Summary

The Arab Business Legislative Frameworks
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Committed to the 2030 Agenda, ESCWA’s passionate team produces innovative knowledge, fosters regional consensus and delivers transformational policy advice. Together, we work for a sustainable future for all.
Summary

The Arab Business Legislative Frameworks (2023)
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There has been a notable improvement in competition legislation across the Arab region, with regional scores rising from “Moderate” to “Developed” due to new laws and amendments.

Least developed countries (LDCs) within the region remain the weakest regarding enforcing and implementing competition laws.

The Arab region continues to face challenges with transparency and the clarity of definitions in competition law, signalling an area for improvement.

Exemptions remain a significant weak point in competition legislation across the Arab region, indicating a need for more stringent and clear regulatory frameworks.

Consumer protection legislation is notably the weakest among the business laws studied in the Arab region.

The transition to digital transactions demands robust and flexible regulations. Only Gulf Cooperation Council (GCC) countries and middle-income countries (MICs) cover e-commerce adequately.

Promoting sustainable consumption practices is still at a basic regulatory level across the Arab region.

In least developed countries (LDCs), the framework for consumer protection is considered particularly weak, highlighting a critical area for development.
**COMPETITION LAW**

- There has been a notable improvement in competition legislation across the Arab region, with regional scores rising from "Moderate" to "Developed" due to new laws and amendments.
- Least developed countries (LDCs) within the region remain the weakest regarding enforcing and implementing competition laws.
- Transparency and the clarity of definitions in competition law are areas for improvement.
- Exemptions remain a significant weak point in competition legislation across the Arab region, indicating a need for more stringent and clear regulatory frameworks.

**CONSUMER PROTECTION LAW**

- Consumer protection legislation is notably the weakest among the business laws studied in the Arab region.
- The transition to digital transactions demands robust and flexible regulations. Only Gulf Cooperation Council (GCC) countries and middle-income countries (MICs) cover e-commerce adequately.
- Promoting sustainable consumption practices is still at a basic regulatory level across the Arab region.
- In least developed countries (LDCs), the framework for consumer protection is considered particularly weak, highlighting a critical area for development.

**ANTI-CORRUPTION LAW**

- A total of 21 of 22 Arab countries have ratified the United Nations Convention against Corruption, showcasing a regional commitment to anti-corruption efforts.
- The anti-corruption regulatory frameworks in MICs and GCC countries are strongly aligned with international standards, particularly in public sector integrity, anti-bribery and whistleblower protection laws, and public procurement.
- Despite advancements, all Arab countries still lack sufficient legislative provisions for accessibility and transparency in the public sector. Additionally, conflict-affected countries (CACs) and LDCs are yet to fully embrace digital governance in combating corruption.
- There are notable differences in the development stages of anti-corruption frameworks across the Arab region, with certain areas reaching "Developed" stages and others lagging.

**FOREIGN DIRECT INVESTMENT LAW**

- Arab countries universally offer guarantees to protect foreign investors, including equal treatment and dispute resolution mechanisms.
- Only a few countries, including the GCC countries, Egypt and Morocco, have established online platforms for foreign investment registration.
- All Arab countries provide various incentives and have established free zones to encourage foreign investment.
- Sector-specific restrictions on full foreign ownership persist as a deterrent to potential foreign investments in the Arab region.

**CORPORATE LAW**

- There is a widespread lack of binding provisions across Arab countries to ensure sustainability and adherence to Environmental, Social and Governance (ESG) duties.
- MICs, CACs and LDCs lack strong legislative support for establishing authorities and funds dedicated to SME enhancement.
- CACs and LDCs are behind in adopting digital technology for the establishment and operation of businesses, and there is a general absence of mandatory provisions for companies to declare beneficial ownership.
- All Arab countries have adopted corporate bankruptcy laws prioritizing the protection of creditors' interests.
Background

In the dynamic landscape of the Arab region’s economic development, the intricate linkages between competition, consumer protection, anti-corruption, foreign direct investment (FDI) and corporate law cannot be overstated. Each of these domains plays a pivotal role in shaping a robust and sustainable economic environment. The reform of competition laws, for instance, is fundamental in creating a level playing field, which not only attracts foreign direct investment but also ensures fairness in consumer practices.

Consumer protection laws, when aligned with anti-corruption efforts, build trust and reliability in the market, making the region more attractive to local and international investors. Similarly, developing and enforcing comprehensive corporate laws lays the groundwork for businesses to operate with a heightened sense of integrity and accountability. These legal frameworks are the backbone of an economic ecosystem that promotes innovation, fosters equitable growth and facilitates the flourishing of SMEs.

Successful and coherent reforms necessitate a collaborative and committed approach among various stakeholders, including government entities, private sector participants, civil society and international partners. This collective endeavour calls for substantial capacity-building, effective resource allocation and a robust system for ongoing monitoring and evaluation. The ultimate objective transcends upgrading the economic landscape; it aims to ensure that the growth trajectory is inclusive, responsible, and is aligned with the long-term development goals of the Arab region. It’s about laying a foundation where economic prosperity is not just a present-day achievement but a sustainable legacy for future generations.

The “Arab Business Legislative Frameworks 2023” report of ESCWA serves as a holistic assessment of five critical legislative fields influencing business and economic development in the Arab region. It scrutinizes competition law and consumer protection measures, evaluating their legislative alignment with the best standards for effectiveness in ensuring fair market practices and safeguarding consumer rights. The report also delves into anti-corruption regulations and laws governing FDI, examining their roles in fostering a transparent and investor-friendly environment. Additionally, the report assesses corporate laws, focusing on the legal structure for company operations, corporate governance and bankruptcy laws, highlighting areas for reform and improvement.
Introduction

The business regulatory landscape in the Arab region has been undergoing major transformations in the last few decades, driven by efforts to foster competitive markets and catalyse economic growth. The measures taken differed according to national and subregional contexts and development goals and priorities, but generally focused on economic diversification in oil producing countries, attracting foreign investment in middle-income countries (MICs), and the growth imperatives of least developed countries (LDCs).

