المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

Investment Climate in Arab Countries

Dhaman Investment Attractiveness Index

2014

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الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

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المؤسسة العربية لضمان الإستثمار وائتمان الصادرات

The Arab Investment & Export Credit Guarantee Corporation

Establishment Date	1/4/1974	1974/4/1	**تاريخ التأسيس**
Commencement Date	1/4/1975	1975/4/1	**تاريخ المباشرة**
Director-General	Mr. Fahad Rashid Al Ibrahim	السيد/ فهد راشد الإبراهيم	**المدير العام**
Paid-up Capital	USD 197.4 million	197.4 مليون دولار أمريكي	**رأس المال المدفوع**
Reserves	USD 132.5 million	132.5مليون دولار أمريكي	**الاحتياطي**
Credit Rating	"AA, Stable", by Standard & Poor's credit rating agency.	"AA، مستقر" من قبل وكالة ستاندرد أند بورز للتصنيف الائتماني.	**التصنيف الائتماني**
Accumulated Guarantee Contracts 31-12-2012	USD 9.5 billion	9.5 مليار دولار أمريكي	**القيمة التراكمية لعمليات الضمان** 2012-12-31
Dhaman's Organizational Structure	▪ Shareholder's Council ▪ Board of Directors ▪ Director-General	▪ مجلس المساهمين ▪ مجلس الإدارة ▪ المدير العام	**أجهزة المؤسسة**
Member Countries	All Arab League member states except Comoros Islands.	كافة الدول الأعضاء في جامعة الدول العربية عدا جمهورية جزر القمر.	**الدول الأعضاء**
Financial Institutions (shareholders)	▪ Arab Fund for Economic and Social Development ▪ Arab Monetary Fund ▪ Arab Bank for Economic Development in Africa ▪ Arab Authority for Agricultural Investment and Development	▪ الصندوق العربي للإنماء الاقتصادي والاجتماعي ▪ صندوق النقد العربي ▪ المصرف العربي للتنمية الاقتصادية في أفريقيا ▪ الهيئة العربية للاستثمار والإنماء الزراعي	**المؤسسات المالية** (المساهمة في رأسمال المؤسسة)

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Oman	سلطنة عمان
Palestine	فلسطين
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Libya	ليبيا
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Morocco	المغرب
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Arab Fund for Economic and Social Development	الصندوق العربي للإنماء الاقتصادي والاجتماعي
Arab Monetary Fund	صندوق النقد العربي
Arab Bank for Economic Development in Africa	المصرف العربي للتنمية الاقتصادية في أفريقيا
Arab Authority for Agricultural Investment and Development	الهيئة العربية للاستثمار والانماء الزراعى

المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

Preface

Preface

The world's economies, especially developing nations, are facing vast opportunities and challenges as a result of the increased liberalization of trade in goods, services and capitals, the growing international integration of various markets and the expansion of multinationals' activity. In fact, international trade liberalization and the reinforcement of a global trade system based on a free market economy proved to be of many benefits. Among those are better opportunities for exports of developing countries in order to access the markets of developed nations in particular for goods profiting and strengthening countries' competitive advantage, optimal use of economic and human resources between and within sectors, technical development and increase in economic growth rates. Furthermore, the expanded activity of multinational corporations, accompanied by capital flows across borders have created new opportunities to promote investment, improve the performance of local companies and benefit from partnerships in the areas of investment, management, marketing and technology transfer.

To cope with these developments and benefit from them, developing countries had to set policies that ensure the creation and development of the investment climate, and to activate market mechanisms so as to achieve the effective use of resources and the freedom and fairness of access to markets. However, the challenge lies in balancing the need to promote competition and solidify the competitive advantage on the one hand, and the need to protect strategic sectors with the intervention of the government to reach development goals and guarantee sustainability of growth, on the other hand.

In this context, the Arab Investment & Export Credit Guarantee Corporation continues to sharpen its role in disseminating knowledge based on the situation of the investment climate in Arab countries, in line with global trends, in order to support the efforts of governments in the region aimed at improving the investment and business climate, increasing the attractiveness of the region's economies to foreign investment and strengthening the foundations of joint Arab action in the areas of social and economic development.

Complementing this approach, the Arab Investment & Export Credit Guarantee Corporation is glad to present to its member States the twenty-ninth annual report on investment climate for the year 2014, exposing and analyzing data and indices related to the performance of Arab States in terms of foreign investment flows and their level of attractiveness for foreign investments according to a set of variables that explain the discrepancy between the different countries of the world in this regard. This year's report resorted to the new methodology used in the 2012 - 2013 report when the Corporation first introduced the "Dhaman FDI Attractiveness Index". The index components have been further developed and a set of new sub-indices were added to measure logistics performance. A new approach was also adopted to monitor the institutional environment based on World Bank data, and the number of countries covered by the index expanded from 110 to 111 countries with an increase of the number of Arab countries to 18 after the inclusion of Iraq in the index.

The index features numerous characteristics that qualify it to be among the composite indices of reference on both the regional and international level. It abides by the scientific and practical regulations in that it relies on around 60 variables derived from the most important and the latest international and national databases available, it has a wide geographical coverage of 111 countries representing more than 95% of the total stock of FDI in the world, it is flexible and scalable in order to cope with future variables and provides accurate and credible results. Moreover, it gives outputs that can be easily grasped by decision-makers, researchers and actors in the field of market competition to attract FDI by revealing the strengths and weaknesses in this area.

This year's report reiterates its commitment to ensure a maximum geographic coverage by including all the Arab countries in the data and indices contained in its chapters. It strives to provide the readers, including officials, decision-makers and private sector institutions at country, regional and global levels with a timely, realistic and useful picture of the investment climate in the Arab world. However, the corporation, in its quest to achieve this broad and up-to-date coverage, has been facing for years obstacles that lie in the lack of comprehensive and accurate statistical data about the flows and balances of foreign direct investment, its components, sources and sectoral trends from Arab official sources. In coordination with concerned entities, Dhaman has taken several steps to overcome those barriers, including the following:

- It invited Arab States to develop FDI data in accordance with the standards mentioned in the sixth edition of the "Balance of Payments and International Investment Position Manual" published by the International Monetary Fund, and noted about that in its publications and in the conferences it organizes and attends.

- It corresponds every year with official contacts and other concerned entities in all Arab States to ask about FDI flows and stocks, distributed geographically and sectorally, until the year preceding the release of the report.
- In many occasions, it called upon the implementation of the Arab League resolution number (s 1843 - ordinary session 86) on 30/9/2010 that urges Arab States to provide data on foreign investment in order to enrich the "Investment climate in Arab countries" report.
- It invited the 6 member Arab States that had carried out the coordinated survey on FDI data (Coordinated Direct Investment Survey or CDIS) for the International Monetary Fund to supply some of their results, and encouraged other Arab nations to participate in the survey.

Despite the progress achieved in terms of information and data provided by a number of Arab States, particularly related to FDI, the level of Arab response to the need for accurate recent data has not lived up to the required and expected level. Technically, it is worth recalling that developing an accurate database on FDI statistics at the national level is not only a prerequisite for taking the necessary decisions that create an investment-attracting climate and activate the role of development. It is also an important element to offer specialists and decision-makers a minimum basis for coordination in order to grant success ingredients for regional economic integration among Arab countries, in addition to the currently available factors such as human resources, natural resources and capital.

From this perspective, and knowing the importance of data and information in tracking investment developments in Arab States, Dhaman felt responsible for overcoming those obstacles. Thus, it resorted to the most important international publications about FDI around the world as an alternative for national sources, when needed. The United Nations Conference on Trade and Development UNCTAD is known to be one of the main providers of most recent estimates about the flow of foreign direct investment to all the countries of the world.

In this context, I would like to express my sincere appreciation to all the official contacts, investment promotion agencies and auxiliary institutions in the Arab States that provided Dhaman with data and information, which varied from one country to another in terms of comprehensiveness, timeliness and accuracy. I also invite all concerned governmental entities in the Arab countries to reinforce their efforts to develop and update their data bases related to FDI and other relevant fields, in conformity with international accounting standards. And last but not least, I would like to extend my thanks to the research and studies team who prepared the report and to all other departments who contributed in a way or another to the provision of administrative and technical support for the completion of the report in its current form.

Dhaman hopes to have made the right methodological choices and wishes that the present report, along with the rest of the corporation's activities and national efforts will contribute to laying strong objective foundations for the promotion of Arab countries. It welcomes any comments or opinions that would develop the content of the report and strengthen the role of the corporation in supporting foreign trade, inter-Arab trade and capital flows to the region.

Finally, we ask God to guide our efforts and we hope that our report conveys its message.

Fahad Rashid Al-Ibrahim
Dhaman's Director-General
July 2014

Executive Summary

FDI attractiveness is considered one of the main fields of competition between most countries, both developed and developing, especially after the financial and economic global crisis, the recent political developments in Arab countries, the euro zone downturn, the recession witnessed by international investment markets, along with the latest trends of foreign capital, particularly the upward trend of inward FDI flows to developing and transition countries.

The Arab Investment & Export Credit Guarantee Corporation continues to develop its role in disseminating updated information about the investment climate in Arab countries so as to assist the region's governments in improving the business climate, enhancing attractiveness to foreign investments and strengthening the pillars of joint Arab action in the areas of social and economic development.

In this context, the Arab Investment & Export Credit Guarantee Corporation has launched the twenty-ninth annual report on investment climate for the year 2014, exposing and analyzing data and indices related to the performance of Arab States in terms of foreign investment flows and their level of attractiveness for foreign investments according to a set of variables that explain the discrepancy between the different countries of the world in this regard. This year's report resorted to the new methodology used in the 2012 - 2013 report when the Corporation first introduced the "Dhaman FDI Attractiveness Index". The index components have been further developed and a set of new sub-indices were added to measure logistics performance. A new approach was also adopted to monitor the institutional environment based on World Bank data. The number of countries covered by the index expanded from 110 to 111 countries as the number of Arab countries increased to 18 after the inclusion of Iraq in the index, thus representing more than 99% of inward FDI balances to the Arab Region by the end of 2013.

Characteristics of Dhaman FDI Attractiveness Index

The index features many characteristics that qualify it to be one of the reference composite indices on the regional and international levels. It follows scientific and practical standards based on 3 main pillars that include 11 sub-indices, which are in turn divided into 60 quantitative variables. The vast majority of them are the average value of the variable during the three years from 2010 to 2012 in order to have more solid results and to reduce the impact of fluctuations. They are derived from the most important and most recent databases available nationally and internationally. The index covers a wide geographic area that represents more than 95% of the total inward FDI stocks in the world. It is flexible and can be developed and adapted to future variables. Its results are accurate, credible and easy to understand for decision-makers, researchers and stakeholders in the area of competition for attracting FDI as it reveals the strengths and weaknesses in this field.

The new composite index aspires to explain why the Arab region's share of the world FDI flows has been so modest between the years 2000 and 2013 and did not exceed 3.5% of the global FDI total and 9.5% of the total inward FDI to developing countries. It also strives to develop a comprehensive knowledge data base that enables the completion of studies and research. The data base would also serve to identify the strengths and weaknesses that define the investment climate in the region, explain the reasons why certain geographic regions are more appealing than others in some countries and why the services sector attracts the greatest deal of flows. Moreover, it would present suggestions regarding the best ways to improve the investment climate and determine the impact of investments on sustainable economic and social development in the host countries.

Part I: The FDI Attractiveness Potential of the Arab Region

The Overall Arab Attractiveness Position

This year, Arab countries came in the fourth place on the global level among 7 geographic groups, with an average FDI attractiveness index of 36.7 points and average ranking of 71 within the countries of the group. OECD countries claimed the first place, followed by East Asia and the Pacific countries in the second place, Europe and Central Asian countries in the third place, Latin American and Caribbean countries in the fifth place, South Asian countries in the sixth place, after Arab countries, and, finally, African countries in the seventh place. In comparison with 2013, Arab countries' attractiveness to FDI slightly decreased as the index in the Arab States dropped off by 0.5 points, a percentage of 1.47%. GCC countries (Saudi Arabia, United Arab Emirates, Kuwait, Qatar, the Sultanate of Oman & Bahrain) outperformed other Arab sub-regions with a score of 45.8 points out of 100 points in 2014, with a good performance. However, their performance in terms of the general index fell by 2.9% compared to 2013. On the Arab level, Levant states (Egypt, Jordan and Lebanon) ranked second with 39.3 points with an average performance and an improvement of 0.5% while Maghreb states (Libya, Tunisia, Algeria and Morocco) came in the third place with 34.5 points and a poor performance despite their improvement by 1.9%. And finally, the very low-FDI performance countries (Iraq, Syria, Mauritania, Yemen and Sudan) were ranked fourth on the Arab level with 25.8 points and a very weak performance; their FDI attractiveness dropped by 3.4% in comparison with 2013.

The Three Main Groups

Regarding Arab countries' positions in the three main groups, in general, it is obvious that Arab performance in the set of positive externalities is very poor. In contrast, Arab performance was slightly lower than the global average in the sets of prerequisites and underlying factors.

Set of Prerequisites:

The set includes four sub-indicators: macroeconomic performance, financial intermediation and financing capacities, institutional & social environment and business environment.

Arab countries claimed the 4th place globally, with an average of 50.3 points on the index for Arab countries group, and average ranking of countries within the group of 73. In comparison with 2013, the index value in Arab countries dropped-off by 1.5 points, a percentage of 2.9%. GCC countries outperformed other Arab sub-regions with a performance close to the world average. The Levant and Maghreb states shared the second and third position respectively with an almost similarly poor performance. In contrast, the Low-FDI performance countries were ranked fourth on the Arab level with a very poor performance. In comparison with 2013, the performance of GCC countries improved while the performance of other groups slightly declined.

Set of Underlying Factors:

It includes five sub-indicators: market access & market potential, human & natural resources, cost components, logistics performance and telecommunication & ICT. Arab countries claimed the 4th place globally, with an average of 45.7 points on the index for Arab countries group, and average ranking of countries within the group of 67. The performance of Arab countries decreased in comparison with 2013. On the level of Arab groups, the GCC countries continued to occupy the first place with a good performance above the world average. Levant states ranked second while Maghreb states ranked third, both with a poor performance. Low FDI performance countries came in the fourth place with a very poor performance. In comparison with 2013, the performance of Maghreb countries improved while that of other groups slightly declined.

Set of positive externalities:

It includes two sub-indicators: agglomeration economies and innovation & differentiation. Arab countries claimed the 5th place among 7 geographic groups with an average of 16.8 points on the index for Arab countries group, and average ranking of countries within the group of 73. The performance of Arab countries decreased by 0.9 points or 5%, in comparison with 2013. On the level of Arab groups, GCC countries occupied the first place. Levant states ranked second while Maghreb states ranked third. Low FDI performance countries came in the fourth place with a very poor performance. In comparison with 2013, the performance of Levant countries improved in the set of externalities while that of other groups declined.

Arab World's Position on Sub-indices

Uncertainty and Macroeconomic Stability Index:

Arab performance on this index is the best compared to the 11 other indices, as both Arab and global averages are nearly equal, around 69 points. On the level of Arab groups, the GCC countries occupied the first place. Maghreb states ranked second with an average performance while Levant states ranked third with a very poor performance. Low FDI performance countries came in the fourth place with a very poor performance as well. In comparison with 2013, the performance of GCC & Maghreb countries improved while that of Levant countries and low FDI performance countries declined.

Financial Intermediation and Financing Capacities Index:

Despite the weak global performance in this area, the Arab performance was even lower. On the level of Arab groups, only the Levant States subgroup achieved a good performance, occupying the first place. GCC countries claimed the second place with an average performance, Maghreb states came in the third place with an average performance too and finally low FDI performance countries came in the fourth place with a very poor performance. In comparison with 2013, the performance of GCC & low FDI performance countries on the financial Intermediation and financing capacities index improved while that of Maghreb and Levant countries declined.

Institutional Environment Index:

The performance of Arab countries was modest compared to the global average, with significant discrepancies between Arab groups. On the level of Arab groups, GCC countries occupied the first place with an average performance. Levant states ranked second with a poor performance while Maghreb states ranked third with a poor performance as well. Low FDI performance countries came in the fourth place with a very poor performance. All Arab groups witnessed a decline in performance on the present index in comparison with 2013.

Business Environment Index:

The performance of Arab countries was medium compared to the global average. On the level of Arab groups, GCC countries occupied the first place with an average performance. Levant states ranked second with an average performance too and Low FDI performance states ranked third with a poor performance while Maghreb countries came in the fourth place with a very poor performance. All Arab groups except GCC countries witnessed a decline in performance on the present index in comparison with 2013.

Market Access and Market Potential Index:

Arab states were close to the global average. On the level of Arab groups, GCC countries occupied the first place with a good performance. Levant states ranked second with an average performance as well, while Maghreb states ranked third with a poor performance. Low FDI performance countries came in the fourth place with a very poor performance. All Arab groups witnessed an improvement in their performance in comparison with 2013.

Human and Natural Resources Index:

Arab performance for this index was very close to the global one. On the level of Arab groups, the GCC countries occupied the first place with an average performance. Levant states ranked second while Maghreb states ranked third with a poor performance. Low FDI performance countries came in the fourth place with a very poor performance. All Arab groups witnessed a decline in their performance for the present index in comparison with 2013.

Cost Components Index:

The Arab performance on this index was higher than the already high global average. On the level of Arab groups, the GCC countries occupied the first place and were the only Arab region with a very good performance. Levant states ranked second while Low FDI performance countries ranked third and Maghreb states ranked fourth. In comparison with 2013, the performance of GCC & Levant countries on the cost components index declined while that of Maghreb and Low FDI performance countries improved.

Logistics Performance Index:

The Arab performance on this index was lower than the already low global average. On the level of Arab groups, the GCC countries occupied the first place and were the only Arab region with an average performance. Maghreb states ranked second while Levant countries ranked third with a poor performance and Low FDI performance states ranked fourth with a very low performance. All Arab groups except Maghreb states witnessed a decline in their performance for the present index in comparison with 2013.

Telecommunication and ICT Index:

The Arab performance on this index was significantly lower than the already low global average. On the level of Arab groups, GCC countries occupied the first place with a good performance. Levant states ranked second with an average performance while Maghreb states ranked third with a poor performance. Low FDI performance countries came in the fourth place with a very poor performance. All Arab groups witnessed an improvement in their performance for the present index in comparison with 2013.

Agglomeration Economies Index:

The Arab performance on this index was significantly lower than the already low global average. On the level of Arab groups, Levant countries occupied the first place and were the only Arab region with an average performance. Maghreb states ranked second with a poor performance while GCC states ranked third with a poor performance as well. Low FDI performance countries came in the fourth place with a very poor performance. In comparison with 2013, the performance of GCC countries and low FDI performance countries on the agglomeration economies index improved while that of Levant and Maghreb countries declined.

Differentiation and Technological Advancement Factors Index:

The Arab performance on this index was significantly lower than the already low global average. On the level of Arab groups, the GCC countries occupied the first place and were the only Arab region with an average performance. Levant states ranked second with a poor performance while Maghreb countries ranked third with a poor performance as well. Low FDI performance states ranked fourth with a very low performance. All Arab groups except Levant states witnessed an improvement in their performance for the present index in comparison with 2013.

FDI Attractiveness Gap in Arab Countries

The attractiveness gap refers to the disparity between a given country or geographic region on the one hand, and another country or geographic region of reference on the other hand in terms of prerequisites availability, possession of underlying factors and positive externalities needed to attract FDIs. The term "gap" may also express the difference between the expected performance of a certain country in terms of FDI attractiveness and its actual performance; in this case we talk about a performance gap.

On the general index, the Arab attractiveness gap amounted to 35.5% in 2014 in comparison with OECD countries as a geographic region of reference, which is almost the same percentage detected in 2013. This gap is in turn divided into three sub-categories: the gap in terms of prerequisites, which accounted for 27.7% in 2014 against 25.2% in 2013, the gap in terms of underlying factors, which accounted for 28.3% in 2014, the same as in 2013, and the gap in terms of positive externalities, which reached 54.6% this year, i.e. a slight increase compared to the 53.8% recorded in 2013. The figures clearly reveal the challenges faced by Arab economies in attracting further capital inflows.

However, the gap between Arab & OECD countries in terms of FDI attractiveness is smaller than that between

OECD countries and three other geographic groups, namely Africa, South Asia, Latin America & the Caribbean. The Arab countries' gap in terms of underlying factors is also relatively better than that of other geographic groups. As for the gap in terms of positive externalities, Arab countries ranked fourth. Similarly to what has been witnessed last year, it is clear that this axis is the one driving the attractiveness gap of geographic groups in general and that of the Arab region in particular. The depth of the gap in terms of differentiation and technological advancement between Arab & OECD countries is also obvious.

FDI Attractiveness Balance in Arab Countries

In observance of the FDI attracting and impeding factors, the performance of a given country is termed as strength if its ranking falls on the top third as for the parameter included in the attractiveness sub-index, and weakness if its ranking falls on the bottom third of the values of parameter in question. Based on the results of total scale measured by subtracting the total weaknesses from the total strengths, countries may be ranked according to this scale, which constitutes an information system that may serve as guide to reduce liabilities of weaknesses and turn them into assets of strengths. By observing and assessing all the sub-indices included under the general FDI attractiveness index for 2014, it appears that the majority of Arab countries suffer from weaknesses that reside in the following areas: fluctuation of real GDP rate, high inflation rate, high ratio of budget deficit to GDP in some countries, factors relating to institutional environment, in certain countries, lack of openness to outer world, declining overall rates of productivity of the production factors, declining efficiency of customs clearance, commerce and transportation components relating to poor business performance environment infrastructure, poor logistic services in addition to a great decline in the level of technological advancement.

Part II: The FDI Attractiveness Performance of the Arab Region

Global FDI Flows in 2013

In 2013, global FDI flows regained their rising trend by 9% to reach 1.45 trillion dollars in 2013, accompanied by a rise in FDI stocks around the world by 9% to reach 25.5 trillion dollars. According to the latest statistics mentioned in the World Investment Report of 2014, FDI inflows to developing economies reached a record high of 778 billion dollars, accounting for 54% of global flows. The UNCTAD expects global FDI flows to keep rising in the coming three years to reach 1.6 trillion dollars in 2014, 1.75 trillion dollars in 2015 and 1.85 trillion dollars in 2016, with a greater share for developed countries up to 52 per cent in 2016.

Throughout 2013, private equity funds maintained their strength and their financing reached a record high of 1.07 trillion dollars. Foreign direct investment by sovereign wealth funds amounted to 6.7 billion dollars only, despite the magnitude of their assets, valued at 6.4 trillion dollars globally. The role of some 550 government-owned transnational corporations has also increased with more than 15 000 overseas branches and foreign assets estimated at nearly two trillion dollars, in addition to 160-billion-dollar foreign direct investments implemented through those branches in 2013, representing 11% of the global total. The cash amount available to the largest 5000 transnational corporations has reached about 4.5 trillion dollars in 2013, which is considered a high level of cash assets representing enormous potential as a development financing source.

Inward FDI Flows to Arab Countries

Inward FDI flows to Arab countries decreased by 9% from 53.5 billion dollars in 2012 to 48.5 billion dollars in 2013. The flows remained poor compared with the record high of 96.3 billion dollars reached in 2008.

Inward FDI to Arab countries represented 3.3% of the overall global amount of 1.45 trillion dollars and 6.2% of the inward FDI to developing countries of 778 billion dollars.

Throughout 2013, inward FDI continued to be concentrated in limited number of Arab countries. For the second year in a row, UAE and KSA accounted for more than 40% of the overall inward FDI to Arab countries. UAE ranked first with 10.5 billion dollars and a stake of 21.6% of the overall FDI in the Arab world, followed by Saudi Arabia in the second place with 9.3 billion dollars and a share of 19.2%, Egypt in the third place with 5.6 billion dollars and a share of 11.5%, Morocco in the fourth place with 3.4 billion dollars and a share of 6.9%, followed by Sudan in the fifth place with 3.1 billion dollars and a share of 6.4%.

According to UNCTAD's statistics, the total FDI inflows in 92 Arab and forein countries between 2001 and 2012 amounted to more than 300 billion dollars. The list of top investing countries included respectively: France, Kuwait, USA, UAE, UK, KSA, Japan, the Netherlands, China and Germany with a total amounting to 211.5 billion dollars representing more than 70% of the overall investments. Similarly, the list of top countries investing in the region for the same period included Italy, Bahrain, Spain, Qatar, Switzerland, Canada, Jordan, Australia, Lebanon and Belgium with a total value amounting to 58 billion dollars, representing 19.3% of the total.

Inward FDI balances in Arab countries

Inward FDI balances in Arab countries increased at a rate of 7% from 717.7 billion dollars in 2012 to reach 766.9 billion dollars in 2013. Inward balances to the Arab world represented 3% of the global total of 25.5 trillion dollars.

Similarly to FDI flows, FDI balances were concentrated in a limited number of countries. UAE and KSA accounted for more than 41% of the overall balances. KSA ranked first with 208.3 billion dollars and a stake of 27.2% of the overall inward FDI balances in the Arab world, followed by UAE in the second place with 105.5 billion dollars and a share of 13.8%, Egypt in the third place with 85 billion dollars and a share of 11.1%, Lebanon in the fourth place with 55.6 billion dollars and a share of 7.3%, followed by Morocco in the fifth place with 50.3 billion dollars and a share of 6.6%.

The data revealed that 114 Arab and foreign countries possess investment balances in the Arab world which cumulative total reached by the end of 2012 about 229 billion dollars. The list of top countries investing in the region included respectively France, Italy, Switzerland, UK, Kuwait, KSA, the Netherlands, UAE and Qatar with a total value amounting to 153 billion dollars representing more than 67% of the total. Chile, Germany, India, China, Jordan, Libya, Nigeria, Australia, South Korea and Bahrain were also on the list of top 20 countries investing in the region for the same period with an amount of 43 billion dollars and a percentage of 18.8%. The two lists thus represented about 85.8% of the overall FDI balances in the region by the end of 2012.

Inward FDI to Arab Countries (Based on Data from Investing Corporations)

According to the database entitled "Foreign Direct Investment Markets" developed by the Financial Times, the number of foreign companies operating in the Arab world is estimated at 7423 companies representing up to 10% of the total number of world companies investing overseas. Those corporations invest in over 10 thousand projects in the Arab region, which constitute around 6% of the total number of foreign-based projects in the world, estimated at around 167 thousand projects between 2003 and April 2014. The total cost of those investment projects was estimated at over one trillion dollars, providing job opportunities which total was estimated at around 1.6 million. FDI corporations and projects were concentrated in a handful of the region's countries: UAE, KSA, Egypt and Qatar.

FDI Outflows from Arab Countries

FDI outflows from Arab Countries witnessed a great increase that reached 62% and rose from 18.2 billion dollars in 2012 to 29.5 billion dollars in 2013. Arab investment outflows constituted 2.1% of the global total of 1.4 trillion dollars and 6.5% of developing countries total of 454 billion dollars.

GCC countries represented the main source of the region's outflows with 95% in 2013. Kuwait came in the first place among Arab countries with investments worth 8.4 billion dollars and a stake representing 28.4%. It was followed by Qatar with 8 billion dollars representing 27.2%, while Saudi Arabia ranked third with 4.9 billion dollars and a stake of 16.8%. UAE came in the fourth place with 2.9 billion dollars and a stake of 9.9%, followed by the Sultanate of Oman in the fifth place with 1.4 billion dollars accounting for 4.7% while Bahrain ranked sixth with 1.1 billion dollars constituting 3.6% of the Arab total.

As for the outward FDI balances from Arab countries, they amounted to 231.6 billion dollars by the end of 2013 and represented less than 1% of the global total of 25.5 trillion dollars.

The six Gulf States in addition to Libya, Egypt and Lebanon accounted for 96.3% of the region's total outward FDI balances. The UAE came in the first place with 63.2 billion dollars and a stake of 27.3%, followed by Kuwait with 40.2 billion dollars accounting for 17.4% while Saudi Arabia ranked third in the Arab region with 39.3 billion dollars and a stake of 17%. Qatar ranked fourth with 28.4 billion dollars and a stake of 12.3$, followed by Libya in the fifth place with 19.4 billion representing 8.4% and Bahrain in the sixth place with 10.8 billion dollars representing 4.6%.

Inter-Arab Investments

Inter-Arab Investment Flows Based on UNCTAD's Database

In order to assess the inter-Arab investments between the years 2001 and 2012 estimated at more than 103 billion dollars, the Arab Investment & Export Credit Guarantee Corporation has extracted the figures related to Arab States from the UNCTAD’s database on geographical distribution of FDIs in the world.

Data related to countries with inward FDI flows between the years 2001 and 2012 revealed that Saudi Arabia and the UAE have attracted around 74% of the total investments with KSA ranking first with 45.7 billion dollars accounting for 44% of the total, followed by the UAE in ranking second with 31.1 billion dollars representing 30%. As for the rest of the Arab countries, Egypt came in the third place with FDIs worth 9.7 billion dollars and a stake of 9.4%, followed by Morocco in the fourth place with 4.7 billion dollars and a stake of 4.5%, Tunisia in the fifth place with 4.1 billion dollars and a stake of 4%, Algeria in the sixth place with 3.8 billion dollars and a stake of 4% and the Sultanate of Oman in the seventh place with 3.5 billion dollars representing 3.4% while Qatar, Libya and Mauritania lagged behind with limited values.

As for countries with outward FDI flows for the period between 2001 and 2012, Kuwait, UAE, Saudi Arabia and Bahrain accounted for 81% of the total FDIs approximately. Kuwait ranked first with FDIs worth 35.4 billion dollars and a stake of 34.3% of the total and was followed by the UAE which ranked second with 25.1 billion dollars and a stake of 24.3%. Saudi Arabia came in the third place with 14 billion dollars and a stake of 13.7%. Bahrain ranked fourth with 9.3 billion dollars and a stake of 9%, Qatar ranked fifth with 5.8 billion dollars and a stake of 5.7%, Jordan ranked sixth with 3.8 billion dollars and a stake of 3.7%, Lebanon ranked seventh with 3.4 billion dollars and a stake of 3.3% and Egypt ranked eight with 2.8 billion dollars and a stake of 2.7%. Other countries lagged behind with limited values.

Also according to UNCTAD's database, inter-Arab investment balances were estimated at around 53 billion dollars by the end of 2012. In terms of countries with inward inter-Arab FDI balances by the end of 2012, Jordan, Bahrain, Kuwait and Saudi Arabia attracted more than 78% of the total investments. As for countries with outward inter-Arab FDI balances by the end of 2012, Kuwait, Saudi Arabia, UAE and Qatar were the main sources of investments representing more than 66% of the total.

New Inter-Arab Investment Projects Based on Financial Times' Database

Inter-Arab Investments: Cost or Total Expenditures of Projects

According to Financial Times' database, the total cost of inter-Arab investment projects for the period between 2003 and 2014 was estimated at more than 370 billion dollars.

In terms of countries with inter-Arab investment inflows for that period, Egypt topped the list of Arab States with projects worth 97.2 billion dollars and a stake of 26.3% of the total investments, followed by Iraq with 35 billion dollars and a stake of 9.4%. Tunis came in the third place with 26.5 billion dollars and a stake of 7.2%. Saudi Arabia ranked fourth with 23.8 billion dollars and a stake of 6.4%, Algeria ranked fifth with 23.1 billion dollars accounting for 6.3%, Libya ranked sixth with 22.6 billion dollars and a stake of 6.1% and Qatar ranked seventh with 22.5 billion dollars and a stake of 6.1%. Jordan came in the eighth place with 21.6 billion dollars and a stake of 5.8%, followed by the UAE in the ninth place with 16.5 billion dollars representing 4.5% of the total while the rest of the countries lagged behind.

Regarding countries with inter-Arab investment outflows for the period between 2003 and April 2014, the UAE topped the list with 217 billion dollars representing 58.6% of the total, followed by Bahrain in the second place with 45.5 billion dollars and a stake of 12.3% and Kuwait in the third place with 36.4 billion dollars and a stake of 9.8%. Qatar ranked fourth with 31 billion dollars and a stake of 8.4% while Saudi Arabia ranked fifth with 15.3 billion dollars accounting for 4.1% and Egypt ranked sixth with 11.6 billion dollars representing 3.1% of the total followed by the rest of the countries.

Inter-Arab Investments: Number of Projects

According to Financial Times' data, the number of inter-Arab investment projects for the period between 2003 and April 2014 was estimated at 2137 approximately. Saudi Arabia attracted the most inward investment projects for that period with 322 projects and a stake of 15.1% of the Arab total, followed by the UAE in the second place with 232 projects representing 10.9%, Egypt in the third place with 207 billion dollars and a stake of 9.7% and the Sultanate of Oman in the fourth place with 192 projects accounting for 9%, followed by the rest of the countries.

As for countries with outward investment projects for the same period, the UAE ranked first with 1014 projects and representing 47.4% of the Arab total, followed by Kuwait in the second place with 249 projects accounting for 11.6% and Saudi Arabia in the third place with 242 projects and a stake of 11.3%. Qatar ranked fourth with 129 projects and a stake of 6%, followed by the rest of the countries

Actual Performance Index

According to the actual performance index, Arab countries came in the penultimate place with 25.3 points in comparison with other geographic groups in attracting FDIs in 2014, while OECD countries topped the list, followed by East Asia and Pacific region with a difference of 2 points only. All geographic groups witnessed a decline in their performance compared to 2013.

Gulf countries ranked first among Arab groups in terms of actual performance index (which is based on FDI balance, the volume of mergers and acquisition transactions and the average number of new projects) with an average of 30 points for the year 2014, despite the disparities within the countries of the GCC States group. In fact, UAE and Saudi Arabia outperformed other Arab States while Qatar came in the fifth place, Bahrain in the ninth place, Oman in the tenth place and Kuwait in the thirteenth place among 18 Arab countries. Similarly to the performance index of the Arab world as a whole, Arab sub-groups registered a decline in their performance ranging between 4.2% for the Maghreb states and 2.6% for the GCC states.

Arab Countries' Attractiveness According to the Economic Development Phases

When setting any framework for FDI policies as a key reference for policy makers on the national scale, the development phase the country is undergoing should be taken into account. From this perspective, Arab countries covered by the present report have been classified into three groups as follows:

- Countries under the group of economies dependent on natural resources: Mauritania, Sudan, and Yemen. Presumably, these countries should give priority to improving the attraction indices under the set of prerequisites, especially that they registered a performance inferior to that of their counterparts on the global level.

- The group of countries classified under the group of economies relying on efficiency and effectiveness. These include 11 Arab countries: Algeria, Egypt, Iraq, Jordan, Kuwait, Libya, Morocco, Qatar, Saudi Arabia, Syria, and Tunisia. They depend more extensively on the elements of the set of latent factors, while maintaining the relative importance of the elements of the set of prerequisites. The performance of these countries was better than the average performance of other competing countries under the same classification.

- The third and last group includes economies that reached the stage of reliance on development and innovation to attract foreign capital flows. They include four Arab countries: Bahrain, Lebanon, Oman and UAE. The performance of these countries was inferior to that of competing countries under the same classification, mostly OECD countries, particularly in terms of differentiation and technological advancement factors and in terms of prerequisites.

Concluding Remarks & Recommendations

All available studies and data disturbingly suggest the failure of Arab countries to attract capital flows in general and FDIs in particular, except for two Gulf countries: Saudi Arabia and UAE. Statistics presented in the report revealed that the average share of the 22 Arab states of inward FDI during the period from 2000 to 2013 did not exceed 3.5%. In fact, Arab countries received 48.5 billion dollars of FDIs in 2013, while the total FDIs around the world for the same year reached 1.45 trillion dollars.

Data also reveal discrepancies in terms of performance between Arab countries and a high concentration of inward FDI in certain geographic areas. Two Arab countries attracted alone 41% of this amount. This means that the stake of 20 Arab countries of FDI did not reach 26 billion dollars, i.e. less than 2% of the global total, while their populations of about 336 million people represent 4.7% of the total world population approximately. It should be noted here that Brazil, as a state similar to the Group of Arab States in terms of its share of the international GDP, and its population of about 200 million people, received in 2013, more than 64 billion dollars of FDIs, representing 4.4% of the world total.

The critical situation of low Arab economies' attractiveness is further aggravated by the fact that all the countries of the region, whether rich or of lower incomes, are in dire need of foreign investment for the localization of new technologies, the success of integration into global markets, and in particular, for facing the challenge of providing 50 million jobs over the next 20 years with the sustained rapid population growth.

The report you have in your hands aims to meticulously diagnose the reasons behind the weak FDI attractiveness of our countries and economies in order to provide an accurate and comprehensive knowledge base in order to equip the search for practical and effective solutions capable of better exploiting the strengths and adequately addressing the weaknesses. It is well known that investment attractiveness is not the product of a simple equation or a single variable, but is the result of the overall economic efficiency, the country's competitiveness, the productivity and quality of work, the openness of the economy and the freedom of markets, the quality and efficiency of public services and the effectiveness and respect of the laws, the nature of the political system and the respect for individual liberties, wealth-making, creativity and initiatives.

The report came to the following conclusions and recommendations:

Arab countries relying on efficiency and effectiveness, which are 11 out of 18 Arab countries covered by the report, should work on developing their performance on indices of the set of prerequisites in general and also on factors related to macroeconomic stability, good governance, public administration, institutional and social environment and business environment in particular. The aforementioned elements must provide support for political, economic and social stability on the one hand and for the freedom of markets, the degree of competition and the security of transactions and contracts, on the other hand.

Low quality of the human capital and poor productivity make it mandatory to reconsider the planning and structure of human resources in addition to enhancing their productivity and skills by restructuring the educational system (private and public). The new system should focus more on quality and building students' capacities to explain phenomena, analyze data, make research and be creative. It must also provide other tools that allow students to gain extracurricular skills.

Success stories of attracting FDI around the world have proved the importance of relying on accurate and updated information about the country's investment environment, its actual performance, the level of flows and their evolution according to a vigorous and comprehensive approach that monitors the distribution of investments by country, investing companies and sectors of activity. Such an approach would enable the government to know the investment partners and set policies and programs more specific and effective in addressing the targeted groups, as well as in assessing the outcome of those policies for further modification and development in the future.

The same experiences proved the efficiency of addressing the investment policy within a general road map for economic growth and sustainable development, provided that it explains the relationship between the goals set out in the official economic and industrial development strategies and in the adopted investment policy. The map should also determine the role of public, private, local and especially foreign direct investment, in the development strategy, as it is considered a vital factor that complements local investment, in most countries of the region.

It is useful to adopt a comprehensive country planning approach to attract foreign investments according to an integrated concept, based on the general promotion of the country as an attractive hub for investment, trade, tourism and business. The concept must be implemented in collaboration between all stakeholders, especially those responsible for planning, foreign affairs, processing of transactions, legislation, infrastructure, utilities and everything related to the business performance environment as well as investment promotion agencies. The most important is to ensure the continuous improvement of the investment climate through close monitoring and quick response to foreign developments, in particular what competitors are doing in the region and the world.

In order to be able to develop and adopt efficient strategies to promote the country as a destination for international capital flows, stakeholders need to understand the following components: the ingredients for targeting and supporting investors with a potential to strongly influence the national economy, adapting the provided services to suit their needs, assessing the efficiency of facilities and guidance on investors' decisions and procedures, linking the promotion to government policies in general and investment policies in particular, rationalizing the use of scarce resources available for investment promotion and developing self-evaluation of the promoting entity and other collaborating organizations as well as a framework that ensures consensus among the various national stakeholders around a common strategy for investment promotion.

Attracting foreign investment is not a goal in itself but rather a mean to achieve development goals. Hence, priority is given to maximizing the returns of FDI, and measuring the effects of foreign direct investments on the indicators of value added, export, employment, wages, tax revenues, fixed capital formation as well as scientific research and development. Based on this measurement and assessment, criteria can be developed in order to give priority to projects with a positive impact on development and sustainability.

المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

Methodological Notes

Methodological Notes

Attracting Foreign Investments

FDI attractiveness is considered one of the main fields of competition between most countries, both developed and developing, especially after the financial and economic global crisis, the recent political developments in Arab countries, the euro zone downturn, the recession witnessed by international investment markets, along with the latest trends of foreign capital, particularly the upward trend of inward FDI flows to developing and transition countries.

This competition is the result of the central role played by FDI in the process of development and its sustainability, which goes beyond bridging the current account deficit or meeting local needs for financial resources. It includes supporting the movement and sustainability of commercial merger, integration and exchange between world countries, which gives international capital flows a strategic importance as a driving force for developing economies, including Arab states, in order to enhance their capacity to grow, interact with the global economy and efficiently participate in the international production process. The rising attention of developing countries towards the competitiveness of their exports in international markets is an additional reason for seeking to attract FDI, given its direct impact on improving qualitatively and quantitatively the level of exports and gaining technical and marketing know-how that supports integration with the rest of the world.

Defining FDI

Internationally, FDI is defined according to the International Monetary Fund Balance of Payments Manual published in 1993 as being the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise). The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the latter. The direct investment is not limited to the initial or original transaction that led to the establishment of the aforementioned relationship between the investor and the enterprise but also includes all subsequent transactions between the two, and all transactions among affiliated enterprises, whether contributing or not. This definition is consistent with the definition of the United Nations Conference on Trade and Development (UNCTAD) and the concept issued by the Organization for Economic Cooperation and Development (OECD). The International Monetary Fund (IMF) also released the draft version of the IMF Balance of Payments Sixth Edition Manual in 2007, in which the international concept of FDI also came similar the preceding ones, to replace the fifth edition of the manual, published back in 1993.

From the statistical point of view and based on the previous definition, FDI capital transactions include transactions that lead to the establishment (positive value of flows) or cancellation (negative value of flows) of investments, transactions that lead to the preservation of investments sustainability, those that widen their scope and those that lead to their liquidation. When a non-resident, who previously had no equity in a resident enterprise, purchases 10% or more of the shares or voting power of that enterprise, the price of equity holdings acquired in addition to any invested capital, should be recorded as direct investment. When a non-resident holds less than 10% of the shares of an enterprise as portfolio investment, and subsequently acquires additional shares resulting in a direct investment (10% of more), only the purchase of additional shares is recorded as direct investment. The holdings that were acquired previously should not be reclassified from portfolio to direct investment in the Balance of Payments but the total holdings should be reclassified in the International Investment Position.

This international definition of FDI is used as a basis for the preparation of the balance of payments statistics and the data contained in the World Investment Report published annually by the UNCTAD or in the Investment Climate in Arab Countries published by Dhaman. However, this definition is not necessarily compatible with data from world countries contained in those reports. In fact, some countries disclose data on FDI flows based on data on licensed investment projects, although these do not reflect real FDI flows crossing national borders.

Characteristics of Dhaman FDI Attractiveness Index

Despite the variety of efforts deployed by the majority of Arab countries in order to encourage and attract foreign investments an especially direct ones, a great number of those countries did not succeed in becoming an important attraction for FDI in comparison with other developing states. Available data confirm the region's meager share of the world FDI flows, which did not exceed 3.5% of the global total for the period between the years 2000 and 2013, and around 9.5% of the total inward flows to developing countries. The stake of Arab countries remains minimal because of financing needs in comparison with the performance of some other economic agglomerations and with the increase of developing countries' share from 18.7% to 53.4% during the same period. Data also show discrepancies in terms of performance and a strong geographic concentration of the total inward FDI flows to the Arab region. This data lead us to more extensive thinking and research about structural factors that prevent the region from rising to the desired level in terms of attracting foreign direct investment in the region. Exploring these elements and tracking their evaluation can help draw a road map on the local and regional levels to raise the competitiveness of Arab countries in this area.

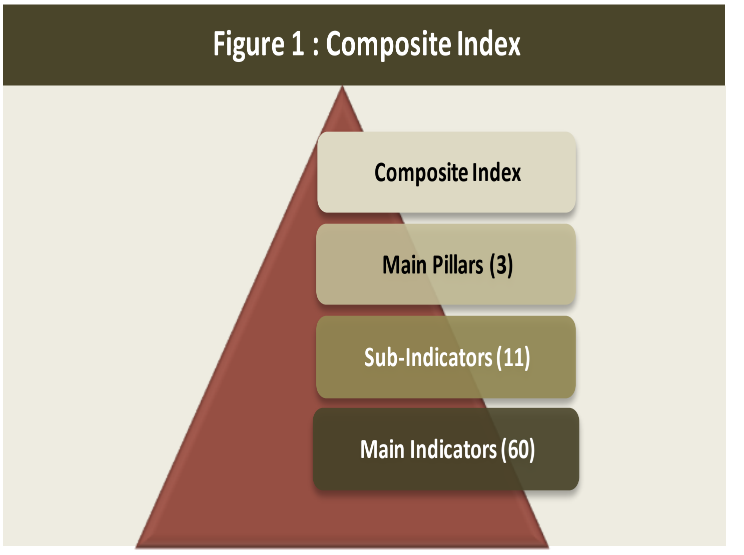
In the context of defining and monitoring those elements, factors that affect the decision of multinationals to invest are considered to be among the most important variables, which need to be monitored and tracked in order to explain the discrepancy between world countries in attracting those big companies representing the most influential force in capital and trade flows and subsequently FDI. These factors include market size, economic stability, factors affecting the fluctuations of investment revenues in host countries, the degree of economic openness, the degree of risk in the economy of the host country, and incentive exemptions from trade restrictions and taxes in addition to other important factors.

Comprehensive indices help measure the impact of a great and comprehensive number of factors on the investment climate and identify the main characteristics determining the capacity of states to attract FDI. These indices are considered a useful tool for decision making, assessing countries' performance, rectifying policies aimed at raising FDI competitiveness and attracting FDI to sectors that support developmental performance in the host country. From this standpoint stems the Corporation's decision to continue to ensure the development of Dhaman FDI attractiveness index as a composite index measuring the attractiveness of world countries and Arab countries for foreign direct investment. This new composite index aspires to achieve the following goals:

- Strengthening the role of the Arab Investment & Export Credit Guarantee Corporation mentioned in its founding convention that states its role in raising investment awareness in the Arab region and deepening this role according to the Corporation’s new strategic plan 2014-2018.
- Detecting the strengths and weaknesses that determine the investment climate in the region’s countries and contributing to providing investors and managers of FDI promotion agencies with detailed data and analysis about the shortcomings experienced by those countries, which are impeding the attraction of foreign investors.
- Presenting clarifications and suggestions to national governments about the best ways of intervention in the development of investment policies in order to enhance the investment climate in their countries according to the developmental stage they are going through.
- Exploring the factors responsible for the exclusive concentration of FDI in certain countries of the Arab region and in certain sectors, in order to suggest more efficient policies to attract further investments.
- Compile a comprehensive knowledge database to carry out research, assess the performance of countries, correct FDI policies and determine the effect of those foreign flows on economic and social development and their sustainability in the host country.

Defining the Composite Index and its Calculation Methodology

The composite index is an aggregated quantitative measure and includes a number of individual or sub-indicators that reflect the various dimensions of the studied area (in the present report, we are interested in FDI inflows to a certain country), so as to combine those individual indicators together according to a certain model, in order to obtain a composite index that expresses the general common trend of those sub-indicators. The composite index compiles the information and displays them in a simplified way that is easy to understand and explain (see figure 1). Its calculation can be considered as the result of the three following stages:



1. **Inputs of the Operation:** Inputs are the sub-indicators that are chosen based on the accumulation of knowledge about the phenomenon in question.
2. **Inputs Processing:** Inputs or sub-indicators are used in the majority of the cases in the stages of normalization, weighting and aggregation.
3. **Outputs of the Operation:** Obtaining the composite index that represents the final result of this operation.

The entity interested in calculating a reliable composite index with trustworthy results must sequentially follow basic steps, from setting a good theoretical framework to the graphic presentation of the composite index in a way that facilitates its understanding by users (Figure 2), as follows:

1. **Setting the Theoretical Framework:** Adopting a correct theoretical framework is considered to be the starting point for developing a good composite index. A correct theoretical framework is one that assists in defining the studied phenomenon and its sub-components in a clear and accurate way, choosing the appropriate sub-indicators and determining the weights that reflect the relative importance of those sub-indicators. When designing the theoretical framework, the ideal is to focus on what is desired to be measured rather than focusing on available data and indicators. For more transparency and clarity in this important step of building the composite index, it is preferable to abide by the following:
   - **Defining the Concepts:** The definition should explain how the framework is built and how the sub-indicators are linked together.
   - **Determining Secondary Groups:** Multi-dimensional concepts are usually split into sub-groups, which are not required to be statistically independent. However, in case there are relationships between them, these need to be clearly described and explained. Such a description helps the user understand the driving force behind the composite index and facilitates the process of determining the appropriate relative weights of different factors.
   - **Developing Criteria for the Selection of Core Indicators:** The composite index maker should identify a set of criteria that serve as a guide to determine whether a particular sub-indicator must be included in the composite index or not.
   - **Documenting the Theoretical Framework:** This documentation provides a comprehensive idea about the structure of the composite index and its purpose in a simple and clear context. The main objective of documenting the theoretical framework is to give users of the composite index sufficient information so that they can determine whether the data provided by this index is appropriate for the intended use.

2. **Choosing Good and Correct Sub-indicators:** These are chosen by verifying their importance and relevance to the studied phenomenon, the possibility for analyzing them, in addition to their timeliness and accessibility.
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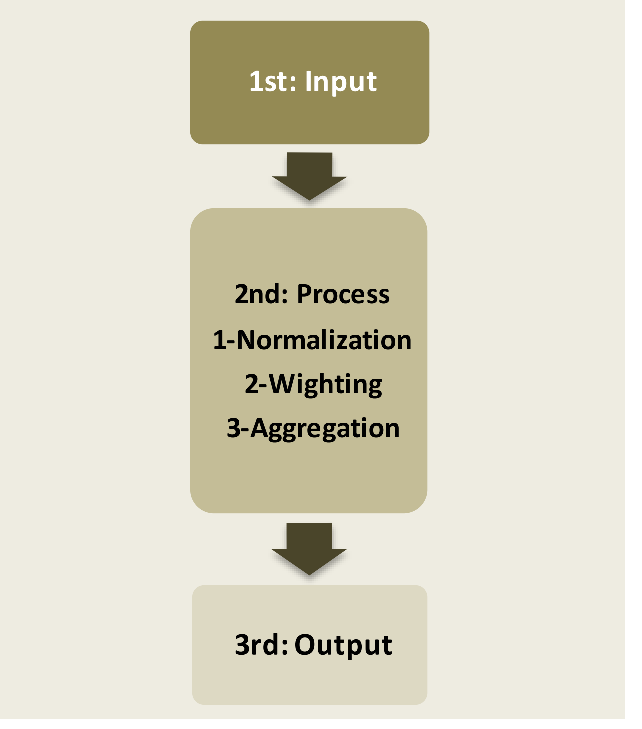
Figure 2 : The Composite Index Calculation Methodology



5. **Choosing Good and Correct Sub-indicators:** These are chosen by verifying their importance and relevance to the studied phenomenon, the possibility for analyzing them, in addition to their timeliness and accessibility.
6. **Initial Data Processing:** It verifies the quality of the basic data by checking for a number of criteria, such as the eligibility, accuracy, timeliness and accessibility of the data, the possibility of interpretation and consistency. A guide for data illustrating their sources and availability, geographically and chronologically, has been prepared for this purpose.
7. **Normalization:** The measure used for the composite index sub-indicators is usually standardized and the appropriate normalization method is then chosen (ranking - standard grade - re-measurement - distance from the reference point - periodic indicators) after the implementation of all tests measuring sensitivity to assess the impact of these methods on the results.
8. **Weighting of Sub-indicators:** In many cases, some of the sub-indicators are more important than others in reflecting a studied phenomenon, which needs to be taken into consideration when choosing the weightings of sub-indicators. Weightings have a deep impact on results of the composite index and ranking of countries. Therefore, they need to be set based on sound and carefully thought methods. The lack of full consensus on the means used to determine weightings does not impede the use of composite indicators but rather highlights the dangers of using or setting weights based on personal opinions. Thus, to avoid such risks, it is important to clarify all the assumptions and applications used when choosing weightings and to test their strength. Used methods also need to be transparent and robust.
9. **Aggregation:** Sub-indicators are aggregated to build-up the composite index after selecting the appropriate method among various available ones such as the aggregation by addition, the aggregation by multiplication, the trend of various non-compensatory criteria and the engineering aggregation.
10. **Choosing the Appropriate Method:** among other possible methods which were not followed, in order to build the composite index using two analysis styles, namely:
    - **Uncertainty Analysis:** It focuses on the appearance of uncertain input factors, i.e. anything that could change before implementing the composition model of the composite index and the extent of their impact on the value of the composite index.
    - **Sensitivity Analysis:** It studies the individual role of each of the uncertain input factors in

modifying outputs.

Regulations for the Formulation of FDI Attractiveness Composite Index and Listed Countries

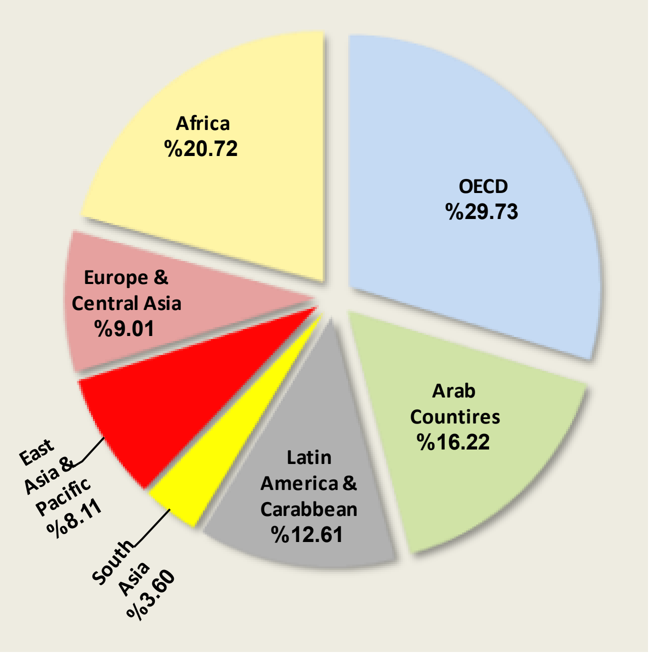
Countries' FDI attractiveness is a multi-faceted concept that encompasses a range of economic, social and institutional areas. Therefore, views vary among stakeholders interested in determining attractiveness elements, measuring attractiveness and drawing the most appropriate and effective policies to attract a larger share of foreign direct investment. The measurement of countries' attractiveness for foreign investment refers to making an inventory of all the factors affecting the ability and potential of a state to attract investments from abroad, while taking into account the monitoring of those factors based on quantifiable indicators and data according to a quantitative method that takes into account the basic rules adopted in this area.

Many methodological considerations were taken in aggregating and classifying data and quantifiable variables as well as in standardizing measurements. The following regulations were followed in the formulation of the composite index:

- Solid Theoretical Foundations: The index calculation methodology is based on summary of theoretical and practical literature and specialized journals in the fields of FDI economics and Applied Statistics (see Annex References).
- Effectiveness and ability to Interpretation: The accuracy and reliability of the composite index and its components in monitoring States' ability to attract investment have been verified through a series of statistical tests, which highlighted the stability of adopted measurements, the integration of the index sub-components and the strong correlation between the index and actual investments inflows to world countries, as the correlation coefficient was around 80% with a very strong statistical significance.
- Drawing on Past Experiences: Prior to building the index, a comprehensive inventory of indicators issued by other institutions in the same field has been prepared to study those indicators, review their methodology and examine their strengths and weaknesses.
- An International Index: The index has been designed in a way that makes it suitable for use not only on the regional and Arab levels but also on the international level.
- Comprehensiveness: One of the new index characteristics is that it covers the greatest number of indicators explaining countries' attractiveness to FDI. Most important and most recent databases available from public entities and relevant international organizations have been used to monitor, aggregate and classify around 60 variables.
- Broad Geographic Coverage: The index monitors the greatest number of world countries with influence over FDI flows in the world. It covers 111 states representing 95% of the total inward FDI balances in the world.
- Flexibility and Ability for Development: The index is designed in a flexible way that takes into account the possibility of its future development and responds to changes in the level of available data, geographic coverage, methodology, stages of preparation and processing of data and results.
- Easily Understandable Outputs: Results can be easily understood by decision makers, researchers and actors in the field of investment as the index and its components can monitor structural, underlying and periodic factors or elements that are preventing FDIs from being attracted to the concerned country. Exploring strengths and weaknesses in this regard and following up on their assessment enables to draw a road map in order to increase competitiveness of Arab countries in this field.

Dhaman FDI attractiveness index authors were keen on covering all the countries of the world but the lack of a great deal of data related to the observed variables made that goal unreachable. Therefore, the index monitors the performance of 111 countries (Table 1) that represent 95% of the total inward FDI balances in the world by the end of 2013. Among those countries, there are 18 Arab countries classified in alphabetical order that represented more than 99% of the total inward FDI balances in the Arab region by the end of 2013. Countries listed in the index are distributed on geographic groups (Figure 3). OECD countries ranked first with 33 countries and a stake of 29.7% of the total, followed by Africa in the second place with 23 countries and a share of 20.7%, the Arab states in the third place with 18 countries and a share of 16.2%, then Latin America with 14 countries and a share of 12.6%, Europe and Central Asian countries with 10 countries accounting for 9%, East Asia & Pacific countries with 9 countries and a stake of 8.1% and finally South Asia with 4 countries and a share of 3.6%.

