THE ROLE OF ARAB DEVELOPMENT INSTITUTIONS IN FINANCING SUSTAINABLE DEVELOPMENT

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I. INTRODUCTION

For the very first time, the international community unanimously agreed in 2015 to adopt an indivisible and integrated sustainable development agenda, comprising the economic, social and environmental dimensions. It is an ambitious agenda, embodying 17 goals and 169 targets aiming at eradicating poverty in all its forms, promoting prosperity and well-being for all people, protecting the integrity of the planet, establishing peace, and pledging that no one will be left behind. Achieving these goals at the national, regional and global levels is a challenging endeavor for which SDG 17[1], is the thread that weaves all SDGs together, as it calls for revitalizing the global partnership for sustainable development (UNGA, 2015).

As global partners in development cooperation, the Arab development institutions have since their inception been actively involved in delivering development assistance to Arab and other developing countries. Following the adoption of the sustainable development goals (SDGs) by the United Nations General Assembly (UNGA) in September 2015, the Arab development institutions declared their support for the SDGs and for fostering further cooperation towards promoting sustainable development in developing country partners.

II. ARAB AID

Arab aid has been delivered to other developing countries including Arab states directly by governments of Arab donors and their national development institutions, and indirectly by making contributions to the capital resources of regional and international financing institutions involved in channeling development assistance to developing countries.

In 1970, the UNGA adopted a resolution including that: “In recognition of the special importance of the role which can be fulfilled only by official development assistance, a major part of financial resource transfers to the developing countries should be provided in the form of official development assistance”, and: “Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum amount of 0.7 percent of its gross national product by the middle of the Decade” (UNGA, 1970). In this respect, adoption of official development assistance (ODA) by Arab donors – developing countries themselves – reveals a sense of belonging and an expression of solidarity among developing nations, as well as fostering South-South development cooperation.

TABLE 1 ARAB DONORS’ NET ODA TO DEVELOPING COUNTRIES (1970-2015) (USD MILLION)

	1970-1989	1990-2014	2015 **	Total	(%) of Total
All Arab Donors	87,822	102,774	12,088	202,684	100.00
GCC Donors	81,022	102,535	12,088	195,645	96.53
Kuwait	13,639	12,509	1,517	27,665	13.65
Oman	204	671	20	896	0.44
Saudi Arabia*	56,284	71,645	8,258	136,188	67.19
Qatar	2,075	10,662	460	13,197	6.51
United Arab Emirates	8,820	7,049	1,833	17,697	8.73
Other Arab Donors	6,800	239	-	7,039	3.47
Algeria	1,138	45	-	1,183	0.58
Iraq	3,045	76	-	3,121	1.54
Libya	2,617	118	-	2,735	1.35

* Data for the years (1990-2015) are from the Saudi Ministry of Finance, they represent total development aid.
** Data for the year 2015 is actual except UAE and Qatar are estimated
- Unavailable.
Source: AMF, 2016

Cumulative net ODA from Arab donors to Arab and other developing country recipients amounted to about USD 203 billion over the period 1970-2015, as shown in Table 1.

In the context of development cooperation, Table 1 shows that four Arab donors (Saudi Arabia, Kuwait, United Arab Emirates, and Qatar) have over the last 46 years provided the bulk of Arab aid, with a share of over 96 percent of total net ODA disbursements. These Arab donors have also ranked among the top international donors in terms of their ODA/GNP ratio, which for example, averaged 1.14 percent and 0.86 percent in 2014 and 2015, respectively for three GCC countries, namely Kuwait, Saudi Arabia, and the United Arab Emirates (AMF, 2016). Those ratios exceeded by far the ODA/GNI[2] target of 0.7 percent set by the UN for developed countries, and are way above the averages attained by the DAC/OECD donors amounting to 0.30 percent in 2014 and 2015 (OECD).

III. AID TO ARAB COUNTRIES

Net ODA received by Arab countries from all sources amounted to about USD 300 billion over the period 1990-2014, equivalent to 13.8 percent of total net ODA received by developing countries amounting to about USD 2,177 billion over the same period (AMF, 2016). The share of 14 Arab recipient countries from total net ODA delivered to all Arab countries amounted to over 98 percent, as shown in Table 2.

Thus, as shown in Table 2, net ODA from all sources to Arab countries averaged about USD 12 billion annually over 25 years, from 1990 to 2014, representing about 4.72 percent of total net ODA to all developing countries. The main beneficiaries of this aid include six Arab country recipients (Egypt, Iraq, Jordan, Morocco, Palestine, and Sudan), with a share of about 74 percent. On the other hand, a major part of Arab donors' aid goes to other Arab recipient countries, reflecting the significance of the role of Arab donors in aiding development efforts in the Arab region, including aid delivered by Arab development institutions.

TABLE 2 **ARAB COUNTRY RECIPIENTS OF NET ODA FROM ALL SOURCES (1990-2014)**

Country	US$ (Million)	Percentage (%)
Algeria	7,021	2.34
Djibouti	2,813	0.94
Egypt	52,832	17.65
Iraq	70,629	23.59
Jordan	18,441	6.16
Lebanon	10,146	3.39
Mauritania	6,938	2.32
Morocco	23,913	7.99
Palestine	30,239	10.10
Somalia	11,342	3.79
Sudan	24,948	8.39
Syria	14,547	4.86
Tunisia	9,894	3.30
Yemen	10,700	3.57
Sub total	294,403	98.33
Others	5,005	1.67
Total	299,408	100.00

Source: AMF, 2016.

IV. ARAB DEVELOPMENT INSTITUTIONS

With the aim of institutionalizing and streamlining development cooperation and making it more efficient and effective, Arab donors have launched the establishment of a number of Arab national and regional development institutions to channel, administer, supervise, and follow up on development assistance delivered to Arab and other developing countries.

Following the establishment of the Kuwait Fund for Arab Economic Development in 1961, a number of other Arab national and regional development institutions[3] were created mostly during the first half of the 1970s. In addition, two other regional development institutions were created – the Islamic Development Bank and the OPEC Fund for International Development – with major contribution to their capital from Arab countries.

Considering the partnership aspects of development cooperation between aid donors and recipients and the requirements for addressing and resolving issues related to preparation, implementation and operation of development projects, the Arab development institutions were staffed with professional expertise to consult with and provide advice to developing country partners, to ensure the expected benefits through effective development.

To strengthen the impact of their development assistance, the Arab development institutions realized at an early stage the need to coordinate their activities to ensure optimization of the available resources. They also saw value in mobilizing resources for financing development operations, especially for large projects, with capital costs beyond the means of one donor. To this end, they formed the Coordination Group (CG) in 1975, which has become known as the Arab Coordination Group (ACG), with a Coordination Secretariat at the Arab Fund for Economic and Social Development,

A. AGG's Development Operations

The Arab Coordination Group (ACG) institutions have expanded their development cooperation with Arab and other developing country partners to cover regions and countries across the globe. The list of ACG's recipients included 146 countries by the end of 2017, with cumulative commitments of about USD 204 billion for financing 9,454 development operations, as shown in Table 3.

In addition to the wide geographical coverage, an important feature of ACG's development operations relates to their sectoral diversity, including both the infrastructure sectors, the productive sectors, as well as other sectors, as seen in Table 4.

The ACG institutions have played an important role in the development efforts in the Arab region, as demonstrated by a share of about 53 percent of cumulative funding commitments to Arab countries, as presented in Table 3 above. The sectoral distribution of project financing in Arab countries shown in Figure 1 reflect the priorities of the recipients, with a share of nearly one-third of total commitments to meet the growing demand for energy, particularly electricity.

Besides providing development assistance, the ACG institutions avail developing country partners their advisory services and consultation with them concerning all matters related to the preparation, implementation and operation of the supported projects. This includes assisting partner beneficiaries through advice and consultation, in resolving problems confronting the orderly and timely completion of development projects and programs. In the same vein, technical assistance is an integral part of ACG's aid activities designed to help recipients enhance their capabilities in owning and leading the execution of their development activities.

