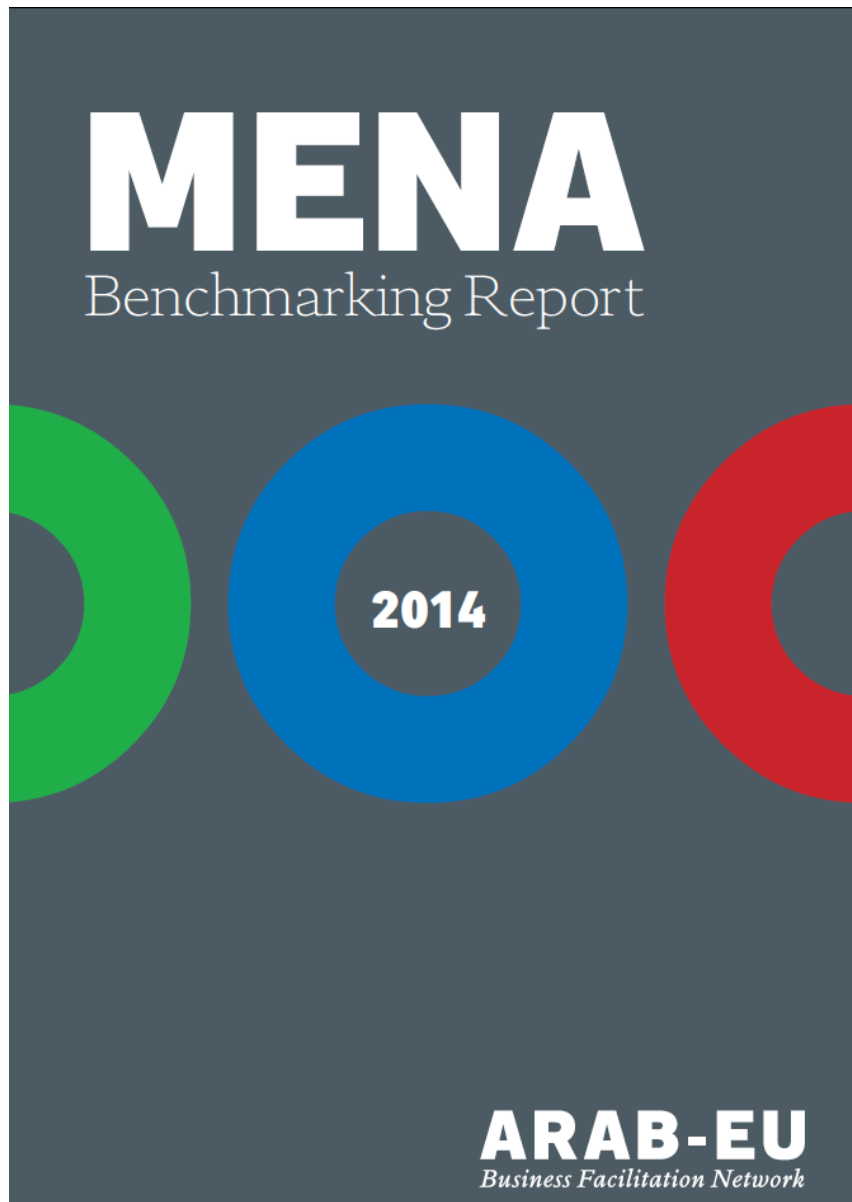


MENA Benchmarking Report

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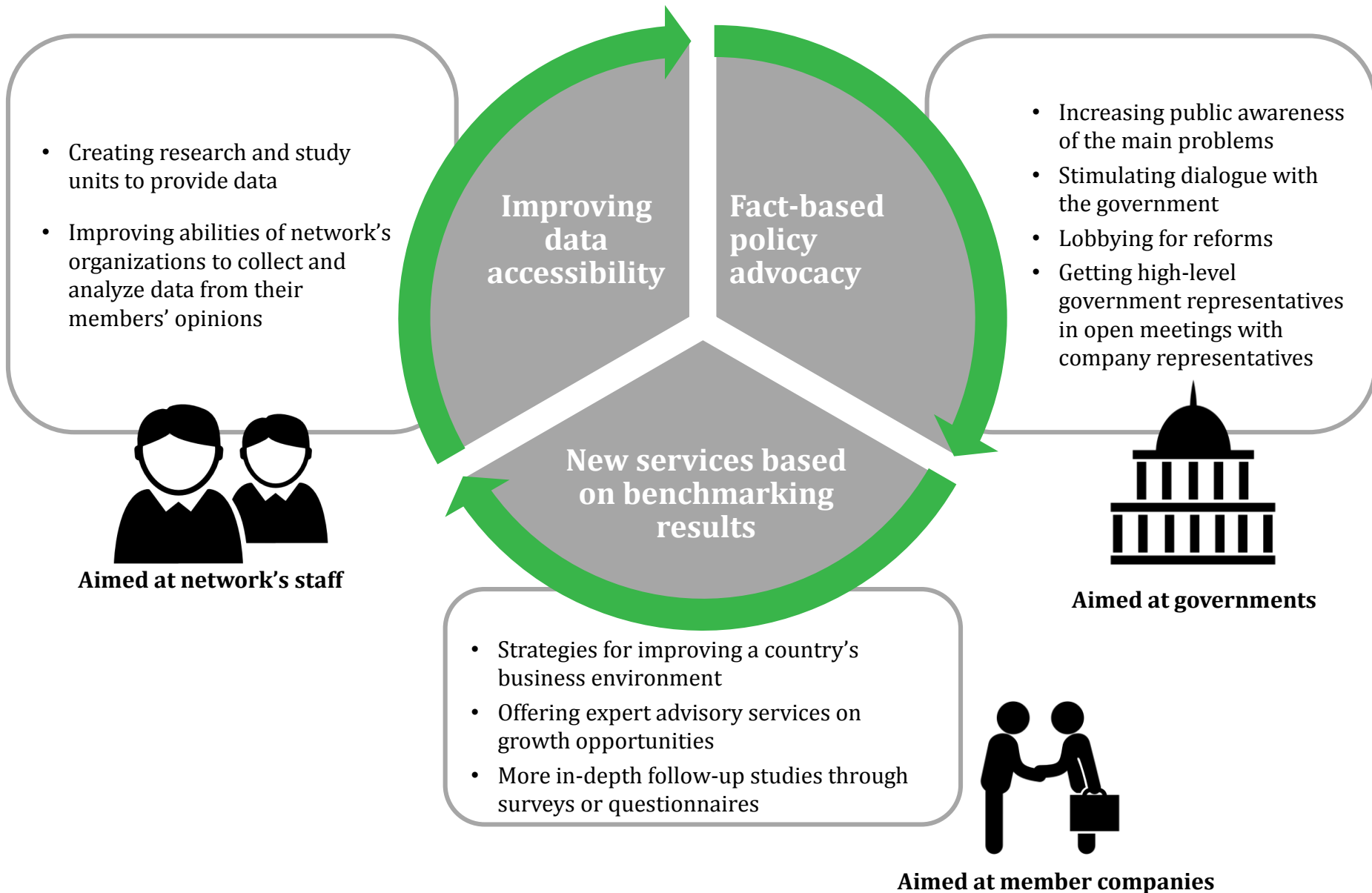
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About the MENA Benchmarking Report



- MENA Benchmarking Report presents a first-of-its-kind comparative analysis that combines data on macroeconomic performance and business environment of MENA countries from the most influential international organisations.
- Created by a network of leading Business Membership Organisations from the Arab-EU Business Facilitation Network, the report will help the organisations to:
 - produce evidence-based policy advocacy,
 - enhance their services to members,
 - and build capacity of the organisations.


