2018 Report of the Arab Forum for Environment and Development

FINANCING SUSTAINABLE DEVELOPMENT IN ARAB COUNTRIES

AFED

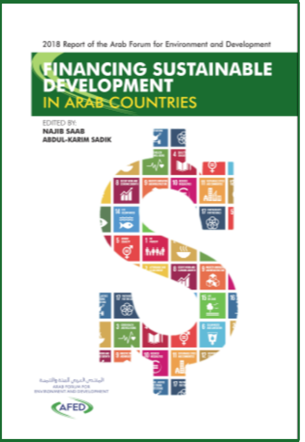
OVERVIEW

UNITED NATIONS

الاسكوا

ESCWA

NIRANJAN SARANGI
Senior Economic Officer, ESCWA
Co-author, AFED report

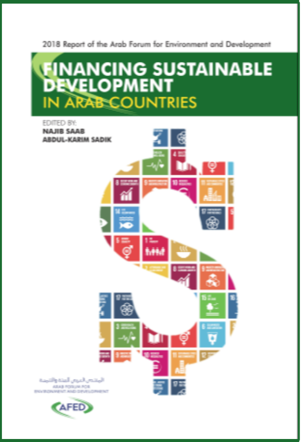


Financing requirements to realize such an ambitious agenda are gigantic; estimates vary for countries, regions, and by methodology

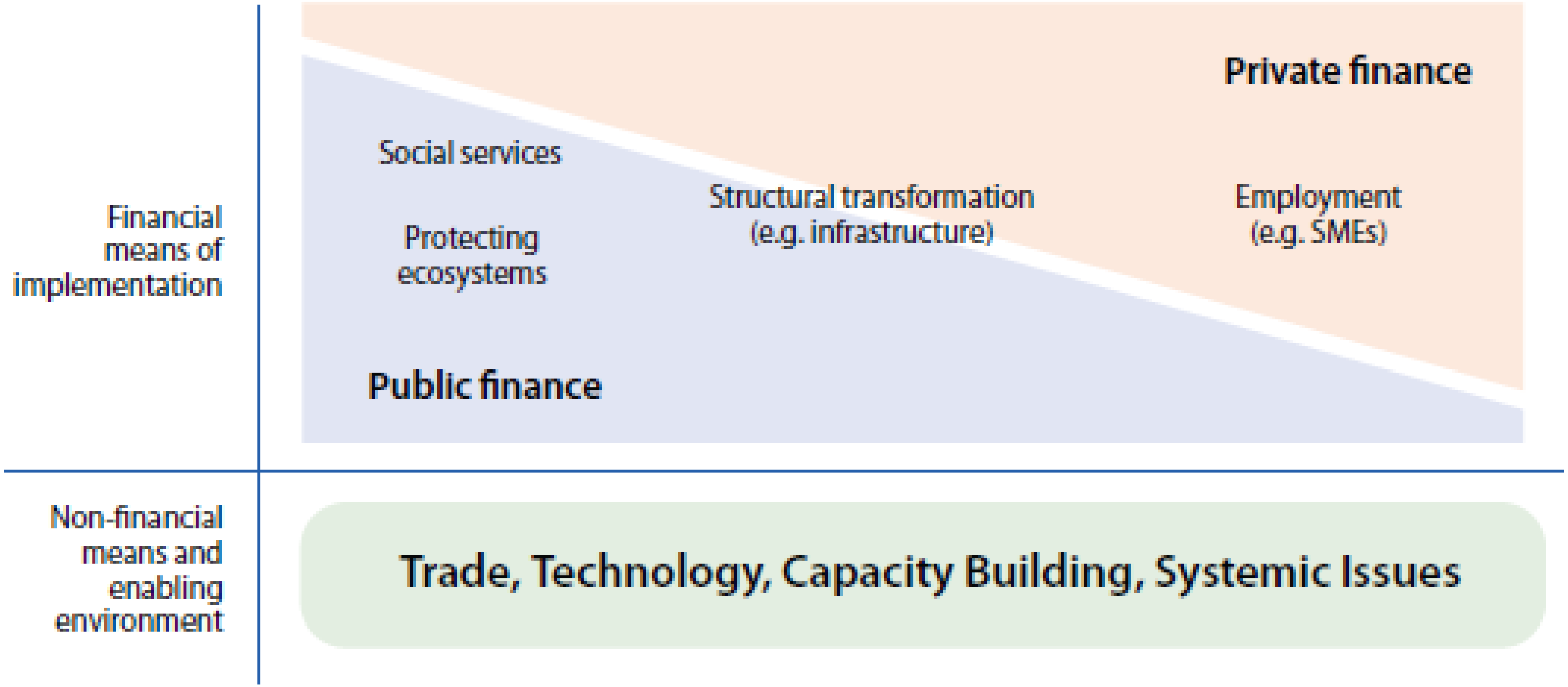
- ✓ The report states that Arab countries would need a minimum of USD 230 billion annually (financing gap in Arab countries with deficit has been estimated at over USD 100 billion annually)

