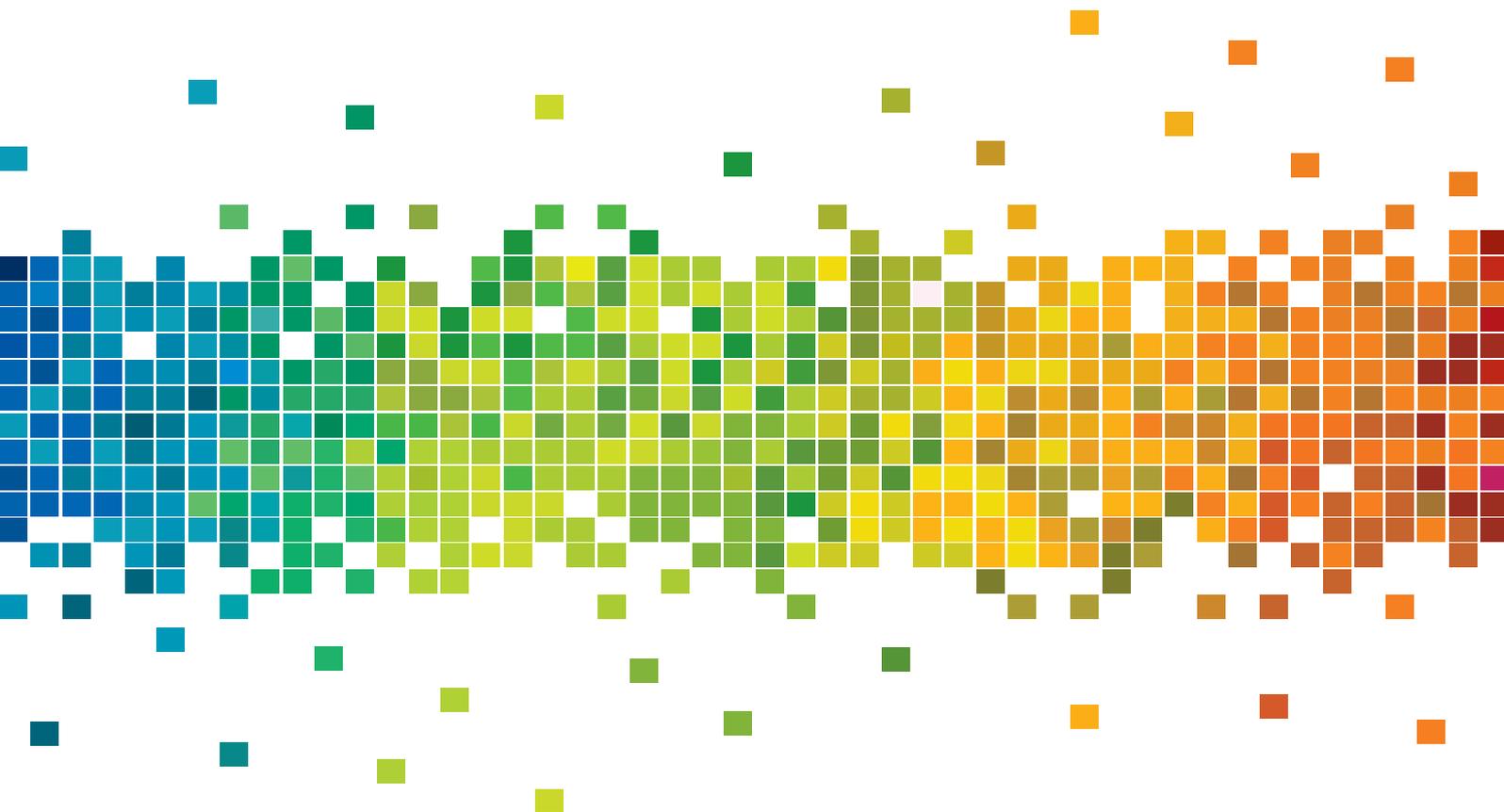




**Green Industry**  
for Global Recovery  
and Growth

**GENERAL CONFERENCE Thirteenth Session**  
9 December 2009, Vienna International Centre

ARAB REGIONAL PROGRAMME



# Round Table

Investing in and financing  
Green Business

**Briefing note**



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION



## I. Introduction

Overall, Arab States have generally achieved strong economic growth in recent years, although rates have varied given the great diversity of the countries in the region, which range from industrialized oil producers to less developed countries. Strong industrial and economic growth, resource depletion, pollution and waste management are issues of growing concern to Governments in the region. It is therefore necessary for policymakers to promote greater efficiency in resource consumption and to protect the environment against pollution and waste. Not only will this lead to the greening of the region's existing industries, but it will also create good opportunities for entrepreneurs to invest in new green businesses offering environmental goods and services.

The current financial and economic crisis has added new urgency to the situation. One element in the stimulus packages of a number of countries is investment in environmentally friendly programmes. In view of the broadly differing levels of development among the Arab countries of the Persian Gulf area, the Middle East and North Africa, it is not surprising that those countries' engagement in green industries also differs. Another reason for this is the marked differences among financial institutions in the region with regard to their ability and preparedness to support investment in green industries.

The main objective of the present round table is to identify the major challenges and opportunities facing the Arab countries in their efforts to invest in green businesses. The round table will explore the roles and options of Governments, industries and financial institutions as well as UNIDO in this regard. Of particular importance is the defining of opportunities and challenges for job creation in green industries. The expected outcome will be a set of concrete recommendations to promote investment in green businesses in the Arab region.

## II. Background

The Forum on Cleaner Technologies for Economic Development, held in Manama, Bahrain, from 2 to 4 February 2009, emphasized the role of green industry. It focused in particular on the vast flow of natural resources (mined, extracted, harvested, harnessed, etc.) and on the wasteful or dissipative use of those resources—two phenomena that are at the core of the region's most pressing environmental challenges.

One of the main recommendations of the Forum was that a suitable policy and legislative framework should be put in place if green industries are to be developed in the region. In this regard, realistic resource pricing, integrating both market-based incentive mechanisms and financial instruments, is particularly important.

