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Committee on Liberalization of Foreign Trade, Economic
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Item 4 (a) of the provisional agenda

Actions taken in the field of financing for development**Implementation of recommendations made by
the Committee at its previous session****Summary**

The Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development began addressing financing for development issues at its sixth session in 2007, pursuant to a recommendation made by member States at its fifth session. Financing for development gained prominence after the adoption of the Addis Ababa Action Agenda at the Third International Conference on Financing for Development in 2015. Since then, the Economic and Social Commission for Western Asia (ESCWA) has undertaken a series of activities and interventions to follow up, monitor and contribute to the implementation of the new global financing for development framework. Those activities account for over a third of the interventions undertaken pursuant to ESCWA subprogramme 3 on economic development and integration.

The present document sets out the activities undertaken by the ESCWA secretariat in the field of financing for development, pursuant to recommendations made by the Committee at its ninth session. ESCWA member States are invited to take note of those activities and provide comments thereon.

Introduction

1. At its ninth session, held in Amman on 7 and 8 April 2015, the Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development adopted a series of recommendations addressed to the secretariat of the Economic and Social Commission for Western Asia (ESCWA) and its member States.

2. The recommendations to member States emphasized the need to safeguard the interests of Arab countries at the Third International Conference on Financing for Development (Addis Ababa, 13-16 July 2015); ensure that the concerns and aspirations of Arab countries were reflected in the Conference's outcome document; achieve political stability; enhance accountability and transparency; improve public finance management as a basic requirement of financing for development; reduce the cost of transferring funds; develop competitive banking systems and practices; update and simplify tax systems, reduce tax burdens and limit tax evasion; and mobilize national savings by adopting appropriate fiscal and monetary policies that stimulate domestic productive capacities.

3. The present document reviews the activities undertaken by ESCWA in the field of financing for development, pursuant to the recommendations issued by the Committee at its ninth session on implementing subprogramme 3 on economic development and integration of the ESCWA strategic framework for the biennium 2016-2017.

IMPLEMENTATION OF RECOMMENDATIONS ADDRESSED TO THE ESCWA SECRETARIAT

Recommendation (a)

To implement necessary activities to strengthen financing for development under subprogramme 3 on economic development and integration of the ESCWA proposed programme of work for the biennium 2016-2017; be flexible in re-identifying objectives set out in the programme of work in view of related upcoming international events; and focus on the needs of less developed Arab countries.

Actions taken

4. ESCWA introduced a series of updates to its programme of work to match the objectives and commitments arising from the Addis Ababa Action Agenda on financing for development. Those updates broadened the scope of the initial programme of work to capture the seven priority areas of the Action Agenda. The following activities and interventions in the field of financing for development have been undertaken since the ninth session of the Committee:

- (a) Substantive contributions on financing for development:
 - (i) ESCWA provided the following three substantive contributions as inputs to the Economic and Social Council's forum on financing for development follow-up (New York, 22-25 May 2017) and the High-level Political Forum on Sustainable Development (New York, 10-19 July 2017): a substantive technical paper on regional financing solutions, which was incorporated into the 2017 Inter-Agency Task Force on Financing for Development report of financing for development progress and prospects; a policy-brief on domestic resource mobilization; and a key-address entitled "From financing to empowerment: Islamic finance as an enabler in eradicating poverty", given during a side-event at the High-level Political Forum (New York, 14 July 2017);
 - (ii) ESCWA submitted a concept note to the Economic and Social Council on the migration-remittances nexus. The concept note also prepares member States for an inter-governmental

conference on the global compact for safe, orderly and regular migration, to be held in 2018. In the concept note, ESCWA confirms that migration issues would be tackled alongside financial contributions from migrants' remittances, especially with regard to the Arab region;