- ✓ According to the forthcoming State of Financing Development in the Arab Region (2018) report, financing requirements could be higher by a magnitude of US$150 billion annually (additional 2.3 trillion between 2015 and 2030).

- ✓ The scale of funds required is expected to rise when taking into account cost of post-conflict reconstructions, increasing social investments that leaves no one behind, greening budgets and redirecting of existing budgetary allocations from conventional investments to sustainable ones.

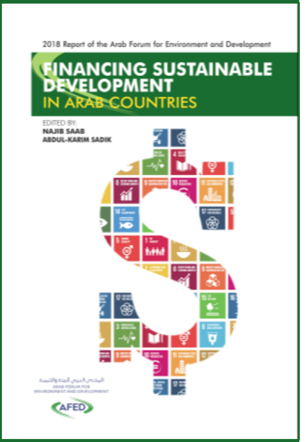


Means of implementation



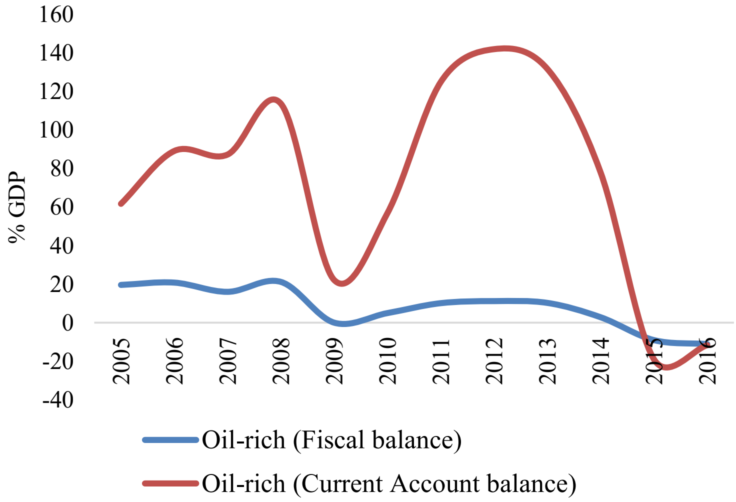
* The figure is for illustrative purposes only and size of boxes is not representative of magnitudes of flows

Source: IATF report 2016.



