

NEWSLETTER OF THE MENA-OECD INITIATIVE

ON GOVERNANCE AND INVESTMENT FOR DEVELOPMENT

Delivering Policy Tools for Reform

Spring 2009, Issue 1

◆ ABOUT US ◆

The Organisation for Economic Co-operation and Development (OECD) comprises 30 member states working with more than 100 other countries in order to raise living standards and to promote worldwide economic growth and development.

Launched in 2004, the OECD Initiative on Governance and Investment for Development in the Middle East and North Africa is a regional programme designed to enhance economic growth and public sector modernisation in the region by building capacity for reform design, implementation and monitoring in the areas of public governance and investment policies. The Initiative consists of two pillars: the Governance and the Investment Programme.

The Governance Programme supports public governance reform in view of global social and economic development objectives. It is directed towards helping MENA countries strengthen their capacity to govern by improving policy-making systems and the performance of public institutions.

The Investment Programme helps accelerate economic reforms to achieve sustainable economic growth and employment. By involving both public and private sectors, the Investment Programme supports reform prioritisation and implementation, and designs business climate development strategies targeting country-specific needs.

This newsletter provides information about reform trends in the MENA region and recent activities of the OECD Initiative on Governance and Investment for Development in the Middle East and North Africa.

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OECD-MENA INITIATIVE 

SHARING EXPERIENCES ON POLICY IMPLEMENTATION



A conference of the OECD-MENA Governance Programme held on 5 March 2009 in Cairo under the title of "Moving forward with the Governance Reform Agenda" addressed the question of building support for change and ensuring the success of reforms, which is a key challenge for any policy maker. The purpose of the conference was to shed light on the question of winning support for public governance reforms and effectively communicating reform measures and expected outcomes to different audiences. The conference provided participants from a wide range of backgrounds with the opportunity to share experiences on the successful implementation of governance reforms. Participants discussed how adequate communication strategies can help overcome potential resistance to change and build trust in government, as public governance reforms may have short-term costs, while many of the benefits only become visible in the long-run.

Interventions explored whether and to what extent the current global financial crisis can provide a window of opportunity for governance reform, or on the contrary become an obstacle to reform by increasing resistance to reform and slowing down the pace of reforms. The participants, who included representatives from governments, the media, and the civil society, recognized that critical economic and financial situations can become a reform driver and an incentive for adapting government action, but that policy priorities and the sequencing of reforms may shift when economic uncertainty prevails.

The conference was chaired by Mr. Ahmed Darwish, Minister of State for Administrative Development of the Arab Republic of Egypt and counted with the participation of Belgian Ambassador Chris Hoornaert, co-chair of the OECD-MENA Governance Programme, Mr. Aart de Geus, Deputy Secretary General of the OECD, Ambassador Agustín García-López, Permanent Delegate of Mexico to the

OECD and Professor Maria Manuel Leitão Marques, Secretary of State for Administrative Modernisation in Portugal.

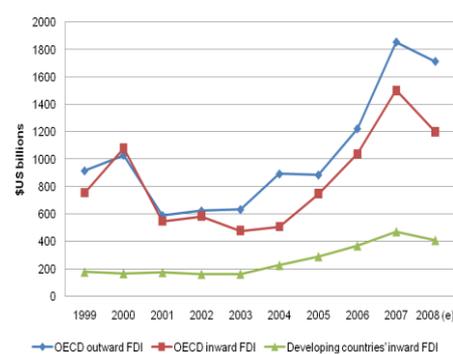
MENA INVESTMENT PROGRAMME STEERING GROUP ADDRESSES ECONOMIC CRISIS

During its meeting at the OECD headquarters on 24 March 2009 in Paris, the MENA Investment Programme Steering Group addressed the impact of the economic crisis on the MENA region. On current trends, data for 2008 shows a decline of OECD inward foreign direct investment (FDI) by 13% and OECD outward FDI by 6%, while final numbers for inward FDI for developing countries are expected to show a drop of approximately 13%. In Gulf countries, latest estimates suggest that FDI inflows have fallen by 21% from 2007 to 2008. Figures for North Africa indicate that FDI has decreased only modestly, by 5.2% (from \$22.4US billion to \$21.3US billion per year).

