



INVESTMENT CLIMATE REFORM

FOR GROWTH AND EMPLOYMENT

MENA-OECD INVESTMENT PROGRAMME



**Algeria**

National Agency for Investment Development/ Ministry for Promotion of Investment and Participation

**Bahrain**

Economic Development Board

**Djibouti**

Investment Council to the Presidency of the Republic of Djibouti/ Ministry of Presidential Affairs charged with Investment Promotion

**Egypt**

General Authority for Investment and Free Zones/ Ministry of Investment

**Iraq**

Investment Promotion Agency/ Ministry of Trade

**Jordan**

Jordan Investment Board/ Ministry of Industry & Trade

**Kuwait**

Kuwait Foreign Investment Bureau/ Ministry of Commerce and Industry

**Lebanon**

Investment Development Authority/ Ministry of Finance

**Libya**

Libyan Foreign Investment Board

**Morocco**

Ministry of General and Economic Affairs/ Department of Investment

**Oman**

Omani Centre for Investment and Export Development/ Ministry of Commerce and Industry

**Palestine National Authority**

Palestinian Investment Promotion Agency / Ministry of National Economy

**Qatar**

Ministry of Economy

**Saudi Arabia**

Saudi Arabian General Investment Authority

**Syria**

Investment Office/Ministry of Industry

**Tunisia**

Foreign Investment Promotion Agency/ Ministry of Development and International Cooperation

**United Arab Emirates**

Ministry of Economy

**Yemen**

General Investment Authority/ Ministry of Trade and Industry.

INTRODUCTION BY CO-CHAIRS

Facing competition from other regions and growing pressure from a young workforce, countries in the Middle East and North Africa region have identified an urgent need to introduce significant economic and investment climate reforms to increase private sector participation in their economies. Since the end of the last millennium, the momentum of change has accelerated remarkably as governments in the region have sought to reduce unemployment and reduce the role of the state in the economic sphere. This has resulted in greater levels of investment year after year. Not only are countries of the Gulf Cooperation Council investing in infrastructure related projects across the region, but there is also a growing awareness of the potential for investment in innovative sectors. This has underlined the need for a common action plan to continue improving the business climate and image of the region as an attractive investment destination.

Providing this platform is the objective of the MENA-OECD Investment Programme, launched in 2004 at the request of a number of countries in the MENA region. OECD countries' expertise was esteemed by governments in the region as relevant for supporting ongoing economic policy reforms. As every country in the region is evaluating the most appropriate mix of economic policy reforms to foster an attractive business climate, the accumulated experience of OECD and MENA countries can provide the tools for supporting the implementation of investment climate reforms. The Programme aims also to raise the visibility of the significant reforms that MENA governments have already undertaken.

The MENA-OECD Programme's ability to achieve concrete outputs is closely related to its unique structure, combining the regional and country-specific approach to economic policy reform. Exchanging good practice on how to create an attractive environment for the private sector is at the core of the Programme's mandate. The Programme facilitates expert exchange on topics key to the achievement of a flourishing private sector development, including investment regulation, taxation climate, financial sector structure and corporate governance. Over the last two years, it has generated important results, including the *Ministerial Declaration on "Attracting Investment to MENA Countries – Common Principles and Good Practice"*, and has initiated concrete projects in a number of countries. Equally importantly, a network of high level private sector representatives is providing input on key business climate issues.

It is our hope that the MENA-OECD Investment Programme will continue to leverage the current growth and reform momentum in the region to strengthen further economic growth and employment creation for its large youth generation. The exchange of good practice among the countries of the MENA region and with their OECD counterparts will remain fruitful in accomplishing this objective.

H.E. Mahmoud Mohieldin,
Egypt Chair of the Programme
Minister of Investment

Graham Minter,
United Kingdom Co-Chair
of the Programme

THE MENA-OECD INVESTMENT PROGRAMME

RESPONDING TO THE REGIONAL CHALLENGES AND OPPORTUNITIES

THE MENA-OECD INVESTMENT PROGRAMME was established in 2004 at the request of Middle East and North African (MENA) countries to provide advice on improving the investment policy climate. Facing considerable competition from other regions and a growing pressure from the young workforce, several MENA countries have realised the urgency to implement significant economic and regulatory reforms to increase private sector participation in their economies.

The MENA-OECD Investment Programme is one of the two pillars of the Good Governance and Investment for Development Initiative of the OECD.



