

MENA Benchmarking Report

Arab-EU Business Facilitation Network
www.ae-network.org

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ARAB-EU
Business Facilitation Network

Agenda

Objective of the Report

Macroeconomic Analysis

Business Environment Index

MENA Rankings

Objective of the MENA Benchmark Report

This project is designed as a comparative benchmarking analysis focused on measuring the enhancement of the business environment as well as the success and performance of SMEs in the MENA region.

Main objectives of the report

1. Provide a tool for monitoring the development of the general business environment and SMEs in the MENA region in a timely manner and judge effectiveness of policies
2. Highlight important economic and policy developments relevant to the SME sector
3. Identify good policy and practices and exchange them on a regular basis

Structure of the Report



- Introduction



- Macroeconomic Environment Benchmark



- Business Environment Benchmark



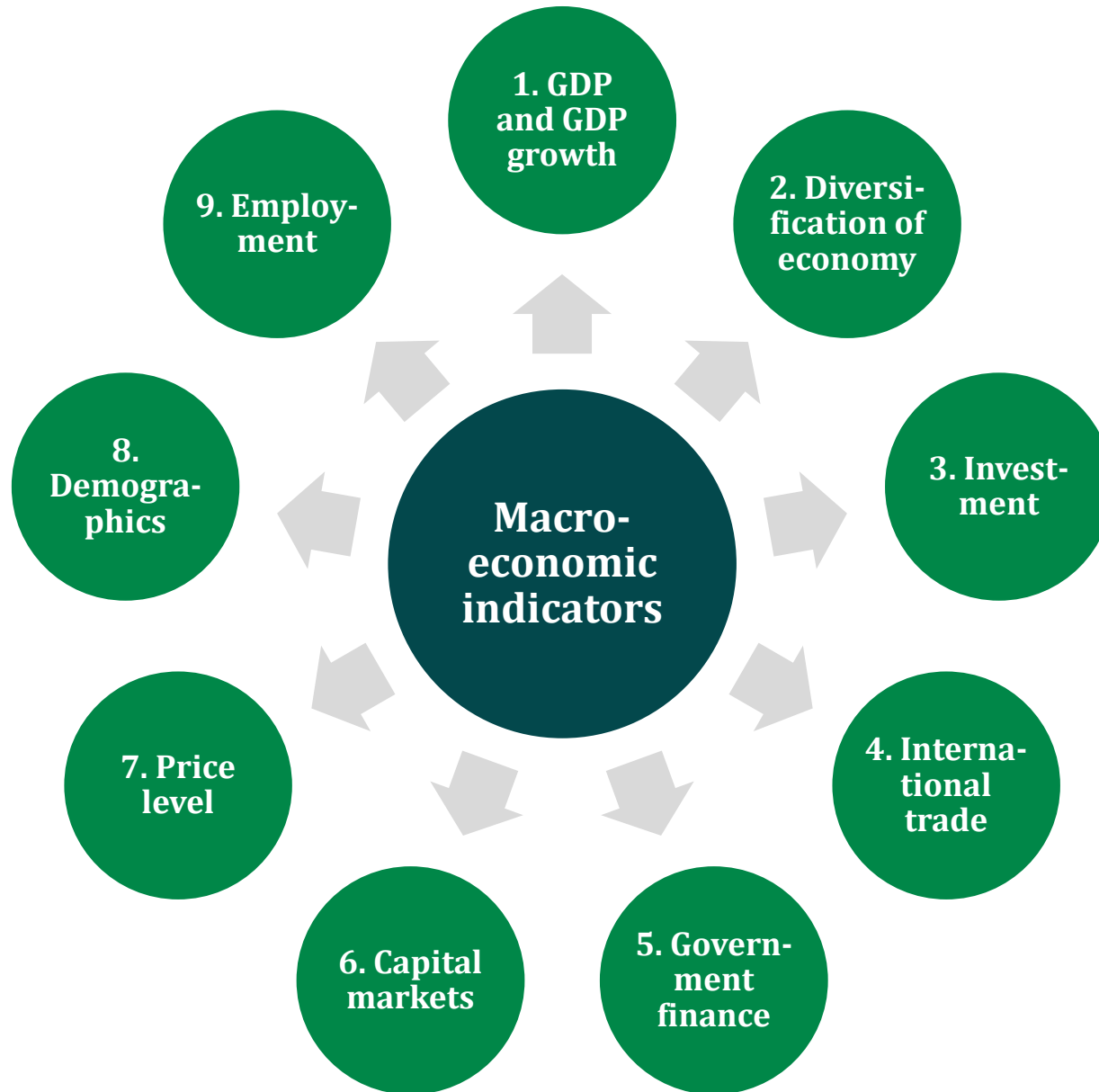
- Special Theme: SMEs in the MENA Region



