

الأمم المتحدة  
اللجنة الاقتصادية والاجتماعية لغربي آسيا

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for Western Asia



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## **Third International Conference on Financing for Development**

### **Key priorities for the Arab region**

1. In September 2015, the international community will adopt the post-2015 development agenda, including the sustainable development goals. It is a universal and inclusive agenda aimed at eradicating poverty and hunger and achieving economic growth and transformation, while protecting the environment, ensuring peace and realizing human rights. The successful implementation of such an ambitious agenda lies with Member States, and hinges upon reaching consensus on policy, financing, technology transfer, capacity-building and systemic issues at the third International Conference on Financing for Development, to be held in Addis Ababa from 13 to 16 July 2015. The Conference builds on the Monterrey Consensus of the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and the Doha Declaration issued by the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008.
2. Although the Arab region shares the concerns of other developing regions on financing for development issues, it has its own additional challenges and priorities. For example, it is beset by the Israeli occupation of Palestine and other Arab lands that has continued unabated for almost half a century in violation of international law, which not only deprives Palestinians of their inalienable and basic rights, including the right to development, but also negatively affects the stability of the whole region, thus arresting its development and jeopardizing global peace.
3. The Arab region also faces many socioeconomic challenges, notably persisting poverty, high unemployment, particularly among women and young people, limited social protection coverage, rising inequalities and increasing indebtedness; as well as complex environmental challenges, such as water scarcity, air and water pollution, climate change, biodiversity erosion, aridity, land degradation, desertification and natural disasters, which impact development and threaten water, energy and food security.
4. Moreover, the increasing numbers of conflicts in the region are negatively affecting the ability of some Arab States to achieve the Millennium Development Goals, and huge financial requirements, estimated at 650 billion United States dollars (\$), are needed to reconstruct conflict-affected countries.
5. There is a great need to finance sustainable development, mobilize and effectively use all sources of finance (public and private, domestic and international) and develop a renewed and strengthened global partnership for sustainable development, taking into consideration the economic, social and environmental dimensions of the process and the need to respect national priorities.

6. At the national level, the public and private sectors have different, but complementary, roles that are essential to successfully implementing the new development agenda, which will require an enabling domestic environment, including good governance, sound economic policies, solid democratic institutions responsive to people's needs, improved infrastructure, rule of law and the adoption of national sustainable development financing strategies. Although there is a need to mobilize both public and private finance to achieve the sustainable development goals, private finance is not a perfect substitute for public finance, but rather complementary to it.

7. Clean and environmentally sound technologies can play an important role in addressing sustainable development challenges; gender mainstreaming is essential for the successful formulation and implementation of financing for development policies; and data, monitoring and follow-up are vital to the implementation process.

8. Based on the need for developing countries in general, and Arab countries in particular, to make an effective contribution to the preparations for and activities of the third International Conference on Financing for Development, and on the basis of intensive consultations between ministers, high-level government representatives, experts and specialists at the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development in the Countries of the ESCWA Region, held in Amman on 7 and 8 April 2015, the following key messages should guide the position of Arab States on the Addis outcome document.

## **I. DOMESTIC PUBLIC FINANCE**

(a) Public finance is vital to implementing the post-2015 development agenda, notably in terms of agriculture; food security; research and development; social protection; health, education; investment in sustainable development infrastructure, particularly in rural areas; capacity-building; and promoting equity, with the participation of all social groups to achieve sustainable development;

(b) Fighting corruption is fundamental to the mobilization of financial resources; efforts should continue to combat financial and administrative corruption and the misuse of domestic resources; an empowered system of accountability needs to be put in place within public systems; international cooperation in the area of repatriation of stolen assets must be strengthened through the adoption of a more proactive approach, especially in terms of the efforts of developed countries; and public expenditure must be well-allocated and more transparent;

(c) Tax administration requires continuous reforms to enhance fairness and effectiveness; widening the tax base must be accompanied by pro-poor tax policies and measures to reduce the fiscal burden on the poor; supporting institutional capacities and national judicial systems and strengthening law enforcement are required to effectively deal with tax evasion and tax avoidance; a transparent and effective communication system is needed to enhance trust and, subsequently, ensure compliance with procedures; and double taxation agreements should be reviewed;

(d) There is a need to enhance the exchange of information between different government entities, both at the national and international levels, to fight tax evasion and illicit financial flows that continue to drain the economies of developing countries;

(e) Increased investment in capacity-building for tax administration is a necessity; the role of the United Nations Committee of Experts on International Cooperation in Tax Matters should be strengthened;

(f) Countries relying on natural resource extraction should adopt fiscal stabilization funds or other policies to stabilize the flow of government revenues;

(g) The lack of progress in establishing a world trading system and related regulations detrimentally impacts the capacity of the private sector to expand in developing countries, which in turn negatively affects their efforts to mobilize domestic resources.

