. This means that the vulnerability to extreme poverty is high. The region constitutes less than 6% of the world's total population but, based on available data, contributes to over 20 percent of the world's acutely food insecure people. As discussed under Outcome 4, among the most economically vulnerable are also women, given the low rate of female labour force participation, and youth in view of the large youth cohort in the region facing high unemployment rates. Added to this are the protracted crises and high levels of economic instability in the region that deprive people of economic growth opportunities and adequate social safety nets.

As shown in the socioeconomic impact assessments and the Regional Hub's analyses conducted during the pandemic, and lately, in the Arab Human Development Report 2022, the region has inherent structural economic fragilities that continuously expose it to new rounds of regional and global shocks, which increasingly turn fragilities into weaknesses that expose the region to new risks and new types of economic shocks. The latter negatively impact the most vulnerable categories of the population and the furthest left behind, particularly in context of low effectiveness of social protection systems. This vicious circle needs to be urgently addressed under the current context of reversible recovery from the pandemic while coping with the new global food prices and energy shocks and increasing risks of stagflation for the Arab oil-importing countries. UNDP's business as usual project-based approach and fragmented capacity across siloed teams cannot address these surmounting challenges and a new course of action centred on strategic, innovative, targeted, complementary and impactful interventions at the macro and microeconomic levels are more needed than ever.

Therefore, this PIP is designed to deliver the following outputs:

1) A new regional integration project through in-depth analysis of key issues prepared.

Trade in non-oil and gas sectors still has untapped potential in enhancing sustainable and inclusive growth in the region, which is also not much integrated in global or regional value chains. The countries' ratio of total trade to GDP reflects the region's heterogeneity and ranges from about 32 percent (26 percent for merchandise goods and 6 percent for services) in Sudan to 163 percent (130 percent for goods and 33 percent for services) in the UAE. Most Arab countries are members of several preferential trade agreements, whether regional (i.e., Pan Arab Free Trade Area, Agadir, Gulf Cooperation Council, Arab Maghreb Union) or with other trading blocks (i.e., African Continental Free Trade Agreement, EU, USA, Canada COMESA, Mercosur).

Against this backdrop, this output builds on the lessons learned of the regional project "Strengthening Arab Regional Economic Integration for Sustainable Development", which was closed in March 2022, and will analyse selected countries' challenges and value chains with high growth potential, review the roles and capacity of investment and export promotion agencies, better understand the role of digitalization in regional integration, and propose key activities that will help design a new more impactful regional project. The output will also build on the lessons for better integration of gender to ensure women benefit from any arising opportunities, including under the ACFTA, PAFTA.

2) A holistic approach to MSME support as an engine of inclusive growth, economic transformation, and innovation integrated.

MSMEs are over 90% of businesses in the region, with the vast majority being micro and small enterprises, and represent a major source of job creation and contribute up to 40% of the GDP. MSMEs are also important for local development because they use mostly local resources, and their profits are reinvested locally. MSMEs are at the same time very sensitive to changes in the economy, and most of them may go bankrupt during the first three years after establishment.

Most of them operate and are stuck in the informal economy, have limited access to markets outside the local ones, have low productivity, and are not able to innovate and grow. The underlying reasons for this are identified in the region's structural bottlenecks, which include a non-conducive business environment characterized by rentier and patronage systems, a still prominent role of the public sector/SOEs and monopolistic behaviors across the region's economy, low propension to entrepreneurship, limited access to finance, lack of access to regional markets. These bottlenecks are experienced disproportionately by women, given the existing situation of gender inequality.

The COVID-19 outbreak has severely impacted MSMEs which are concentrated in sectors that are particularly exposed to the effects of the pandemic, such as tourism, transportation and retail trade.

By fostering a better enabling environment for private sector engagement in the framework of the 2030 Agenda, and taking gender considerations into account, UNDP can provide business support to different types of economic units (such as farms, productive associations, cooperatives, SMEs), in collaboration with key stakeholders at a regional and national level, such as national and local governments, private sector representatives, chambers of commerce and other institutions part of the business ecosystem.

In order to tackle these broad and deep-seated set of challenges, UNDP would need to go beyond project-based limited solutions and come up with a more integrated approach in support of MSMEs in the region while being more catalytic in creating strategic partnerships in this field. Therefore, the output aims at preparing a comprehensive MSME integrated and detailed operational framework or offer for UNDP in the region and operationalize it in a future dedicated project, also learning from relevant past and ongoing projects.

3) UNDP analytical and policy dialogue capacity on informal economy, gender-responsive social protection reforms strengthened.