Figure 3 : Countries Listed in the Index (111) Geographical Representation



Data Sources

FDI attractiveness data was collected from various national and international sources, with special attention to using unified sources as much as possible in order to have homogeneous and comparable data. The priority was given to data from national sources that offer relatively homogeneous information, in case local data was not available for comparison between states. As a general rule, the World Bank's world development indicators were used, alongside with the World Bank's investment climate database, the International Monetary Fund's international financing statistics and balance of payment, United Nations Conference on Trade and Development's statistics (UNCTD), United Nations Statistics Division's statistics, the European Commission's database on multinationals (Eurostat) as well as United Nations Industrial Development Organization's industrial statistics (UNIDO), International Labor Organization's main labor market indicators, the World Intellectual Property Organization's statistics and database (WIPO) and finally the World Bank's governance world indicators database, in addition to official national sources.

Table 1: Countries covered in DIAI
(ordered alphabetically within region)

OECD (33)	Arab Countries (18)	Latin America & Caribbean (14)
Australia	Algeria	Argentina
Austria	Bahrain	Bolivia
Belgium	Egypt	Brazil
Canada	Iraq	Columbia
Chile	Jordan	Dominican
Cyprus	Kuwait	Ecuador
Czech Republic	Lebanon	Guatemala
Denmark	Libya	Honduras
Estonia	Mauritania	Nicaragua
Finland	Morocco	Panama
France	Oman	Paraguay
Germany	Qatar	Peru
Greece	Saudi Arabia	Uruguay
Hungary	Sudan	Venezuela
Ireland	Syria	**Africa (23)**
Israel	Tunisia	
Italy	UAE	Angola
Japan	Yemen	Benin
Mexico	**Europe & Central Asia (10)**	Botswana
Netherlands	Azerbaijan	Burkina Faso
New Zealand	Bulgaria	Cameroon
Norway	Kazakhstan	Central Africa
Poland	Latvia	Chad
Portugal	Lithuania	Cote d'Ivoire
Slovakia	Malta	Ethiopia
Slovenia	Romania	Gabon
South Korea	Russia	Ghana
Spain	Serbia	Kenya
Sweden	Ukraine	Madagascar
Switzerland	**East Asia & Pacific (9)**	Mali
Turkey	Cambodia	Mauritius
United Kingdom	China	Mozambique
United States of America	Hong Kong	Namibia
South Asia (4)	Indonesia	Nigeria
	Malaysia	Senegal
India	Philippines	South Africa
Iran	Singapore	Tanzania
Nepal	Thailand	Togo
Pakistan	Vietnam	Uganda

Structure of Dhaman FDI Attractiveness Index

Dhaman FDI attractiveness index is based on a definition that was adopted after exploring the literature tackling the topic, where international attractiveness is seen as the capacity of a country to attract investment projects and viable economic opportunities in a certain period of time in various sectors as well as mobile production factors that consist of enterprises, capitals, expertise and creative people in various fields. Specialized economic literature (see list of references) reveals that countries' FDI attractiveness is closely related to three main groups of determinants, each comprising a set of basic components (referred to as sub-indicators) and each component consisting of a number of key and subsidiary variables that contribute to the inventory of general and institutional factors in addition to criteria set by the main actor in the foreign investment, i.e. multinational corporations, when evaluating the situation of the potential host country for investment.

Accordingly, Dhaman FDI attractiveness index consists of 3 main pillars comprising 11 indicators which include 60 quantifiable variables, most of them representing the average value of the variable in the three years from 2010 to 2012, so as to strengthen the results and reduce the effects of fluctuations in the data caused by external and internal shocks, which may temporarily change the normal level of some variables. The values have been compiled from international, regional and local sources and databases that measure the aggregate capacity of countries to attract foreign investment, as shown in Figure 4.

The three pillars are represented as follows:

Pillar I - Prerequisites or required prior conditions:

They represent the prerequisites required to attract FDI and without which it is impossible to expect any inward investors to come in, whether local or foreign. The set of prerequisites includes a range of variables, as follows:

1. **Macroeconomic Stability Indicator:**
    - Real GDP growth volatility
    - Inflation Rate
    - Real effective exchange rate volatility
    - Number of exchange rate crisis, crisis being defined as a depreciation of the nominal exchange rate that exceeds 25 percent, and exceeds the preceding year's rate of nominal depreciation by at least 10 percent.
    - Current account deficit to GDP ratio
    - Fiscal balance to GDP ratio
    - Gross public debt to GDP ratio
2. **Financial intermediation & Financing Capacity Indicator:**
    - Ratio of broad money to GDP (M2 to GDP)
    - Domestic credit to private sector (% of GDP)
    - Market capitalization of listed companies to GDP
3. **Institutional Environment Indicator:**
    - Voice and Accountability
    - Political Stability and Absence of Violence
    - Government Effectiveness
    - Regulatory Quality
    - Control of Corruption
    - Rule of Law
4. **Business Environment Indicator:**
    - Starting a Business
    - Dealing with Construction Permits
    - Registering Property
    - Getting Electricity
    - Getting Credit
    - Protecting Investors
    - Enforcing Contracts

Pillar II - Underlying Factors:

They represent the standards followed by multinational and transnational companies in order to choose the appropriate location to carry out investments and in turn include five sub-indicators:

1. **Market Access, Size and Potential Indicator:**
    - Real per capita domestic demand
    - Domestic demand volatility
    - Trade performance Index
    - Trade to GDP ratio
    - Applied Tariff

- Openness to the outside world Index

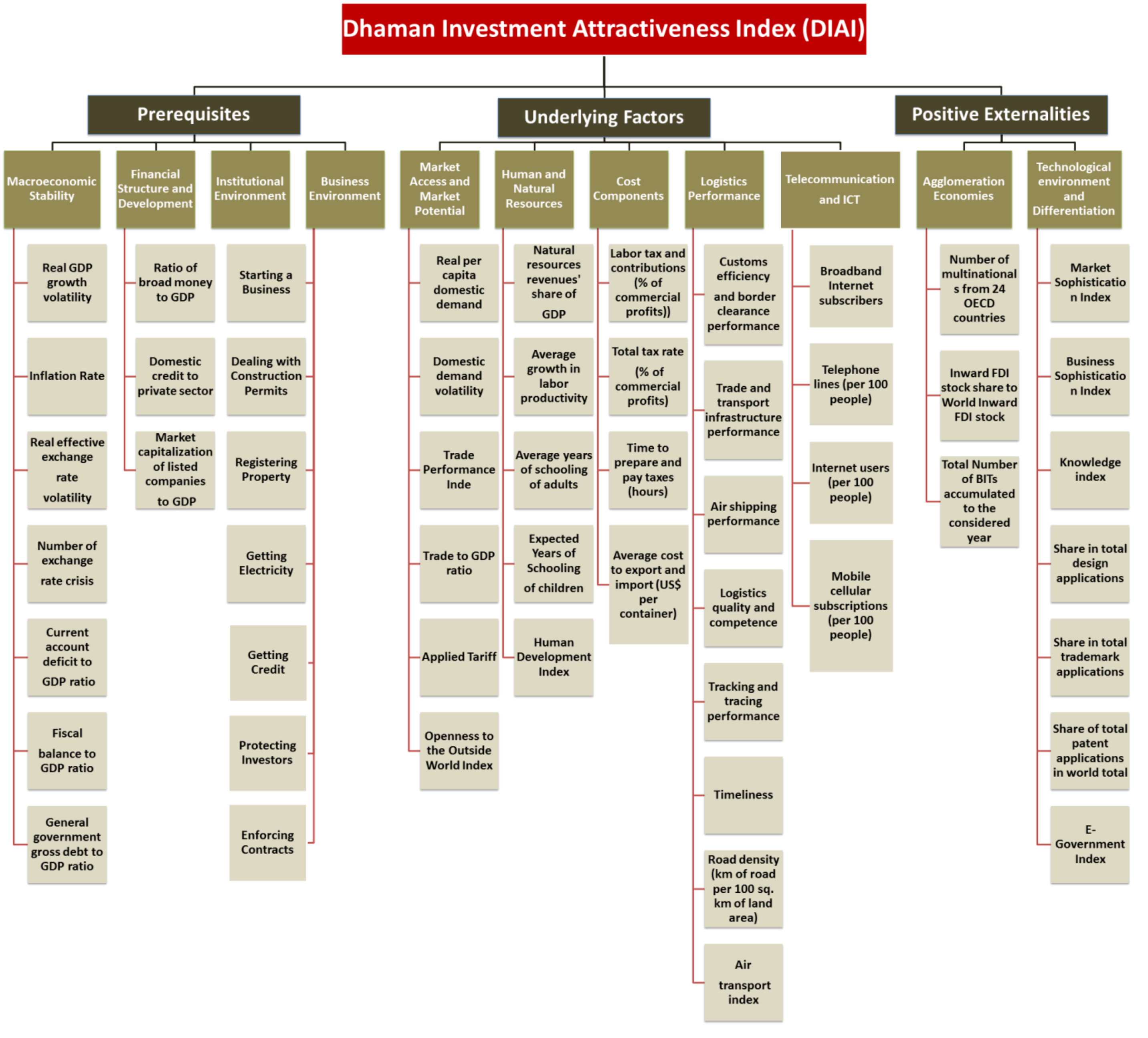
2. **Human and Natural Resources Indicator:**
    - Natural resources revenues' share of the GDP
    - Average growth in labor productivity
    - Average years of schooling for adults
    - Expected years of schooling for children
    - Human Development Index
3. **Cost Components Indicator:**
    - Labor tax and contributions (% of commercial profits)
    - Total tax rate (% of commercial profits)
    - Time to prepare and pay taxes (hours)
    - Average cost to export and import (US$ per container)
4. **Logistics Performance Indicator:**
    - Customs efficiency and border clearance performance
    - Trade and transport infrastructure performance
    - Air shipping performance
    - Logistics quality and competence
    - Tracking and tracing performance
    - Timeliness
    - Road density (km of road per 100 sq. km of land area)
    - Air transport index
5. **Information and communication technology Indicator:**
    - Broadband Internet subscribers
    - Telephone lines (per 100 people)
    - Internet users (per 100 people)
    - Mobile cellular subscriptions (per 100 people)

Pillar III-Positive Externalities:

They represent the various factors that determine the differences between countries, including differentiation & technological advancement, the natural of foreign economic affairs, the number of bilateral treaties and the important role played by multinationals in encouraging more foreign investments through simulation.

1. **Economies of Agglomeration Indicator:**
    - Number of multinationals from 24 OECD countries
    - Inward FDI stock share to World Inward FDI stock
    - Total Number of BITs accumulated to the considered year
2. **Differentiation & Technological Advancement Indicator:**
    - Market Sophistication Index
    - Business Sophistication Index
    - Knowledge index
    - Share in total design applications (direct and via the Hague system)
    - Share in total trademark applications (direct and via the Hague system)
    - Share of total patent applications in world total (direct and PCT national phase entries)
    - E-Government Index

Figure 4: Structure of Dhaman FDI Attractiveness Index



المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

Part I: The FDI Attractiveness Potential of the Arab Region

How to read the tables

Part One of the report reviews the position of the Arab Region as a geographic group, and details a country's position relative to the other countries included in Dhaman Investment Attractiveness Index (DIAI), with two levels of analytical scales:

- **Level 1**: focuses on the position of geographic groups and countries on the general attractiveness index in terms of value attained out of the gross total of 100 points, as well as the rank at Arab and international levels.
- **Level 2**: addresses the detailed position of countries in relation to the three main groups of attractiveness index, representing:

  1. The set of prerequisites.
  2. The Underlying factors affecting the MNEs.
  3. The set of positive externalities.

To give details of the countries' positions on the general index and sub-indices of DIAI, the levels of performance compared to global average were divided into five main levels. Five color codes and descriptions were used in the tables to identify the relative performance of each country, compared to the global average of the value of each index, as follows:

1. Very good performance: adding a dark green circle (●), indicating that the value is over 30% higher than global average.
2. Good performance: adding a light green circle (●), indicating that the value is 10% - 30% better than global average.
3. Average performance: adding a yellow circle (●), indicating that the value is 10% higher/lower than global average.
4. Poor performance: adding an orange circle (●), indicating that the value is 10% - 30% worse than global average.
5. Very poor performance: adding a red circle (●), indicating that the value is over 30% lower than global average.

1. The Overall Arab Attractiveness Position

1.1 General Attractiveness Index

Performance on the regional level:

On the global level, the results of the FDI attractiveness general index for 2014 show that Arab countries came in the fourth place among 7 geographic groups, with an average index of 36.7 points and average ranking of 71 within the countries of the group. OECD countries claimed the first place, followed by East Asia and the Pacific countries in the second place, European and Central Asian countries in the third place, Latin American and Caribbean countries in the fifth place, South Asian countries in the sixth place, after Arab countries, and, finally, African countries in the seventh place.

In comparison with 2013, the attractiveness of Arab countries to FDI slightly decreased as the index in the Arab States dropped off by 0.5 points, a percentage of 1.47%. The same decline was observed in the OECD countries, Eastern European and the Pacific countries, as opposed to the other geographical groups where the index increase exceeds 3% in each of Europe, Central Asia and Arica (see table 2).

Table 2: Regional Performance in DIAI (Average Value & Average Ranking) 2014

Rank	Geographical Group	Average value 2013	2014		2013		Value Change for 2013	Percentage change from 2013%
			Value	Average Ranking in the Indicator	Value	Average Ranking in the Indicator		
1	OECD	57.5	56.9	21	57.5	21	-0.63	-1.10
2	East Asia & Pacific	47.4	47.1	44	47.4	43	-0.32	-0.67
3	Europe & Central Asia	42.5	44.4	48	42.5	53	1.89	4.44
4	**Arab Countries**	**37.2**	**36.7**	**71**	**37.2**	**68**	**-0.55**	**-1.47**
5	Latin America & Caribbean	35.6	36.4	73	35.6	73	0.84	2.37
6	South Asia	32.8	33.6	81	32.8	81	0.81	2.46
7	Africa	29.6	30.5	89	29.6	81	0.92	3.10

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Performance on the Arab level:

On the level of Arab groups, the results of the FDI attractiveness index show that the GCC countries (Saudi Arabia, United Arab Emirates, Kuwait, Qatar, the Sultanate of Oman and Bahrain) outperformed other Arab sub-regions with a score of 45.8 points out of 100 points in 2014, as they occupied the first position with a good performance (light green). However, their performance in terms of the general index fell by 2.9% compared to 2013.

Levant states (Egypt, Jordan and Lebanon) ranked second with 39.3 points with an average performance (yellow) in 2014 and a slight improvement of 0.5% in comparison with 2013.

Maghreb states (Libya, Tunisia, Algeria and Morocco) came in the third place with 34.5 points and a low performance (orange) despite their improvement by 1.9% in 2013.

And finally, the very low-FDI performance countries (Iraq, Syria, Mauritania, Yemen and Sudan) were ranked fourth on the Arab level with 25.8 points and a very poor performance (red). Their FDI attractiveness dropped by 3.4% in comparison with 2013 (see table 3).

Regarding the positions of Arab countries in the three main groups, in general, it is obvious that Arab performance in the set of positive externalities is very poor, especially that the Arab average index is 16.76 points in comparison with 23.61 points on the global level. In contrast, Arab performance was slightly lower than the global average in the sets of prerequisites and underlying factors (see table 4).

Table 3: Arab Groups' Performance in DIAI 2014					
Rank	Group	Average value 2013	Average value 2014	Value Change for 2013	
				value	Percentage %
1	GCC states	47.2	**45.8**	-1.39	-2.95
2	The Levant	39.1	**39.3**	0.20	0.51
3	The Maghreb	33.9	**34.5**	0.63	1.85
4	Low FDI Performance countries	26.7	**25.8**	-0.92	-3.45
	Arab Average	**37.2**	**36.7**		
	World Average	**42.6**	**42.8**		

Performance: Very good Good Average Weak Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Table 4: Arab Groups' Performance in the three DIAI axes 2014															
Rank	Group	Dhaman's value		Prerequisites				Underlying Factors				Positive Externalities			
				Average value		Value Change for 2013		Average value		Value Change for 2013		Average value		Value Change for 2013	
		2013	2014	2013	2014	Value	Perc. %	2013	2014	Value	Perc. %	2013	2014	Value	Perc. %
1	GCC states	47.2	**45.8**	60.4	**61.4**	1.04	1.72	57.1	**55.8**	-1.28	-2.24	25.1	**23.1**	-2.02	-8.05
2	The Levant	39.1	**39.3**	52.0	**49.8**	-2.16	-4.16	47.4	**46.4**	-1.03	-2.18	20.3	**20.7**	0.37	1.81
3	The Maghreb	33.9	**34.5**	49.7	**47.4**	-2.30	-4.63	41.0	**42.5**	1.55	3.77	15.5	**15.2**	-0.34	-2.22
4	Low FDI Performance countries	26.7	**25.8**	43.1	**39.5**	-3.54	-8.22	36.0	**35.6**	-0.43	-1.19	8.7	**8.0**	-0.70	-7.98
	Arab Average	37.2	**36.7**	51.8	**50.3**			46.0	**45.7**			17.6	**16.8**		
	World Average	42.6	**42.8**	57.4	**57.3**			49.8	**50.0**			23.6	**23.6**		

Performance: Very good Good Average Weak Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

1.2 Set of prerequisites

The set of prerequisites includes the necessary conditions that allow the host country to attract investments. In the absence of these conditions, it would be extremely difficult or impossible to attract investments, since the lack thereof also means the unavailability of other conditions to attract investments. The set includes four out of the eleven sub-indicators that constitute the FDI attractiveness index: macroeconomic performance, financial intermediation & financing capacities, institutional & social environment and business environment.

Performance on the regional level:

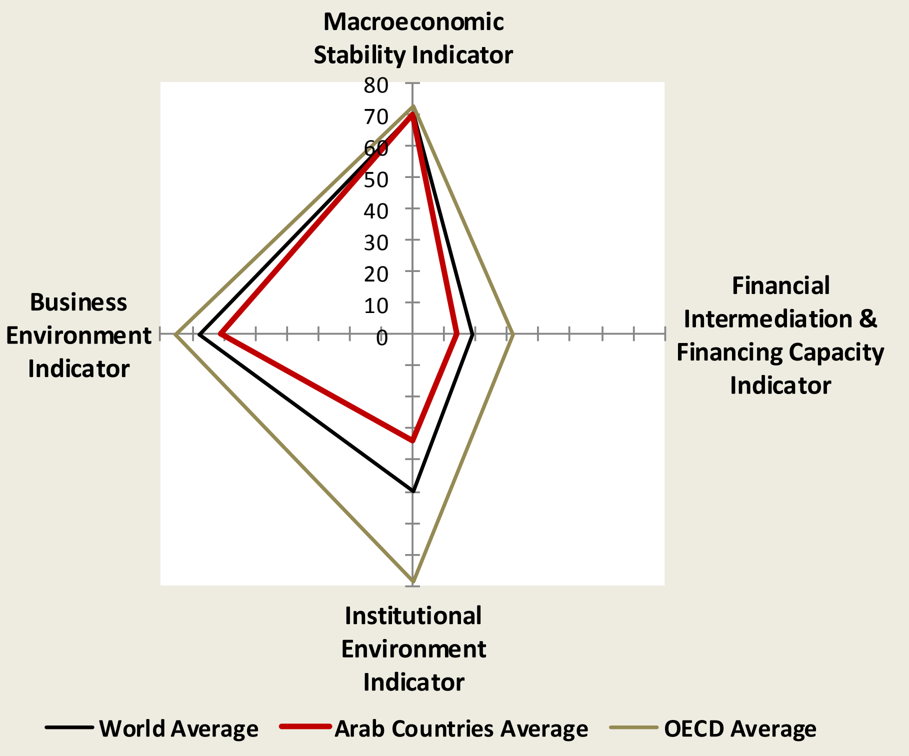
Arab countries claimed the 4th place globally among 7 geographical groups on the index of set of prerequisites for FDI attractiveness in 2014, with an average of 50.3 points on the index for Arab countries group, and average ranking of countries within the group of 73. OECD countries claimed the first place, followed by East Asia and the Pacific countries in the second place, European and Central Asian countries in the third place, Latin American and Caribbean countries in the fifth place, and African countries in the sixth place, with the same index value as Arab countries but with an inferior ranking of 75 and 79 respectively, and finally South Asian countries in the seventh place.

In comparison with 2013, the index value in Arab countries dropped-off by1.5 points, a percentage of 2.9%, which is the highest decline in comparison with the other geographic groups. Performance on the set of prerequisites also declined in Latin American, Caribbean, African and South Asian countries, while it improved in other groups (see table 5 and figure 5).

Table 5: Regional Performance in Prerequisites (Average Value & Average Ranking) 2014						
Rank	Geographical Groups	Prerequisites Average Value		Average Ranking 2014	Value Change for 2013	
		2013	2014		Value	Perc. %
1	OECD	69.3	69.6	22	0.28	0.40
2	East Asia & Pacific	60.2	61.9	46	1.67	2.77
3	Europe & Central Asia	56.3	56.8	55	0.51	0.91
4	**Arab Countries**	**51.8**	**50.3**	**73**	**-1.51**	**-2.91**
5	Latin America & Caribbean	50.4	50.2	75	-0.21	-0.42
6	South Asia	49.9	49.8	79	-0.10	-0.20
7	Africa	47.3	46.9	87	-0.43	-0.90

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 5: Arab, World and OECD Performances in Prerequisites



Performance on the Arab level:

The Arab performance is slightly lower than the global performance on the set of prerequisites. The results on the relative superiority indicator show that the GCC countries outperformed the other Arab countries with 61.4 points, an average performance (yellow). The global average is 57.3 points, followed by the Levant countries in the second place with 49.8 points, a poor performance below the global average (orange). In the same classification, the Maghreb countries were in the third place on the Arab level with 47.4 points, a poor performance below the global average (orange). In the fourth and last position are the low-performance countries with 39.5 points (red), considerably lower than the global and Arab average.

The information in table 6 shows the following results:

- GCC countries stood out with a very good performance on the economic stability index.

- The Levant countries registered a good performance on the financial intermediation & financing capacities index.
- Arab countries' performance on the institutional &social environment and business environment varied between average and very weak.

In comparison with 2013, the performance of GCC countries improved while the performance of other groups slightly declined.

Table 6: Arab Groups' Performance in Prerequisites 2014

Rank	Group	Prerequisites Average Value		Macroeconomic Stability Indicator			Financial Structure and Development Indicator			Institutional environment Indicator			Business Environment Indicator		
		2013	2014	Average value	Value Change for 2013: Value	Value Change for 2013: Perc. %	Average value	Value Change for 2013: Value	Value Change for 2013: Perc. %	Average value	Value Change for 2013: Value	Value Change for 2013: Perc. %	Average value	Value Change for 2013: Value	Value Change for 2013: Perc. %
1	GCC states	60.4	61.4	81.7	4.00	5.15	15.6	1.04	7.11	52.2	-0.87	-1.64	68.76	0.97	1.43
2	The Levant	52.0	49.8	61.2	-4.68	-7.11	26.1	-1.34	-4.89	35.3	-1.32	-3.59	60.92	-0.71	-1.16
3	The Maghreb states	49.7	47.4	69.7	1.73	2.54	13.3	-0.23	-1.68	29.6	-1.41	-4.54	55.05	-7.99	-12.67
4	Low FDI Performance countries	43.1	39.5	59.7	-7.33	-10.93	4.8	0.60	14.38	13.6	-1.80	-11.73	56.55	-3.02	-5.07
	Arab Average	**51.8**	**50.3**	**69.5**			**13.8**			**33.6**			**61.0**		
	World Average	**55.9**	**57.3**	**69.9**			**18.8**			**49.9**			**67.6**		

Performance: ●Very good ●Good ●Average ●Weak ●Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

1.3 Set of Underlying Factors in Multinational Corporations

The set of underlying factors is based on the main factors that determine the decisions of major investors and multinational corporations to invest in a specific country. These factors are all the more significant given the fact that these corporations are one of the most important channels of international financing and FDI. Moreover, their presence in a specific country is an incentive for more enterprises and investments, due to the large size of their marketing and production capacities that allow them to control more than 80% of the world trade movement. The set includes five out of the eleven FDI sub-indicators: market access and market potential, human and natural resources, cost components, logistics performance and telecommunication and ICT.

Performance on the regional level:

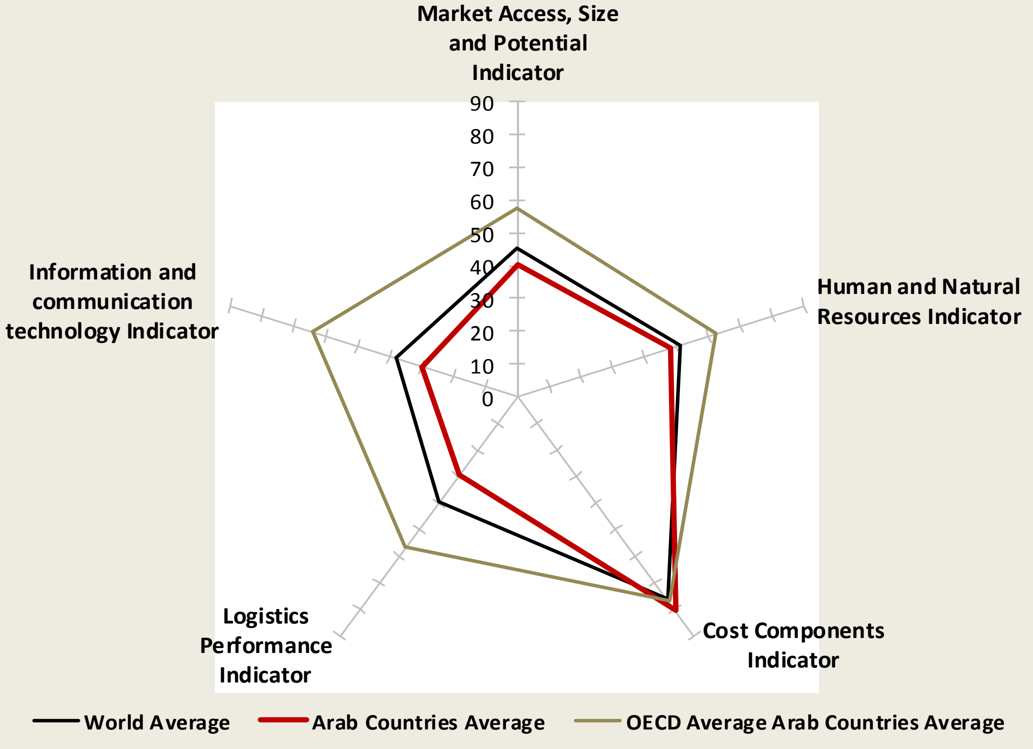
Arab countries claimed the fourth place globally among seven geographical groups, with an average of 45.7 points on the index for Arab countries group, and average ranking of countries within the group of 67. OECD countries came in the first place, followed by East Asia and the Pacific countries in the second place, European and Central Asian countries in the third place, Latin American and Caribbean countries after the Arab countries in the fifth place, South Asian countries in the sixth place and African countries in the seventh place.

The performance of Arab countries on the underlying factors, as well as that of OECD countries, Latin American and Caribbean countries decreased in comparison with 2013, while it improved in other groups (see table 7 and figure 6).

Table 7: Regional Performance in Underlying Factors (Average Value & Average Ranking) 2014						
Rank	Geographical Group	Average value		Average Ranking 2014	Value Change for 2013	
		2013	2014		Value	Perc. %
1	OECD	64.2	63.6	21	-0.54	-0.85
2	East Asia & Pacific	54.2	54.4	45	0.23	0.42
3	Europe & Central Asia	50.6	52.4	47	1.78	3.52
4	**Arab Countries**	**46.0**	**45.7**	**67**	**-0.37**	**-0.81**
5	Latin America & Caribbean	44.2	44.2	71	-0.08	-0.18
6	South Asia	38.6	41.7	80	3.07	7.95
7	Africa	35.9	36.7	92	0.78	2.17

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 6: Arab, World and OECD Performances in Underlying Factors



Performance on the Arab level:

On the level of Arab groups, the GCC states continued to outperform other Arab sub-regions on the underlying factors with a score of 61.4 points, a good performance above the global average of 57.33 points. Levant states ranked second with a score of 49.8 points, a poor performance below the global average. Maghreb states ranked third with a score of 47.4 points, also a poor performance below the global average. Low FDI performance countries came in the fourth place with a score of 39.5 points, a very poor performance.

Information in table 8 shows the following results:

- The GCC states registered a performance that varies between average and very good on the five sub-indicators of the set of underlying factors: market access & market potential, human & natural resources, cost components, logistics performance and telecommunication & ICT.
- Levant countries registered a good performance on the cost components indicator.

- Maghreb countries registered a poor performance on all indicators.

In comparison with 2013, the performance of Maghreb countries improved while the performance of other groups slightly decreased.

Table 8: Arab Groups' Performance in Underlying Factors 2014

Rank	Group	Average Value 2014	Market Access, Size and Potential Indicator			Human and Natural Resources Indicator			Cost Components Indicator			Logistics Performance Indicator			Information and communication technology Indicator		
			Average Value	Value Change for 2013		Average value	Value Change for 2013		Average value	Value Change for 2013		Average value	Value Change for 2013		Average value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %
1	GCC states	**55.8**	48.0	0.38	0.80	54.5	-0.73	-1.32	91.1	-0.09	-0.09	39.2	-8.66	-18.09	46.1	2.70	6.23
2	The Levant	**46.4**	43.2	0.64	1.51	49.8	-0.75	-1.48	79.9	-0.06	-0.07	28.0	-7.93	-22.06	30.9	2.92	10.43
3	The Maghreb states	**42.5**	37.0	1.70	4.80	48.7	-2.25	-4.42	72.1	0.10	0.14	28.3	8.05	39.74	26.6	0.14	0.53
4	Low FDI Performance countries	**35.6**	31.9	0.30	0.95	39.5	-0.06	-0.16	75.5	0.25	0.33	19.0	-3.38	-15.06	12.0	0.74	6.60
Arab Average		**45.7**	**40.3**			**48.3**			**80.7**			**29.3**			**29.8**		
World Average		**50.0**	**45.2**			**51.1**			**76.3**			**39.7**			**37.9**		

Performance: •Very good •Good •Average •Weak •Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

1.4 Set of Positive Externalities

The set of positive externalities includes the different factors that enhance a country's assets for its integration with the global economy, its possession of technological advancement potential as well as other factors that distinguish it from other states. It includes two out of the eleven sub-indicators: agglomeration economies and innovation & differentiation.

Performance on the regional level:

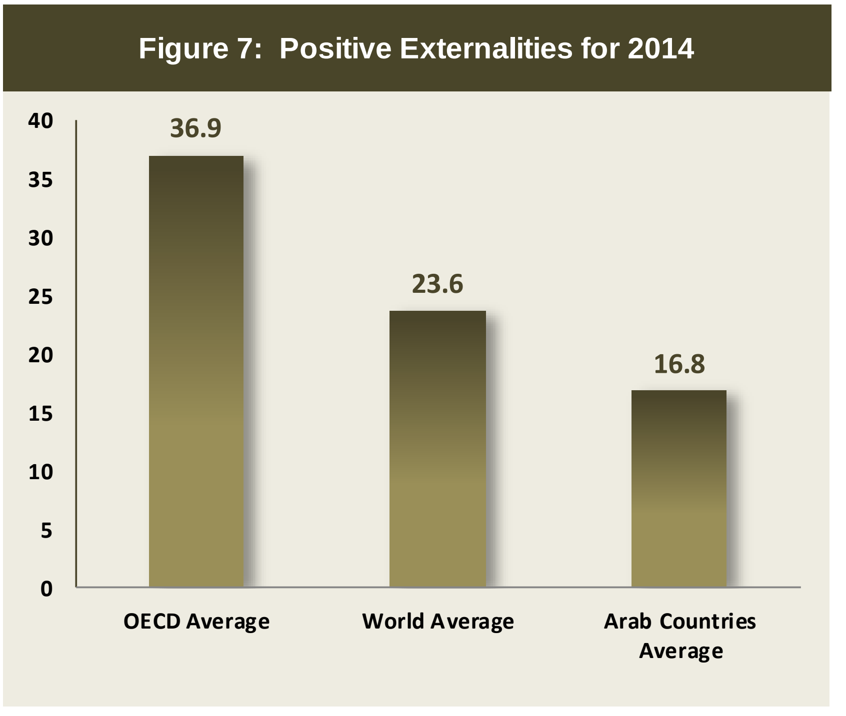
Arab countries claimed the fifth place among seven geographic groups with an average of 16.8 points on the index for Arab countries group, and average ranking of countries within the group of 73. OECD countries came in the first place with an average of 36.9 points and average ranking of 22, followed by East Asia and the Pacific countries in the second place, European and Central Asian countries in the third place, while Latin American and Caribbean countries came in the fourth place, South Asian countries in the fifth place and finally African countries in the seventh place.

The performance of Arab countries decreased by 0.9 points, a percentage of 5% in comparison with 2013, similarly to other geographical groups except Europe, Central Asia, Latin America and the Caribbean and Africa (see table 9 and figure 7).

Table 9: Regional Performance in Positive Externalities Factors (Average Value & Average Ranking) 2014

Rank	Geographical Group	Average Value		Average Ranking 2014	Value Change for 2013	
		2013	2014		Value	Perc. %
1	OECD	38.2	36.9	22	-1.28	-3.35
2	East Asia & Pacific	29.7	29.3	44	-0.39	-1.31
3	Europe & Central Asia	22.1	24.9	44	2.84	12.85
4	Latin America & Caribbean	16.0	17.3	73	1.35	8.43
5	**Arab Countries**	**17.6**	**16.8**	**73**	**-0.88**	**-5.01**
6	South Asia	16.5	16.1	75	-0.41	-2.47
7	Africa	11.5	12.2	88	0.66	5.68

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)



Performance on the Arab level:

Arab countries registered a performance that varied between average and very poor on the positive externalities.

Data shows that GCC countries occupied the first place, with a score of 23.1 points, an average performance, in comparison with the global average of 16.8 points, whereas the Levant countries ranked second with a score of 20.7, an average performance.

Maghreb countries came in the third place with a score of 15.2 points, an average performance (yellow), and finally low performance countries came in the fourth place with a score of 8 points, a very poor performance.

Data in the table 10 show the following:

- Levant countries registered a good performance (green) on the agglomeration economies indicator.
- The performance of Arab geographical groups on the innovation & differentiation indicator varied between average and very poor.
- The GCC countries registered an average performance on the two sub-indicators.

In comparison with 2013, the performance of Levant countries on the set of externalities improved while the performance of other Arab sub-regions decreased.

Table 10: Arab Groups' Performance in Positive Externalities Factors 2014

Rank	Group	Average Value 2014	Agglomeration Economies				Technological environment and Differentiation			
			Value		Value Change for 2013		Value		Value Change for 2013	
					Value	Perc. %			Value	Perc. %
1	GCC states	**23.1**	12.8	● (Average)	0.20	1.54	27.5	● (Average)	-2.98	-9.76
2	The Levant	**20.7**	17.7	● (Good)	-0.06	-0.34	22.0	● (Weak)	0.55	2.58
3	The Maghreb states	**15.2**	13.6	● (Average)	-0.31	-2.19	15.8	● (Weak)	-0.36	-2.23
4	Low FDI Performance countries	**8.0**	7.3	● (Weak)	0.09	1.23	8.4	● (Very weak)	-1.03	-10.99
	Arab Average	**16.8**	**12.3**				**18.7**			
	World Average	**23.6**	**15.6**				**27.0**			

Performance: ● Very good ● Good ● Average ● Weak ● Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

2. Arab World's Position on Eleven Key Drivers

The general index measures the FDI attractiveness through 11 sub-indicators, each of them monitors one of the main factors that determine a country's capacity to attract capital flows, such as: macroeconomic stability, financing capacities index, institutional environment, market access & market potential, human and natural resources, cost components, logistics performance, telecommunication & ICT, agglomeration economies and innovation & differentiation.

These sub-indicators include approximately 60 variables that monitor in detail the factors that determine a country's capacity to attract investments and accurately determine its position on the attractiveness index. The details are as follows:

2.1 Macroeconomic stability index

The macroeconomic stability is one of the necessary components to attract investments, as confirmed in theory and practice. The degree of this stability is measured with seven main variables: Real GDP growth volatility, inflation rate, real effective exchange rate volatility, number of exchange rate crisis, current account deficit to GDP ratio, fiscal balance to GDP ratio and gross public debt to GDP ratio.

According to the results, the following observations can be extracted (see table 11 and figures 8 and 9):

- Arab performance on this index is the best compared to the 11 other indices, as both Arab and global averages are nearly equal, around 69 points.
- On the level of Arab groups, the GCC countries occupied the first place with a score of 81.7 points, a very good performance (green), better than the global average. The GCC countries registered a very good performance on four main variables: real effective exchange rate volatility, number of exchange rate crisis, current account deficit to GDP ratio and gross public debt to GDP ratio.
- Maghreb states ranked second with a score of 69.7 points, an average performance, and registered a good performance (light green) on four variables related to the exchange rate volatility, fiscal balance, current account and public debt.
- Levant states ranked third with a score of 61.2, a very poor performance. Their performance on the sub-variables varies between the averages on the Real GDP growth volatility and very poor on the exchange rate and fiscal balance indicators.
- Low FDI performance countries came in the fourth place with a score of 59.7, a very poor performance. They registered a very poor performance on all variables except the two variables concerning exchange rate.

Table 11: Arab Groups' Performance in the Macroeconomic Stability Indicator 2014

Rank	Group	Average Value 2014	Real GDP growth volatility			Inflation Rate			Real effective exchange rate volatility			Number of exchange rate crisis			Current account deficit to GDP ratio			Fiscal balance to GDP ratio			General government gross debt to GDP ratio		
			Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %
1	GCC states	**81.7**	91.6	0.78	0.86	71.8	-1.48	-2.02	74.9	31.45	72.40	55.6	-0.72	-1.29	92.8	0.81	0.88	85.2	-2.85	-3.24	100.0	0.00	0.00
2	The Maghreb states	**69.7**	73.0	0.43	0.59	75.5	0.83	1.12	45.6	12.96	39.66	25.4	-10.35	-28.93	88.1	-0.04	-0.05	88.7	10.33	13.19	91.8	-2.06	-2.20
3	The Levant	**61.2**	94.3	-0.18	-0.19	74.0	-8.57	-10.38	31.7	-7.08	-18.25	11.4	-8.24	-41.92	58.2	0.02	0.03	70.0	-5.98	-7.87	89.0	-2.75	-3.00
4	Low FDI Performance countries	**59.7**	84.7	0.56	0.66	56.4	-17.49	-23.66	37.2	-6.63	-15.14	25.9	-5.36	-17.14	75.6	0.98	1.31	58.0	-13.44	-18.83	80.2	-9.90	-10.99
	Arab Average	**69.5**	**86.0**			**68.7**			**50.7**			**33.3**			**81.2**			**75.9**			**90.8**		
	World Average	**69.9**	**92.3**			**76.4**			**44.8**			**27.2**			**79.5**			**78.9**			**90.5**		

Performance: ● Very good ● Good ● Average ● Weak ● Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 8: Arab, World and OECD Performances in the Macroeconomic Stability Indicator

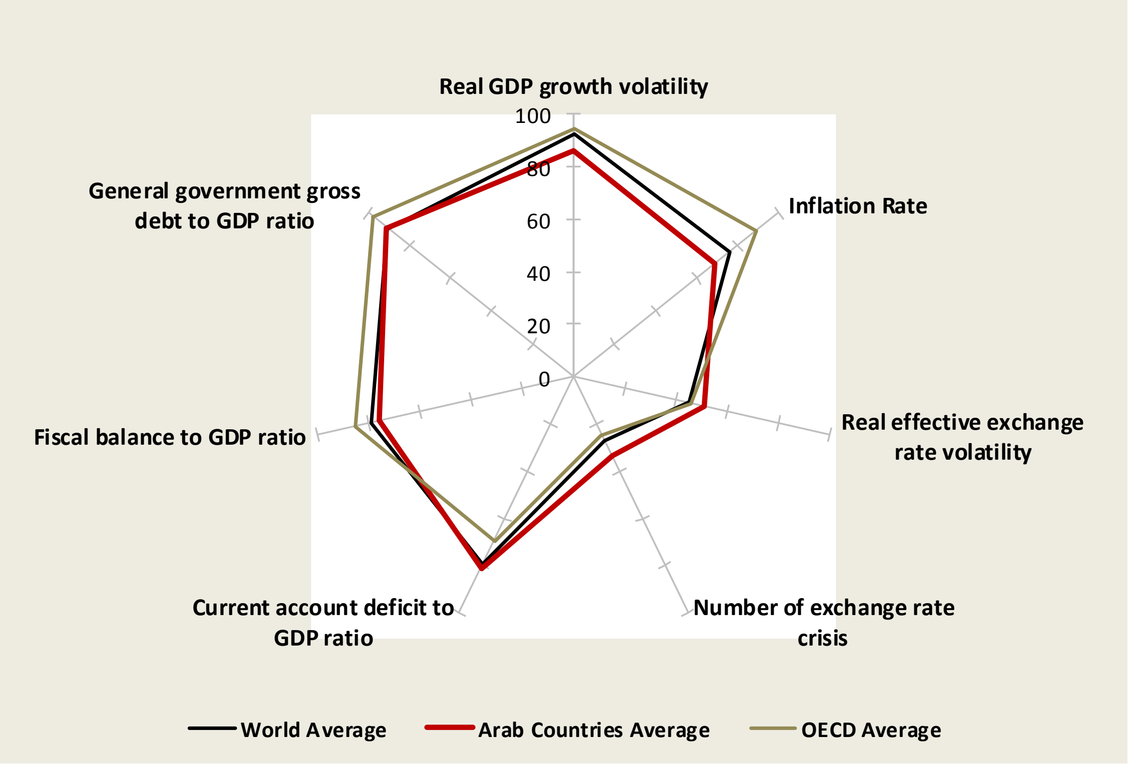
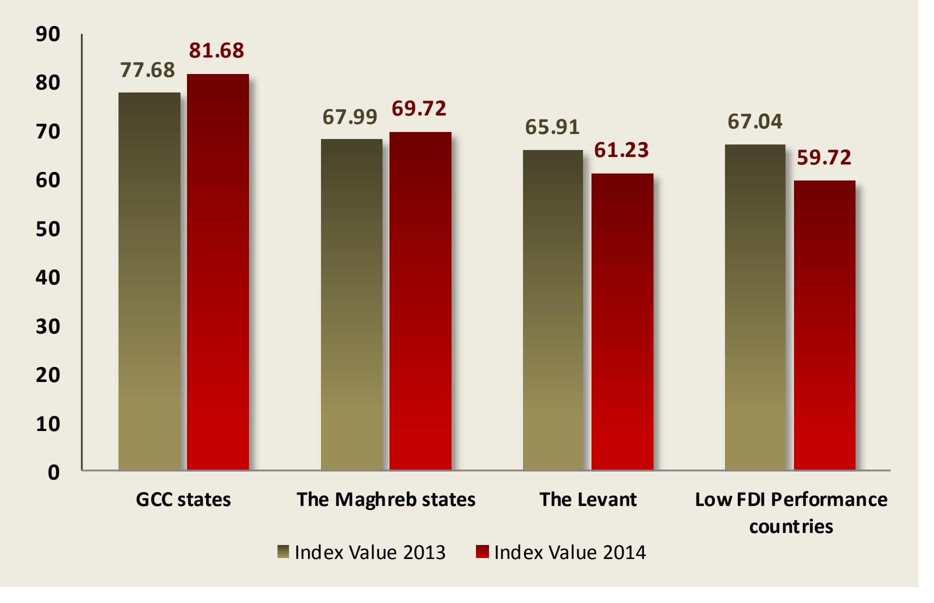


Figure 9: Arab Groups' Performance in the Macroeconomic Stability Indicator for 2013 & 2014



In comparison with 2013, the performance of all Arab groups on the macroeconomic stability index improved, except for the Levant states and the low-performance states, whose performance decreased by 7 and 11% respectively.

2.2 Financial Intermediation and Financing Capacities Indicator

The financial intermediation and financing capacities indicator monitors the concerned economy's capacity to ensure the necessary financial factors to attract investments. It surveys three main variables: Ratio of broad money to GDP (M2 to GDP), domestic credit to private sector (% of GDP) and market capitalization of listed companies to GDP.

In this context a number of results can be extracted to clarify the performance of Arab countries in this domain (see table 12 and figures 10 and 11):

Despite the weak global performance in this area with a modest score of 18.8 points out of 100 points, the Arab performance was even lower with a score of 13.8 points.

In general, Arab countries registered a poor performance in allocating credit for the private sector, since the Arab average on the indicator (13.8 points) is considerably below the global average of 23.8 points (whereas the performance on variables of broad money and market capitalization was closer to global averages).

On the level of Arab groups, only the Levant States subgroup achieved a good performance, occupying the first place with a score of 26.1 points, above the global average of 18.8 points. GCC countries claimed the second place with a score of 15.6, an average performance, followed by Maghreb states in the third place with a score of 13.3 points, also an average performance. Finally, low FDI performance countries came in the fourth place with a score of 4.8, a very poor performance.

On the level of the main indicator variables, it is noted that among the Arab groups, the Levant states ranked best on the financial liquidity represented by the ratio of broad money to GDP (M2 to GDP). The financial markets' performance and their capacity to finance investments, represented by the market capitalization of listed companies to GDP, stood out in the Levant and the Maghreb states. As for the domestic credit to private sector (% of GDP) variable, none of the Arab groups registered a good performance, as all the groups registered an average performance except the low-performance states that registered a very poor performance.

In comparison with 2013, the performance of GCC states and low-performance states improved while that of the Levant and Maghreb states decreased on the financial intermediation and financing capacities indicator.

Table 12: Arab Groups' Performance in the Financial Structure Indicator 2014

Rank	Group	Average Value 2014	Ratio of broad money to GDP				Domestic credit to private sector				Market capitalization of listed companies to GDP			
			Value		Value Change for 2013		Value		Value Change for 2013		Value		Value Change for 2013	
					Value	Perc. %			Value	Perc. %			Value	Perc. %
1	The Levant	**26.1**	43.6	●	-1.35	-2.99	21.3	●	-0.52	-2.38	13.2	●	-2.2	-14.0
2	GCC states	**15.6**	15.1	●	-1.59	-9.55	17.6	●	-2.36	-11.82	14.1	●	-1.7	-10.6
3	The Maghreb states	**13.3**	19.5	●	-0.36	-1.80	14.5	●	-0.05	-0.32	6.1	●	-0.3	-4.5
4	Low FDI Performance countries	**4.8**	9.1	●	-0.10	-1.06	4.2	●	-0.12	-2.72	1.0	●	0.2	25.0
	Arab Average	**13.8**	**19.2**				**13.8**				**8.5**			
	World Average	**18.8**	**21.8**				**23.8**				**10.7**			

Performance: ●Very good ●Good ●Average ●Weak ●Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 10: Arab, World and OECD Performances in the Financial Structure Indicator

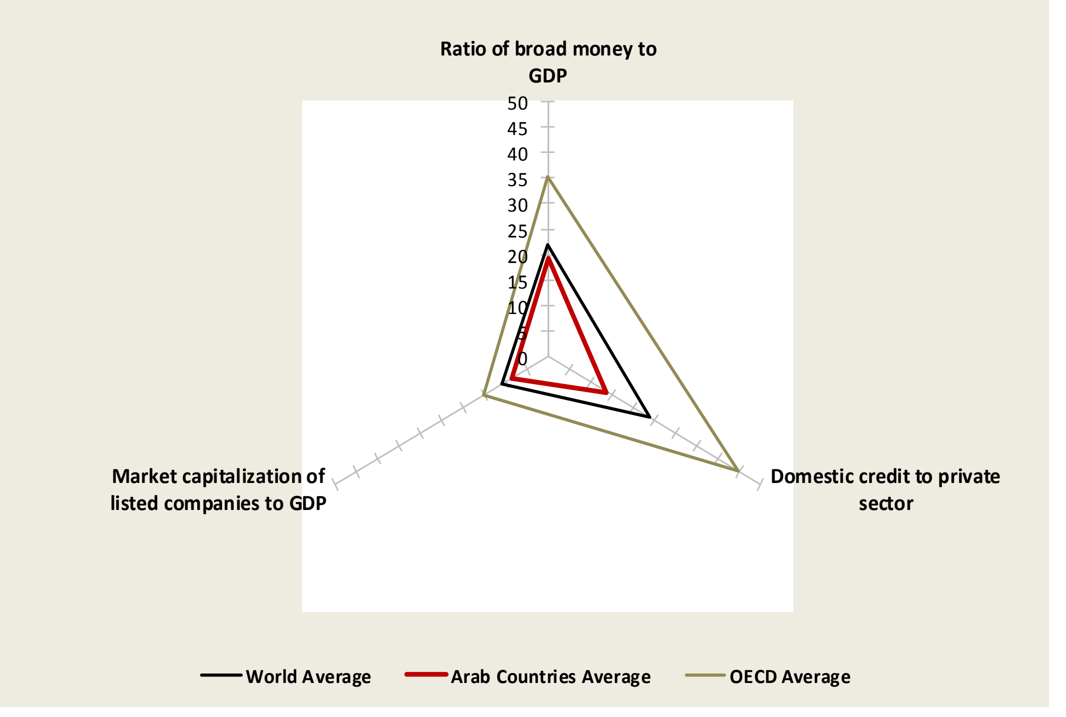
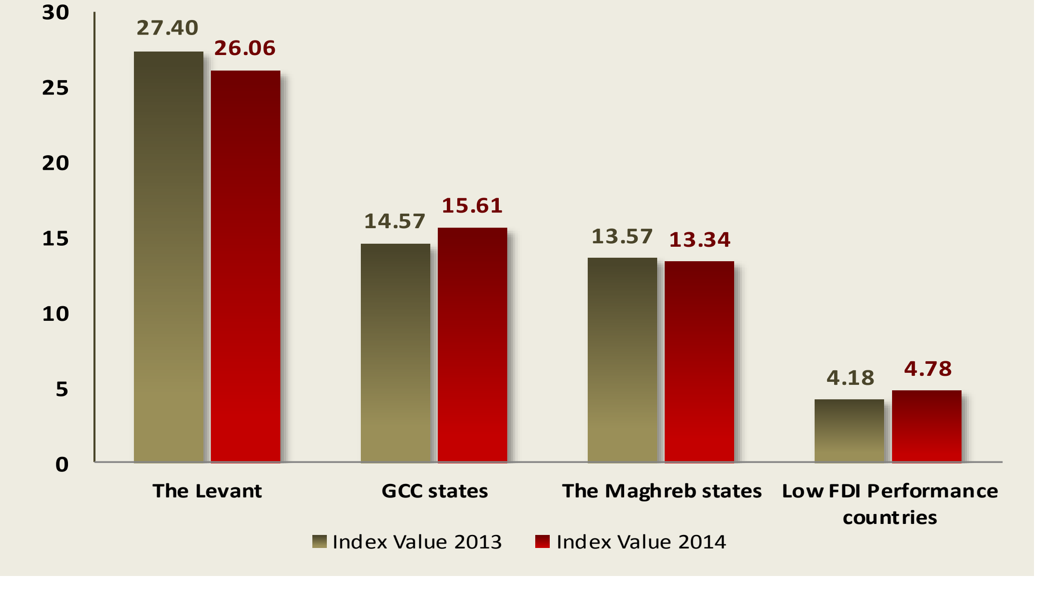


Figure 11: Arab Groups' Performance in the Financial Structure Indicator for 2013 & 2014



2.3 Institutional Environment Indicator

The investment climate generally depends on the institutional and organizational situation and stability, especially laws and legislations and their implementation, continuity, endurance and consistence with the international trade laws as well as the monetary and financial policies.

Legal and institutional structural reform inspires confidence to the foreign investor during the assessment of the investment's targeted geographical choices. The eventual risks and costs decrease in the presence of clear laws and targeted investment climate work strategies, which also allows to minimize the doubts that the foreign investor might face concerning regulatory or legal obstacles that might affect the continuity and course of the investment process.

Based on this principle, the institutional climate in the host country is one of the main factors that influence the state's attractiveness to investment. This is confirmed by previous experiences in the world, and is considered by financial and development institutions as one of the main challenges that the Arab spring countries will face, with regards to stabilizing and restoring foreign investors' trust.

In this context, a large set of relevant variables or sub-indicators were monitored, especially those that survey the performance of states in domains that include some variables such as voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, control of corruption and rule of law.

According to findings in table 13 and figures 12 and 13, the performance of Arab states was very moderate on the institutional environment, as they registered an average score of 33.6 points in comparison with the global average 49.9 points, with large discrepancies among the surveyed Arab groups in the indicator.

On the level of Arab groups, GCC states came in the first place with a score of 52.2 points, an average performance in comparison with the global average, followed by Levant states in the second place with a score of 35.3 points, a poor performance (orange). Maghreb states came in the third place with a score of 29.6 points, a poor performance (orange), and finally low FDI performance countries occupied the fourth and last place with a score of 13.6 points, a very poor performance (red).

What is remarkable is GCC states' good performance on the variables of political stability and absence of violence, government effectiveness, rule of law and control of corruption, while the performance of the other geographical groups on all indicators varied between average and very poor.

In comparison with 2013, the performance of all Arab groups decreased on the variable of institutional environment.

Table 13: Arab Groups' Performance in the Institutional Environment Indicator 2014

Rank	Group	Average Value 2014	Voice and Accountability			Political Stability and Absence of Violence			Government Effectiveness			Regulatory Quality			Rule of Law			Control of Corruption		
			Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %
1	GCC states	**52.2**	22.1	-1.28	-5.46	73.0	-1.56	-2.09	51.7	0.05	0.10	57.34	-1.10	-1.89	60.7	-0.06	-0.10	48.23	-1.28	-2.59
2	The Levant	**35.3**	31.5	0.94	3.07	39.8	-2.53	-5.97	32.4	-1.51	-4.46	44.51	-3.05	-6.41	39.7	-0.47	-1.16	23.93	-1.28	-5.08
3	The Maghreb states	**29.6**	25.2	5.47	27.65	48.1	-6.31	-11.59	27.1	-1.11	-3.93	24.59	-4.42	-15.24	32.2	-0.86	-2.60	20.62	-1.22	-5.59
4	Low FDI Performance countries	**13.6**	12.6	-0.74	-5.52	19.0	-2.66	-12.29	10.3	-1.15	-10.00	16.16	-4.54	-21.94	15.9	-0.28	-1.71	7.38	-1.45	-16.43
	Arab Average	**33.6**	**21.8**			**46.9**			**31.5**			**36.5**			**38.4**			**26.7**		
	World Average	**49.9**	**52.5**			**62.8**			**44.5**			**52.4**			**49.2**			**38.0**		

Performance: ●Very good ●Good ●Average ●Weak ●Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 12: Arab, World and OECD Performances in the Institutional Environment Indicator

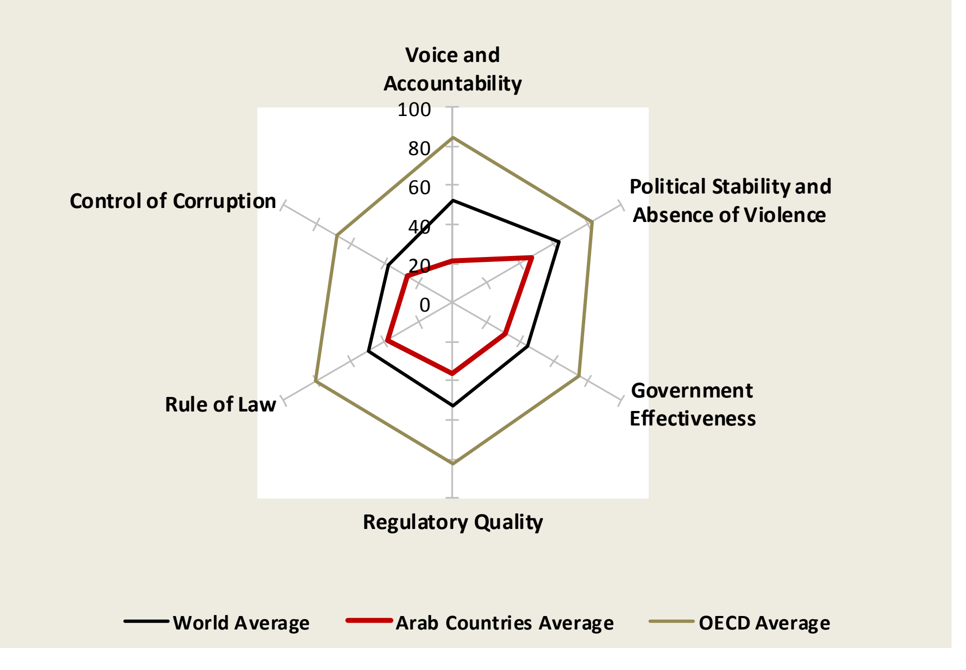
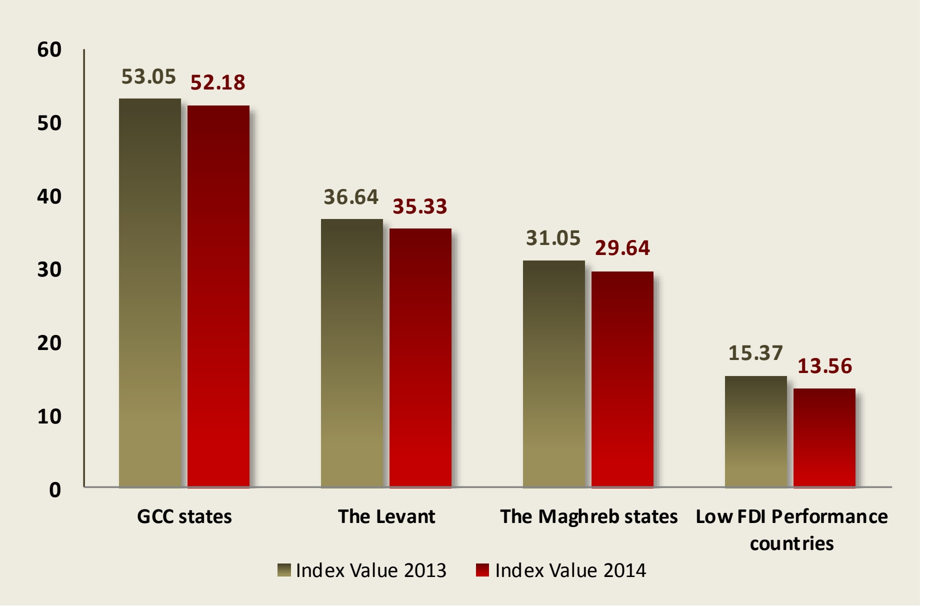


Figure 13: Arab Groups' Performance in the Institutional Environment Indicator for 2013 & 2014



2.4 Business Environment Indicator

Business environment is one of the factors that determine a country's attractiveness to investment in general and FDI in particular. Therefore, a sub-indicator that monitors this factor was included in the FDI general indicator, and that measures the situation of business environment according to seven main chosen variables: Starting a business, dealing with construction permits, registering property, getting electricity, getting credit, protecting investors and enforcing contracts.