- Appendix with Country Profiles

Macroeconomic Analysis

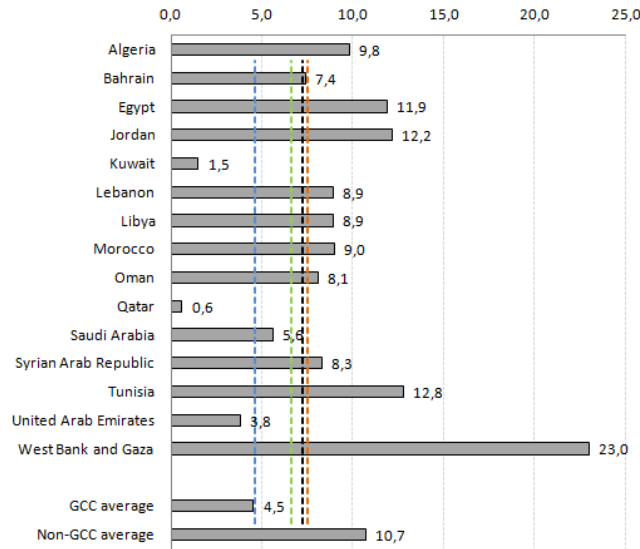
Macroeconomic Indicators: Categories



Macroeconomic Indicators: Example

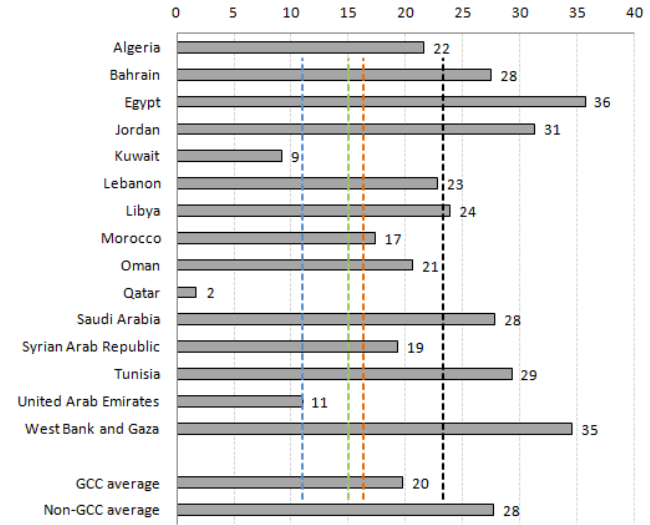
9. Employment

Unemployment, total (% of total labor force) (modeled ILO estimate)



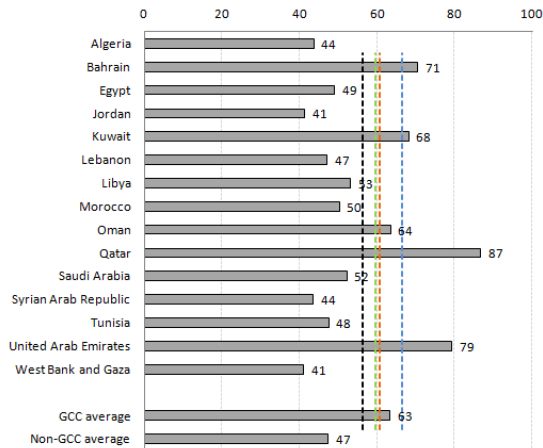
- - - High income countries, average - - - Next 11 countries, average
- - - BRIC countries, average - - - MENA countries, average

Unemployment, youth total (% of total labor force ages 15-24) (modeled ILO estimate)

