Report

Ninth session of the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development in the Countries of the ESCWA Region
Amman, 7-8 April 2015

Summary

The Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development of the Economic and Social Commission for Western Asia (ESCWA) held its ninth meeting in Amman on 7 and 8 April 2015.

The Committee considered the following items on its agenda: (a) review of action taken in the field of financing for development under the ESCWA programme of work since the eighth session of the Committee; (b) proposed programme of work for the biennium 2016-2017 in the field of financing for development; (c) sustainable development: financing gap in the Arab region; (d) workers’ remittances as a source of financing for development; (e) innovative sources of financing for development; (f) the role of Arab funds in financing for development; (g) the ESCWA document on the Arab position in preparation for the Third International Conference on Financing for Development; (h) date and venue of the eleventh session of the Committee; (i) other matters; (j) adoption of the recommendations made by the Committee at its ninth meeting.

The present report contains the main recommendations of the Committee regarding the items on its agenda and a brief summary of the main points raised during the discussions.
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Introduction

1. The Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development in the Countries of the ESCWA Region held its ninth session pursuant to ESCWA resolution 214 (XIX) of 7 May 1997, concerning the establishment of a technical committee on the liberalization of foreign trade and economic globalization in the countries of the ESCWA region, and in implementation of the recommendations issued by the Committee at its seventh session, held in Beirut on 4 and 5 October 2011, and the resolution adopted at the twenty-seventh Ministerial Session of ESCWA, held in Beirut, from 7 to 10 May 2012, on holding annual sessions of the Committee with one session on trade and a second on financing for development.

2. The present report reviews the main points raised during the discussions.

I. RECOMMENDATIONS ISSUED BY THE TECHNICAL COMMITTEE ON LIBERALIZATION OF FOREIGN TRADE, ECONOMIC GLOBALIZATION AND FINANCING FOR DEVELOPMENT IN THE COUNTRIES OF THE ESCWA REGION AT ITS NINTH SESSION

A. RECOMMENDATIONS TO GOVERNMENTS

3. The Committee made the following recommendations to Governments of ESCWA member States:

(a) To participate in the Third International Conference on Financing for Development, to be held in Addis Ababa from 13 to 16 July 2015, at the highest possible political level so as to support the priorities and objectives of Arab countries; and to strengthen the effective participation of experts and specialists in the various drafting committees so as to ensure that the concerns and aspirations of Arab countries are included in the Conference outcome document;

(b) To achieve political stability, enhance accountability and transparency, adopt accounting systems and improve public finance management as basic requirements of financing for development;

(c) To reduce the cost of transferring funds to encourage formal remittances by developing competitive banking systems, strategies and appropriate national and governmental frameworks to encourage the transfer of funds to finance the development process;

(d) To implement integrated national strategies to support workers abroad, including policies and mechanisms that link migrants to their homelands, and assist them in tackling potential challenges abroad;

(e) To strengthen banking services, develop savings systems and investment and loan programmes and provide various services that attract workers abroad and cater for all income levels;

(f) To update and simplify tax systems and reduce tax burdens to meet the needs of vulnerable and poor groups; and limit tax evasion, improve tax collection processes and strengthen coordination between Arab countries, especially regarding tax evasion;

(g) To mobilize national savings by adopting appropriate fiscal and monetary policies; stimulate and guide foreign investment to increase demand for domestic production capacities and raise production; train national labour forces; and open new markets;

(h) To benefit from bonds, green sukuk and other financial tools in funding for sustainable development;
(i) To enhance coordination and cooperation between all government institutions, the private sector and international bodies in support of public-private partnerships.

B. RECOMMENDATIONS TO ESCWA

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

(a) To implement necessary activities to strengthen financing for development under subprogramme 3 on economic development and integration of the ESCWA proposed programme of work for the biennium 2016-2017; be flexible in reidentifying objectives set out in the programme of work in view of related upcoming international events; and focus on the needs of less developed Arab countries;

(b) To adopt analytical scenarios that take into account policy changes at the national and regional levels to bridge the financing gap to complement the concerted efforts of the secretariat to measure the gap in the Arab region;

(c) To submit to the Arab Group in New York the amended document containing key priorities for the Arab region, to be presented at the Third International Conference on Financing for Development, given the document’s importance in determining the Arab position; and continue supporting the Arab position in the next stages;

(d) To follow up on the recommendations issued at the Third International Conference on Financing for Development and assist member States in their implementation;

(e) To prepare further technical studies on innovative financing, green economy and the Arab road map for green economy investment, the effects of using workers’ remittances as a source of financing for development, public-private partnerships, enhancing the efficiency of public spending and extending the coverage of financial services;

(f) To coordinate with regional development funds to ensure coordinated proposals, activities and work programmes by employing existing coordination mechanism between these funds;

(g) To complete, in the shortest delay possible, a detailed study on the potential to establish a bank for reconstruction and development in the Arab region aimed at mobilizing financial and technical resources to finance sustainable development in the Arab region;

(h) To continue conducting analytical studies on the effects of unilateral economic sanctions imposed on some Arab countries, focusing on their regional consequences.

