

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

Executive Committee  
Third meeting  
Rabat, 6-7 May 2017

Item 4 (c) of the provisional agenda

**Regional and global issues****Financing for development: progress report on the implementation  
of the ESCWA workplan****Summary**

Financing for development (FfD) issues have garnered considerable attention following the adoption of the Addis Ababa Action Agenda (the Addis Agenda) at the Third International Conference on Financing for Development (Addis Ababa, July 2015). Since then, the Economic and Social Commission for Western Asia (ESCWA) has undertaken a number of activities to follow up on and contribute to implementation of the Addis Agenda, and to help member States in that regard. These activities amount to more than a third of ESCWA activities under its subprogramme 3 on economic development and integration.

This report provides an overview of progress achieved in implementing FfD-related activities since the second meeting of the Executive Committee, covering the period from January 2016 to March 2017. These activities were carried out under the ESCWA programme of work for the biennium 2016-2017 and in the framework the Regular Programme for Technical Cooperation. Participants to the third meeting of the Executive Committee are invited to take note of these activities and provide comments thereon.

**CONTENTS**

	<i>Paragraphs</i>	<i>Page</i>
Introduction .....	1-2	3
<i>Chapter</i>		
<b>I. FOLLOW-UP ON AND CONTRIBUTION TO GLOBAL FFD PROCESSES.....</b>	<b>3-12</b>	<b>3</b>
A. The Forum on FfD of the Economic and Social Council .....	4-6	3
B. The Global Infrastructure Forum.....	7-9	4
C. Contribution to global FfD processes.....	10-12	4
<b>II. FFD ACTIVITIES UNDER THE ESCWA PROGRAMME OF WORK .....</b>	<b>13-28</b>	<b>5</b>
A. Studies .....	13-20	5
B. Thematic activities.....	21-23	6
C. Outreach activities .....	24-28	6
<b>III. FFD ACTIVITIES UNDER THE REGULAR PROGRAMME FOR TECHNICAL COOPERATION .....</b>	<b>29-31</b>	<b>7</b>

## Introduction

1. At its second meeting held in Amman in December 2015, the Executive Committee of the Economic and Social Commission for Western Asia (ESCWA) reviewed the results of the Third International Conference on Financing for Development (FfD - Addis Ababa, July 2015) and their impact on the Arab region. It called for financing efforts to be concentrated on a set of regional priorities. This decision emanated from the fact that the Addis Ababa Action Agenda (hereinafter Addis Agenda)<sup>1</sup> proposed numerous action lines in seven areas. In April 2015, the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development in the Countries of the ESCWA Region had made recommendations on the choice of regional FfD priorities in each of those areas.<sup>2</sup> The subject was again tackled in the Doha Declaration on the Implementation of the 2030 Agenda for Sustainable Development, which was adopted by participants to the twenty-ninth ministerial session of ESCWA on 15 December 2016.

2. This report presents the global processes undertaken to implement the Addis Agenda, then reviews activities undertaken by the ESCWA secretariat on FfD between January 2016 and March 2017. It is submitted to the Executive Committee pursuant to its recommendation that the ESCWA secretariat “present member States with an annual report addressing the implementation of the FfD workplan and technology support”.<sup>3</sup>

### I. FOLLOW-UP ON AND CONTRIBUTION TO GLOBAL FFD PROCESSES

3. Following the adoption of the Addis Agenda, United Nations efforts were geared towards consolidating the organizational setup and processes to monitor, follow up on and review the implementation of activities under the Agenda’s seven action areas.

