The State of Financing for Development

The Arab Scorecard

COMMITTEE ON FINANCING FOR DEVELOPMENT

First Session

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Systemic Risks and Regional Contexts

Domestic & International Private Finance
التمويل الدولي والوطني الخاص

Trade as an Engine for Development
tجارة كمحرك للتنمية

Domestic Public Resources
الموارد العامة الوطنية

International Development Cooperation
التعاون الإنمائي الدولي

Debt & Sustainability
الديون واستدامتها

The Financing for Development Framework
Fiscal Policy
Domestic Revenue Generation | Taxation

Is there an optimal tax policy?
The optimal choice of tax regime differs depending on administrative Capacity and Compliance

1- Not all taxes are created equal
كل ضريبة أثر وعبء وغرض وعائد مختلف

2- Low tax fairness pushes economic activity into informality
قصر العدالة الضرائبية يغذي الاقتصاد غير المنظم

3- The ‘Inconsistent Tax Quartet’...
رابعه غير متسق

Equality | المساواة
Personal Income Taxes (PIT)

Efficiency | الكفاءة
Trade and Consumption Taxes

Effectiveness - Transparency | الفاعلية والشفافية
Corporate Income Taxes (CIT)
Value Added Taxes (VAT)

Compliance | الامتثال
Increasing taxes without a commensurate increase in collection capacity/enforcement prompts tax-based IFFs
What do the numbers tell us:

**Tax Buoyancy**

GDP growth doesn’t translate to a commensurate rise in tax revenues.

**Tax Structure**

- Oil rich: Oil accounts for ¾ of revenues (1%-5% of GDP); VAT....2% GDP
- Oil-poor: Tax share (75%), but revenues less than peers
- Indirect taxes: major source of revenues (45%), regressive with efficiency costs.
- Trade taxes are falling: 11%...ACU!

**Tax Effort**

- Inequality after taxation is as high as before taxation;
- 6% of GDP gains if the informal sector was brought under statutory taxation.

**Tax Compliance**

- Tax avoidance
- Trade taxes lost due to import-underinvoicing ($27.8 bn./year)
- VAT collection efficiency (hard to tax sectors & professions).

**Strength**

- Enhance Tax Efficiency & Compliance

**Weakness**

- Overcome Tax (In)Equality & (In)Efficiency

**Opportunities**

- Enhance Tax Equality & Effectiveness

**Threats**

- Overcome Tax Compliance & Administration

**IFFs!**

For every $1 mobilized in taxes … 10¢ are lost due to tax avoidance;
Trade taxes foregone on $27.8 billion worth of goods;
‘xXx’ due to tax evasion (Panama papers, Bahama Leaks..)
$60-$77.5 billion/year on average

8¢ on every $ in trade is lost due to Illicit Financial Flows

Trade misinvoicing is a dominant form of leakage to finance development.
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The Beirut Consensus
$1.3 TRILLION in 2018

Arab Region
(22 Countries)

DEVELOPED
(39 Countries)

DEVELOPING
(152 Economies)

$557bn
(46%)

$706bn
(54%)

DOWN TO
$34.2bn
(2%)

ALL-TIME HIGH
$88.5bn

$1.5 trillion in 2017
$47.8\text{BN}$ \text{OUTFLOWS}  \\
$31.2\text{BN}$ \text{INFLOWS}  \\
$215$ billion net lending to international banks
Cost of bank transfers: 10.3%

Cost of post transfers: 8.09%

Average global cost of sending remittance: 6.84%

For every $1 generated in remittance, $2 are repatriated to other regions.

258 Million Migrants

$682.6 billion
Cross-Border Capital Flows | Remittances

Arab region

Remittances EXCEED Net FDI + ODA

$57.9 bn.
Arab SWF assets make up around 32% of the global SWF assets.
For every $1 the region received in ODA inflows, 87¢ were retuned as ODA elsewhere.
Multiple Roles

Official Development Assistance (ODA)

Net ODA from DAC donors, by components, 2000-2018
(2017 constant prices)
International Trade an Engine for Growth

COMMITMENTS TO ADVANCE TRADE-FINANCE & GROWTH NEXUS

Inclusive and equitable Multilateral Trading System

Conclude the Doha Development Round

Trade Tensions

Harmful trade intervention are 1.5x greater than trade liberalizing interventions

Trade Protectionism

Trade Remedy Measures

Trade Finance Gap

More than 1000 restrictive barriers imposed

Harmful
Liberalising
Most certainly harmful

Interventions per year

Neces in the trade surplus for the trade 1.5 trillion dollars (14 trillion dollar, trade surplus nearly 17.5 trillion dollars)

65 التزام وتعهد دولي لتسخير التجارة كأداة لتمويل التنمية

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حكومات الدول تتفق على تعزيز التجارة كأداة لتمويل التنمية

Governments agree to use trade as a tool for developmental finance

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التجارة العربية

 صادرات: 923 مليار دولار صادرات منها 475 مليار دولار صادرات غير نفطية (51%)
114 مليار دولار صادرات عربية بنية (12% أو 30% من الصادرات غير النفطية)
واردات: 807 مليار دولار منها 20 مليار دولار واردات نفطية

أين تحرير تجارة الخدمات
 الاتفاق على الإطار دون جداول التحرير رغم أنه بعضها محرر مع أطراف أجنبية

لمذَا يعتبر قيام الاتحاد الجمركي رغم وجود فرص لقيام فضاء للأمن الاقتصادي العربي

معاقب تجارية
 قواعد تفصيلية للمنشأ تطبق في التجارة غير العربية .. ولكن هل هناك جدوى منها بعد اكتمال الاتحاد الجمركي العربي
قيود غير جمركية
 تفرض على 40% من الصادرات البنية إمكانات تصديرية غير مستغلة

"ACCESS"

‘VISION 2030’
The Global Debt Bubble
Record High Debt Financing

$7.8 Trillion
External Debt - Developing Countries↑

$1.2 Trillion
Gross Arab Debt↑

$247 bn. Net debt inflows (Arab)
($529 bn. Net inflows in 2018)

IMF & Official Creditors
Declined from 35% to 16% between 2000-2018

$344 billion
External Arab Debt
A 7% increase ($21.6 bn.) in 2018
The Arab Debt Bubble
Record High Debt Financing

Total External Debt Stock, Arab Region, Non-Oil Economies

Billions Dollars

- Private nonguaranteed
- Public and publicly guaranteed
- Short-term
- Use of IMF credit