Significant **IMPROVEMENTS** have been realised already by **MENA countries' governments:**

- Fiscally prudent use of the natural resource revenues to increase economic diversification;
- Stronger macro-economic performance by non-oil producing countries, leveraging intra-Arab investment;
- Progress in investment liberalisation and administrative simplification;
- Ongoing financial sector reform resulting in greater competition;
- Rebound in foreign investment flows and a stable growth rate of over 5% since 2004.

However, **CHALLENGES** remain:

- Private investment was only 14% of GDP for MENA in 2005, below East Asia and other developing country regions;
- Much of it is in the form of portfolio flows as opposed to productive greenfield investment;
- The minimum capital to start a business is almost 5 times the global average;
- The region is perceived as a high risk investment destination;
- Unemployment among the young generation and women remains high.

The Programme is designed to build on existing momentum to support ongoing **REFORM:**

- Foreign direct investment inflows into the region could be 5-6 times what they are today;
- Even if only half this potential was realised over the next ten years, growth would increase by 1-4% a year.

THE PROGRAMME incorporates the remaining challenges, addressing emerging issues including:

- business transparency;
- attractive tax regime;
- investment promotion capacity;
- policy for innovative entrepreneurship;
- privatisation and corporate governance;
- financial sector development;
- economic diversification.

“To achieve higher levels of investment, policy makers in MENA countries are challenged to rethink their priorities in accordance with investors’ needs.”

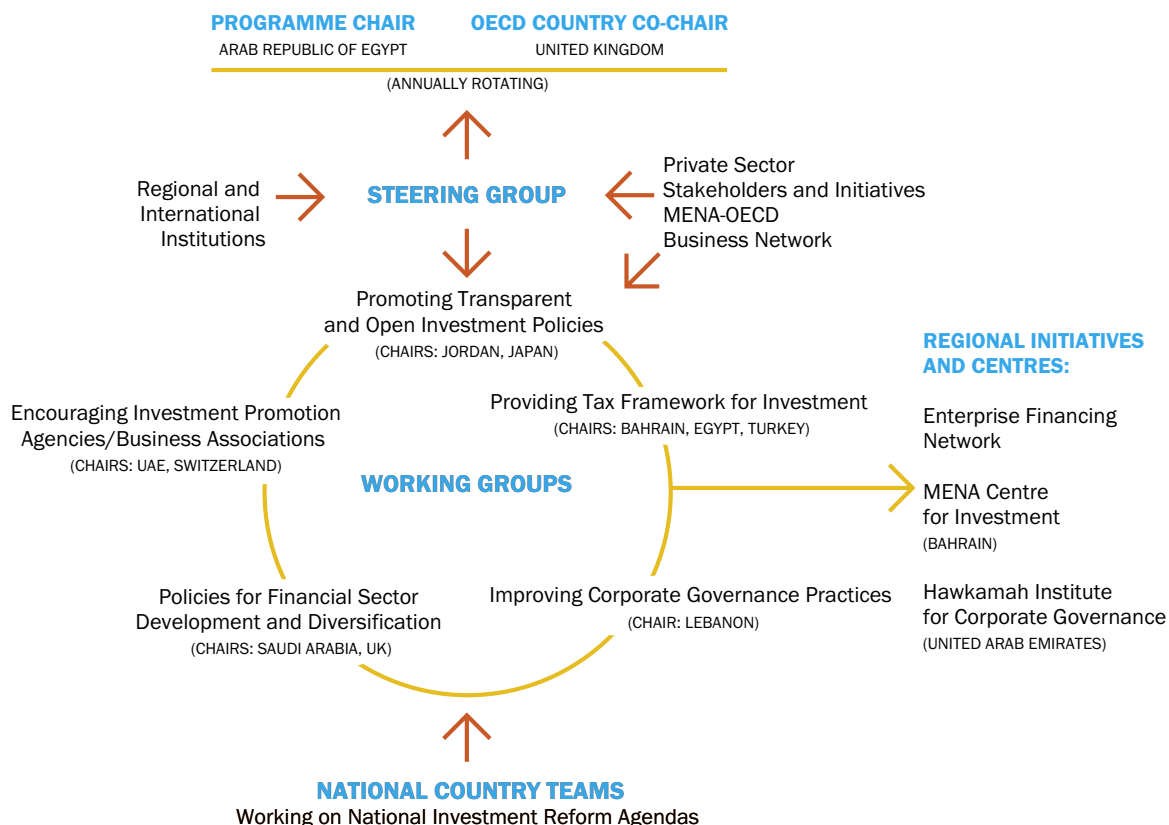
H. E. Sharif Ali Zu’bi, Minister of Industry and Trade, Jordan

