

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

Committee on Financing for Development in the States Members of the Economic  
and Social Commission for Western Asia

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Item 4 of the provisional agenda

## **Activities on financing for development under the ESCWA programme of work**

### **Summary**

At the closing of its thirtieth session held in Beirut from 25 to 28 June 2018, the Economic and Social Commission for Western Asia (ESCWA) adopted resolution [332 \(XXX\)](#) on developing the work of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development, splitting it into two committees and thus creating the Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia. The United Nations Economic and Social Council approved the splitting in its resolution [2019/30](#) of 23 July 2019. The newly created Committee is holding its first session in Beirut, on 6 and 7 November 2019.

Prior to the splitting and since the twelfth session of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development, which was held in Beirut on 4 and 5 December 2017 and focused on finance, ESCWA had undertaken a series of activities on financing for development under its programme of work, providing strong support for the implementation of the [Addis Ababa Action Agenda of the Third International Conference on Financing for Development](#) in the Arab region. The present document sets out those activities.

The Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia is invited to take note of those activities and advise on the way forward in that regard.

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## Introduction

1. The Economic Development and Integration Division (EDID) of the Economic and Social Commission for Western Asia (ESCWA) is tasked with implementing subprogramme 3, on economic development and integration, of the ESCWA programme of work. The objective of subprogramme 3 for the biennium 2018-2019 is “to achieve a basic standard of living for all people in member States, through sustained and more inclusive economic development within a more integrated region”. Financing for development (FfD) activities pursued over the biennium have played a key role in realizing this objective.

2. A range of studies, reports, publications, expert group meetings, capacity-building activities, advisory services, technical studies and other initiatives have been undertaken by ESCWA to help member States meet their global development finance commitments and overcome related challenges in the seven action areas of the [Addis Ababa Action Agenda of the Third International Conference on Financing for Development](#) (Addis Ababa Action Agenda). The present document provides an overview of those activities.

### I. STUDIES, REPORTS AND TECHNICAL TOOLS

#### *Illicit Financial Flows in the Arab Region* (E/ESCWA/EDID/2018/TP.1)

3. Paragraph 24 of the [Addis Ababa Action Agenda](#) invites “regional organizations to publish estimates of the volume and composition of illicit financial flows” (IFFs). So did the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development in its [twelfth session](#), which was held in Beirut on 4 and 5 December 2017. In response, ESCWA published the first region-wide report on *Illicit Financial Flows in the Arab Region* in 2018, which provided compelling evidence of the structural, socioeconomic, governance and security vulnerabilities that continue to undermine Arab economies due to the pervasiveness of IFFs.

4. The report recognizes illicit finance as a major disabler of financing sustainable development in the region. Substantial leakages, ranging between \$60 and \$77 billion and associated with trade-based illicit flows stemming from skewed fiscal, tax and trade policies, are identified as the most pervasive form IFFs. The report also examines how financial innovation and digitization influence trade and domestic resource mobilization, concluding that the use of innovative means to settle trade transactions (such as cryptocurrencies), alongside trade facilitation, could yield a rise in trade-based money laundering. It also views leakages as a lost opportunity that could have otherwise been harnessed to create the fiscal space necessary to sustainably finance development. Indeed, IFFs distort trade and taxation systems and create inequalities, impairing Governments’ perception-based governance and expenditure, and undermining anti-corruption efforts. The report concludes with recommendations and policy options to curb IFFs and build the confidence of citizens, investors and the development community at large.

#### *Conference on Financing Sustainable Development: Curbing Illicit Financial Flows* (synthesis report)

5. The [synthesis report](#) was published on the occasion of the first [high-level Conference on Financing Sustainable Development](#), held in Beirut on 28 and 29 November 2018. The Conference was organized by ESCWA to support the Presidency of the Group of 77 (G-77) and China in leading action on enhancing domestic resource mobilization as a means to overcome pervasive financing gaps and inequalities. The report showcases the technical views of 40 international and regional experts and speakers, with 30 international and regional organizations sharing their experience, perspectives and best practices related to financing for development.

