

## **MINISTERIAL DECLARATION**

### **‘Making Reforms Succeed: Moving Forward with the Investment Policy Agenda’**

**Ministerial Meeting of the MENA-OECD Investment Programme in Cairo,  
27-28 November 2007**

**28 November 2007**

## I. Preamble

### **PARTICIPATING COUNTRIES** from the Middle East and North Africa (MENA)

**TAKING NOTE** of the progress achieved in the attraction of foreign investment to MENA countries and the stimulation of regional and domestic investment for private sector development in MENA countries participating in the MENA-OECD Investment Programme;

**CONVINCED** of the urgency to continuously foster private sector development, in particular of SMEs, for growth, employment generation, economic diversification, women and youth integration in the economy and social progress across countries in MENA;

**AWARE** of the potentials benefits in particular of increased intra-regional investment flows stemming from current high liquidity in the resource rich countries;

**CONVINCED** that continued broad-based economic policy reforms, including in particular improvements in the investment climate, are essential for MENA countries to fully benefit from the investment within and into their economies;

**BELIEVING** that the dialogue on investment policy and private sector development issues established by countries under the MENA-OECD Investment Programme is effectively complementing and reinforcing policies at the national level;

**BELIEVING** that the ownership of this dialogue can be strengthened with a view to support existing structures and create ones for economic policy dialogue and peer learning and review;

**ACKNOWLEDGING** that the OECD, its Member countries and other international organisations are providing valuable support to the efforts of MENA governments to support favourable conditions for increased investment and job creation through private sector development;

**AFFIRMING** the importance of close coordination and concrete cooperation on a project basis with other international initiatives supporting economic policy and legal environment reform in MENA countries;

**AWARE** of the important contribution that the business community can make to input into investment climate reforms conducted by governments expressed in the Business Statement presented to Ministers;

**REAFFIRMING AND BUILDING** on the commitments made by MENA and OECD countries to participate and support the MENA-OECD Investment Programme;

**EXPRESSED SUPPORT** for the following principles and actions for implementation of investment policy reforms on the occasion of the second MENA-OECD Ministerial Meeting in Cairo, Egypt, on 27-28 November 2007:

## II. Progress in investment policy reforms

The Participating Countries are committed to move forward with comprehensive reforms to enhance their business climate and to promote private sector development. They welcomed the business statement adopted by the MENA-OECD Business Forum held on the 27 November. In this context, they:

### *Investment Policy and Investment Facilitation*

1. Encourage efforts by OECD and MENA countries towards further liberalisation, regulatory reform and privatisation of state-owned enterprises in accordance with national development objectives to induce investment and private sector development;
2. Reiterate the importance of transparency and predictability of national investment policies, laws, regulations, and administrative practices affecting foreign and domestic investment; agree on the importance of further improving the investment climate by periodically reviewing laws, regulations and administrative practices;
3. Stress the importance of promoting positive interactions between foreign investment and local enterprise development through measures such as development of skills, local entrepreneurship, industrial clusters and SME access to finance;
4. Encourage business linkages between foreign and domestic investors, including partnerships, supply chain arrangements and other forms of cooperation;
5. Propose a review, in the framework of National Investment Reform Agendas (NIRAs), of remaining restrictions to international and regional investment taking into account international instruments like the OECD Declaration on International Investment and Multinational Enterprises;
6. Encourage the expansion of International Investment Agreements and welcome the proposal to establish a platform among MENA countries providing information and advice on the negotiation and implementation of International Investment Agreements;
7. Call on governments to establish frameworks for effective private sector participation in infrastructure financing by making use of Public-Private-Partnership arrangements;
8. Encourage Investment Promotion Agencies to act as an efficient policy advocate for investment climate reform;

### *Tax Policy*

9. Welcome the **Declaration on Tax Policy Development Supportive of Investment**, promoting in-depth analysis of tax systems and sharing of information through regional 'roundtable' discussions of key tax issues, including experiences with different policy approaches to addressing tax impediments to investment;
10. Welcome the establishment in Cairo of a regional programme for training of tax officials on international and domestic tax policy and tax administration issues;
11. Note the progress achieved in evaluating tax incentives and call for continuing efforts for increased transparency and avoidance of inefficient use of tax incentives;

### *Financial Sector Development*

12. Welcome progress achieved in financial market regulation and supervision and call upon the MENA-OECD Investment Programme, in close cooperation with regional and international organisations to provide support to national capital markets authorities and regional initiatives to enhance the efficient functioning of financial markets. They support proposals for new initiatives in capital markets development in the MENA region, and call on Qatar to take a leadership role, in cooperation with the OECD, in implementing proposals under discussion;
13. Note the progress achieved in creating a **MENA-OECD Enterprise Financing Network** to strengthen linkages between financiers, science and technology associations, entrepreneurs, and other actors in the entrepreneurship value chain in order to bridge the financing gap. They call for contributions from both public and private sectors to the functioning of the network;
14. Call for the development of innovative financial frameworks to stimulate private equity and microfinance for the creation and expansion of enterprises;