- (iii) ESCWA provided a regional perspective on the challenges facing financing for development mobilization to propel Arab interests at the annual high-level meeting of Bretton Woods institutions, including the United Nations, the World Bank, the International Monetary Fund and the World Trade Organization (Washington, April 2017);
- (iv) ESCWA participated in the Jordan chapter of the Euromoney Conference (Amman, 22 March 2017), where it presented its recommendations on the follow-up and monitoring of the Action Agenda, including promoting activities of small and medium enterprises (SME) and their financial inclusion to support employment and growth;
- (v) ESCWA participated in the fifteenth annual conference of the Arab Thought Foundation (Qatar, 12-14 December 2016) to highlight the financial gains that could be accrued by deepening regional integration, as prescribed by the Action Agenda;
- (vi) ESCWA was requested to present its findings on the challenges facing small and medium enterprises in the Arab region at the Global SME Finance Forum (Beirut, 16 November 2017);
- (vii) ESCWA participated in the annual Arab Banking Conference (Beirut, 24-25 November 2016) to address the role of the Arab banking sector in financing for development. Several proposals suggested by ESCWA were adopted by the Conference, including the need for Arab banks to re-channel their investments, establish an Arab banking conglomerate, and revitalize efforts aimed at curbing illicit financial outflows;
- (viii) ESCWA shared a set of key messages on the status and challenges of financing for development in the Arab region during the meeting of principles of the Executive Committee on Economic and Social Affairs Plus (ECESA Plus) held at the United Nations Headquarters (New York, 19 July 2016);
- (ix) ESCWA participated in the forty-second annual session of the Conference of the Chamber of Commerce, Industry and Agriculture (Beirut, 23-24 March 2016). It gave a presentation on the key features of the global financing for development framework, and the opportunities and challenges it raises for trade, investment and financing in the Arab region.

(b) Expert group meetings:

5. ESCWA organized the following two meetings of regional and international experts to discuss all elements of financing development, including the priorities highlighted in the outcome document of the twenty-ninth ESCWA session (Doha, 13-15 December 2016):

- (i) An expert group meeting on illicit financial flows and trade misinvoicing (Beirut, 8-9 May 2017). Participants discussed Arab countries' commitments in that regard and related commitments by the international community under the Action Agenda. They also considered proposed methodologies to measure illicit financial flows, and the preliminary findings on the issue for the Arab region;
- (ii) An expert group meeting on developing a regional toolbox to monitor financing for development outcomes in the Arab region (9 May 2017). The meeting adopted the Arab Financing for Development Scorecard, developed by ESCWA as a tool to measure the transboundary financial resources available for implementing the SDGs. The meeting also discussed challenges in monitoring the new global financing for development framework.

(c) Substantive technical contributions under the amended programme of work:

6. ESCWA provided the following substantive contributions to United Nations flagship publications on financing for development:

- (i) ESCWA contributed to the preparation of the United Nations World Economic Situation and Prospects 2017 report. In the chapter on developing economies, the ESCWA contribution tackled the subdued growth and fiscal implications arising from conflict in the Arab region;
- (ii) ESCWA tackled the regional dimensions of financing development in the Arab region as part of its regional integration vision, set out in Arab Development Outlook: Vision 2030;
- (iii) In the first edition of its Arab Sustainable Development Report (2015), ESCWA dedicated a chapter to examine the pathways to financing sustainable development in the Arab region;
- (iv) At its twenty-ninth session in December 2016, ESCWA presented an analytical survey on development finance and the means and challenges of implementation of the 2030 Agenda in the region;
- (v) ESCWA contributed to the midterm review of the Istanbul Plan of Action for the Least Developed Countries for the Decade 2011-2020, highlighting its efforts to overcome the challenges facing Arab least developed countries;
- (vi) ESCWA is preparing a report on illicit financial flows and trade misinvoicing in the Arab region. The report presents a quantitative and qualitative analysis of trade misinvoicing patterns and magnitude, and their adverse impacts on domestic resource mobilization.

Recommendation (b)

To adopt analytical scenarios that take into account policy changes at the national and regional levels (i) to bridge the financing gap to complement the concerted efforts of the secretariat (ii) to measure the gap in the Arab region.

Actions taken

7. ESCWA prepared the following two empirical studies (to be published by the end of 2017) to respond to this recommendation:

- (i) The first study focuses on providing an estimate of the financing needs associated with achieving the SDGs in the Arab region by 2030, using a quantitative model to estimate cumulative fixed capital;
- (ii) The second study focuses on assessing the financing gap in the Arab region, by providing an update of the 2015 estimations using the two-gap balance of payment constrained growth model which has been used in the 2013 ESCWA Survey of Economic and Social Developments in the Arab Region to estimate the financing gap in the region.

Recommendation (c)

To submit to the Arab Group in New York the amended document containing key priorities for the Arab region, to be presented at the Third International Conference on Financing for Development, given the document's importance in determining the Arab position; and continue supporting the Arab position in the next stages.

