

Gulf countries offering international investment opportunities in health care

N.P. Krishna Kumar

Dubai

A shortage of hospitals, clinics and related infrastructure, along with an increasing population and official push to promote medical tourism, makes the health care sector in the Gulf region a promising area for investment.

The increasing emphasis on health care as part of economic plans is exemplified in the UAE Vision 2021 and Saudi Vision 2030. Both countries are promoting public-private partnerships to finance health-care projects.

"Dubai needs 1,000 hospital beds in the next five years just to keep pace with the growing population growth, which translates to seven hospitals, at around 150 beds per hospital," said Craig Plumb, head of research at Jones Lang LaSalle MENA.

"At the same time, for investors looking for alternatives from the crowded residential, offices, retail and hotel sectors, health care is a promising area that is not well-developed or uniform across the region."

Jones Lang LaSalle said health-care spending in the MENA region is expected to grow to almost \$150 billion in 2020, with the Gulf Cooperation Council (GCC) accounting for approximately \$70 billion of that figure – a compound growth rate of more than 12%.

Plumb attributed the main drivers behind this to growing populations, the need to match health-care spending as a percentage of GDP when compared to other developed countries, increasing prevalence of lifestyle diseases, mandatory health insurance policies being rolled out across the GCC by 2020 and a thrust in some countries such as the United Arab Emirates to develop health and wellness industries.

The UAE has been a huge growth story, with emphasis on infrastructure spending, job creation, tourism



Promising sector. Official opening of King College Hospital London's new Medical Centre in Jumeirah. (Dubai King's College Hospital UAE)

and real estate, Plumb observed. "It becomes harder to grow when you already have an advanced infrastructure in place," he said. "The need then arises for quality soft infrastructure, like education and health care. With the pressure on government budgets, they are reaching out to the private sector to invest. We may very well see property trusts invest in the health-care sector."

While acknowledging that funds not familiar with health-care industry may not be attracted to investing in hospitals, Plumb said great opportunities exist in areas such as clinics, pharmacies, diagnostic services, medical schools and training. "Already we are seeing clinics being incorporated into shopping malls and office complexes," Plumb said.

The GCC is witnessing an expansion of health-care groups such as London-listed and Abu Dhabi-headquartered NMC Healthcare, which entered Saudi Arabia last year, acquiring a 70% stake in As Salama Hospital in Al Khobar. This year it is investing \$40 million to acquire two multi-speciality hospitals

in Saudi Arabia.

Dr Azad Moopen, managing director of Aster DM Healthcare, emphasised the role of the private sector in filling the health-care gaps.

"We see the private sector health-care players as crucial to bringing in the latest in innovation and international standards of care to meet local needs," Moopen said. "Of course, the success of the private sector in any industry is maximised by having strong governmental partners."

He said governments in the region were far-sighted and saw the value in the public-private partnerships to achieve ambitious goals. Health care has been positioned as a priority sector by many governments in the GCC "to achieve their vision of world-class medical care," Moopen said.

The ageing population and prevalence of lifestyle diseases, such as diabetes and hypertension, along with a huge increase in obesity, "will prove to be a big toll on health-care sector if not addressed properly," he added.

Aster DM Healthcare Group,

which has been present in GCC countries for 30 years, operates nine hospitals in the GCC, 87 clinics and 202 pharmacies. "There are four more hospitals in the pipeline and many more clinics and pharmacies to be opened in the near future. We see the prospects for health-care business opportunities in some of the undersupplied countries in the region," Moopen said.

International and multispecialty health-care groups such as MedClinic Middle East and Cleveland Clinic Abu Dhabi already have a position in the UAE. Last month, the world-renowned teaching hospital King's College Hospital London expanded its UAE footprint by opening a state-of-the-art, Dubai-based medical centre in Abu Dhabi.

The King's College Hospital UAE is backed by the Al Tayer Group, Dubai Investments Industries and Ashmore Group.

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Briefs

Turkish, Iranian central banks agree to trade in local currencies

The central banks of Turkey and Iran formally agreed to trade in local currencies, Turkish Prime Minister Binali Yildirim said. The move is aimed at increasing bilateral trade.

The Iranian rial and Turkish lira will be easily converted to help reduce the costs of currency conversion and transfer for traders. The countries had been using euros.

"Trading with local currencies is the most significant step to improving economic ties. The central banks of both countries agreed on this issue and they will inform other banks about how the deal will be applied," Yildirim said at a news conference with Iranian First Vice-President Eshaq Jahangiri.

(Reuters)

Financial, security woes put Libyan oil recovery on shaky ground

Libya's oil production revival is being undermined by the same financial, economic and security problems that threaten the promise of stability and a better life for the divided North African country.

Libya surprised observers when it raised oil output fourfold to around 1 million barrels per day (bpd), boosting its only significant source of income.

Continued disruptions by local groups demanding a share of the revenues, as well as a lack of funds for maintenance and investment, have prevented the National Oil Corporation (NOC) from consolidating gains, oil officials, engineers at the major fields and analysts said.