FACILITATING INVESTMENT CLIMATE REFORM BUILDING ON REGIONAL OWNERSHIP

THE KEY OBJECTIVE OF THE INVESTMENT PROGRAMME is to mobilise private investment – foreign, regional and domestic – as a driving force for economic growth and employment throughout the region. The Programme offers a forum for results-oriented policy dialogue bringing together MENA and OECD practitioners. It supports reform efforts of MENA governments to enhance the investment climate by:

- strengthening country capacity for designing, implementing and monitoring investment policy reforms;
- creating a network of dialogue between investment policy makers from MENA and OECD countries;
- creating a favourable environment for employment creation through investment climate improvements;
- assisting ministries and government agencies to co-operate and co-ordinate their work;
- reinforcing the impact of development initiatives supported by international, regional and bilateral donors.

HOW THE MENA-OECD INVESTMENT PROGRAMME OPERATES



SUPPORTING
INVESTMENT
REFORM

DEVELOPING
AMBITIOUS
TARGETS

CREATING
CAPACITY

DEVELOPING
SYNERGIES

“An improved investment climate in MENA countries enhances business opportunities, contributes to sustainable growth and benefits individual MENA countries, the region and the world as a whole.”

**Mr. Shuichiro Megata,
Former Japan Co-Chair of the Programme,
Minister,
the Delegation of Japan to the OECD**

The **STEERING GROUP**, composed of high level delegates from MENA and OECD countries, international organisations and the private sector, guides and supervises the Investment Programme. The **Steering Group** is instrumental in preparing for the **MINISTERIAL MEETINGS**, where high level delegations of MENA countries meet annually.

Each of the **WORKING GROUPS** implements and oversees work in specific policy areas. The **Working Groups** are comprised of officials from relevant government Ministries and Agencies of the participating MENA countries. The **Working Groups** report their recommendations to the **Steering Group**.

Several **TASKFORCES** have been set up by the Programme, including the Taskforce on Business Integrity. These **Taskforces** address *ad hoc* issues of common interest to regional participants.

The **NATIONAL COUNTRY TEAMS**, include representatives from the local Investment Promotion Agencies, relevant Ministries, and civil society organisations. They coordinate activities related to the National Investment Reform Agenda for their country and work on implementing country-specific recommendations.

KEY BENEFITS OF THE PROGRAMME'S ACTIVITIES

Benefit	Examples
PROVIDE A FORUM FOR REGIONAL COOPERATION	<p>Ministerial Meetings bringing Ministerial teams together annually. Ministerial Declaration “<i>Attracting Investment to MENA Countries – Common Principles and Good Practice</i>” supported by 16 MENA countries.</p> <p>Ministerial and Steering Group meetings provide a venue for peer dialogue and review.</p> <p><i>Recommendations</i> to MENA policymakers developed by Working Groups and Taskforces of the Programme.</p> <p>MENA-OECD regional centers disseminate good practices and provide forum for regional dialogue on key issues.</p>
STIMULATE NATIONAL REFORM EFFORTS	<p>National Investment Reform Agendas with concrete time-bound reform items elaborated by MENA countries and followed up by the Programme.</p> <p>OECD guidelines incorporated in drafting laws and regulations linked to investment.</p>
INCREASE PRIVATE SECTOR PARTICIPATION	<p>A wide network of private sector organisations and stakeholders from MENA and OECD countries included in the MENA-OECD Business Network.</p> <p><i>Business Statement</i>, supporting reform in specific areas, drafted by key private sector organisations and presented to Ministers.</p>
ENHANCE THE IMAGE OF THE REGION AS AN ATTRACTIVE INVESTMENT LOCATION	<p>Coverage by local and international media of Programme events and developments (published on www.oecd.org/mena/investment).</p> <p>Investor of the Year Awards nominate companies from the region annually.</p>
STRENGTHEN TOOLS FOR INVESTMENT POLICY AND BUSINESS CLIMATE DEVELOPMENT	<p>Reports providing recommendations for investment climate improvement in areas covered by the Programme.</p> <p>MENA countries looking to participate in activities of the OECD Investment Committee and adhere to the OECD <i>Declaration on International Investment and Multinational Enterprises</i>.</p> <p>First regional anti-corruption Action Plan developed.</p>
SUPPORT ENTREPRENEURSHIP AND INNOVATION FOR ECONOMIC DIVERSIFICATION	<p>MENA-OECD Enterprise Financing Network to improve the regulatory conditions for financing entrepreneurship.</p> <p>Policy advice for venture capital development.</p>