II. ISSUES FOR CONSIDERATION AND DISCUSSION

A. REVIEW OF ACTION TAKEN IN THE FIELD OF FINANCING FOR DEVELOPMENT UNDER THE ESCWA PROGRAMME OF WORK SINCE THE EIGHTH SESSION OF THE COMMITTEE

(Agenda item 4)

5. The Committee considered document E/ESCWA/EDID/2015/IG.1/3 on the review of action taken in the field of financing for development under the ESCWA programme of work since the eighth session of the Committee. The Committee took note of activities implemented over the period from October 2013 to March 2015 under the following themes:

(a) Organizing expert group meetings on providing new sources of financing for development in the Arab region and on financing sustainable development in the Arab region;
(b) Building the capacities of member States in the areas of bilateral investment agreements, negotiations on prohibiting double taxation and using workers’ remittances for development.

B. PROPOSED PROGRAMME OF WORK FOR THE BIENNIUM 2016-2017 IN THE FIELD OF FINANCING FOR DEVELOPMENT
(Agenda item 5)

6. Committee members discussed the proposed ESCWA programme of work for the biennium 2016-2017 in the field of financing for development, set out in document E/ESCWA/EDID/2015/IG.1/4, prepared within the framework of subprogramme 3 on economic development and integration, in line with the strategic framework 2016-2017 adopted by ESCWA at its twenty-eighth session, held in Tunis from 15 to 18 September 2014.

7. In the ensuing discussion, representatives stressed that all ESCWA subprogrammes, including subprogramme 3, must reflect the outputs of the international conferences on a post-2015 development agenda and the need to provide technical support for Arab countries to ensure success in achieving their development goals. The secretariat took note of the comments of member States representatives when formulating recommendations to ESCWA and Governments.

C. SUSTAINABLE DEVELOPMENT: FINANCING GAP IN THE ARAB REGION
(Agenda item 6)

8. The Committee considered document E/ESCWA/EDID/2015/IG.1/5 on the financing gap in the Arab region, noting that estimates indicated that the required financial resources to tackle key development challenges were significant and had been increasing since the global financial crisis. Given the multifaceted nature of the sustainable development goals and their inter-linkages, it was difficult to determine quantitative indicators and measure the necessary financial resources to finance sustainable development, because the measurement process was extremely complicated and could result in double-counting. The financing gap was defined as the difference between available financing sources at a given point in time and the resources needed to achieve a specific growth level.

9. The Committee reviewed previous estimates of the financing gap, noting that ESCWA estimates indicated that the annual financing gap in Arab countries was around $85 billion, on the basis of the following two scenarios. The first was based on projections from the World Economic Outlook database published by the International Monetary Fund and the second on forecasts from the economic research unit of The Economist magazine. The Committee also considered the Thirwal and Hussein methodology which projected that the financing gap in the Arab region could reach $3.6 trillion over the period 2015-2030. Moreover, the Committee tackled the high costs of rebuilding conflict-affected Arab countries, estimated at $650 billion.

10. In the ensuing discussion, representatives focused on the issues set out in the document. Some said that the crises in certain Arab countries had caused development setbacks, rendering allocated financial resources insufficient. Representatives commended efforts to estimate the financing gap, given that financing problems were common to all Arab countries, saying that Arab central banks were considerably solvent and should intervene to identify ways to benefit from their solvency and improve financial situations in general by offering the private sector incentives and guarantees that would allow it to invest financial surpluses in development projects and by operationalizing public-private partnerships to strengthen real growth. They also tackled the challenges faced by some Arab countries, including a lack of political stability and security, existing institutional obstacles and the weak link between education outputs and labour markets. They considered the possibility of establishing an Arab fund for reconstruction and development that would contribute to bridging the gap in financial resources from Arab development funds that were insufficient to meet the region’s needs.
D. WORKERS’ REMITTANCES AS A SOURCE OF FINANCING FOR DEVELOPMENT
(Agenda item 7)

11. The Committee reviewed document E/ESCWA/EDID/2015/IG.1/6, which sets out the capacity of ESCWA member States to attract additional remittances from workers’ abroad by developing a national mechanism to reach workers and provide them with investment opportunities that meet their needs; the mechanism should comprise all economic, policymaking and legislative stakeholders. Indicators show that remittance flows are mainly used to finance consumption rather than investments for development.

