

Competition and Private Sector Development in the Arab Region: Some Stylized Facts

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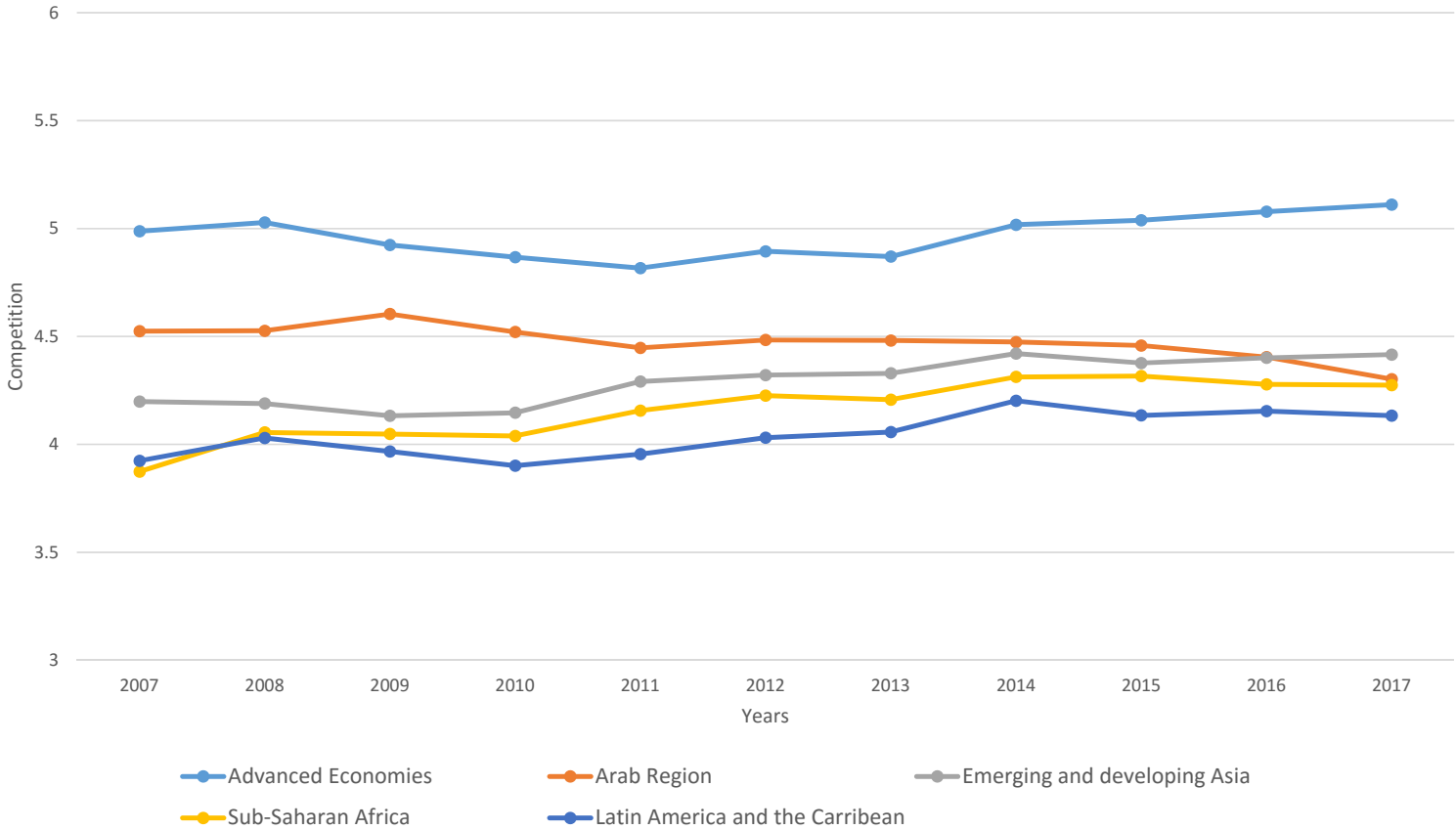
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Outline of Presentation

- ❖ Status of competition in the Arab region
 - General trend
 - Gainers and losers
 - Income effect
 - Institutionalization of competition
- ❖ Competition and private sector development
 - What does the data tell us?

