The 3rd Annual Arab Economic Freedom Report 2007

In Recognition of The Economic Freedom Which Builds Nations

CONTENTS

Contains...

This section presents detailed economic freedom scores for all components used in constructing the index for the 22 countries of the League of Arab States. An overall score was computed for 12 of the nations included in Economic Freedom of the Arab World; an overall score could not be computed for the remaining 10 due to a lack of data. For all countries, we present area scores as well as scores for each component, where data were available. All the scores in the index are values out of 10: 10 is the highest possible score and zero (0) is the lowest. A higher score indicates a greater degree of economic freedom.

A more complete description of each component, including the methodology used to calculate the scores, can be found in the Appendix B: Explanatory Notes and Data Sources

Data Available to Researchers

e full data-set, including all of the scores published in this report as well as data on which these scores were based, can be freely downloaded at http://www.freetheworld.com. If you have any di culties downloading the data, please feel free to contact us via e-mail to **freetheworld@fraserinstitute.ca** or via telephone at +1.604.714.4563.

Acknowledgments

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is is the fourth report on economic freedom in the Arab World. e first was published by the same authors in the Arab World Competitiveness Report 2005 (Lopez-Claros and Schwab, 2005). e second edition was published by the International Research Foundation (IRF) of Oman and e Fraser Institute, as have all subsequent editions. is edition adds a new year of data, 2005, the most recent year for which data are available. e Economic Freedom of the Arab World: Annual Report and Index is modeled on the annual reports in the series, Economic Freedom of the World (Gwartney and Lawson, various years). [2]

The classical definition of economic freedom is:

> Individuals have economic freedom when (a) property they acquire without the use of force, fraud, or theft is protected from physical invasions by others and (b) they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others. us, an index of economic freedom should measure the extent to which rightly acquired property is protected and individuals are engaged in voluntary transactions. (Gwartney, Lawson, and Block, 1996: 12)

e mechanics of economic freedom are easy to understand. Any transaction freely entered into must benefit both parties. Any transaction that does not benefit both parties would be rejected by the party that would come up short. is has consequences throughout the economy. Consumers who are free to choose will only be attracted by superior quality and price. A producer must constantly improve the price and quality of existing products or invent new products. Without this, customers will not freely enter into transactions with the producer. Many billions of mutually beneficial transactions occur every day, powering the dynamic that spurs increased productivity and wealth throughout the economy.

Economic freedom has been shown in top-level, peer-reviewed research to promote prosperity, economic growth, and other positive outcomes (see Appendix A). It is also highly consistent with Arab and Muslim culture and tradition. For much of the past millennium, it is likely that the Muslim world has enjoyed the greatest level of economic freedom, in general, and trade openness, in particular, in the world. It is only over the past few centuries that this lead has slipped away.

Arab World Economy: 2006 Overview [3]

e Arab World experienced another good year in 2006 of economic growth consistent with the rest of world in general. Growth reached 6.3% for the region, up from growth averaging 3.6% a year over the 1990s. Growth has been driven by continuous economic reforms—especially in the Gulf Cooperation Council (GCC) countries— intra-Arab investment ventures, and high revenues from sales of commodities such as oil. On a per-capita basis, the region grew by 4.2% over 2006, the highest per-capita growth since the 1970s (Drzeniek Hanouz et al., 2007).

e important factor to note is that the economy managed to grow due to a shift in domestic demand in favor of investment. Additionally, private investment as a share of GDP reached 14.4 % on average for Arab nations and is increasing for in all sub-groups of Arab nations (i.e., Al Maghreb, Mediterranean, and GCC nations). Foreign Direct Investment, mostly from capital flowing between Arab nations is also growing (now at

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1 *We would like to thank Salem Al Ismaily for inspiring and spear-heading this work. To avoid a conflict of interest with his promotion of investment in Oman, he excused himself from calculating the index but undertook the bulk of the analysis.*

2 *In 1984, Michael Walker, who was then Executive Director of The Fraser Institute, in conjunction with Milton and Rose Friedman, started the Economic Freedom project to enhance understanding of the connection between it and political and civil freedoms, and their collective role in influencing economic performance. The research phase of the project involved about 60 of the world's top scholars including several Nobel Laureates. The economic freedom network now has member institutes in over 70 nations, most recently Oman.*

3 *Salem Al Ismaily, the lead author of this report, is primarily responsible for this section.*

$24 billion), particularly in resource-poor countries, and imports of capital goods are a significant part of the total imports (Bolbol and Fatheldin, 2006).

As the level of economic freedom in the Arab world varies from one country to another, there are significant di erences in the registered economic growth among countries in the region. Qatar, the UAE, and the Sultanate of Oman are growing very rapidly. ese countries have managed to win investors confidence and they are gaining critical mass, with strong investment in services (financial sector, insurance, etc.), tourism, and energy. On the other end, Lebanon, Iraq, Palestine, and Somalia had declining GDP growth as a result of conflicts. At the sub-group level, growth is dominated by economically free countries, which grew by 7.5% in 2006, while those Arab countries that registered mid-range economic freedom grew by 4.3%.

e Arab World on a per-capita basis still lags most of the developing regions except for the least developed nations and sub-Saharan Africa, which performed worse in 2006. Industrial production is declining for oil exporters as hydrocarbons faced capacity constraints. Overall, industrial production in the Arab World declined by 0.4% in year 2006. Countries that are predominately dependent on hydrocarbons declined by 2.3% while those countries that have more of diversified economies had a growth of 3.6% (Hertog, 2007).

Another important circumstance in the region has obviously been the continued conflicts that have derailed prospects for recovery in Lebanon and Iraq. e problem of Darfur and the conflict in Somalia has shaken investors' confidence in long-term, meaningful ventures. ese conflicts have a ected not only economic growth but also other areas such as labor markets (due to its e ects on migration) and has had spillover e ects to several countries in the region. If conflicts were to subside, the peace dividends could be significant.

High economic growth has resulted in strong employment growth at 4.5% per annum from 2000 to 2006 on average across the Arab world. Unemployment has declined from 14.3% to 10.8%, while the labor force has grown at 3.6% per annum from 2000 to 2006 and there is increasing participation in the labor force, particularly by women. Unemployment has not only declined but did so at the time where the region is facing peak pressure from labor force growth, where most progress was registered in the populous countries.

Women are also participating more in the labor markets (Noland and Pack, 2007). In net terms, the boost in labor force growth was due to the arrival of women to the labor market; however women are still less successful than men in finding jobs.

On the trade front, the Arab world is continuing to make progress in reducing tari s. e Arab World was only surpassed by Europe and Central Asia in terms of tari reforms. ese reforms, though, are limited to a few countries within the Arab world, mostly the GCC countries (Nabli et al., 2006). In other parts of the Arab World, trade regimes remain protective and the processes for exporting and importing is still cumbersome. In these countries, tari s average more than 16%, which is still considered high compared to the GCC countries, which have a customs union among themselves and where custom tari s with non-GCC nations average 5%.

An area of concern for the future of the Arab World is the over-accelerated economic growth of the GCC countries. While the foreign direct investment is welcome, these countries need to have the appropriate fiscal and monetary policies to make them capable of absorbing the billions of dollars that follow in either as foreign direct investment or as oil revenues.

ese countries are entering a unique phase of their economic development marked by high oil revenues and large investments by local and foreign companies. ey have witnessed a marked success in their e orts to attract foreign investment, from the period when US$10 million dollars was considered as a large investment to the present, when an investment of US$100 million is considered as a medium-sized investment.

Unfortunately, if fiscal and monetary policies are not properly monitored, an economy that is dominated by one sector could su er harmful consequences for its competitiveness resulting from large increases in the country's revenues. e increase in exploitation of natural resources, such as oil, in the GCC countries, could result to a decline in the other sectors.

e increase in revenues from natural resources and foreign direct investment will deindustrialize a nation's economy by raising the exchange rate, which makes the manufacturing sector less competitive internationally. When oil prices climb and oil exports rise, they do so at the expense of other sectors such as manufacturing and services. As the national currency becomes strong, the local products and services become less competitive in the international market.

Although this trend is generally associated with natural resources, it can occur from any development that results in a large inflow of foreign currency, including a sharp surge in the price of natural resources, foreign assistance, and foreign direct investments, which has been the case for the GCC countries.

It is essential, therefore, for the GCC countries to safeguard the value of their currencies in terms of what they will purchase. Rising prices, inflation, reduce the value of money. Monetary policy, therefore, should be directed to achieving this objective and providing a framework for non inflationary economic growth.

Low inflation is not an end in itself. It is, however, an important factor in helping to encourage long-term stability in the economy. Price stability is a precondition for achieving a wider economic goal of sustainable growth and employment. High inflation can be damaging to the functioning of the economy. Low inflation can help to foster sustainable long-term economic growth.

e GCC countries should, therefore, use all the tools at their disposal such as interest-rate decisions to stabilize the economy. ey have to judge what interest rates are necessary to meet a target for overall inflation in the economy. e objectives of monetary policy should be to deliver price stability and low inflation and, through these, economic objectives including those for growth and employment.

A reduction in interest rates makes saving less attractive and borrowing more attractive, which stimulates spending. Lower interest rates can a ect consumers' and firms' cash flow as a fall in interest rates reduces the income from savings and the interest payments due on loans. Borrowers tend to spend more of any extra money they have than lenders, so the net e ect of lower interest rates through this cash-flow channel is to encourage higher spending in aggregate.

e opposite occurs when interest rates are increased. Lower interest rates can boost the prices of assets such as shares and houses. Higher house prices enable existing home owners to extend their mortgages in order to finance higher consumption. Higher share prices raise households' wealth and can increase their willingness to spend.
If the economies of the GCC countries were to be a ected by high inflow of revenues, they will catch the Dutch disease, which could in turn have a negative e ect in the whole Arab world.

The Index of Economic Freedom in the Arab World [4]

The structure of the report

e index published in Economic Freedom of the World uses 42 components in five areas. Because underlying data for some of the components used in the world index were not broadly available for the Arab world, they were replaced by similar components with broader coverage of the Arab world. e index published in Economic Freedom of the Arab World, therefore, includes the same five areas as Economic Freedom of the World but has 39 components. e score for each of the five areas is derived by averaging the components within that area. e most recent data available for this report are from 2005.

e five areas, described in more detail below, are: Size of Government, Commercial and Economic Law and Security of Property Rights, Sound Money, Freedom to Trade, and Regulation. e overall rating was computed by averaging the scores of the five areas.

