



**Good Governance for Development (G/D) in Arab Countries Initiative**

**Steering Group Meeting at Ministerial Level**

**Hosted by the Arab Republic of Egypt**

**Sharm El Sheikh, Egypt, 19 - 20 May, 2006**

**REGIONAL CHALLENGES AND POLICY PRIORITIES /  
PROGRESS MADE**

**IN THE FIELD OF REGULATORY REFORM  
(SUB-THEME OF WORKING GROUP 4)**

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This document provides a concise overview of:

1. **Key policy challenges and priorities of Arab countries in the field of regulatory reform.** This brief summary is based on the intensive country stocktaking that took place in the first phase of the Initiative. It aims at facilitating the identification of policy priorities that would benefit from an increased partnership and co-operation between Arab and OECD countries. Its preparation has been supported by country missions from the OECD/UNDP Technical Secretariats and involving a range of OECD country policy practitioners that drafted country-specific stocktaking reports.
2. **The progress made in Working Group 4 on the sub-theme of regulatory reform.** Further in depth information on the Working Groups' achievements is provided in the 2005 progress report, that lays out in detail the outputs delivered as well as in the meeting reports (see [www.oecd.org/mena/governance](http://www.oecd.org/mena/governance)).

## 1. REGIONAL CHALLENGES AND POLICY PRIORITIES

1. The public-private interface is addressed more clearly by Working Group IV than in other aspects of the GfD Initiative. "The legal and regulatory framework of any country affects its competitiveness", as H.E. M'Dhaffar stated at the 2nd meeting of the Working Group, 8 May 2006. This represents a major challenge: sequencing of measures to improve public sector delivery and public sector efficiency calls for greater emphasis in the short and medium term in the regulatory framework and on capacity-building for quality law-making. This is not a theoretical exercise but a practical effort based on international good practice, specific examples from OECD countries, and innovations in Arab countries.

### **Where the region stands in the field of regulatory reform**

Regulatory reform is a priority policy area in the region. Promising steps ahead have been taken in most Arab countries to improve their regulatory frameworks for better economic performance, investment attraction and better service delivery. Yet, implementation is confronted to various challenges, some of which are country-specific, while others have a regional dimension. The list below presents some of the key issues concerning regulatory reform in the region:

#### *Law-Making Procedures*

In most Arab countries, the process of elaborating laws is highly centralised in the executive branch. There are several conditions which prolong the legislative process and lead to sub-optimal or contradictory results. Among these are:

- Obsolete laws, and an inflation in the number of laws;
- Complex legislation;
- Uncertainty, which is exacerbated by judicial delays;
- Inadequate *ex ante* analysis of economic and social impacts, and virtually non-existent *ex post* evaluations;
- Inadequate involvement of stakeholders through consultation;
- Insufficient capacity-building within the legal units of the bodies responsible for law-drafting;
- Lack of or insufficient inter-ministerial coordination.

#### *Public service delivery, PPPs and Regulatory authorities*

2. Strong privatisation programmes have been carried out in the region, but more sectors could be opened to the market. Regulation of public services and the establishment of PPPs have become increasingly important, calling for significant efforts for institutional design and capacity-building. Regulatory reform will help address such obstacles as:

- Limited capacity in government to manage partnerships;
- State-owned enterprises that compete as insiders;
- Lack of sufficient autonomy and independence of regulators.

## **Priority Reform Areas for Action**

The lessons of experience in OECD countries show that an explicit regulatory strategy, political leadership at a high level, and communication of results on a regular basis are essential to sustaining regulatory reform, which is a dynamic process. Although a very heterogeneous region, there exist similar elements in Arab countries. Based on OECD experience and in response to the above mentioned challenges, the following priority reform areas and targets have been identified.

### *Law-Making Procedures*

3. The need to introduce and establish tools and policies for quality law-making has been voiced by the majority of participating Arab countries. Good practices for law-making, such as the impact analysis of economic laws, appropriate oversight bodies for quality control, and capacity-building for plain language and multi-language drafting, could be a step towards improving consultation and transparency in the legislative process in the region.. The result should be laws and regulations that deliver economic and social benefits more efficiently and effectively.

### *Public service delivery, PPPs and Regulatory authorities*

4. The capacity in government to negotiate and manage partnerships needs to be strengthened as a priority. Guidelines for best practises and lessons-learnt from OECD countries will be helpful. The establishment of regional centers on regulatory policies and institutions and policy evaluation as well as the regional benchmarking of public services, will constitute important steps to raise capacity and international competitiveness in the region.