The Investment Steering Group meeting marked the occasion for Arab country representatives to share their policy experiences in addressing the crisis, and to confirm their commitment to investment and business climate reform. For example, Morocco and Tunisia have created strategic coordinating bodies to monitor the effects of the economic crisis. In October 2008, Bahrain released a new economic vision that extends until 2030 focusing on economic diversification away from oil, with special emphasis on financial services, industry, logistics, business services and tourism.

Ministers and policy experts alike emphasised their commitment to regional integration and co-operation, continued adherence to OECD instruments and processes, and a clear rebuttal of protectionism.

INWARD FDI DROPS DUE TO ECONOMIC CRISIS



Source: OECD Investment News November 2008

PERFORMANCE-BASED BUDGETING IN MENA COUNTRIES

The Senior Budget Officials Network for the Middle East and North Africa (MENA SBO) was officially launched at a high-level meeting in Cairo on 24-25 November 2008. Fifty delegates from thirteen MENA and seven OECD countries, as well as representatives from the European Union, the World Bank and the International Monetary Fund attended this meeting that was chaired by Egyptian Deputy Minister of Finance Mr. Hany Dimian.



The meeting, organised within the framework of the OECD-MENA Governance Programme, addressed in particular the issue of performance budgeting from various aspects such as sequencing and pacing of reform, information systems and indicators, and linking performance information with medium term expenditure frameworks.

Participants had the opportunity to learn more about the design of performance indicators and the use of performance measures. The MENA SBO network is expected to provide a platform for raising ongoing policy concerns that budget practitioners wish to examine in depth, placing emphasis on the exchange of implementation techniques and lessons learned.

THE MENA INVESTMENT PROGRAMME LENDS CRISIS RESPONSE SUPPORT

The MENA-OECD Investment Programme is examining response measures to the financial crisis on both a regional and country-specific level.

Regulatory responses already being implemented by MENA countries include reducing administrative barriers and relaxing restrictions on inward investment, providing fiscal incentives through tax or customs duty reductions, and targeting foreign investment by promoting special economic zones.

The MENA-OECD Investment Programme is re-assessing current MENA governments' policy responses and lends appropriate support to continue regulatory capacity-building favouring international investment. Special emphasis is on the con-

tinued development and maintenance of open and transparent investment policies.

A focal point of the programme's crisis response support is developing comprehensive national Business Climate Development Strategies (BCDS). By developing BCDS for MENA countries such as Morocco and Egypt, the programme seeks to ensure sustainable business climate reform by specifically addressing reform priorities in such areas as tax policy, anti-corruption, human capital development, and trade policy. This BCDS benchmarking and policy prioritisation process is collaborative, involving governments, the private sector and other stakeholders to increase buy-in.

Each of the five investment regional working groups are currently developing policy recommendations for national and regional crisis responses in their respective areas of expertise: Investment policy and promotion; small and medium-sized enterprise (SME) policy, entrepreneurship and human capital development; tax policy; financial markets; and corporate governance. For example, the Working Group on SME Policy, Entrepreneurship and Human Capital Development will produce guidelines on how to access finance for small and medium-sized businesses in times where liquidity poses a challenge.

IMPROVING THE REGULATORY ENVIRONMENT

Anticipating the impacts of new regulations on economic and social development, adapting existing legislation to the needs of changing societies, and promoting enabling regulatory frameworks are major policy concerns for MENA and OECD countries. In the past months, the OECD-MENA Governance Programme therefore provided several capacity building seminars to support ongoing regulatory reform initiatives in MENA countries.