Use of MENA Benchmarking Report



Structure of the Report



- Introduction



- Macroeconomic Analysis



- Business Environment Index



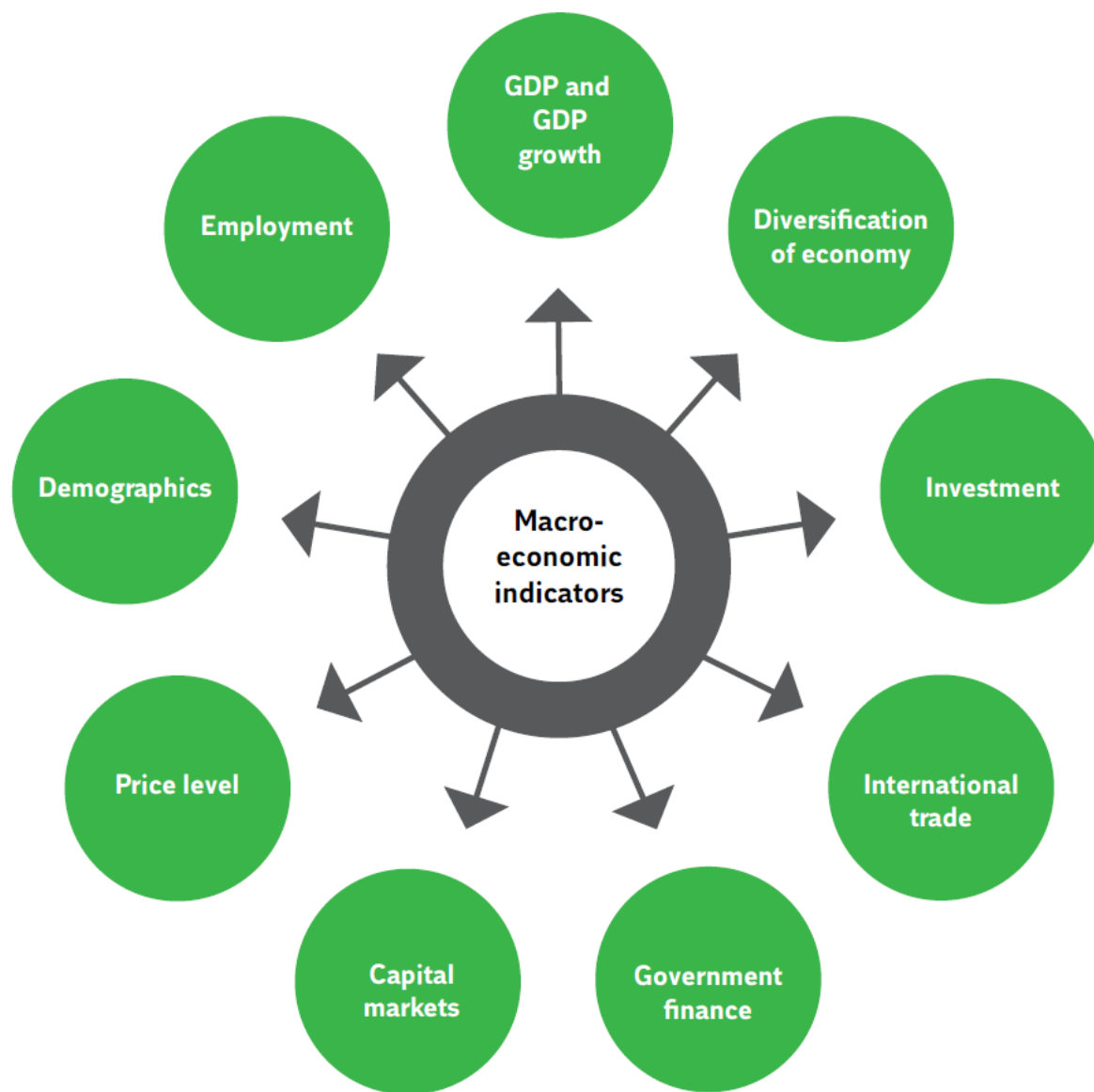
- Special Theme: SMEs in the MENA Region



- Appendices (Country profiles, Methodology, etc.)