Public finance is under pressure across the region

Oil-rich countries

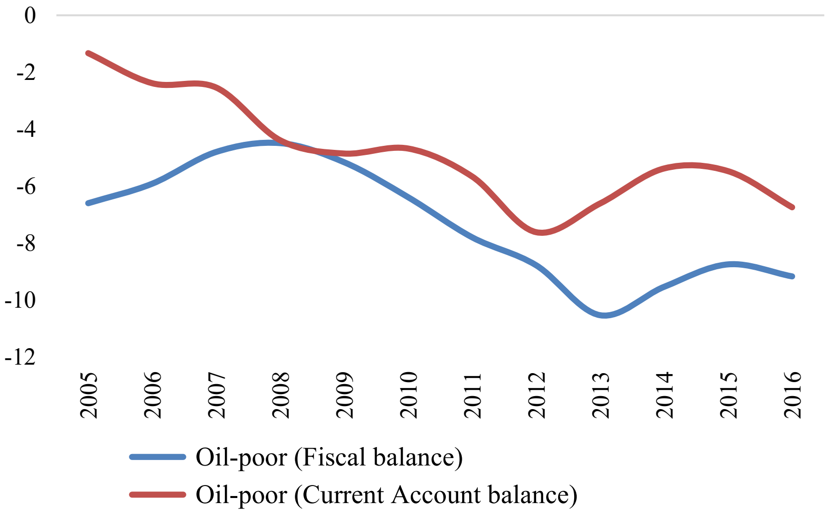


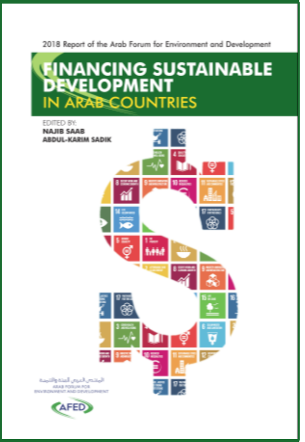
- ✓ High public debt
- ✓ Increasing non-concessional external debt

Source: UNESCWA 2017c

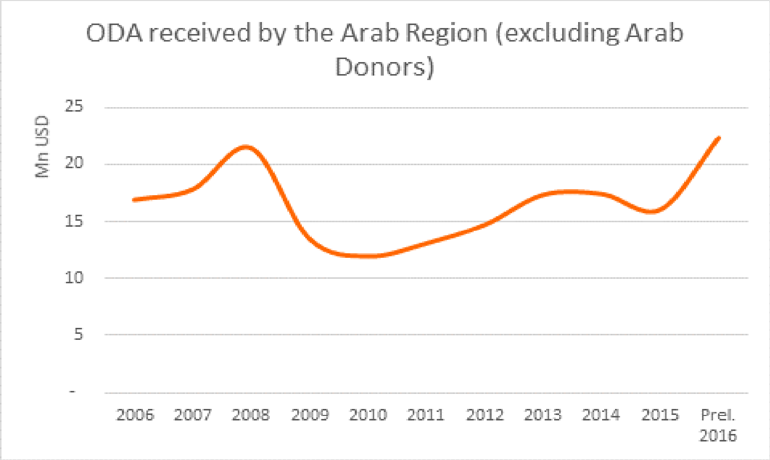
- ✓ Both fiscal and current account balances show worsening trends;
- ✓ Oil revenues remained unpredictable;
- ✓ Tax revenues to GDP ratio remained below potential for most countries;

