

[DOI: 10.20472/IAC.2018.035.023](https://doi.org/10.20472/IAC.2018.035.023)

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THE ROLE OF THE LEGISLATIVE AND REGULATORY FRAMEWORK IN IMPROVING THE INVESTMENT CLIMATE IN THE MIDDLE EAST AND NORTH AFRICA COUNTRIES (MENA), IN THE RECONSTRUCTION PHASE - DESCRIPTIVE STUDY

Abstract:

The importance of investment appears in the development and support of the country's economy, where developing countries sought to attract investments, which necessarily required a package of reforms, which began with a set of laws that set the general investment policy in many developing countries, which aimed at investment environment attractive to investment, but the conditions in the Eastern Mediterranean and North Africa region did not help achieve the desired vision that was planned.

This study aims to identify and analyze the strengths and weaknesses of the investment climate, in addition to studying the legal and regulatory environment related to investment, and its role in supporting the investment climate in the reconstruction phase.

The importance of this study emerged in the positive role which played by the investment process in economic development in general, and determines the elements of the investment environment from the legislative and administrative aspects,

It is, therefore, necessary, intensify efforts to develop the investment climate in the next stage of reconstruction.

The problem of the study is reflected in the importance of developing investment laws, because it is the most important factor in attracting investments, and because the effectiveness of investment promotion laws have a positive and direct impact in creating the investment environment.

The study confirmed, after reviewing previous studies, the need to amend the current investment promotion laws in most developing countries, simplify and standardize investment laws, add organize these laws under one investment umbrella,

The study also found the volume of investment in the reconstruction phase will depend on the development that can happen in the investment laws.

Keywords:

Legislative and Regulatory Framework, Investment Climate, Investment, and Investors, Middle East & North Africa Countries (MENA) -, Reconstruction Phase.

JEL Classification: A10, A11, A20

INTRODUCTION

The economic policy which supporting the investment climate, and attractive for domestic and foreign investment, is one of the requirements of strengthening the economic power of the state, through its role in supporting the national economy, and its contribution in the sustainable development process. In this issue, most of modern economic studies & theories referred for this fact, So the main factors for creation of an appropriate investment climate, is the successful legislation and the appropriate regulatory environment to complete the investment process successfully (Aizenman,2013).

From this gate, the investment has a real important for all countries, especially in developing countries like (MENA) in current stage. The investor, in general, is looking for the country that given him best offers to success his investment project, protecting it from risks, and supporting it with real guarantees and benefits, that enhance the trust and encourage investors to invest.

But, the current period differed from the previous, because the local & international conditions changed, especially in (MENA) countries, which are currently living in reconstruction phase after the destruction years, so it is necessary to focus on the investment requirements to haplite an attractive investment climate, by available & modernization of laws, create new governmental decrees, making agreements according to scientific approach, add to enhance the efforts to achieve comprehensive economic development

This study focuses on the need for optimal legislation to improve the investment environment in the next phase of the developing countries, in addition to highlighting at the need to have only one gate on the investment activities, and implement the national investment policy in each country of the third world.

Research Problem:

In order to be the legislative and legal framework, regulating the investment process, and is accompanied with the new requirements for the next stage, and attractive and successful factor for investment, The element of flexibility and permanent updating must be secured in this law, So, most of the studies that described the impact of the political crisis on the investment climate in the (MENA) countries, confirmed the need to reconsider in developing the attractive factors of the investment climate in the reconstruction phase, through supporting laws.

Thus, the research problem is embodied from importance of develop the legislative and regulatory frameworks , as a one of the main factors that attract the investments. Thus, the research problem is to raise the following questions:

1. What is the role of investment laws in creating the investment environment?
2. What are the requirements for developing the investment climate legally and organizationally?

Research Importance:

The importance of the search appears from:

1. The main role, Which the investment process plays in economic development.
2. Rehabilitates the investment climate in the MENA countries, which witnessed recent political crises.
3. Review the required efforts to develop the investment climate, when the reconstruction phase start.

Research Objectives:

The study seeking to achieve the following objectives:

1. Descriptive the strengths & weaknesses points in the investment climate in the (MENA) countries.
2. Study the legal and regulatory environment, that related to investment, and which supports the investment climate.
3. Define the basic requirements for developing the investment climate in the reconstruction phase.

Research Methodology:

The research depends on, the books and periodicals that related to the concept of investment, and discussed the factors of investment climate, in addition to previous

studies that showed the importance of developing the investment laws in the reconstruction phase.