*Arab Financing for Development Scorecard*  
(E/ESCWA/EDID/2017/IG.2/5(Part I) and others)

6. In an attempt to monitor, quantify and follow-up on the implementation of the [Addis Ababa Action Agenda](#) as the prime means of achieving the [2030 Agenda for Sustainable Development](#), ESCWA developed an integral toolbox, the “Arab Financing for Development Scorecard”, to assess cross-border financing potentials and trends; the region’s exposure based on a scoreboard of measures reflecting the dynamics of financial and non-financial means of implementation for sustainable development; and the lost financing opportunities due to the region’s challenges and context. The Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia will be briefed on updated findings under item 7 of the provisional agenda of its current session.

7. Scorecard findings were disseminated at the 2019 Arab Economic and Social Summit (Beirut, 20 January 2019). Moreover, in his June 2018 report on “[Regional cooperation in the economic, social and related fields](#)” (para. 30), the United Nations Secretary-General recognized ESCWA for its “regional measuring efforts... applied in support of means of implementation, notably the financing for development agenda, for example, with the ‘Arab Financing for Development Scorecard’”.

*The State of Financing Development in the Arab Region*  
(E/ESCWA/EDID/2018/TP.2)

8. Issued in June 2018, the report on the [State of Financing Development in the Arab Region](#) maps the financing for development landscape in the region and captures the dynamics associated with its cross-border flows (direct and indirect financial flows) and its exposure to lost financing opportunities. It examines foreign direct (FDI) and indirect investment; private philanthropic contributions; remittances; official development assistance (ODA); lending by multilateral development banks; net changes in other financial flows; external debt stocks; innovative financing tools; international trade and humanitarian financing; debt and interest forgiveness; Bank of International Settlements (BIS) reporting claims of Arab countries; illicit hot money outflows and trade misinvoicing; profits repatriated by foreign investors; principal on public and publicly guaranteed long-term debt, and International Monetary Fund (IMF) credits; interest payments on foreign debt (short and long-term, and privately guaranteed); the costs of conflict; and excessive military expenditure.

9. The report notes that since 2011, the Arab region turned into: a net exporter of both capital and primary income (for every \$1 of FDI the region generated, a corresponding \$1.8 left the region); a lender of convenience (with the net stock lending to international banks and non-financial institutions reaching \$223 billion); a debt service financier (for every \$1 of debt inflows the region received, a corresponding \$1.5 were paid back in arrears on outstanding debt stocks); a net exporter of private capital, namely remittances (for every \$1 of remittances generated and retained in the region, \$2.8 are sent elsewhere with 7 cents on the dollar lost to high-cost corridors); and an ODA grantor (Arab ODA represents, on average, 83 per cent of non-Development Assistance Committee (DAC) ODA and for every \$1 the region received in ODA, 65 cents are returned through bilateral and regional funds).

*Financing Sustainable Development in Arab Countries*  
(main thematic chapter)

10. ESCWA contributed the main thematic chapter in the 2018 flagship publication of the Arab Forum for Environment Development (AFED), entitled “[Financing Sustainable Development in Arab Countries](#)”. The chapter captures ESCWA Scorecard findings on six priority areas of the [Addis Ababa Action Agenda](#): domestic resource mobilization (taxation and fiscal policies); international and domestic private finance; international development cooperation; climate financing; international trade as an engine for growth; and debt sustainability in the Arab region. It also provides an updated assessment of the increasing financing needs of the region to implement the Sustainable Development Goals (SDGs).

*Progress and prospects in financing sustainable development:  
global trends versus regional realities*  
(E/ESCWA/EDID/2018/TP.5)

11. The paper reviews progress achieved in financing sustainable development in 2018. It examines the situation at the global level, highlighting that, while progress has been achieved in implementing global FfD commitments, their benefits have not been shared evenly. In the Arab region, multiple challenges continue to impede national efforts to capitalize on the full array of financing solutions offered by the [Addis Ababa Action Agenda](#). The paper also cautions against employing generic recommendations in isolation from inequalities and geopolitical dynamics.