It is noteworthy that the business environment indicator that is included in the FDI general indicator is inherently different from the general business environment indicator that is published on a yearly basis by the World Bank, although both indicators use the same data source. Therefore, it is natural and expected that their results are different on the international and Arab level especially with regard to the position and classification of the world and the region's states.

In the context of the analysis of the indicator's results, a set of main observations can be extracted (see table 14 and figures 14 and 15):

The performance of Arab countries was generally medium, as the Arab average score was 61 points compared to a global average of 67.6 points.

Arab countries registered an acceptable performance on the variables of starting a business, registering property and protecting investors, and a good performance above the global average on the variable of getting electricity, while their performance was below the global average on the rest of the variables.

GCC countries occupied the first place on the Arab level with a score of 68.8 points, a medium performance, followed by Levant states in the second place with a score of 60.9 points, also a medium performance.

Low FDI performance states ranked third with a poor performance, and finally Maghreb countries came in the fourth place with a very poor performance.

All Arab groups except GCC countries witnessed a decline in performance on the present index in comparison with 2013.

Table 14: Arab Groups' Performance in the Business Environment Indicator 2014

Rank	Group	Average Value 2014	Starting a Business			Dealing with Construction Permits			Registering Property			Getting Electricity			Getting Credit			Protecting Investors			Enforcing Contracts		
			Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %
1	GCC states	68.8	74.1	0.94	1.29	79.9	-4.24	-5.05	84.1	1.17	1.41	81.7	-0.21	-0.25	54.2	2.75	5.35	62.1	3.84	6.59	45.3	2.56	6.00
2	The Levant	60.9	80.3	0.07	0.08	67.4	-6.94	-9.33	68.7	2.68	4.06	76.4	-2.36	-2.99	45.9	0.00	0.00	39.5	-0.03	-0.07	48.2	1.58	3.40
3	Low FDI Performance countries	56.5	67.8	-0.33	-0.48	60.9	-18.95	-23.73	80.0	1.27	1.61	80.7	-3.31	-3.94	18.1	0.00	0.00	47.2	4.12	9.58	41.2	0.16	0.38
4	The Maghreb states	55.0	66.0	1.01	1.55	54.1	-31.34	-36.69	50.5	2.14	4.43	79.2	-11.51	-12.69	40.2	-8.14	-16.84	43.1	0.00	0.00	52.3	-21.71	-29.33
	Arab Average	**61.0**	**71.6**			**66.8**			**72.9**			**80.0**			**39.7**			**50.0**			**46.2**		
	World Average	**67.6**	**74.1**			**72.6**			**74.9**			**73.8**			**62.4**			**56.0**			**59.3**		

Performance: ●Very good ●Good ●Average ●Weak ●Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 14: Arab, World and OECD Performances in the Business Environment Indicator

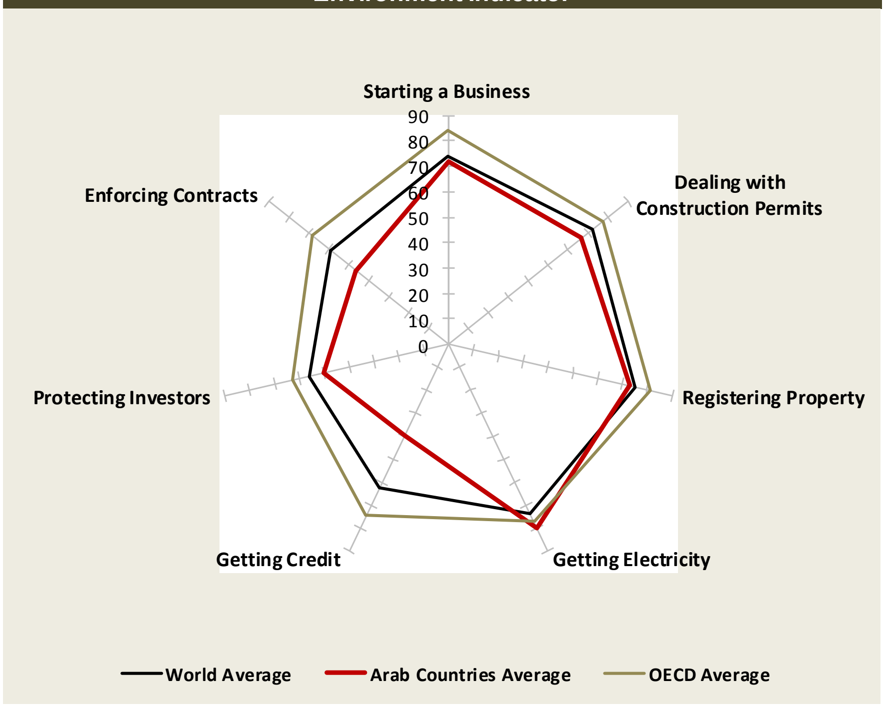
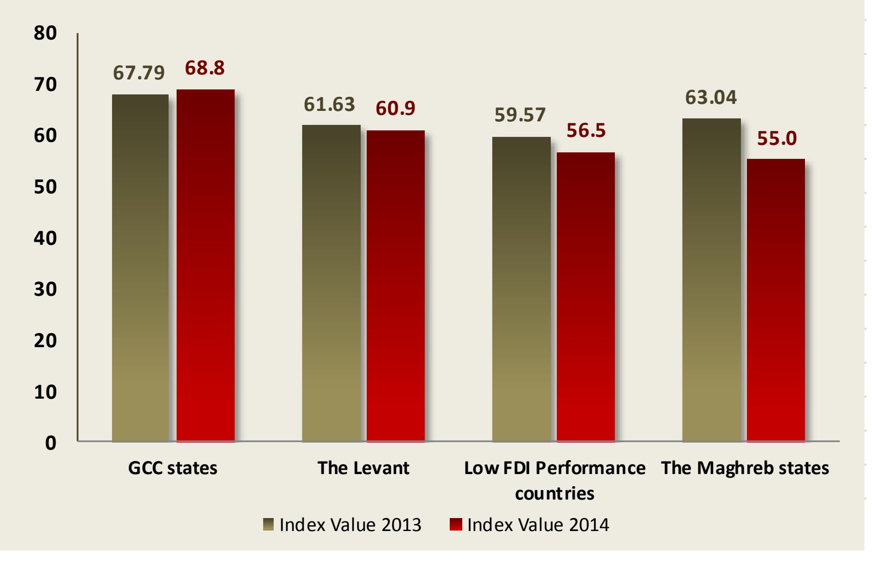


Figure 15: Arab Groups' Performance in the Business Environment Indicator For 2013 & 2014



2.5 Market Access, Size and Potential Indicator

Studies and practice show that market access, size and potential are the main factors of FDI attractiveness. This indicator was designed in order to survey these factors through 6 decisive variables: real per capita domestic demand, domestic demand volatility, trade performance index, trade to GDP ratio, applied tariff and openness to the outside world index.

According to table 15 and figures 16 and 17 that monitor the performance of Arab countries on this indicator and its main six variables, the following can be observed:

Arab states were close to the global average on the market access, size and potential indicator with an average score of 40.3 points in comparison with the global average of 45.2 points.

Arab states were close to the global average on the variables of domestic demand volatility, trade to GDP ratio and applied tariff, while they ranked below the global average on the variables of real per capita domestic demand, trade performance index and openness to the outside world index.

On the Arab level, GCC countries occupied the first place with a score of 48 points, a good performance, in comparison with the global average of 45.2.

Levant states ranked second with a score of 43.2 points, a medium performance, followed by Maghreb states in the third place with a poor performance, and finally low FDI performance countries came in the fourth place.

On the level of the indicator's variables, table 15 shows that GCC countries registered a good performance on the real per capita domestic demand variable, as well as on trade to GDP ratio.

Levant states had a remarkable performance on the variable of domestic demand volatility.

The performance of Arab groups varied between average and very poor on the other variables.

In comparison with 2013, all Arab groups witnessed an improvement in their performance on the present indicator.

Table 15: Arab Groups' Performance in the Market Size and Accessibility Indicator 2014

Rank	Group	Average Value 2014	Real per capita domestic demand			Domestic demand volatility			Trade performance Indicator			Trade to GDP ratio			Applied Tariff			Openness to the outside world Indicator		
			Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %
1	GCC states	**48.0**	27.6	-2.41	-8.04	68.8	2.63	3.98	13.7	1.02	8.01	19.6	-1.38	-6.58	82.3	1.15	1.42	76.1	1.26	1.69
2	The Levant	**43.2**	8.1	-0.08	-0.97	75.0	2.17	2.98	16.2	0.17	1.08	14.8	-1.33	-8.24	72.7	3.08	4.43	72.6	-0.16	-0.22
3	The Maghreb states	**37.0**	7.6	-1.31	-14.69	52.8	1.81	3.56	12.5	1.29	11.49	14.2	-0.74	-4.98	64.0	5.93	10.22	70.9	3.20	4.72
4	Low FDI Performance countries	**31.9**	2.8	-0.11	-3.79	67.2	-2.01	-2.90	7.3	0.71	10.80	13.7	-0.72	-5.02	60.5	2.80	4.86	52.1	1.69	3.35
	Arab Average	**40.3**	**13.0**			**66.3**			**12.1**			**16.0**			**71.2**			**67.7**		
	World Average	**45.2**	**18.7**			**66.3**			**20.2**			**17.0**			**76.9**			**72.9**		

Performance: •Very good •Good •Average •Weak •Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 16: Arab, World and OECD Performances in the Market Size and Accessibility Indicator

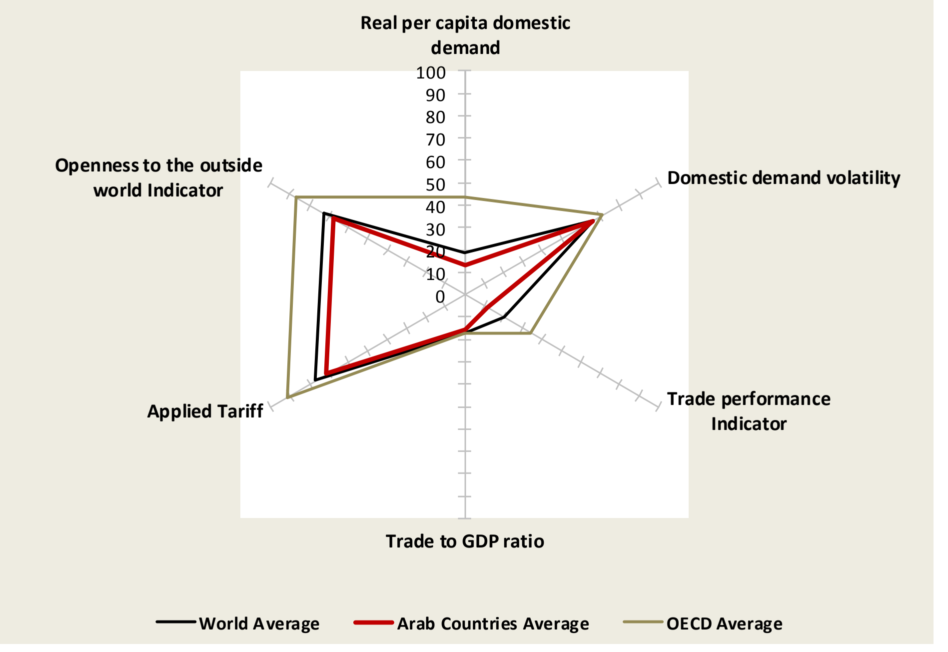
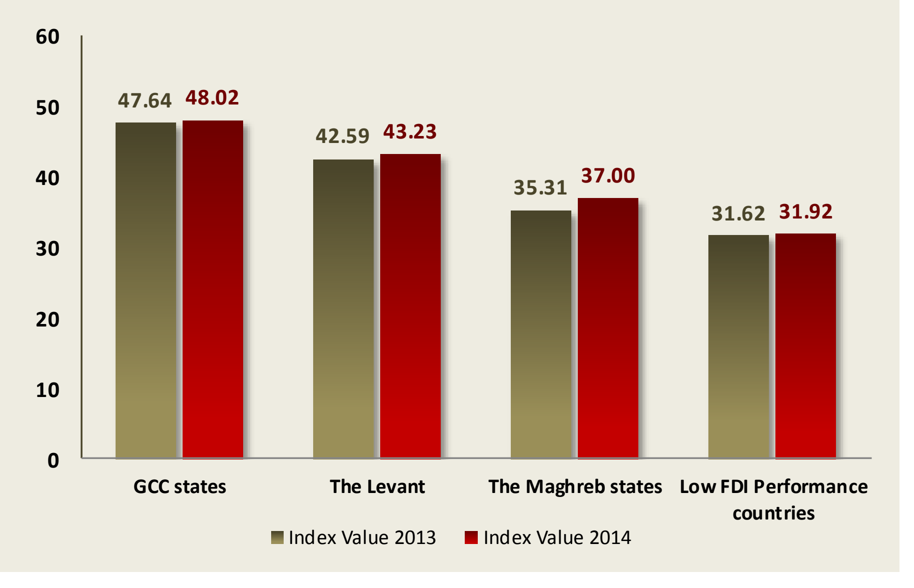


Figure 17: Arab Groups' Performance in the Market Size and Accessibility Indicator For 2013 & 2014



2.6 Human & Natural Resources Indicator

Undoubtedly, the possession of human and natural resources is one of the tradition components of FDI attractiveness around the world. In fact, there are many investment patterns in the world that target natural resources and give priority to the availability of qualified and trained human resources in the investment targeted country. In this context, a human & natural resources indicator was included and that measures these factors through six quantitative and qualitative variables: Natural resources revenues' share of the GDP, average growth in labor productivity, average years of schooling for adults, expected years of schooling for children and Human Development Index (HDI).

In this context, a number of results can be extracted, shown in table 16 and figures 18 and 19, and that illustrate the performance of Arab countries:

The Arab performance on this indicator was close to the global one, with an average score of 48.3 points in comparison with the global average 51.1.

The Arab performance was better than the global average on the variable of natural resources revenues' share of the GDP, as the Arab average of 37 points exceeds the global average of 14.7, which is more than the double. This is due to the presence of oil in GCC countries, Libya, Algeria, and other mineral resources in Mauritania, Yemen and Sudan.

Arab performance was close to the global performance on the variables of expected years of schooling for children and Human Development Index, while it was clearly lower than the global level on the rest of the variables.

On the Arab level, GCC countries came in the first place with a score of 54.5 points, followed by Levant states with a score of 49.8 points. Maghreb countries ranked third with a score of 48.7 points, a poor performance below the global average.

Finally low FDI performance countries came in the fourth place with a score of 39.5 points, a very poor performance.

In comparison with 2013, the performance of all Arab groups decreased on the present indicator.

Table 16: Arab Groups' Performance in the Human and Natural Resources Indicator 2014

Rank	Group	Average Value 2014	Natural resources revenues share of the GDP			Average growth in labor productivity			Average years of schooling for adults			Expected years of schooling for children			Human Development Indicator		
			Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %
1	GCC states	**54.5**	48.8 ●	-3.52	-6.73	34.5 ●	-1.84	-5.06	52.5 ●	0.18	0.35	61.3 ●	1.01	1.68	74.4 ●	-0.05	-0.06
2	The Levant	**49.8**	6.9 ●	-2.32	-25.27	56.1 ●	-2.54	-4.33	53.6 ●	0.27	0.51	63.3 ●	0.82	1.31	60.5 ●	-0.28	-0.46
3	The Maghreb states	**48.7**	27.6 ●	-4.70	-14.52	51.8 ●	-7.96	-13.31	44.0 ●	0.41	0.94	57.0 ●	0.66	1.17	58.9 ●	-0.18	-0.30
4	Low FDI Performance countries	**39.5**	48.5 ●	-0.78	-1.58	52.2 ●	-0.68	-1.29	24.9 ●	0.11	0.44	42.6 ●	1.22	2.96	31.1 ●	-0.33	-1.05
Arab Average		**48.3**	**37.0**			**46.8**			**43.1**			**55.5**			**56.6**		
World Average		**51.1**	**14.7**			**57.9**			**56.9**			**57.4**			**61.5**		

Performance: ●Very good ●Good ●Average ●Weak ●Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 18: Arab, World and OECD Performances
in the Human and Natural Resources Indicator

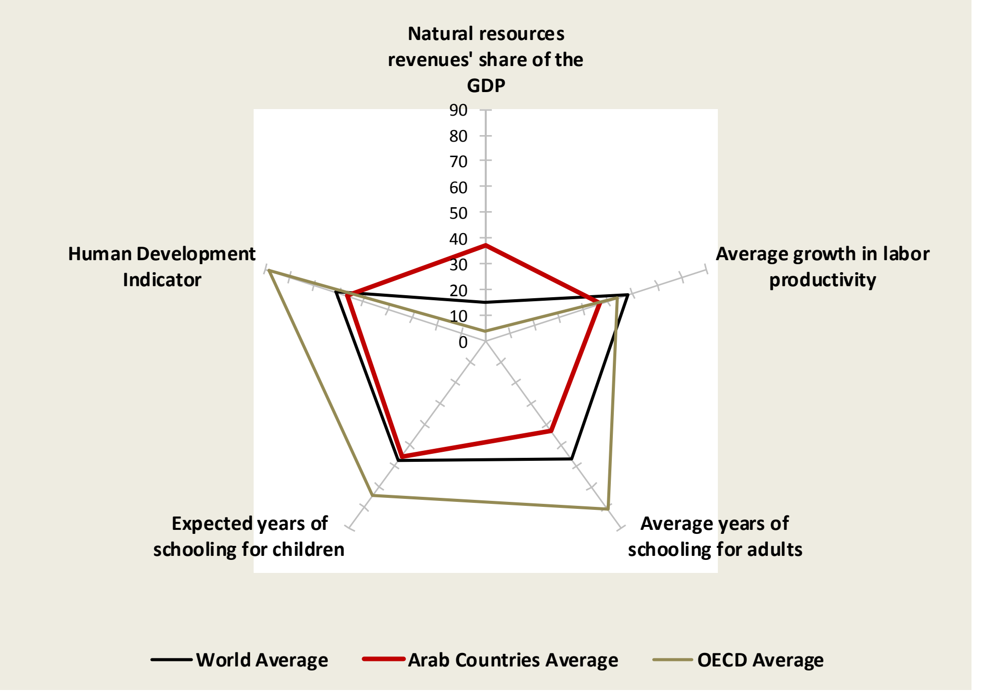
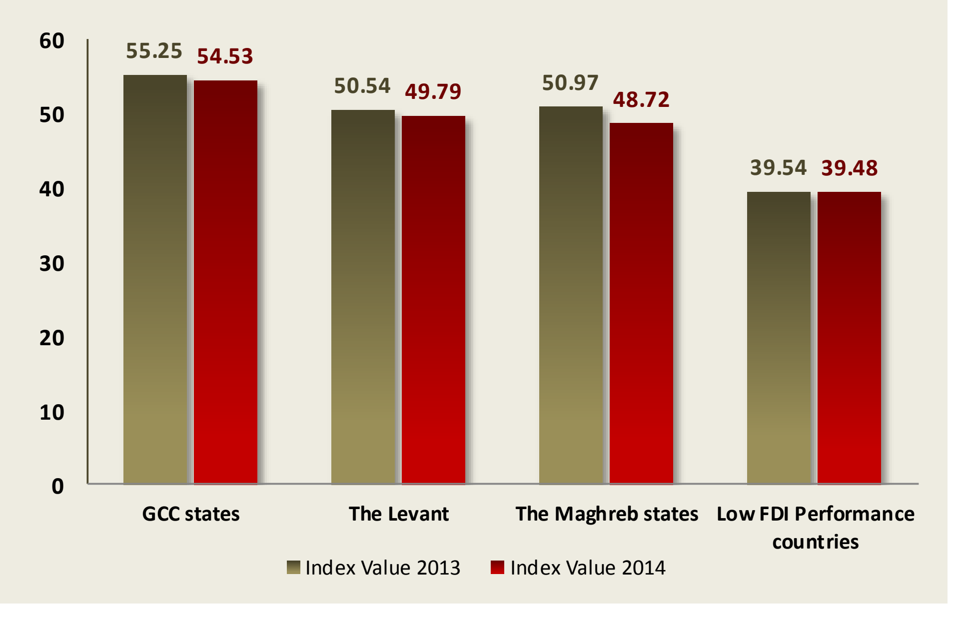


Figure 19: Arab Groups' Performance
in the Human and Natural Resources Indicator For 2013 & 2014



2.7 Cost Components Indicator

Cost components are the most important factor when it comes to making a decision about investment in a country, which makes the difference between production costs of any investment project between two countries a decisive factor in attracting FDI. There are large discrepancies in the world on this level. These factors are directly related to the feasibility of a project and its expected profits. This indicator measures cost components through four variables: Labor tax and contributions (% of commercial profits), total tax rate (% of commercial profits), time to prepare and pay taxes (hours) and average cost to export and import (US$ per container).

After analyzing the relative situation of Arab countries on this indicator, the following results can be extracted (see table 17 and figures 20 and 21):

Arab performance on this index was higher than the already high global average, with a score of 80.7 points in comparison with the global average 76.3 points.

On the Arab level, GCC countries occupied the first place and were the only Arab region with a very good performance, registering a score of 91.1 points.

Levant states ranked second with a score of 79.9 points while Low FDI performance countries ranked third with a score of 75.5 points, and finally Maghreb states ranked fourth with a score of 72.1 points.

On the level of the four sub-indicators, Arab countries registered a better performance than the global average, especially GCC countries.

GCC countries registered a very good performance on the sub-indicators of total tax rate (% of commercial profits), time to prepare and pay taxes (hours), in comparison with the global average.

Levant states registered a good performance on the tax rate, import and export costs.

In comparison with 2013, the performance of GCC countries and Levant states, while that of Maghreb countries and Low FDI performance countries improved.

Table 17: Arab Groups' Performance in the Cost Components Indicator 2014

Rank	Group	Average Value 2014	Labor tax and contributions (of commercial profits %)			Total tax rate (% of (commercial profits			Time to prepare and pay (hours)taxes			Average cost to export and import (US$ per container)		
			Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %
1	GCC states	**91.1**	75.9	0.00	0.00	96.6	-0.16	-0.17	98.4	-0.01	-0.01	93.48	-0.18	-0.19
2	The Levant	**79.9**	59.3	-0.57	-0.96	76.9	0.09	0.11	91.1	0.11	0.12	92.34	0.15	0.16
4	Low FDI Performance countries	**75.5**	69.0	0.00	0.00	69.6	0.79	1.14	86.9	0.00	0.00	76.64	0.22	0.28
3	The Maghreb states	**72.1**	57.9	0.00	0.00	56.3	-0.36	-0.63	84.0	0.40	0.48	90.08	0.36	0.40
Arab Average		**80.7**	**67.2**			**76.9**			**90.8**			**87.9**		
World Average		**76.3**	**62.6**			**68.6**			**88.8**			**85.3**		

Performance: •Very good •Good •Average •Weak •Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 20: Arab, World and OECD Performances in the Cost Components Indicator

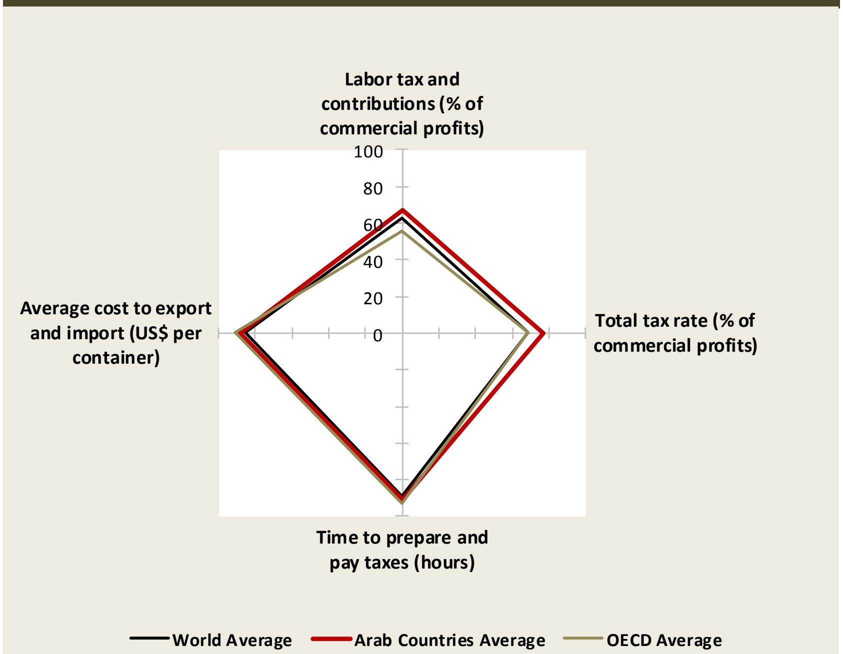
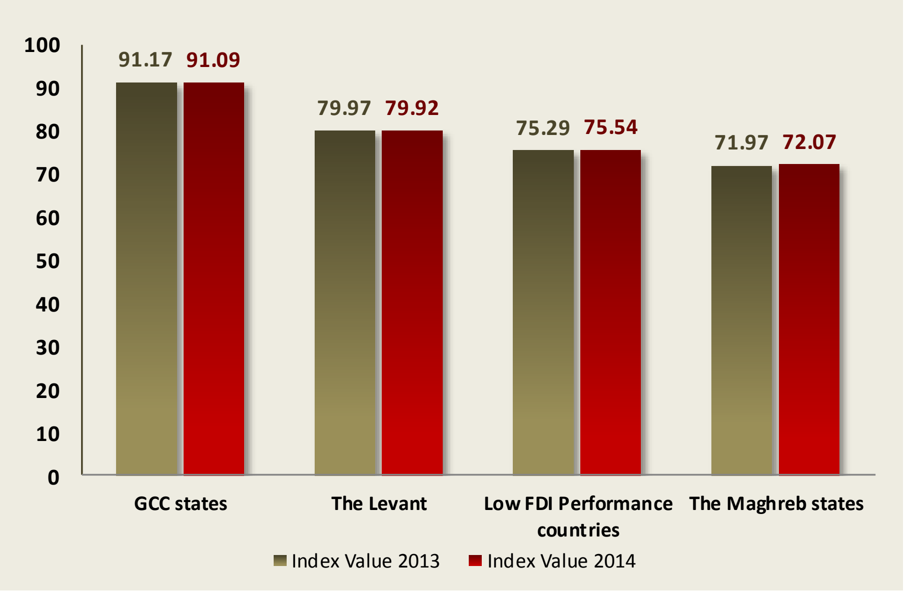


Figure 21: Arab Groups' Performance in the Cost Components Indicator for 2013 & 2014



2.8 Logistics Performance Indicator

Infrastructure and developed utilities especially in transport and trade are an urgent necessity for economic development and FDI attractiveness, as they are decisive in starting all sorts of investment projects and increasing the host country's competitiveness.

According to the available data on the countries included in the report, the logistic performance is measured through four sub-indicators: customs efficiency and border clearance performance, trade and transport infrastructure performance, air shipping performance, logistics quality and competence, tracking and tracing performance, timeliness, road density (km of road per 100 sq. km of land area) and air transport index.

An analysis of the Arab countries' situation on this index (see table 18 and figures 22 and 23) allows us to extract the following results:

The Arab performance on this index was lower than the already low global average, with a score of 29.3 points in comparison with the global average of 39.7 points.

The Arab performance was close to the global average on road density and air transport index, while it was poor and very poor on other variables.

On the level of Arab groups, the GCC countries came in the first place and were the only Arab region with an average performance, with a score of 39.2 points, slightly different than the global average of 39.7 points.

Maghreb countries ranked second with a score of 28.3 points, followed by the Levant states with a score of 28 points, an average performance. Low FDI performance states came in the fourth and last place with a score of 19 points, a very poor performance.

The performance of all Arab groups except GCC countries varied between average and very poor on all variables.

All Arab groups witnessed a decline in their performance for the present index except Maghreb countries in comparison with 2013.

Table 18: Arab Groups' Performance in the Logistics Performance Indicator 2014

Rank	Group	Average Value 2014	Customs efficiency and border clearance performance			Trade and transport infrastructure performance			Air shipping performance			Logistics quality and competence			Tracking and tracing performance			Timeliness			Road density (km of road per 100 sq. km of land area)			Air transport Indicator		
			Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %
1	GCC states	**39.2**	46.4 ●	-11.19	-19.43	45.4 ●	-14.40	-24.10	47.3 ●	-29.28	-38.23	43.5 ●	-1.64	-3.63	56.2 ●	2.79	5.21	54.5 ●	-16.04	-22.73	14.7 ●	0.09	0.61	5.6 ●	0.38	7.32
3	The Maghreb states	**28.3**	33.6 ●	8.00	31.21	28.5 ●	5.38	23.24	41.0 ●	-13.47	-24.73	28.6 ●	17.74	162.76	47.4 ●	35.06	283.73	43.9 ●	11.69	36.27	1.9 ●	0.00	-0.13	1.5 ●	0.04	2.45
2	The Levant	**28.0**	26.7 ●	-11.67	-30.42	36.6 ●	-0.36	-0.97	43.8 ●	-30.20	-40.80	24.1 ●	-20.34	-45.74	43.5 ●	11.50	35.94	43.2 ●	-12.20	-22.01	4.4 ●	0.02	0.52	1.6 ●	-0.16	-9.10
4	Low FDI Performance countries	**19.0**	18.6 ●	-6.51	-25.90	22.1 ●	5.75	35.07	29.1 ●	-33.58	-53.59	20.2 ●	3.74	22.81	29.1 ●	9.01	44.78	29.9 ●	-5.44	-15.41	2.3 ●	0.02	1.01	1.0 ●	0.00	0.02
	Arab Average	**29.3**	**32.6**			**33.7**			**40.3**			**30.5**			**44.6**			**43.4**			**6.7**			**2.8**		
	World Average	**39.7**	**45.6**			**48.0**			**48.7**			**46.8**			**57.9**			**56.2**			**9.6**			**4.4**		

Performance: ●Very good ●Good ●Average ●Weak ●Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 22: Arab, World and OECD Performances in the Logistics Performance Indicator

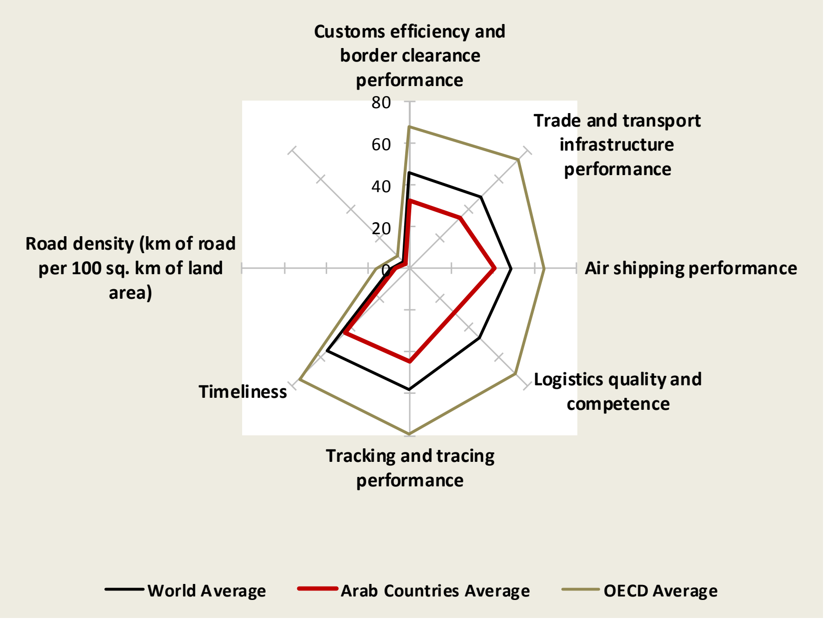
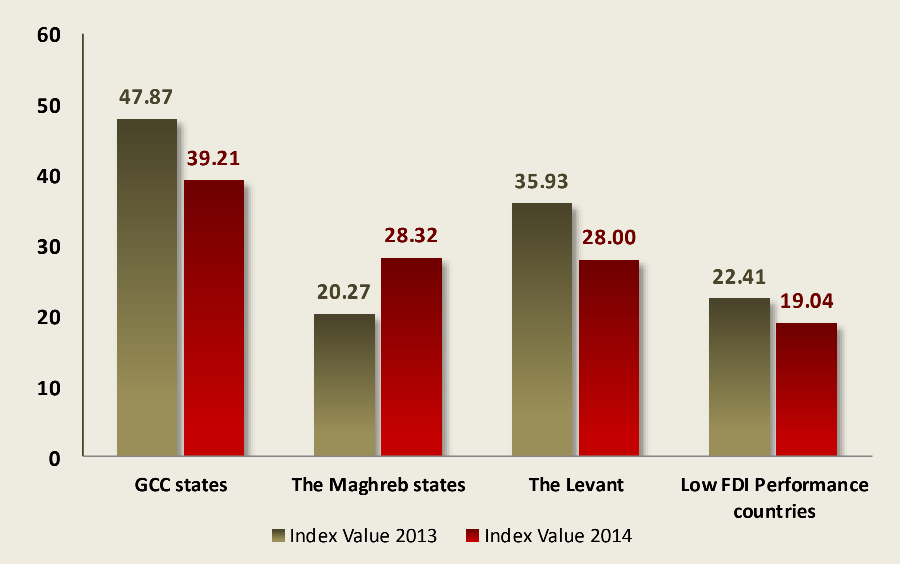


Figure 23: Arab Groups' Performance in the Logistics Performance Indicator for 2013 & 2014



2.9 Information and Communication Technology Indicator

Telecommunication and information have become a main factor of the growth and development of all service and production services in any economy, especially after the surge of telecommunication and information in the world. Therefore they have become important and influential factors on the FDI attractiveness.

According to the available data on the countries included in the report, the present indicator was measured through four main variables: Telephone lines (per 100 people), internet users (per 100 people), mobile cellular subscriptions (per 100 people) and broadband internet subscribers.

An analysis of the Arab countries' situation on this indicator (see table 19 and figures 24 and 25) allows us to extract the following results:

Arab performance was lower than the already low global performance, with an average score of 29.8 points compared to the global average of 37.9 points.

Arab performance was close to the global average on the variables of broadband internet subscribers, and was even above the global average on the mobile cellular subscriptions (per 100 people).

On the Arab level, GCC countries came in the first place and were the only region that registered a good performance with a score of 46.1 points.

Levant states ranked second with a score of 30.9 points, an average performance, followed by Maghreb countries with a score of 26.6 points, a poor performance. Low FDI performance countries came in the fourth and last place with a score of 12 points, a very poor performance.

GCC countries registered a very good performance on mobile cellular subscriptions, and a good performance on broadband internet subscriptions, while the performance of all Arab groups except GCC countries varied between average and very poor on all variables.

In comparison with 2013, the performance of all Arab groups improved on the present indicator.

Table 19: Arab Groups' Performance in the Information and Communication Technology Indicator 2014

Rank	Group	Average Value 2014	Broadband Internet subscribers			Telephone lines (per 100 (people			Internet users (per 100 (people			Mobile cellular subscriptions (per 100 (people		
			Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %
1	GCC states	**46.1**	17.4	0.65	3.87	27.8	0.45	1.66	71.3	9.20	14.83	68.0	0.51	0.76
2	The Levant	**30.9**	11.3	1.80	18.96	20.9	-0.16	-0.76	44.2	7.04	18.93	47.1	2.99	6.77
3	The Maghreb states	**26.6**	7.5	0.22	3.01	19.1	-0.45	-2.32	32.4	2.49	8.33	47.5	-1.69	-3.45
4	Low FDI Performance countrie	**12.0**	1.8	0.31	21.22	11.3	0.33	3.03	13.8	1.48	12.03	20.9	0.83	4.13
	Arab Average	**29.8**	**9.8**			**20.1**			**42.2**			**46.9**		
	World Average	**37.9**	**28.6**			**34.0**			**45.7**			**43.5**		

Performance: • Very good • Good • Average • Weak • Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 24: Arab, World and OECD Performances in the Information and Communication Technology Indicator

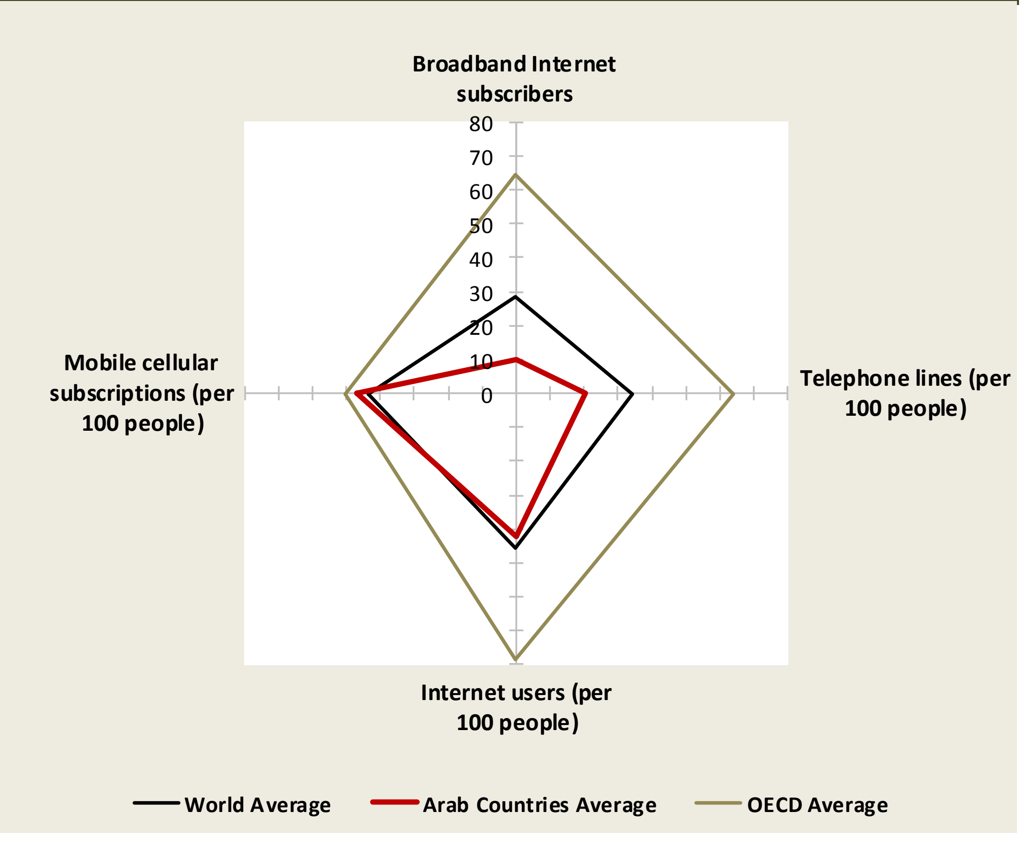
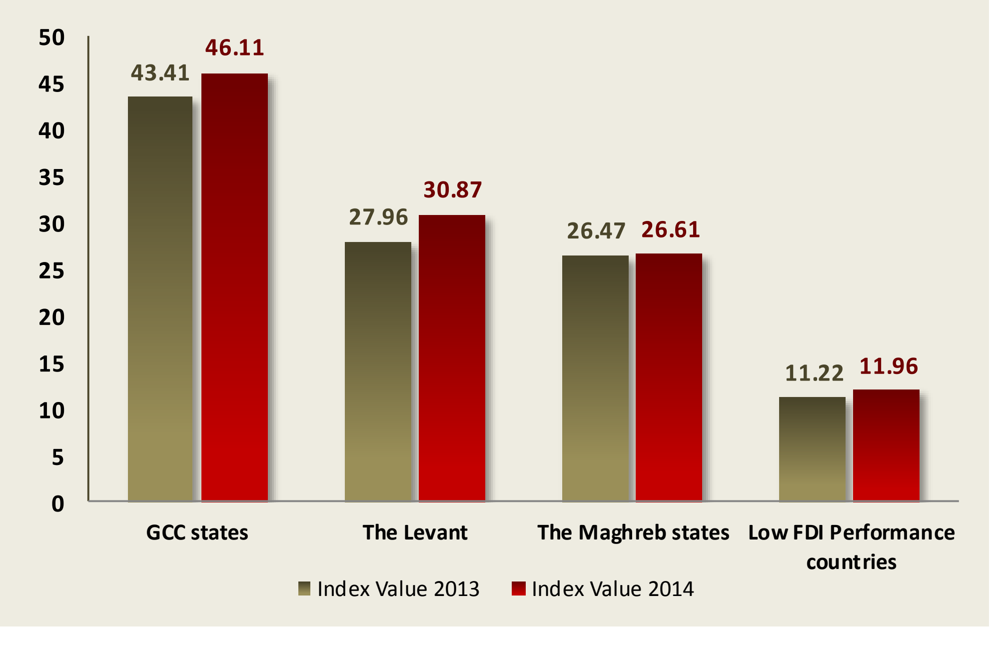


Figure 25: Arab Groups' Performance in the Information and Communication Technology Indicator for 2013 & 2014



2-10 Economies of Agglomeration Indicator

Undoubtedly, a country's ability to attract FDI varies according to the nature of its foreign relations and its links with multinationals in the world, as the latter play an important role in the FDI movement in the world. In this context, economies of agglomeration indicator was included, based on three main variables: Number of multinationals from 24 OECD countries, inward FDI stock share to world inward FDI stock and total number of BITs accumulated to the considered year.

According to the findings in table 20 and figures 26 and 27 that survey the performance of Arab countries on this indicator and its three variables, we conclude the following:

Arab performance was considerably lower than the already low global performance, with an average of 12.3 points, compared to the global average of 15.6 points.

The performance of Arab countries was close to the global average on the total number of BITs accumulated to the considered year.

On the Arab level, Levant states came in the first place and were the only region that registered an average performance with 17.7 points.

Maghreb countries ranked second with a score of 13.6 points, a poor performance, followed by GCC countries in the third place with a score of 12.8 points, a poor performance. Low FDI performance countries came in the fourth and last place with a score of 7.3, a very poor performance.

In comparison with 2013, the performance of GCC countries and low FDI performance countries improved on this indicator while the performance of Levant and Maghreb countries decreased.

Table 20: Arab Groups' Performance in the Agglomeration Economies Indicator 2014

Rank	Group	Average Value 2014	Number of multinationals from 24 OECD countries			Inward FDI stock share to World Inward FDI stock			Total Number of BITs accumulated to the considered year		
			Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %
1	The Levant	**17.7**	1.5	-0.41	-21.21	1.8	-0.02	-1.06	49.9	0.24	0.49
2	The Maghreb states	**13.6**	2.2	-0.45	-21.54	2.7	-0.18	-2.28	36.0	1.22	4.38
3	GCC states	**12.8**	1.7	-0.45	-23.72	7.8	-0.18	-6.57	29.1	1.22	3.43
4	Low FDI Performance countries	**7.3**	1.0	-0.04	-3.48	1.3	0.01	0.65	19.5	0.29	1.53
Arab Average		**12.3**	**1.6**			**3.8**			**31.4**		
World Average		**15.6**	**9.8**			**6.0**			**30.9**		

Performance: ● Very good ● Good ● Average ● Weak ● Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 26: Arab, World and OECD Performances in the Agglomeration Economies Indicator

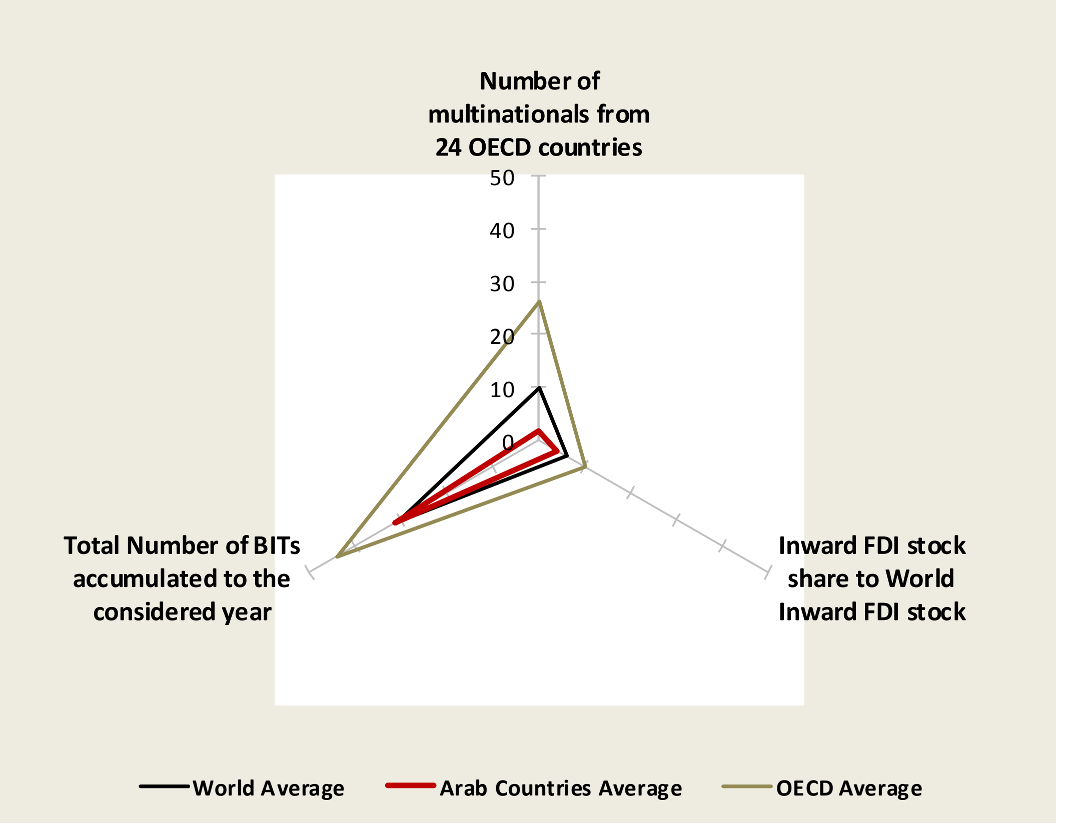
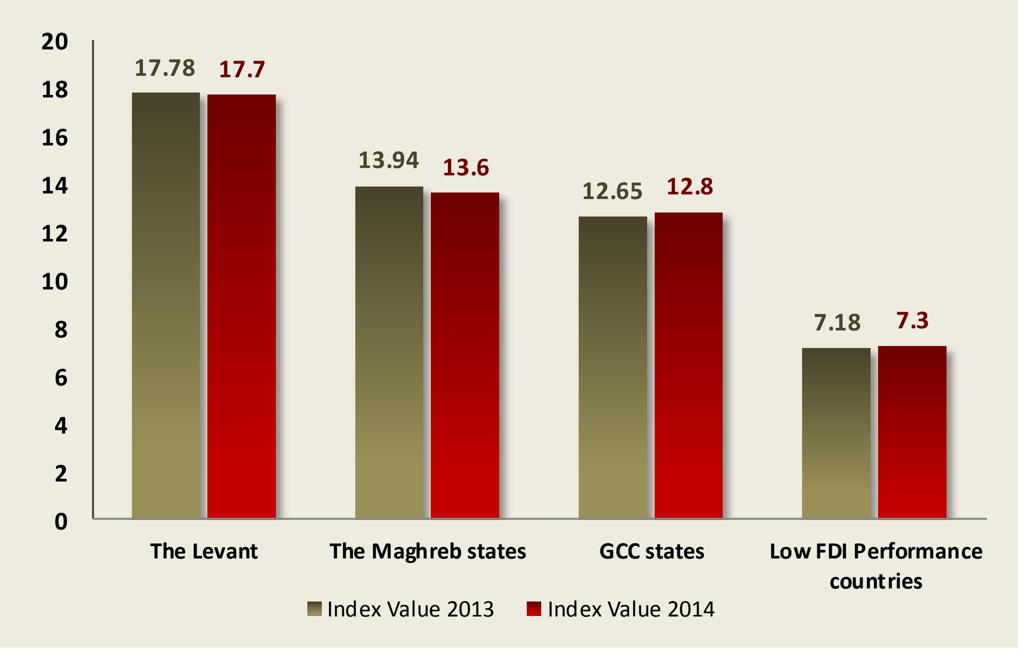


Figure 27: Arab Groups' Performance in the Agglomeration Economies Indicator for 2013 & 2014



2.11 Differentiation and Technological Advancement Indicator

Possession of differentiation and technological advancement by any state is very important to multinationals that seek, in their investments in research and development in any country, strategic foundations that would allow them to achieve competitiveness and use product diversity and excellence as a tool to maximize profits. It is known that this type of investment has an expansive influence on world trade, with regards to both production and consumption. Therefore, a differentiation and technological advancement indicator was tailored, and it includes seven main variables: Market sophistication index, business sophistication index, knowledge index, share in total design applications (direct and via the Hague system), share in total trademark applications (direct and via the Hague system) and share of total patent applications in world total (direct and PCT national phase entries).

According to the findings in table 21 and figures 28 and 29 that survey the performance of Arab countries on this indicator and its seven main variables, we conclude the following:

The average Arab performance on this indicator was significantly lower than the already low global average, with an average score of 18.7 points, compared to the global average 27 points.

The performance of Arab countries was lower than the global average on a big number of variables.

On the Arab level, GCC countries came in the first place and were the only region to register an average performance with a score of 27.5 points.

Levant states came in the second place with a score of 22 points, a poor performance, while Maghreb countries ranked third with a score of 15.8 points, a poor performance. Low FDI performance countries came in the fourth and last place with a score of 8.4 points, a very poor performance.

In comparison with 2013, the performance of all Arab groups improved on this indicator except Levant states.

Table 21: Arab Groups' Performance in the Differentiation and Technological Environment Indicator 2014

Rank	Group	Average Value 2014	Market Sophistication Index			Business Sophistication Index			Knowledge index			Share in total design applications (direct and (via the Hague system			Share in total trademark applications direct and via the) (Hague system			Share of total patent applications in world total direct and PCT national) (phase entries			E-Government Index		
			Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013		Value	Value Change for 2013	
				Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %		Value	Perc. %
1	GCC states	**27.5**	40.2	-13.45	-25.07	51.76	4.67	9.91	27.91	-18.09	-39.32	3.72	-1.63	-30.47	1.14	-0.05	-4.05	1.04	0.02	2.07	66.88	13.22	24.63
2	The Levant	**22.0**	29.5	2.96	11.15	37.04	11.87	47.17	31.89	8.57	36.74	6.23	-3.77	-37.73	1.31	-0.28	-17.66	1.05	0.02	1.90	46.76	-2.85	-5.74
3	The Maghreb states	**15.8**	20.2	-3.69	-15.43	22.50	-2.87	-11.33	20.33	-10.94	-34.99	1.07	-0.04	-3.56	1.23	-0.07	-5.19	1.01	0.00	-0.33	37.50	8.20	27.98
4	Low FDI Performance countries	**8.4**	9.7	-1.61	-14.19	9.28	-1.98	-17.57	9.59	-0.26	-2.62	1.01	-0.01	-0.80	1.04	-0.06	-5.68	1.00	0.00	-0.14	22.11	2.98	15.58
Arab Average		**18.7**	**25.5**			**31.0**			**21.8**			**2.8**			**1.2**			**1.0**			**44.6**		
World Average		**27.0**	**39.4**			**43.4**			**37.7**			**3.5**			**5.8**			**4.8**			**53.7**		

Performance: • Very good • Good • Average • Weak • Very weak

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 28: Arab, World and OECD Performances in the Differentiation and Technological Environment Indicator

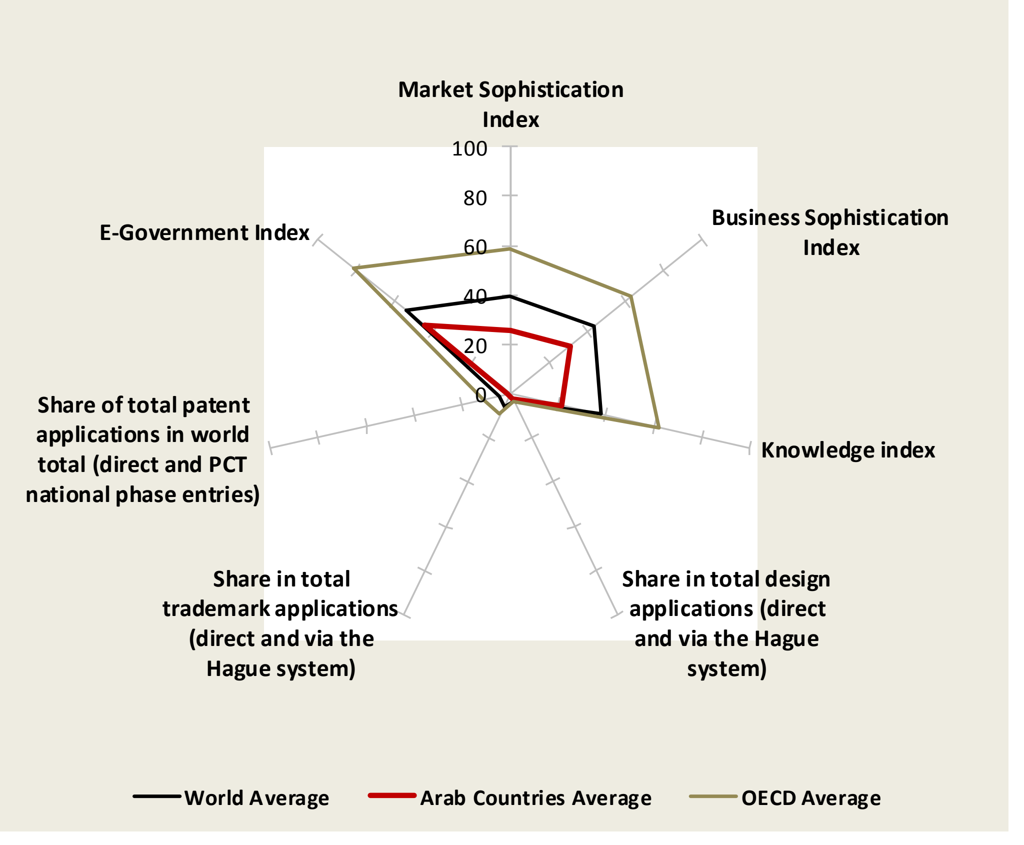
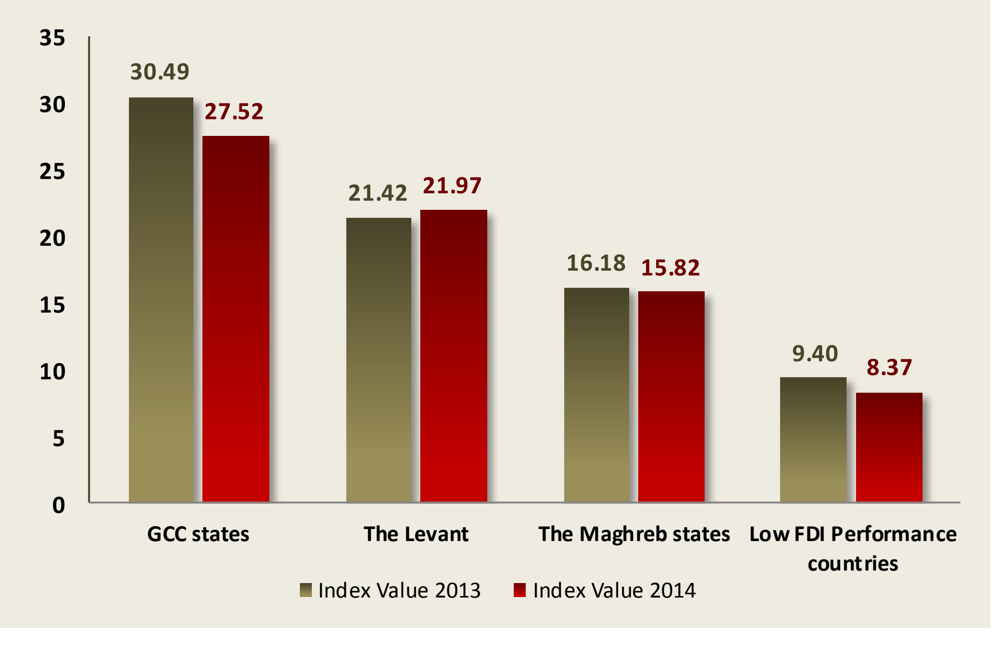


Figure 29: Arab Groups' Performance in the Differentiation and Technological Environment Indicator for 2013 & 2014



3. Arab FDI Attractiveness Gap and Balance

3.1 FDI attractiveness Gap in Arab Countries

The attractiveness gap refers to the disparity between a given country or geographic region and another country or geographic region of reference in terms of prerequisites availability, possession of underlying factors and positive externalities needed to attract FDIs. The term "gap" may also express the difference between the expected performance of a certain country in terms of FDI attractiveness and its actual performance; in this case we talk about a performance gap.