Macroeconomic Analysis

Macroeconomic Indicators: Categories

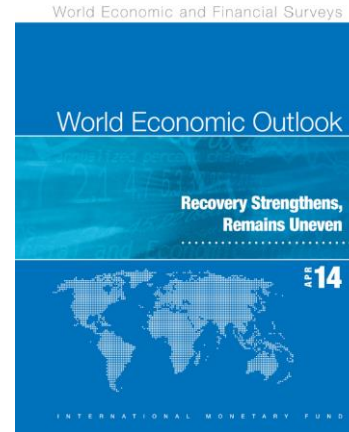


Macroeconomic Indicators: Sources

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.

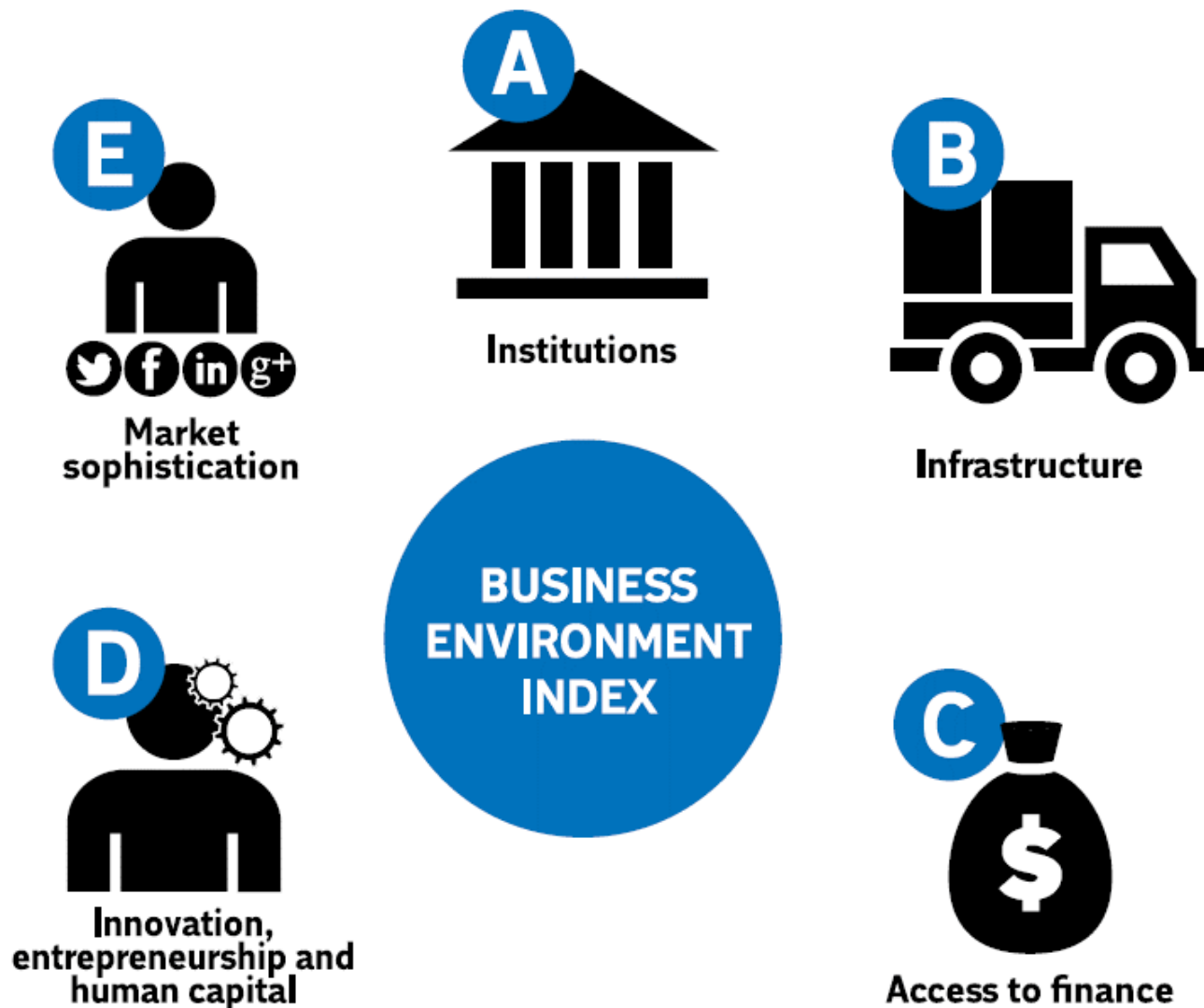
Macroeconomic Indicators: Main Conclusions



