



UNITED NATIONS

الاستقوا
ESCWA

The State of Financing **for** Development

The Arab Scorecard



First Session

COMMITTEE ON
FINANCING **FOR**
DEVELOPMENT

10-11 December 2019, Amman- Jordan

Systemic Risks and Regional Contexts

Domestic & International
Private Finance
التمويل الدولي والوطني الخاص

Trade
as an Engine
for Development
التجارة كمحرك للتنمية

Domestic Public
Resources
الموارد العامة الوطنية

International Development
Cooperation
التعاون الإنمائي الدولي

Debt & Debt
Sustainability
الديون واستدامتها

The Financing for Development Framework

Fiscal Policy

Domestic Revenue Generation | Taxation

السياسة المالية

تعبئة الموارد المحلية (الضرائب)

Is there an optimal tax policy?

The optimal choice of tax regime differs depending on administrative Capacity and Compliance

تقدير كفاءة النظم الضريبية يتوقف على قدرات التحصيل ومستويات الامتثال وعدالة السياسة المالية برمتها



1- Not all taxes are created equal

لكل ضريبة أثر وعبء وغرض وعائد مختلف

2- Low tax fairness pushes economic activity into informality

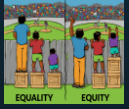
قصور العدالة الضريبية يغذي الاقتصاد غير المنظم

3-The 'Inconsistent Tax Quartet'...

رباعي غير متسق

Equality | المساواة

Personal Income Taxes (PIT)



Efficiency | الكفاءة

Trade and Consumption Taxes



Effectiveness - Transparency | الفاعلية والشفافية

Corporate Income Taxes (CIT)

Value Added Taxes (VAT)



Compliance | الامتثال

Increasing taxes without a commensurate increase in collection capacity/enforcement prompts tax-based IFFs



What do the numbers tell us:

مقتطفات: نتائج التحليلات الكمية

Tax Buoyancy

GDP growth doesn't translate to a commensurate rise in tax revenues.

Strength
Enhance Tax Efficiency & Compliance

Tax Structure

Oil rich: Oil accounts for 3/4 of revenues (1%-5% of GDP); VAT...2% GDP
Oil-poor: Tax share (75%), but revenues less than peers;
Indirect taxes: major source of revenues (45%), regressive with efficiency costs.
Trade taxes are falling: 11%...ACU!

Weakness
Overcome Tax (In)Equality & (In)Efficiency

Tax Effort

Inequality after taxation is as high as before taxation;
6% of GDP gains if the informal sector was brought under statutory taxation.

Opportunities
Enhance Tax Equality & Effectiveness

Tax Compliance

Tax avoidance
Trade taxes lost due to import-underinvoicing (\$27.8 bn./year)
VAT collection efficiency (hard to tax sectors & professions).

Threats
Overcome Tax Compliance & Administration

For every \$1 mobilized in taxes ... 10¢ are lost due to tax avoidance;
Trade taxes foregone on \$27.8 billion worth of goods;
'xXx' due to tax evasion (Panama papers, Bahama Leaks..)



IFFs!

