

MENA-OECD BUSINESS ADVISORY BOARD

9 & 10 December 2020
Virtual Annual Meeting



The **MENA-OECD Business Advisory Board (BAB)** met virtually on December 9 and 10, 2020. The strategic discussions focused on the impact of and recovery from the COVID-19 pandemic for the business community in the Middle East and North Africa (MENA), looking to the future to set priorities. The webinar 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 webinar gathered business associations and chambers of commerce representing **9 MENA economies** and **10 OECD countries**. Regional and international institutions also participated in the discussions (BusinessMed, CIPE, BIAC and the World Bank).

The 2020 annual meeting launched a reflection on the future work of the BAB in the context of recovery from the Covid-19 pandemic and the new mandate of the MENA-OECD Competitiveness Programme (2021-2025). Discussions covered three thematic priorities: i) an assessment of the impact of the COVID-19 pandemic on the MENA business community, ii) the role of Public-Private Dialogue for crisis recovery, and iii) strategic priorities for the BAB within the new mandate of the MENA-OECD Competitiveness Programme. A special session allowed for focused discussions on the impact of the COVID-19 pandemic on the tourism industry in the region.

Key Messages



Demand and supply-side shocks have induced important financial impacts and uncertainties for MENA businesses

- **The COVID-19 pandemic** has heavily exposed the MENA business community to the economic repercussions of the containment measures to limit the spread of the virus.
 - Throughout the region, measures of confinement and social distancing have resulted in temporary business closure.
 - Due to disruptions of global supply chains, companies face difficulties to receive input material to sustain their production.
- **The combined impact of these factors results in an important revenue loss, leading to cash flow stress and liquidity shortages for MENA businesses.**
 - A significant number of companies in the region face imminent risks of indebtedness and insolvency, if liquidity issues are not addressed.
 - *In fine*, the crisis will result in a temporary or permanent loss of employment, reduced working hours and wages
- **Marginalized economic actors, such as female entrepreneurs, SMEs, self-employed and informal workers are particularly vulnerable.**

Insights from the **MENA-OECD Business Advisory Board (BAB)** Survey of Business Associations

- More than **one third** of business leaders have a **negative outlook** on the **business climate** in MENA, perceiving it as either **weak** or **very weak**.
- **The majority** of business leaders expect the Covid-19 crisis to have a **more severe negative impact** than the **2008 financial crisis**.



The COVID-19 pandemic exposes existing vulnerabilities of overdependence in certain sectors

- **The COVID-19 pandemic has an asymmetric impact on different sectors.** While the pharmaceutical, food supply, healthcare, and certain logistics sectors are experiencing an uptick in demand, the vast majority of MENA businesses are dealing with an acute slowdown in operations.
- **The MENA tourism sector and ancillary industries including retail, leisure and restaurants are particularly affected.** The closure of borders, collapse of international travel and confinement measures put an important strain on touristic activity, which may need several years to recover to pre-crisis levels.
- **Participants in the annual meeting underlined that the impact of the COVID-19 pandemic are asymmetric, even within sectors.** For instance, destinations with a strong concentration of activities in low value-added tourism are more affected than those with a more diversified offer. In this sense, the COVID-19 pandemic exposed existing vulnerabilities of overdependence and low productivity.



The crisis provides an important momentum for new approaches to policy making by governments and businesses

- Participants emphasised that the COVID-19 crisis represents a “moving target”. **Governments need to develop coordinated and flexible approaches to continue their support to companies throughout the crisis.** Inter-ministerial working groups, task forces, committees or councils can help to coordinate responses.
- **The MENA business community has played an important role to support crisis responses.** MENA businesses have taken innovative approaches to deliver services and resources to their communities.

Many companies in the region are continuing salary payments and social security contributions for their employees, others provide support to their communities through pro bono goods and services.

- **The private sector needs to be systematically incorporated in any crisis response and recovery.** Private actors, business associations and chambers of commerce play an important role to support crisis response and recovery:
 - *To track the needs:* Chambers of commerce and business associations across the region quickly submitted COVID-19 response policy recommendations and proposals to administrations.
 - *To share information:* Private actors helped to cut through the clutter for timely updates and guidance. For instance, the Tunisian business think-tank IACE sends daily email updates to members and policymakers.
 - *To provide services to their members:* associations and chambers have helped entrepreneurs and companies build capacity on crisis-related aspects or consulted them on specific needs.
- **Public-Private Dialogue (PPD) can further help to institutionalize ongoing efforts of crisis recovery to address structural challenges.**
 - As solution-driven consultations between public and private actors, PPD offers a valuable tool to pave the way towards sustainable private sector development.
 - Leveraging the combined impact of development and business solutions, PPD allows to identify pressing concerns, implement inclusive and workable solutions as well as to further understanding and trust among economic actors.
 - Discussions at the annual meeting highlighted that well-organized sectors with high growth potential and added value for the economy are particularly suitable for PPD initiatives.
 - In addition to this, PPDs can build institutional capacity of private actors in less organized economic sectors, for example those dominated by the state.

Next steps: the role of the BAB in the new mandate of the MENA-OECD Competitiveness Programme (2021 – 2025)

- The discussion highlighted that the crisis could bring the impetus to engage in a comprehensive reform agenda and address some of the region's underlying structural issues. This includes furthering private sector development, social protection, designing a new growth model that addresses informality as well as inclusion, and strengthening economic diversification, industrial innovation and regional value chains.
- As such, the new mandate of the Competitiveness Programme sets out to support MENA economies on their path towards recovery. Building on well-established methods of policy dialogue, capacity building and policy analysis, it will support reform efforts to mobilise investment, foster entrepreneurship, facilitate more and better jobs to reduce informality and promote social inclusion including women economic empowerment.
- The Programme will reinforce its convening power to federate the efforts of multiple actors. The BAB will play an important role in this new mandate and help shape the agenda for the coming years. To this end, the BAB will be even more responsive and engaging - focusing on concrete actions:
 - The working method of the BAB will be transformed into a "community of practice", allowing for more interaction with a bureau providing guidance on strategic issues.
 - Activities for young entrepreneurs could harness the potential for innovation.
 - The BAB will support its members with analysis to inform decision-making in the context of the COVID-19 pandemic, including the publication of a report on PPD.
- The OECD will organise a Business-Government summit, which will bring together the MENA and OECD business community with government representatives – back to back with the Ministerial of the MENA-OECD Initiative on Governance and Competitiveness for Development end of March 2021. This will be an important opportunity to engage in strategic dialogue to support crisis recovery.

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Learn more about our work on Public
Private Dialogue in the MENA region:

<http://oe.cd/BAB>