The United Nations Economic and Social Commission for Western Asia (ESCWA) has long recognized the critical role of economic and business governance. It addressed different issues relating to that governance in its 2015 publication “Competition and Regulation in the Arab Region”. Later, in 2020, ESCWA organized the First Arab Competition Forum in Beirut, which brought together Arab and international competition authorities. Within the forum, the need for substantial enhancements in competition laws and related regulatory frameworks was highlighted.

In response, ESCWA introduced the Arab Business Legislative Frameworks (ABLF) report in 2021. The report included an incisive assessment of regional regulations pertaining to competition, consumer protection, anti-corruption and foreign direct investment. The methodology for assessment was developed along the lines of international standards and expert consultations, with a focus on whether legislation exists or not, and if it does, to what extent is it clear, enforced, transparent and compliant to international best practices.

The 2023 ABLF report builds on its predecessor, and reflects the substantial legislative amendments and enactments that have occurred over 2020–2023, when legislations had to respond to shifting national priorities and regulatory standards, mainly as a result of the COVID-19 pandemic. The addition of corporate law to the assessment represents a significant expansion, encapsulating the regulatory dimensions of the lifecycle of Arab companies and emerging sustainability obligations.
This updated assessment also incorporates refinements in methodology, such as the inclusion of digital market consumer protections and a more comprehensive evaluation of FDI, encompassing not just entry but also operations and profit repatriation generated by foreign investments. The report builds on a central insight: that all five fields of assessment (competition, consumer protection, anti-corruption, FDI and corporate law) are interconnected, yet each, in its own right, plays a distinct role in shaping the business environment in the Arab region.

Therefore, the report underscores the need to adopt a balanced and holistic approach to business regulation, recognizing that the strength of one legislative area can significantly impact others. The report advocates for active business engagement in regulatory dialogues to ensure laws are practical and enforceable, and that they promote an ecosystem conducive to economic growth.

The ABLF 2023 report is envisioned as a roadmap for action across diverse sectors, providing invaluable insights for researchers, policymakers, investors and businesses, particularly small and medium-sized enterprises (SMEs). While the assessment presents a legislative perspective, it acknowledges the limitation of not reflecting the enforcement level of these regulations, and that future studies should explore the practical effects of these regulations on the ground.

**METHODOLOGY**

The methodology employed in the ABLF Report is designed to assess the business regulatory environment systematically and comprehensively in the Arab region. Five key legislative areas have been identified for the report, those being: competition, consumer protection, anti-corruption, FDI and corporate law. The research process involves collecting a vast array of data from various sources, compiling a detailed repository of relevant laws and policies, developing an evaluation matrix with key indicators, and verifying this information with member States. This ensures that the findings are both accurate and context-specific.

For the assessment, each legislative area is broken down into components and further into binary indicators that mirror international best practices. The scoring system, ranging from 0 (weakest) to 7 (strongest), is based on these indicators and used to evaluate each country’s legal framework, with higher scores indicating stronger alignment with international standards. Additionally, the research employs the ESCWA classification system for countries within the Arab region, enhancing the analysis of regional trends and ensuring a comprehensive evaluation of the legislative frameworks.
Competition law
In both developed and emerging economies, competition law and policy are foundational to promoting market efficiency, spurring innovation and safeguarding consumer welfare. By curbing anti-competitive practices, such as cartels and monopolistic behaviours, these legal frameworks ensure that businesses compete fairly, resulting in enhanced product quality, lower prices and greater innovation, and, ultimately, greater benefits for consumers.

The Arab region has a history of extensive State involvement in the economy and concentrated market structures. Therefore, Arab countries stand to gain significantly from robust competition laws and policies. These reforms can stimulate innovation, efficiency, and investment while promoting economic development and consumer prosperity. Moreover, effective competition policy can play a role in addressing economic disparities and promoting social welfare.

Continual regulatory updates and reforms are crucial to ensuring the efficacy of competition law and policy. As economies evolve with new business models and technological advancements—such as the rise of the digital economy and artificial intelligence—competition laws must adapt to address emerging challenges and prevent the stifling of innovation.

The adoption of competition laws in the Arab world has been increasingly recognized as a means to improve economic and social outcomes. The first Arab Business Legislative Framework report by ESCWA in 2021 indicated a “Moderate” quality of competition legislation in member States, highlighting the need for enhancements in legislative frameworks and enforcement authorities.

Significant progress has been made since the 2020 assessment. Six Arab countries have enacted or amended
competition legislation. This positive trend is reflected in the overall competition law assessment score for the Arab region, which has improved from “Moderate” in 2020 to “Developed” in 2023. Notably, Gulf Cooperation Council (GCC) countries have advanced from “Developed” to “Strong”, while Arab MICs have improved from “Moderate” to “Developed”. However, conflict-affected countries (CACs) remained at “Moderate”, and Arab LDCs regressed to “Basic”, indicating the need for urgent support and capacity-building.

The assessment scores across competition law components have generally increased since 2020, with improvements in legislative quality concerning enforcement practices and merger regulations. The integration of Arab countries into international trade agreements, such as Common Market for Eastern and Southern Africa (COMESA), has contributed to this progress. Nevertheless, the average score did not surpass the “Developed” threshold for any component, signalling a continued need for comprehensive progress across the region.

Several components, such as “Labour protection”, “Cartels and anti-competitive agreements”, and “Liberalization and State intervention in regulated sectors”, have not seen progress, indicating a need for more attention. The prevalence of exemptions granted to State-owned enterprises (SOEs) underscores the need for deeper incorporation of competitive neutrality principles into competition legislation.

The evolution of competition regulations from 2020 to 2023 reveals a diverse landscape across Arab countries, with notable advancements in some of them due to the introduction of new laws and reforms. Egypt, Kuwait, Lebanon, Oman, Saudi Arabia and the Sudan have made significant strides, aligning closer to international best practices. However, disparities remain, with countries like Iraq regressing and the State of Palestine and Somalia classified as “Very weak” due to the absence of competition laws.