Literature Reviews :

The research will present several previous studies which related to the subject of the study, most important of these reviews are Arabian studies, because they were issued by the countries that suffered directly from political crises, and now need to reconstruction their countries.

(Atef,2013), Defined the legal environment, and showed its role in supporting the investment climate, attracting foreign direct investment(FDI), the scientific hypotheses were sought to find out:

1. Obstacles of the investment climate during the economic globalization.
2. Knowing the nature of the relative relationship between the obstacles of the investment climate and competitiveness in attracting the investments - in the (MENA) countries, and arrange the results in a numerical and chronological sequence, according to other countries in the world.
3. The study also aimed to know the causal relationship between competitiveness and the flow of foreign direct investment during the study period.

The study concluded several results about the requirements of the investment climate, and the necessary needs during the economic globalization to attract foreign investment, the results were as follows:

- The legislative structure should be flexible, simple and clear, and the investment laws should be united, beside to the judiciary that works transparently.
- Social and political stability depends on a clear political & institutional system, supported by legal authority, as well as a democratic system based on political pluralism and civil society organizations.
- When economic and financial policies are stable and clear, most of the resources will be available. But this requires a successful economic environment & a competitive advantage between local productive & service institutions.
- The need for advanced technical structure.
- Facilitating the procedures, that help to establish and register investment projects and shorten the bureaucratic steps of all economic activities.

- The need to develop the education, technical skills, and information technology, for all labor in various fields.
- The equity of income distribution, which leads to higher rates of GDP growth, as well as higher average per capita income.
- Increasing purchasing power, which contributes to increasing demand and expanding domestic market.
- Clear transparency in general policy, will reduces the corruption.

The study also confirmed other quantitative results, So there is a strong correlation between the determinants of the investment climate and the amount of foreign capital flows, and there is also a direct correlation between the determinants of the investment climate and competitive advantage to attract the foreign direct investment (FDI) in any country. that means the countries which has better investment determinants will get the first level in competitiveness .

(Koueidri,2011), After analyzing and evaluating the investment climate in one of the (MENA) countries (Algeria), to show the impact of FDI on economic growth and to test the validity of research hypotheses, Shows the importance of the FDI and its positive role in enhancing the economic growth in Algeria. Although the investment was small compared to local investment, but its impact was positive and large,

In addition, the study found that domestic investment and imports have an effective effect on GDP during the study period, which indicates to the importance of the accumulation of domestic capital, and the importance of imports in the domestic economy, This is because the rate of exports increased, especially the necessary needs and production requirements.

The following facts also emerged:

- o Intensify the cooperation with international organizations, which have a main role in the promotion and advisory services, and play a positive role in the development of the human element, and create competencies that are able to generate technology suitable for local conditions.
- o To direct tax incentives to sectors with competitive advantages.
- o The positive impact of domestic investment and imports on Algeria's GDP, indicating the importance of domestic capital and the importance of imports in the Algerian economy.

(ALjundi,(2010 This study was applied in Syria, and looked at to analysis the investment reality in Syria, in addition to identifying the necessary factors to provide the appropriate

economic environment, which aims to attract investments, and reduce the unemployment rate.

The results showed , the legal environment that encourages investment, have a great importance in the economic & social development for any country, also have a direct relationship between the rate of FDI and employment rate.

Add, the economic reforms in Syria are necessary, especially the legal reform, and the development of the private banking and financial sector, because encourage the producers to invest in agriculture field, industry or transport, encourages the flow of capital, and reduce the unemployment rate in Syrian society,

The study also mentioned on, the low income in Syria and local savings did not contribute to making the appropriate capital for economic development, and a large part of bank savings did not turn into long-term deposits to finance the development investments.

(Al-Kafri, 2010), The study aimed to define the foreign investment institutions, and their positive role in closing the economic gaps in the host countries, in addition to their role in exploiting the available resources in these countries, and contributing to economic profits.

The study found that there are contradictory views. The first view confirms that foreign direct investment is not desirable in Arab countries and should not be encouraged, The second view encourages to attract the foreign investment, because it is the main tool in supporting the economy of Arab countries.

According to the World Investment Report 2009 issued by the United Nations Conference on World Trade and Development (UNCTAD), the effects of FDI have been reflected at the global level & the Arab countries, including Syria, and practical experiences have shown this fact at the global level, And is still now, because the global financial crisis after 2008 has increased, and reflected negatively on the Arab countries.