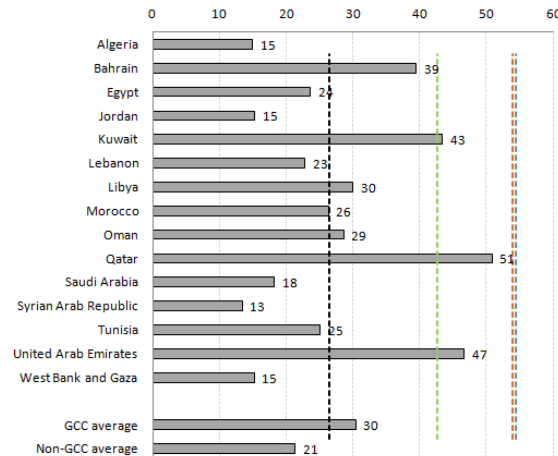


- - - High income countries, average - - - Next 11 countries, average
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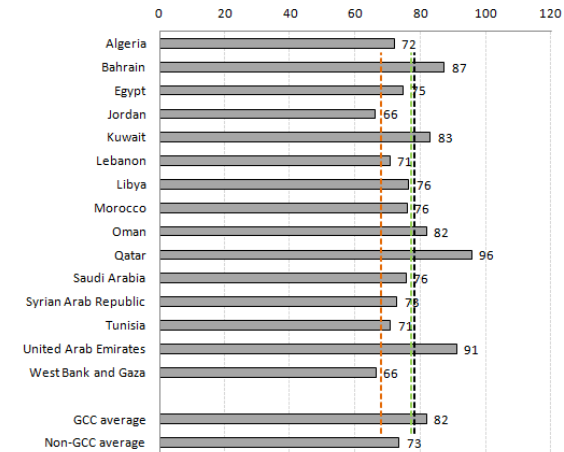
Labor force participation rate, total (% of total population ages 15+) (modeled ILO estimate)



Labor force participation rate, female (% of female population ages 15+) (modeled ILO estimate)



Labor force participation rate, male (% of male population ages 15+) (modeled ILO estimate)

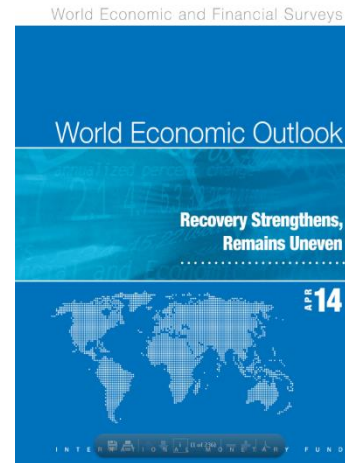


Macroeconomic Indicators: Sources

MAIN SOURCES OF MACROECONOMIC DATA



The World Bank's World Development Indicators 2014 is a collection of internationally-comparable global development data compiled by *The World Bank*.



International Monetary Fund's World Economic Outlook 2014 contains macroeconomic data, *IMF* staff's analysis and forecasts for the majority of the world's countries.

ADDITIONAL SOURCES

- *IMF* Middle East and Central Asia Regional Economic Outlook
- National statistics offices
- *Moody's* credit ratings

Macroeconomic Indicators: Countries

MENA Countries

- *Algeria*
- *Bahrain*
- *Egypt*
- *Jordan*
- *Kuwait*
- *Lebanon*
- *Libya*
- *Morocco*
- *Oman*
- *Qatar*
- *Saudi Arabia*
- *Syrian Arab Republic*
- *Tunisia*
- *United Arab Emirates*
- *West Bank and Gaza*

Separate averages are provided for:

- **GCC countries**
- **Non-GCC countries**

High Income Countries

G7 countries:

- *Canada*
 - *France*
 - *Germany*
 - *Italy*
 - *Japan*
 - *United Kingdom*
 - *United States*
- and *Denmark*

Next 11 Countries

Next 11 are a group of countries that were selected by *Goldman Sachs* and are believed to rival the economic growth of G7 countries in the future. The countries are:

- *Bangladesh*
- *Egypt*
- *Indonesia*
- *Iran*
- *South Korea*
- *Mexico*
- *Nigeria*
- *Pakistan*
- *The Philippines*
- *Turkey*
- *Vietnam*

BRIC Countries

BRIC is an acronym developed by *Goldman Sachs* for emerging economies of *Brazil, Russia, India* and *China*, whose share in the global GDP is expected to grow significantly in the future.

