



CONCEPT NOTE

Special Drawing Rights and Beyond: The Future of Development Finance, Fiscal Spending and Inequality in the Arab region

Regional Conference - 12 January 2023

Context

The Middle East and North Africa (MENA) is the most unequal region in the world in terms of income inequality¹ and the only region in the world where extreme poverty has increased during the past decade.² MENA countries were ill-prepared to face the COVID-19 crisis, especially after years of austerity and rising public debt leaving countries economically vulnerable and unable to adequately deliver quality and free basic services. Several countries had to resort to further debt in order to respond to the crisis. Almost two years into the pandemic, and as many countries in the region were facing a fourth wave of infections that severely undermined their prospects for economic recovery, the Ukraine war broke out, adding further strain on an already volatile region.

The IMF's \$650 billion issuance of the Special Drawing Rights (the largest in the Fund's history) in August 2021 was a much-needed lifeline for many countries in the region. Indeed, many countries in the region were quick to exchange and spend their SDRs after the issuance. However, this SDR issuance was a missed opportunity for many Governments in the region to use this unconditional money to provide sustainable solutions to the most pressing socioeconomic needs of their populations. The debate is ongoing around the need for transparent spending based on principals of fiscal justice and sustainable social spending.

It should also be noted that the MENA region (excluding GCC) received \$12 billion in new SDR allocations, while Saudi Arabia alone received \$13.6 billion. This raises another question related to the fair allocation of SDRs among member countries of the IMF. More than 100 Civil Society Organizations (CSOs) from around the world, including Oxfam, [considered it is essential that a significant portion of advanced economies' SDRs be rechanneled to developing countries, and called for the adoption of principles for fair rechanneling of SDRs.](#)

¹ World Inequality Database (2021). <https://wid.world/>

² World Bank estimates show a constant rise in extreme poverty in the MENA region between 2013 and 2020: R. Andres Castaneda Aguilar, T. Fujs, C. Lakner, D. Gerszon Mahler, M. Cong Nguyen, M. Schoch and M. Viveros. (2021, March 16). *March 2021 Global Poverty Update*. Washington DC: World Bank: <https://blogs.worldbank.org/opendata/march-2021-global-poverty-update-world-bank>



Rationale and overview

Oxfam in MENA, in partnership with ESCWA, has produced a research on SDRs in the MENA region, with a focus on four countries (Lebanon, Iraq, Egypt and Tunisia). It examines for each of these countries (1) the legal aspects of SDR disbursement, and (2) the policy options for the use of SDRs for public spending.

At the occasion of the launching of this research, Oxfam and ESCWA are seeking to convene Government, IMF and CSO representatives from different countries of the MENA region to discuss the findings of this research and take it as an opportunity to discuss issues of inequality, sustainable development, austerity and fiscal spending in the region. It will also include issues of governance, transparency and potential reallocation of SDRs within the region. This meeting will be organized in collaboration with the Arab NGO Network for Development (ANND), Arab Watch Coalition (AWC) and Friedrich Ebert Stiftung (FES) in the MENA Region.

Objectives

To inform decision-making towards more equitable international financing for economic recovery in the MENA region through sustainable joint civil society action on SDRs in particular, and on debt, austerity and inequality in general.

- Civil society in the region is aware of the strategic opportunity of SDRs and jointly advocates for its best fiscal use for a just and green economic recovery from the COVID19 crisis, and a transparent and inclusive process of allocation and spending.
- Joint action of MENA regional and national actors is facilitated to call for a just SDR allocation and for increased social spending to achieve fiscal justice and fight inequalities.
- To create an inclusive space and dialogue to discuss the impact of austerity measures on socio-economic rights in the region.



AGENDA

Special Drawing Rights and Beyond: The Future of Development Finance, Fiscal Spending and Inequality in the Arab region Regional Conference

