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Report

Second Session of the Committee on Financing for Development in the States Members of the Economic and Social Commission for Western Asia Cairo, 8-9 December 2021

Summary

The Committee on Financing for Development in the member States of the Economic and Social Commission for Western Asia (ESCWA) held its second session in Cairo on 8 and 9 December 2021, during which it discussed many topics, such as the use of public debt as a means of financing for development, debt sustainability and the reforms required to increase reliance on domestic resources, especially the reform of tax systems in the Arab region, and the prospects for financing climate action and the associated fiscal space. The Committee reviewed the Financing for the Development in the Era of COVID-19 and Beyond Initiative, and the Arab financing for sustainable development framework developed by ESCWA.

The Committee also held a panel discussion on the main recommendations of the United Nations High-level Panel on International Financial Accountability, Transparency and Integrity in addition to a regional workshop on integrated national financing frameworks (INFFs) and the SDG financing simulation tools developed by ESCWA to estimate the cost of implementing Arab sustainable development strategies and sectoral development plans, including national Sustainable Development Goals (SDGs).

At the end of the second session, the Committee on Financing for Development adopted recommendations on various issues and the proposed Arab financing for development framework, some addressed to ESCWA member States and others to the ESCWA secretariat. The present report features these recommendations, together with a summary of the main discussions and estimates put forward by ESCWA based on presentations and documents submitted to member States.

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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) of 28 June 2018 on the development of the work of the Technical Committee on the Liberalization of Foreign Trade, Economic Globalization and Financing for Development, which split the Technical Committee into two committees to ensure increased focus on each topic, namely financing for development and trade. The United Nations Economic and Social Council (ECOSOC) endorsed this split in its resolution 2019/30 of 23 July 2019, and the Committee on Financing for Development held its second session in Cairo, on 8 and 9 December 2021.
2. The present report presents the salient issues discussed during the second session of the Committee on Financing for Development, a summary of the discussions that took place and the proposals and recommendations made on the various issues addressed at the session. The Committee unanimously adopted the recommendations contained in the present report at its final session, held on 9 October 2019.

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

3. At the end of its second session, the Committee on Financing for Development adopted a set of recommendations, some addressed to member States and others to the ESCWA secretariat.

A. Recommendations to ESCWA member States

4. The Committee made the following recommendations to member States:

(a) Welcome the progress made in the implementation of activities related to financing for development and the recommendations of the Committee at its first session, in particular the doubling of the number of activities implemented since the last session, and the role of ESCWA in coordinating the work of the United Nations regional commissions in 2021 and chairing the international track on combating illicit financial flows;

(b) Commend the Arab financing for development portal and the quantitative and qualitative tools it provides to support the financing and implementation of national sustainable development strategies, to assess the cost of implementing national goals and explore possible sources of funding;

(c) Reaffirm the damage caused by illicit financial flows and their impact on the capacity to mobilize national resources for the implementation of the 2030 Agenda for Sustainable Development, and work towards the establishment of regulatory frameworks at the national level to combat that phenomenon in accordance with the commitments of the Arab States, within the framework of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, held in 2015;

(d) Reconsider the approach of excessive reliance on debt to avoid burdening future generations with more debt servicing and develop policies and tools that transform debt into a sustainable means of financing for development by reducing, restructuring and anticipating its patterns and effects on economic growth in the short and medium terms;

(e) Emphasize the importance of central banks in stimulating the required financing for trade and supporting small and medium-sized enterprises, and in reducing the cost of remittances among Arab States through policies and programmes aimed at ensuring that the development role of such remittances takes precedence over profitability considerations;

(f) Stress the need to establish a multilateral trading system characterized by openness, transparency, predictability, inclusion, fairness and non-discrimination, in order to ensure its contribution to financing for

development and the Sustainable Development Goals (SDGs), and to work to overcome the problems facing the launch of the Arab Customs Union to address new protectionist tendencies in trade and investment;

(g) Continue efforts to implement the Addis Ababa Action Agenda, especially its second action area related to the adoption of strategies to stimulate investment at the regional and national levels, and the outcomes of the financing for development forums held under the umbrella of the United Nations Economic and Social Council;

(h) Welcome the Arab financing for development framework proposed by ESCWA in document [E/ESCWA/C.9/2021/11](#) as reflecting the positions taken by Arab States in various international and regional forums and embodying their priorities.

B. Recommendations to the ESCWA secretariat

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

(a) Continue to prepare technical reports on regional and global developments in the area of financing for development, analyse their regional implications and use them to convey the concerns and positions of the Arab region on different tracks of financing for development;

(b) Analyse the implications of the global corporate tax agreement, support Arab States' efforts to prevent base erosion and profit shifting and conduct an integrated analysis of the challenges facing tax policies in the Arab region;

(c) Develop and continuously update the Arab financing for development portal as an effective tool to support national efforts towards the achievement of the 2030 Agenda for Sustainable Development and to develop integrated national financing frameworks;

(d) Continue to publish the findings of the Arab Financing for Development Scorecard to support decision makers in developing financing for development policies;

(e) Work to develop pillars for integrated national financing frameworks, in order to contribute to the development of voluntary national reviews on the progress of the implementation of the 2030 Agenda and to strengthen national capacity in adopting policies to mobilize financing for the implementation of the SDGs;

(f) Promote the Arab financing for development framework in international and regional forums and update it in light of the progress in financing for development at the global and regional levels, and leverage it as an integrated vision that helps to convey the voice of the region in the international forums concerned with financing for development;

(g) Continue to provide technical support and training to member States on issues related to financing for development, especially to countries affected by or emerging from conflicts and crises, including financial and tax cooperation to reduce harmful tax practices, tax avoidance/evasion and the erosion of tax bases, the formulation of integrated national financing frameworks, and financing climate action;

(h) Continue to identify opportunities for financing climate action in the Arab region, in particular in the area of adaptation to climate change in vulnerable countries, promote inter-State projects in that area and support debt relief and fiscal space expansion for financing climate action and the SDGs through the ESCWA Climate/SDGs Debt Swap and Donor Nexus Initiative;

(i) Continue to explore the possibility of establishing an Arab financing for development forum to harmonize financial and fiscal policies notably on illicit financial flows, mobilize various regional sources of

financing for national sustainable development plans and related regional strategies, and deepen regional integration in the areas of financing for development.

