

## REGIONAL CONFERENCE

# Investment and inclusive growth in the midst of crisis: Lessons learned & ways forward

The conference “Investment and inclusive growth in the midst of crisis: lessons learned & ways forward” took place on 11 May 2016, in Beirut, Lebanon. It was organised under the patronage of the Minister of Finance of Lebanon, Mr. Ali Hassan Khalil, and co-hosted by the Institut des Finances Basil Fuleihan (IoF) and the OECD.

Over 90 participants attended, including policymakers, and representatives from the private sector and civil society from the Middle East and North Africa (Egypt, Iraq, Jordan, Lebanon, Libya and Tunisia), and from the international community (EU, Germany, Spain, Turkey, UK-DFID, UNDP, UNESCWA, Union of Arab Banks, the World Bank). The conference discussed how the private sector development can build resilience.



Opening panel with Amani Essawi (General Authority for Suez Canal Economic Zone, Egypt), Majdi Hassen (IACE, Tunisia), Amb. Dona Turk (Ministry of Foreign Affairs, Lebanon), Alain Bifani (Ministry of Finance, Lebanon), Carlos Conde and Anne Le More (OECD)

### Key messages

#### The private sector should play a critical role stabilising the Middle East and North Africa

There is strong consensus that the private sector can contribute to resilience in the region, and governments can implement better policies to support its development. The international community should work with countries affected by conflict in preparation for reconstruction. It should also support countries like Lebanon and Jordan reactivating their economies, and build on the response plans they have developed following London’s conference on “Supporting the Syria and the Region”. Both the needs of refugees and internally displaced persons, and those of host communities need to be addressed in parallel to avoid local pressures that can result in further destabilization. Moreover, the immediate response to the crisis should be connected with long term needs and include a development angle.

#### Policies to promote investment and access to markets need to adapt to fragile contexts

Between 2008 and 2014, FDI inflows to the MENA region decreased by more than 50%, while they obviously halted to Libya and Syria. Continued political instability, higher transaction costs and information asymmetry undermine investors’ confidence and predictability. However, opportunities still exist in specific sectors and areas that are less exposed to conflict within countries and studies show that fragile and conflict-affected states continue attracting FDI at a higher growth rate than in the rest of the world. Governments can support investment in fragile situations by:

- Better targeting of sectors, territories and investors can help promote feasible investments. Lebanon’s investment promotion agency, IDAL, is targeting the knowledge-based sector, which could be more resilient.
- Strengthening the legal and institutional framework for investors, complementing legal reforms with enforcement mechanisms. Iraq is now giving access to international arbitration for foreign investors – though under specific conditions – complementing the role of the national judicial system to solve their potential disputes.
- Consider developing special economic zones, like in Egypt and Jordan. However, it is necessary to carefully assess which are the risks, how are the zones linked to the overall economy, and what could be the long-term impact.
- Strengthening national statistics systems to support private sector engagement. Public private partnerships can support in collecting data in challenging areas, and the Partnership in Statistics for Development in the 21st Century (PARIS21) provides successful examples.

The Middle East and North Africa is among the regions less integrated in the world economy, and trade routes are severely affected by ongoing conflicts. Lebanon has become isolated with no land access to markets. Governments can support international trade by:

- Negotiating new trade agreements and reviewing quality standards and rules of origins. Jordan and Lebanon are negotiating new trade agreements with the EU.
- Promoting business linkages between SMEs and MNEs and between local businesses and the diaspora.

### Planning for reconstruction should start today

Infrastructure projects are major enabler of economic development and job creation, not only in the short term for reconstruction and basic needs provisions, but also in the longer term by facilitating trade and investment. Central questions for successfully executing infrastructure projects include the involvement of private sector through specific contracts such as public-private partnerships, as well as governance, transparency, legal and institutional issues to frame respective responsibilities and address higher risks linked to lack of security and predictability.

### SMEs can provide opportunities for refugees and host communities

The MENA region suffered from very high levels of unemployment and informality, as well as low rates of entrepreneurship before the recent conflicts unleashed. Today there is additional pressure to create jobs for refugees and displaced people, who face legal restrictions to join formally the labour market. Host communities also need to be particularly supported, since the competition from newcomers has a significant impact on their employment and salaries. For instance, 54% of Syrian refugees in Lebanon are concentrated in the Bekaa and the North, which are highly impoverished.

SME agencies are developing different solutions. KOSGEB (Turkey) and other organizations will sign a protocol to support refugees through occupational and language trainings, and entrepreneurship programmes. JEDCO (Jordan) recently developed a National SME Strategy, with a strong focus on inter-institutional coordination and is giving legal access to the labour market for refugees. Libya Enterprise faces a double challenge: making SMEs an attractive option in a country where private sector activities were banned for decades; and, operating with the ongoing conflict and uncertainty. Lessons learned should be shared.

### Next steps

- The work-plan 2016-2020 of the **MENA-OECD Competitiveness Programme** will include resilience as a cross-cutting factor and will be submitted for consultations at the Ministerial Conference on 3-4 October 2016.
- High-level consultations will be organised between Jordanian and Lebanese delegations and OECD Directorates to discuss policies to address the humanitarian crisis and inform the DAC Temporary Working Group on Refugees and Migration.
- Ongoing OECD projects on SMEs and investment in Jordan and Egypt will be adapted to address the specific needs linked to the Syrian crisis and contribute to the London agenda.
- The **public-private dialogue** platform will be strengthened within the MENA-OECD Competitiveness Programme to respond to requests from stakeholders.
- Following close collaboration during the Resilience Development Forum of 2015 in Amman and this seminar in Beirut, the **OECD** and **UNDP** will continue to work together and align their work programme in the region.
- The OECD Development Assistance Committee (DAC) will organise a special discussion on support to Jordan, Lebanon and Tunisia in its session of June 17<sup>th</sup> in Paris.

### Contacts

**Mr. Carlos CONDE**

Head of the Middle East and Africa Division  
Global Relations Secretariat  
Email: Carlos.Conde@oecd.org

**Ms. Pilar SANCHEZ-BELLA**

Policy Analyst, MEA Division  
Global Relations Secretariat  
Email: Pilar.Sanchez-Bella@oecd.org