B. AGG's Policies And Procedures

As development institutions founded by Southern countries to foster solidarity with other Southern developing countries, the ACG's development

TABLE 3 GEOGRAPHICAL DISTRIBUTION OF ACG'S AID RECIPIENTS (AS OF END 2017)

Region	No. of Countries	No. of Operations	Amount (USD M)*	(%)
Arab Countries	22	3,512	107,992	52.9
African Countries	44	3,187	34,141	16.7
Asian Countries	35	1,918	53,524	26.2
Latin American Countries	26	374	3,755	1.8
Other Countries	19	145	4,648	1.8
Institutions and Organizations	-	317	958	0.5
Grand Total	146	9,454	204,017	100.0

* Rounded to the nearest 1 million
Source: Secretariat of the Coordination Group, Arab Fund for Economic and Social Development.

operations are shaped by common features, including the following:

(a) Diversity of financing mechanisms, including loans, equity participation, foreign trade financing, leasing, profit sharing and instalment sale, in addition to grants and technical assistance.

(b) Diversity of developing country partners across different world regions.

(c) Development cooperation based on mutual respect.

(d) Respect for the development priorities of partner countries.

(e) Periodic review of coordination activities.

(f) Flexible policies and procedures.

(g) Facilitating co-financing through the use of country systems.

(h) Mostly concessional loans and untied financing.

(i) Mobilizing resources for development operations through co-financing with other donors, especially for large size projects.

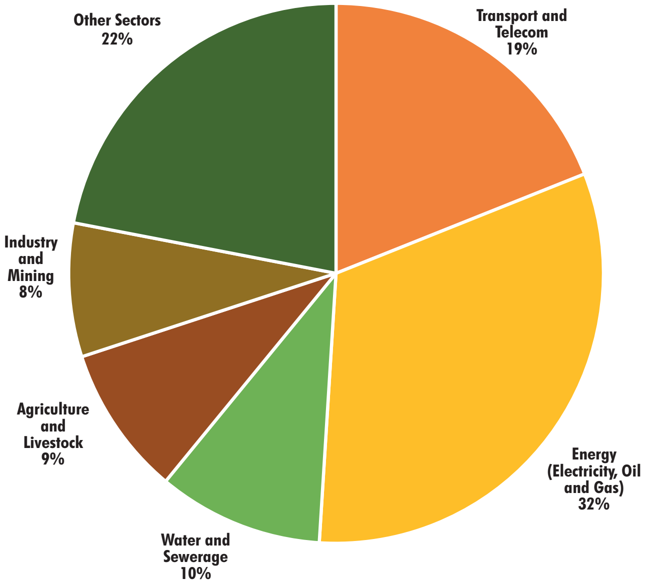
In addition to the above enumerated features of their development financing operations, the ACG institutions have prepared a number of documents, as shown in Table 5, to serve as a common procedure in their development cooperation with partner countries.

TABLE 4 SECTORIAL DISTRIBUTION OF ACG'S DEVELOPMENT OPERATIONS (AS OF END 2017)*

Sector	Amount (US$ M)**	(%)
Transport and Telecom	43,116	21.2
Energy (Electricity, oil and Gas)	60,213	29.5
Water and Sewerage	16,742	8.2
Agriculture and Livestock	21,152	10.4
Industry and Mining	12,691	6.2
Other Sectors***	49,982	24.5
Grand Total	203,896	100.00

* Commitments of donors' institutions
** Rounded to the nearest 1 million
*** Other sectors Include financing operations for national development institutions, health, education, training, housing, and balance of payments support.
Source: Secretariat of the Coordination Group, 2017.

FIGURE 1 SECTORIAL DISTRIBUTION OF PROJECT FINANCING IN ARAB COUNTRIES AS OF YEAR-END 2017 (%)



Source: Based on data of the Secretariat of the Coordination Group, Arab Fund for Economic and Social Development.

V. FINANCING SUSTAINABLE DEVELOPMENT IN ARAB COUNTRIES

Arab countries stand at different levels of development with Gross National Income (GNI) per capita ranging between USD 770 for the Comoros and USD 75,750 for Qatar with an average GNI per capita for the Arab region of USD 6,584, compared to an average of USD 10,308 for the world (World Bank). Prospects for making progress on achieving the 2030 Development Agenda and the related SDGs depend on a number of factors including: the extent of progress made by each Arab country on the MDGs; the state of natural resources – especially land and water – and their capacity to contribute to the attainment of the SDGs; and the size of development assistance that could be mobilized from various sources, including Arab and other donors, the ACG development institutions, other regional and international financing institutions, and the private sector, in addition to domestic sources.

The UNGA adopted, in September 2015, an all inclusive, universal Agenda on sustainable development premised on the integrated economic, social and environmental dimensions, with 17 goals and 169 targets to be achieved by 2030, while building upon the progress of the expiring MDGs, which have been replaced by the broader and more ambitious SDGs. As already pointed out, the Arab countries have been the major recipients of development assistance delivered by the ACG, who made concerted efforts to assist them and other developing countries in achieving the MDGs adopted by the UNGA at the turn of the century in September 2000.

Following the adoption of the 2030 development Agenda, the ACG institutions pledged their support and commitment to the SDGs through their declaration in January 2016, reflecting their keen position to help developing country partners in their endeavors to achieve the SDGs and associated targets. The declaration stresses, inter alia, "the principle of ownership which makes countries solely responsible for their development". However, it notes that "the success of the SDGs is predicated on a partnership between developed and developing countries that goes beyond a mere transfer of financial resources and embraces all the means of implementation of the 2030 development agenda" (CG, 2016).

The Arab countries have subscribed to the SDGs and expressed strong commitment to their implementation. On the other hand, the ACG institutions as development providers have reiterated their firm commitment to the SDGs, which go further to complete the unfinished business of the MDGs and promote prosperity, while protecting the environment.

A. Prospects For Financing And Achieving The Arab SDGs

The universal and visionary SDGs to be achieved over a 15-year period, with a deadline in 2030, are ambitious, aspirational, broad-based, and interrelated. They aim, among others, to eradicate poverty and hunger and leave no country or person behind, while underlining the interconnectedness and interlinkages between the social, economic and environmental dimensions of sustainable development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987).

In this regard, achieving the SGDs in Arab countries is a challenging endeavor, with compounding difficulties arising from lack of progress on the MDGs in most Arab countries, relatively high population growth rates, with increasing demand on available natural resources, particularly limited land and scarce water resources, in addition to environmental degradation.

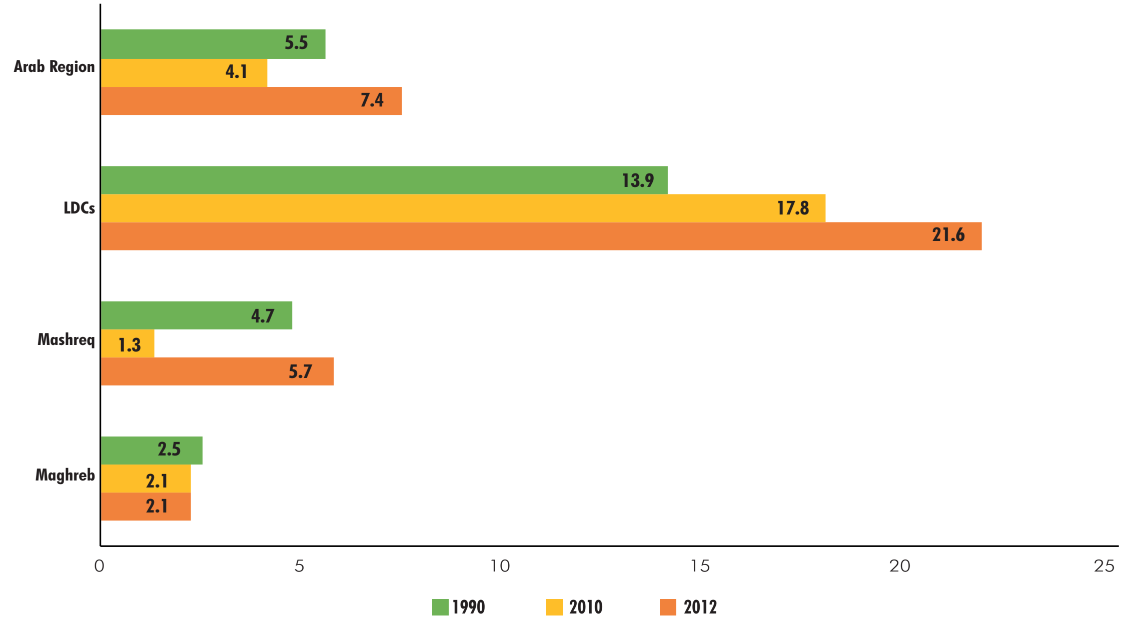
Progress made towards the MDGs in Arab countries determines the extent of efforts and size

TABLE 5 ACG'S COMMON PROCEDURE DOCUMENTS

- Guidelines for the Use of Consultants.
- Model Agreement for Consulting Services (Design and Supervision of Construction of Civil Engineering Works/Electrical and Mechanical Works).
- Model Agreement for Consulting Services (feasibility studies).
- The Guidelines for the Procurement of Goods and Contracting for the Execution of Works.
- The Standard Tender Documents – Procurement of Goods.
- Standard Registration Form for Consulting Firms.
- Standard Introductions to Tenderers and Conditions of Contract for the Procurement of Works of Civil Engineering Construction.
- Guidelines to Environmental Requirements for Development Projects

Source: http://www.arabfund.org/Default.aspx?PageId=603.