12. The ensuing discussion focused on developing a new methodology to increase the flow of workers’ remittances to Arab countries for use in medium- and long-term projects. The methodology should be based on national priorities and aimed at bridging the financing gap to achieve sustainable development. Representatives also tackled the role of Governments and the public and private sectors in increasing workers’ remittances and using them for development purposes.

13. They stressed the importance of workers’ remittances and the need to completely separate them from official development assistance, given that the former were a private financing mechanism and the latter was a State-financed mechanism. They agreed that it was vital to formulate national policies to ensure the efficient use of remittances and develop financial tools that met the investment needs of workers abroad. They discussed the establishment of an awqaf fund to invest workers’ remittances; shareholders would retain their assets and receive financial returns from investments for development undertaken by the fund. They also tackled the significant remittances flowing from several Arab countries, especially Gulf Cooperation Council countries. They said that the biggest challenge was encouraging workers to return to their homelands where they would not receive health insurance or assistance in their old age. Moreover, in most cases, the savings of workers returning home would have lost some purchasing power; representatives discussed means of facilitating their return.

E. INNOVATIVE SOURCES OF FINANCING FOR DEVELOPMENT
(Agenda item 8)

14. Under this item, the Committee considered document E/ESCWA/EDID/2015/IG.1/7 on transformations in mechanisms for financing development, which had allowed several Arab countries to adopt new and innovative mechanisms for financing sustainable development. Committee members said that there was a need for significant investments to combat climate change. However, because of limited public resources and the difficulty of mobilizing private financial resources because of the element of risk and volatility in levels of return, there was a pressing need for new financing sources to provide financial resources necessary for achieving sustainable development. As a result, several innovative financing sources had been developed, including green sukuk, which were securities issued according to Islamic law to finance investments that met international standards in climate change mitigation; a group of leading investment institutions and non-governmental environmental organizations supported them. In 2014, green sukuk totalling around $130 billion had been issued. The initiative was considered an important step towards building the foundations of the green economy and an effective future for sustainable development in the Arab region.

15. The Committee reviewed ESCWA efforts to implement the Arab road map for green economy investment, aimed at enabling the Arab region to develop a comprehensive vision and general trend for investments in the green economy as a sustainable development tool; and at monitoring available financing sources, focusing on innovative sources. Committee members said that the region was facing several economic, social and environmental challenges; it was therefore necessary to raise awareness of green economy issues and promote environmental investments, given that their economic returns had positive economic and social effects. ESCWA was striving to raise awareness of the green economy and promote it over three stages. The first entailed an analytical survey report on the current situation in the Arab region. The second covered developing a general vision and objectives for financing green investments and
monitoring all types of financing sources. The third stage involved preparing an analytical report on sectors and tools that had the potential to achieve desired financing goals.

16. The ensuing discussion was focused on successful experiences in some Arab countries in various fields, including renewable energy; and green sukuk and the determination of some countries to issue them, especially to finance energy and infrastructure projects. Representatives discussed new ideas for public-private partnerships as innovative financing sources, exchanged national expertise in that area and reviewed successful projects. The agreed on the importance of innovative financing in bridging the financing gap, especially in the area of green financing.

F. ROLE OF ARAB FUNDS IN FINANCING FOR DEVELOPMENT
   (Agenda item 9)

17. Under this item, the Committee reviewed document E/ESCWA/EDID/2015/IG.1/8. Representatives discussed the work of Arab development funds since 1970, noting that they were some of the most generous donors in the world. They focused on the Arab Coordination Group comprising 10 Arab funds, whose total contributions had reached $235 billion in over 100 countries across the world (in addition to $100 million in grants); Arab countries had benefited from 59 per cent of those contributions. The energy sector had received 28 per cent of total commitments, followed by the transport sector (23 per cent) and health and education (21 per cent).

18. Representatives discussed the Islamic Development Bank Group and the various initiatives it had implemented in line with international development resolutions, including microfinance initiatives and those aimed at providing education and energy services to the poor. They reviewed the Group’s partnerships with international bodies to support developing and least developed countries in achieving development, eradicating poverty and limiting unemployment. They also discussed the Group’s endeavours to assist countries in achieving the Millennium Development Goals and sustainable development goals.