Future efforts should focus on supporting all Arab countries in developing robust competition frameworks, with particular attention to those lagging, to foster an equitable economic landscape conducive to sustainable growth.

A. Competition laws

This component reflects whether competition laws exist or not in a country, and assesses the effectiveness of these laws, in addition to the enforcement provisions granted for competition authorities in the laws.

There has been a slight improvement in competition legislation in the Arab region, with an average score of “Developed” in 2023. This upward movement reflects a region-wide effort to enhance competition frameworks and address market inefficiencies. However, the advancement is not uniform across the region, with variations evident across different subregions.

B. Anti-dominance and monopolization laws

This component evaluates the effectiveness of anti-dominance and monopolization laws, focusing on how they prevent excessive market power.

Over 2020–2023, the average score for this component has improved from “Moderate” to “Developed”. This reflects efforts across the region to refine legal frameworks that tackle market dominance and monopolistic behaviours, with some countries standing out for significant improvements. Despite this positive trend, there are stark disparities in the level of detail and enforcement mechanisms, highlighting an ongoing need for refinement and enhancement of these laws.
C. Cartels and anti-competitive agreements

This component evaluates the legal framework addressing cartels and anti-competitive behaviour. It focuses on how well legislations curb such practices and establish sanctions to maintain market efficiency and fairness.

The Arab region made moderate but positive shifts in this respect. The legislation across the region has increasingly aimed at discouraging practices such as price-fixing, market division and other forms of collusion. Despite this, the legislation in many countries lacks explicit definitions of cartels and coherent mechanisms to counter them. This deficiency could hinder the full effectiveness of anti-competitive laws.

D. Competition enforcement practices

This component focuses on the effectiveness and efficiency of competition enforcement practices, examining legal provisions, sanctions for violations, and the independence of regulatory bodies to ensure compliance with competition laws.

Despite the significant progress many Arab countries made in this component, the overall score is still “Developed”. While Iraq and the Syrian Arab Republic have established independent authorities with ex officio powers for proactive investigations, gaps persist in other countries. Djibouti, for instance, still has no dedicated competition authority, while in the Sudan the competition authority lacks independent empowerment for investigation. These contrasts highlight the ongoing need for more uniform and robust competition law enforcement to promote fair trading practices across the region.
E. **International trade agreements**

This component assesses alignment with international trade agreements and global competition policy standards, focusing on the extent of adherence to international best practices in competition laws.

The Arab region holds a “Moderate” classification for this component. Key examples for international trade agreements include the GCC-Singapore Free Trade Agreement’s arbitration mechanism and Egypt’s policy alignment under COMESA. Despite these steps, gaps remain, such as the lack of detailed competition provisions in the commitments of Yemen to the World Trade Organization and the need for clearer competition definitions and dispute mechanisms in the agreement of Libya with COMESA. This uneven landscape indicates a regional push towards more competitive markets, yet calls for more consistent and comprehensive integration of competition policy across all trade agreements.

F. **Merger regulatory regime**

This component evaluates the effectiveness of the merger regulatory regime, focusing on the legal provisions and procedures for reviewing and approving mergers and acquisitions.

The overall score for the Arab region is still “Developed”, reflecting a general commitment to overseeing economic concentrations to ensure competitive markets. Particularly, Egypt and Saudi Arabia lead the Arab region with a score of “Very strong”, mainly due to the comprehensive pre-merger notification requirements and explicit criteria for merger assessments. In stark contrast, the LDCs like Mauritania and Djibouti lag with underdeveloped frameworks that need clearer guidelines and criteria for economic concentration. While Somalia has no merger regulatory regime altogether.

G. **Liberalization and State intervention in regulated sectors**

This component scrutinizes the balance between liberalization and State intervention in critical sectors, evaluating how authorities monitor and enforce liberalization processes and the impact of exemptions on the competitive landscape.

Progress in this regard has been uneven across the Arab region. The regional average score has been oscillating between “Basic” and “Moderate”. Saudi Arabia, for instance, exhibits improvement with its new privatization law that promotes private sector involvement. In contrast, the score for Bahrain, Kuwait and Oman remains “Moderate” due to legal constraints on private sector participation in certain industries. While Egypt advances with initiatives like public-private partnerships to encourage competitive neutrality, Lebanon’s “Very weak” status underscores greater challenges, including the need for more effective competition regulation, especially regarding the dominant role of SOEs in strategic sectors.
H. Labour protection

This component evaluates how competition policy integrates labour protection, focusing on the involvement of non-compete clauses, and mechanisms for addressing labour violations, aiming to ensure equitable distribution of the benefits of competition.

Labour protection is still at a “Basic” level in 2023, with GCC countries providing some employee protections in the event of mergers and acquisitions, but missing broader safeguards like non-compete clauses, excluding Oman. In contrast, Arab MICs exhibit nominal protections with gaps such as missing non-compete clauses in several countries, while LDCs exhibit limited safeguards, though Mauritania does prohibit non-compete clauses to protect employees.
Consumer protection law
Consumer protection serves as a crucial foundation for economic growth and business stability. These laws are designed to foster ethical business conduct and consumer trust, which in turn, contribute to a thriving market environment. With the advent of the digital age and the corresponding rise in e-commerce, the Arab region is challenged to adapt its consumer protection framework to safeguard consumers against online risks.

The end of the 20th century saw the Arab region embarking on economic reforms that led to an increased recognition of the need for a robust consumer protection regime. This need has become more pressing with the digital revolution, which has introduced new complexities into consumer transactions, necessitating stronger and more adaptable legal frameworks.

The United Nations Conference on Trade and Development (UNCTAD) and other international bodies have been instrumental in this regard, offering guidance and support to foster legislative development that is in line with international best practices. In particular, the COVID-19 pandemic has underscored the importance of such frameworks, especially in the context of e-commerce, which has experienced significant growth during the pandemic.

Despite these efforts, the implementation and enforcement of consumer protection laws in the digital realm remain a significant challenge. The region grapples with resource constraints, capacity issues, and institutional weaknesses that limit the effectiveness of these laws. Strengthening the independence of regulatory and enforcement bodies is critical for the advancement of consumer protection.

