

Consumer Economies in MENA: Customised, Convenient and Creative

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Hold steady, opportunities await



BY PRIYANTHINI McNAIR
Regional Head of Client Coverage, Commercial Banking, HSBC MENAT

A new economic game plan is in play across the Middle East and North Africa (MENA), with consumer industries front and centre. But of course, the schedule of progress needs rethinking amid the sudden disruption triggered by the Covid-19 pandemic and the subsequent economic strain.

Consider that these two major hurdles come atop an already challenging outlook, with consumer industries needing to adapt to the energy transition towards a lower carbon future and growing populations. When you combine all these pressure points, it's not surprising that three words stand out as priorities for the year ahead: resilience, agility and collaboration.

Looking further afield, beyond today's upheaval, investing in consumer industries is one of the golden tickets on this multifaceted economic train that is accelerating the region's journey on the global stage. They offer great potential, great appetite and healthy risk reward outlooks.

We find that emerging countries will account for roughly 50% of global GDP by 2030 – a seismic shift from half of that in 2000. China will continue to be the single biggest contributor to global growth, but another five Asian economies will be among the world's six fastest-growing economies – Bangladesh, India, Philippines, Pakistan and Vietnam. And by 2030, Africa will have more working age people than China. Its working age

“Yes, times are tough for many amid the global pandemic. But every downside has an upside; every storm must pass. Even amid today's slowdown, there's preparatory work to do. When the global economy inevitably picks up, consumer industries must be ready to pounce upon opportunities.”

population is set to grow by more than 2.5% a year for the next decade.¹

That tells us two things. One is that MENA, positioned at the heart of the Old and New Silk Road from Asia to western Africa, can leverage prosperous neighbouring regions to quickly bolster market share in consumer industries. And secondly, the bullish era of emerging economies is a golden window for MENA to accelerate progress through partnerships and joint ventures that are focused on innovative and scalable projects and policies.

The eager response from aspirational national populations and the large number of ambitious expatriate workers was certainly revving the speedometer of progress in the MENA region. And while this has undeniably been hugely disrupted by the impact of the Covid-19 pandemic, we do expect this positive sentiment.”

¹ <https://insights.hsbc.co.uk/content/dam/hsbc/gb/wealth/pdf/world-in-2030-update.pdf>
² <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>



“By 2030, Africa will have more working age people than China. Its working age population is set to grow by more than 2.5% a year for the next decade.”

It also makes sense to make it easy for residents in the UAE to invest in a region that is home to some of the world's highest levels of Gross Domestic Product (GDP) per capita with large disposable incomes. For one, the emergence of the UAE's "golden residency visa" for talented and affluent residents speaks volumes, as does Saudi Arabia's plans to open its doors to international tourists.

The eager response from aspirational national populations and the large number of ambitious expatriate workers was certainly revving the

speedometer of progress. And while this has undeniably been hugely disrupted by the impact of the pandemic, we do expect this positive sentiment to return. The global economy could stabilise in the next twelve months, with the International Monetary Fund (IMF) saying 5.8% growth is possible in 2021.²

Today's challenging situation does not void all the opportunities that existed before the global pandemic. It simply postpones many and tweaks a few. Huge potential awaits. In the meantime, be patient and stay safe.

Economic outlook: What's next?



contraction in the global economy is anticipated in 2020 by the IMF amid the toll of the global pandemic. ²



recovery in the global economy in 2021 if the pandemic fades in the second half of 2020, according to the IMF. ²



rise in the population of MENA to 723,624 million by 2050, according to the UN, means consumer economies must enhance efficiencies, including the roll out of digitalisation. ³



484,175mn people live in MENA, detailed the UN. This population – a third the size of China's population – must be an economic accelerator, not a burden. ⁴



99.3mn residents make Egypt the most populated country in MENA, according to UN data. ⁵

Young minds matter



0-24 year olds (children and young people) account for nearly half of the MENA region's population, according to UNICEF. ¹



4 areas identified by the World Bank as holding back education in MENA are credentials and skills, discipline and inquiry, control and autonomy, and tradition and modernity. ²



2.0 education reform in Egypt means embarking on a system-wide transformation using technology to deliver, support, measure and manage the learning of teachers, the World Economic Forum (WEF) detailed. ³



14.5mn students will be in the GCC education sector in 2022, from 12.9 million in 2017. This marks a 12% climb in five years, according to Alpen Capital. ⁴



3,200 more schools will be required in the GCC alone by 2022, according to Alpen Capital. Most will open in Saudi Arabia. ⁵

Logistics of living well



of global revenue for healthcare products in MENA are represented by the Gulf Cooperation Council (GCC) alone this year, reported Frost & Sullivan. ⁶



\$20.03bn is the expected value of the UAE healthcare market by 2020, according to the US-UAE Business Council. ⁷



1st Heart Safe City project in Saudi Arabia is a new initiative that aims to increase survival rates from sudden cardiac arrest – a leading cause of death in MENA – reported health technology partner Philips. ⁸



22.35 years have been added to the life expectancy of the Saudi people, from 52.7 years in 1970 to 75.05 years in 2015, according to the Saudi Embassy in Washington, US. Investments in healthcare clearly pay off. ⁹



rise in the number of hospitals and clinics in the last five years, according to the Saudi Embassy in Washington, US, is a major driver of greater longevity in the kingdom. This progress must be replicated across MENA. ¹⁰

Growing tourism hotspot



87mn international tourists arrived in the MENA region last year – 10% higher than in 2017 – according to the UN World Tourism Organisation (UNWTO) this year. ⁶



of the total arrivals were in the Middle East, with the remaining 27% landing in North Africa, UNWTO data showed. ⁷



increase in leisure tourism spending (spending by Saudi Arabia's residents and internationals on leisure trips within Saudi Arabia) between 2009 and 2018, with the market value reaching \$26.4bn in 2018, according to Seera. ⁸



\$77bn was generated by international tourism receipts in MENA in 2017, the UNWTO reported – 6% of the global total. ⁹



20mn passengers can now be accommodated at Oman's new Muscat International Airport, the airport said, in the sultanate's bid to bolster international tourism. ¹⁰

Sources:

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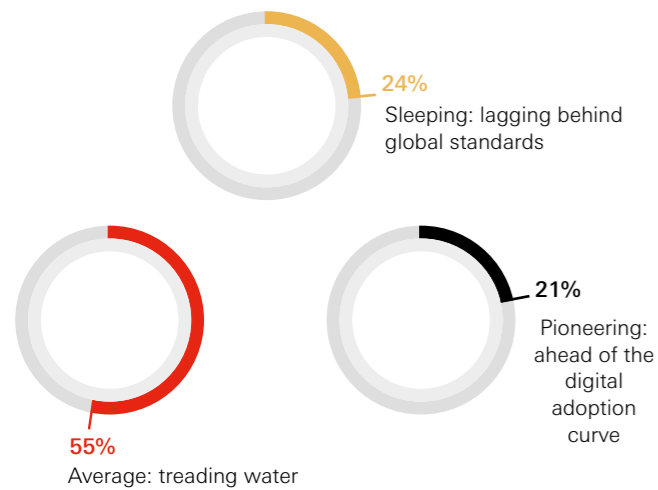
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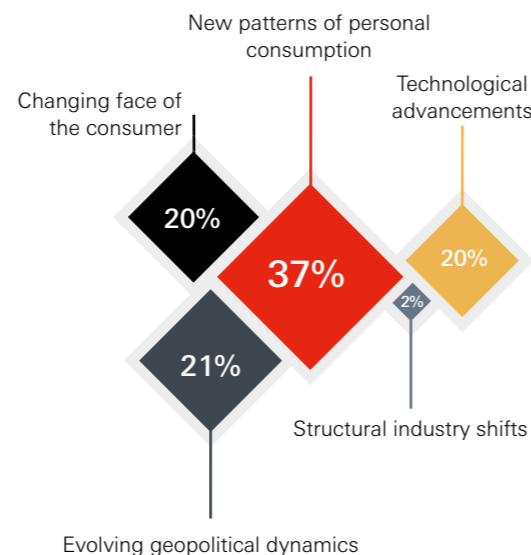
Outlook to 2030? How the traditional operating model in the MENA region could be turned inside out

Consumer industries in the MENA region are certainly progressing and have bold growth ambitions. But there is still a long way to go before the region solidifies the global influence that it seeks. Drivers of positive – and profitable – disruptive change that can accelerate progress include the region’s large millennial population and digital credentials. Unknowns abound but one point shines true for all: change or be changed. This survey* – answered by 100 senior industry experts in MENA – reveals how the region is currently performing and what it needs to do next.

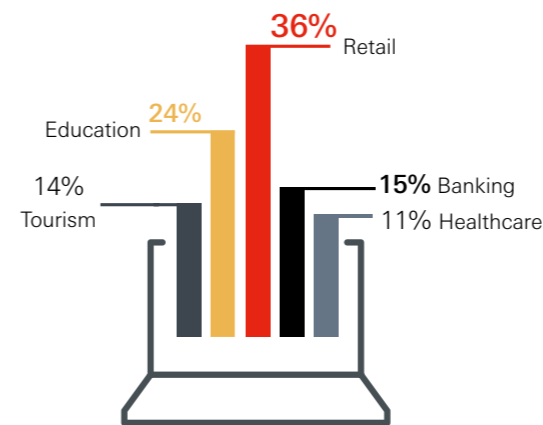
There is a digital revolution in global consumer industries. How prepared is the sector in the MENA region?