FIGURE 2 INCIDENCE OF EXTREME POVERTY BASED ON THE INTERNATIONAL POVERTY LINE OF US$1.25 A DAY IN THE ARAB REGION AND SUB-REGIONS



Note: Poverty rates measured by the international line of US$1.25 a day are insignificant for GCC countries.
Source: UN and LAS, 2013.

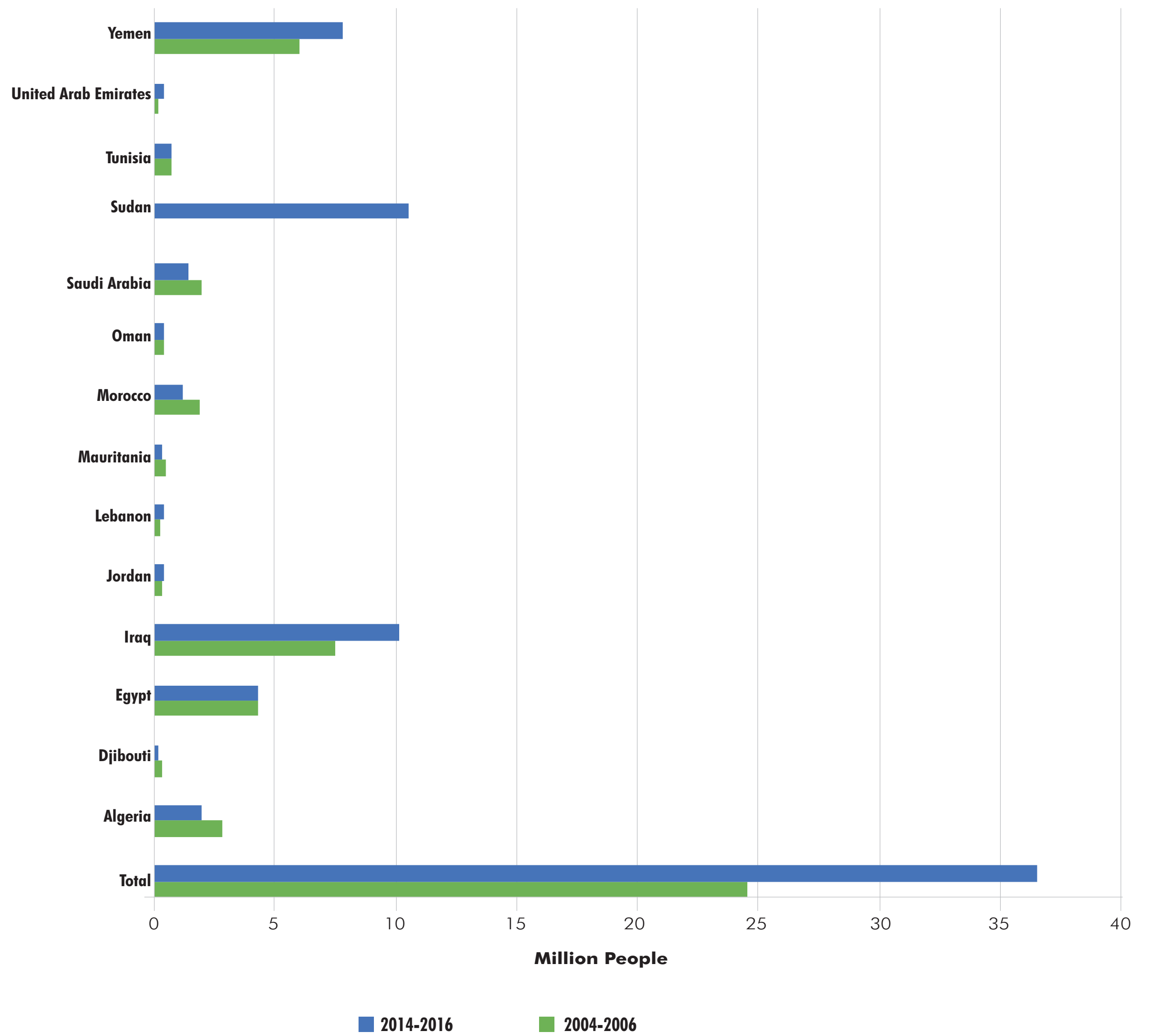
of resources to be deployed in the implementation of the SDGs, which build on the progress of the MDGs, and go further to address the challenges of the more inclusive concept of sustainable development.

Two years prior to the 2015 expiry deadline for the MDGs, a progress report on the MDGs for the Arab region was released in 2013, which showed progress made towards the MDGs over the period 1990-2012. Despite the impressive progress made towards some MDGs, the achievements were below aspirations and uneven. The report shows that "the region lags behind on some important targets, particularly those related to combating hunger. Political, social and economic transitions since 2010 have had significant impacts including halting or reversing MDG gains in some countries of the region. Least developed countries (LDCs) remain behind on many fronts" (UN and LAS, 2013).

Considering the overarching MDG on eradicating extreme poverty and hunger, the target of this goal in the Arab region declined considerably from 5.5 percent in 1990 to 4.1 percent in 2010. However, the ratio rebounded again to reach 7.4 percent in 2012, as indicated in Figure 2.

Figure 2 shows that extreme poverty in the Arab region[4], the LDCs and the Mashreq sub-regions went up from 5.5 percent, 13.9 percent and 4.7 percent in 1990 to 7.4 percent, 21.6 percent, and 5.7 percent in 2012, respectively, while in the Maghreb it improved slightly from 2.5 percent to 2.2 percent over the same period. The trend of progress at the Arab regional level and in the Mashreq between 1990 and 2010 was reversed due to political transition and conflicts. For example, extreme poverty in Syria was estimated at 7.9 percent in 1997 and declined to 0.3 percent in 2007, but rose again to 7.2 percent between 2012 and 2013 (UN and LAS, 2013). Related aspects to extreme poverty in the Arab countries include hunger, food security, and sustainable agriculture. Combating hunger in Arab countries lagged behind, and while undernourishment affected about 27 million people in 2004-2006, it increased to about 39 million people in in 2014-2016, but it remained flat in Egypt, Oman, Tunisia, and went up in Iraq, Jordan, Lebanon,

FIGURE 3 **UNDERNOURISHMENT IN ARAB COUNTRIES**



Source: Adapted from FAO et al., 2017.

United Arab Emirates and Yemen, as shown in Figure 3.

In its report Sustainable Development in a Changing Arab Environment, the Arab Forum for Environment and Development (AFED) concludes: "Boosting the prospects of making steady progress towards the SDGs in the Arab countries will depend largely on adopting national development strategies with full recognition of the inseparable links between the social, economic, and environmental dimensions of sustainable development, including giving due consideration to unlocking the developmental benefits of cooperation and regional integration. Arab conflict countries, however, need to exert extraordinary concerted efforts for peace building and restoration of political stability in order to establish a post-conflict environment conducive to the implementation of the post-2015 development Agenda and the achievement of the SDGs" (AFED, 2016).

