



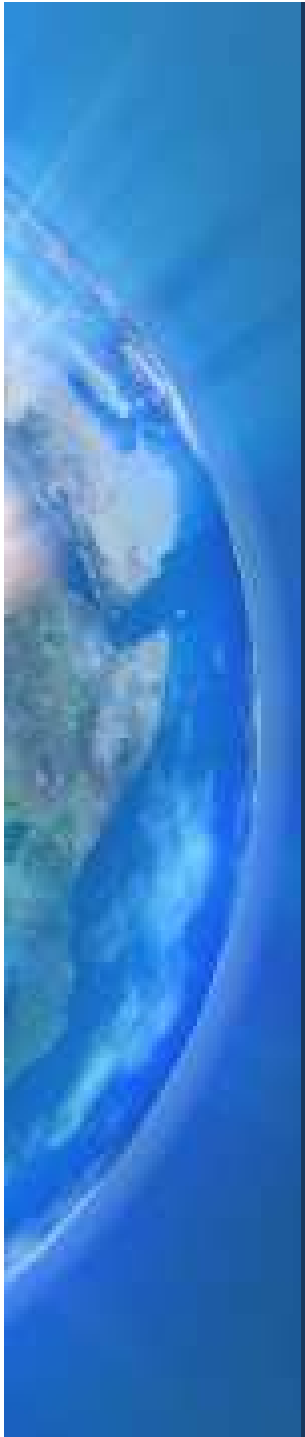
FINANCING FOR DEVELOPMENT

A vision driven by “what is needed” without despair over “how much” is needed
to finance the breadth of ambition of the 2030 Agenda

Regional Perspectives
and Roles of Regional Commissions

UN General Assembly
Second Committee

Mohamed Ali Alhakim
Executive Secretary



1

What have we learned?

Arab Regional Contexts & Realities

2

What do our projections tell us?

The Arab region in 2030

3

What have we done?

ESCWA Regional Interventions

4

What do we intend to do?

Enhanced Roles for FfD

5

Conclusion

Vision of Hope Recovery



Humanitarian Crisis

Consumes ½ of the global humanitarian budget in 2030

CONFLICTS

60 episodes of conflict in 70 years with peace in ½ lasting less than 10 years

CIVIL WARS

40% of global battle-deaths since 1946; Largest forced displacement since World War-II

Forced Displacement

Hosts 41% of the world's IDP's and 37% of the global refugee population

Commodity Price Collapse

Lost \$225.3 billion since 2011 due to the worsening terms of trade & oil crash



The Arab Region in 2030



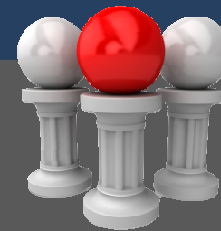
Population
Doubles in
size



\$71bn. annual
agricultural
investments
needed to close
food gap



\$220 bn. new
productive
investments
to create
92 million jobs



\$105 bn. to
sustain 7%
growth (SDG-8)
53% rise in energy
demand
\$100 bn. annual
infrastructure
investments



Cost of SDGs:

\$3.6-\$4.7 bn. in
gross fixed
capital
formation



1- Systemic Issues & Conflict Resolution

By 2016, ESCWA estimated the cost of conflict in the region at \$614 billion with an aggregate fiscal deficit of \$243.1 billion.

Conflict in Syria

Conflict wipes decades of development achievements;
In 5 years, economic losses exceeded \$259.6 billion

Libya and Yemen Crisis

State-building and establishing post-conflict mechanisms to guarantee access to justice

ESCWA-led

National Agenda for the Future of Syria

Workable scenarios for reconstruction and development for post-conflict transition

Migration-Remittances Nexus

Approaches to human mobility and remittances to support the Global Compact for safe, orderly and regular migration

2- Domestic Resource Mobilization

A- Addressing social deficits in existing fiscal policies:

Rationalize expenditures (namely energy subsidies) to free up fiscal-space needed to finance public good



B- Enhancing Tax Efficiency & Administration:

ESCWA tailored technical assistance and capacity building is proving to be of added value

Improve tax administration, curb tax evasion, harmful tax competition, 'BEPS' practices and tax avoidance.