Which of the following will drive the biggest change in the MENA consumer sector through to 2030?



Which consumer industry is most ripe for digital disruption in the MENA region?



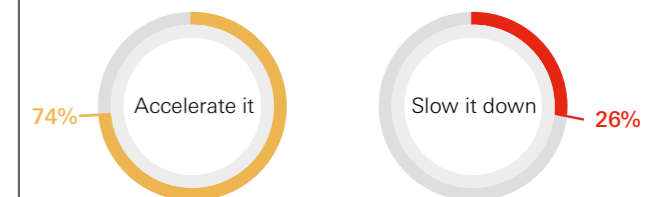
Digitalisation will transform the way MENA consumers discover, evaluate, purchase and use products and services. Will this undermine the “build it and they will come” physical hub strategy that some regional states are attempting to establish?



The consumer companies that survive in the region over the next ten years will be the ones that embrace the empowered consumer and disruptive technologies.



MENA has a large millennial population with the highest rate of youth unemployment worldwide. How will these conflicting factors impact the pace of digital adoption by regional consumer industries?



*Survey methodology – survey questions distributed by Gulf Intelligence to targeted subscriber database & social feeds – minimum sample size 100; Subscriber database 500.

The easier, the better: Mega convenience will be king in 2020s

BY DAVID PLOWMAN
 Managing Director, Global Head of Consumer & Retail Investment Banking,
 Global Banking, HSBC Bank Plc



I want it now. That is the battle cry of modern-day consumers. An ever-rising demand for mega convenience will be the overarching theme of consumer economies over the next decade. Customers' lives are getting busier and their expectations are getting higher, yet many budgets are not getting bigger. So, consumer economies must walk a fine line between sustaining affordability while providing an increasingly tailored and rapid service – a tough balance to master. What to watch out for in 2020 and beyond?

SPEED MATTERS – A LOT

Next day delivery is no longer good enough; more and more consumers want same-day delivery. So far, China, the world's biggest consumer economy, can leverage cheap labour and put products in customers' hands in mere hours. The effort pays off; consumers created 78% of China's GDP growth in the first nine months of 2018, according to McKinsey. Alibaba has been crowned the most valuable brand in China for the first time in a leading annual ranking, having grown its brand value by 59% year-on-year to \$141bn, detailed the BrandZ Top 100 Most Valuable Chinese Brands.¹ But the rest of the world has some catching up to do.

Consumers also want an accelerated delivery of an increasingly tailored service. For example, fashion brands are thinking about how a shopper can use their mobile phone to view their 'digital wardrobe' online and order clothing safely (cybersecurity remains a threat) for next day delivery (at the latest). A digital wardrobe – still to be fully developed – involves being able to 'try' a retailer's items on a 360-degree digital view of a shopper's body, i.e. an image of their size, height and hair colouring. This enables the shopper to have a one-stop shop on their mobile phone in real-time and helps them purchase with more confidence, saving them time. It also cuts retailers' cost of post and packaging for delivery and returns. A win-win for all.

This level of convenience could extend to a shopper's

“Speed and ease will be more critical than ever in the 2020s. A relaxed shopper is a more generous shopper.”

mobile phone displaying the location, available sizes and colours of items in the shop in real-time (potentially reducing the need for shopkeepers). A rudimentary version of this process is available in food supermarkets, with self-scanning products (but there is not information on availability yet). Clearly there is plenty of room for growth in the 2020s. Greater ease and speed along the logistics chain deepens customers' loyalty, which is highly coveted in intensely competitive consumer economies.

THINK GREEN

Sustainability matters, with 33% of consumers in a recent Unilever research study choosing to buy products from brands that honour the environment and social responsibility.² And in a global survey by Nielsen, 81% of global respondents also felt strongly that brands should help improve the environment, a belief shared from millennials through to baby boomers.³ But consumers' beliefs will take time to filter through to their actual buying habits. For many, sustainability is still only a priority behind convenience, brand and value.

The Paris Agreement and the global transition towards a greener world is adjusting the way consumer economies operate (i.e. the UAE aims to reduce landfill waste by 75% by 2021).⁴ This push is not entirely new (coffee shops have long had wall displays detailing the sustainable production of their coffee beans). But it will hasten; a shift that will largely be driven by companies. For example, Unilever aims to have 100%



2050

will see half of the countries in MENA experience population increases of at least 50% from their 2015 levels.
 Source: UNICEF



271mn

children, adolescents and youth (0-24 years) will live in the MENA region by 2050. This provides significant opportunities for consumer markets that promote affordability and sustainability (the latter will rise in importance in coming decades).
 Source: UNICEF

Digital acceleration

The 4IR: one of the biggest disruptors to consumer economies and a key propellant of mega convenience in the 2020s. The value of digitalisation is visible in every trend over the next decade (and many more). Consumer economies have only explored the tip of the digital iceberg; potential abounds. AI, predictive analytics, big data and robotics are the digital tools that will have the greatest impact in the short-term. Already, Amazon can apply AI and predictive analytics to a shopper's purchases to curate what items are next shown on their screen. In time, instead of ordering items, you could receive a box at home of what a company has predicted you will need based on your online profile, i.e. spending habits for birthdays, holidays, seasonal weather and so on. Or perhaps Starbucks will use digitalisation to prepare your order so that it's waiting, piping hot, on the counter as you pop in. Digitalisation can mean ultra-convenience: no queues, no fuss. This would bode well for consumer economies, for a relaxed shopper is a more generous shopper.



1. BrandZ Top 100 Most Valuable Chinese Brands (<https://www.brandz.com/China>)



“Consumer economies must stay on their toes. A growing population will only demand more convenience, more speed, more choice and more competitive prices.”

of its plastic packaging being reusable, recyclable or compostable by 2025.⁵ And Nestlé plans to achieve zero net greenhouse gas emissions (GHG) by 2050. Impressively, a third of Nestlé factories (143) are already using 100% renewable electricity.⁶

Comparatively, through a consumer’s prism, supporting sustainability is important if the brand is strong and the price is competitive. Some, higher earning consumers will pay a premium for sustainable products (think organic and free-range eggs versus cage-fed hens). But lower income earners almost certainly will not, and they represent a vast buying

market of billions of people, including emerging economies. But as global momentum for green growth gains pace, investments in sustainable options (i.e. recyclable packaging and clothing) will also climb. In time, the gap will narrow and being sustainable will be an easier decision pricewise for all.

For now, consumer economies must stay on their toes for the outlook will only get trickier. A growing population will only demand more convenience, more speed, more choice and more competitive prices. As we embrace the dawn of a new decade, are you ready to answer the battle cry?



32-50%
growth in
millennials in the
global personal
luxury market by
2025. Such growth
will bode especially
well for Arab Gulf
countries, home to
some of the world’s
largest malls, many
packed with luxury
goods.

Source: Boston Consulting Group (BCG) and Altgamma.

2. Unilever (<https://www.unilever.com/news/press-releases/2017/report-shows-a-third-of-consumers-prefer-sustainable-brands.html>)
3. Nielsen (<https://www.nielsen.com/eu/en/insights/article/2018/global-consumers-look-for-companies-that-care-about-environmental-issues/>)
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Seeking individuality

Some young consumers are also seeking ‘unique and different’ shops and food and beverage (F&B) spots. Many use social media to put a spotlight on the ‘best new spot’, rather than a ‘faceless chain’. But actually, the brands they perceive as independent may not be. This is not a negative, because smaller companies that keep their name but roll their operations under the umbrella of a bigger brand get more back office and buying power. What may seem a diversified high street will more likely be a series of consolidations and mergers and acquisitions (M&As). This is a welcomed safety net for the smaller retailers that are unable to compete, especially with the digital behemoth that is online shopping.





Diversifying economies: pros versus cons?

BY DR. MARGARETA DRZENIEK-HANOUIZ
Managing Partner, Horizon Group &
Lead Author, Arab World Competitiveness Report 2018



There is no doubting the importance of consumer economies for the countries of the MENA region, and especially the Gulf. Policymakers have prioritised tourism, retail and leisure as drivers of economic activity. They have also identified health and education as important sectors, both for national populations and for the large number of aspiring expatriate workers they seek to attract to participate in their economies.

In some cases – notably in Dubai – they have been successful. The Emirates has used its consumer economy to attract visitors – DXB is the world’s busiest airport for international passengers – and to generate economic growth in the business sectors that support consumer industries. These include real estate, construction, industries and infrastructure.

But it is also appropriate to question

whether consumer economics – on its own – is sufficient to drive through the ambitious and permanent economic transformation these countries hope to achieve.

Can the “Dubai model” be successfully applied everywhere in the region? Is a policy of “if you build it, they will come” economically and environmentally sustainable, or desirable? There has certainly been some progress in the last dozen years or so, since the trend of economic diversification really took off in the region. But what is really striking is how little the economic fundamentals have changed.