Oil-poor middle income countries

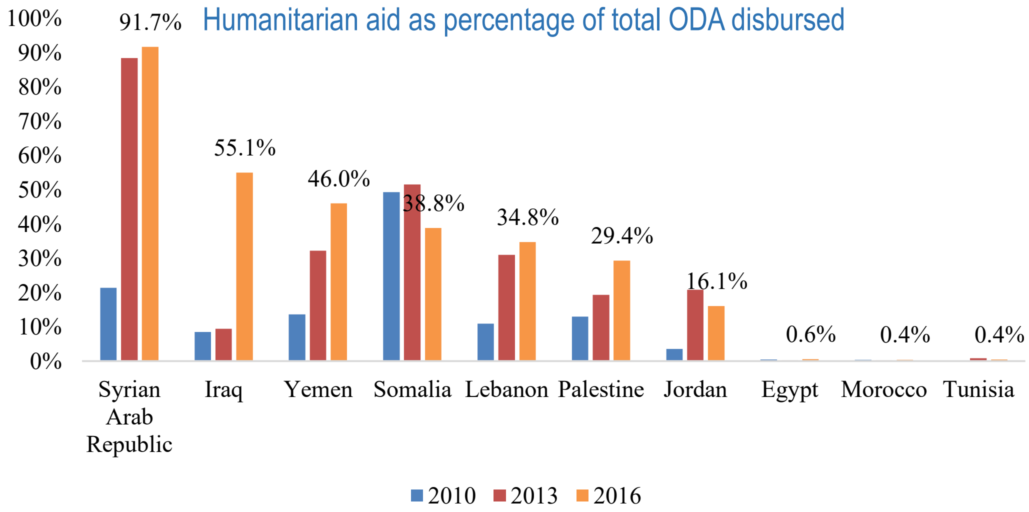


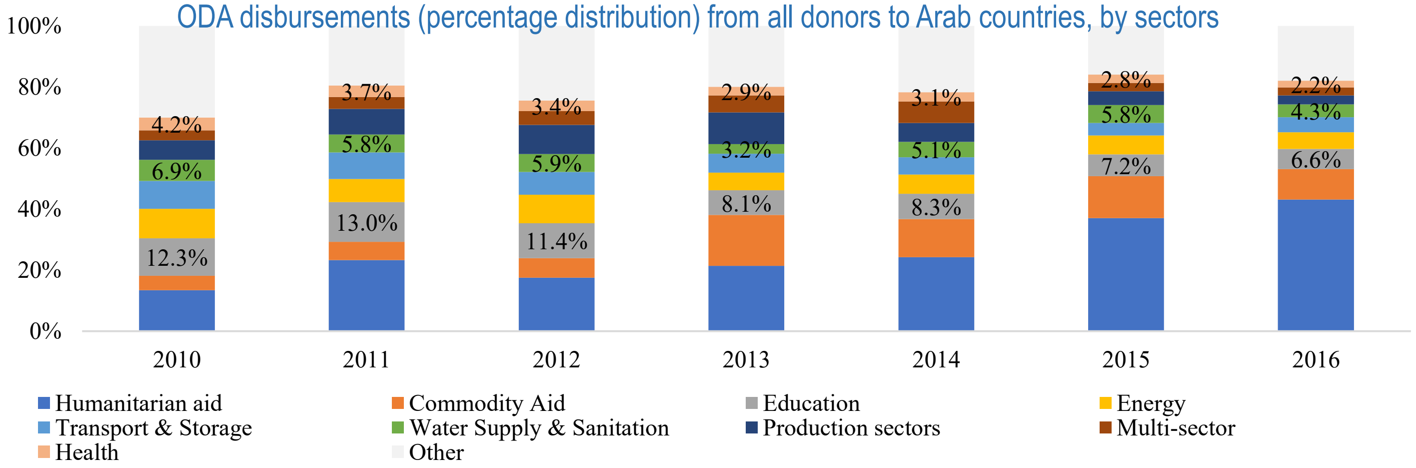


ODA to critical sectors that matter for the SDGs is shrinking; but increased to conflict affected countries for humanitarian aid; in-country refugee costs