Actions taken

8. ESCWA shared the positions of member States with the Arab Group in New York on several occasions, including at the High-level Political Forum on Sustainable Development in July 2017. ESCWA published key

Arab financing for development priorities in the report of the ninth session of the Committee. These key priorities have also been published on the ESCWA website.¹

9. ESCWA has continued to support Arab priorities and interests at regional and international events. ESCWA is an active member of the Inter-Agency Task Force, where it voices the Arab position on financing for development issues, including through its participation (via video conference) in several Inter-Agency Task Force meetings on thematic issues pertaining to financing for development, notably the expert group meetings organized by the Department of Economic and Social Affairs on trade-based illicit financial flows,² and on developing a single measure for total official support for sustainable development,³ as prescribed by the Action Agenda. ESCWA also worked on implementing this recommendation by participating in the meeting of the United Nations Executive Committee on Economic and Social Affairs plus (ECESA plus), and by formulating several communications on the financing for development challenges facing the region discussed at the above-mentioned annual high-level meeting of the Bretton Woods institutions.

Recommendation (d)

To follow up on the recommendations issued at the Third International Conference on Financing for Development and assist member States in their implementation.

Actions taken

10. To further ensure that Arab positions and interests are followed up, ESCWA requested membership of task force clusters responsible for preparing the 2017 report of the Inter-Agency Task Force on Financing for Development, which informed the Financing for Development Forum of the Economic and Social Council. Two priority areas were identified for follow-up, on which ESCWA provided substantive contributions reflecting the Arab region's stances and priorities (domestic resource mobilization, and trade as an engine for growth). ESCWA inputs have been captured in the 2017 report and online annex of the Inter-Agency Task Force.

11. ESCWA provided input to the 2017 Arab Forum on Sustainable Development (Rabat, 3-5 May 2017), specifically through a background paper entitled "Implementing the 2030 Agenda for Sustainable Development: unlocking the potential of means of implementation at the regional level". The paper aimed to ensure the effective follow-up of the financing for development and the 2030 Agenda processes at the regional level.

12. ESCWA prepared the Arab Financing for Development Scorecard to measure progress in implementing financing for development commitments, and their returns for the region. The Scorecard is a regional analytical compendium to monitor and follow up on the dynamics of the new global financing for development framework, and its implications at the regional and national levels. The Scorecard takes into account the full array of financing resources, channels, datasets and indices proposed to contextualize the new global financing for development framework. To develop the scorecard, ESCWA prepared the following technical papers:

- A paper on domestic resource mobilization shows that there are limits to what the Arab region can do by solely relying on the mobilization of domestic resources to finance sustainable development and the SDGs. Given the high public deficits and the level of public and publicly guaranteed debts, excessive reliance on indirect taxation might adversely impact welfare and socioeconomic conditions;

¹ ESCWA, 2015, Third International Conference on Financing for Development: Key priorities for the Arab region. Available from <http://css.escwa.org.lb/EDGD/3607/1500216.pdf>.

² http://www.un.org/esa/ffd/wp-content/uploads/2017/02/IATF-Illicit-Financial-Flows-meeting-summary_final.pdf.

³ http://www.un.org/esa/ffd/wp-content/uploads/2017/02/IATF-Meeting-on-TOSSD_5-Dec-16_Summary.pdf.

- A paper on international public and private finance finds that current levels of domestic and international private finance are insufficient to fill the investment gap, and to achieve Arab sustainable development in its three dimensions. Efforts to ensure a sustained flow of these resources have given way to beggar-thy-neighbour incentives and fiscal schemes that further erode fiscal consolidation efforts;
- A paper on trade as an engine for growth and finance finds that the Arab region is not entirely at liberty to take advantage of the normative trade tools and policies enshrined in the Action Agenda. To do so, it must develop a regional and multilateral roadmap to adopt a strategy on trade equality (rather than trade justice), and give priority to the Arab regional integration agenda;
- A paper on international development cooperation finds that the Arab region is at a crossroads, as it remains both a source and a destination for official development assistance. The political and security challenges facing the region require continued efforts by donors to meet their official development assistance commitments, and provide additional financing to meet the growing humanitarian assistance gap;
- A paper on debt and debt sustainability finds that neither the current debt trends nor their projected trajectories can be regarded as stationary. The current political and security issues have effectively raised the cost of sovereign borrowing for the Arab region.