FOSSIL FUELS REMAIN KEY

True, the non-energy sector is growing faster than the rest of the economy in Gulf oil-exporting countries. The IMF projects that non-oil GDP will grow at 2.9% for GCC

countries in 2019 against 2.1% for overall GDP.¹ But the production and sale of oil and gas and the government services are still the dominant activities in all of them. Oil and gas, or government activities, account for almost 90% of GDP in Saudi Arabia and 72% in the UAE. In the region, this share is the lowest in Qatar at 55%, the IMF said.²

The only economy not dependent on the energy sector, to a greater or lesser degree, is Dubai. But in many ways, Dubai was always a special case. It never had the vast energy reserves of its neighbours; it always lived as a commercial trading centre and there was always more of an entrepreneurial business culture than in other parts of the region.

In many ways, Dubai was ready for consumer-led economic expansion in a manner that others were not – and may never be. Even the Dubai model is now facing challenges in its birthplace, and policymakers are rethinking the fundamental strategy.

The economy has kept on growing since the global financial crisis, but for the past couple of years there has been a malaise at its core. Key sectors like real estate and financial markets have been falling, while others – tourism, hotel occupancy, footfall

in the cavernous malls – have been under pressure to sustain growth.

You could say that some of these consumer sectors have peaked and are facing disruption on a big scale. For example, the traditional concept of mall excursions is under pressure from online retailing, while the property market is plagued by government-fueled over-supply ahead of the Expo 2021 event.

Dubai policymakers seem to have realised that the model needs some alterations, and to this end, a series of measures have been introduced to help facilitate long-term sustainability. “Golden visas” for talented and affluent residents, as well as changes to the corporate ownership structure to allow foreign ownership of businesses outside free zones, are among the measures recently introduced.

In Abu Dhabi, the authorities have launched a series of measures to kick-start the flat economy and revive the diversification strategy.

But if the business-friendly UAE, and Dubai in particular, cannot get the transformation right, other places, like Saudi Arabia, Qatar, and Bahrain, which are less nimble in terms of business culture, face even bigger challenges.

SAUDI ARABIA GAINS PACE

The kingdom is in the early stages of its Vision 2030 strategy, which aims to reduce oil dependency and to empower citizens. A great emphasis of the strategy is in the consumer areas, like leisure and retail,

“Can the ‘Dubai model’ be successfully applied everywhere in the region? Is a policy of ‘if you build it, they will come’ economically and environmentally sustainable, or desirable?”

where Saudi Arabia has been culturally inhibited throughout its history. Likewise, the Vision puts heavy emphasis on health and education, both as a way of improving citizens’ lives, and as economic sectors that can drive non-oil growth.

In education in particular, there is enormous potential, partly because Saudi Arabia is starting from such a low base. It currently spends nearly double the global average on education, as a proportion of GDP, according to the IMD Business School.³ These are ambitious goals, and you have to conclude the kingdom is on the right track.

Saudi Arabia has made frequent mention of the Dubai model in its policymakers’ statements, but the challenges of that approach are highlighted in the kingdom. “Build it and they will come” becomes unviable in an economy that has relied hitherto on foreign labour, but which also has a significant problem of youth unemployment. Its big population and its cultural traditions present unique challenges for which the Dubai model may not be suited.

Development of the consumer elements of Gulf economies is both desirable in its

own right, to improve the living standards and wellbeing of citizens and residents, and as an engine for diversification. But on its own, it will not solve the challenges presented by countries trying to move away from a rentier economic system. A longer term, more sustainable approach is required.



#7 is Dubai’s ranking as the most visited city in the world, beating Istanbul, Kuala Lumpur and New York.



8.8% is the proportion of GDP that Saudi Arabia spends on education – double the world average.

Sources: Euromonitor International: Top 100 City Destinations 2019; IMD Business School Geneva.

1. October 2019 Regional Economic Outlook, Middle East & Central Asia, IMF: <https://www.imf.org/en/Publications/REO/MECA/Issues/2019/10/19/reo-menap-cca-1019>
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3. Arab News: <https://www.arabnews.com/tags/international-institute-management-development-imd>



Major reorganisation

The UAE’s ambitious bid for economic diversification is paying off, but what lies ahead?

BY WILLIAM GUÉRAICHE
 Professor in the Masters of International Relations,
 University of Wollongong Dubai (UOWD);
 Author of *The UAE: Geopolitics, Modernity and Tradition*



The UAE economy, Dubai’s in particular, is undergoing a major reorganisation, notably in the fields of education, health and leisure. These sectors were driven by federal and local authorities keen to diversify their activities in a post-oil economy. Since 2014, external constraints, namely low oil prices and involvement in the Regional Security Complex around the Red Sea, led to drastic budget cuts that affected these sectors.

TWO PARALLEL PATHWAYS
 The development of education in Dubai, from kindergarten to university, achieved two objectives. The first was the provision of a good standard of education for Emiratis of all ages. The Emirati authorities reached this goal, but at a high price (the recruitment of qualified staff from overseas, the construction of topnotch infrastructure, etc) – all acceptable with high oil revenues. The second objective was to create a niche

economy, to be branded a ‘knowledge economy’. Beyond the recruitment of local students, Dubai, Abu Dhabi and Qatar jockeyed to become the higher education hub of the Gulf.

Since 2018, the education market has adjusted. Many expats have left the country, and companies have cut benefits – beginning with the school fees in the expatriate packages. With a weak Pound sterling, some families send their children to Britain before university. In higher education, tough competition for a shrinking market has put many universities close to the edge. The time of easy profits and degrees of dubious quality is over. The UAE authorities have imposed more stringent standards for accreditation. In the near future, the gap between the best universities (American University in Sharjah, Wollongong

“Beyond the recruitment of local students, Dubai, Abu Dhabi and Qatar jockeyed to become the higher education hub of the Gulf. As a result, there are 125 universities in the UAE – compared to just 50 in Australia.”

University in Dubai and New York University in Abu Dhabi) and the others will widen.

HEALTH CLIMBS THE AGENDA

The healthcare industry presents a similar scenario, with a few key differences. As with education, federal and local governments were behind the development of the sector. Oil revenues enabled the development of medical infrastructure. At the turn of the century, there were 115 health centres (hospitals, clinics, etc) in the UAE. With opening up to the private sector, they proliferated to 4,352 in 2015, according to the UAE Public Policy Forum.¹ The health of the Emirati population improved. Programmes targeted specific diseases and offered a better standard of care, for free. In parallel, the government of Dubai explored the possibility of developing a niche activity popular in some Asian countries (Thailand, the Philippines, etc): medical tourism. With state-of-the-art equipment and highly qualified doctors, resources were put behind the project.

The UAE has not (yet), however, become a destination for patients. As in education, Emirati authorities have cut expenses in the health sector, promoting prevention campaigns and a better use of public funds as defined in the UAE National Agenda and Vision 2021. It remains to be seen why Dubai and Abu Dhabi have so far failed to become medical tourism destinations. In this sector, reputation is a major factor. Emiratis themselves, including the élite, go abroad for treatment. Establishing unwavering trust in local institutions would be the first step towards the creation of a new market. In theory, the major components (technical and professional) are already in place.



LET’S TALK LEISURE

The leisure industry is at the heart of the UAE business model. The Maktoum family, namely Sheikh Rashid and after him, Sheikh Mohammed, the current Ruler of Dubai and Prime Minister of the UAE, envisioned the development of Dubai in the 1980s. With depleted oil revenues and learning from mass tourism around the Mediterranean Sea, the rulers of Dubai identified high-end tourism as a major vector of development. The Dubai Tourism, Commerce and Marketing Department (Ministry of the government of Dubai) used the principles of nation branding to promote Dubai. When he succeeded his father in 2004, Sheikh Khalifa bin Zayed Al Nahyan did the same for Abu Dhabi with Brand Abu Dhabi. Cultural tourism was identified as a priority sector of development. High-end tourism drew in the wealthy from neighbouring Gulf states and European visitors curious about the latest innovations and wanting a sunny and safe environment.

The model has not faded but the rise of similar models, in Qatar for instance, and probably yet again the political uncertainty in the region, have diverted high-end tourists from Dubai and Abu Dhabi. Following a geopolitical reorientation towards Asia, Chinese tourists are now more likely to visit Dubai and Abu Dhabi. Quantity is supposed

to replace quality, especially with the organisation of the Universal Exhibition, ‘Expo 2021’ in Dubai. But the question remains: what will be on the agenda after 2021?

These sectors obey the law of the market, but the Emirati authorities have nonetheless been the main driver of development. When financial conditions are more difficult for them, these sectors lose momentum. Hence the changes that we are witnessing can be understood as both a market adjustment and a return to reality.



80,000
 new students and 76 new school openings in Dubai over the last seven years reflects the Emirate’s booming demand for education.



25mn
 visitors are expected at Expo 2021 within 6 months – nearly three times the size of the UAE’s population.

Sources: World Bank; UAE Government

1. The State of UAE Healthcare Service Delivery: Public Perceptions- Preliminary Insights Jan. 2018: <https://www.mbrsg.ae/getattachment/9e9f451a-5d2f-4080-a510-e3232e55df36/The-State-of-UAE-Healthcare-Service-Delivery.aspx>

Knowledge pays – literally

A Q&A WITH DR. THUMBAY MOIDEEN
 Founder and President of the Thumbay Group discusses innovation and knowledge-based “smart” societies that are key to diversifying economies in the MENA region.



Why are the health and education sectors in the MENA region growing so fast?