## **II. DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE**

(a) Domestic and international finance should not be assigned equal importance;

(b) The private sector is a driver of growth and a major partner for development financing; increased investments in productive sectors with high job creation potential is essential, while respecting private sector privacy;

(c) Improving the investment climate by enhancing the business and regulatory environment is necessary for maximizing the role of the private sector, repatriating some of the Arab investments abroad and enhancing foreign direct investment that acts, not only as an external source of financing for development, but also as a conduit for the transfer of modern technology and sophisticated production and management methods, and which significantly contributes to labour force training; in this regard, foreign direct investment that follows social and environmental standards and supports sustainable industrialization and the creation of decent jobs should be promoted;

(d) The development of financial systems in Arab countries by promoting sound banking practices and expanding debt and equity markets and other financial institutions, including the insurance industry, is a priority; enhancing the capital market infrastructure is vital for attracting long-term investments, including pension fund investments, at the regional and national levels;

(e) More support should be given to the integration of the informal sector into the real economy to increase public revenues and bolster social inclusion;

(f) Ensuring financial inclusion through innovative tools, such as digitized payments and mobile banking, eliminating gender-based financial discrimination and empowering small and medium enterprises, constitutes a strong base for generating employment and economic growth; promoting financial literacy, increasing microfinance, providing access to credit for all and granting technical assistance to small and medium enterprises is therefore essential;

(g) Remittances are not a replacement for public finance; however, supporting remittances for development and enhancing coordination between different government entities dealing with migrants and their remittances is important for developing complementary alternatives to public finance, including financial products tailored to the needs and priorities of migrants; furthermore, reducing the cost of remittances and eliminating all disguised charges is necessary to encourage the transfer of remittances through official channels, while respecting the confidentiality of such transfers and not considering them as a source for financing sustainable development without undertaking studies on the implications of the the steady rise in food and fuel prices on the allocation of remittances and the amounts used for covering living expenses and those earmarked for investment;

(h) Exploring other forms of innovative financing and the promotion of blended finance, in particular the development of new models for public-private partnerships, should be encouraged; however, public-private partnerships are not equally suitable for all sectors and should therefore not be seen as a perfect substitute for the role and responsibilities of the public sector, but rather as complementary to it; other forms of financing should be identified, including tobacco, financial transaction and bank transaction taxes; and carbon, shipping and commercial taxes should be rejected because of their repercussions on the comparative advantage of Arab goods; international consensus on innovative financing for development should be reached without negatively affecting the resources of developing countries, requiring them to shoulder additional burdens or exempting developed countries from their commitments.

### **III. INTERNATIONAL PUBLIC FINANCE**

(a) Strengthened global partnerships are crucial for the implementation of the post-2015 development agenda;

(b) Official development assistance will continue to play a central role in development financing for developing and least developed countries;

(c) The generous assistance of Arab development financing institutions is commendable and they should continue extending financial and technical assistance to Arab countries;

(d) All developed countries should increase their commitment to official development assistance to 1 per cent of their gross national income by 2020 and should agree on timetables to meet official development assistance commitments needed to support sustainable development, especially in least developed countries, small island developing States, conflict-affected countries, middle income countries and countries in transition; developed countries should allocate more official development assistance, in addition to humanitarian aid, to Arab conflict-affected countries;

(e) An increased proportion of official development assistance should be predictable and disbursed as planned, take the form of grants or soft loans and be untied from donors' restrictions of use and development priorities;

(f) Any effort to redefine official development assistance should be done in an open and transparent manner, allowing for an exchange of views between donor and recipient countries;

(g) South-South and triangular cooperation, which are essential components of international cooperation, are becoming increasingly important, particularly in terms of technical cooperation, but they must not substitute North-South cooperation;

(h) Official development assistance can be used to strengthen the domestic regulatory environment, including through strengthening tax administration;

(i) Climate financing should be complementary and separate from official development assistance budgets; developed countries have committed themselves to meeting the goal of jointly mobilizing \$100 billion a year by 2020 to meet the climate financing needs of developing countries; a readiness programme for climate financing in the Arab region should be initiated through the Green Climate Fund with the involvement of ESCWA.