The report points out that past strategies in Arab countries lacked the holistic and inclusive approach to development, and that even if conflicts and wars can end immediately, the Arab countries cannot achieve the SDGs by 2030 while pursuing traditional methods. They need to reinstate a new approach to sustainable development to address a series of challenges facing them, especially those countries whose prospects for achieving the SDGs by 2030 have been decimated by the devastating and disastrous conflicts and wars in the past years. Consequently, hopes of these countries have largely faded away to no more than reinstating the status quo which prevailed in 2010, rather than achieving the SDGs by 2030 (AFED, 2016).

Furthermore, in 2017, AFED reviewed the state of 'Arab environment in 10 years' based on the annual reports it produced since 2008, addressing major development issues in the Arab region including water, food security, energy, green economy, ecological footprints, sustainable consumption, and climate change. It found that disparities characterized the state of environment in Arab countries, reflected in continued deterioration in many aspects and progress on some fronts. Countries facing political unrest and instability, in particular, lacked improvement, while others have made strides by adopting adequate policies towards shifting to a more suitable path of development, enabled by financing more investment in environment infrastructure (AFED, 2017).

This situation has been further accentuated by the severe damage and destruction of economic and social infrastructure, in addition to huge loss of lives, displacement of people and migration caused by the conflicts and wars that flared in recent years in some Arab countries. The repercussions of these events have far-reaching implications on the prospects of sustainable development in the conflict countries, and will impact their development strategies and policies which will shape the post-conflict period, and the size of resources required for reconstruction and development, as well as for the implementation of the SDGs. Establishing permanent peace and stability is an indispensable prerequisite for creating an environment conducive to sustainable development and effective development cooperation.

VI. EFFECTIVE PARTNERSHIPS FOR THE IMPLEMENTATION OF THE ARAB 2030 AGENDA

The ACG institutions are well positioned to deliver effective development assistance to Arab and other developing countries in the context of SDG 17 and its targets. In this respect, they can play an important role in the implementation of the Arab 2030 Agenda within the wider global partnerships among development providers, while developing country partners take the responsibility of owning and leading the implementation of the Sustainable Development Agenda. The ACG institutions can rely on their resourcefulness in terms of their long-standing development cooperation marked by experience, lessons learned, coordination among the group members, cooperation with other development providers, flexible policies, best practices and procedures consistent with country systems to ensure results-oriented and effective development operations. In this context, they have endorsed the international declarations adopted by several High-Level Forums such as the Paris Declaration in 2005 on aid effectiveness,

TABLE 6 PARIS DECLARATION PRINCIPLES ON AID EFFECTIVENESS

1. OWNERSHIP: Developing countries set their own development strategies, improve their institutions and tackle corruption.
2. ALIGNMENT: Donor countries and organizations bring their support in line with these strategies and use local systems.
3. HARMONIZATION: Donor countries and organizations co-ordinate their actions, simplify procedures and share information to avoid duplications.
4. MANAGING FOR RESULTS: Developing countries and donors focus on producing, and measuring, results.
5. MUTUAL ACCOUNTABILITY: Donors and developing countries are accountable for development results.

Source: OECD. www.oecd.org/dac/effectiveness/45827300.pdf..

OVERVIEW

THE ROLE OF THE ISLAMIC DEVELOPMENT BANK (ISDB) GROUP IN FINANCING SUSTAINABLE DEVELOPMENT GOALS

Rami Ahmad

In 2015, the international development community and the governments of 193 countries signed on a new agenda – the 2030 Agenda – for comprehensive and sustainable human development. The new Agenda aspires to achieve 17 high level Sustainable Development Goals (SDGs) and 169 specific targets, encompassing the social, economic and environment dimensions of development. The difference in the SDGs is not only the comprehensiveness of the goals that encompass all dimensions of development, but also the innovative framework for the implementation of SDGs with heavy emphasis on multi-stakeholder partnerships as one of the main ways for successful implementation. Moreover, unlike the Millennium Development Goals (MDGs), the SDGs were consulted over a period of three years with more than seven million consultations from both developing and developed countries.

At the Islamic Development Bank (IsDB) Group, we are fully committed to helping our member achieve the SDGs. Our commitment stems from the fact that all our member countries have signed and committed to achieve the SDGs. Moreover, our motivation to participate in achieving the SDGs not only comes from our dedication to solving the development challenges of our member countries, but is also motivated by our convictions embodied within the principles and objectives of the Islamic Shariah. Such an aspiration for human dignity and leaving no one behind is fully in line with the principles and objectives of development from an Islamic perspective (Maqasid Al-Shariah).

Our commitment to the SDGs is being manifested inside our organization through what we call the "4As" – Awareness, Alignment, Advocacy and Adaptation – within the realm of the SDGs. We are creating professionals' networks and platforms to share experiences and expertise among our staff, both horizontally and vertically, in order to ensure that best practices in achieving the SDGs are quickly and efficiently mainstreamed within the bank's activities and across global practice complex (e.g. environment & climate, energy, youth, etc.). We have established a dedicated Community of Practice (CoP) for the SDGs at the IsDB Group. The CoP was launched in mid-2017 to spread awareness and develop core expertise, generate knowledge and provide an intellectual environment to discuss innovative solutions for MCs to achieve SDGs. The CoP implemented and participated in many internal and external events, and publishes a quarterly newsletter: "The SDGs Digest".

Regarding the role of the IsDB Group in financing the sustainable development goals, we will focus on three strategies/techniques, all of which related to the Islamic Finance.

1- Promoting Islamic finance as a way of reducing the funding gap for the SDGs

It is important to understand the context in which Islamic finance must have special emphasis in order to achieve the SDGs. It is estimated that achieving the SDGs requires USD 2-3 trillion annually until 2030, out of the international GDP of approximately USD 115 Trillion[1]. However, the amount of Official Development Assistance (ODA) is merely around USD 143 Billion annually[2], and total financing by multilateral developments banks (MDBs) is about USD 127 billion annually[3]. Clearly, and regardless of the accuracy and variations in the estimates, there is a huge financing gap that needs to be resolved if the development community is serious about achieving the SDGs. In order to reduce this gap, many creative initiatives will have to come alive and enhanced partnerships that are smarter and more substantial will need to be forged.

There is a great potential for Islamic Finance to help bridge this financing gap. Since 23 percent of the world's population embraces Islam, the deployment of Islamic Finance solutions could attract millions of those who voluntarily have withdrawn from the financial system for religious reasons. According to OIC reports, 11 percent of the population in Organization of Islamic Conference Member Countries (OIC MCs) list religion as a reason not to participate. Moreover, the total assets for Islamic Finance are reaching USD 2.3 trillion, with an annual growth exceeding 15 percent globally. This growth appears to be not only because of religion but because it is proving to be a viable and more stable financial model that brings new dimension to the global financial system. Therefore, the deployment of Islamic Finance solutions,

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which is one of the main IsDB Group's mandates, has the potential to play a very important role in achieving the SDGs.

2- Role of Islamic Capital Markets in Achieving SDGs

In the wake of challenges faced by global financial landscape in today's world, the global financial order could benefit from a new banking and finance paradigm – one that is built on the principles of economic and social justice, risk sharing and direct linkages with real economy and avoidance of excessive speculation. Islamic finance is inherently structured to service this new paradigm, as highlighted by the 2017 Global Report on Islamic Finance co-authored by the IsDB and the World Bank. It could thus help to address the environmental, social and governance (ESG) issues central to sustainable growth and development and support the timely implementation of the Sustainable Development Goals in the IsDB member countries.

The Islamic finance industry has grown at a double-digit rate and grew to around USD 2.3 trillion in 2016 and is expected to reach somewhere between USD 3 and 4.3 trillion by 2020. While the Islamic finance industry continues to be dominated by the banking sector assets, which comprise nearly 75 percent of the overall industry, capital markets, at around 20 percent, remain a critical segment in the industry. Within the Islamic capital market, sukuk, or Islamic bonds, are becoming vital instruments used by both sovereigns and corporates for resource mobilization.

The IsDB itself has been issuing sukuk since 2003, using the market mobilized funding to complement its own equity. To date, we have raised a total of USD 21 billion through sukuk to finance development projects in our member countries. Recent trends in the issuance of sukuk are very optimistic. More specifically, total international sukuk issuances stood at around USD 95 billion by the end of 2017, after more than USD 85 billion in 2016. Of this, more than USD 50 billion worth of sukuk were issued by sovereigns, amounting to 70 percent of the total in 2017, compared to about 45.5 percent in 2016.