#### A. THE FORUM ON FFD OF THE ECONOMIC AND SOCIAL COUNCIL

4. The inaugural session of the United Nations Economic and Social Council Forum on FfD was held from 18 to 20 April 2016 in New York. It offered a platform for deliberations among major institutional stakeholders on the three chapters of the Addis Agenda, namely a global framework for financing development post-2015; action areas; and data, monitoring and follow-up. However, the Forum outcome document lacked orientation towards action; it consisted of only four paragraphs that reaffirmed global commitment to full and timely implementation of the Addis Agenda; recognized the link between the FfD framework and the 2030 Agenda; welcomed the publication of the first report of the Inter-Agency Task Force on Financing for Development; and stressed the need for an agreement on modalities and working methods of future Forum sessions.<sup>4</sup>

5. Further global FfD deliberations that took place in 2016 showed signs of growing divergences among stakeholders on (a) the special and differential treatment of countries under occupation; (b) the need to fulfill official development assistance commitments; (c) the reporting mechanism to be adopted for the Global Infrastructure Forum; (d) the policy space needed to implement FfD priorities and the issue of curbing illicit financial flows; and (e) the non-binding commitment to expeditiously conclude the World Trade Organization (WTO) Doha Development Round.

---

<sup>1</sup> Available from [http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA\\_Outcome.pdf](http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf). Outcome document of the Third International Conference on Financing for Development, the Addis Ababa Action Agenda (Addis Agenda) is a global framework for financing sustainable development. It complements the 2030 Agenda for Sustainable Development and its means of implementation through the provision of concrete policies and actions under seven priority areas: domestic public resources; domestic and international private business and finance; international development cooperation; international trade as an engine for development; debt and debt sustainability; addressing systemic issues; and science, technology, innovation and capacity-building.

<sup>2</sup> E/ESCWA/EDID/2015/IG.1/10/Report.

<sup>3</sup> E/ESCWA/2015/EC.2/9/Report, para. 6(e).

<sup>4</sup> Available from [http://www.un.org/esa/ffd/wp-content/uploads/2016/04/2016-FfD-Forum\\_outcome-document-20April2016.pdf](http://www.un.org/esa/ffd/wp-content/uploads/2016/04/2016-FfD-Forum_outcome-document-20April2016.pdf).

6. The 2017 ECOSOC Forum will convene from 22 to 25 May in New York. The agenda includes a review of the second edition of the IATF report on FfD. Conclusions and recommendations should be made to feed into the overall follow-up and review of implementation of the 2030 Agenda, which will be carried out during the High-level Political Forum on Sustainable Development, to be held from 10 to 19 July 2017 in New York.

#### B. THE GLOBAL INFRASTRUCTURE FORUM

7. The Global Infrastructure Forum (GIF) was launched on 16 April 2016, during the Spring Meetings of the International Monetary Fund and the World Bank Group. Multilateral development banks and financial institutions agreed to improve alignment and cooperation between major institutional stakeholders, notably through improvement of data and information exchange; promotion of compatible, efficient approaches to the preparation of infrastructure projects; and blended infrastructure financing.

8. Participants to the GIF also reaffirmed their commitment to partner with the private sector to develop tools for commercial and non-commercial risk mitigation, knowledge-sharing and infrastructure financing, with a view to providing affordable and sustainable infrastructure services.

9. The 2017 GIF is to be held on 22 April under the theme of “Delivering inclusive sustainable infrastructure”. Participants will tackle ways to finance development infrastructure in different regions, including access to domestic and international, public and private sources of financing.

#### C. CONTRIBUTION TO GLOBAL FFD PROCESSES

10. As part of the amendments made to the 2016-2017 ESCWA programme of work pursuant to the adoption of the Addis Agenda, ESCWA became a member of the IATF, which reports annually on progress made in implementing FfD outcomes and the 2030 Agenda, and contributes to intergovernmental follow-up processes on implementation gaps. It capitalized on this membership to undertake several activities, including a policy brief on domestic resource mobilization, the first priority area of the Addis Agenda. The brief assessed trends in domestic public resources in the Arab countries, with a focus on taxation systems. It concluded that large disparities continued to exist between oil-rich and oil-poor countries in terms of revenue mobilization. Available revenues were deemed unsustainable, owing to the downward pressure on oil prices and depletion of oil and gas resources. The challenge highlighted by the brief resides in utilizing revenues and expenditures to achieve transformation, attain long-term stability and meeting the financing needs for SDG implementation.

