

**Economic and Social Commission for Western Asia (ESCWA)**

Committee on Liberalization of Foreign Trade, Economic
Globalization and Financing for Development
Twelfth session (Financing for development)
Beirut, 4-5 December 2017



Item 8 of the provisional agenda

Feasibility of an Arab forum on financing for development**Summary**

This working paper, prepared in response to a request by ESCWA member States in line with paragraph 27(c) of the Doha Declaration on the Implementation of the 2030 Agenda for Sustainable Development, looks at the need for a regional platform on mobilizing finance to drive the 2030 Agenda for Sustainable Development in the Arab region, as well as other regional initiatives, including priority areas identified at the Arab Forum on Sustainable Development.

The paper examines the role of various platforms operating in the region and paths followed in other regions to implement the Addis Ababa Action Agenda. It contemplates a range of options for a proposed forum, bearing in mind the concerns and priorities of member States and the need to exploit the flexibility provided by the global financing for development framework to pursue a mix of national priorities and regional sustainable development projects.

Representatives of member States are invited to discuss the paper and provide guidance on the proposed forum in line with the Doha Declaration and resolutions adopted at the Commission's twenty-ninth ministerial session.

CONTENTS

	<i>Paragraphs</i>	<i>Page</i>
Introduction	1-4	3
<i>Chapter</i>		
I. CHALLENGES	5-10	3
II. THEMATIC PLATFORMS AND FORUMS IN THE ARAB REGION	11-14	5
III. THE EXPERIENCE OF OTHER REGIONS AND COMMISSIONS	15-19	5
IV. MANDATES	20-22	6
V. AN ARAB FORUM ON FINANCING FOR DEVELOPMENT	23-26	6

Introduction

1. The Addis Ababa Action Agenda of the Third United Nations International Conference on Financing for Development (FfD) was endorsed by the General Assembly in July 2015. It sets forth a global vision for financing the goals subsequently embodied in the 2030 Agenda for Sustainable Development, adopted by the General Assembly in September of the same year (A/RES/70/1).
2. The Action Agenda is a comprehensive framework for financing global development aiming to align domestic and international resource flows, policies and agreements with sustainable development imperatives. It serves as a guide for action by governments, international organizations, the business sector and civil society. Its seven key action areas cover: domestic public resources; domestic and international private business and finance; international development cooperation; international trade as an engine for development; debt and debt sustainability; systemic issues; and science, technology, innovation and capacity-building.
3. In order to monitor implementation of the Action Agenda and provide a multi-stakeholder platform on financing for development, the Economic and Social Council Forum on Financing for Development Follow-up was established. It was first held in April 2016 and again in May 2017. The work of the forum feeds into the monitoring of the 2030 Agenda by the High-level Political Forum. Sub-regional mechanisms will also be a key in mobilizing finance for development and fulfilling the Sustainable Development Goals (SDGs) by 2030.
4. This paper, prepared in response to a request by ESCWA member States in line with paragraph 27(c) of the Doha Declaration, looks at the need for a regional platform on mobilizing finance to drive the 2030 Sustainable Development Agenda in the Arab region, as well as other regional initiatives, including those identified as priorities at the Arab Forum on Sustainable Development (AFSD).

I. CHALLENGES

5. The gap between global annual spending required to achieve the SDGs in developing countries and current investment is estimated at \$2.5 trillion a year. This reflects a need not only to mobilize and disburse development financing, but to monitor each stage of the financing process and development outcomes to ensure that financing is efficient.
6. ESCWA estimated in 2016 that the Arab region needed additional financing of between \$3.7 and \$4.3 trillion to achieve the SDGs by 2030. However, using its Arab FfD Scorecard in 2017, the Commission found that the region might require more than double that amount. The Scorecard showed that, for every US dollar mobilized in the region for its own development, it spends \$2.50 in financing for development elsewhere. That imbalance needs to be addressed.
7. Arab countries are under pressure to mobilize domestic resources to finance sustainable development, create employment, make society fairer and deal with environmental issues while bearing the brunt of conflict and the cost of reconstruction. Conflict not only impedes development. It can reverse decades of development gains and, in some countries, it has already done so. The aggregate cost of conflict in the Arab region between 2011 and 2016 amounted to \$614 billion in lost economic activity and \$243 billion in fiscal deficit.¹ Post-conflict countries need to strike a balance between financing reconstruction and sustainable development.
8. At present, there is no overarching, region-wide body to monitor progress in financing developmental regionalism (that is, broad regional cooperation on matters beyond mere trade integration, including investment, research and development, industrial policy and regional infrastructure) or to leverage finance for development to serve regional priorities. Nor is there any agency, for instance under the League of Arab States, to monitor implementation of the SDGs or the Action Agenda.

¹ See E/ESCWA/EDID/2016/1.

9. Similarly, there has been no attempt at institutional or intergovernmental dialogue on a broad range of issues influencing development finance, such as: fiscal sustainability; tax avoidance, evasion and compliance; illicit financial flows; international and regional trade; debt financing; international cooperation; foreign direct investment and private equity; and capital markets.