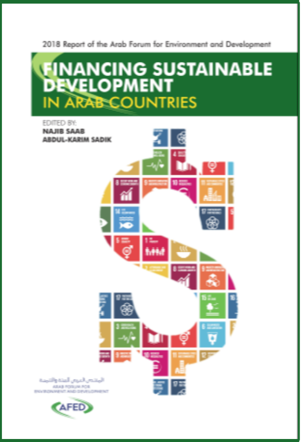


Source: UNESCWA 2018b



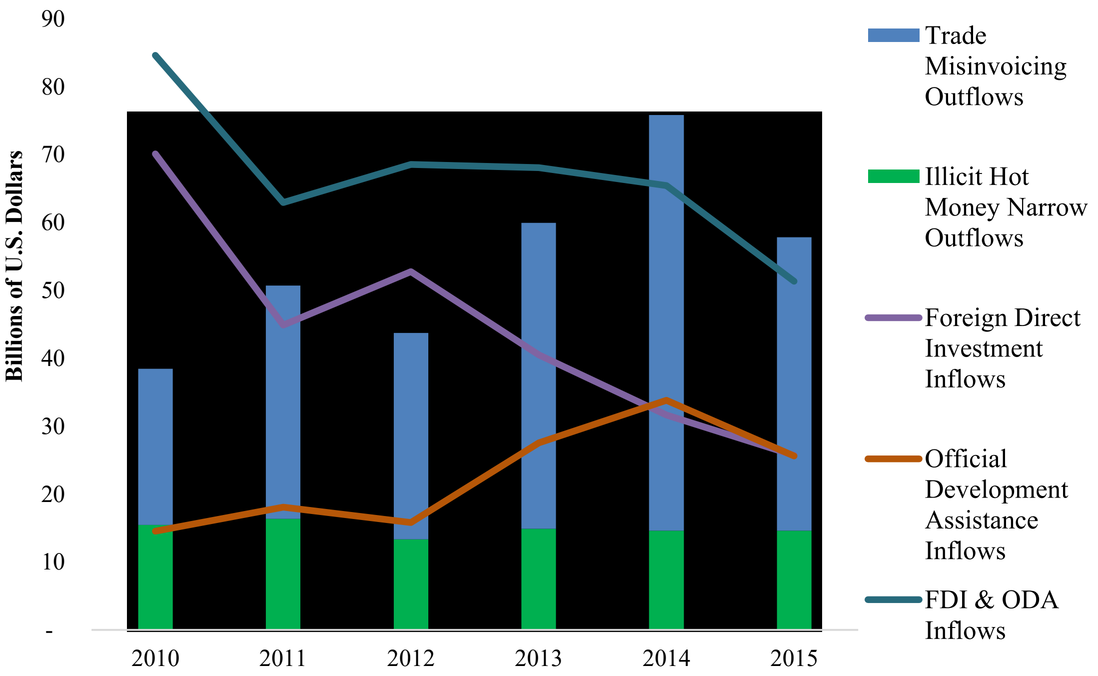


Source: OECD 2018b



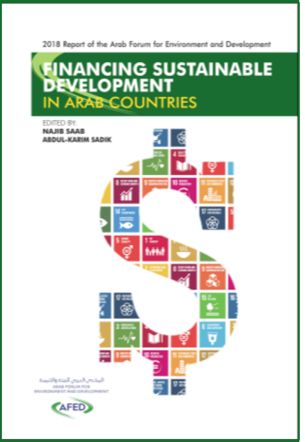
Illicit financial flows constitute a significant drain of resource

ILLICIT FINANCIAL FLOWS VS. FDI & ODA INFLOWS TO THE ARAB REGION



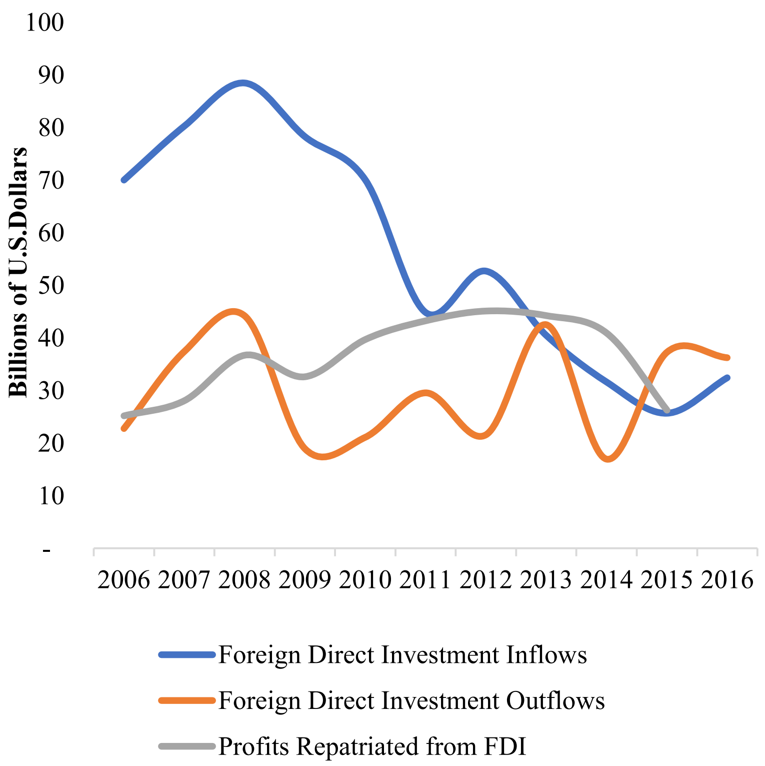
Source: UNESCWA 2018b

- ✓ Increase in trade misinvoicing in non-oil trade amounting to USD 482.7 billion (aggregate between 2008 and 2015).
- ✓ Nearly three quarters of illicit outflows (IIFs) are associated with trade misinvoicing.
- ✓ Since 2014, IIFs have outstripped the combined aggregate of total ODA and FDI inflows into the region.