Although the sukuk market is still in its formative stages and is only a fraction of global fixed income market, it has developed at a significant pace and holds good potential for further development. IsDB is not the only development institution utilizing sukuk to raise funds for development; other MDBs such as the World Bank and International Finance Corporation (IFC) have tapped Islamic capital markets to mobilize funds. It is worth noting that Global Alliance for Vaccine and Immunization (GAVI) issued a sukuk that raised over USD 700 million to help protect tens of millions of children against preventable diseases. This is truly a social impact investment on a grand scale. There are so many more innovative and creative instruments, from green sukuk to FinTech, Socially Responsible Investments (SRIs) and Ethical Investment funds, which can be utilized to achieve SDGs.

3- From Financing to Empowerment: IsDB Inclusive Economic Empowerment Finance Facility (IEEF)

At the IsDB we believe that throwing money at the poor will not solve their problems, and may make the problem worse by transforming the poor into the indebted poor. In fact, whilst the number of poor has reduced, this is mainly because of two countries: China and India. The absolute number of the poor has risen in Sub-Saharan Africa. The Islamic world therefore needs to shift from financing to empowerment. IsDB emphasizes that access to finance is necessary but not enough, as a shift is needed towards empowering- which ensures moving from finance for development to empowerment for development. This gives empowerment tools to poor people, besides providing the finance.

One way to achieve this empowerment is what we call "IsDB Inclusive Economic Empowerment Finance Facility" (IEEF), which is an innovative Poverty Alleviation and Economic Insertion Program tailored to promote investment partnership, foster development and promote wealth with potentially active poor and economically disadvantaged people and communities. The IEEF strategy is to promote economic empowerment of this group through access to adequate financial and business development services, enabling them to grow from striving for self-subsistence and employment, to self-employment through entrepreneurship in viable and consistent investment opportunities.

An example of IEEF achievements in our member countries is the project of helping microfinance institutions in Sudan. The main beneficiaries of that project were over 80 microfinance institutions and bank branches, as well as 200,000 micro-entrepreneurs in Sudan and more than one million of their family members.

Finally, as part of the ongoing effort to align the bank's delivery capability with its corporate goals, several new measures are currently under consideration to increase its leverage capacity and to crowd in private investment and mobilize resources through smart partnerships. A pertinent illustration of unlocking market resources – through a multilateral financial intermediary – with donor funding is the recently established bank-administered Lives & Livelihoods Fund (LLF). LLF is a USD 2.5billion blending facility launched in late 2016 in partnership with the Bill & Melinda Gates Foundation and with the generous support of the Islamic Solidarity Fund for Development (ISFD), KSA, Qatar and the UAE. It addresses poverty and disease in member countries, not by only access to finance, but also by empowerment for development.

In conclusion, it is through innovative Shariah-compliant financing mechanisms and mobilizing resources through smart partnerships that the IsDB will be able to continue participating in financing sustainable development goals (SDGs), by addressing the impact and root causes of poverty and enhancing the economic and social resilience of member countries and communities.

NOTES:

1. Hendrik du Toit, Aniket Shah and Mark Wilson, Ideas for Action for a Long-Term and Sustainable Financial System, a paper commissioned by the Business and Sustainable Development Commission, January 2017.
2. OECD, Development aid rises again in 2016, OECD – Paris, 11 April 2017
3. Inter-Agency Task Force on Financing for Development, Multilateral Development Banks (MDBs): Issue Brief Series from the World Bank, August 2016.

and later the Busan Declaration on development effectiveness in 2011.

The Paris Declaration encompasses five principles that make aid more effective by tackling issues that have undermined development efforts over the past decades. These principles and their implementation are described in Table 6.

While development partners – both developing countries and donors – acknowledged the adoption of the Paris Declaration principles, their consequent experiences in development cooperation, particularly regarding progress on the MDGs, demonstrated the need to shift the focus from aid effectiveness into the broader concept of development effectiveness, which incorporates all other factors such as policies, measures, the business environment, and governance that have an impact on the achievement of the desired development goals and the well-being of people.

The shift to the development effectiveness paradigm was proclaimed in the Bussan Declaration and the creation of the Global Partnership for Effective Development Cooperation (GPEDC) in 2011. As a multi-stakeholder platform, its mandate was "to advance the effectiveness of development efforts by all actors, to deliver results that are long-lasting and contribute to the achievement of the Sustainable Development Goals (SDGs)" (GPEDC). A steering committee comprising membership of diverse development stakeholders, including the

ACG institutions represented by OPEC Fund for International Development (OFID), was established as a multi stakeholder governing body to guide the work of the Global Partnership and ensure its transparency.

By endorsing and adopting the principles of aid and development effectiveness and occupying a constituency seat on the Steering Committee of the GPEDC, the ACG institutions have been unanimously acknowledged as a peer stakeholder in global development cooperation.

In addition to playing an active role in strengthening and streamlining the discourse on development cooperation, the ACG engages in dialogue with major development partners such as, for example, the Development Assistance Committee (DAC), and the World Bank to promote the facilitation of working together towards the achievement of the SDGs. Thus, the ACG institutions' global partnership outreach on development cooperation broadens the landscape of their co-financing operations and the enhancement of their effectiveness. It is each Arab county's own responsibility to be well prepared to fulfill the requirements for the implementation of its 2030 Agenda and the SDGs with due consideration and adherence to the principles of effective and sustainable development.

VII. IMPLEMENTAION OF ARAB SDGs

Implementation of the SDGs in Arab and other developing countries is a challenging endeavor due to the multiple goals and their wide-ranging and interrelated targets.

Financing is a core and an indispensable requirement for the realization of the SDGs. Indicative financing requirements for eight selected Arab countries[5] are estimated at about USD 3.6 trillion, with a financing gap of USD 2.9 trillion, exhibiting great variability across countries. This gap represents the lower band of the estimates, as they do not take into account the cost of environmental degradation amounting to an additional 5 percent of GDP in the region (ESCWA, 2015).

In view of the huge financing gap, Arab countries need to exert concerted efforts to mobilize resources for the implementation of their SDGs. In this respect, both domestic and foreign sources of capital need to be tapped. However, mobilization of domestic resources requires the adoption of implementable policies and measures for fair, equitable, and efficient tax revenue systems. On the other hand, considering that ODA resources are limited, and debt financing is constrained by debt sustainability indicators, a greater role of the domestic and foreign private sector is envisaged in financing the SDGs. To this end, Arab countries need to boost confidence in the business climate to attract funding for the SDGs. Moreover, they need to broaden the scope of financing methods to include all feasible innovative financing mechanisms.

The ACG institutions, through their coordination among themselves and in cooperation with other development providers and stakeholders, can play an important role in supporting the implementation of the SDGs in Arab countries, albeit with the leadership and ownership of a country for its Development Agenda. In this respect, progress on and achievement of the SDGs require each Arab country, in addition to mobilization of resources, to work and act in tandem with the conditions underpinning successful implementation of the 2030 Development Agenda, particularly the following:

- Full recognition and understanding of the universality, complexity, diversity, inclusiveness, and interdependence of the SDGs, which render their implementation a challenging and daunting task, requiring continued and concerted efforts.

- Each country needs to develop and adopt a clear strategic action plan, which takes into account its specific circumstances, and embraces the economic, social, and environmental dimensions of sustainable development.

- Prioritization of the SDGs and sequencing them for implementation with due consideration to their linkages and synergetic benefits and tradeoffs.

The UN Declaration on the 2030 Agenda and its SDGs recognizes and stresses the interconnectedness of the SDGs and their entire implementation as indispensable for achieving sustainable development. Therefore, the role of each SDG and its impact on sustainable development needs to be carefully assessed in the process of prioritization and sequencing for implementation.

Within the framework of the post-2015 development Agenda, the preamble Transforming our World: The 2030 Agenda for Sustainable Development emphasizes that "eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development" (UNGA, 2015). As such, ending poverty is a top priority goal for achieving sustainable development. In this respect, SDG 1: End poverty in all its forms everywhere; and SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture, are interlinked and their targets are intertwined not only with each other, but also with other SDGs and targets.