**\$60-
\$77.5**

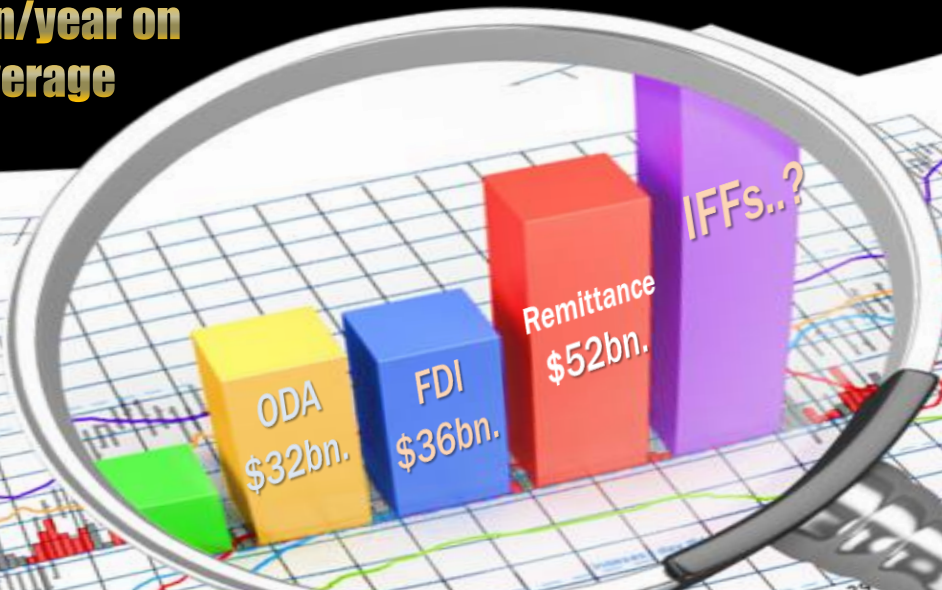
**billion/year on
average**

**8¢ on every \$
in trade is lost due to**

Illicit Financial Flows



**Trade misinvoicing is a dominant
form of leakage to finance
development**



The Beirut Consensus

International & Domestic Private Finance

Cross-Border Capital Flows | Foreign Direct Investment

\$1.3 TRILLION in 2018

\$1.5 trillion in 2017

Arab Region
(22 Countries)

DEVELOPING
(152 Economies)

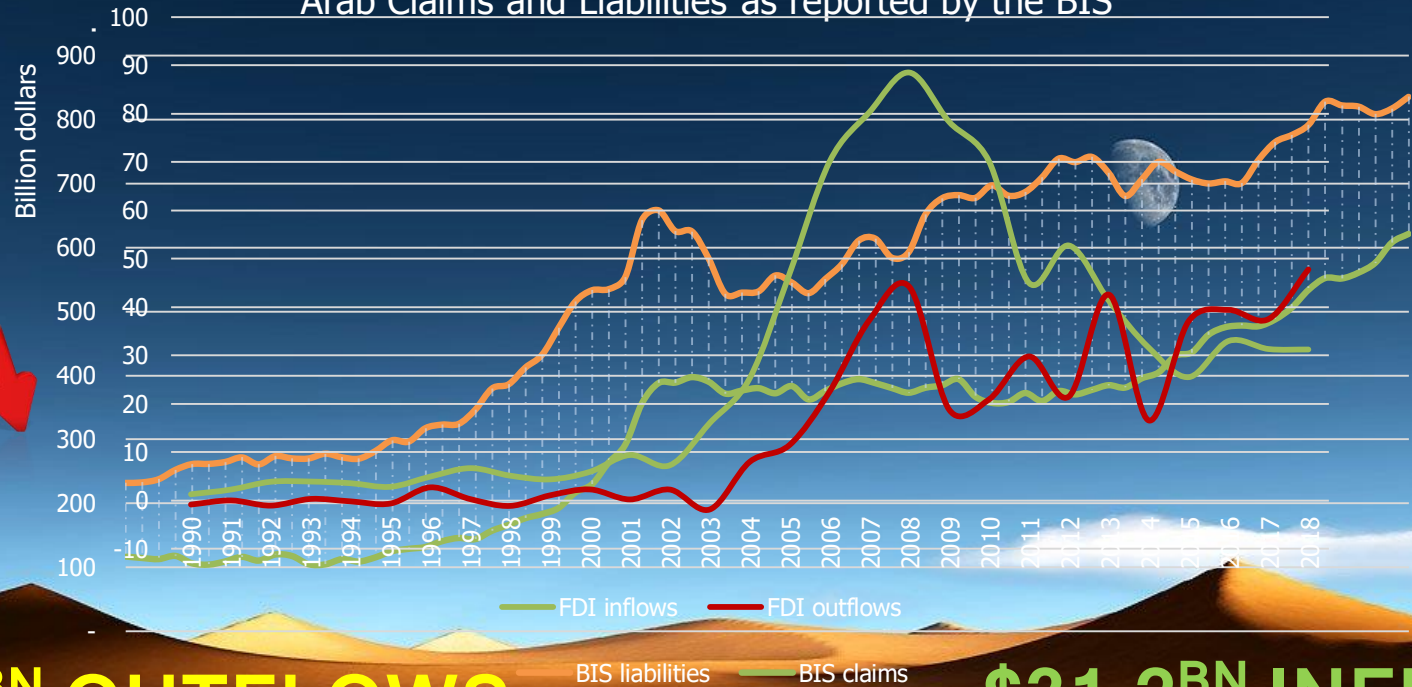
DEVELOPED
(39 Countries)



