

# **Increasing Investment and Competitiveness in the MENA Region through a Business Climate Development Strategy (BCDS)**

**Proposal for joint initiative of the  
OECD, World Bank, and MENA Steering  
Group**

**5 September 2007**

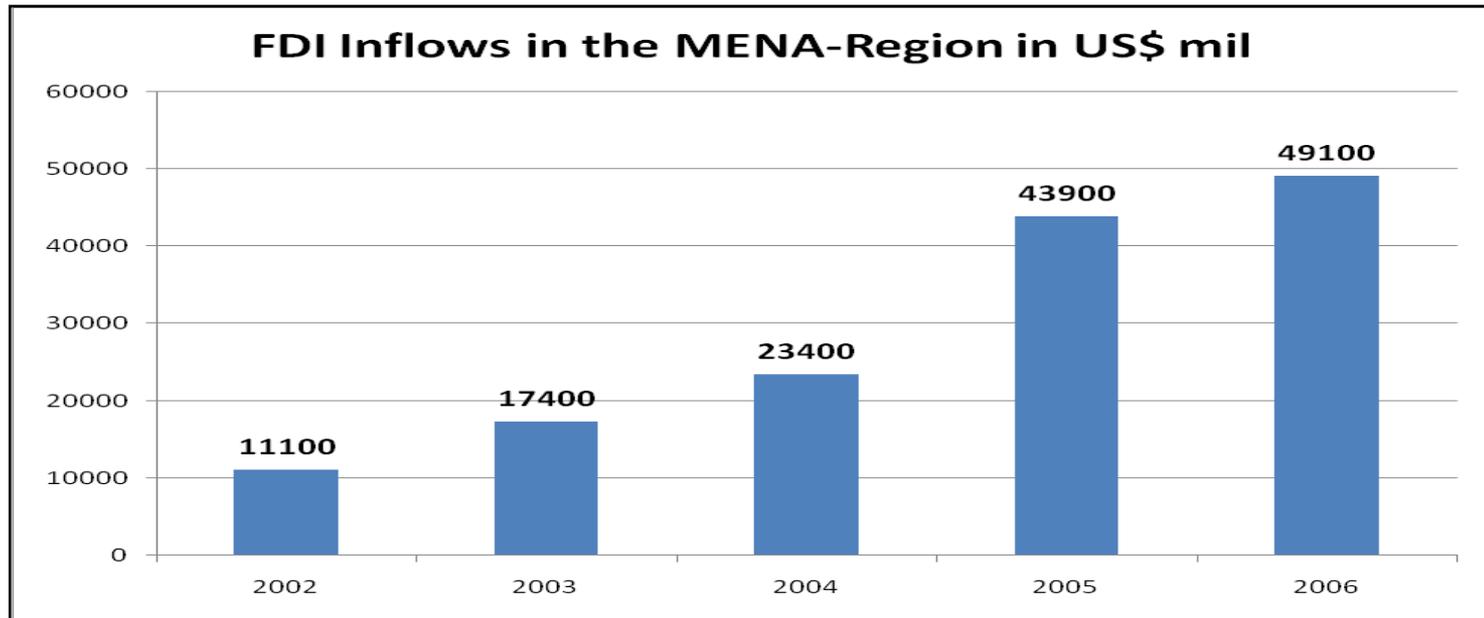
# Context

- Objectives and Market Context
- Key Questions
- Proposed Approach
- Expected Results and Benefits for MENA Countries
- Next Steps

# Objectives of the Initiative

- The objective of the proposed initiative is to increase investment and competitiveness in the MENA region through a comprehensive and collective process to evaluate, design and implement government policy to improve the business climate in the MENA region.
- The policy measurement and support in implementation would 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.
- The OECD and World Bank, together with other interested organisations, would support the implementation of the initiative.

# Investment flows have increased in the MENA-Region



- FDI flows buttressed by strong reforms in investment legislation and regulation, the tax framework, and legislation to fight corruption.
- However strong regional disparities remain, with U.A.E, Egypt and Algeria taking 50% of FDI flows in 2006
- In addition, investment remains highly concentrated on a limited number of sectors, such as travel and tourism, real estate and hydrocarbons

# Important work has already been conducted to assess the attractiveness of the BC in the MENA-Region

- World Bank Doing Business Indicators, measures of good governance and country-specific investment climate surveys.
- The MENA-OECD Investment Programme has contributed to analysing and promoting investment climate reform in the region through regional dialogue (5 working groups and country specific “National Investment Reform Agendas”).
- Other indices which measure some aspect of the business climate (e.g. Arab Competitiveness Index created by the WEF).