Arab countries have long been pursuing a target of higher food self-sufficiency ratio, but achieving progress on this goal remained beyond reach. The goal neither kept pace with population growth, nor was it sufficient to reduce reliance on food imports. Arab countries today remain largely net importers of food, especially cereals, which constitute the main staple food commodity in the region. This heavy reliance on food imports exposes Arab countries to the vulnerability of food supply chains and volatility of food prices, as was evidenced by the events and consequences of the sudden eruption of the 2007-2008 global food crisis.

In this regard, Arab countries have endorsed the SDGs and pledged commitment to their implementation, giving high priority to food security as underlined in SDG 2. In pursuing the implementation of this goal and other SDGs, they need to respond to an array of complex challenges, including the interlinkages and interactions among SDGs, particularly SDGs relating to food security and sustainable agriculture. The implementation of SDG 2 as a priority goal by Arab countries is highlighted as an example of the interlinkages and interactions among the SDGs, and the need to unlock their synergetic effects, while recognizing the trade-offs that have to be made.

With regard to the implementation of SDG 2, its target (2.4) stipulates: "By 2030, ensure sustainable food production systems and implement resilient practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality". Furthermore, target (2.a) of SDG 2 recognizes the need to: "Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries" (UNGA, 2015).

In its 2017 review on the status of progress on the SDGs, the High-Level Political Forum (HLPF) on Sustainable Development points out that "agriculture plays a key and direct role in achieving SDG 2, but it is also central to achieving SDG 1 on eradicating extreme poverty, and several other targets, especially those related to health, biodiversity, sustainable energy, and climate change" (HLPF, 2017).

In line with this review, the report of the Arab High-Level Political Forum on Sustainable Development transmitted to the HLPF contains key messages on sustainable development. On eradicating poverty and promoting prosperity, a number of messages are highlighted, including the adoption of "a broad conceptual approach to social and poverty eradication policies within the framework of comprehensive plans", and promoting food security through policies and actions to:

- Reduce reliance on food imports by investing in the development of technology to ensure sustainability of food production and reduce pressure on national resources.

- Grant priority to developing agriculture to help boost the economy, promote food security and reduce poverty, particularly by creating jobs in sectors that will safeguard the environmental and natural resources.

- Curb food waste in order to reduce the food security gap (UN ECOSOC, 2017).

On their part, the ACG institutions encourage developing country partners, especially Arab and other food deficit countries to invest in feasible agricultural projects to enhance food security and the well-being of agricultural-based communities. For example, the Kuwait Fund lending terms to finance agricultural projects are more concessional compared to other sectoral projects, and are at par with education and health projects, due to their impact on alleviating poverty, hunger, and undernourishment.

Despite the precarious state of agricultural sustainability and the deficit in the self-sufficiency of food security, Arab countries still have options to enhance food self-sufficiency and make progress on other fronts of the SDGs by implementing the 2030 Agenda, with due consideration, among others, to the following:

- There is no one-size-fits-all approach to the implementation of the 2030 Agenda and associated SDGs.
- Countries assume the responsibility for owning and leading the implementation of the 2030 and its associated targets.
- Countries need to approach the implementation of the SDGs with full understanding of their universality, diversity, complexity, interconnectedness and interactions.
- Interlinkages among the SDGs embody synergies and trade-offs that require identification and sorting out to maximize the beneficial impact of their interactions. For example, the water-energy-food (land) nexus is central to sustainable development. The inextricable linkages between these resources require practical planning and an integrated approach to their production and consumption.
- A nexus approach requires a shift from the narrow sectoral approach to the wider, cross-sectoral approach that embraces cooperation and coordination among the various concerned ministries to examine the links between sectors and analyze the policy options relating to their synergies and trade-offs.
- Adoption of an inclusive and holistic Development Agenda, reflecting the interdependence of the economic, social and environmental dimensions of sustainable development.
- Mobilizing sufficient resources for the implementation of the Development Agenda from all potential sources, including official development assistance (ODA), private sector, non-governmental organizations (NGOs) and philanthropic organizations, in addition to domestic sources.
- Introducing necessary legislation and adopting policies for improving the investment climate and doing business.
- Establishing processes and introducing measures for follow-up on implementation, and ensuring availability of data, well-trained data analysts, and competent evaluators of the progress towards the SDGs and the next steps to be undertaken.

Recognizing that the implementation of SDG 17 is critically important for developing countries in their quest to achieve the SDGs, ACG's partnership for effective development is guided, among others, by the following policies and actions

- Respect for the development priorities of partner countries. However, such priorities need to be backed by well-prepared feasibility studies, and approval for their financing will be subjected to thorough appraisal by the ACG institutions to confirm their eligibility for financing.
- Provision of advice to recipient countries and consulting with them on matters related to the preparation, implementation, and operation of supported projects.
- Use of country procurement systems in ACG development operations.
- In line with the principles of solidarity with developing countries and South-South cooperation, ACG institutions' policies encourage consultants, contractors and suppliers from Arab and other developing countries to participate in the implementation of the development projects and operations supported by them.

VIII. CONCLUSION AND RECOMMENDATIONS

In conclusion, the ACG institutions have endorsed the revised concept of sustainable development encompassing the social, economic and environmental dimensions, and have pledged their commitment to assist partner countries in the implementation of the 2030 Agenda and the associated SDGs.

To enhance development effectiveness through cooperation with ACG institutions and other development providers, each Arab country needs to design a strategy and prepare an action plan according to its circumstances, with defined and sequenced priorities for the implementation of the SDGs. These need to be set out with due consideration to regional cooperation, underpinned by economic integration and coherent policies to exploit the comparative advantage of resources. Planning for mobilizing adequate resources from all development stakeholders, in addition to domestic sources, is critically important and indispensable for financing the SDGs.

While financing is a core and indispensable requirement for the implementation of the SDGs, Arab countries are confronted with a huge indicative financing gap, which calls for concerted efforts to mobilize adequate resources from various sources for financing the SDs, including in particular the following sources:

(a) Generating revenues from public and private sources within a framework of implementable policies, underlined by fair, equitable and efficient tax revenue systems.

(b) Boosting confidence in the domestic investment climate and doing business through transparent and enforceable rules and regulations to facilitate the mobilization of private local and foreign capital for financing the SDGs.

(c) Leveraging private sector resources with public funds to mitigate the exposure of the private sector to anticipated risks, and enhance the realization of its objectives.

(d) Exploring new concessional financing sources, including feasible innovative financing mechanisms.

(e) Facilitating mobilization of ODA and other official financing flows from various sources, including Arab and other bilateral, regional and international financing institutions through well prepared, feasible and viable development projects for sustainable development.

(f) Promoting Arab intra-regional flows of capital for direct and joint investments, as well as strengthening development corporation among Arab countries, based on comparative advantage in natural and financial resources.

However, conflicts, wars, and instability in Arab affected countries impose a heavy toll on the efforts to mobilize resources for sustainable development, and make progress towards the SDGs. The need to end hostilities cannot be overemphasized. Peace and development are inseparable, and one cannot survive without the other.

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NOTES

1. SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development. It is underlined by five targets concerning the financing of the SDGs, including target 17.3 to "Mobilize additional financial resources for developing countries from multiple sources".

2. Gross National Product (GNP) was replaced by Gross National Income (GNI) in 1993 as a result of revising the System of National Accounts. Therefore, the target of 0.7 percent is now shown in terms of ODA/GNI ratio.

3. The Arab national and regional development institutions include 4 national institutions: Abu Dhabi Fund for Development (ADFD), Kuwait Fund for Arab Economic Development (KFAED), Qatar Development Fund (QDF), Saudi Fund for Development (SFD), and six regional institutions: Arab Gulf Programme for Development (AGFUND), Arab Bank for Economic Development in Africa (BADEA), Arab Fund for Economic and Social Development (AFESD), Arab Monetary Fund (AMF), Islamic Development Bank (IsDB), and OPEC Fund for International Development (OFID).

4. The Arab region is divided into four sub-regions according to similarities in their characteristics and in accordance with previous Arab MDG reports. Mashref, Egypt, Iraq, Jordan, Lebanon, Palestine and the Syrian Arab Republic). Maghreb: (Algeria, Libya, Morocco and Tunisia). The Cooperation Council for the Arab States of the Gulf (GCC): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Least Developed countries (LCDs): The Comoros, Djibouti, Mauritania, Somalia, the Sudan and Yemen.