International & Domestic Private Finance

Cross-Border Capital Flows | Foreign Direct Investment

Foreign Direct Investment in the Arab Region
Arab Claims and Liabilities as reported by the BIS



\$47.8^{BN} OUTFLOWS

\$31.2^{BN} INFLOWS

\$215 billion net lending to international banks

International & Domestic Private Finance

Cross-Border Capital Flows | Remittances

258 Million Migrants
\$682.6 billion



Cost of bank transfers
10.3%



Cost of post transfers
8.09%



Average global cost of sending remittance
6.84%



\$1 for every
\$2 generated in remittance,
are repatriated to other regions.

International & Domestic Private Finance

Cross-Border Capital Flows | Remittances

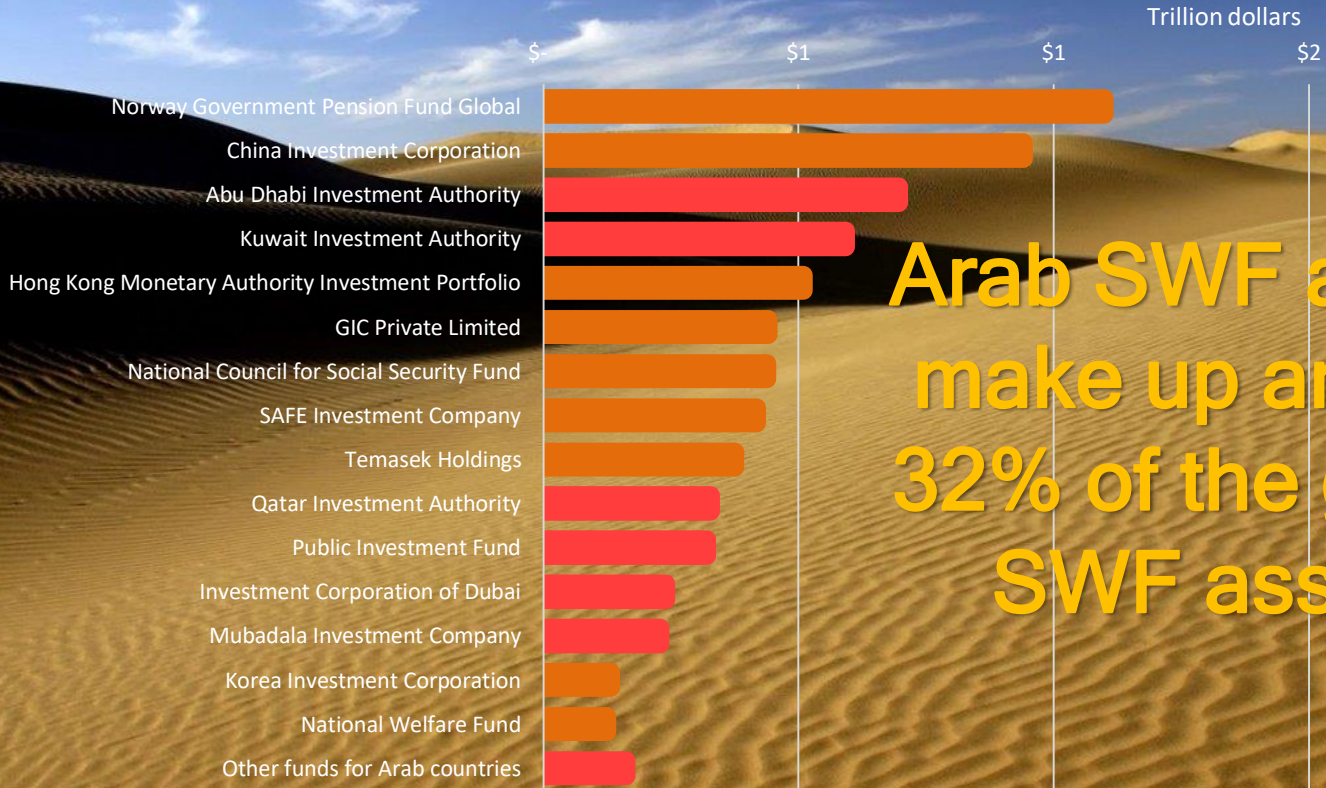
Arab region



Remittances
EXCEED
Net FDI + ODA

International & Domestic Private Finance

Total Assets of the Top 10 Sovereign Wealth Funds



Arab SWF assets
make up around
32% of the global
SWF assets

International Development Cooperation

Official Development Assistance (ODA)