19. They tackled the sectoral and geographical distribution of financial assistance from the Arab Coordination Group, noting the generosity of some countries. They said that official financial assistance from Kuwait, Saudi Arabia and the United Arab Emirates had reached around 1.7 per cent of their annual gross national product over the period 1997-2010, which exceeded the level set by the United Nations of 0.7 per cent of the gross national income of donor countries and was five times greater than the average contributed by donors from the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD).

G. ESCWA DOCUMENT ON THE ARAB POSITION IN PREPARATION FOR THE THIRD INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT
   (Agenda item 10)

20. Under this item, the Committee considered document E/ESCWA/EDID/2015/IG.1/9 on preparations for the Third International Conference on Financing for Development, to be held in Addis Ababa from 13 to 16 July 2015; on the main issues set out in the zero draft to be discussed at the Conference; and on key priorities of the Arab region in the area of financing for development.

21. A round table meeting was held comprising participants at the ninth session of the Committee, financing for development experts, representatives of the two facilitators tasked by the Secretary-General to coordinate States’ positions and manage discussions on financing for development and the coordinator of the Arab Group in New York who gave a presentation on the Group’s perspective on the zero draft. Participants tackled key prominent and controversial issues in the zero draft and affirmed that it provided a general framework for financing the economic, social and environmental dimensions of sustainable development. They noted that the zero draft contained a section on technology and another on monitoring and follow-up, given the importance of innovation, human capacity-building and technical support and the need to
periodically follow up on progress in those areas. They said that the zero draft did not cover Islamic financing, constituting a major shortfall in the document, especially since that type of financing was becoming more widespread in all countries, attracted considerable amounts of capital and effectively supported financial inclusion.

22. Participants said that regional commissions, including ESCWA, played a key role in providing a framework for the exchange of expertise and best practices and in supporting countries’ efforts in the area of financing for development. ESCWA representatives reviewed regional priority issues with the aim of presenting them to the Arab negotiator in New York to secure his support during negotiations on the final draft expected to be issued at the Third International Conference on Financing for Development and entitled the “Addis Ababa Agreement”. Participants discusses the Arab Group’s perspective, focusing on key issues including the growing weight of the environmental dimension of development at the expense of the social and economic dimensions; and the significant impact of the economic crisis on developed economies which had not greatly affected developing economies. The representative of the Arab Group said that the Group was concerned about a new partnership for development, which would essentially result in developed countries reneging on their commitments, increased focus on national responsibility and amending the development approach founded on the North-South model.

23. They said that the zero draft focused on establishing development funds, especially in the areas of health and education, without specifying how the funds would be operationalized, and on an invitation to increase infrastructure investments without mentioning industrial investments. The zero draft did not cover the role of developed countries in combating illicit capital flows and returning stolen funds. However, the draft stressed the need to increase official commitments for development assistance to 1 per cent of the gross national product of developed countries in line with sustainable development requirements, and the need to separate official development assistance from Green Climate Fund financing and worker’s remittances.

24. They discussed at length the outcome document prepared by ESCWA on the most relevant issues and challenges related to financing for development in the Arab region, formulated in the light of the draft outcome document of the Third International Conference on Financing for Development and the comments of member States thereon, which took into consideration the ongoing changes in development cooperation, the interlinks among all sources of financing for development, the synergies in financing objectives related to the three dimensions of sustainable development and the need to support the post-2015 United Nations development agenda. They discussed all items on the ESCWA document and incorporated amendments proposed by representatives of member States. The outcomes document was expected to be submitted to ambassadors of Arab member States of the United Nations to secure their support during negotiations on the outcome document of the Third International Conference on Financing for Development (annex III to the present report).

H. DATE AND VENUE OF THE TENTH SESSION OF THE COMMITTEE
   (Agenda item 11)

25. The eleventh session of the Committee will be held at the ESCWA headquarters in Beirut in 2017, if a request is not made by a member State to host it.

I. OTHER MATTERS
   (Agenda item 12)

26. No discussion points were addressed under this item.
III. ADOPTION OF THE RECOMMENDATIONS MADE BY THE COMMITTEE AT ITS NINTH SESSION
   (Agenda item 13)

27. At the final meeting, the Committee adopted the recommendations made at its ninth session.

IV. ORGANIZATION OF WORK

A. DATE AND VENUE OF THE MEETING

28. The Committee held its ninth session in Amman, on 7 and 8 April 2015.

B. OPENING OF THE SESSION

29. The opening speech was delivered by the representative of Jordan, Mr. Mukhallad Omari, Director of the Policies and Strategies Department of the Ministry of Planning and International Cooperation, on behalf of the Chair of the eighth session. He welcomed the participants, thanked the Committee for its efforts and presented the key issues of the ninth session, affirming the importance of sustainable development and its two fundamental pillars, namely human beings and financing. He tackled the challenges of mobilizing financial resources for development, indicating that workers’ remittances could contribute to the development process and to bridging the financing gap, and urged Arab countries and the United Nations to focus on public-private partnerships.

