

MENA-OECD Investment Programme

Working Group 4 Meeting

Hosted by Saudi Arabian General Investment Authority (SAGIA)

7 -8 February 2005

Jeddah, Saudi Arabia

Summary of Discussion and Results

1. Working Group 4 (WG4) took place on 7-8 February 2005 in Jeddah, Saudi Arabia, under the co-chairmanship of Saudi Arabia and the United Kingdom. More than fifty participants included the following countries and organizations attended the meeting: Bahrain, Egypt, France, Germany, Greece, Italy, Japan, Jordan, Saudi Arabia, Syria, Tunisia, Turkey, UK, US; Arab Financial Forum, Arab Monetary Fund, Council for Arab Economic Unity, Federation of Eurasian Stock Exchanges, Istanbul Stock Exchange, European Investment Bank, Islamic Development Bank, World Bank Group, the Union of Arab Banks and the Business and Industry Advisory Committee to the OECD.
2. Delegates expressed deep appreciation for the warm hospitality and leadership provided by H.E. Minister Amr Abdullah M.A. Al Dabbagh, Governor of SAGIA, and Deputy Governor Dr. Awwad al-Awwad.
3. The discussion underscored the importance of developing human resources for innovation and entrepreneurship and promoting an adequate financial and educational infrastructure. Delegates also highlighted the need for mobilising the financial sector, including private and public equity capital markets as well as banks, for job creation in the region.
4. The importance of substantial private investor inputs to the activities of this WG was stressed, including through the G-8 Investment Task Force.

Output 1: Assessing Economic Diversification of MENA Countries

5. Diversification was described as a common concern for all MENA countries whether oil producing or not. Delegates underlined that a diversified economy based on competitive advantages was critical to employment creation, economic growth and sustainable development.
6. Delegates agreed that a stock-taking assessment report should be completed on the basis of presentations and discussions at the meeting as well as MENA country submissions, which will be provided to the OECD Secretariat. The report will set out the status of diversification efforts in MENA countries, identify the priority areas at national and regional levels, and propose to the MENA Investment Ministerial Meeting in autumn 2005 a series of actions that can be undertaken to address these issues.

7. Delegates proposed to conduct capacity-building workshops to raise awareness about diversification challenges.
8. Egypt and Syria have volunteered to coordinate the implementation of this activity in partnership with the Economic Research Forum, based in Cairo, the UNIDO and the World Bank Group.

Output 2: Financial Sector Development of MENA Countries

9. Delegates discussed a wide range of issues concerning financial sector development including the need to develop strong, high-standard private banks in the MENA region and meet the challenges of privatisation of state-owned banks. Other issues included Islamic finance, insurance and capital markets.
10. Delegates agreed that efforts leading up to the Ministerial should be focused on two particular areas: capital market development and equity finance for SMEs including venture capital.
11. They called for the establishment of a task force led by Saudi Arabia, Jordan and Egypt and composed of interested MENA/OECD countries as well as financial institutions including Arab Monetary Fund, Arab Financial Forum, European Investment Bank, Eurasian Federation of Stock Exchanges, International Monetary Fund, Islamic Development Bank, Union of Arab Banks and World Bank Group, to take stock of the current situation, identify the constraints and develop proposals for action to be submitted to the Ministerial meeting in autumn 2005.

Output 3: Improving the Environment and Building Capacities for Entrepreneurship and SME Development

12. There was common agreement about the need to foster entrepreneurship and the start of new businesses and to strengthen micro-enterprise and SME development in the region. It was proposed that the initial actions should focus on the following, taking into account the existing programs by World Bank Group and UNIDO, partners to this initiative:
 - Developing proposals for a MENA-customised policy framework conducive to entrepreneurship and SME development, building on the Istanbul SME Ministerial Declaration, discussions at WG4 meeting and MENA OECD country submissions;
 - Promoting Women Entrepreneurship, through capacity building workshops aimed at increasing awareness, assessing case studies from MENA countries, exchanging experiences, and developing policy recommendations.
13. Tunisia and Bahrain have volunteered to coordinate the implementation of this activity in partnership with Arab League, European Investment Bank, Islamic Development Bank, UNIDO, and World Bank Group.

Next Steps:

14. Delegates agreed that once substantial progress has been achieved in the foregoing areas of the work programme. The co-chairs should call for the next WG meeting, possibly before the summer recess.
15. Delegates also noted that the next meeting of the MENA-OECD Investment Steering Group will be held in Paris on 4 April 2005 for review and endorsement of the recommendations from five Working Groups. MENA coordinators for each WG will present to the Group a progress report as to the implementation of the agreed outputs until the Ministerial meeting.