The Forum also recommended that financial institutions should be involved and strengthened in order to facilitate the availability of suitable financial resources in support of the development of green industries and clean technologies.

The current economic and financial crisis has evolved into a global crisis that seems not to have spared any region or country in the world. Despite positive developments in both conventional and Islamic finance institutions, the crisis has also had a severe impact on the Arab region.

Addressing the serious issues associated with climate change requires substantial investments in new clean and sustainable technologies, processes and services. These investments are not just desirable: they are essential. A

key aspect of the development challenge for the coming decades is the immense need for new energy supplies in the region. The arguments are compelling for an economic stimulus package to revive growth focused on energy and carbon. There will be multiple benefits if these investments are targeted towards energy security, low-carbon infrastructures, sustainable development and environmental protection. In particular, the oil and gas producers—the members of the Organization of the Petroleum Exporting Countries (OPEC)—have realized the importance of further investment in clean technologies. Next to energy issues, one of the major challenges for the region in the years to come will be the sustainable management of water resources and the protection of the environment.

Investment requires finance in the form of equity, loans, insurance and other financial instruments. Each type of finance comes with its own set of conditions, risks and rewards. Investment in green technologies is growing fast. Even during the height of the financial crisis, venture funding in green technologies did not falter. In many ways, however, it is collectively still only a small fraction of corporate financing. At present, there is very little, if any, sustainable green or environmental financing in the Arab region.

The reasons for the lack of concessional green financing vary from country to country. They range from complete unawareness of the concept and therefore a lack of demand by clients or consumers to the lack of interest by regional or local banks owing to risk management issues.

There are many barriers to investing in clean technologies and creating awareness of the opportunities presented by investment in green business. Most barriers can be overcome through concerted action by States in cooperation with banks and international organizations to support private sector initiatives. Indeed, direct public sector involvement appears to be taking place at a steady pace in some countries.

The Arab region holds great potential to be a leader in stimulating and financing clean technologies. Supportive Governmental activities can range from creating favourable conditions for green investment, launching sound demonstration projects and stimulating research and development to initiating projects that can create the necessary critical mass for further uptake.