12. The paper concludes that ample room still exists to prompt FfD action both at the global and regional levels, and place Arab economies on a more sustainable growth and development path. It was shared with the Presidency of the G-77 and China and informed the Group's positions under the Presidency of Egypt in 2018.

*Financing for development: progress in implementing the Addis Ababa Action Agenda  
in the Arab region*  
(E/ESCWA/EC.5/2018/5)

13. The document provides an assessment of global financing for development (FfD) outcomes and recommendations from a regional perspective. It makes statistical inferences from the numbers of resolutions and reports issued in 2018 related to the [Addis Ababa Action Agenda](#) to provide an indication of prevalent implementation gaps. It also reviews key FfD messages of United Nations entities and other international stakeholders through a regional lens and offers a region-sensitive evaluation of their possible applications, spillovers and enforcement prospects under prevalent risk conditions in the Arab region.

*Report of the Committee on Liberalization of Foreign Trade, Economic Globalization  
and Financing for Development (focus on finance) on its twelfth session*  
(E/ESCWA/EDID/2017/IG.2/9/Report)

14. The report provides a summary of the proceedings of the twelfth session of the Committee, held in Beirut on 4 and 5 December 2017. It captures the key messages and recommendations emanating from member States' discussions.

*Survey of Economic and Social Developments in the Arab Region 2017-2018*  
(E/ESCWA/EDID/2018/1)

15. A section of the 2017-2018 of the Survey showcases the findings on IFFs in the Arab region. It shows how financial fraud exacerbates income inequalities in as much as trade-based money laundering erodes tax revenues, impairs government expenditure eligibility requirements and undermines the rule of law as well as a country's perception-based governance and corruption standings. According to ESCWA estimates, Arab economies lost nearly half a trillion dollars (\$482.7 billion) in public revenues between 2008 and 2015 due to trade misinvoicing, the equivalent of a fifth of the region's GDP in 2016 or \$60.3 billion per annum (8.2 per cent of total non-oil trade with the world) on average.

*Secretary-General's report: "From global to local: supporting sustainable  
and resilient societies"*  
(E/2018/61)

16. ESCWA provided inputs to the Secretary General's report on the main theme of the 2018 high-level segment of the Economic and Social Council. It underlined that "all forms of development finance — public and private, domestic and international — must adequately take into consideration risk and resilience... International public finance, including ODA, is a critical complement to domestic resource mobilization, which

at current levels remains insufficient to meet public investment needs. The roles of ODA and domestic resources are critical but insufficient to build resilience to the broad range of shocks that could have a negative impact on the achievement of the 2030 Agenda for Sustainable Development” (para. 64).

*Secretary-General’s report: “Trends and progress in international development cooperation”*  
(E/2018/55)

17. ESCWA also provided the region’s inputs to the 2018 Secretary-General’s report on international development cooperation. The report presents data, information and analysis on the strategic role of development cooperation in the 2030 Agenda; the role of national development cooperation policies; bridging capacity gaps and facilitating technology development and transfer; leveraging South-South and triangular cooperation for sustainable development; engaging the private sector in development cooperation; and improving development results through strengthening monitoring and review. The report also cited the Arab Financing for Development Scorecard as an assessment and evaluation toolbox (p. 20).

*Secretary-General’s Strategy for Financing the 2030 Agenda for Sustainable Development*  
(2018-2021)

18. ESCWA contributed to the development of the [Strategy](#) through a regional assessment, which highlighted that financing potentials remain frail as the Arab region contends with escalated levels of violence, conflict and the largest crisis of forced displacement since the Second World War. Four main challenges to the implementation of the Strategy were underscored: (a) weaknesses in the enabling environment and investment trends; (b) insufficient public finance to meet needs (with a gap estimated at \$3.6 trillion); (c) policy and market failures in the global financial and trading systems (the regions’ declining terms of trade were responsible for losses of \$16.2 billion per year between 2011-2016); and (d) non-conducive international conditions, with global FDI flows having fallen by 23 per cent by the end of 2017.