Macroeconomic Indicators: Main Conclusions



- Large differences exist in the performance of GCC and Non-GCC countries
- MENA countries have higher GDP growth than High income countries, but lower GDP per capita levels
- On average, governments of MENA countries run lower fiscal deficits and have less debt than High income countries
- Population is expanding fast in the MENA region
- Unemployment levels are above those of BRIC and Next 11 countries
- Female labor participation is one of the main challenges

Business Environment Index

Business Environment Index: Policy Areas

1. Institutions



2. Infrastructure

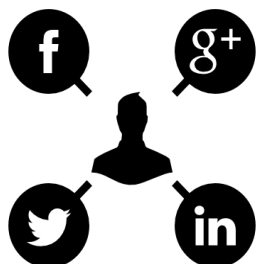


3. Access to finance



**Business
Environment
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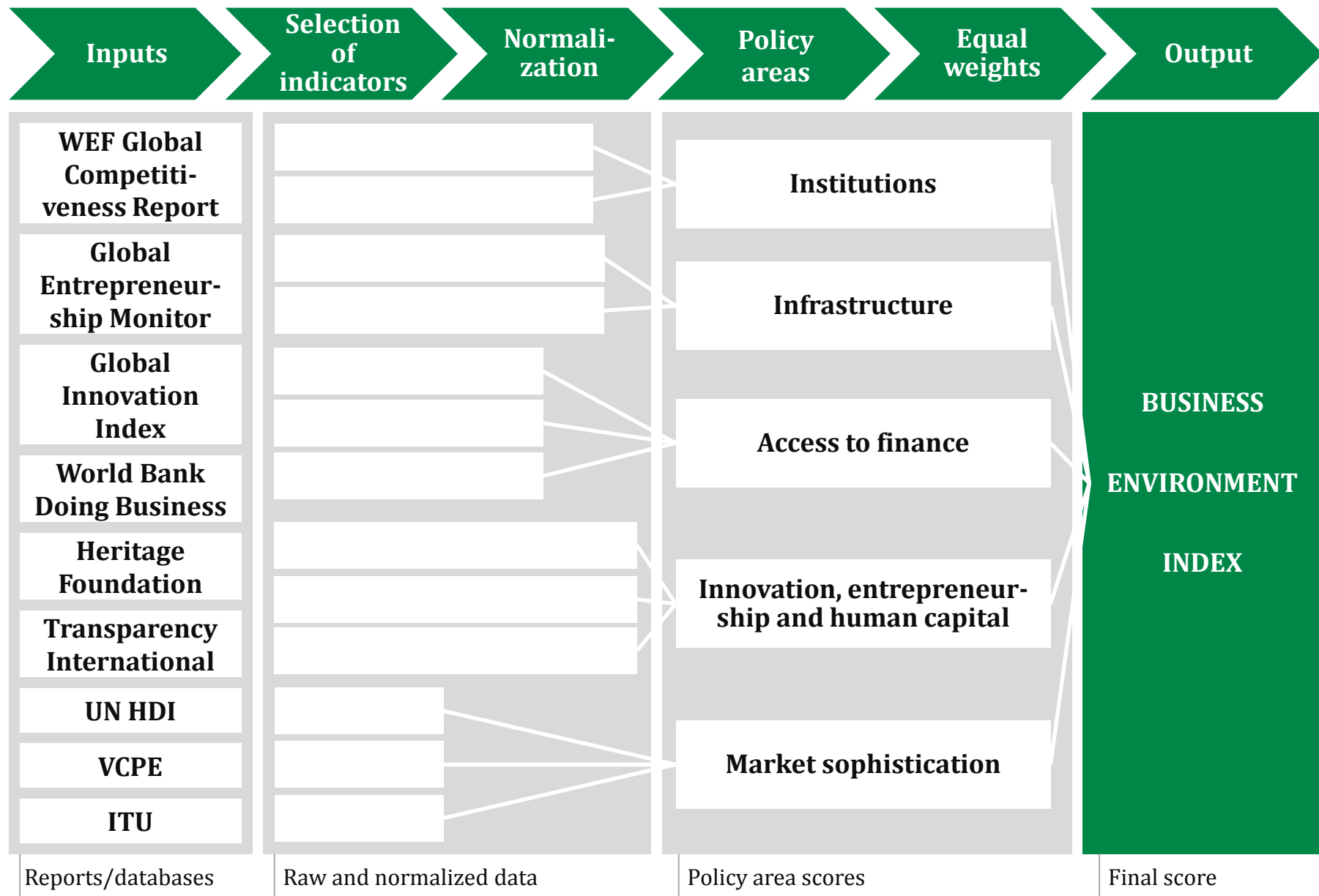
5. Market Sophistication