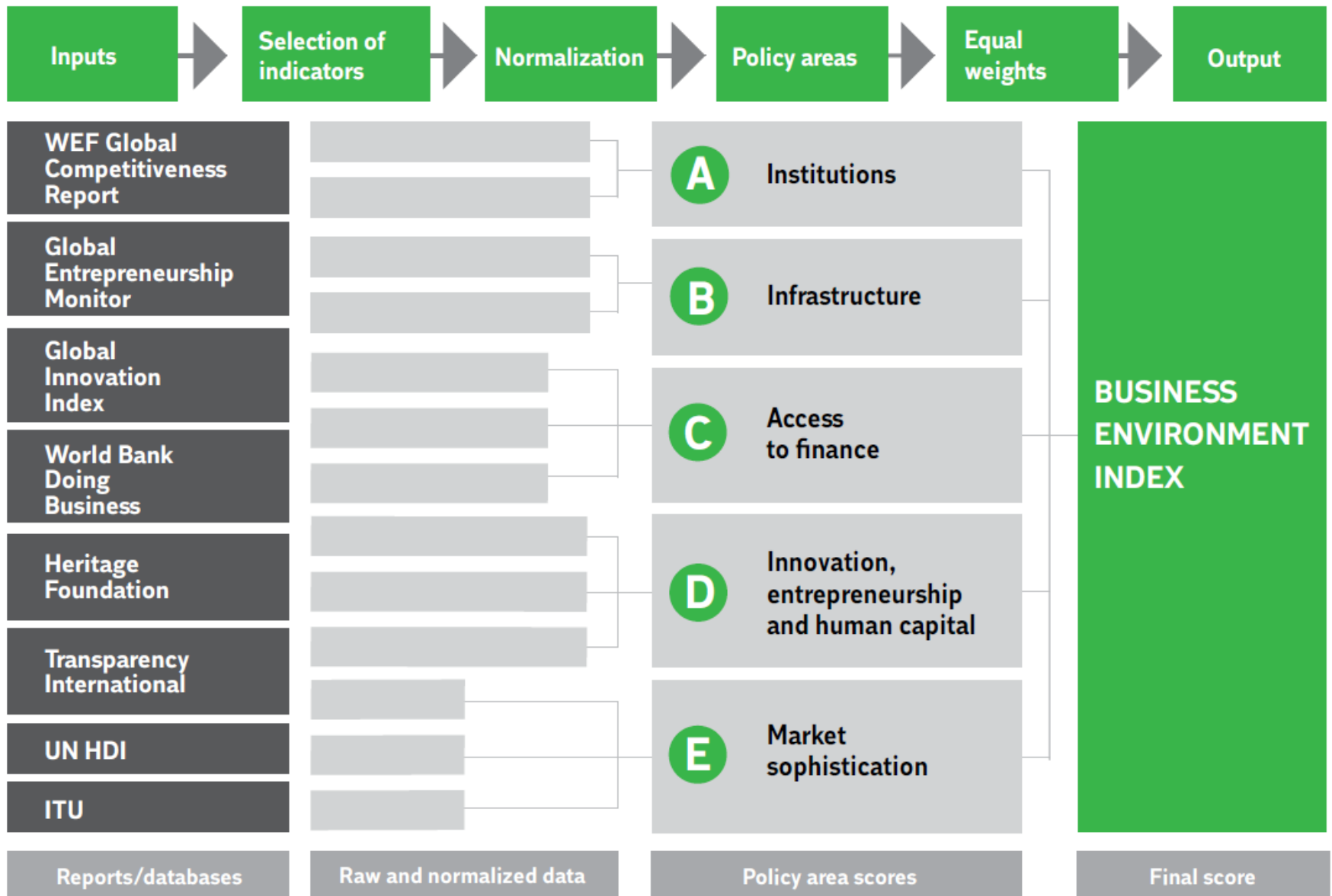
- Large differences exist in the performance of GCC and Non-GCC countries
- MENA countries have higher GDP growth than High income countries, but lower GDP per capita levels
- On average, governments of MENA countries run lower fiscal deficits and have less debt than High income countries
- Population 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