11. ESCWA also contributed to the 2017 report of the Inter-Agency Task Force (IATF) on FfD. It underscored the importance of regional economic integration in promoting growth and sustainable development, as highlighted in paragraph 87 of the Addis Agenda. It proposed an Arab common citizens economic security space (ACCESS) to further regional integration, which would include a single market to warrant the free mobility of goods, services, investments and labour; and a customs union to harmonize regulations and achieve full cumulation of origin. ACCESS would help to mobilize funds for development in order to bridge regional sectoral financing gaps and achieve the Sustainable Development Goals (SDGs).

12. The New York Declaration for Refugees and Migrants, adopted at the United Nations Summit for Refugees and Migrants on 19 September 2016, launched a process leading to the formulation of a global compact on international migration. In paragraph 111, the Addis Agenda had also recognized that international migration was a multidimensional reality that must be addressed in a coherent, comprehensive and balanced manner, and had emphasized the need to cooperate internationally to ensure safe, orderly and regular migration, with full respect for human rights. Finally, General Assembly resolution 71/237 of 21 December 2016 on international migration and development recognized the positive contribution of migrants to inclusive growth in origin, transit and destination countries, and that remittances constitute an important source of private capital, complement domestic savings and wages, and cannot be equated to other international financial flows. In this context, ESCWA prepared a concept note on the link between the proposed global compact on migration and the Addis Agenda, and the contributions of migrants to growth, advocating for cheaper, faster and safer transfer of remittances, improved market conditions and innovative financing mechanisms. Additional funding was requested so that ESCWA could undertake more activities in that regard.

## II. FFD ACTIVITIES UNDER THE ESCWA PROGRAMME OF WORK

### A. STUDIES

13. ESCWA contributed to the United Nations *World Economic Situation and Prospects 2017* report. In its chapter on developing economies, the report tackles the issues of subdued growth and continuing macroeconomic adjustments in the Western Asia region. It estimates that Arab countries in and affected by conflict have lost a cumulative \$613.8 billion in foregone gross domestic product (GDP) since 2010, amounting to 6 per cent of the region's GDP.

14. The subject of FfD was addressed in chapter 6 on regional integration of the *Arab Development Outlook: Vision 2030*, an ESCWA report issued in early 2016. The chapter assessed the different FfD channels available to the region adopting the development regionalism approach, and proposed strategies to mobilize additional development finance, particularly ACCESS. It stressed the need to rework the objectives, scope and instruments of Arab integration to realize regional integration.

15. Also released in early 2016, the first edition of the *Arab Sustainable Development Report* examined the subject of financing sustainable development in its chapter 6. It reviewed assessments of financing gaps according to income groups, and surveyed the needs and priorities to bridge those gaps. It provided an overview of the main public and private funding sources available. The report concluded that, contrary to expectations, least developed countries may have lower financing needs than middle-income countries, and that the financing gap could be bridged by improving tax systems, introducing subsidy reforms and rationalizing military expenditure.

16. An analytical survey of development finance and means of implementation of the 2030 Agenda in the region was prepared as a contribution to the twenty-ninth ESCWA session (Doha, 13-15 December 2016). The returns and dividends of development finance were assessed. Recommendations were made on pursuing trade liberalization and eliminating non-tariff barriers as a priority. The survey also illustrated the limits of relying on public debt, which provokes debt spirals. It found that tax evasion in the region was generally fuelled by irregular and unfair tax systems. Other FfD channels were also assessed, such as direct investment; tax systems; international private financing; remittances, innovative financing; and public-private partnerships. The survey concluded with recommendations on resource mobilization for achieving the SDGs, some of which were included in the outcome document of the session, the Doha Declaration, in which ESCWA member States reaffirmed their commitment to the Addis Agenda. They recognized that the financing gap for achieving sustainable development was widening in view of public debts. They also stressed the need for all developing countries to fulfil their commitment to allocate 0.7 per cent of GDP to development assistance, noting that the losses suffered by war-torn and conflict-affected countries increased the cost of lost development opportunities.