ESCWA has conducted assessments to identify the key components necessary for consumer protection in Arab countries. These components include regulations for physical safety, redress measures, economic interests, sustainable consumption, and most recently, e-commerce. Assessment results reveal that while there is progress in some areas, such as the protection of economic interests and physical safety, other areas like e-commerce legislation and sustainable consumption practices are still in the early stages of development.

Since the initial assessment in 2020, only a handful of Arab countries have amended their consumer protection frameworks. Notable among these is the United Arab Emirates, moving to a “Very strong” classification by 2023. However, the overall legislative framework of the region is still rated as “Moderate”, reflecting a need for continued improvement and alignment with international standards.

The ESCWA assessment illustrates that while the region has made commendable progress, especially in defining consumer rights and improving transparency, the effectiveness of enforcement mechanisms and the integration with international agreements have not kept pace. The legislative framework is evolving, with improvements noted in the comprehensiveness of laws and decrees, handling of exemptions, and the strengthening of institutions responsible for enforcement.

Despite these advancements, the region faces several challenges. In some countries, e-commerce regulations are insufficient, potentially exposing consumers to fraud. The effective implementation of consumer protection laws is inconsistent, with enforcement being a significant hurdle. Furthermore, the coverage of current laws across all sectors is limited, and there is a lack of public awareness regarding consumer rights. The limited resources for dispute resolution and the protection of vulnerable groups are additional concerns.

Consumer protection, according to the latest assessments, stands as the most vulnerable area among the various fields studied in the Arab region. Despite this, there is a silver lining: since the previous report, there has been an increase in regional scores across most components of the consumer protection assessment. This upward trend indicates that measures to improve consumer protection are gradually being recognized and implemented, albeit at varying degrees of intensity and effectiveness across the region.
One area that lags behind in regulatory development is the promotion of sustainable consumption. Classified as basic, the regulatory approach to this aspect in the Arab region suggests that more dedicated efforts are required. There needs to be a stronger legislative focus on ensuring that consumption patterns align with sustainability principles, thereby safeguarding not just the present but also the future interests of consumers.

Drilling down into the specific elements of consumer protection, the enforcement mechanisms stand out as requiring considerable attention. The assessment of these mechanisms currently stands at “Basic”, reflecting a need for more robust implementation and oversight to protect consumer rights. GCC countries have made strides in this direction by introducing e-commerce provisions, exemplified by the Unified Law for Combating Commercial Fraud No. 20/2019 and its implementing regulations.

In contrast, MICs within the region have concentrated on market control and the security of consumer interests, demonstrating a proactive stance in consumer protection. Yet, the disparity becomes apparent when looking at the Arab LDCs. Here, the consumer protection framework is strikingly weak.

The varying degrees of consumer protection across the GCC, MICs, and LDCs highlight the diverse challenges each subregion faces. While some have made notable progress, others still have a considerable journey ahead to establish a robust consumer protection regime that can effectively address the demands of the digital age and beyond.

Examining the consumer protection laws across the Arab region reveals critical challenges that need strategic solutions. The regulation of e-commerce, enforcement of laws, coverage of current laws across all sectors, public awareness of consumer rights and international coordination are areas that require urgent attention. These issues highlight the need for concerted efforts to strengthen consumer protection frameworks to ensure robust, inclusive and effective protection for consumers in the Arab region.

A. Physical safety regulations

This component assesses legal frameworks and enforcement mechanisms for consumer protection and physical safety, emphasizing coordination and accessibility, to ensure businesses adhere to standards and consumers are safeguarded from harm.

The average score for this component has improved in the Arab region, from “Moderate” to “Developed” during 2020–2023. The United Arab Emirates stands out with comprehensive digital marketplace safety laws, while Lebanon has introduced specialized consumer protection courts. On the other hand, the consumer safety framework of Saudi Arabia is still in the draft phase, and the physical safety regulations of Morocco lack specificity. Countries like the Syrian Arab Republic are making progress in protecting consumer rights, yet gaps persist in countries such as Somalia and the Sudan, which lack detailed safety regulations.

B. Protection of consumer economic interests

This component assesses laws protecting consumer economic interests, emphasizing fair business practices and consumer rights enforcement.

There has been progress across the Arab region for this component, with the average score improving from “Developed” to “Strong”. This improvement reflects advances such as the comprehensive and stringent
regulations in the United Arab Emirates and the introduction of robust consumer protection laws in Mauritania. These laws encompass a wide range of consumer interests, from clear product information to post-sale services and consumer redress mechanisms.

C. Measures enabling consumers to obtain redress

This component examines mechanisms for consumers to seek redress, focusing on accessibility and effectiveness of legal support and dispute resolution processes.

The measures enabling consumers to obtain redress have shown significant improvement, with the average regional score rising from “Moderate” to “Developed”. This progress is indicative of stronger consumer protection laws and more rigorous enforcement mechanisms across the region. Bahrain, Kuwait and Qatar showcase “Very strong” frameworks with robust complaint and refund systems.

D. Promotion of sustainable consumption

This component evaluates the legal and policy frameworks promoting sustainable consumption, focusing on environmental protection, resource management and stakeholder roles in encouraging eco-friendly consumer practices.

The regional approach towards promoting sustainable consumption within Arab countries ranges between “Weak” and “Basic”, signalling a nascent but growing recognition of the need for ecological sustainability. While efforts are being made, the overall legislative and policy measures to encourage eco-friendly consumer behaviour remain underdeveloped. This indicates that, while awareness and the foundation for action exist, there is significant work to be done to translate this into comprehensive binding regulations and practices.

E. E-commerce and consumer protection

This component assesses the adequacy of legal frameworks and enforcement mechanisms in protecting consumers in the rapidly evolving e-commerce sector, focusing on online transaction safety, data privacy, and addressing emerging challenges in digital consumer protection.