30. Mr. Abdullah al-Dardari, ESCWA Deputy Executive Secretary for Programme, delivered a speech on behalf of ESCWA, in which he welcomed participants. He stressed the timeliness of the present session, given that member States must coordinate and harmonize their positions on financing for sustainable development in preparation for the Third International Conference on Financing for Development. He said that, despite the various achievements in the Arab region since the launch of the Millennium Development Goals, there was still a great deal to be accomplished in view of the unprecedented development, political and security challenges it currently faced.

31. He indicated that financing for sustainable development entailed meeting significant financial needs. Necessary investments to instigate a transformation in the energy sector in line with the agreed environmental goals had been estimated at trillions of dollars per year. It was therefore necessary to direct all financing efficiently and effectively through a comprehensive financial framework for sustainable development. In the Arab region, ESCWA estimates showed that the cumulative financing gap for the period 2015-2030 would reach around $3.6 trillion. Undoubtedly, this amount would increase when taking into account the cost of rebuilding conflict-affected Arab countries. He invited Arab countries to enhance their qualitative capacities to meet post-2015 development requirements and effectively participate in the current negotiations on the draft document of the Third International Conference on Financing for Development to protect common Arab interests.

C. PARTICIPANTS

32. The ninth session of the Committee was attended by representatives from 15 ESCWA member States, namely Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestine, Qatar, Saudi Arabia, the Sudan, the Syrian Arab Republic, Tunisia and the United Arab Emirates; and representatives of Algeria and Mauritania as observers.

33. The session was also attended by the representative of the Deputy Secretary-General of the United Nations, representatives of the ambassadors of Ghana and Norway, the representative of the Arab Group and representatives of a number of international, regional and Arab organizations, including the Islamic Development Bank, the Saudi Fund for Development, the World Food programme, the Union of Arab Banks, the Arab NGO network for Development and the General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries. Annex I to the present report contains the list of participants.
D. ELECTION OF OFFICERS

34. 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.” Mr. Mutar Ahmad Abdullah al-Ali, the representative of the United Arab Emirates, was appointed Chair of the ninth session of the Committee, after the representative of Jordan, which assumed the chairmanship of the eighth session from 7 October 2013 to 6 April 2015. As per the procedures followed at previous sessions, the Committee elected the representative of Jordan, Mr. Mukhallad Omari, and the representative of Bahrain, Mr. Khalifa al-Huti, as Vice-Chairs. Mr. Mohammad Talib Abusirya, the representative of Saudi Arabia, was elected Rapporteur because the representative of Tunisia was absent at the first meeting.

E. AGENDA AND ORGANIZATION OF WORK

35. At its opening meeting, the Committee adopted the following agenda, as set out in document E/ESCWA/EDID/2015/IG.1/L.1:
   1. Opening of the session.
   2. Election of officers.
   3. Adoption of the agenda and other organizational matters.
   4. Review of action taken in the field of financing for development under the ESCWA programme of work since the eighth session of the Committee.
   5. Proposed programme of work for the biennium 2016-2017 in the field of financing for development.
   7. Workers’ remittances as a source of financing for development.
   8. Innovative sources of financing for development.
   9. The role of Arab funds in financing for development.
  11. Date and venue of the eleventh session of the Committee.
  12. Other matters.
  13. Adoption of the recommendations made by the Committee at its ninth session.

36. At the same session, the Committee adopted the draft organization of work set out in document E/ESCWA/EDID/2015/IG.1/L.2.

F. DOCUMENTS

37. The documents considered by the Committee at its ninth session are listed in annex II to the present report.
Annex I
LIST OF PARTICIPANTS
A. ESCWA MEMBER STATES

**Bahrain**
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Mr. Mansoor Hmeid al-Naimi
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Undersecretary for the Ministry of Economy and planning

Mr. Abdullah Ali al-Marwani
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Mr. Mutar Ahmad Abdullah al-Ali
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C. ARAB FUNDS

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Mr. Abdulwahab Ahmad al-Bader
Director General
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Saudi Fund for Development
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Mr. Khaled Hussein  
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Administrative Assistant
## Annex II

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THIRD INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT

KEY PRIORITIES FOR THE ARAB REGION

1. In September 2015, the international community will adopt the post-2015 development agenda, including the sustainable development goals. It is a universal and inclusive agenda aimed at eradicating poverty and hunger and achieving economic growth and transformation, while protecting the environment, ensuring peace and realizing human rights. The successful implementation of such an ambitious agenda lies with Member States, and hinges upon reaching consensus on policy, financing, technology transfer, capacity-building and systemic issues at the third International Conference on Financing for Development, to be held in Addis Ababa from 13 to 16 July 2015. The Conference builds on the Monterrey Consensus of the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and the Doha Declaration issued by the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008.

