

REGIONAL CONFERENCE

Building economic resilience in MENA: Addressing displacement with job-creation policies

On 7 March 2017, representatives from Middle East and North African governments (Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Palestinian Authority and Tunisia), 17 OECD delegations¹ and international organisations (EU, IMF, UNDP, UNHCR and the World Bank) met in Paris to explore how, in the current context of mass displacement and fragility, governments can develop economic policies that lead to job creation and investment, and how the international community can better cooperate to support these efforts. The conference was jointly organised by the Development Cooperation Directorate (DCD) and the Global Relations Secretariat (GRS) and helped to define the OECD contribution to the Middle East refugees crisis (see box).

The **MENA-OECD Competitiveness Programme** supports reforms to mobilise private sector development, investment and entrepreneurship as driving forces for growth and employment in the MENA region.

The **Temporary Working Group on Refugees and Migration** supports the capacity of the Development Assistance Committee (DAC) members to deliver whole-of-government solutions in countries of origin, transit and destination to deliver better quality results on the ground.

Key messages

Combining the short-term response with long-term development assistance is key



Six years after the beginning of the Syrian crisis, there is consensus on the need for a resilience-based approach that combines humanitarian needs with development objectives. Addressing the underlying pre-existing structural obstacles faced by MENA economies –in particular the high levels of unemployment– is a precondition to generating inclusive and sustainable growth in the future.

The policy responses in neighbouring countries and post-conflict reconstruction in Syria and Iraq can be an opportunity to address these obstacles if governments with the support of the international community engage in policies bringing to economic diversification and integration. Regional responses can be effective to build a more enabling business climate, promoting investment, enhancing trade across and beyond the region, and planning and implementing infrastructure strategies.

Participants underlined the importance of sound macroeconomic policies that mitigate the short- and long-term economic impact of conflict and fragility, and contribute to stabilise the economy setting the basis for post-conflict reconstruction and inclusive growth. Prioritising spending is essential as many countries in the region are experiencing budget constraints due to conflict. For instance in Iraq, decreased oil prices together with increased military spending to fight ISIL have drastically reduced the amount previously allocated to development projects.

Meeting the London Conference challenge of creating 1.1 million jobs: where do we stand?

In February 2016, during the London Conference, governments committed to creating 1.1 million jobs by the end of 2018. Progress has been made but economies in the region still face many constraints to generate employment.

The Syrian crisis is pushing neighbouring countries to accelerate reforms that allow a faster and more inclusive integration of refugees in their economy. Several countries have modified labour regulations to create more open labour markets for refugees. Labour intensive creation policies are being prioritised to provide opportunities for refugees and host communities. Governments and financial institutions have developed compacts and agreements to concede financial aid in exchange of job creation policies (e.g. EU-

¹ Austria, Belgium, France, Germany, Israel, Italy, Japan, Mexico, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Sweden, Switzerland, Turkey and USA.

Jordan relaxed rules of origin, Egypt's concession of space in industrial zones for Syrian companies, Turkey's creation of industrial zones).

However, the region still faces many challenges regarding job creation such as high levels of informality and lack of evidence concerning labour markets. In the short term, informality can provide opportunities for many refugees, who can meet their immediate sustenance needs. However, informal jobs are often below international labour standards, and, in the long term, high levels of informality can have a negative impact on productivity, and can adversely impact on self-reliance and social cohesion of displaced populations and vulnerable host communities. In addition, lack of context-specific assessments on labour market needs may lead to ineffective policy and programming that does not translate into realistic job opportunities for host populations and refugees.

Attract investment, promote trade and support the creation and growth of local SMEs

Investment, trade and SME growth can help countries in the region create jobs and achieve economic resilience. Participants underlined that countries affected by conflict or fragility cannot promote investment as usual. Governments can increase legal security by improving the regulatory framework and strengthening enforcement. They can also attract more investment through incentives, removal of restrictions to FDI where appropriate, improving information for investors and enhancing the role of Investment Promotion Agencies (IPAs). Governments should also promote the responsible conduct of the private sector through tools like the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. Foreign Direct Investment policies must promote linkages with the local economy to better integrate affected economies in global value chains. Investment must be closely linked to easing access to markets and promoting trade integration. Trade facilitation measures are sorely needed to offset disruptions to traditional trade corridors due to ongoing conflicts.

Promoting SMEs and entrepreneurship can contribute to economic resilience in the MENA region. Countries most affected by the Syria crisis including Turkey, Lebanon and Jordan should adapt their SME policies to address both the needs of refugees and host communities. Giving refugee-owned businesses access to industrial parks, facilitating formalisation of businesses, or easing recognition of professional qualifications, are some of the elements that can support entrepreneurship. Other countries like Iraq and Libya should adapt their SME policies under the twin challenges of diversifying their economies from oil while facing large reconstruction needs. International development partners can foster the success of these initiatives through effective use of official development aid, fostering a whole-of-government approach and, where possible, channelling aid through country-systems to support their capacity to adapt their SME policies.

Next steps

- Launch the MENA-OECD Economic Resilience Task Force as an inclusive platform for policy dialogue, exchange of good practice and policy analysis, including:
 - Establishing a two-way dialogue between governments in the MENA region and donor countries in collaboration with the DAC Temporary Working Group on Refugees and Migration.
 - Continue developing strong partnerships with international organisations working on economic resilience policies in MENA countries, including UNDP, UNHCR, IMF and the WB.
 - Providing technical assistance to governments through the MENA-OECD Competitiveness Programme specialised working groups and country projects on SMEs and investment.
- The Temporary Working Group on Refugees and Migration will produce a Guidance Document that aims to inform policy makers and practitioners working in contexts of forced displacement. The Guidance will incorporate good practice and lessons learnt in the areas of access to business and productive opportunities and education, elaborated through two case studies focusing on Jordan and Somalia.

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www.oecd.org/mena/competitiveness

www.oecd.org/dac/refugees-migration-working-group.htm