

# **4<sup>th</sup> MEETING OF THE MENA-OECD ENTERPRISE FINANCING NETWORK**

**- PROVIDING LINKAGES FOR GROWTH -**

## **Conclusions**

**- 19 November 2008 -  
- Manama, Kingdom of Bahrain -**

## **INTRODUCTION**

1. Hosted by the MENA Centre for Investment in Bahrain, the MENA-OECD Investment Programme organised the fourth meeting of the Enterprise Financing Network on 19 November 2008. The aim was to discuss – from a private sector point of view – the impacts of the turmoil caused by the financial crisis on the MENA region and to get input from participants on high impact regional projects including the *MENA 100*, the *MENA 21*, and the launch of the MENA-OECD Business Council. MENA and OECD private sector representatives discussed and agreed upon the following conclusions:

### **OPENING PANEL: IMPACTS OF THE FINANCIAL CRISIS ON THE MENA REGION**

2. Participants discussed the expected impacts of the current financial turmoil on the MENA region and the related rising challenges as well as some proportionate policy responses. There was a general consensus on the fact that the world is facing the most severe financial crisis since the Great Depression. Nevertheless, panellists and discussants pointed out some disparities within the MENA region: Gulf countries were more directly affected by the financial and banking crisis with immediate impacts on the real estate sector and on project financing whereas North African and Levant countries are expecting the second effect wave: a slowdown in real economy and a drop in FDI and exports following the recession of their main trade partner economies.

3. Systematic and structural obstacles to doing business were discussed which included:

- Heavy and complex procedures and regulations that hinder entrepreneurship;
- Weak infrastructure and untransparent business climate;
- Weak intraregional integration with regard to trade and investment flows between MENA countries (competitors rather than partners) as well as a misbalance between the amounts of money some MENA countries are investing abroad versus what is being spent domestically;
- Skills gap and weak educational basis which is not related to market needs (6 MENA universities in top 1000 around the world);
- Money has been put into fixed assets (real estate) at a time where there is a liquidity problem.

4. In discussions on the way forward to address these challenges, participants insisted the need to work on skills and human capital development by improving and adapting education standards and curriculum to meet the needs of the labour market. This being a medium to long-term objective, participants agreed to launch, as a short term step, a strong statement aimed towards policy-makers insisting on:

- Keeping the borders open and reinforcing ties of intraregional trade and investment which means more Investment Agreements avoiding double taxation and providing protection against expropriation;
- Accelerating the pace of reforms to improve the business climate and to ease entrepreneurship;
- A strong focus to be put on SMEs and especially on access to finance. The statement could include an amendment for central banks to lower reserve requirements on banks that lend to SMEs as an incentive, otherwise the cost/benefit equation will not be beneficial for banks.
- Collateral and equity for high growth SMEs, innovation, improving information flows and transparency as well as fostering collaboration between the private and public sectors should also be addressed.
- The Business Council would be an appropriate forum for the business community to discuss these proposals and to generate the above-mentioned joint statement.

5. In their concluding remarks, the chair and the panellists stressed that demographics has always and will continue to determine the direction of FDI flows. The MENA region has big potential in these terms in addition to its geographic advantage as a bridge between Europe, Africa and Asia. Although entrepreneurship and trade is historically well-anchored in the region, participants agreed that more initiatives like the MENA 100 project are needed to help the region support its entrepreneurs.

## **WORKING SESSION 1: PROPOSED LAUNCH OF THE MENA-OECD BUSINESS COUNCIL**

6. The joint-statement of MENA and OECD business representatives (through BIAC) at the last ministerial meeting led the MENA-OECD Investment Programme to propose the launch of the MENA-OECD Business Council. Participants at the working session stressed the need to give this Council an identity and guarantee its independence. Geographical diversity but also a mix of high growth SMEs and women's businesses, should be included in the Council to represent diverse interests –, described as a key element from several participants. Discussants stressed the importance of a membership which contributes to entrepreneurial culture coming from the bottom-up and not from top-down.

7. It was also mentioned that there are some risks of duplication with other initiatives such as the World Economic Forum's Arab Business Council or other regional business associations. The chairs of the session highlighted the difference between this initiative and others namely that the Council will include OECD business associations and that it should be very operational given that the point is not to create something too big or ambitious which could not be implemented. Responding to some thoughts about overlapping objectives with the MENA Centre for Investment, the chairs reiterated the focus of this initiative which aims to give a structured voice to MENA and OECD business to improve government policy and to make recommendations which are more action-oriented.

8. The MENA-OECD Investment Programme is not creating a Business Council and managing it, but the purpose is to bring the idea to the table and to help launch it. The Business Council will be owned and funded by its members and managed by an administrative body (made up by the private sector) by its members. Support from the Programme has been described as necessary by some participants to make sure that the forum harmonizes different initiatives especially in including women's participation.

9. As a way forward, it was proposed to set-up a restricted Steering Committee to work on the effective launching of the Council and to discuss other issues related to its organisation (including the proposed sub-division of GCC, Egypt, and Maghreb committees with an annual follow-up committee meeting) and its branding including the name of the initiative (Business Action for MENA was proposed to differentiate this initiative from others). The effective launch could take place in March 2009 in Qatar back-to-back with the upcoming Regional Roundtable on Financial Markets Regulation, organised by the MENA-OECD Investment Programme. A reviewed proposal seeking to clarify the role and objectives of each entity within the Business Council will be sent to the Steering Committee for comments.

## **WORKING SESSION 2: LAUNCH OF HIGH IMPACT REGIONAL PROJECTS**

10. Participants described the “**MENA 100**” as a promising initiative and suggested that it could build the basis for a continuous grassroots campaign through the launch of an annual event. The success of the project will depend on the quality of coordination with similar competitions that already exist on a national level and in implementing international best practices in this area (ex. 100k MIT BPC). The role of local partners has been recognised as essential given their experience in judging business plans, especially from the finance and marketing point of view.

11. Participants stressed the importance of granting finance for the winners as being the “real” reward rather than providing cash. The “**MENA 100**” should be neither an academic exercise nor an award show. Therefore, it was mentioned that setting-up a Mentorship Management System (MMS) one month before the ceremony would be a key success factor for the event to help mentees better prepare their presentations and improve their proposals. Some participants proposed for the criteria of selection to put more emphasis on creativity and high-value added projects, to look at Net Present Value of venture and to show how much employment will be generated. A request for information on customer satisfaction as well as working environment for existing companies was mentioned.

12. As a way forward for the project, it was proposed to set an advisory board including the leading regional partners/coordinators (ex. The Queen Rania Centre for Entrepreneurship (Jordan), the Egyptian Young Entrepreneurs (Egypt), Fondation Banque Populaire pour la Création d'Entreprise (Morocco), Jeune Chambre Economique de Tunisie (Tunisia) and the Bader Young Entrepreneurs Programme (Lebanon)), in order to help better coordinate and support the screening process and better organise the “**MENA 100**” event.