*Financing for development: the role of UN regional commissions*

19. ESCWA provided inputs to the document on “[Financing for development: the role of the UN regional commissions](#)”, which emphasized the regional commissions’ role as think tanks that support the global agenda through analysis and policy work.

## II. MEETINGS AND WORKSHOPS

*Annual Investment Meeting*  
(Dubai, 8-10 April 2018)

20. ESCWA participated in the eighth [Annual Investment Meeting](#), a leading platform that connects businesses and State authorities willing to engage in sustainable partnerships with investors. ESCWA had prepared an information note for the meeting on global and regional trends in FDI flows and their impact on investment in the Arab region. The note also reviewed the regional investment climate through indicators on competitiveness, investment and ease of doing business, and provided analysis and proposals on investment issues.

*2018 Arab Forum on Sustainable Development*  
(Beirut, 24-26 April 2018)

21. A dedicated discussion of the [2018 Arab Forum on Sustainable Development](#) (AFSD) highlighted the challenges of financing sustainable development in the Arab region. Participants agreed that securing development financing rested on building national economic capacity to achieve economic sovereignty and shift towards a productive economy rather than a consumer economy; ensuring fair distribution of wealth;

strengthening the private sector and reforming tax systems. Effective partnerships between Governments, banks and financial institutions, the private sector, civil society and the international community were key in that regard.

*World Investment Forum*  
(Geneva, 22-26 October 2018)

22. ESCWA took part in the high-level round table which was held on 25 October as part of the [Forum](#) to share its vision of regional integration and financing development perspectives in the context of persistent investment challenges. It highlighted the role that FDI could play as a factor of growth, employment and technology transfer, showing that regional agreements can boost extraregional FDI inflows if such agreements cover behind-the-border measures and service trade. ESCWA also underlined that technology transfer was associated with high FDI inflows, giving insights on why the Arab regions' structural transformation lagged behind and why it suffered from de-industrialization transitions.

*Arab Forum for Environment Development*  
(Beirut, 8-9 November 2018)

23. ESCWA participated in the eleventh Annual AFED Conference, during which the report on [Financing Sustainable Development in Arab Countries](#), to which it had contributed, was launched (para. 10 of the present document). The Conference discussed available sources of funding and how they could be leveraged to implement the SDGs.

*Annual Arab Banking Conference*  
(Beirut, 13-16 November 2018)

24. ESCWA participated in the 2018 Annual Arab Banking Conference organized by the Union of Arab Banks on the theme "[Public private partnership for achieving SDGs](#)". It highlighted that overreliance on ODA to instigate private investments could lead to negative results, noting that 149 international civil society organizations from 45 countries had launched a global campaign and issued a [manifesto](#) to express alarm over that trend. Promoting public-private partnerships in the absence of internationally agreed norms and of solid legal and regulatory fiscal accounting standards risks prioritizing investors' interests over those of the populations and may lead to increased costs and reduced coverage of services.

*Conference on Financing Sustainable Development: Curbing Illicit Financial Flows*  
(Beirut, 28-29 November 2018)

25. ESCWA organized a high-level international [Conference on Financing Sustainable Development](#) to push collaboration in that area and discuss the actions needed to finance sustainable development in the Arab region. The Conference was also organized to support the Presidency of the G-77 and China in leading action on fiscal policy equalization and domestic resource mobilization.

26. The Conference attracted high-level decision makers, including the Senior Vice-President of the World Bank, the Under-Secretary-General of the United Nations and Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), the Ministers of Finance of Egypt and Lebanon, the Vice-President of the Court of Cassation representing the Governor of the Central Bank of Egypt, the President of the Union of Arab Banks, members of the Lebanese Parliament, the Chair of the G-77 and China, the Economic Commission for Africa and the World Bank Regional Office. Participants also included 40 international and regional experts and speakers, including representatives of 30 international and regional organizations, representatives of ESCWA member States and of six non-members (Algeria, Argentina, Brazil, China, Malaysia and Philippines). The Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia will be briefed on Conference discussions and outcome document under item 8 of the provisional agenda of its current session.

