



**Transforming Arab Economies:
Traveling the Knowledge and Innovation Road**
June, 25-26, 2012
ISESCO – Rabat
Morocco



WORKSHOP SUMMARY

On June 25-26, 2012 the Center for Mediterranean Integration (CMI) and the Islamic Educational, Scientific and Cultural Organization (ISESCO) co-organized a regional workshop to discuss the draft report entitled *Transforming Arab Economies: The Knowledge and Innovation Road* at the ISESCO offices in Rabat, Morocco. This report is being developed by the CMI, together with the World Bank (Middle East and North Africa (MENA) region and the World Bank Institute), the European Investment Bank (EIB), and ISESCO. This workshop marked the follow-up to the first consultative regional workshop that took place at the CMI in November 2011.

The main aim of this workshop was to get feedback on the draft report from a set of selected experts and informed change agents (mostly from the Arab world) who are involved in KE-related policies in their countries. The meeting also provided an opportunity to discuss ways of starting in-country consultations--or deepening the ones that have started on the adoption of the knowledge and innovation approach, notably in Morocco--and to gain a better understanding of how the dissemination of the report can be further engineered in different national contexts. Participants included stakeholders from government, the private sector, and civil society from Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia, as well as experts from regional and international organizations such as the EIB, the European Bank for Reconstruction and Development (EBRD), Institut de la Méditerranée, the Korea Development Institute, the Migration Policy Institute, and the World Bank.

The workshop, which spanned a day and a half, was structured along the main themes developed in the draft report:

1. Introduction and Overview of the Report: Main Messages
2. Part 1: Transforming Arab Economies: Why, What, How?
3. Part 2: Policy Pillars: Economic and Institutional Regime, Education, Innovation, and ICTs, and Promoting Growth Sectors
4. Part 3: Country Strategies: Trends and Orientations
5. Follow Up Process and Next Steps

Welcome

The workshop was opened by Dr. Mukhtar Ahmed, Deputy Director General, ISESCO who welcomed all participants to this high level discussion. He highlighted the commitment of ISESCO on this work as part of its program of cooperation with the CMI. ISESCO is celebrating its 30th anniversary and is pleased to engage in activities that are at the core of the priorities of its member countries, especially as related to education, innovation, and the fostering of the development of the knowledge economy. He underlined the importance of these themes in Islam as evoked in the first verse of the Quran -- “iqraa” --which means to

“read” and “learn”. He acknowledged the efforts made by the team in drafting a solid piece of work and wished the participants a productive workshop.

He was followed by H.E. Mr. Nizar Baraka, Minister of Economy and Finance, Government of Morocco, who also expressed his pleasure to be part of this unprecedented initiative hosted by ISESCO in partnership with the CMI. He congratulated the team on the quality of the report as well as on the study undertaken on KE – related policies in Morocco. He stressed the importance of moving towards the knowledge economy as a most promising way forward for growth and employment in the Arab world. “The recent evolution of the world confirms the need to rethink economic models”, he said, and highlighted that “the knowledge economy and innovation provide a framework that is conducive to sustainable and inclusive growth”. He underlined that Morocco has taken the cross-sectoral approach to the knowledge economy, based on its four pillars, and has made improvements in its overall economic and institutional regime by adopting a new Constitution that fosters the separation of power, by moving towards regionalization, and by improving the business environment. Regarding the other pillars, Morocco has put in place its *Plan Urgence* in order to increase the efficiency of its educational system. It has adopted the *Initiative Maroc Innovation* to move forward on launching new innovation-based projects, as well as *Maroc Numeric 2013* to strengthen ICT usage.

Mats Karlsson, Director, CMI also thanked Dr. Ahmed and H.E. Minister Baraka for their remarks. He linked the goals of increasing productivity in all sectors of economic activity with the attainment of higher levels of economic growth. The knowledge economy embraces all segments of the value chain which implies the implication of all in the KE, remarking that “even olive oil producers can be part of the KE”. He underlined that the knowledge economy is the new model of modern economies and that Arab countries are also embarking on this road, as was the case for European countries after the Lisbon treaty. He stressed the importance of this meeting to (i) discuss the report and suggest amendments to the team that was working on it, (ii) encourage country -level implementation of the orientations of the report, and (iii) build an active community of practice on knowledge economy and innovation related reform policies in the Euro-Mediterranean area where the CMI functions as a unique knowledge platform.