(Mustafa, 2010), This study was also applied in Syria and aimed to highlight on the attractive & negative factors of investment, which stimulate the investment climate, in addition to identifying the investment's obstacles. and focused on important sectors such as industry, agriculture, tourism and transportation.

The study mentioned to the most important results, The success of the state in attracting the national and foreign investments requires a good investment climate, because it is the most important factor to attract investments, especially foreign investments, In addition, high rates of inflation or sudden decline in interest rates or weakness of the banking system does not create the suitable conditions to attract national and foreign

investments. The study also confirmed the need for economic reform as a transitional stage to build a legislative environment, that creates an appropriate investment climate

(Ali, 2016), The researcher studied the future of economic development in Iraq, especially in the reconstruction phase, through studying the obstacles of previous development, studying the basic components of development, and showing the role of economic sectors in the development process. Then the following conclusions and suggestions were made:

- National participation is very necessary to develop an economic development strategy
- Give strategy and planning as priority, so, participate in restructuring, and monitor implementation.
- Focus on education, and interest in research and development, giving training and continuing qualification an important place.
- Comprehensive administrative reform, and making the basic standard is management, efficiency and popular control.
- Justice in distribution of national income.
- Achieving basic balances in the national economy between resources and uses.
- Studying comprehensive health insurance system & comprehensive social insurance system.
- Linking the development strategy with the objectives of economic cooperation.

(Faris Al-Ta'an,2007), The study discussed the laws that encourage investment in Tunisia, especially during political crises, and confirmed the need to benefit from cheap labor in developing countries compared to developed countries. And the results were, investment support has a positive impact through flexible legal and economic vision, as well as encouraging the flow of foreign funds that contribute in developing the country in cooperation with local capital. The study also confirmed that developing countries are modern in the field of investment support, In addition, enhancing the role of investment in developing countries has a positive impact on the balance of payments and economic growth.

(Bin Hussein, 2007), His studies have been applied in developing countries (Algeria was a case study), Based on analysis of the investment climate, Identify the factors that disrupt the development of private investment, Gave appropriate suggestions to

improve the conditions of foreign investment, and to increase national private investment,

Finally, the results confirmed the importance of moving from a central economic system to a market economy in Algeria, And the relationship between economic stability and economic performance must to be direct, because it is reflected in increase of domestic and foreign investment.

(Al Zahrani, (2004, Some studies have indicated that the level of FDI performance relates to economic growth in the host country (Saudi Arabia as a case study during the period 1970-2000) and focused on the flow of FDI in Saudi Arabia, Laws which regulating the investments in developing countries, And the guarantees granted to encourage investment, in addition to evaluating the role of foreign investments in economic growth in Saudi Arabia.

Quantitative analysis shows that FDI contributes directly in economic growth for the short term, but weakly, because flows of foreign investment were weak, and developing countries experience in FDI are a little. But The results of the descriptive analysis showed in the beginning that foreign investments were high, because they were linked to discovery petroleum.

(Rafik & Nagat, 2001), His study benefited from the experience of the south & east Mediterranean countries,

discussed the basic criteria for foreign direct investment by the economic variables and economic indicators. And the study concluded:

Economic development strategies must be has high importance, and the priority for planning, and the study confirmed the need for economic stability to create the appropriate investment environment.

(Aizenman,2013), The descriptive study showed The role of foreign direct investment and its relationship with foreign trade, and confirmed that the application of the law that encourage the investments will achieve additional investment benefits, In order to continue these benefits must attract foreign investment, the study also showed that foreign companies are looking to comparative advantage in host countries to achieve goals, and foreign trade enhances access to benefits and profits faster.

We have noted from previous studies, Agreed with the research vision, So it sought to show the direct relationship between the development of laws and attracting investment, also most of studies showed the factors of investment climate and its effects, and highlighted on the importance of foreign direct investment and its role in economic development, add to identify of attractive and negative factors for investment.

RESULTS

Based on the previous descriptive studies, our study confirms many duties which (MENA) countries must to do it to enhance the investment environment, especially in the current period, as a main condition to provide the requirements of reconstruction phase.

The recommendations were general supportive.

1- Reconsider the current laws that relate to the investment process, because they are the most important factors which affecting on the investment climate, And because it is the main tool to implement the investment policy in all sectors, So we need the clarity and flexibility in the new laws To attract the actual investments, and agree with reconstruction phase.