### **IV. INTERNATIONAL TRADE FOR SUSTAINABLE DEVELOPMENT**

(a) Trade barriers, trade subsidies and other trade distorting measures (domestic production subsidies) and their repercussions, particularly in sectors of special interest to Arab countries, including agriculture, affect Arab countries' capacity to benefit from their commercial potential to support development;

(b) Opening up the markets of developed countries to the products of developing countries, reducing barriers to trade and implementing the principles of differential treatment towards developing countries, including Arab countries, is vital;

(c) Regional cooperation in trade is a fundamental tool for achieving sustainable development; multilateral and regional agreements should be promoted, including the establishment of an Arab customs union;

(d) Enforcing aid-for-trade commitments is crucial for promoting a fairer global trade system, this should not, however, come at the expense of aid to other crucial sectors;

(e) There is a need for capacity-building for trade mechanism reviews with the World Trade Organization and free trade agreement assessments at the national level;

(f) Flexibilities in the Agreement on Trade-Related Aspects of Intellectual Property Rights are necessary in sectors vital for sustainable development, including public health;

(g) International investment agreements are important as is the need to review investment treaties, especially investor-state dispute settlement clauses, to protect Arab countries and support their sustainable development strategies.

## **V. DEBT AND DEBT SUSTAINABILITY**

(a) There is a need to increase efforts to alleviate the debt burden of developing countries, including lower middle income countries; and call for debt relief and cancellation for countries in economic and political transition and for debt-to-investment swaps to fund investments in infrastructure and development; debt continues to prevent some countries, including some Arab countries, from investing in development, given that debt servicing consumes financial resources that could have been allocated to investment projects;

(b) Developed countries are called upon to commit themselves to allocating additional resources for debt relief, other than those allocated for official development assistance budgets;

(c) Technical assistance provided by developed countries and international and regional organizations to developing countries should be increased to improve their debt management, plan, monitor and manage external liabilities and reduce vulnerabilities;

(d) Strengthening national debt management strategies remains crucial, especially in conflict-affected Arab countries where debt burdens have increased significantly in recent years;

(e) Adhering to the Principles on Promoting Responsible Sovereign Lending and Borrowing of the United Nations Conference on Trade and Development is recommended, and the efforts undertaken by the United Nations to develop a multilateral legal framework for debt restructuring should be commended;

(f) There is a need to establish an international debt resolution mechanism to guarantee fair and equivalent treatment for both creditors and debtors, in line with the principle of shared responsibility for both debtors and creditors.

## **VI. SYSTEMIC ISSUES**

(a) Development funds should consider contributing to the reconstruction of conflict-affected countries;

(b) Measures should be taken at the international level to reduce the externalities of economic and financial crises, such as those that arose from the 2008 financial turmoil, and their repercussions on developing countries in particular;

(c) Regulatory reforms of the financial sector are central to preventing financial downturns similar to the 2008 crisis, which started in developed countries and is still affecting the most vulnerable developing countries;

(d) There is a need to increase the participation of developing countries, including Arab countries, in the management of international monetary, regulatory and financial institutions whose decisions affect their economies; it is also necessary to adopt an open, transparent, gender-balanced and merit-based strategy for

selecting their directors and to implement the 2010 International Monetary Fund reforms regarding its quota and governance;

(e) The rights of migrant workers should be protected, in compliance with the International Labour Organization's fundamental conventions; well-managed migration has positively contributed to inclusive growth and sustainable development.

## **VII. TECHNOLOGY, INNOVATION AND CAPACITY-BUILDING**

(a) Establishing a mechanism to enable developing countries to build up, transfer and implement appropriate and environmentally sound technologies to facilitate green economy transitions and achieve sustainable development is vital; information and communications technologies can greatly assist in achieving sustainable development;

(b) Supporting research and development, increasing investment in human capital and enhancing the education system are important factors for the achievement of the sustainable development goals;

(c) Promoting official development assistance for science and innovation should be pushed forward;

(d) Setting up funds to support entrepreneurship, innovative enterprises and capacity development is essential for the expansion of the technology sector;

(e) There are limited investments of private capital in innovation and technologies because of the associated risks and uncertain returns, hence an increase in public financing for research and development and international cooperation is necessary in this regard;

(f) United Nations specialized agencies with technology mandates should be encouraged to promote technology transfer and development;

(g) Developed countries play a vital role in technology and information transfer to developing countries; additional attention should be given to knowledge transfer as well as information and technology transfer from developed countries to developing countries.

## **VIII. DATA, MONITORING AND FOLLOW-UP**

(a) Strengthening national capacity to monitor and publish flows of funds is a prerequisite for an effective monitoring process;

(b) Improving the availability of disaggregated and gender-sensitive financial data remains crucial;

(c) There is a need to support developing countries and build their capacity to increase the availability of high-quality, timely and reliable data;

(d) The Group of Twenty should annually assess and report on the implementation of financing for development commitments by its members, while respecting State sovereignty;

(e) Monitoring national progress towards financing for development is important;

(f) Strengthening the efforts of regional organizations regarding the follow-up process for financing for development and requesting the regional commissions to provide them with technical support.

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