MENA-OECD INVESTMENT PROGRAMME

AT A GLANCE



CALENDAR HIGHLIGHTS

Ministerial Meeting
and Business Day

Meetings of five Working Groups

Meetings of seven Taskforces

National Investment Reform
Agenda workshops

Meetings of the Enterprise
Financing Network

Thematic workshops

Other meetings as appropriate

For an updated calendar of the
Programme, please refer to the
section on Forthcoming events
posted on the Programme's
web site.

THIS REGIONAL MAP
ILLUSTRATES THE SCOPE AND
DEPTH OF THE PROGRAMME,
INCLUDING ITS VARIOUS
NATIONAL LEVEL PROJECTS.

MOROCCO

National Investment Reform Agenda
workshop, November 2006; pilot
projects: assess restrictions to FDI;
tax incentives review

TUNISIA

National Investment Reform Agenda,
September 2006

LIBYA

National Investment Reform Agenda;
pilot project: review of foreign
investment regulation

LEBANON

National Investment Reform Agenda;
pilot project: develop guidelines
for transparent and competitive
procurement procedures

PALESTINE NATIONAL AUTHORITY

National Investment Reform Agenda;
pilot project: investment policy
capacity and commercial law

JORDAN

Joint UNIDO-OECD event "Growing
Business in Jordan", June 2006;
Jordan National Investment Reform
Agenda Workshop, June 2006;
pilot project: Corporate Governance
Code, 2007

EGYPT

National Investment Reform Workshop,
May 2006; pilot projects: develop
Corporate Governance Guidelines
for State Owned Enterprises,
establish a regional tax and financial
management center

IRAQ

National Investment Reform Agenda;
pilot project: drafting investment law,
2006

SAUDI ARABIA

National Investment Reform Agenda
being developed; host of the Working
Group 4

YEMEN

National Investment Reform Agenda;
anti-corruption workshop, 2007

KUWAIT

National Investment Reform Agenda
being developed

BAHRAIN

Established regional MENA Investment
Center; National Investment Reform
Agenda workshop; pilot project:
develop Corporate Governance Code
for State Owned Enterprises and Non
Listed companies

QATAR

National Investment Reform Agenda
being developed; financial sector
development expert mission,
March 2006

UNITED ARAB EMIRATES

National Investment Reform Agenda,
December 2006; pilot project: drafting
investment law

OMAN

National Investment Reform Workshop,
June 2006; pilot projects: assess
investment restrictions; strengthen
investment promotion capacity

NATIONAL INVESTMENT REFORM AGENDAS

THROUGHOUT 2005 AND 2006, many participating MENA countries developed National Investment Reform Agendas (NIRAs) which include concrete investment policy reform measures. The objective of the National Investment Reform Agendas is to provide a framework for MENA countries that focuses investment policy reforms on key areas by specifying concrete, time-bound targets for implementation.

These targets are refined during the NIRA workshops organised to agree on specific investment related challenges with government representatives and private sector stakeholders in a country. The NIRA workshops are important not only to monitor individual countries' reform progress, but also to disseminate good investment policy practices among regional participants and provide visibility to ongoing reforms. They have demonstrated measurable progress on several items, and recommendations for further action have been developed by the Programme.

NIRA Sample topics:

- **Egypt** - Privatisation of state-owned banks and divesting shares in joint venture banks
- **Morocco** - Recommendations on FDI restrictions and reduction of remaining barriers
- **United Arab Emirates** - Drafting a new investment law
- **Jordan** - Establishing a new Corporate Governance Code

PEER DIALOGUE FRAMEWORK

METHODS ARE BEING DEVELOPED for a structured process to collect data and to assess progress in the different areas covered by the Programme in each country. The aim is to facilitate peer dialogue within a regional context.