4 *The five categories are being used as the basis for the Arab Economic Freedom Awards. For example, the Lean Government award is based on the results in Area 1: Size of Government: Expenditures, Taxes and Enterprises.*

Each component was normalized on a scale of zero to 10. Appendix B describes the procedures by which scores of between zero and 10 were derived for each category. Details on sources and construction can also be found in Appendix B.

For consistency, the minimums and maximums used in last year's report are maintained in this year's report. Global rather than regional minimums and maximums were used because of the small variability in some of the components among Arab countries and in order to place the Arab nations in a broader context. us, a high score indicates that a nation is doing well, not only in comparison with its immediate regional neighbours, but also in comparison with best-practice nations around the world.

e index published in Economic Freedom of the Arab World includes data for the 22 nations of the League of Arab States. Eleven of these nations also appear in Economic Freedom of the World and the relative rankings of these nations in both indexes are very similar, despite the slightly di erent menu of components used in the index published in Economic Freedom of the Arab World. An overall score was computed for 12 of the nations included in Economic Freedom of the Arab World; an overall score could not be computed for the remaining 10 because of a lack of data.

e index published in Economic Freedom of the Arab World is compiled only from third-party data: in order to ensure objectivity, neither of the sponsoring institutions provides any original data. As well, the formulas used in the calculations have remained the same for each year of the report. us, the authors of the report are unable to influence the standings of the

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The rankings [5]

is year Oman and Kuwait tie for top spot with a score of 7.8 while Jordan, Lebanon, and United Arab Emirates tie for third with a score of 7.7. e closeness of the scores suggests a virtual five-way tie for top spot.

Despite the achievements of Jordan and Lebanon, on average the Gulf States have achieved the highest level of economic freedom in the Arab world (table 2). is is actually not made easier by oil wealth, which presents a great temptation to overspend and crowd out private-sector economic activity, or even to weaken free markets so that economic power remains concentrated in the hands of those who control the oil revenues. Because of the oil wealth, governments have the means to protect their positions, even if economic activity outside the oil sector is weak. Despite this, the Gulf States, have worked to open their economies internally and externally to world trade.

Nonetheless, the current and sustained increase in oil prices may encourage some states to increase the size of government and thus decrease the economic space for free economic activity. Given that the most recent data available for this index is from 2005, this will bear watching in future years.
Lebanon and Jordan also face challenges. eir achievements are considerable. However, two questions hang over their future scores. Lebanon has had to deal with an Israeli invasion and considerable internal turmoil. Meanwhile, Jordan has received an influx of Iraqi refugees. Both sets of circumstances create problems for sensible policy formation but these governments have exhibited great resilience in the past.

Morocco, Syria, and Algeria have the weakest levels of economic freedom. Unlike the top scorers, all very close to each other, there is a significant gap between Algeria, 5.4, and, Syria at 5.8 and Morocco at 6.2. is may reflect the negative policy e ects of internal conflict and instability in Algeria.

Individual areas [6]

Following is a description of the variables used to measure economic freedom, explanations of why they are relevant, and the scores for each of the Arab nations where data are available.

Area 1: Size of Government: Expenditures, Taxes and Enterprises

e four components of Area 1 indicate the extent to which countries rely on individual choice and markets rather than the political process to allocate resources and goods and services. When government spending increases relative to spending by individuals, households, and businesses, government decision-making is substituted for personal choice and thus economic freedom is reduced. e first two components address this issue: Government consumption as a share of total consumption (1A) and Transfers and subsidies as a share of GDP (1B). e third component (1C) measures the extent to which countries use private enterprise and free markets rather than government enterprises to produce goods and services. e fourth component (1D) is based on the top marginal income-tax rate and the income threshold at which it applies. High marginal tax rates that apply at relatively low income levels increasingly deny individuals the fruits of their labor.

Table 3 shows the results for Area 1, Size of Government. e Gulf States generally seem to be in the middle of the rankings in this area. Although their spending is relatively high, they typically feature relatively low rates of taxation. Lebanon is by far the best performer. Unfortunately, several states have overly large government sectors, which will stifle entrepreneurial activity by impose a state burden that is too heavy. e top three scores in this area are Lebanon, followed by the UAE and Egypt.

5 *Jurisdictions involved in on-going, high-level internal conflicts, in this case, the West Bank and Gaza, and Iraq, have not been ranked. Economic freedom is clearly eroded by lack of personal security and the data that are available would fail to reflect this.*

6 *This description closely follows Gwartney and Lawson, 2006: 10–12.*

Area 2: Commercial and Economic Law and Security of Property Rights

Security of persons, contracts, and rightfully acquired property are central elements of both economic freedom and a civil society. Indeed, the legal system is the most important internal function of government. Security of property rights, protected by the rule of law, is essential to economic freedom. Freedom to exchange, for example, is meaningless if individuals do not have secure rights to property, including the fruits of their labor. Failure of a country's legal system to provide for the security of property rights, enforcement of contracts, and the mutually agreeable settlement of disputes will undermine the operation of a market-exchange system.

As is appropriate for economic freedom, the index focuses on economic and commercial law. However, the first two components in this area—2A, Military interference in the rule of law and the political process and 2B, Integrity of the legal system—provide measures of whether or not the rule of law is applied impartially and consistently, which is also essential for effective economic and commercial law. Variable 2C, Registering property, provides information on how easy it is to establish property rights and 2D, Enforcing contracts, indicates whether agreements freely entered into are effectively protected by the rule of law. Both 2C and 2D are composites of other sub-variables that measure the number of procedures, delays in judgments, and costs. Procedures that are too numerous, time-consuming, or costly lead to deterioration of the legal systems' ability to protect freely made agreements.

Table 4 shows the results for this area. The Gulf States clearly lead the pack here, though Tunisia and Mauritania also have relatively strong scores. The top three jurisdictions are Saudi Arabia, Oman, and Tunisia.

Area 3: Access to Sound Money

Money is essential to exchange. An absence of sound money undermines gains from trade and erodes the value of property held in monetary instruments. Sound money is essential to protect property rights and, thus, economic freedom. When governments print money to finance their expenditures, in effect, they are expropriating the property and violating the economic freedom of their citizens. This (measured in variable 3A) leads to inflation. High and volatile rates of inflation (variables 3B and 3C) distort relative prices, alter the fundamental terms of long-term contracts, and make it virtually impossible for individuals and businesses to plan sensibly for the future. Component 3D is designed to measure the ease with which other currencies can be used via domestic and foreign bank account: that is, can one freely exchange and obtain differing currencies.

Table 5 shows the results for this area. The leaders in this area, Lebanon, Saudi Arabia, and Oman, have among the best records in the world for Sound Money. Jordan, Djibouti, and Egypt also have scores over 9. Average scores in this area are typically higher than in other areas, though Libya, Syria, and Comoros are at the bottom of the rankings and could improve their policy.

Area 4: Freedom to Trade Internationally

In our modern world of high technology and low costs for communication and transportation, freedom of exchange across national boundaries is a key ingredient of economic freedom. The components in this area are designed to measure a wide variety of restraints that affect international exchange: these include tariffs (4A and its subcomponents), exchange rate distortions (4B), and exchange rate and capital controls (4C).

The leaders are Qatar, Yemen, and, tied for third spot, the UAE and Bahrain. The Gulf States along with Jordan and Yemen have in general the strongest scores in this year (Table 6). However, the remaining states could increase the prosperity of their citizens by further opening to trade. The uneven performance in this area is one of the reasons that Arab states have achieved only limited trade integration.

Area 5: Regulation of Credit, Labor, and Business

When regulations restrict entry into markets and interfere with the freedom to engage in voluntary exchange, they reduce economic freedom. Regulatory restraints that limit the freedom of exchange in credit, labor, and product markets are included in the index. The first component (5A) reflects conditions in the domestic credit market. The components are designed to measure whether government allows free markets to determine credit or whether this is politically determined and whether credit is available in a timely, cost-efficient manner to credit-worthy individuals and businesses that freely seek it. Many types of labor-market regulations (5B) infringe on the economic freedom of employees and employers. The more prominent of those measured in this index are difficulty in hiring, rigidity in hours, dismissal regulations and costs, and conscription. Like the regulation of the credit markets and labor markets, the regulation of business activities (5C) inhibits economic freedom. The regulation-of-business components are designed to identify the extent to which regulatory restraints and bureaucratic procedures limit establishing a business (5Ci) and closing it (5Cii).

Red tape can strangle new businesses and job creation. The Gulf States on average have the best scores here, along with Comoros, Jordan, and Lebanon. The leaders are Kuwait, Comoros, and, in a three way tie for third, Jordan, Oman, and Saudi Arabia. Unfortunately for the region, the largest economy, Egypt, scores last in this area, though its score has improved from last year (table 7).

Conclusion

The Arab world has considerable diversity in economic freedom, with some nations having high levels of economic freedom and others relatively low levels. Unfortunately, those nations with low levels deprive their citizens of the well-known benefits of economic freedom.

Economic freedom in the region has remained stable over the period of the index. This is a considerable achievement given the challenges the region has faced in recent years. As discussed in the analysis of recent economic development, the impact of high oil prices may also present economic challenges to the oil states.

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Appendix A: Economic Freedom and Its Importance

Economic freedom is key to increasing prosperity, particularly among the emerging nations, according to the empirical research. Fact-based studies in top academic journals have shown that economic freedom promotes growth, prosperity, and other positive outcomes. The relationship of economic freedom to prosperity is unsurprising. Individuals and families are best able to look after themselves when free to do so, without external constraints. Moreover, economic freedom has intrinsic value and is inextricably linked to all other freedoms. The freedom of an individual or family to determine their own economic destiny liberates them from government dependence and opens the door to other freedoms.

The mechanics of economic freedom are easy to understand. Where economic freedom exists, any agreement must benefit all parties, otherwise the party on the losing end of the stick would decline the agreement. This creates dynamics that spread through the economy. In economically free nations, the only way people can succeed is to create goods or services that others want to buy. In other words, people get ahead by creating benefits for other people. Where economic freedom does not exist, economies grow slowly, if at all, and people gain by rent-seeking and limiting the possibilities of others.

This is a key reason that economic freedom has been shown to promote democracy and other freedoms. The dynamics of a society where individuals gain by promoting the well-being of other individuals (a free-market economy) differ dramatically from the dynamics of society where, in the absence of economic freedom, rent-seeking to the disadvantage of others is the path to increased wealth. The first dynamic is conducive to a stable, peaceful, civil society marked by freedom; the latter produces dynamics that create incentives to reduce freedoms.