The visionary leaders of MENA have identified education and healthcare as priority sectors. MENA countries are diversifying their economies and gradually moving away from oil dependency, looking to boost sectors that hold promise for future growth. Besides, the region



“The key challenge for players in these sectors is to constantly innovate and introduce freshness in the services they offer. Education has to undergo constant updates and transformations to produce the professionals of tomorrow.”

attracts professional talent from all over the world. Most MENA countries also attract tourists and are combining their tourism potential with healthcare, driving the growth of medical tourism in a big way. Above all, the excellent air travel connectivity and the investor-friendly policies of these countries are also attracting investments.

Is there a limit to the growth in the region?

The economies of the region are relatively young and vibrant, with a strong foundation open for diversification. The region has a friendly policy towards investors and has several initiatives in place to promote the ease of doing business. Things can only get better for investors.

Increased competition brings its own challenges in these sectors. What are they?

The key challenge for players in these sectors is to constantly innovate and introduce freshness in services offered. Education has to undergo constant updates and transformations to produce the professionals of tomorrow. Graduates must be ready to take up responsibilities as soon as they leave universities. In healthcare, the challenge is to always stay ahead of the times, in terms of technology and expertise. Patients’ convenience has to be at the core of healthcare reforms.

What are the financial issues in health and education?

Health and education are two sectors that benefit in terms of being essential services, so consumer spending is steady. From a business owner’s perspective,

the need to constantly invest in the latest technology, the expansion of facilities and the costs to fund research, usually demand heavy investments. Being essential services, the pricing of educational and healthcare services has to be such that it ensures affordability, while guaranteeing high quality.

How important are issues like climate change and sustainability for your business model?

Corporate Social Responsibility (CSR) is an important part of our business. Issues like climate change and sustainability are very much a part of our CSR initiatives, creating awareness by leading from the front. Both the staff and students of Gulf Medical University (GMU), as well as the staff of Thumbay hospitals and clinics, organise and participate in events like Earth Hour, beach cleaning drives, plastic-free initiatives, minimising the use of paper, and so on. We believe that like companies in any field of business, we too have the shared responsibility of ensuring the planet’s long-term sustainability and wellbeing.

What are your recruitment policies? Which global markets provide the best trained and best value staff?

We have our own recruitment division, which sources talent from all over the world on the basis of experience, qualifications and compatibility with our ideals and principles. The basis of our recruitment process is merit, devoid of any other considerations like religion, race, gender or nationality. Thumbay Group boasts a workforce comprising of more than 5,000 individuals from over 25 countries, which is projected to increase to 25,000 by 2023.

How important is digitalisation for you?

Digitalisation is one of our priority areas. GMU, for example, makes optimum use of digitalisation and Artificial Intelligence (AI) in training. The Virtual Patient Learning (VPL) technology developed by GMU for training its students is the only patient simulation with high fidelity and authenticity. GMU also has digital classrooms and a host of other digital technologies for the benefit of students.

How can you support regional governments’ vision to be knowledge-based and “smart” societies?

Our strategic vision and objectives are aligned with the vision and programmes of the UAE Government, as well as other countries in the MENA region. Building knowledge-based and smart societies is an objective we wholeheartedly support.

We are committed to building a strong scientific base through education and research, which will ultimately benefit the society socially and economically. Research is one of our most important functional areas, and most of our research undertakings are particularly on themes and issues directly relevant to the region. Innovation is one of our core principles and is nurtured throughout all our businesses.

How will health and education look by 2025? Which countries have the best chances of success?

Health and education are two sectors that are riding high on positive forecasts of phenomenal growth and advancement. The education and health sectors are increasingly giving more control to the consumers, giving them access and choice, which were never available, say 20 years ago. This trend will strengthen in the coming years. Consumers will enjoy more choice and more personalised services, not to mention the benefits of the great technological advancements these sectors are experiencing at the moment.

Any country that thinks and acts beyond the traditional concepts of education and healthcare, and is willing to innovate, is able to reap the benefits of the massive growth predicted for these sectors. The countries of the Middle East, especially the UAE, are attracting students and patients in large numbers, driven by the rising standards of education and healthcare in the region, as well as the growth of medical tourism.



5,000+

people work at Thumbay Group from more than 25 countries. This is projected to increase to 25,000 people by 2023 – a five-fold growth in four years.



61%

is the expected growth rate of the UAE’s education market, from \$4.4 billion in 2017 to \$7.1 billion by 2023.



90%

of Dubai and Sharjah students, and 65% of Abu Dhabi students, are currently enrolled in private schools.

Sources: Thumbay Group; Boston Consulting Group (BCG).

The future of education?

The Covid-19 pandemic has shaken up traditional models of learning in schools and universities. Although online learning has so far proven to provide certain benefits, this method of learning also presents challenges. As such, educators need to find a middle ground.

Covid-19 has disrupted education at both school and university levels and brought about widespread transitions to online learning, causing institutions to review whether blended models of online and traditional teaching may be the future.

During the inaugural HSBC Virtual Boardroom series, sector leaders focused on the future of education in the region. They reached a consensus that schools and universities had seen successes in adapting to digital learning, integrating change and adapting to a new environment in both the K12 and higher education sectors.

For HSBC, education is a crucial pillar in the socio-economic development of the region, as education plays a fundamental role in the development of nations. As the region transforms and adapts in the post Covid-19 world, educational institutions at all levels have a golden opportunity to leverage the power of technology to create what many consider, changes to the traditional norms within the sector.

PANDEMIC DISRUPTION

HSBC's Virtual Boardroom convened experts from across the education ecosystem to discuss the future of learning following the disruption caused by the Covid-19 pandemic.

Education as a sector grows ever more important in the region; it is a key driver of growth thanks to its young population. Reports show that Gulf states alone will have a K12 student population of 12 million by 2022.¹ Rising income per capita is also boosting take-up of private education, so it now plays a critical role in driving the learning agenda in the region.

The demand for higher education is likely to continue to grow, thanks to the wider Middle East's large youth population – 42% will be under 25 by 2030.² This makes it imperative to build on the existing development of quality education in order to foster regional growth.

Educators worldwide have long debated the need for change in the way future generations learn. While traditional schools provide clear socio-economic benefits in terms of structure, discipline and friendships, the development of education technology (ed-tech), and its adoption as

BY HSBC



a result of the pandemic, has highlighted benefits such as increased parental involvement.

The experts attending the discussion agreed that remote learning (introduced in the UAE in early March) provided more tools and different ways of delivering the curriculum. The consensus was that this would not be a replacement for traditional learning and that the social dynamics of learning through the traditional system wouldn't easily be replaced. Similarly, memories and relationships are formed by having a social element to learning, which may remain with students for the rest of their lives, and this is not easily replaced by just having online learning.

Meanwhile, Beatrice Cernuta, Education Practice Director at EY-Parthenon, said

there were positives to remote learning. Parents in China, where schools are now starting to reopen after months of closures, supported some aspects of it, she said: "In senior grades, parents will now expect a degree of e-learning and will not be happy if that is taken away. They now have a good insight into what their child is doing each day, and they do not want to lose that."

The general consensus reached amongst participants was that physical schools will remain, but a balance of enhancing classroom learning with tech - including pre-recorded sessions, live online classes and live in-classroom options – is the right space to move towards. With a more connected world, further disruption is likely over the coming years, so adoption of new practices by the sector is now key.

"In 2019, global education technology investments reached \$18.66 billion and the overall market for online education is set to reach \$350 billion by 2025"

of learning, the sector as a whole needs to look beyond virtual meeting apps and instead consider AI and other cutting-edge technology to enhance the delivery of learning.

Sahar Cooper, CEO, Aldar Education suggested that "those who have invested early in the technology have an advantage", but educators "needed to make sure this is not just purely reactionary" and that the integration of technology in education "must be ubiquitous across schools and future focused to support our students' long term learning outcomes."

universities. Zeina Hojejj, Assistant Dean for students' affairs at Zayed University in Dubai, said it has already brought about a reluctance to study away from home among Asian students, who make up large percentages of student populations in certain universities in the US and Australia.

They may now be put off studying abroad by the threat of more travel restrictions, she said. "At this point, we do not know the extent to which it will cause colleges and universities to close, blend or merge," she detailed.

There is also a challenge to the mindset of traditional four-year degree courses, with some experts suggesting that there could be a market for "nano" degrees. These shorter, more dynamic offerings could be tailored to be far more relevant to the working world.

Higher education also faces challenges that are broader than Covid-19. There was widespread agreement that universities need to create a continuous discussion with schools and employers to ensure they were teaching students skills – such as entrepreneurship, leadership, resilience and management – for the workplace of the future.

"HSBC has a key role to play in this, with our focus on education, employability and financial capability. All of which fall within our future skills agenda, a core part of a sustainability strategy for the way the bank does business in the Middle East. One way we support this agenda is through the Tawwar programme," said Gemma Wild, Sector Head, Education at HSBC Bank Middle East Limited. Tawwar means 'development' in Arabic and was launched in partnership with Potential.com to bring together students, parents, schools and the business community to innovate for a shared future.

Wild added: "HSBC is committed to supporting the whole education ecosystem in the region. Technology and innovation are fundamental to the long-term success of the sector, and HSBC can use its global networks to support the development of the next generation in the region."