The region, overall, still has a “Basic” score, revealing an evolving but still maturing landscape of digital transaction regulations. Legal frameworks have been advancing more robustly in some countries than in others. There is a general recognition of the importance of protecting consumer rights over e-commerce platforms, but the depth and strength of enforcement vary significantly across the region.
Anti-corruption law
Anti-corruption efforts have gained momentum throughout the Arab region. Many countries have enacted regulations with the aim of curbing corrupt practices. These laws span multiple sectors, including public service integrity, anti-bribery measures, whistleblower protection and transparent public procurement processes.

At an international level, the United Nations Convention against Corruption (UNCAC) serves as a primary legal instrument. All Arab countries, except the Syrian Arab Republic have ratified UNCAC. The convention covers various forms of corruption, enforcement and preventive measures, offering a standardized framework for globally accepted anti-corruption practices.

Yet, despite the establishment of anti-corruption legislations, the Arab region continues to struggle with effective enforcement. Laws criminalizing bribery are commonplace, but exemptions and immunities for certain political or commercial entities weaken legal frameworks. Such gaps, alongside political instability, impede the fight against corruption.

Overall, the Arab region’s score for anti-corruption has increased from “Moderate” to “Developed” over 2020–2023. However, a closer look at the subregional advancements reveals a nuanced picture. Some MICs and GCC countries have made significant progress, and the legislation had the score of “Strong”. As for LDCs, and despite improvements, their average score still stands at “Moderate”. CACs have also made some progress, by adopting in their penal law provisions that prohibit bribery in the public sector.

There are still some gaps, especially in the domains of digital government, open governance and transparency. The field of budgeting and public expenditures, although rated as “Developed”, could benefit from further enhancements.

The progress in enforcement measures is particularly commendable, reaching a “Very strong” score. Improvements are also evident in the clarity of legal definitions and institutional regulations, which have advanced to “Developed”. However, challenges persist in the areas of transparency, international agreements and the need to minimize exemptions in anti-corruption laws to ensure equal accountability.

There is a need for enhanced efforts in these areas, not only to improve the legal and institutional response to corruption but also to increase the capacity of these frameworks to be effectively enforced and to meet the expectations of international standards of governance and public service.

### A. Anti-corruption and integrity in the public sector

This component assesses the frameworks and institutions that promote integrity and combat corruption in the public sector, focusing on transparency, accountability and effectiveness to prevent misuse of public resources.

The average score of the Arab region for this component has risen from “Strong” to “Very strong” over 2020–2023. However, some countries exhibit robust frameworks and firm enforcement, while others still have legal loopholes and face challenges in implementation. The strengthening of anti-corruption institutions, alongside the elimination of exemptions that may protect corrupt practices, remains imperative.

### B. Anti-bribery and whistleblower protection laws

This component focuses on evaluating the strength of anti-bribery laws and the protection of whistleblowers, emphasizing the need for clear definitions, strong sanctions against bribery and robust legal safeguards to encourage the reporting of corrupt activities without fear of retaliation.
The Arab region’s score for this component is “Developed”, as almost all of them have ratified the UNCAC. As for the national laws adopted, the landscape is uneven as some countries have strong legal frameworks and whistleblower protections, while others show notable gaps, particularly in protecting those who report corruption.

C. Budgeting and public expenditures

This component assesses the transparency and efficiency of budgeting and public expenditure, ensuring responsible resource use and promoting public accountability.

The Arab region has progressed to a “Developed” classification in budgeting and public expenditures. This advancement is supported by structured legal systems and dedicated oversight bodies, ensuring diligent management and allocation of State resources. However, the region continues to face challenges with transparency and public access to budgetary information, which are crucial for maintaining the integrity and effectiveness of these improvements. While GCC countries showcase substantial progress, CACs and LDCs display varying development levels.

D. Digital government

This component focuses on balancing privacy and data security with transparency and accessibility in government digital services, fostering public trust and efficient technology use in the public sector.

The overall score for Arab countries in this component is “Moderate”. This result reflects the initiatives of the GCC countries, which have notably advanced in establishing digital governance regulations to improve efficiency and data protection. However, LDCs and CACs face significant challenges, including a lack of specific laws and infrastructure. Meanwhile, some MICs are setting strong precedents with robust data protection laws, yet they struggle with the full implementation of their digital governance strategies.
E. Open government and transparency

This component examines the legal and institutional mechanisms promoting openness and transparency in the public sector, essential for public trust, accountability and effective governance.

The regional score for this component has improved from “Basic” to “Moderate”. The improvements are reflected in the implementation of data portals and adopting transparency laws. Yet, countries across the region still grapple with adequately defining transparency and expanding access to open data. Within this context, the GCC countries stand out with a “Developed” status, showcasing robust legal frameworks and institutional measures aimed at promoting transparent governance. Nonetheless, across the Arab MICs, CACs and LDCs, the situation is uneven, with some countries advancing in legislative transparency while others lagging, indicating a need for more rigorous efforts to enforce open government initiatives.

F. Public procurement standards

This component scrutinizes legal frameworks and institutional practices governing public procurement to ensure transparency, fairness and efficiency, crucial for preventing corruption and promoting fair competition in government acquisitions.

The region has been classified as “Developed”, indicating a region-wide enhancement in the regulations governing transparency, equality and accessibility in procurement processes, with particular progress in GCC countries. However, implementation inconsistencies and a lack of transparency in tender information remain across various countries, highlighting the need for reforms. Overall, while the region has made strides in public procurement, the disparity in enforcement and the need for improved access to procurement data call for continued attention.
FDI is a critical driver of economic growth, serving as a conduit for the transfer of capital, technology and skills. In recent years, Arab countries have recognized the importance of FDI and have taken steps to refine their legal frameworks to attract and protect foreign investors. FDI laws are crucial as they provide transparency, legal protection and predictability, all of which are key in enticing investors. Factors such as political stability, efficient public institutions, robust banking systems, open trade policies and the enforcement of law complement the legal frameworks, creating an environment conducive to investment.