Since the publication of the first edition of the Economic Freedom of the World in 1996, there have been about 200 scholarly articles that have used the its index to explore the relationship between economic freedom and other socio-economic outcomes. Here, we will briefly focus on the relationship of economic freedom to growth and prosperity. Intuitively, economic freedom should have a positive impact on economic growth because economic freedom creates a climate that allows individuals and business to allocate their resources to the highest end use. However, the question is ultimately an empirical one.

One of the first studies, Easton and Walker (1997), found that changes in economic freedom have a significant impact on the steady-state level of income even after the level of technology, the level of education of the work-force, and the level of investment are taken into account.

De Haan and Sturm (2000) empirically show that positive (negative) changes in economic freedom lead to positive (negative) changes in economic growth rates. Using the economic freedom index published in Gwartney et al. (1996) and per-capita GDP data for 80 countries, their results indicate that after accounting for educational level, investment, and population growth, changes in economic freedom have a significant impact on economic growth. For a summary of literature on economic freedom and economic prosperity, see Berggren (2003) and Doucouliagos and Ulubasoglu (2006).
Gwartney and Lawson (2004) examined the impact of economic freedom on economic growth but with a specific focus on investment and productivity. They found that economic freedom strongly promotes investment. Nations with an economic freedom score below 5 (on a scale from zero to 10 where higher value indicates higher level of economic freedom) attracted US$845 in investment per worker over the period from 1980 to 2000 and only US$68 per worker in foreign direct investment. Nations with an economic freedom score above 7 attracted US$10,871 in investment per worker, including US$3,117 of foreign direct investment.

Moreover, investment is more productive in economically free nations. Holding constant factors thought to affect growth and productivity, such as initial per-capita GDP, tropical location, coastal location, change in human investment, and public investment, Gwartney and Lawson found that an increase of one percentage point in the ratio of private investment to GDP leads to increases in the growth rate of per-capita GDP by 0.33 percentage point in an economically free country. e same increase in private investment in a less economically free country increases the growth rate of per-capita GDP by 0.19 percentage point. In other words, investment in economically free nations (with a score above 7) had a positive impact on growth that was 70% greater than investment in nations with poor levels of economic freedom (below 5).

Using the same regression model, Gwartney and Lawson also calculated the impact of economic freedom on overall growth through both direct and indirect e ects. ey found that, if a nation increased its economic freedom by one unit (on a scale from zero to 10) in the 1980s, it would have seen increased growth of 1.9 percentage points a year over the period from 1980 to 2000. Because of the high rates of growth associated with economic freedom, they also found that over the long term economic freedom explains over two thirds of the cross-country variation in GDP.

A large body of peer-reviewed empirical research shows similar results as well as economic freedom's relationship with other positive outcomes. For a sample of literature on economic freedom, see the web site, http://www.freetheworld.com.

Appendix B: Explanatory Notes and Data Sources

 e index published in Economic Freedom of the Arab World was derived from 39 distinct pieces of data ("components"). e overall rating was computed by averaging the five areas and area scores were derived by averaging the components within each area. Economic freedom is measured on a scale from zero to ten where a higher value indicated a higher level of economic freedom.

Note that minimums and maximums used to compute the individual scores were taken from Economic Freedom of the World: 2007 Annual Report (EFW report) instead of the 22 countries included in the index. For those variables not used in the EFW report, minimums and maximums were derived from the 141 countries included in the EFW report. We used "global" instead of regional minimums and maximums because of the small variability in some of the components among the Arab countries.

Although the international data are constantly subject to small revisions, once Economic Freedom of the Arab World has been published, we do not incorporate those revisions in the index to preserve its stability.

Area 1: Size of Government: expenditures, taxes, and enterprises

A. General government consumption spending as a percentage of total consumption

 is component measures general government final consumption expenditure as a percentage of final consumption expenditure (formerly known as total consumption). e rating for this component was derived using the following formula: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. e Vi is the country's actual government consumption as a proportion of total consumption, while the Vmax and Vmin were the maximum and minimum values were set to 40% and 6% respectively. e 1990 data in the Economic Freedom of the World report were used to derive maximum and minimum value for this component. Nations with higher government expenditure relative to total consumption receive lower scores.

Sources: World Bank, 2005a, 2006a, 2007a.

B. Transfers and subsidies as a percentage of GDP

 is component measures government subsidies and other transfers as a percentage of GDP. e rating for this component was derived using the following formula: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. e Vi is the country's ratio of transfers and subsidies to GDP, while the Vmax and Vmin were the maximum and minimum were set to 37.2% and 0.5% respectively. e 1990 data in the Economic Freedom of the World report were used to derive maximum and minimum value for this component. Countries with higher government subsidies and other transfers relative to GDP receive lower scores.

Sources: World Bank, 2005a, 2006a, 2007a.

C. Government enterprises and investment as a percentage of total investment

e rating for this component was computed using (a) government investment as a share of total investment and (b) the number, composition, and share of output generated by State-Operated Enterprises (SOEs). Nations with lower government investment as proportion of total investment and fewer SOEs receive higher scores.
Sources: Gwartney and Lawson, 2005, 2006, 2007.

D. Top marginal tax rate (and income threshold at which it applies)

is component measures the highest marginal income tax rate (individual rate) and the threshold at which this rate applies. Countries with higher marginal income tax rates that take e ect at lower income thresholds received lower ratings based on the matrix found below.

	Income reshold Level, in US Dollars			
Top Marginal Tax Rate	<$ 25,000	$25,000 - $50,000	$50,000 - $150,000	>$150,000
< 20%	10	10	10	10
21 to 25	9	9	10	10
26 to 30	8	8	9	9
31 to 35	7	7	8	9
36 to 40	5	6	7	8
41 to 45	4	5	6	7
46 to 50	3	4	5	5
51 to 55	2	3	4	4
56 to 60	1	2	3	3
61 to 65	0	1	2	2
66 to 70	0	0	1	1
> 70%	0	0	0	0

Sources: World Bank, 2005a, 2006a, 2007a; Ernst & Young, 2003.

Area 2: Legal Structure and Security of Property Rights

A. Military interference in rule of law and the political process

is component is based on the Political Risk Component G (Military in Politics) from the International Country Risk Guide (ICRG), which measures the extent to which military is involved in politics. "Since the military is not elected, involvement, even at a peripheral level, diminishes democratic accountability. Military involvement might stem from an external or internal threat, be symptomatic of underlying di culties, or be a full-scale military takeover. Over the long term, a system of military government will almost certainly diminish e ective governmental functioning, become corrupt, and create an uneasy environment for foreign businesses." e International Country Risk Guide measures military involvement on a scale from zero to 6 where a higher value indicates a lower potential risk. ese values were then transformed into a zero-to-10 scale.

Sources: e PRS Group, 1979–2004, 2006, 2007.

B. Integrity of the legal system

is component is based on the Political Risk Component I (Law and Order) from the International Country Risk Guide. e component is based on "[t]wo measures comprising one risk component. Each sub-component equals half of the total. e "law" sub-component assesses the strength and impartiality of the legal system, and the "order" sub-component assesses popular observance of the law." e International Country Risk Guide measures law and order on a scale from zero to six, where a higher value indicates a lower potential risk. ese values were then transformed into a zero-to-ten scale.

Sources: e PRS Group, 1979–2004, 2006, 2007.

C. Registering Property—measures the ease of registering property

is component is based on the World Bank's Doing Business dataset and it measures the steps, time, and cost involved in registering property. e World Bank uses "a standardized case of an entrepreneur who wants to purchase land and a building in the largest business city—already registered and free of title dispute." e cost includes costs such "as fees, transfer taxes, stamp duties, and any other payment to the property registry, notaries, public agencies or lawyers. e cost is expressed as a percentage of the property value, assuming a property value of 50 times income per capita."

e rating for this component was derived using the following formula: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. e Vi represents the steps, time and cost value. e Vmax and Vmin were set to 21.0 procedures, 956 days, and 30.4% and 1.0 procedure, 1.0 day, and 0.1% respectively. Nations with values which fall below Vmin received a score of 10 whereas those nations which have values above Vmax received a score of zero.

i) number of procedures
ii) time (days)
iii) cost (% of property value)
Sources: World Bank, 2005b, 2006b, 2007b.

D. Enforcing Contracts—payment dispute

is component is based on the World Bank's Doing Business dataset. e component measures "the e ciency of contract enforcement by following the evolution of a sale of goods dispute and tracking the time, cost, and number of procedures involved from the moment the plainti files the lawsuit until actual payment." e rating for this component was derived using the following formula: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. e Vi represents the procedures, time and cost value. e Vmax and Vmin were set to 58.0 procedures, 1459.0 days, and 227.3% and 14.0 procedures, 109.0 days, and 5.5%, respectively. Nations with values that fall below Vmin received a score of 10 whereas those nations which have values above Vmax received a score of zero.

i) number of procedures
ii) time (days)
iii) cost (% of debt)

Sources: World Bank, 2005b, 2006b, 2007b.

Area 3: Access to Sound Money

A. Average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years

e M1 money supply figures were used to measure the growth rate of the money supply. is component measures the growth of the money supply in the last five years minus the annual growth of real GDP in the last ten years. e rating for this component was derived using the following formula: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. Vi represents the average annual growth rate of the money supply during the last five years adjusted for the growth of real GDP during the previous 10 years. e values for Vmin and Vmax were set at zero and 50%, respectively. If money growth equals the long-term growth of real output (i.e., growth of real GDP in the last ten years), then a nation gets a rating of 10. If the growth of money supply is greater than the long run growth in real output, a nation gets a score less than 10. Nations with a value greater than 50% receive a rating of zero.

Sources: World Bank, 2005a, 2006a, 2007a.

B. Standard inflation variability during the last five years

e Consumer Price Index (CPI) was used as the measure of inflation for this component. e following formula was used to determine the zero-to-10 scale rating for each country: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. Vi represents the country's standard deviation of the annual rate of inflation during the last five years. e values for Vmin and Vmax were set at zero and 25%, respectively. If there is no variation in inflation rate over the past five years, a nation get a score of 10. e higher the inflation variability, the lower the rating a nation receives. ose nations which have a standard deviation great than 25% get a score of zero.
Sources: World Bank, 2005a, 2006a, 2007a; EconStats Database, 2005; International Monetary Fund 2006c.

C. Recent inflation rate

e Consumer Price Index (CPI) was used as the measure of inflation for this component. e zero-to-10 country ratings were derived by the following formula: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. Vi represents the rate of inflation during the most recent year. e values for Vmin and Vmax were set at zero and 50%, respectively; the lower the rate of inflation, the higher the rating. ose nations which have an inflation rate higher than 50% get a score of zero.
Sources: World Bank, 2005a, 2006a, 2007a; EconStats Database, 2005; International Monetary Fund, 2006c.