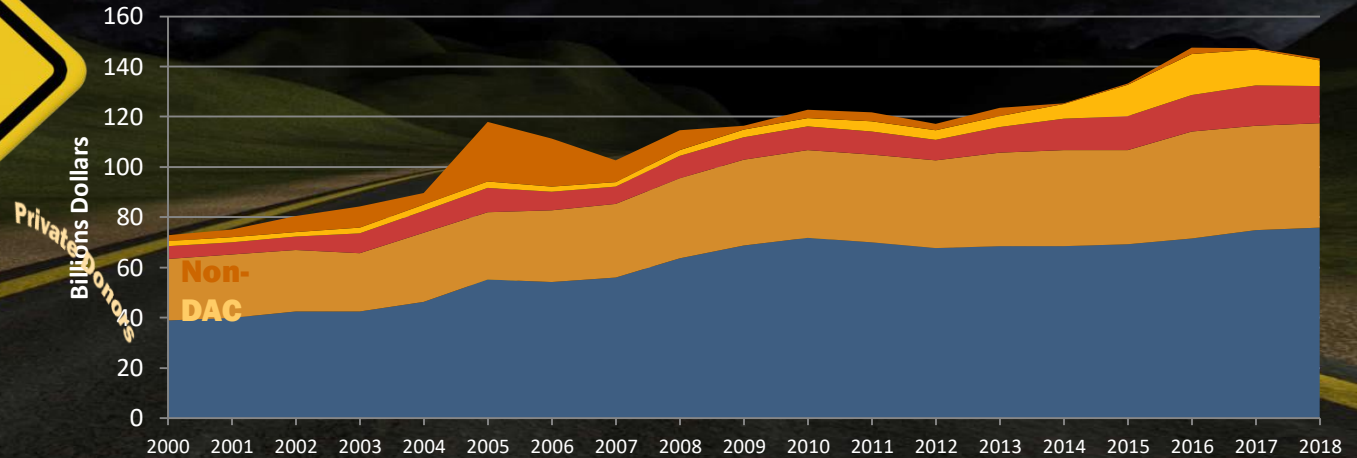


For every **1\$** the region received in ODA inflows, **87¢** were returned as ODA elsewhere.

International Development Cooperation

Official Development Assistance (ODA)

Net ODA from DAC donors, by components, 2000-2018
(2017 constant prices)



- Bilateral development projects, programmes and technical co-operation
- Multilateral ODA
- Humanitarian aid
- In-donor refugee costs
- Net debt relief grants

International Trade an Engine for Growth

COMMITMENTS TO ADVANCE TRADE-FINANCE & GROWTH NEXUS

65 التزام وتعهد دولي لتسخير التجارة كأداة لتمويل التنمية

Inclusive and equitable Multilateral Trading System
 نظام تجاري متعدد الأطراف يتسم بالشمول ويكفل المساواة

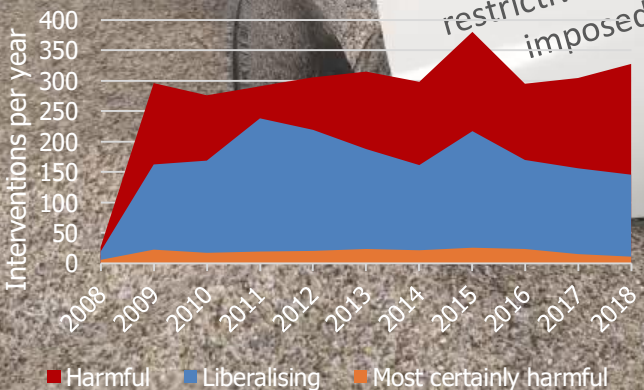
Conclude the Doha Development Round
 إنهاء جولة الدوحة التنموية وتجسيد اعتبارات التنمية المستدامة