Since 2020, nine Arab countries have implemented legislative amendments to enhance their FDI attractiveness. These amendments focus on liberalizing FDI policies, establishing investment centres, streamlining procedures through digital platforms and fostering public-private partnerships. Additionally, they emphasize sector-specific competitiveness and renewable energy usage, and enable land access.

The contribution of FDI to GDP in the Arab region closely mirrors the global average, with a few cases that significantly exceed it. The overall FDI inflow experienced a decline in 2022 due to global crises like the war in Ukraine, rising public debt, and surging energy and food prices. Despite these challenges, FDI inflows in most Arab countries showed resilience and a positive impact on their economies.

Sustainability has become a key consideration in FDI laws, with a focus on renewable energy investment. Egypt and Morocco have made significant investments in this sector, with renewables comprising a substantial share of their total project value. The establishment and regulation of free zones have also been pivotal in attracting FDI, offering numerous benefits such as tax exemptions, simplified business setup and strategic market access.

The 2023 ABLF assessment of FDI legislation incorporates new indicators such as dispute resolution mechanisms and real estate investment facilitation. The findings show that GCC countries and MICs have strong FDI legislation, allowing for full foreign ownership in various sectors (except for the ones designated as strategic), free profit repatriation, and incentives like tax and customs exemptions. They also have robust institutional frameworks with online platforms for investor registration and investment councils for project evaluation.

The updated FDI laws across Arab countries underscore a strategic shift toward economic liberalization and investor-friendly policies. In response to the evolving global investment climate, Arab countries have reformed their legal frameworks to bolster investor confidence and attract greater foreign capital.

This significant policy shift aims to diversify economies beyond oil reliance. However, the assessment reveals that restrictions on full foreign ownership in specific sectors persist as the weakest element of FDI legislation across
the Arab region, suggesting potential areas for reform and improved accessibility for foreign investors.

GCC countries and MICs have also strengthened investor guarantees, offering protections against confiscation and expropriation, and have improved the efficiency of approval and licensing procedures. These countries also offer incentives, including tax and customs exemptions and support for SMEs, alongside established online platforms for streamlined investor registrations.

The United Arab Emirates has been proactive in free zone development, which is integral to its economic diversification and sustainability goals. These zones have proven instrumental in facilitating business operations and attracting FDI by offering competitive costs and strategic market access.

Dispute resolution mechanisms have been a focal point of recent legislative reforms, with Arab countries incorporating arbitration provisions in their FDI laws. This is a direct response to the preference of foreign investors for impartial and specialized dispute resolution, which arbitration provides over local judicial systems. The ratification of international arbitration conventions, such as the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, further strengthens this aspect of the investment climate.

In contrast, CACs and LDCs exhibit more variance in their FDI legislation. Despite some progressive steps, such as the new investment law in the Syrian Arab Republic, these regions face inherent challenges due to political instability and infrastructural deficiencies. For example, while CACs generally allow the free transfer of investment revenue, restrictions may apply in cases of legal disputes, as seen in the State of Palestine.

LDCs have similarly developed their FDI frameworks, with a focus on sector-specific incentives and dispute resolution through arbitration. However, the operationalization of these laws is often impeded by broader socio-economic challenges. The Sudan has made notable progress by implementing an electronic single window system, streamlining the investment process considerably.

Overall, efforts across the Arab region to reform FDI laws reflect a commitment to creating a more appealing and secure environment for foreign investors. The results indicate a regional aspiration towards economic modernization and integration into the global economy, with particular attention to sustainability and technological advancement in investment projects.

### A. Approval processes

*This component evaluates the efficiency and effectiveness of approval processes for FDI, including the role of digital platforms in streamlining procedures and facilitating investment in various sectors.*

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<td>0</td>
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<td>1</td>
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The overall score for the Arab region in this component is “Strong”. This is mainly attributed to the adoption of a single-window system in GCC countries, reducing the administrative burden on investors.

### B. Licensing and registrations

*This component evaluates the requirements for obtaining licenses and registrations for foreign investment activities.*

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Licensing and registration procedures in the Arab region, though comprehensive, are rated as “Moderate”, indicating room for improvement. While steps have been taken to ensure that processes are detailed and cover all legal forms, the complexity and time involved can vary significantly across different countries.
C. **Investor protection**

This component covers provisions that protect the rights and interests of foreign investors, including guarantees against expropriation, dispute resolution mechanisms and intellectual property rights.

Investor protection in the Arab region is assessed as “Strong” due to comprehensive laws that provide security and equitable treatment for both foreign and domestic investors. The protection extends to intellectual property, dispute resolution and safeguards against arbitrary expropriation. The adoption of international arbitration conventions also bolsters investor confidence in the region’s legal frameworks.

D. **Ownership limits**

This component covers whether there are restrictions on the percentage of foreign ownership in specified sectors.

Legislations regarding the ownership limits for foreign entities in the Arab region are considered “Weak”, reflecting a conservative approach to foreign ownership, especially in strategic sectors like banking, insurance and natural resources. Although there have been reforms, particularly in GCC countries, restrictions persist in many countries, limiting full foreign ownership.

E. **Sectoral restrictions**

This component covers provisions related to national security reviews of foreign investments, especially in sensitive sectors.

This component has been classified as “Weak”, indicating that Arab countries maintain stringent controls on foreign investments in specific strategic sectors. These restrictions are often justified by the need to protect sensitive industries and ensure national security. While some liberalization has occurred, foreign investors still face significant barriers in key industries. And, by limiting access to foreign capital, technology and expertise in restricted sectors, this move may impede innovation, reduce competitiveness and potentially lead to missed investment opportunities for overall economic development.

F. **Performance requirements**

This component covers whether the host country imposes conditions on foreign investors, such as technology transfer, local content requirements or employment obligations in order to guarantee the feasibility of the investment projects.
Provisions relating to performance requirements in the Arab region are marked as “Strong”, suggesting that foreign investors are expected to meet specific economic or social objectives as part of their business operations. These may include job creation, use of local resources or technology transfer, aimed at ensuring that foreign investments align with the host country’s development goals.