D. Freedom to own foreign currency bank accounts domestically and abroad

is component measures if foreign bank accounts are allowed, both domestically and abroad, without any restrictions. If foreign bank accounts are allowed both domestically and abroad without any restrictions a nation gets a score of ten. If foreign bank accounts are allowed domestically but not abroad, or vice versa, a nation gets a rating of 5.

Sources: International Monetary Fund, 2004a, 2005, 2006a.

Area 4: Freedom to trade internationally

A. Taxes on international trade

i) Revenue from taxes on international trade as a percentage of exports plus imports

is sub-component measures taxes on international trade as a percentage of imports and exports. e zero-to-10 country ratings were derived by the following formula: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. Vi represents the revenue derived from taxes on international trade as a share of imports and exports. e values for Vmin and Vmax were set at zero and 15%, respectively. e greater the taxes on international trade as a share of exports and imports, the lower the score. Nations that have a value greater than 15% get a rating of zero.

Sources: World Bank, 2005a, 2006a, 2007a; International Monetary Fund, 2004b, 2006b.

ii) Mean tariff rate

is sub-component measure unweighted average of tari rates. e zero-to-10 country ratings were derived by the following formula: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. Vi represents the country's mean tari rate. e values for Vmin and Vmax were set at zero and 50%, respectively. Higher mean tari rate results in lower rating. Nations with a mean tari rate of over 50% get a score of zero.

Sources: World Bank, 2005c, 2006c, 2007c.

iii) Standard deviation of tariff rates

is sub-component measures standard deviation of tari rates. e zero-to-10 country ratings were derived by the following formula: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. Vi represents the standard deviation of the country's tari rates. e values for Vmin and Vmax were set at zero and 25%, respectively. Countries with greater variation in their tari rates get lower ratings. Nations with standard deviation of over 25% get a score of zero.

Sources: Gwartney and Lawson, 2005, 2006, 2007.

B. Difference between official exchange rate and black market rate

is component measures the di erence between the o cial rate and parallel black market exchange rate. e zero-to-10 country ratings were derived by the following formula: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. Vi is the country's black-market exchange rate premium. e values for Vmin and Vmax were set at zero and 50%, respectively. If there is no black market exchange rate, a nation gets a score of 10. e higher the di erence between the two rates, the lower the rating. Nations with a value greater than 50% get a score of zero.

Sources: Monetary Research, 2003, 2005/06.

C. Restrictions on the freedom of citizens to engage in capital market exchange with foreigners—index of capital controls among 13 IMF categories

is component measures restrictions on capital transactions. Specifically, this component looks at 13 di erent types of international capital controls as reported by the International Monetary Fund. e zero-to-10 country ratings were derived by computing the number of controls not levied as a percentage of the total number of controls which was then multiplied by 10.

Sources: International Monetary Fund, 2004a, 2005, 2006a.

Area 5: Regulation of Credit, Labour, and Business

A. Credit Market Regulations

i) Ownership of banks

e rating for this sub-component is based on the percentage of bank deposits that is held in privately owned banks. When private deposits were between 95% and 100%, nations received a score of 10. When private deposits totalled between 75% and 95 %, countries received a score of 8. When private deposits were between 40% and 75%, nations received a score of 5. When private deposits were between 10% and 40%, nations received a score of 2. Nations received a rating of zero if private deposits were less than 10% of total bank deposits.

Sources: World Bank Group, 2003, 2007.

ii) Competition: domestic banks face competition from foreign banks

is sub-component is based on two di erent sub-components: percentage of banking assets held by foreign-owned banks and the number of applications for commercial banking licenses from foreign entities denied as a percentage of total number of applications for commercial banking licenses received from foreign entities. If a country approved all or most foreign bank applications and foreign banks had a large share of the banking sector assets, then the country received a higher rating according to table below.

Foreign Bank License Denial Rate (Denials/Applications)				
Foreign bank assets as a share of total banking sector assets		0%	0-49%	50-100%
	80-100%	10	8	5
	40-79%	9	7	4
	0-39%	8	6	3

Sources: e World Bank Group, 2003, 2007.

iii) Avoidance of interest rate controls and regulations that lead to negative real interest rates

is sub-component is based on two sub-components: real interest rate (i.e., lending interest rate minus inflation as measured by CPI, Consumer Price Index) and lending minus deposit interest rate. When interest rates were determined primarily by market forces (i.e., lending interest rate is not too much higher [less than 8%] than the deposit interest rate) and the real interest rate was positive, countries were given a rating of 10. When the real rates were sometimes slightly negative (less than 5%) and the di erential between the deposit and lending rates was large (8% or more), countries received a rating of 8. When the real lending interest rate was persistently negative by a single-digit amount and the di erential between the lending and deposit interest rate was 16% or higher, nations received a score of 6. When the lending and deposit interest rates di er by 24% or more and the real rates were often negative by 10% or more, countries were assigned a rating of 4. When the real lending rate was persistently negative by a double-digit amount and the di erence between the lending and deposit rate was 32% or more, countries received a rating of 2. A zero rating was assigned when the deposit and lending rates di er by 36% or more and real lending rates were persistently negative by double-digit amounts or hyperinflation had virtually eliminated the credit market.

Sources: World Bank, 2005a, 2006a, 2007a; EconStats Database, 2005; International Monetary Fund, 2006c.
iv) Getting Credit

e following two sub-components are based on the World Bank's Doing Business dataset, which measure the extent to which collateral and bankruptcy laws facilitate lending and the availability of credit information from either public or private registries.

a) Legal Rights Index

e "legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. e index includes 7 aspects related to legal rights in collateral law and 3 aspects in bankruptcy law." A score of 1 is assigned for each aspect of the index. " e index ranges from 0 to 10, with higher scores indicating that collateral and bankruptcy laws are better designed to expand access to credit."

b) Credit Information Index

e "credit information index measures rules a ecting the scope, accessibility and quality of credit information available through either public or private credit registries." A score of 1 is assigned for each of the six aspects of the index. " e index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions." e values from zero to 6 were then transformed into a zero-to-10 scale.

Sources: World Bank, 2005b, 2006b, 2007b.
B. Labour Market Regulations

i) Rigidity of Employment Index

a) Di culty of Hiring Index

" e di culty of hiring index measures (i) whether term contracts can be used only for temporary tasks; (ii) the maximum cumulative duration of term contracts; and (iii) the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker." e index is measured on a scale from 0 and 100 (where higher values indicate more rigid regulation), which was then transformed into a zero-to-10 scale.

b) Rigidity of Hours Index

" e rigidity of hours index has 5 components: (i) whether night work is unrestricted; (ii) whether weekend work is unrestricted; (iii) whether the workweek can consist of 5.5 days; (iv) whether the workweek can extend to 50 hours or more (including overtime) for 2 months a year; and (v) whether paid annual vacation is 21 working days or fewer." For each one of these questions, the answer no indicates more rigid regulation. e index is measured on a scale from 0 and 100 (where higher values indicate more rigid regulation), which was then transformed into a zero-to-10 scale.

c) Difficulty of Firing Index

" e di culty of firing index has 8 components: (i) whether redundancy is disallowed as a basis for terminating workers; (ii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; (iii) whether the employer needs to notify a third party to terminate a group of 25 redundant workers; (iv) whether the employer needs approval from a third party to terminate 1 redundant worker; (v) whether the employer needs approval from a third party to terminate a group of 25 redundant workers; (vi) whether the law requires the employer to consider reassignment or retraining options before redundancy termination; (vii) whether priority rules apply for redundancies; and (viii) whether priority rules apply for reemployment." e index is measured on a scale from 0 and 100 (where higher values indicate more rigid regulation), which was then transformed into a zero-to-10 scale.
Sources: World Bank, 2005b, 2006b, 2007b.

ii) Hiring costs (% of salary)

is sub-component measures the non-wage cost of hiring an employee. It includes social security payments (including retirement fund; sickness, maternity and health insurance; workplace injury; family allowance; and other obligatory contributions) and payroll taxes. e lower the non-wage cost, the higher the rating. e rating for this component was equal to: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. e Vi represents the non-wage cost of hiring an employee. e Vmax and Vmin were set to 55.2% and 0.0 % respectively. Nations with values that fall below Vmin received a score of 10 whereas those nations which have values above Vmax received a score of zero.
Sources: World Bank, 2005b, 2006b, 2007b.

iii) Firing costs (weeks of wages)

is sub-component measures “the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weekly wages.” e rating for this component was equal to: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. e Vi represents the cost of firing an employee. e Vmax and Vmin were set to 359.7 weeks and 0.0 weeks, respectively. Nations with values that fall below Vmin received a score of 10 whereas those nations that have values above Vmax received a score of zero.
Sources: World Bank, 2005b, 2006b, 2007b.

iv) Use of conscripts to obtain military personnel

is sub-component measures the duration of military conscription. Nations without military conscription received a rating of 10. If the duration of conscription was six months or less, nations were given a score of 5. When the length of the conscription was more than 6 months but not more than 18 months, countries were given a rating of 3. If the duration of conscription was more than 12 months but not more than 18 months, countries were given a score of 1. Nations with military conscript of over 18 months were given a score of zero.
Sources: Gwartney and Lawson, 2005, 2006; e International Institute for Strategic Studies 2007.