Based on this principle, the attractiveness gap expresses the challenge that the state or geographical group faces in order to improve its competitiveness in attracting FDIs. The gap is calculated as a percentage that measures the difference between the performance of a state or geographical group of reference and that of another state or geographical group of reference (or countries of comparison) according to the performance of the state of reference. In comparison with the OECD countries' FDI attractiveness general index, which amounted to 56.9 points, the Arab FDI attractiveness gap, whose average score reached 36.7 points, is as follows:

On the general index level, the Arab attractiveness gap amounted to 35.5% in 2014 in comparison with OECD countries as a geographic region of reference, which is almost the same percentage detected in 2013. This gap is in turn divided into three sub-categories: the gap in terms of prerequisites, which accounted for 27.7% in 2014 against 25.2% in 2013, the gap in terms of underlying factors, which accounted for 28.3% in 2014, the same as in 2013, and the gap in terms of positive externalities, which reached 54.6% this year, i.e. a slight increase compared to the 53.8% recorded in 2013. The figures clearly reveal the challenges faced by Arab economies in attracting further capital inflows.

Table 22 and figure 30 show that the gap between Arab & OECD countries in terms of FDI attractiveness is smaller than that between OECD countries and three other geographic groups, namely Africa (with the highest gap of 46.4% with the same countries of reference), South Asia (the second highest gap of 41%), and Latin America & the Caribbean (the third highest gap of 36% and very similar to that of Arab countries). This gap value is also double the attractiveness gap registered in East Asia and the Pacific (closest score to the countries of reference with 17.2%). The same table shows that the Arab countries' gap in terms of underlying factors is also relatively better than that of other geographic groups. As for the positive externalities gap (differentiation, innovation and modernization), Arab countries ranked fourth with the third highest gap (54.6%) after African countries (66.9%) and South Asian countries (56.4%). Similarly to what has been witnessed last year, it is clear that this axis is the one driving the attractiveness gap of geographic groups in general and that of the Arab region in particular.

Table 23 shows the gap distribution according to the main factor and the Arab geographical groups in 2014, highlighting the depth of the gap in terms of differentiation and technological advancement between Arab & OECD countries, which varied between 34.2% at its lowest in GCC countries and 77.1% in low performance countries.

Table 22: Regional Gap on the Overall Attractiveness in Comparison to the OECD (%)

Geographical Group	Prerequisites		Underlying Factors		Positive Externalities		DIAI	
	2013	2014	2013	2014	2013	2014	2013	2014
Africa	**27.9**	28.4	44.1	42.3	69.8	66.9	48.6	46.4
South Asia	**31.8**	32.7	39.9	34.5	56.8	56.4	43.0	41.0
Latin America & Caribbean	**27.2**	27.8	31.1	30.6	58.1	53.0	38.2	36.0
Arab Region	**25.2**	**27.7**	**28.3**	**28.3**	**53.8**	**54.6**	**35.3**	**35.5**
Europe & Central Asia	**18.8**	18.3	21.2	17.7	42.2	32.5	26.1	21.9
East Asia & Pacific	**13.1**	11.0	17.2	16.1	22.2	20.6	17.6	17.2

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Figure 30: Regional Gap on the Overall Attractiveness in Comparison to the OECD (%) 2014

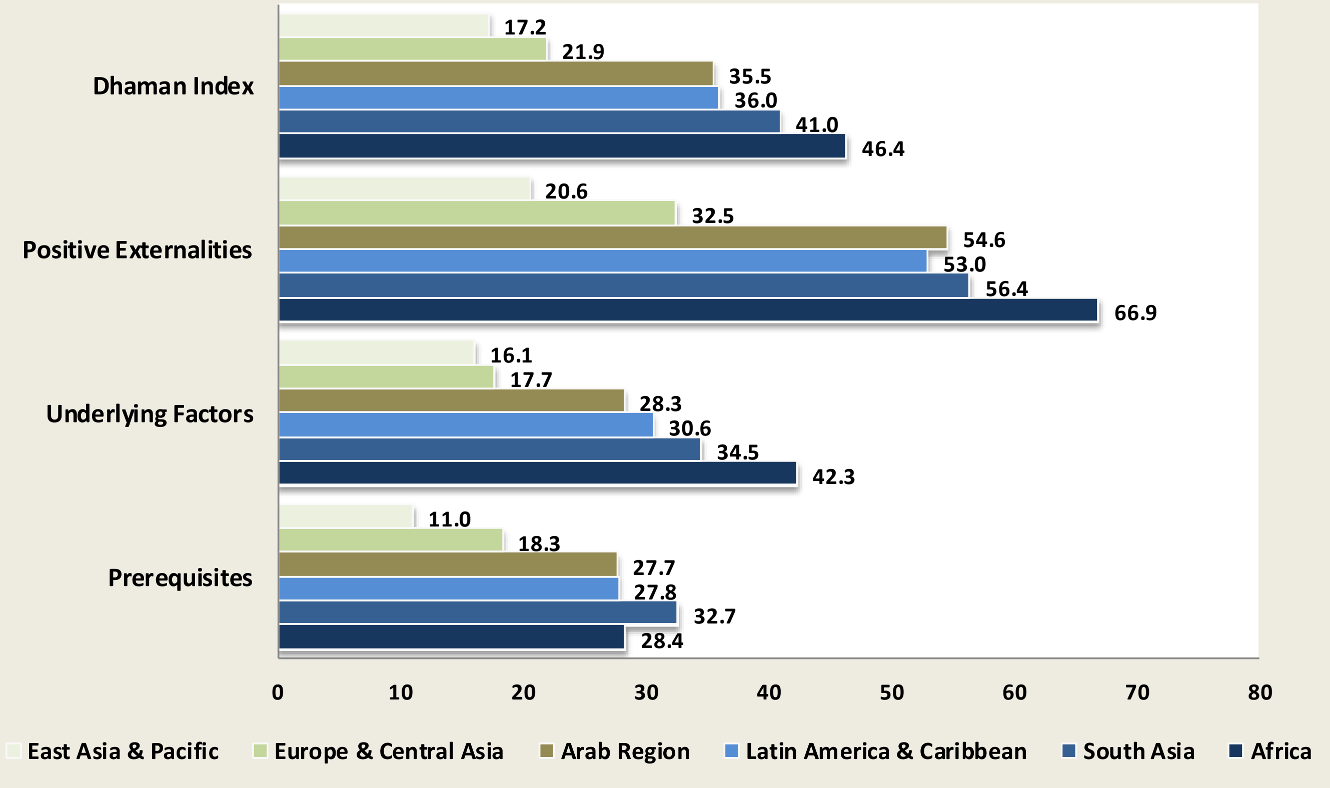


Table 23: Arab Groups' Gap on the Overall Attractiveness in Comparison to the OECD (%) 2014			
Geographical Group	Prerequisites Gap	Underlying Factors Gap	Positive Externalities Gap
GCC states	12.8	11.1	34.2
The Levant	25.0	26.2	46.8
The Maghreb states	28.2	36.1	59.4
Low FDI Performance countries	37.8	43.9	77.1

Source : Arab Investment and Export Credit Guarantee Corporation (Dhaman)

Based on the exposed results, countries that occupy the lowest positions on the attractiveness gap should strive to develop the domains that determine their FDI attractiveness, by modernizing the foundations of their attractiveness (referred to as assets), creating the missing attractiveness factors and dismissing the impeding factors (referred to as liabilities). In this context, it should be recalled that a Dhaman index covers 11 components that are divided into 60 variables that measure a country's capacity to attract FDIs. The structure of the index allows determining the scope of attractiveness by relying on the concept of attractiveness balance that expresses a country's performance in terms of attracting capital flows based on the balance of assets and liabilities.

3.2 FDI Attractiveness Balance in Arab Countries

In observance of the FDI attracting and impeding factors, the performance of a given country is termed as strength if its ranking falls on the top third as for the parameter included in the attractiveness sub-index, and weakness if its ranking falls on the bottom third of the values of parameter in question. Based on the results of total scale measured by subtracting the total weaknesses from the total strengths, countries may be ranked according to this scale, which constitutes an information system that may serve as guide to reduce liabilities of weaknesses and turn them into assets or strengths.

Figures 31 to 33 show that the highest percentage of assets i.e. strengths out of the total possible points, in other words, the total points of data, which are equal to the number of countries in the geographical group multiplied by the number of the main variables, was achieved by OECD countries in the three main components of the general index, with 60.6%, 62.2% and 71.2% on the sets of prerequisites, underlying factors and differentiation & technological advancement respectively. The group of East Asia and the Pacific countries and the group of European and Central Asian countries came in the second and third place in terms of assets respectively. Results showed that the Arab weaknesses on the attractiveness balance are represented by asset percentages of 23%, 20.6% and 17.5% for the sets of prerequisites, underlying factors and differentiation & technological advancement.

Figure 31: Ratio of Assets & Liabilities to the total potential points Prerequisites 2014

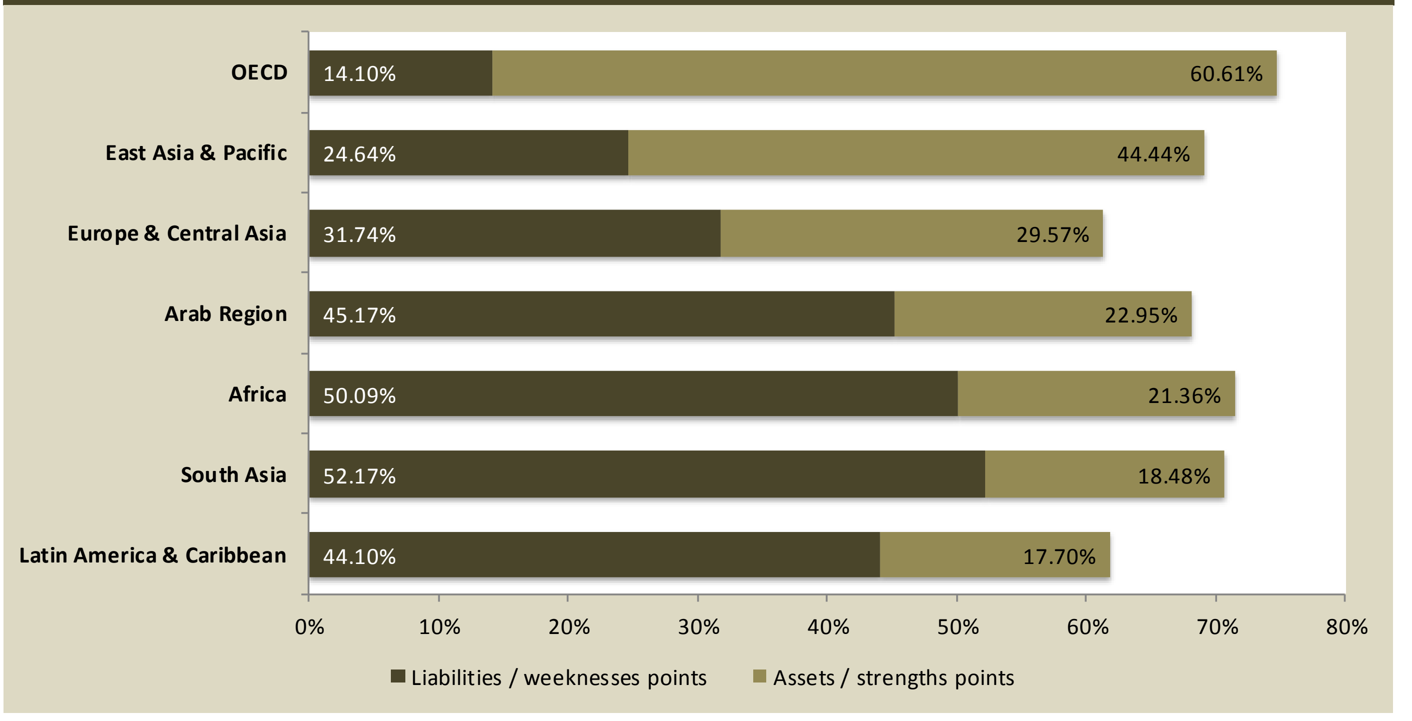


Figure 32: Ratio of Assets & Liabilities to the total potential points Underlying Factors 2014

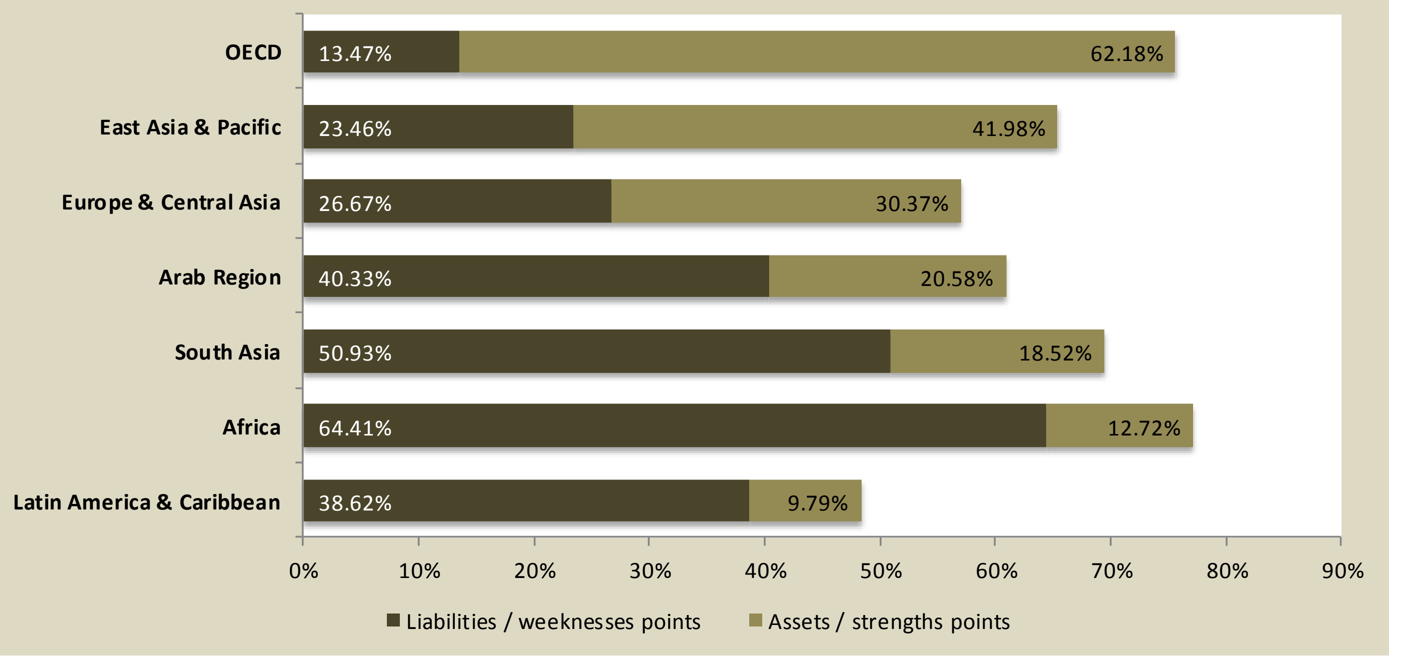
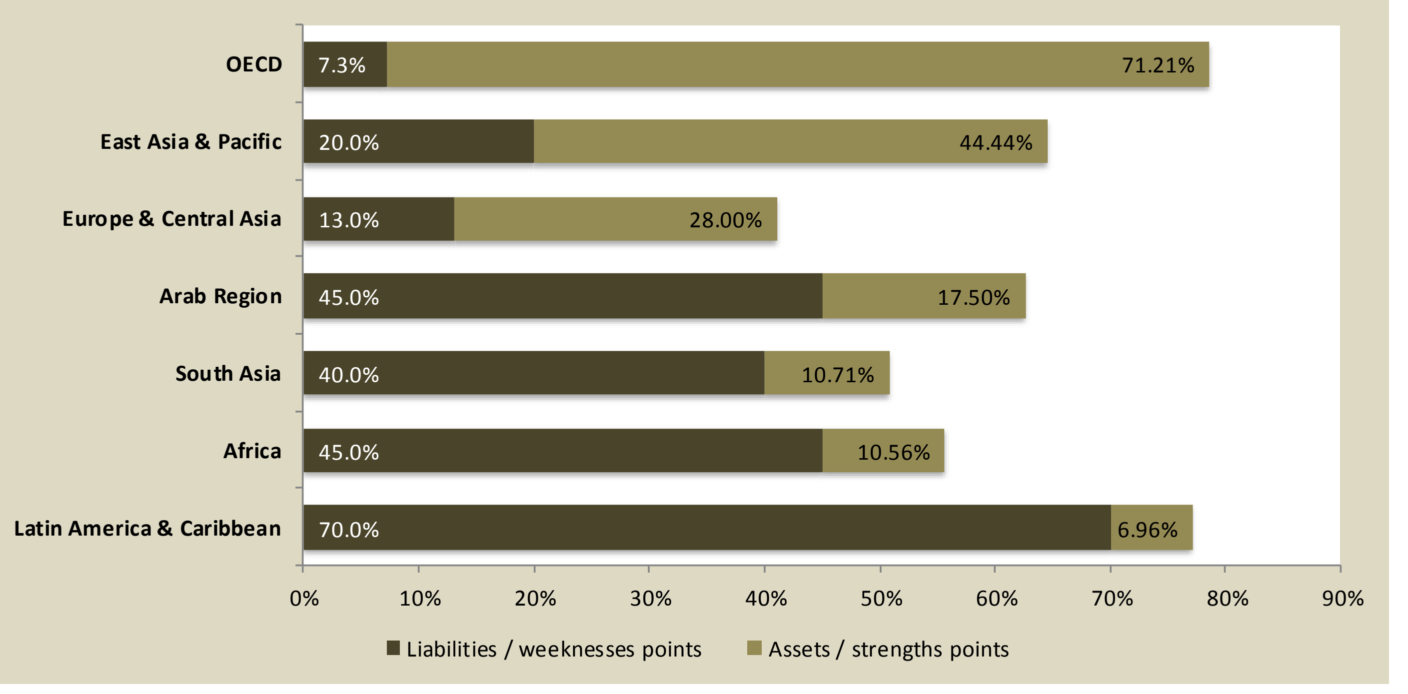


Figure 33: Ratio of Assets & Liabilities to the total potential points Positive Externalities 2014



The adopted methodology in the report allows us to determine accurately the most important strengths or assets and weaknesses or liabilities that are surveyed based on the analysis of the relative situation of FDI attractiveness of Arab countries. This survey has many advantages:

- Guiding the stakeholders to encourage investment in order to develop a map that determines the position of a specific state within the geography of foreign investments in the future.
- Contributing to increase the capacity of a specific country to face international competition in attracting capital flows.
- Contributing to design investment policies that aim at empowering the concerned economy in order to have continued competitiveness.

By observing and assessing all the sub-indices included in the general FDI attractiveness index for 2014, it appears that the majority of Arab countries suffer from weaknesses that reside in the following areas:

✓ **Factors regarding macroeconomic stability:**

Fluctuation of real GDP rate: due to the continued over-dependence on oil and oil derivatives revenues in GDP in a large group of Arab countries. Fluctuations of real GDP rate often reveal fluctuations in oil prices. Oil countries especially GCC countries also depend on the services of imported labor from non-oil Arab countries, which leads to a mutual dependence between oil countries that import labor on one hand, and non-oil countries that profit from labor transfer on the other hand, thus contributing to the transfer of economic convulsions.

- **Inflation rate:** Inflation reduces the real value of all non-revenue wages, which are determined within a nominal frame like wages and subsidies. In the absence of financial tools, like indexation of prices or hedging, societies' sectors whose revenue is defined within a nominal frame are more exposed to inflation risks. Population sections, whose revenue is determined in a nominal frame, are usually middle classes in most of Arab countries. Inflation also leads to the increase of the yield of nominal revenues when investors demand compensation for the decrease in the money's purchasing power, which increases uncertainties. The causes and levels of inflation vary among Arab countries, and data shows that this phenomenon mainly affects oil Arab countries.

- **High ratio of budget deficit to GDP:** The slowdown in growth in non-oil Arab countries has led to the increase of budget deficit, which is one of the impeding factors for investment and contributes to the increase of inflation rates, creating an atmosphere of uncertainty. A group of Arab countries faces the challenge of restoring or maintaining macroeconomic stability in the context of political uncertainty and social convulsions, which have exacerbated the budget deficit.

✓ **Factors relating to institutional environment:**

Relatively limited efforts have been exerted in the last decade in the Arab region in order to develop the institutional environment. There are big discrepancies in this context among the region's countries, which explains the poor performance and negative situation of the attractiveness balance with regard to these factors. It should be noted that many international reports have highlighted the urgent need for institutional reforms in the region in order to face the current obstacles that impede creating job opportunities and reinforcing the private sector's activities.

✓ **Components relating to business performance environment:**

Although many Arab countries were able to improve governmental efficiency during the last years, they were not able on the other hand to achieve a positive attractiveness balance in many axes related to this domain.

✓ **Within the component of market size, potential and access:**

Despite the relatively competitive position of the attractiveness balance of Arab countries in general, and GCC countries specifically, with regard to market size, potential and access, a large number of countries in the region suffer from a negative balance of the openness to the outside world index.

✓ **Components relating to human resources or quality of human capital:**

Many reports and studies have showed that the increase of Arab human capital during the last three decades was not accompanied by an increase in total-factor productivity of productivity elements, as is the situation in all countries in general and emerging economies in particular. This performance is due to the lack of improvement in quality of education in all its cycles, especially in the elementary one. This situation confirms the negative attractiveness balance with regard to the number of average years of schooling for adults and expected years of schooling for children.

✓ **Logistics performance index:**

Logistics services performance index monitors and analyses the chain of import and export, which is considered as a vital production tool in any modern economy. It is one of the sub-indicators that contribute to attract capital flows. Many Arab countries suffer from a negative attractiveness balance on the level of efficiency of customs clearance, trade and transport infrastructure performance, logistics quality and competence, tracking and tracing performance and road density.

✓ **Within positive externalities, differentiation and technological advancement index:**

It is not a coincidence that Arab countries that lack clear plans in technology, research and modernization and that allocate very small percentages of their GDP to scientific research face an increasing gap with developed and emerging countries in technological advancement. This is confirmed by the results that show a negative attractiveness balance on the level of this index's variables.

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The Arab Investment & Export
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Part II: The FDI Attractiveness Performance of the Arab Region

1. Global Inward FDI Flows and Share of the Arab Region

1.1 FDI in the world in 2013

The year 2013 witnessed an increase in inward FDI flows in the world by 9%, amounting to 1.45 trillion dollars. This has also caused an increase in FDI balances in the world by 9%, reaching 25.5 trillion dollars. According to the latest statistics included in the World Investment Report in 2014, inward FDI flows in developing countries reached a record of 778 billion dollars, which represent 54% of the world's flows. This is due to the flow growth in Asian developing countries that still hold the biggest share, and to a less extent in Africa, Latin America and the Caribbean. On the other hand, developed countries were able to attract 566 billion dollars, i.e. an increase of 9.5% in comparison with 2012, while emerging countries succeeded at increasing inward flows by 28.6%, reaching 108 billion dollars in 2013 (see tables 24 and 25 and figures 34, 35 and 36).

Table 24: Regional FDI inflows - inwards and outwards
(Billion dollars)

Area	Inflows			Outflows		
	2011	2012	2013	2011	2012	2013
Developed Countries	**880**	**517**	**566**	**1216**	**853**	**857**
European Union	490	216	246	585	238	250
North America	263	204	250	439	422	381
Developing Countries	**725**	**729**	**778**	**423**	**440**	**454**
Africa	48	55	57	7	12	12
Asia	431	415	426	304	302	326
East and Southeast Asia	333	334	347	270	274	293
South Asia	44	32	36	13	9	2
West Asia	53	48	44	22	19	31
Latin America and the Caribbean	244	256	292	111	124	115
Transition Countries	**95**	**84**	**108**	**73**	**54**	**99**
World	**1700**	**1330**	**1452**	**1712**	**1347**	**1410**

Source :UNCTAD - WIR2014 (2012 data have been adjusted from the source)

Table 25: FDI Indicators, Cross-border M&As and Trade At current prices *(Billion dollars)*

Indicator / Period	1990	2007-2005	2011	2012	2013
FDI inflows	208	1,493	1,700	1,330	1,452
FDI outflows	241	1,532	1,712	1,347	1,411
FDI inward stock	2,078	14,790	21,117	23,304	25,464
FDI outward stock	2,088	15,884	21,913	23,916	26,313
Income on inward FDI	79	1,072	1,603	1,581	1,748
Rate of return on inward FDI	3.8	7.3	6.9	7.6	6.8
Income on outward FDI	126	1,135	1,550	1,509	1,622
Rate of return on outward FDI	6.0	7.2	6.5	7.1	6.3
Cross-border M&As	111	780	556	332	349
Sales of foreign affiliates	4,723	21,469	28,516	31,532	34,508
Value added (product) of foreign affiliates	881	4,878	6,262	7,089	7,492
Total assets of foreign affiliates	3,893	42,179	83,754	89,568	96,625
Exports of foreign affiliates	1,498	5,012	7,463	7,532	7,721
Employment by foreign affiliates (thousands)	20,625	53,306	63,416	67,155	70,726

Source :UNCTAD - WIR2014 (2012 data have been adjusted from the source)

Figure 34: Regional FDI inflows- inwards and outwards 2013 *(Billion dollars)*

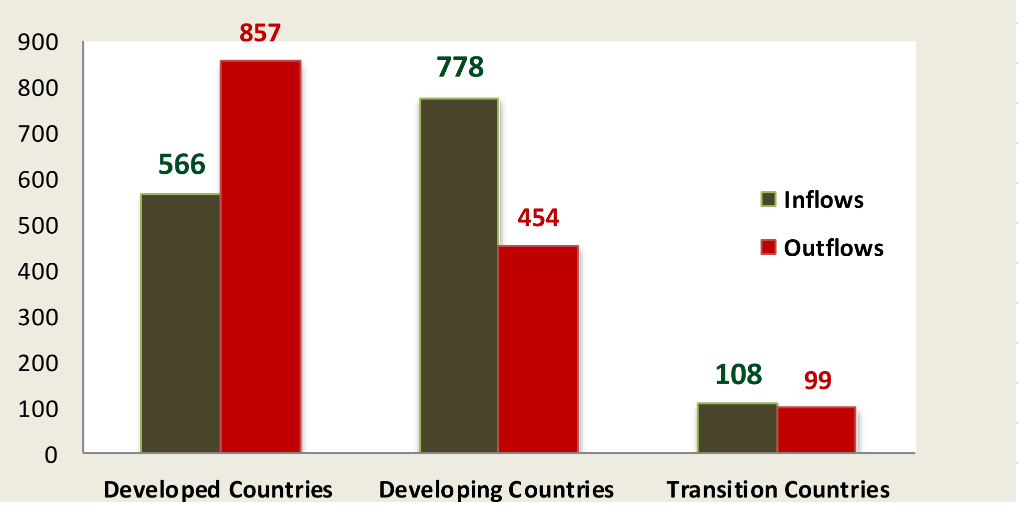


Figure 35: Regional FDI inflows Average Growth Rate 2003-2013

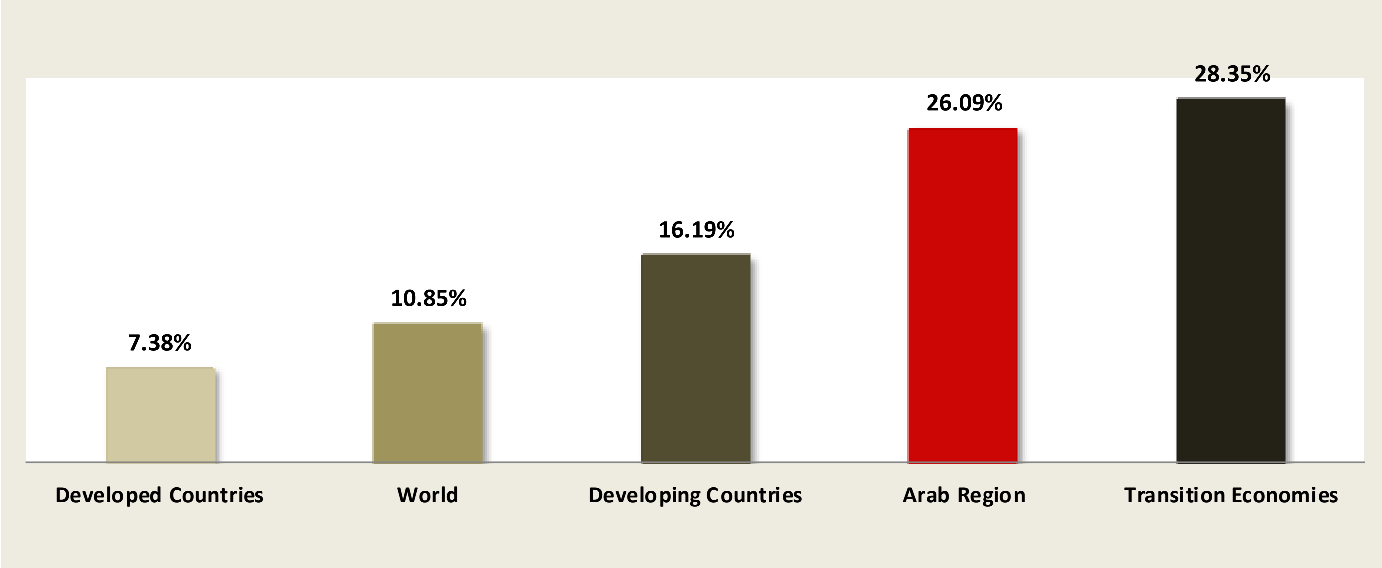
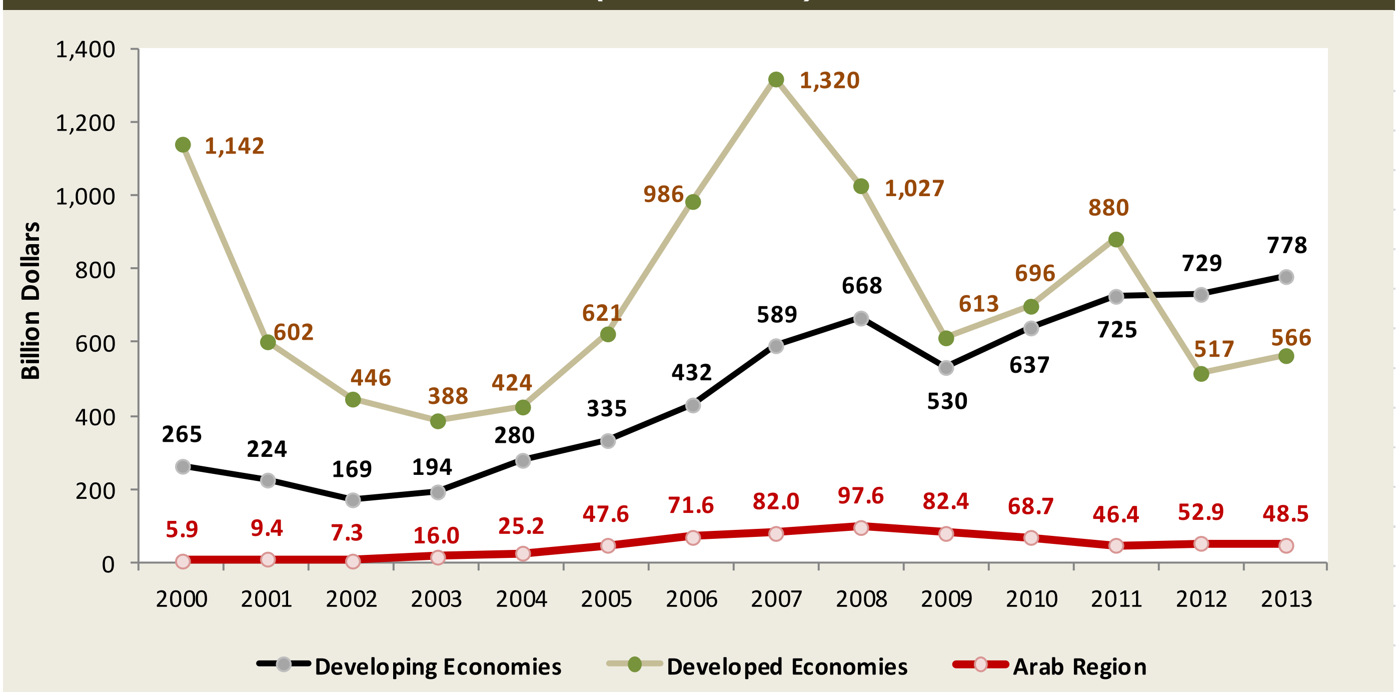


Figure 36: Geographical Distribution of Inwad FDI inflows
(Billion dollars)



Outward flows increased by 9.2%, amounting to 1,410 billion dollars in 2013, knowing that the origin of 61% of these flows is from developed countries, while developing countries contributed with a percentage of 32%, emerging countries with 7%. Finally, 6 emerging and developing countries were among the 20 biggest investment economies in the world in 2013.

UNCTAD expects the increase of world FDI flows to continue in the three upcoming years, with an estimation of 1.6 trillion dollars in 2014, 1.75 trillion dollars in 2015 and 1.85 trillion dollars in 2016. These sums are mainly financed by the expected growth of investment in developed economies. According to the same source, it is probable that the regional distribution of FDI could return to the pattern that was prevailing before 2012, with a bigger share of 52% for developed countries in 2016, while that of developing countries and emerging markets could fall due to uncertainty risks related to political developments and regional conflicts that might impede the expected improvement in investment flows.

The main investment tendencies in 2013 are the following:

- Private equity funds maintained their strength with an increase in their financing, reaching a record of 1.07 trillion dollars. The value of their merger and acquisition contracts through typical borders amounted to 171 billion dollars with a share of 21% of the global total amount.
- FDIs through sovereign wealth funds only reached 6.7 billion dollars despite these funds' large assets that amount to 6.4 trillion dollars in the world.
- There are no less than 550 transnational corporations owned by governments, both in developed and developing countries, with more than 1,500 branches in foreign countries, that have an estimated value of foreign assets of two trillion dollars, and executed FDIs of 160 billion dollars in 2013, which makes up 11% of the global amount.
- The available monetary liquidity of the biggest 5,000 transnational corporations in 2013 represented more than 11% of their total assets on the internal and external level, with a value of 4.5 trillion dollars in transnational corporations in developing and transitional economies, which is considered a high level of monetary assets that represents an enormous potential source of financing development.
- The growth of FDIs from transnational corporations in developed countries is expected to reach 454 billion dollars and seize 39% of outward FDIs in the world, alongside transitional economies corporations, in comparison with only 12% at the beginning of this century.
- The share of transformational industries and services has increased, amounting to 90% of the total value of projects in Africa and developing countries 2013, while the share of extracting industries reached 26% in Africa and 36% in developing countries.

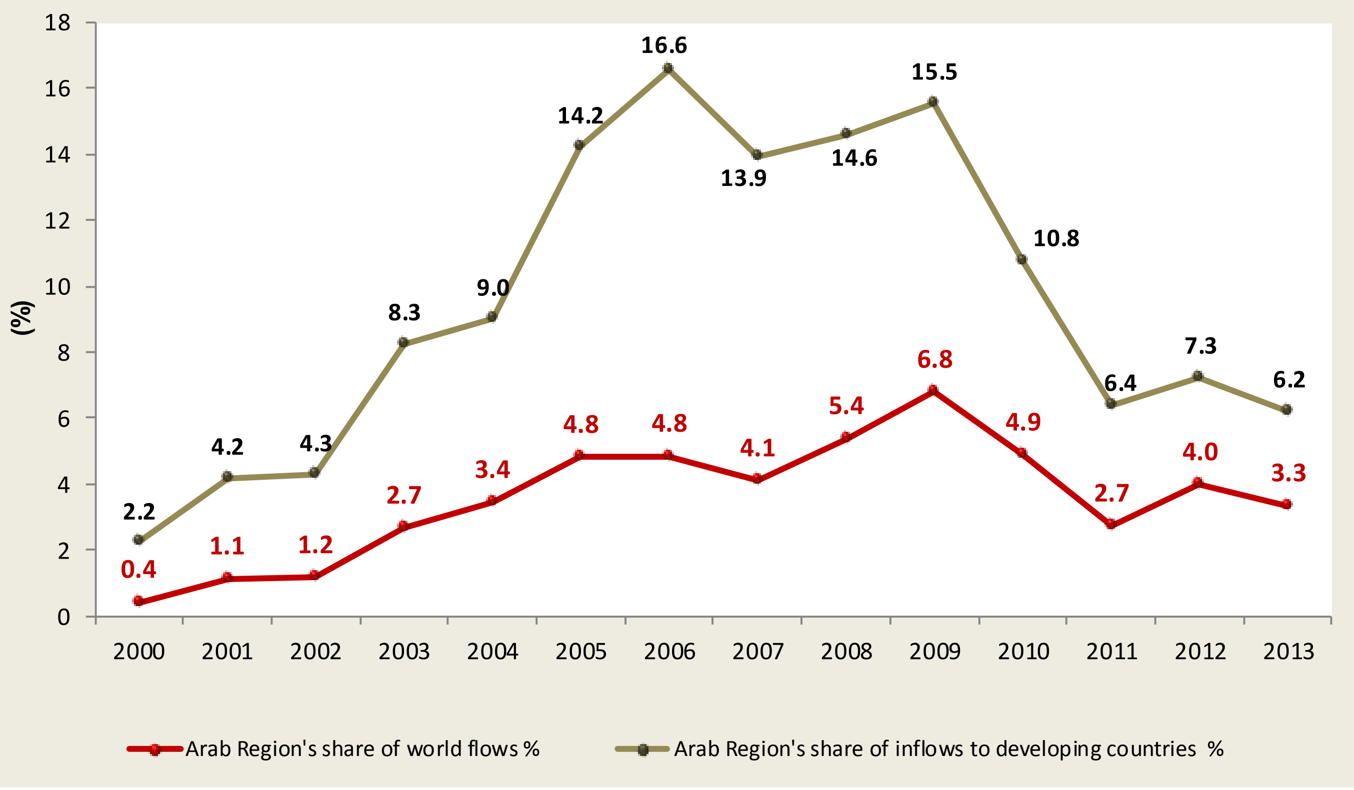
1.2 FDI in Arab Countries

1.2.1 Inward FDI flows in Arab Countries

Inward FDI flows in Arab countries witnessed a decrease of 9%, passing from 53.5 billion dollars in 2012 to 48.5 billion dollars in 2013. The value of flows remained poor in comparison to its record level of 96.3 billion dollars in 2008.

Inward investments in Arab countries represented 3.3% of the world total amount of 1.45 trillion dollars, and 6.2% of the developing countries' total amount of 778 billion dollars. The share of Arab countries of the total world flows witnessed a fluctuation during the last period, since it slightly increased by 4.5% between 2005 to 2007, passing to 5.4% in 2008 than 6.4% in 2009, before it fell down to 5.2% in 2010 and 2.8% in 2011, and finally increased back to 4% in 2012 (see figure 37).

Figure 37: Share in FDI inflows (in percentage) (2000- 2013)



Geographical distribution

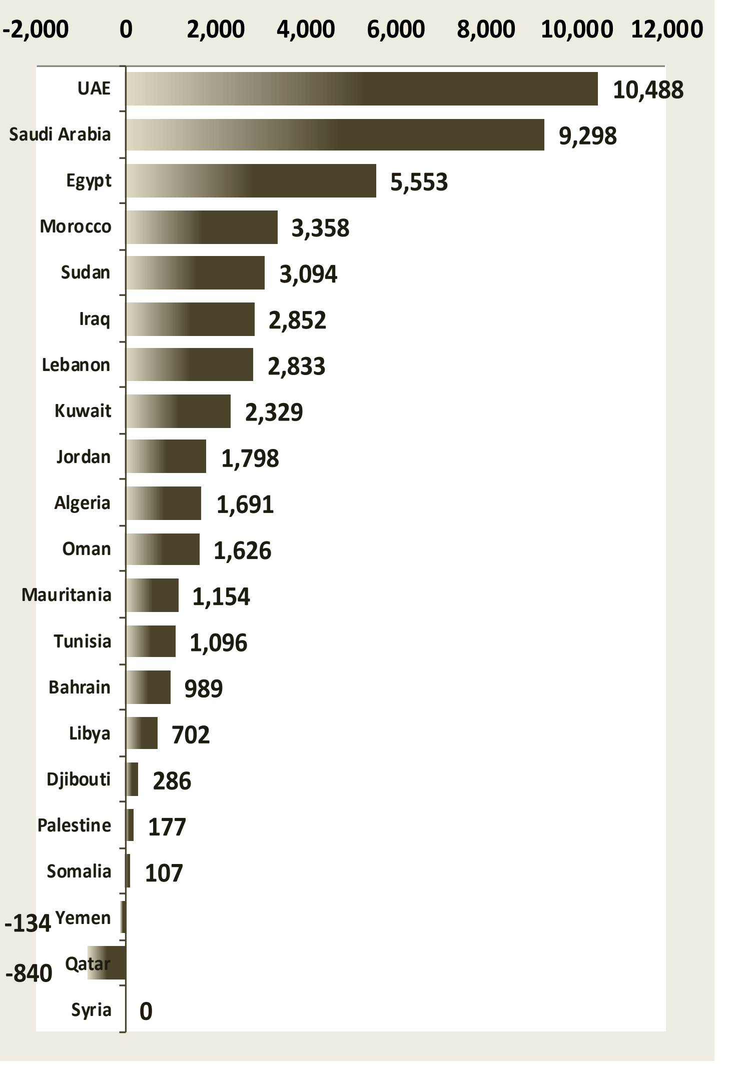
Inward FDIs continued to be concentrated in 2013 in a limited number of Arab countries, as each of Emirates and Saudi Arabia seized more than 40% of the total inward flows of Arab countries for the second consecutive year. Emirates came in the first place with 10.5 billion dollars, a share of 21.6%, followed by Saudi Arabia in the second place with a value of 9.3 billion dollars, a share of 19.2%. Egypt came in the third place with a value of 5.6 billion dollars and a percentage of 11.5% of the total Arab amount, and Morocco in the fourth place with a value of 3.4 billion dollars, a share of 6.9%. Sudan came in the fifth place with a value of 3.1 billion dollars, a percentage of 6.4% (see table 26 and figure 38).

Table 26: Inward FDI Flows to Arab Countries for 2012 & 2013 *(Million Dollars)*

Rank for 2013	Country	2012	2013	% of Total Arab FDI inflows 2013	Value Change	Change Perc. %
1	UAE	9,602	10,488	21.6	886	9.2
2	Saudi Arabia	12,182	9,298	19.2	-2,884	-23.7
3	Egypt	6,881	5,553	11.5	-1,328	-19.3
4	Morocco	2,728	3,358	6.9	630	23.1
5	Sudan	2,488	3,094	6.4	606	24.4
6	Iraq	2,376	2,852	5.9	476	20.0
7	Lebanon	3,674	2,833	5.8	-841	-22.9
8	Kuwait	3,931	2,329	4.8	-1,602	-40.8
9	Jordan	1,497	1,798	3.7	301	20.1
10	Algeria	1,499	1,691	3.5	192	12.8
11	Oman	1,040	1,626	3.4	586	56.3
12	Mauritania	1,383	1,154	2.4	-229	-16.6
13	Tunisia	1,603	1,096	2.3	-507	-31.6
14	Bahrain	891	989	2.0	98	11.0
15	Libya	1,425	702	1.4	-723	-50.7
16	Djibouti	110	286	0.6	176	160.0
17	Palestine	244	177	0.4	-67	-27.5
18	Somalia	107	107	0.2	0	0.0
19	Yemen	-531	-134	-0.3	397	74.8
20	Qatar	327	-840	-1.7	-1,167	-356.9
21	Syria	-	-	-	-	-
Total Arab FDI Inflows		53,457	48,457	100	-5,000	-9

Source :UNCTAD - WIR2014 (2012 data have been adjusted from the source)

Figure 38: Inward FDI Flows to Arab Countries (Million Dollars) 2013



According to the data of inward FDIs in Arab countries, depending on the geographical distribution and UNCTAD's statistics that were recently published, the institution collected and analyzed data related to Arab countries in order to bring to light the most important investment Arab and foreign countries in the region. This data showed 92 Arab and foreign countries that have a total annual amount of investment flows of more than 300 billion dollars between 2001 and 2012 (see table 27).

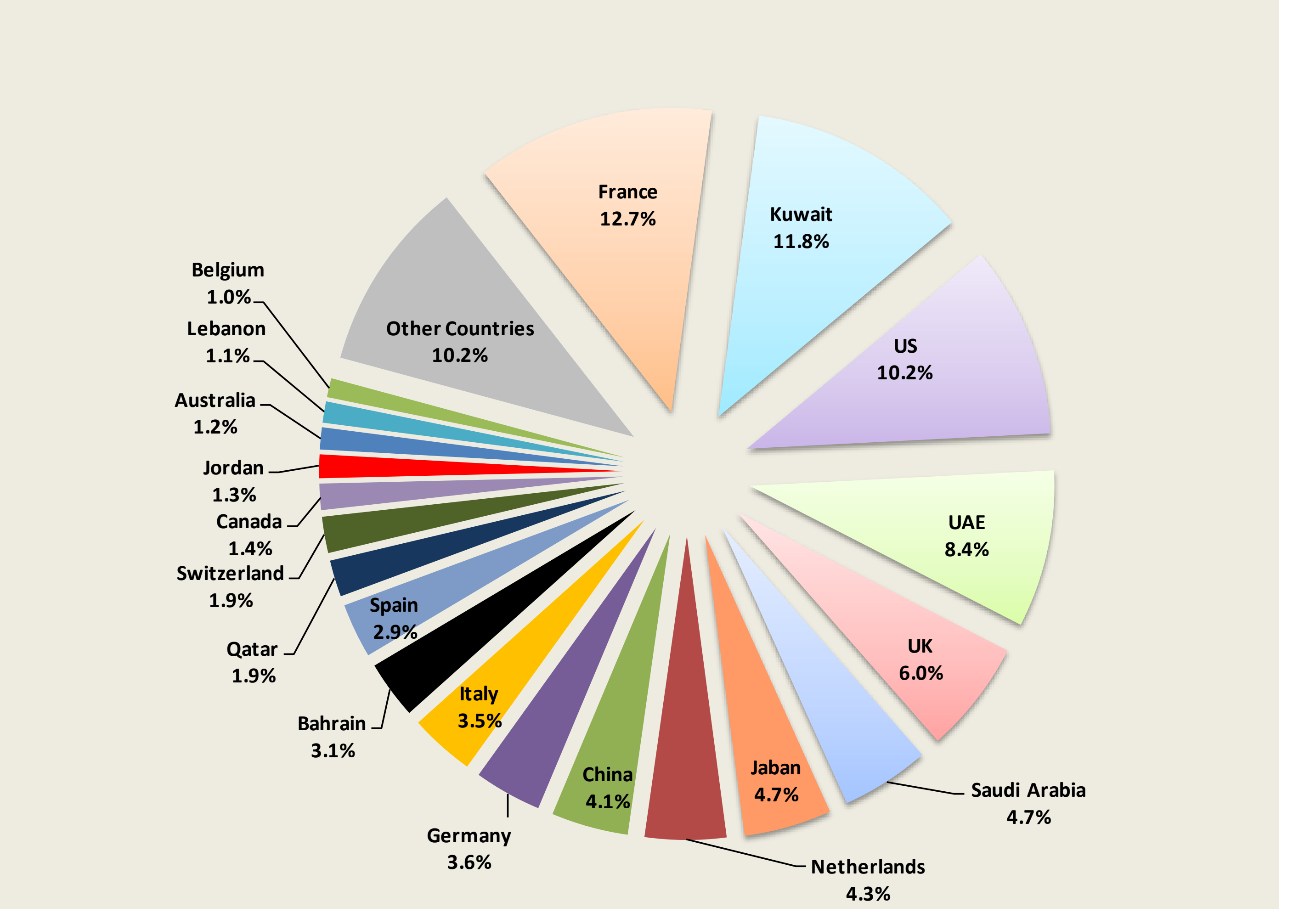
	Country	FDI Inflows (US$ millions)																					
FDI Outflows (US$ millions)		Jordan	UAE***	Bahrain	Algeria **	Djibouti	Saudi Arabia **	Sudan	Somalia	Iraq	Kuwait	Morocco ***	Yemen	Tunisia	Oman***	Syria	Palestine	Qatar*	Lebanon	Libya	Egypt	Mauritania	Total
1	France	94	812	59	1,743	103	14,709			3	67	14,957	836	1,945	97	-11		-110	370	-188	2,610	10	38,106
2	Kuwait		16,665		644		14,863					1,021		378	471			253			1,130		35,425
3	United States	211	756	-409	3,487	-4	17,484	3		225	74	913	463	922	1,048	-58		2,103	148	2,036	1,359	-4	30,757
4	Emirates				422		14,208					2,341		2,582	1,980			-95			3,645		25,083
5	United Kingdom				893		6,624					1,128		3,352	4,630			511			875		18,013
6	Saudi Arabia		10,479		157							597		64	24			712			2,087		14,120
7	Japan	-39		197	151		12,884				12	26		49	13	-2		434		13	241		13,979
8	Netherlands		1,575		438		4,408					357		289	201			4,163			1,549		12,980
9	China	4		3	488	14	9,419	1,251		318	58	5	146	130	95	-9				35	267	65	12,289
10	Germany	27		33	459	-1	7,186	7		-2	60	962	15	327	46	221		31	1		1,369	16	10,757
11	Italy	688		194	953		2,546	29		28	2,217	468	-8	1,918		413		13	22	194	695		10,370
12	Bahrain				190		7,877					103		25	514			12			537		9,258
13	Spain				1,531		1,654					4,755		413						-535	898		8,716
14	Qatar	-140	4,001	-168	127		435					119		580	274						620		5,848
15	Switzerland				103		3,105					1,173		137	198				19		1,054		5,789
16	Canada				63		3,005					32		734	132						227		4,193
17	Jordan				262		2,953					56		29	155			-13			327		3,769
18	Australia		1,626		13		1,689							136							51		3,515
19	Lebanon				265		2,384					63		2	108			14			560		3,396
20	Belgium	4		8	857	-1	162	2		4	1	373		70	10	-3		4	-28	3	1,584		3,050
21	Russia				24		2,965							12									3,001
22	Malaysia				27		2,793					1		17									2,838
23	Turkey	5		179	77		1,894	12		103	9	58		208	11	18			21	34	180		2,809
24	Egypt				1,308		1,294					98		86									2,786
25	South Korea	10		91	11		1,213	-11		175	15	6	490	34	109			14		322	21		2,500
26	India		673				562					96		70	329						203		1,933
27	Sweden	-11		-3	81	3	700	-15		-3	-15	200	-3	601	11	-16			0	-20	372		1,882
28	Finland				3		1,775					9											1,787
29	Singapore						1,482					11		16							75		1,584
30	Austria				34		124					13		864							27		1,062
31	Oman			86	263		298					6									222		875
32	Libya											45		302							522		869
33	Syria				4		821					27											852
34	Pakistan						607					55			31					6			699
35	Cyprus	3		7	71		338				4	30	5						10	18	147		633
36	Greece				20		2					5			-51						623		599
37	Yemen						503														47		550
38	Portugal				17							201		140					21		156		535
39	Taiwan (China)						404														5		409
40	Luxembourg	7		-46			158	10	-5		-28	44	26	64					28		112	31	401
41	Norway				113		89					12		40							25		279
42	Tunisia				115							104								36	16		271
43	Croatia			1				1								248		9		-18			241
44	Mauritius				11		1					24			118								154
45	Caribbean													4	127								131
46	Trinidad and Tobago														121								121
47	Iran						8								102								110
48	Denmark	-11		1	28		18				-2	12			5				5		54	-3	107
49	Ireland				48							29		5							25		107
50	Bahamas				102																		102
	Others	12	0	-14	96	0	131	0	0	1	-1	304	0	125	16	0	0	-190	1	-115	131	21	518
	Total	**864**	**36,587**	**219**	**15,699**	**114**	**145,775**	**1,289**	**-5**	**852**	**2,471**	**30,839**	**1,970**	**16,670**	**10,925**	**801**	**0**	**7,865**	**618**	**1,821**	**24,648**	**136**	**300,158**

Source :UNCTAD - * 2009 ** 2010 *** 2011

The list of the biggest investment countries in the region between 2001 and 2012 according to the ascending order included France, Kuwait, U.S.A., United Arab Emirates, United Kingdom, Saudi Arabia, Japan, Netherlands, China and Germany with a total amount of 211.5 billion dollars, i.e. more than 70% of the total amount (see figure 39). Italy, Bahrain, Spain, Qatar, Switzerland, Canada, Jordan, Australia, Lebanon and

Belgium were among the list of the 20 most influential investment countries in the region during the same period with a value of 58 billion dollars, i.e. 19.3%. Both lists make up 90% of the total investments in the region during the same period.

Figure 39: Top 20 largest investor country in the region during the period between 2001 and 2012



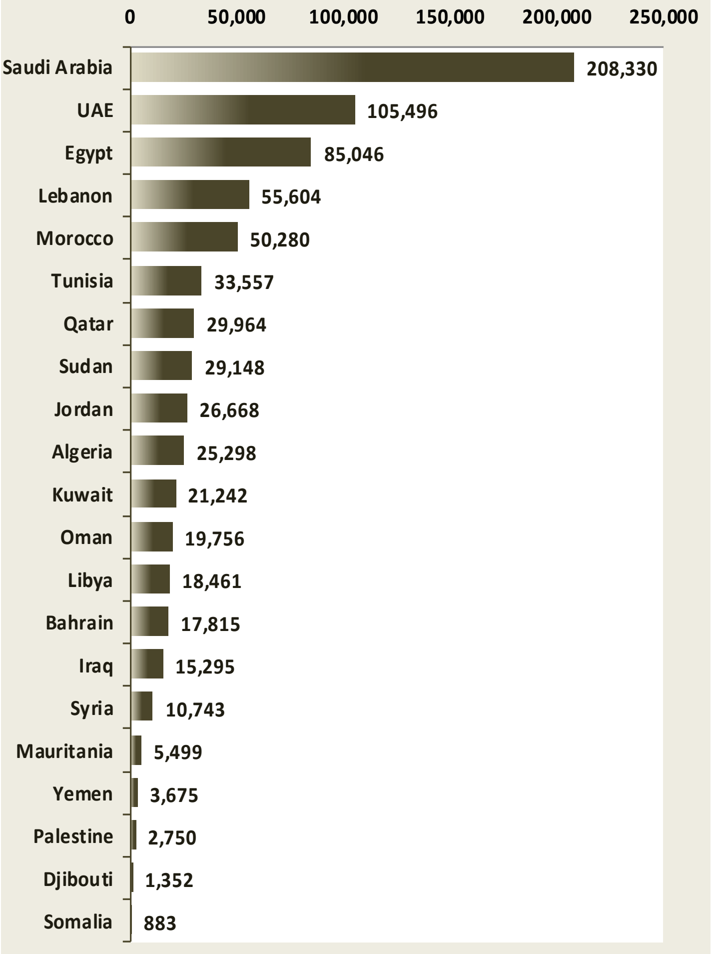
1.2.2 Inward FDI stocks in the Arab world

Inward FDI stocks in the Arab world increased at a rate of 7% from 717.7 billion dollars in 2012 to reach 766.9 billion dollars in 2013. Inward balances to the Arab world represented 4% of the global total of 25.5 trillion dollars (see table 28 and figure 40).