2. Although the Arab region shares the concerns of other developing regions on financing for development issues, it has its own additional challenges and priorities. For example, it is beset by the Israeli occupation of Palestine and other Arab lands that has continued unabated for almost half a century in violation of international law, which not only deprives Palestinians of their inalienable and basic rights, including the right to development, but also negatively affects the stability of the whole region, thus arresting its development and jeopardizing global peace.

3. The Arab region also faces many socioeconomic challenges, notably persisting poverty, high unemployment, particularly among women and young people, limited social protection coverage, rising inequalities and increasing indebtedness; as well as complex environmental challenges, such as water scarcity, air and water pollution, climate change, biodiversity erosion, aridity, land degradation, desertification and natural disasters, which impact development and threaten water, energy and food security.

4. Moreover, the increasing numbers of conflicts in the region are negatively affecting the ability of some Arab States to achieve the Millennium Development Goals, and huge financial requirements, estimated at 650 billion United States dollars ($), are needed to reconstruct conflict-affected countries.

5. There is a great need to finance sustainable development, mobilize and effectively use all sources of finance (public and private, domestic and international) and develop a renewed and strengthened global partnership for sustainable development, taking into consideration the economic, social and environmental dimensions of the process and the need to respect national priorities.

6. At the national level, the public and private sectors have different, but complementary, roles that are essential to successfully implementing the new development agenda, which will require an enabling domestic environment, including good governance, sound economic policies, solid democratic institutions responsive to people’s needs, improved infrastructure, rule of law and the adoption of national sustainable development financing strategies. Although there is a need to mobilize both public and private finance to achieve the sustainable development goals, private finance is not a perfect substitute for public finance, but rather complementary to it.

7. Clean and environmentally sound technologies can play an important role in addressing sustainable development challenges; gender mainstreaming is essential for the successful formulation and implementation of financing for development policies; and data, monitoring and follow-up are vital to the implementation process.
8. Based on the need for developing countries in general, and Arab countries in particular, to make an effective contribution to the preparations for and activities of the third International Conference on Financing for Development, and on the basis of intensive consultations between ministers, high-level government representatives, experts and specialists at the Technical Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development in the Countries of the ESCWA Region, held in Amman on 7 and 8 April 2015, the following key messages should guide the position of Arab States on the Addis outcome document.

I. DOMESTIC PUBLIC FINANCE

(a) Public finance is vital to implementing the post-2015 development agenda, notably in terms of agriculture; food security; research and development; social protection; health, education; investment in sustainable development infrastructure, particularly in rural areas; capacity-building; and promoting equity, with the participation of all social groups to achieve sustainable development;

(b) Fighting corruption is fundamental to the mobilization of financial resources; efforts should continue to combat financial and administrative corruption and the misuse of domestic resources; an empowered system of accountability needs to be put in place within public systems; international cooperation in the area of repatriation of stolen assets must be strengthened through the adoption of a more proactive approach, especially in terms of the efforts of developed countries; and public expenditure must be well-allocated and more transparent;

(c) Tax administration requires continuous reforms to enhance fairness and effectiveness; widening the tax base must be accompanied by pro-poor tax policies and measures to reduce the fiscal burden on the poor; supporting institutional capacities and national judicial systems and strengthening law enforcement are required to effectively deal with tax evasion and tax avoidance; a transparent and effective communication system is needed to enhance trust and, subsequently, ensure compliance with procedures; and double taxation agreements should be reviewed;

(d) There is a need to enhance the exchange of information between different government entities, both at the national and international levels, to fight tax evasion and illicit financial flows that continue to drain the economies of developing countries;

(e) Increased investment in capacity-building for tax administration is a necessity; the role of the United Nations Committee of Experts on International Cooperation in Tax Matters should be strengthened;

(f) Countries relying on natural resource extraction should adopt fiscal stabilization funds or other policies to stabilize the flow of government revenues;

(g) The lack of progress in establishing a world trading system and related regulations detrimentally impacts the capacity of the private sector to expand in developing countries, which in turn negatively affects their efforts to mobilize domestic resources.

II. DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE

(a) Domestic and international finance should not be assigned equal importance;

(b) The private sector is a driver of growth and a major partner for development financing; increased investments in productive sectors with high job creation potential is essential, while respecting private sector privacy;

(c) Improving the investment climate by enhancing the business and regulatory environment is necessary for maximizing the role of the private sector, repatriating some of the Arab investments abroad and
enhancing foreign direct investment that acts, not only as an external source of financing for development, but also as a conduit for the transfer of modern technology and sophisticated production and management methods, and which significantly contributes to labour force training; in this regard, foreign direct investment that follows social and environmental standards and supports sustainable industrialization and the creation of decent jobs should be promoted;

(d) The development of financial systems in Arab countries by promoting sound banking practices and expanding debt and equity markets and other financial institutions, including the insurance industry, is a priority; enhancing the capital market infrastructure is vital for attracting long-term investments, including pension fund investments, at the regional and national levels;

(e) More support should be given to the integration of the informal sector into the real economy to increase public revenues and bolster social inclusion;

(f) Ensuring financial inclusion through innovative tools, such as digitized payments and mobile banking, eliminating gender-based financial discrimination and empowering small and medium enterprises, constitutes a strong base for generating employment and economic growth; promoting financial literacy, increasing microfinance, providing access to credit for all and granting technical assistance to small and medium enterprises is therefore essential;

(g) Remittances are not a replacement for public finance; however, supporting remittances for development and enhancing coordination between different government entities dealing with migrants and their remittances is important for developing complementary alternatives to public finance, including financial products tailored to the needs and priorities of migrants; furthermore, reducing the cost of remittances and eliminating all disguised charges is necessary to encourage the transfer of remittances through official channels, while respecting the confidentiality of such transfers and not considering them as a source for financing sustainable development without undertaking studies on the implications of the steady rise in food and fuel prices on the allocation of remittances and the amounts used for covering living expenses and those earmarked for investment;

(h) Exploring other forms of innovative financing and the promotion of blended finance, in particular the development of new models for public-private partnerships, should be encouraged; however, public-private partnerships are not equally suitable for all sectors and should therefore not been seen as a perfect substitute for the role and responsibilities of the public sector, but rather as complementary to it; other forms of financing should be identified, including tobacco, financial transaction and bank transaction taxes; and carbon, shipping and commercial taxes should be rejected because of their repercussions on the comparative advantage of Arab goods; international consensus on innovative financing for development should be reached without negatively affecting the resources of developing countries, requiring them to shoulder additional burdens or exempting developed countries from their commitments.

III. INTERNATIONAL PUBLIC FINANCE

(a) Strengthened global partnerships are crucial for the implementation of the post-2015 development agenda;

(b) Official development assistance will continue to play a central role in development financing for developing and least developed countries;

(c) The generous assistance of Arab development financing institutions is commendable and they should continue extending financial and technical assistance to Arab countries;

(d) All developed countries should increase their commitment to official development assistance to 1 per cent of their gross national income by 2020 and should agree on timetables to meet official development
assistance commitments needed to support sustainable development, especially in least developed countries, small island developing States, conflict-affected countries, middle income countries and countries in transition; developed countries should allocate more official development assistance, in addition to humanitarian aid, to Arab conflict-affected countries;

(e) An increased proportion of official development assistance should be predictable and disbursed as planned, take the form of grants or soft loans and be untied from donors’ restrictions of use and development priorities;

(f) Any effort to redefine official development assistance should be done in an open and transparent manner, allowing for an exchange of views between donor and recipient countries;

(g) South-South and triangular cooperation, which are essential components of international cooperation, are becoming increasingly important, particularly in terms of technical cooperation, but they must not substitute North-South cooperation;

(h) Official development assistance can be used to strengthen the domestic regulatory environment, including through strengthening tax administration;

(i) Climate financing should be complementary and separate from official development assistance budgets; developed countries have committed themselves to meeting the goal of jointly mobilizing $100 billion a year by 2020 to meet the climate financing needs of developing countries; a readiness programme for climate financing in the Arab region should be initiated through the Green Climate Fund with the involvement of ESCWA.