The pandemic and the war in Ukraine have further exposed the poor and vulnerable groups. The region has still limited coverage of social protections systems across the population (around 40%), under-allocate social expenditures, and is characterized by a fragmentation of schemes, weak governance, as well as limited data collection.

This output aims to help boost regional dialogue around a comprehensive set of labour market interventions to tackle informality; job quality, and vulnerability metrics; and more sustainable, systematic, universal, shock-responsive social protection systems. It will propose activities in support of the three main components of social protection systems – i.e. social assistance, social insurance, and active labor market policies – and propose ways in which they can support businesses and workers in their journey towards formalization taking gender inequalities into account. One of these activities is the partnership with ILO, UNICEF and other UN Agencies to establish a regional training platform on social protection (called TRANSFORM) that aims to build national capacities while also advancing the regional agenda in this crucial area.

4) Policy and programmatic work on impact investments in the region advanced.

Despite increasing global trends on impact investments, the region attracts only about 1% of these leaving their transformational potential untapped. Institutional investors have a long-term investment horizon and, hence, are natural partners to finance SDG impact investments. The regional report done by UNDP and AMF on the pension funds in the region shows this untapped potential and interest by institutional investors and regulators to play their role.

This output aims to support the creation of a regional network to promote the utilization of impact standards, provide training, and capacity building to kick-start the discussion around this crucial topic. The output will benefit from the activities planned under outcome 4 PIP to explore how to strengthen gender-responsive investments.

5) A regional integrated approach to local development designed.

COVID-19 showed the importance of local action in tackling the pandemic, while the territorial level is also where greatest opportunities for integration of development issues exist. Moreover, climate action, green growth, and natural resource management have strong local dimensions that can be tackled following the subsidiarity principle. Accountability lines and participation can also be stronger through local development while also being a more agile dimension and more demand driven. The local scale is often the only feasible scale of operations in conflict or crisis settings. It is also a space for experimentation and innovation (and learning).

However, UNDP has struggled to come up with an integrated approach to local development in the region, which is characterized by high territorial inequalities and urbanization, as some countries are heavily centralized, while in others political, administrative and fiscal decentralization processes have been erratic, and in fragile and crisis-affected countries the available tools have been primarily focused on livelihoods and community-based development. As a result, the portfolio has been fragmented across projects that focus on local governance, energy footprint, smart cities, local level planning, data and monitoring, financing, community development, or area-based programming rather than being conceptually and operationally organic parts of a comprehensive and integrated approach.

This output aims to propose a balanced and integrated offer on local development that is gender-responsive and that takes into consideration operational implications in fragile and crisis contexts, as well as in middle-income and high-income country contexts, and will also serve as an input to an upcoming regional project on local development.

II. MANAGEMENT ARRANGEMENTS

The initiation plan will follow management by UNDPs Regional Hub for Arab States, with overall programme oversight by the Regional Programme, advisory support by the Inclusive Growth Team and other relevant teams at the Hub, and operational support by the Regional Programme Management Support Unit. The Inclusive Growth and Sustainable Finance Team Leader will serve as Project Manager to lead coordination, technical and policy advisory support for achieving all outputs, as well as lead role in procurement of all project inputs in concert with PSU.

The team will carry out the activities in liaison with other teams in the Regional Hub, the Regional Programme for Arab States, the Crisis Bureau, and BPPS, where relevant. The Team will draw lessons from global good practices and leverage GPN resources as needed, which includes Global Policy Centers, and peer learning from other Hubs. International experts will be recruited to implement the various activities of the PIP.

III. MONITORING

The Regional Bureau for Arab States will ensure that this PIP, which is part of the regional programme, has a sound monitoring system in place, according to the programming arrangements set out in the guidelines of the UNDP programme and operations policies and procedures. MSU will provide technical guidance and support in RBM including tracking progress against output indicators in the results framework, monitoring and reporting, including considering the gaps in official data sources from the region, a focus on research and data collection will be important for monitoring development trends, tracking SDG progress, and identifying needs and priorities. The initiation phase report will be prepared at the end of the Project Initiation Plan. A project document will be attached to the report or an explanation if initiation doesn't produce a full project.