17. Illicit financial flows (IFFs) received heightened attention in the Addis Agenda, and a series of commitments were made in order to curb them, including combating tax evasion, and enhancing disclosure practices and transparency. In this context, ESCWA embarked on the preparation of its first report on IFFs and trade misinvoicing in the Arab region. The report will tackle IFF patterns and magnitude in the region, and assess available methodology and data sources on trade misinvoicing and balance of payments leakages. It will provide detailed quantitative assessments of trade misinvoicing, including in the context of the Israeli-Palestinian Customs Union and illegal labelling of products. It will also discuss the impact of such assessments on trade, tax and financial analysis undertaken on the region, which usually relies on inaccurate evaluations of imports and exports. The report will finally make recommendations on how to better enforce regional trade agreements and fulfill World Trade Organization commitments by addressing IFFs and trade misinvoicing.

18. The Addis Agenda encouraged United Nations regional commissions to mobilize their expertise and existing mechanisms to help member States to adopt and implement the new FfD framework. In order to measure progress under the seven priority areas and the numerous commitments in a comprehensive manner, ESCWA is currently developing an Arab scorecard on FfD, which will serve as a regional analytical and

quantitative monitoring tool. The Arab scorecard will track the full array of financing sources, channels, datasets and indices (public and private, bilateral, regional and multilateral) that form part of the Total Official Support for Sustainable Development in the region. It will build on methodologies used by the Organisation for Economic Co-operation and Development, the World Bank and the United Nations Department of Economic and Social Affairs to estimate net resource transfers, adapting them to capture regional financial realities. It will notably study inflows, outflows and lost financing opportunities resulting from lending to rich countries, illicit outflows, profits taken out by foreign investors, interest repayments on foreign debt, etc.

19. A study was also undertaken on “Financing the SDGs in the Arab region” to provide an updated estimation of the financing needs to achieve the SDGs by 2030 in the Arab region. It employed a statistical forecasting methodology to estimate future sources and levels of inflows, based on those that the region had traditionally relied on, such as foreign direct investments, remittances, official development assistance. The study also examined innovative sources, such as green bonds, Islamic *sukuk* and public-private partnerships. It found that, in 2016, the financing needs of Arab countries ranged between \$3.77 billion and \$4.38 billion, and concluded with a recommendation on the need to increase capitalization levels in order to generate smart growth and achieve higher levels of productive employment.

20. Another study on “Assessing the financing gap in the Arab region” was carried out, using, for comparability purposes, the same methodology that had been adopted to produce the chapter on financing gaps of the *Survey of Economic and Social Developments in the Arab Region 2013-2014*. It used 2015 data and concluded that the capital flows required to sustain an annual 7 per cent output growth rate (as prescribed under SDG 8.1) in Arab middle-income countries, excluding conflict afflicted ones, amounted to \$105.5 billion. Comparing these updated results with those of the Survey, the study found that, due to severe structural deficits and changes in the flows of traditional sources of finance, the financing gap in the Arab region witnessed a 46 per cent increase between 2009 and 2015.

#### B. THEMATIC ACTIVITIES

21. An expert group meeting (EGM) on regional financial integration was held in Beirut, on 24 November 2016, to discuss the opportunities and challenges of deeper financial integration in the Arab region, in the context of a rapidly evolving financial landscape. Participants focused on the banking sector and the main regulations and barriers that contributed to the poor level of financial integration, and defined new areas for future research.

22. ESCWA contributed to the Midterm review of the Istanbul Plan of Action for Least Developed Countries, which took place in Antalya, Turkey, from 27 to 29 May 2016. It highlighted the specific challenges of Arab least developed countries, which are particularly vulnerable due to their dependence on natural resources and their limited resilience to conflicts and natural hazards. With the end of the commodity boom, these countries face declining capital inflows, and rising debt and fiscal pressures. Official development assistance remains key to build their capacities and support their efforts towards sustainable development.