5. These countries are: Egypt, Jordan, Lebanon, Morocco, Sudan, Syrian Arab Republic, Tunisia, and Yemen.

OPINION

OFID FINANCING SUSTAINABLE DEVELOPMENT GOALS IN ARAB COUNTRIES

Suleiman Al Herbish

Financing the SDGs

The 2030 Agenda for Sustainable Development aims to address social, economic and environmental challenges and requires considerable investments to do so. The Addis Ababa Action Agenda of the third International Conference on Financing for Development highlighted that implementation must be based on frameworks for international cooperation, economic and technical support for poor countries.

While Partner Countries have primary responsibility for achieving the SDGs, they can't achieve the Goals alone. Donor countries and Development Finance Institutions (DFIs), therefore, would have a particularly important role to play in supporting a global partnership for development. Partner Countries must set their own economic, social and environmental objectives and measure their own progress. By doing this, they can optimise their own domestic resources as well as the public and private resources of the international community.

However, the development needs are in trillions, rather than billions of dollars. According to UNCTAD the current SDGs-related investments in developing countries by the public and private sector combined are in the order of USD 1.4 trillion per year, and the total annual investment needed to achieve the SDGs by 2030 are around USD 3.9 trillion. This leaves an annual gap of USD 2.5 trillion. This is why all available means and resources must be mobilized to meet the challenges of this ambitious agenda. "Business as usual'' is no longer appropriate. There must be partnerships and policy cohesion among all stakeholders.

The public sector alone cannot fill this gap, in particular in low-income countries, and therefore private sector investment, including foreign direct investment, should be mobilized for SDG-related projects. The "financial inclusion"[1] is another tool to boost access to finance for low-income individuals and small businesses in developing countries.

The role of OFID in financing the SDGs

At the OPEC Fund for International Development (OFID), we have already recognised how crucial financial inclusion is in delivering equitable opportunities for all, reducing poverty and driving sustainable growth. Today, however, two billion adults across the globe still don't have access to formal financial services. We provide financial inclusion through our public sector, private sector and trade finance windows.

We help the governments of partner countries to launch and sustain their own microfinance programs and support small and medium-sized enterprises (SMEs) in both the formal and informal sector. For example, we have worked with the UN (UNRWA) to extend micro- and SME-related financial services to poor Palestinians in the West Bank and Gaza.

Through private sector lending, we channel resources through commercial and microfinance banks around the world, strengthening local financial institutions and increasing their capacity to lend on and expand. The Microfinance Enhancement Facility, for example, supported by OFID and other DFIs, is recognized as efficient and responsible, providing funding and stability to the microfinance market.

However, government lending is the main pillar of OFID's operations, with the public sector window accounting for more than two thirds of our cumulative commitments since inception. The private sector window is another complementary means of providing assistance to partner countries by supporting the activities of their private investors.

By the end of last year, OFID's total commitments since inception reached USD 21 billion to support more than 3,600 development operations in 134 countries in Africa, Asia, Latin America and the Caribbean, the Middle East and Europe. The Arab world has been allocated 20 percent of these commitments, or more than USD 4 billion. More than 30 percent of this, or USD 1.26 billion, has been provided to 11 Arab countries through OFID's Private Sector Window since its inception in 1998. Examples include the following:

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- In Sudan, OFID contributed USD 3 million to fund a USD 30 million capital in the newly established Arab Leasing and Investment Company. The company's main activity is providing leasing and other short-term financing facilities to customers in Sudan, and it has since grown to be a strong and reliable player in the financial sector in Sudan, promoting financial inclusion and access.

- In the Republic of Djibouti, OFID provided USD 15 million financing (in Islamic finance compliant) as part of a debt package of USD 400 million for the construction of the new Doraleh Container Terminal. It was the first ever PPP style financing in the country and the new terminal has helped to improve the efficiency of the port and relieve vital capacity constraints while also generating local employment and revenue.

- In Mauritania, OFID has provided financing and invested equity totalling USD 13 million in Mauritania Leasing (now known as Banque Populaire de Mauritanie). OFID thus participated in successfully establishing the first leasing company in Mauritania, which has played a major role in funding SMEs.

These examples are a small part of our operations in supporting the private sector in the Arab world, especially SMEs.

Energy Key to Implementing the SDGs in Arab World

Access to modern energy services is a vital precondition to achieving sustainable development, including the industrialization of developing countries. Indeed, the benefits of achieving universal access to modern energy services are transformational: lighting for schools and health clinics, pumps for water and sanitation, and more income-generating opportunities.

Despite very positive developments in electricity access since the 1990s, some significant gaps in access to energy remain in the Arab region. Overall, access to electricity is close to universal in cities across the Arab region but remains fixed at approximately 80 percent in rural areas, with a total of around 36 million Arabs who did not have any access to electricity in 2014, primarily in the Arab least developed countries (LDCs), and small numbers of people without electricity access in North Africa and the Mashreq. Planned and unplanned service disruptions, on the other hand, are a challenge for electricity users, irrespective of the urban-rural divide.

OFID is an early pioneer and champion of energy poverty eradication in developing countries. This year marks the tenth anniversary of OFID's Energy for the Poor Initiative, financed through a revolving fund of

USD 1 billion pledged by our Ministerial Council in June 2012. This commitment originates from a mandate from the heads of state of our Member Countries in 2007. Our actions are based on a strategy with three pillars: Advocacy, expanding operations on the ground, and partnerships.

OFID advocated strongly in international forums to include combating energy poverty in the Post-2015 Development Agenda, and was among those whose efforts culminated in placing energy as SDG 7 in the 2030 Agenda.

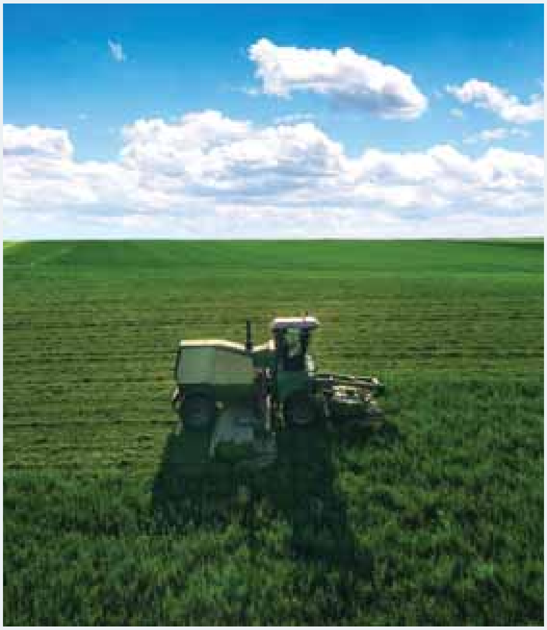
On the operations level, over the last decade, OFID has committed more than USD 3.5 billion to energy operations, representing around 27 percent of the total value of all our commitments in that period. This amount supports more than 240 operations worldwide, leveraging a total of over USD 35 billion. Arab countries accounted for approximately 45 percent of OFID's total contribution to energy, or more than USD 1.5 billion, to finance 14 traditional energy projects, as well as 15 renewable energy projects, in a number of countries including Egypt, Sudan, Jordan, Yemen, Tunisia, Morocco, and Palestine. Recognizing the era of energy transition, our operations are technology neutral.

For example, in Jordan, OFID provided a USD 20 million loan to build the 117 MW Tafila Wind Farm in 2013. It was the country's first renewable energy project and first private wind energy project to reach financial close in the MENA region outside of Morocco. At completion, the Tafila Wind Farm's generated electricity accounted for 6.5 percent of Jordan's renewable energy target of 1,800 MW by 2020, generating an estimated annual 400 gigawatt hours.

In Morocco, we provided a USD 39 million loan to expand Quneitra power plant facilities to overcome the power shortage, to meet the growing demand for electricity and to deliver modern energy to the poor. We also assisted the government in supporting the Rural Electrification Program, which combines electricity generation through the construction of wind farms, two hydropower plants and transmission and distribution lines, by contributing a USD 60 million loan.

Our strategy recognizes that energy poverty is a difficult challenge that needs to be overcome through strategic partnerships.