C. Business Regulations

i) Starting a business

is sub-component measures how easy it is to start a business. It looks at the number of procedures, the time it takes to got through these procedures, the costs of starting a business such as fees, and minimum capital requirement needed to formally start a business. e rating for this component was equal to: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. e Vi represents the procedures, time, cost and minimum capital requirement values. e Vmax and Vmin were set to 19.0 procedures, 203.0 days, 835.4%, 5111.9% and 2.0 procedures, 2.0 days, 0.0%, 0.0%, respectively. Nations with values which fall below Vmin received a score of 10 whereas those nations which have values above Vmax received a score of zero.

a) number of procedures
b) duration (days)
c) cost (% of income per capita)
d) minimum capital (% of income per capita)
Sources: World Bank, 2005b, 2006b, 2007b.

ii) Closing a business

is sub-component measures how di cult it is to close a business. It specifically measures the time and costs of closing a business as well as the recovery rate. e time and cost rating was equal to: (Vmax – Vi) / (Vmax – Vmin) multiplied by 10. For the recovery rate, the following formula was used: (Vi – Vmin) / (Vmax – Vmin) multiplied by 10 . e Vi represents the time, cost and the recovery rate. e Vmax and Vmin were set to 10.0 years, 76.0%, 92.6% and 0.4 years, 1.0%, 0.0%, respectively.

a) time (years)
b) cost (% of estate)
c) recovery rate (cents on the dollar)

Sources: World Bank, 2005b; 2006b, 2007b

Table 2: Overall Economic Freedom Scores and Ranks

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2005																						
Overall Economic Freedom Score	5.4				6.8		7.7	7.8	7.7			6.2	7.8		7.4			5.8	6.5	7.7		7.4
Overall Economic Freedom Rank	12				8		3	1	3			10	1		6			11	9	3		6
2004																						
Overall Economic Freedom Score	5.3				6.6		7.6	7.8	7.7			6.0	8.0		7.5			6.1	6.4	7.7		7.4
Overall Economic Freedom Rank	12				8		5	2	3			11	1		6			10	9	3		7
2003																						
Overall Economic Freedom Score	5.0				6.6		7.5	7.9	8.1			6.1	8.1		7.8			5.7	6.4	7.9		7.4
Overall Economic Freedom Rank	12				8		6	3	1			10	1		5			11	9	3		7
2002																						
Overall Economic Freedom Score	5.0				6.7		7.6	8.0	8.1			6.2	8.1		7.8			5.8	6.4	7.9		7.4
Overall Economic Freedom Rank	12				8		6	3	1			10	1		5			11	9	4		7

Table 3: Area 1. Size of Government: Expenditures, Taxes, and Enterprises

2005																						
A. General government consumption spending as a percentage of total consumption	4.0	3.3	8.6	3.4	7.3		8.0	2.1	7.4	5.1	6.0	3.5	1.9	0.4	0.0		6.0	7.0	6.0	6.0	4.3	5.7
B. Transfers and subsidies as a percentage of GDP	6.9	8.9			9.0		9.8	7.8	9.0			8.1	9.4						7.4			
C. Government enterprises and investment as a percentage of total investment	0.0	4.0			4.0		0.0	6.0				4.0	2.0					0.0	2.0	6.0		
D. Top marginal tax rate (and income threshold at which it applies)		10.0			8.0		7.0	10.0	10.0			4.0	10.0	10.0	10.0			8.0	7.0	10.0	10.0	7.0
Area 1 Score	3.6	6.6			7.1		6.2	6.5	8.8			4.9	5.8	5.2	5			5	5.6	7.3		6.4
Area 1 Rank	14	4			3		7	5	1			13	8	10	11			11	9	2		6
2004																						
A. General government consumption spending as a percentage of total consumption	3.7	3.3	6.7		7.4		7.6	1.3	6.8	5.1	5.9	4.2	1.9		0.0		7.4	6.5	5.8	5.7	0.3	7.2
B. Transfers and subsidies as a percentage of GDP	6.8	9.5			9.5		8.6	7.0	9.2				9.4									
C. Government enterprises and investment as a percentage of total investment	0.0	4.0			4.0		0.0	6.0				4.0	2.0					0.0	2.0	6.0		
D. Top marginal tax rate (and income threshold at which it applies)		10.0			7.0		7.0	10.0	10.0			4.0	10.0	10.0	10.0			8.0	7.0	10.0	10.0	7.0
Area 1 Score	3.5	6.7			7.0		5.8	6.1	8.7			4.1	5.8		5.0			4.8	4.9	7.2	5.1	7.1
Area 1 Rank	14	5			4		7	6	1			13	7		10			12	11	2	9	3

Table 3: Area 1. Size of Government: Expenditures, Taxes, and Enterprises *(continued)*

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2003																						
A. General government consumption spending as a percentage of total consumption	5.7	4.7			7.8		6.2	3.9	8.4	6.2	6.9	5.9	3.8		2.3			7.9	6.6			7.6
B. Transfers and subsidies as a percentage of GDP	5.9	9.2			9.2		8.8		9.1				9.1									
C. Government enterprises and investment as a percentage of total investment	0.0	4.0			4.0		0.0	6.0				4.0	2.0					0.0	2.0	6.0		
D. Top marginal tax rate (and income threshold at which it applies)		10.0			7.0		7.0	10.0	10.0			4.0	10.0	10.0	10.0			8.0	7.0	10.0		7.0
Area 1 Score	3.9	7.0			7.0		5.5	6.6	9.2			4.6	6.2		6.1			5.3	5.2	8.0		7.3
Area 1 Rank	13	4			4		9	6	1			12	7		8			10	11	2		3
2002																						
A. General government consumption spending as a percentage of total consumption	5.6	4.7			8.5		6.4	4.1	8.3	6.2	6.9	6.1	3.8		2.5			7.7	6.6			7.4
B. Transfers and subsidies as a percentage of GDP	5.9	9.2			9.2		8.9		9.1				9.1									
C. Government enterprises and investment as a percentage of total investment	0.0	4.0			4.0		0.0	6.0				4.0	2.0					0.0	2.0	6.0		
D. Top marginal tax rate (and income threshold at which it applies)		10.0			7.0		7.0	10.0	10.0			4.0	10.0	10.0	10.0			8.0	7.0	10.0		7.0
Area 1 Score	3.8	7.0			7.2		5.6	6.7	9.1			4.7	6.2		6.3			5.2	5.2	8.0		7.2
Area 1 Rank	13	5			3		9	6	1			12	8		7			10	10	2		3

Table 4: Area 2. Commercial and Economic Law and Security of Property Rights

2005																						
A. Military interference in rule of law and the political process	5.0	5.0			5.0	0.0	8.3	8.3	3.3	5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		6.7
B. Integrity of the legal system	5.0	8.3			6.7	2.5	6.7	8.3	6.7	6.7		8.3	8.3	8.3	8.3	0.8	4.2	8.3	8.3	6.7		3.3
C. Registering Property	6.7		7.0	7.4	7.7	8.6	7.7	8.6	8.1		8.8	8.9	9.5		9.5		8.8	6.3	8.5	9.4	8.0	8.7
i) number of procedures	3.0		8.0	7.0	7.0	8.0	6.5	6.5	6.5		8.5	8.5	9.5		8.5		7.5	8.5	8.0	9.0	5.5	7.5
ii) time (days)	9.5		9.8	9.5	8.0	9.9	9.8	9.4	9.7		9.5	9.5	9.8		10.0		9.9	9.7	9.4	9.9	9.3	9.8
iii) cost (% of property value)	7.6		3.2	5.6	8.1	7.9	6.7	9.9	8.1		8.3	8.6	9.0		10.0		8.9	0.8	8.0	9.4	9.2	8.7
D. Enforcing Contracts	6.6		4.8	3.6	4.5	5.5	7.1	6.3	6.3		7.1	6.5	6.6		6.9		4.8	5.4	8.4	7.1	7.4	7.6
i) number of procedures	2.0		0.0	0.0	0.7	0.0	3.4	1.4	4.3		4.1	3.6	3.9		3.2		0.0	2.5	8.4	5.5	7.3	4.8
ii) time (days)	7.9		5.5	1.7	3.3	7.0	8.3	7.9	5.5		7.8	6.3	6.4		8.1		5.1	4.3	7.2	6.3	5.6	8.1
iii) cost (% of debt)	9.8		8.9	9.0	9.4	9.6	9.5	9.6	9.0		9.4	9.5	9.7		9.3		9.3	9.3	9.5	9.4	9.3	9.8
Area 2 Score	5.8	6.7	5.9	5.5	6.0		7.4	7.9	6.1	5.8	7.9	7.6	8.2	7.5	8.3	1.3	4.4	5.8	8.0	7.9		6.6
Area 2 Rank	15	10	14	18	13		9	4	12	15	4	7	2	8	1	20	19	15	3	4		11
2004																						
A. Military interference in rule of law and the political process	5.0	5.0			5.0	0.0	8.3	8.3	3.3	5.0		6.7	8.3	6.7	8.3	1.7	0.0	3.3	6.7	8.3		6.7
B. Integrity of the legal system	5.0	8.3			6.7	2.5	6.7	8.3	6.7	6.7		8.3	8.3	8.3	8.3	0.8	4.2	8.3	8.3	6.7		3.3
C. Registering Property	6.7		7.0	7.4	7.7	8.6	7.7	8.6	8.1		8.8	8.9	9.5		9.5		8.8	6.3	8.5	9.4	8.0	8.7
i) number of procedures	3.0		8.0	7.0	7.0	8.0	6.5	6.5	6.5		8.5	8.5	9.5		8.5		7.5	8.5	8.0	9.0	5.5	7.5
ii) time (days)	9.5		9.8	9.5	8.0	9.9	9.8	9.4	9.7		9.5	9.5	9.8		10.0		9.9	9.7	9.4	9.9	9.3	9.8
iii) cost (% of property value)	7.6		3.2	5.6	8.1	7.9	6.7	9.9	8.1		8.3	8.6	9.0		10.0		8.9	0.8	8.0	9.4	9.2	8.7
D. Enforcing Contracts	6.6		4.8	3.6	4.5	5.5	7.1	6.3	6.3		7.1	6.5	6.6		6.9		4.8	5.4	8.4	7.1	7.4	7.6
i) number of procedures	2.0		0.0	0.0	0.7	0.0	3.4	1.4	4.3		4.1	3.6	3.9		3.2		0.0	2.5	8.4	5.5	7.3	4.8
ii) time (days)	7.9		5.5	1.7	3.3	7.0	8.3	7.9	5.5		7.8	6.3	6.4		8.1		5.1	4.3	7.2	6.3	5.6	8.1
iii) cost (% of debt)	9.8		8.9	9.0	9.4	9.6	9.5	9.6	9.0		9.4	9.5	9.7		9.3		9.3	9.3	9.5	9.4	9.3	9.8
Area 2 Score	5.8	6.7	5.9	5.5	6.0	4.1	7.4	7.9	6.1	5.8	7.9	7.6	8.2	7.5	8.3	1.3	4.4	5.8	8.0	7.9	7.7	6.6
Area 2 Rank	16	11	15	19	14	21	10	4	13	16	4	8	2	9	1	22	20	16	3	4	7	12

Table 4: Area 2. Commercial and Economic Law and Security of Property Rights *(continued)*