II. Topics of discussion

A. Follow-up issues

*Implementation of activities related to financing for development and recommendations of the Committee at its first session
(Agenda item 4)*

6. On the basis of document [E/ESCWA/C.9/2021/3](#), the representative of the ESCWA secretariat made a presentation on the activities and initiatives implemented since November 2019, including those implemented pursuant to the recommendations made by the Committee on Financing for Development at its first session. Through this document, she highlighted that the main funding gaps in the Arab region were associated with insolvency and weak domestic resource mobilization capacities; low levels of private domestic finance; narrow fiscal space for social spending; high debt servicing and the unequal capacities to mobilize regional and international finance. She reviewed the most important meetings organized by ESCWA or in which it had participated to address these challenges, including the ECOSOC Forum on Financing for Development and events organized by ESCWA on the side-lines of the High-Level Political Forum on Sustainable Development, the high-level meeting on development cooperation in middle-income countries, the high-level dialogue on illicit financial flows and other high-level events.

7. The representative of the ESCWA secretariat then highlighted some of the reports, studies and technical papers prepared by the ESCWA Financing for Development office, in particular policy briefs on the effects of the COVID-19 pandemic on various development financing channels, including those related to investment, trade, public debt, fiscal space, tax systems and domestic and international resource mobilization. She added that ESCWA had held more than 80 activities since the onset of the pandemic, issued a package of quantitative and qualitative analyses and interactive tools to analyse the state of financing for development with a view to developing integrated national financing frameworks and undertook other actions to safeguard the interests of the Arab region at the international level within the ambit of the Financing for Development in the Era of COVID-19 and Beyond Initiative, and the global workstream to curb illicit financial flows led by ESCWA and other United Nations regional economic and social commissions.

8. In the course of discussions, the representative of Yemen commended ESCWA efforts and the various activities it had implemented in the area of financing for development. Noting that the financing challenges facing the region were numerous and complex, and fundings gaps in conflict-affected countries posed an additional challenge to sustainable development and growth. He added that humanitarian and reconstruction financing gaps were consuming almost all external aid and weakened domestic resources, especially since the private sector, which was necessary to finance all funding gaps, was fleeing countries affected by conflict. He also expressed his interest in obtaining technical support in preparing integrated national financing frameworks, and inquired whether that required the concerned State to submit an official request for such support, or whether it was a programme offered by ESCWA to all its member States. He concluded that countries in crisis were experiencing an increase in illicit financial flows, and Yemen needed the support of ESCWA in that regard.

9. The representative of the Syrian Arab Republic expressed appreciation for the efforts made by ESCWA and agreed with the representative of Yemen on the adverse effects of illicit financial flows, particularly as the number of conflict-affected countries in the region was steadily increasing. He asked about the definition of illicit flows that ESCWA had adopted, particularly since the subject had political ramifications in terms of identifying what illicit flows constituted and in terms of legal aspects as the latter may expose some States to restrictions regarding access to humanitarian assistance and resources needed for reconstruction.

10. The representative of the ESCWA secretariat stated that humanitarian assistance was of great importance in the United Nations system, and that two major international reports were dedicated for this purpose, noting that Arab States had sought to separate those vital flows from the financing sustainable development track to avoid counting humanitarian assistance as part of the official development assistance required to achieve the SDGs as advanced by the Total Official Support for Sustainable Development (TOSSD) and preserve the direct financial contribution to the achievement of the 2030 Agenda. He welcomed the growing interest of Arab States in advancing integrated national financing frameworks and acknowledged the requests for support and technical cooperation in that context, noting that interested States should make a formal request to that end, albeit ESCWA had taken a proactive step by developing packages of quantitative and interactive tools to formulate integrated financing frameworks for a number of Arab States.

11. The representative of the ESCWA secretariat also explained that there was no multilaterally agreed legal definition for illicit financial flows, although there was a statistical definition to measure the volume of such flows, based on the Conceptual Framework for the Statistical Measurement of IFFs adopted by the two custodian organizations for indicator SDG 16.4. He added that the aforementioned framework provided the definition upon which the United Nations Working Group on Financing Sustainable Development, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Office on Drugs and Crime (UNODC) had drawn up estimates on the damages resulting from illicit financial flows. He also emphasized that said conceptual framework, advanced a statistical definition to estimate revenue losses resulting from illicit financial flows, particularly those associated with trade misinvoicing, illegal markets and the manipulation of invoices and commercial contracts. He stated that the statistical definition and the methods derived from it provided the basis for the estimates that had been advanced within the first regional report on the matter and subsequently presented during the high-level international conference on financing for development and curbing illicit financial flows organized by ESCWA in 2018 at the request of the presidency of the G77 and China.

12. The representative of the ESCWA secretariat also reviewed the efforts of ESCWA estimates of the losses incurred by Arab States as a result of such flows. Those estimates had been published for the first time in 2018 as a contribution to measure the extent of cross-border illicit financial flows, as requested by member States during the first session of the Committee. Based on that, he noted that member States had requested ESCWA to advance the contours of a regional strategy to curb illicit financial flows that required local, national, regional and international action to be able to combat such flows, be they associated with money-laundering, tax evasion and avoidance or corruption and the financing of criminal activity and terrorism.