An example of this partnership is the Oil and Gas



Industry Energy Access Platform (EAP), which is collaboration between OFID, the WPC, TOTAL, SHELL, Saudi Aramco, OMV, Schlumberger, IGU, GLPG, BCG and other strategic partners like the Shell Foundation. The EAP aims to leverage the oil and gas industry's capabilities and is open to all companies within the oil and gas industry, as well as to other stakeholders, including development funds and business developers.

In conclusion, OFID's full commitment to supporting sustainable development plans in Arab countries, particularly energy projects, should be emphasized. OFID's vision includes a key role for the private sector in this field, especially in achieving the SDGs in general. Therefore, we are ready to work with partner Arab countries and with investors to finance projects in the Arab world in various economic fields, especially energy, in order to achieve economic integration among the Arab countries. We are also interested in financing projects for local industries and to provide services, as well as providing credit lines through local banks to finance the SMEs.

NOTE

1. According to the World Bank Group: "Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way."

OVERVIEW

THE GLOBAL ENVIRONMENT FACILITY AND THE SDGs IN THE ARAB WORLD

Herbert Acquay

The Middle East and North Africa (MENA) is a priority region for the Global Environment Facility (GEF) as it partners with developing countries to protect the environment and promote sustainable management of natural resources. More than two decades after the Rio Conventions came into force, the global community is still grappling with the challenge of balancing environment and development goals. This challenge is particularly true in the production sectors, which depend on land and other natural resources to safeguard the lives and livelihoods of billions of people.

Environmental degradation is one of the greatest risks to sustainable development in the Arab region, particularly affecting local communities that depend on natural resources for their livelihood. It also poses a serious threat to regional security: national-level environmental challenges can lead to instability and conflict and result in migration that threatens the security of neighboring countries. GEF investments are helping countries reduce threats to the environment that are specifically associated with the multilateral environmental agreements it serves, while addressing issues such as poverty reduction, gender equality, and good governance. The GEF is looking for holistic approaches that create those benefits and that simultaneously benefit local communities and other stakeholders.

The GEF's engagement, therefore, is based on two overarching principles: environmental security, and food security for peace in a fragile region. Conservation of the natural environment and diversification of income sources improve the well-being of communities and help to reverse migration patterns towards urban areas and abroad. The GEF's role and commitment to sustainable land management (SLM) is now well established through its Land Degradation Focal Area, which focuses on helping countries avoid or minimize desertification and deforestation through the removal of economic, policy, knowledge, and institutional barriers.

Serving as the financing mechanism of the Rio Conventions, the GEF has been a major catalyst for innovation in sustainable land management in the Arab world. It supports country efforts across multiple, interlinked global environmental domains that are closely aligned with the Sustainable Development Goals (SDGs). Between 2012 and 2018, GEF committed more than USD 100 million in grants, which leveraged more than a billion dollars in co-financing.

Examples of recently approved projects approved by the GEF in the Arab region include the following:

- A USD 3.9 million GEF/FAO project in Iraq on Sustainable Land Management for Improved Livelihoods in Degraded Areas. The project seeks to sustainably manage globally significant ecosystems, combat land degradation and conserve marshland ecosystems for improved livelihoods and ecosystem resilience and services. The key interventions in support of these objectives are: (i) strengthening the enabling environment to support SLM and conservation agriculture (CA) in degraded marshland ecosystems in Iraq; (ii) targeted land-based interventions to rehabilitate degraded productive land through sustainable land management and conservation agriculture practices and restoring and implementing sustainable management of marshland ecosystems through SLM, CA and the development of local communities' livelihoods; and (iii) raising awareness of the importance of agriculture for SLM and food security. The target is to reach 500 vulnerable smallholder households (20,000-30,000 inhabitants) in five locations across 4,000 hectares of marshlands and 6,000 hectares of degraded land close to marshlands.

- A USD 4.8 million GEF/FAO project in Morocco on Revitalizing Oasis Agro-ecosystems through a Sustainable, Integrated and Landscape Approach in the Draâ-Tafilalet Region. The aim of this project is to revitalize oasis agro-ecosystems to make them productive, healthy, and more resilient to the livelihoods of the local communities. The project has three main technical components: (i) supporting policy dialogue on the sustainable management of oasis agro-ecosystems; (ii) improving natural resource management and sustainable production intensification planning and monitoring; and (iii) demonstrating that Oasis agro-ecosystems are restored, safeguarded and sustainably managed through an integrated landscape approach. A fourth component focuses on monitoring, evaluation, and knowledge management.

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- A USD 2.8 million GEF/FAO project in Algeria on Rehabilitation and Integrated Sustainable Development of Algerian Cork Oak Forest Production Landscapes. The overall objective of the project is to promote sustainable management and utilization of the cork oak forest ecosystems to generate an integrated and diverse set of economic, environmental and social goods and services, while at the same time preserving the globally significant biodiversity. The three main aims of the project are: (i) piloting sustainable management, conservation and sustainable harvesting of Algeria's globally significant cork oak forest ecosystems; (ii) sustainably creating value from cork oak ecosystem products, goods and services; and (iii) replicating and up-scaling successful forest management practices.

GEF's work in the region also involves helping countries address the challenge of chemical and waste contamination. In its role as the financial mechanism to implement both the Stockholm Convention on Persistent Organic Pollutants and the Minamata Convention on Mercury, the GEF is a catalyst to help governments and the private sector tackle the problem of chemical and waste pollution. The GEF also plays an important complementary role in achieving the objectives of the Montreal Protocol on Substances that Deplete the Ozone Layer. Recent projects on Persistent Organic Pollutants (POPs) that have been approved for the Arab region are being implemented in Iraq, Jordan, and Morocco.

Another area of focus for the GEF is on innovation, green jobs, and sustainable cities. A notable example in the Arab region is the USD 1 million GEF/UNIDO project, Programme for Cleantech Innovation and Green Jobs in Morocco. This project is part of the GEF/UNIDO Global Cleantech Programme for SMEs. The programme is fostering clean technology innovation for climate change mitigation through a process of mentoring, training, and support. The technologies being promoted during the early phases of the project are related to energy efficiency, renewable energy, waste to energy, and water efficiency. The project specifically consists of the following components: (i) National Cleantech Platform to promote clean technology innovations; (ii) institutional capacity building for the organization of the competition and accelerator programme; and (iii) strengthening of policy and regulatory framework for the development of a supportive local innovation ecosystem. The Morocco project offers a strong potential for sustainability and scaling up by identifying and providing early support for innovators, which increases their ability to attract finance and achieve commercial success.

The GEF is also helping countries set voluntary targets under the UN Convention to Combat Desertification (UNCCD) and its key organizing principle of land degradation neutrality (LDN). LDN, which is an important goal in the Arab region, is defined as "a state whereby the amount and quality of land resources necessary to support ecosystem functions and services and enhance food security, remains stable or increases within specified temporal and spatial scales and ecosystems" (UNCCD, 2016).

For example, Lebanon, with assistance from the GEF (USD 4.6 million of GEF grants and USD 17.2 million co-financing), has developed a project to achieve LDN in the country's mountainous landscapes. The project is helping Lebanon revise existing policies and programs to ensure sustainability and rehabilitate land in pilot sites. Similarly, Jordan and Egypt are joining efforts to develop a USD 4 million GEF-funded project on sustainable rangeland management for biodiversity conservation and climate change. Working together, these two countries aim to halt and reverse land degradation, restore degraded ecosystems and sustainably manage their land resources.

In addition to its governments and local community partners, the GEF is also working in partnership with the private sector in the Arab region, which is the dominant driver of global economic activity and a vital player in the fight against climate change. For example, one of the private-public partnerships (PPP) the GEF is funding is the European Bank for Reconstruction and Development's (EBRD) South Eastern Mediterranean Energy Efficiency Platform (USD 15 million of GEF funding plus USD 150 million in co-financing). This project is helping to establish an innovative financing facility to serve four countries in the Southern Mediterranean: Egypt, Jordan, Morocco, and Tunisia. The project aims to support the emergence of a market for energy efficiency, which would not have materialized without the GEF's assistance.

To expand its work, the GEF launched a non-grant financial instrument in 2014 to facilitate the participation of the private sector in the Arab region and other parts of the world in addressing global environmental challenges.

Sources:

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