4. Innovation, Entrepreneurship and Human Capital



Business Environment Index: Structure

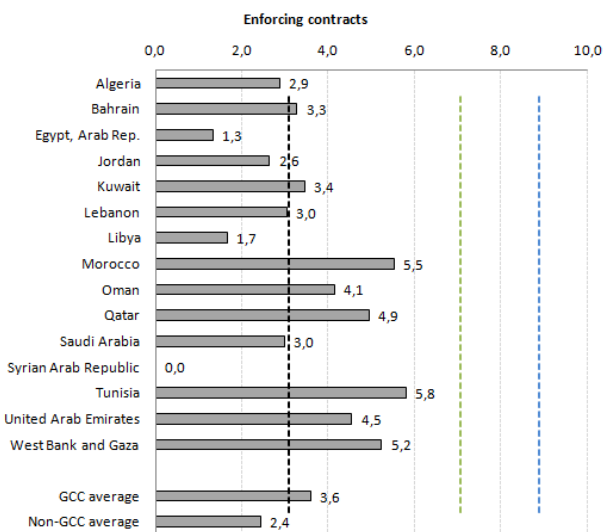


Business Environment Index: Methodology

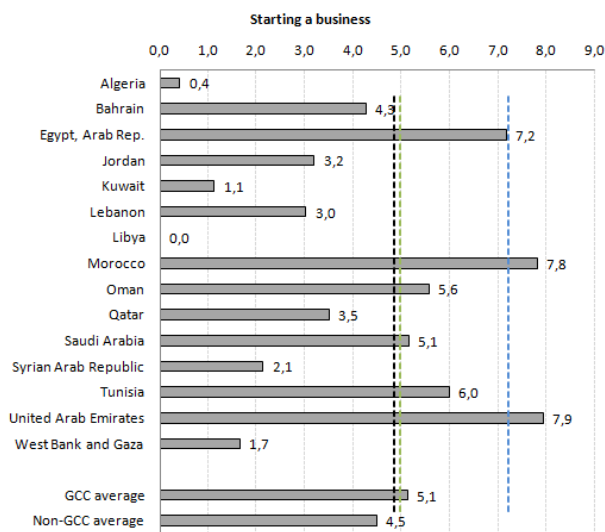
1. Institutions	2. Infrastructure	3. Access to finance	4. Innovation, entrepreneurship and human capital	5. Market sophistication
<ul style="list-style-type: none"> 1.1. Property rights 1.2. Intellectual property rights 1.3. Corruption 1.4. Hiring and firing 1.5. Efficiency of legal system 1.6. Ease of doing business 1.7. Stability 1.8. Corporate governance 	<ul style="list-style-type: none"> 2.1. Overall infrastructure 2.2. ICT infrastructure 2.3. Electricity 	<ul style="list-style-type: none"> 3.1. Ease of access to finance 3.2. Venture capital 	<ul style="list-style-type: none"> 4.1. Human capital 4.2. Innovation 4.3. Entrepreneurship 4.4. R&D 4.5. Patents 	<ul style="list-style-type: none"> 5.1. Buyer sophistication 5.2. Production sophistication 5.3. Globalisation 5.4. Business ownership rate 5.5. Depth of capital markets 5.6. Creativity