B. Financing for development challenges

1. Public debt and debt sustainability in the Arab region (Agenda item 5)

13. Based on document [E/ESCWA/C.9/2021/4](#), the representative of the ESCWA secretariat presented the public debt situation in the Arab region, noting that risks to public debt had worsened globally. He said that the trend was no different in the Arab region, where a number of least developed and middle-income Arab countries faced challenges in terms of debt sustainability and recovery from the pandemic. He also indicated that a general lack of adequate fiscal and monetary policy response to public debt sustainability in the region, combined with recurrent trade and fiscal deficits and low economic growth, were among the key drivers of debt accumulation. He warned that those developments were changing the characteristics of debt in the countries of the region, threatening their debt sustainability and reducing the fiscal space to finance recovery from the pandemic and achieve the SDGs. Furthermore, he emphasized the need to improve existing initiatives to meet financing needs and alleviate public debt burdens needed to be improved.

14. The ESCWA secretariat presented a video on the Special Drawing Rights (SDR) provided by the International Monetary Fund (IMF) to support liquidity and alleviate the burden of public debt, based on the technical paper prepared by the secretariat regarding the allocation of the new SDRs in 2021. The presentation

included an explanation on the liquidity support offered through SDRs and their distribution in the Arab region, and that the share of Arab countries was generally small and did not exceed 5 per cent of the total global allocations.

15. During the discussion, the representative of Iraq asked about the options available to Arab States with regard to the problem of debt sustainability, and whether it would be more appropriate to resort to internal or external borrowing, especially in light of the pandemic and the political and economic instability that some countries were experiencing. He referred to turning to cross-border debt in the Arab region, which was mostly non-development debt, asking what inter-Arab mechanism was recommended to address or alleviate the debt-servicing burden in order to serve development goals. For his part, the representative of Yemen stressed that the debt problem constituted a real impediment to the growth and development of the economies of the Arab States, especially when the value of such debt was equal to or sometimes exceeded domestic product. He inquired about the possibility of pushing for an international initiative that would exempt countries that were going through “exceptional” circumstances from debt repayment, especially those that were no longer able to meet their financial obligations in light of the decreasing foreign exchange resources. He gave Yemen as an example, where the production and export of oil and gas had stopped, resulting in foreign exchange resources being 90 per cent lower than they used to be in 2014. He also added that during the same period, domestic debt had increased in an unprecedented manner through borrowing from the Central Bank, which had been reflected in the volatility and rise of prices. Therefore, he reinforced that Yemen needed an ESCWA-led initiative in that area and that Arab States faced two options, either to stop paying their debt or to stop developing, noting that Yemen had stopped paying its debt to Arab financial institutions and international lending institutions because of its inability to do so due to the crises it was going through.

16. The representative of the Sudan expressed interest in learning more about the programme for dealing with public debt proposed by the ESCWA secretariat, while the representative of Mauritania considered public-private sector partnership among the most important sources of financing for development. In that context, he asked whether the current methodology for calculating indebtedness took into account the "hidden debt" resulting from the partnership between those two sectors.

17. In response, the representative of the ESCWA secretariat explained that the choice between internal and external loans required a complex calculation process based on accurate evidence and statistics, adding that each type of debt had different effects, and resources could be generated to finance debt repayment locally if markets were available. He explained that the availability of foreign exchange could be compromised if States were under external debt pressures or depended on a single source of income such as oil. He concluded that in both cases, it would be desirable to consider debt mechanisms that might lead to lower risks, taking the example of States with a diverse export structure similar to Japan. He also explained that access to external financial markets was another obstacle facing most Arab States and the right way to consider debt relief was through the establishment of mechanisms in which citizens residing in and outside the country could invest, which was what Egypt had done.

18. The representative of the ESCWA secretariat underlined the importance of distinguishing between development and non-development debt, and considered it unfortunate that debt in the Arab region was used to pay for current expenditures, most of which were wasted rather than invested in productive sectors which would generate returns. He emphasized that Arab States did not have to face a binary equation of choosing between debt or development as one of the sources of financing for development if they invested in areas of added value. He also discussed debt relief mechanisms, noting that they differed from the debt cancellation process that had occurred in the Sudan, for example, and they aimed at simply suspending the payment of debt service for a short period, and when the deadline came, the burden on the State was usually increased. He distinguished between debt relief mechanisms and debt swap mechanisms that could provide fiscal space for investment domestically instead of transferring it abroad. In that context, he explained that debt restructuring involved risks, despite its benefits and high cost. He discussed the case of Greece, which had been able to restructure debt, setting it back on the development path within a few years. In response to the question from the representative of the Sudan about the debt management programme to be launched by

ESCWA with UNCTAD, the representative of the ESCWA secretariat presented the three dimensions that the programme would work on, namely: auditing public debt data, researching different debt mechanisms and analysing debt risks.

*2. Arab tax systems: Tax revenue leakage and tax challenges arising
from the digital economy
(Agenda item 6)*

19. The representative of the ESCWA secretariat presented an analysis of the state of tax systems in the Arab region and provided an assessment of the tax reforms undertaken in the previous decade, noting that tax systems remained highly slanted towards fast revenue-creating indirect taxes that did not necessarily increase tax equity. He added that direct taxation had not undergone radical reforms to ensure compliance by high net worth individuals, professional service providers and multinational corporations. He further noted that improving the fairness, efficiency, transparency, effectiveness and reliability of tax systems, in light of the spread of digital transformation under increased terms of capital mobility, required a comprehensive review of global and national tax systems, the tax incentives granted by member States, the tax expenditures and other deductibles granted to foreign incorporated corporations and foreign direct investment (FDI). It also required re-invigorating international collaboration to combat tax abuse and other forms of tax and trade-based leakages. He concluded that Arab States could no longer design and enforce their tax systems in isolation from one another or from the ongoing negotiations within the inclusive framework on base erosion and profit shifting advanced by the Group of Twenty (G20)/Organisation for Economic Co-operation and Development (OECD) which aim at redistributing taxing rights over multinational corporations' residual profits and addressing harmful tax competition.