10. There has been no shortage of proposals for institutions to finance development in the region, including an Arab bank for reconstruction and development, an Arab development agency, a regional integration fund, multi-donor trust funds and an Arab regional integration sovereign fund. In 2005, a joint study by the League of Arab States and the Arab Monetary Fund found that the number of bilateral and multilateral Islamic and Arab development and investment funds, institutions and agencies then providing development assistance in the region was sufficient, but that governance required improvement. Today, there is a growing awareness of the need for new pathways along which to channel finance and investment in order to best serve the region's sustainable development priorities.

THE ARAB WORLD IN 2030



The International Labour Organization (ILO) estimates that 470 million new jobs will need to be created around the world by 2030. In that same year, the total Arab population is expected to reach around 452 million. According to the Arab Development Challenges Report 2011, published by the United Nations Development Programme (UNDP), non-Gulf Cooperation Council Arab countries would need to create 92 million jobs by 2030 in order to achieve full employment, requiring an average annual investment of US\$220 billion.



The Food and Agriculture Organization of the United Nations (FAO) estimates that world demand for food will grow by 35 per cent by 2030, due to population growth and the rising consumption of an expanding middle class. ESCWA predicts that the Arab middle class will include 234 million people by 2030, suggesting that the estimated Arab food gap, put at \$71 billion by the Arab Organization for Agricultural Development, may need to be revised.



The World Economic Forum (WEF) predicts an increase in foreign value-added content in exports for almost all countries in the region. The steady decline in domestic value-added content and consequent growth in extra-regional exports will have a negative impact on employment and growth in the Arab region. As it integrates more into the global value-added landscape, the need for structural transformation in the region will grow.



The World Trade Organization (WTO) predicts that, by 2035, the exports of developing countries will account for 43 per cent of global trade. In that context, the Arab region will need to pursue a collective agenda supporting trade, growth and employment integration.



The Global Peace Index (GPI) report of 2015 estimated the economic impact of violence on the global economy at \$14.3 trillion, equivalent to the combined economies of Brazil, Canada, France, Germany, Spain and the United Kingdom. By 2016, 87 million people from Iraq, Libya, the Syrian Arab Republic and Yemen were directly affected by war and 45 million people were in dire need of humanitarian aid. The intensification of armed violence has led the region to host 47 per cent of the world's displaced persons and 58 per cent of the global total of registered refugees.



According to the World Investment Report 2014, published by the United Nations Conference on Trade and Development (UNCTAD), financing the SDGs will require global investment of \$5 trillion to \$7 trillion per year by 2030. The United Nations Industrial Development Organization (UNIDO) estimates the investment gap at \$2.5 trillion per year. The Arab Stabilization Plan has estimated that infrastructure investments and maintenance in the region until 2020 could run as high as \$106 billion per year, equivalent to 7 per cent of the region's annual gross domestic product (GDP).

II. THEMATIC PLATFORMS AND FORUMS IN THE ARAB REGION

11. There are various platforms and forums for dialogue in the region. They include the World Economic Forum (WEF) on the Middle East and North Africa, the Middle East and North Africa Channel of Euromoney Conferences, and the annual conferences of the Union of Arab Banks (UAB). But none of these are geared for monitoring or enforcing outcomes.

12. The Arab Summits for Economic and Social Development have a normative role that parallels that of the High-level Political Forum. However, there is no intergovernmental or multi-stakeholder equivalent of the Economic and Social Council Forum on Financing for Development Follow-up. The biennial intergovernmental meetings of the Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development provide ESCWA member States with an opportunity to discuss development finance, but they lack a multi-stakeholder dimension. Their recommendations are crafted in such a way as to provide States with policy space in the pursuit of national priorities. That, however, hampers comparative monitoring of results. Development finance recommendations are, nevertheless, regularly monitored through the Commission's intergovernmental machinery, including by the Executive Committee and during ministerial sessions. The intergovernmental meetings format could be developed to include self-evaluations to monitor the implementation of recommendations regarding financing for development.

13. The Regional Coordination Mechanism (RCM) for Arab States aims to ensure coordination of approaches to regional development by United Nations bodies in the region, the League of Arab States, the World Bank, the International Monetary Fund and regional and international funding institutions. Five thematic working groups and a statistics taskforce work under and report to the RCM, but they do not address the action areas of the Action Agenda as a whole.

14. Arab national and regional developmental funds and agencies² provide concessional loans, grants and technical assistance for national and regional development projects across the region. The Coordination Secretariat of the Arab National and Regional Developmental Institutions, the Islamic Development Bank, and the OPEC Fund for International Development (the Coordination Group), which serves as an umbrella forum for 10 such funds, aims to optimize the distribution of funding and assistance and is concerned primarily with operational matters.

III. THE EXPERIENCE OF OTHER REGIONS AND COMMISSIONS

15. The lack of a multi-disciplinary platform dedicated to taking action on all seven action areas of the global financing for development framework leaves the Arab region at a disadvantage in material and knowledge terms with respect to other regions.