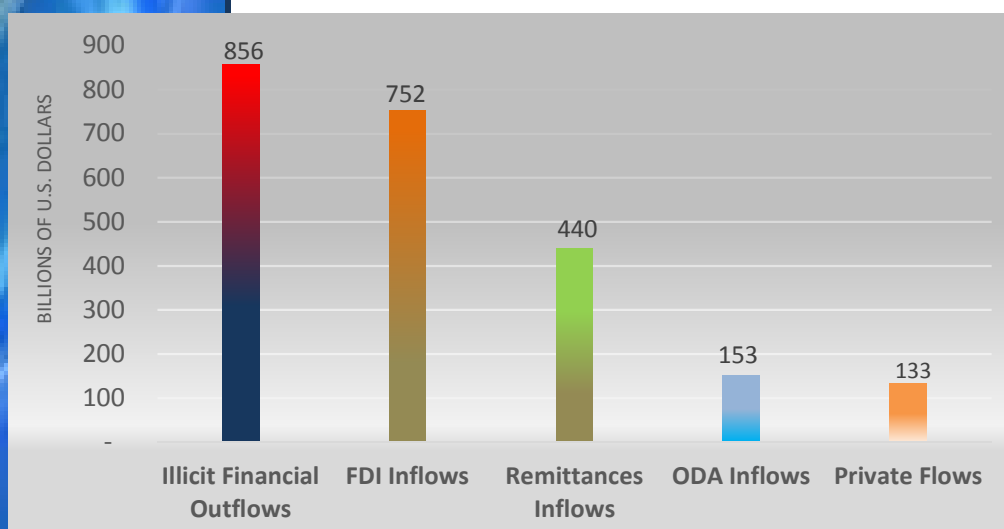
- ✓ **Extend research and policy analytics from national to regional level ahead of the creation of the Arab Customs Union & Common Market (both hold significant implications for tax administration and fiscal consolidation)**

3- Illicit Financial Flows (IFFs)

For every \$1 gained in FfD inflows...
the Arab region lost \$1.05 in IFFs.

\$60-\$77 bn. in IFFs per year
associated with Trade Misinvoicing.

Between 2011-2016,
IFFs closely match the combined aggregate of
FDI + ODA inflows.



- ✓ Regional estimates of IFFs components; enhance rule of law and perception based governance and corruption standings;
- ✓ Develop regional road map to combat illicit financial flows.

4- Publicizing the Value of Arab Private Finance

Remittances:

- Arab region generates \$54.3 bn. in remittances to the world.

For every \$1 of remittances retained by the region,
\$2.4 dollars were transferred as FfD to other regions.

Private Finance:

- Capital invested in Sovereign Wealth Funds outside the region amount to US\$3 trillion;
- A net lender to international banks with a net total stock of saving outflows amounting to US\$287.8bn;

Contrary to the above..

63% of Arab banks were adversely affected by financial de-risking.



- ✓ **Make remittance markets more efficient and less costly.**

Reducing the cost of remittances can add \$25 bn. in additional development finance.

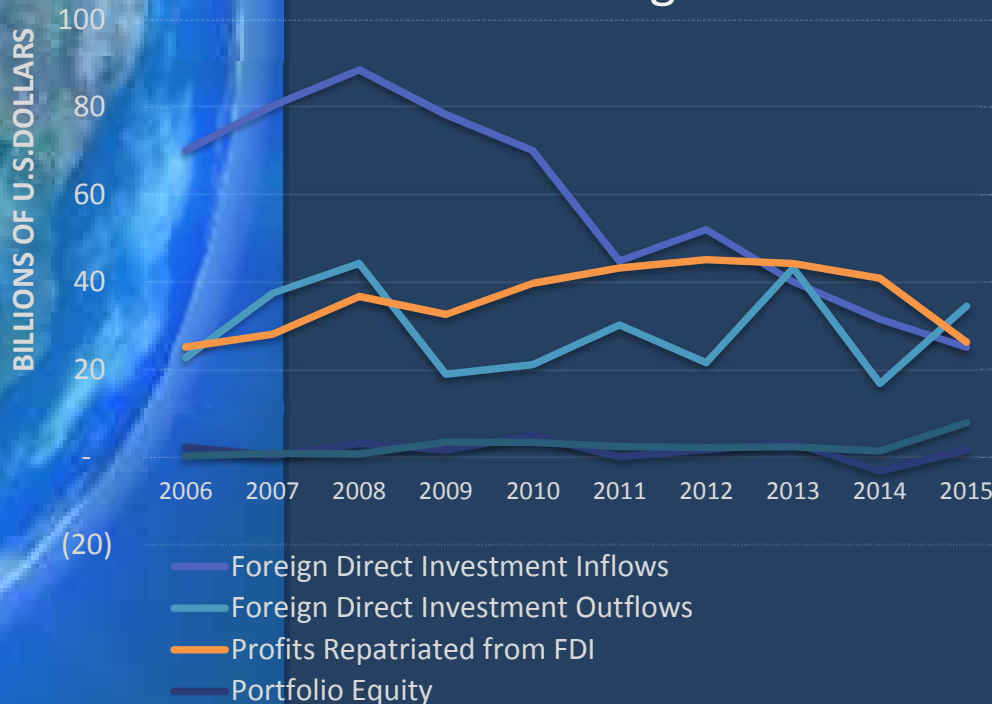
Publicizing the Value of Arab Private Finance..(cont'd)

