



**ECONOMIC AND SOCIAL
COUNCIL**

Distr.
LIMITED
E/ESCWA/C.9/2019/9/Report
28 January 2020
ENGLISH
ORIGINAL: ARABIC

Economic and Social Commission for Western Asia (ESCWA)



Report

First session of the Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia Amman, 11-12 December 2019

Summary

The Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia (ESCWA) was established following a decision to divide the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development into two committees, so as to ensure an increased focus on each component. The Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia held its first session in Amman on 11 and 12 December 2019.

The Committee discussed several topics, including activities related to financing for development under the ESCWA programme of work for the biennium 2018-2019, and global trends and regional realities in terms of financing for development. The Committee also reviewed five priority areas of the Addis Ababa Action Agenda captured by the updated Arab Financing for Development Scorecard, and the outcomes of the International Conference on Financing Sustainable Development and Curbing Illicit Financial Flows (Beirut, 28-29 November 2018) and its outcome document entitled the Beirut Consensus on Financing for Development. Moreover, participants discussed a proposed Arab road map on financing sustainable development and curbing illicit financial flows.

At its first session, the Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia made recommendations to member States and to the ESCWA secretariat. The present report sets out those recommendations, and provides a summary of the discussions and information on participants and documentation.

Contents

	<i>Paragraphs</i>	<i>Page</i>
Introduction	1-2	3
<i>Chapter</i>		
I. Recommendations made by the Committee on Financing for Development at its first session	3-5	3
A. Recommendations to ESCWA member States.....	4	3
B. Recommendations to the ESCWA secretariat	5	4
II. Topics for discussion	6-68	5
A. Follow-up issues.....	6-11	5
B. Progress and prospects in financing sustainable development	12-45	6
C. Illicit financial flows.....	46-55	14
D. Programmatic issues	56-68	16
III. Organization of work	69-77	18
A. Date and venue	69	18
B. Opening	70-72	19
C. Participants	73	19
D. Election of officers	74	19
E. Agenda and organization of work	75-76	20
F. Documents	77	20

Annexes

I. List of participants.....	21
II. List of documents	23

Introduction

1. The Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia (ESCWA) was established pursuant to ESCWA resolution 332 (XXX) on developing the work of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development, which divided the Technical Committee into two committees so as to ensure increased focus on each component, namely trade policies and financing for development. The United Nations Economic and Social Council endorsed the separation in resolution 2019/30. The Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia held its first session in Amman on 11 and 12 December 2019.
2. The present report summarizes the discussions under each agenda item, and sets out the recommendations adopted by the Committee at the close of its first session on 12 December 2019.

I. Recommendations made by the Committee on Financing for Development at its first session

3. At the close of its first session, the Committee on Financing for Development made recommendations to member States and to the ESCWA secretariat.

A. Recommendations to ESCWA member States

4. The Committee made the following recommendations to ESCWA member States:
 - (a) Benefit from the Committee on Financing for Development to review national efforts and practices, given that it is a unique regional platform that facilitates discussions on all aspects of financing sustainable development, with the aim of exchanging experiences and best practices in implementing the Addis Ababa Action Agenda adopted by the Third International Conference on Financing for Development;
 - (b) Launch a regional debate, within the framework of the Committee on Financing for Development, on coordinating fiscal policies, especially tax systems, to reduce harmful practices, tax evasion, money laundering, trade misinvoicing, and related illicit financial flows; and work to curb such flows that cause financial leaks;
 - (c) Stress the importance of limiting damages resulting from illicit financial flows and their impact on mobilizing domestic resources required to implement the 2030 Agenda for Sustainable Development; and develop regulatory frameworks at the national level to combat this phenomenon in accordance with the Addis Ababa Action Agenda, and in the light of the proposal presented for an Arab road map on curbing illicit financial flows;
 - (d) Warn against growing debt accumulation, especially external debt, given its negative impact on mobilizing financial resources domestically, and the risks it poses for future generations in terms of bearing the burden of debt servicing; and develop policies and tools that make debt a means to finance development in a sustainable manner by reducing and restructuring it and by anticipating its effects on economic growth in the medium and long terms;
 - (e) Emphasize the importance of adopting formal methods of transferring funds through banking systems and develop them to reduce transfer costs, which is in the interest of Arab financial integration; and stress the role of central banks in reducing the cost of transfers between Arab countries;

(f) Develop innovative channels for financing and investment in the region, and coordinate financial flows to promote regional integration by establishing an Arab Citizens Common Economic Security Space (ACCESS);*

(g) Stress the necessity of establishing a multilateral trading system characterized by openness, transparency, predictability, inclusiveness, fairness and non-discrimination, tackle new protectionist trade disputes, and overcome problems hindering the launch of the Arab Customs Union, given their positive effects on financing development;

(h) Urge donor countries to fulfil the commitments they have made regarding official development assistance, to achieve the target of allocating 0.7 per cent of gross national income to it, and to provide it to developing countries in particular;

(i) Emphasize the illegality of Israeli settlements and the goods produced therein that carry an Israeli certificate of origin, which are considered major impediments to financing development and amount to acts of illicit financial flows, as indicated in the ESCWA proposal on establishing ACCESS.

B. Recommendations to the ESCWA secretariat

5. The Committee made the following recommendations to the ESCWA secretariat:

(a) Continue communicating the region's challenges in financing sustainable development to relevant international and United Nations forums, including the Inter-Agency Task Force on Financing for Development and the United Nations Committee of Experts on International Cooperation in Tax Matters;

(b) Continue to publish the findings of the Arab Financing for Development Scorecard, given its importance as a tool that enables decision makers to formulate policies that support development financing;

(c) Continue preparing technical reports on regional and global developments in the area of financing for development, analyse their regional implications, and showcase their results through policy briefs;

(d) Develop the contours for integrated national financing frameworks to support the implementation of national sustainable development plans, and to build national capacity in adopting the necessary policies to mobilize funding to implement the Sustainable Development Goals (SDGs) as required by the Addis Ababa Action Agenda;

(e) Provide technical support and training to member States on issues related to financing sustainable development, including in the area of financial and tax cooperation to reduce harmful tax practices, tax avoidance/evasion and tax base erosion;

(f) Continue to consider the establishment of an Arab forum on financing for development tasked with assessing ways of aligning fiscal and tax policies, mobilizing various regional sources of financing to fund national sustainable development plans and related regional strategies, and enhancing regional integration in the areas of development finance.

* The Doha Declaration on the Implementation of the 2030 Agenda for Sustainable Development, issued at the twenty-ninth ESCWA session on 15 December 2016 (paragraph 23 recommends “promoting a common Arab market to establish an Arab development space that employs Arab economic security in facing sustainable development financing challenges”).

II. Topics for discussion

A. Follow-up issues

1. *Activities on financing for development under the ESCWA programme of work* (Agenda item 4)

6. The Chair said that the secretariat would present items 4 and 5 consecutively before opening the floor for discussion, because the two items were closely related. With reference to document [E/ESCWA/C.9/2019/3](#), the representative of the secretariat made a presentation on the activities undertaken by the ESCWA Financing for Development Office under the work programme for the biennium 2018-2019. She said that ESCWA had issued a series of reports and technical papers related to monitoring progress in implementing the Addis Ababa Action Agenda, and had updated the findings of the Arab Financing for Development Scorecard. She added that the ESCWA Financing for Development Office had prepared the main chapter in the annual report on the state of financing sustainable development in the Arab region published by the Arab Forum for Environment and Development, and had published several technical papers, including a comprehensive paper on monitoring progress in financing sustainable development in the Arab region and another on monitoring progress towards the Addis Ababa Action Agenda. She noted the contribution of the ESCWA Financing for Development Office in the survey of economic and social developments in the Arab region, and in preparing the Secretary-General's Strategy for Financing the 2030 Agenda for Sustainable Development.