20. In that context, and in order to allay any concerns regarding the definition of illicit financial flows and the tax leakages involved therein, the representative of the ESCWA secretariat presented document [E/ESCWA/C.9/2021/5](#), which showcased the first primal regional assessment of the impact of the G20 led OECD negotiations on enacting a global minimum effective corporate tax rate on multinational corporations (MNCs). She emphasized that the two-pillar solutions being advanced in the negotiations hold evident implications on FDI and MNC activities in the region, particularly since pillar two could lead to the relocation of taxing rights to MNC host countries in developed countries although MNCs operating in the region were already not operating optimally in terms of delivering on the employment or technological benefits they could bring to the region. Therefore, she enforced the importance of preparing an effective strategy to attract foreign direct investment and improve institutions in terms of accountability, rule of law, regulatory quality and combating corruption, noting that ESCWA factored these variables in estimating the impact of the two-pillar blueprint being advanced.

21. The representative of the ESCWA secretariat presented a set of proposals that aimed at increasing tax revenue efficiency and compliance by relying on effective rather than marginal tax rates for direct taxes, including corporate income tax; rationalizing tax incentives and those provided through economic zones; monitoring the activity of multinational corporations to ensure that they did not break up their activities to avoid taxes by moving from higher to lower tax brackets, or transfer their profits abroad in the form of passive income, or pay off debts related to the repurchase of shares; and by establishing effective mechanisms to reduce tax evasion, especially through transfer pricing. She concluded that agreeing to a global minimum effective tax of 15 per cent may de-incentivize multinational profit shifting, but the excessive incentives offered by Arab States to attract MNCs would need a thorough review given the increased risk that MNCs would change the distribution of their profits globally, thereby triggering different investment patterns and prompt changes to tax competition patterns.

22. The representative of the ESCWA secretariat clarified that the study undertaken by ESCWA would continue to be fine-tuned in the following months to capture development and compromises in the OECD negotiating process. He added that ESCWA had collaborated with a number of institutions, non-governmental and international organizations concerned with financing for development to develop the study, and ESCWA

took into account that a large number of Arab States did not differentiate in their official statistics between the different types of direct tax revenues, whether derived from corporations or individual income taxes, which made it difficult to differentiate between the tax revenues and compliance of foreign incorporated MNC from national or State-owned enterprises and special purpose vehicles. He further emphasized that the presentation of initial findings covered only aspects where convergence appeared in the two-pillar blue print, and the negotiations over the following year could lead to the erosion or decline of profits for Arab countries, which would require radical changes regarding tax and investment policymaking.

23. The Executive Director of the Tax Justice Network made a presentation in which he assessed the global tax reforms proposed by the G20 and OECD, noting that the proposed reforms lacked ambition and equity and took into account the interests of developed countries at the expense of developing countries. He addressed threats that might unfold, unless deeper reforms were achieved, including the loss of revenues, opportunities and sovereignty in terms of new taxes on digital services. He also stated that the ongoing negotiations lacked integration and were dominated by rich States committed to protecting their MNCs from paying taxes in other countries, noting that those corporations paid a minimum amount of taxes in their home country and did not in any case pay taxes in other countries from which they earned their actual profits. He said that another factor that obstructed prospects for reforms was the pressure exerted by MNCs themselves on negotiations, which in some cases exceeded the harmful effect of maintaining tax havens.

24. Mr. Cobham pointed out that diverting international tax negotiations to make them more multilateral was a more just and inclusive method, and the new article adopted in the United Nations Model Double Taxation Convention provided developing countries with the possibility of imposing a tax on digital services. He also noted that there was still room for renegotiating the various elements of the agreement that the OECD was seeking to establish, although it would be better to find other, more just grounds within the framework of the United Nations modalities and conventions. He added that the inclusive framework on base erosion and profit shifting would pose challenges to ESCWA member States and other developing countries that depended on fiscal, tax and financial incentives to attract investment and MNCs. He explained that the ongoing negotiations within the OECD framework would lead to the payment of the same amount of taxes by multinational corporations in their home country, meaning that investment incentives or tax incentives to attract such corporations in the future would be pointless.

3. Round-table discussion: Financial accountability, transparency and integrity (Agenda item 7)

25. The ESCWA secretariat organized a regional round-table discussion, under which she presented documents [E/ESCWA/C.9/2021/6](#) and [E/ESCWA/C.9/2021/CPR.1](#). The discussion began with a presentation by Mr. Karim Daher, representative of the High-Level Panel on International Financial Accountability, Transparency and Integrity (FACTI), who began by referring to the panel's background, goals and objectives, outputs and mandates. He stated that the global financial system was distorted by illicit financial flows that weakened efforts to mobilize domestic resources, distorted tax systems, stifled trade, undermined the rule of law and damaged macroeconomics, thereby diverting vital resources from building back better from the COVID-19 pandemic and the pursuit of the SDGs.

26. Mr. Karim Daher explained that some 10 per cent of private financial assets were hidden in safe havens and low tax jurisdictions that allowed for bank secrecy, and tax evasion and tax avoidance deprived countries of huge tax revenues estimated between \$500 and \$600 billion, in addition to an estimated 2.7 per cent of global GDP lost to money laundering. He emphasized that States needed to enact laws to give the greatest authority to track cross-border financial crimes, since existing laws established by institutions that were not inclusive did not necessarily represent the interests of all. He recommended that such laws be determined in accordance with a treaty or framework developed under the auspices and oversight of the United Nations.