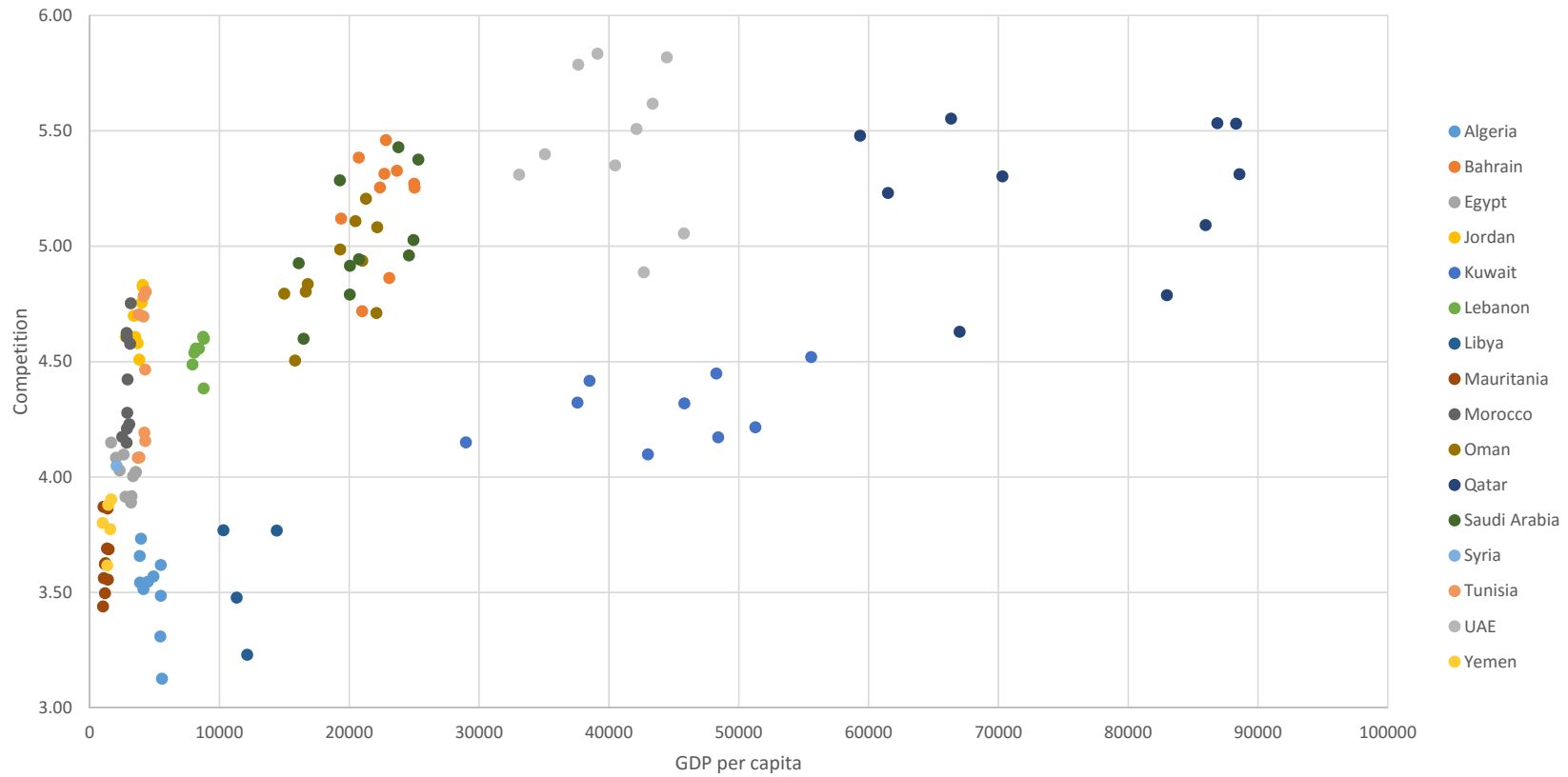
Trend of Competition in Arab Region



Trend of Competition in Arab Region

- Bad news: The Arab region lost its second place behind advanced countries region in 2016-2017. The trend shows a slightly declining trend since 2010 as opposed to other regions.
- There are discrepancies between countries: In 2016, UAE scored 5.75 and Qatar 5.47 corresponding to the 3rd and 8th rank, whereas Mauritania scored 3.57 and Algeria scored 3.56 corresponding to 134th and 133rd rank. Coefficient of variation increased from 0.11 in 2007 to 0.15 in 2016.
- GCC countries had an average score of 5.01 whereas non-GCC average score was 4.05 in 2017. UAE is the best among GCC & Jordan is the best in non GCC.

Competition and GDP per Capita



Competition and GDP per Capita

- According to the graph, there seems to be a positive relationship between competition and GDP per capita.
- The interesting question then does increase in competition cause improvement in competition or does improvement in competition lead to an increase in GDP per capita or there is another factor that leads them both to be correlated?

