

MENA-OECD BUSINESS ADVISORY BOARD

29 & 30 June 2022
Annual Meeting



The **MENA-OECD Business Advisory Board (BAB)** met on June 29 and 30, 2022 at the OECD Istanbul Centre. The event was jointly organised by the OECD and the co-chairs of the BAB, the Tunisian Confederation of Industry, Trade and Handicrafts (**UTICA**) and the Confederation of Employers and Industries of Spain (**CEOE**).

The gathering benefited from the participation of 100 representatives of governments, business associations and chambers of commerce, non-profit organisations (NGOs) from **9 MENA economies** and **6 OECD countries**, as well as regional and international institutions.

Under the theme "From recovery to economic resilience: strategies for the private sector", the 2022 BAB meeting focused on the **private sector's role to promote more resilient, sustainable and inclusive economies in the MENA region**, in a context defined by the COVID-19 pandemic and the economic and social implications of Russia's large-scale aggression against Ukraine.


Discussions covered three priorities:

- i) Challenges and opportunities to advance economic resilience in the MENA region
- ii) Accelerating the digital transformation,
- iii) Promoting the green transition.

A special ideas factory session was dedicated to considering how business associations can provide innovative solutions to job creation and entrepreneurship promotion as well as enhanced trade and investment in the region.

Key Messages

Throughout the meeting, **participants acknowledged the importance of public-private dialogue as an essential mechanism for effective policy design and implementation of reforms.** In a perspective of effective public-private dialogue, the following considerations emerged from the discussions.



Turning crisis into opportunities, the MENA region has been reminded of the central role of the private sector to enhance intra-regional trade and investment including by developing resilient supply chains.

Business associations can:

- Contribute to **foster regional integration**, through information sharing, promoting international standards and engaging in public-private dialogue towards developing enabling structures for trade and investment. Regional trade integration and participation in global value chains are essential to boost economic growth and resilience. Intra-regional trade among MENA economies remains at low levels.
- Promote a policy agenda to achieve a full-fledged transformation **toward digital and green.** The pandemic and the recent food and energy crises have reinforced the economic case for these transformations. Both offer immense opportunities for businesses and societies in the region as they have the potential to create new jobs, increase resilience and foster entrepreneurship.
- Advocate for a more **market oriented regulatory framework** that reduces administrative burdens, excessive taxation and red tape. This could also facilitate bringing informal employment in the region, representing approximately 68% of total employment, under formal arrangements while ensuring opportunities for income security.
- Encourage governments to address the **root causes of inflation** in the region, and restore investment through balanced fiscal and monetary policies accompanied by relevant structural policies, to limit the adverse impact of the Ukraine war on local production.
- Work closely with governments, NGOs, universities and firms to develop targeted **capacity building** programmes for youth and women in the region. They can act as a platform for open discussion that is inclusive and involves relevant stakeholders.
- Make use of OECD standards and good practices in the area of access to finance and financial education, to ensure that the emerging demand for **financial inclusion** is properly met, with a targeted focus on women, youth and MSMEs. Indeed, the pandemic has stressed the need to enhance financial inclusion in the region, to increase resilience and reduce the risk of poverty.



The pandemic has revealed the importance of digital skills, critical to promote competitiveness and potential employment opportunities in the MENA region.

Business associations can:

- **Promote digital transformation's vitality and value** to business resiliency. Stakeholders in the MENA region are yet to be sold on the importance of such a transformation to their resiliency strategy. A robust

public-private dialogue platform can facilitate digital transformation and address several critical issues, such as enabling digital infrastructure, building trust among stakeholders and other topics of concern, including digital transformation in conflict environments.

- Advocate for **better fiscal and financial schemes** for firms that invest in creating employment opportunities in the digital sector. This would help to alleviate the brain drain, accelerate digital transformation and reduce youth unemployment.
- Join forces with the government to **identify infrastructure investments** that will provide enhanced capacities in the region offering better and more secure access to digital means. The internet connectivity of the region can be improved in terms of accessibility and affordability.
- **Help close the skill gap through better training:** Formal education does not meet market demand for digital talents, an issue manifested during the pandemic. Business associations can help build partnerships between universities and the private sector with the aim of identifying in a timely manner the skills needs and minimising skills mismatches in the labour markets.
- Take a strong role in **facilitating women's access** to digital training and increasing female participation in future work. Reducing the digital divide is critical: in 2021, MENA women were 56% less likely to use the internet than men.



The green transition poses both challenges and opportunities for businesses and society in the MENA region. In the long-run it can lead to sustainable economic growth and reduced dependence on fossil fuels, but will require adequate support policies and public funding.

Business associations can:

- **Help design national roadmaps.** The design and implementation of national roadmaps for the green transition can signal the commitment of governments to achieving "net zero" targets and spell out how the private sector can contribute to the achievement of these targets. Business associations should be involved in the preparation of these roadmaps, as they can bring the voice of firms and can support policy implementation by helping deliver programmes on the ground.
- **Help governments learn about the main barriers to, and drivers of, the green transition** for companies, so that they can effectively support companies, including SMEs, in their journey towards "net zero" emissions.
- **Focus on and disseminate best practices.** Despite the existing challenges, the region is home to remarkable success stories in terms of the green transition. Business associations can review these best practices and implement actions, suggesting policies to governments to replicate these success stories in their own sectors and economies.
- **Make the business case for the green transformation.** While the green transition may imply upfront costs for businesses, in the long-run there is often a business case for making products, processes and services greener; the most evident example is improvements in the energy efficiency of businesses. Business associations are uniquely positioned to raise awareness with their members that there is a business case for the green transition, which has become even stronger in the current context of high energy prices.
- **Support governments in the identification of jobs at risk** and in the design and implementation of training policies aimed at reskilling and upskilling the labour force affected by the green transition. This transition will in fact entail job losses in declining "dirty" industries and in those regions that more heavily depend on them.

- Be involved as a source of business advisory services to **introduce new financial tools**, as a complement to the financial services extended by commercial or public banks. Financial products such as green sukuk (green Islamic bonds), green loans or green guarantees can be used to achieve carbon neutrality while also providing financial leverage for the green transition. Similarly, commercial and public development banks can be encouraged to “clean” their balance sheets by reducing lending to high-emission industries and companies while extending more credit to cleaner industries and companies.

Next steps:

- **The OECD to finalise a Toolkit on Public-Private Dialogue**, which clarifies the scope and objectives of PPD, providing a “checklist” of key steps to drive action and incorporating inputs from the BAB discussion. The Toolkit will guide ongoing and future public-private dialogue initiatives in the MENA region.
 - Timeline: Fall 2022
- **Share the BAB’s recommendations with the Steering Committee of the MENA-OECD Initiative on Governance and Competitiveness for Development** at its meeting in the fall of 2022. The meeting will bring together policymakers and government representatives from MENA economies and OECD countries.
 - Timeline: mid-October 2022
- **Establish a task force on “PPD to promote a green transition in MENA”**. The Task Force would meet virtually to develop a policy paper, with a proposed focused on two sectors of particular interest for the MENA region to mitigate the effects of climate change and seize opportunities towards green growth: water and energy.
 - Timeline: Fall 2022-Spring 2023
- **Contribute to the agenda of MENA-OECD Working Group on Investment and Trade**. The Working Group will meet on Q4 2022 to discuss investment and trade in support of a sustainable and greener economy, resilience of supply chains in MENA countries, and good practice policies on investment and trade. BAB members are invited to submit their views and questions on the three topic areas to be discussed, and help select regional and country success stories to showcase as good practice.
 - Timeline: September 2022