JOINT BUSINESS STATEMENT
1st Ministerial Conference
MENA-OECD Investment Programme
Dead Sea, Jordan, 13 February 2006

Preamble

On the occasion of the 1st Ministerial Conference of the MENA-OECD Investment Programme, this statement is presented to Ministers by the MENA-OECD Business Network, comprising the Arab Business Council (ABC), Business and Industry Advisory Committee to the OECD (BIAC), the Investment Task Force, the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and other regional business associations, chambers of commerce and representatives of private companies.

Endorsement

Business endorses the view that far-reaching, broadly based economic reforms are necessary to improve the overall investment climate and to mobilize more private domestic and foreign investment that is fundamental to the sustainable development in the MENA region. Time is of the essence to implement such reforms.

Action Points

Business recommends tangible actions by national governments of the region, international organisations and OECD countries to improve the private investment climate. The following issues which are described in more detail in the annex to this statement should be given priority:

-- ensuring openness, transparency, accountability, predictability, and consistency of all policies, laws and regulations impacting on investment;

-- developing and implementing investment reform agendas in the MENA region that are flexible enough to suit the different individual country's requirements and that are accompanied by dialogue and co-operation with business and civil societies;

-- establishing an attractive and enduring tax framework for investment;

-- improving corporate governance practices with a view to increase efficiency and performance of companies and to ensure the respect of shareholders' rights.

Commitment

The MENA-OECD Business Network is committed to

-- strengthen the voice of the private sector in the region and the image of the region as a destination for investment;

-- engage in an effective policy dialogue with the governments of the region, donor countries and international financial institutions regarding common priorities and the pace of necessary reform;

-- support efforts by governments to strengthen their capacity for policy implementation aimed at creating a more favourable investment climate;

-- fostering business contacts and partnerships among the Network members from MENA and OECD private sector;

-- promoting responsible business conduct that supports sustainable economic development in the region.

Business thanks the Ministers of the MENA countries and the Jordanian Minister for Trade and Industry hosting the Ministerial Conference and thus facilitating participation and partnership.

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Annex: MENA-OECD Business Network Recommendations for Policies Aimed at Improving the Investment Climate in the MENA Region

I. Transparent, consistent, predictable and open investment policies

1. Open markets and transparent and predictable business environments are vital to securing the confidence investors require to take the risks inherent in capital investment. International provisions on transparency and openness for investment, demonstrating commitment to multilateral disciplines, are not sufficient in themselves to boost investment flows but are necessary conditions for improving the overall investment climate. Transparency, consistency, predictability, and openness should be a cornerstone of national and multilateral efforts aimed at enhancing inward investment flows. All provisions affecting rights of entry and post-investment operations, such as sectors restricted to domestic investors, conditions applying to joint ventures, taxation, etc. should be made publicly available and subject to scrutiny and judicial review.

2. Governments should act at international, national and regional levels to ensure that:

- rules and regulations are consistent as well as accessible and comprehensible for potential investors and the general public;
- timely notice is provided to allow appropriate business input prior to the modification or introduction of rules;
- consultations take place to allow the public to offer their views on new rules for modifications to existing ones;
- the reasons for and aims of new rules or modifications to rules are clearly explained;
- there is clear evidence that public views on changes to rules have been given thorough consideration;
- easily accessible enquiry points exist to provide the public with information on business and investment related issues;
- the new or modified rules are clear and comprehensible, so as to ensure predictability of success and to provide individuals with the information needed to comply with them;
- a reasonable period of time is provided to implement to rules;
- the administration officials in charge of designing and implementing investment rules are well trained, motivated, accountable and perform their duties with integrity.

II. Setting flexible investment reform agendas accompanied by dialogue with business

3. The investment reform agenda in the MENA region should be flexible to accommodate each country's requirements. Proposed reforms should be accompanied by a dialogue with business and civil society. Flexibility and co-operation with business can best be obtained

through national investment promotion agencies, which play a crucial role in building networks between economic agents.

4. MENA investment agencies must have a clear mandate to support the creation of an investment friendly regulatory framework and to provide all necessary approvals to a local or foreign investor in a reasonable period of time, including the provision of post-investment services, in order to support existing FDI and effective investor targeting.

5. In some countries of the region, investment agencies can already directly influence the investment policy agenda by drafting legislation, commenting on the regulatory policies, and advising government and legislative bodies. Business supports the Programme's approach on encouraging investment promotion agencies to act as driving forces for reform.

6. Eliminating tariff and non-tariff barriers to trade, opening sectors for private domestic and foreign investment and reducing the high transport cost within the region are important steps to enhance the investment agendas in the MENA region.

III. Providing an attractive tax framework for investment

7. As economic and financial barriers disappear, tax differentials have a greater impact on trade and investment flows. Consequently, tax policy is an important element of a country's policy framework to attract and promote investment.

8. Numerous issues must be considered in the context of a country's tax policy, such as tax administration issues, the tax judiciary system, auditing, the tax procedural code, and direct and indirect taxation. The MENA-OECD Investment Programme is prepared and pleased to continue to assisting countries to improve the effectiveness of tax systems through eliminating tax measures that distort trade and investment flows, preventing double taxation, and countering tax fraud.

9. Business notes that the establishment of a viable tax system and specific fiscal and non-fiscal incentives to attract investment can be an important tool for some MENA countries to attract investment. However, the MENA-OECD Business Network prefers transparent and efficient tax administration and lower rates to incentives. Where tax incentives are applied, in order to be effective they must be non-discriminatory, transparent, proportional, clearly causal or closely linked, non-trade distorting, oriented towards attracting long-term investment, and temporary in relation to offsetting asset or policy gaps..

10. To summarize: the key elements of a tax policy framework that supports investment and sustainable economic growth include:

- Transparent and predictable tax systems;
- Broad tax base with the lowest possible rates;
- No double taxation;
- Transfer pricing law based on the arm's length principle as articulated in the OECD Transfer Pricing Guidelines – governments should follow the letter and the spirit of the Guidelines;

- Timely consultation with the business community on tax matters.

IV. Improving Corporate Governance Practices

11. The essence of corporate governance is to increase growth and performance of companies and to ensure the respect of shareholders' rights. The debate surrounding corporate governance must remain limited to these issues. Other non-business related policies objectives are outside the scope of this debate.

12. The MENA-OECD Business Network urges the MENA-OECD Investment Programme to work on enhancing corporate governance practices in the MENA region. Key players and stakeholders in the region should be brought together with their counterparts from OECD countries, as well as other emerging economies and international institutions for roundtable meetings to exchange experience and engage in policy dialogue to develop common recommendations and pursue implementation of business-related corporate governance reforms.

V. Business commitment

13. Business proposes to enlarge the MENA-OECD Business Network by seeking to include all relevant MENA private sector associations and foreign investor representatives to help strengthen business-government dialogue in the region and improve the investment environment.

The MENA-OECD Business Network will:

- Strengthen the voice of the private sector in the region and the image of the region as a destination for investment;

- Engage in a policy dialogue with the governments of the region, donor countries and international financial institutions regarding common priorities and the pace of necessary reform;

- Foster business contacts partnerships among the Network members from MENA and OECD private sector.

14. MENA-OECD Business Network welcomes the recognition given to the value of regular and prior consultations with the business community regarding policy priorities and economic reform in the proposed 2005 Ministerial Declaration.

15. Business organisations endorsing this statement are resolved to consult again with MENA and OECD governments within the framework of the Steering Group and the five Working Groups.