*Corruption and Financing for Development*  
(Kuwait, 15-16 January 2019)

27. ESCWA provided a background note on corruption and its negative repercussions, touching on IFFs and opportunity costs for financing sustainable development in the Arab region. The note stressed the overwhelming effects of corruption, which include depriving societies from opportunities for decent living and the right to mobilize the resources needed to finance development.

*Arab Social and Economic Summit*  
(Beirut, 20 January 2019)

28. ESCWA shared substantive information kits with Arab States' delegations at the 2019 Arab Social and Economic Summit, highlighting its research findings, forecasts and policy recommendations on financing for development. The Summit Declaration underscored the need to address obstacles facing the implementation of the 2030 Agenda and the SDGs, and a dedicated resolution on financing for development was adopted.

*2019 Arab Forum on Sustainable Development*  
(Beirut, 9-11 April 2019)

29. Key issues on financing sustainable development were discussed in the context of the preparatory regional consultations held in the run-up to the 2019 AFSD, including main messages emanating from the 2018 High-level Political Forum (HLPF) on Sustainable Development (New York, 9-18 July 2018). The outcomes of the first high-level international Conference on Financing Sustainable Development (paras. 25 and 26 of the present document) also fed into the 2019 AFSD.

### **III. SUPPORT FOR FFD COORDINATION MECHANISMS**

*Regional commissions compendium*

30. In 2018, ESCWA prepared a draft note and an annotated outline for a regional compendium on financing the 2030 Agenda. The note invited United Nations regional commissions to consider a joint publication on the subject and the annotated outline proposed a methodology to that effect. The compendium is intended to disseminate research findings and knowledge produced by the regional commissions, and to cross-fertilize methods and policy solutions.

*Global Compact Internal Review Team*

31. In January 2019, ESCWA provided comments to the Global Compact Internal Review Team on its FfD-related recommendations, highlighting that some of the proposed elements could be controversial if they were to be applied to the Arab region. It also pointed out that the functional recommendation that considers "mobilizing SDG finance" as a priority should provide details on whose responsibility it is or what types of financing would be necessary. ESCWA also underlined that the role of regional commissions should be reinforced in the United Nations Development System reform and that their research findings, policy analysis and technical assistance interventions should be factored in the Global Compact.

*United Nations-World Bank Workshop on Anti-corruption*  
(Beirut, 13 September 2018)

32. ESCWA participated in the United Nations-World Bank internal [workshop](#) aimed at identifying priority areas of support for the implementation of Lebanon's first national anti-corruption strategy. ESCWA took an active part in the panel discussion that brought together national experts on corruption in Lebanon, as well as in the working group sessions that discussed possible support interventions.



*2018 ECOSOC Forum on Financing for Development Follow-up*  
(New York, 23-26 April 2018)

33. The Executive Secretary of ESCWA participated in the side event on “Regional perspectives on financing for the 2030 Agenda”, held during the [Forum](#). The event addressed the challenges faced by the different world regions to mobilize the domestic and external resources required to meet the 2030 Agenda, their specific contexts and the varying challenges facing middle- and low-income countries.

*Financing for Development: Progress and Prospects 2018*

34. ESCWA provided several substantive contributions to the report of the Inter-Agency Task Force on Financing for Development (IATF) on [Financing for Development: Progress and Prospects 2018](#). It submitted a paper drawing attention to the different aspects of domestic resource mobilization, including fiscal policy and space, domestic taxation regimes, subsidies and mitigation of IFFs. An analytical assessment of international development cooperation, including ODA and its links to humanitarian efforts, was also shared with the IATF, including an analytical mapping of Arab ODA. ESCWA also participated in the meetings organized by IATF to discuss the draft report and prepared a regional assessment of it, which was shared with the Chair of the G77 and China upon his request.