Foreign Direct Investment

- The Arab region became a net exporter of capital .. for every \$1 dollar received in FDI, a corresponding \$1.79 were returned back

\$1.79

The State of Investment in the Arab Region



- ✓ Advance policy, research analytics and technical assistance to improve investment climates and enhance financial inclusion;
- ✓ Harness SME potentials to generate descent jobs for all.

5- The significance of Trade as an Engine for Growth

When world trade slows and GDP growth falls, the trade-growth nexus become irritated and their elasticities loose steam;

It is these conditions that provoke protectionism, harsher climates for multilateral trade, barriers to supply chains and risk an aversion to trade liberalization.



3 work streams to reinforce the triple nexus between Trade, Finance and growth:

- ✓ **Advocate Trade Justice, rather than Trade Equality;**
- ✓ **Foster deeper regional trade and finance integration in support of the League of Arab States;**
- ✓ **Provide support to recalibrate regional trade agreements and improve terms of trade & induce green structural transformation.**

6- Support Debt Sustainability and Relief



External Debt stocks
are steadily rising beyond historic highs;

Measures of Debt Service
exceed corresponding averages in low & middle-income countries;

ESCWA estimates that,
for every \$1 dollar of debt inflows into the Arab region,
\$2.1 was paid back in arrears on the outstanding debt stock.

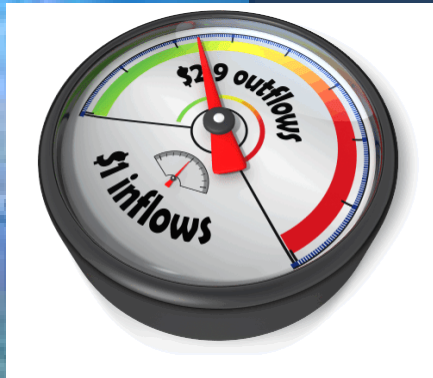
According to Global Sovereign Indebtedness,
Seven Arab economies are witnessing signs of high debt distress.

- ✓ Contemplate strategies to overcome an ‘inconsistent quartet’ (the inability to maintain fixed exchange rates, free capital flows, free trade & a monetary policy serving domestic sustainable objectives);
- ✓ Ensure that debt remains a viable to finance development.



Arab Financing for Development Scorecard

Monitor, Assess, and Prioritize Tool-box



Since political upheaval in 2011,
for every **1\$** gained in cross-border FfD **inflows**,
a corresponding **\$2.9** were lost in **outflows**.

When indirect channels and FfD opportunity costs are factored
(e.g.: conflict, excessive military expenditure, illicit financial flows, above than average cost of remittances)
for every **1\$** gained in **inflows**, **\$4.1** are lost in **outflows**.

Arab FfD Scorecard:

“should decisive steps be taken to recalibrate the intensity & direction of FfD flows,
the region may well place itself on trajectory to meet the SDGs by 2030.”

Financing for Development Vision 2030

Regional challenges - Regional FfD solutions



- ✓ Advance regional vision 2030-‘ACCESS’
The ‘Arab Common Citizens Economic Security Space’
- ✓ Address regional vulnerabilities and systemic risks;
- ✓ Support macroeconomic & financial stability;
- ✓ Foster regional financial cooperation to leverage and synergize FfD;
- ✓ Promote financial inclusion for poor and micro-small enterprises;
- ✓ Enhance inter-governmental processes and exploit their potentials.
- ✓ Develop strategic responses to harnessing domestic resource;
- ✓ Develop mutually supportive regional trade and finance frameworks;
- ✓ Explore the viability of the establishment establishing an Arab Reconstruction and Development Regional Bank/Institution.
- ✓ The creation of a dedicated Arab Financing for Development Forum.



Thank You

“Financing development is about transforming lives,
not just transforming economies.”

Joseph E. Stiglitz,
Making Globalization Work