Date: 12 January 2023

Location (hybrid): UN House Beirut / Zoom

Languages: Arabic and English with simultaneous interpretation

8.30 – 9.00	Registration
09:00 – 09:30	Opening Session
	<ul style="list-style-type: none"> - Opening remarks: Sally Abi Khalil, Regional Director, Oxfam in MENA - Opening remarks: Mounir Tabet, Deputy Executive Secretary, ESCWA - MC: Marwa El Ansary, Regional Head of Influencing, Oxfam in MENA
09:30 – 11:00	Session 1: SDRs: An Instrument of Development Finance
	<p>Moderator: Niranjan Sarangi, Senior Economic Affairs Officer, Shared Economic Prosperity Cluster, ESCWA</p> <p>Speakers:</p> <ul style="list-style-type: none"> - Andres Arauz, Economist <i>Presentation of report findings</i> - Ahmad Awad, Economist, Director of Phenix Center Jordan <i>Presentation of FES/AWC research on Jordan</i> - Alia Moubayed, Economist - Nasser Saidi, Former Minister of Economy, Former Vice President of the Central Bank of Lebanon <p>Description: This session will focus on issues related to the technical and legal aspects of SDR disbursement and fiscal spending by countries, and the importance of fiscal use of SDRs (not just Central Bank use for reserves). It will also discuss the role that SDRs can play in the future of development finance. The session will also address issues related to rechannelling, reallocation, donations, or the possibility of a new SDR issuance.</p> <p>Guiding questions:</p>



	<ol style="list-style-type: none"> 1. How are SDRs disbursed by the IMF and used by countries? What are the financial and legal technicalities driving these transactions and what challenges and opportunities do they present? 2. How does the experience of MENA countries such as Iraq, Lebanon, Tunisia, Egypt and Jordan shed light on the technical aspects related to allowing Governments to spend SDRs fiscally? 3. How does the IMF see the role of SDRs (given the transformation of SDRs as a strictly liquidity providing instrument into a broader function of development finance)? How is the IMF advising countries on how to use their SDR allocations? 4. What are the current initiatives and opportunities to rechannel unused SDRs from developed countries to developing countries? What can different actors do to push for a further new issuance of SDRs?
11:00 – 11:15	Coffee Break
11:15 – 12:45	Session 2: SDRs: Financing Development Priorities in the Arab Region
	<p>Moderator: Shereen Talaat, Co-Director, Arab Watch Coalition</p> <p>Speakers</p> <ul style="list-style-type: none"> - Diana Kallas, Senior Policy Advisor on Inequality, Oxfam in MENA <i>Presentation of main Oxfam research findings (Lebanon, Tunisia, Egypt, Iraq)</i> - Reem Nejdawi, Chief of Food and Environment Policy Section, ESCWA Maria Pilar Ouro Paz, Economic Affairs Officer, ESCWA <i>Presentation of ESCWA on food security and inequalities in the Arab region</i> - Habib Lahouij, Director General at the Ministry of Finance, Tunisia <i>The experience of Tunisia</i> <p>Description: This session will focus on thematic issues rising from the Oxfam research findings on fiscal spending priorities in the MENA region and what best use could have been made of SDRs in countries such as Iraq, Lebanon, Tunisia and Egypt with the aim to adopt sustainable policy solutions for solving pressing socioeconomic issues and reducing inequalities. Government representatives will be asked to comment on the findings and recommendations presented by panellists.</p> <p>Guiding Questions:</p> <ol style="list-style-type: none"> 1. How can SDRs be used to invest in areas that promote sustainable policy solutions to inequality that contribute to a structural reform of the economy?



	2. What are the financing development priorities that have been identified in the Arab region?
12:45 – 13:00	Coffee Break
13:00 – 14:15	Session 3: Debt, Austerity and Inequality in the Arab Region
	<p>Moderator: Salma Hussein, Economic Researcher, Friedrich Ebert Stiftung (FES)</p> <p>Speakers</p> <ul style="list-style-type: none"> - Nabil Abdo, Senior Policy Advisor on IFIs, Oxfam <i>Debt, austerity and inequality: global trends</i> - Niranjan Sarangi, Senior Economic Affairs Officer Shared Economic Prosperity Cluster, ESCWA <i>Debt, social expenditure and inequality in the Arab region</i> - Adib Nehme, Arab NGO Network for Development (ANND) <i>Monitoring social spending in the Arab region</i> <p>Description: This session will focus on issues related to debt, social spending and inequality.</p> <p>Guiding questions:</p> <ol style="list-style-type: none"> 1. What is the effect of austerity policies on inequality in the Arab region? 2. How can the IMF support countries in the region to address inequalities and tackle inflation without resorting to austerity? 3. What policies are needed to reduce socioeconomic inequalities in the region? How can countries in the region build a fair and inclusive economic model? 4. How can Governments and IFIs move towards policy solutions that reduce the gap between financial market requirements and the need for inclusive domestic policies that reduce socioeconomic inequalities?
14:15 – 14:30	Closing session
	<ul style="list-style-type: none"> - Ways forward: Marwa El Ansary, Regional Head of Influencing, Oxfam in MENA - Closing remarks: Mohamed Moctar Mohamed El Hacene, Cluster leader, Shared Economic Prosperity, ESCWA
15:00 – 17:00	Lunch and Networking