THE ED-TECH SPACE

While the pandemic has both accelerated the debate about online versus traditional learning and forced schools to test the viability of the ed-tech space, ed-tech is not able to replicate classroom learning entirely with all its benefits, the experts agreed.

Hugh Martin, Registrar and Chief Administrative Officer at The British University in Dubai, does not believe the pandemic will accelerate the demise of physical universities. "The reality is that students want the face-to-face experience, and there is always going to be the blended requirement where students need to be in labs for disciplines like medicine, engineering and life sciences," he said.

Good schools and universities have, for centuries, survived because of the success and value they create, such as the networks formed and long-term connections built that can determine the future of students who go there.

As a result, the traditional model of learning will not erode through a storm. Rather, it will adopt the necessary changes to enhance student experiences relative to courses. This means that educators need to embrace and harness the disruption brought by technology.

Omar Farooqi, Founder and President of Coded Minds Global, said that the use of technology in education is still at an early stage. He cited widespread use of "low-tech", such as meetings apps Zoom and Microsoft Teams, but said that "high-tech" like AI, and how it impacts the role of the teacher, remains to be seen. He emphasised that to look at the future

THE ONLINE-OFFLINE DEBATE

There is a need to balance the benefits of online learning with the fact that some students do not see equal monetary value between "online" and "offline" degrees, according to research by strategy consultants EY-Parthenon.

Navin Valrani, CEO of Arcadia Schools, cited the \$7 trillion global education sector, of which only 5% or \$160 billion, is accounted for by the digital market.³ "If you do away with bricks and mortar, what happens to that \$7 trillion? Moving into the online space would be a major blow to an industry which is a large part of GDP," he said.

While the digital or online learning market may be a fraction of the overall sector, it will see faster growth, according to a report by Business Live ME. The online segment will see a compound annual growth rate (CAGR) of 15.2% until 2023, compared with 10% for the wider education sector.⁴

Ivor McGettigan, Partner at Al Tamimi & Company, said his clients across the region in other sectors were considering moving away from bricks and mortar as a result of the Covid-19 outbreak, but a different model was required for education.

"They have looked at the data and have seen that they are working most efficiently from home. But in education, people are saying a blended model, traditional school and ed-tech is the future," he said.

The pandemic will have a role in shaping the future demographics of

Sources:

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1. Alpen Capital GCC Education Industry Report: <https://argaamplus.s3.amazonaws.com/9e55ad53-4771-48f0-b202-2c2f03d6a03d.pdf>

2. PWC – Key Trends Shaping Education in the Middle East, 2019 <https://www.pwc.com/m1/en/blog/key-trends-shaping-education-me-2019.html>

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4. Business Live ME – GCC Education Ecosystems, A Brief Overview <https://www.businesslive.com/gcc-education-guide-2020-2/>

Innovation needs youth and digital fluency

A Q&A WITH MOUAYED MAKHLOUF
Former Managing Director MENA, International Finance Corporation (IFC), on how MENA's youthful population and big tech changes are creating a sustainable economic and social framework.



How important is the consumer economy for the MENA region, compared to more traditional segments like energy, trade, and manufacturing?

Countries in MENA have faced difficulties diversifying their economies for years, resulting in uneven progress across the region. Some economies like Egypt, Jordan, Lebanon and Tunisia have levels of diversification that compare well to others at their level of income, while others still lag. Overall, GDP growth in MENA is expected to continue at a modest pace of 1.5% this year. This is led by oil importers like Egypt, which accounts for roughly 8% of MENA's GDP. For oil-exporting countries, traditional oil and gas will continue to dominate exports. For oil importers, growth in tourism will be key, especially in Egypt and Tunisia. In this context, much of the hope in the region will rest on supporting a more dynamic and entrepreneurial private sector, which can offer strong employment prospects for the region's youth.

What are the macro-economic forces driving consumer trends in the Middle East? How do they vary between regions – Gulf vs Levant vs North Africa?

We live in a time of change, both globally and in the region. The rise of the digital economy, in particular, is disrupting many traditional sectors. By mid-2018, there were 381 million unique mobile subscribers across the MENA region,

accounting for 64% of the population. In some parts of the region, penetration is higher. For example, in GCC countries, over 77% of the population are mobile subscribers, with Bahrain, Qatar and UAE having subscriber penetration rates of 80% or above, which places them among the most penetrated markets in the world.

We see too that the growing connectivity is pushing the growth of new sectors. Recently, tech-based entrepreneurship has started to blossom in MENA. For example, Bain & Company estimated the value of the MENA e-commerce market at over \$8.3 billion in 2017, with significant room for further growth. The GCC and Egypt account for 80% of the e-commerce market and they have been growing at an annual rate of 30% – more than twice as fast as the rest of MENA.

Recent research by Crimson Hexagon on consumer trends in the MENA region has also shown that the region's consumers continue to prefer established local competitors. That was well demonstrated by Careem, for example, and provides hope for the growth of more successes born in the region.

How important is the youthful demographic of the region in determining consumer patterns compared to the aspirations of the rising middle classes and the wealthier senior population?

Arab millennials currently form the majority of the region's consumer base. Many companies are starting to increasingly focus on the Middle East's

middle class, the majority of whom were born in the 1980s and 1990s. Entrepreneurial Arab youth are also driving the e-commerce boom in the region. According to a recent report by HSBC Private Bank, the Middle East is home to the highest proportion of millennial entrepreneurs in the world, with 63% of the business owners they screened in the region aged 35 or under. Based on more than 2,800 active business owners, worth between \$250,000 and \$20 million, the research also suggests the region has the youngest average age for entrepreneurs at 26 years old.

The region's growing young, educated and technologically connected population presents an unprecedented opportunity to foster development. Yet challenges to achieving this remain. Most economies in the region still need to implement a range of reforms to encourage the development of a more dynamic and sophisticated private sector. Job creation in the context of high global economic integration and rapid technological change requires both governments and the private sector to make continued investments in education, innovation, and connectivity.

What are the challenges facing MENA consumer economies?

The key question is whether MENA will be able to develop a new, sustainable economic and social framework. The social contract in much of the Arab world has relied on state-provided employment. This is unsustainable over the long-term.

Nearly half the population is aged under 25 and a quarter of those are unemployed. Add the biggest gender gap in the world to this mix and it's clear a new framework is needed. The region needs to capitalise on its unique strengths, including the young and entrepreneurial population, and continue with reforms and other efforts to create



“The GCC and Egypt account for 80% of the e-commerce market and they have been growing at an annual rate of 30% – more than twice as fast as the rest of MENA.”

an ecosystem that nurtures innovation and encourages the private sector to flourish and grow.

Increasing access to finance is also vital. According to a study by the International Financial Corporation (IFC), there are between 1.9 million and 2.3 million formal small and medium-sized enterprises (SMEs) in the MENA region. Although more than half maintain bank accounts, most do not have access to credit. Businesses and entrepreneurs need financing to start up, grow their businesses and hire more people.

What difference will recent changes to residence conditions make for long-term consumer economics?

These are steps towards providing a more stable environment for foreign investors, which could help attract more investment and boost economic conditions in the non-oil sector, particularly.

How important are issues relating to Environmental, Social and Governance (ESG) for policy-makers dealing with consumer economies in the region?

Environmental changes and the rise of transparency make issues related to ESG key. Consumers are increasingly empowered by technology and often make their choices based on their values, favouring smarter, cleaner and healthier products and services. We see many companies around the region moving from an increasing awareness of ESG to a more proactive stance.

The catalyst for this thinking is coming from investors and stakeholders. They are focused on making sure that boards effectively address issues of climate change, waste, pollution, water resource depletion, working conditions, human rights, employee diversity, gender inequality, board diversity, ethics and executive pay.

The IFC, together with leading global investors and policymakers, launched

its Operating Principles for Impact Management in April, with 60 global investors coming together to adopt them. These investors collectively hold over \$350 billion in assets invested for impact, which they commit to manage in accordance with the principles.



63%

of Arab business owners are under the age of 35.



\$8.3bn

was the value of the e-commerce market in MENA in 2017.



2.6%

growth in GDP is expected in the UAE this year.

Sources: HSBC Private Bank 2017; Bain & Co.; World Bank.
* All unreferenced data points to be sourced to: IFC

Sustainable healthcare

Keeping up to date with four mega trends in the MENA’s healthcare market is integral to remaining profitable, relevant and safe. This means making digitalisation, collaboration, personalisation and accessibility new priorities.



BY RAKESH SURI
MD, DPhil, CEO, Cleveland Clinic Abu Dhabi

To help diversify economic development across the MENA, the healthcare industry is making two distinct and essential contributions. As part of the wider effort in harnessing the power of technology to improve human health, research-led hospitals are helping generate new value and grow knowledge-based economies. Breakthroughs in the operating room are

increasingly being shared with consumer healthcare companies that, in turn, help people live longer and healthier lives. In addition, advanced medical facilities play a part in the global pursuit for talent. Cities that want to attract the most successful entrepreneurs, scientists, researchers and artists need to provide these individuals with security. This

means knowing that if they or their families fall ill, the resources of a truly world-class hospital are available when they need them. To fully realise these opportunities, healthcare leaders must address three key trends.