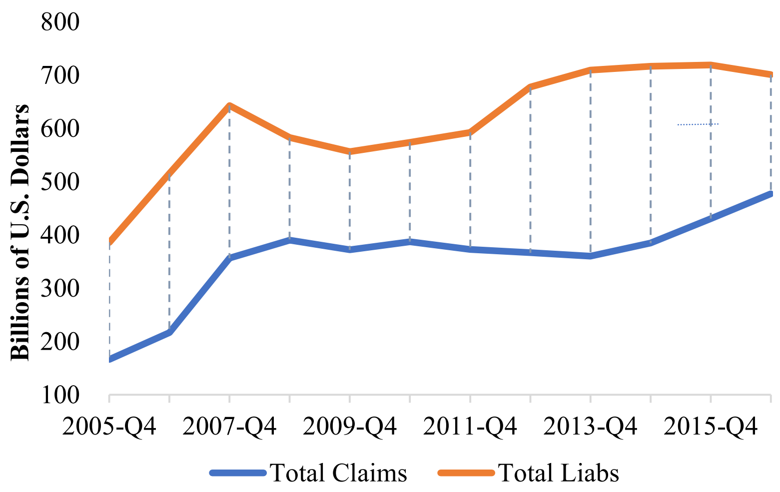
The Arab region is a net-exporter of capital; FDI inflows are concentrated in oil and real estates sectors; and into three countries

The state of investment in the Arab region

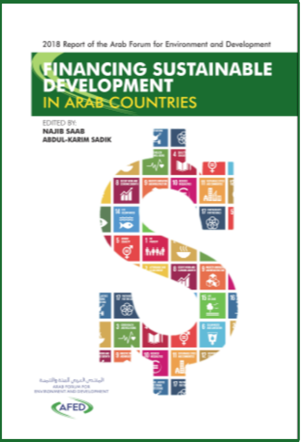


Source: UNESCWA 2018b

Arab claims and liabilities reported by BIS

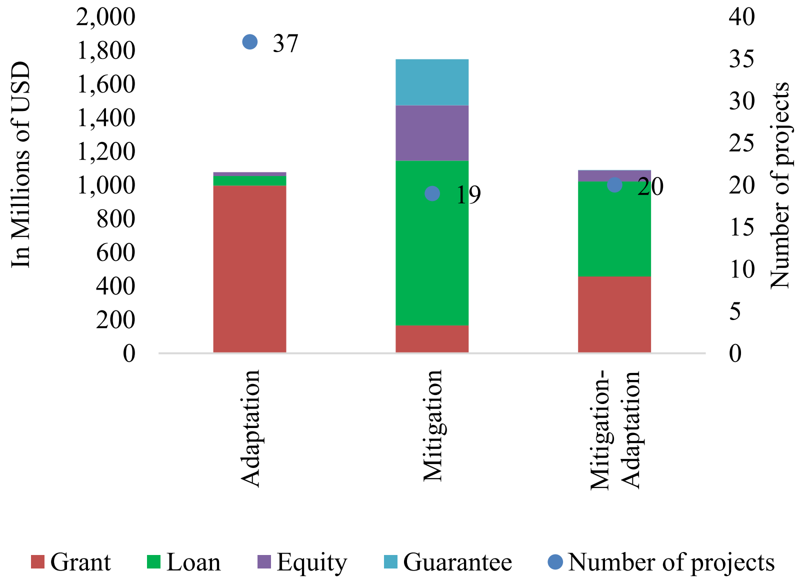


✓ The Arab region is a net remittance-exporter. Between 2011 and 2016, for every dollar of remittances generated, the Arab region repatriates on average US$2.8 dollars to other regions.