7. The representative of the secretariat reviewed key meetings organized by ESCWA, including an assessment of the state of private capital flows at the Annual Investment Meeting, the 2018 and 2019 Arab Forum on Sustainable Development, the World Investment Forum, and the Annual Conference of the Union of Arab Banks. She also presented the outcomes of the first high-level Conference on Financing Sustainable Development: Curbing Illicit Financial Flows convened by ESCWA, and its contributions to the Arab Economic and Social Summit (Beirut, 20 January 2019). She listed the advisory services and technical support programmes provided to member States in the field of financing for development, clarifying that the Financing for Development Office had issued 112 products in the biennium 2018-2019, an increase of 32 per cent compared with the biennium 2016-2017.

2. *Implementation of recommendations made by the Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development at its twelfth session (focus on finance)* (Agenda item 5)

8. With reference to document [E/ESCWA/C.9/2019/4](#), the representative of the secretariat made a presentation on the activities undertaken by the ESCWA secretariat to implement the recommendations made by the Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development at its twelfth session (Beirut, 4-5 December 2017). She reviewed the various recommendations made to the ESCWA secretariat, explaining how each recommendation had been addressed. The representative of the secretariat said that two achievements deserved to be highlighted. The first was the high-level Conference on Financing Sustainable Development, organized by ESCWA and attended by the Vice President of the World Bank, the Under-Secretary-General of the United Nations Conference on Trade and Development, representatives of more than 35 international and regional organizations, and several finance ministers from the Arab region. The Conference had resulted in the Beirut Consensus. The second achievement was the Arab Financing for Development Scorecard developed by ESCWA to monitor and measure financial flows available to finance the SDGs, which had been recognized and praised by the United Nations Secretary-General in his annual report on the state of regional cooperation for 2018.

9. Participants commended ESCWA for the activities implemented under the recommendations. The representative of Jordan discussed his country's experience in financing development, stressing that official development assistance had been directed towards humanitarian ends, such as securing citizens' needs and

assimilating refugees. He praised ESCWA studies that had helped Jordan identify best practices, noting that Jordan was now considering tackling tax evasion and using the private sector for domestic investment and for attracting foreign investment. He added that those aspects had not been previously considered by Arab countries, and that ESCWA efforts had led to cementing the development dimension alongside the human dimension.

10. The representative of Egypt noted the difficulty faced by decision makers when reviewing technical papers, owing to the limited time allocated to Committee members for review. He suggested that they be replaced by policy briefs containing a simple explanation of the methodology to help guide decision makers. The representative of Mauritania stressed the benefit of ESCWA proposals for member States, especially for the least developed countries where financing to achieve the SDGs remained scarce. He added that his country was interested in proposals that would allow access to more financing for development resources.

11. In response, the representative of the secretariat said that ESCWA was aiming for simplicity and brevity in communicating information, and was keen to convey its messages in a focused manner to member States, as it had done when preparing technical summaries on financing for development channels, including the preparation of infographs based on charts and short films. He also noted the trend of transforming knowledge into interactive policy tools. He said that the needs of individual countries had already been addressed through the technical reports prepared by ESCWA, inviting member States to check them on the ESCWA portal, especially since the papers presented to the Committee were simplified summaries of the huge volume of quantitative and qualitative studies prepared by ESCWA.

B. Progress and prospects in financing sustainable development

1. Global trends and regional realities (Agenda item 6)

12. With reference to document [E/ESCWA/C.9/2019/5](#), the representative of the secretariat made a presentation in which he reviewed global trends in financing for sustainable development, and the regional reality within that framework. He analysed and assessed the financing for development situation from international and regional perspectives, and the rationale behind redirecting financing for development processes that focused on mobilizing domestic resources and curbing illicit financial flows. He said that the prevailing opinion adopted by the United Nations working group on financing development indicated that financing development processes had witnessed progress in 2019, yet it remained insufficient to finance the SDGs as returns from financing varied between developing and developed countries, which exacerbated inequality in financing. He added that the qualitative and quantitative assessments undertaken by ESCWA revealed that the Arab region was losing real opportunities to finance sustainable development owing to factors such as the geo-political situation and the burdens caused by conflict. He noted that international organizations usually-provided recommendations that did not take into account the specificities of the Arab region, such as calls to mobilize domestic resources by imposing more direct taxes. He asserted that ESCWA had adopted a different position that gave priority to improving tax administration and tax compliance by curbing tax evasion, especially regarding profits of multinational companies that were transferred outside the region.

13. The representative of the secretariat said that directing the tax burden must take into account country specificities, especially since most non-oil Arab countries depended on indirect taxes that were largely borne by middle- and low- income classes. He noted that increased taxes might lead to higher poverty rates and exacerbate instability, as in Jordan and Lebanon. He said that indicators of international institutions showed an increase in official development assistance and a significant decrease in the flow of foreign direct investment to the region since 2011, while ESCWA estimates showed that the increase in assistance was due to its calculation on the basis of nominal values. However, if calculated in actual terms, it was evidently less than previous years. Moreover, an estimated 12 per cent of official development assistance was being spent within donor countries to cover the cost of hosting refugees, but was counted as aid directed to the region. He

also noted that foreign direct investment to the region often took the form of mergers and acquisitions that might not increase productivity, and that the energy, oil and gas sectors accounted for the largest share of it.

14. He said that the ESCWA position and that of international organizations were aligned on the importance of public-private partnerships, but stressed the need for robust legal frameworks to manage such partnerships to avoid privatizing benefits while generalizing costs. He said that the countries that had used the model, such as Germany and the United Kingdom of Great Britain and Northern Ireland, had stated at the high-level Conference on Financing Sustainable Development organized by ESCWA that the performance of those partnerships was mixed and might not necessarily apply in the case of developing countries. The representative of the secretariat indicated that every dollar invested by the public sector in the Arab region was not matched by the private sector, or at least was not crowding in private capital, implying that such financial partnerships were unable to achieve their goal in the Arab region. The representative of the secretariat then clarified that international organizations were always promoting the revenues that developing countries could derive from adopting trade liberalization policies; however, ESCWA had noted an increase in protectionist measures imposed on the region's exports, which in turn had eroded the link between trade and growth. He also noted that despite claims by international organizations on the prospect of using debt to finance development, ESCWA had expressed fears of renewed debt crises and economic turmoil, had suggested reconsidering coordination mechanisms between creditors, and had put forward a three-dimensional strategy to ensure that debt remained a feasible way to finance development.

15. In the ensuing discussion, the representative of Egypt emphasized that reliance on foreign direct investment was insufficient without national government investment. He said that although foreign investment directed to acquisitions might not add to the investment stock from the perspective of national accounts, it could add to productivity provided that investments were directed to productive sectors. He noted that ESCWA should consider the quality of public investment, because public investment that competed with private investment could have negative results, while investment in infrastructure stimulated the private sector. He also discussed public-private partnerships, indicating a trend in all Arab countries towards them, which required a more detailed assessment of their fruitful mechanisms in the region. He said that sovereign funds in the region could be considered a kind of partnership between Government and the private sector. He added that debt was increasing owing to low interest rates globally, which posed risks that should be measured.