RELEVANT OECD INSTRUMENTS AND GUIDELINES

IN ADDITION to tools developed by the Programme, the OECD instruments and guidelines also provide a significant resource of relevant best practices, drawing on the experience of member countries. These instruments and standards include, among others:

- *OECD Policy Framework for Investment*
- *OECD National Treatment Instrument*
- *OECD Guidelines for Multinational Enterprises*
- *Investment Promotion Guidelines for the MENA region*
- *OECD Checklist for Investment Incentives*
- *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*
- *OECD Model Tax Convention*
- *OECD Transfer Pricing Guidelines*
- *OECD Principles of Corporate Governance*
- *OECD Principles of Governance of State-Owned Enterprises*

These tools are increasingly being utilised by participating countries in design of their domestic legal and regulatory frameworks. The *OECD Principles of Corporate Governance for State-Owned Enterprises* have been used as a model for development of a first such code in Arabic in Egypt.

ENHANCING DIALOGUE THROUGH REGIONAL ACTIVITIES

WHILE PURSUING concrete national investment reform targets, the regional dialogue remains at the core of Programme's activities. Although being at different stages of investment climate reform, many MENA countries have areas of common interest, where the Programme can facilitate dialogue and sharing of good practice. The regional meetings of working groups, taskforces and workshops are supported by MENA-OECD Investment Centers.

Two MENA-OECD Regional Centers have been established with support of the hosting countries and other regional bureaus are being created.



The **MENA Centre for Investment** was founded in February 2006 in Manama, Bahrain to support regional ownership of investment reform of MENA countries participating in the Programme.



Hawkamah, the Institute for Corporate Governance, was created for the region and by the region to advance corporate governance reform in the same year.

The MENA-OECD Enterprise Financing Network aims at improving the regulatory conditions for financing entrepreneurship by creating a forum for exchange of good practice between MENA and OECD business and government representatives, entrepreneurs, financiers and government regulators. This initiative is aimed at reconciling the financing gap in the region and assisting young enterprises.

The MENA-OECD Business Network is comprised of over 500 private sector organisations from MENA and OECD countries which provide input into projects and recommendations undertaken by the Programme. The key partners of the Network are Arab Business Council, Business and Industry Advisory Committee to the OECD, as well as Business Associations and Chambers of Commerce in Arab countries. The Business Network organised the Investor of the Year Award and produced a statement to the Ministers calling to strengthen the voice of the private sector in the region.

“The Economic Development Board of Bahrain has been cooperating effectively with the MENA-OECD Investment Programme since its inception. We appreciate the forum for regional dialogue that this Programme provides and we hope that the MENA Investment Center established in cooperation with the Programme would provide a useful venue for further debate on investment-related issues. The EDB considers regional dialogue and joint efforts to promote the image of the region, through initiatives such as the MENA-OECD Investment Programme, of utmost priority”.

**Sheikh Mohammed Bin Essa Al Khalifa,
CEO, Economic Development Board, Bahrain**

**TAKING INVESTMENT REFORM TO A NEW LEVEL:
MOVING CONFIDENTLY INTO THE FUTURE**

THE FIRST YEAR of the Programme focused on evaluating the reform process in participating countries and developing recommendations to policy makers on the regional level. In parallel, activity on defining specific country reform targets and working on their implementation commenced in 2005 and continued throughout 2006.

The first phase of the Programme was brought to a successful conclusion by the Ministerial Meeting held in February 2006 in Jordan attended by delegations of 16 MENA countries. The meeting concluded with a *Declaration* on "Attracting Investment to MENA Countries – Common Principles and Good Practice" - **a first regional declaration on investment reform**. This *Declaration* encompassed common principles and good practices to ameliorate the investment environment in the region and specified avenues for implementation of included principles.

The second phase of the Programme is guided by this *Declaration* in its regional meetings and country-specific work, which was accorded greater attention in 2006. As NIRA workshops are organised for participating countries, specific pilot projects are identified in each country to be pursued over the long term. To this end, the Programme is mobilising the participation of the local and international donor community. Through peer dialogue and reform, the Programme intends to support participants' efforts to improve the perception of the region as an attractive investment location.