*Launch of the IATF 2019 Financing for Sustainable Development Report*  
(Beirut, 10 April 2019)

35. ESCWA organized an event to launch the global [2019 IATF Financing for Sustainable Development Report](#) at the United Nations House in Beirut to disseminate its recommendations in the region. The launch was attended by experts from different fields, including the High Council for Privatization and PPP, the Union of Arab Banks, large private banks in Lebanon, experts from the Lebanese Ministry of Finance, legal specialists and experts from member States. The report warns that mobilizing sufficient financing remains a major challenge in implementing the 2030 Agenda. Despite signs of progress, investments that are critical to achieving the SDGs remain underfunded and parts of the multilateral system are under strain.

*2019 ECOSOC Forum on Financing for Development Follow-up*  
(New York, 15-18 April 2019)

36. ESCWA, alongside other regional commissions, was represented at the [fourth ECOSOC Financing for Development Follow-up Forum](#) by the Executive Secretary of the Economic Commission for Latin America and the Caribbean and the Regional Commissions New York Office. ESCWA had provided inputs to convey its perspective; those were incorporated in the common statement delivered on behalf of the regional commissions. The statement stressed the need to prioritize domestic resources mobilization, alongside foreign and private resources. Tackling IFFs, reviewing the parameters of debt sustainability, better replenishing regional development banks and creating asset classes around infrastructure, health and education to crowd in private financing were some of the action areas proposed.

*Regional Coordination Mechanism*

37. The Regional Coordination Mechanism (RCM) provides an inter-agency venue to improve coordination among United Nations organizations operating in the Arab region. Its twenty-fourth meeting was held in Cairo, on 22 October 2018, and was dedicated to mobilizing financing for the 2030 Agenda. RCM members decided to set up a dedicated working group on financing for development to assess financial flows for development in the Arab region and identify priority areas to implement the Secretary-General’s Strategy for Financing the 2030 Agenda.

38. The RCM working group on FfD is currently chaired by ESCWA and may have a co-chair in the future. It held its first meeting on 21 March 2019 and adopted its [terms of reference](#), which specify its role as a regional

hub for cooperation and coordination among the United Nations, the League of Arab States and their specialized organizations and agencies, as well as relevant international financial institutions in the implementation of their work on FfD in the Arab region, including undertaking joint initiatives and research on regional FfD priority areas.

#### **IV. EXTRABUDGETARY ACTIVITIES**

39. During the above-mentioned twenty-fourth RCM meeting, members requested scoping the feasibility of creating a network of tax authorities to share experiences and collaborate on administering cross-border flows. The same proposal was discussed during the aforementioned high-level Conference on Financing Sustainable Development: Curbing Illicit Financial Flows. In this context, ESCWA is currently finalizing a scoping study to explore the establishment of an Arab tax and fiscal policy forum: why it might be needed, the range of topics it could address, the connection with the global discourse on tax cooperation and the best format(s) for such a forum, based on a comparative assessment of other existing regional forums. The study also proposes a list of partners for such an endeavour and a template budget for 2-year pilot operations.

#### **V. ADVISORY SERVICES**

40. ESCWA organized an [advanced national workshop](#) for Bahrain in Manama, from 23 to 26 April 2018, on base erosion and profit shifting. The workshop was attended by 20 high-level officials, in addition to legal advisors from front-line ministries (finance, commerce, tourism and justice) and senior officials from the Central Bank. ESCWA showcased the findings and recommendations of its research on financing for development and the risks associated with IFFs. It shared insights on the benefits of curbing those flows, including through international tax cooperation and by protecting the tax system from base erosion and profit shifting.

41. Based on the request received from the Chair of the G77 and China (Egypt in 2018), ESCWA provided a regional assessment and perspectives on the state of financing development. The assessment served as an input to the statement of the G77 and China at the General Debate of the 2018 Forum on Financing for Development Follow-up.

42. In 2019, ESCWA received a request from the Ministry of Finance of Jordan to organize a series of workshops on taxation, as a follow up to its above-mentioned Conference on Financing Sustainable Development: Curbing Illicit Financial Flows. It is preparing a concept note that details the proposed services and workshops.

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