Jacques van der Meer, Senior Economist, EIB congratulated the team that prepared the report. He underlined that working on the KE is not an easy task as it does not only require strategic competencies but calls for a continuous learning process, as referred to in the Lisbon agenda. He invited the participants to fill in the “map of the report with their experiences” so that IFIs can help Arab countries travel the proposed road of knowledge and innovation through greater involvement, more technical assistance, and better targeted investments.

Introduction and Overview of the Report: Main Messages

The team first introduced the draft report:

- It highlights that to cope with the daunting challenges they face, particularly the huge need to create jobs, Arab countries should embrace a new economic model, that of the knowledge- and innovation-driven economy. It provides insights on the regional performance on the KE and looks at the relationship between knowledge and competitiveness. It also estimates the employment

effects of investing in knowledge-related domains and charts out an ambitious KE route rather than the business as usual route for Arab countries that are interested in traveling down this road.

- The report seeks to combine the analytical underpinnings with the political economy agenda for Arab countries that are seeking to make the transition to the KE. The report covers the Arab world which is joined together by the common threads of culture and history but is also characterized by great diversity.
- It stresses that the move towards a knowledge and innovation driven economy is not a top-down agenda with exclusive ownership from the government, but one that should be implemented through well-coordinated actions involving all interested stakeholders in any country.
- Finally, the report highlights the importance of increased Mediterranean integration. In this context, the CMI's role is that of an honest broker to bring together a range of stakeholders to try to put together new ideas into action in this area. It would do this by facilitating debates on both sides of the Mediterranean, and developing action plans and evaluations, according to the agenda/timing of interested countries, taking a customized and demand-driven approach.

Participants congratulated the team on a solid and analytical piece of work that is useful for countries as they embark on a development model based on knowledge and innovation. They highlighted that:

- The notion of a knowledge-based economy, innovation economy, and the information society are often used interchangeably in the report, calling for clarity of these inter-related concepts.
- Given the new political environment in the aftermath of the Arab Spring, a new kind of social pact is needed between government and citizens. They appreciated that the report highlights that any KE related efforts would need to be adapted to countries' own specificities and capabilities.
- There is a need to distinguish between knowledge transfer and creation as they both require a different kind of knowledge infrastructure.
- In order to identify what are the key obstacles for the KE, they supported the idea of calibrating the work on the country-level with action plans to address country specificities.

Part 1: Transforming Arab Economies: Why, What, How?

The team shared insights on chapters that look at the themes of deploying knowledge and innovation for Arab economies, catching up with global knowledge economy trends, and shaping new development strategies. Participants engaged in a rich discussion and provided the following feedback:

- Institutional and political issues are critical in traveling down the KE road. Moving forward, good governance and transparency will be key to ensure an effective transition.
- There is a need to develop a vision on the KE for the region, similar to that of the European Union.
- More emphasis should be put on the 'how to' in order to provide policy makers with concrete policy options. More guidance could be provided, for instance, on how they could undertake a diagnostic review of their economic structure.
- There is a need to revisit the knowledge economy index (KEI) and to look for more qualitative indicators in order to benchmark the KE and adopt it in the context of each country, including intangible assets (e.g. human and social capital). Korea's Economic and Social Development Index (ESDI) was brought into the discussion as an example of such benchmarking tools that could complement the World Bank's KAM, notably regarding the social disparity and cohesion.

Part 2: Policy Pillars: Economic and Institutional Regime, Education, Innovation, and ICTs; Promoting Growth Sectors

The team made a brief presentation on the challenges and opportunities facing Arab economies in the four pillars: economic and institutional regime, education, innovation and ICTs. It provided a snapshot of growth sectors that could be promising avenues for job creation—whether they be established ones (such as agribusiness, textile, machinery and transport equipment, chemical industries, and the like), ICT-related activities, new knowledge-based services (medical tourism and creative industries) as well as activities related to the green economy (solar energy and energy-efficient buildings). Participants provided the following inputs:

- An expansion of the section on governance would be warranted as part of the economic and institutional regime chapter as it is crucial for the region in the current context. Issues related to the labor market should also receive greater attention.
- In the area of education, there is a need to develop basic competencies starting from the pre-primary level. As people move through the education system, language competencies and the soft skills needed for the KE should be encouraged, as well as science, engineering and other technical fields should be encouraged in the Arab world. Overall, improving the quality of education is key.
- ICTs can be a convenient and useful tool to enable the educational system in the region move “from quantity to quality” by using a variety of ICT-based learning tools.
- It would be useful to further discuss the economic and social aspects of expatriate workers (mainly in GCC countries) and the development of incentives for brain gain for highly skilled Arab diaspora.
- There is a need to link academia with industry through a variety of mechanisms. Joint R&D programs require much more investment but should also be encouraged in the region.
- The move to the KE must be addressed by using the logic of value chains and by identifying sectors which can start to put together the needed ingredients to promote a KE strategy.
- Coordination is key from both the supply-side of manpower (Ministry of Education and Higher Education) and the demand-side (Ministry of Labor, Industry...). Better coordination is also needed in the Arab countries between the central, regional, and the local levels of governance, especially as concerns finance and administration.
- Territorial specificities should be addressed in more detail in the report.