(Reuters)

Growing demand by UK banks for Islamic finance

Suddaf Chaudry

London

The main benefits of sharia-compliant banking are low risk and high investment, which are imperative in the economic climate in Britain as the country battles to remain "strong and stable" post Brexit vote. British Foreign Minister Boris Johnson unveiled his vision on Brexit without consulting Prime Minister Theresa May and the party infighting reflects how unstable Britain's position is on Europe.

The cost of Brexit to British firms is estimated at \$5.3 billion a year, which would trigger enormous disruption and competitive pressures. Brexit is damaging the economy and there is a warning that Britain may lose 40,000 jobs in investment banking unless a better deal is offered. Declining real estate prices and the depreciation of the pound represents the drop in business confidence. The question is whether the United Kingdom will be able to retain its role as the leader in Europe's financial powerhouse.

London is a captive market for Islamic finance. The London stock exchange has 65 Islamic bonds listed with issuances totalling \$48 billion. Miles Celic from TheCityUK said: "Islamic finance institutions and Muslim investors specifically use the UK as an investment base,

rather than considering the UK as a gateway to the rest of the EU."

A CityUK report titled "Global trends in Islamic finance and the UK market" indicated there are more banks in the United Kingdom offering Islamic financial banking than any other Western country. Twenty UK banks – five that are considered fully sharia compliant – offer Islamic finance. That is double the number in the United States.

One option for the United Kingdom to facilitate growth is to enhance its unique position of being the first country outside the Islamic world to hold a sukuk. The bond was oversubscribed and orders totalled more than \$3 billion from domestic and international financial institutions. Malaysia has dominated the global sukuk market. Its success is based on tangible assets rather than speculation on unknown financial instruments. The comprehensive regulatory infrastructure underpinned by sharia framework has been critical to the Malaysian growth model.

Zeeshan Uppal, from Yielders, Britain's first sharia-certified fintech company, said London could become a centre for Islamic finance. He said that, although the lion's share is in the Middle East and Far East Asia, there is ample opportunity based on institutional level investment, with several banks offering Islamic finance, an indication that the industry is growing in Europe. He said the United Kingdom is poised to lead

the continued growth.

Many analysts say there is no difference between the structure of modern Islamic banking and the secular variety. Tarek el-Diwan, senior director at Kreatoc Zest, said: "Both systems are capable of crashing and both tend to increase wealth inequality over time."

Key developments in London supported by sharia-compliant financings, such as Chelsea Barracks, Olympic Village, Shard and the Battersea Power Station sites, indicate that the industry is growing. However, funding of projects using Islamic financing is not London-centric. A pitch book of 18 regeneration projects was announced in 2015 to regenerate the country North to South.

Diwan said the United Kingdom was more attractive than other European markets due to British regulators and financial institutions being the first in the West to recognise the opportunities. He said that is due to the United Kingdom being involved at the initial stage of the Islamic banking and finance experiment.

The United Kingdom influenced the direction of development, Diwan noted, saying "not everybody thinks their influence was benign."

There has been a critique of overstating the growth level of Islamic financial assets, which account for 2% of global finance. Mahmoud el-Gamal, chairman of Islamic Economics at Rice University's economics

department, said: "Islamic finance merely replicates what is already available albeit inefficiently."

Islamic finance has been accused of being incapable of solving practical problems due to its focus on cultural identity, which is regarded as an effective marketing ploy but creates unnecessary transaction costs.

Diwan said it would be helpful for Western countries if Islamic institutions "didn't go so heavy on the Islamic and cultural language." He pointed out that it is important to delve deeper to "determine what is beneath the mask." He said this was possible by creating financial products that are marketed effectively to a larger demographic and would increase growth.

Uppal said: "We created Yielders to democratise finance, provide a community with the confidence to invest with very little and receive a good return."

Some convergence is required with Brexit but the United Kingdom is hungry for alternatives. Islamic finance is a young entity but it may be a viable alternative in creating essential fiscal confidence.

As the demand for Islamic finance grows in London, bankers hope the government does not introduce legislation that affects sharia financing; otherwise, the future remains uncertain.

Suddaf Chaudry is a journalist who focuses on the Middle East and South Asia.

Glencore, Qatar finalise Rosneft deal

The consortium controlled by commodities giant Glencore and Qatar's sovereign fund announced a \$9.2 billion deal to sell a 14% stake in Russian oil giant Rosneft to Chinese conglomerate CEFC.

The sale would yield about \$4.7 billion plus "the amount of euros arising from the conversion" of \$4.6 billion into euros "at a five-day average exchange rate at the date of payment," Glencore said in a statement.

The deal leaves Glencore with 0.5% and Qatar's fund with 4.8% in the Russian oil company.

(Agence France-Presse)

Oil producers may not need to extend cuts: Kuwait

Oil producers may not need to roll over a deal to cut production beyond March if all members comply with their pledges, the Kuwaiti oil minister said.

"The current reduction deal is sufficient to achieve the desired purpose," of rebalancing the oil market, Kuwait Oil Minister Essam Marzouk said at the opening of an oil conference.

(Agence France-Presse)