Table 28: Inward FDI stock to Arab Countries 2012 & 2013 *(Million Dollars)*						
Rank for 2013	Country	2012	2013	% of Total Arab FDI inflows 2013	Value Change	Change Perc. %
1	Saudi Arabia	199,032	208,330	27.2	9,298	4.7
2	UAE	95,008	105,496	13.8	10,488	11.0
3	Egypt	79,493	85,046	11.1	5,553	7.0
4	Lebanon	52,771	55,604	7.3	2,833	5.4
5	Morocco	45,246	50,280	6.6	5,034	11.1
6	Tunisia	33,406	33,557	4.4	151	0.5
7	Qatar	30,804	29,964	3.9	-840	-2.7
8	Sudan	26,054	29,148	3.8	3,094	11.9
9	Jordan	24,869	26,668	3.5	1,799	7.2
10	Algeria	23,607	25,298	3.3	1,691	7.2
11	Kuwait	18,913	21,242	2.8	2,329	12.3
12	Oman	18,130	19,756	2.6	1,626	9.0
13	Libya	17,759	18,461	2.4	702	-
14	Bahrain	16,826	17,815	2.3	989	5.9
15	Iraq	12,443	15,295	2.0	2,852	22.9
16	Syria	10,743	10,743	1.4	0	0.0
17	Mauritania	4,344	5,499	0.7	1,155	26.6
18	Yemen	3,808	3,675	0.5	-133	-3.5
19	Palestine	2,572	2,750	0.4	178	6.9
20	Djibouti	1,066	1,352	0.2	286	26.8
21	Somalia	776	883	0.1	107	14
Total Arab FDI Inflows		717,670	766,862	100	49,192	7

Source :UNCTAD - WIR2014 (2012 data have been adjusted from the source)

Tfigure 40: Inward FDI stock to Arab countries (Million Dollars) 2013 & 2012



Similarly to FDI flows, FDI stocks were concentrated in a limited number of countries. UAE and KSA accounted for more than 41% of the overall balances. KSA ranked first with 208.3 billion dollars and a stake of 27.2% of the overall inward FDI stocks in the Arab world, followed by UAE in the second place with 105.5 billion dollars and a share of 13.8%, Egypt in the third place with 85 billion dollars and a share of 11.1%, Lebanon in the fourth place with 55.6 billion dollars and a share of 7.3%, followed by Morocco in the fifth place with 50.3 billion dollars and a share of 6.6%.

Data revealed that 114 Arab and foreign countries possess investment balances in the Arab world whose cumulative total reached by the end of 2012 about 229 billion dollars (see table 29).

Table 29: Inward FDI stocks to Arab Countries by partner country from 2001 to 2012

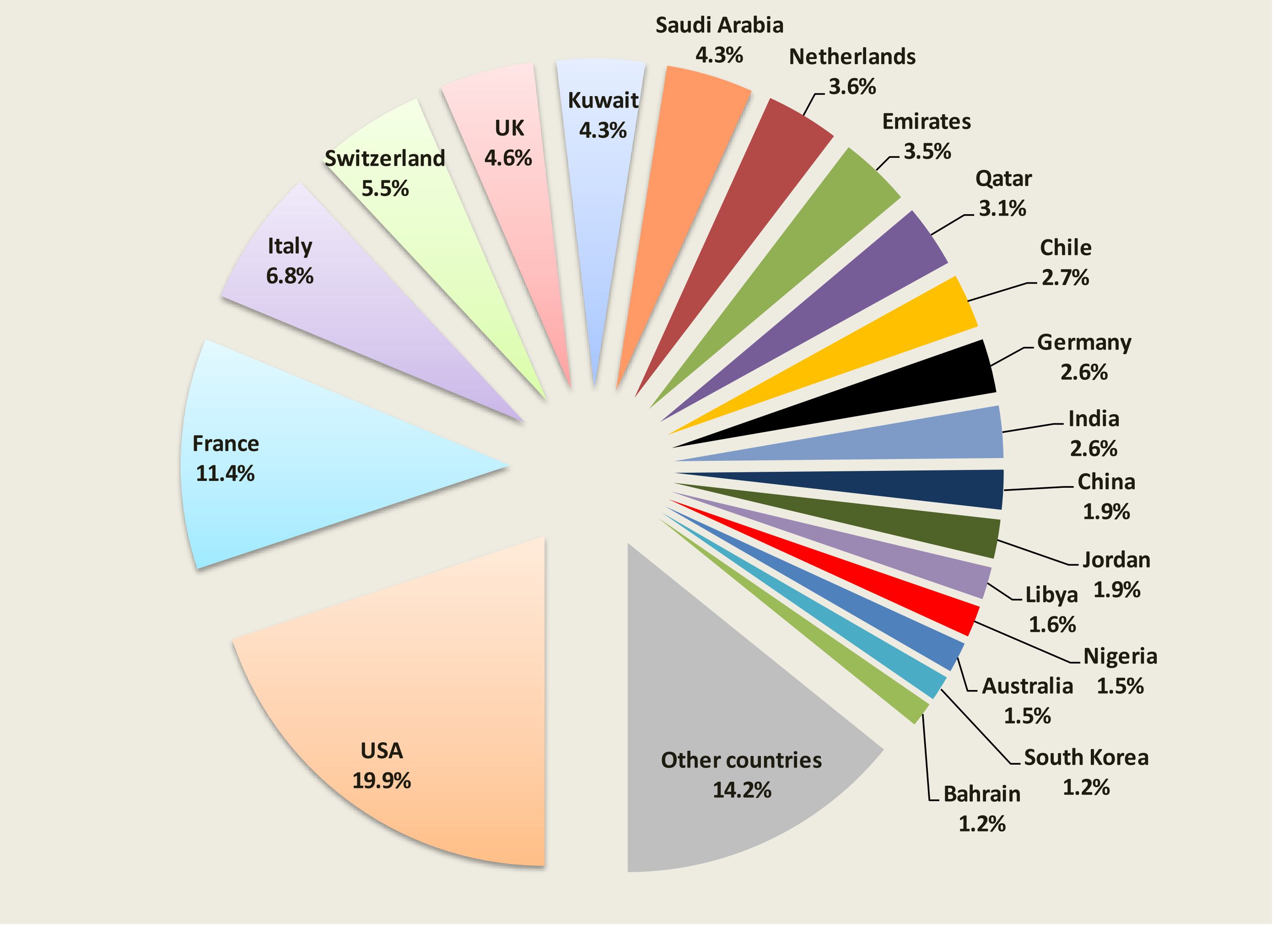
FDI Outflows (US$ millions)	الدولة	FDI Inflows (US$ millions)																					
		Jordan	*** UAE	Bahrain	** Algeria	Djibouti	** Saudi Arabia	Sudan	Somalia	Iraq	Kuwait	*** Morocco	Yemen	Tunisia	*** Oman	Syria	Palestine	* Qatar	Lebanon	Libya	Egypt	Mauritania	Total
1	USA	1,647	7,826	72	6,117	1		3	29	1,235	66	24	700		1,346	1		6,825	173	2,315	17,134	-3	45,511
2	France	1,453	11,322	274	219		2,086				58	550	1,223	1,184	18			545	504	666	5,894		25,996
3	Italy	3	4,426		4,069	1	38	42		48		1	4	720		4		55	58	267	5,723		15,459
4	Switzerland	376	9,770	8								36		110	297				-9		1,930		12,518
5	UK	1,275		66							3	143		226	5,950			2,934					10,597
6	Kuwait	3,239		5,519											593			578					9,929
7	Saudi Arabia	3,783		4,059							556				75	560		745					9,778
8	Netherlands	78	530				46					1		117	276			6,757	30	8	385		8,228
9	Emirates	1,616		1,250							581	11			2,551			2,019					8,028
10	Qatar	932	1,259	218			745				3,464				444								7,062
11	Chile	1	6,123																				6,124
12	Germany	55	2,532	1	399		15				7	1		299	7			149	96	1,189	1,296		6,046
13	India	68	3,874	956	3		31				5	46	14	45	616					113	78		5,849
14	China	1	1,337		105	18		1,237		754			221	6	134				3	65	459	106	4,446
15	Jordan			24			3,783								243	206		130					4,386
16	Libya	890		2,740																			3,630
17	Nigeria						3,520					1				10							3,531
18	Australia	3	700				2,735														3		3,441
19	South Korea	1	388	57	95		49	97		174	59		453	2	80	1		930		330	128	5	2,849
20	Bahrain	699									1,417	1			550			100					2,767
21	Norway	1	226		1,910	3	3	2	3	1			1	2						335	36		2,523
22	Turkey	39	39	61	78		1,902	20		161				11	20	5		4		7	143	5	2,495
23	Austria	32	2,304																				2,336
24	Japan	32	328	1			14				114				27			1,810					2,326
25	Spain	45			449							66								660	1,089		2,309
26	Denmark	3	283		1,325		18							1	33				19		389	3	2,074
27	Oman	80	993	199			75				440										91		1,878
28	Belgium	4	950		7	1	41	-5				73			63			19	161	1	373		1,688
29	Iraq	1,479		5																			1,484
30	Morocco	66	11	1	3		1,035	18						4							109	40	1,287
31	Lebanon	1,109		1							15				112			28					1,265
32	Sweden	28					1,113								10								1,151
33	Canada	33	67		178		2				28	2	215		56					125	366		1,072
34	Malaysia		986	10																			996
35	US Virgin Islands																	695					695
36	Greece	3	84		2									1	31					6	558		685
37	Egypt	526		23								109											658
38	Pakistan	9	281	42			178	2					44		35				5	2	8		606
39	Syria	206		1			255																462
40	Thailand		250				5														174		429
41	Cayman Islands			399							14												413
42	Mauritius											1			388								389
43	Russia	334																					334
44	Mali											286											286
45	Bangladesh						217																217
46	Portugal		-4		64		7							54					34	31	1	18	205
47	Croatia						9											40		80	30		159
48	Iran			17							1				133								151
49	Poland		132				1							1		2			1	-2	5		140
50	Romania						125									4				4			133
	Others	261	130	-27	25	11	10	0	0	2	116	646	101	26	146	23	0	79	1	6	62	0	1,618
	Total	20,410	57,147	15,977	15,048	35	18,058	1,416	32	2,375	6,944	1,998	2,976	2,809	14,234	816	0	24,442	1,076	6,208	36,464	174	228,639

Source :UNCTAD - * 2009 ** 2010 *** 2011

The list of top countries investing in the region included respectively USA, France, Italy, Switzerland, UK, Kuwait, KSA, the Netherlands, UAE and Qatar with a total value amounting to 153 billion dollars representing more than 67% of the total.

Chile, Germany, India, China, Jordan, Libya, Nigeria, Australia, South Korea and Bahrain were also on the list of top 20 countries investing in the region for the same period with an amount of 43 billion dollars and a percentage of 18.8%. The two lists thus represented about 85.8% of the overall FDI stocks in the region by the end of 2012 (see figure 41).

Figure 41: Top 20 largest investor country in the region (according to FDI Stock) End 2012



1.2.3 Inward FDI to Arab Countries (Based on Data from Investing Corporations)

According to the database entitled "FDI Markets" developed by the Financial Times, considered as the most inclusive databases that cover the overall new FDI projects all over the world and in all sectors starting 2013, the following main indicators can be extracted:

- The number of FDI projects in Arab countries has known an increase from 464 projects in 2003 to 1,338 in 2008, then it decreased due to the consequences of the world financial crisis starting 2009, and fell back to 870 projects in 2013.
- Foreign companies operating in the Arab world is estimated at 7,423 companies representing up to 10% of the total number of world companies investing overseas. Those corporations invest in over 10 thousand projects in the Arab region, which constitute around 6% of the total number of foreign-based projects in the world, estimated at around 167 thousand projects between 2003 and April 2014.
- FDI projects in the region are concentrated in a limited number of countries. UAE came in the first place with 3,246 foreign corporations and a share of 36.7% of the total number on the Arab level, followed by

KSA with 923 foreign corporations and a share of 10.43% of the total number. Qatar came in the third place with 602 foreign corporations and a share of 6.8% of the total number.

- The total cost of those investment projects in Arab countries between 2003 and April 2014 was estimated at over one trillion dollars, providing job opportunities whose total was estimated at around 1.6 million.
- The list of the 10 biggest corporations investing in Arab countries includes important Arab corporations such as Emaar from UAE, Zain and Kipco, Alshaya Group, Kuwait Finance Home, Dubai Islamic Bank, Landmark Group, MKE, NME, BMA, Danube for building material, RAK Ceramics, Al-Futtaim Group, DM Healthcare, Mashreq Bank, The National Bank of Abu Dhabi, Arabtec Holding PJSC, Emaar, Rotana Hotels, Mecca Cola from UAE, Alhokair Group, Dallah Albaraka Group, Khalid Ali Al Turki & Sons Co., Saudi Binladin Group, Red Sea Housing from KSA, Trafco Group, Orascom, Arab Swiss Engineering Company from Egypt and Tunisia for rental, Barwa, Qatar National Bank, Qatar International Islamic Bank, Qatar Petrochemical Company from Qatar, Byblos Bank and Blom Bank from Lebanon and Sunatrac from Algeria.

1.3 FDI outflows from Arab countries

FDI outflows from Arab Countries witnessed a great increase that reached 62% and rose from 18.2 billion dollars in 2012 to 29.5 billion dollars in 2013. Arab investment outflows constituted 2.1% of the global total of 1.4 trillion dollars and 6.5% of developing countries total of 454 billion dollars.

GCC countries represented the main source of the region's outflows with 95% in 2013. Kuwait came in the first place among Arab countries with investments worth 8.4 billion dollars and a stake representing 28.4%. It was followed by Qatar with 8 billion dollars representing 27.2%, while Saudi Arabia ranked third with 4.9 billion dollars and a stake of 16.8%. UAE came in the fourth place with 2.9 billion dollars and a stake of 9.9%, followed by the Sultanate of Oman in the fifth place with 1.4 billion dollars accounting for 4.7% while Bahrain ranked sixth with 1.1 billion dollars constituting 3.6% of the Arab total.

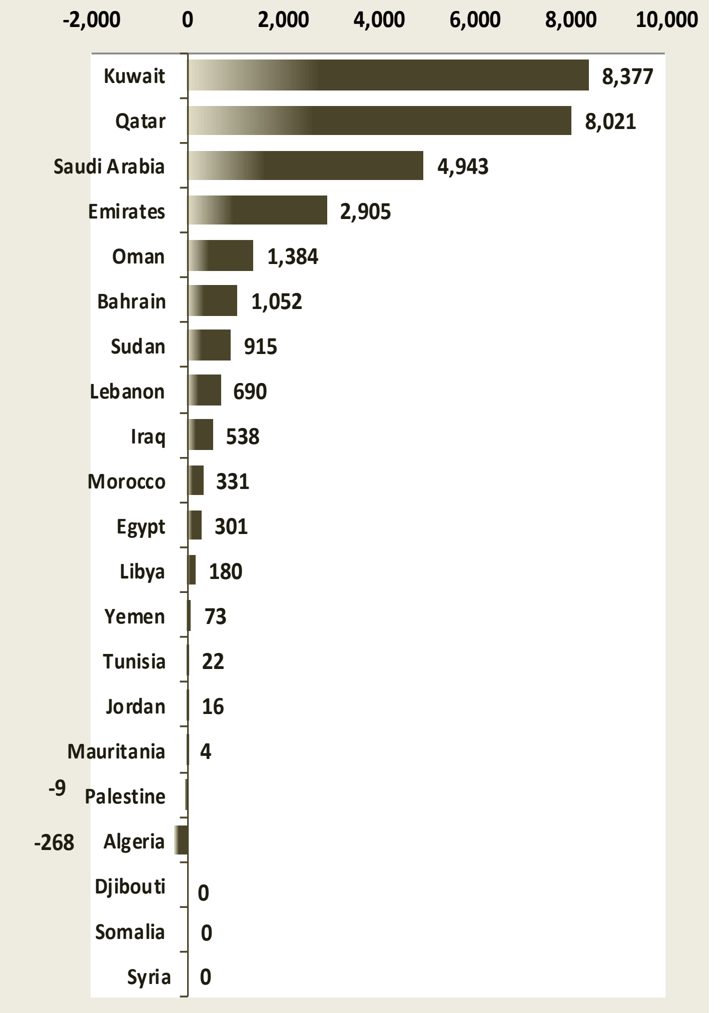
It was surprising that Sudan came in the seventh place with 915 million dollars and a stake representing 3.1%, followed by Lebanon in the eighth place with 690 million dollars and a stake of 2.3%, then Iraq in the ninth place with 538 million dollars and a stake of 1.8%. They were followed by Morocco, Egypt, Libya, Yemen, Tunisia, Jordan and Mauritania with limited values, and finally Palestine and Algeria with negative values (see table 30 and figure 42).

Table 30: Outward FDI Flows from Arab Countries for 2012 & 2013 (Million Dollars)

Rank for 2013	Country	2012	2013	% of Total 2013	Value Change	Change Perc. %
1	Kuwait	3,231	8,377	28	5,146	159
2	Qatar	1,840	8,021	27	6,181	336
3	Saudi Arabia	4,402	4,943	17	541	12
4	Emirates	2,536	2,905	10	369	15
5	Oman	877	1,384	5	507	58
6	Bahrain	922	1,052	4	130	14
7	Sudan	175	915	3	740	423
8	Lebanon	572	690	2	118	21
9	Iraq	448	538	2	90	20
10	Morocco	406	331	1	-75	-18
11	Egypt	211	301	1	90	43
12	Libya	2,509	180	1	-2,329	-93
13	Yemen	71	73	0	2	3
14	Tunisia	13	22	0	9	69
15	Jordan	5	16	0	11	220
16	Mauritania	4	4	0	0	0
17	Palestine	-2	-9	0	-7	-350
18	Algeria	-41	-268	-1	-227	-554
19	Djibouti	-	-	-	-	-
20	Somalia	-	-	-	-	-
21	Syria	-	-	-	-	-
Total Arab FDI Outflows		18,179	29,475	100	11,296	62

Source :UNCTAD - WIR2014

Figure 42: Outward FDI Flows from Arab Countries in 2012 & 2013 (Million Dollars)



As for the outward FDI balances from Arab countries, they amounted to 231.6 billion dollars by the end of 2013 and represented less than 1% of the global total of 25.5 trillion dollars.

GCC countries were the main source of FDI outflows from the region with a stake of 9.5% in 2013. Kuwait came in the first place with 8.4 billion dollars and a stake of 28.4%, followed by Qatar with 8 billion dollars and a stake of 27.2%, then KSA in the third place on the Arab level with 4.9 billion dollars and a stake of 16.8%, UAE in the fourth place with 2.9 billion dollars and a share of 9.9%, the Sultanate of Oman in the fifth place with 1.4 billion dollars and a share of 4.7%, and Bahrain in the sixth place with 1.1 billion dollars and a share of 3.6%.

The six Gulf States in addition to Libya, Egypt and Lebanon accounted for 96.3% of the region's total outward FDI balances. The UAE came in the first place with 63.2 billion dollars and a stake of 27.3%, followed by Kuwait with 40.2 billion dollars accounting for 17.4% while Saudi Arabia ranked third in the Arab region with 39.3 billion dollars and a stake of 17%. Qatar ranked fourth with 28.4 billion dollars and a stake of 12.3$, followed by Libya in the fifth place with 19.4 billion representing 8.4% and Bahrain in the sixth place with 10.8 billion dollars representing 4.6%.

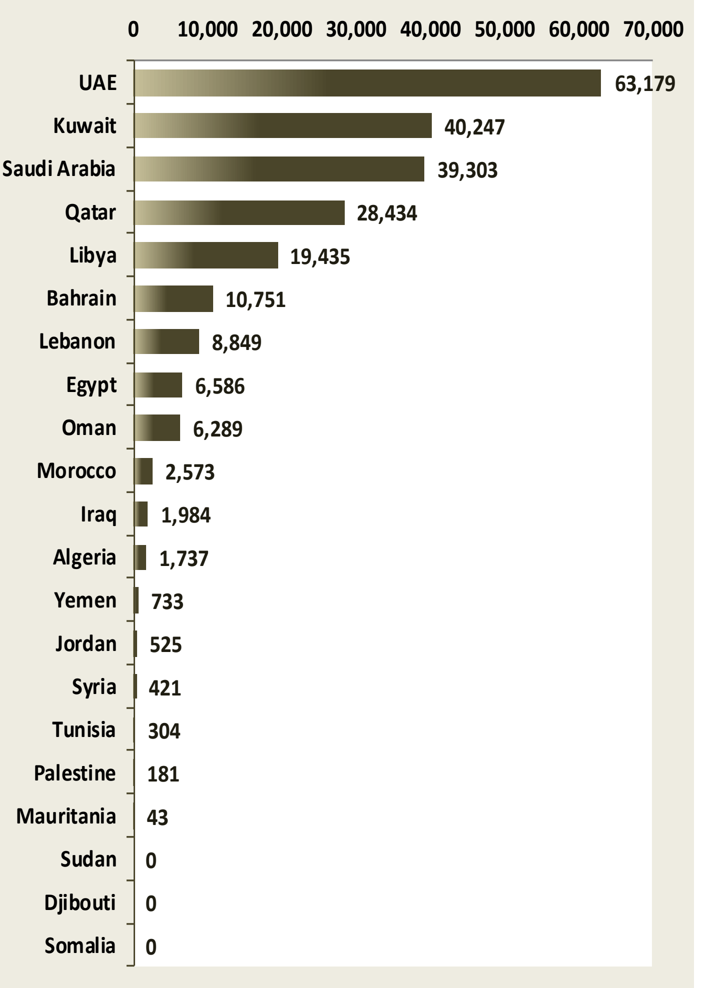
Lebanon came in the seventh place with 8.8 billion dollars and a stake of 3.8%, Egypt in the eighth place with 6.6 billion dollars accounting for 2.8%, the Sultanate of Oman in the ninth place with 6.3 billion dollars and a stake of 2.7%, followed by Morocco, Iraq, Algeria, Yemen, Jordan, Syria, Tunisia, Palestine and Mauritania with values that vary between 2.6 billion dollars and 43 million dollars respectively (see table 31 and figure 43).

Table 31: Outward FDI Stock from Arab Countries in 2012 & 2013 (Million Dollars)

Rank for 2013	Country	2012	2013	% of Total 2013	Value Change	Change Perc. %
1	UAE	60,274	63,179	27.3	2,905	4.8
2	Kuwait	31,870	40,247	17.4	8,377	26.3
3	Saudi Arabia	34,360	39,303	17.0	4,943	14.4
4	Qatar	20,413	28,434	12.3	8,021	39.3
5	Libya	19,255	19,435	8.4	180	0.9
6	Bahrain	9,699	10,751	4.6	1,052	10.8
7	Lebanon	8,158	8,849	3.8	691	8.5
8	Egypt	6,285	6,586	2.8	301	4.8
9	Oman	4,905	6,289	2.7	1,384	28.2
10	Morocco	2,157	2,573	1.1	416	19.3
11	Iraq	1,446	1,984	0.9	538	37.2
12	Algeria	2,005	1,737	0.8	-268	-13.4
13	Yemen	660	733	0.3	73	11.1
14	Jordan	509	525	0.2	16	3.1
15	Syria	421	421	0.2	0	0.0
16	Tunisia	304	304	0.1	0	0.0
17	Palestine	191	181	0.1	-10	-5.2
18	Mauritania	39	43	0.0	4	10.3
19	Sudan	-	-	-	-	-
20	Djibouti	-	-	-	-	-
21	Somalia	-	-	-	-	-
	Total	202,951	231,574	100	28,623	14

Source :UNCTAD - WIR2014

Figure 43:: Outward FDI Stock from Arab Countries in 2012 & 2013 (Million Dollars)



2. Inter-Arab Investments

2.1 Inter-Arab Investments Flows Based on UNCTAD's DATA

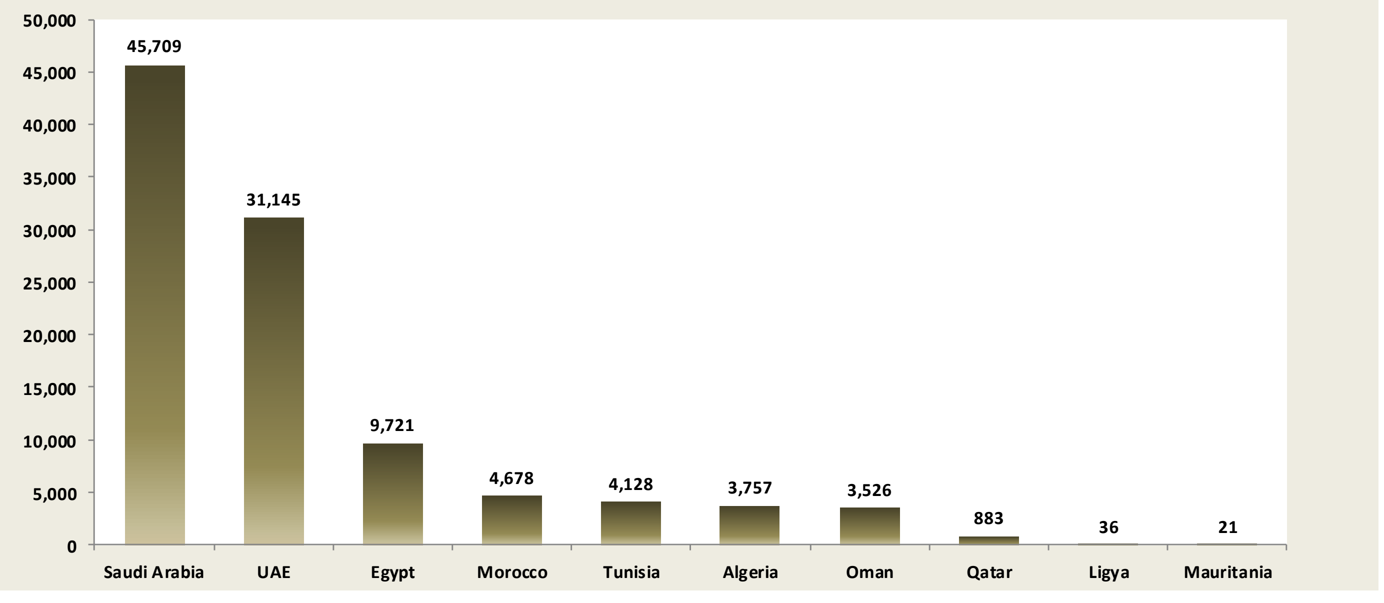
In order to assess the inter-Arab investments between the years 2001 and, the Arab Investment & Export Credit Guarantee Corporation has extracted the figures related to Arab States from the UNCTAD’s database on geographical distribution of FDIs in the world, and estimated the number at more than 103 billion dollars (see table 32 and figure 44).

Table 32: Direction of Inter-Arab FDI flows 2001-2012

Country	FDI Inflows (US$ millions)																					
	Jordan	*** UAE	Bahrain	Tunisia	** Algeria	Djibouti	** Saudi Arabia	Sudan	Syria	Somalia	Iraq	*** Oman	Palestine	* Qatar	Kuwait	Lebanon	Libya	Egypt	*** Morocco	Mauritania	Yemen	الإجمالي
FDI Outflows (US$ millions)																						
Jordan				29	262		2,953					155		-13				327	56			3,769
UAE				2,582	422		14,208					1,980		-95				3,645	2,341			25,083
Bahrain				25	190		7,877					514		12				537	103			9,258
Tunisia					115												36	16	104			271
Algeria				26															18			44
Djibouti																						0
Saudi Arabia		10,479		64	157							24		712				2,087	597			14,120
Sudan							61											8				69
Syria					4		821												27			852
Somalia																						0
Iraq				10			2												63			75
Oman			86		263		298											222	6			875
Palestine																						0
Qatar	-140	4,001	-168	580	127		435					274						620	119			5,848
Kuwait		16,665		378	644		14,863					471		253				1,130	1,021			35,425
Lebanon				2	265		2,384					108		14				560	63			3,396
Libya				302														522	45			869
Egypt				86	1,308		1,294												98			2,786
Morocco	7			44			10													21		82
Mauritania																			17			17
Yemen							503											47				550
Total	-133	31,145	-82	4,128	3,757	0	45,709	0	0	0	0	3,526	0	883	0	0	36	9,721	4,678	21	0	103,389

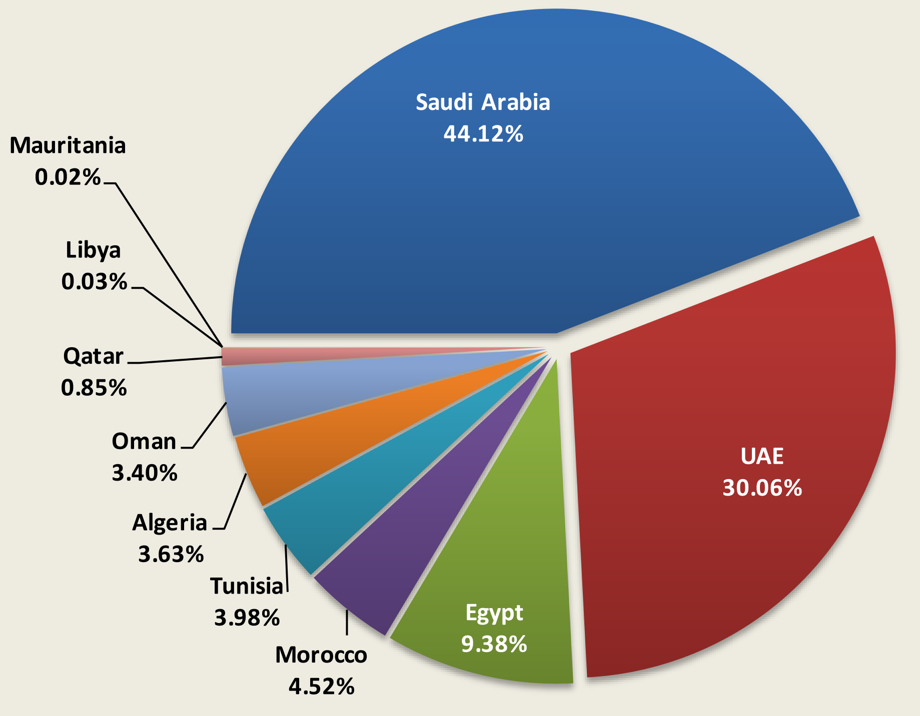
Source :UNCTAD - * 2009 ** 2010 *** 2011

Figure 44: (Inward) Inter-Arab investment flows (millions of dollars), 2001 - 2012



Data related to countries with inward FDI flows between the years 2001 and 2012 revealed that Saudi Arabia and the UAE have attracted around 74% of the total investments with KSA ranking first with 45.7 billion dollars accounting for 44% of the total, followed by the UAE in ranking second with 31.1 billion dollars representing 30%. As for the rest of the Arab countries, Egypt came in the third place with FDIs worth 9.7 billion dollars and a stake of 9.4%, followed by Morocco in the fourth place with 4.7 billion dollars and a stake of 4.5%, Tunisia in the fifth place with 4.1 billion dollars and a stake of 4%, Algeria in the sixth place with 3.8 billion dollars and a stake of 4% and the Sultanate of Oman in the seventh place with 3.5 billion dollars representing 3.4% while Qatar, Libya and Mauritania lagged behind with limited values (see figure 45).

Figure 45: Inter-Arab Inward FDI flows (millions of dollars), 2001-2012



As for countries with outward FDI flows for the period between 2001 and 2012, Kuwait, UAE, Saudi Arabia and Bahrain accounted for 81% of the total FDIs approximately. Kuwait ranked first with FDIs worth 35.4 billion dollars and a stake of 34.3% of the total and was followed by the UAE which ranked second with 25.1 billion dollars and a stake of 24.3%. Saudi Arabia came in the third place with 14 billion dollars and a stake of 13.7%. Bahrain ranked fourth with 9.3 billion dollars and a stake of 9%, Qatar ranked fifth with 5.8 billion dollars and a stake of 5.7%, Jordan ranked sixth with 3.8 billion dollars and a stake of 3.7%, Lebanon ranked seventh with 3.4 billion dollars and a stake of 3.3% and Egypt ranked eight with 2.8 billion dollars and a stake of 2.7%. Other countries lagged behind with limited values (see figures 46 and 47).

Figure 46: Inter-Arab Outward FDI flows (millions of dollars), 2001-2012

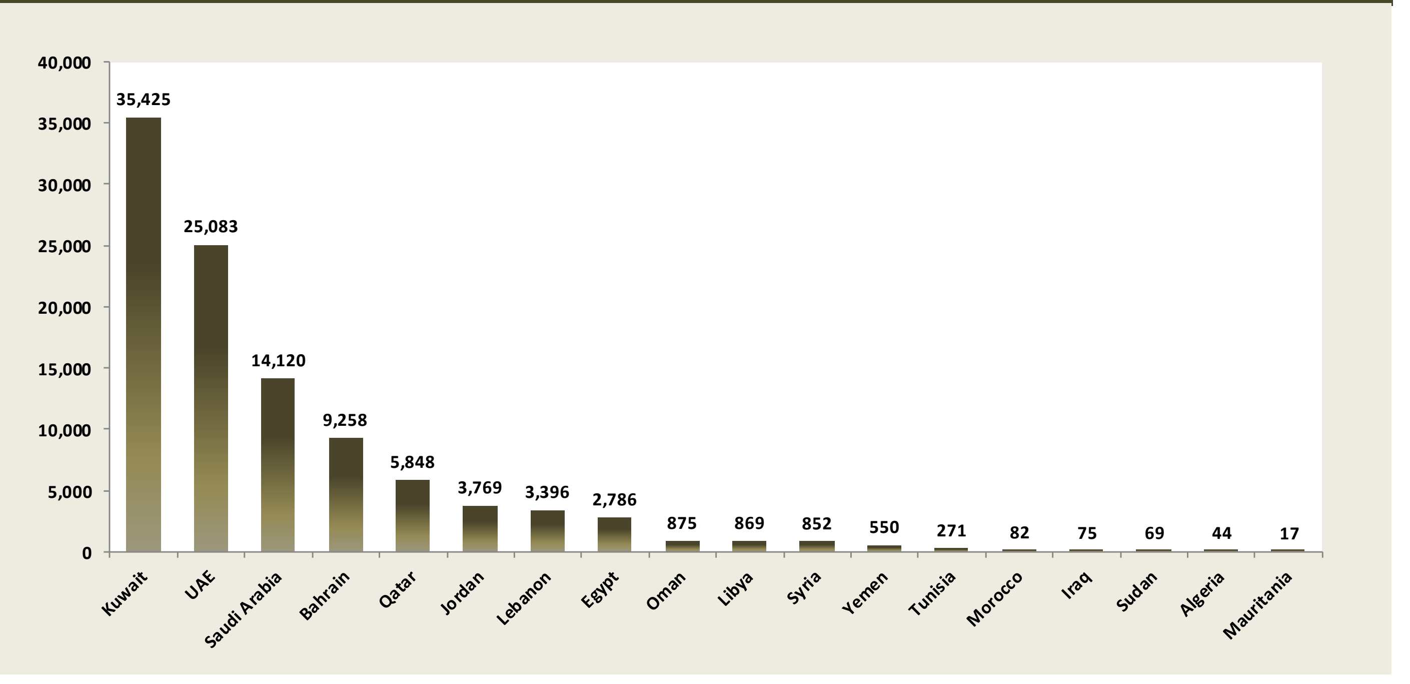
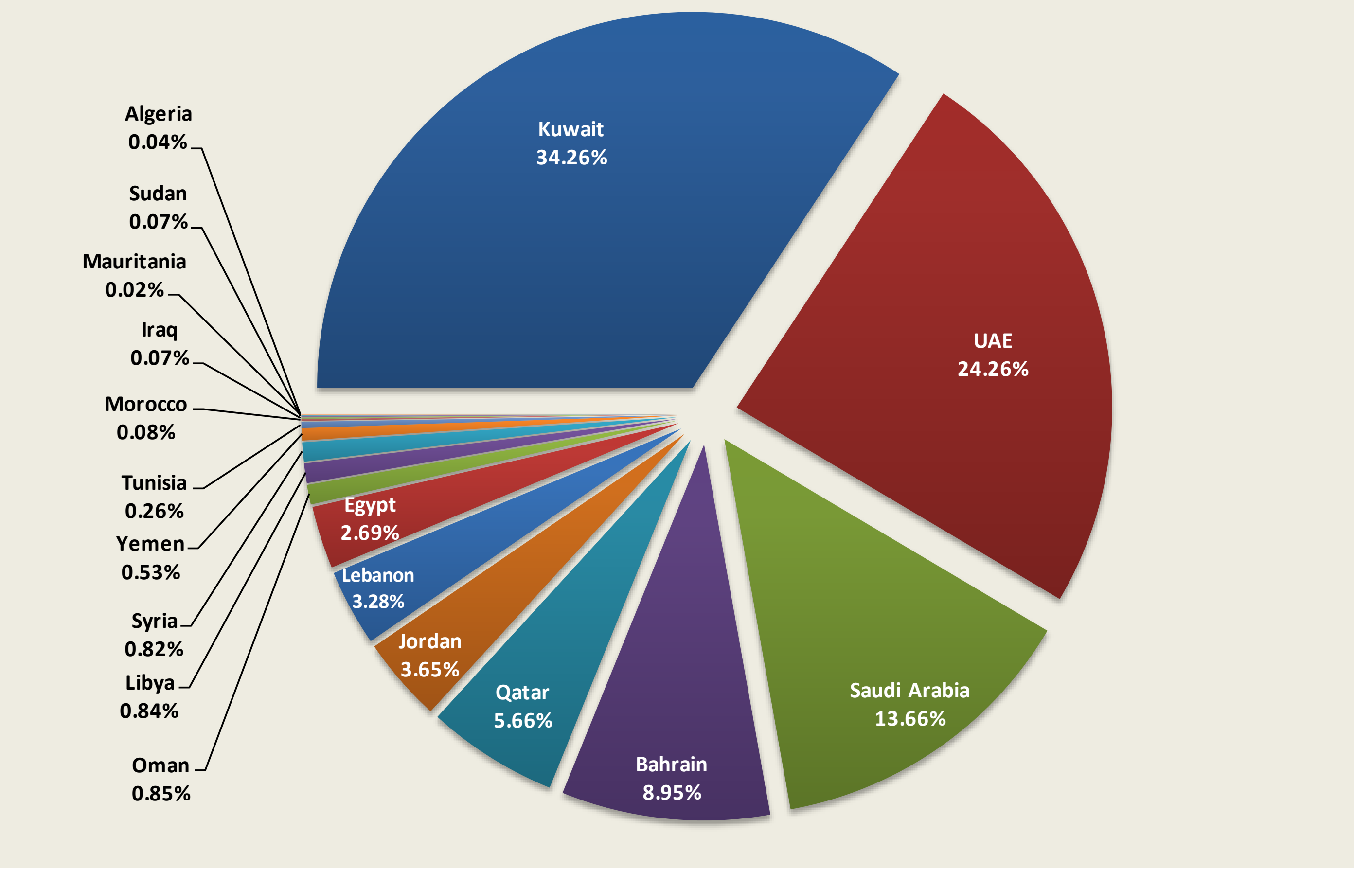


Figure 47: Inter-Arab Outward FDI flows (millions of dollars), 2001-2012



Also according to UNCTAD's database, inter-Arab investment balances were estimated at around 53 billion dollars by the end of 2012 (see figure 48).

Table 33: Direction of Inter-Arab FDI Stock, 2001-2012

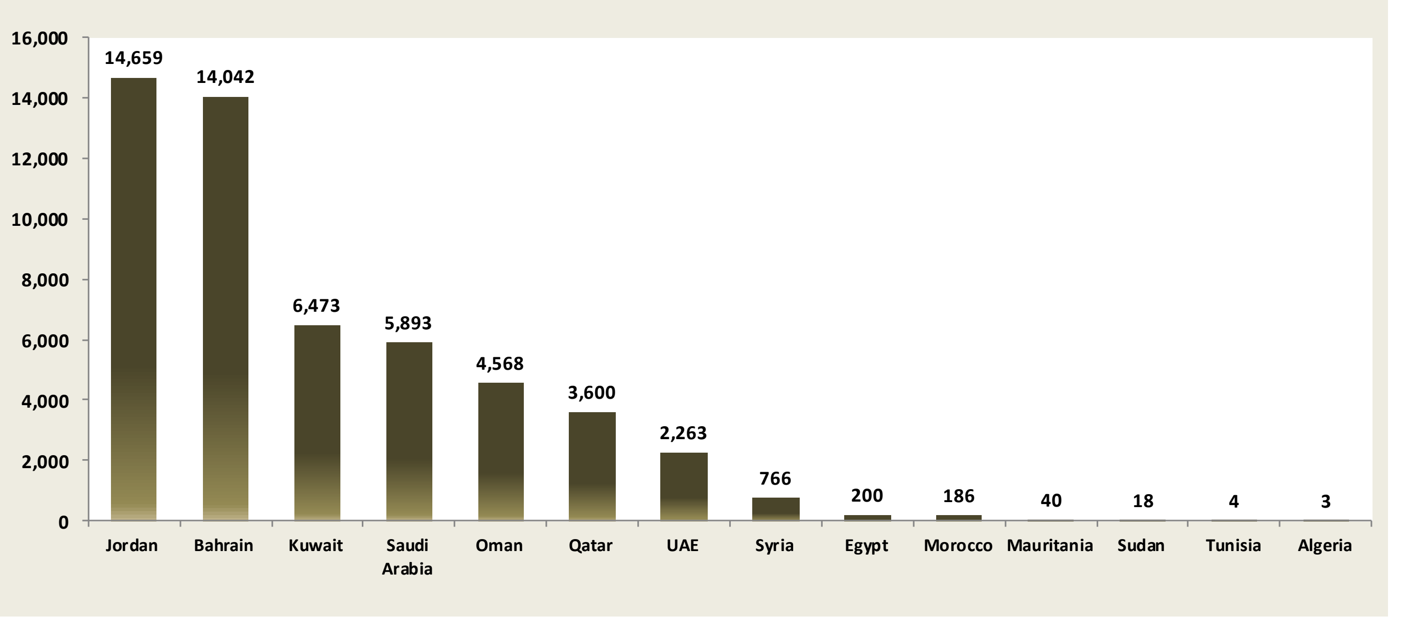
Stock FDI Inflows (US$ millions)

Stock FDI Outflows (US$ millions)

Country	Jordan	UAE ***	Bahrain	Tunisia	Algeria **	Djibouti	Saudi Arabia **	Sudan	Syria	Somalia	Iraq	Oman ***	Palestine	Qatar *	Kuwait	Lebanon	Libya	Egypt	Morocco ***	Mauritania	Yemen	Total
Jordan			24				3,783		206			243		130								4,386
UAE	1,616		1,250									2,551		2,019	581				11			8,028
Bahrain	699											550		100	1,417				1			2,767
Tunisia	1		1																4			6
Algeria	1																		3			4
Djibouti																						0
Saudi Arabia	3,783		4,059						560			75		745	556							9,778
Sudan	9																		18			27
Syria	206		1				255															462
Somalia																						0
Iraq	1,479		5																			1,484
Oman	80	993	199				75								440			91				1,878
Palestine																						0
Qatar	932	1,259	218				745					444			3,464							7,062
Kuwait	3,239		5,519									593		578								9,929
Lebanon	1,109		1									112		28	15							1,265
Libya	890		2,740																			3,630
Egypt	526		23																109			658
Morocco	66	11	1	4	3		1,035	18										109		40		1,287
Mauritania																			40			40
Yemen	23		1																			24
Total	14,659	2,263	14,042	4	3	0	5,893	18	766	0	0	4,568	0	3,600	6,473	0	0	200	186	40	0	52,715

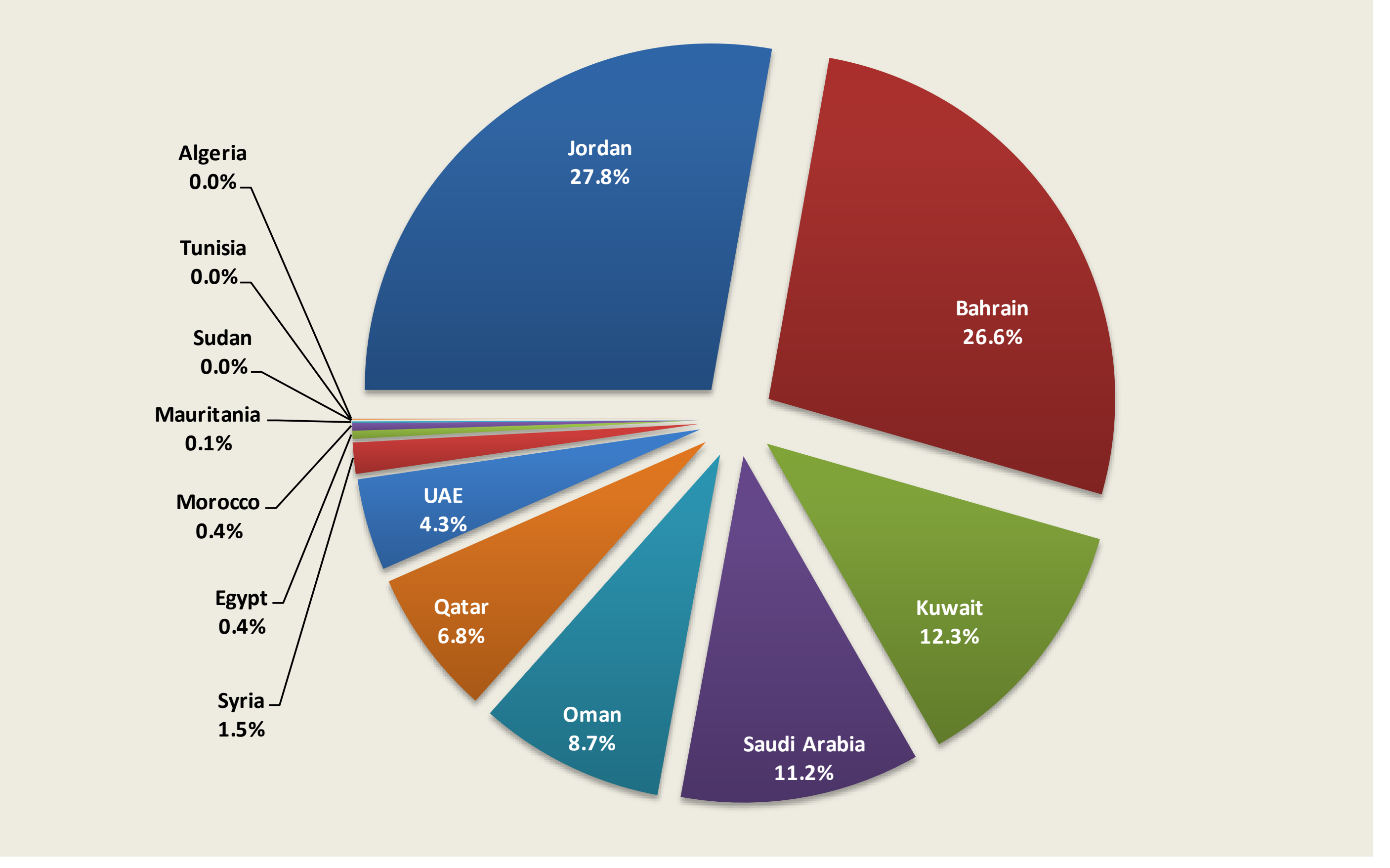
Source :UNCTAD - * 2009 ** 2010 *** 2011

Figure 48: Inter-Arab Inward FDI, 2001 - 2012 (millions of dollars)



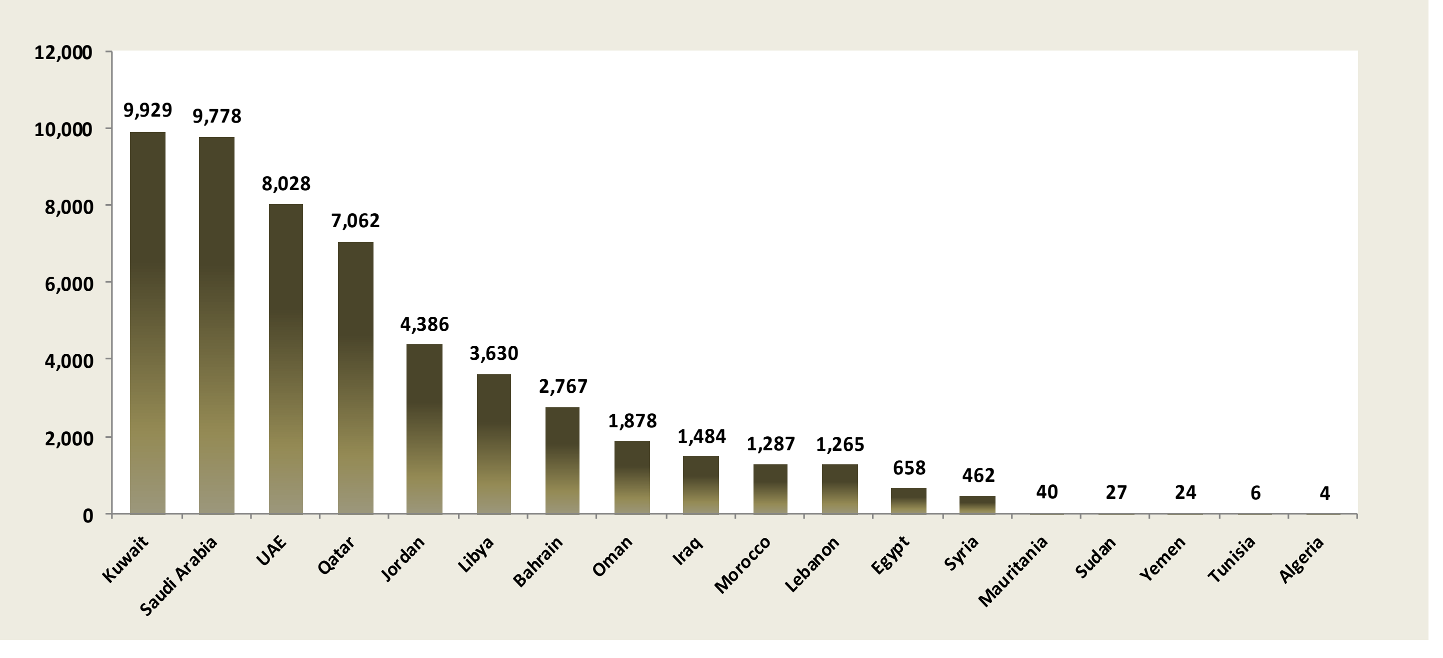
In terms of countries with inward inter-Arab FDI balances by the end of 2012, Jordan, Bahrain, Kuwait and Saudi Arabia attracted more than 78% of the total investments (see figure 49).

Figure 49: Inter-Arab Inward FDI, 2001-2012 (millions of dollars)



As for countries with outward inter-Arab FDI balances by the end of 2012, Kuwait, Saudi Arabia, UAE and Qatar were the main sources of investments representing more than 66% of the total (see figure 50).

Figure 50: Inter-Arab Outward FDI, 2012 (millions of dollars)



2.2 New Inter-Arab Investment Projects Based on Financial Times' Data

2.2.1 Inter-Arab Investments: Cost or Total Expenditures of Projects

According to the database entitled "Foreign Direct Investment Markets" developed by the Financial Times, considered as the most inclusive databases that cover the overall new FDI projects all over the world and in all sectors starting 2013, the Arab Investment & Export Credit Guarantee Corporation has extracted the figures related to Arab States and estimated the total cost of inter-Arab investment projects for the period between 2003 and 2014 at more than 370 billion dollars (see table 34).

Table 34: Total Inter-Arab Greenfield Projects (total cost of the projects) millions of dollars between 2003 and April 2014

	Source / Destination	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	Total
		Jordan	UAE	Bahrain	Tunisia	Algeria	Djibouti	Saudi Arabia	Sudan	Syria	Somalia	Iraq	Oman	Palestine	Qatar	Kuwait	Lebanon	Libya	Egypt	Morocco	Mauritan	Yemen	
1	Jordan		823	44		67		839	6	37		500	79	127	28	37			319	110			**3,015**
2	UAE	14,925		6,063	19,728	15,268	1,695	13,699	707	9,278	11	29,142	4,083	15	7,358	2,996	6,691	878	73,126	10,500	17	596	**216,776**
3	Bahrain	1,819	1,207		6,000		17	903		178		152	488		13,763	153	94	20,181	210	197		178	**45,539**
4	Tunisia																						**0**
5	Algeria				117							45										850	**1,012**
6	Djibouti																						**0**
7	Saudi Arabia	2,471	4,141	1,079	61	932			125	420	351	115	491		108	96	1,753	72	2,129	432		557	**15,333**
8	Sudan					11																	**11**
9	Syria		180																112				**291**
10	Somalia																						**0**
11	Iraq	9	127														15						**152**
12	Oman	13	257	38		2		784			16				105	43	13	7	17			178	**1,473**
13	Palestine		315																				**315**
14	Qatar	366	924	19	247	2,150	865	3,750	1,049	453			3,235	1,050		136	104	391	15,295	102	11	808	**30,955**
15	Kuwait	1,132	6,671	7,132	271		865	754	17	5,100		664	3,608		724		2,030	139	5,775	888	28	601	**36,398**
16	Lebanon	116	955	25	11	64		114	226	280		3,653	74		54	7			180				**5,757**
17	Libya		9			321																	**330**
18	Egypt	717	864	33	17	4,177		2,959	551	300		631	411		335	7		381		137		42	**11,564**
19	Morocco		22		26	123												517			11		**699**
20	Mauritania																						**0**
21	Yemen	17	15				11	15		15	11				15				11				**111**
	Total	**21,585**	**16,509**	**14,433**	**26,478**	**23,115**	**3,453**	**23,817**	**2,681**	**16,060**	**389**	**34,901**	**12,469**	**1,192**	**22,491**	**3,475**	**10,700**	**22,567**	**97,173**	**12,366**	**67**	**3,810**	**369,729**

Source : FDI Markets

In terms of countries with inter-Arab investment inflows between 2003 and April 2014, Egypt topped the list of Arab States with projects worth 97.2 billion dollars and a stake of 26.3% of the total investments, followed by Iraq with 35 billion dollars and a stake of 9.4%. Tunisia came in the third place with 26.5 billion dollars and a stake of 7.2%. Saudi Arabia ranked fourth with 23.8 billion dollars and a stake of 6.4%, Algeria ranked fifth with 23.1 billion dollars accounting for 6.3%, Libya ranked sixth with 22.6 billion dollars and a stake of 6.1% and Qatar ranked seventh with 22.5 billion dollars and a stake of 6.1%. Jordan came in the eighth place with 21.6 billion dollars and a stake of 5.8%, followed by the UAE in the ninth place with 16.5 billion dollars representing 4.5% of the total while the rest of the countries lagged behind (see figures 51 and 52).