IV. WORK PLAN

Period: 1 August 2022 – 31 December 2023

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Timeframe						Responsible Party	Funding Source	Budget Description	PLANNED BUDGET	
		2022		2023							Amount (in US\$)	
		Q3	Q4	Q1	Q2	Q3	Q4				2022	2023
Output 1: A new regional integration project through in-depth analysis of key issues prepared <i>Baseline:</i> 1.1 Lack of country-level analyses; sector-level/value chain analyses; regional review of investment and export promotion agencies; digitalization and e-commerce potential	<u>Activity i.</u> Conduct gender-sensitive country-level analyses, review of challenges and opportunities, and prioritization of interventions taking into account lessons learned from previous project cycle*		X	X				UNDP	TRAC	Consultant	50,000	
	<u>Activity ii.</u> Analysis of sectors or value chains with high-growth and (sub)regional scale potential*		X	X				UNDP	TRAC	Consultant	50,000	
	<u>Activity iii.</u> Review of roles and capacity of investment and export promotion agencies in the region			X	X			UNDP	TRAC	Consultant		30,000
	<u>Activity iv.</u> Analysis of digitalization and e-commerce's role as a means for furthering regional integration			X	X			UNDP	TRAC	Consultant		30,000

<p><i>Indicator:</i></p> <p>1.1 A new regional economic integration project through in-depth analysis of key sectoral issues</p> <p><i>Target:</i></p> <p>1.1 A new regional economic integration project formulated and consulted with donors and regional stakeholders, including a resource mobilization plan</p> <p><i>Related RP outcome: 1</i></p>	<p><u>Activity v.</u> Prepare the new Regional Economic Integration project, including related consultation process and resource mobilization plan*</p>					X	X	UNDP	TRAC	Consultant		50,000
<p>Sub-Total for Output 1</p> <p>*Activities i, ii, and v could be carried out by an additional qualified staff/IPSA rather than short-term consultants</p>											100,000	120,000
<p>Output 2:</p> <p>A holistic approach to MSME support as an engine of inclusive growth, economic transformation, and innovation integrated</p> <p><i>Baseline:</i></p>	<p>Activity i. Conduct acritical review and mapping of MSME -support initiatives and institutions in the region, including analysis of programmatic challenges and opportunities*</p>	X	X	X				UNDP	TRAC	Consultant	30,000	20,000
<p>Activity ii. Prepare the new operational framework and toolkit for MSME support*</p>				X	X			UNDP	TRAC	Consultant		50,000

<p>No MSME approach in place</p> <p><i>Indicator:</i></p> <p>2.1 A holistic approach to MSME support in place</p> <p><i>Target:</i></p> <p>2.1. A holistic approach to MSME support in place (a toolkit; and a Project document on MSME support programme discussed with donors)</p> <p><i>Related RP outcome: 1</i></p>	<p>iii. Prepare a new project document on MSME support, including through a stakeholder consultation process*</p>					X	X	UNDP	TRAC	Consultant Contractual services		50,000 10,000
<p>Sub-Total for Output 2</p> <p>*Activities i, ii, and iii could be carried out by an additional qualified staff/IPSA rather than short-term consultants</p>											30,000	130,000
<p>Output 3:</p> <p>UNDP analytical and policy dialogue capacity on informal economy, gender-responsive social protection reforms strengthened</p> <p><i>Baseline:</i></p> <p>3.1 no platform for dialogue on informality, TRANSFROM at a nascent stage in the region</p> <p><i>Indicator:</i></p> <p>3.1 Regional analysis and platform for dialogue on</p>	<p><u>Activity i.</u> Hold a policy dialogue on informal economy in partnership with OECD</p>	X	X	X	X	X	X	UNDP	TRAC	Consultant Contractual services	20,000	15,000 15,000
	<p><u>Activity ii.</u> Launch a regional training platform on social protection: TRANSFORM initiative (with ILO, UNICEF, ESCWA)</p>	X	X	X	X	X	X	UNDP	TRAC	Contractual services		50,000
	<p><u>Activity iii.</u> Review employment generation programs in the region – lessons learned</p>			X	X			UNDP	TRAC	Consultant Contractual services		50,000 10,000
	<p><u>Activity iv.</u> Review social insurance schemes in the region and options for their coverage of informal workers (including through a gender lens)</p>				X	X		UNDP	TRAC	Consultant		40,000

<p>informal economy and social protection reforms</p> <p><i>Target:</i></p> <p>3.1 Regional analysis and platform for dialogue on informal economy and social protection reforms (through policy dialogue, reviews and consultations</p> <p><i>Related RP outcome: 1</i></p>	<p><u>Activity v.</u> Develop a multidimensional job quality index for the region and analysis of its key drivers over time and across countries.</p>				X	X		UNDP	TRAC	Consultant		30,000
Sub-Total for Output 3											20,000	210,000
<p>Output 4:</p> <p>Policy and programmatic work on impact investments in the region advanced</p> <p><i>Baseline:</i></p> <p>4.1 Absence of regional policy and programmatic work on impact investments</p>	<p><u>Activity i.</u> Conduct a mapping and review of impact investments and investors in the region</p>	X	X					UNDP	TRAC	Consultant	30,000	20,000
	<p><u>Activity ii.</u> Establish a regional community of practice of impact investors</p>				X	X		UNDP	TRAC	Travel		30,000
	<p><u>Activity iii.</u> Follow up on SDG investment maps conducted in the region by providing technical support to bring selected investment projects to bankable stage</p>			X	X	X				Contractual services	30,000	70,000