Business Environment Index: Structure



Business Environment Index: Methodology

 A Institutions	 B Infrastructure	 C Access to finance	 D Innovation, entrepreneurship and human capital	 E Market sophistication
A.1. Property rights A.2. Intellectual property rights A.3. Corruption A.4. Hiring and firing A.5. Efficiency of legal system A.6. Ease of doing business A.7. Stability A.8. Corporate governance	B.1. Overall infrastructure B.2. ICT Infrastructure B.3. Electricity	C.1. Ease of access to finance C.2. Venture capital C.3. Depth of capital market	D.1. Human capital D.2. Innovation D.3. Entrepreneurship D.4. Patents	E.1. Buyer sophistication E.2. Production sophistication E.3. Globalisation E.4. Business ownership rate E.5. Creativity

Indicator selection criteria

- 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)

Business Environment Index: Results



Country	Institutions	Infrastructure	Access to finance	Innovation, entrepreneurship and human capital	Market sophistication	Total score	Rank
MENA countries							
Qatar	6.2	7.8	6.2	4.2	4.6	5.8	1
United Arab Emirates	6.6	9.2	4.8	4.2	3.9	5.7	2
Saudi Arabia	5.6	7.6	4.9	3.8	3.5	5.1	3
Bahrain	5.4	7.5	4.2	3.4	4.2	4.9	4
Oman	5.9	6.3	3.7	2.8	2.8	4.3	5
Jordan	4.7	5.6	4.3	2.7	3.0	4.1	6
Kuwait	4.3	5.9	2.9	3.1	3.3	3.9	7
Lebanon	2.9	4.1	2.0	3.9	3.6	3.3	8
Morocco	4.6	4.2	2.9	1.6	2.8	3.2	9
Tunisia	4.5	3.9	2.0	2.0	2.1	2.9	10
Syrian Arab Republic	2.5	3.7	1.1	1.2	2.4	2.2	11
Egypt	2.5	2.4	1.0	2.5	2.1	2.1	12
Algeria	2.8	1.7	1.2	1.5	1.5	1.7	13
Regional averages							
MENA countries	4.6	5.6	3.3	3.1	3.0	3.9	--
GCC countries	5.7	7.7	4.7	3.8	3.6	5.1	--
Non-GCC countries	3.0	2.8	1.5	2.1	2.2	2.3	--
High income countries	7.8	8.3	6.3	6.8	6.1	7.1	--
Middle income countries	4.5	4.5	3.1	3.5	4.2	4.0	--

Business Environment Index: Main Conclusions



- Perfect measures of the business environment do not exist, but the index in this report provides a precise approximation of business conditions in MENA countries
- There is a major difference in the performance of GCC (Total score=5.1) and Non-GCC countries (Total score=2.3)
- MENA countries have low scores in Policy Area C (Access to finance), Policy Area D (Innovation, entrepreneurship and human capital) and Area E (Market sophistication)
- Overall score of MENA countries is below that of High income countries and only marginally lower than the score of Middle income countries