For that and to achieve this vision, the study suggests the following:

- Seeking to regulate a single law regulating the investment process and involving all economic sectors, through modify the current investment laws, This is will help to attract national and foreign investment, Also should take into consideration tax exemption and real benefits in the new law, To encourage the investors in the near future.

- Establishing central courts for investment and commercial disputes, And follow up the development of the judiciary, which solve the problems related to the investment process, both domestic and external problems, all this will help the investor to increase his confidence in investment through fair justice.

2- Redevelop the performance of the public sector, which plays an important role in the economic development process, and to improve it, the governments must working on:

- Developing the internal capacities of administrative bodies to contribute in solving the problems & obstacles, and to develop appropriate plans for future developments.

- Stay away from centralized decision, and develop the delegation skills between the administrative leadership and the middle and executive departments to take responsibility

- Strengthen the laws of governance, to improve institutional performance, and develop all sectors of the national economy, because it reflects on the investment climate, and increases growth rates.

3- Enhancing public-private partnerships through coordination and participation between the two sectors. This creates a resistant economy against political, social and economic crises. This requires:

- Providing high-quality public services at the lowest possible cost.
- Achieve the required quality of products and the right price.
- Speed in project delivery, transfer of expertise and technology, and this helps in the advancement of economic development, in addition to improving the quality of public services.

At the same time, promoting partnership requires a clear legal framework, that defines rights and obligations

4- Monetary policy is an important strategy to achieve economic goals, and this policy is implemented through central banks to stabilize prices and reduce inflation, and create the appropriate environment to stimulate investment and economic growth, So must to go to:

- Pursuing the development of banking systems and increasing loans to support investment projects.
- Develop a clear plan for foreign investment loans and facilitate banking operations, especially bank transfers, as the activation of banking services is necessary to encourage investment.
- Providing a balanced currency exchange market through demand and supply policy
- Reducing customs duties, especially for industrial & agricultural projects, to encourage the investor

5- Simplifying administrative procedures to reduce bureaucracy This supports the investment climate, also the implementation of E - government policy will accelerate the exchange of information, and provide the services quickly and accurately between the government and people and other business sectors, with the lowest cost possible with full confidentiality. To achieve this task must: Activate an organizational structure that promotes the competitiveness, reduces bureaucracy, and eliminates or addresses the institutional & material obstacles that hinder any investment.

6- Sign local cooperation agreements between local sectors and memorandums of understanding with countries, that wish to invest, especially in the technical, scientific and economic fields to support the investment environment by the next:

- Support promotional policy, aimed at attracting external capital.
- Cooperation and coordination between concerned government agencies with investment activities within each country

CONCLUSION AND RECOMMENDATIONS

We will conclude the study With a set of recommendations and important visions that the governments of (MENA) Countries must to implement them for short term in the near future, according to desire investors:

1. Establishing small industrial zones, equipped with basic services, in areas where there are no industrial cities, and selling at promotional prices.
2. Establishment of economic zones, specialized in industrial & technological technologies, which help to support economic development and provide jobs.
3. Updating and developing investment legislation always, according to the economic variables at each stage.
4. Giving exemptions and tax benefits to companies which working in specific sectors according to each country.
5. Support small and medium enterprises, increase facilities to encourage partners in the development process, especially in the reconstruction phase.
6. Support exports, remove all obstacles in world markets.
7. Reactivating the role of development banks in MENA countries, such as industrial & agricultural banks, to provide loans to investors in various economic sectors, through the implementation of economic and financial policies that contribute to the economic recovery.
8. Encouraging specialized investment companies to establish modern projects according to the strategic vision of economic development in the country.
9. Identify priority projects in the reconstruction phase, especially those that depend on public-private partnerships according to government policy, and this helps shorten the time required for reconstruction.
10. To strengthen the relations between the administrative bodies related to the national institutions that support the investment climate, such as institutions (monetary,

financial, banking, tax, customs, commercial, etc.), to create an attractive investment climate for all local investors, expatriates and foreigners.

11. Priority to local investors, if any, in addition to encouraging the attraction of external capital, focusing on local expatriate capital to enter local markets, and local labor, which has been and continues playing a key role in protecting the national economy. Especially in the crisis phase.

12. Seek to find the best ways to return local investors, and encourage them to restart their projects stalled or affected by the current crisis.

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