Competition and Institutions

All Countries

		Law	
		Yes	No
Institution	Yes	4.55	N/A
	No	4.34	4.39

Middle Income Countries

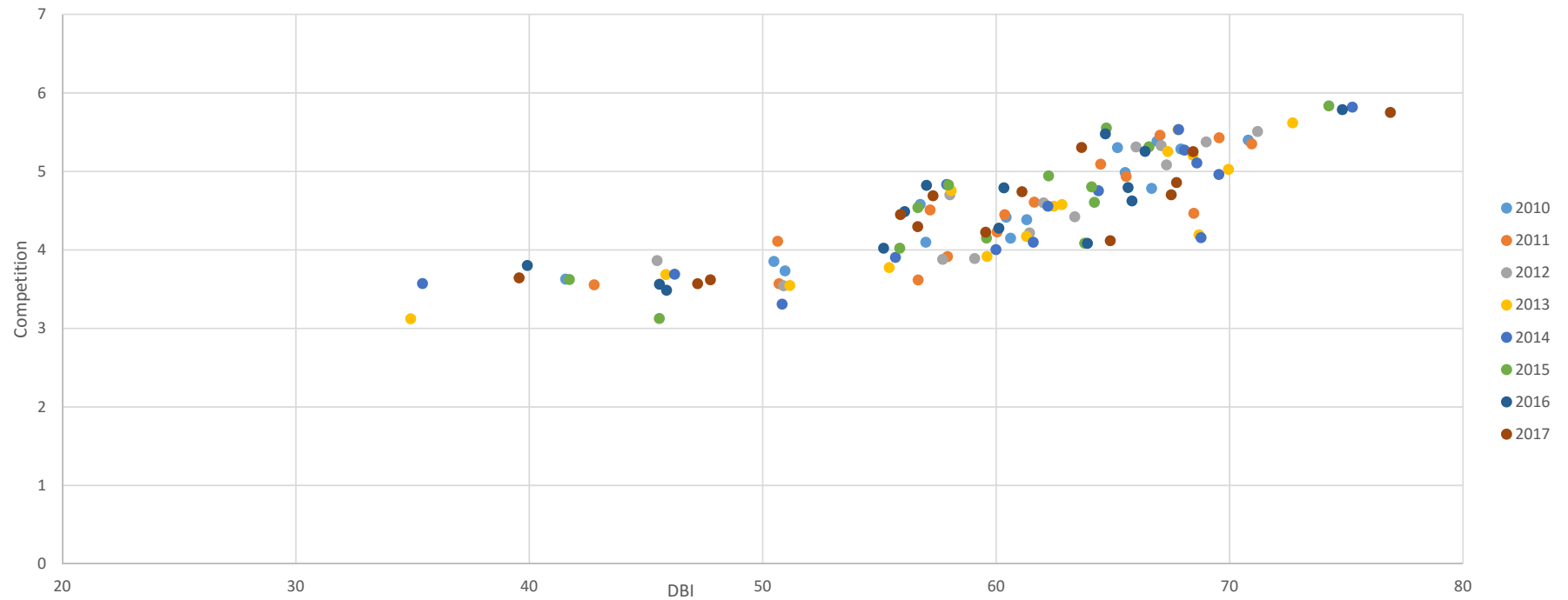
		Law	
		Yes	No
Institution	Yes	4.29	N/A
	No	3.47	3.86

High Income Countries

		Law	
		Yes	No
Institution	Yes	4.93	N/A
	No	5.09	5.13

- On average, “institutionalizing” does not seem to significantly affect competition performance in the Arab region.
- Having a law without an institutional body has almost no effect on improving competition.
- The strongest effect of institution on competition exists in Middle Income countries as opposed to high Income countries

Competition and Private Sector Development



Competition and Private Sector Development

- We use the **Doing Business Index** as a proxy for private sector development.
- Apparently, there is a positive relationship between competition and private sector development...this time between countries.
- Again, we are not suggesting a line of causation but the relation is strong!
- The correlation coefficient ranges between 0.9 and 0.8 over 2010-2016 period.

Competition and Private Sector Development

Correlation Coefficient	2010-2017
Algeria	0.50
Bahrain	-0.34
Egypt, Arab Rep	-0.48
Jordan	0.54
Kuwait	-0.28
Lebanon	0.41
Mauritania	0.21
Morocco	0.86
Oman	0.74
Qatar	0.51
Saudi Arabia	0.74
Tunisia	0.36
United Arab Emirates	0.88
Yemen	0.35

Competition and Private Sector Development

- There are apparent discrepancies between countries
- Three groups of countries:
 - Countries where the relationship is positive and strong: Morocco, Oman, Saudi Arabia and UAE.
 - Countries where the relationship is positive and weak: Algeria, Jordan, Lebanon, Mauritania, Qatar, Tunisia and Yemen.
 - Countries where the relationship is negative and weak: Bahrain, Egypt and Kuwait.

Thank you for your attention

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