27. The representative of Yemen stressed that financial integrity was a requirement for all economic and financial institutions, and asked whether there was a plan to measure integrity at the level of institutions,

countries and regions to explore and address areas of corruption. The representative of Egypt responded that there were global indicators to measure transparency and combat corruption and gave an example of the experience of Egypt in tracking and monitoring those indicators and applying them. For his part, Mr. Daher said that there was a difference between illicit financial flows, corruption and money laundering, explaining that tax avoidance practices did not violate laws as much as they exploited loopholes in laws to reduce the tax burden. He concluded that if tax avoidance reached levels that threatened sustainable development, it would require appropriate mechanisms to address and criminalize it.

C. Climate finance

1. Climate finance needs and flows in the Arab region (Agenda item 8)

28. The representative of the ESCWA secretariat presented document [E/ESCWA/C.9/2021/7](#) on climate finance needs and flows in the Arab region, in which she reviewed the RICCAR initiative and the assessment conducted by ESCWA on the vulnerability of the Arab region to climate change, and drew attention to the activities of the Arab Centre for Climate Change Policies related to financial flows to Arab countries to finance climate action. She stated that funding for climate action in the region had focused on mitigation much more than on adaptation, and the funding available to address climate change was mostly loans with a diminishing share of grants and that funding received by Arab countries did not reach the most vulnerable countries. She stressed the need to facilitate these countries' access to funding to address the negative effects of climate change.

29. The representative of the ESCWA secretariat referred to the needs of climate finance in the region and linked climate goals with development cooperation, noting that ESCWA was doing so in its partnership with the Islamic Bank, as it worked to mainstream climate considerations in sectoral planning at the national level. She concluded that ESCWA was also in the process of developing a climate finance strategy based on needs in addition to building capacity to determine project costs, especially projects for adaptation to climate change.

30. The representative of Somalia asked whether other frameworks or plans could be adopted by the Arab least developed countries to facilitate access to such funding. He also inquired about the targeting mechanism used in funds allocated to finance climate action and ways to obtain them, and about the Ethical Finance Initiative and how to benefit from it in Yemen and the Arab region. He referred to the Arab region's need for a collective negotiation to obtain funding, pointing to the role of regional and international organizations and entities in that area.

31. The representative of the ESCWA secretariat explained that the inability to attract resources was due to low certainty and that was not confined to Somalia, but was common to many countries. He added that there were several climate action funds, but what was needed instead were viable project proposals and evidence-based impact assessments of climate change on the economy on the one hand, and the demonstration of resilience gains on the other. She emphasized that ESCWA had launched the RICCAR initiative with the United Nations country team in Somalia in order to support Arab states in that area. Regarding the statement made by the representative of Yemen, she stressed that it was important to refrain from combining the humanitarian and development dimensions of interventions, noting that short-term humanitarian needs such as water scarcity must be distinguished from those that would arise as a result of future climate change. She also highlighted that research findings in that area represented important justifications for obtaining assistance, and Governments should therefore develop their capacity to prepare such research. Concerning the collective approach, she explained that ESCWA was working in partnership with the League of Arab States to help Arab States prepare for the negotiations before attending the sessions of the Conference of the Parties to the United Nations Framework Convention on Climate Change.

2. *Debt swaps for climate and SDG finance in the Arab region*
(Agenda item 9)

32. The representative of the ESCWA secretariat introduced document [E/ESCWA/C.9/2021/8](#) on the Climate/SDGs Debt Swap Initiative launched by ESCWA in December 2020 with the objective of reducing debt burdens and promoting financial flows to improve climate finance and work towards achieving the SDGs. He indicated that the first phase of the initiative focused on middle-income Arab countries and bilateral creditors, as they held the largest share of debt. After presenting the various aspects of the initiative, its mechanisms and the basic criteria for selecting projects, he said that ESCWA had chosen Jordan as a pilot country and reviewed mechanisms of cooperation with Jordan to implement the initiative. He also noted that ESCWA was in the process of preparing a framework to define the key performance indicators for the initiative, and the next steps included the design of financing facilities and the requirements for their use. He explained further that long-term debt swaps might have adverse effects on credit quality, but reducing such risks would require communication with creditors, market participants, national stakeholders and civil society.

33. The representative of Yemen asked about the chances of success of the initiative, particularly in the least developed countries and in conflict-affected ones, in addition to what roles could be played by the various parties in the Arab region. The representative of Mauritania asked whether the objective of the initiative was to benefit from debt relief or to transform debt relief into development or to address climate change, and stressed that if addressing climate change was the goal, the commitment of the Arab countries alone was not sufficient, and the contribution of industrialized countries that caused pollution was necessary to address climate change. The representative of the Sudan asked why special emphasis was placed on bilateral creditors and what the programme's indicators of success were in Jordan.

34. The representative of the ESCWA secretariat explained that the initiative's success was neither guaranteed nor easy, but rather required a great deal of time and effort, and despite the support of many international parties, it still had a long way to go before convincing creditors and debtors of its feasibility. He reviewed the steps and efforts made by ESCWA towards the success of the initiative, and stressed that the goal of the initiative did not lie in the trade-off between debt relief and addressing climate change, and was not a panacea for all. As for the focus on bilateral creditors, he explained that that was due to the ease of dealing with the debt mechanism as opposed to other mechanisms, because if creditors agreed to the swap, it would be easily achieved, while dealing with other mechanisms was more complicated. In conclusion, he pointed out the possibility of expanding later to include other debt mechanisms.

D. Financing for development tools and frameworks

1. *Regional Workshop: SDG costing and financing frameworks and simulators;
and integrated national financing frameworks*
(Agenda items 10 and 11)

35. The representative of the ESCWA secretariat began the workshop by presenting documents [E/ESCWA/C.9/2021/9](#) and [E/ESCWA/C.9/2021/10](#). He showcased the background of the workshop's inclusion within the activities of the Committee, noting that the topic of integrated national financing frameworks was being introduced for the first time upon the request of member States, and it was intended to find ways to blend the various flows of financing for development from internal and external, public, private, traditional and innovative sources, with a view to developing nationally coherent integrated financing strategies to achieve national SDGs and targets.