IV. INTERNATIONAL TRADE FOR SUSTAINABLE DEVELOPMENT

(a) Trade barriers, trade subsidies and other trade distorting measures (domestic production subsidies) and their repercussions, particularly in sectors of special interest to Arab countries, including agriculture, affect Arab countries’ capacity to benefit from their commercial potential to support development;

(b) Opening up the markets of developed countries to the products of developing countries, reducing barriers to trade and implementing the principles of differential treatment towards developing countries, including Arab countries, is vital;

(c) Regional cooperation in trade is a fundamental tool for achieving sustainable development; multilateral and regional agreements should be promoted, including the establishment of an Arab customs union;

(d) Enforcing aid-for-trade commitments is crucial for promoting a fairer global trade system, this should not, however, come at the expense of aid to other crucial sectors;

(e) There is a need for capacity-building for trade mechanism reviews with the World Trade Organization and free trade agreement assessments at the national level;

(f) Flexibilities in the Agreement on Trade-Related Aspects of Intellectual Property Rights are necessary in sectors vital for sustainable development, including public health;

(g) International investment agreements are important as is the need to review investment treaties, especially investor-state dispute settlement clauses, to protect Arab countries and support their sustainable development strategies.
V. DEBT AND DEBT SUSTAINABILITY

(a) There is a need to increase efforts to alleviate the debt burden of developing countries, including lower middle income countries; and call for debt relief and cancellation for countries in economic and political transition and for debt-to-investment swaps to fund investments in infrastructure and development; debt continues to prevent some countries, including some Arab countries, from investing in development, given that debt servicing consumes financial resources that could have been allocated to investment projects;

(b) Developed countries are called upon to commit themselves to allocating additional resources for debt relief, other than those allocated for official development assistance budgets;

(c) Technical assistance provided by developed countries and international and regional organizations to developing countries should be increased to improve their debt management, plan, monitor and manage external liabilities and reduce vulnerabilities;

(d) Strengthening national debt management strategies remains crucial, especially in conflict-affected Arab countries where debt burdens have increased significantly in recent years;

(e) Adhering to the Principles on Promoting Responsible Sovereign Lending and Borrowing of the United Nations Conference on Trade and Development is recommended, and the efforts undertaken by the United Nations to develop a multilateral legal framework for debt restructuring should be commended;

(f) There is a need to establish an international debt resolution mechanism to guarantee fair and equivalent treatment for both creditors and debtors, in line with the principle of shared responsibility for both debtors and creditors.

VI. SYSTEMIC ISSUES

(a) Development funds should consider contributing to the reconstruction of conflict-affected countries;

(b) Measures should be taken at the international level to reduce the externalities of economic and financial crises, such as those that arose from the 2008 financial turmoil, and their repercussions on developing countries in particular;

(c) Regulatory reforms of the financial sector are central to preventing financial downturns similar to the 2008 crisis, which started in developed countries and is still affecting the most vulnerable developing countries;

(d) There is a need to increase the participation of developing countries, including Arab countries, in the management of international monetary, regulatory and financial institutions whose decisions affect their economies; it is also necessary to adopt an open, transparent, gender-balanced and merit-based strategy for selecting their directors and to implement the 2010 International Monetary Fund reforms regarding its quota and governance;

(e) The rights of migrant workers should be protected, in compliance with the International Labour Organization’s fundamental conventions; well-managed migration has positively contributed to inclusive growth and sustainable development.

VII. TECHNOLOGY, INNOVATION AND CAPACITY-BUILDING

(a) Establishing a mechanism to enable developing countries to build up, transfer and implement appropriate and environmentally sound technologies to facilitate green economy transitions and achieve
sustainable development is vital; information and communications technologies can greatly assist in achieving sustainable development;

(b) Supporting research and development, increasing investment in human capital and enhancing the education system are important factors for the achievement of the sustainable development goals;

(c) Promoting official development assistance for science and innovation should be pushed forward;

(d) Setting up funds to support entrepreneurship, innovative enterprises and capacity development is essential for the expansion of the technology sector;

(e) There are limited investments of private capital in innovation and technologies because of the associated risks and uncertain returns, hence an increase in public financing for research and development and international cooperation is necessary in this regard;

(f) United Nations specialized agencies with technology mandates should be encouraged to promote technology transfer and development;

(g) Developed countries play a vital role in technology and information transfer to developing countries; additional attention should be given to knowledge transfer as well as information and technology transfer from developed countries to developing countries.

VIII. DATA, MONITORING AND FOLLOW-UP

(a) Strengthening national capacity to monitor and publish flows of funds is a prerequisite for an effective monitoring process;

(b) Improving the availability of disaggregated and gender-sensitive financial data remains crucial;

(c) There is a need to support developing countries and build their capacity to increase the availability of high-quality, timely and reliable data;

(d) The Group of Twenty should annually assess and report on the implementation of financing for development commitments by its members, while respecting State sovereignty;

(e) Monitoring national progress towards financing for development is important;

(f) Strengthening the efforts of regional organizations regarding the follow-up process for financing for development and requesting the regional commissions to provide them with technical support.