A capacity-building seminar on the review of existing legislation held in Cairo on 11-12 March 2009, provided MENA and OECD countries with an opportunity to exchange ideas and showcase regulatory reform efforts. The seminar helped assess progress of the ongoing Egyptian Regulatory Reform and Development Activity (ERRADA) and explore international experience to support the definition of the way ahead towards configuring a sound regulatory management system in Egypt.

In view of supporting regulatory management reform, the Fourth Special Session of the OECD Working Party on Regulatory Management and Reform, which took place on 20 October 2008 in Paris, also dealt with law-drafting capacities, administrative simplification and the use of evidence-based tools to support policy-making processes. Participants emphasized the importance of government's ability to enhance the quality of regulations and to ensure their compliance and enforcement.

To this end, delegates from the participating MENA and OECD countries agreed to carry out a "Project on Improving Law-Drafting Capacities in MENA countries" as a precondition for enhanced regulatory quality. The aim of this project is to build capacities for providing high quality regulations, which should be clear, transparent, predictable, effective, efficient, and enforceable. The project is expected to address law-drafting mechanisms, institutional design, training and dissemination of guidelines and manuals for government officials. It is to be implemented within the framework of the Working Group on Public Service Delivery, Public Private Partnerships, and Regulatory Reform.

A mid-term review meeting for this project took place on 19-20 May 2009 in Tunis.

[Report on the Implementation of the Euro-Mediterranean Charter for Enterprise](#)



◆ PUBLICATIONS ◆

[Making Private Sector Development Reforms Succeed](#)



[Overcoming Barriers to Administrative Simplification Strategies](#)



PROMOTING INTEGRITY THROUGH JOINT LEARNING STUDIES



The Joint Learning Studies (JLS) are a new and innovative method established to share knowledge between MENA and OECD countries and support the successful implementation of reforms. One of the key elements is the involvement of experts from both MENA and OECD countries in the assessment process. The OECD-MENA Governance programme is currently implementing a series of JLS in the field of integrity with the purpose of supporting the important efforts of governments in this regard and with a view of enriching regional dialogue in this area. The first [*JLS on Enhancing Integrity in Public Procurement in Morocco*](#) was completed in 2008 and is available online.

In 2009-10 at least six new JLS will be carried out in key areas of corruption prevention. In preparation of the JLS on Integrity in Public Procurement in Yemen and the JLS on the Implementation of the Code of Conduct and Ethics in Jordan's Civil Service, fact-finding missions to Yemen and Jordan took place in January and March 2009.

IRAQ CREATES TASK FORCE FOR ECONOMIC REFORMS AND PRIVATE SECTOR CAPACITY



The Task Force for Economic Reforms and Private Sector Capacity was launched in a High-Level Meeting on 20-21 January 2009. The meeting was attended by representatives from the Government of Iraq as well as OECD member countries. The task force aims to guide and support policy and legislative design, regulatory and institutional reform, as well as project implementation designed to diversify the Iraqi economy through private enterprise and investment promotion.

◆ RECENT AND UPCOMING KEY EVENTS ◆

June 2009

11-12 – Participation of MENA countries in the *Conference on Climate Change and Sustainable Cities*, Las Palmas de Gran Canaria, Spain.

16-17 – *Technical Seminar on Measuring and Planning Workforce* and *5th Regional Working Group Meeting on Civil Service and Integrity*, Rabat, Morocco.

17 – *Meeting of the Task Force on Responsible Business Conduct*, Cairo, Egypt.

24-25 – *High Level Regional Seminar on Improving e-Services Take Up: Challenges, Solutions and Good Practices* and *5th Regional Working Group Meeting on e-Government and Administrative Simplification*, Manama, Bahrain.

25 – *Workshop on Free Economic Zones with World Bank Investment Climate Assessment Publication*, Cairo, Egypt.

July 2009

6-8 – *Iraq Private Sector Task Force Meeting and Training*, Paris, France.