Trade Tensions
 توترات وصراعات تجارية
 410 مليار قيمة أضرار الصراع الأمريكي الصيني

Trade Protectionism
 تدابير حمائية
 تزايد التعريفات 7 أضعاف وتدابير حمائية بقيمة 588 مليار مقابل إجراءات تسهيل التجارة بقيمة 295 مليار دولار

Trade Remedy Measures
 تدابير وقائية، إجراءات تعويضية
 تعهدات سعرية بقيمة 93 مليار دولار

Trade Finance Gap
 نقص في التمويل المتاح للتجارة 1.5 تريليون دولار (14 تريليون دولار لتمويل تجارة تقدر بنحو 17.5 تريليون)



More than 1000 restrictive barriers imposed
 Harmful trade intervention are 1.5x greater than trade liberalizing interventions

التجارة العربية

صادرات: **923** مليار دولار صادرات منها **475** مليار صادرات غير نفطية (**51%**)
114 مليار دولار صادرات عربية بينية (12% أو 30% من الصادرات غير النفطية)

واردات: **807** مليار دولار منها **20** مليار دولار واردات نفطية

أين تحرير تجارة الخدمات

الاتفاق على الإطار دون جداول التحرير
رغم أنه بعضها محرر مع أطراف أجنبية

لماذا يتعثر قيام الاتحاد الجمركي

رغم وجود فرص لقيام فضاء
للأمن الاقتصادي العربي

عوائق تجارية

قواعد تفصيلية للمنشأ

تطبق في التجارة غير العربية .. ولكن هل هناك
جدوى منها بعد اكتمال الاتحاد الجمركي العربي

قيود غير جمركية

تفرض على 40% من الصادرات البينية

إمكانات تصديرية غير مستغلة

131 مليار دولار

Vision 2030

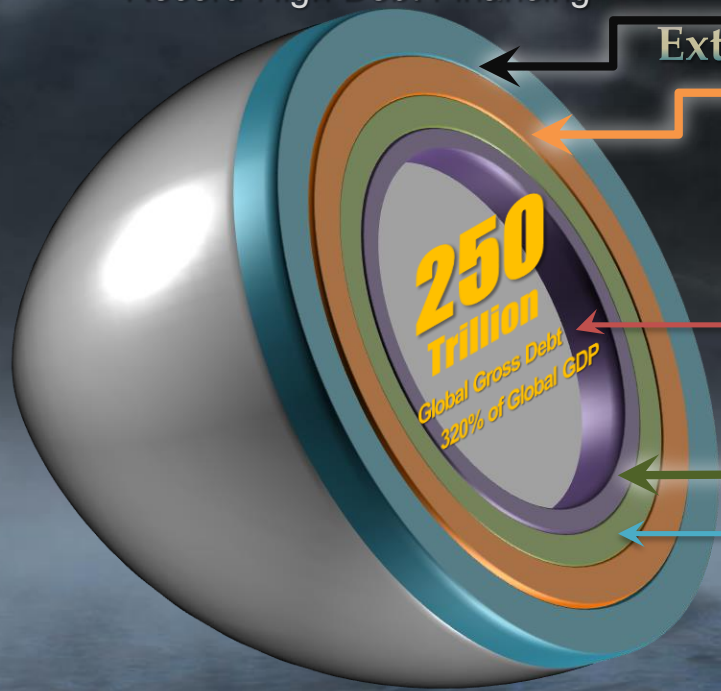


'ACCESS'

Debt & Debt Sustainability

The Global Debt Bubble

Record High Debt Financing



\$7.8 Trillion

External Debt- Developing Countries↑

\$1.2 Trillion

Gross Arab Debt↑

\$247 bn. Net debt inflows (Arab)

(\$529 bn. Net inflows in 2018)

IMF & Official Creditors

Declined from 35% to 16% between 2000-2018

\$344 billion

External Arab Debt

A 7% increase (\$21.6 bn.) in 2018



Equivalent to Arab public and private debt

Debt & Debt Sustainability

The Arab Debt Bubble

Record High Debt Financing

Total External Debt Stock, Arab Region, Non-Oil Economies