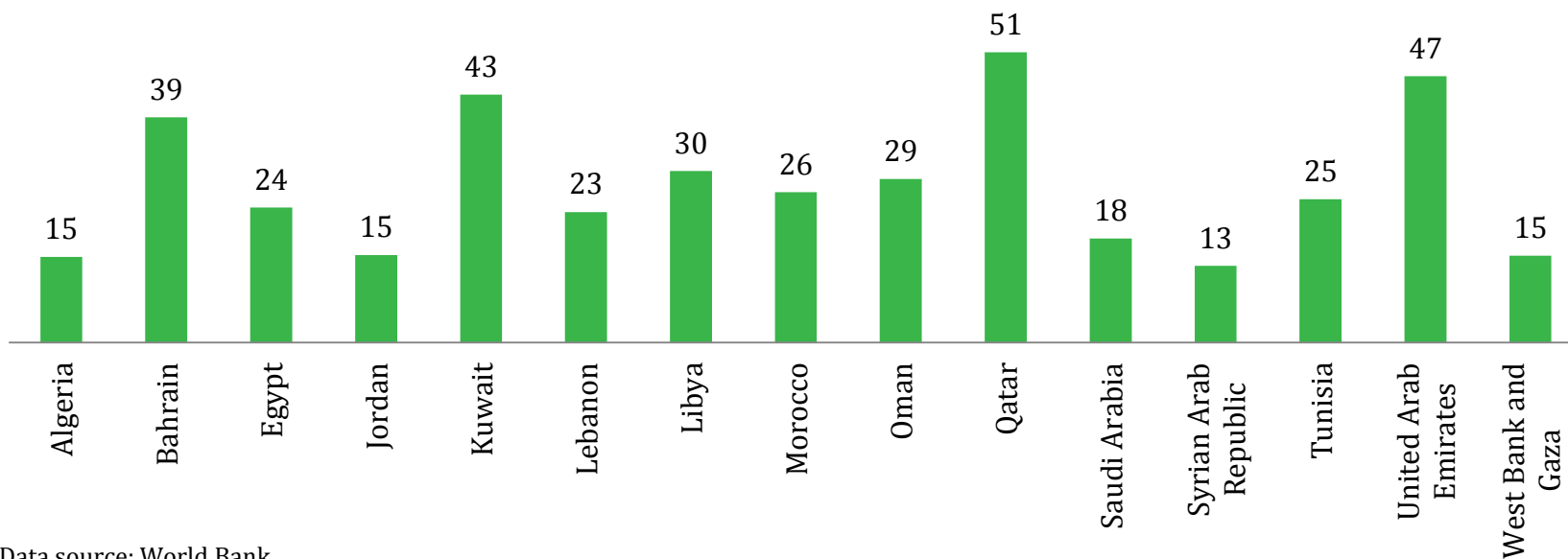
SMEs in the MENA Region

Challenge 1: Low female labour participation

Improvements in female education and health in MENA countries have not led to higher female participation in economic and political life

- Private sector companies do not create enough jobs for a growing number of educated women
- Wages for women working in the public sector are much higher than the wages that women could earn in the private sector
- There exists a mismatch in skills acquired by women through education and skills required by the private sector
- Legal, social and cultural issues still prevent women from integrating into the labour force