Figure 51: Total Inter-Arab Greenfield Projects (total cost of the projects) millions of dollars between 2003 and April 2014 (by Destination)

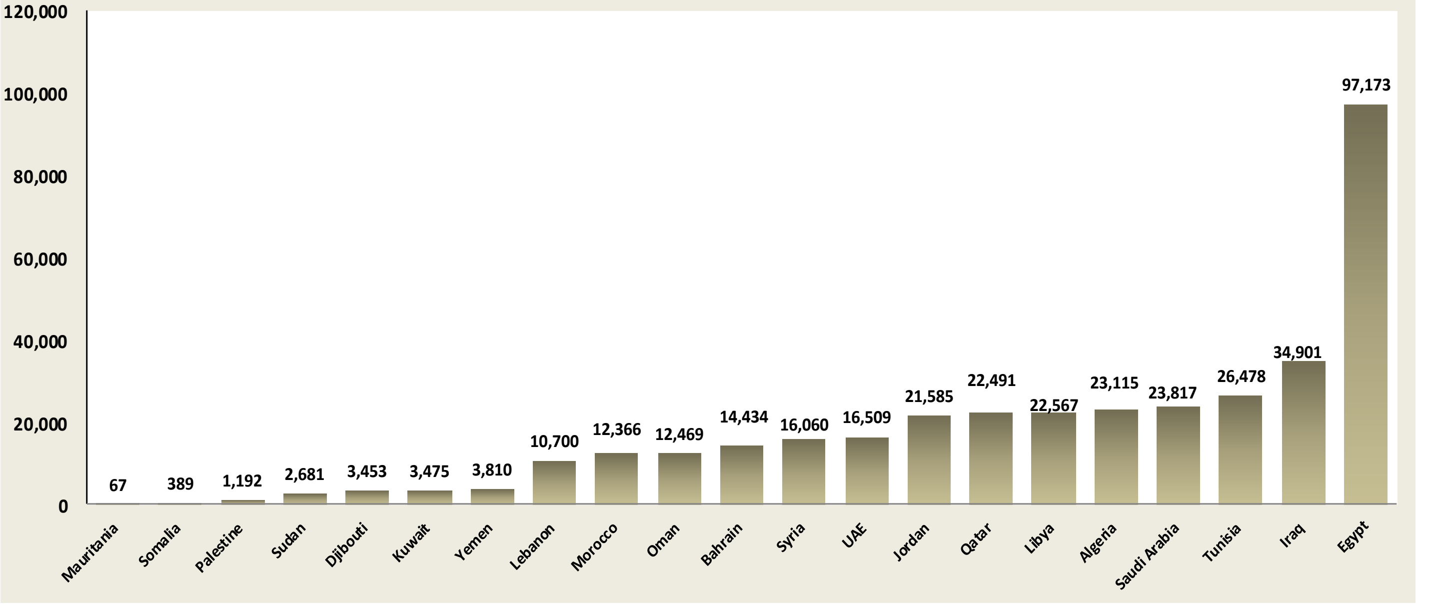
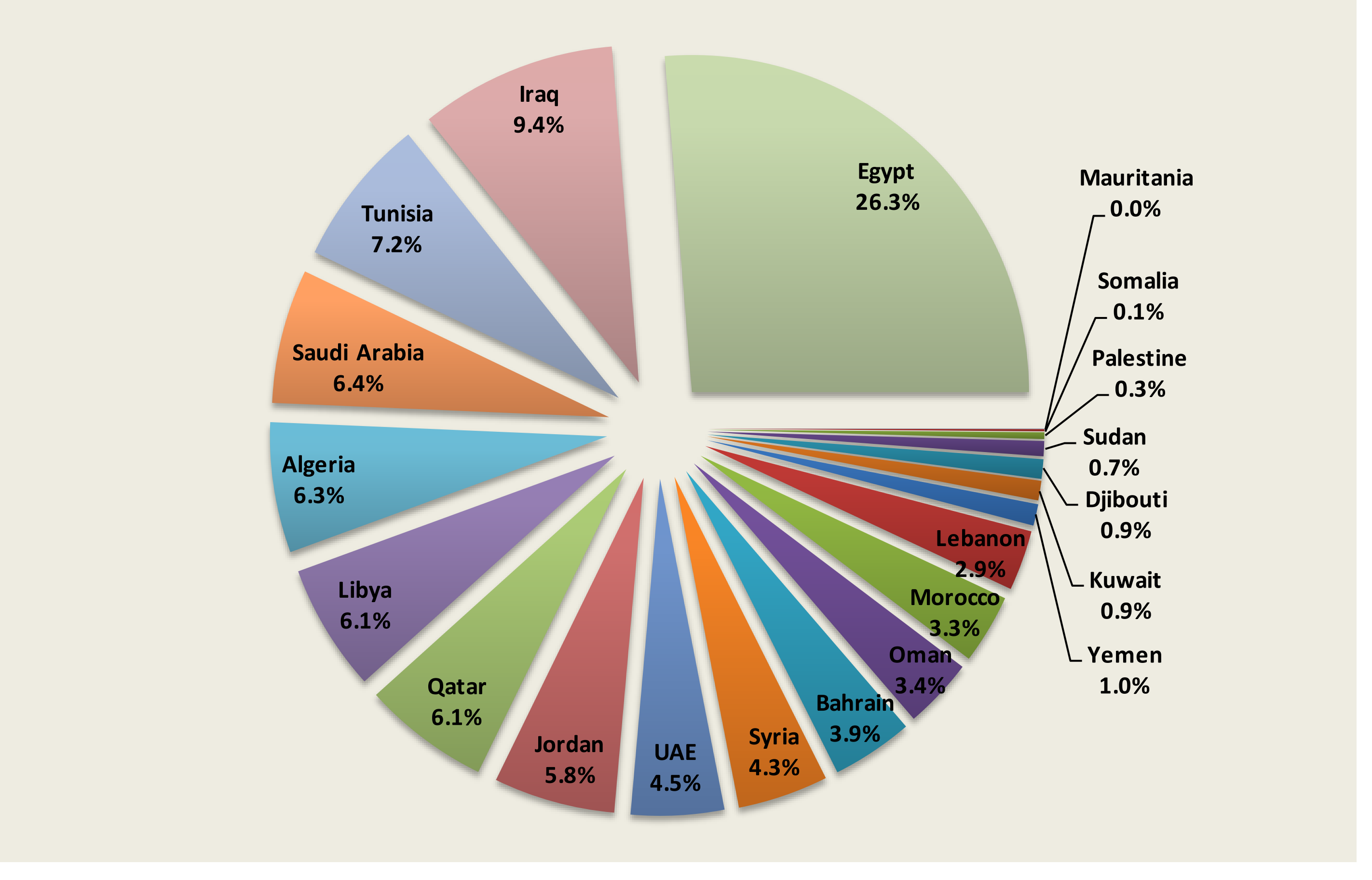


Figure 52: Total Inter-Arab Greenfield Projects (total cost of the projects) millions of dollars between 2003 and April 2014 (by Destination)



Regarding countries with inter-Arab investment outflows for the period between 2003 and April 2014, the UAE topped the list with 217 billion dollars representing 58.6% of the total, followed by Bahrain in the second place with 45.5 billion dollars and a stake of 12.3% and Kuwait in the third place with 36.4 billion dollars and a stake of 9.8%. Qatar ranked fourth with 31 billion dollars and a stake of 8.4% while Saudi Arabia ranked fifth with

15.3 billion dollars accounting for 4.1% and Egypt ranked sixth with 11.6 billion dollars representing 3.1% of the total followed by the rest of the countries (see figures 53 and 54).

Figure 53: Total Inter-Arab Greenfield Projects (total cost of the projects in the FDI Markets) millions of dollars between 2003 and April 2014 (by Source)

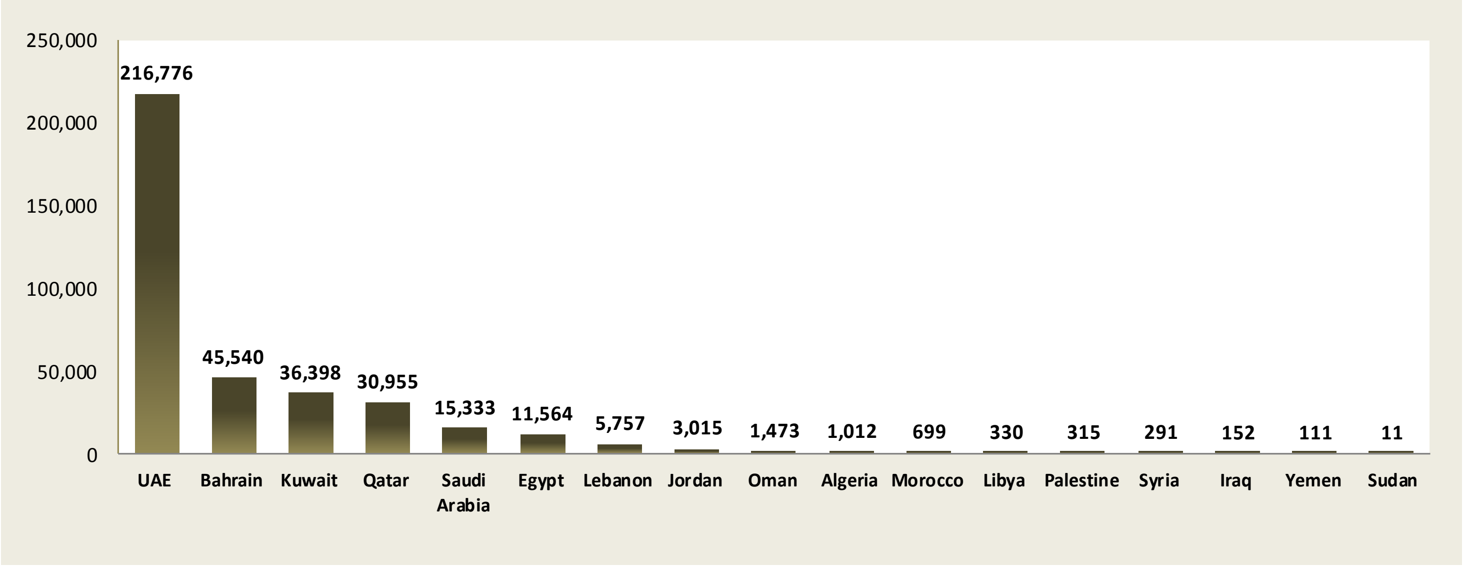
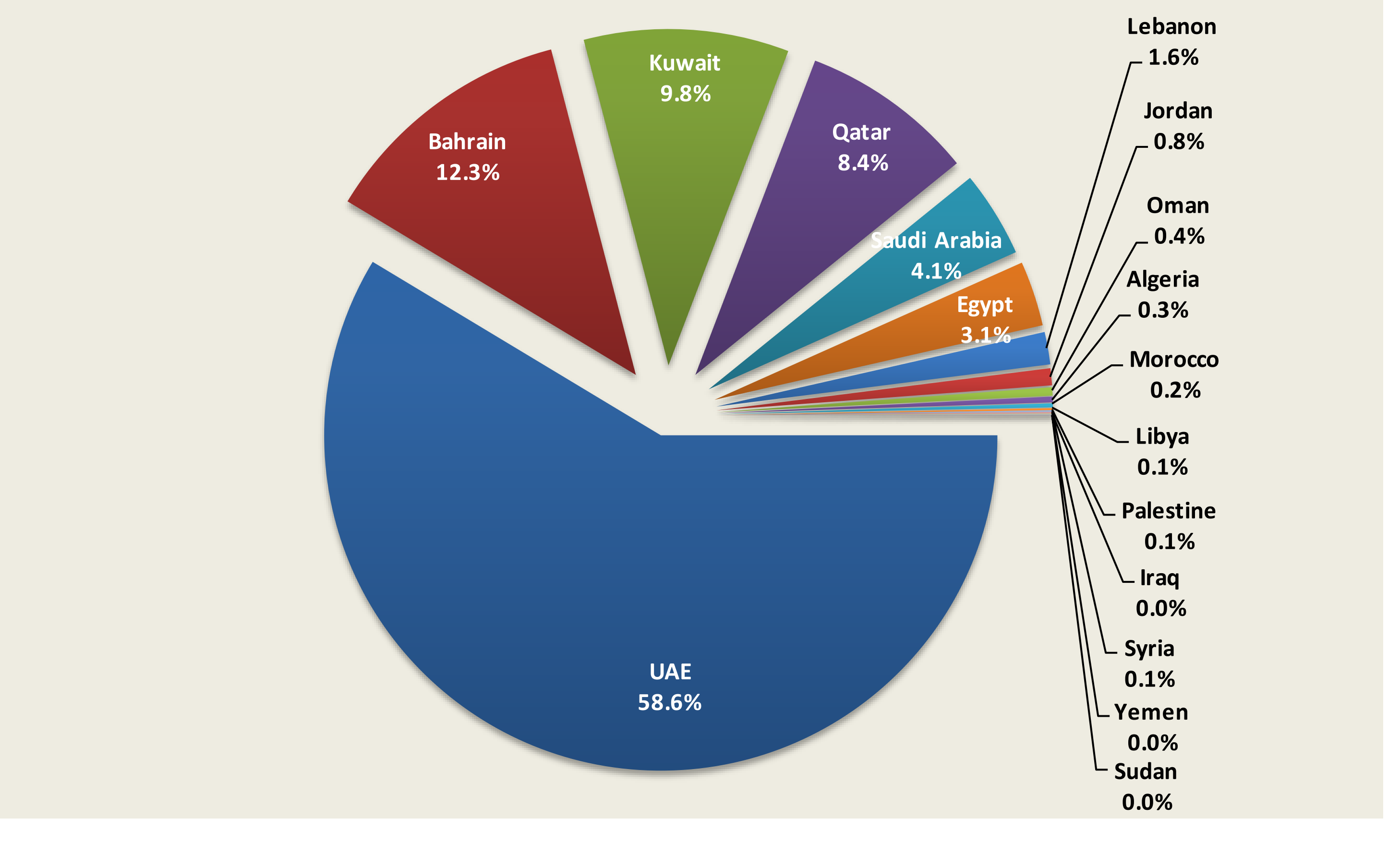


Figure 54: Total Inter-Arab Greenfield Projects (total cost of the projects in the FDI Markets) millions of dollars between 2003 and April 2014 (by Source)



2.2.2 Inter-Arab Investments: Number of Projects

According to the database entitled "Foreign Direct Investment Markets" developed by the Financial Times, the Arab Investment & Export Credit Guarantee Corporation has extracted the figures related to Arab States between 2003 and April 2014 and estimated the number of projects at around 2137 (see table 35).

Table 35: Total inter-Arab Greenfield Projects (number of projects) between 2003 and April 2014

	Source / Destination	1 Jordan	2 UAE	3 Bahrain	4 Tunisia	5 Algeria	6 Djibouti	7 Saudi Arabia	8 Sudan	9 Syria	10 Somalia	11 Iraq	12 Oman	13 Palestine	14 Qatar	15 Kuwait	16 Lebanon	17 Libya	18 Egypt	19 Morocco	20 Mauritania	21 Yemen	Total
1	Jordan		12	4		4		11	1	3		7	1	9	3	2			14	2			73
2	UAE	53		97	16	25	4	195	17	21	1	47	118	1	126	74	52	14	109	36	1	7	1,014
3	Bahrain	12	22		2		1	29		1		3	8		17	9	3	4	3	1		1	116
4	Tunisia		1			22	1	2					1					13	2	2			44
5	Algeria				2							1										1	4
6	Djibouti																						0
7	Saudi Arabia	13	57	33	3	13			6	11	1	2	18		12	12	9	4	36	9		3	242
8	Sudan					1																	1
9	Syria		2																1				3
10	Somalia																						0
11	Iraq	1	4														1						6
12	Oman	1	8	3		1		11			1				5	3	1	1	1			1	37
13	Palestine		2																				2
14	Qatar	3	19	4	3	2	1	22	5	10			20	2		12	4	5	9	4	1	3	129
15	Kuwait	25	59	37	3		1	29	2	9		7	18		15		16	1	22	3	1	1	249
16	Lebanon	9	20	3	1	6		7	5	16		12	3		5	1			9				97
17	Libya		1			1																	2
18	Egypt	9	22	1	2	11		15	4	5		6	5		3	1		8		2		1	95
19	Morocco		2		2	6												3			1		14
20	Mauritania																						0
21	Yemen	2	1				1	1		1	1				1				1				9
	Total	128	232	182	34	92	9	322	40	77	4	85	192	12	187	114	86	53	207	59	4	18	2137

Source : FDI Markets

Saudi Arabia attracted the most inward investment projects for that period with 322 projects and a stake of 15.1% of the Arab total, followed by the UAE in the second place with 232 projects representing 10.9%, Egypt in the third place with 207 billion dollars and a stake of 9.7% and the Sultanate of Oman in the fourth place with 192 projects accounting for 9%, followed by the rest of the countries (see figures 55 and 56).

Figure 55: Total inter-Arab Greenfield Projects (number of projects) between 2003 and April 2014 (by source)

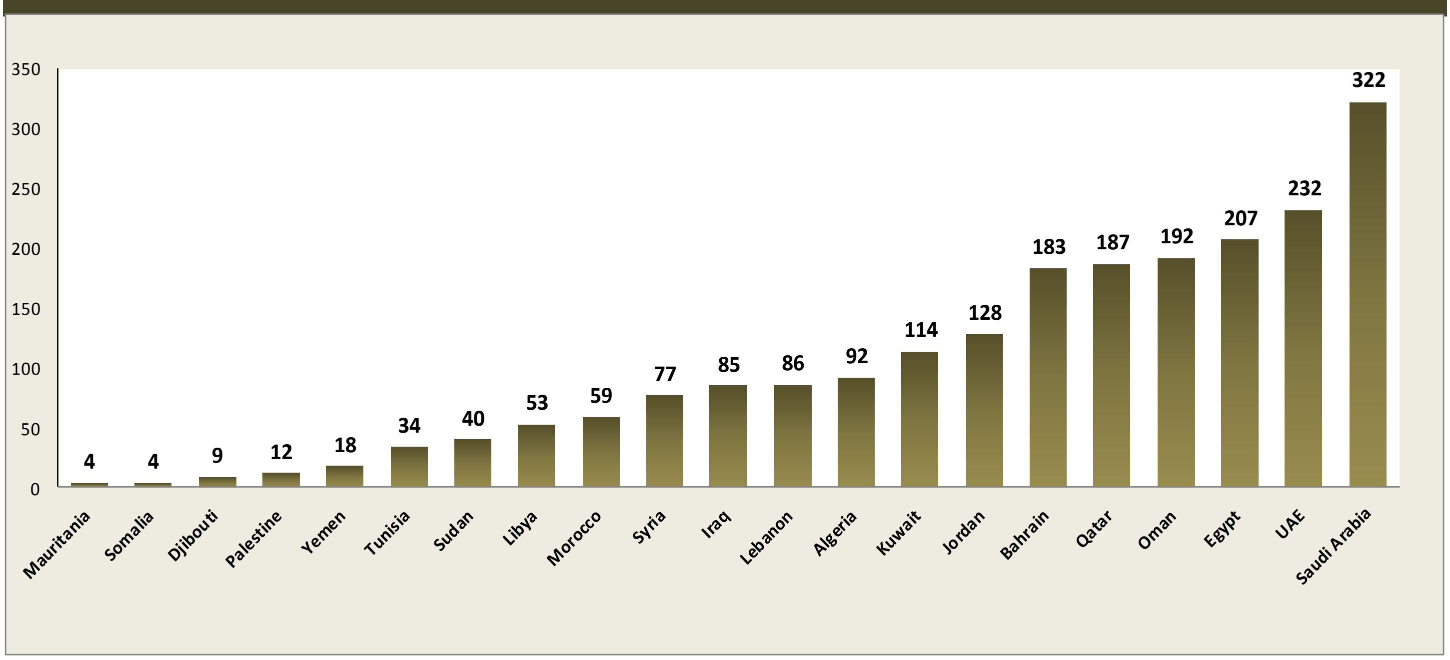
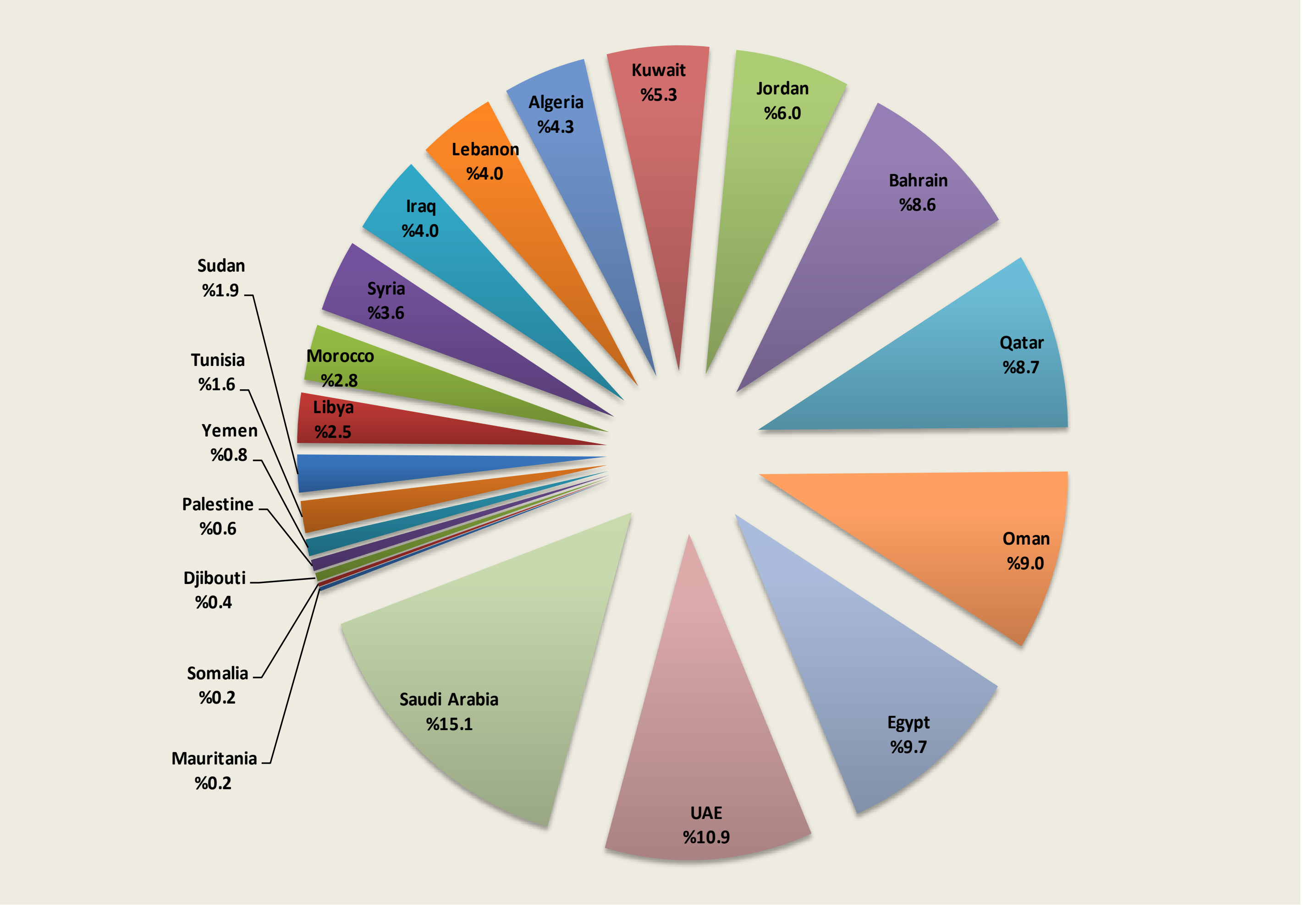


Figure 56: Total inter-Arab Greenfield Projects (number of projects) between 2003 and April 2014 (by source)



As for countries with outward investment projects for the same period, the UAE ranked first with 1014 projects and representing 47.4% of the Arab total, followed by Kuwait in the second place with 249 projects accounting for 11.6% and Saudi Arabia in the third place with 242 projects and a stake of 11.3%. Qatar ranked fourth with 129 projects and a stake of 6%, followed by the rest of the countries (see figures 57 and 58).

Figure 57: Total Inter-Arab Greenfield Projects (number of projects) by Source countries Between 2003 and April 2014

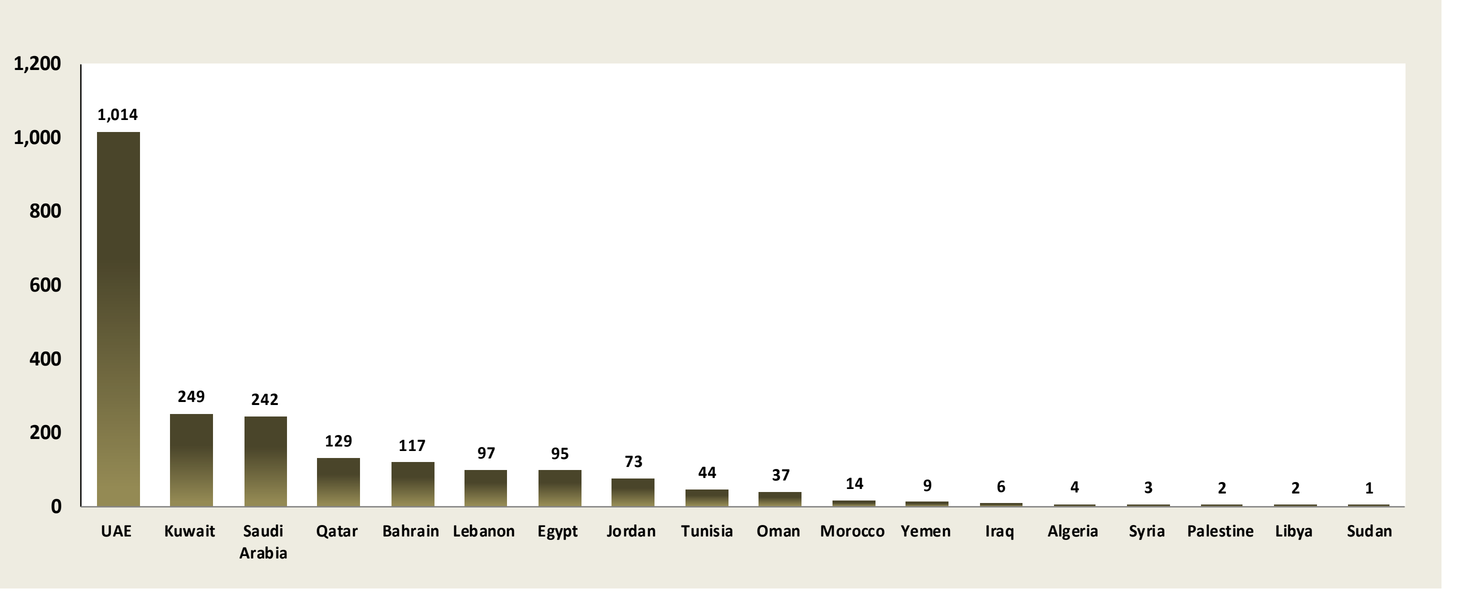
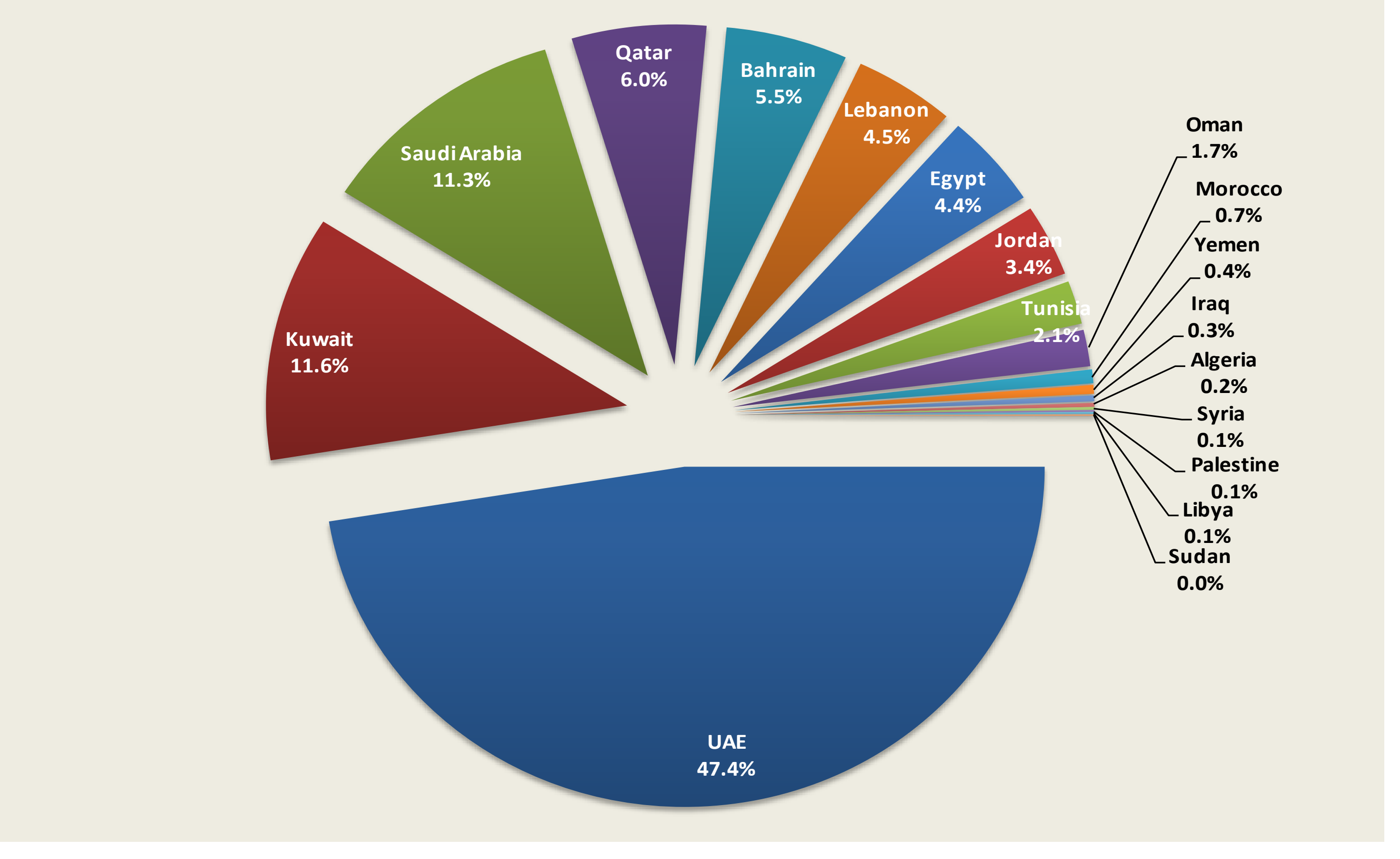


Figure 58: Total Inter-Arab Greenfield Projects (number of projects) by Source countries Between 2003 and April 2014



3. Performance Index

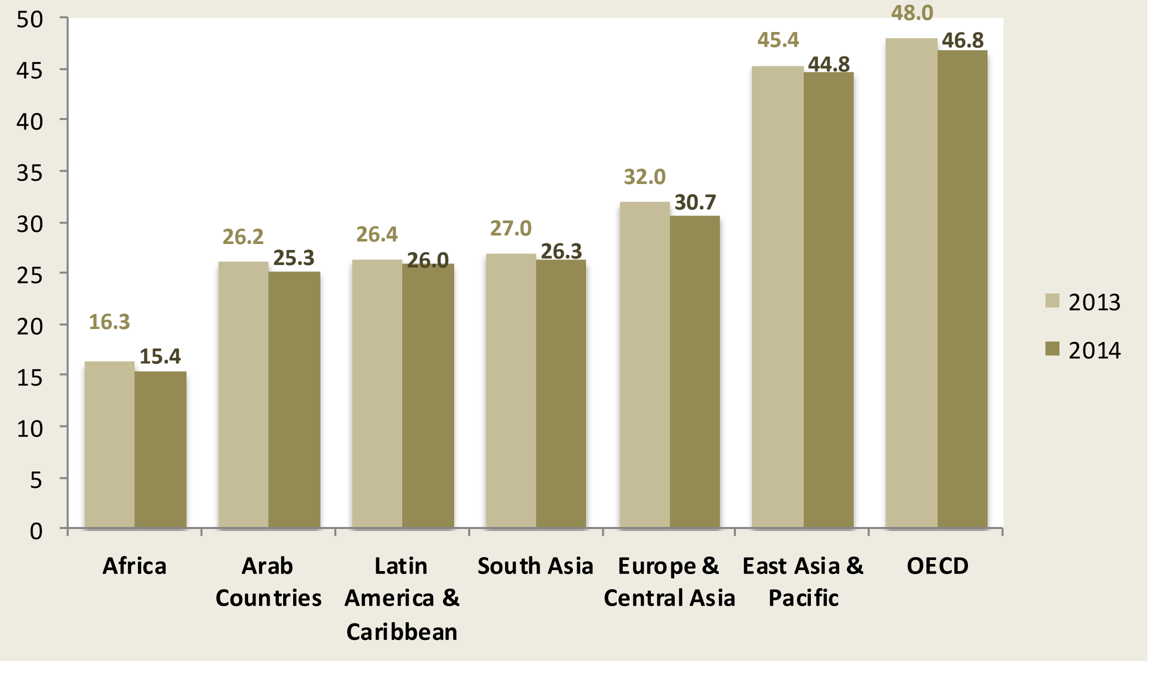
In order to measure the performance of countries in attracting FDIs, emphasis was put on three variables:

- Logarithm of average FDI balance during the three last years: Resorting to an average variable value reduces the effects of data fluctuation caused by convulsions (positive and negative ones), which deviate the variables from their regular value. On the other hand, transforming the value average by using the logarithm could help limit the discrepancies in the scope of balance-related data. Given the importance of this variable in monitoring actual performance, it was given a preferential weight of 80%.
- The average volume of merger and acquisition deals during the three last years with a preferential weight of 10%.
- The average number of new FDI projects (which means starting new production facilities) in the host country during the three last years with a preferential weight of 10%.

After standardizing the sub-indices of the performance index, the collection was process was based on the previously declared weights by adopting the method of engineering collection in order to avoid the principle of implicit compensation between the three components, and considering the differences between their weights according to their theoretical importance in composing the complex index.

Figure 59 shows that Arab countries came in the penultimate place with 25.3 points in comparison with other geographic groups in attracting FDIs in 2014, while OECD countries topped the list, followed by East Asia and Pacific region with a difference of 2 points only. The figure also shows that all geographic groups witnessed a decline in their performance compared to 2013. This decline varies between 5.7% for African countries and 1.3% for East Asia and the Pacific countries, while it is 3.4% for Arab countries.

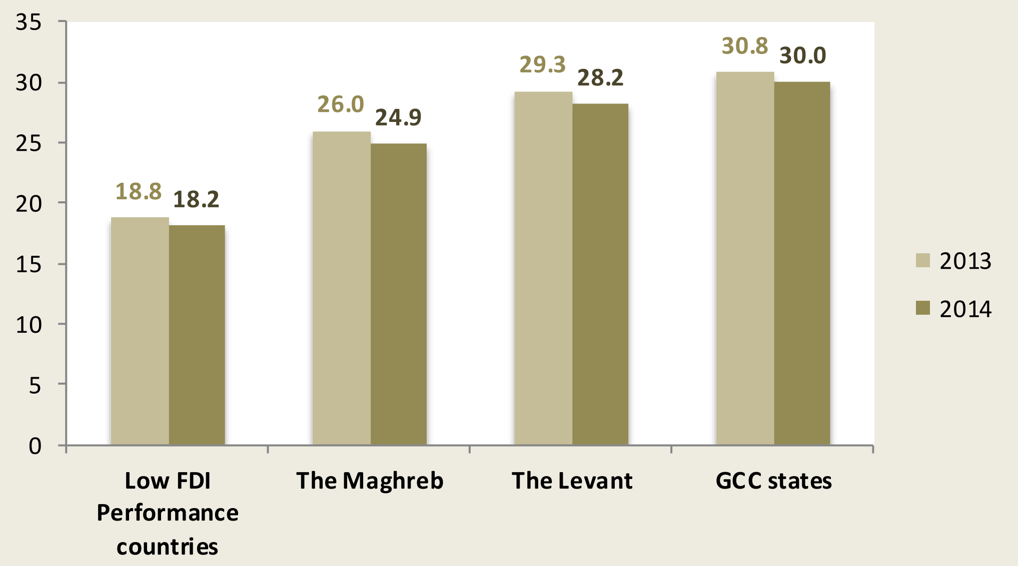
Figure 59: DIAI Performance by Geographical Groups, 2013 and 2014



As for the world classification, it turns out that only two Arab countries were able to occupy the first third of countries in 2014, namely UAE (in the 29th position), KSA (in the 33rd position), and eight other Arab countries that came in the second third of countries (from the 41st position to the 66th).

As for the actual performance of Arab countries according to the geographical groups used in this report, and as a confirmation of the fact that Gulf countries ranked first among Arab groups in terms of actual performance index, this group occupies the first place with an average of 30 points (see figure 60) for the year 2014, despite the disparities within the countries of the GCC States group. In fact, UAE and Saudi Arabia outperformed other Arab States while Qatar came in the fifth place, Bahrain in the ninth place, Oman in the tenth place and Kuwait in the thirteenth place among 18 Arab countries. Similarly to the performance index of the Arab world as a whole, Arab sub-groups registered a decline in their performance ranging between 4.2% for the Maghreb states and 2.6% for the GCC states.

Figure 60: DIAI Average Index value for Arab Groups, 2013 and 2014



4. Arab Countries' Attractiveness according to the Economic Development Phases

The main goal of coming up with a Dhaman FDI attractiveness index is to provide decision makers with data that directly contribute to monitor potential and design policies aimed at attracting and nationalizing FDIs as well as promoting their developmental role. The index accurately and comprehensively describes the main components that define the business environment and the general investment climate. This index was designed to achieve this object and reflect the underlying factors that influence the investment climate and that determine a country or a geographical group's capacity to attract foreign capital flows. As was clarified in the beginning of the report, a country's attractiveness to FDIs depends on a number of factors as well as main and sub-indexes that were surveyed and measured based on the latest theoretical and practical works related to the geography of FDIs, and represented by: macroeconomic stability, financial intermediation and financing capacities, good governance, public administration, institutional and social environment and business environment, market size, potential and access, availability and quality of human and natural resources, cost components, logistics performance and infrastructure, agglomeration economies and innovation & differentiation.

Although all of these main components that were surveyed are undoubtedly important to measure the potential to attract FDIs, a country's ability to provide and modernize this potential varies according to its development phase. When countries move up the scale, individuals' share of the GDP tends to increase, and the economic structure changes, which pushes countries to improve the productivity of their different production elements, in order to maintain a high level of income. The increase in a country's economic attractiveness influences productivity, consequently its income, due to the growth witnessed on all levels. This helps it move up the scale to the next development phase.

Countries that undergo the economic development phase that depends on using cheap labor force and/or natural resources compete against each other over attracting FDIs, based on labor costs and the availability of human resources, in order to produce goods and services that are usually regular or not complicated. Given the classification of the main categories of Dhaman's FDI index, the influential FDI components should be the axes included in the set of prerequisites: macroeconomic stability, financial intermediation and financing capacities, good governance, public administration and institutional and social environment and business environment. When countries move up the scale and rely on productivity, they should focus on the elements that allow them to create and adopt more efficient production methods. By improving the quality of goods and services, they are able to accompany the surge in income and quality requirements. Attractiveness ability during this step mainly depends on the underlying factors that are determined by the criteria used by the main actor in FDIs, i.e. multinational corporations, and includes: market size, potential and access, quality of available human resources while using natural resources, direct and indirect elements that determine costs and induce investment, infrastructure and logistic performance.

As for economies that have reached the phase of depending on modernization and differentiation, the main competition over foreign capital flows is determined by the ability to offer creative and unique goods and services, in order to keep up with the high costs of production elements and maintain quality requirements. This calls for using the most modern and complex production methods, and being able to take advantage of positive externalities in the investment's environment. Therefore, the influence of the set of agglomeration economies, differentiation and technological advancement become important to attract FDIs to the countries.

Based on the above, when setting any framework for FDI policies as a key reference for policy makers on the national scale, the development phase the country is undergoing should be taken into account. This phase produces a specific productive, technological and consumptive as well as the development priorities that are usually included in development plans or strategies of each country. Thus countries include in the report were divided into three development phase according to the criteria used in the Global Competitiveness Report published by the World Economic Forum, after joining each transitional phase to the one that follows it, as explained in table 36.

Table 36: Phases of Development

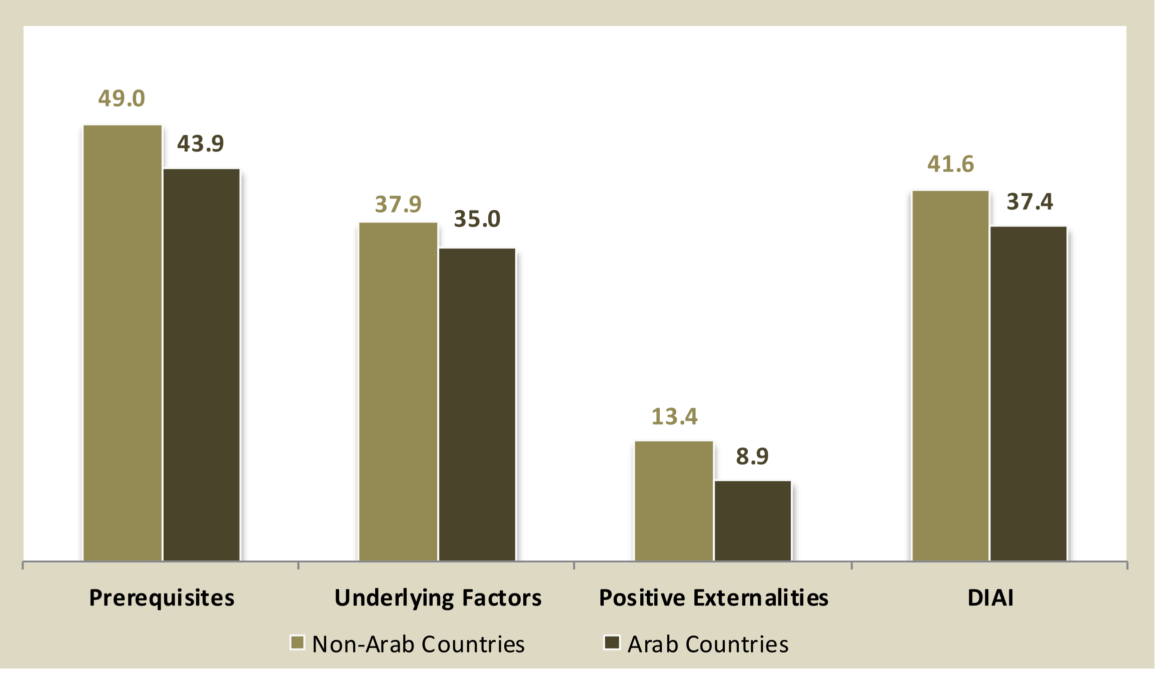
	Phase I: Countries dependent on natural resources	Phase II: Countries dependent on efficiency and effectiveness	Phase III: Countries dependent on knowledge and innovation
GDP per capita (USD)	**< 2000 or exports of mineral products exceed 70% of total exports**	**2000 - 8999**	**> 9000**
Weight for Prerequisites	60%	40%	20%
Weight for Underlying Factors	35%	50%	50%
Weight for Positive Externalities	5%	10%	30%

Table 37: Distribution of Countries according to Phases of Development				
Phase I: Countries dependent on natural resources	**Phase II: Countries dependent on efficiency and effectiveness**		**Phase III: Countries dependent on knowledge and innovation**	
Senegal	Ecuador	**Syria**	Estonia	Czech Republic
Sudan	**Jordan**	Serbia	**UAE**	Russia
Cameroon	**Algeria**	Guatemala	Argentina	**Oman**
India	Dominican	Venezuela	**Bahrain**	Slovakia
Yemen	**Saudi Arabia**	**Qatar**	Brazil	Slovenia
Ethiopia	China	Columbia	Portugal	Singapore
Central Africa	**Iraq**	**Libya**	Denmark	Switzerland
Uganda	Gabon	**Egypt**	Sweden	France
Pakistan	Philippines	Mauritius	Mexico	Finland
Benin	**Kuwait**	Namibia	United Kingdom	Cyprus
Burkina Faso	**Morocco**	Honduras	Norway	Kazakhstan
Chad	Iran		Austria	Canada
Tanzania	Azerbaijan		United States	Korea
Togo	Indonesia		Japan	Latvia
Ivory Coast	Angola		Greece	**Lebanon**
Ghana	Ukraine		Spain	Lithuania
Vietnam	Paraguay		Israel	Malta
Cambodia	Bulgaria		Italy	Malaysia
Kenya	Panama		Australia	New Zealand
Mali	Botswana		Germany	Hungary
Madagascar	Bolivia		Uruguay	Netherlands
Mauritania	Peru		Ireland	Hong Kong
Mozambique	Thailand		Belgium	
Nepal	**Tunisia**		Poland	
Nigeria	South Africa		Turkey	
Nicaragua	Romania		Chile	

According to the classification in table 37, Arab countries covered by the present report have been classified into three groups as follows:

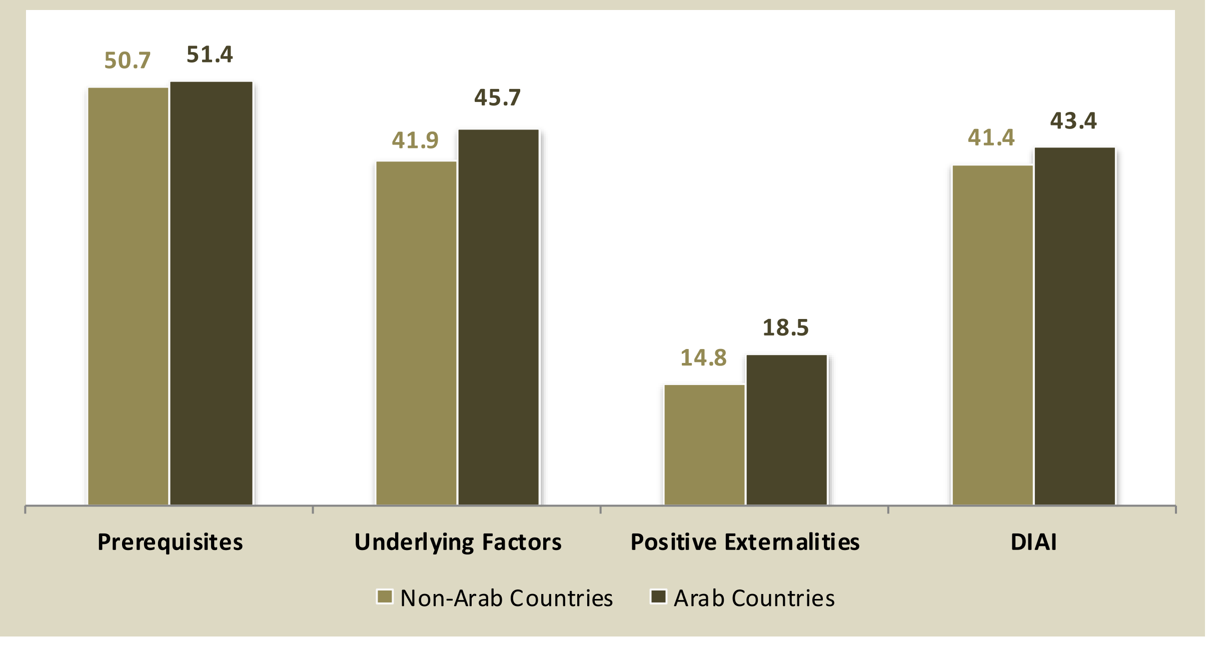
- ✓ Countries under the group of economies dependent on natural resources: Mauritania, Sudan, and Yemen. Presumably, these countries should give priority to improving the attraction indices under the set of prerequisites. Therefore, they should focus on the elements of this set when making recommendations on investment policies. Figure 61 also shows that the average performance of Arab countries during this phase on the set of prerequisites (43.9 points) is inferior to the average performance of other countries in the same classification (49 points), with a difference of 11.6%. This has negative consequences on these countries' ability to attract FDIs.

Figure 61: DIAI Performance Arab Countries in Phase I of Development (Countries dependent on natural resources)



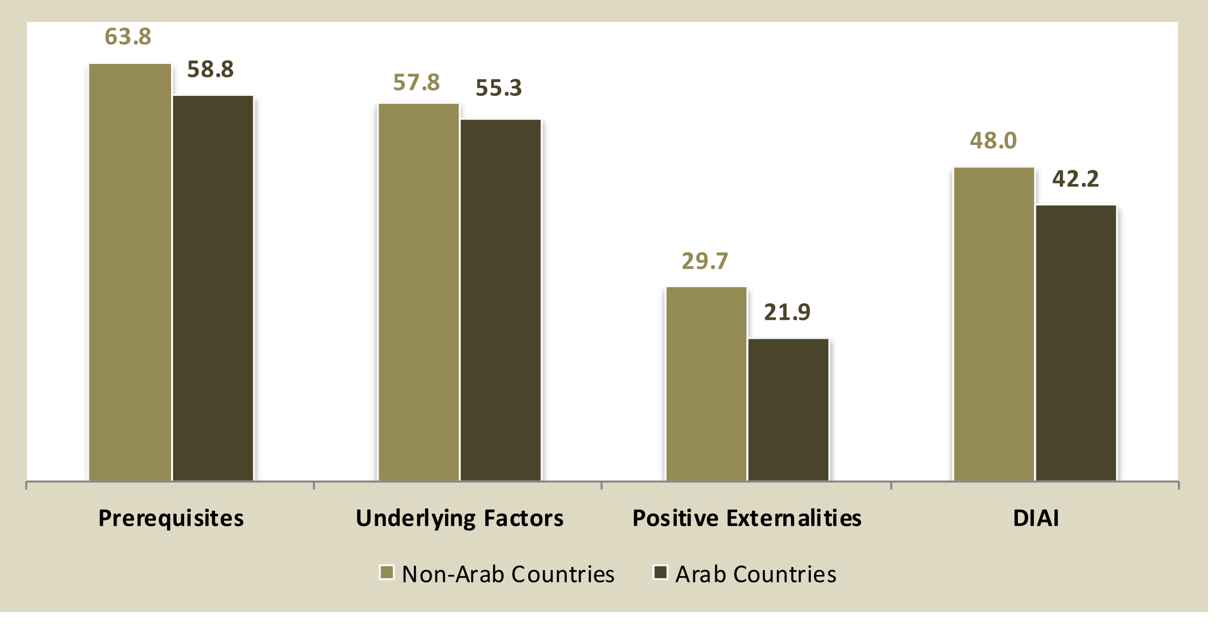
- ✓ The group of countries classified under the group of economies relying on efficiency and effectiveness. These include 11 Arab countries: Algeria, Egypt, Iraq, Jordan, Kuwait, Libya, Morocco, Qatar, Saudi Arabia, Syria, and Tunisia. They depend more extensively on the elements of the set of latent factors, while maintaining the relative importance of the elements of the set of prerequisites. Contrary to the first group, the performance of these countries on the sub-indices including positive externalities (agglomeration economies and differentiation) was better than the average performance of other competing countries under the same classification (figure 62). It should be noted that the majority of Arab countries in this group have abundant resources (oil and gas).

Figure 62: DIAI Performance Arab Countries in Phases II of Development (Countries dependent on efficiency and effectiveness)



- ✓ The third and last group includes economies that reached the stage of reliance on development and innovation to attract foreign capital flows, according to the capacity to offer creative and unique goods and services. These countries should rely on modern and complex production techniques, and be able to profit from positive externalities in the investment's environment. Thus, the relative importance of the set of agglomeration economies, differentiation and technological advancement in attracting FDIs increases. This group includes four Arab countries: Bahrain, Lebanon, Oman and UAE. Figure 63 shows the performance of these countries with competing countries under the same classification, mostly OECD countries. The same figure also shows the relative importance of the gap that is based on differentiation and technological advancement factors, which accounts for 35.6%, and the gap in terms of prerequisites, which represents 8.5%.

Figure 63: DIAI Performance Arab Countries in Phases III of Development (Countries dependent on knowledge and innovation)



المؤسسة العربية لضمان الإستثمار وائتمان الصادرات
The Arab Investment & Export Credit Guarantee Corporation

Concluding Remarks & Recommendations

Concluding Remarks & Recommendations

All available studies and data disturbingly suggest the failure of Arab countries to attract capital flows in general and FDIs in particular, except for two Gulf countries: Saudi Arabia and UAE. Statistics presented in the report revealed that the average share of the 22 Arab states of inward FDI during the period from 2000 to 2013 did not exceed 3.5%. In fact, Arab countries received 48.5 billion dollars of FDIs in 2013, while the total FDIs around the world for the same year reached 1.45 trillion dollars.

Data also reveal discrepancies in terms of performance between Arab countries and a high concentration of inward FDI in certain geographic areas. Two Arab countries attracted alone 41% of this amount. This means that the stake of 20 Arab countries of FDI did not reach 26 billion dollars, i.e. less than 2% of the global total, while their populations of about 336 million people represent 4.7% of the total world population approximately. It should be noted here that Brazil, as a state similar to the Group of Arab States in terms of its share of the international GDP, and its population of about 200 million people, received in 2013, more than 64 billion dollars of FDIs, representing 4.4% of the world total.

The critical situation of low Arab economies' attractiveness is further aggravated by the fact that all the countries of the region, whether rich or of lower incomes, are in dire need of foreign investment for the localization of new technologies, the success of integration into global markets, and in particular, for facing the challenge of providing 50 million jobs over the next 20 years with the sustained rapid population growth.

The report you have in your hands aims to meticulously diagnose the reasons behind the weak FDI attractiveness of our countries and economies in order to provide an accurate and comprehensive knowledge base in order to equip the search for practical and effective solutions capable of better exploiting the strengths and adequately addressing the weaknesses. It is well known that investment attractiveness is not the product of a simple equation or a single variable, but is the result of the overall economic efficiency, the country's competitiveness, the productivity and quality of work, the openness of the economy and the freedom of markets, the quality and efficiency of public services and the effectiveness and respect of the laws, the nature of the political system and the respect for individual liberties, wealth-making, creativity and initiatives.

The report came to the following conclusions and recommendations:

- Arab countries relying on efficiency and effectiveness, which are 11 out of 18 Arab countries covered by the report, should work on developing their performance on indices of the set of prerequisites in general and also on factors related to macroeconomic stability, good governance, public administration, institutional and social environment and business environment in particular. The aforementioned elements must provide support for political, economic and social stability on the one hand and for the freedom of markets, the degree of competition and the security of transactions and contracts, on the other hand.
- Low quality of the human capital and poor productivity make it mandatory to reconsider the planning and structure of human resources in addition to enhancing their productivity and skills by restructuring the educational system (private and public). The new system should focus more on quality and building students' capacities to explain phenomena, analyze data, make research and be creative. It must also provide other tools that allow students to gain extracurricular skills.
- Success stories of attracting FDI around the world have proved the importance of relying on accurate and updated information about the country's investment environment, its actual performance, the level of flows and their evolution according to a vigorous and comprehensive approach that monitors the distribution of investments by country, investing companies and sectors of activity. Such an approach would enable the government to know the investment partners and set policies and programs more specific and effective in addressing the targeted groups, as well as in assessing the outcome of those policies for further modification and development in the future.
- The same experiences proved the efficiency of addressing the investment policy within a general road map for economic growth and sustainable development, provided that it explains the relationship

between the goals set out in the official economic and industrial development strategies and in the adopted investment policy. The map should also determine the role of public, private, local and especially foreign direct investment, in the development strategy, as it is considered a vital factor that complements local investment, in most countries of the region.

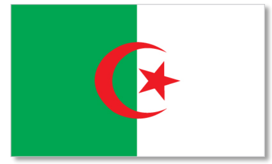
- It is useful to adopt a comprehensive country planning approach to attract foreign investments according to an integrated concept, based on the general promotion of the country as an attractive hub for investment, trade, tourism and business. The concept must be implemented in collaboration between all stakeholders, especially those responsible for planning, foreign affairs, processing of transactions, legislation, infrastructure, utilities and everything related to the business performance environment as well as investment promotion agencies. The most important is to ensure the continuous improvement of the investment climate through close monitoring and quick response to foreign developments, in particular what competitors are doing in the region and the world.
- In order to be able to develop and adopt efficient strategies to promote the country as a destination for international capital flows, stakeholders need to understand the following components: the ingredients for targeting and supporting investors with a potential to strongly influence the national economy, adapting the provided services to suit their needs, assessing the efficiency of facilities and guidance on investors' decisions and procedures, linking the promotion to government policies in general and investment policies in particular, rationalizing the use of scarce resources available for investment promotion and developing self-evaluation of the promoting entity and other collaborating organizations as well as a framework that ensures consensus among the various national stakeholders around a common strategy for investment promotion.
- Attracting foreign investment is not a goal in itself but rather a mean to achieve development goals. Hence, priority is given to maximizing the returns of FDI, and measuring the effects of foreign direct investments on the indicators of value added, export, employment, wages, tax revenues, fixed capital formation as well as scientific research and development. Based on this measurement and assessment, criteria can be developed in order to give priority to projects with a positive impact on development and sustainability.

المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

Part III: Country Profiles

The People's Democratic Republic of Algeria

			2012	2013
Capital:	Algiers			
Currency:	Algerian dinar (DZD)	**Exchange rate** *(LCU per USD):*	77.6	79.4



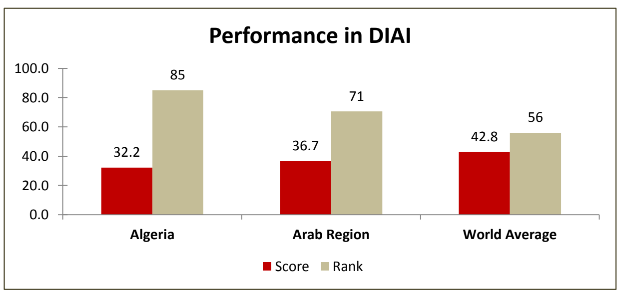
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	204.3	206.1	219.5	227.6
Real GDP Growth	%	3.3	2.7	4.3	4.1
GDP per Capita	USD	5,448.4	5,437.9	5,670.6	5,766.6
Inflation *(average consumer prices)*	%	8.9	3.3	4.0	4.0
General Government Total Expenditure and Net Lending *(% of GDP)*	%	44.6	37.4	37.5	36.8
Current Account Balance	USD billion	12.3	0.9	1.1	-2.9
Current Account Balance *(% of GDP)*	%	6.0	0.4	0.5	-1.3
Exports of Goods and Services	USD billion	75.7	68.3	70.5	67.1
Imports of Goods and Services	USD billion	62.7	65.7	67.4	68.7
Gross Official Reserves	USD billion	190.7	194.0	198.0	198.5
Total reserves in months of imports	Month	36.5	35.4	35.3	34.7
Total Gross External Debt *(% of GDP)*	%	1.8	1.6	1.5	1.4
Population	Million people	37.5	37.9	38.7	39.5
Unemployment *(% of total labor force)*	%	11.0	9.8	9.4	9.0

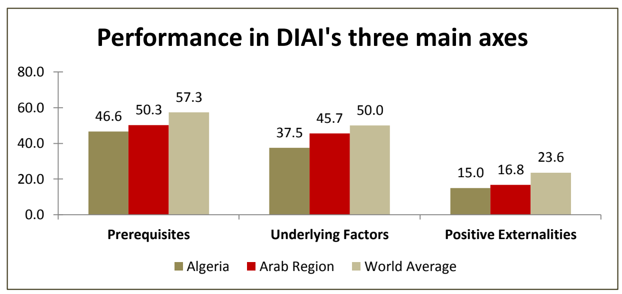
Source: International Monetary Fund (IMF)

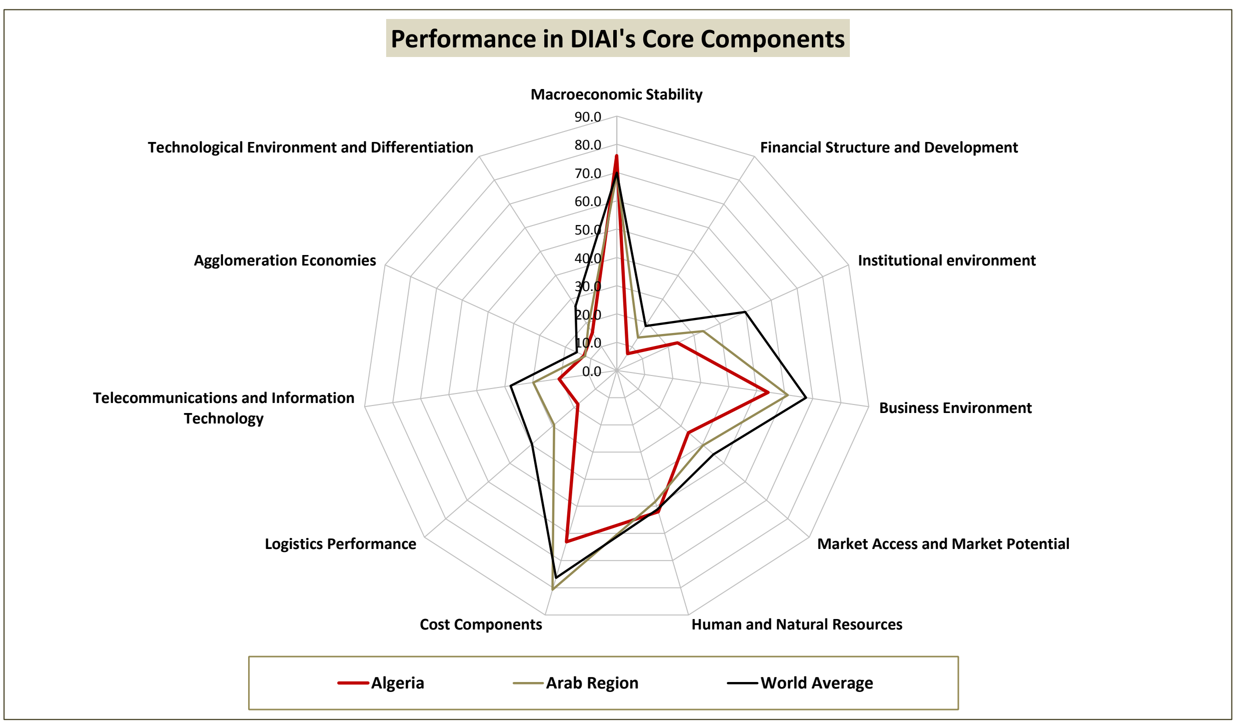
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	2,264.0	2,571.0	1,499.0	1,691.0
Outward	USD million	220.2	534.0	-41.0	-268.0
FDI Stock					
Inward	USD million	19,209.1	21,780.1	23,264.1	25,298.0
Outward	USD million	1,640.2	2,174.2	2,133.2	1,737.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







The Kingdom of Bahrain

			2012	2013
Capital:	Manama			
Currency:	Bahraini dinar (BHD)	**Exchange rate (LCU per USD):**	0.376	0.376

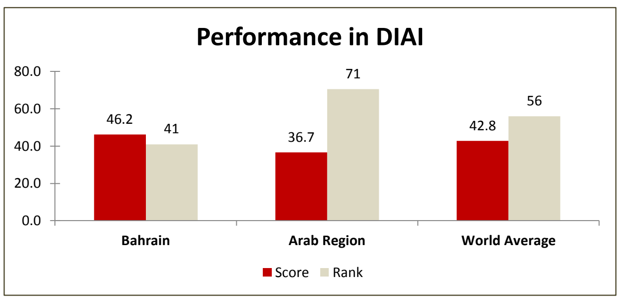
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	30.4	32.2	33.5	34.4
Real GDP Growth	%	3.4	4.9	4.7	3.3
GDP per Capita	USD	26,368.2	27,435.2	27,964.7	28,168.1
Inflation *(average consumer prices)*	%	2.8	3.3	2.5	2.4
General Government Total Expenditure and Net Lending *(% of GDP)*	%	29.9	27.7	32.1	31.2
Current Account Balance	USD billion	2.2	3.9	3.5	3.2
Current Account Balance *(% of GDP)*	%	7.3	12.0	10.4	9.4
Exports of Goods and Services	USD billion	22.6	24.4	23.8	23.4
Imports of Goods and Services	USD billion	14.7	14.6	14.2	14.0
Gross Official Reserves	USD billion	4.9	4.7	5.6	6.1
Total reserves in months of imports	Month	4.0	3.9	4.7	5.3
Total Gross External Debt *(% of GDP)*	%	129.6	131.5	134.4	141.3
Population	Million people	1.2	1.2	1.2	1.2
Unemployment *(% of total labor force)*	%	3.9	4.3	4.0	4.3

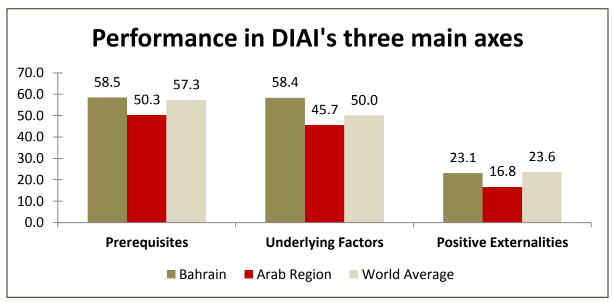
Source: International Monetary Fund (IMF)

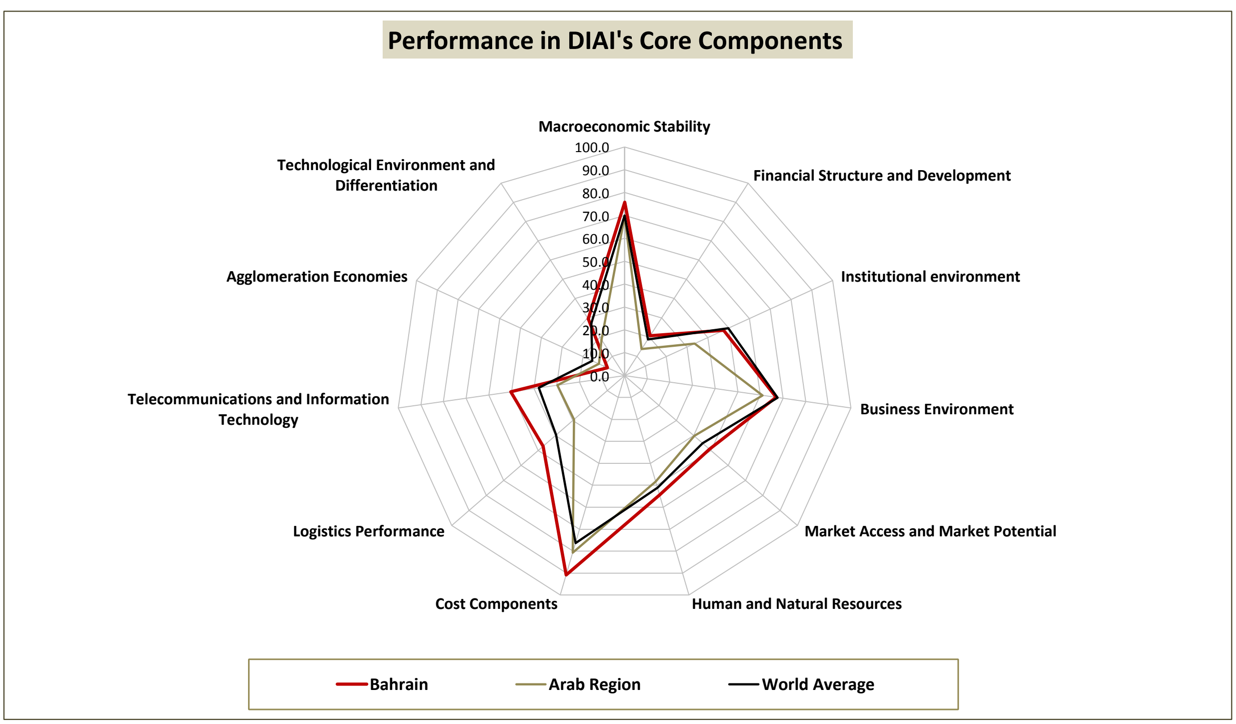
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	155.9	780.9	891.2	989.0
Outward	USD million	334.0	893.6	922.3	1,052.0
FDI Stock					
Inward	USD million	15,154.0	15,934.8	16,826.1	17,815.0
Outward	USD million	7,882.7	8,776.3	9,698.7	10,751.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







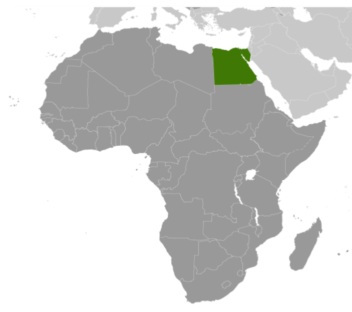
The Arab Republic of Egypt

Capital: Cairo
Currency: Egyptian pound (EGP)

Exchange rate *(LCU per USD):*	2012	2013
	6.008	6.460

Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	262.3	271.4	286.1	328.2
Real GDP Growth	%	2.2	2.1	2.3	4.1
GDP per Capita	USD	3,179.0	3,225.5	3,333.4	3,748.5
Inflation *(average consumer prices)*	%	8.7	6.9	10.7	11.2
General Government Total Expenditure and Net Lending *(% of GDP)*	%	32.7	37.1	37.8	36.0
Current Account Balance	USD billion	-10.1	-5.6	-3.9	-15.2
Current Account Balance *(% of GDP)*	%	-3.9	-2.1	-1.3	-4.6
Exports of Goods and Services	USD billion	45.7	48.0	47.4	48.6
Imports of Goods and Services	USD billion	67.8	67.1	72.2	75.7
Gross Official Reserves	USD billion	15.2	14.5	15.0	16.7
Total reserves in months of imports	Month	2.7	2.6	2.5	2.6
Total Gross External Debt *(% of GDP)*	%	13.1	14.5	16.4	18.5
Population	Million people	82.5	84.2	85.8	87.6
Unemployment *(% of total labor force)*	%	12.3	13.0	13.0	13.1

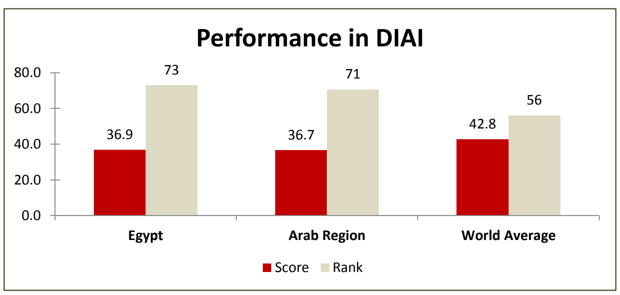
Source: International Monetary Fund (IMF)

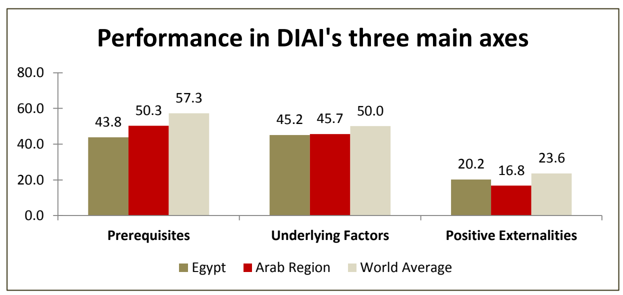


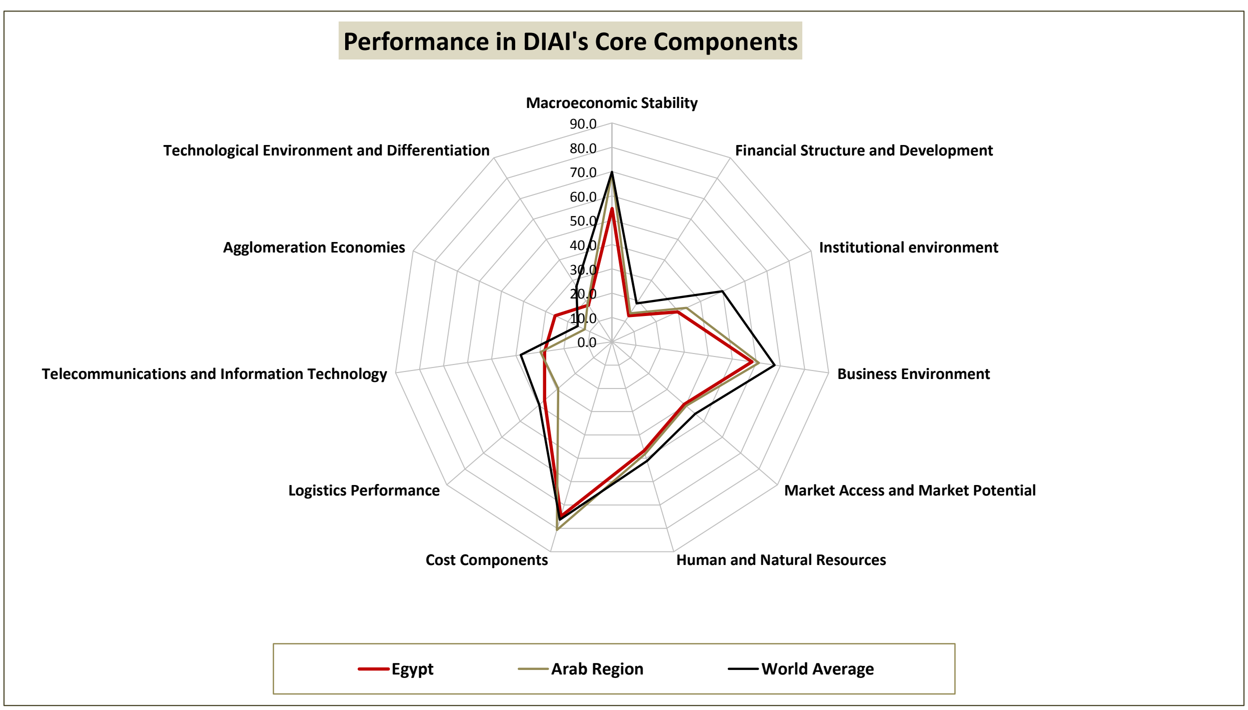
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	6,385.6	-482.7	6,881.0	5,553.0
Outward	USD million	1,175.5	625.5	211.1	301.0
FDI Stock					
Inward	USD million	73,094.6	72,611.9	75,410.0	85,046.0
Outward	USD million	5,448.4	6,073.9	6,285.0	6,586.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







The Republic of Iraq

			2012	2013
Capital: Baghdad				
Currency: Iraqi dinar (IQD)		**Exchange rate** *(LCU per USD):*	1166.002	1166.001

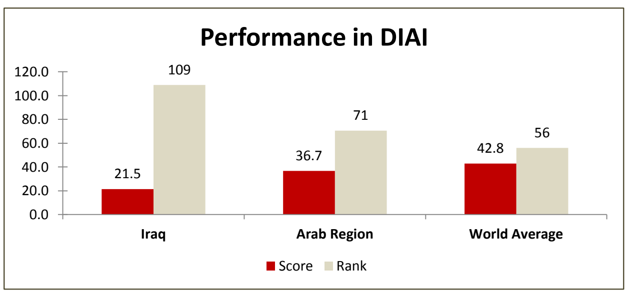
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	216.0	229.3	248.3	261.7
Real GDP Growth	%	10.3	4.2	5.9	6.7
GDP per Capita	USD	6,410.2	6,594.4	6,923.0	7,078.5
Inflation *(average consumer prices)*	%	6.1	1.9	1.9	3.0
General Government Total Expenditure and Net Lending *(% of GDP)*	%	43.3	49.1	45.1	42.8
Current Account Balance	USD billion	14.5	0.0	2.5	3.1
Current Account Balance *(% of GDP)*	%	6.7	0.0	1.0	1.2
Exports of Goods and Services	USD billion	97.0	92.6	102.4	107.5
Imports of Goods and Services	USD billion	78.4	87.4	95.4	101.2
Gross Official Reserves	USD billion	70.3	77.7	80.1	82.7
Total reserves in months of imports	Month	10.8	10.7	10.1	9.8
Total Gross External Debt *(% of GDP)*	%	27.9	26.1	10.7	9.3
Population	Million people	33.7	34.8	35.9	37.0
Unemployment *(% of total labor force)*	%	--	--	--	--

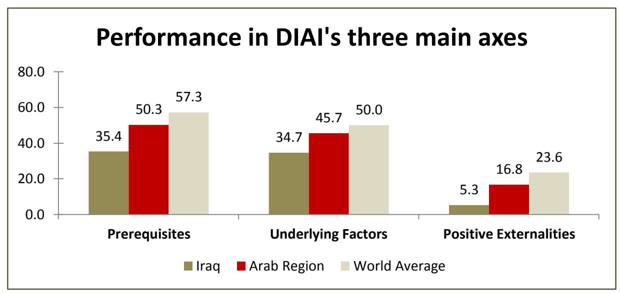
Source: International Monetary Fund (IMF)

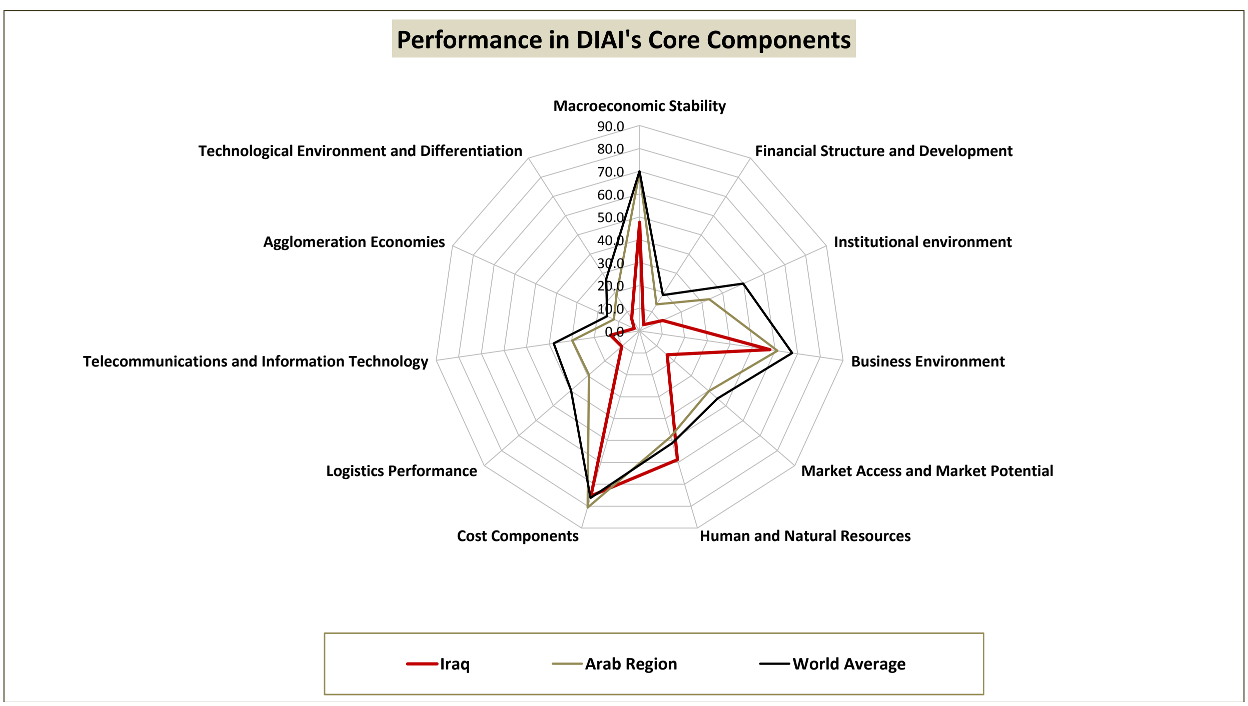
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	1,396.2	2,082.3	2,376.0	2,852.0
Outward	USD million	124.9	366.0	448.0	538.0
FDI Stock					
Inward	USD million	7,984.4	10,066.7	12,615.7	15,295.0
Outward	USD million	632.0	998.0	1,546.6	1,984.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







The Hashemite Kingdom of Jordan

Capital: Amman
Currency: Jordanian dinar (JOD)

Exchange rate (LCU per USD):	**2012**	**2013**
	0.709	0.709

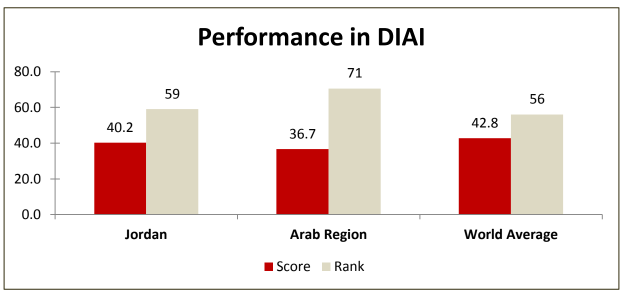
Basic Information:	**Unit**	**2012**	**2013**	**2014**	**2015**
Nominal GDP	USD billion	31.0	33.9	36.5	39.0
Real GDP Growth	%	2.7	3.3	3.5	4.0
GDP per Capita	USD	4,843.1	5,174.3	5,456.0	5,702.0
Inflation *(average consumer prices)*	%	4.6	5.5	3.0	2.4
General Government Total Expenditure and Net Lending *(% of GDP)*	%	31.2	30.6	31.8	31.7
Current Account Balance	USD billion	-5.6	-3.8	-4.7	-3.6
Current Account Balance *(% of GDP)*	%	-18.1	-11.1	-12.9	-9.3
Exports of Goods and Services	USD billion	13.8	11.6	12.2	12.9
Imports of Goods and Services	USD billion	23.1	21.5	21.6	21.3
Gross Official Reserves	USD billion	8.8	12.6	12.3	12.4
Total reserves in months of imports	Month	4.6	7.0	6.9	7.0
Total Gross External Debt *(% of GDP)*	%	23.6	24.5	26.0	25.2
Population	Million people	6.4	6.5	6.7	6.8
Unemployment *(% of total labor force)*	%	12.2	12.2	12.2	12.2

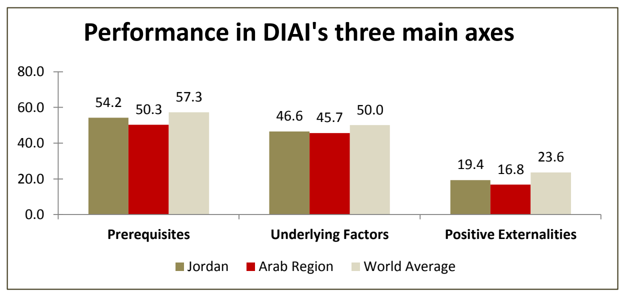
Source: International Monetary Fund (IMF)

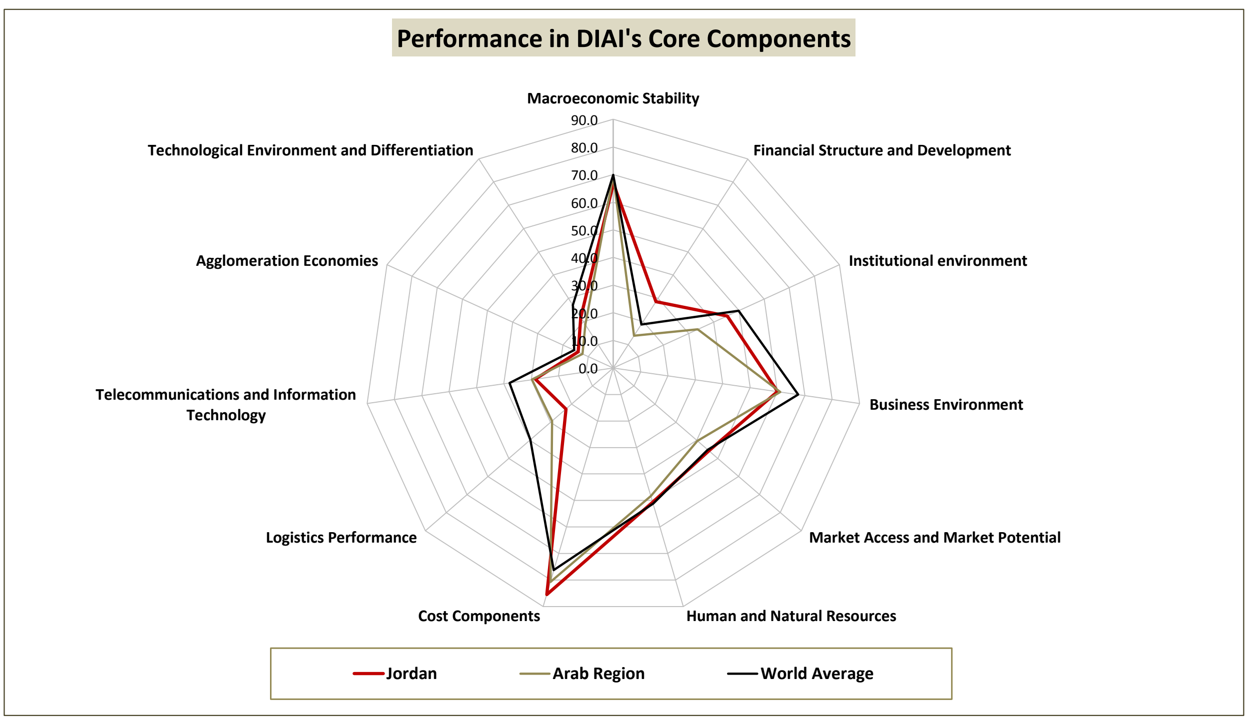
Foreign direct investment (FDI)	**Unit**	**2010**	**2011**	**2012**	**2013**
FDI Flow					
Inward	USD million	1,650.8	1,473.5	1,497.0	1,798.0
Outward	USD million	28.5	30.8	5.4	16.0
FDI Stock					
Inward	USD million	21,898.6	23,372.1	24,775.1	26,668.0
Outward	USD million	473.1	503.9	509.3	525.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







The State of Kuwait

Capital: Kuwait City
Currency: Kuwaiti dinar (KWD)

	2012	2013
Exchange rate *(LCU per USD):*	0.278	0.278

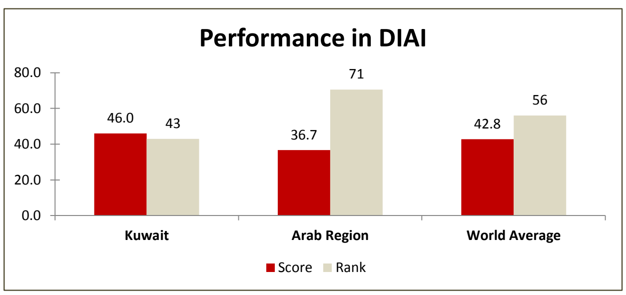
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	184.5	185.3	185.3	186.4
Real GDP Growth	%	6.2	0.8	2.6	3.0
GDP per Capita	USD	48,761.2	47,639.0	46,342.0	45,341.6
Inflation *(average consumer prices)*	%	3.2	2.7	3.4	4.0
General Government Total Expenditure and Net Lending *(% of GDP)*	%	36.0	40.5	43.4	45.1
Current Account Balance	USD billion	79.8	71.9	69.4	63.7
Current Account Balance *(% of GDP)*	%	43.2	38.8	37.4	34.2
Exports of Goods and Services	USD billion	130.2	125.3	121.3	117.4
Imports of Goods and Services	USD billion	42.3	44.8	48.0	51.8
Gross Official Reserves	USD billion	25.8	27.5	29.2	31.1
Total reserves in months of imports	Month	7.3	7.4	7.3	7.2
Total Gross External Debt *(% of GDP)*	%	20.3	20.3	20.4	20.5
Population	Million people	3.8	3.9	4.0	4.1
Unemployment *(% of total labor force)*	%	2.1	2.1	2.1	2.1

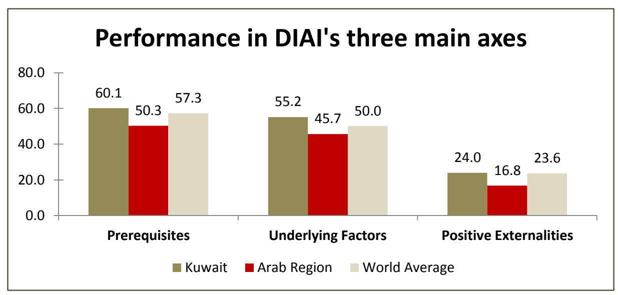
Source: International Monetary Fund (IMF)

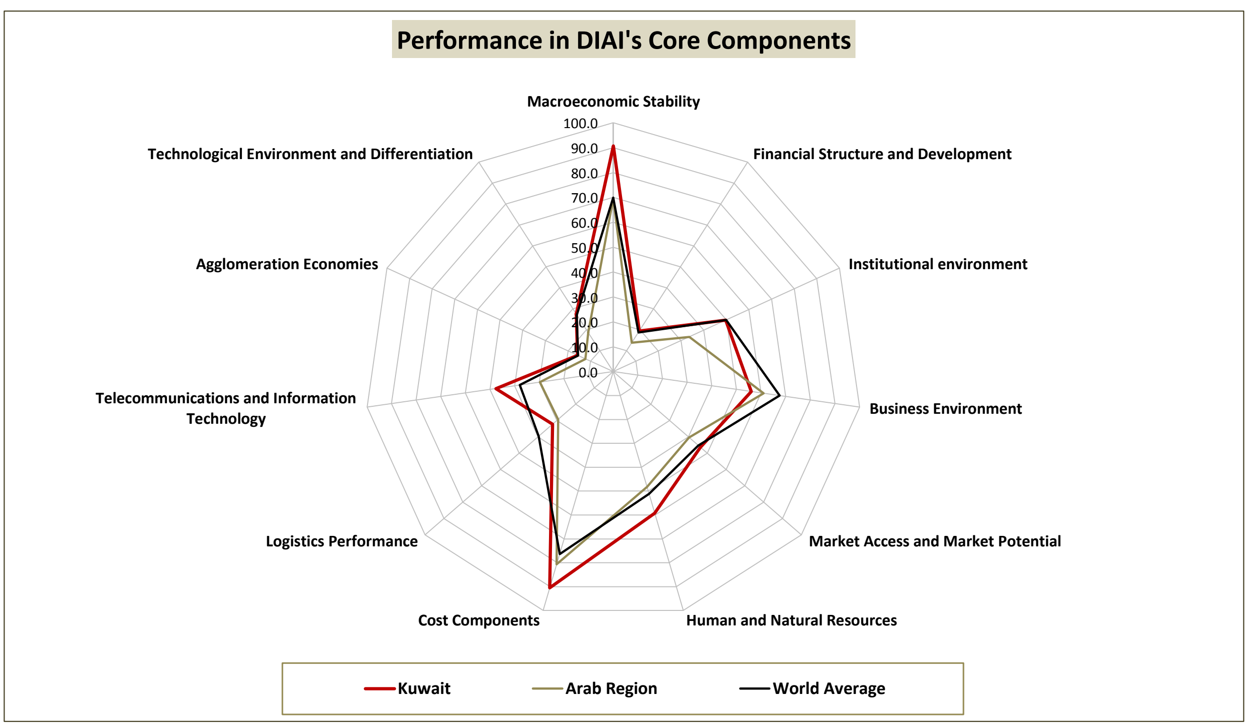
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	1,304.0	3,260.0	3,931.0	2,329.0
Outward	USD million	3,663.0	4,434.0	3,231.0	8,377.0
FDI Stock					
Inward	USD million	11,872.9	12,357.2	12,766.7	21,242.0
Outward	USD million	24,855.0	27,010.3	24,501.2	40,247.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







The Lebanese Republic

Capital: Beirut
Currency: Lebanese pound (LBP)

Exchange rate *(LCU per USD):*	2012	2013
	1507.512	1507.496

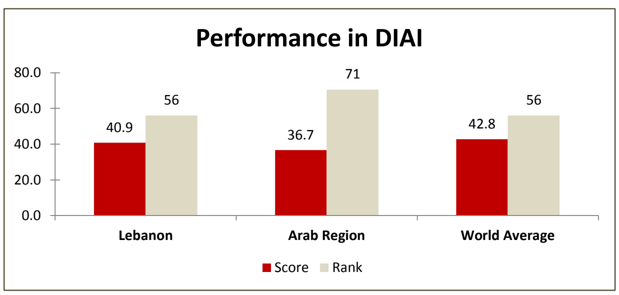
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	42.5	44.3	45.5	47.5
Real GDP Growth	%	1.5	1.0	1.0	2.5
GDP per Capita	USD	9,609.1	9,920.3	10,085.5	10,424.3
Inflation *(average consumer prices)*	%	5.9	3.2	2.0	2.0
General Government Total Expenditure and Net Lending *(% of GDP)*	%	31.3	30.7	32.9	33.8
Current Account Balance	USD billion	-6.7	-7.2	-7.2	-6.6
Current Account Balance *(% of GDP)*	%	-15.7	-16.2	-15.8	-13.9
Exports of Goods and Services	USD billion	25.5	26.0	26.9	28.2
Imports of Goods and Services	USD billion	33.3	34.1	35.2	36.1
Gross Official Reserves	USD billion	32.2	33.9	35.4	38.8
Total reserves in months of imports	Month	11.6	11.9	12.1	12.9
Total Gross External Debt *(% of GDP)*	%	170.0	176.7	179.6	179.1
Population	Million people	4.4	4.5	4.5	4.6
Unemployment *(% of total labor force)*	%	--	--	--	--

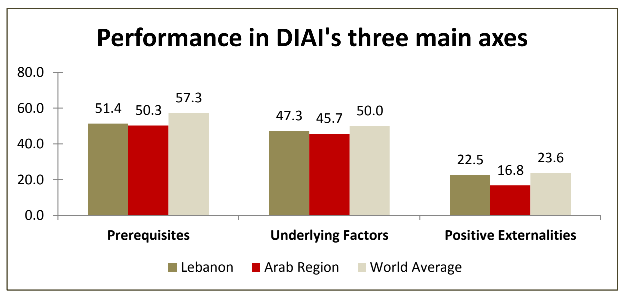
Source: International Monetary Fund (IMF)

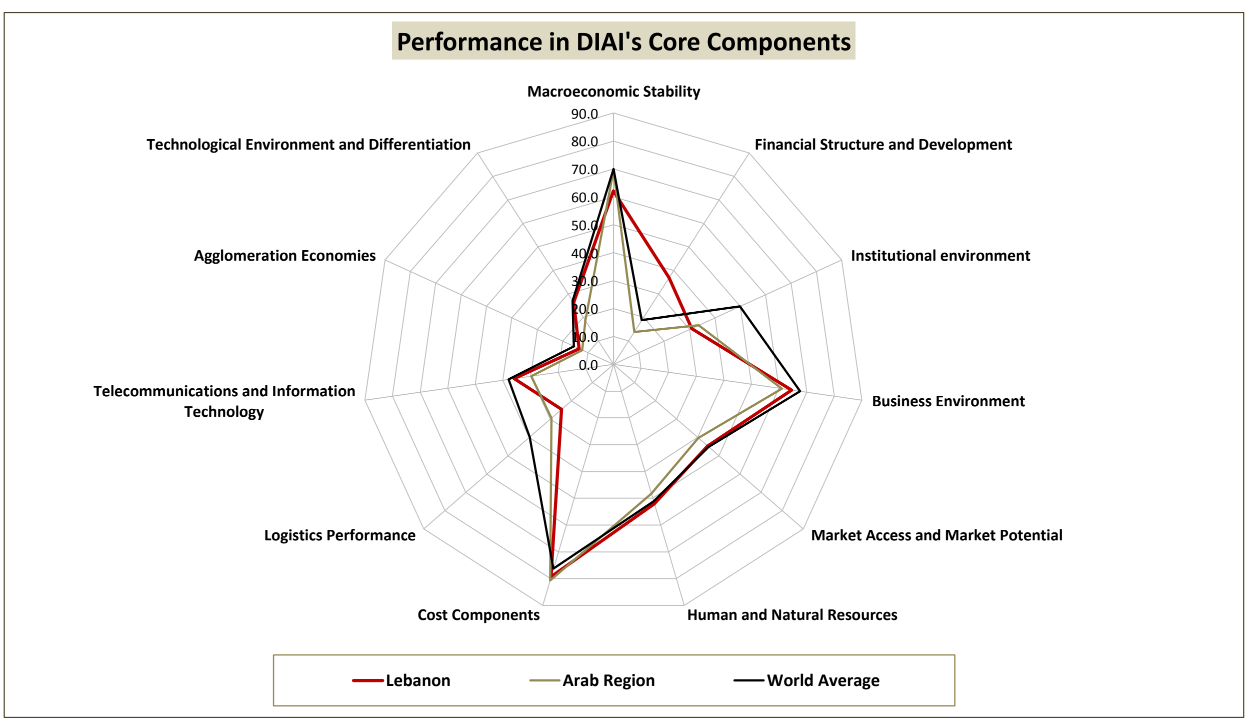
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	4,279.9	3,484.8	3,674.0	2,833.0
Outward	USD million	486.7	754.3	572.0	690.0
FDI Stock					
Inward	USD million	45,612.2	49,097.0	52,884.5	55,604.0
Outward	USD million	6,831.0	7,585.3	8,196.5	8,849.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014

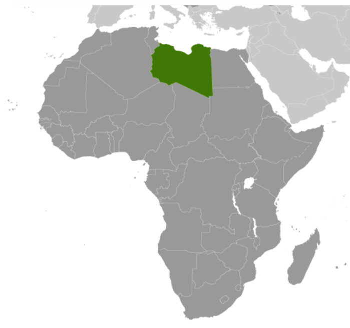






The State of Libya

Capital:	Tripoli		**2012**	**2013**
Currency:	Libyan dinar (LYD)	**Exchange rate** *(LCU per USD):*	1.262	1.271



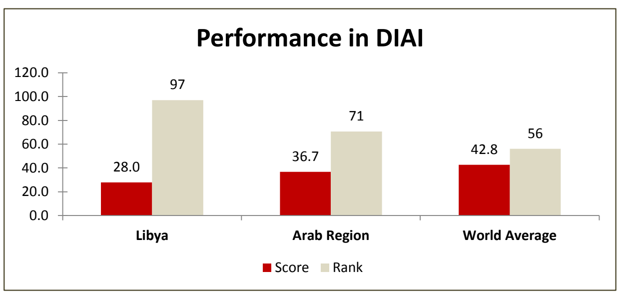
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	81.9	67.6	58.6	83.8
Real GDP Growth	%	104.5	-9.4	-7.8	29.8
GDP per Capita	USD	13,580.5	11,046.4	9,439.4	13,294.4
Inflation *(average consumer prices)*	%	6.1	2.6	4.8	6.3
General Government Total Expenditure and Net Lending *(% of GDP)*	%	45.7	63.6	73.2	63.5
Current Account Balance	USD billion	29.0	-1.9	-16.3	-14.0
Current Account Balance *(% of GDP)*	%	35.4	-2.8	-27.7	-16.7
Exports of Goods and Services	USD billion	62.7	37.5	20.8	32.7
Imports of Goods and Services	USD billion	32.6	39.0	37.4	46.0
Gross Official Reserves	USD billion	123.4	122.5	104.7	89.0
Total reserves in months of imports	Month	45.4	37.7	33.6	23.2
Total Gross External Debt *(% of GDP)*	%	6.8	8.2	9.5	6.6
Population	Million people	6.0	6.1	6.2	6.3
Unemployment *(% of total labor force)*	%	--	--	--	--

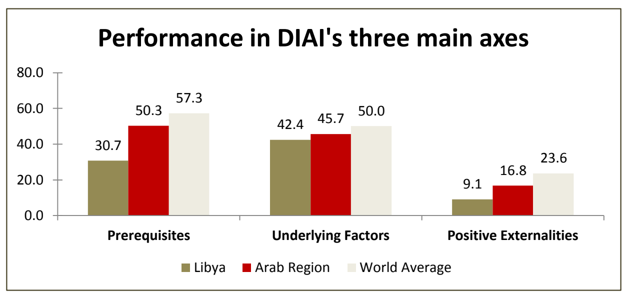
Source: International Monetary Fund (IMF)

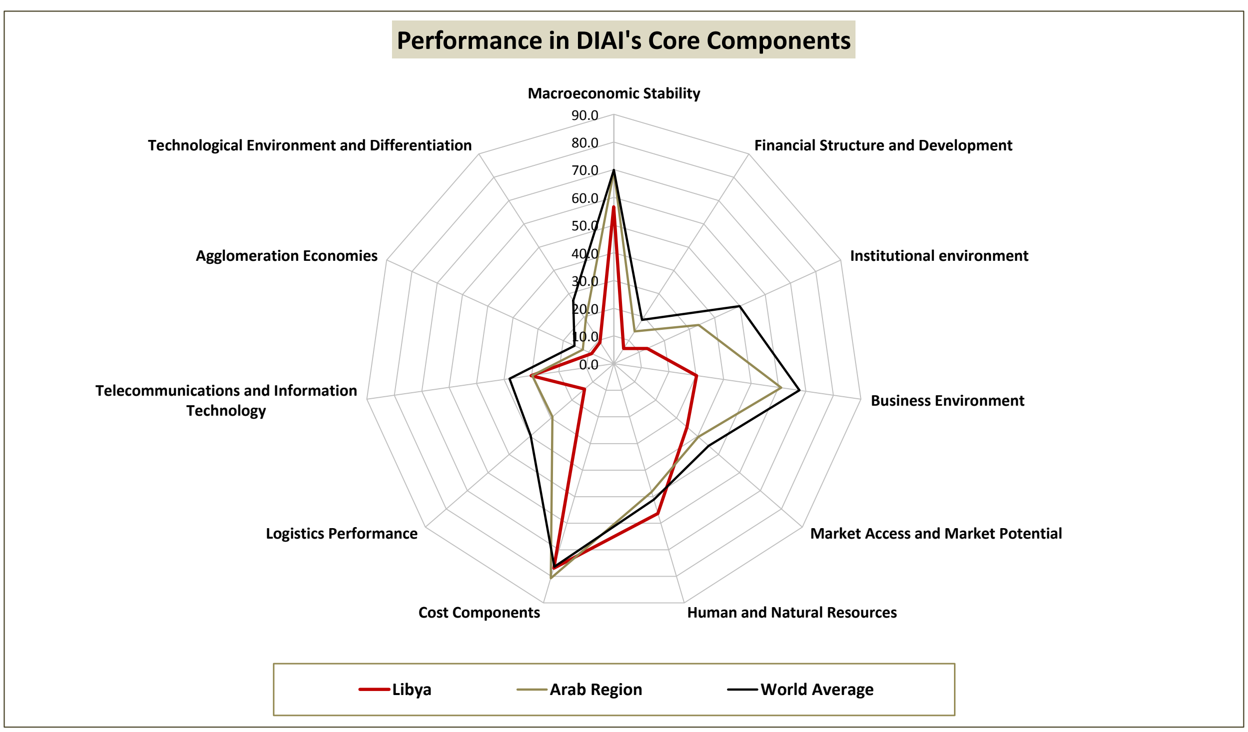
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	1,909.0	..	1,425.0	702.0
Outward	USD million	2,722.0	131.0	2,509.0	180.0
FDI Stock					
Inward	USD million	16,334.0	16,334.0	16,334.0	18,461.0
Outward	USD million	16,615.0	16,746.0	19,255.0	19,435.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014



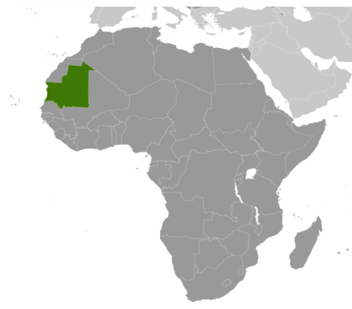




The Islamic Republic of Mauritania

Capital: Nouakchott
Currency: Mauritanian ouguiya (MRO)

Exchange rate *(LCU per USD):*	2012	2013
	296.523	298.804



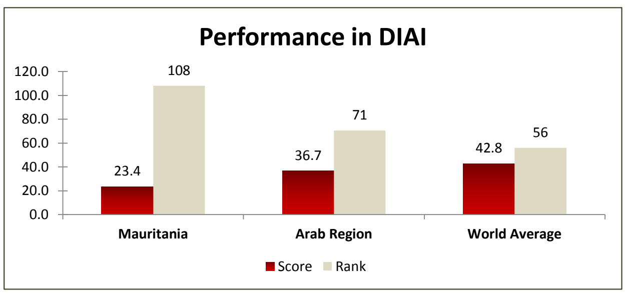
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	4.0	4.2	4.5	4.7
Real GDP Growth	%	7.0	6.7	6.8	6.5
GDP per Capita	USD	1,091.6	1,127.1	1,169.9	1,196.8
Inflation *(average consumer prices)*	%	4.9	4.1	4.7	5.2
General Government Total Expenditure and Net Lending *(% of GDP)*	%	36.6	34.9	34.1	33.7
Current Account Balance	USD billion	-1.3	-1.1	-1.2	-1.8
Current Account Balance *(% of GDP)*	%	-32.5	-25.8	-26.3	-38.0
Exports of Goods and Services	USD billion	2.8	2.8	2.9	2.9
Imports of Goods and Services	USD billion	4.2	3.9	4.0	4.6
Gross Official Reserves	USD billion	1.0	1.0	1.1	1.1
Total reserves in months of imports	Month	2.7	3.1	3.3	2.9
Total Gross External Debt *(% of GDP)*	%	106.7	108.7	86.1	84.4
Population	Million people	3.6	3.7	3.8	3.9
Unemployment *(% of total labor force)*	%	--	--	--	--

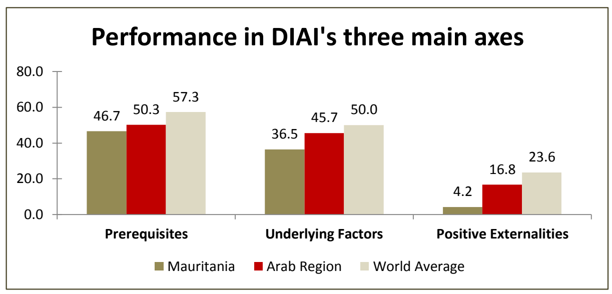
Source: International Monetary Fund (IMF)

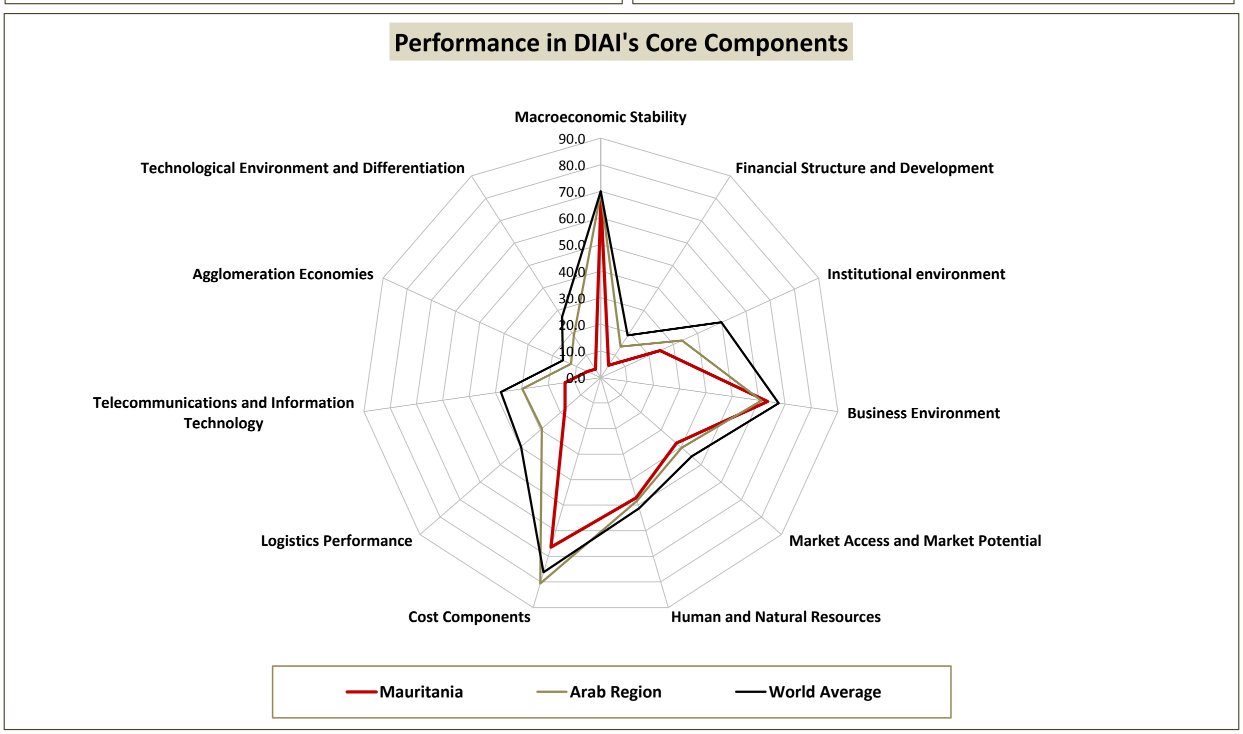
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	130.5	589.0	1,383.0	1,154.0
Outward	USD million	4.1	4.2	4.2	4.0
FDI Stock					
Inward	USD million	2,361.9	2,950.5	4,154.9	5,499.0
Outward	USD million	30.8	35.0	39.2	43.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014

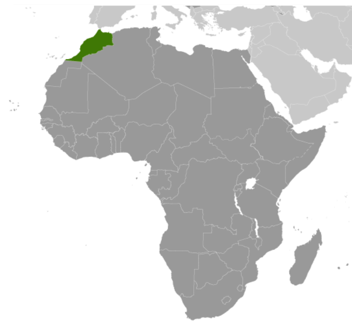






The Kingdom of Morocco

			2012	2013
Capital:	Rabat			
Currency:	Moroccan dirham (MAD)	**Exchange rate** *(LCU per USD):*	8.628	8.406



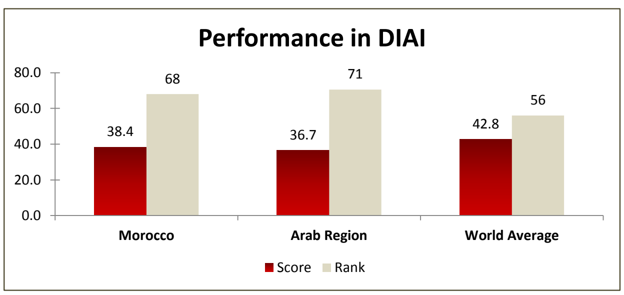
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	96.0	105.1	114.7	124.8
Real GDP Growth	%	2.7	4.5	3.9	4.9
GDP per Capita	USD	2,951.3	3,199.1	3,457.9	3,725.8
Inflation *(average consumer prices)*	%	1.3	1.9	2.5	2.5
General Government Total Expenditure and Net Lending *(% of GDP)*	%	36.1	33.4	32.4	32.4
Current Account Balance	USD billion	-9.3	-7.8	-7.6	-7.2
Current Account Balance *(% of GDP)*	%	-9.7	-7.4	-6.6	-5.8
Exports of Goods and Services	USD billion	34.6	36.1	39.0	41.5
Imports of Goods and Services	USD billion	49.4	50.5	53.9	56.3
Gross Official Reserves	USD billion	17.5	17.8	20.3	21.3
Total reserves in months of imports	Month	4.3	4.2	4.5	4.5
Total Gross External Debt *(% of GDP)*	%	29.8	30.9	31.5	31.6
Population	Million people	32.5	32.9	33.2	33.5
Unemployment *(% of total labor force)*	%	9.0	9.2	9.1	9.0

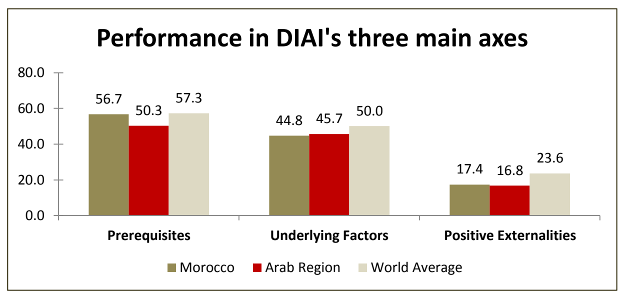
Source: International Monetary Fund (IMF)

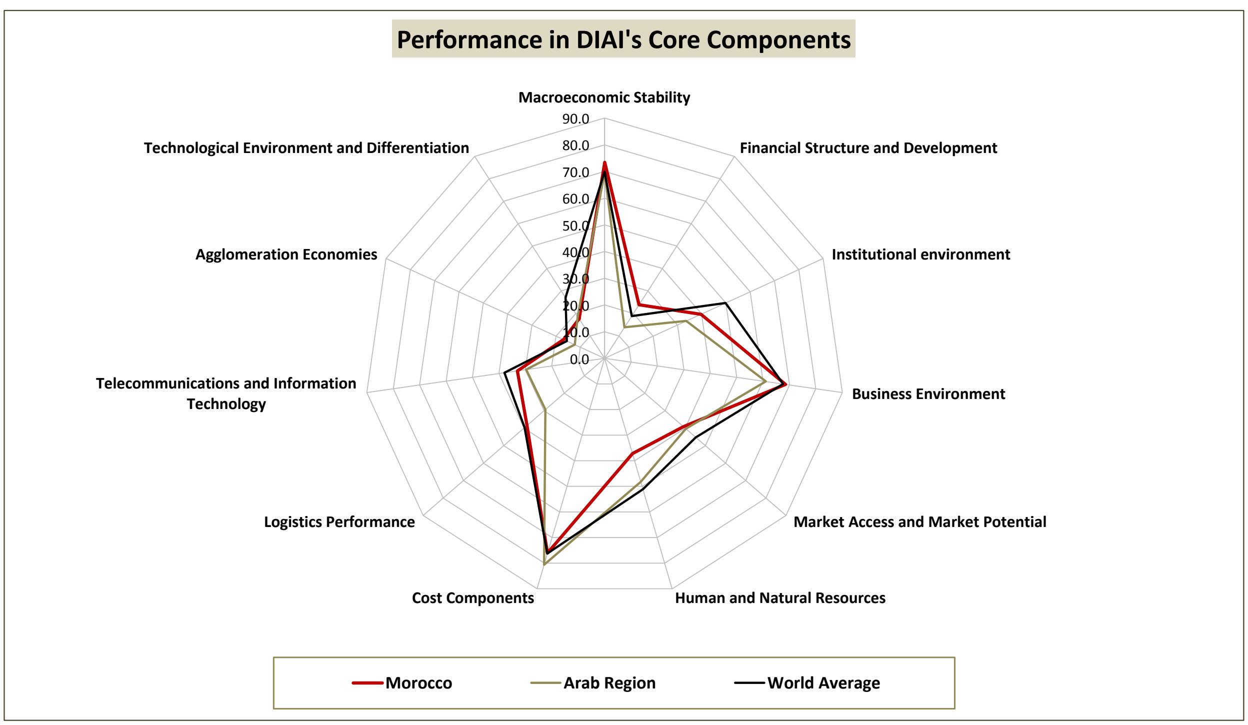
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	1,573.9	2,568.4	2,728.0	3,358.0
Outward	USD million	588.8	179.0	406.0	331.0
FDI Stock					
Inward	USD million	45,081.6	44,515.9	48,175.5	50,280.0
Outward	USD million	1,914.0	2,018.6	2,422.8	2,573.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014

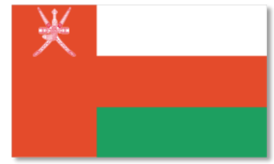






The Sultanate of Oman

			2012	2013
Capital:	Muscat			
Currency:	Omani rial (OMR)	**Exchange rate** *(LCU per USD):*	0.384	0.384



Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	78.3	80.6	82.3	83.4
Real GDP Growth	%	5.0	5.1	3.4	3.4
GDP per Capita	USD	25,356.1	25,288.7	25,014.3	24,560.6
Inflation *(average consumer prices)*	%	2.9	1.3	2.7	3.1
General Government Total Expenditure and Net Lending *(% of GDP)*	%	43.1	41.7	45.4	47.1
Current Account Balance	USD billion	9.1	7.8	6.4	2.0
Current Account Balance *(% of GDP)*	%	11.6	9.7	7.8	2.5
Exports of Goods and Services	USD billion	54.6	55.8	55.5	55.1
Imports of Goods and Services	USD billion	34.0	36.0	37.0	40.6
Gross Official Reserves	USD billion	14.3	16.6	18.7	20.4
Total reserves in months of imports	Month	5.1	5.5	6.1	6.0
Total Gross External Debt *(% of GDP)*	%	12.5	12.2	12.0	11.9
Population	Million people	3.1	3.2	3.3	3.4
Unemployment *(% of total labor force)*	%	--	--	--	--