8-9 – *Conference on the Governance of Water: Sharing experiences between OECD and MENA countries*, Tunis, Tunisia.

September 2009

21-22 – *5th Special Session on the OECD Working Party on Regulatory Management and Reform*, Paris, France.

28-29 – *MENA Governance and Investment Steering Group meeting at Technical Level and Donors Meeting*, Cairo, Egypt.

30 – *Meeting of the Working Group on Investment Policy and Promotion*, Cairo, Egypt.

October 2009

1-2 – Participation of MENA countries in the Meeting of the *Public Employment Working Party on Strategies for Building a Representative Public Workforce* and *Workshop on Addressing Gender in Human Resources Management*, Paris, France.

19 – *Meeting of the Working Group on SME Policy, Entrepreneurship and Human Capital Development*.

12-13 (tbc) – *Taskforce on Corporate Governance of Banks*, UAE

26-27 – *Regional Conference on Public Sector Integrity*, Istanbul, Turkey.

November 2009

4 (tbc) – *MENA Responsible Business Network*, Amman, Jordan.

4-5 – *2nd Meeting of the MENA Senior Budget Officials Network on 'Budget offices' adjustments to an international crisis'*, Doha, Qatar.

6-7 – *High level delegation to the Global Forum on Fighting Corruption and Safeguarding Integrity and Conference of State Parties*, Doha, Qatar.

8-9 – *Meeting of the Working Group on Corporate Governance in conjunction with the Annual Meeting of the Hawkamah Institute*, Dubai, UAE.

22 – *MENA-OECD Business Forum and Governance Day*, Marrakech, Morocco.

23 – *MENA Ministerial Meeting: Beyond the crisis: Placing business and citizens at the centre of policy responses*, Marrakech, Morocco.

The task force is to be structured around four working groups focusing respectively on legislative revision, restructuring of state-owned enterprises, small and medium enterprise development and social dialogue, and investment policy. The MENA-OECD Investment Programme is principally involved in legislative revision and investment policy.

The delegation from the Iraqi government included senior representatives from the Prime Minister's Office, the Council of Ministers, Ministries of Finance and Industry, the National Investment Commission, the Kurdish Regional Board of Investment, and Iraq's Ambassador to France.

BETTER E-SERVICES FOR CITIZENS

Representatives from Egypt, Jordan, Lebanon, Morocco and Tunisia participated in a workshop held on 21 November 2008 in Brussels. The workshop was organised jointly by the OECD and the Belgian Ministry of Information and Communication Technology (FEDICT). Belgium shared its experience in the conception, implementation, and production of electronic ID cards. Participants discussed the strategic decisions related to e-ID card implementation, the environment for e-ID employment, marketing campaigns and quick-wins to gain support from citizens and policy makers.

WORKING GROUP ASSESSES TAX IMPLICATIONS IN ECONOMIC CRISIS

The Working Group on Tax Policy Analysis of the MENA-OECD Investment Programme brought together senior tax policy officials from the MENA region on 23-29 January 2009 at the OECD headquarters in Paris. Established to contribute to regional dialogue on tax policies between government, the private sector and other stakeholders, the working group specifically addressed the role tax policy and administration could play to alleviate the effects of the economic crisis.

The session focused on the work at the OECD designed to provide assistance to countries in developing short- and long-term policy responses, including policy approaches that may help avoid similar crises in the future. In addition to examining the tax implications of the economic crisis, participants analysed tax impediments to small and medium-sized enterprise creation, growth and tax compli-

Announcement of the MENA Ministerial Conference: Beyond the Crisis: Placing business and citizens at the centre of policy responses

Opened by Moroccan Prime Minister Abbas El Fassi, the next Ministerial Conference of the MENA Initiative on Governance and Investment for Development is scheduled to take place on 23 November 2009, in Marrakech, Morocco. The conference will be attended by various MENA and OECD countries' ministers dealing with public governance and investment policies. It will also be open to representatives of the business community and the civil society. Along with a number of experts, the participants will discuss strategic directions addressing key business climate and governance challenges in the context of the global financial crisis. In addition, MENA ministerial delegations will present regional reform achievements in the areas of public governance and investment, and discuss ways to benefit from the MENA Initiative to ensure success of ongoing reform projects.