### *Entrepreneurship*

15. Welcome the application of the **Enterprise Policy Assessment** developed through a joint effort by the OECD, the European Commission, the European Investment Bank and the European Training Foundation in countries of the MENA to benchmark enterprise development policies;
16. Express support for the Declaration on 'Fostering Women's Entrepreneurship in the MENA region' presented by the **Women Business Leaders Forum** and call for its implementation in order to enhance women's participation in MENA economies;
17. Stress the importance of developing entrepreneurship in rural areas;
18. Stress the importance of increased and coordinated efforts for human resource development, in the field of education, vocational training, business skills and management training and specific measures designed to facilitate youth integration into the economy;

### *Corporate Governance, Business Integrity and Corporate Responsibility*

19. Encourage effective support to business in fighting against corruption, improving corporate governance, engaging in responsible business practices; call for a regional dialogue on responsible business conduct, under the auspices of the MENA-OECD Investment Programme and welcome the proposal by Egypt to create a regional centre for responsible business conduct;
20. Welcome the development of national governance codes and the activities of national institutes of directors (eg. in Egypt and Lebanon), and expressed support for the work accomplished by the MENA-OECD Investment Programme in cooperation with the Hawkamah Institute and note the conclusions reached at the annual meeting of Hawkamah (21-22 November 2007), namely on the policy brief on corporate governance of banks;
21. Acknowledge the benefits of sound insolvency systems for the efficient reallocation of resources and encourage ongoing efforts on insolvency systems and other areas of corporate law reform;

### *Business Climate Development Strategy*

22. Call for a systematic evaluation of the progress achieved in the design and implementation of reform and expressed support for the creation of a Business Climate Development Strategy presented by the Steering Group of the Programme on the basis of a joint proposal by the OECD and the World Bank. The implementation of this proposal is expected to increase investment and competitiveness in the MENA region through a comprehensive and collective process that evaluates, designs and implements government policy that deals with the business climate. The policy measurement and support in implementation will fully leverage existing work conducted on the region by the World Bank, OECD and other organisations, and closely involve governments and private sector representatives to ensure national ownership of the reform process and maximum impact;

### III. The Way Ahead

In accordance with the above principles, Participating Countries:

- Support the extension of the MENA-OECD Investment Programme until the end of 2010 and welcome the work of the five Working Groups and Task Forces of the MENA-OECD Investment Programme which have met since the February 2006 Ministerial meeting. They complement the efforts of experts from governments inside and outside MENA countries, international organisations, business and of civil society who have participated in this work;
- Welcome the implementation of specific investment reform targets which have been announced at the February 2006 Ministerial meeting and during the plenary sessions of this second Ministerial meeting, and encourage governments in MENA countries to continue their efforts to identify and implement in a co-ordinated manner reform targets that can be achieved within the next year as part of the reform process;
- Encourage the further development of MENA-OECD Enterprise Financing Network as a private sector driven initiative and encourage the constructive involvement of business representatives and other representatives of civil society in discussions with Governments on the improvement of the investment environment including the issue of responsible business conduct;
- Will continue to promote formalised and project oriented co-operation between regional, international organisations and donor agencies to enhance synergies in investment climate reform projects in MENA countries and welcome the partnership arrangement concluded by the OECD with the United Nations Industrial Development Organisation, the Islamic Development Bank, the Gulf Cooperation Council, the Union of Arab Banks, Council of Arab Business Women, the Arab Monetary Fund and the Council of Arab Economic Unity in support of the MENA-OECD Investment Programme;
- Appreciate the work of the regional Centres established with the support of the MENA-OECD Investment Programme, namely the MENA Investment Centre in Bahrain, the Hawkamah Corporate Governance Centre in Dubai and the Tax and Public Management Centre in Cairo, and encourage them to further enhance their efforts; welcome the launch of additional regional initiatives, which could include the creation of an women entrepreneurship network and a regional centre for responsible business conduct;
- Stress the need for ensuring that economic development and resource allocations benefit the population and for communicating effectively the achievements of national reforms and regional

cooperation to stakeholders, affected constituencies and the public at large in participating countries and mandate the Steering Group to develop a set of specific proposals to that effect;

- Mandate the Steering Group to further strengthen the institutionalisation of the regional dialogue, in cooperation with other programmes and initiatives with a view to enhancing regional ownership.

#### **IV. Follow-up**

Ministers agree that the Participating Countries will meet again in 2008/2009 at Ministerial level to review progress achieved in implementing this Declaration. They will make use of the Business Climate Development Strategy to strengthen the Country Economic Teams and the National Investment Reform Agendas to follow up the implementation of this Declaration. Participating Countries mandate the Steering Group to continue their efforts to implement the agreed action plans and output targets.

Ministers call upon OECD countries and MENA countries to continue their support of the Programme, including financial contributions according to their capabilities.

The participating countries expressed their appreciation and thanks to the First Lady of Egypt for the patronage of the Women Business Leader Forum and the Business Day held on the 27 November 2007, to the Prime Minister and the Government of Egypt for hosting the Ministerial meeting and the Business day, and to the Minister of Investment of Egypt, Dr. Mahmoud Mohieldin for his effective role as the co-chair of MENA-OECD Investment Programme.

#### **List of Documents referred to:**

- **OECD Declaration on International Investment and Multinational Enterprises**
- **Declaration on Tax Policy Development Supportive of Investment**
- **Business Climate Development Strategy**
- **Declaration on “Fostering Women’s Entrepreneurship in the MENA Region.”**
- **Business Statement**