Female labour force participation rate (% of female population ages 15+), 2012



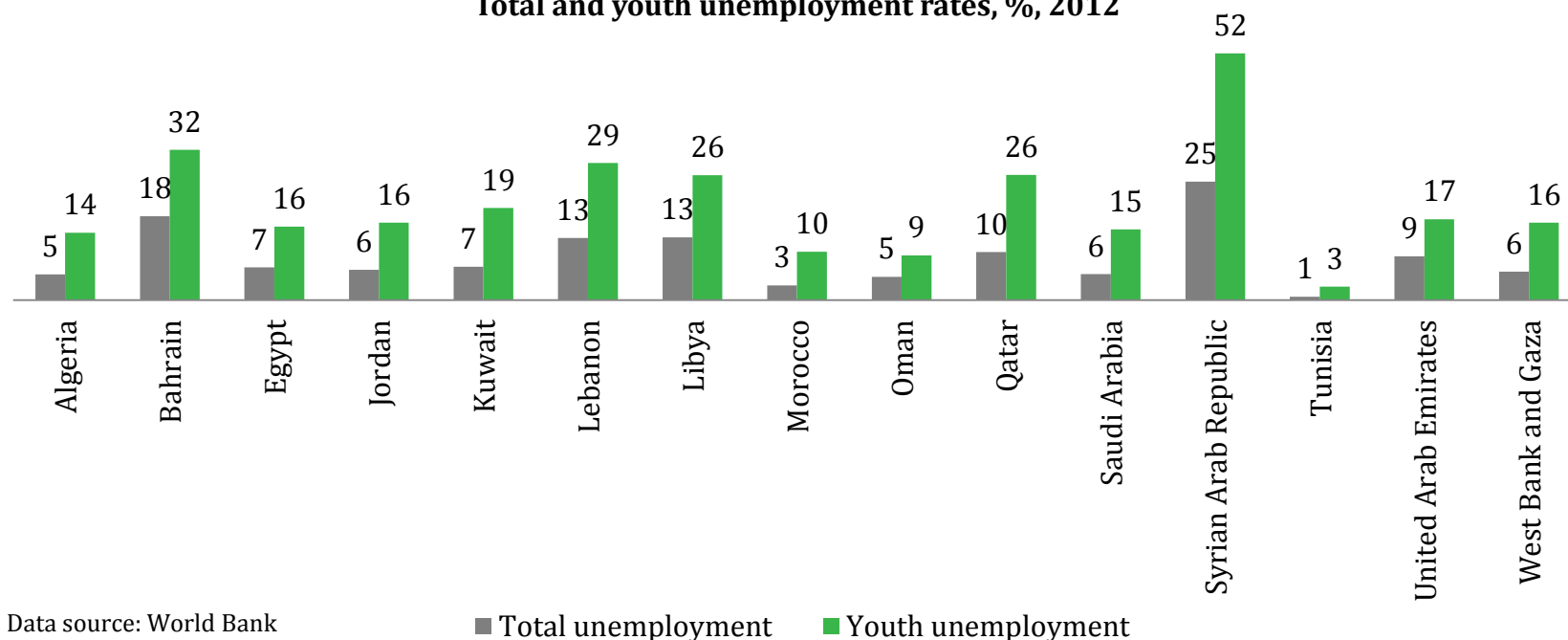
Data source: World Bank

Challenge 2: High youth unemployment

High youth unemployment creates additional challenges for SME development in the region

- Labour markets cannot accommodate increasing amounts of young people as a result of fast population growth
- Young people lack the skills needed for successful integration into the labour force due to problems in the quality of education
- Restrictive labour market regulations make it more difficult to hire and fire employees
- The public sector attracts more young people due to higher wages

Total and youth unemployment rates, %, 2012



Data source: World Bank

■ Total unemployment ■ Youth unemployment

Challenge 3: Financing constraints

Lending to SMEs

- Lending to SMEs only amounts to 8% of total lending in the MENA region
- In GCC economies, which are oil-based, large companies dominate the market and attract most of the financing

Main obstacles to SME financing

- Lack of SME transparency
- Weak financial infrastructure

Public vs private banks

- Private and public banks each occupy around 50% of SME lending market in MENA countries
- In other regions, the share of private banks is much higher
- Public banks in MENA countries employ riskier policies which allow them to attract more SMEs in search of financing
- Lending from private banks, on the other hand, is limited by the lack of financial infrastructure

For more information, please contact:

Iman Awadh,

Consultant at the Confederation of Danish Industry,

imaw@di.dk

Oleg Izgorodin,

Business Analyst at the Confederation of Danish Industry,

oliz@di.dk

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