16. The representative of Iraq highlighted the difference between a pledge to assist in financing development and actual implementation, noting the low ratio of pledges to implementation. He also expressed his concern that financing for development was not being directed to its rightful purposes but rather to finance conflicts in some countries, and that high indebtedness was impeding the mobilization of domestic resources in developing countries. The representative of Jordan stressed the necessity of adopting a unified Arab position on the dichotomy between international recommendations on financing development processes and the reality of the Arab region, noting the role of ESCWA and its interaction with various relevant international and regional forums. Responding to the representative of Egypt, the representative of Jordan said that foreign direct financing could be beneficial if it relied on the introduction of technology and achieved efficiency and transparency. He said that his country had adopted an approach to tackle tax evasion and established a legal framework for public-private partnerships. He also said that the presence of Arab countries, and of developing countries in general, should be enhanced in the International Monetary Fund (IMF) and the World Bank by modifying the voting system to increase the representation of developing countries, and grant them equal voting rights with developed countries. He added that it was necessary to increase coordination between multilateral development banks, and improve existing frameworks to solve sovereign debt crises by establishing an international bankruptcy court in accordance with a new methodological framework. He also proposed developing an emergency fund in the region to support the financial independence of the Arab least developed countries, and assist them in facing financial pressures resulting from economic crises in the region.

17. The representative of Mauritania said that public financing was scarce in some countries, including his own, although it was required to finance development. The private sector was therefore important and must focus on productive development sectors. He requested that ESCWA assist in mobilizing funding from the

private sector. The representative of the State of Palestine said that the most controversial point was the difference in views between international organizations and Arab countries on the means of financing development. He added that development was associated with investment: if investment was well directed, it would reflect positively on all sectors. He discussed public debt, stating that it was not a problem in itself; the problem was that debt in the Arab region was not directed to investment and the promotion of development. He requested that a strong message be sent in that regard. The representative of Yemen requested that conflict-affected countries be better represented, and that a more detailed and transparent study of revenue expenditures be conducted.

18. The representative of the Saudi Development and Reconstruction Programme for Yemen reviewed the objectives of the programme and its achievements, and listed five points that contributed to achieving those objectives: the security level in the target State; the level of government oversight and combatting corruption; the State's participation in infrastructure; the size of the private sector and the extent of its participation in the local economy; and the education level in a society, which was directly proportional to development.

19. In response, the representative of the secretariat stressed that the purpose of the present agenda item was to outline global trends and their compatibility with regional interests, rather than scrutinizing countries' performance. In response to the request by the representative of Egypt that ESCWA examine debt at the country level and not only at the regional level, he said that ESCWA had already carried out such studies based on the IMF debt sustainability model, whereby ESCWA had adjusted some of its elements in line with the region's specificities. He added that findings indicated a significant debt sustainability problem, exemplified by the case of Egypt, especially during the period 2011-2017. Regarding public-private partnerships, he said that the international position encouraged involving the private sector in development. He questioned the Arab private sector's ability to assume responsibility for financing development and achieving the SDGs, given that its current structure was mostly related to small and micro projects, noting that such projects were unable, and perhaps not allowed, to finance vital sectors such as the construction of airports and ports. He concluded that countries that had developed frameworks for organizing public-private partnerships had showed results only in narrow and specific areas, coupled with the existence of well-established systems of economic governance.

20. Regarding what the representative of Jordan had said about the necessity of adjusting IMF voting shares, the representative of the secretariat mentioned the Secretary-General's Strategy for Financing the 2030 Agenda aimed at placing that issue back on the international agenda. However, the issue was largely linked to the negotiating power of developing countries. He stressed that unifying the Arab position in that regard would reinforce the proposal. Regarding establishing a sovereign fund in the region, he said that it is worth examining as a means to enhance regional integration, noting that ESCWA had proposed the idea within its vision to create ACCESS. Regarding investment, he said that, despite its high returns in several sectors, it should be addressed in the context of the region, indicating that the United Nations Conference on Trade and Development (UNCTAD) had noted in its annual World Investment Report that investment in the region had not been directed towards productive sectors that contributed to achieving the desired structural transformation, but rather towards the oil sector. He added that technological returns on foreign investment should be studied in the light of international multilateral rules governing the transfer and use of patents and other intellectual property rights. He concluded that foreign direct investment attracted by the region was insufficient compared with the region's investment abroad at a ratio of 1:1.8 per dollar, without counting the \$3.5 trillion invested in sovereign wealth funds outside the region, and the ability of three Arab countries to purchase the debts of developed countries whose value exceeded total Arab foreign debt.

2. The Arab Financing for Development Scorecard: domestic public resources (Agenda item 7 (a))

21. With reference to document [E/ESCWA/C.9/2019/6\(Part I\)](#), the representative of the secretariat made a presentation clarifying that mobilizing domestic public resources for financing sustainable development included two dimensions: one related to the efficiency of revenue disbursement, and the other to the method of resource mobilization. He stressed that there was no optimal tax system because the efficiency of tax systems

was measured on the basis of four distinct and disparate criteria that were difficult to satisfy congruently, namely collection capacity, tax compliance, tax effectiveness, and tax equity. He explained that each tax applied had a different effect because of what he called another “inconsistent quartet”, a concept derived from the theory that countries could not combine four policy measures simultaneously: liberalizing the exchange rate, liberalizing trade, liberalizing monetary and interest rate policies, and liberalizing capital flows. He said that criteria for measuring the efficiency of a tax system appeared consistent ostensibly, but closer examination revealed that they were not consistent from a practical point of view. Value-added tax, for example, scored high in terms of effectiveness and ease of collection, but it was a regressive tax that did not contribute to achieving tax equality. He added that if the goal of Governments was to quickly collect tax revenues, they usually resorted to taxes on consumption given their ease of collection, but such taxes had a regressive effect on equality. If the goal was to achieve equality, countries should focus on taxing companies and profits, but such taxes scored low in terms of efficiency as they required strong administrative tax administrations and capacity. He concluded that international recommendations might not be consistent with the region’s needs, especially in the light of weak administrative capacity to collect taxes and weak compliance records owing to tax evasion and avoidance.

22. He reviewed the results of the quantitative analysis conducted by ESCWA in the region, including the flexibility of tax systems whose calculations showed that a broader tax base was not always associated with an increase in economic activity, owing to the presence of a large informal sector in some Arab countries. He indicated that reducing informal activity in the region would raise tax revenue by 6 per cent of the combined gross domestic product (GDP) of Arab countries. He added that ESCWA studies indicated a clear variation in the tax structures of Arab countries, noting that oil-rich countries did not depend on taxes as a source of revenue, while taxes as a share of general revenue was higher in non-oil countries. Regarding the tax burden, he said that inequality measurements prior to and following tax collection were similar in some Arab countries, which raised questions about the effectiveness of the distributional effect of taxation. He noted that tax compliance was the most important problem in the region, especially in the light of losses incurred by Arab countries as a result of tax declaration manipulation and trade misinvoicing. He concluded that the results of those analyses showed the need for extensive assessment of illicit financial flows, including tax evasion that lost the region 10 per cent of its tax revenues and 8 per cent of commercial returns owing to trade misinvoicing.