Indicator selection criteria	<ul style="list-style-type: none"> • Relevance • Precision • Availability • Coherence • Continuity 	Weighting	Equal weights of all 5 policy areas	Normalization	Min-max method (scores from 0 to 10)	Missing data replacement	Interpolation (if data is available for more than 2/3 of indicators)
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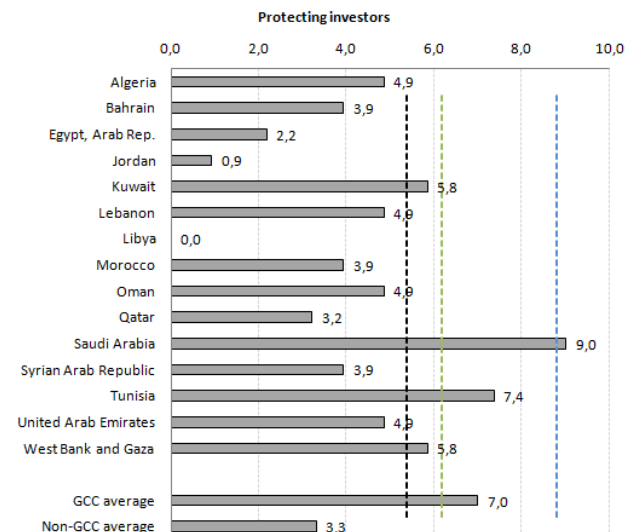
Business Environment Index: Snapshot



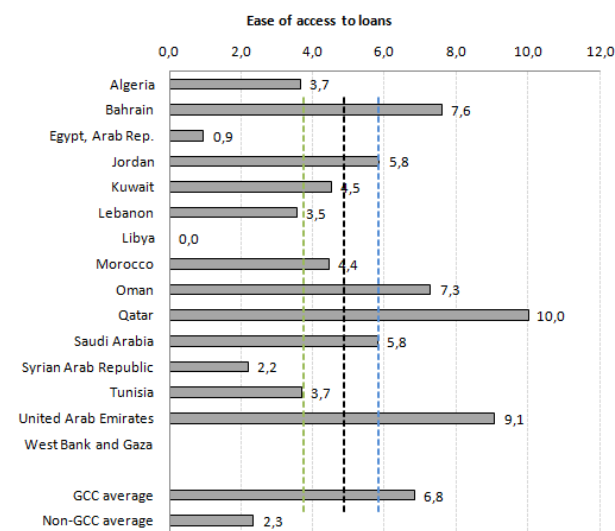
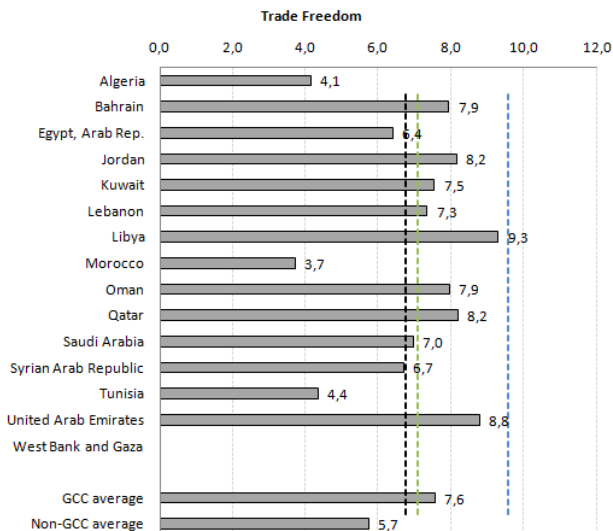
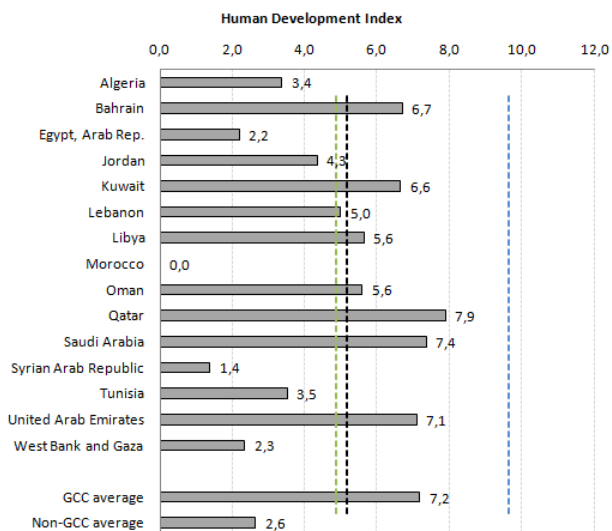
----- MENA countries, average - - - - - High income countries, average
 - - - - - Middle income countries, average



