

Remarks by Angel Gurría, OECD Secretary-General

21 November 2009 - 24 November 2009

Marrakesh, Morocco

Royal Highness, Excellencies, Ladies and Gentlemen,

As the co-host of the 2009 MENA-OECD Ministerial Conference, I am honoured to welcome such a distinguished assembly here today. I would like to thank our Moroccan host, H.E. Mr. Abbas El Fassi, the Prime Minister of Morocco, for his hospitality and express the gratitude of the OECD to H.M. the King of Morocco, Mohammed VI, for placing this conference under his high patronage.

This is a very timely conference. The global financial and economic crisis has shown that multilateral coordination is key for economic recovery and long-term sustainable growth. And I am proud that the MENA-OECD Initiative can serve as a model for effective co-operation in building the global economy of the future.

The Initiative is a partnership. It thrives on the strong backing it receives from countries in MENA and the OECD. I would especially like to thank the outgoing Egyptian chairs of the Initiative for the commitment and leadership that they have shown. I would also like to welcome the incoming Moroccan chair, who is well placed to achieve new milestones in the years to come.

Impact of the financial and economic crisis

The economic crisis has not spared the MENA region. MENA countries have avoided negative growth and recessionary trap, but the economic contraction is significant. Growth is forecast to decline from an annual average trend of 5.1 percent during the period 2000-2008, to around 2.2 percent in 2009. Fiscal and current account positions have also been deteriorating, due to falling receipts and the implementation of counter cyclical policies. External financing conditions are likely to remain tight and investment flows to the region are projected to contract in 2009, restricting many countries' ability to finance further fiscal stimulus.

The impact of the crisis goes beyond economic aggregates and it is about the people behind the numbers that we should worry. The impact of the crisis on the labour markets is also significant: according to the International Labour Organisation (ILO), the number of unemployed is set to increase by around 25% in the Middle East and approximately 13% in North Africa in 2009 compared to 2008.

The good news is that we are starting to see signs of stabilisation and recovery. But effective recovery efforts require broader engagement of private and public sector actors and enhanced co-operation. In our view, the MENA region faces five main challenges:

First, **job creation**: we need more and better jobs, in particular for the young workforce. Labour force growth is averaging 3.4 percent per year. Just to maintain current levels of

employment, millions of new jobs must be created and it is vital that job creation efforts engage the growing population of well-educated women. Private sector development and a wide range of policies to improve the investment climate and support entrepreneurship are necessary.

Second, **economic diversification**. The recent crisis shows the need for structural reforms to reduce MENA countries' vulnerability and improve their flexibility to respond to future external shocks. MENA countries need to diversify away from reliance on natural resources, agriculture, construction and public works, towards sectors that are knowledge-driven and can provide better jobs for young people. Fostering the development of SMEs is key. To assist with the creation of sustainable jobs and income, the MENA-OECD Initiative has produced a benchmarking report on SME policies.

A third challenge is the need to build **an inclusive economy** that engages citizens in promoting economic growth and better distributes the benefits of this growth. Economic growth cannot be limited to islands of prosperity in seas of economic stagnation. Promoting local economic factors and connecting less favoured rural and urban areas with the global economy would bring great benefits.

Fourth, creating **efficient public services** capable of responding to citizen's needs. Economic growth creates great opportunities, but it also has important social consequences. Persistent or growing inequity in income and wealth undermines social cohesion. An important means of promoting equality is efficient public services that reach all citizens. The MENA-OECD Initiative has identified key challenges in areas such as public finances, integrity, public service delivery, innovation and use of ICT for better services to business and individuals. We have a lot to learn from each of the policy experiences in this area and international co-operation is more needed than ever.

Fifth, we should not forget that MENA governments, like those in the OECD countries, are also confronted with a range of global challenges, such as climate change, access to water, poverty, improving education and a host of other long-term concerns.

MENA-OECD Initiative's support

Most countries of the MENA region have ambitious programmes to liberalise their economies, foster competitiveness, revisit their public policies and modernise their governments. The MENA-OECD Initiative for Good Governance and Investment for Development helps underpin these efforts and strengthen the region's capacity to attract investment. Its broader goals are to help governments overcome the impact of the crisis and deliver sound economic growth, as well as to achieve long-term social and environmental goals. It lends support to wide-ranging initiatives for private sector development, aiming to foster transparency and integrity, empower women and deliver better outcomes for citizens and businesses alike.

Let me underline a few examples of the impact of this work:

1. Reform in the MENA is possible and it is happening. This is documented in our work on business climate and public governance reforms, such as the Report on the Progress of Governance Reform in the Arab Region, which we are presenting today. It sets forth more than forty case studies of success and good practices.

2. The Programme Steering Groups and their working groups continue to have strong MENA regional leadership and support from OECD countries. These maintain the crucial links for sharing analysis and experience and providing mutual support, which is so important when governments are implementing change.
3. The Initiative has opened regional centers that are a resource for all countries and that disseminate best practices effectively. The Regional Center for Public Policy Evaluation in Morocco plays a key role in supporting reforms to improve the allocation of public resources. The Hawkamah institute in Dubai supports development and implementation of corporate governance standards in the region.
4. The Initiative also provides targeted support. Two MENA governments have developed pilot Business Climate Development Strategies. These Strategies measure progress in reform and support the definition of priorities and methods for implementation in areas, such as access to finance for SMEs and corporate governance of banks. Following the pioneer Joint Learning Study on public procurement in Morocco, other countries are using this type of review to support policy implementation.

Countries in the MENA region are important partners for the OECD. We need to keep learning from each other. What better example of our deepening relationship with the MENA countries than Morocco, who today will sign the OECD Declaration on International Investment and Multinational Enterprises. This comes after Egypt, who joined in 2008. Other countries from the region are invited to join as well.

Excellencies, Ladies and Gentleman:

Our meeting comes at an important time. Our citizens, especially the ones who have lost their jobs and are at risk of sliding into poverty and exclusion, are looking at us for solutions. This is a global crisis that requires global responses and close cooperation among countries. I am glad to see that so many of you have joined us in Marrakesh today. I look forward to our discussions as we continue advancing solutions for lasting national, regional and international progress.

Thank you very much for your attention.