G. Incentive regime

This component covers the incentives that the law accords to foreign investments (tax, customs, labour, equipment, etc.) to facilitate the attraction of investment projects.

The regional score for this component is “Very strong”, indicating a highly competitive and appealing range of benefits for foreign investors. These include tax incentives, customs duty exemptions and the establishment of free zones with special economic benefits, which are particularly focused on strategic sectors like renewable energy.

H. Profit reparation

This component covers any limitations, taxes or documentation requirements for repatriating profits to the investor’s home country, and whether there is a formal or informal capital control.

Profit reparation policies in the Arab region are classified as “Very strong”, with legal frameworks in place to ensure the free and unrestricted transfer of profits and capital.
I. Exit strategy

This component covers the procedures and regulations for exiting an investment, including the sale of shares, liquidation or transferring ownership.

Exit strategies for investors in the Arab region are deemed “Weak”, implying insufficient clarity and support within FDI legislation for investors wishing to divest or withdraw their capital. Although some countries have mechanisms that facilitate the repatriation of profits, the lack of comprehensive exit strategies can deter long-term investment and complicate the disinvestment process.
Corporate law not only defines the way businesses interact with one another and with administrative bodies but also facilitates initiating and managing of businesses. The influence of the French and Common Law systems on corporate law across the Arab countries is profound. In regions like Lebanon, North Africa and the Syrian Arab Republic, the principle of “affectio societatis”, which is used in the French system, reflects the willingness of partners to collaborate in business ventures. Also, the Common Law system, prevalent in the GCC countries and Jordan, pragmatically addresses the establishment and governance of companies, focusing on their operational dynamics within the market.

Central to corporate law is the principle of limited liability, which reassures investors by limiting their risk exposure to the amount of capital they invest, thus protecting personal assets from corporate debts. This principle complements other corporate features such as legal character, share transferability, centralized management and the ability for equity investment. These elements combine to create a legal environment that not only encourages investment but also underpins economic advancement and job creation.

Corporations, especially SMEs, are significant contributors to economic growth, as evidenced by their substantial roles in employment and GDP in emerging economies. A comparative look at various countries, including some Arab countries, reveals that while SMEs make up the majority of corporations, their potential to contribute more significantly to GDP is still underutilized, particularly due to a dominant public sector and insufficient support for private sector development.

Recognizing this, several international organizations have assessed business regulations to enhance corporate governance and investment climates. Notably, the “Doing Business” report of the World Bank and the publications of the Organisation for Economic Co-operation and Development (OECD) on corporate governance, have been instrumental in promoting environments of trust, transparency and accountability.

The ESCWA methodology for assessing corporate law is comprehensive, addressing the full lifecycle of a company from establishment, through operation, to liquidation. This includes examining the registration process, financial incentives, shareholder rights, governance practices and procedures for handling financial distress. Such an assessment is crucial for identifying regulatory gaps and for bolstering the private sector.

The findings of the assessment reveal that corporate laws in Arab countries are undergoing significant transformations, aimed at fostering a conducive environment for businesses and bolstering investor confidence. A notable stride in this direction is the adoption of digital platforms for company registration, particularly by GCC countries, Egypt, Morocco and Tunisia. This technological integration simplifies the establishment and operation of businesses, reducing bureaucratic barriers, and enhancing transparency. Furthermore, GCC countries, Lebanon, Morocco and Egypt took the step of requiring companies to declare beneficial ownership during the registration process.

The assessment reveals a strong focus on SMEs. Laws have been established to create supportive institutions and financial incentives for SMEs, although implementation levels vary across the region. The majority of Arab countries now offer third-party access to corporate documents in the commercial register, with notable exceptions due to confidentiality concerns.

In the operational phase of corporate activity, there have been efforts to enshrine governance principles and shareholder rights into laws. Several Arab countries have introduced provisions for online board meetings. While public institutions in some countries have issued guidelines for environment, society and governance (ESG) reporting, there is an evident need for these to be legally enforceable and binding. Additionally, the assessment highlighted the lack of robust legal protections for employees within companies, pointing to an area ripe for reform.

### A. Commercial registration

This component evaluates the efficiency and transparency of business registration processes, focusing on the ease of registering businesses, the use of e-governance and the accessibility of registration records to facilitate entrepreneurship and economic growth.
The overall score of the Arab region is “Strong”, reflecting comprehensive legislative measures that streamline the process for business initiation. The laws in GCC countries, Egypt and Morocco have been significantly enhanced by the integration of digital platforms which reduces the procedural timeframes and provides clarity on the regulatory requirements, effectively lowering the barriers to entry for new businesses.

**B. Financial access and incentives**

This component focuses on assessing the legal frameworks and incentives that facilitate access to financial resources for SMEs, enhancing their growth and innovation capabilities.

The average score in the Arab region is “Developed”. Legislations in GCC countries, Algeria, Egypt, Morocco and Tunisia, define the structure of financial institutions tailored for SMEs to stimulate entrepreneurship and boost vital role of SMEs in economic diversification and job creation.

**C. Shareholder/investor rights and corporate governance**

This component assesses the legal frameworks that protect and empower shareholders and investors, focusing on shareholder rights, board representation and corporate governance practices, to promote transparency, accountability and investor confidence in the corporate sector.

Legislations related to this component stand at a regional rating of “Strong”. Laws across the region require the disclosure of financial statements, enforce the rights of minority shareholders and provide mechanisms for addressing grievances. Corporate governance codes, while not always mandatory, set forth best practices for board conduct, conflict-of-interest policies and the transparency of shareholder meetings, aligning with global standards.

**D. Sustainability duty on corporations**

This component evaluates legal frameworks and incentives that promote corporate environmental responsibility, focusing on regulations that mandate sustainable practices and provide incentives for environmentally-friendly measures, to foster a more sustainable and ecologically-conscious corporate environment.

The score for the Arab region is “Moderate”, denoting a transitional phase in legal mandates, with guidelines for ESG reporting being recommended rather than required. This legal position signals an increasing push towards sustainability, with a foreseeable trajectory towards making ESG compliance a binding aspect of corporate law, in alignment with international trends and investor expectations.
E. Diversity and inclusion

This component evaluates the legal aspects of diversity and inclusion in corporate governance, focusing on gender equality and diversity in leadership roles to enhance innovation, decision-making and social equity.