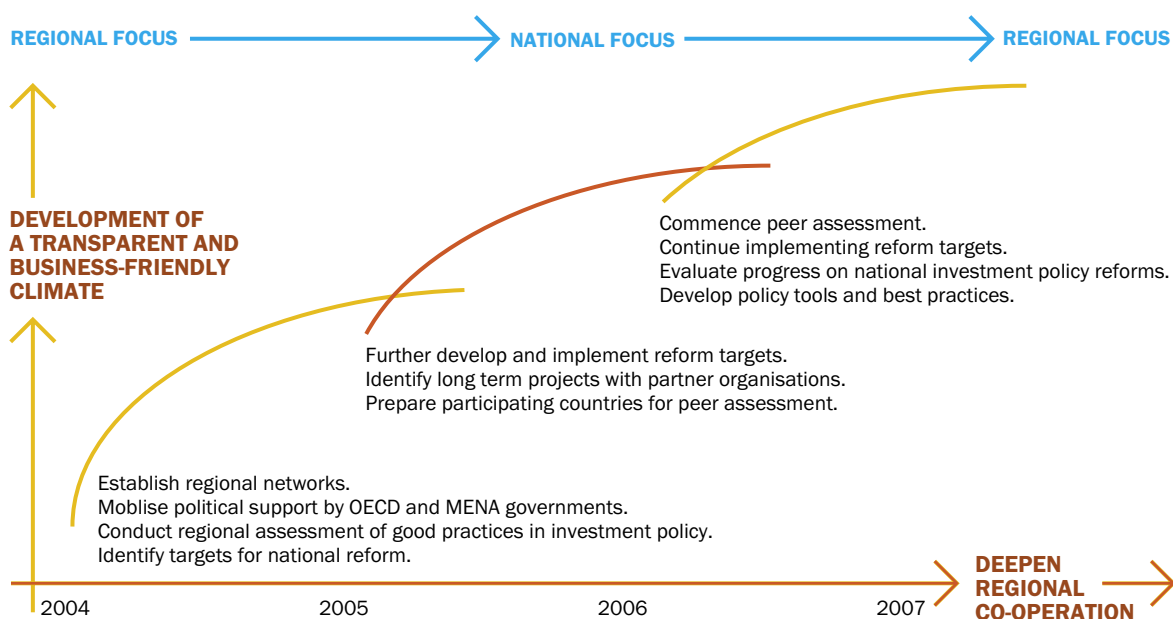
SUPPORTING
INVESTMENT
REFORM

DEVELOPING
AMBITIOUS
TARGETS

CREATING
CAPACITY

DEVELOPING
SYNERGIES

A MULTI-YEAR PROGRAMME



“Ongoing efforts by MENA economies and OECD countries to boost investment in the Middle East and North Africa took a significant step forward with the announcement by 16 Arab nations of their intention to pursue reform policies aimed at improving the environment for business in the region. In a 19-point declaration, ministers and senior representatives of MENA countries set out common principles and good practices for encouraging investment.”

Zawya, February 14, 2006



PROGRAMME PARTNERS

Islamic Development Bank
World Bank
Inter Arab Investment Guarantee Corporation (IAIGC)
Islamic Corporation for Insurance of Investments and Export Credit (ICIEC)
European Investment Bank (EIB)
Multilateral Investment Guarantee Agency (MIGA)
International Finance Corporation (IFC)
Arab League
United Nations Industrial Development Organisation (UNIDO)
Euro-Mediterranean Network of Investment Promotion Agencies (ANIMA)
Arab Business Council (ABC)
G8 Investment Taskforce (G8 ITF)
The Union of Chambers and Commodity Exchanges of Turkey (TOBB)
Arab Union of Banks (AUB)
Business and Industry Advisory Committee to the OECD (BIAC)

PROGRAMME DONORS

The governments of Bahrain, Italy, Japan, Spain, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, and the United States.

The MENA-OECD Investment Programme would like to thank its partners as well as its OECD and regional donors that actively support and finance the work of the Programme.

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The MENA-OECD Investment Programme is implemented in conjunction with the Good Governance for Development Initiative. Together, both shape the OECD's overall Middle East and North Africa Initiative on Governance and Investment for Development.



THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

(OECD), founded in 1961, provides governments with a setting in which to discuss, develop and perfect economic and social policy. The Organisation provides a forum where governments can compare policy experiences, seek answers to common problems, identify good practice and co-ordinate domestic and international policies. The OECD has 30 member countries but many more economies outside its membership are involved in the Organisation's work. The OECD has working relationships with non-member countries in Africa, Asia, Europe, Latin America and the Middle East, giving it a global reach.