LEVERAGING DIGITAL PLATFORMS

One of the single biggest disruptors of the consumer economy in the last decade has been the ubiquity of connected devices. People are more mobile than ever and, as technology develops, they will be able to access diagnostic and advisory services from leading medical professionals wherever they are in the world. Launched in March 2020, amid the global Covid-19 pandemic, our ‘virtual visit’ service provides video conferencing

outpatient appointments. This allows patients to see their doctor and discuss health concerns through a smartphone or mobile device.

These advances provide us with the opportunity to move towards a new model of care – one that enables providers to use their resources and expertise to encourage communities to live healthier lives. We can detect problems earlier and encourage behaviours that reduce the risk of illness, thereby preventing chronic diseases. At CCAD, we can also intervene remotely at the earliest signs of illness via innovative tools, such as remote cardiac monitoring.

In the MENA, moving towards a ‘healthier lives’ model requires more focus on the primary care sector. Even healthy people need to see a general practitioner annually. This way, diseases are detected earlier, diagnosis is more comprehensive, and patients are referred at the appropriate time for subspecialist care.

INPATIENT CARE: PRIORITISING COLLABORATION

The ability to collaborate effectively will be a fundamental predictor of success in improving outcomes. Integrating care between medical facilities requires several key steps, including the shift to a single electronic medical record system, inter-facility consultations and real-time patient monitoring.

All CCAD’s facilities have a single, integrated medical records system, which allows care teams to gain a clear understanding of a patient’s medical history across all international locations, be it in Abu Dhabi, Florida or Ohio.

In parallel, Abu Dhabi is establishing a unified database, which will enable electronic medical records to be shared between all healthcare facilities in the capital. We are proud to be a part of this unified database, which allows us to offer carefully tailored care wherever the patient is being treated.

Patients also benefit when multidisciplinary teams meet and consult with their colleagues via video conferencing and collaborative technology. Such collaboration allows teams of physicians to discuss complex cases, adding another layer of expert evaluation when deciding on how to proceed with treatment.

INCREASE REGIONAL HEALTH INTEL

Research and investigation, to build our knowledge of health issues within a population, are the foundations of good



“Closing this gap must be a priority. We need a coordinated and multi-agency approach to develop research programmes that consider this region’s needs – and we need them soon.”

health and appropriate and effective care. By understanding the reasons behind a community’s health challenges, we can tailor treatments to meet its specific needs.

A great deal of advanced medical research is conducted in the US and Europe, studying western populations. This approach has led to an imbalance in the quantity and quality of population data available for certain parts of the world, including across the MENA.

Closing this gap must be a priority, and we need a coordinated and multi-agency approach to develop research programmes that consider this region’s needs. As a designated human subject research facility, CCAD has partnered with several local institutions to conduct population health studies.

The need for clean and accurate data takes on a greater urgency during a period of transformation and change. If we are investing in technology-led solutions to address medical needs in the community, and reorganising patient-facing services, decisions on how to prioritise and apply resources must be evidence-based.

BRING HEALTHCARE CLOSER TO HOME

With the resources and tools at our disposal, we can build a model for sustainable healthcare right here in the MENA. We can deploy global expertise to address healthcare issues earlier and reduce people’s need for hospitalisation.

High quality specialised care providers will make a global impact by delivering a new form of preventative, connected and community-focused care.

Offering this model within the MENA will have a transformative impact on the consumer economy. A forward-looking healthcare system will be another motivating factor for entrepreneurs to base their businesses here and for talent to relocate. Not only will people be happier, healthier and more productive, they will also be offered life-long partnerships with world-class care providers. This outcome will ensure that resources are deployed more efficiently. Ultimately, this means people will be more effectively cared for.



\$94bn

is the projected value of the GCC healthcare market in 2021.

Source: MENA Research Partners



1,900

patients were transferred to the CCAD from international and UAE hospitals in 2019.

Source: CCAD

The future of cities: Middle East, North Africa and Turkey

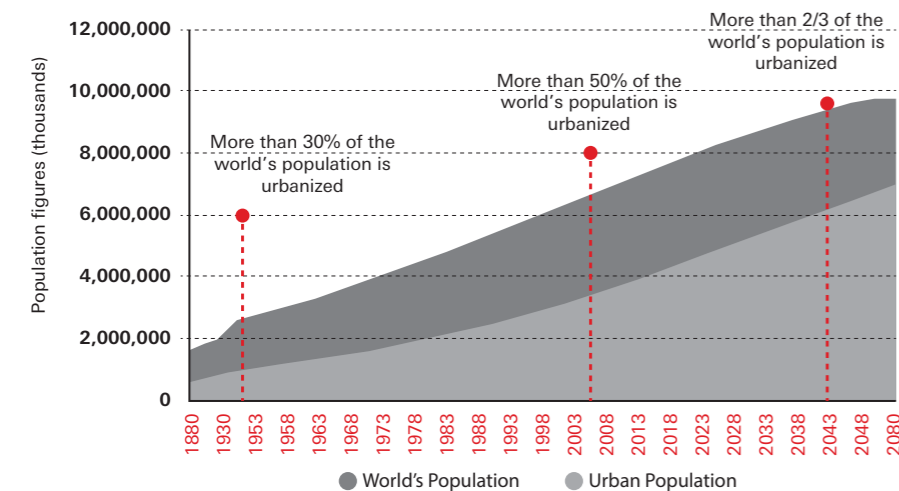
Top 20 Fast Facts

BY PROFESSOR GREG CLARK
Head of Future Cities & New Industries, HSBC



1. WHAT IS THE METROPOLITAN CENTURY?

The metropolitan century refers to the century from 1980 to 2080 during which the global urbanisation rate is expected to jump from 45% to 85%. Over this period, technological, climate, demographic and geopolitical trends will shape the emergence of a new global urban system, with the new economics of trade production, innovation and investment to the fore, and the emergence of 30 new multi-city mega regions.



2. WHY DOES THE METROPOLITAN CENTURY MATTER?

The rapid and substantial rise in the number of people living in cities means that the decisions and investments we make for our cities over the next 30 years will be of critical importance, particularly as:

- Imperatives for cities to become better managed and integrated
- Systems become smarter and more interoperable
- New industries emerge and old industries innovate

3. HOW CAN NEW TECHNOLOGIES HELP CITIES DELIVER THOSE NEW IMPERATIVES?

The exponential growth of technology enables cities to collect and analyse data faster than ever and make better informed decisions. As technologies such as AI, Big Data or the Internet of Things (IoT) become more available and efficient, governments can leverage those technologies to develop “smart” solutions that will improve the efficiency of urban systems and manage their growth better. New tools are emerging to support cities in achieving their goals, for example:

- Sensors to collect real-time air quality information or to monitor water quality to track and reduce pollution
- Centralised command & control centres and provision of integrated multimodal transport information to monitor traffic flows and respond faster to problems, reducing congestion
- Online platforms for citizens to access government services, report issues or engage in policymaking, to increase citizens' engagement

What is unique about the MENAT cities?

4. HOW FAST IS THE MENAT REGION URBANISING?

While the Gulf is among the most urbanised region in the world alongside the Americas, North Africa is expected to be one of the fastest-growing regions worldwide in the next 30 years. Moroccan cities are forecast to see their population grow the fastest out of all the MENAT countries, followed closely by Egyptian cities. By 2035, it is expected that the region's urban population will increase by about 35% and there will be more than 40 cities with a population above 1 million, up from 30 in 2020.¹

5. WHICH CITIES WILL GROW THE FASTEST?

The MENAT cities will experience high levels of growth across the board, with 28 out of the 30 largest cities forecast to grow their population by more than 15% by 2035. The fastest growing cities (>35% growth) will be Manama, Cairo, Tangier, and Alexandria. Gulf cities and Moroccan cities will also see their population grow by more than 30%. Population will increase by 15 to 30% in Turkish cities although most of the growth will be concentrated in medium-sized cities, with Istanbul experiencing a growth of 18%. Slower growing cities (<15%) will mainly be concentrated in Lebanon and Jordan.²