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

- A regional workshop on international taxation and avoidance of double taxation agreements was held in Manama, in March 2016. The workshop aimed to advance the regional financing for development agenda, and to strengthen the capacity of participants in dealing with tax treaties and 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, if resources allowed;
- A national workshop on international taxation, base erosion and profit shifting was held in Cairo from 20 to 23 February 2017, in partnership with the Egyptian Ministry of Finance and Tax Authority. The workshop aimed to form a team of national experts to undertake an extensive review of all treaties signed by Egypt on avoidance of double taxation. It reviewed international taxation concepts and their application to the Egyptian context, and included case studies, best practices and detailed tutorials on the new financing for development 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.

Recommendation (e)

To prepare further technical studies on innovative financing, green economy and the Arab road map for green economy investment, the effects of using workers' remittances as a source of financing for development, public-private partnerships, enhancing the efficiency of public spending and extending the coverage of financial services.

Actions taken

14. The General Assembly endorsed the Secretary-General's report on supporting the implementation of the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, including ESCWA proposals. The General Assembly recognized the need for programme budget implications to be made available to aid ESCWA in the delivery of the

mandates set out under the Action Agenda, and to support the 2018-2019 programme of work, thus enabling it to prepare the required technical studies on the multiple dimensions of financing development including those linked to innovative financing and other regional priorities;

15. Over the past two years, ESCWA has established a conceptual foundation to support member States in identifying practical policies and programmes to enhance the impact of remittances on financing for development. ESCWA also prepared a project proposal to strengthen the capacity of Arab countries in mobilizing remittances for financing for development, to be funded through extrabudgetary sources and/or through ESCWA member contributions.

Recommendation (f)

To coordinate with regional development funds to ensure coordinated proposals, activities and work programmes by employing existing coordination mechanism between these funds.

Actions taken

16. ESCWA took part in a consultative forum organized by the Islamic Development Bank with regional coordination organizations and regional economic commissions, held in Jeddah, Saudi Arabia, on 14 and 15 May 2017. Through bilateral exchanges, it was agreed that ESCWA would organize a meeting in Beirut involving several Arab regional coordination organizations, including the League of Arab States, to discuss priority projects that may be eligible for Islamic Development Bank funding and implementation by the regional economic commissions. Preparations are ongoing in that regard.

17. ESCWA held sessions of the Arab Forum on Sustainable Development in 2016 and 2017. The Arab Forum provides an opportunity for Arab countries and sustainable development stakeholders, including regional development funds, to exchange experiences, expertise and lessons learned on national and regional accomplishments, and on future work priorities in view of key regional development opportunities and challenges. The Arab Forum recognized the need for a regional mechanism to ensure consensus over the means of implementation of the 2030 Agenda, including the means for regional collaboration to reinvigorate pledges and uphold commitments. The Forum also called for the establishment of permanent mechanisms to promote financing for development through partnerships and mutual responsibility, to bridge the financing gap in the region.

18. ESCWA prepared a concept note on the establishment of an Arab financing for development forum. This proposal also responds to a recommendation in the outcome document (Doha Declaration on the Implementation of the 2030 Agenda for Sustainable Development) adopted by member States at the twenty-ninth ESCWA session. The Committee will consider the concept note at its current eleventh session.

Recommendation (g)

To complete, in the shortest delay possible, a detailed study on the potential to establish a bank for reconstruction and development in the Arab region aimed at mobilizing financial and technical resources to finance sustainable development in the Arab region.

Actions taken

19. ESCWA prepared a concept note on the proposed establishment of an Arab bank for reconstruction and development, which was shared with the League of Arab States to explore possible collaboration. In tandem, an internal concept note was prepared to identify the budgetary resources needed to undertake a detailed study and prepare the project documents to outline the funding, sourcing, structure and operating capital required to establish the bank. However, due to financial constraints, the proposal has not been implemented as it requires direct financing from member States.

Recommendation (h)

To continue conducting analytical studies on the effects of unilateral economic sanctions imposed on some Arab countries, focusing on their regional consequences.

Actions taken

20. ESCWA provided substantive commentary on the 2013-2016 evaluation and review and common country analysis prepared for the Sudan by the United Nations Development Assistance Framework. The following issues were highlighted by ESCWA as possible areas for collaboration with the Sudan, subject to resource availability: limited market access, high production costs, and poor infrastructure.