23. An EGM will be held in May 2017 to discuss the first edition of the ESCWA report on IFFs in the Arab region. It will serve to review the key findings of the report and assess the adopted methodology to measure trade misinvoicing. Discussions will touch on new approaches to finance sustainable development, notably curbing illicit financial flows and trade misinvoicing.

#### C. OUTREACH ACTIVITIES

24. As part of outreach activities on FfD, ESCWA participated in the forty-second session of the Conference of the Chambers of Commerce, Industry and Agriculture for Arab countries, held in Beirut on 23 and 24 March 2016. The representative of the secretariat presented progress achieved in the implementation of key action lines of the Addis Agenda, including domestic resource mobilization, international development cooperation, remittances, foreign direct investment and intraregional trade.

25. ESCWA addressed the topic of financial inclusion in Jordan at the Euromoney Jordan Conference held, held on 22 March 2017 under the theme “Meeting the financial challenge”, in Amman. It recommended the enhancement of provision of credit guarantees and of lending programmes tailored to the needs of the poorer segments of the population, and the promotion of healthy competition, efficient regulation and innovation, such as mobile banking.

26. ESCWA also took part in the SME Finance and Alternative Means of Funding event, which was held at the sidelines of the Global Entrepreneurship Week, on 16 November 2016 in Beirut. It identified the challenges facing small and middle-sized enterprises (SMEs) in the Arab region, including macroeconomic and regulatory factors and the nature of the business and trade environments. It proposed the development of four projects in the context of ACCESS to facilitate financial inclusion: an SME observatory, an SME fund, an initiative on industrial mapping and rules of origin, and an SME accreditation body.

27. At the Annual Arab Banking Conference held on 24 and 25 November 2016 in Beirut, ESCWA stressed the need for enhanced cooperation among Arab banks, whose investments should be rechanneled into the Arab region. Efforts should be exerted to curb illicit financial outflows and tax evasion, and articulate a region-wide strategy to enhance financial inclusion.

28. ESCWA also participated in the Annual Conference of the Arab Thought Foundation ‘FIKR 15’, which took place in Abu Dhabi, United Arab Emirates, from 12 to 14 December 2016. The event was held under the theme of “Arab economic integration”. The representative of the secretariat provided an account of the pathways to mobilize regional FfD means through ACCESS. Calculations based on a computable general equilibrium model indicated, for example, that that the regional GDP would increase by \$750 billion by 2020.

### **III. FFD ACTIVITIES UNDER THE REGULAR PROGRAMME FOR TECHNICAL COOPERATION**

29. The ESCWA secretariat received several technical cooperation requests from member States after the adoption of the Addis Agenda, five of which focused on international taxation, practices in the context of the Base Erosion and Profit Shifting (BEPS) Project, and review of double taxation agreements. However, due to a lack of resources, only two workshops could be held in the period under review.

30. A regional workshop on international taxation and avoidance of double taxation agreements was held in March 2016, in Manama. It aimed at strengthening the capacity of participants in dealing with tax treaties and addressing tax avoidance issues. International experts reviewed the latest developments in that area, including the taxation of cross-border permanent establishments and the treatment of base-eroding payments of interest. Participants requested that another advanced workshop be held on the matter. The activity could be carried out during the last quarter of 2017, subject to availability of resources.

31. A national workshop on international taxation, base erosion and profit shifting was held in February 2017 in Cairo, in partnership with the Egyptian Ministry of Finance and Tax Authority. The workshop aimed at forming a team of national experts who would undertake an extensive review of all treaties on avoidance of double taxation signed by Egypt. It reviewed international taxation concepts and their application to the Egyptian context, and included a discussion of case studies, best practices and in-depth tutorials on the new FfD global framework, its implications on base erosion and profit shifting in the Arab region, the region’s perspective on international taxation, and the negotiation of international tax treaties.

-----