36. Ms. Natalia Aristizabal Mora, Interregional Advisor at the United Nations Department of Economic and Social Affairs (DESA), delivered a statement outlining the purpose of integrated national frameworks and the added value of using nationally available tools adapted to the national contexts of each country, which helped to identify funding gaps and inconsistencies in overall budget expenditures. She stated that the added value of those frameworks included aligning countries' priorities with the requirements of the SDGs, removing barriers

between financing policies and putting different instruments to proper use. She stressed that the building blocks of the frameworks included the preparation phase; assessment and diagnosis; the development phase of the national financing strategy; collective monitoring and audit; and integrated governance and coordination, each of which had its own guiding principles.

37. The representatives of Egypt, Iraq, Oman, the Syrian Arab Republic and Yemen expressed their countries' interest in integrated financing frameworks, and inquired about a number of their aspects, uses and applications in national contexts. The representative of the ESCWA secretariat explained that integrated national financing frameworks were designed for use by all countries regardless of their level of development, and therefore included general and detailed guidelines that took into account the specificities, priorities, capabilities and actual sources of financing available to them. He further noted that the United Nations was considering issuing dedicated guidance tailored to least-developed countries' needs.

38. The secretariat presented a video on the ESCWA financing for development gateway, which contained a package of interactive tools to help the region overcome the challenges of financing for development and transition to SDG-centric financing. The representative of the ESCWA secretariat highlighted several key interactive tools, including the SDG-Costing Calculators developed to estimate the cost of achieving national sustainable development targets and related threshold; the SDG-Financing Simulator that projects financing potentials and financing gaps; the SDG-synergies tool and the SDG-Financing Dashboards. He explained further that these tools can be used by any Government to support its budgeting process as they included a section on expenditure and another on revenue, and therefore the tools dealt with both dimensions and could be considered effective tools to support public financial management and the transition to SDG-centric budgeting. The tools supported sequencing and distributing financial revenues or SDG budgeting.

39. The representative of Yemen expressed appreciation and suggested that a tool should be developed to estimate the costs of conflict, while the representative of the Syrian Arab Republic stressed the need for further explication of the tools and their operability in bilateral settings. The representative of the ESCWA secretariat explained that the tools were designed to measure the cost of achieving national SDGs rather than the cost of conflict, and that the tools were primarily concerned with middle and high-income countries with national sustainable development strategies and for countries that maintained high-frequency data on financing flows and SDG indicators that allowed for the necessary simulations. He stressed that the tools were primarily concerned with measuring the cost and financing of the SDGs set by the Arab States whether through their sustainable development strategies or their sectoral development plans. He also emphasized that close cooperation was needed in the development and expansion of relevant tools, particularly as the Inter-Agency Task Force on Financing for Development was developing a methodology for measuring the cost of conflict and the funding required for those countries.

40. The representative of Kuwait praised ESCWA for developing the interactive tools, and asked the ESCWA secretariat to consider the possibility of providing training courses to familiarize Kuwaiti employees and national authorities with the various tools and their features, as they represented an added value towards the adoption of integrated national financing frameworks. The representative of Mauritania expressed his country's interest in starting to develop an integrated framework for financing for development with the United Nations and asked whether the costing tool measured progress on SDGs and targets.

41. The representative of the ESCWA secretariat indicated that the goal of ESCWA was to develop a practical rather than theoretical tool to enable decision makers to formulate policies more effectively, based on quantitative and qualitative scientific bases, and thus more cooperation was needed with some countries to fine tune the tools to national contexts. For countries affected by conflict, he stated that it was difficult to find an integrated database to identify direct and indirect foreign financing and the effects of direct and indirect economic conflicts on opportunities for sustainable development. With regard to estimates at the level of goals, targets and indicators, he indicated that it was difficult to achieve all of them, noting that the International Monetary Fund (IMF) had only been able to determine the cost of five of the 17 SDGs for some countries in the region, and those estimates were very close to those rendered through the ESCWA costing framework and

national SDG-costing calculators. Regarding the query of the representative of Kuwait, he explained that ESCWA had developed the interactive tools so that Arab States could use them on a daily basis without waiting for international or regional experts or reports to explore available funding sources for national sustainable development plans, and the secretariat was ready to consider holding a training course on the use of different tools.

2. Towards an Arab financing for development framework
(Agenda item 12)

42. The secretariat presented to the Committee the document [E/ESCWA/C.9/2021/11](#) and its representative made a presentation on the Arab financing for development framework. He explained that the framework was intended to consolidate the various Arab positions, priorities and interests on financing for development as pronounced through the different global and regional meetings and fora, and have been captured in one integral framework to finance sustainable development in the Arab region. He also said that the framework had various aspects, and the role of regional financial integration was important. He stressed further that despite the problems facing the Arab region and the burdens imposed by financing stimulus packages to recover from the COVID-19 pandemic, the future of the region lied in financial equalization beyond the existing settings, and the proposed Arab Customs Union would require some form of convergence on fiscal and investment issues. He added that the ESCWA proposal to the Ministerial Council regarding the establishment of an Arab Citizens Common Economic Security Space (ACCESS) remained a viable alternative to resolve many of the region's challenges, including those in the field of mobilizing the necessary financing for development.

43. The representative of Iraq emphasized that Arab-Arab relations should be fostered as doing so would automatically reflect on the region's economic and financial relations. He indicated that the international community should compensate Arab States for applying mistaken policies advanced by several international financial institutions. The representative of Yemen stated that Arab integration and investment were at very low levels, which called for identifying the obstacles to regional financial integration, including considering the ESCWA proposal to forge ahead with deep and comprehensive regional integration on the basis of ACCESS.