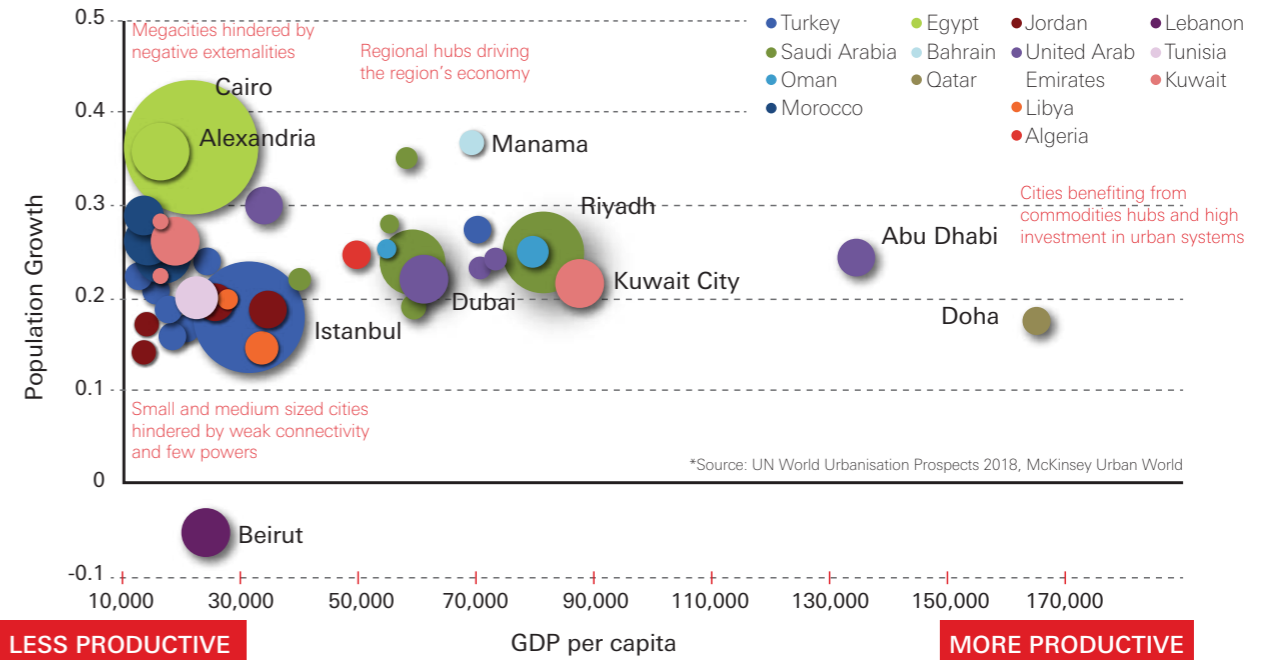
6. WHAT IS THE SYSTEM OF CITIES LIKE?

The system of cities in the MENAT region includes:

- 2 megacities (>10million people), Cairo and Istanbul, which are expected to remain the two only megacities in the region by 2035
- 3 large cities (>5million people), Riyadh, Alexandria and Ankara, which are expected to be joined by Jeddah by 2035
- 25 medium-sized cities (>1million people), including Casablanca, Kuwait City, Izmir, Dubai, Algiers, Amman. It is a mix of capital cities in smaller states and secondary cities whose growth has been driven by economic specialisation
- 70 small-sized cities with a population below 1 million³

7. WHAT MENAT CITIES ARE THE MOST PRODUCTIVE?

Gulf cities are the most productive, as they benefit from high investment in urban systems and their position as commodities hubs. The region's two megacities, Cairo and Istanbul, perform less well as they are hindered by growth diseconomies such as congestion and inequalities. In their national systems, both cities are overtaken by smaller, more specialised cities like Port Said and Gebze. Other small and medium-sized cities are hindered by weak connectivity and weak local powers that limit their growth potential.⁴

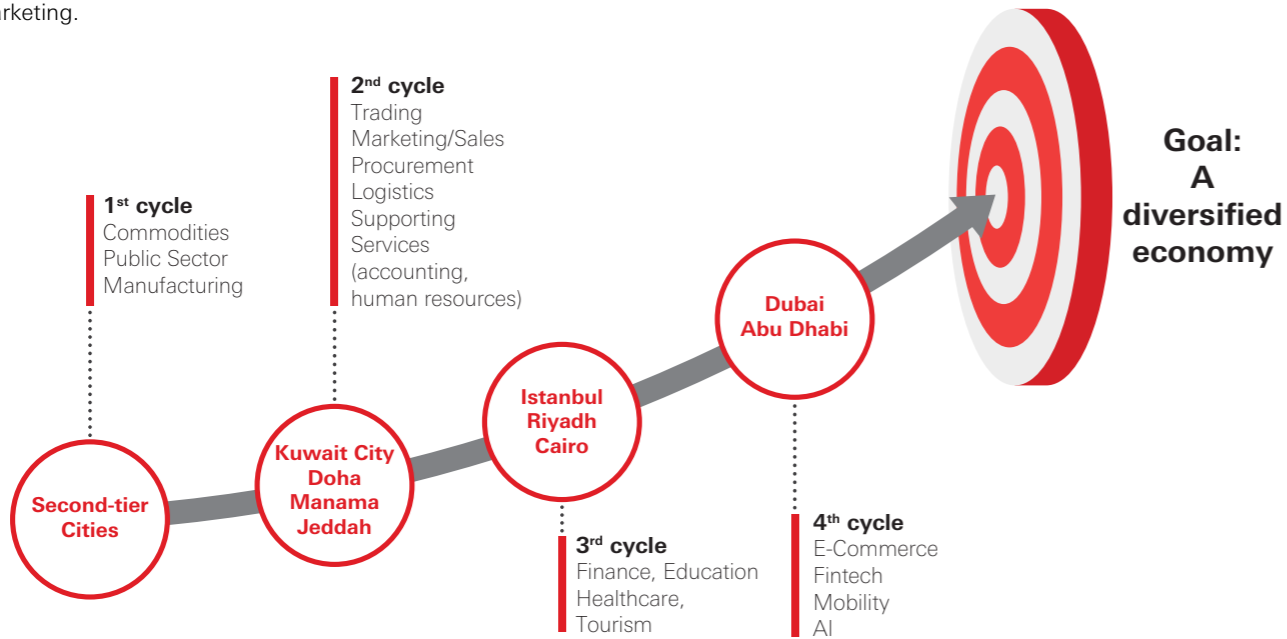


8. WHAT MAKES THE MENAT GOVERNANCE CONTEXT SO UNIQUE?

Governance in the MENAT differs widely between and within countries, which makes it hard for foreign investors to enter the market. Cities like Dubai, Abu Dhabi and Doha where it is possible to invest quickly, which benefit from high levels of fiscal and policymaking autonomy, and which are open to co-investment in city systems, are more likely to receive foreign investment and re-invest revenues to improve public service delivery. Governance in those cities often adopts a long-term view, planning projects for several cycles and being ready to embrace technology evolution. However, most second-tier cities in the MENAT do not have the resources or capacity to shape their future as a result of weak city powers in highly centralised countries. Moreover, volatility impedes investment and many cities remain vulnerable to conflict or social unrest.

9. WHERE ARE THE MENAT CITIES ON THE JOURNEY TOWARDS A HIGH-VALUE ECONOMY?

With a strong and long history of diversified economy, most MENAT cities became dependent on a narrow range of sectors in the last century. They are now entering a new period of seeking diversification. Dubai and Abu Dhabi are taking the lead, growing industries such as e-commerce, fintech or AI. Other capital cities and major hubs are well into the 3rd cycle of economic diversification, investing in high-value industries such as finance, education and healthcare. However, many cities are still in the 1st or 2nd cycle, depending mostly on commodities revenues, public sector employment, manufacturing and supporting services such as accounting or marketing.



10. HOW ARE THE MENAT CITIES FARING IN THE GLOBAL BENCHMARKS?

More than 40 MENAT cities are now measured in global benchmarks and Dubai stands as the most visible and best performing city in the region. The MENAT cities perform particularly well globally for the strength of their tourism economy. The cultural history of the region and natural assets combined with greater efforts to improve security makes it a key tourist destination. Dubai, Istanbul, Antalya and Mecca appear in the top 20 destinations by number of international visitors.⁵ The MENAT cities also perform relatively well for the development of the innovation economy compared to other cities globally. With new incubators and accelerators, many MENAT cities are now increasingly supporting their entrepreneurs, and the region boasts two unicorns.⁶ Despite significant improvements, reduced access to capital remains one of the main barriers and most cities are yet to find specialisations in order to compete on the global stage. Talent attraction and retention is a challenge for the MENAT cities. Lack of investment in human capital is offset by strong presence of high-skilled expats, but more investment is required to prepare the population for the future economy. The MENAT cities also struggle to attract investment due to the lack of transparency and volatility of markets. These also impact citizens' quality of life, and only Dubai and Abu Dhabi feature in Mercer Quality of Living Index's top 100.⁷

Focus	Visibility	Global Economy			Innovation Economy		Visitor Economy		Quality of Life
	Proportion of appearances in global benchmarks over the past 3 years	AT Kearney Global Cities Index 2019	IESE Cities in Motion (Economy)	Z-Yen Global Financial Centres 2019	StartupBlink Startup Cities 2019	IMD Smart City Index 2019	Euromonitor top city destinations 2018	ICCA 2019	Mercer Quality of Life Survey 2019
		Overall competitiveness and growth prospects	Economic productivity and growth, global HQ functions	Actual and perceived strength of financial industry	Startup ecosystem strength	Residents perceptions of technological infrastructure and services	International arrivals	Number of ICCA meetings hosted	Overall quality of life
Dubai	55%	27 th	64 th	8 th	139 th	45 th	7 th	44 th	74 th
Istanbul	51%	26 th	67 th	53 rd	78 th	-	12 th	84 th	130 th
Abu Dhabi	32%	69 th	116 th	32 nd	-	56 th	95 th	161 st	78 th
Cairo	29%	66 th	109 th	-	177 th	99 th	50 th	143 rd	177 th
Riyadh	27%	67 th	108 th	96 th	-	71 st	40 th	-	164 th
Doha	21%	61 th	52 nd	39 th	-	-	98 th	255 th	110 th
Ankara	16%	74 th	162 nd	-	204 th	74 th	-	-	-
Casablanca	15%	94 th	99 th	21 st	284 th	-	-	365 th	124 th
Jeddah	14%	75 th	-	-	-	-	-	-	168 th
Kuwait City	13%	76 th	163 rd	65 th	-	-	-	409 th	126 th

11. WHAT IS ON THE AGENDA FOR THE MENAT CITIES?

In light of increasing global competition and geopolitical shifts, the MENAT cities face the imperative to diversify their economy and support entrepreneurs and start-ups to grow their innovation economy. Investing in human capital through education and training is also crucial to grow the skills of local talent and prepare them for new, fast-growing industries.⁸ Other priorities for global hubs, such as Dubai and Istanbul, include adapting infrastructure to climate change threats and facilitating the growth of private sector employment through pro-business measures. More regional hubs like Jeddah or Manama and second-tier cities will also have to tackle physical and digital infrastructure deficits and invest in city branding to highlight openness and grow their international linkages. Governance reform will be an essential part of the MENAT cities' agenda to attract more investments, increase local autonomy and improve local service provision.