23. In the ensuing discussion, the representative of Iraq stressed that taxation was a sensitive subject that affected the equitable distribution of income and often negatively impacted the poor. He said that most tax evasion in oil-rich countries was concentrated in the oil sector, and stressed that tackling evasion problems required addressing tax havens, which in turn required international cooperation. The representative of Yemen asked if development was possible in the light of internal conflict, stressing that fighting was the enemy of development. He inquired whether ESCWA was able to organize workshops to reduce conflict and address their impact on sustainable development opportunities. The representative of Egypt commented on the reported inflationary stagnation, stating that the world was experiencing stagnation not inflation, although some Arab countries were also suffering from inflationary stagnation.

24. The representative of Jordan said that resource mobilization is not limited to taxes, but also included the optimal use of domestic resources and their incorporation into a regional framework to benefit from financing possibilities held by countries with abundant resources. He enquired if ESCWA was able to develop joint projects between Arab countries to mobilize and use those resources. The representative of the State of Palestine concurred, adding that Arab countries enjoyed a great diversity of resources and competitive advantages, and that ESCWA could be the umbrella organization for such cooperation. He said that the documents presented to the Committee provided a good description of progress in the region, and offered acceptable technical and quantitative solutions, but innovative solutions were needed because some international standards and indicators were not relevant to the realities of the region. The Chair replied that joint projects required regional consensus, political will and significant efforts. ESCWA was able to provide advice and guidance, but its mandate did not allow it to obligate member States to coordinate and cooperate. He stressed that development was impossible without coordination and political decisions.

25. The representative of the Saudi Development and Reconstruction Programme for Yemen asked if ESCWA could develop a programme to build the capacity of all countries benefiting from international development financing programmes, especially since countries' problems appeared similar, so that clear action plans for all countries could be developed with clear results.

26. In response, the representative of the secretariat reviewed the mechanisms of ESCWA work, stressing that it was a regional organization that promoted regional integration in all areas, including financing for development, through regional consensus to stimulate national development. He stressed that regional integration was the primary concern of ESCWA, forming the basis of its work since it focused, as a regional organization, on achieving all dimensions of sustainable development in the Arab region. In response to the representative of Iraq, he said that ESCWA had addressed in its analysis illegal financial flows associated with oil and mineral wealth, and had devoted a separate section to examining their effects in Iraq, by dedicating a section related to the issue in the first regional report issued by ESCWA on illicit financial flows in the Arab region. Referring to the benefit of mobilizing domestic resources to advance regional integration, he noted the negotiations on the Arab Customs Union, which was supposed to be launched in 2015 and was postponed to 2021. He added that its establishment was witnessing several challenges, which had led ESCWA to put forth a proposal to bypass the impasse in negotiations by creating the Arab Common Citizens Economic Security Space (ACCESS). He further noted that the framework for this proposal, along with its determinants and elements, had been published in chapter 6 of the Arab Development Outlook: Vision 2030 report.

27. Regarding the distribution of customs and tax proceeds at the regional level, he said that countries had not adopted a clear position in that regard because of their fear of losing sovereign sources of public revenue. With regard to establishing development projects at the regional level, there were over 25 regional projects adopted by Arab economic summits within the framework of joint Arab action, but they lacked the necessary funding. Consequently, endowment or sovereign funds for financing development might face the same challenges without the political will to mobilize the required financial resources. He added that all those ideas had been discussed and detailed in the first ESCWA report on Arab regional integration, published in 2014.

28. In response to the representative of Yemen, the representative of the secretariat agreed that conflict was the enemy of development, noting that there was a division within ESCWA that dealt exclusively with regional conflicts and emerging issues. ESCWA was the only regional commission that maintained such a division. He added that the division cooperated with the Ministry of Planning of Yemen on collecting statistics and formulating development strategies. Modern technologies had been used in surveys to extract statistics that benefited decision makers in Yemen. In response to the representative of Egypt, he said that communication and coordination with the Governments was essential because ESCWA analysis was based on national statistics, and that those analysis would lead to the development of national analysis frameworks that would be published on a website that ESCWA intended to launch.

*3. The Arab Financing for Development Scorecard: domestic and international
private business and finance
(Agenda item 7 (b))*

29. With reference to document [E/ESCWA/C.9/2019/6\(Part II\)](#), the representative of the secretariat made a presentation in which she referred to a report prepared by ESCWA, at the request of member States and pursuant to the Addis Ababa Action Agenda, on estimating the volume of illicit financial flows, which was presented at the high-level dialogue organized by ESCWA. She said that the report's findings were reviewed by Global Financial Integrity, and that the findings were similar to those reported by the Economic Commission for Africa on illicit financial flows in North Africa. Estimates showed that illicit financial flows in the Arab region ranged between \$60 billion and \$77 billion annually, exceeding net official development assistance and foreign direct investment received by the region annually. She reviewed the situation of commercial and financial institutions in the region, noting a decline in foreign direct investment in the region by 2 per cent of total global investment flows, which had been estimated at \$1.3 trillion in 2018. She stressed that investment outside the region exceeded investment in it, whereby for each dollar the region received in foreign direct investment, it correspondingly

invested \$1.6 dollars in other regions. She concluded that the deposits of Arab countries abroad exceed the amount they owed, meaning that the Arab region has become a source of capital and financing for foreign banks.

30. She addressed the issue of remittances as a source of financing for development as stipulated by the Addis Ababa Action Agenda, indicating that remittances in the region amounted to 8 per cent of total global remittances, and that their value exceeded the value of net foreign direct investment and official development assistance combined. She stressed that the region faced a severe opportunity loss due to the relatively high fees and costs associated with the transfer of remittances within the Arab region. Regarding sovereign funds, she said that the share of Arab countries in those funds was high (measured by the region's GDP compared with other regions), reaching 32 percent of the global total. She stressed the importance of investing those funds in the region instead of depositing them abroad, especially in view of the negative interest rates overshadowing global financial markets.

31. In the ensuing discussion, the representative of Iraq asked what was meant by the cost of transferring money, and whether the figures mentioned in the presentation were official. He said that those costs, if generated through the formal banking system, would be in Arab countries' interest. The representative of the State of Palestine said that ESCWA reports and indicators that described challenges should also address how to tackle them in a way that contributed to a positive and measurable impact on countries. The representative of the Syrian Arab Republic said that what was considered a financial transfer in one country was seen as smuggling in another, enquiring about ESCWA proposals to solve that problem.

32. The representative of Kuwait noted the intention of Gulf Cooperation Council countries to impose fees on remittances, since those countries lost a great deal because of the flow of remittances from them. He requested that ESCWA studies include the perspective of countries sourcing remittances, and not only that of countries receiving them. The representative of the Syrian Arab Republic asked about the right of migrant workers to transfer a certain percentage of their income without paying government fees. The representative of Egypt replied that remittances were either profits (believing that those were the type referred to by the representative of Kuwait) or wages of workers abroad, who existed in large numbers but transferred small amounts. He added that it was important to examine the uses of remittances, since they could support consumption patterns in Arab countries thus negatively impacting development, or they could be invested in projects supporting sustainable development. A quantitative study on the subject should be conducted in Arab countries.