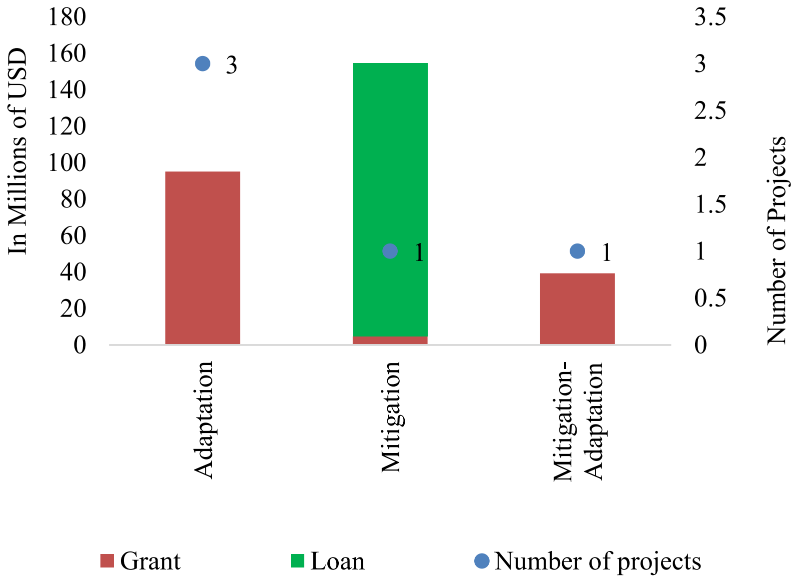


Access to climate finance, the green climate fund (GCF), is very much limited by the complexity of GCF's project proposals and procedures, the accreditation requirements, and preference of mitigation over adaptation projects.

GCF to **global** by type, 2015-2018

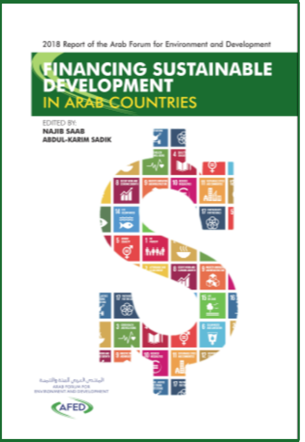


GCF to **Arab countries** by type, 2015-2018



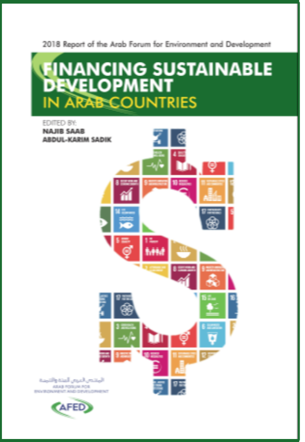
- ✓ *Access to GCF: Allocation of funds by the GCF has a clear preference to internationally accredited institutions rather than nationally accredited entities*

Source: Based on data from GCF (up to March 2018)



Persistent challenges; increasing needs to finance sustainable development

- ✓ The share of elderly people is going to increase significantly
- ✓ Poverty, unemployment and conflicts
  - ✓ About 40.6 percent of the population are multidimensionally poor
  - ✓ Unemployment rate is high; about 30 percent of educated youth in the region are unemployed
  - ✓ Conflicts affected many parts of the region. Beyond the economic costs (about $752 billion), by 2016 the forcibly displaced population reached 65.6 million
  - ✓ Prevalence of stunting is high in several countries, especially in Egypt, and in low income countries.
- ✓ Deficits in education achievements in terms of mean years of schooling is apparent as against the world average, which is key challenge to structural transformation and innovations
- ✓ Sustainable management of water resources and the delivery of water services for all is another major challenge
- ✓ The challenge of improving energy efficiency, encouraging the transition to renewable energy and providing modern renewable energy access to all requires significant finance



Summary of overview

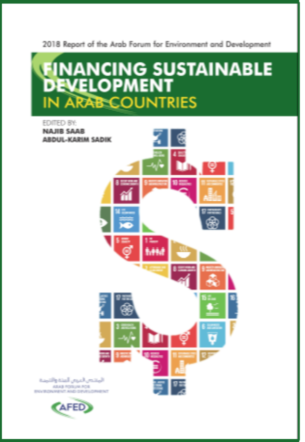
✓ The fiscal space of the region masks significant disparities between the oil-rich, oil-poor middle-income, and low-income countries.

✓ The conflict affected countries have further challenges of reconstruction and development, while they have a significant loss of revenue base due to crises situations.

✓ The financing requirements are high, as stated, but beyond these estimates, the bill is expected to rise much more when taking into account post-conflict reconstructions, increasing social investments that leaves no one behind, greening of budgets, and addressing climate change concerns.

✓ Public budgets are under high pressure to rebalance between growing demand for quality services versus tackling rising debt versus redirecting budget for addressing climate change concerns

✓ Raising fiscal space in most countries requires reforms in earning and spending choices, curbing illicit financial flows, tapping private finance, increasing access to climate finance as well as stepping up access to non-finance means of implementation such as trade and technology.



Thank you

UNITED NATIONS
الاسكوا
ESCWA

AFED