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2003																						
A. Military interference in rule of law and the political process	0.0	5.0			5.0		8.3	8.3	3.3	5.0		6.7	8.3	6.7	8.3			3.3	6.7	8.3		6.7
B. Integrity of the legal system	3.3	8.3			6.7		6.7	8.3	6.7	6.7		8.3	8.3	8.3	8.3			8.3	8.3	6.7		3.3
C. Registering Property	6.3				7.7		7.7	8.5	8.1		8.6	8.7	9.1		9.5			6.1	8.5	9.4		8.7
i) Number of Procedures	2.5				7.0		6.5	6.5	6.5		8.5	9.0	8.5		8.5			8.5	8.0	9.0		7.5
ii) Time (days)	9.5				8.0		9.8	9.2	9.7		9.5	9.2	9.8		10.0			9.7	9.4	9.9		9.8
iii) Cost (% of property value)	7.1				8.0		6.7	9.8	8.1		7.8	8.0	9.0		10.0			0.0	8.0	9.4		8.7
D. Enforcing Contracts	6.1				5.8		6.9	6.1	6.1		7.6	8.9	6.8		6.7			5.5	9.7	5.5		7.3
i) Number of Procedures	1.9				0.6		3.2	1.3	4.0		6.4	8.7	3.6		3.0			2.3	9.4	1.1		4.5
ii) Time (days)	7.3				7.3		7.8	7.5	5.2		7.3	8.5	7.0		7.7			5.5	10.0	5.9		7.7
iii) Cost (% of debt)	9.0				9.4		9.8	9.6	9.1		9.0	9.5	9.8		9.4			8.8	9.7	9.5		9.8
Area 2 Score	3.9	6.7			6.3		7.4	7.8	6.1	5.8	8.1	8.2	8.1	7.5	8.2			5.8	8.3	7.5		6.5
Area 2 Rank	16	10			12		9	6	13	14	4	2	4	7	2			14	1	7		11

2002																						
A. Military interference in rule of law and the political process	0.0	5.0			5.0		8.3	8.3	3.3	5.0		6.7	8.3	6.7	8.3			3.3	6.7	8.3		6.7
B. Integrity of the legal system	3.3	8.3			6.7		6.7	8.3	6.7	6.7		10.0	8.3	8.3	8.3			8.3	8.3	6.7		3.3
C. Registering Property	6.3				7.7		7.7	8.5	8.1		8.6	8.7	9.1		9.5			6.1	8.5	9.4		8.7
i) Number of Procedures	2.5				7.0		6.5	6.5	6.5		8.5	9.0	8.5		8.5			8.5	8.0	9.0		7.5
ii) Time (days)	9.5				8.0		9.8	9.2	9.7		9.5	9.2	9.8		10.0			9.7	9.4	9.9		9.8
iii) Cost (% of property value)	7.1				8.0		6.7	9.8	8.1		7.8	8.0	9.0		10.0			0.0	8.0	9.4		8.7
D. Enforcing Contracts	6.1				5.8		6.9	6.1	6.1		7.6	8.9	6.8		6.7			5.5	9.7	5.5		7.3
i) Number of Procedures	1.9				0.6		3.2	1.3	4.0		6.4	8.7	3.6		3.0			2.3	9.4	1.1		4.5
ii) Time (days)	7.3				7.3		7.8	7.5	5.2		7.3	8.5	7.0		7.7			5.5	10.0	5.9		7.7
iii) Cost (% of debt)	9.0				9.4		9.8	9.6	9.1		9.0	9.5	9.8		9.4			8.8	9.7	9.5		9.8
Area 2 Score	3.9	6.7			6.3		7.4	7.8	6.1	5.8	8.1	8.6	8.1	7.5	8.2			5.8	8.3	7.5		6.5
Area 2 Rank	16	10			12		9	6	13	14	4	1	4	7	3			14	2	7		11

Table 5: Area 3. Access to Sound Money

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2005																						
A. Average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years	7.1	7.2	7.5	7.9	8.7		7.9	6.7	9.7	8.2	8.2	8.5	8.2		8.4		5.6	7.5	9.5	6.3		8.4
B. Standard inflation variability during the last five years	9.5	9.3		9.5	8.6	4.3	9.6	9.5	9.5	7.9	8.5	9.7	9.6	8.5	9.7		9.6	9.0	9.7	9.1		9.7
C. Recent inflation rate	9.7	9.5		9.4	9.0	2.3	9.3	9.2	9.9	9.5	7.6	9.8	9.8	8.2	9.9		8.3	8.6	9.6	8.4		7.6
D. Freedom to own foreign currency bank accounts domestically and abroad	0.0	10.0	0.0	10.0	10.0	5.0	10.0	10.0	10.0	0.0	5.0	0.0	10.0	10.0	10.0	0.0	5.0	0.0	0.0	10.0		10.0
Area 3 Score	6.6	9.0	3.7	9.2	9.1		9.2	8.8	9.8	6.4	7.3	7.0	9.4	8.9	9.5		7.1	6.3	7.2	8.4		8.9
Area 3 Rank	16.0	7.0	19.0	4.0	6.0		4.0	10.0	1.0	17.0	12.0	15.0	3.0	8.0	2.0		14.0	18.0	13.0	11.0		8.0
2004																						
A. Average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years	6.8	7.9	7.0	8.1	8.3		8.4	6.9	9.5	9.1	8.5	8.5	8.2		8.3		5.2	7.2	9.6	6.9		8.4
B. Standard inflation variability during the last five years	9.4	9.5			8.5		9.6	9.7	9.6	8.5	8.9	9.7	9.8	9.0	9.7		9.5	8.8	9.8	9.7		8.7
C. Recent inflation rate	9.3	9.7			7.7		9.3	9.8	9.7	9.6	7.9	9.8	9.9	8.6	9.9		8.3	9.8	9.3	9.4		7.8
D. Freedom to own foreign currency bank accounts domestically and abroad	0.0	10.0	0.0	10.0	10.0	5.0	10.0	10.0	10.0	0.0	5.0	0.0	10.0	10.0	10.0	0.0	5.0	5.0	0.0	10.0		10.0
Area 3 Score	6.4	9.3	3.5	9.1	8.6		9.3	9.1	9.7	6.8	7.6	7.0	9.5	9.2	9.5		7.0	7.7	7.2	9.0		8.7
Area 3 Rank	18	4	19	7	11		4	7	1	17	13	15	2	6	2		15	12	14	9		10

2003																						
A. Average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years	7.7	8.2			8.9		8.4	6.9	9.3		8.5	8.6	9.3		8.5			7.2	9.3	8.2		8.3
B. Standard inflation variability during the last five years	9.4	9.6			9.7		9.7	9.7	9.6	7.9	9.7	9.6	9.7	9.7	9.6			8.4	9.9	9.7		8.7
C. Recent inflation rate	9.5	9.8			9.1		9.5	9.8	9.7	9.6	9.0	9.8	9.9	9.5	9.9			9.0	9.5	9.4		7.8
D. Freedom to own foreign currency bank accounts domestically and abroad	0.0	10.0			v10.0		10.0	10.0	10.0	5.0	5.0	0.0	10.0	10.0	10.0			5.0	0.0	10.0		10.0
Area 3 Score	6.6	9.4			9.4		9.4	9.1	9.7	7.5	8.0	7.0	9.7	9.7	9.5			7.4	7.2	9.3		8.7
Area 3 Rank	16	5			5		5	9	1	12	11	15	1	1	4			13	14	8		10
2002																						
A. Average annual growth of the money supply in the last five years minus average annual growth of real GDP in the last ten years	7.2	8.2			9.0		9.4	8.7	9.6		8.8	8.6	9.3		8.8			8.0	9.2	8.2		8.5
B. Standard inflation variability during the last five years	9.2	9.6			9.8		9.6	9.6	9.2	7.5	9.2	9.6	9.7	9.6	9.7			8.8	9.8	9.7		8.6
C. Recent inflation rate	9.7	9.8			9.5		9.6	9.7	9.6	8.0	9.2	9.4	9.9	10.0	10.0			9.8	9.5	9.4		7.6
D. Freedom to own foreign currency bank accounts domestically and abroad	0.0	10.0			10.0		10.0	10.0	10.0	5.0	5.0	0.0	10.0	10.0	10.0			5.0	0.0	10.0		10.0
Area 3 Score	6.5	9.4			9.6		9.7	9.5	9.6	6.8	8.1	6.9	9.7	9.9	9.6			7.9	7.1	9.3		8.7
Area 3 Rank	16	8			4		2	7	4	15	11	14	2	1	4			12	13	9		10

Table 6: Area 4. Freedom to Trade Internationally

2005

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
A. Taxes on international trade	5.9	8.3		3.8	4.1		6.5	8.8	8.4	6.0	7.3	4.6	6.8	9.2	9.2		5.8	7.1	5.3	8.3	2.2	
i) Revenue from taxes on international trade as a percentage of exports plus imports	5.0	9.4			6.0		8.2	9.5	8.3			7.2							8.7		2.2	
ii) Mean tari rate	6.8			3.8	6.2		7.5	9.1	8.6	6.0	7.4	6.1	9.2	9.2	9.2		5.8	7.1	7.3	9.0		
iii) Standard deviation of tari rates	5.8	7.3			0.0		3.9	7.9			7.1	0.6	4.4						0.0	7.6		
B. Di erence between o cial exchange rate and black market rate	8.1	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.6	10.0	10.0	10.0	10.0	10.0	10.0	9.3	10.0		10.0
C. Restrictions on the freedom of citizens to engage in capital market exchange with foreigners-index of capital controls among 13 IMF categories	0.9	6.2	3.1	5.4	6.2	0.0	7.7	4.6	1.5	0.0	0.8	0.8	6.7	7.7	1.5	0.0	1.8	1.0	0.8	6.2		7.7
Area 4 Score	5.0	8.2	6.5	6.4	6.7		8.1	7.8	6.7	5.3	6.0	5.0	7.8	9.0	6.9	5.0	5.9	6.0	5.1	8.2		8.8
Area 4 Rank	18	3	11	12	9		5	6	9	16	13	18	6	1	8	18	15	13	17	3		2