----- MENA countries, average - - - - - High income countries, average
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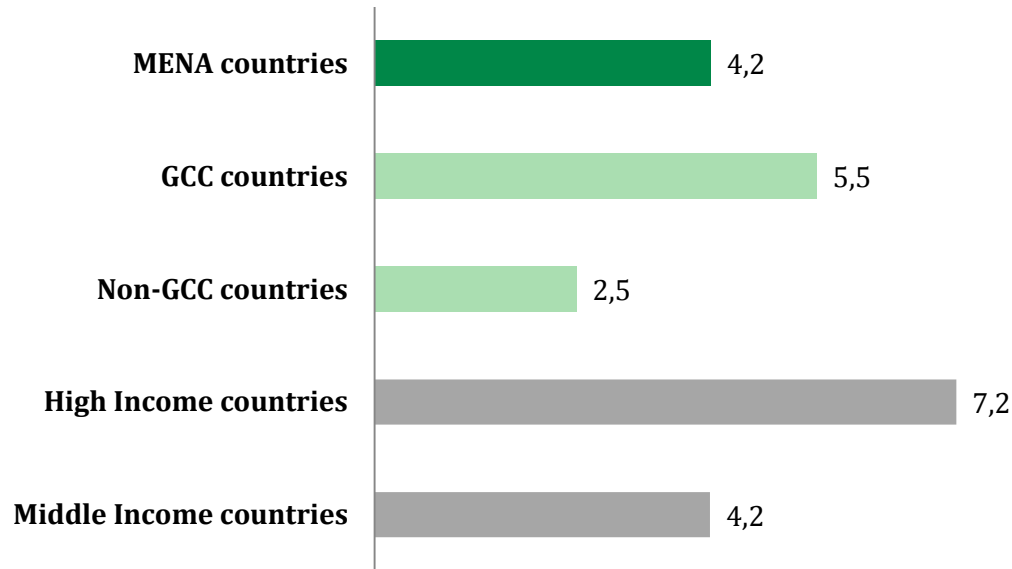


----- MENA countries, average - - - - - High income countries, average
 - - - - - Middle income countries, average



Business Environment Index: Regional Averages

Business Environment Index, Regional Averages



	1. Institutions	2. Infrastructure	3. Access to finance	4. Innovation, entrepreneurship and human capital	5. Market sophistication	Total score
MENA countries	4.6	5.6	4.8	2.6	3.3	4.2
GCC countries	5.8	7.8	6.7	3.2	4.0	5.5
Non-GCC countries	3.1	2.9	2.3	1.9	2.3	2.5
High Income countries	7.9	8.4	6.4	6.9	6.5	7.2
Middle Income countries	4.7	4.7	3.6	3,3	4.6	4.2

Business Environment Index: Main Conclusions



- There is a major difference in the performance of GCC (avg. score 5.5) and Non-GCC countries (avg. score 2.5)
- All MENA countries had low scores in Policy Area 4 (Innovation, entrepreneurship and human capital) and Area 5 (Market sophistication)
- One of the major challenges facing the region is the low level of entrepreneurship. Lebanon and Morocco score highest in Total Entrepreneurial Activity and Established Business Ownership Rate while many resource rich economies score quite low
- A 2011 MENA-OECD study on SMEs and Entrepreneurship confirmed that the limited development of entrepreneurship in MENA can be explained by at least three factors:
 - (1) High barriers to doing business – particularly for smaller firms
 - (2) Cultural norms – entrepreneurial activity is seen by young graduates as 2nd best compared with public sector jobs
 - (3) Low participation of women in the labor force and in entrepreneurial activity

Thank You

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