16. The Economic and Social Commission for the Pacific (ESCAP) established the High-level Follow-up Dialogue on Financing for Development for Asia and the Pacific, which at its inaugural session in 2016 set out a regional development finance roadmap for achieving the SDGs. The work of this body feeds into that of the Economic and Social Council Forum on Financing for Development Follow-up and the High-level Political Forum.

² Abu Dhabi Fund for Development (ADFD); Kuwait Fund for Arab Economic Development (KFAED); Saudi Fund for Development (SFD); Arab Fund for Economic and Social Development; Islamic Development Bank; OPEC Fund for International Development; Arab Bank for Economic Development in Africa; Arab Gulf Programme for United Nations Development Organizations (AGFUND); Arab Monetary Fund; Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC); Arab Authority for Agricultural Investment and Development (AAAID); Arab Investment Company; Arab Petroleum Investments Corporation (APICORP); Arab Trade Financing Program (ATFP); Gulf Investment Corporation; Inter-Arab Investment Guarantee Corporation (IAIGC); Abu Dhabi Investment Company (ADIC); Kuwait Finance House; Kuwait Investment Company (KIC); Kuwait International Investment Company (KIIC); and the Union of Arab Banks, which comprises more than 330 Arab banking and financial institutions.

17. The Economic Commission for Latin America and the Caribbean (ECLAC) created the Forum of the Countries of Latin America and the Caribbean on Sustainable Development as a regional mechanism to monitor implementation of the 2030 Agenda and the Action Agenda.

18. The Economic Commission for Europe (ECE) also established a regional forum on sustainable development, focusing on peer learning. In addition, the Commission has organized regional consultations on financing for development with the United Nations Development Group for Europe and Central Asia, involving representatives of governments, civil society, the private sector, academia and other international organizations.

19. The Economic Commission for Africa (ECA) hosted the 2017 Africa Regional Forum on Sustainable Development in preparation for the High-level Political Forum meeting later in the year. In 2013, the African Union (AU) launched its ambitious Agenda 2063, a strategic framework for the socioeconomic transformation of the continent. The New Partnership for Africa's Development (NEPAD) was established in 2001 and integrated into the African Union as the NEPAD Planning and Coordination Agency (NEPAD Agency) in 2010. It works to mobilize resources for priority programmes around the continent and monitor their implementation. In 2014, it established, under the auspices of the African Union, the Africa Global Partnership Forum to project the concerns and priorities of Africa into wider global processes.

IV. MANDATES

20. The Action Agenda explicitly sets forth the need for monitoring progress on the achievement of the SDGs and underlines the specific role of United Nations regional commissions in that regard.³ An integrated approach to regional development finance could contribute to enhancing coordination between United Nations entities in support of sustainable development priorities in the Arab region. As the region moves towards a set of common priorities under the proposed Arab Strategic Framework for Sustainable Development, the need arises for parallel convergence with regard to financing for development to ensure that financing serves those priorities.

21. Participants at the 2017 Arab Forum on Sustainable Development, held in May in Rabat, agreed on the need for a regional financing mechanism to support implementation of the 2030 Agenda. Similarly, in the Doha Declaration, ESCWA member States underlined the importance of upgrading institutions and creating mechanisms to finance the 2030 Agenda.⁴

22. Member States also requested that ESCWA produce a document on how to advance regional financing for development as a means of implementing the 2030 Agenda and other regional joint action priorities.

V. AN ARAB FORUM ON FINANCING FOR DEVELOPMENT

23. In the light of the above, an Arab forum on financing for development (AFFD) could play a vital complementary role to that of the Arab Forum on Sustainable Development. The intention of this paper is to provide a basis for discussion on the strategic orientation, objectives and operational issues associated with the establishment of such a forum, building on the political commitment to address the challenge of financing at all levels for sustainable development, as underlined in the Action Agenda (paragraph 1), and on the recognition of the challenges posed by conflict (paragraph 8).

24. Such a forum would meet the call for integrated financing frameworks to support sustainable development strategies, coordinate the role of development banks and other regional financial institutions in providing access to financial services, and encourage regional development banks to promote finance for

³ See General Assembly resolution 69/313, para. 130.

⁴ See E/ESCWA/29/12/Report.

industrial transformation. It could help to expand new financing mechanisms; improve access to markets; concentrate efforts in areas held back by large financing gaps, such as infrastructure, energy, agriculture, industry, and science and technology; contribute to financial inclusion; and encourage the financing of micro, small and medium-sized enterprises. All of those areas are mentioned in the Action Agenda.

25. The forum should serve as a multi-stakeholder platform to discuss financing challenges and to channel all available funds (total official support for sustainable development) into the region's development strategies and priorities, as identified at the national and regional levels by individual States, the Arab Forum on Sustainable Development or the League of Arab States.

26. The structure and format of such a forum entail significant financial implications. Member States are invited to deliberate on the following sequential questions in order to arrive at a consensus on how to take the proposal forward.