12. HOW CONNECTED ARE THE MENAT CITIES GLOBALLY?

The MENAT region counts:

- 2 of the world's 20 busiest airports by passenger number (Dubai and Istanbul),⁹
- 2 of the world's 15 most connected cities by number of air routes (Istanbul and Dubai),¹⁰
- 4 of the top 50 busiest container ports: Dubai's Jebel Ali, Jeddah, Tanger Med and Oman's Salalah.¹¹

Taking advantage of their position between three continents, the MENAT cities – especially Dubai and Istanbul – have successfully established themselves as connectivity hubs. Other Gulf cities are following, with major investment in Muscat, Salalah, Kuwait City and Manama to expand airport and cargo capacity.

13. WHAT ARE THE MENAT CITIES DOING IN TERMS OF MOBILITY?

Characterised by lower public transport ridership than the rest of the world, the MENAT cities are now encouraging a modal shift towards public transport, as a way to reduce congestion, improve quality of life and better serve the growing needs of the region. The MENAT cities are now investing massively in their public transport to increase coverage and efficiency.¹²

City	Project	Cost (US\$)	Completion date
Abu Dhabi	Metro	2bn	2020
Dubai	Expansion of Dubai Metro red Line	3bn	2020
Doha	Metro	8bn	2019-26
Lusail	Tramway	2.7bn	2020
Riyadh	Metro	23bn	2020
Jeddah	Metro	15bn	2025
Mecca	Metro	16bn	N/A
Medina	Metro	11bn	2020
Dammam	Light Rail	16bn	2021
Kuwait City	Mass Rapid Transit	7bn	N/A
Amman-Zarqaa	BRT line	165m	2021
Alexandria	Metro	1.5bn	N/A
Istanbul	Great Istanbul Tunnel (roads + railway)	3.6bn	2020
Istanbul	Metro linking airport to	1bn	2020
Izmir	Second Metro line	250m	N/A

Some MENAT cities are also taking the lead in developing the future of mobility: Dubai has 40 smart transportation initiatives in the pipeline, including driverless buses and flying taxis, and Masdar City has launched a self-driving shuttle service.^{13 14}

14. WHAT ARE THE MENAT CITIES DOING TO REDUCE THEIR ENERGY EMISSIONS?

Renewables have a key role to play in the region’s sustainable energy transition. Many cities are shifting to new and cleaner sources of energy to reduce their emissions. Turkish and Jordanian cities like Kayseri, Antalya and Amman are investing massively in solar-energy based plants, while UAE cities like Sharjah and Dubai are investing in waste-to-energy plants. In terms of energy usage, Abu Dhabi and Dubai have established aggressive new targets to integrate sustainable technologies into city-wide infrastructure to reduce energy usage by at least 50%. The Egyptian cities of Cairo and Alexandria are investing in low-emission bus fleets to reduce emissions from public transportation.

15. WHAT ARE THE MENAT CITIES DOING TO BECOME MORE SUSTAINABLE?

Over the last 30 years, natural disasters have cost the MENAT cities countries about \$20 billion and Muscat, Alexandria, Beirut and Cairo are among the 30 cities with the highest share of GDP at risk of man-made and natural catastrophes.¹⁵ Many cities are thus investing in making their infrastructure more resilient to natural disasters. For example, Jeddah has invested in draining infrastructure and land use to reduce flood risk, while Fez has launched community-level disaster risk management initiatives.¹⁶ As the most water-stressed region in the world, the MENAT cities are also investing in water technologies to reduce water leakages. While Manama and Damman are building or upgrading wastewater treatment plants to increase reuse of wastewater, Abu Dhabi and Dubai are investing in agritech to reduce water leakages from the agricultural sector. Due to the scarcity of water supply and limited arable land, the Middle East is vulnerable to international commodity markets. Therefore, food security and development of sustainable agriculture industry are top priorities.

16. HOW ARE THE MENAT CITIES PERFORMING IN THE INNOVATION ECONOMY?

The MENAT cities have been quick to embrace the innovation agenda. Gulf cities have invested significantly in tertiary education to attract many international universities to the region. They have also been growing their support for entrepreneurs by facilitating the process to set up a business and by launching incubator and accelerator programmes to provide guidance and funding to start-ups. Several MENAT cities have made a name for themselves on the global innovation scene, building on the strength of some sectors. Istanbul ranks in the top 20 global innovation hubs for pharmaceuticals and Casablanca ranks 13th globally for green finance.^{17 18} Dubai also attracted the most foreign direct investment in AI and robotics in 2017.¹⁹ Aware of the growth of the region’s innovation ecosystems, global tech giants have also turned to the region for investment opportunities with Uber’s acquisition of the ride-hailing app Careem, making it the first unicorn in the region, while Alibaba plans to invest \$6bn to create a “tech town” near Dubai.²⁰ Dubai and Abu Dhabi have also established themselves as global leaders for the implementation of smart city initiatives with both cities appearing in the top 60 Smart Cities Index.²¹

17. WHAT ARE THE NEW CITIES PLANNED IN THE MENAT REGION?

There are more than 10 'New Cities' projects planned in the MENAT region, which vary significantly in terms of scale, from Saudi Arabia's NEOM 2,500-km2 megacity to small districts of less than 10 km2 in the likes of the UAE's Masdar City or Oman's Madinat al Irfan. The variation in scale results from the different goals of the 'New Cities Agenda', which has emerged in recent years as:






1. A response to cities’ needs to accommodate the region’s growing population and to control sprawl, as illustrated by the New Cairo district in Egypt or Al-Faisaliah City in Saudi Arabia.
2. A unique opportunity to test and adopt new technologies at a wider scale: Gulf cities are prone to design new districts as innovation testbeds to deploy “smart” solutions and pioneer the future of cities.
3. An opportunity for economic diversification and to develop new brands. Saudi Arabia’s NEOM is envisioned as a global hub for advanced manufacturing and robotics, while its King Abdullah Economic City (KAEC) is to become a manufacturing and logistics hub. Similarly, Kuwait’s Madinat Al-Hareer (Silk City) is planned to become a regional hub for finance and trade, while Dubai South, the flagship district of Dubai 2021, is planned as a logistics and aviation hub.



18. HOW CAN THE MENAT CITIES IMPROVE SOCIAL PARTICIPATION?

The MENAT region, and more particularly North Africa, is marked by high levels of youth unemployment and a low rate of female participation in the labour market.²² As the MENAT cities are growing, improving social participation will be essential to ensure sustainable economic growth and minimise inequalities. The World Bank estimates that GDP per worker in MENA could be two times higher if children achieved complete education.²³

To improve social participation, the MENAT cities can:

-  Invest in education, especially early childhood education and vocational training
-  Encourage female labour force participation
-  Use apps and digital systems to increase citizen engagement
-  Expand labour recruitment channels for private sector workforce to become more diverse
-  Activate public spaces through placemaking efforts

19. WHAT ARE THE MENAT CITIES DOING TO INCREASE THEIR GLOBAL REACH?

In recent years, the MENAT cities have successfully opened up to the world, becoming the host of many major international sports events and global forums, including the 2020 G20 summit in Riyadh, Dubai’s EXPO 2021 and the 2022 FIFA World Cup in Qatar. Several cities have also risen on the cultural scene, holding major cultural events and institutions like the Guggenheim and Louvre museums in Abu Dhabi, and the International Book Fair in Sharjah. Cities from Istanbul to Beirut to Casablanca have also been putting their cultural identity at the core of their development strategy to promote their cities’ cultural heritage. As a host to the world, the MENAT cities are able to stimulate infrastructure investment while boosting high value tourism, and developing a positive international image. Tourism is a major economic pillar throughout the region and has become a strategic component in the diversification of oil-based economies. More political stability, improved security measures, visa facilitation policies, new routes and air capacity enhancement, as well as marketing and promotion efforts have all contributed to strengthening the MENAT cities’ tourism economy. The region is found to be the fastest-growing region for tourism with international tourist arrivals in MENAT destinations growing 10% in 2018, and tourism from India and other fast-growing emerging markets has been increasing significantly too.²⁴

20. WHAT IMPACT WILL THE BELT & ROAD HAVE ON THE MENAT CITIES?

China has become the largest extra-regional source of foreign direct investment (FDI) in the Middle East, with key projects including the UAE’s Khalifa Port, Oman’s Duqm, Saudi Arabia’s Jizan port and Egypt’s Port Said. Planned warehouses and logistics centres are also planned across the region.²⁵

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