33. In response, the representative of the secretariat said that ESCWA had conducted over 10 studies on the topic, that the data on the cost of remittances were official, and that the costs being discussed were related to the cost of remittances for labour-exporting countries. Those costs were often pocketed by international money-transfer companies as remittances were generally not sent via national banks, so only individuals and households receiving remittances benefitted. She said that ESCWA had offered several solutions, including what the Central Bank of Egypt had done and also Kenya which had relied on banking technology to transfer funds via M-Pesa.

34. In response to the representative of the State of Palestine, the representative of the secretariat emphasized that solutions are devised by highlighting and monitoring problems and assessing the return from tackling them in accordance with specific technical and quantitative proposals, which result in appropriate policies to deal with the various issues raised in by the Committee. He said that ESCWA was preparing a report on financial technology and its status in the Arab region, comprising a section on the cost of remittances and the resulting revenue from reducing it in the region as required by the SDGs, which was estimated at around \$2.9 billion annually. He agreed with the representative of the Syrian Arab Republic that the inability to determine whether remittances were smuggled money or being used to finance terrorism was a serious problem, indicating that there were inconsistencies between transfer mechanisms and laws to combat money laundering. He added that the issue had been raised internationally and was not limited to the Arab region. He concluded that numerous anti-smuggling legislation, which were also impeding legitimate transfers, had led to the emergence of the concept of 'de-risking' that posed a problem for the Arab region, as shown in the technical papers presented to the Committee.

4. The Arab Financing for Development Scorecard: international development cooperation
(Agenda item 7 (c))

35. With reference to document [E/ESCWA/C.9/2019/6\(Part III\)](#), the representative of the secretariat made a presentation in which he noted that official development assistance amounted to \$165 billion provided by donor countries and international bodies. He said that while such aid had increased after 2015, it had not reached the level set by the United Nations at 0.7 per cent of donor countries' GDP, and developing countries with greater needs had not benefited from that increase. He indicated that for every dollar entering the Arab region as official development assistance, \$0.87 left as official development assistance provided by Arab countries and Arab development funds to other regions. He stressed that a great deal of aid was directed to humanitarian ends, compared with a decline in aid directed at the education and health sectors, which affected human capital in developing countries.

36. In the ensuing discussion, the representative of Oman asked if countries could control how such aid was directed and the sectors in which it was invested. The Chair said that recipient countries determined their priorities, but donors had their own priorities, thus requiring negotiations to align the two. He highlighted the role of ESCWA in unifying the Arab discourse on priorities, to ensure that the region was an influential force. The representative of Jordan discussed directing aid to support government budgets, and how that affected financing development. The representative of the State of Palestine mentioned the political dimension that determines aid allocation, even aid directed towards humanitarian ends.

37. The representative of Egypt said that supporting budgets no longer came under the framework of aid but rather loans, which posed no problems for countries with good credit ratings. He explained that grants were centred on development, to be used for investments not current expenditures, especially in the light of severe governance challenges facing the Arab region. He said that there was a committee under the Ministry of Foreign Affairs of Egypt that set development priorities and submitted projects to donors, confirming that donors responded well if the projects were reasonable and feasible. The representative of Mauritania concurred, stating that his country had received a grant from the European Union and a soft loan from the World Bank, both of which were for investment not current expenditures. The representative of Iraq noted the existence of aid to support the government budget provided by IMF, under an agreement requiring the State to conduct reforms, tackle inflation and achieve stability to protect creditor rights and create an enabling environment to attract foreign investment. The representative of Jordan said that loans carry over the problems of the present to the future, stressing that financing must be directed towards investment in infrastructure and projects, especially since financing current expenditures had negative effects on development and exacerbated the debt problem.

38. The representative of the Saudi Development and Reconstruction Programme for Yemen said that donor countries had provided significant budget support without conditions or oversight, but neither the donor country nor recipient countries had benefited owing to a lack of internal control mechanisms, which resulted in the dispersal of aid and corruption. He said that grants without oversight no longer existed, adding that the mechanism followed by donors when receiving an application was to go into the field and review studies, then impose an internal control mechanism to ensure that grants reached their targets. He expressed his desire that ESCWA adopt standards on education, health and security, stating that it would motivate willing donor countries to compete in achieving those standards. He concluded that if those criteria were met, transparency would increase and donors would compete for delivery. The representative of Yemen concurred, requesting that awareness standards be added to the other standards.

39. In response, the representative of the secretariat said that donor countries' standards stemmed from the accountability to which aid spending was exposed, which imposed on them priorities that might differ from those of Arab countries. He noted that if donor countries had met the rate set by the United Nations, the grants would have reached \$3 trillion, but the amount available today did not exceed \$150 billion, of which 50 per cent would be spent on humanitarian aid, meaning that the aid estimate was incorrect. He added that it was even more dangerous to place conditions on aid, as one country could provide aid to another in exchange for

using that aid to buy products from the donor. He indicated the paradox between the SDGs and how to finance them: although the two processes were interlinked, the legal frameworks varied.

*5. The Arab Financing for Development Scorecard: international trade
as an engine for development
(Agenda item 7 (d))*

40. With reference to document [E/ESCWA/C.9/2019/6\(Part IV\)](#), the representative of the secretariat made a presentation on international trade as an engine for development. He said that 65 international commitments on the issue had been adopted under the Addis Ababa Action Agenda, including those stipulating the establishment of a comprehensive and equitable multilateral trading system. He indicated that such commitments had not yet been fulfilled, since nine Arab countries remained outside the World Trade Organization despite submitting formal requests to join since 1987. He noted the Doha round of multilateral trade talks, designated the ‘Doha Development Round’, which was supposed to result in trade preferences for developing and least developed countries to assist financing for development, stressing that those endeavours had not translated into practical steps owing to an impasse in negotiations since 2001. He addressed the trade dispute between China and the United States of America, and the trend towards protectionist, preventative and compensatory measures at the global level. He concluded that such trends impeded international commitments to harness trade to finance development.

41. He reviewed the status of trade in the Arab region, stressing that despite signed agreements that were supposed to liberalize intraregional trade in the region, notably the major Arab free trade agreements, such trade was still limited and subject to non-customs restrictions. Moreover, the pace of intraregional trade liberalization was much slower than that of trade liberalization with parties outside the Arab region. He expressed his surprise that negotiations were continuing between Arab countries based on rules of origin, which would become redundant following the establishment of the Arab Customs Union. He said that given the faltering negotiations on the Arab Customs Union, a space conducive to ACCESS should be established as an alternative, especially since it was an integrated framework consistent with the 2030 Agenda and was based on existing agreements signed by Arab countries within the framework of the League of Arab States. He noted that the region had unexploited export potential estimated at around \$131 billion, or 10 per cent of total Arab foreign trade.

42. In the ensuing discussion, the representative of the Syrian Arab Republic said that political will was lacking in the region, which impeded achieving economic integration and harnessing trade to finance development. He noted the numerous projects approved by Arab social and economic summits that had not been implemented. The representative of Egypt said that trade liberalization agreements were offset by a decrease in tariff revenue, and it was therefore necessary to focus on the issue of alternative sources of income to offset the expected decrease. The representative of the State of Palestine said that more action plans should be developed even if they were not implemented, and that a joint practical interest approach should be adopted based on facts and figures to encourage regional integration.