<p><i>Indicator:</i> 4.1 Policy and programmatic work on impact investments in the region made available</p> <p><i>Targets:</i> 4.1 Policy and programmatic work on impact investments in the region made available through mapping and capacity development activities</p> <p><i>Related RP outcome: 1</i></p>	<p><u>Activity iv.</u> Provide capacity development on SDG impact standards to investors in the region through:</p> <ul style="list-style-type: none"> Organizing a training event; and Providing technical support 			X	X	X	X	UNDP	TRAC	Consultant		50,000
Sub-Total for Output 4											30,000	200,000
Output 5:	<u>Activity i.</u> Conduct a mapping and critical review of UNDP projects related to local development in the region*		X	X	X			UNDP	TRAC	Consultant	20,000	20,000

<p>An integrated approach to local development in the region designed</p> <p><i>Baseline:</i> 5.1 absence of an integrated approach to local development in the region</p> <p><i>Indicator:</i> 5.1 An integrated approach to local development in the region through mapping and review</p> <p><i>Target:</i> 5.1 An integrated approach to local development in the region made available through mapping, review and consultations</p> <p><i>Related RP outcome: 1</i></p>	ii. Prepare the new operational framework/toolkit for local development*				X	X		UNDP	TRAC	Consultant Travel		50,000 10,000
Sub-Total for Output 5											20,000	80,000
*Activities i and ii could be carried out by a new qualified staff/IPSA rather than short-term consultants												
TOTAL											200,000	740,000
Common and Shared Services (CSS) at 5.9%											11,800	43,660
Grand Total											211,800	783,660

Note: the above resource allocation is based on the current human resources availability in the Inclusive Growth team.

Annex 1: Risk Analysis

#	Event	Cause	Impact(s)	Risk Category and Sub-category (including Risk Appetite)	Impact, Likelihood & Risk Level (see Annex 3 Risk Matrix)	Risk Valid From/To	Risk Owner (individual accountable for managing the risk)	Risk Treatment and Treatment Owner
1	There is a risk that donors and governments are pushed towards short-term and emergency programming	As a result of new shocks on top of COVID-19, including the war in Ukraine	Which will impact in resource mobilization	7. STRATEGIC (7.7. Alignment with national priorities) - UNDP Risk Appetite: OPEN TO SEEKING	Likelihood: 3 - Moderately likely Impact: 4 - Extensive Risk level: MODERATE (equates to a risk appetite of EXPLORATORY)	From: 01-Sep-22 To: 31-Dec-23	Inclusive Growth Team Leader	Risk Treatment 1: Revisiting the plan for relevance and reallocating new priorities Risk Treatment Owner: Inclusive Growth Team Leader
2	There is a risk that the programme will lack COs engagement	As a result of limited capacity and competing priorities of COs	Which will impact on the program's country-level implementation...	4. ORGANIZATIONAL (4.3. Implementation arrangements) - UNDP Risk Appetite: EXPLORATORY TO OPEN	Likelihood: 3 - Moderately likely Impact: 3 - Intermediate Risk level: MODERATE (equates to a risk appetite of EXPLORATORY)	From: 01-Nov-22 To: 31-Dec-23	Inclusive Growth Team Leader	Risk Treatment 2: Engagement of relevant CO staff in the planning of the regional programme Risk Treatment Owner: Inclusive Growth Team Leader

3	There is a risk that there will be delays in procurement	As a result of competing priorities within procurement unit	Which will impact in of delivery programme	4. ORGANIZATIONAL (4.9. Procurement) - UNDP Risk Appetite: EXPLORATORY TO OPEN	Likelihood: 3 - Moderately likely Impact: 3 - Intermediate Risk level: MODERATE (equates to a risk appetite of EXPLORATORY)	From: 05-Oct-22 To: 31-Dec-23	Inclusive Growth Team Leader	Risk Treatment 3: Procurement plan, consultants head-hunted, rosters used Risk Treatment Owner: Inclusive Growth Team Leader
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