### III. Issues

#### Issue 1:

#### **What is the employment and economic potential of investments in clean technologies in the Arab region? Is this potential recognized by Governments, industries and financial institutions?**

Worldwide, investment in green technologies is growing fast. Even so, research and development and investment in technology transfer are needed in order to fully exploit the potential for growth.



## Investing in and financing Green Business

Recapitalizing the world's energy systems for a low-carbon world will be a major investment challenge over the next 50 years. Continuing with "business as usual" will lead to an environmental crisis. The challenges in three areas—the economy, energy and the climate—are the most pressing and can only be met collectively and simultaneously.

Next to energy security, sustainable management of water resources and protection of the environment will be major challenges for the region in the years to come. The growing demand for water will require substantial investments, ranging from installing and improving distribution networks and modernizing agricultural irrigation systems to introducing new technologies, such as those for effluent recycling and water desalination.

Environmental protection has also become a priority for the region. The growth in industrial activity and the boom in urbanization have led to environmental damage. This poses a direct threat to the region's important tourism sector and to the quality of life of the population. The costs associated with mitigating environmental damage are estimated to reach about 25 per cent of the gross domestic product in some Arab counties. New ecofriendly technologies and infrastructure for processing the various kinds of waste, coupled with investment to ensure the protection and conservation of the environment, are essential to ensure sustainable development.

The worst effect of the current economic crisis is the loss of employment opportunities. A solution to this problem in the region would be to invest in sectors that simultaneously generate economic growth and create green employment.

According to a survey of European companies, every 100 megawatts of installed capacity at solar thermoelectric power plants provide 400 full-time-equivalent manufacturing jobs, 600 contracting and installation jobs and 30 annual jobs in operations and management. Economic development can also benefit a community indirectly, such as through increased demand for local service commodities. It is widely accepted that for each construction job created, four supporting jobs are created in the service sector. And once construction is completed, the related operations and management jobs will require local services as well.

### **Issue 2:**

#### **What are the main obstacles and challenges for green investment in the Arab region? How can these obstacles be removed and by whom?**

At present, there is very little, if any, sustainable green or environmental financing taking place in the Arab region.

Investment requires favourable financial mechanisms in the form of equity, loans, insurance and other financial instruments. A range of new financial policy instruments are now called for to cover a broad spectrum of needs, from conventional project finance for large, multimillion-dollar wind farms to microcredit loans for rural communities to creating a conducive investment climate in this sector. Each type of financial package comes with its own set of conditions, risks and rewards, and is generally provided by a different section of the financial community. Investors, however, are confronted with different barriers.

Many of the barriers can be found at the international policy level, such as in international trade agreements. Policy barriers can also exist, however, at the level of national legislation and regulations. Closely related to the policy barriers are those that exist at a lower level and concern technical and organizational infrastructure.

Project and financial barriers can differ from project to project, but they are strongly linked to policy infrastructure and institutional barriers.

Overall, the financial sector in Arab countries plays a role that is significant, but smaller than in other economies having similar levels of income. Banks continue to be the main source of corporate financing, although the banking sector does not play a significant role in boosting economic development. The sector is relatively conservative in lending to private enterprise, especially in countries with State-dominated banking sectors. Even with privatizations, Government ownership of banks remains at a higher level than in other, similar countries.

Now that the private financial sector is in a deep crisis, the question is how can Governments facilitate more of this kind of green investment? The public sector can provide the necessary guarantees for private loans. Public-private partnerships can be another important stimulus. The combination of public and private financing will play an increasingly important role in stimulating this sector in the future.

### **Issue 3:**

#### **What are the green opportunities for the Arab region? Can the region become a global leader in green investment? If so, under what conditions?**

Climate change will have a major effect on the Arab region. The responses adopted to combat climate change may present a range of green opportunities for the region. Some countries in the region have not only the knowledge and experience of global energy suppliers but also the motivation to develop sustainable energy innovations.

A key aspect of the development challenge for the coming decades will be to secure the immense resources needed for new energy supplies. The argument is very strong for economic stimulus measures focused on promoting low-carbon energy sources.