2004																						
A. Taxes on international trade	5.2	9.4		3.8	4.1		6.3	9.2	8.3	6.0	7.4	3.1	9.0	9.2	8.7		5.8	7.1	6.1			
i) Revenue from taxes on international trade as a percentage of exports plus imports	5.0	9.4			6.0		8.0	9.2	8.1										8.5			
ii) Mean tari rate	6.4			3.8	6.2		7.1	9.3	8.6	6.0	7.4	4.3	8.4	9.2	8.7		5.8	7.1	4.9			
iii) Standard deviation of tari rates	4.3				0.0		3.8					1.8	9.5						5.0			
B. Di erence between o cial exchange rate and black market rate	8.1	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	9.6	10.0	10.0	10.0	10.0	10.0	10.0	9.3	10.0		10.0
C. Restrictions on the freedom of citizens to engage in capital market exchange with foreigners-index of capital controls among 13 IMF categories	0.8	5.4	3.1	5.4	5.4	0.0	7.7	4.6	2.3	0.0	0.8	0.8	6.7	7.7	2.3	0.0	1.8	1.0	0.8	6.2		6.9
Area 4 Score	4.7	8.3	6.5	6.4	6.5	5.0	8.0	7.9	6.9	5.3	6.1	4.5	8.5	9.0	7.0	5.0	5.9	6.0	5.4	8.1		8.5
Area 4 Rank	20	4	10	12	10	18	6	7	9	17	13	21	2	1	8	18	15	14	16	5		

Table 6: Area 4. Freedom to Trade Internationally *(continued)*

2003

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
A. Taxes on international trade	5.2	9.2			6.0		6.3	9.3	7.9	6.0	7.6	3.0	9.0		8.7			7.1	6.1			
i. Revenue from taxes on international trade as a percentage of exports plus imports	4.9	9.2			5.9		7.9		7.2										8.3			
ii. Mean tari rate	6.3				6.2		7.1	9.3	8.5	6.0	7.6	4.2	8.4		8.7			7.1	4.9			
iii. Standard deviation of tari rates	4.3						3.8					1.8	9.5						5.0			
B. Di erence between o cial exchange rate and black market rate	8.1	10.0			5.5		10.0	10.0	10.0	5.8	10.0	7.9	10.0	10.0	10.0			5.3	7.8	10.0		10.0
C. Restrictions on the freedom of citizens to engage in capital market exchange with foreigners-index of capital controls among 13 IMF categories	0.8	6.9			5.4		7.7	4.6	6.2	0.0	1.7	1.5	6.4	8.5	5.4			0.0	0.8	6.2		6.9
Area 4 Score	4.7	8.7			5.6		8.0	8.0	8.0	3.9	6.4	4.2	8.4	9.2	8.0			4.1	4.9	8.1		8.5
Area 4 Rank	13	2			11		6	6	6	16	10	14	4	1	6			15	12	5		3

2002																						
A. Taxes on international trade	5.2	9.3			6.0		6.2	9.3	7.9	6.0	7.6	3.0	9.0		8.7			7.1	6.0			
i. Revenue from taxes on international trade as a percentage of exports plus imports	4.9	9.3			5.9		7.7		7.2										8.1			
ii. Mean tari rate	6.3				6.2		7.1	9.3	8.5	6.0	7.6	4.2	8.4		8.7			7.1	4.9			
iii. Standard deviation of tari rates	4.3						3.8					1.8	9.5						5.0			
B. Di erence between o cial exchange rate and black market rate	8.1	10.0			5.5		10.0	10.0	10.0	5.8	10.0	7.9	10.0	10.0	10.0			5.3	7.8	10.0		10.0
C. Restrictions on the freedom of citizens to engage in capital market exchange with foreigners—index of capital controls among 13 IMF categories	0.8	6.9			5.4		7.7	4.6	6.2	0.0	1.7	1.5	6.4	8.5	5.4			0.0	0.8	6.2		6.9
Area 4 Score	4.7	8.7			5.6		8.0	8.0	8.0	3.9	6.4	4.2	8.4	9.2	8.0			4.1	4.9	8.1		8.5
Area 4 Rank	13	2			11		6	6	6	16	10	14	4	1	6			15	12	5		3

Table 7: Area 5. Regulation of Credit, Labour, and Business

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2005																						
A. Credit Market Regulations	5.3	9.3		5.9	5.0		6.8	7.4	8.8		6.2	5.8	6.3		7.2		4.3	6.3	5.7	5.4		6.6
i) Ownership of banks	0.0	10.0			2.0		10.0	10.0	10.0			8.0	10.0	5.0	8.0		8.0		5.0	5.0		
ii) Competition: domestic banks face competition from foreign banks	8.0	8.0			6.0		3.0	5.0	9.0			3.0	3.0		8.0		3.0		8.0	8.0		
iii) Avoidance of interest rate controls and regulations that lead to negative real interest rates	10.0	10.0		9.0	10.0		10.0	10.0	10.0	10.0	9.0	10.0	10.0					10.0				10.0
iv) Getting Credit	3.2		1.5	2.8	2.2	2.0	4.2	4.5	6.2		3.3	2.3	2.3		5.7		2.0	2.5	4.0	3.2	5.0	3.2
a) Legal Rights Index	3.0		3.0	4.0	1.0	4.0	5.0	4.0	4.0		5.0	3.0	3.0		3.0		4.0	5.0	3.0	3.0	5.0	3.0
b) Credit Information Index	3.3		0.0	1.7	3.3	0.0	3.3	5.0	8.3		1.7	1.7	1.7		8.3		0.0	0.0	5.0	3.3	5.0	3.3
B. Labour Market Regulations	5.3		7.5	7.7	3.7	8.0	8.8	8.9	6.6		5.1	5.8	8.7		8.8		4.2	5.4	6.0	8.4	8.0	6.1
i) Rigidity of Employment Index	5.5		5.4	5.4	4.7	4.1	7.3	8.7	7.6		4.1	3.7	6.5		9.3		4.5	7.0	5.4	8.0	6.9	6.7
a) Di culty of Hiring Index	5.6		6.1	3.3	10.0	2.2	8.9	10.0	6.7		3.3	0.0	5.6		10.0		4.4	10.0	8.3	10.0	6.7	10.0
b) Rigidity of Hours Index	4.0		4.0	6.0	4.0	4.0	8.0	6.0	10.0		4.0	6.0	4.0		8.0		4.0	6.0	6.0	4.0	6.0	4.0
c) Di culty of Firing Index	7.0		6.0	7.0	0.0	6.0	5.0	10.0	6.0		5.0	5.0	10.0		10.0		5.0	5.0	2.0	10.0	8.0	6.0
ii) Hiring costs (% of salary)	5.0		10.0	7.2	5.3	7.8	8.0	8.0	6.1		7.2	6.8	8.2		8.0		5.5	6.9	6.1	7.7	7.6	8.4

2005 *(continued)*

iii) Firing costs (weeks of wages)	9.5		7.2	8.4	4.8	9.9	9.9	8.8	9.5		9.1	7.6	9.9		7.8		6.7	7.8	9.5	7.7	7.5	9.5
iv) Use of conscripts to obtain military personnel	1.0	10.0		10.0	0.0	10.0	10.0	10.0	3.0	1.0	0.0	5.0	10.0	10.0	10.0	10.0	0.0	0.0	3.0	10.0	10.0	0.0
C. Business Regulations	7.5		7.7	6.1	6.5	7.5	6.9	7.3	6.8		5.5	8.0	7.5		6.6		8.2	6.0	8.3	5.8	5.5	6.2
i) Starting a business (the ease of starting a business)	7.9		7.7	7.3	8.1	7.5	7.8	7.9	8.5		7.0	9.2	8.5		7.2		8.2	5.9	8.7	7.5	5.5	5.8
a) number of procedures	2.9		4.7	4.7	5.3	4.7	4.7	3.5	7.6		4.7	7.6	5.9		3.5		5.3	4.1	5.3	4.1	4.1	4.1
b) duration (days)	8.9		9.0	8.3	9.2	6.3	9.2	8.4	7.8		6.0	9.5	8.4		8.2		8.2	8.0	9.6	7.0	5.5	7.0
c) cost (% of income per capita)	9.7		7.7	7.3	9.2	9.2	9.1	10.0	8.7		8.5	9.8	9.9		9.3		9.3	9.7	9.9	9.6	6.1	7.3
d) minimum capital (% of income per capita)	9.9		9.4	8.9	8.6	9.9	8.3	9.8	9.9		8.8	9.9	9.8		7.9		10.0	1.7	9.9	9.3	6.3	5.0
ii) Closing a business (di culty of closing a business)	7.2			4.9	5.0		6.0	6.6	5.2		4.0	6.7	6.6		5.9			6.1	7.9	4.1		6.5
a) time (years)	7.8			5.2	6.0		5.9	6.0	6.3		2.1	8.5	6.3		7.5			6.1	9.1	5.1		7.3
b) cost (% of estate)	9.2			7.7	7.2		8.9	10.0	7.2		8.9	7.7	9.7		7.2			8.9	9.2	6.1		9.1
c) recovery rate (cents on the dollar)	4.5		0.0	1.7	1.8	0.0	3.1	3.7	2.1		0.8	3.8	3.8		2.9		0.0	3.2	5.5	1.1	0.0	3.1
Area 5 Score	6.0		7.6	6.6	5.1		7.5	7.8	7.4		5.6	6.5	7.5		7.5		5.6	5.9	6.7	6.5		6.3
Area 5 Rank	12		2	8	16		3	1	6		14	9	3		3		14	13	7	9		11

Table 7: Area 5. Regulation of Credit, Labour, and Business *(continued)*

2004

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania
A. Credit Market Regulations	5.3	9.0			4.3		7.0	8.1	8.5		6.2
i) Ownership of banks	0.0	10.0			2.0		10.0	10.0	10.0		
ii) Competition: domestic banks face competition from foreign banks	8.0	7.0			3.0		4.0	8.0	8.0		
iii) Avoidance of interest rate controls and regulations that lead to negative real interest rates	10.0	10.0			10.0		10.0	10.0	10.0	10.0	9.0
iv) Getting Credit	3.2		1.5	2.8	2.2	2.0	4.2	4.5	6.2		3.3
a) Legal Rights Index	3.0		3.0	4.0	1.0	4.0	5.0	4.0	4.0		5.0
b) Credit Information Index	3.3		0.0	1.7	3.3	0.0	3.3	5.0	8.3		1.7
B. Labour Market Regulations	5.3		7.5	7.7	3.7	5.5	8.8	8.9	6.6		5.1
i) Rigidity of Employment Index	5.5		5.4	5.4	4.7	4.1	7.3	8.7	7.6		4.1
a) Di culty of Hiring Index	5.6		6.1	3.3	10.0	2.2	8.9	10.0	6.7		3.3
b) Rigidity of Hours Index	4.0		4.0	6.0	4.0	4.0	8.0	6.0	10.0		4.0
c) Di culty of Firing Index	7.0		6.0	7.0	0.0	6.0	5.0	10.0	6.0		5.0
ii) Hiring costs (% of salary)	5.0		10.0	7.2	5.3	7.8	8.0	8.0	6.1		7.2