The team thanked participants for the valuable comments and suggestions. It highlighted that although the integration of the four pillars takes place at the macro level in particular (for example, the Korean Prime Minister is the coordinator of the KE strategy in Korea), the transformation of societies can also be promoted within the meso and micro-levels through "guided serendipity", which is the result of a number of factors that could create a transformative and dynamic approach towards KE. The team suggested that a new chapter on territorial diversification would be added, as a companion to the chapter on growth sectors.

Part 3: Country Strategies: Trends and Orientations

The team presented some trends and orientations regarding country strategies, using examples from the region, including the work that is being done on the KE in Morocco and the ways in which Jordan is embarking on an innovation agenda. In the ensuing discussion, participants underlined the following points:

- The move to a KE is not only about the transformation from a rent-seeking economy to a high-value service-based one, but is also about clustering around productive sectors, including in industry.
- More analysis on why the leap to the KE has not happened as yet in the region in a major way would help to enhance the credibility of the report.
- It would be useful to develop more country-level case studies covering the institutional and political dimensions in order to complement the economic analysis presented in the report.
- The report should revisit the characterization of countries, in light of societal dimensions, notably integrating the place of women in economic and political life, and as an important factor of KE-based development.
- A concise summary document – shorter and sharper than the draft overview – would be of great benefit for decision makers, including a package of recommendations and a set of priority actions.
- Once the report is close to final, participants encouraged the team to organize a one-day workshop with partners (EIB, EBRD, ISESCO, World Bank) to think about possible actions, including lending operations that can emerge on the KE.

Ideas on Euro-Med Knowledge and Innovation

- In addition to the development of a web-based community of practice that would involve participants from the Euro-Mediterranean area, the team introduced the idea of establishing a structured mechanism for facilitating KE-related integration initiatives within the Euro-Med area, in view of their importance for countries on both rims of the Mediterranean, also as underlined in the report. Such a mechanism could take the form of a kind of working group with high-level country representatives as well as participants from interested international and regional organizations. They could meet regularly (possibly twice a year) with the CMI providing the platform but also a kind of secretariat. Such a working group would help to facilitate the design and development of joint initiatives in various domains such as R&D, education, venture capital, and the like. They would discuss the state of national KE strategies and also help in their implementation.
- Participants agreed on the utility of such an integration instrument, but warned of the risk of technocratic or bureaucratic approaches, and duplication with existing mechanisms, such as the those by the EU. They pointed to the need of finding the best ways to promote the new development proposed by the report within the region. In thinking about such an approach, in addition to institutional and government representatives, they underlined the importance of identifying “Non-Governmental Individuals (NGIs)” who can be key renovators and change agents in the KE field. Mobilization of youth would also be key to move this agenda forward.
- It was thus proposed that a small group be constituted under the aegis of the CMI and ISESCO to define the terms of reference of what could be an appropriate instrument to facilitate the KE integration process within the Euro-Med region.

Conclusion and Next Steps

- Based on the positive comments and suggestions received, the team will endeavor to revise the draft report, including adding a new chapter on territorial diversification and strengthening case-studies on Jordan and Morocco. It will aim for a final version by the Fall of 2012.
- In parallel, the team will work on national consultations, continuing on the in-depth work that has been started on Morocco, and following up on interesting suggestions from workshop participants, notably for Tunisia, and possibly for Egypt in accordance with the new developments.
- On Tunisia, the representative from the Tunisian Union for Industry, Trade and Handicrafts (UTICA) proposed to organize a country level consultation on the KE that would include government plus civil society organizations. This suggestion was supported by the Tunisian participants at the workshop.
- The team will work to reinforce the KE community of practice. It will also use the Internet and social media for the dissemination of the report to attract the attention of a critical mass of decision makers and change agents from the region. ISESCO and the CMI are discussing the creation of a web platform whereby each organization and other partners can share their practices on the KE. It also proposed to start collaborating with the Federation of the Universities in the Islamic World in order to create some research projects on the KE agenda.
- The EBRD also expressed its willingness to continue its collaboration with the CMI on this work.