The Arab region has great potential to be a leader in stimulating and financing sustainable clean technologies. But the question is how this potential can be realized.

## **IV. Questions to panellists**

- What is the market potential for green businesses in the region?

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- How can green businesses be effective agents of recovery for countries in the region?

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- What are the main obstacles and challenges for green investment in the Arab region?

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- What are the optimal financial opportunities and recovery schemes for countries in the region?

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- What would be the role of UNIDO in further promoting green businesses in the region?

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## V. Agenda

1. Welcome address and introduction: Raouf Dabbas (moderator), Senior Adviser to the Minister of Environment of Jordan
2. Keynote speech: Raouf Dabbas and Jan Dictus, Independent consultant on environmental and sustainable development
3. Panel discussion (moderated by Raouf Dabbas)

Panellists:

- Dorothea Sulzbacher; Managing Director, OMV Future Energy Fund
  - Rawya Mansour, Chairperson, Ramsco Refined Architecture and Interiors
  - Sheikh Ibrahim al-Khalifa, Minister of Housing of Bahrain
  - Osama al-Khadja, Business Director, Kuwait Finance House
  - Nasser al-Kahtani, Executive Director, Arab Gulf Programme for United Nations Development Organizations
  - Abdul Rahman Taha, General Manager, Islamic Corporation for the Insurance of Investment and Export Credit
4. Open-floor discussion
  5. Concluding remarks by the moderator

The Director-General will participate in the discussion.

## VI. Biographies

### **Raouf Dabbas**

#### **Senior Adviser to the Minister of Environment of Jordan**

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Mr. Dabbas joined the Ministry of Environment as Senior Adviser in 2007. He has also represented Jordan at high-level environmental meetings. He has been actively involved in environmental non-governmental organizations since 1994. His current responsibilities include promoting the development of renewable energy and energy efficiency and assisting in the development of cleaner production legislation.

**Jan Dictus**

**Independent consultant on environmental and sustainable development**

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Mr. Dictus, in his capacity as a UNIDO expert, was involved in the organization and reporting of conferences held in Bahrain and Jordan on urban sustainability and green business and in the promotion of ecobusiness projects in India. Mr. Dictus is also the technical chair of the Environment Forum of EUROCITIES, the network of large European cities.

**Dorothea Sulzbacher**

**Managing Director, OMV Future Energy Fund**

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Ms. Sulzbacher has been Managing Director of the OMV Future Energy Fund since June 2006. She began her career at the Chamber of Labour for Upper Austria, where she headed the legal services department. She was a manager in the OMV Corporate Human Resources Department before moving to head the OMV Future Energy Fund.

**Rawya Mansour**

**Chairperson, Ramsco Refined Architecture and Interiors**

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Ms. Mansour is working on an integrated agriculture and solid waste management system in Egypt, covering both urban and rural areas. Her idea is to turn agricultural waste into biofertilizers, biopesticides and bioproducts (i.e. green line products). Ms. Mansour hopes to transform the Nile's waste into energy and build sustainable ecovillages.

**Sheikh Ibrahim al-Khalifa**

**Minister of Housing of Bahrain**

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Sheikh Al-Khalifa is Chairman of Eskin Bank and Ebdaa Bank of Bahrain. He is a past Undersecretary of Finance and chaired, among others, the Bahrain Development Bank and the Bahrain Institute of Technology.

**Nasser al-Kahtani**

**Executive Director, Arab Gulf Programme for United Nations Development Organizations**

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Mr. Al-Kahtani and his team work to establish banks for the poor in the Arab region, focusing also on early childhood development and childhood needs, the use of technology in open learning, the empowerment of women, poverty alleviation through microcredit and creating a suitable environment for improving the business administration sector in the Arab world.

**Abdul Rahman Taha**

**General Manager, Islamic Corporation for the Insurance of Investment and Export Credit**

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Mr. Taha has worked as an economist and senior economist at the World Bank. Before joining the Arab Trade Financing Programme in 1993, Mr. Taha established and managed a private company specializing in international trade and project finance in London.



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