43. In response, the representative of the secretariat said that all ESCWA studies included recommendations proposing solutions to specific problems, referring to the case of the State of Palestine and the Paris Protocol, which was addressed in the report entitled Arab Development Outlook: Vision 2030 through the idea of establishing the ACCESS. With regard to estimating revenue from the Arab Customs Union and the decrease in customs revenue, he explained that the Arab Economic Integration reports 2014 and 2016 addressed this issue quantitatively. He stressed that ESCWA fulfilled its mission when it was able to identify problems and to prove them with empirical statistics and evidence. It strove to achieve consensus on optimal paths to resolve challenges, but its mandate did not allow it to impose any measures on member States.

6. *The Arab Financing for Development Scorecard: debt and debt sustainability*
(Agenda item 7 (e))

44. The representative of the secretariat presented document [E/ESCWA/C.9/2019/6\(Part V\)](#), which provided a quantitative analysis of the debt situation in the Arab region and its capacity to sustain and service that debt. He gave an overview of debt and debt flows at the regional and global levels. He noted that debt had increased internationally during the period 2017-2018 owing to high levels of private debt, but the Arab region had witnessed an increase in sovereign debt, especially in the case of non-oil-exporting countries. He indicated the sharp rise in global debt, which was over three times the size of the global economy, and discussed Arab countries' debt which had significantly increased after 2008 to reach a critical level in several countries.

45. The representative of the Syrian Arab Republic asked about countries where debt had reached a critical level. The representative of the secretariat replied that such countries included Egypt, Jordan, Lebanon, Libya, Mauritania, Morocco, the Sudan, Tunisia and Yemen. He said that the IMF debt sustainability model had been adopted to determine maximum debt ceilings and whether debt had reached critical levels, noting that those calculations would be included in the integrated national financing frameworks that ESCWA was preparing.

C. Illicit financial flows

1. *Beirut Conference and Consensus on financing sustainable development*
(Agenda item 8)

46. The representative of the secretariat presented document [E/ESCWA/C.9/2019/7](#), which reviewed the findings of an ESCWA study on the volume and impact of illicit financial flows in the Arab region. She focused on the section related to trade misinvoicing, which constituted the greatest source of financial leaks in the Arab region. She discussed the motives behind trade misinvoicing and its various forms, and the commercial sectors most exposed to that in the Arab region. She reviewed the proceedings and outcomes of the high-level Conference on Financing Sustainable Development and Curbing Illicit Financial Flows that ESCWA had held in Beirut in November 2018 and the resulting Beirut Consensus. The representative of the secretariat added that the Conference was the first of its kind to be held at the request of Arab countries, and covered issues related to corruption. It had provided elements for a roadmap that Arab countries could follow to deal with such problems. He said that all Arab countries had made interventions on matters presented for the first time in the region, and that attendance was unprecedented and characterized by high-level representation. Several international organizations had commended the Conference.

47. The representative of Jordan commended the Conference, noting that considering the issue in Arab countries was progress in itself. He enquired about the next step. The representative of Egypt asked how to estimate and calculate the value of trade misinvoicing.

48. The representative of the secretariat replied that estimating invoice manipulation was based on equations developed by several United Nations organizations by aligning IMF data with those of exporters abroad, using an equation that took into account freight costs and billing items that were transferred from one year to another. He said that to date there was no standardized methodology for measuring manipulation, and that ESCWA had developed a methodology followed by the United Nations economic commissions for Africa and Latin America and the Caribbean, which was consistent with its counterpart employed by Global Financial Integrity. He noted that ESCWA had issued a booklet on its methodology, which had been published alongside the ESCWA report on the topic.

2. Arab road map on financing sustainable development and curbing illicit financial flows
(Agenda item 9)

49. The representative of the secretariat presented document [E/ESCWA/C.9/2019/8](#), which set out an Arab road map on financing sustainable development by curbing illicit financial flows. She discussed national and regional ecosystems to curb illicit financial flows, and enforcement efforts and the powers required to achieve them. She said that those efforts should include combating all four types of commercial trade misinvoicing, enhancing cooperation between anti-corruption bodies, establishing specialized units for confiscating and recovering assets, and enhancing accountability. She reviewed efforts to increase financial transparency, reduce tax evasion, combat financial crime, and take into account sustainable development considerations in multilateral trade rules. She also addressed the issue of trade with illegal entities and settlements.

50. The representative of Egypt praised the road map and requested that it be complemented with quantitative studies that produced accurate and applicable results to help decision makers. He proposed creating a matrix to show the aspects of illicit financial flows in each country, and to highlight the problems they faced. The representative of Jordan said that tackling tax evasion in the region faced great resistance from people with high incomes. He added that meeting sustainable development requirements required domestic solutions such as activating and increasing the efficiency of tax administrations. The representative of the Sudan stressed the importance of extending the rule of law to address corruption and evasion cases. The representative of the State of Palestine said that measuring all SDG targets related to illicit financial flows was difficult, adding that the issue of illegal financial flows was more legal than economic. He commended the reference in the ESCWA report to settlements, but expressed his surprise that there was no mention of the occupation as a major impediment to development in the State of Palestine. He enquired about estimating integrity and corruption indicators, noting that such results might not be accurate.

51. The representative of Iraq stressed the importance of defining the methodology for assessing illicit financial flows, noting that even the definition of ‘rogue States’ in that context was unclear. He said that such definitions were sometimes distorted to serve the agendas and political priorities of foreign parties. The representative of the Syrian Arab Republic stressed the need to reach a unified Arab definition of illicit financial flows instead of adhering to Western definitions and standards, especially since what was considered legitimate in the West in terms of financial flows might not be legitimate in Arab countries. The representative of Yemen asked if there were plans to operationalize the Arab Customs Union. The representative of Oman enquired about cybercrime and how to combat it.

52. The representative of Jordan proposed establishing technical cooperation fund for financing development under the ESCWA umbrella, funded by member States’ contributions, similar to the Perez-Guerrero Trust Fund, which would allow countries to benefit from each other's experiences. The representative of Oman said that unless financial contributions were binding, the fund would not succeed. The representative of Egypt noted that it was not necessary to establish a new fund, but rather to establish twinning programmes between Arab countries that enabled the exchange of experiences without resorting to foreign experts.

53. In response, the representative of the secretariat said that the aim of the road map was to set out the overall features of required measures, thus enabling countries to identify actions and frameworks for adoption at the national level according to each country’s needs. He stressed that ESCWA estimates of illicit financial flows related to trade misinvoicing provided a more accurate picture than estimates of corruption or terrorist financing. In response to the representative of Egypt, he indicated that there were annexes showing each country’s losses. He said that ongoing negotiations at the League of Arab States did not cover the Customs Union, and that the project related to the unified customs system did not contain any reference to that issue to date. He added that the focus remained on determining the categories of customs tariffs that would be applied within the framework of the Customs Union and which countries would be affected.

54. He said that the ESCWA study was the first to report that any financial transactions related to trade flows with settlements were considered illegal financial flows. Regarding the proposal of the representative of Jordan to establish a technical cooperation fund, he said that ESCWA activities already included such cooperation, given that it facilitated the exchange of experiences between member States, adding that the Peres-Guerrero Trust Fund was faltering owing to limited financial resources. He said that cybercrime was already impacting illicit financial flows, given that commercial payments between importers and exporters had become electronic, and therefore tracking them was problematic in terms of monitoring illicit financial flows that might be linked to them.