The Ministerial Conference will be preceded by a **Business Forum and Governance Day on 22 November 2009.**

ance, and specific areas where the OECD could provide technical assistance to MENA countries to support tax policy analysis and development within the framework of the Programme's national Business Climate Development Strategies.

TASK FORCE BUILDS DIALOGUE ON RESPONSIBLE BUSINESS CONDUCT

Over 250 participants from governments, businesses and civil society in MENA and OECD countries gathered in Cairo on 26 October 2008 for the first meeting of the Regional Task Force on Responsible Business Conduct (TFER). Organized by the MENA-OECD Investment Programme, the Egyptian Institute of Directors, and the National CSR and Global Compact Center, the TFER examined concrete initiatives for engaging in responsible business conduct. The areas identified during the meeting as most relevant in the debate on responsible business conduct in the MENA region are business integrity and anti-corruption; education, youth employment and labour standards; and health and environment. In addition, H.E. Dr. Mahmoud Mohieldin,

Minister of Investment of Egypt, stressed the importance of responsible business conduct to ensure law enforcement and fight corruption in the context of the economic crisis.



With a view to actively engage both private and public sectors in responsible business conduct, a co-ordinating committee of national, regional and international partners was established in March 2009 for the MENA Responsible Business Network. Special focus of this Network lies on the assessment and exchange of responsible business practices in the region. Its next meeting will be in Amman, Jordan on 4 November 2009, held back-to-back with the Corporate Governance and Responsibility Forum (2-3 November 2009).

Participation of Egypt in the Public Governance Committee

The OECD Council and the Public Governance Committee agreed in 2008 on Egypt's participation as a regular observer in the Public Governance Committee and its sub-bodies. This decision is in accordance with the OECD mandate of contributing to the development of non-members, and Egypt's implementation of extensive governance reform processes in recent years. Such closer association will allow for accessing and drawing from mutual experience and knowledge in the area of public governance, thus providing helpful international reference to guide policy-makers in designing reform strategies.

Study Visits of MENA country delegates to Madrid, Ottawa, and Paris

The OECD-MENA Governance Programme supports MENA countries' efforts to establish regional centres aimed at strengthening regional policy dialogue and co-operation, and facilitating knowledge dissemination and capacity building. The creation of three regional centers that seek to reinforce intra-regional co-operation and to build sustainable governance capacity is in progress in Egypt, Morocco and Tunisia.

Egypt inaugurated the **Tax and Financial Management Training Centre in Cairo** in 2008. This Center is currently planning the launching of regional activities in the context of the OECD-MENA Governance Programme. An Egyptian delegation visited Spain in May 2009 to learn about the experience of the Spanish Institute of Fiscal Studies attached to the Ministry of Finance that plays a key role in the Spanish public finances policy. Later in May, Egyptian officials visited ADETEF (Association pour le Développement des Échanges en Technologie Économique et Financière) in France to address future co-operation between the institutions.

During a study visit to Ottawa in April 2009, organized by the OECD and the Treasury Board of Canada Secretariat, officials from Tunisia, Egypt and Lebanon were able to explore in detail regulatory management processes in Canada. This visit focused in particular on the functioning of the Centre of Regulatory Expertise in Canada in view of the launching of the **Regional Center for Expertise on Regulatory Quality in Tunis.**

These study visits to Paris and Ottawa followed a study visit of Moroccan delegates to Madrid in February 2008 for the launching of the **Regional Center for Public Policy Evaluation in Rabat.**