	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
A. Credit Market Regulations	6.3	7.6		7.2		4.3	6.3	5.7	5.4		6.6
i) Ownership of banks	5.0	10.0	5.0	8.0		8.0		5.0	5.0		
ii) Competition: domestic banks face competition from foreign banks	8.0	8.0		8.0		3.0		8.0	8.0		
iii) Avoidance of interest rate controls and regulations that lead to negative real interest rates	10.0	10.0					10.0				10.0
iv) Getting Credit	2.3	2.3		5.7		2.0	2.5	4.0	3.2	5.0	3.2
a) Legal Rights Index	3.0	3.0		3.0		4.0	5.0	3.0	3.0	5.0	3.0
b) Credit Information Index	1.7	1.7		8.3		0.0	0.0	5.0	3.3	5.0	3.3
B. Labour Market Regulations	5.8	8.7		8.8		4.4	5.4	6.0	8.4	8.0	6.1
i) Rigidity of Employment Index	3.7	6.5		9.3		4.5	7.0	5.4	8.0	6.9	6.7
a) Di culty of Hiring Index	0.0	5.6		10.0		4.4	10.0	8.3	10.0	6.7	10.0
b) Rigidity of Hours Index	6.0	4.0		8.0		4.0	6.0	6.0	4.0	6.0	4.0
c) Di culty of Firing Index	5.0	10.0		10.0		5.0	5.0	2.0	10.0	8.0	6.0
ii) Hiring costs (% of salary)	6.8	8.2		8.0		5.5	6.9	6.1	7.7	7.6	8.4

2004 *(continued)*																						
iii) Firing costs (weeks of wages)	9.5		7.2	8.4	4.8	9.9	9.9	8.8	9.5		9.1	7.6	9.9		7.8		6.7	7.8	9.5	7.7	7.5	9.5
iv) Use of conscripts to obtain military personnel	1.0	10.0		10.0	0.0	0.0	10.0	10.0	3.0	1.0	0.0	5.0	10.0	10.0	10.0	10.0	1.0	0.0	3.0	10.0	10.0	0.0
C. Business Regulations	7.5		7.7	6.1	6.5	7.5	6.9	7.3	6.8		5.5	8.0	7.5		6.6		8.2	6.0	8.3	5.8	5.5	6.2
i) Starting a business (the ease of starting a business)	7.9		7.7	7.3	8.1	7.5	7.8	7.9	8.5		7.0	9.2	8.5		7.2		8.2	5.9	8.7	7.5	5.5	5.8
a) number of procedures	2.9		4.7	4.7	5.3	4.7	4.7	3.5	7.6		4.7	7.6	5.9		3.5		5.3	4.1	5.3	4.1	4.1	4.1
b) duration (days)	8.9		9.0	8.3	9.2	6.3	9.2	8.4	7.8		6.0	9.5	8.4		8.2		8.2	8.0	9.6	7.0	5.5	7.0
c) cost (% of income per capita)	9.7		7.7	7.3	9.2	9.2	9.1	10.0	8.7		8.5	9.8	9.9		9.3		9.3	9.7	9.9	9.6	6.1	7.3
d) minimum capital (% of income per capita)	9.9		9.4	8.9	8.6	9.9	8.3	9.8	9.9		8.8	9.9	9.8		7.9		10.0	1.7	9.9	9.3	6.3	5.0
ii) Closing a business (di culty of closing a business)	7.2			4.9	5.0		6.0	6.6	5.2		4.0	6.7	6.6		5.9			6.1	7.9	4.1		6.5
a) time (years)	7.8			5.2	6.0		5.9	6.0	6.3		2.1	8.5	6.3		7.5			6.1	9.1	5.1		7.3
b) cost (% of estate)	9.2			7.7	7.2		8.9	10.0	7.2		8.9	7.7	9.7		7.2			8.9	9.2	6.1		9.1
c) recovery rate (cents on the dollar)	4.5		0.0	1.7	1.8	0.0	3.0	3.7	2.1		0.8	3.8	3.8		2.9		0.0	3.2	5.5	1.1	0.0	3.1
Area 5 Score	6.0		7.6	6.9	4.8	6.5	7.6	8.1	7.3		5.6	6.7	7.9		7.5		5.6	5.9	6.7	6.5	6.8	6.3
Area 5 Rank	14		3	7	18	11	3	1	6		16	9	2		5		16	15	9	11	8	13

Table 7: Area 5. Regulation of Credit, Labour, and Business *(continued)*

	Algeria	Bahrain	Comoros	Djibouti	Egypt, Arab Rep.	Iraq	Jordan	Kuwait	Lebanon	Libya	Mauritania	Morocco	Oman	Qatar	Saudi Arabia	Somalia	Sudan	Syrian Arab Republic	Tunisia	United Arab Emirates	West Bank and Gaza	Yemen, Rep.
2003																						
A. Credit Market Regulations	4.9	9.0			4.3		7.2	8.5	8.3		6.7	6.0	7.4	6.5	5.7			6.3	5.6	5.6		6.3
i. Ownership of banks	0.0	10.0			2.0		10.0	10.0	10.0			5.0	10.0	5.0	8.0				5.0	5.0		
ii. Competition: domestic banks face competition from foreign banks	8.0	7.0			3.0		4.0	8.0	8.0			8.0	8.0	8.0	3.0				8.0	8.0		
iii. Avoidance of interest rate controls and regulations that lead to negative real interest rates	10.0	10.0			10.0		10.0	10.0	10.0	10.0	9.0	9.0	10.0					10.0				10.0
iv. Getting Credit	1.5				2.2		4.7	5.8	5.3		4.3	1.8	1.5		6.2			2.5	3.7	3.7		2.7
a) Legal Rights Index	3.0				1.0		6.0	5.0	4.0		7.0	2.0	3.0		4.0			5.0	4.0	4.0		2.0
b) Credit Information Index	0.0				3.3		3.3	6.7	6.7		1.7	1.7	0.0		8.3			0.0	3.3	3.3		3.3
B. Labour Market Regulations	5.0				2.8		7.5	8.4	6.4		4.5	5.3	8.6		8.1			4.7	5.7	7.3		5.6
i. Rigidity of Employment Index	4.9				4.7		6.6	8.0	7.6		2.7	4.0	6.5		8.7			6.0	4.6	6.7		6.3
a) Di culty of Hiring Index	5.6				10.0		8.9	10.0	6.7		0.0	0.0	5.6		10.0			8.9	3.9	10.0		10.0
b) Rigidity of Hours Index	4.0				2.0		6.0	4.0	10.0		4.0	6.0	4.0		6.0			4.0	10.0	2.0		2.0
c) Di culty of Firing Index	5.0				2.0		5.0	10.0	6.0		4.0	6.0	10.0		10.0			5.0	0.0	8.0		7.0
ii. Hiring Costs (% of salary)	5.0				5.3		8.0	8.0	6.1		6.9	6.8	8.4		8.0			6.9	6.6	7.7		6.9

Regulations							7.2	8.5	8.3				7.4	6.5	5.7			6.3	5.6	5.6		6.3
banks																						
ii. Competition: domestic banks face competition from foreign banks		7.0					4.0	8.0	8.0			8.0	8.0	8.0	3.0				8.0	8.0		
iii. Avoidance of interest rate controls and regulations that lead to negative real interest rates	10.0	10.0			10.0					10.0	9.0	9.0	10.0					10.0				
iv. Getting Credit							4.7	5.8	5.3		4.3	1.8	1.5		6.2			2.5	3.7	3.7		2.7
b) Credit Informa - tion Index							3.3	6.7	6.7		1.7	1.7	0.0		8.3			0.0	3.3	3.3		3.3
B. Labour Market Regulations							7.5	8.4	6.4		4.5	5.3	8.6		8.1			4.7	5.7	7.3		5.6
i. Rigidity of Em -							6.6	8.0	7.6		2.7	4.0	6.5		8.7			6.0	4.6	6.7		6.3
b) Rigidity of Hours Index							6.0	4.0			4.0	6.0	4.0		6.0			4.0	10.0	2.0		2.0
c) Di culty of Firing Index							5.0		6.0		4.0	6.0	10.0		10.0			5.0	0.0	8.0		7.0
ii. Hiring Costs (% of salary)							8.0	8.0	6.1		6.9	6.8	8.4		8.0			6.9	6.6	7.7		6.9

2002 *(continued)*																						
iii. Firing Costs (weeks of wages)	9.1				1.4		5.2	7.7	9.1		8.4	5.6	9.3		5.8			5.8	8.5	4.9		9.1
iv. Use of conscripts to obtain military personnel	1.0	10.0			0.0		10.0	10.0	3.0	1.0	0.0	5.0	10.0	10.0	10.0			0.0	3.0	10.0		0.0
C. Business Regulations	7.7				7.5		7.5	7.6	7.9		6.9	8.3	7.6		7.0			6.4	8.2	7.2		6.9
i. Starting a Business (the ease of starting a business)	7.9				7.9		7.7	7.9	8.6		7.0	9.1	8.5		6.9			5.4	8.8	7.6		6.0
a) Number of Procedures	2.9				5.3		4.7	3.5	7.6		4.7	8.2	5.9		3.5			4.1	5.9	4.1		4.1
b) Duration (days)	8.8				8.4		8.3	8.4	7.8		6.0	9.6	8.4		6.9			7.8	9.4	7.4		7.0
c) Cost (% Income per capita)	9.8				9.3		9.7	10.0	9.2		9.0	9.9	10.0		9.5			9.8	9.9	9.7		8.3
d) Min. Capital (% Income per capita)	9.9				8.6		8.0	9.7	9.9		8.3	8.6	9.8		7.6			0.0	9.9	9.2		4.7
ii. Closing a Business (di culty of closing a business)	7.4				7.2		7.3	7.3	7.1		6.7	7.5	6.7		7.2			7.3	7.6	6.9		7.8
a) Time (years)	6.8				6.0		5.9	6.0	6.3		2.1	8.5	3.1		7.5			6.1	9.1	5.1		7.3
b) Cost (% of estate)	9.6				7.2		8.9	10.0	7.2		8.9	7.7	9.6		7.2			8.9	9.2	6.1		9.1
c) Recovery rate (cents on the dollar)	6.0				8.3		7.0	5.9	8.0		9.1	6.2	7.3		6.9			6.9	4.4	9.4		6.9
Area 5 Score	5.8				4.9		7.4	8.2	7.6		6.0	6.5	7.8		7.0			5.8	6.5	6.7		6.3
Area 5 Rank	11				13		4	1	3		10	7	2		5			11	7	6		9