44. In response to the point raised by the delegation of Iraq, the representative of the ESCWA secretariat indicated that ESCWA had been continuously communicating Arab interest and priorities at the international level, but in some cases the ESCWA démarche had been met with opposition from international institutions. With regard to the issue of inter-Arab relations, he stated that the reason lay not only in political circumstances, but also in the fact that Arab States themselves offered preferences and facilities to third country non-Arab partners that exceeded those granted to Arab member States from the region. He further explained that the multiple and overlapping commitments provided by Arab States to international institutions and mechanisms limited their integration. He noted that ESCWA had advanced the ACCESS proposal for that reason, but movement in that direction had not yet been achieved, although it provided many solutions for the Arab region.

E. Programmatic issues

1. Date and venue of the Committee's third session
(Agenda item 13)

45. Representatives of member States agreed to hold the third session of the Committee on Financing for Development in ESCWA member States in 2023 at the United Nations House in Beirut, unless any member States submitted a request to host it. The Chairman of the Committee indicated that the possibility of hosting the Committee both in person and online would be considered.

2. *Other matters*
(Agenda item 14)

46. No State has made any request under this item.

3. *Adoption of the recommendations made by the Committee at its second session*
(Agenda item 15)

47. Recommendations drawn from the discussions were presented to representatives of member States, and were discussed and adopted with the necessary amendments. The present report sets out the recommendations as adopted.

III. Organization of the session

A. Date and venue

48. The Committee on Financing for Development in ESCWA member States held its second session in Cairo, on 8 and 9 December 2021.

B. Opening

49. The second session of the Committee on Financing for Development in ESCWA member States commenced at 10 a.m. on Wednesday, 8 December 2021, with a speech delivered by the Secretary of ESCWA, welcoming the audience and thanking the representatives of member States and members of the Committee on Financing for Development for their interaction with ESCWA. He expressed his regret that Jordan had not been able to attend the meeting as a result of the precautionary measures taken in response to the COVID-19 pandemic.

50. The representative of Egypt, Mr. Ahmed Kamali, Deputy Minister of Planning of Egypt, then delivered the opening speech of the session as Egypt was hosting the meeting, in which he commended the most prominent achievements of Egypt in financing for development. He noted that Egypt had been able to identify the main challenges it faced in the area of financing for development in its voluntary report submitted in 2018. He indicated that funding was a global problem caused by the misallocation of resources because it was available but without mechanisms to direct it towards bridging development gaps and achieving SDGs. He also stressed that financing for development lay not only with the Government but also with the inclusion of civil society, international institutions and donor institutions. He added that Egypt had improved the efficiency of public investment and had established an integrated planning and follow-up system to ensure good governance for national projects and had also launched an online platform that allowed all government agencies to submit their plans and projects to the competent authority and include them in an integrated data base. Mr. Kamali also said that Egypt had conducted a survey of projects financed from the State budget that served the SDGs to determine the costs of implementing them. He further explained that the Government of Egypt had tended to localize the SDGs and divide funding fairly and efficiently according to specific criteria to improve performance on financing for development, and had prepared the Sovereign Fund of Egypt which would create investment opportunities and stimulate the private sector and partnerships to implement projects. He concluded that all those initiatives contributed to efficient public investment and financing for development.

51. Mr. Mounir Tabet, Deputy Executive Secretary of ESCWA, then delivered a statement by the secretariat welcoming representatives of member States, particularly after the adoption of a new mandate by ECOSOC in New York to strengthen the Committee's independence and add new powers. He noted that the items on the Committee's agenda reflected the national topics of interest and priorities of member States, as expressed in their national statements, strategies and voluntary national reports; the regional priorities expressed in the deliberations of the Arab Economic and Social Summit and its decisions on financing for development; and the international priorities identified at the summit organized by the United Nations, in which Arab heads of

State and Government had participated during 2020 within the framework of the Financing for Development in the Era of COVID-19 and Beyond Initiative. He also said that the conclusions of the international follow-up tracks and analysis carried out by ESCWA on the state of financing for development in the Arab region highlighted the need for a qualitative shift in mobilizing various sources of financing and better management of financial resources. He further noted that there were shortcomings in the distribution of the benefits of economic growth, undermined by austerity policies and protectionist measures, and the region was witnessing a decline in investment and a historic increase in the debt to GDP ratio. He concluded that financing for 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, and 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

52. Representatives of 13 ESCWA member States participated in the session, namely: Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Mauritania, Oman, Saudi Arabia, Somalia, the Sudan, the Syrian Arab Republic and Yemen. Representatives of regional bodies working in the field of financing for development also participated as observers. The list of participants is contained in annex I of this report.

D. Election of officers

53. Rule 18 of the rules of procedure of ESCWA states that “member States shall chair the sessions of the subsidiary bodies of the Commission on a rotating basis, in the Arabic alphabetical order employed by the United Nations. Unless the Commission decides otherwise, those bodies shall elect all their other officers.” Pursuant to this article, the second session of the Committee was chaired by Bahrain. The Committee unanimously elected the Syrian Arab Republic as a first vice-chair, the Sudan as a second vice-chair, and Somalia as rapporteur for the session.

E. Agenda and organization of work

54. At its first meeting, the Committee endorsed the agenda as presented to it and contained in document [E/ESCWA/C.9/2021/L.1](#).

55. At the same meeting, the Committee also approved the organization of work as presented to it contained in document [E/ESCWA/C.9/2021/L.2](#).

F. Documents

56. Annex II of the present report contains a list of documents reviewed by the Committee at its first session, [E/ESCWA/C.9/2021/INF.2](#).