55. The representative of the secretariat proposed discussing country priorities in the field of technical cooperation for the coming period under the item on 'other matters'. He said that activities would be prepared based on country interventions. After the proposal was put to the Committee, the Chair adopted the proposal.

D. Programmatic issues

1. United Nations reform: the regional dimension (Agenda item 10)

56. The representative of the secretariat made a presentation on United Nation reform. He covered the main aims of the process and linked them to regional trends in financing for development. He said that reform was taking place under three tracks: peace and security, management reform, and development system reform. He mentioned initiatives in support of the reform process, such as the conflict prevention initiative that included a platform comprising high-level personalities who could provide mediation; the gender equality initiative to achieve parity by 2028; the United Nations work environment with an emphasis on preventing intimidation and harassment; the anti-terrorism initiative; the human rights initiative; peacekeeping operations and their links to political offices; and creativity and development in the United Nations work based on innovation and continuous learning. With regard to management reform, he said that the trend was towards decentralizing budgets and appointments, but with additional accountability mechanisms. Regarding development reform, he noted that the 2030 Agenda was the focus of committees' work and the basic framework for development work. He said that national coordinators now had a greater role at the national level to coordinate efforts, and their selection was based on new skills compatible with country aspirations.

57. He said that revitalizing the regional perspective on development was vital because most challenges facing countries were cross-border issues. He stressed the importance of having predictable resources to advance organizations' work, and funding for the secretariat to assist countries in implementing the 2030 Agenda. He said that the regional dimension of reform comprised two stages: improving existing structures; and reviewing them while recognizing the different priorities of regions, and developing a separate approach for each region. He noted that any activity carried out by a regional organization must be reported to the resident coordinator to avoid duplication, which ESCWA had begun to do, especially since the reform was based on rationalizing expenditures. He said that a survey of publications and knowledge products would be conducted to avoid duplication. He added that knowledge management centres would be established to integrate the products of United Nations organizations in electronic platforms to access statistics on various sectors and areas. He concluded that ESCWA focused on the regional perspective not on a specific field, and therefore ESCWA would host knowledge centres and joint administrative support offices to rationalize administrative expenses.

58. In the ensuing discussion, the representative of the Syrian Arab Republic stressed the need to give Governments adequate information on activities and projects, including the budgets allocated to projects, expressing concern about what he described as projects carried out without government knowledge. He also asked about regulations for appointing coordinators and staff members, and the rationale for conducting workshops and meetings. The representative of Mauritania said that the United Nations had an imbalance of power in favour of developed countries. The representative of Jordan indicated that United Nations regional

bodies were independent, and in many cases their decisions contradicted the desires of powerful countries. He asked whether the administrative costs of developing countries' contributions to the United Nations, which were being deducted from the assistance provided by developed countries, could be reduced.

59. The representative of the secretariat replied that the aspects and volume of expenditure were reported to member States at ESCWA sessions, and that reports covering the issue were available on the ESCWA website, which was a key requirement of the rules adopted by States at New York. He said that there were strict spending controls that sometimes even prevented service provision. He added that there was a complaint mechanism and an independent monitoring body. He noted that the resident coordinator was accredited by the State and could not implement projects without coordinating with the State, and that a cooperation framework was signed by both parties. With regard to job appointments, he explained that there were strict controls, including geographical considerations and country representation, adding that appointing the wrong person could lead to the suspension of appointment by the court following an investigation. He also mentioned the costs of the programme, stressing that it had been established pursuant to a General Assembly resolution following approval by member States, which obliged countries to pay the agreed contribution.

2. Date and venue of the second session of the Committee (Agenda item 11)

60. Representatives of member States agreed to hold the second session of the Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia at the United Nations House in Beirut in December 2021, provided that no member States officially requests to host it in accordance with established United Nations procedures and regulations.

3. Other matters (Agenda item 12)

61. Under this item, representatives of ESCWA member States reviewed financing for development priorities for the coming years. The representative of the State of Palestine indicated his country's need to measure the impact of the occupation, stating that previous studies assessing the impact of the occupation on financial leakage had estimated losses at around \$48 billion between 2000 and 2019. He requested further research on the multiple dimensions of the phenomenon. The representative of Iraq said that his country needed to examine Islamic finance, and how to employ its resources in developing countries and reform public budgets by switching to subprogrammes based on assessing performance and funding. He added that ESCWA should also examine funding at the subnational level (provinces and governorates).

62. The representative of Jordan discussed innovative financing and its impact, and requested that ESCWA assess its economic viability, and examine if it had fulfilled financing for development purposes. He also requested that ESCWA assess the ability of the national private sector, mostly comprising small businesses, to establish coalitions parallel to government work on forging partnerships. The representative of Mauritania requested that ESCWA examine the role of sovereign funds, free zones and innovative financing, especially digital finance. The representative of Yemen requested that ESCWA study the financing sources of parties in conflict, and provide technical support to financial administrations in provinces and governorates. The representative of the Syrian Arab Republic expressed the need for technical support in national accounts methodologies. He said that it was necessary to examine the role of medium, small and micro enterprises, and to train local administrations to secure income sources, select investment projects and increase their revenues.

63. The representative of Egypt addressed partnerships with the private sector, requesting that ESCWA examine sectors that could establish such partnerships to implement national action plans. He also requested technical support in green bonds and social bonds, which were new financing methods that could be used in Arab countries. He noted the issue of increasing the efficiency of government spending through evaluation and follow-up, stating that ESCWA could help in that matter which required a sound database for projects.

He said that provinces and governorates should be able to secure their own resources to achieve financing for development.

64. In response to the representative of Egypt, the Head of the ESCWA Financing for Development Office said that addressing certain topics required the existence of legislation that facilitated them. For example, the proposal by the representative of Egypt regarding governorates and provinces mobilizing funding independently of the central government by imposing taxes at the governorate level violated the Egyptian constitution and financial laws used to prepare a centralized State budget. He stressed that such an approach was inconsistent with the position adopted by Arab countries in the Beirut Consensus on financing for development and reviewed United Nations findings in that field. With regard to innovative financing, he said that it comprised multiple tools and had separate legislation; the same applied to digital finance. Member States should therefore determine what innovative tools they needed to finance development. Regarding sovereign funds, he asked whether the intention was to establish a sovereign fund at the regional level or to assist with existing sovereign funds.

65. He stressed that ESCWA had examined in detail public-private partnerships, and there was no decisive consensus on its results internationally. He said that most private sector enterprises in the region were small and micro, so the first step was to support them and then think about building partnerships with them, particularly as the aim was to study the existing private sector, and there were no systematic policies in that regard, only partial initiatives. He said that green bonds came under innovative financing. It was therefore necessary to define the concept more clearly, especially since the majority of innovative financing tools were in the form of debt instruments. He asked whether the direction of Arab countries was towards reducing debt and sovereign debt and ensuring their sustainability, or towards debt restructuring by employing green bonds and innovative financing tools. With regard to supporting financial management, including ensuring efficient government spending, he said that it involved a duplication of the work currently being performed by IMF, which had published a report on public spending efficiency for Africa and Asia. He asked whether what was required was to repeat that work while following the same internationally recognized methodology, or to identify another method.