Laws pertaining to diversity and inclusion within corporate structures are rated as “Weak”, highlighting a significant area for improvement. While there are emerging examples of legislations that encourage broader representation on corporate boards, these are not widespread.

The legal frameworks currently lack the enforceability to ensure that corporate entities reflect the diverse demographics and inclusivity principles that are becoming increasingly important on the global stage.

F. Insolvency and restructuring

This component assesses the legal frameworks for corporate insolvency and restructuring, focusing on aiding businesses in financial distress, protecting stakeholders’ rights and aligning with global standards for market stability.

The legal frameworks for insolvency and restructuring across the Arab region have been assessed as “Developed”, demonstrating a well-structured approach to corporate insolvency issues. All 21 Arab countries assessed have legal provisions to define and handle company insolvency. However, several Arab countries do not adopt restructuring provisions.

G. Mergers and acquisitions

This component assesses the legal frameworks for mergers and acquisitions, focusing on fair, transparent transactions and safeguarding the interests of creditors and investors through protective mechanisms and special provisions.

The average score for this component is “Strong”. This is due to clear legal parameters that regulate these complex transactions. Laws detail the procedural aspects, from due diligence requirements to post-merger notifications, including provisions that protect minority shareholders and ensure fair valuation practices.
Concluding remarks
Creating a strategic framework for economic reform across the Arab region necessitates comprehensive policy recommendations tailored to enhance competition, consumer protection, anti-corruption efforts, FDI and corporate law. These policy points are designed to build a resilient, equitable and sustainable business environment, fostering growth and development.

A. Competition

Harmonization of competition laws across the Arab region is essential. A standardized set of definitions and terms would reduce confusion and provide a uniform business operational framework. This includes integrating SOEs into the same competitive landscape as private companies, eliminating unfair advantages, and fostering more dynamic markets. An empowered, independent competition authority equipped with the necessary resources would ensure laws are enforced and markets are analysed effectively. Transparent processes for mergers and acquisitions are necessary for compliance and market confidence. A digital platform accessible across the region would serve as a central repository for all competition laws and guidelines, facilitating ease of access and understanding for businesses and consumers alike.

B. Consumer protection

The establishment of authoritative consumer protection bodies, independent in their operations, would safeguard fair trade and consumer rights. With the expansion of e-commerce, a regulatory framework addressing online transaction security, data privacy and sustainable consumption is critical. These frameworks must be transparent, enforceable and aligned with international best practices. Integrating consumer protection into broader regulatory functions, such as competition law, can provide a holistic defence against market abuses. Immediate enactment of comprehensive consumer protection laws will formalize these protections and offer legal recourse for grievances, fostering a trustworthy market environment.

C. Anti-corruption

To combat corruption, it is necessary to have, across the region, a set of standardized legal definitions and procedures conforming to international norms. Independent oversight bodies should be established with the mandate to monitor, investigate and enforce regulations without undue influence. These bodies need to operate transparently, engendering public trust and contributing to a culture of integrity. Inter-agency collaboration sharing of resources and information can optimize the fight against corruption. Digital governance in procurement can mitigate corruption risks by increasing process visibility. Training public officials and whistleblower protection are indispensable to sustain efforts against corruption.
D. Foreign direct investment

Enhancing the flow of FDI requires legislative environments that are clear so as to enable investors to evaluate risks and profitability. The implementation of e-governance can simplify administrative procedures, enhancing transparency and efficiency. Regulatory coordination mechanisms would eliminate conflicting regulations, fostering a more navigable investment landscape. Revisiting foreign ownership regulations will incentivize investment by offering clarity and flexibility. Countries should also impose comprehensive labour and environmental standards on FDI to align with global sustainability trends and national development strategies. Post-conflict countries, in particular, should prioritize legal and financial reforms to revitalize their investment regimes and banking sectors.

E. Corporate law

Corporate law reform should address the entire lifecycle of a company, emphasizing support for SMEs through financial programmes and regulatory exemptions. An efficient, digital company registration platform would ease the establishment process. Greater transparency in operations, including mandatory sustainability and diversification reports (ESG reports), would improve corporate accountability. During liquidation, protecting employee rights is paramount, and aligning restructuring processes with international standards can ensure economic stability. Legal provisions should promote inclusivity and sustainability, ensuring the equitable distribution of the benefits of corporate success.

F. Integrating policies

These regulatory and policy points are interconnected, each contributing to the goals of economic reform and sustainable development. Competition law reform promotes a level playing field, which is essential for both attracting FDI and ensuring fair consumer practices. Robust consumer protection laws complement anti-corruption efforts by fostering trust in the marketplace. Effective corporate law provides the structure in which businesses operate with integrity and accountability. By implementing these reforms holistically, the Arab region can create a fertile ground for investment, innovation and equitable growth, ensuring that economic prosperity benefits all layers of society and is sustainable for future generations.

Successfully implementing these recommendations requires commitment and collaboration from all stakeholders, including governments, businesses, civil society and international partners. Capacity-building, resource allocation, and continuous monitoring and evaluation will be critical to ensuring these policies translate into tangible improvements in the business environment across the Arab region. This comprehensive approach aims not only to enhance the economic landscape but also to ensure that growth is inclusive and responsible, aligning with the region’s long-term development objectives and the well-being of its people.
The Arab Business Legislative Frameworks (ABLF) series report offers a comprehensive assessment of 22 Arab countries covering five key legislative fields that influence the business environment in the Arab region, specifically competition, consumer protection, anti-corruption, foreign direct investment (FDI), and corporate law.

By adopting specified indicators aligned with international best practices, this assessment aims to identify strengths and loopholes in legislation that contributes to fair market practices, safeguards consumer rights, creates a transparent and investor-friendly environment, and enhances corporate governance, enabling strategic reforms that further improve the business environment and promote substantial economic growth.