Annex I

List of participants

A. ESCWA member States

Bahrain

Mr. Hasan Sater
Director of Financing Operations Directorate
Ministry of Finance and National Economy

Mr. Mohamed Abdel Bari
Financial analyst
Central Bank

Egypt

Mr. Ahmed Kamali
Deputy Minister of Planning and Economic
Development

Mr. Alaa El Din Jaafar Al Ameri
Director General of the Department of Economic
Policies
Ministry of Planning

Ms. Sara Eid Amin
Head of Fiscal Transparency and Citizen
Engagement Unit
Ministry of Finance

Ms. Walaa Hikmat Salman
Assistant Director General of the Department of
Statistics
Central Bank of Iraq

Ms. Iman ElBanhawey
Minister Plenipotentiary
Ministry of Foreign Affairs

Kuwait

Ms. Eman Ibrahim al-Haddad
Head of International Organizations Division
Ministry of Finance

Ms. Mona Fayed
Head of the Sustainable Development Unit
Ministry of Planning and Economic Development

Lebanon

Mr. Alexandre Mouradian
Vice-Governor of the Central Bank of Lebanon

Mr. Mustafa Mohamed Ramadan
Director of the Public Debt Unit
Ministry of Finance

Libya

Ms. Reem Sayed Ahmed
Financial analyst
Ministry of Finance

Mr. Ali Saifan Al-Tabouni
Deputy of the Ministry of Finance for Corporate
Affairs
Ministry of Finance

Ms. Nada Yacoub
Economic researcher
Sustainable Development Unit
Ministry of Planning and Economic Development

Mr. Riad Ali Mohammed Al-Shtiwi
Director of the Office of the Undersecretary of the
Ministry of Finance

Ms. Lauren Habib
Policy Analyst
Sustainable Development Unit
Ministry of Planning and Economic Development

Mr. Naji Mohamed Issa
Head of Research and Development Department
Central Bank of Libya

Mr. Mohamed Adel Al-Ashri
Head of Market Development Department
Central Bank

Mr. Mohamed Ali Mohamed
Media Team Manager
Ministry of Finance

Mauritania

Mr. Sheikh Abdul Qader
Shared Expense Director
Ministry of Finance

Mr. Filali Mohamed Filali
Director General of Studies and Monetary
Independence Central Bank

Mr. Muhammad Abdul Rahman Al-Didi
Assistant Director-General of Development
Strategies and Policies
Ministry of Economic Affairs and Promotion of
Productive Sectors

Oman

H.E. Abdullah Salim Abdullah Al Harthy
Undersecretary of the Ministry of Finance

Mr. Malik bin Abdullah bin Said Al Mahrooqi
Adviser
Central Bank of Oman

Ms. Aseel Hassan
Head of the Debt Management Office
Ministry of Finance

Mr. Talal Bin Darwish Al Saadi
Director of the Development Budget Directorate
Ministry of Economy

Saudi Arabia

Mr. Faisal bin Ahmed Qattan
Assistant Deputy Minister for Sustainable
Development
Ministry of Economy and Planning

Mr. Abdul Rahman Al-Zamil
Head of Sustainable Development External
Engagement
Ministry of Economy and Planning

Somalia

Mr. Sharwa Abdullah Ibrahim
Director of the International Cooperation
Department
Ministry of Foreign Affairs and International
Cooperation

Mr. Musa Mohammed Osman
Director of Planning
Ministry of Planning, Investment and Economic
Development

Mr. Mohammed Abdul Razzaq Abdullah
Director of the Budget Preparation and Execution
Department
Ministry of Finance

The Sudan

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

Syrian Arab Republic

Mr. Mounzer Wannous
Director General of the General Authority for
Taxes and Fees
Ministry of Finance

Ms. Maysa Sabrin
Head of the Banking Commission of Syria

Mr. Fadlallah Gharzeddine
Assistant to the chairman of the Syrian Planning
and International Cooperation Commission
Planning and International Cooperation
Commission

Yemen

Mr. Mohammed Al Hawri
Deputy-Minister of the Ministry of Planning
Ministry of Planning and International Cooperation

Mr. Naji Ali Jaber
Revenue Sector Agent
Ministry of Finance

Mr. Khalid Nasser Al Yarimi
Assistant Head of Expenditure Sector
Ministry of Finance

Mr. Mansour Zaid Haidara
Assistant Undersecretary
Ministry of Planning and International Cooperation

B. International and regional organizations

The High Level Panel on International Financial
Accountability, Transparency and Integrity

Mr. Karim Daher
Representative

Department of Economic and Social Affairs, New
York (DESA)

Ms. Natalia Mora
Regional Consultant

Tax Justice Network

Mr. Alex Cobham
Chief Executive Officer

Annex II

List of documents

Title	Item	Symbol
Information for participants		E/ESCWA/C.9/2021/INF.1
Provisional agenda and annotations	3	E/ESCWA/C.9/2021/L.1
Organization of work	3	E/ESCWA/C.9/2021/L.2
Implementation of activities related to financing for development and recommendations of the Committee at its first session	4	E/ESCWA/C.9/2021/3
Public debt and debt sustainability in the Arab region	5	E/ESCWA/C.9/2021/4
Arab tax systems: tax revenue leakages and tax challenges arising from the digital economy	6	E/ESCWA/C.9/2021/5
Round-table discussion: financial accountability, transparency and financial integrity	7	E/ESCWA/C.9/2021/CRP.1 E/ESCWA/C.9/2021/6
Climate finance needs and flows in the Arab region	8	E/ESCWA/C.9/2021/7
Debt swaps for climate and SDG finance in the Arab region	9	E/ESCWA/C.9/2021/8
Workshop: SDG costing and financing frameworks and simulators	10	E/ESCWA/C.9/2021/9
Integrated national financing frameworks	11	E/ESCWA/C.9/2021/10
Towards an Arab financing for development framework	12	E/ESCWA/C.9/2021/11
List of documents		E/ESCWA/C.9/2021/INF.2