66. The representative of Jordan said that green bonds and Islamic bonds were both innovative financing methods, and that the private sector continued to announce innovative financing methods that countries must keep pace with. The representative of Egypt said that governance and evaluation of project performance were necessary to reduce government squandering, improve project orientation to achieve development, identify obstacles hindering public-private partnerships, and highlight ways in which sovereign funds contribute to financing development.

67. The representative of the secretariat said that innovative financing tools were increasing rapidly and varied between countries, which made it difficult to focus on them all. However, they were mostly debt instruments, which were inconsistent with countries' request that ESCWA examine ways of limiting debt and improving the investment environment. Regarding Islamic finance, he said that the session papers addressed it.

4. Adoption of the recommendations made by the Committee at its first session (Agenda item 13)

68. The recommendations emanating from the discussions were presented to representatives of member States for discussion and adoption. The present report sets out the recommendations as adopted.

III. Organization of work

A. Date and venue

69. The Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia held its first session in Amman, on 11 and 12 December 2019.

B. Opening

70. The first session of the Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia opened at 10 a.m. on Wednesday, 11 December 2019. The Secretary of the Commission informed representatives of member States of the reasons and objectives for establishing the Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia, including ensuring increased focus on financing for development issues, and guaranteeing the participation of specialists and relevant stakeholders from member States in the discussions.

71. The representative of the Sudan, Ms. Omaima Al-Saeed of the Ministry of Trade and Industry, delivered the opening statement in her capacity as Chair of the twelfth session of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development. She praised what had been accomplished since the previous session, and discussed several issues such as the Beirut Consensus on development and illicit financial flows, and the elaboration of an Arab position on issues related to tax cooperation and technical support to create a conducive climate for domestic and foreign investment. She stressed the importance of the Committee as a regional forum addressing one of the most important challenges facing the achievement of the SDGs.

72. Mr. Mohamed El Moctar Mohamed El Hacene, Director of the ESCWA Economic Development and Integration Division, made a statement on behalf of the secretariat. He welcomed representatives of member States to the first session of the Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia, stressing the importance of financing for development at the regional and international levels. He reviewed some of the conclusions that had emerged from the international follow-up processes and analysis conducted by ESCWA on the state of financing for development in the Arab region. He stressed the need for a qualitative shift to mobilize various sources of financing and improve the management of financial resources. He highlighted shortcomings in the distribution of the fruits of economic growth, which was being undermined by austerity policies and protectionist measures. He indicated a decline in the investment share of GDP, and an increasing debt-to-GDP ratio reaching historical levels. He said that financing development prospects in the Arab region were still weak, especially since the financing exiting the region exceeded what entered, thus hampering efforts to achieve financial sustainability. He added that tackling illicit financial flows and benefiting from the resulting opportunity cost constituted two paths to increasing domestic resources and financing sustainable development.

C. Participants

73. The first session of the Committee was attended by representatives from 11 ESCWA member States. Representatives of regional entities working in the field of financing for development also participated as observers. The list of participants is set out in annex I to the present report.

D. Election of officers

74. Pursuant to rule 18 of the rules of procedure of ESCWA, “member countries shall assume the chairmanship of the sessions of the subsidiary bodies of the Commission on a rotating basis, in the Arabic alphabetical order employed by the United Nations”. The representative of Jordan was appointed Chair of the first session of the Committee. The Committee elected the representative of the Sudan as First Vice-Chair and the representative of the Syrian Arab Republic as Second Vice-Chair. The representative of Iraq was elected Rapporteur.

E. Agenda and organization of work

75. At its opening meeting, the Committee adopted the agenda as set out in document [E/ESCWA/C.9/2019/L.1](#).

76. The Committee also adopted the organization of work set out in document [E/ESCWA/C.9/2019/L.2](#).

F. Documents

77. The documents considered by the Committee at its first session are listed in annex II to the present report.

Annex I

List of participants

A. ESCWA member States

Egypt

Mr. Ahmed Kamali
Deputy Minister for Planning Affairs

Iraq

Mr. Alaeddin Al-Amri
Director-General
Ministry of Planning

Jordan

Mr. Malik Braizat
Head of the Department of Arab and Islamic
Relations
Ministry of Planning and International Cooperation

Mr. Anas Nawwaf Abu Ghanmi
Head of the Aid Coordination Section and
Supervisor of the United Nations Organizations
Section
Ministry of Planning and International Cooperation

Kuwait

Mr. Nabil Suleiman Al-Abdul Jalil
Undersecretary of the Ministry of Finance
Assistant for Economic Affairs
Ministry of Finance

Mr. Saad Muhammad Al-Rashidi
Observer of International Organizations and
Acting Director of the Department of
International Economic Cooperation
Ministry of Finance

Mauritania

Mr. Ali Odeke
Assistant General Manager
Department for Development Policies and
Strategies
Ministry of Economy and Finance

Oman

Ms. Souad Al-Fadil
Specialized Manager
Secretariat General of the Supreme Council for
Planning

State of Palestine

Mr. Shaker Ibrahim Zabadeh
Head of the Economic Unit in the Palestinian
Cabinet

Qatar

Mr. Shaheen bin Ali Al-Kaabi
Assistant Director of the Department of
International Cooperation
Ministry of Foreign Affairs

Sudan

Ms. Omaima Syed Muhammad Al-Saeed
Commercial Inspector
Ministry of Industry and Trade

Syrian Arab Republic

Mr. Iyad Ali
Director of Macroeconomics
Planning and International Cooperation
Department

Yemen

Mr. Ahmed Hussein Ali Al-Suleimani
Deputy Director-General of the Office of Industry
and Trade

Mr. Hussein Abdullah Hussein Al-Bashiri
Director-General
Ministry of Planning and International Cooperation

B. Saudi Development and Reconstruction Programme for Yemen

Ms. Mashael Al Jaber
Senior Specialist in International Partnerships and
Cooperation
Department of Partnerships and International
Cooperation

Ms. Sarah Ahmed Sultan
Economic Expert
Department of Partnerships and International
Cooperation

Ms. Ashwaq bint Ahmed al-Eid
Administrative Expert
Strategic Planning Department

Mr. Ayman Abdul Rahman Al-Saeed
Finance Director
Finance Department

Annex II

List of documents

Title	Item	Symbol
Information note		E/ESCWA/C.9/2019/INF.1
Provisional agenda and annotations	3	E/ESCWA/C.9/2019/L.1
Organization of work	3	E/ESCWA/C.9/2019/L.2
Adoption of the agenda and other organizational matters	4	E/ESCWA/C.9/2019/3
Implementation of recommendations made by the Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development at its twelfth session (focus on finance)	5	E/ESCWA/C.9/2019/4
Global trends and regional realities	6	E/ESCWA/C.9/2019/5
The Arab Financing for Development Scorecard	7	E/ESCWA/C.9/2019/6
Domestic public resources	7 (a)	E/ESCWA/C.9/2019/6(Part I)
Domestic and international private business and finance	7 (b)	E/ESCWA/C.9/2019/6(Part II)
International development cooperation	7 (c)	E/ESCWA/C.9/2019/6(Part III)
International trade as an engine for development	7 (d)	E/ESCWA/C.9/2019/6(Part IV)
Debt and debt sustainability	7 (e)	E/ESCWA/C.9/2019/6(Part V)
Beirut Conference and Consensus on financing sustainable development	8	E/ESCWA/C.9/2019/7 (Arabic only)
Arab road map on financing sustainable development and curbing illicit financial flows	9	E/ESCWA/C.9/2019/8