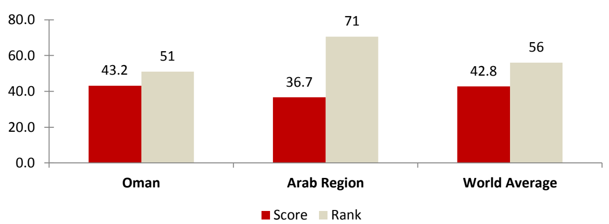
Source: International Monetary Fund (IMF)

Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	1,728.0	1,563.0	1,040.0	1,626.0
Outward	USD million	1,498.0	1,233.0	877.0	1,384.0
FDI Stock					
Inward	USD million	14,987.0	15,726.0	17,240.0	19,756.0
Outward	USD million	2,796.0	4,016.0	5,387.0	6,289.0

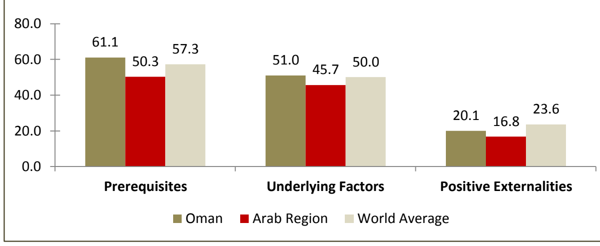
Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014

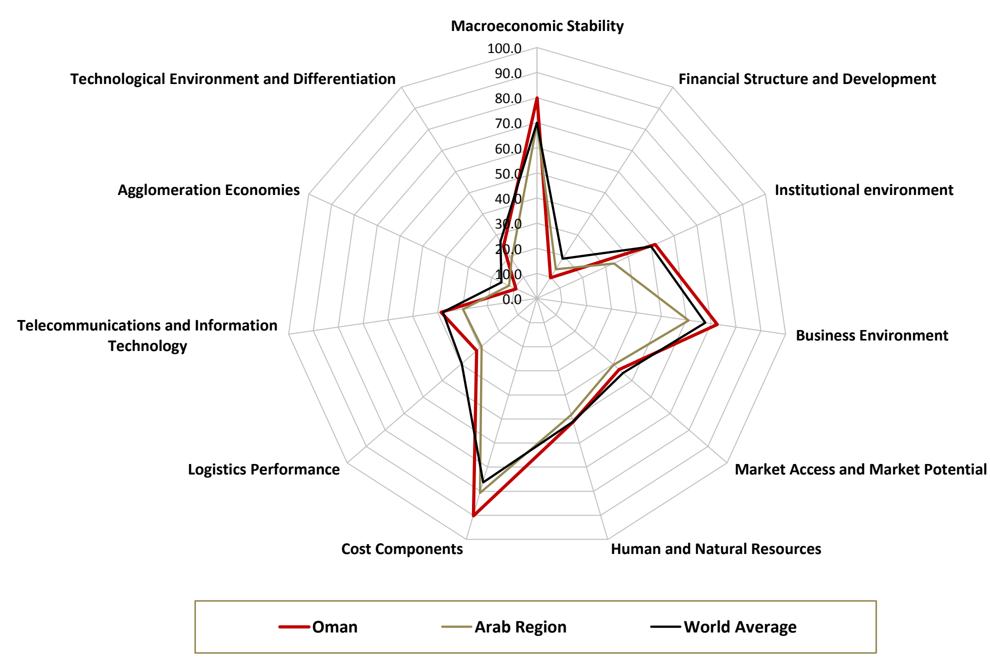
Performance in DIAI



Performance in DIAI's three main axes



Performance in DIAI's Core Components



The State of Qatar

Capital: Doha
Currency: Qatari riyal (QAR)

Exchange rate *(LCU per USD)*:	2012	2013
	3.640	3.640

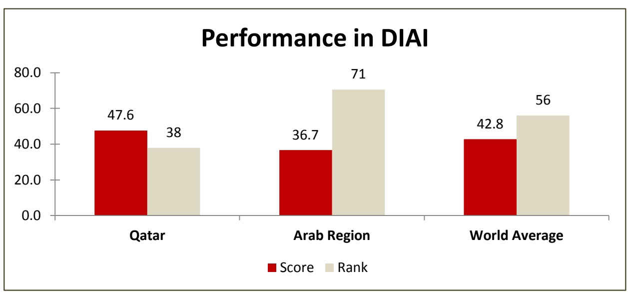
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	192.4	202.6	213.8	225.2
Real GDP Growth	%	6.2	6.1	5.9	7.1
GDP per Capita	USD	104,755.8	100,260.5	96,635.3	94,263.8
Inflation *(average consumer prices)*	%	1.9	3.1	3.6	3.5
General Government Total Expenditure and Net Lending *(% of GDP)*	%	30.6	30.4	31.2	30.9
Current Account Balance	USD billion	62.3	59.2	54.3	46.1
Current Account Balance *(% of GDP)*	%	32.4	29.2	25.4	20.5
Exports of Goods and Services	USD billion	143.6	150.3	148.5	143.6
Imports of Goods and Services	USD billion	54.7	59.6	63.1	67.0
Gross Official Reserves	USD billion	33.1	42.1	46.6	49.7
Total reserves in months of imports	Month	7.3	8.5	8.9	8.9
Total Gross External Debt *(% of GDP)*	%	83.9	82.7	75.6	69.8
Population	Million people	1.8	2.0	2.2	2.4
Unemployment *(% of total labor force)*	%	--	--	--	--

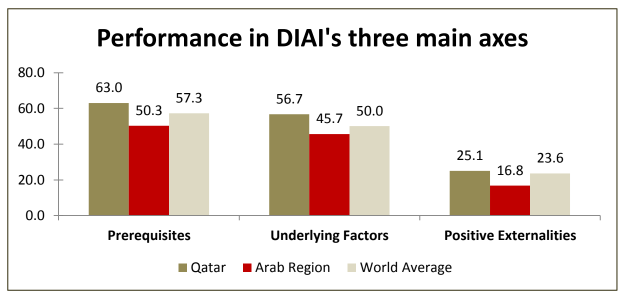
Source: International Monetary Fund (IMF)

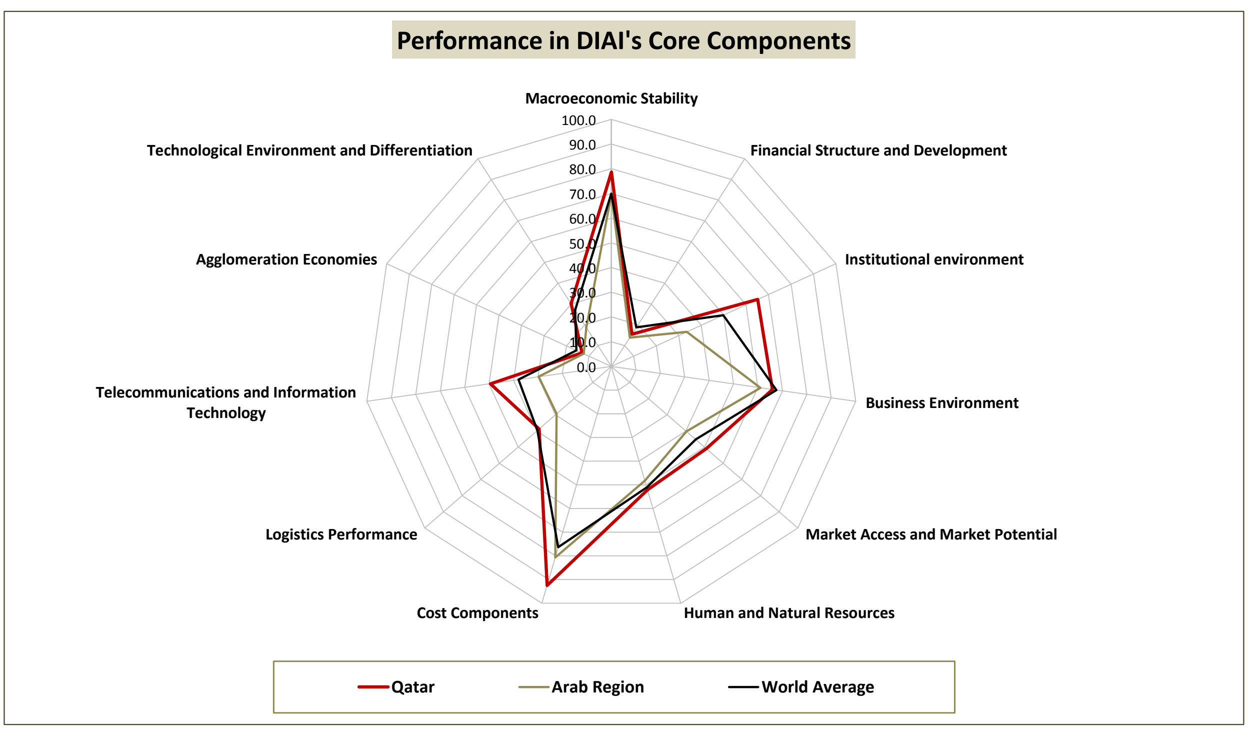
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	4,670.3	-86.8	326.9	-840.0
Outward	USD million	1,863.2	6,027.5	1,840.1	8,021.0
FDI Stock					
Inward	USD million	30,564.0	30,477.1	30,804.1	29,964.0
Outward	USD million	12,545.0	18,572.4	20,412.5	28,434.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







The Kingdom of Saudi Arabia

Capital: Riyadh
Currency: Saudi riyal (SAR)

Exchange rate *(LCU per USD):*	2012	2013
	3.750	3.750

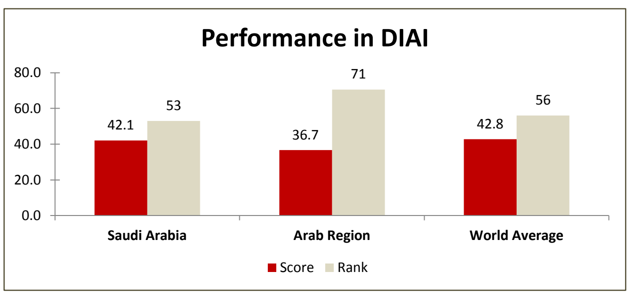
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	734.0	745.3	772.6	790.9
Real GDP Growth	%	5.8	3.8	4.1	4.2
GDP per Capita	USD	25,139.0	24,847.2	25,228.8	25,319.8
Inflation *(average consumer prices)*	%	2.9	3.5	3.0	3.2
General Government Total Expenditure and Net Lending *(% of GDP)*	%	35.7	36.1	35.5	36.2
Current Account Balance	USD billion	164.7	129.8	121.9	104.9
Current Account Balance *(% of GDP)*	%	22.4	17.4	15.8	13.3
Exports of Goods and Services	USD billion	399.4	378.5	378.8	368.0
Imports of Goods and Services	USD billion	215.2	224.3	233.1	244.3
Gross Official Reserves	USD billion	648.7	718.4	774.0	813.0
Total reserves in months of imports	Month	36.2	38.4	39.9	39.9
Total Gross External Debt *(% of GDP)*	%	12.0	12.0	11.8	11.8
Population	Million people	29.2	30.0	30.6	31.2
Unemployment *(% of total labor force)*	%	5.4	5.5	--	--

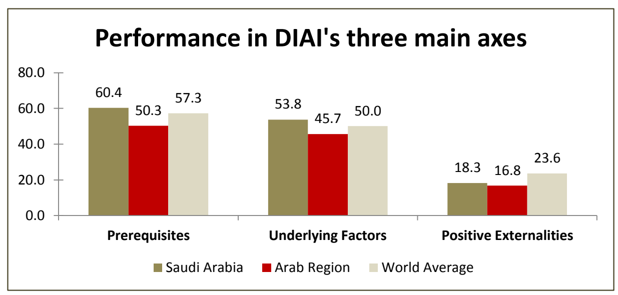
Source: International Monetary Fund (IMF)

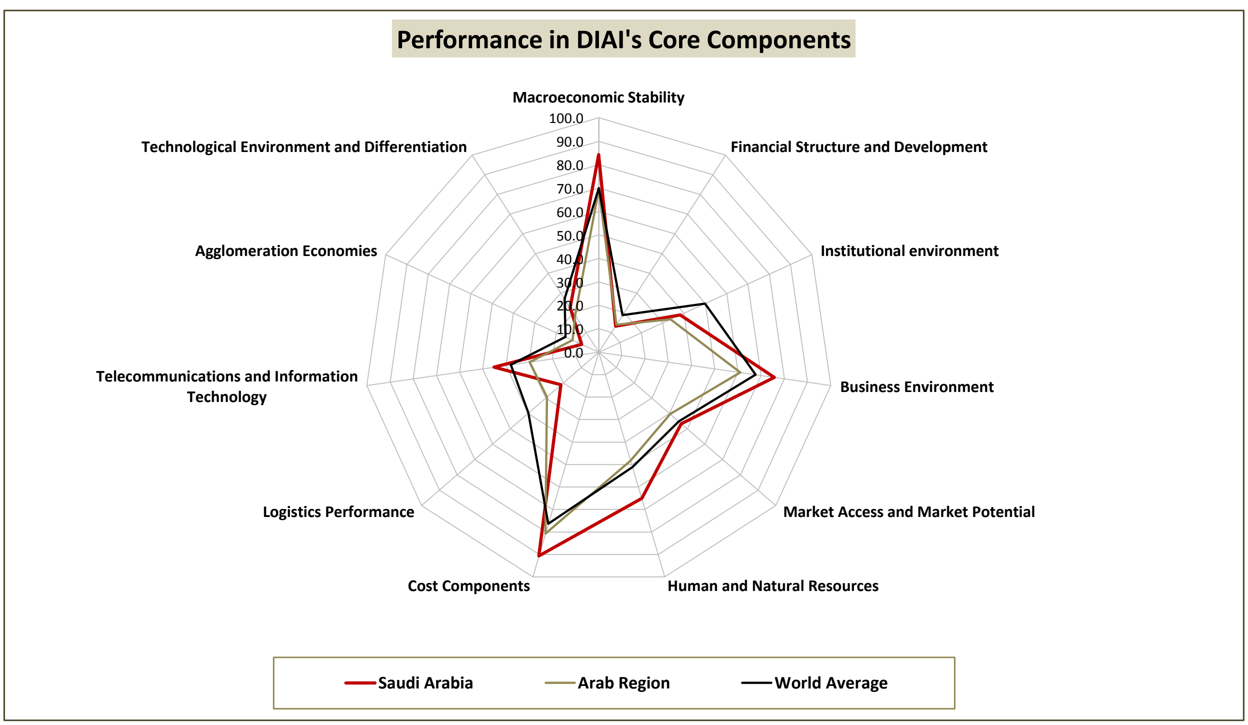
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	29,232.7	16,308.0	12,182.0	9,298.0
Outward	USD million	3,906.9	3,430.0	4,402.0	3,943.0
FDI Stock					
Inward	USD million	170,451.0	186,850.0	199,032.0	208,330.0
Outward	USD million	26,528.0	29,957.9	34,359.9	39,303.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







The Republic of the Sudan

			2012	2013
Capital: Khartoum				
Currency: Sudanese pound (SDG)	**Exchange rate** *(LCU per USD):*		3.573	4.505

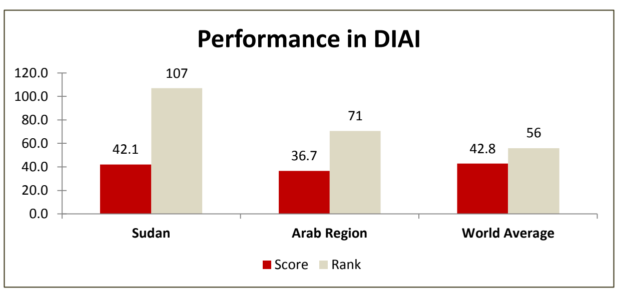
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	63.0	70.1	63.3	65.8
Real GDP Growth	%	-3.0	3.4	2.7	4.6
GDP per Capita	USD	1,880.9	2,039.6	1,793.9	1,818.1
Inflation *(average consumer prices)*	%	35.6	36.5	20.4	14.3
General Government Total Expenditure and Net Lending *(% of GDP)*	%	13.6	12.0	12.9	13.2
Current Account Balance	USD billion	-6.6	-7.4	-5.2	-4.7
Current Account Balance *(% of GDP)*	%	-10.4	-10.6	-8.2	-7.1
Exports of Goods and Services	USD billion	5.5	5.6	7.3	8.1
Imports of Goods and Services	USD billion	10.6	11.0	11.1	11.3
Gross Official Reserves	USD billion	1.7	1.6	1.9	2.3
Total reserves in months of imports	Month	1.9	1.8	2.1	2.4
Total Gross External Debt *(% of GDP)*	%	68.5	64.7	74.0	73.6
Population	Million people	33.5	34.4	35.3	36.2
Unemployment *(% of total labor force)*	%	10.8	9.6	8.4	8.0

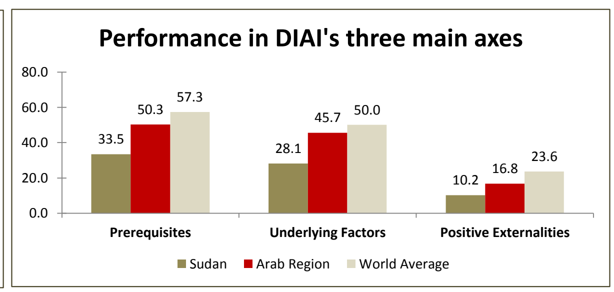
Source: International Monetary Fund (IMF)

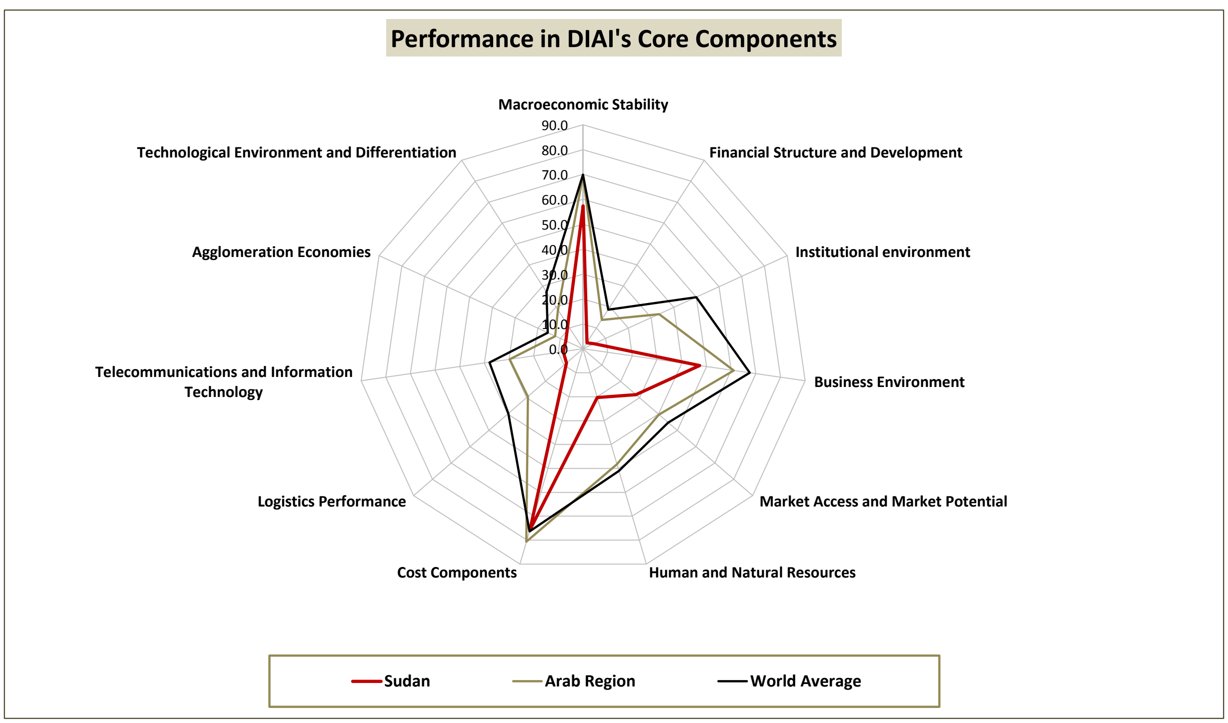
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	2,894.0	2,692.0	2,488.0	3,094.0
Outward	USD million	66.1	84.5	175.0	915.0
FDI Stock					
Inward	USD million	22,896.3	27,901.8	30,368.2	29,148.0
Outward	USD million	--	--	--	--

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







The Syrian Arab Republic

			2012	2013
Capital:	Damascus			
Currency:	Syrian pound (SYP)	**Exchange rate** *(LCU per USD):*	--	--

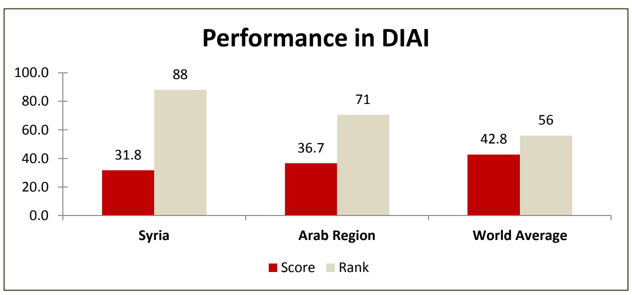
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	--	--	--	--
Real GDP Growth	%	--	--	--	--
GDP per Capita	USD	--	--	--	--
Inflation *(average consumer prices)*	%	--	--	--	--
General Government Total Expenditure and Net Lending *(% of GDP)*	%	--	--	--	--
Current Account Balance	USD billion	--	--	--	--
Current Account Balance *(% of GDP)*	%	--	--	--	--
Exports of Goods and Services	USD billion	--	--	--	
Imports of Goods and Services	USD billion	--	--	--	
Gross Official Reserves	USD billion	--	--	--	
Total reserves in months of imports	Month	--	--	--	
Total Gross External Debt *(% of GDP)*	%	--	--	--	
Population	Million people	--	--	--	--
Unemployment *(% of total labor force)*	%	--	--	--	--

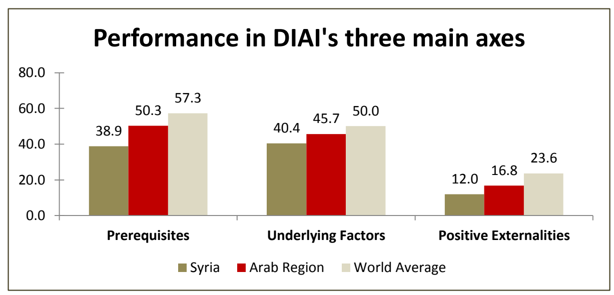
Source: International Monetary Fund (IMF)

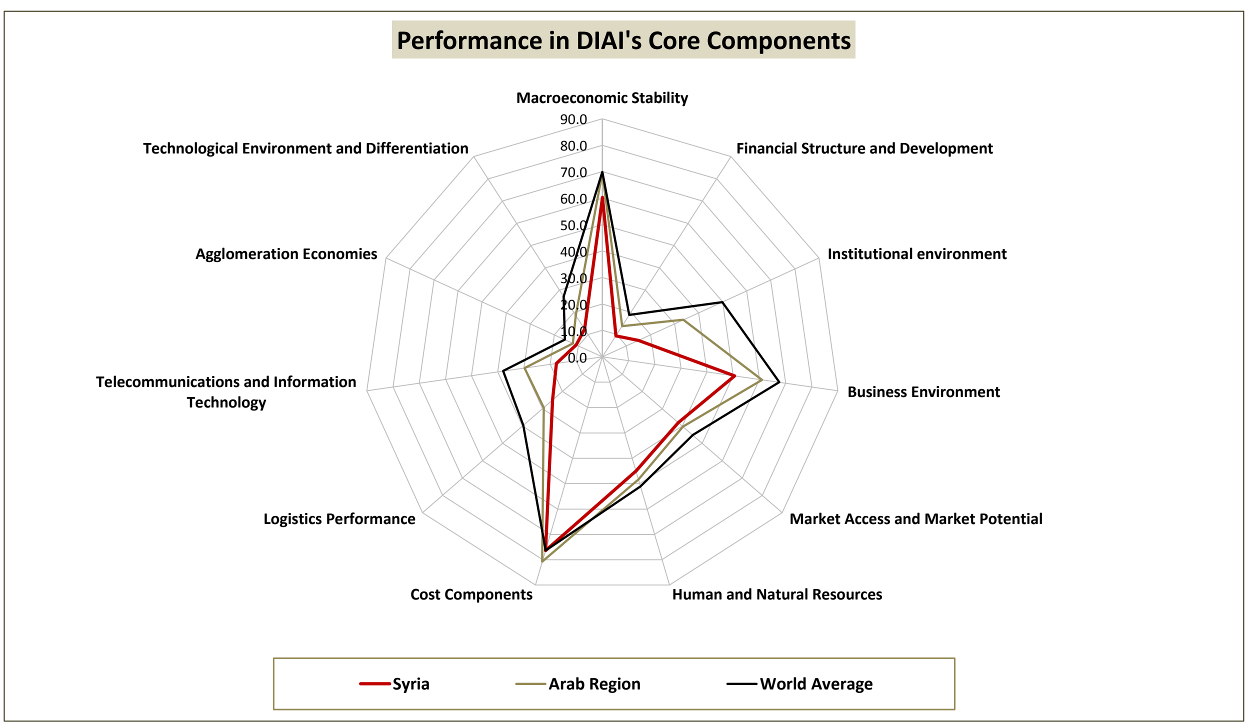
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	1,469.2	804.0	--	--
Outward	USD million	--	--	--	--
FDI Stock					
Inward	USD million	9,938.8	9,938.8	9,938.8	10,743.0
Outward	USD million	420.6	420.6	420.6	421.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







The Republic of Tunisia

Capital: Tunis
Currency: Tunisian dinar (TND)

Exchange rate *(LCU per USD):*	2012	2013
	1.562	1.625

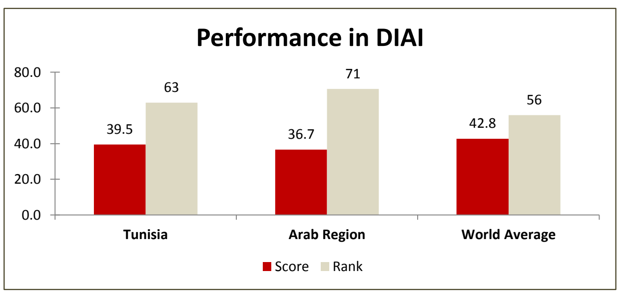
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	45.4	47.4	46.7	48.1
Real GDP Growth	%	3.6	2.7	3.0	4.5
GDP per Capita	USD	4,214.8	4,345.2	4,225.9	4,289.6
Inflation *(average consumer prices)*	%	5.6	6.1	5.5	5.0
General Government Total Expenditure and Net Lending *(% of GDP)*	%	35.7	36.1	34.9	33.9
Current Account Balance	USD billion	-3.7	-4.0	-3.1	-2.7
Current Account Balance *(% of GDP)*	%	-8.2	-8.4	-6.7	-5.7
Exports of Goods and Services	USD billion	22.2	22.1	22.3	23.6
Imports of Goods and Services	USD billion	26.4	26.3	26.1	27.2
Gross Official Reserves	USD billion	8.7	7.5	9.4	10.7
Total reserves in months of imports	Month	3.9	3.4	4.3	4.7
Total Gross External Debt *(% of GDP)*	%	53.6	52.0	59.1	61.8
Population	Million people	10.8	10.9	11.1	11.2
Unemployment *(% of total labor force)*	%	17.6	16.7	16.0	15.0

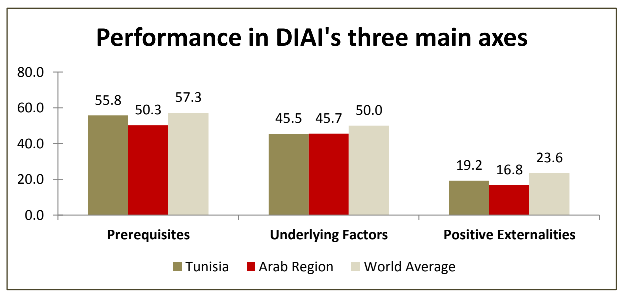
Source: International Monetary Fund (IMF)

Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	1,512.5	1,147.8	1,918.2	1,096.0
Outward	USD million	74.1	28.4	13.0	22.0
FDI Stock					
Inward	USD million	31,182.3	31,414.0	33,634.3	33,557.0
Outward	USD million	285.8	310.1	305.6	304.0

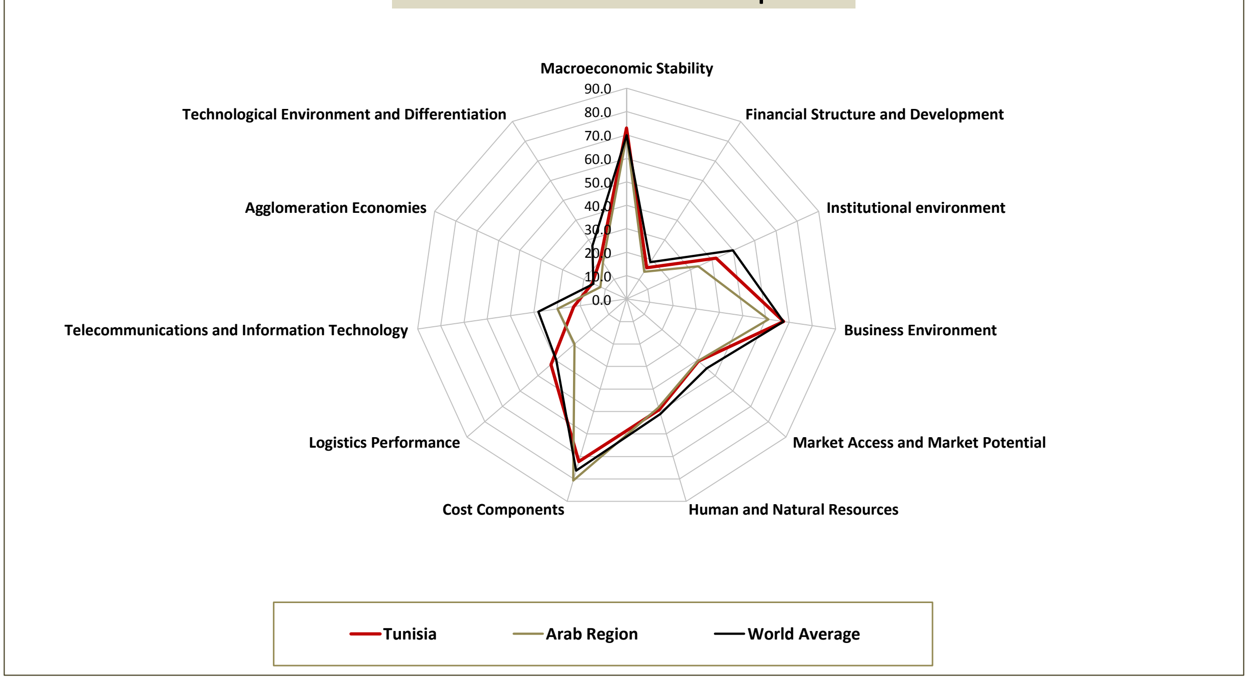
Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014





Performance in DIAI's Core Components



The United Arab Emirates

Capital: Abu Dhabi
Currency: UAE dirham (AED)

	2012	2013
Exchange rate *(LCU per USD):*	3.673	3.672

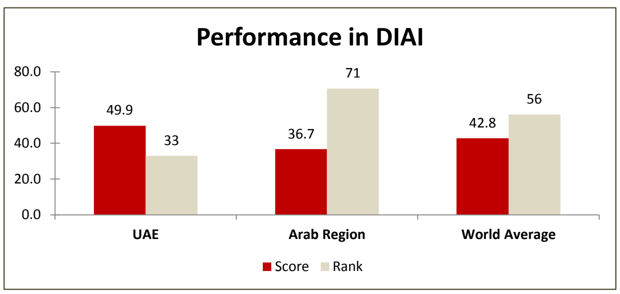
Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	383.8	396.2	412.4	430.0
Real GDP Growth	%	4.4	4.8	4.4	4.2
GDP per Capita	USD	43,773.8	43,875.9	44,330.5	44,884.6
Inflation *(average consumer prices)*	%	0.7	1.1	2.2	2.5
General Government Total Expenditure and Net Lending *(% of GDP)*	%	21.8	24.7	23.3	23.3
Current Account Balance	USD billion	66.6	59.1	55.0	53.3
Current Account Balance *(% of GDP)*	%	17.3	14.9	13.3	12.4
Exports of Goods and Services	USD billion	365.2	404.1	430.7	459.7
Imports of Goods and Services	USD billion	285.8	331.9	362.9	394.8
Gross Official Reserves	USD billion	47.1	71.8	84.1	100.7
Total reserves in months of imports	Month	2.0	2.6	2.8	3.1
Total Gross External Debt *(% of GDP)*	%	37.0	38.4	38.0	37.5
Population	Million people	8.8	9.0	9.3	9.6
Unemployment *(% of total labor force)*	%	--	--	--	--

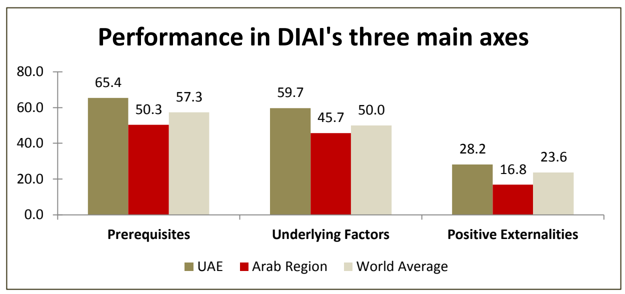
Source: International Monetary Fund (IMF)

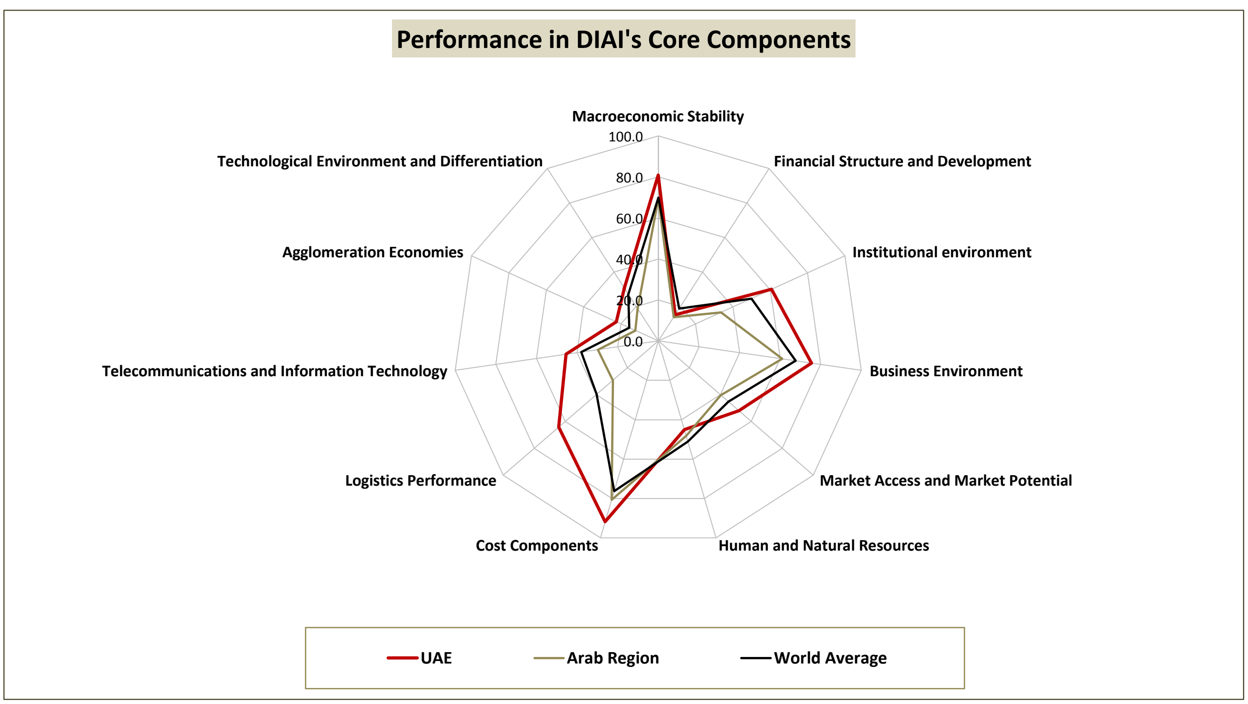
Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	5,500.0	7,679.0	9,602.0	10,488.0
Outward	USD million	2,015.0	2,178.0	2,536.0	2,905.0
FDI Stock					
Inward	USD million	77,726.5	85,405.5	95,008.0	105,496.0
Outward	USD million	55,559.9	57,737.9	60,274.0	63,179.0

Source: UNCTAD

Performance in Dhaman Investment Attractiveness Index (DIAI) 2014







The Republic of Yemen

Capital: Sana'a
Currency: Yemeni rial (YER)

Exchange rate *(LCU per USD):*	**2012**	**2013**
	214.304	214.890

Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	35.1	39.2	43.2	45.1
Real GDP Growth	%	2.4	4.4	5.1	4.4
GDP per Capita	USD	1,354.3	1,468.6	1,572.5	1,594.4
Inflation *(average consumer prices)*	%	9.9	11.1	10.4	9.8
General Government Total Expenditure and Net Lending *(% of GDP)*	%	36.6	31.7	31.8	31.1
Current Account Balance	USD billion	-0.4	-1.1	-0.7	-1.2
Current Account Balance *(% of GDP)*	%	-1.3	-2.7	-1.5	-2.7
Exports of Goods and Services	USD billion	8.7	9.4	11.0	11.4
Imports of Goods and Services	USD billion	12.5	11.9	12.6	13.3
Gross Official Reserves	USD billion	5.6	4.9	4.2	4.4
Total reserves in months of imports	Month	5.4	4.9	4.0	4.0
Total Gross External Debt *(% of GDP)*	%	17.8	15.9	15.0	15.3
Population	Million people	25.9	26.7	27.5	28.3
Unemployment *(% of total labor force)*	%	--	--	--	--

Source: International Monetary Fund (IMF)

Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	188.6	-518.4	-531.0	-134.0
Outward	USD million	70.3	76.6	71.1	73.0
FDI Stock					
Inward	USD million	4,857.6	4,339.1	4,688.0	3,675.0
Outward	USD million	512.7	589.3	660.3	733.0

Source: UNCTAD

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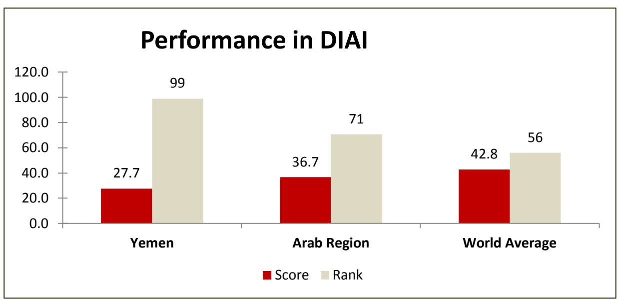
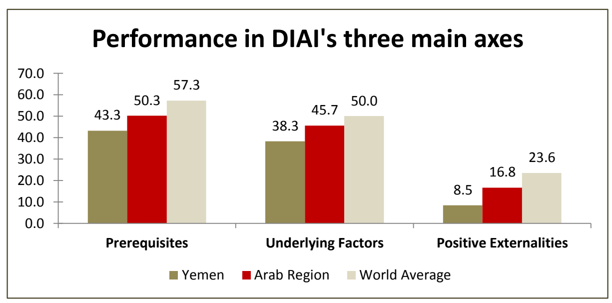
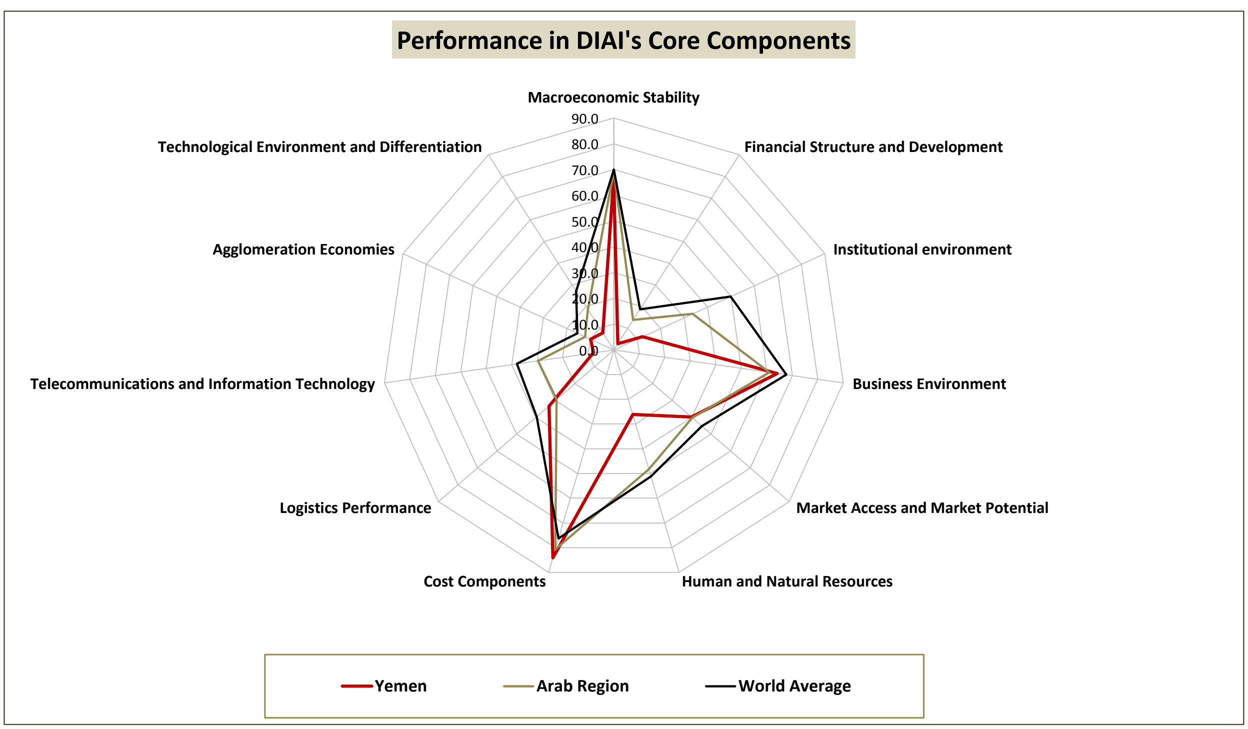


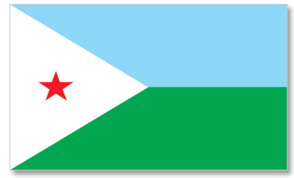




The Republic of Djibouti

Capital: Djibouti
Currency: Djiboutian franc (DJF)

Exchange rate *(LCU per USD):*	2012	2013
	177.673	177.743



Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	1.4	1.5	1.6	1.7
Real GDP Growth	%	4.8	5.0	6.0	6.5
GDP per Capita	USD	1,522.9	1,594.8	1,685.4	1,789.0
Inflation *(average consumer prices)*	%	3.7	2.5	2.5	2.5
General Government Total Expenditure and Net Lending *(% of GDP)*	%	37.2	38.0	35.3	34.9
Current Account Balance	USD billion	-0.2	-0.2	-0.3	-0.3
Current Account Balance *(% of GDP)*	%	-12.3	-13.2	-16.3	-17.5
Exports of Goods and Services	USD billion	0.5	0.5	0.6	0.6
Imports of Goods and Services	USD billion	0.7	0.8	0.9	1.0
Gross Official Reserves	USD billion	0.2	0.4	0.3	0.3
Total reserves in months of imports	Month	3.9	5.4	4.3	4.1
Total Gross External Debt *(% of GDP)*	%	49.1	52.4	45.7	45.5
Population	Million people	0.9	0.9	0.9	1.0
Unemployment *(% of total labor force)*	%	--	--	--	--

Source: International Monetary Fund (IMF)

Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	27.0	78.0	110.0	286.0
Outward	USD million	--	--	--	--
FDI Stock					
Inward	USD million	878.5	956.5	1,056.5	1,352.0
Outward	USD million	--	--	--	--

Source: UNCTAD

State of Palestine

Capital: Jerusalem

Currency: Palestine pound

(حاليا: دينار أردني، جنيه مصري، دولار أمريكي، شيكل إسرائيلي)

Exchange rate *(LCU per USD):*	**2012**	**2013**
	3.858	3.852

Basic Information:	**Unit**	**2012**	**2013**	**2014**	**2015**
Nominal GDP	USD billion	10.3	11.3	12.0	12.8
Real GDP Growth	%	5.9	1.5	2.5	2.7
GDP per Capita	USD	2,541.3	--	--	--
Inflation *(average consumer prices)*	%	2.8	1.7	2.2	2.7
General Government Total Expenditure and Net Lending *(% of GDP)*	%	36.7	34.4	34.5	34.1
Current Account Balance	USD billion	-3.0	-2.1	-2.6	-2.8
Current Account Balance *(% of GDP)*	%	-28.9	-18.4	-21.2	-21.8
Exports of Goods and Services	USD billion	1.7	2.1	2.2	2.3
Imports of Goods and Services	USD billion	6.5	6.6	7.2	7.5
Gross Official Reserves	USD billion	0.7	0.7	...	...
Total reserves in months of imports	Month	1.2	--	--	--
Total Gross External Debt *(% of GDP)*	%	11.0	...	...	...
Population	Million people	4.2	--	--	--
Unemployment *(% of total labor force)*	%	20.9	--	--	--

Source: International Monetary Fund (IMF)

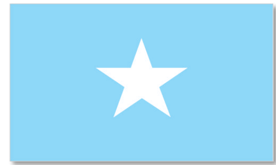
Foreign direct investment (FDI)	**Unit**	**2010**	**2011**	**2012**	**2013**
FDI Flow					
Inward	USD million	180.0	214.0	244.0	177.0
Outward	USD million	77.0	-37.0	-2.0	-9.0
FDI Stock					
Inward	USD million	566.2	780.2	1,024.2	2,750.0
Outward	USD million	--	--	--	181.0

Source: UNCTAD

The Federal Republic of Somalia

Capital: Mogadishu
Currency: Somali shilling (SOS)

Exchange rate *(LCU per USD):*	2012	2013
	27,000	1,600



Basic Information:	Unit	2012	2013	2014	2015
Nominal GDP	USD billion	--	--	--	--
Real GDP Growth	%	2.6	--	--	--
GDP per Capita	USD	--	--	--	--
Inflation *(average consumer prices)*	%	--	--	--	--
General Government Total Expenditure and Net Lending *(% of GDP)*	%	--	--	--	--
Current Account Balance	USD billion	--	--	--	--
Current Account Balance *(% of GDP)*	%	--	--	--	--
Exports of Goods and Services	USD billion	--	--	--	--
Imports of Goods and Services	USD billion	--	--	--	--
Gross Official Reserves	USD billion	--	--	--	--
Total reserves in months of imports	Month	--	--	--	--
Total Gross External Debt *(% of GDP)*	%	--	--	--	--
Population	Million people	--	--	--	--
Unemployment *(% of total labor force)*	%	--	--	--	--

Source: International Monetary Fund (IMF)

Foreign direct investment (FDI)	Unit	2010	2011	2012	2013
FDI Flow					
Inward	USD million	112.0	102.0	107.0	107.0
Outward	USD million	--	--	--	--
FDI Stock					
Inward	USD million	566.2	668.2	775.2	883.0
Outward	USD million	--	--	--	--

Source: UNCTAD

Appendix

Index Calculation Methodology

Drawing out the main conclusions from the theoretical and empirical literature, the aim of the index is to provide an explanation of why some countries are more attractive for foreign investors than others and what underlies the relative attractiveness failure of some countries. Therefore, a composite index that adequately describes a host country's attraction for FDI is constructed. This index considers all identified foremost, measurable and comparable aspects that affect FDI decision. It ranks a set of 111 countries, representing 92% and 95% of the world inward FDI flows and stocks respectively, according to their attractiveness for receiving inward FDI. It is structured so as to provide the possibility of conducting detailed strength and weakness analyses for countries in general and Arab countries in particular. Indeed, 18 Arab countries are part of the sample representing more than 95% and 98% of the total inward FDI flows and stocks into the Arab region respectively.

The data series selection process does not depend only on the question of what is necessary and most adequate to assess FDI attractiveness, data availability is also considered as a constraint in order to maximize our country sample. 60 different indicators are detected as adequate proxies for the FDI key drivers categorized according to three major axes or pillars:

- Prerequisites or initial conditions: including 23 different sub-indicators covering macroeconomic stability, financial structure and development, public governance and business environment;

- Underlying factors or factors motivating FDI: 27 factors are detected as adequate proxies to explore the FDI key decisions of MultiNational Enterprises (MNEs) and covering the following considerations: market access and market potential, human and natural resources, cost components and physical infrastructures.

- Differentiation and Agglomeration economies: The term agglomeration economies' is used in urban economics to describe the benefits that firms obtain when locating near each other. This concept relates to the idea of economies of scale and network effects. These effects are considered by detecting 10 different factors as proxies to the differentiation and agglomeration economies affects.

Normalization and Consistency Analysis

Normalization

In order to make the cross-sectional data series comparable and to realize index aggregation, the raw data has to be converted into a common range. The rescaling method is used to normalize sub-indicators to such a range by the following linear transformation:

- if the concerned sub-indicator influence positively the attractiveness for investors:

$$y_{c,i} = 99 \times \left[\frac{x_{c,i} - min(x_c)}{max(x_c) - min(x_c)}\right] + 1$$

- if the concerned sub-indicator influence negatively the attractiveness for investors:

$$y_{c,i} = 99 \times \left[\frac{max(x_c) - x_{c,i}}{max(x_c) - min(x_c)}\right] + 1$$

$y_{c,i}$: normalized value of category *c* and country *i*
$x_{c,i}$: raw data value of category *c* and country *i*
$min(x_c)$: minimum raw data value of category *c* within the sample
$max(x_c)$: maximum raw data value of category *c* within the sample

For every individual sub-indicator, 100 represents the best score and 1 represents the worst.

Consistency Analysis

High quality tests are important to evaluate the reliability of data supplied in a research study as a first step of consistency analysis of the indices prior to computing composite variables and fitting explanatory models. Cronbach's alpha is a commonly employed statistic used to determine the internal consistency, so the considered statistic increases as the inter-correlations among a set of sub-indicators included in the analysis increase. A high Cronbach's alpha (greater or equal to the acceptable threshold value 0.7) is an indication that the considered set of indices proxy the desired key variable well.

The other two measures commonly used for consistency purpose are related to factor analyses or data reduction and summarization: the Haiser-Meyer-Olkin measure of sampling adequacy (MSA), based on the partial correlations among the input variables, and the Bartlett's test of sphericity used to test the hypothesis that the correlation matrix is an identity matrix (the indices are correlated in the population). The first measure should be greater or equal to 0.5 to proceed with factor analysis, and the test value of the second measure should be below the 0.05 significance level.

Table 1: Consistency analyses results

Key Drivers	Cronbach's Alpha	Kaiser-Meyer-Olkin Measure (MSA)	Bartlett's Test
1. Uncertainty and Macroeconomic Stability	0.617	0.613	0.000
2. Financial Structure and Development	0.345	0.668	0.000
3. Public Governance	0.832	0.909	0.000
4. Business Environment	0.970	0.619	0.000
5. Market Access, Size and Potential	0.661	0.724	0.000
6. Human and Natural Resources	0.692	0.679	0.000
7. Cost Components	0.609	0.548	0.000
8. Logistics Performance	0.933	0.922	0.000
9. Telecommunication and ICT	0.896	0.760	0.000
10. Presence of Multinationals and BITs	0.653	0.407	0.000
11. Innovation and Differentiation	0.861	0.777	0.000

The reliability test statistics for the sub-indicators used to assemble the ten key drivers are all above the Nunally's cut-off value of 0.7 except the two key drivers Financial Structure/Development and Cost Components. In addition to the limited number of sub-indicators available for the concerned key drivers, detailed analyses of the inter-item correlation matrix reveal relatively low correlations between the items. It's well known that a decrease in the number of indicators and a low average inter-item correlation are associated with a decrease in α. Furthermore, good values for all key drivers for the MSA and Bartlett's Test are obtained (MSA values greater than 0.5 and p-values for Bartlett's Test less than 0.05). Accordingly, from the above results it's possible to perform a valid factor analysis.

Weighting and Aggregation

Weighting

After calculating the performance scores for each sub-items on the lowest level, and before the aggregation can be conducted, the weightings of the index items have to be determined. Two schemes are followed:

1. On the lowest level: index items are aggregated with equal weights, i.e. the weights are derived from the number of components that are aggregated. At the key drivers level (11 key drivers), weights are attributed according to the number of items and so are the weights attributed to the three axes;

2. Equal weights are used at the lowest level: key drivers are aggregated with weights attributed according to the number of items and finally weights determined by factor analyses are used on the level of the three axes.

When using factor analysis, each component is assigned a weight according to its contribution to the total variance in the data to insure that the resulting summary indicators account for a large part of the cross-country variance of the considered sub-indicators.

Cronbach's α over the considered three axes is 0.91 and consequently underlines the quality of data selection for all the countries. The MSA value is 0.708 and Bartlett's Test of sphericity is significant at 0.000. Table 2 presents the results of the Principal Component Analysis (PCA). One single component is extracted (only one eigenvalue greater than 1) representing more than 89% of the total variance of the considered indicators.

Table 2: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.677	89.241	89.241	2.677	89.241	89.241
2	.227	7.561	96.802			
3	.096	3.198	100.000			

Extraction Method: Principal Component Analysis.

The high Cronbach's α and MSA value, and extracting only one factor explaining such a large part of the data variance, mean that the key axes are adequate joint proxies for a single latent factor. They are unidimensional and express only one characteristic. This is an indication of an appropriate choice of key drivers to assess FDI attractiveness for the considered countries. The FDI attractiveness is excellently measured by using the three criteria - prerequisites, underlying factors and agglomeration-differentiation factors- as proxies.

The PCA analysis also generates the communalities or the total influence on a single observed item from all the factors associated with it (in this case only one factor is generated). It's equal to the squared factor loading related to the observed indicator and is the same as R^2 in multiple regression. These communalities, described in Table 3, are used to calculate the weights for the three key drivers (the square of the factor loading represents the proportion of the variance of the indicator explained by the factors):

Table 3: Weights for the three key axes

	Component	Communalities	Weight
1. Prerequisites Factors	0.940	0.884	0.330
2. Underlying Factors	0.967	0.935	0.349
3. Agglomeration-Differentiation Factors	0.927	0.859	0.321

The results exposed in Table 4 illustrate that the underlying factors receive the highest weight and constitutes the strongest determinant of FDI activity followed by the prerequisites factors. They also show a small difference with respect to an equal weighting scheme (0.333 for each key driver).

Aggregation

Additive methods, geometric aggregation and non-compensatory multi-criteria analysis constitute the main three classes of aggregation methods. We focus on the linear and geometric methods as the most adequate for the purpose of FDI attractiveness analysis.

Linear aggregation assigns base indicators proportionally to the weights. It's useful when all sub-indicators have the same measurement unit, which is our case:

$$Index\ Value_i = \sum_{q=1}^{Q} w_q y_{q,i}, \text{ where } 0 \leq w_q \leq 1 \text{ and } \sum_q w_q = 1$$

Index value$_i$: index value of country i

$y_{q,i}$: normalized value of category q and country i

w_q : weight of category q

However, geometric aggregation rewards those countries or those sub-indicators with higher scores. A shortcoming in the value of one indicator can be compensated by a surplus in another. Compensability is constant in linear aggregation, while it is smaller in geometric aggregation for the sub-indicators with low values. It means that countries with low scores in some sub-indicators would benefit from linear aggregation:

$$Index\ Value_i = \prod_{q=1}^{Q} y_{q,i}^{w_q}, \text{ where } 0 \leq w_q \leq 1 \text{ and } \sum_q w_q = 1$$

Statistical Validation of the Results

This section compares the explanatory power of all the combinations presented in the previous section. By explanatory power we mean the strength and directionality of the linear relation between the proposed FDI attractiveness index and the actual FDI activity in the particular countries measured either by inward FDI flows or stocks. The Pearson correlations for each index calculation method are presented in Table 4:

Table 4: Pearson Correlations with Inward FDI Stocks

Index Calculation Method	Correlation with Log FDI Inward Stocks (Two-tailed significance level)
Method 1: Proportional weight and geometric aggregation	**0.776 (0.000)**
Method 2: Equal weight and geometric aggregation	0.747 (0.000)
Method 3: Equal weight and arithmetic aggregation	0.747 (0.000)

Considering these findings, the most adequate method for measuring the attractiveness of a country for FDI activity is method 1.

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