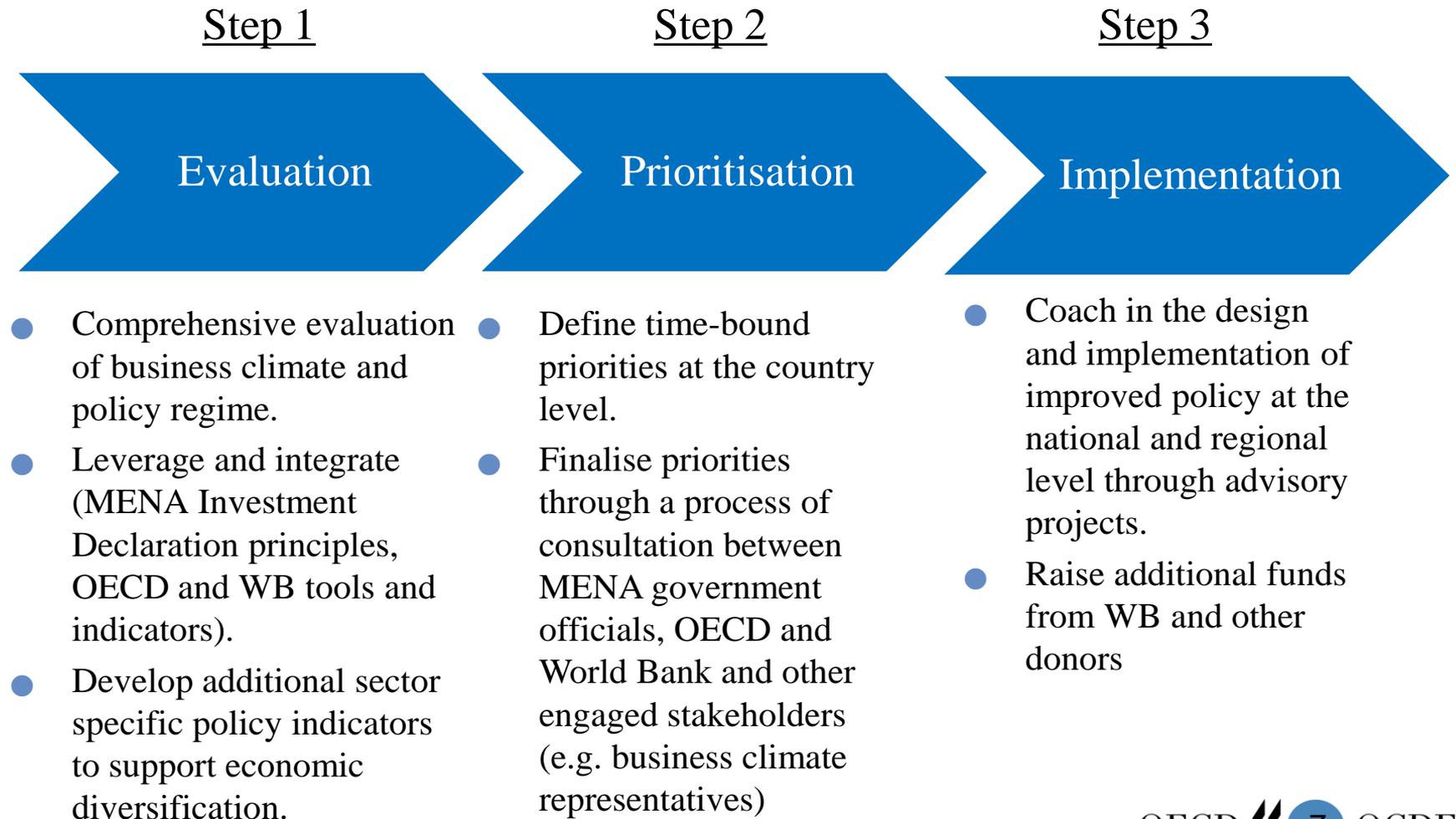
However:

- The indicators have focused more on policy outputs rather than government policy required to achieve those outputs (e.g. adherence to OECD standards on investment and competition laws).
- There is a need for a more holistic approach that integrates different analytic approaches, engages policy makers and stakeholders in strategy formulation, and monitors progress .

# Key Questions

- What government policy priorities at the national and regional levels are required to increase competitiveness and investment in the MENA region over the next five to ten years?
- How to best measure these policy priorities taking into account all existing available data?
- What is the best way to ensure consistency and coordination with existing indicators on the investment environment?
- How to best involve the governments and private sector in MENA to ensure maximum support for, and impact from, the policy evaluation?
- What is the best way to ensure that policy measurements translate into real action for reform?
- How can government actions be made more transparent and predictable?
- How can the sustainability of the reform process be ensured?

# Proposed Approach



# Institutional Framework

- The BCDS Programme would be coordinated by the OECD and the World Bank with the MENA governments mainly through institutions already established under the MENA-OECD Investment Programme including:
  - Five existing Expert Working Groups on:
    - \* Transparent and open investment policies (chair: Jordan; co-chair: JP)
    - \* Investment Promotion Agencies and Business Associations (chair: Bahrain; co-chair: CH)
    - \* Tax frameworks for investment, including assessment of incentives (chair: Egypt; co-chair: TR)
    - \* Policies for financial sector and enterprise development for economic diversification (chairs: SA, UK)
    - \* Corporate Governance (current chairs: Hawkamah, OECD)
  - A Regional Steering Group currently chaired by Egypt and the UK which meets at least twice a year including once at Ministerial level
- The initiative would also require the support of National Country Economic Teams to coordinate the evaluation process within each country.
- The MENA Steering Group would ensure the consistency and quality of the measurement of results and the coordination of support for implementations of agreed policy priorities.

# Expected Results and Benefits for MENA Countries

- A comprehensive assessment of where participating MENA countries stand, over a wide range of policy areas important for the business environment, including the identification of country and regional policy priorities.
- Strong government buy in and political support to ensure concrete follow up action for the design and implementation of reform.
- Objective and data-driven assessments of policy that can be used to justify the implementation of reforms vis a vis key stakeholders and to monitor reform impact.
- Further political impetus for change through the publication of the results.
- A rigorous analytical foundation to raise technical assistance funds for follow-up support from the World Bank and OECD on how to implement reform in priority areas.

# Proposed Next Steps

- Discussion of the proposal by the Steering Group on 5 September 2007.
- Build support and obtain funding commitments (October, November 2007).
- Submission of the proposal to the MENA Investment Ministerial (27/28 November 2007).
- Implementation of the programme: two years from the elaboration of the indicators to the final publication of results:
  - Finalise indicators and questionnaires (January - March 2008).
  - Prepare toolkit for participating governments (April 2008).
  - Set up web version of questionnaire, indicators and toolkit (May 2008).
  - Roadshow to each MENA country in order to explain and launch the process (May 2008).
  - Launch the measurement process in each participating country (June 2008).