## **Conclusion**

These challenges and priority reform areas in Arab Countries highlight the synergies among the six Working Groups of the GfD Initiative. They make clear that cooperation and good coordination between Working Groups is needed to overcome the sectoral separation into vertical silos so often characteristic of national administrations. A multi-dimensional approach can highlight such questions as:

- Whether "leap-frogging" in implementing reform initiatives is possible, and if so, under what conditions;
- What vision for economic and social development can help carry out public sector reform;
- How different modes of co-operation for public service delivery can best serve the public interest;
- How to combine bottom-up and top-down initiatives for governance reform.

The focus on specific and concrete targets to improve regulatory policies and management in Arab countries is essential for achieving tangible results. A focus on law-making procedures and regulatory frameworks is complementary to public service delivery and PPPs. A whole-of government approach, inter-ministerial co-ordination and multi-level regulatory governance will, in the long run, provide more scope for governments to provide strategic directions for the social and economic development.

## 2. PROGRESS MADE IN WORKING GROUP 4: REGULATORY CHALLENGES AND POLICY PRIORITIES

5. Working Group IV of the Good Governance for Development (GfD) in Arab Countries Initiative met in Tunis on 28-29 June 2005 and 8-9 May 2006, supported by UNDP and, for regulatory reform, by OECD. Additional OECD support facilitated two focus group meetings in Paris on regulatory reform as special sessions of the OECD Working Party on Regulatory Management on 28 September 2005 and 25 April 2006, as well as missions to Morocco, Lebanon, Jordan, UAE and Bahrain. A two-day capacity building seminar on law-making and regulation in Tunis in November 2005 brought together 20 high level Tunisian officials and experts with officials from Switzerland and France; a follow-up meeting was held in Paris in February 2006. This flexible approach with different formats corresponded to the innovative nature of the GfD initiative. A joint OECD Task Force on governance and investment has been established to address common problems such as licensing, registration, consultation and economic development zones, with at least one activity planned for 2006. This organisational framework responds to the demand of the Arab countries for practical measures to modernise government and to develop a regulatory environment favourable to investment and entrepreneurship.

6. Momentum: Reforms antedate the GfD initiative, but the Initiative has accelerated this process. Meetings of the Working Group and Focus Group, co-chaired by Canada, characterised by frank and open discussion, documented many recent initiatives which had not been known even within the region, let alone in the wider world, thereby calling attention to the challenge of communication beyond government circles. Exchange of experience has allowed Arab countries to compare themselves, the first step toward bench marking. Furthermore, bilateral contacts have also been facilitated. For example, the regulatory reform focus group meeting in Paris in September 2005 led to bilateral contacts between Mexico and Morocco to study enterprise zones (maquiladoras). OECD countries are enthusiastic to share experiences, not as models, but as examples to help Arab countries better manage change in regulatory management and policy. Mutual interest can be gauged by the fact that the April 2006 focus group meeting at OECD on regulatory reform attracted 14 delegates from 11 Arab countries and 29 delegates representing 16 countries, the European Commission, the World Bank, BIAC and TUAC. Case studies, eschewing theoretical discussions in favor of practical aspects of implementation, confirmed the importance of improving the quality of law-making and regulation as a pre-condition to better public service delivery.

7. Focus: A change in the way the state intervenes in the economy, from “command and control” to a more strategic role, does not diminish the importance of what the state does. On the contrary: the focus on the public interest when public services are delivered by government and the private sector makes new demands on public governance. Creating a forum for policy exchange, Working Group IV has enabled Arab and OECD delegates to discuss core concepts and policy tools concerned with how regulations are designed and how their economic and social impacts are analysed, using common terminology. Several key OECD documents are now available in English, French and Arabic. The “comprehension gap” has narrowed significantly. As a result, private projects on Regulatory Impact Analysis have been proposed by several Arab countries as action plans. In the future, regional meetings can help to evaluate the results of implementation proposals and monitor progress.

8. Regional co-operation: Now that expectations have been raised, the essential challenge is to go forward, building on what has been accomplished. Consistent participation at the right level is important for international co-operation, just as broadening participation is important for a whole-of-government approach. Countries that become more involved in the GfD Initiative in the future will benefit from the experiences of those countries that were more strongly involved from the start. Several regional initiatives show promise: a regional charter on quality law-drafting; regional centres on policy evaluation (Morocco) and regulatory quality (Lebanon), projects in several countries to introduce regulatory impact analysis, and a university programme to train bilingual law-drafters (Tunisia). Diversity across the region is no obstacle

to co-operation, but it does call for flexibility working methods to associate countries with similar interests and objectives on projects. A framework of seminars and meetings focused on priority action plans and cross-cutting themes (e.g., administrative simplification and e-government, or regulation inside government and civil service reform) will be needed to achieve results in time for a third meeting of Working Group IV in spring 2007. As a step forward, Tunisia has proposed to host a High-Level Seminar on E-government: partnerships and synergies, covering the widest possible range of partnerships, and thus bringing together delegates from Working Groups II and IV.